

Monetary Authority takes disciplinary action against Hua Nan Commercial Bank, Ltd., Hong Kong Branch for contraventions of Anti-Money Laundering and Counter-Terrorist Financing Ordinance

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

The Hong Kong Monetary Authority (HKMA) announced today (April 19) that it had completed an investigation and disciplinary proceedings for Hua Nan Commercial Bank, Ltd., Hong Kong Branch (HNCBHK) under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) (AMLO) (Note 1). The Monetary Authority (MA) has imposed a pecuniary penalty of HK\$9,000,000 against HNCBHK for contraventions of the AMLO.

The disciplinary action (Note 2) follows an investigation by the HKMA on HNCBHK's systems and controls for compliance with the AMLO. The control deficiencies identified in the investigation relate to HNCBHK's failure to continuously monitor business relationships with some customers during the period between April 2012 and July 2018 by examining the background and purposes of their transactions and setting out its findings in writing. HNCBHK also failed to establish and maintain effective procedures for carrying out its duties under the AMLO in relation to continuous monitoring of business relationships with customers during this period.

In addition, during the period between March 1 and July 9, 2018, HNCBHK, as an ordering institution, failed to record the names of the recipients and/or include the names of the recipients in the messages accompanying a number of cross-border outgoing wire transfers.

In deciding the disciplinary action, the MA has taken into account all relevant circumstances and factors, including the following:

1. the seriousness of the investigation findings and the duration of the contraventions;
2. the need to send a clear deterrent message to HNCBHK and the industry about the importance of effective controls and procedures to address money laundering and terrorist financing risks;
3. HNCBHK self-identified the deficiencies in its anti-money laundering and counter-financing of terrorism controls and proactively reported them to the HKMA;

4. HNCBHK has taken remedial and enhancement measures to address the deficiencies identified;
5. HNCBHK has no previous disciplinary record in relation to the AML0; and
6. the co-operation with the HKMA rendered by HNCBHK during the enforcement proceedings.

The Executive Director (Enforcement and AML) of the HKMA, Ms Carmen Chu, said, "Ongoing monitoring of business relationships with customers is crucial for Authorized Institutions (AIs) to detect and report potential money laundering activities, and therefore plays a key role in safeguarding the integrity of the banking system. To this end, AIs should maintain risk-based policies and procedures, provide clear guidance and adequate training to staff members on their respective responsibilities, as well as regularly updating risk assessment and reviewing the adequacy and effectiveness of transaction monitoring systems, leveraging on innovation and technology as appropriate."

Note 1: Prior to March 1, 2018, the short title of Chapter 615 of the Laws of Hong Kong was the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance.

Note 2: The disciplinary action is taken under section 21 of the AML0. The AML0 imposes customer due diligence and record-keeping requirements on specified financial institutions, including Authorized Institutions, and designated non-financial businesses and professions. As regards Authorized Institutions, the MA is the relevant authority under the AML0.