

LCQ2: Remittance service provided by money changers

Following is a question by the Hon Kingsley Wong and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (March 20):

Question:

The Customs and Excise Department is responsible for the licensing and monitoring of money changers in Hong Kong, and it is learnt that many members of the public regard the remittance service provided by money changers as legal and safe. However, it has been reported that recently, many members of the public remitted money to Mainland personal bank accounts through money changers, and subsequently the money or bank accounts concerned were frozen by Mainland public security authorities. In this connection, will the Government inform this Council:

- (1) of the number of requests for assistance or reports received by the Government in the past five years in respect of remittance of money to the Mainland through money changers (including those relating to money or bank accounts being frozen) and, among them, the number of cases which were resolved after intervention by the relevant government departments;
- (2) of the measures in place to monitor the remittance service provided by money changers, so as to ensure compliance of such service with the laws and regulations of the Mainland and Hong Kong, and protect the money of members of the public; and
- (3) whether the authorities will deepen their communication and collaboration with the Mainland to ensure the flow of funds and the safety of remittance of money between the Mainland and Hong Kong as well as the resolution of cases of requests for assistance by members of the public, and will at the same time step up publicity and education to enable members of the public to have a better grasp of the points they need to note in respect of remitting money to the Mainland; if so, of the details; if not, the reasons for that?

Reply:

President,

According to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (AMLO), anyone who wishes to operate remittance or money changing services must obtain a licence from the Hong Kong Customs and Excise Department (C&ED). Apart from considering whether an applicant (including its partners, directors and ultimate owners) is a fit and proper person to operate a money service, the C&ED also provides guidelines to ensure that licensees comply with a series of requirements, including establishing and

maintaining effective internal monitoring policies to mitigate money laundering and terrorist financing risks, operating a money service at suitable premises, properly keeping accounts, so as to ensure that licensees properly operate their business. If a licensee is found to have contravened the AMLO or relevant guidelines, the C&ED can initiate criminal prosecution or impose administrative sanctions against the licensee, including publicly reprimanding the licensee, ordering the licensee to implement remedial measures or pay a fine and/or impose additional licensing conditions.

In consultation with the C&ED, the reply to the various parts of the question raised by the Hon Kingsley Wong is as follows:

(1) In 2023, the C&ED received a total of 161 requests for assistance relating to remittance service or bank accounts being frozen, involving an amount of about RMB10.7 million. With the C&ED's intervention, so far 94 persons requesting for assistance have settled their cases through bilateral negotiation, involving an amount of about RMB6.9 million.

(2) The C&ED attaches great importance to the compliance situation of remittance service and has been implementing various measures to ensure that money service operators (MSOs) handle customer funds and complete relevant transactions appropriately. Specifically, the C&ED has formulated the Money Service Operators Licensing Guide and the AMLO Guideline to ensure that MSOs comply with the regulations on customer due diligence, record keeping, proper handling of customer funds and other licensing requirements. Moreover, besides investigating and following up on reports and complaints from members of the public, the C&ED also conducts regular and surprise inspections. If an MSO is found to have contravened the AMLO, the C&ED will take immediate enforcement actions. Apart from criminal prosecution, the offender may face disciplinary or administrative sanctions (e.g. licence suspension or revocation). For MSOs with higher operational risks (arising from the nature of customers or products, services, transactions or delivery channels, etc), the C&ED would impose specific conditions on their licences to protect consumer interests.

(3) In addition to the above regulatory and enforcement work, the C&ED has been reminding members of the public to use the services of licensed MSOs and pay attention to the points-to-note and risks of remittance, through various channels such as press releases, social media and educational seminars customised for different groups (e.g. non-local tertiary students, foreign employees, etc). The C&ED will take suitable actions immediately upon detecting any contravention, so as to protect consumer rights. The C&ED will, within the remit of the relevant legislation, explore with Mainland and overseas authorities concerned how to enhance collaboration to assist the affected members of public.

Thank you, President.