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財經事務及庫務局  
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FINANCIAL SERVICES AND  
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**By Fax (no. 2877 5029)**

6 January 2011

Miss Kitty CHENG  
Assistant Legal Adviser  
Legislative Council Secretariat  
Legal Service Division  
8 Jackson Road  
Central  
Hong Kong

Dear Kitty,

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

Thank you for your letter dated 3 January 2011 enquiring the operation of clause 15 of Schedule 2 to the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Bill (“the Bill”) in respect of persons entrusted with prominent public functions but are not politically exposed persons (“PEPs”) as defined under the Bill.

The definition of PEPs under the Bill is drafted having regard to the relevant requirements set out by the Financial Action Task Force. On

the other hand, the relevant authorities will set out in the guidelines to be issued under clause 7 of the Bill risk factors that financial institutions should take into account when assessing the money laundering/terrorist financing risk of business relationships. These factors will include whether a person is entrusted with prominent public functions (in cases where he or she is not a PEP as defined in the Bill), whether the transactions involves large amount of cash, or whether there is any unusual instruction to conduct a transaction that makes no commercial sense. The purpose is that, where a person entrusted with prominent public functions but who is not a PEP approaches a financial institution to establish a business relationship or conducts an occasional transaction over the designated threshold prescribed in the Bill, the financial institution should raise its level of awareness that the customer may present a high money laundering/terrorist financing risk. Where the business relationship is considered as presenting a high money laundering/terrorist financing risk having regard to all of the factors and circumstances, the financial institution must apply the special CDD requirements as provided under clause 15 of Schedule 2 to the Bill.

Yours sincerely,



Miss Melo Man  
for Secretary for Financial Services and the Treasury