

LCQ22: Combating money laundering and terrorist financing activities

Following is a question by the Hon Kenneth Leung and a written reply by the Acting Secretary for Financial Services and the Treasury, Mr Joseph Chan, in the Legislative Council today (May 8):

Question:

Hong Kong is a member of the Financial Action Task Force (FATF). On FATF's request, the Government examined the threats and vulnerabilities in respect of money laundering and terrorist financing that the relevant sectors in Hong Kong and the city as a whole were facing, as well as published a Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report in April last year. The Government has indicated that it has taken follow-up actions in the light of the assessment outcome (follow-up actions). In this connection, will the Government inform this Council:

(1) of the number of reports received in each of the past five years by the authorities from financial institutions about suspicious transactions involving money laundering and terrorist financing, and the total amount of the funds involved; among such cases, of the to-date numbers of (i) cases in respect of which the authorities have taken law enforcement actions, and (ii) persons arrested, prosecuted and convicted respectively;

(2) of (i) the progress and achievements, as well as (ii) the manpower and resources deployed, since the authorities' taking the follow-up actions; and

(3) whether the authorities, when implementing measures to combat money laundering and terrorist financing activities, have maintained communication with the stakeholders of affected financial institutions and designated non-financial businesses and professions, so as to understanding the business environment they are facing and their practical needs, as well as to adjust the relevant measures on a regular basis; if so, of the details; if not, the reasons for that?

Reply:

President,

(1) Under sections 25A of the Drug Trafficking (Recovery of Proceeds) Ordinance and the Organized and Serious Crimes Ordinance, as well as section 12 of the United Nations (Anti-Terrorism Measures) Ordinance, when a person knows or suspects that any property is proceeds of drug trafficking or an indictable offence, or terrorist property; or was used in connection with drug trafficking, an indictable offence or terrorist act; or is intended to be used in drug trafficking, an indictable offence or terrorist act, he or she should report his or her knowledge or suspicion to the Joint Financial

Intelligence Unit (JFIU) administrated jointly by the Hong Kong Police Force and the Customs and Excise Department as soon as practicable.

The number of suspicious transaction reports (STRs) received by the JFIU in the past five years is as follows:

Year	2014	2015	2016	2017	2018
STRs	37 188	42 555	76 590	92 115	73 889

The number of persons prosecuted and convicted for money laundering in the past five years is as follows:

Year	2014	2015	2016	2017	2018
Persons prosecuted	212	149	121	133	143
Persons convicted	143	121	100	83	79

(2) Over the years, Hong Kong has established a robust anti-money laundering and counter-terrorist Financing (AML/CTF) regime. The Government makes regular efforts to enhance the regime, having regard to developments in international standards and changes in security landscape. Taking last year as an example, Hong Kong's AML/CTF regime was further strengthened with the commencement of several pieces of legislation. These include the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Ordinance 2018, which extends the statutory customer due diligence and record-keeping requirements to designated non-financial businesses and professions and introduces a licensing regime in respect of trust or company service providers; the Companies (Amendment) Ordinance 2018, which requires locally incorporated companies to maintain beneficial ownership information for inspection by law enforcement agencies where needed; the Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance, which establishes a declaration and disclosure system to detect the movement of large quantities of physical currency and bearer negotiable instruments into or out of Hong Kong; the United Nations (Anti-Terrorism Measures) (Amendment) Ordinance 2018, which implements the relevant United Nations Security Council (UNSC) resolutions on prohibiting travelling, organising, facilitating or financing travel for the purpose of terrorist acts or terrorist training and prohibiting any person from dealing with properties of a terrorist or terrorist associate; and the United Nations Sanctions (Amendment) Ordinance 2018, which enables regulations made under the Ordinance to impose sanctions directly against persons designated by the UNSC, as well as the relevant regulation to implement the latest UNSC resolutions against the Democratic People's Republic of Korea.

The manpower and other resources involved in the above work are absorbed by the relevant bureaux/departments from within their existing resources. The Government does not maintain a separate breakdown.

(3) In implementing AML/CTF measures, the Government maintains close communication with relevant industries and stakeholders to hear their views and ensure that the measures are practicable and implementable. The amendment of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance last year is a case in point. In addition to prior consultation on the legislative proposals, the Government and the regulatory bodies concerned organised a good number of seminars and workshops for the sectors after enactment of the amendment Ordinance. Sector-specific guidelines were also issued to assist the affected sectors to comply with the legal requirements.