



MSSB/MIS_05/2021

13 December 2021

Circular

Circular to Money Service Operators
Anti-Money Laundering / Counter-Terrorist Financing
Money Laundering and Terrorist Financing Risks
Associated with Delivery Channels

In view of recent incidents involving unfulfilled cross-border / cross boundary remittance by Money Service Operators (“MSOs”) in which customers’ funds were frozen by the regulatory bodies or law enforcement agencies in other jurisdictions, the Customs and Excise Department (“C&ED”) would like to remind MSOs to exercise increased vigilance on possible activities or transactions that are suspected to be related to the money laundering and terrorist financing (“ML/TF”), and to reiterate the importance of institutional risk assessment (“IRA”) conducted by MSOs, particularly on their delivery channel risks outside Hong Kong.^{Note1}

As elaborated in our circular issued on 13 August 2018 regarding the implementation of IRA^{Note2}, MSOs are required to identify, assess and understand the ML/TF risks of their businesses, based on customer, jurisdiction, product/service, and delivery channel risks, and put in place anti-money laundering and counter-terrorist financing (“AML/CFT”) measures commensurate to those risks in order to mitigate them effectively. Accordingly, to ensure the appropriateness and effectiveness of AML/CFT controls, MSOs should be aware of the scope and focus of IRA and review the adequacy of assessment in response to emerging threats arising from the original or changed modes of operation.

In particular, when establishing or maintaining business relationships with potential or existing customers, business partners, and/or counterparties who are part of the MSOs’ delivery channels for effecting the remittance, MSOs should exercise caution in assessing the extent to which these channels are vulnerable to ML/TF abuse. Also, these channels should be reviewed by MSOs on a regular basis to comply with the latest regulatory requirements and mitigate the potential ML/TF risks in the jurisdictions concerned.

The C&ED would like to reiterate that all MSOs are required to establish and maintain adequate and appropriate risk-based controls to protect consumer interest and address any ML/TF risks emanating from the use of particular delivery channels. Specifically, section 19(3) of Schedule 2 to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (“AMLO”) requires MSOs to establish and maintain effective procedures not inconsistent with the AMLO for the purposes of carrying out specified duties under Schedule 2 to the AMLO^{Note3}, in respect of each kind of customer, business relationship, product and transaction. MSOs are also obliged to conduct enhanced due

^{Note1} Paragraph 2.6 of the Guideline on AML/CFT (For MSOs) requires MSOs to take into account higher risks identified, including higher risks notified to the MSOs by the C&ED, in their IRA.

^{Note2} The relevant circular can be found at <https://eservices.customs.gov.hk/MSOS/downloadFile?id=166599>.

^{Note3} Sections 3, 4, 5, 9, 10 and 15 of Schedule 2 to the AMLO.



diligence (EDD) when encountering high risk customers or transactions.

Furthermore, MSOs are reminded of their statutory obligation that where MSOs know or suspect that any transactions or relationships they have or have had involving property that represents any proceeds of drug trafficking, an indictable offence^{Note4} or is terrorist property, they should, as soon as reasonably practical, file a suspicious transaction report with the Joint Financial Intelligence Unit (JFIU).

The C&ED expects each MSO to have comprehensive risk assessment before engaging other parties in its business model, as well as to pay attention to the relevant risks associated with delivery channels and consider their impact on the relevant AML/CFT policies, procedures and controls in a risk-based manner and take appropriate steps to ensure compliance with all applicable requirements under the MSO regulatory regime.

Money Service Supervision Bureau

Customs and Excise Department

End

^{Note4} Section 25(4) of the Organized and Serious Crimes Ordinance (Cap. 455) (“OSCO”) stipulates that an indictable offence includes conduct outside Hong Kong which would constitute an indictable offence if it had occurred in Hong Kong. So, for example, where it is shown that the relevant property came from some identifiable acts committed overseas, it will be caught by section 25(1) of the OSCO if such conduct constituted an indictable offence in Hong Kong, irrespective of the legal position in the jurisdiction where such conduct took place.