



**Circular to Money Service Operators**  
**Anti-Money Laundering / Counter-Terrorist Financing**  
**Publication of Mutual Evaluation Report of Hong Kong**

This is to inform you that the Financial Action Task Force, the global standard-setter for anti-money laundering and counter-financing of terrorism (“AML/CFT”), published the Mutual Evaluation Report of Hong Kong (“Report”) on 4 September 2019.

The Report, which provides an assessment of the compliance and effectiveness of Hong Kong’s AML/CFT regime against the international standards, recognizes that Hong Kong has a strong legal foundation and effective system for combating money laundering and terrorist financing (“ML/TF”). The Report is accessible at the website below:

<https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Hong-Kong-2019.pdf>

The Report notes that, generally speaking, large financial institutions and those belonging to international financial groups have a good understanding of ML/TF risks and adequately apply customer due diligence (“CDD”) and record-keeping requirements, whereas there is room for improvement among smaller financial institutions in some of these areas.

To further enhance the effectiveness of Hong Kong’s AML/CFT regime, the Report recommends a number of areas for further work. In relation to the money service operator (“MSO”) sector, the Customs and Excise Department (“C&ED”) would like to highlight in particular the following focus areas:

- To deepen understanding of ML/TF risks – The Report noted inadequacies among smaller financial institutions in their ML/TF risk understanding, especially in relation to cross-border financial flows, non-resident customers and politically exposed persons (“PEPs”), and application of mitigating measures commensurate with their ML/TF risks. MSOs should ensure these risks are adequately considered in their risk assessment process, continuously deepen their understanding of ML/TF risks to which they are exposed and implement effective risk mitigating measures that can adequately manage the ML/TF risks identified.
- To strengthen implementation of AML/CFT measures – The Report noted inadequacies among the smaller financial institutions in the implementation of CDD (especially with regard to risks posed by non-resident customers), and enhanced due diligence measures for foreign PEPs and targeted financial sanctions. MSOs should ensure that these areas are covered in the regular review of their AML/CFT policies, procedures and controls for ensuring effectiveness in managing ML/TF risks arising from their businesses, and take immediate actions to rectify any inadequacies identified.



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- To strengthen suspicious transactions monitoring and reporting – The Report found important variance in the level and quality of suspicious transaction reporting among financial sectors and there is room for improvement especially in the non-banking sector. MSOs are reminded to regularly review the adequacy and effectiveness of their systems and processes for identifying and reporting of suspicious transactions to the Joint Financial Intelligence Unit as soon as reasonably practicable.

The C&ED notes the recommendations made in the Report which will help focus our efforts over the coming years. The C&ED will continue to employ and enhance a broad range of supervisory and enforcement measures to facilitate and ensure effective implementation of policies, procedures and controls for compliance with AML/CFT requirements by MSOs. We will also continue to work together with the MSO sector and various stakeholders to follow up the recommendations in the Report with a view to sustaining the efforts in contributing to the effectiveness of the AML/CFT regime of Hong Kong.

Should you have any queries regarding the contents of this circular, please contact us at 2707 7820.

Money Service Supervision Bureau  
Customs and Excise Department

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