

# REGULATORY NEWSLETTER

2022 Vol.8



Luscious fruits are the synonymous of the month of August. Pleasure of enjoying mouth-watering cantaloupe, watermelon and strawberry in hot weather could be given only with the hard work and honest sweat of farmers. Just like those diligent farmers, all of us work hard to contribute to the business success in return for the “juicy fruits”. ComplianceDirect, understands that it is never easy to work single-handed and will continue to assist its honorable clients to strike for the best and success with its professional consultation and compliance services.

## REGULATORY UPDATES

### **Statements issued by the Financial Action Task Force (“FATF”)**

**5 July 2022**

The Insurance Authority would like to introduce the following developments:

#### **1) High-Risk Jurisdictions subject to a Call for Action**

Since February 2020, in light of the COVID-19 pandemic, the FATF has paused the review process for countries in the list of high-risk jurisdictions subject to a call for action, given that they are already subject to the FATF’s call for countermeasures. Therefore, the FATF issued a statement on 17 June 2022 advising its members to refer to the list of high-risk jurisdictions subject to a call for action adopted in February 2020, namely Iran and the Democratic People’s Republic of Korea. While the aforesaid February 2020 statement may not necessarily reflect the most recent status of Iran and the Democratic People’s Republic of Korea’s AML/CFT regimes, the FATF’s call for action on these high risk jurisdictions remains in effect. The statement identifying high-risk jurisdictions subject to a call for action in February 2020 can be found on the website of the FATF (<https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-february-2020.html>).

## **2) Jurisdictions under Increased Monitoring**

In addition, the FATF issued an updated statement on Jurisdictions under Increased Monitoring which can be found on the website of the FATF (<https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-june-2022.html>).

The statement sets out the list of jurisdictions that have committed to resolve swiftly strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing within agreed timeframes and are subject to increased monitoring. The FATF will closely monitor the progress made by these jurisdictions in addressing the identified strategic deficiencies and encourages its members to take into account the information presented in the statement in their risk analysis.

As the FATF will continue to assess the progress made by these jurisdictions in addressing the deficiencies in their AML/CFT systems and issue updated statements from time to time, IIs are reminded to browse the website of the FATF for the latest information.

## **3) Other Outcomes from the FATF Plenary, 14 – 17 June 2022**

In addition to the statements in (1) and (2) above, the FATF also published various other outcomes of its recent Plenary which may be of interest to insurance institutions (“IIs”). They include, for example, finalization of a targeted update on implementation of the FATF requirements to prevent the misuse of virtual assets and virtual asset service providers (“VASP”) for money laundering, and the financing of terrorism and proliferation. Further information on the FATF Plenary’s outcomes can be found on the website of the FATF (<https://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-june-2022.html>).

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## **Hong Kong’s Money Laundering and Terrorist Financing (“ML/TF”) Risk Assessment Report (“HRA Report”)**

**8 July 2022**

To ensure that Hong Kong’s anti-money laundering and counter terrorist financing regime continues to address the challenges of evolving market developments, the Government updates the ML/TF risk assessment from time to time, positioning it to implement mitigating measures in response to relevant risks based on up-to-date assessment results. This latest HRA report published by the Government presents the findings of Hong Kong’s latest ML/TF risk assessment, completed in 2021. The new edition is the result of a comprehensive review of the Study Notes to include the rules, codes and guidelines issued by the Insurance Authority which have been implementing under the new regulatory regime.

The HRA Report is available on the Government’s website ( <https://www.fstb.gov.hk/fsb/aml/en/risk->

[assessment.htm](#)).

### Institutional ML/TF Risk Assessment (“IRA”)

Paragraph 2.2 of the GL3 requires each II which is subject to GL3, to conduct an IRA to identify, assess and understand its ML/TF risks. As required by paragraph 2.6 of the GL3, an IRA should consider any higher risks identified in the HRA Report, in particular those in Chapter 5.5 concerning the assessment of ML risks of the insurance sector.

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## **Study Notes for Insurance Intermediaries Qualifying Examination (“IIQE”)**

**22 July 2022**

The Insurance Authority (“IA”) has published the Study Notes for the General Insurance Examination (2022 Edition) and the Study Notes for the Long Term Insurance Examination (2022 Edition) (“Study Notes”).

The new edition is the result of a comprehensive review of the Study Notes to include the rules, codes and guidelines issued by the IA which have been implementing under the new regulatory regime.

The new edition of the Study Notes are now available on IA’s website at [https://www.ia.org.hk/en/supervision/reg\\_ins\\_intermediaries/insurance\\_intermediaries\\_qualifying\\_examination.html](https://www.ia.org.hk/en/supervision/reg_ins_intermediaries/insurance_intermediaries_qualifying_examination.html)

For examination sessions of the General Insurance Examination and the Long Term Insurance Examination under IIQE to be conducted from 24 October 2022 onwards, the examination questions will be based on the new edition of Study Notes.

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