

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

Remittance Services Operated by the Post Office

Purpose

This note provides information on the remittance services currently operated by the Post Office and the Financial Action Task Force (FATF)'s comments on the remittance services operated by the Post Office as set out in its mutual evaluation on Hong Kong.

Remittance Services Operated by the Post Office

2. The Post Office is a Government department operating as a Trading Fund. As set out in Schedule 1 to the subsidiary legislation on the Post Office Trading Fund (Cap 430E), the Post Office may provide remittance services. The Post Office is not subject to the registration and other related requirements applicable to remittance agents under the Organized and Serious Crimes Ordinance (Cap 455).

3. The Post Office provides two types of remittance services, namely electronic remittance and money order to members of the public. Further details of these services are set out below.

Electronic remittance

4. Electronic remittance was introduced in Hong Kong in 2004. The Post Office provides electronic remittance via the electronic real-time platform of a provider of a worldwide money transfer processing system. Such service is now available at 17 designated postal outlets. Funds remitted via electronic remittance can reach over 200 jurisdictions and territories covered by the Western Union's network.

Money order

5. Money order is an order for the payment of a specified sum of money, issued at one post office and payable at another abroad. Money

order services are operated under bilateral agreements between Hong Kong and the postal administrations of other jurisdictions. Such services are available at post offices at over 120 locations. At present, PO has agreements with the postal administrations of five jurisdictions, including the Mainland China, the Philippines, Japan, Indonesia and Nepal.

FATF's Comments on the Remittance Services Operated by the Post Office

6. FATF requires jurisdictions to “take measures to ensure that persons or legal entities, including agents, that provide a service for the transmission of money or value, including transmission through an informal money or value transfer system or network, should be licensed or registered and subject to all the FATF Recommendations that apply to banks and non-bank financial institutions.”

7. In the mutual evaluation report on Hong Kong published in 2008, FATF highlighted that the Post Office which offers remittance services is “subject to relatively limited anti-money laundering (AML)/ counter-financing of terrorism (CFT) obligations and oversight” and recommended Hong Kong to undertake a formal assessment “to determine whether there is any justification for excluding [the Post Office] from the CDD requirements.”

8. Pursuant to FATF's comments, the Financial Services and the Treasury Bureau has conducted an assessment on the remittance services operated by the Post Office and concluded that it is subject to comparable money laundering/terrorist financing risks as its commercial counterparts. As such, we propose in the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Bill that the AML requirements should be extended to the Post Office to fulfill FATF's requirement.

**Financial Services and the Treasury Bureau
21 December 2010**