

## LCQ5: Combating deceptive activities jointly with banking sector

Following is a question by the Hon Lam San-keung and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (June 28):

Question:

In the first quarter of this year, Hong Kong recorded 8 886 deception cases, representing an increase of about 65 per cent as compared to the same period last year, and accounting for more than 40 per cent of the overall crime figure. Besides, last year, bank staff assisted in preventing 232 deception cases from happening, and the Anti-Deception Coordination Centre also successfully intercepted defrauded money of more than \$1.3 billion in 888 deception cases. On the other hand, the Hong Kong Monetary Authority will launch a platform for sharing information on corporate mule accounts among banks, and encourage banks to enhance the adoption of Regtech and data analytics, so as to expedite the detection of suspicious accounts, guard against account abuses, as well as prevent and combat deception cases. In this connection, will the Government inform this Council:

(1) of the number of deception cases involving the accounts of four major banks (i.e. HSBC, Bank of China, Standard Chartered Bank and Hang Seng Bank) with the defrauded money being \$500,000 or above, and the total amount of defrauded money in the past year; and

(2) whether the Government or regulatory bodies can disclose to banks the personal data of all holders of bank accounts involved in deception cases and immediately terminate fund transfers to and from such bank accounts, as well as establish a database and a "blacklist of account holders", so as to prevent the persons involved in the cases from opening bank accounts again for deception; if not, of the reasons for that?

Reply:

President,

Hong Kong has a robust anti-money laundering and counter-financing of terrorism regime. Banks conduct their customer due diligence, ongoing monitoring, and file suspicious transaction reports to the Joint Financial Intelligence Unit in accordance with relevant legislation (including the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, Banking Ordinance, the Organized and Serious Crimes Ordinance, etc.) and regulatory requirements. The Hong Kong Monetary Authority (HKMA) is responsible for providing guidance and supervising banks' compliance with legal and regulatory requirements, and has worked closely with the Hong Kong Police Force (HKPF) and the banking industry through public-private partnerships to

proactively detect and disrupt deception and other financial crimes.

Regarding the various parts of the question, in consultation with the HKMA, the Security Bureau, and the HKPF, my reply is as follows:

(1) The HKMA and HKPF do not maintain the number of deception cases and total amounts involved by individual banks. Under the current mechanism, regardless of scale, banks are required to monitor bank accounts continuously, particularly on identifying complex or unusual transactions. In the event that banks determine a transaction is suspicious, they need to file a suspicious transaction report to the Joint Financial Intelligence Unit in accordance with the relevant legal requirements. Besides, if banks receive information that a particular customer or account is suspected to be involved in deception cases, they will follow up as soon as possible, including taking appropriate risk-mitigation measures, such as restricting further funds transfers to or from the accounts, and co-operating with Law Enforcement Agencies' (LEAs) investigations.

(2) The HKMA has been working with the HKPF and the banking industry to enhance information sharing to tackle deception cases and relevant mule account networks. In particular, the HKPF already has a mechanism to provide information on bank accounts involved in deception cases during their investigations to enable banks to follow up. With the support of the HKMA, the Fraud and Money Laundering Intelligence Taskforce (FMLIT) was established by the HKPF in 2017. Ten retail banks participated initially, which will increase to 28 retail banks at the end of June 2023. Since the establishment of FMLIT, through enhanced information sharing between the HKPF and the banks and applying data analytics, banks have identified over 21 000 previously unknown mule accounts and taken prompt action, including restricting further fund transfers to or from the accounts etc, to support law enforcement investigations.

In addition, through the collaboration between the HKMA, the Hong Kong Association of Banks (HKAB) and the HKPF, a bank-to-bank information sharing platform (Financial Intelligence Evaluation Sharing Tool (FINEST)) came into operation on June 20, 2023. With five major retail banks participating initially, the focus of the platform is on sharing information on corporations suspected of being involved in deception-related money laundering. The HKMA and HKAB will expand the platform in phases in the future to include more participating banks, cover personal accounts, and share information on other financial crimes such as trade based money laundering.

As for the recommendation on preventing the persons involved in the cases from opening bank accounts again, according to the current mechanism, banks are required to abide by strict anti-money laundering guidelines and conduct customer due diligence for persons applying to open bank accounts. In general, factors considered by banks include any past involvement of the applicant in fraud or money laundering activities, as well as information shared by HKPF and other banks. With the launch of the bank-to-bank information sharing platform, we believe that banks would be better equipped to handle applications for bank account opening and preventing accounts from

being used for illegal purposes.

The HKMA will continue to work closely with banks and the LEAs to strengthen the ability of the entire anti-money laundering ecosystem to jointly tackle the rapidly evolving deception and financial crimes. Thank you President.