

香港特別行政區政府  
財經事務及庫務局  
財經事務科  
香港添馬添美道二號  
政府總部二十四樓



LC Paper No. CB(1)219/19-20(02)

FINANCIAL SERVICES BRANCH  
FINANCIAL SERVICES AND  
THE TREASURY BUREAU  
GOVERNMENT OF THE HONG KONG  
SPECIAL ADMINISTRATIVE REGION

24TH FLOOR  
CENTRAL GOVERNMENT OFFICES  
2 TIM MEI AVENUE  
TAMAR  
HONG KONG

電話 TEL.: 2810 2067  
圖文傳真 FAX.: 2527 0790  
本函檔號 OUR REF.: ITLO/4/2/13/3C  
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2 December 2019

Clerk to Panel on Financial Affairs  
Legislative Council Secretariat  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong  
(Attn: Ms Sharon Lo)

Dear Ms Lo,

**Re: Updated List of Outstanding Items for Discussion  
(LC Paper No. CB(1)125/19-20)**

Thank you for your email dated 15 November 2019 attaching Hon Kenneth Leung's letter to the Chairman of the Panel on Financial Affairs. The requested information in response to Hon Leung's questions is set out below.

Question 1

Following a most rigorous assessment of the anti-money laundering and counter-terrorist financing ("AML/CTF") regime of Hong Kong, the Financial Action Task Force ("FATF") published the Mutual Evaluation ("ME") Report of Hong Kong on 4 September 2019. Hong Kong has achieved satisfactory results in the ME, with the Government's commitment to and efforts in building a robust AML/CTF regime duly recognised by the international community. Hong Kong's AML/CTF system is assessed to be compliant and effective overall, making us the first jurisdiction in the Asia-Pacific region to have achieved an overall compliant result in the current round

of FATF evaluation. Whilst we do not necessarily agree with the assessment team on each and every issue deliberated, we respect the assessment outcome as recorded in the ME Report, and we welcome in particular the Report's conclusion that Hong Kong has a strong legal foundation and effective system for combatting money laundering and terrorist financing.

### Question 2

As you have noted, the ME Report suggests a number of Recommended Actions, including nine Priority Actions, for Hong Kong to further enhance its AML/CTF regime. The Report does not prescribe a timeframe for implementation of the recommendations, many of which are in fact ongoing in nature, requiring Hong Kong to continue with its good work to combat money laundering and terrorist financing. We are nevertheless expected to report back to the FATF in October 2022 on actions taken to strengthen the technical compliance of the regime having regard to the Report's recommendations, and in October 2024 on the effectiveness of the regime following adoption of the enhancements. The Government will carefully consider all recommendations and consult Panel Members on specific proposals to implement the relevant recommendations where necessary. As the Priority Actions fall under the auspices of different stakeholders such as policy bureaux, law enforcement agencies, financial regulators, self-regulatory bodies and the private sector, and many of the Priority Actions actually concern the reinforcement of existing work, they can be taken forward in parallel where appropriate without any competing priorities among themselves.

### Question 3

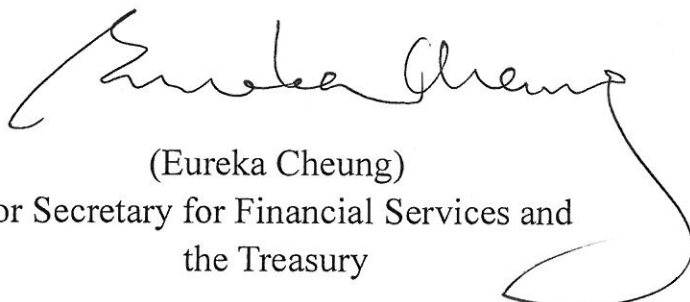
On the specific issue of strengthening risk-based supervision of designated non-financial businesses and professions ("DNFBP"), you may wish to note that the DNFBP regulators (viz. the Law Society of Hong Kong, the Hong Kong Institute of Certified Public Accountants, the Estate Agents Authority and the Company Registry) have been supervising the AML/CTF compliance of their respective sectors following the commencement of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Ordinance in March 2018. As the DNFBP

regulators continue their efforts to refine their risk-based approach to supervision, the Government will maintain close liaison with them and render assistance as necessary.

Question 4

Following the successful completion of the ME with satisfactory results, Hong Kong will submit follow-up reports to the FATF for consideration but no re-assessment or re-rating of our AML/CTF regime as a whole will be necessary for the current round.

Yours sincerely,



(Eureka Cheung)  
for Secretary for Financial Services and  
the Treasury