

Accountants, Lawyers
Trust and Company Service Providers

Be the Gatekeepers for Hong Kong



Combat Money Laundering
and Terrorist Financing



Narcotics Division,
Security Bureau

Customer Due Diligence
Record Keeping
Suspicious Transaction
Reporting

What are Money Laundering and Terrorist Financing?

Money laundering means all kinds of methods and arrangements used to conceal and disguise the sources of the illegally obtained money to make it appear as if it was generated by legitimate means. Terrorist financing is the financial support, with legal or illegal source, of terrorism or of those who encourage, plan, or engage in terrorism.

Both money laundering and terrorist financing are serious criminal offences. A person commits the offence of money laundering if he/she knows or has reasonable grounds to believe to be proceeds of crime. A person commits the offence of terrorist financing if he/she provides or collects funds knowing or with the intention that the funds will be used for terrorism.



Why are Anti-Money Laundering and Counter-Terrorist Financing Important to Hong Kong?

Hong Kong is one of the major international financial centres in the world. The financial sector is one of the most important economic pillars for Hong Kong. An effective anti-money laundering and counter-terrorist financing regime helps to sustain this important economic pillar and Hong Kong's international financial status.



From an international perspective, money laundering and terrorist financing are attracted to places where countermeasures are weak. They would make the financial markets more volatile, bringing instability and economic loss. If we harbour illicit funds and crime proceeds, criminals and terrorists would use them to finance further criminal activities and they would eventually take charge of our legitimate businesses. We would all suffer as a result.

In addition to the financial institutions, **Designated Non-Financial Businesses and Professions (DNFBPs)*** are also found to be vulnerable to abuses for money laundering and terrorist financing. The international standards against money laundering and terrorist financing set by the **Financial Action Task Force on Money Laundering (FATF)** are now extended to DNFBPs.

**Designated Non-Financial Businesses and Professions include casinos, estate agents, dealers in precious metals and precious stones, lawyers, accountants, and trust and company service providers.*

Why is Your Profession Vulnerable?

The advances in technologies and the development of anti-money laundering and counter-terrorist financing regulation have led to the fact that money launderers or terrorist financiers are using increasingly complex commercial arrangements which require the

services of professionals outside the financial services industry. By nature of the services you provide, your professions (lawyers, accountants, and trust and company service providers) inevitably become the gateway through which the money launderer or terrorist financier accesses the legitimate market. The services include, among other things, buying and selling of real properties, management of financial accounts, management of assets, creation, operation and management of companies and legal arrangements.

In some cases, money launderers or terrorist financiers are not merely relying on your expertise but are also using your professional status to minimise suspicion surrounding their criminal activities. For example, a lawyer or an accountant representing a client in a financial transaction or providing an introduction to a bank lends a certain amount of credibility in the eyes of the banker because of the ethical standards presumed to be associated with the work of your profession.



What Do You Need to Do?

To prevent your profession from being exploited by money launderers or terrorist financiers, and to protect yourself from unwittingly committing the money laundering and terrorist financing related offences, you should always, in the course of your business-

**Conduct Customer Due Diligence (CDD);
Keep records of your customers and
transactions; and
Report suspicious transactions.**

CDD, Record Keeping and Suspicious Transaction Reporting are three core countermeasures formulated by FATF for combating money laundering and terrorist financing. Although **CDD** and **Record Keeping** have not yet been written into the law, the banking, securities and insurance sectors have been required by the respective sector regulators to adopt such measures for a long time, which are proved to be effective and easy to administer.

CDD means "know your customers" and their transactions. You should know who you are actually dealing with, know the beneficial owners of your customers if they are legal persons or arrangements, know the purpose and nature of the transactions, etc. If there are suspicious circumstances, you should seek clarification from your customer or other available sources of information.



the Joint Financial Intelligence Unit (JFIU).

Record Keeping means you should keep records of your customers and the related transactions. Record Keeping helps fighting crimes and money laundering. It will not only help you determine if any transaction of the customer is suspicious, more importantly, it allows law enforcement agencies to swiftly reconstruct individual transactions and provides evidence for prosecution.

Suspicious Transaction Reporting is a statutory obligation in Hong Kong. When you know or suspect any property to be crime proceeds or terrorist property, you should report your knowledge or suspicion to the JFIU. A report can be made by telephone (2866 3366), by fax (2529 4013) or via Email: jfiu@police.gov.hk. Whilst there is no prescribed manner of reporting, it is advisable to make the report in writing. Failing to report knowledge or suspicion of crime proceeds or terrorist property is a criminal offence.



We need your help to fight money laundering and terrorist financing by acting as the "gatekeeper" to drive crime proceeds and terrorist funds away from our financial system. We need you to take up this important commitment, and train up your staff to conduct customer due diligence, keep records and report suspicious transactions. Take action now to protect the integrity and stability of our financial system.

What will Government Do to Implement the New International Standards?

The Government is still deliberating the best regulatory model for your profession. 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 finalising the model.



Report Suspicious Transaction
2866 3366

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