



Case



MAIN CASE

Anti-Money Laundering: The Banking Industry in Hong Kong

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The Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO) became effective in Hong Kong in April 2012. Since then, between July 2015 and December 2018, the...

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Overview

Included Materials

The Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO) became effective in Hong Kong in April 2012. Since then, between July 2015 and December 2018, the Hong Kong Monetary Authority has taken disciplinary actions against four banks, namely State Bank of India, Coutts & Co AG, Shanghai Commercial Bank, and JPMorgan Chase Bank, for their violations of the ordinance, resulting in a total pecuniary penalty of HKD32m. This case summarizes (i) the bank regulator's findings on the deficiencies by the four banks in their AML compliance programs and their violations of the AMLO; and (ii) the disciplinary actions taken by the banking regulator against the four banks. The case also presents the challenges encountered by the financial institutions between compliance costs and avoidance strategy in the form of "de-risking". The instructor can use the case to explore AML concepts as well as issues faced by banks in compliance practices as a result of the AMLO, as illustrated by experiences of the four banks. In addition, the instructor can analyse the impacts the AMLO has on the banking industry and the society, including the social cost of compliance to the AMLO and the efficient and effective provision of banking services to the community, as well as potential regulatory arbitrage among countries as well as the potential shifting of money

laundering activities to other non-bank financial services providers, e.g., shadow banks.

Learning Objectives

To provide students with a basic understanding of AML and the AMLO. To analyse the challenges facing banks in their AML compliance programs. To examine the issues facing the banking industry, regulator and society. To offer an opportunity to discuss the impacts of AMLO on the financial services industry as well as the society at large.

Details

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