
REGULATORY NEWSLETTER

2021 Vol.11



Merry Christmas!

Santa Claus is finally coming to town! Have you planned your Christmas holidays yet? With Christmas just around the corner, it's time to get ready for our favorite holiday treats. And of course, Christmas just wouldn't be the same without the latest news from IA.

REGULATORY UPDATES

Savings and Transitional Arrangements on Insurance Rules (Cap. 41L)

23 November 2021

To ameliorate the impact of new requirements in the Broker Rules, the Broker Rules include Savings and Transitional Arrangements. These Transitional Arrangements gradually step-up the new requirements for "specified broker insurance companies", licensed insurance broker companies, which were previously registered under the self-regulatory regime (and which continue to be licensed under the new regulatory regime). This stepping-up takes place in phases until 31 December 2023. Specified insurance broker companies of the following requirements under the Broker Rules which they must comply with as of the dates as mentioned below:

Share Capital and Net Assets

As from 1 January 2022, the amount of paid-up share capital and net assets which a specified insurance broker company must maintain at all times increases from HK\$100,000 to HK\$300,000. To comply with these requirements from 1 January 2022, specified insurance broker companies (Which

have not already done so) must increase their paid-up share capital and net assets to an amount of not less than HK\$300,000 by 31 December 2021.

Audited Financial Statements

Specified broker companies must comply with the requirements in relation to audited financial statements under rule 8(2) of the Broker Rules, for each financial year beginning on or after 1 January 2021 onwards. As such, the period from 1 January 2021 to 31 December 2021 is the first financial year to which rule 8(2) of the Broker Rules will apply. Rule 8(2) of the Broker Rules requires a licensed insurance broker company to include the following information in its financial statements to be submitted to the Insurance Authority under section 73(1) of the Insurance Ordinance:

- (a) insurance brokerage income for the financial year distinguishing between general business and long-term business;
- (b) aggregate balances of cash held in its client accounts as at the end of the financial year; and
- (c) insurance premiums payable as at the end of the financial year.

Accordingly, specified insurance broker companies must ensure their books and records have captured the above information since 1 January 2021 so that it can be included accurately in their financial statements for each financial year commencing on and after 1 January 2021 (including the financial year running from 1 January 2021 to 31 December 2021).

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

12 November 2021

The FATF Statement

(a) 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 21 October 2021 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 regime, 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.

(b) Jurisdictions under Increased Monitoring

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.

Revised Application Paper on Combating Money Laundering and Terrorist Financing by the IAIS

Following various updates of the FATF Recommendations in recent years and publication in 2018 of the revised FATF Guidance for a Risk-Based Approach in the Life Insurance Sector, the IAIS revised ICP 22. In light of these developments, the IAIS has published a revision of the Application Paper on Combating Money Laundering and Terrorist Financing, which entails updates in order to align terminology and to ensure consistency with the FATF recommendations, as well as new guidance on elements reflected in the latest version of ICP 22. The revised Application Paper on Combating Money Laundering and Terrorist Financing can be found on the website of the IAIS.

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