



**Consultation Paper on  
Proposed Amendments to (1) the Guideline on Anti-Money Laundering  
and Counter-Financing of Terrorism (For Licensed Corporations) and  
(2) the Prevention of Money Laundering and Terrorist Financing  
Guideline issued by the Securities and Futures Commission for  
Associated Entities**

**The Law Society's Submissions**

The Securities and Futures Commission (“SFC”) on 18 September 2020 launched a consultation on the proposed amendments to (1) the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations) and (2) the Prevention of Money Laundering and Terrorist Financing Guideline issued by the Securities and Futures Commission for Associated Entities. In response thereto, the Law Society provides the following submissions on the consultation questions posed.

*Question 1. Do you agree that the institutional risk assessment should be subject to periodic review at least once every two years or more frequently upon the occurrence of trigger events? Please explain.*

**Law Society's response:**

We agree that institutional risk assessment should be conducted. We also agree with the proposed time interval of once every two years, unless triggered sooner by a relevant event for periodic review.

*Question 2. Do you consider the expanded list of illustrative examples of risk indicators to be sufficiently comprehensive? Please state your views.*

**Law Society's response:**

We consider the expanded list of illustrative examples of risk indicators is sufficiently comprehensive.

*Question 3. Do you agree with the scope of application for the cross-border correspondent relationships provisions for the securities sector? Please explain.*

**Law Society's response:**

We generally agree with the scope of application.

However, the definition of cross-border correspondent relationships should be better distinguished from the situation of merely accepting a foreign financial institute as a customer. This will assist the licensed corporation to know when simplified due diligence under section 4.8.6 can be applied, as opposed to carrying out additional due diligence under section 4.20.

*Question 4. Do you have any views on the additional due diligence and other risk mitigating measures applied to cross-border correspondent relationships in the securities sector? Please state your views.*

**Law Society's response:**

We have no further views on the additional due diligence and other risk mitigating measures. We note they are similar to those being adopted in Singapore and U.K.

*Question 5. Do you have any views on the expanded list of illustrative examples of possible simplified and enhanced measures under a risk-based approach? Please state your views.*

**Law Society's response:**

We do not have any views on the expanded list and note it is mostly derived from the FATF's Guidance for a Risk-based Approach for the Securities Sector.

*Question 6. Do you have any views on the list of illustrative red-flag indicators of suspicious transactions and activities set out in Appendix B to the Proposed Revised Guideline? Please state your views.*

**Law Society's response:**

We do not have any views on the list of illustrative red-flag indicators in Appendix B.

*Question 7. Do you have any views on the facilitative guidance permitting delayed third-party deposit due diligence? Please state your views.*

**Law Society's response:**

We have no further views on the facilitative guidance permitting delayed third-party deposit due diligence.

**The Law Society of Hong Kong  
24 November 2020**