

**Bills Committee on
Anti-money Laundering and Counter-terrorist Financing
(Financial Institutions) Bill**

**Coverage of Paragraph (a)(iii) of the Definition of “Business
Premises” under the Anti-Money Laundering and Counter-Terrorist
Financing (Financial Institutions) Bill**

This note clarifies the coverage of paragraph (a)(iii) of the definition of “business premises” under clause 9(15) of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Bill (“the Bill”).

2. Clause 9(1)(a) of the Bill provides that an authorized person may enter the business premises of financial institutions for routine inspections. At the meeting on 13 January 2011, Members asked whether paragraph (a)(iii) of the definition of “business premises” under sub-clause (15) would cover premises of authorized institutions (“AIs”) which are located outside Hong Kong and how would the Hong Kong Monetary Authority (“HKMA”) enforce the requirements under the Bill in respect of such premises.

3. The Department of Justice advised that clause 9 of the Bill does not empower the relevant authorities to exercise their powers thereunder outside Hong Kong. Inspections of AIs’ premises outside Hong Kong for the purpose of ascertaining compliance with requirements under the Bill would be carried out under co-operative arrangements with HKMA’s regulatory counterparts in the relevant jurisdictions.

4. The arrangement is similar to the current arrangements for HKMA’s on-site inspections of AIs’ premises outside Hong Kong. To ensure effective supervision of cases where an AI has outsourced the storage of its data or records, HKMA has included in its regulatory requirements on outsourcing that AIs must ensure that records are available for inspection by HKMA and that access to data by HKMA’s examiners should not be impeded by the outsourcing. In any event, an authorized person is empowered under Clause 9(3)(a) to demand a financial institution to produce relevant records or documents within the time and at the place specified by the authorized person such that the authorized person should be able to gain access to relevant records or documents no matter where they were located.