

**LegCo Panel on Security
Meeting on 4 March 1999**

The Administration's response to Members'
request for more information for not introducing
a licensing system for money changers and remittance agents

At the LegCo Panel on Security meeting on 4 March 1999, Members discussed, amongst others, the Administration's proposals to impose statutory requirements on money changers and remittance agents to adopt anti-money laundering measures. Members requested the Administration to provide more background information for not introducing a licensing system on these two businesses.

2. The primary objectives of the proposed statutory requirements for money changers and remittance agents to identify customers and keep transaction records are to minimize the chance of these two businesses being used for money laundering operation, and to create an audit trail to facilitate the investigation of money laundering offence. To achieve these policy objectives, the Administration considers it sufficient to require these two businesses to notify an appointed public officer of their names and addresses prior to commencement of their operation, and to keep that public officer informed of any changes to the reported particulars. The introduction of a licensing system will have significant staff implications as the issuing and other follow up to licensing require setting up of a licensing office. A notification system can well achieve the purpose of anti-money laundering while causing much less staff implications.

3. In so far as the recommendation of the Financial Action Task Force on Money Laundering (FAFT) is concerned, a notification system along the line the Administration has proposed already suffices. A licensing system which entails a much wider range of regulations on consumer protection, the financial soundness and integrity of the businesses, etc, is not called for at this stage, nor will it be cost-effective to put such a system in place solely for the purpose of anti-money laundering. A licensing system will definitely increase the cost of the businesses, as there will be licence fee and application for a licence will be more complicated. A notification system, as it is currently proposed, is certainly more readily acceptable to the businesses concerned.

4. Licensing system is also not commonly adopted in overseas jurisdictions. The United Kingdom, for example, does not use licensing system to regulate money changers or remittance agents for purpose of countering money-laundering.

5. When the Administration deliberated on the proposals, it had already looked into the Money Changers Ordinance (Cap 34). Apart from the fact that Cap 34 only covers money changers, not remittance agents, hence is not fit for the current purposes which affect both businesses, the purpose of Cap 34 is to protect the interests of consumers by allowing them to consent in advance to the terms, such as exchange rates, charges and commissions, of the transactions. Cap 34 as it now stands is sufficiently effective to achieve the purpose of protecting consumer interests in making exchange transactions. The Administration does not see any need to introduce a licensing system for the purpose of consumer protection which may unnecessarily increase the operators' running costs. More importantly, Cap 34 is also not an appropriate vehicle to introduce a licensing system to combat money laundering activities.

Security Bureau
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