

# Monetary Authority takes disciplinary action against JPMorgan Chase Bank, National Association, Hong Kong Branch

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

The Monetary Authority (MA):

- (a) has reprimanded JPMorgan Chase Bank, National Association, Hong Kong Branch (JPMorgan Hong Kong) in respect of its contraventions of sections 19(2) and 19(3) of Schedule 2 to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) (AMLO) (Note 1) by failing to establish and maintain effective procedures (I) for identifying and handling wire transfers that did not comply with section 12(5) of Schedule 2 to the AMLO; and (II) for the purpose of carrying out its duties under sections 3 and 5 of Schedule 2 to the AMLO concerning customer due diligence (CDD) and continuous monitoring of business relationships respectively;
- (b) has ordered JPMorgan Hong Kong to submit to the Hong Kong Monetary Authority (HKMA), by a date and in a manner to be specified by the MA, a report prepared by an independent external advisor assessing: (I) whether the remedial measures taken by JPMorgan Hong Kong are sufficient to address the contraventions and other deficiencies identified by the HKMA (Note 2); and (II) the effectiveness of the implementation of such measures to address the contraventions and other deficiencies identified by the HKMA; and
- (c) has ordered JPMorgan Hong Kong to pay a pecuniary penalty of HK\$12,500,000.

The disciplinary action (Note 3) follows an investigation by the HKMA which found that, between April 2012 and February 2014, JPMorgan Hong Kong contravened six specified provisions of the AMLO (Note 4) as a result of deficiencies across several key control areas including CDD, periodic review of CDD information and wire transfers. In summary, JPMorgan Hong Kong did not establish and maintain effective procedures:

- (a) for the purpose of carrying out its CDD duties. JPMorgan Hong Kong's CDD procedures for certain customers did not require (I) certificates of incumbency or comparable documents to be obtained to verify their existence, and (II) the identities of beneficial owners to be verified. JPMorgan Hong Kong failed to carry out all relevant CDD requirements before establishing business relationships with certain customers;
- (b) for the purpose of carrying out its duties to continuously monitor business relationships. As regards groups of related customers, JPMorgan Hong Kong's procedures did not require a periodic review to be conducted of a customer's CDD information if a periodic review had been conducted in respect

of another customer in the same group. As a result, JPMorgan Hong Kong failed to carry out periodic reviews of certain customers within relationship groups to ensure that the documents, data and information obtained by JPMorgan Hong Kong were up-to-date and relevant. Among 495 high risk customers in such relationship groups, 259 customers were not subject to annual review; and

(c) for identifying and handling wire transfers which did not comply with the requirement to include the originator's name in the message or payment form accompanying the wire transfer. JPMorgan Hong Kong carried out a number of outgoing wire transfers without including the names of the originators in the relevant SWIFT messages (Note 5).

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

(a) the seriousness of the investigation findings, including the contraventions under section 19 of Schedule 2 to the AML0 which is concerned with the establishment and maintenance of effective procedures;

(b) the need to send a clear deterrent message to JPMorgan Hong Kong and the industry about the importance of effective controls and procedures to address money laundering and terrorist financing risks;

(c) JPMorgan Hong Kong had self-identified and reported certain deficiencies, and had taken positive and extensive remediation work in respect of such deficiencies and after it became aware of the contraventions and other deficiencies identified by the HKMA. In particular, it has enhanced its control functions to prevent similar contraventions from recurring; and

(d) JPMorgan Hong Kong has no previous disciplinary record in relation to the AML0 and co-operated with the HKMA during the investigation and enforcement proceedings.

The Executive Director (Enforcement and AML) of the HKMA, Ms Carmen Chu, said, "This case involved deficiencies across a number of key control areas including CDD, periodic reviews and wire transfers, stemming largely from ineffective procedures and resulting in multiple contraventions of specified provisions of the AML0. A bank must have procedures that are effective for the purpose of carrying out its duties under the AML0. Such procedures are essential to enable a bank to identify, understand and mitigate the risks to which it is exposed taking into account the nature, size and complexity of its business. Reference should be made to various guidance and resources provided by the HKMA, including the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Authorized Institutions) ([www.hkma.gov.hk/eng/key-functions/banking-stability/aml-cft.shtml](http://www.hkma.gov.hk/eng/key-functions/banking-stability/aml-cft.shtml))."

Relevant link: [Statement of Disciplinary Action](#)

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: Taking into consideration the remedial measures already implemented and on the particular facts of this case, the deficiencies concerning wire transfers are not included in the terms of the remedial order.

Note 3: The disciplinary action is taken under section 21 of the AML0. The AML0 imposes CDD and record-keeping requirements on specified financial institutions, including Authorized Institutions (AIs), and designated non-financial businesses and professions. As regards AIs, the MA is the relevant authority under the AML0.

Note 4: JPMorgan Hong Kong contravened sections 3(1), 5(1), 12(5), 19(1), 19(2) and 19(3) of Schedule 2 to the AML0 during the period from April 2012 to February 2014.

Note 5: SWIFT stands for Society for Worldwide Interbank Financial Telecommunication.