

## Executive Summary

1. This report summarises the AML/CFT measures in place in Hong Kong, China (HKC) as at the date of the on-site visit from 31 October to 15 November 2018. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of HKC's AML/CFT system, and provides recommendations on how the system could be strengthened.

### Key Findings

- a) HKC has a reasonably good level of understanding of its money laundering (ML) and terrorist financing (TF) risks. However, the level of understanding for some other higher risk ML areas (e.g. ML linked to foreign tax and corruption offences) should be further deepened. The Central Co-ordinating Committee on AML/CFT (CCC) provides a good platform for policy co-ordination, and the objectives and activities of competent authorities are generally consistent with areas of identified higher ML/TF risk, particularly fraud.
- b) Law enforcement agencies (LEAs) regularly use a broad range of information to pursue ML, TF and associated predicate offences, with the Joint Financial Intelligence Unit (JFIU) supporting operational needs to a large extent. LEAs identify and initiate a significant number of ML investigations (averaging 1 600 each year). The broad stand-alone ML offence helps promote parallel financial investigations and ML investigations. Fraud-related ML is extensively investigated as the highest risk but there is a marked drop in the investigation of other major ML risks such as foreign drugs, tax crimes and corruption.
- c) HKC demonstrates an ability to prosecute all forms of ML and has a high conviction rate. However, the number of prosecutions (averaging 120 per year) and convictions (averaging 95 a year) is much lower than the number of cases investigated, and the generally low sentences imposed indicate that many ML cases pursued are at the lower end of the scale. HKC has not yet prosecuted a legal person for ML.
- d) Confiscation is a high priority and there are clear procedures and systems in all agencies involved, as well as largely comprehensive legislation. Very significant amounts have been restrained and confiscated. However, minor legal gaps continue to exist and there is a need to enhance the volume of outgoing international requests. The effectiveness of the recently introduced cross-border movement of currency and bearer negotiable instruments (CBNI) disclosure/declaration system is yet to be demonstrated.

- e) The private sector's understanding of ML/TF risks and implementation of mitigating measures is mixed. Large financial institutions (FIs) and those belonging to large international groups, as well as large international designated non-financial businesses and professions (DNFBPs) tend to have a stronger approach. Core Principles supervisors – the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission (SFC) and the Insurance Authority (IA) – implement appropriate risk-sensitive supervision. Other supervisors and self-regulatory bodies (SRBs) need to strengthen their risk understanding and supervisory actions. Overall, limited sanctions have been applied against the private sector. Dealers in precious metals and stones (DPMS) and stand-alone financial leasing companies are not regulated for AML/CFT preventive measures.
- f) HKC has assessed the ML/TF risks and misuse of legal persons and arrangements, but the assessment should be more comprehensive. HKC authorities rely largely on AML/CFT requirements on FIs to ensure transparency. Recent measures from early 2018 to: (i) impose statutory AML/CFT requirements for trust and company service providers (TCSPs); and (ii) require companies to collect and maintain beneficial ownership information, will enhance transparency of beneficial ownership requirements over time. The effectiveness of these measures is however yet to be fully demonstrated due to their recent nature.
- g) HKC actively responds to formal international co-operation requests for mutual legal assistance (MLA) and extradition and has received positive feedback from counterparts concerning the high quality and timeliness of assistance received. Nevertheless, there remain legal impediments to formal international co-operation with Mainland and other parts of China and the low number of outgoing formal requests generally is not consistent with HKC's risk profile.
- h) HKC has a robust framework for identifying and investigating potential cases of TF. HKC is currently implementing TF and proliferation financing (PF) targeted financial sanctions (TFS) without delay, but these regimes have only been in place since May 2018, and there were previously delays in implementing TFS, particularly for PF TFS. This is mitigated to some extent as many large/international FIs and DNFBPs have demonstrated a good awareness and understanding of their TFS risks and obligations in practice, although awareness is lower with respect to PF TFS. HKC has a sound understanding of the TF risks and vulnerabilities within its non-profit sector, and has applied proportionate measures to mitigate the relatively higher risks faced by international non-profit organisations.
- i) HKC's status as an international financial centre (IFC), the relative ease of company formation, and its geographic location, expose it to potential PF activities, particularly through the misuse of legal persons, as well as financial channels. Gaps in understanding and implementation of the PF TFS obligations among smaller entities and newly regulated sectors, and in monitoring of compliance with the obligations in those sectors, impact HKC's ability to demonstrate effectiveness. There are residual concerns regarding whether it is reasonable that no PF TFS case has been substantiated by HKC so far given its exposure.

## Risks and General Situation

2. HKC has one of the world's most open and free economies, and is a systemically important financial centre. It has sizeable foreign exchange, securities, futures, and insurance markets and is one of the largest asset and wealth management centres in Asia. HKC also has an active DNFBP sector and large transactions in the real estate and DPMS sectors, and is a jurisdiction with significant company formation activities. HKC's economy is also closely linked to Mainland China.

3. HKC has a low and declining domestic crime rate but its status as a major global financial centre inevitably exposes it to potential misuse as a transit point for foreign proceeds of crime. It has identified its main ML threats as fraud, drugs-related crimes, and foreign corruption and tax evasion. The threat of financing domestic terrorism is low but given HKC's open financial system, and the cultural and economic links between certain segments of the community and regions affected by terrorism, the threat of financing terrorism abroad is relatively higher.

## Overall Level of Compliance and Effectiveness

4. HKC has a strong legal and institutional framework for combating ML and TF. HKC made a number of significant legislative amendments in 2018, including strengthening preventive measures for DNFBPs, introducing a cross-border declaration system, enhancing its legal regime for TF and TF TFS, and strengthening measures to enhance transparency of legal persons. The technical compliance framework is particularly strong regarding confiscation, law enforcement, preventive measures for, and the supervision of, FIs, and international co-operation but less so regarding transparency of legal arrangements, preventive measures for politically exposed persons (PEPs), and supervision of DNFBPs.

5. In terms of effectiveness, HKC achieves substantial results in risk identification and understanding, use of financial intelligence, confiscation of instrumentalities and proceeds of crime, investigation and prosecution of TF, implementation of TF TFS and protecting NPOs from TF abuse, and international co-operation. Only moderate improvements are needed in these areas. However, the recency of the legislative amendments has an impact on effectiveness, and more significant improvements are needed in other areas indicated below.

## *Assessment of risk, co-ordination and policy setting (Chapter 2; IO.1, R.1, 2, 33 & 34)*

6. HKC has a reasonably good level of understanding of its ML risks. Its risk understanding is largely informed by HKC's ML/TF Risk Assessment exercise (HRA) which was developed over several years and culminated in the HRA (published in April 2018). Some competent authorities (e.g. the Hong Kong Police Force (HKPF), the HKMA) have also conducted their own targeted assessments, which have a positive effect on HKC's risk understanding.

7. HKC largely recognises the range of ML threats it faces. It has an in-depth understanding of its main risks relating to fraud, deception, and drug trafficking, and the common typologies used to launder proceeds (e.g. through bank accounts, including stooze accounts, and shell companies). However, the level of understanding

for some other higher risk ML areas (e.g. ML linked to foreign tax evasion and corruption offences) should be further deepened, as should the level of activities to mitigate these and other major risks.

8. The risk ratings for FI and DNFBP sectors are generally reasonable, with the banking sector rightly identified as facing the highest risk. HKC has a good understanding of the common typologies related to misuse of companies, however the assessment would benefit from a more detailed discussion on legal arrangements and the full range of legal persons that can be established or are operating in HKC. The AML/CFT exemption for the DPMS sector is not based on proven low risk. HKC has not conducted a detailed risk assessment for stand-alone financial leasing companies to fully justify their exemptions.

9. HKC has a good understanding of its TF risk, which is informed by both the HRA exercise, and more importantly, additional analysis based on investigations of potential TF and intelligence from the Force Steering Group Committee on Counter Terrorism (FSCCT), which sits within the HKPF and assesses intelligence from all relevant LEAs.

10. The CCC provides a good platform for policy co-ordination on the key ML/TF risks identified. A number of working groups and inter-agency mechanisms support the work of the CCC. While there is good co-operation between the Core Principles supervisors, some co-operation and co-ordination challenges exist with regard to the other supervisors, including SRBs, and authorities should continue to monitor and ensure co-ordination and co-operation continues to work well between other authorities. Co-ordination of PF issues is generally adequate.

### ***Financial intelligence, ML investigations, prosecutions and confiscation (Chapter 3; IO.6, 7, 8; R.1, 3, 4, 29–32)***

#### *Use of financial intelligence (Immediate Outcome 6)*

11. LEAs regularly use a broad range of information to investigate and develop evidence related to ML, TF and associated predicate offences. A key strength is the interfaced online access across the main police and customs databases with the JFIU database, which allows automated data matching of suspicious transaction reports (STRs) against persons of interest to police and/or customs, sensitive criminal intelligence, and cross-border declarations.

12. Disseminations of STRs have continued to rise significantly since 2013, reflecting increased STR reporting due to an enhanced compliance culture of FIs and JFIU's efforts to improve STR quality. Under-reporting by many money service operators (MSOs) and most DNFBPs limits financial intelligence from some sectors assessed as medium-high risk (particularly TCSPs), although this is partly mitigated by STRs from banks and improved company information. The main legal and intelligence-sharing foundations of the CBNI system are newly in place and it is too early to assess the system's effectiveness.

13. The JFIU supports operational needs to a large extent, through analysing and disseminating an increasing number of STRs and the value-added operational financial intelligence it provides. The JFIU recently enhanced its strategic output beyond providing feedback to reporting entities on typologies and STR trends, and

has started to produce reports of value for operational targeting, supervision and policy, but the scope has been limited. Competent authorities generally co-operate and exchange financial intelligence to a good extent, but should continue to enhance inter-agency information sharing related to the major proceeds-generating crimes, particularly those linked to foreign predicates.

#### *ML offence (Immediate Outcome 7)*

14. HKC has a well-established legal and institutional framework to conduct ML investigations and prosecutions. An important tool in HKC's regime is the broad stand-alone ML offence provision that helps promote parallel financial investigations and ML investigations. LEAs identify and initiate a significant number of ML investigations (averaging 1 600 each year), with 60% progressing to full investigation. LEAs use a generally sound range of techniques to identify ML, although the largely foreign nature of many major ML threats poses challenges for LEAs to detect and in particular investigate. HKC authorities have sought to address this by increasing information sharing and joint operations with foreign counterparts, but the scale of the challenge suggests further efforts are required.

15. The authorities investigate and prosecute ML consistent to some extent with the risk profile. Fraud-related ML as the highest risk is extensively investigated (accounting for 70% of ML investigations for 2013-17), but there is an appreciable drop in the investigation of non-fraud ML cases assessed as medium-high risk. The non-fraud related risks (drugs, foreign tax crimes and corruption, goods smuggling, as well as stand-alone ML where the predicate is unable to be identified) account for less than 30% of ML investigations. It appears that few of these foreign predicates have been prosecuted for ML in HKC (although an undetermined number of such cases have been prosecuted overseas).

16. HKC demonstrates an ability to prosecute all forms of ML and has a high conviction rate. However, the number of prosecutions (averaging 120 per year) and convictions (averaging 95 a year) is much lower than the number of cases investigated, and the generally low sentences imposed indicate that many ML cases pursued are at the lower end of the scale. While sentences may be proportionate and dissuasive in individual cases, there is concern as to whether the sanctions being applied are effective, proportionate and dissuasive at a systemic level given the nature of ML risks in HKC. HKC has not prosecuted a legal person for ML.

#### *Confiscation (Immediate Outcome 8)*

17. HKC can be commended for increasing confiscation action since its last mutual evaluation. Confiscation is a high priority and there are clear procedures and systems observed in all agencies involved, as well as largely comprehensive legislation. In terms of results, a significant amount of proceeds of crime has been restrained and subsequently confiscated and recovered, reflecting strong action by LEAs and prosecutors. HKC also employs a number of additional tools to aid confiscation efforts such as the Letter of No Consent (LNC) Mechanism and more recently, the Anti-Deception Co-ordination Centre (ADCC) which have been largely successful in helping to restrain large amounts of proceeds involved in fraud and deception.

18. HKC actively responds to requests from foreign counterparts and partakes in asset sharing, but the volume of outgoing requests does not appear to be in line with

HKC's risk profile. Certain legal gaps continue to exist particularly under the Organized and Serious Crime Ordinance whereby only benefits above HKD 100 000 (USD 12 750) can be subject to formal restraint or confiscation procedures. HKC has only recently implemented its CBNI system, and effectiveness in this area is yet to be demonstrated.

### ***Terrorist and proliferation financing (Chapter 4; IO.9, 10, 11; R. 1, 4, 5-8, 30, 31 & 39.)***

#### *TF offence (Immediate Outcome 9)*

19. Despite inherent risks arising from its status as an IFC, its open nature and its geographical proximity and economic connectedness with a region affected by terrorism, to date there is no evidence of TF occurring within HKC. The absence of terrorism cases and prosecutions/convictions for TF is not inconsistent with HKC's medium-low TF risk. The systems in place to detect potential TF, arising both domestically and from overseas, are sound, and TF investigations are well integrated into HKC's counter-terrorism framework and investigations of potential terrorism cases. Authorities demonstrated that, even in the absence of prosecutions and convictions, they are actively investigating potential TF using sophisticated tools and intelligence. Sanctions for TF are proportionate and dissuasive.

#### *Preventing terrorists from raising, moving and using funds (Immediate Outcome 10)*

20. HKC amended its legal framework in May 2018 to implement TFS. Although this regime had only been in place for six months at the time of the onsite evaluation visit, in practice large FIs and DNFBPs with international exposure demonstrated a good awareness and understanding of their TFS risks and obligations, which mitigated some of the gaps in effective implementation of TF TFS that were observed prior to May 2018. Some smaller entities across all sectors (in particular, smaller MSOs and DPMS) struggled to articulate their TF and TFS risks and obligations.

21. HKC has a sound understanding of the TF risks and vulnerabilities within its NPO sector, and has applied proportionate measures to mitigate the relatively higher risks faced by international NPOs. Sufficient monitoring is in place, and NPOs demonstrated a strong understanding of the risks of their activities and the necessary preventive measures to minimise the risk of abuse.

22. While no TF assets or instrumentalities have been confiscated, this is not inconsistent with HKC's TF risk. Mechanisms are in place to deprive terrorists, terrorist associates, or terrorist financiers of assets and instrumentalities as and when identified, including preventive measures, mechanisms to freeze and forfeit terrorist property, and the framework for making domestic designations and implementing foreign designations.

#### *Proliferation financing (Immediate Outcome 11)*

23. Owing to its status as an IFC, the relative ease of company formation, and its geographic location, HKC is also exposed to potential PF activities, particularly through the misuse of legal persons, as well as financial channels. This is material in considering whether sustained effectiveness has been demonstrated. HKC is

currently implementing PF TFS without delay through a recently enhanced regime, but delays in implementing PF TFS (between 3 and 15 days for an average of 6.6 days) were observed prior to the enhanced regime.

24. Authorities demonstrated robust intelligence co-ordination mechanisms and the ability to conduct complex financial investigations, including developing leads to unveil deeper layers of financial activities involving networks and fund flows across multiple jurisdictions. However, the use of corporate structures and front companies is a typology for PF and the lack of regulation of the TCSP sector until recently may therefore have limited the availability of accurate and complete information with respect to legal persons. The recent commencement of the significant controllers register (SCR) and the TCSP regulatory regime would provide additional avenues for LEAs to obtain more accurate and complete beneficial ownership information.

25. No PF-related funds, assets or economic resources have been identified by HKC. Examination of case studies justified this to some extent, but there are residual concerns regarding whether the fact that no PF case has been substantiated so far is reasonable given HKC's exposure.

### *Preventive measures (Chapter 5; IO.4; R.9–23)*

26. Most FIs and DNFBPs are covered by AML/CFT obligations with the exception of DPMS and a small number of stand-alone financial leasing companies. For DNFBPs and moneylenders, these requirements are recent, which affects the overall implementation of preventive measures.

27. Large FIs and those belonging to international financial groups have a good understanding of their AML/CFT obligations and ML/TF risks. They also demonstrated a good level of the implementation of their customer due diligence (CDD) and beneficial ownership requirements. The understanding and appreciation of ML/TF risks and the implementation of AML/CFT measures needs improvements among the smaller FIs (particularly in the MSO and moneylender sectors), especially with regard to risks posed by non-resident customers, foreign PEPs and other higher risk areas.

28. DNFBPs, with the exception of large international TCSPs, accounting and law firms, do not take a risk-based approach to mitigate their ML/TF risks, mainly as a result of a poorer understanding of their ML/TF risks. They have implemented basic CDD and record-keeping measures but enhanced CDD (EDD) measures applied are not often commensurate with higher risk situations, particularly in relation to PEPs. Domestic TCSPs and estate agents do not yet have a good understanding of the concept of beneficial ownership and tend to understand it as legal ownership.

29. Most STRs are filed by large banks. The level of reporting in other sectors is low, particularly for MSOs, moneylenders and DNFBPs. There are also concerns about the quality of the STRs filed by MSOs and defensive filing by FIs.

### *Supervision (Chapter 6; IO.3; R.14, R.26–28, 34, 35)*

30. Financial supervisors generally apply robust screening measures to prevent criminals and their associates from abusing FIs. The implementation of screening measures for DNFBPs is however generally less robust. As noted, DPMS and stand-

alone financial leasing companies are not regulated or supervised for AML/CFT requirements.

31. The ML/TF risk understanding of the HKMA, the SFC and the IA at the sectoral and institutional level is good. However, the Custom & Excise Department (C&ED), the Registrar of Moneylenders (RML), SRBs and other DNFBP supervisors need important improvements in risk understanding at the institutional level. In particular, the quality of supervision of MSOs and TCSPs need improvements to better take into account the ML/TF risks, given the importance of these sectors in HKC's context.

32. The HKMA, the SFC and the IA have a reasonable supervisory framework to monitor AML/CFT compliance. Supervision in the banking sector is the most robust and risk-sensitive, which is commensurate with the sector's highest risk. The scope and depth of inspections by the C&ED and the RML are too limited. This is also a concern for SRBs and other DNFBP supervisors, whose supervisory activities are generally at a nascent stage or complaints driven.

33. Limited sanctions have been applied for most of the sectors and, therefore, their effectiveness could not be fully demonstrated. The C&ED, the RML and DNFBP supervisors have not applied remedial actions and sanctions effectively on a graduated basis.

34. Supervisors generally provide useful guidance to their sectors. However, there are important gaps in the understanding of AML/CFT obligations and ML/TF risks and particularly in the identification of suspicious transactions by MSOs, moneylenders and DNFBPs. This indicates that supervisory activities and outreach should be strengthened.

### ***Transparency and beneficial ownership (Chapter 7; IO.5; R.24, 25)***

35. The HRA analyses the ML/TF risks posed by the misuse of legal persons and arrangements, and finds that shell companies created in HKC have been used to facilitate predicate crimes and ML offences. Authorities also noted that trusts could be abused, although there is less information regarding their misuse.

36. Basic information on companies is publicly available on the Company Registry's (CR's) website, and legal ownership information is recorded on the register of members held by the company. Further steps could be considered to ensure that this information remains fully up-to-date and accurate, including legal ownership information available through the CR. Since March 2018, there have been statutory requirements for companies to collect beneficial ownership information by keeping a SCR. The CR has taken encouraging steps and commenced checks on a number of companies for their compliance with the SCR regime, but more time is needed to assess the effectiveness of the regime.

37. For trusts, HKC relies on both regulated entities, professional trustees and common law fiduciary duties on other trustees, to keep the relevant information. Where the trustees are regulated, there are requirements to maintain the required information, but other trusts set up under HKC's common law do not adequately ensure that non-professional trustees maintain adequate, accurate and up-to-date information on settlor/protectors/beneficial owners.



38. Competent authorities can also obtain basic and beneficial ownership information from other sources, particularly FIs, such as banks. Banks, especially large banks belonging to international financial groups, would generally have the required information, but for DNFBCPs (e.g. lawyers, accountants and TCSPs), uneven implementation means that it cannot be clearly demonstrated that accurate and up-to-date beneficial ownership information is always available.

39. HKC has taken some compliance action regarding beneficial ownership requirements, but as the measures are still new, there is insufficient information to conclude that compliance is proven and that sanctions are effective, dissuasive and proportionate.

### *International co-operation (Chapter 8; IO.2; R.36–40)*

40. HKC demonstrates many characteristics of an effective system for international co-operation and is able to render MLA, extradition, and intelligence/information (where available) in a constructive and timely manner. The feedback indicates that the quality of assistance is generally high, often supporting investigations and helping to secure convictions. HKC has also been effective in asset sharing with foreign jurisdictions.

41. Whilst HKC has effectively dealt with increasing numbers of incoming international requests, the low number of outgoing requests is not consistent with HKC's risk profile. In particular, HKC does not appear to be making enough proactive efforts to pursue proceeds of crime outside the jurisdiction and ML arising from foreign predicate offences through formal means.

42. Co-operation with other parts of China is administered through court-to-court letters of request, but is limited to the examination of witnesses and production of documents for the purposes of criminal proceedings and criminal investigations. Asset recovery with other parts of China may only be done within the Drug Trafficking (Recovery of Proceeds) Ordinance (DTRPO) regime and is confined to drug proceeds. These legal shortcomings are partly mitigated by HKCs robust informal co-operation.

43. In terms of other forms of co-operation, HKC actively uses agency-to-agency international co-operation for AML/CFT purposes, primarily for information exchange and informal liaison, and has undertaken a limited but gradually increasing number of joint operations with foreign counterparts. The HKMA, the SFC and the IA proactively seek and provide supervisory information with their foreign counterparts, while cross-border information exchange for other supervisors is limited to the C&ED. HKC shares basic and beneficial ownership information of legal persons and arrangements that is required and collected in HKC.

## Priority Actions

- a) HKC should continue its ongoing efforts to review and update its understanding of ML/TF risks and should take steps to more closely review the ML threats arising from foreign crimes such as corruption, and tax crimes.
- b) HKC should clearly prioritise investigating and prosecuting foreign non-fraud ML such as drugs, tax crimes and corruption.
- c) The C&ED, the RML, SRBs and other DNFBP supervisors should strengthen their understanding of ML/TF risks at the individual institution level to improve their understanding of sectoral risks and develop a robust risk-based supervisory approach.
- d) Supervisors/SRBs should apply effective, proportionate and dissuasive sanctions for non-compliance with AML/CFT requirements. HKC should take further actions to ensure that beneficial ownership information in relation to legal arrangements, especially for trusts that are not created through professional trustees, is more readily available and is accurate. It should closely monitor and ensure compliance with the implementation of the new SCR regime, and at an appropriate point assess its effectiveness.
- e) HKC should review and put in place the appropriate level of AML/CFT requirements for the DPMS sector having regard to ML/TF risks.
- f) HKC should close the technical gap in relation to the coverage of PEPs from other parts of China.
- g) HKC should take further actions to deepen FIs' and DNFBPs' understanding of ML/TF risks and to strengthen AML/CFT implementation by DNFBPs and the smaller FIs (especially in the MSO and moneylender sectors), particularly with regard to the risks posed by non-resident customers, beneficial ownership requirements, EDD requirements in relation to foreign PEPs, and TFS requirements.
- h) HKC should closely monitor and manage its exposure to PF by the Democratic People's Republic of Korea (DPRK) as a strategic priority. HKC should conduct targeted outreach to smaller entities in all sectors, and focus in particular on those sectors that demonstrated more systemic gaps in understanding of their TFS obligations, such as MSOs and DPMS. HKC should pursue the identification of PF-related funds, assets and economic resources and review whether there are impediments to the identification of such assets in HKC.
- i) HKC should follow and restrain assets that have moved to other jurisdictions and pursue the people involved, including through the use of more outgoing formal requests for MLA, extradition and asset recovery in line with its risk profile. HKC should also explore ways to improve its ability to co-operate with other parts of China through formal means.

## Effectiveness & Technical Compliance Ratings

### Effectiveness Ratings<sup>1</sup>

IO.1 - Risk, policy and coordination	IO.2 - International cooperation	IO.3 - Supervision	IO.4 - Preventive measures	IO.5 - Legal persons and arrangements	IO.6 - Financial intelligence
<b>Substantial</b>	<b>Substantial</b>	<b>Moderate</b>	<b>Moderate</b>	<b>Moderate</b>	<b>Substantial</b>
IO.7 - ML investigation & prosecution	IO.8 - Confiscation	IO.9 - TF investigation & prosecution	IO.10 - TF preventive measures & financial sanctions	IO.11 - PF financial sanctions	
<b>Moderate</b>	<b>Substantial</b>	<b>Substantial</b>	<b>Substantial</b>	<b>Moderate</b>	

### Technical Compliance Ratings<sup>2</sup>

<b>R.1</b> - assessing risk & applying risk-based approach	<b>R.2</b> - national cooperation and coordination	<b>R.3</b> - money laundering offence	<b>R.4</b> - confiscation & provisional measures	<b>R.5</b> - terrorist financing offence	<b>R.6</b> - targeted financial sanctions – terrorism & terrorist financing
<b>LC</b>	<b>LC</b>	<b>LC</b>	<b>LC</b>	<b>LC</b>	<b>C</b>
<b>R.7</b> - targeted financial sanctions - proliferation	<b>R.8</b> - non-profit organisations	<b>R.9</b> – financial institution secrecy laws	<b>R.10</b> – Customer due diligence	<b>R.11</b> – Record keeping	<b>R.12</b> – Politically exposed persons
<b>C</b>	<b>C</b>	<b>C</b>	<b>LC</b>	<b>LC</b>	<b>PC</b>
<b>R.13</b> – Correspondent banking	<b>R.14</b> – Money or value transfer services	<b>R.15</b> –New technologies	<b>R.16</b> –Wire transfers	<b>R.17</b> – Reliance on third parties	<b>R.18</b> – Internal controls and foreign branches and subsidiaries
<b>C</b>	<b>LC</b>	<b>LC</b>	<b>LC</b>	<b>LC</b>	<b>LC</b>
<b>R.19</b> – Higher-risk countries	<b>R.20</b> – Reporting of suspicious transactions	<b>R.21</b> – Tipping-off and confidentiality	<b>R.22</b> - DNFBPs: Customer due diligence	<b>R.23</b> – DNFBPs: Other measures	<b>R.24</b> – Transparency & BO of legal persons
<b>LC</b>	<b>LC</b>	<b>C</b>	<b>PC</b>	<b>LC</b>	<b>LC</b>
<b>R.25</b> - Transparency & BO of legal arrangements	<b>R.26</b> – Regulation and supervision of financial institutions	<b>R.27</b> – Powers of supervision	<b>R.28</b> – Regulation and supervision of DNFBPs	<b>R.29</b> – Financial intelligence units	<b>R.30</b> – Responsibilities of law enforcement and investigative authorities
<b>PC</b>	<b>LC</b>	<b>LC</b>	<b>PC</b>	<b>C</b>	<b>C</b>
<b>R.31</b> – Powers of law enforcement and investigative authorities	<b>R.32</b> – Cash couriers	<b>R.33</b> – Statistics	<b>R.34</b> – Guidance and feedback	<b>R.35</b> – Sanctions	<b>R.36</b> – International instruments
<b>C</b>	<b>C</b>	<b>C</b>	<b>LC</b>	<b>LC</b>	<b>LC</b>
<b>R.37</b> – Mutual legal assistance	<b>R.38</b> – Mutual legal assistance: freezing and confiscation	<b>R.39</b> – Extradition	<b>R.40</b> – Other forms of international cooperation		
<b>LC</b>	<b>LC</b>	<b>LC</b>	<b>LC</b>		

<sup>1</sup> Effectiveness ratings can be either a High- HE, Substantial- SE, Moderate- ME, or Low – LE, level of effectiveness.

<sup>2</sup> Technical compliance ratings can be either a C – compliant, LC – largely compliant, PC – partially compliant or NC – non compliant.

