

LCQ6: Combating money laundering and terrorist financing activities

Following is a question by the Hon Holden Chow and a reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (January 9):

Question:

The Government has stated that it has all along been striving to combat money laundering and terrorist financing activities in accordance with relevant international standards, in order to maintain Hong Kong's status as an international financial centre. In this connection, will the Government inform this Council:

(1) of the number of reports about suspicious transactions involving money laundering or terrorist financing activities received by the Joint Financial Intelligence Unit, and the number of such cases it referred to other units for investigation, as well as the respective numbers of relevant prosecutions and convictions, in each of the past five years;

(2) whether it has assessed the aggregate value of property relating to money laundering and terrorist financing activities carried out in Hong Kong, as well as the aggregate value of such property confiscated, in each of the past five years; of the measures put in place to ensure that all such property can be confiscated; and

(3) given the diversified means for money laundering and terrorist financing, how the Government will step up its training for the law enforcement officers to enhance their ability to combat such activities?

Reply:

President,

As an international financial centre with a highly externally-oriented economy, Hong Kong is not immune from the threats of money laundering (ML) and terrorist financing (TF). We should stay vigilant against those threats.

Hong Kong is committed to combating ML and TF together with the international community. Hong Kong has become a member of the Financial Action Task Force (FATF) since 1991. Over the years, we have put in place a robust anti-money laundering and counter-financing of terrorism (AML/CFT) regime having regard to international standards set by the FATF. To stay ahead of the curve, we put the AML/CFT regime under continuous review to ensure that it can live up to challenges posed by the fast-changing financial market and security landscapes.

Over the past few years, the Government has adopted various measures to strengthen the AML/CFT regime so as to ensure that our system is keeping with international standards. To identify and assess ML/TF threats facing Hong Kong, we have conducted a territory-wide risk assessment to examine the ML/TF threats and vulnerabilities confronting financial businesses, designated non-financial businesses and professions, and the city as a whole. The risk assessment report was published in April 2018 and will be updated from time to time. Informed by the risk assessment, over the past year, we have taken forward various enhancement measures. These include updating the legal and regulatory framework, reinforcing the adoption of a risk-based approach in preventive and supervisory measures, stepping up efforts to restrain and confiscate crime proceeds, and strengthening international co-operation. In respect of updating the legal framework, to mitigate the identified risks, the Government implemented four new ordinances last year, including (i) the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Ordinance 2018, (ii) the Companies (Amendment) Ordinance 2018, (iii) the United Nations (Anti-Terrorism Measures) (Amendment) Ordinance 2018 and (iv) the Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance.

On the questions raised by Hon Chow, my response is as follows:

(1) It is stipulated in the Organised and Serious Crimes Ordinance (OSCO), the Drug Trafficking (Recovery of Proceeds) Ordinance (DTRP) and the United Nations (Anti-Terrorism Measures) Ordinance that any person who knows or suspects that any property represents proceeds of an indictable offence or drug trafficking, or is terrorist property, must report his/her knowledge or suspicion to the Joint Financial Intelligence Unit (JFIU) as soon as is reasonable or practicable. From 2013 to 2017, the JFIU received more than 280,000 suspicious transaction reports (STRs). About 44,000 of them were referred to other law enforcement agencies (LEAs) or regulatory authorities for follow-up, whereas the remaining 238,000 STRs were archived due to the lack of sufficient grounds for further action. During the same period, 828 persons were prosecuted for ML offences and 620 persons were convicted.

(2) Under Section 14 of the OSCO, where proceedings have been instituted against the defendant for a specified offence, the prosecution can make an application to the Court of First Instance for restraint of the realisable property (assets and funds) of the defendant so as to prohibit any persons from dealing with the property. Upon conviction, the Court of First Instance may assess the value of proceeds gained from relevant offences by the defendant according to Section 9 of the OSCO and make a confiscation order against the defendant to recover the relevant monies pursuant to Section 8 of the OSCO. The DTRP also has similar provisions pertaining to drug trafficking offences. From 2013 to 2017, proceeds confiscated under confiscation orders amounted to over \$1.6 billion.

LEAs will continue to strengthen ML and TF risk assessment so as to understand the latest typologies, step up investigation and prosecution of ML/TF activities through exchange of financial intelligence and inter-agency co-operation, and foster closer co-operation with overseas institutions, with

a view to combating ML syndicates and recovering proceeds dissipated from Hong Kong.

(3) LEAs are committed to building the investigative capability and related knowledge of investigators of all ranks (including officers of the JFIU) through regular training. LEAs also maintain close co-operation with each other and overseas enforcement agencies and financial institutions in an effort to jointly combat ML offences. Apart from providing regular financial investigative training to investigators, LEAs also send officers to attend conferences convened by international organisations on an ongoing basis, so as to enhance their understanding of the latest international security landscape and facilitate exchanges with overseas enforcement agencies on investigative experience and knowledge.

Thank you, President.