

LCQ11: Preventing bank accounts from being used for money laundering

Following is a question by the Hon Shang Hailong and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (December 6):

Question:

It has been reported that the number of people arrested by the Police for holding stooge accounts in connection with fraud and money laundering cases has been on the increase over the past three years. The Police have pointed out that many members of the public believe that only stooge account holders who clearly know the source of the money will be convicted. However, according to the relevant case law, even if the arrested persons claim that they have merely lent, sold or rented their bank accounts to third parties without directly engaging in illegal activities such as money laundering, their criminal liabilities are no different from those of the real money launderers, and the court may even consider these acts as an aggravating factor in determining the penalty. In this connection, will the Government inform this Council:

(1) as it has been reported that several of the stooge account holders recently arrested by the Police in connection with fraud and money laundering cases are aged between 18 and 30, whether the Government will work together with tertiary institutions to remind tertiary students not to lend, sell or rent their bank accounts to third parties in order to raise their awareness of anti-money laundering;

(2) whether it will consider stepping up online publicity (e.g. on social media platforms such as Facebook and Instagram, which are often used by young people) to remind young people not to lend, sell or rent their bank accounts to third parties; and

(3) whether it will establish, in collaboration with the banking sector, a mechanism whereby bank staff will call the customers concerned whenever money from unknown sources is found to have been deposited in their bank accounts, so as to remind them that stooge account holders may commit money laundering offences due to the use of their accounts for illegal purposes, so that they can take timely and appropriate actions to prevent such crimes from occurring?

Reply:

President,

In consultation with the Security Bureau, the Hong Kong Police Force (Police) and the Hong Kong Monetary Authority (HKMA), the consolidated reply

to the various parts of the question raised by the Hon Shang Hailong is as follows.

Anti-money laundering (AML) is an important element in the fight against organised crimes, and is essential to safeguarding the status and reputation of Hong Kong as an international financial centre. Hong Kong has established a comprehensive and effective mechanism to combat money laundering crimes, encompassing a robust legal framework, effective law enforcement strategies, risk-based preventive measures, international co-operation arrangements, etc. The Government reviews the mechanism from time to time in response to new challenges, including the trend of using mule accounts for handling proceeds of fraud.

To raise the awareness of members of the public on the proper use of bank accounts, the HKMA and the Police have adopted AML measures as set out below.

With the evolving nature of financial crimes, the HKMA closely monitors relevant situations and emerging fraud practices, and has adopted a number of measures in co-ordination with the banking industry and law enforcement agencies to address the latest risks. The HKMA actively encourages banks to adopt Regtech in AML, especially for detecting mule account networks related to fraudulent activities (with banks having network analytics capability currently covering nearly 90 per cent of retail banking customers), and has strengthened public-private co-operation and information sharing. Besides, the Police and major banks have launched a scam alert programme in May this year to proactively identify victims by analysing the transaction records of mule accounts. As of end-November this year, the programme has successfully dissuaded more than 320 people from continuing to transfer money to fraudsters.

On law enforcement, the Police continues to enhance efforts. In the first ten months of this year, the Police has arrested a total of 4 729 people involving in various types of fraud cases, representing an increase of 50 per cent when compared with the same period last year. Recently, the Police has successfully applied to the court for the first time to increase the sentence on mule account holders for collecting fraud proceeds, which has raised the deterrent effect on "renting, lending and selling" of bank accounts. The Police has also continued to exchange intelligence with the Mainland and overseas law enforcement agencies to combat cross-border fraud syndicates.

Regarding publicity, the Police will continue to expand the physical and online channels for extending the reach of AML messages. In partnership with social media platforms, public/private organisations, government departments, etc, the Police has arranged for AML promotional videos and electronic publicity messages to be shown at multiple platforms, including shopping malls, public markets, bus shelters, public housing estates, cross-harbour tunnels, bus carriages. The Police has also worked with radio and television stations to produce public education programmes. Regular AML workshops and seminars for stakeholders (including secondary schools and tertiary

institutions) are organised to enhance the AML awareness of different sectors. A large-scale publicity campaign "Anti-Money Laundering Month" was launched in August this year, with three mascots named "Don't Rent", "Don't Lend" and "Don't Sell" introduced to remind members of the public not to "rent, lend or sell" their bank accounts so as to prevent the accounts from being manipulated for illegal purposes.

The HKMA also posts messages from time to time on social media platforms (e.g. Facebook and Instagram) frequented by young people, with the latest post published in August this year. A dedicated "Do Not Lend/Sell Your Account" page has been set up on the HKMA's website and other educational information has been disseminated through short video clips, posters, etc. Besides, the HKMA encourages banks to conduct relevant publicity and education. In addition to using their websites and mobile apps, banks also display posters and show promotional videos with relevant messages in their branches (including those located on university campuses). Moreover, the HKMA and the banking industry, through "Project AccFencers", carry out a series of AML publicity activities in the annual "Anti-Money Laundering Month", including the message "Do Not Lend/Sell Accounts", so as to increase public awareness of AML and prevention.

On public-private collaboration, the HKMA, the banking sector and the Police have established a number of collaboration mechanisms to address the latest risks, including "Fraud and Money Laundering Intelligence Taskforce" and "24/7 stop payment mechanism", with a common goal of inhibiting the occurrence or spread of fraud cases at source to reduce losses. This year, the HKMA has newly launched five key collaborative measures including the "Financial Intelligence Evaluation Sharing Tool (FINEST)", "Real-time Fraud Monitoring System", "Anti-Deception Alliance" and "Faster Payment System Suspicious Proxy ID Alert". It also actively encourages banks to adopt Regtech in AML to facilitate the entire AML ecosystem to detect and stop fraudulent activities and mule accounts networks more effectively, and enhance the ability to identify suspicious accounts early and alert potential victims of deception.

In accordance with international standards and practices, banks are required to monitor bank accounts on an ongoing basis, identify complex or unusual transactions, file suspicious transaction reports to the Joint Financial Intelligence Unit, and assist in investigation. However, if bank accounts have been lent or sold to criminal syndicates, the contact information of the accounts would likely have been altered by criminals. Banks may then not be able to contact the real account holders to alert them that their accounts may be used for illegal purposes. Therefore, the HKMA has been closely collaborating with the banking sector and the Police in stepping up promotion and education. Members of the public are reminded not to lend/sell their bank accounts to third parties so as to prevent their accounts from being manipulated by third parties for illegal purposes, and that persons who lend/sell bank accounts may be suspected to have committed money laundering offences.

The HKMA and the Police will continue to work with regulatory

authorities and the industry to strengthen the efforts in combatting fraud and financial crimes through the use of innovative means, technology, data and network analytics. Diversified promotional videos and publicity materials will be produced to enhance the AML awareness among the industry, general public and specific groups; extend the reach of AML messages; and remind members of the public of fraudsters' latest practices as well as the importance of protecting personal data/passwords and not lending/selling bank accounts.