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Panel on Security

**Information note prepared by the Legislative Council Secretariat
for the meeting on 7 July 2015**

**Public consultation on the establishment of a reporting system on the
physical cross-boundary transportation of large quantities of currency and
bearer negotiable instruments**

The Financial Action Task Force ("FATF"), established in 1989, is an inter-governmental body of a global scale responsible for setting international standards to combat money laundering and terrorist financing activities. FATF currently comprises 34 member jurisdictions and two regional organisations, among which Hong Kong has been a member jurisdiction since 1991. The mandate of FATF is to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and the financing of proliferation, and other related threats to the integrity of the international financial system. In collaboration with other international stakeholders, FATF also works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.

2. FATF has developed a series of recommendations setting out a comprehensive and consistent framework of measures which countries should implement in order to combat money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction. They form the basis for a co-ordinated response to these threats to the integrity of the financial system and help ensure a level playing field. First issued in 1990, FATF recommendations were revised in 1996, 2001, 2003 and most recently in 2012 to ensure that they remain up to date and relevant, and they are intended to be of universal application.

3. The subject of establishment of a reporting system on the physical cross-boundary transportation of large quantities of currency and bearer negotiable instruments ("CBNIs") per se has not been discussed by the Panel on

Security ("the Panel"). According to the Administration's replies to Members' initial written questions on the Estimates of Expenditure 2015-2016, FATF member jurisdictions were required under Recommendation 32 of FATF to put in place a system requiring travellers to make a declaration or disclosure where they carried CBNI's into or out of the jurisdiction. This was intended to guard against the abuse of cash courier services for money laundering and terrorist financing activities. The Narcotics Division of the Security Bureau and the Customs and Excise Department had commenced a study on the establishment of a system for detecting physical cross-border transportation of CBNI's, and were considering an appropriate system for Hong Kong. The Security Bureau would consult the Legislative Council and members of the public in due course.

4. The Administration will brief the Panel on the impending public consultation on the establishment of a reporting system on the physical cross-boundary transportation of large quantities of CBNI's at the meeting on 7 July 2015.

Council Business Division 2
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30 June 2015