

Monetary Authority takes disciplinary action against 33 Financial Services Limited for contravention of Payment Systems and Stored Value Facilities Ordinance

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) announced today (January 14) that it had completed an investigation and disciplinary proceedings for 33 Financial Services Limited (33FS) under the Payment Systems and Stored Value Facilities Ordinance (Cap. 584) (PSSVF0). The Monetary Authority (MA) has reprimanded and ordered 33FS to pay a pecuniary penalty of \$875,000 for contravening section 8Q of the PSSVF0 as it failed to fulfil the minimum criterion relating to anti-money laundering and counter-terrorist financing measures under section 6(2)(b) of Part 2 of Schedule 3 to the PSSVF0.

The disciplinary action (Note 1) follows an on-site examination and further investigation by the HKMA which found that, during the period from November 2016 to June 2019, 33FS failed to have in place adequate and appropriate systems of control to comply with the relevant paragraphs of the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) for Stored Value Facility (SVF) Licensees (Guideline) (Note 2).

Specifically, the contravention relates to deficiencies in 33FS' systems of control in two areas, namely:

1. continuously monitoring business relationships in respect of transaction monitoring; and
2. implementing an effective name screening mechanism.

In deciding the disciplinary action, the MA took into account all relevant circumstances and factors, including but not limited to:

1. the seriousness of the investigation findings;
2. the need to send a clear deterrent message to 33FS and the industry about the importance of effective controls and procedures to address money laundering (ML) and terrorist financing (TF) risks;
3. 33FS has taken remedial measures to address the deficiencies identified by the HKMA and enhance its AML/CFT systems of control. In this regard, 33FS will submit to the HKMA a report prepared by an external auditor to validate the completeness and effectiveness of the remedial measures and the enhancement; and

4. 33FS has no previous disciplinary record and is co-operative in resolving concerns identified by the HKMA.

Executive Director (Enforcement and AML) of the HKMA, Ms Carmen Chu, said, "While the majority of the SVF sector is characterised by lower ML/TF risks in view of the business nature, higher risk situations may emerge as business scale and scope develop, such as prepaid cards being misused for cash withdrawals funded by third-party's (non-cardholders') deposits. All SVF licensees are expected to make reference to the lessons learnt from this case as well as the guidance provided by the HKMA in the Guideline and circulars in their ongoing efforts to have in place effective AML/CFT systems of control for identifying, assessing and managing ML/TF risks, especially when encountering higher ML/TF risk situations."

Note 1: The disciplinary action is taken under section 33Q of the PSSVF0.

Note 2: Paragraphs 5.1, 5.10, 5.14 and 6.16 of the Guideline (October 2018 version) and paragraphs 5.1, 5.11 and 6.22 of the Guideline (September 2016 and February 2018 versions).