

LCQ6: Fraud and Money Laundering Intelligence Taskforce and combating trafficking in persons

Following is a question by the Hon Kenneth Leung and a reply by the Secretary for Security, Mr John Lee, in the Legislative Council today (October 31):

Question:

The Fraud and Money Laundering Intelligence Taskforce (the Taskforce), led by the Police with members comprising representatives from the Hong Kong Monetary Authority (HKMA), the Hong Kong Association of Banks and a number of banks, was established in May last year for a period of 12 months. It has been reported that the Taskforce prepared an alert called Combating Human Trafficking in Hong Kong and the Asia-Pacific Region, but the Police have not published the alert for fear that it may lead to Hong Kong being labelled as a hub for human trafficking. In this connection, will the Government inform this Council:

- (1) when the Police will publish the aforesaid alert; of the number and subjects of the assessment reports and alerts which have been issued to the financial sector, and other tasks undertaken, by the Taskforce to enhance the ability of financial institutions in identifying and reporting suspicious transactions involving human trafficking;
- (2) of the respective numbers of reports on suspicious transactions related to human trafficking which were received by the Police and HKMA in each of the past five years, and the total amount of money involved; among such cases, the number of those in respect of which law enforcement actions have been taken by the Police, and the respective numbers of persons arrested, prosecuted and convicted; and
- (3) whether it has reviewed the effectiveness of the Taskforce; if so, of the details; whether the Taskforce will become a standing mechanism; if so, of the relevant staffing establishment and the way forward in the work of the Taskforce?

Reply:

President,

With regard to the three questions from the Hon Kenneth Leung, my consolidated reply is as follows.

As an international financial centre, Hong Kong attaches great importance to safeguarding the integrity of its financial systems. To this end, Hong Kong has been implementing anti-money laundering and counter-financing of terrorism measures in accordance with international standards to

gather intelligence and detect relevant crimes, and to deter inward and outward flows of illicit funds. In particular, laundering proceeds of crime is a criminal offence. In accordance with section 25 of the Organized and Serious Crimes Ordinance (OSCO), it is an offence for a person to deal with property known or reasonably believed by the person to represent proceeds of an indictable offence. The maximum penalty is imprisonment for 14 years and a fine of \$5 million. The proceeds concerned can also be confiscated.

Drawing on overseas experience, the Commercial Crime Bureau (CCB) of the Hong Kong Police Force (HKPF), in collaboration with the Hong Kong Monetary Authority (HKMA), the Hong Kong Association of Banks (HKAB) and a number of banks, set up in May last year the "Fraud and Money Laundering Intelligence Taskforce" (FMLIT). FMLIT is a pilot project with the objective of establishing public-private partnership to enhance the detection, prevention and disruption of serious financial crimes and money laundering activities through effective sharing of information and intelligence.

The work of FMLIT consists of three aspects, each with particular importance:

- (1) Strategy: the senior management of CCB, Narcotics Bureau, HKMA, HKAB and 10 retail banks form the "Strategic Group" to provide strategic directions and set work priorities for FMLIT;
- (2) Operations: the investigation units of HKPF and relevant banks form the "Operations Group". In accordance with the strategic risks identified by the Strategic Group and through regular meetings, the Operations Group undertakes tactical intelligence-led operations in a case-based manner and share intelligence; and
- (3) Alert: to provide alerts to all banks operating in Hong Kong, to circulate assessments, trend reports and non-sensitive intelligence reports so as to combat crimes and enhance banks' ability to grasp and monitor money laundering activities.

Since its establishment, FMLIT has issued through HKAB a total of six alerts which, drafted by the experts of the bank representatives, included fraud, trade-based money laundering, and illegal bookmaking. As regards the alert entitled "Combating Human Trafficking in Hong Kong and the Asia-Pacific Region" mentioned in the question, it was not prepared by FMLIT as suggested in the question, but was provided to the secretariat of FMLIT by a non-government organisation. After circulation and discussion, FMLIT had reservations about the expression of certain contents, and certain information therein also could not be verified. As only alerts drafted by the expert bankers within FMLIT were issued in the past, FMLIT thus decided that the alert would not be published. The decision had nothing to do with whether it was beneficial to the reputation of Hong Kong, but was simply because FMLIT has all along been pragmatic in being accountable for the contents of documents it publishes. FMLIT will continue to closely monitor the trends and modus operandi of money laundering, and issue alerts in different areas at appropriate times.

The establishment of FMLIT fosters the exchange of intelligence, expedites investigation by law enforcement agencies and enhances the overall capability in detecting money laundering and financial crimes, thereby preserving the reputation of Hong Kong as one of the world's leading financial centres. As at end October 2018, FMLIT has handled 49 fraud and money laundering related cases with the arrest of 100 persons by the Police and interception of crime proceeds amounting to about \$22 million.

Currently, FMLIT is headed by the Chief Superintendent of CCB, and three officers have been internally redeployed from the Police to provide support. A comprehensive review of the FMLIT pilot project based on operational experience will be conducted in November, during which the Police will consider establishing FMLIT as a regular mechanism.

The question also mentions the situation of trafficking in person (TIP). President, although TIP is not prevalent in Hong Kong, the Hong Kong Special Administrative Region (HKSAR) Government attaches great importance to combating TIP, and addresses this evolving issue through a multi-pronged approach.

In order to provide high-level policy steer on the overall strategy and measures to tackle TIP and enhance protection of foreign domestic helpers (FDHs), the HKSAR Government established in March this year a high-level inter-bureau/inter-departmental Steering Committee, chaired by the Chief Secretary for Administration, with the Secretary for Security and the Secretary for Labour and Welfare as Vice Chairmen. Membership of the Steering Committee includes heads of HKPF, Immigration Department (ImmD), Customs and Excise Department (C&ED), Labour Department and Social Welfare Department, as well as representative of the Department of Justice. At the same time, the Government promulgated the "Action Plan to Tackle TIP and to Enhance Protection of FDHs in Hong Kong", which outlined a package of multi-faceted measures that are comprehensive, strategic and targeted. There are more than 30 initiatives covering multiple areas, including victim identification, investigation, enforcement, prosecution, victim protection and support, prevention, and partnership with different stakeholders, etc.

One of the key tasks in combating TIP is to continuously strengthen and improve the mechanism for identifying victims. ImmD first introduced a TIP victim screening mechanism in 2015. The mechanism was gradually expanded to some police districts of HKPF and C&ED in 2016 and 2017. In July this year, HKPF extended the victim screening mechanism to cover all 24 police districts, and C&ED also implemented the screening mechanism departmental-wide. The number of potential victims screened under the mechanism increased by 87 per cent from 2 515 in 2016 to 4 710 in 2017. Only nine persons, i.e. less than 0.2 per cent of all persons screened, were identified as victims in 2017. The result indicated the fact that TIP was not prevalent in Hong Kong.

The Honourable Member's question also refers to suspicious transaction reports (STRs) relating to TIP.

Under section 25A of OSCO, any person who knows or suspects that any property represents proceeds of an indictable offence must make a STR to the

Joint Financial Intelligence Unit (JFIU), jointly established by HKPF and C&ED, as soon as practicable. In the past five years, the number of STRs received by JFIU were 32 907 in 2013, 37 188 in 2014, 42 555 in 2015, 76 590 in 2016, and 92 115 in 2017, with a year-on-year increasing trend. JFIU does not keep statistics on the breakdown of STRs relating to TIP. JFIU will conduct intelligence analysis for every STR received, and in accordance with its risk assessment mechanism, assess such factors as the level of suspicion, perceived risk and severity of the intelligence, with a view to referring cases that merit further investigation to the relevant law enforcement agency for follow-up or criminal investigation.

Thank you, President.