

## 4.1 International Standards and Way Forward

**4.1.1** The Financial Action Task Force on Money Laundering (FATF) is an inter-governmental body formed in 1989. It sets international standards, develops and promotes policies to combat money laundering and terrorist financing. It currently has 33 members and more than 30 observers. Hong Kong has been a member of FATF since 1990.

**4.1.2** The original FATF Forty Recommendations, which set the international standards against money laundering, were first drawn up in 1990. The Recommendations were revised in 1996 and 2003. In 2001, the FATF expanded its mandate to deal with the issue of the financing of terrorism, and introduced the Special Recommendations against terrorist financing. The latest version of the Forty Recommendations extend the anti-money laundering requirements to six Designated Non-Financial Businesses and Professions, which include casinos, estate agents, precious metals and precious stones dealers, accountants, lawyers, trust and company service providers. Similar to financial institutions, they are required to conduct **customer due diligence, record keeping** and **suspicious transaction reporting**. The Recommendations specifically require these three requirements to be stipulated in the laws of the member jurisdictions. While the suspicious transaction reporting obligation has already been set out in the relevant legislation of Hong Kong, legislation for the obligations of customer due diligence and record keeping would be our next task. You may then be required by law to, when doing a transaction with a customer, with or without a threshold:

- (a) ask the customer to produce his/her proof of identity for your inspection;

- (b) identify the beneficiary of the transaction (if the transaction is done through an agent or an intermediary); and
- (c) keep record of each and every transaction for a specified period; etc.

**4.1.3** You may also need to put in place anti-money laundering programme for your company and provide anti-money laundering training to your employees. Your company may be subject to compliance inspection by the authorities, and you may be sanctioned if you or your company fails to fulfill the legal obligations.

**4.1.4** The Government is still deliberating the best regulatory model for your industries. At this stage, we consider a capacity building and educational approach rather than a punitive approach more appropriate. We will strike a balance between compliance with international standards and your business interest, and we will certainly consult you before finalizing the model.

