



中華人民共和國香港特別行政區
Hong Kong Special Administrative Region of the People's Republic of China



立法會秘書處 法律事務部
LEGISLATIVE COUNCIL SECRETARIAT
LEGAL SERVICE DIVISION

CB(1)1012/10-11(01)

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By Fax (2865 6736)

3 January 2011

Miss Melo Man
Assistant Secretary for Financial Services &
the Treasury (Financial Services) (7) 1
Financial Services and the Treasury Bureau
18/F, Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

Dear Miss Man,

**Anti-Money Laundering and
Counter-Terrorist Financing (Financial Institutions) Bill**

I refer to the Administration's paper (LC Paper No. CB(1)881/10-11(02)), "Politically Exposed Persons", issued to the Bills Committee on the Anti-Money Laundering and Counter-Terrorists Financing (Financial Institutions) Bill and would be grateful if you could clarify the following issue.

Proposed section 15 of Schedule 2 to the Bill provides that a financial institution ("FI") must -

- (a) in a situation specified by the relevant authority in a notice in writing given to the FI, and
- (b) in other situation that by its nature may present a high risk of money laundering or terrorist financing,

adopt the following measures -

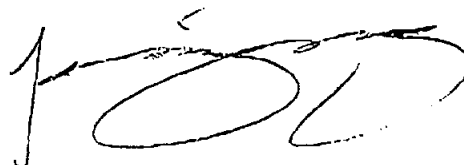
- (a) obtaining approval from its senior management to establish or continue the business relationship concerned; and
- (b) taking adequate measures to establish the relevant customer's or beneficial owner's source of wealth and the source of the funds that will be involved or are involved in the business relationship concerned.

Clause 7(1) of the Bill provides that a relevant authority may publish in the Gazette any guideline that it considers appropriate for providing guidance in relation to the operation of any provision of Schedule 2.

Would the dealings between FI and persons who are entrusted with prominent public functions but who are not "politically exposed persons" ("PEP") under the Bill be considered "a situation" to be specified by the relevant authority under proposed section 15 of Schedule 2? If so, would the specification be included in the guidelines to be published by the relevant authority under clause 7 of the Bill?

I look forward to your reply in bilingual form before 5 January 2011.

Yours sincerely,



Kitty Cheng
Assistant Legal Adviser

c.c. LA
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