

## CE meets Minister of Agriculture, Forestry and Fisheries of Japan (with photo)

The Chief Executive, Mrs Carrie Lam, met the Minister of Agriculture, Forestry and Fisheries of Japan, Mr Ken Saito, at the Chief Executive's Office this morning (August 17).

Mrs Lam welcomed Mr Saito's visit to Hong Kong for the second year in a row to attend the Food Expo organised by the Hong Kong Trade Development Council and promote Japanese food. Noting that she also visited the Food Expo last year and learnt that this year, as with last year, Japanese booths have been very well received by the general public, she said that this shows the love of Japanese gourmet food by Hong Kong people, making Hong Kong Japan's largest export market for food and agricultural products over the years. She expressed the hope that, with the commissioning of the new campus of the International Culinary Institute of the Vocational Training Council later, exchanges and co-operation in culinary training between Hong Kong and Japan could be strengthened to provide more pathways and career development opportunities for local young people.

Mrs Lam said that Hong Kong attaches great importance to food safety and that following confirmation of safety and implementation of a gatekeeping system, Hong Kong has lifted import bans on vegetables, fruits, milk, milk beverages and dried milk from four Japanese prefectures, namely Ibaraki, Tochigi, Chiba and Gunma, with conditions, since last month. She added that the Hong Kong authorities will closely monitor the situation of the import of Japanese food and maintain communication with the Ministry of Agriculture, Forestry and Fisheries of Japan to ensure food safety and safeguard public health.

Mrs Lam said that she will visit Japan later this year and looks forward to meeting with officials of Japan and attending various events to promote exchanges and co-operation between Hong Kong and Japan in different aspects.



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## **The Monetary Authority reprimands and fines Shanghai Commercial Bank Limited for contraventions of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance**

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

The Monetary Authority (MA):

(a) has reprimanded Shanghai Commercial Bank Limited (SCOM) for contravening section 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 for the purpose of carrying out its duty to continuously monitor business relationships;

(b) has ordered SCOM 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 whether the remedial measures implemented by SCOM are sufficient to address the contraventions and the effectiveness of the implementation; and

(c) has ordered SCOM to pay a pecuniary penalty of HKD5,000,000.

The disciplinary action (Note 2) follows an investigation by the HKMA

which found that SCOM contravened three specified provisions of the AMLO (Note 3). In summary, SCOM did not:

(a) continuously monitor its business relationship with 33 customers by examining the background and purposes of their transactions that were identified as (i) complex, unusually large in amount or of an unusual pattern and (ii) having no apparent economic or lawful purpose, and setting out its findings in writing;

(b) establish and maintain effective procedures for the purpose of carrying out its duty under section 5 of Schedule 2 to the AMLO to continuously monitor business relationships; and

(c) carry out customer due diligence (CDD) measures in respect of certain pre-existing customers (Note 4) when a transaction took place with regard to each of the customers that (i) was, by virtue of the amount or nature of the transaction, unusual or suspicious, or (ii) was not consistent with SCOM's knowledge of the customer or the customer's business or risk profile, or with its knowledge of the source of the customer's funds.

As regards the deficiencies in monitoring business relationships, although the relevant transactions were identified through SCOM's Management Information System (MIS) reports, which took into account different customer risk levels and transaction types, and were selected by SCOM's Compliance Department at the material time for further enquiry or investigation, SCOM had not adequately examined the background and purposes of those transactions and set out the findings in writing. SCOM also lacked effective policies and procedures for monitoring the handling of MIS alerts including properly recording the follow-up actions taken and monitoring the review time, resulting in significant delay in alert clearance. As for carrying out CDD measures in respect of pre-existing customers, while one of the customers conducted the relevant transactions as early as in May 2012, SCOM failed to identify those transactions at the material time as unusual or suspicious or not consistent with its knowledge of the customer and had not conducted CDD measures accordingly.

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

(a) the need to send a clear deterrent message to the industry about the importance of effective internal anti-money laundering/counter-terrorist financing (AML/CFT) controls and procedures;

(b) SCOM has taken and will take extensive remedial measures to enhance its AML/CFT systems and controls; and

(c) SCOM has no previous disciplinary record and was co-operative throughout the investigation.

The Executive Director (Enforcement and AML) of the HKMA, Ms Carmen Chu, said, "This is a case concerning deficiencies in AML/CFT systems and controls in relation to transaction monitoring. While banks are expected to

adopt a risk-based approach (RBA) in their AML/CFT efforts and it is unrealistic to expect a 'zero failure' outcome, a RBA can only be effective if risk is adequately understood and managed. Risk assessments are not static; monitoring of customer transactions and ongoing reviews are fundamental components of a reasonably designed RBA, and banks should have robust systems and controls in place. Under a RBA, when potential increase in risk is identified, transactions of existing low risk customers and pre-existing customers must also be adequately examined without delay, and reference can be made to various guidance provided by the HKMA, including the Guidance Paper on Transaction Screening, Transaction Monitoring and Suspicious Transaction Reporting."

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

Notes:

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.
2. The disciplinary action is taken under section 21 of the AMLO. The AMLO imposes CDD and record-keeping requirements on specified financial institutions, including Authorised Institutions (AIs), and designated non-financial businesses and professions. As regards AIs, the MA is the relevant authority under the AMLO.
3. SCOM contravened sections 5(1) and 19(3) of Schedule 2 to the AMLO during the period from July 2014 to June 2016 and section 6(1) of Schedule 2 to the AMLO during the period from April 2012 to August 2017.
4. Part 1 of Schedule 2 to the AMLO defines a pre-existing customer, in relation to a financial institution, as a customer with whom the financial institution has established a business relationship before the date of commencement of the AMLO, i.e. April 1, 2012.

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## [Grading of beach water quality released](#)

The Environmental Protection Department (EPD) today (August 17) released the latest grading of water quality for 38 gazetted beaches and one non-gazetted beach (Discovery Bay) that are open for swimming.

Twenty beaches were rated as Good (Grade 1), 18 as Fair (Grade 2) and one as Poor (Grade 3).

Grade 1 beaches are:

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Grade 2 beaches are:



Anglers' Beach	Kadoorie Beach
Approach Beach	Lido Beach
Big Wave Bay Beach	Ma Wan Tung Wan Beach
Butterfly Beach	Pui O Beach
Casam Beach	Shek O Beach
Clear Water Bay First Beach	Silver Mine Bay Beach
Discovery Bay	Silverstrand Beach
Golden Beach	Stanley Main Beach
Hoi Mei Wan Beach	Ting Kau Beach

Grade 3 beaches are:

Castle Peak Beach

Compared with the grading released last week, Golden Beach, Pui O Beach and Silverstrand Beach have been changed from Grade 1 to Grade 2.

"The changes are generally within the normal range of fluctuation of the bacteriological water quality of the beaches," an EPD spokesman said.

Under the present grading system, beaches are classified into four grades according to the level of E. coli in the water. Grades are calculated on the basis of the geometric mean of the E. coli counts on the five most recent sampling occasions.

While the ratings represent the general water quality at the beaches, the EPD spokesman reminded members of the public that water quality could be temporarily affected during and after periods of heavy rain. Bathers should avoid swimming at beaches for up to three days after a storm or heavy rainfall.

A summary of beach grades is published weekly before the weekend. The latest beach grades based on the most current data may be obtained from the department's websites on Beach Water Quality ([www.beachwq.gov.hk](http://www.beachwq.gov.hk) and [www.epd.gov.hk/epd/beach](http://www.epd.gov.hk/epd/beach)) or the beach hotline, 2511 6666.

## **Unemployment and underemployment statistics for May – July 2018**

According to the latest labour force statistics (i.e. provisional

figures for May – July 2018) released today (August 17) by the Census and Statistics Department (C&SD), the seasonally adjusted unemployment rate stood at 2.8% in May – July 2018, same as that in April – June 2018. The underemployment rate increased from 1.0% in April – June 2018 to 1.1% in May – July 2018.

Comparing May – July 2018 with April – June 2018, movements in the unemployment rate (not seasonally adjusted) in different industry sectors varied, but were generally small in magnitude. Movements in the underemployment rate also varied, with a relatively notable increase observed in the food and beverage service activities sector.

Total employment increased by around 2 900 from 3 869 800 in April – June 2018 to 3 872 700 in May – July 2018. Over the same period, the labour force also increased by around 5 200 from 3 982 200 to 3 987 400.

The number of unemployed persons (not seasonally adjusted) increased by around 2 300 from 112 400 in April – June 2018 to 114 700 in May – July 2018. Over the same period, the number of underemployed persons also increased by around 2 700 from 41 400 to 44 100.

#### Commentary

Commenting on the latest unemployment figures, the Secretary for Labour and Welfare, Dr Law Chi-kwong, said, "Labour market remained tight in May – July 2018, with the seasonally adjusted unemployment rate holding stable at 2.8%. Total employment posted further solid year-on-year growth.

"When compared to the preceding three-month period, movements in jobless rates varied across sectors, but were generally small in magnitude. On a year-on-year comparison to net out seasonal fluctuations, the unemployment situation improved across most of the major service sectors, especially so in the retail, information and communications, as well as warehousing and support activities for transportation sectors."

Looking ahead, Dr Law said, "The labour market should remain tight in the near term riding on the solid growth momentum of the local economy. Nevertheless, as external uncertainties have increased markedly of late, with possible repercussions for export outlook, local economic sentiment and asset markets, we will stay vigilant to their potential impact on the local labour market."

He noted that the Labour Department (LD) has been implementing the Employment Programme for the Middle-aged to encourage employers to take on mature unemployed job-seekers aged 40 or above in full-time or part-time jobs and offer them on-the-job training through the provision of training allowance to employers. With effect from September 1, 2018, the LD will rename the programme as the Employment Programme for the Elderly and Middle-aged, and enhance the programme by offering an on-the-job training allowance of up to \$4,000 per month for a period of six to 12 months to employers engaging elderly job seekers aged 60 or above who have left the workforce or

are unemployed.

On large-scale job fairs, the LD will organise the Job Fair for Middle-aged and Elderly Employment on September 20 and 21 at the Tuen Mun Town Hall, and the New Opportunities-New Terrain Job Expo on October 25 and 26 at the Hong Kong Polytechnic University. In addition, industry-based or district-based job fairs are regularly organised at the LD's industry-based recruitment centres and job centres located across the territory.

#### Further Information

The unemployment and underemployment statistics were compiled from the findings of the continuous General Household Survey.

The survey for May – July 2018 covered a sample of some 25 000 households or 74 000 persons, selected in accordance with a scientifically designed sampling scheme to represent the population of Hong Kong.

Data on labour force characteristics were obtained from the survey by interviewing each member aged 15 or over in the sampled households.

In the survey, the definitions used in measuring unemployment and underemployment follow closely those recommended by the International Labour Organization.

Detailed analysis of labour force characteristics is given in the "Quarterly Report on General Household Survey" which is published four times a year. The latest issue of the publication contains statistics for the quarter January – March 2018 while the next issue covering the quarter April – June 2018 will be available by end August 2018. Users can download this publication free of charge at the website of the C&SD ([www.censtatd.gov.hk/hkstat/sub/sp200.jsp?productCode=B1050001](http://www.censtatd.gov.hk/hkstat/sub/sp200.jsp?productCode=B1050001)).

For enquiries about labour force statistics, please contact the Household Statistics Analysis Section of the C&SD (Tel: 2887 5508 or email: [ghs@censtatd.gov.hk](mailto:ghs@censtatd.gov.hk)).

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## **Composite Interest Rate: End of July 2018**

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

The Hong Kong Monetary Authority (HKMA) announced today (August 17) the composite interest rate at the end of July 2018.\*

The composite interest rate, which is a measure of the average cost of funds of banks, increased by 1 basis point to 0.63% at the end of July 2018, from 0.62% at the end of June 2018 (see Chart 1 in the Annex). The rise in the composite interest rate mainly reflected an increase in the weighted funding cost for deposits during the month (see Chart 2 in the Annex).

The historical data of the composite interest rate from the end of the fourth quarter of 2003 to the end of July 2018 are available in the Monthly Statistical Bulletin on the HKMA website ([www.hkma.gov.hk](http://www.hkma.gov.hk)). The next data release is scheduled for September 19, 2018 and will provide the composite interest rate at the end of August 2018.

\*The composite interest rate is a weighted average interest rate of all Hong Kong dollar interest bearing liabilities, which include deposits from customers, amounts due to banks, negotiable certificates of deposit and other debt instruments, and Hong Kong dollar non-interest bearing demand deposits on the books of banks. Data from retail banks, which account for about 90% of the total customers' deposits in the banking sector, are used in the calculation. It should be noted that the composite interest rate represents only average interest expenses. There are various other costs involved in the making of a loan, such as operating costs (e.g. staff and rental expenses), credit cost and hedging cost, which are not covered by the composite interest rate.