

For Information

Legislative Council Panel on Financial Affairs

Mutual Evaluation of Hong Kong's Anti-Money Laundering and Counter-Terrorist Financing Regime by Financial Action Task Force and Asia-Pacific Group on Money Laundering

Purpose

This paper informs Members of the outcome of the mutual evaluation jointly conducted by the Financial Action Task Force (“FATF”) and the Asia-Pacific Group on Money Laundering (“APG”) on the anti-money laundering and counter-terrorist financing (“AML/CTF”) regime of Hong Kong.

The Mutual Evaluation

2. The FATF is an inter-governmental organisation which sets international standards, in the form of 40 Recommendations and 11 Immediate Outcomes, for combating money laundering and terrorist financing (“ML/TF”). Comprising 39 major economies of the world, the FATF conducts peer reviews of member jurisdictions regularly to assess their degree of compliance with the FATF Standards under a mutual evaluation process. A member of the FATF since 1991, Hong Kong underwent a latest round of mutual evaluation commencing in January 2018. The mutual evaluation was jointly conducted by the APG, an FATF-style regional body comprising Hong Kong as a founding member from 1997. Lasting for 18 months, the mutual evaluation was undertaken by an assessment team comprising ten experts from the FATF and the APG, which also paid a three-week onsite visit to Hong Kong in late 2018. The assessment culminated in the submission of a mutual evaluation report for consideration by the memberships of the FATF and the APG.

3. The Mutual Evaluation Report of Hong Kong (“the ME Report”) was examined and adopted by the FATF Plenary in Orlando, the United States, in June 2019, and by the APG Plenary in Canberra, Australia, in August 2019. The Hong Kong delegation attending the FATF scrutiny of the Report was led by the Permanent Secretary for Financial Services and comprised representatives from the relevant government departments and regulatory authorities. The ME Report was published by the FATF at its website on 4 September 2019, accessible at <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Hong-Kong-2019.pdf>.

Outcome of the Mutual Evaluation

4. Hong Kong has achieved satisfactory results in the mutual evaluation, with the Government’s efforts in building a robust AML/CTF regime duly recognised by the international community. The ME Report commends Hong Kong for having a strong legal foundation and effective system for combatting ML/TF. Underpinned by a high-level commitment from the Government, the system is particularly effective in the areas of risk identification, law enforcement, asset recovery, counter-terrorist financing and international co-operation. Hong Kong has scored 36 “Compliant” or “Largely Compliant” ratings out of the FATF’s 40 Recommendations (which measure the technical compliance of a regime), and six “Substantial” ratings out of its 11 Immediate Outcomes (measuring the effectiveness of a regime). With this outcome, Hong Kong’s system is assessed to be compliant and effective overall, making it the first jurisdiction in the Asia-Pacific region to have achieved an overall compliant result in the current round of FATF evaluation. Only five out of the 23 jurisdictions assessed before Hong Kong have been rated overall compliant by the FATF and placed under a “regular follow-up” process (as opposed to “enhanced follow-up” for those failed in a mutual evaluation).

Way Forward

5. The ME Report also sets out a number of recommendations on

areas where Hong Kong should work on to further enhance the AML/CTF regime. We are expected to take forward the recommendations and report back to the FATF in due course under the “regular follow-up” process. The Government will carefully consider all recommendations, and consult Members on specific proposals to implement the relevant recommendations as appropriate.

Advice Sought

6. Members are invited to note the content of this paper.

**Financial Services Branch
Financial Services and the Treasury Bureau
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