

## Programme/Module Outline

<b>Programme Title:</b>	Advanced Certificate for ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT)
<b>Credit:</b>	20
<b>Training Activities:</b>	Training Class
<b>Pre-requisite:</b>	N.A.

### Programme/Module Objectives

The programme/module is developed with the objective to nurture a sustainable talent pool of Anti-Money Laundering and Counter-Terrorist Financing practitioners for the banking industry. It also aims at raising and maintaining the professional competence of Anti-Money Laundering and Counter-Terrorist Financing practitioners in the banking industry.

### Programme/Module Intended Learning Outcome (PILO/MILO) & Unit of Competency (UoC)

Upon completion of the Programme/Module, learners should be able to:

PILO/MILO1: Explain what ML/TF is and how to relate it to the banking and finance sector and to their work in HK	● BCCOAL401A; ● BCCOAL402A;
PILO/MILO 2: Specify the importance ML/TF related to HK banking and finance sector	● BCCOCM301A; ● BCCOCM401A;
PILO/MILO 3: Describe the AML/CFT International Standards and related HK legal and regulatory framework	● BCRMRC301A; ● BPASSO501A;
PILO/MILO 4: Identify key elements of AML/CFT risk management framework in system design and assess the related risks	● BPCOCE402A; ● BPCOCE403A;
PILO/MILO 5: Assess the transactions pattern and apply customer due diligence requirements for identifying suspicious transactions for reporting	● BPCOCM301A; ● BPCOCM401A;
PILO/MILO 6: Apply and assess the on-going AML/ CFT monitoring system and investigation process	● BRCRCC301A

### Assessment Activities

Types of Assessment Activities	PILOs/MILOs	Weighting (%)
Examination	PILOs/MILOs 1-6	100

### Examination Format and Duration

Time allowed: 2.5 hours

The examination consists of 80 multiple choice questions.

## Syllabus

<b>Chapter 1: Fighting money laundering/ terrorist financing – Why it is important and what is the legal/ regulatory framework?</b>			
1	What are money laundering and terrorist financing?	1.1 1.2 1.3 1.4	What is money laundering? What is terrorist financing? How terrorist financing compares with money laundering Relationship between money laundering and bribery and corruption
2	Why combating ML/TF is important?	2.1 2.2	International AML/CFT environment ML/TF in Hong Kong
3	International AML/CFT regime	3.1 3.2 3.3 3.4 3.5	Financial Action Task Force (FATF) and FATF Recommendations FATF-style regional bodies Basel Committee on Banking Supervision Other AML/CFT-related international organisations Other relevant overseas bodies or standards
4	Hong Kong AML /CFT regime	4.1 4.2 4.3 4.4	Introduction AML/CFT-related legislation Government agencies Industry associations
<b>Chapter 2: Managing the risk of ML/TF in banks in Hong Kong – How does ML/TF take place?</b>			
1	How are the three stages of money laundering relevant to banks?		
2	How is the banking sector vulnerable to ML/TF?	2.1 2.2 2.3 2.4 2.5 2.6	Product/service risk Delivery/distribution channel risk Customer risk Country risk Other risks related to ML/TF Case studies
3	ML/TF vulnerabilities when dealing with particular types of customers or in specific bank services, products and delivery channels	3.1 3.2 3.3 3.4 3.5	Customers/Counterparts Bank Accounts Bank Products Banking Services Delivery Channels
<b>Chapter 3: How can banks combat ML/TF through establishing AML/CFT risk</b>			

<b>management framework?</b>			
1	Objectives of a compliance system		
2	Risk-based approach to AML/CFT	2.1 2.2 2.3	What is the risk-based approach? Why is the risk-based approach important? Risk appetite
3	Core elements of an ML/TF risk management system	3.1 3.2 3.3 3.4 3.5 3.6 3.7 3.8	Assessment and understanding of risk (at institutional and customer level) Risk governance Three lines of defence Policies and procedures Customer acceptance policies and procedures Ongoing monitoring Record-keeping requirements and information management Ongoing staff training
<b>Chapter 4: Knowing your customer – Customer due diligence</b>			
1	Customer due diligence (CDD) and why it is important	1.1 1.2 1.3 1.4 1.5	What is CDD? Customer risk assessment Customer acceptance policy Enhanced due diligence (EDD) Simplified due diligence (SDD)
2	Identification and verification requirements	2.1 2.2 2.3 2.4 2.5	Common types of customers Beneficial owners Persons purporting to act on behalf of customers Banks may rely on intermediaries to perform CDD on customers Insufficient information, or information that gives rise to suspicion
3	Purpose and intended nature of the business relationship		

4	Specific types of customers	4.1 4.2 4.3 4.4 4.5 4.6 4.7	Politically exposed persons (PEPs) Customers not physically present for identification purposes Correspondent banking Private banking Customers with bearer shares Customers with use of nominees accounts Shell companies
5	Ongoing review and monitoring	5.1 5.2 5.3	Ongoing monitoring Periodic reviews Event-triggered reviews
<b>Chapter 5: Monitoring, sanctions compliance and suspicious transaction reporting</b>			
1	Ongoing monitoring	1.1 1.2	What is ongoing monitoring? Transaction monitoring
2	Customer and transaction screening	2.1 2.2 2.3	Sanctions regime in Hong Kong How to comply with sanctions requirements Components of an effective screening system
3	Suspicious transaction reporting	3.1 3.2 3.3 3.4	Obligation to file an STR Internal reporting framework Reporting to the JFIU Post-reporting matters

### **Recommended Readings - Core Level**

#### **Essential Readings**

HKIB Study Guide: Advanced Certificate for ECF on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT).

#### **Supplementary Readings**

1. FATF (2016). *The FATF Recommendations, International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation Version February 2012*. Hong Kong
2. Hong Kong Monetary Authority (2015). *Guideline on Anti-Money Laundering and Counter Terrorist Financing (for Authorized Institutions)*. Hong Kong.
3. Hong Kong Monetary Authority (2016). *Supervisory Policy Manual*. Hong Kong.

## Further Readings

1. IMF. "The IMF and the Fight Against Money Laundering and the Financing of Terrorism, 6 October 2016". 27 October 2016.
2. Narcotics Division, Security Bureau of The HKSAR Government. "Anti-Money Laundering and Counter-Terrorist Financing". 27 October 2016.
3. United Nations. "United Nations Convention Against Transnational Organized Crime and the Protocols Thereto. 2004". 27 October 2016.
4. Custom and Excise Department of the HKSAR Government. "Chapter 615 Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Schedule 2 Section 1(1)". 1 November 2016.
5. Dennis, C. (2011). *Introduction to Money Laundering Deterrence*. New Jersey: John Wiley & Sons, Inc.
6. Hong Kong Monetary Authority. "Guideline on Anti-Money Laundering and Counter-Terrorist Financing (For Stored Value Facility Licensees)". 1 November 2016.
7. Hong Kong Monetary Authority. "Guidance Paper Anti-Money Laundering Controls over Tax Evasion (March 2015)". 1 November 2016.
8. Jonathan, T. (2011). *Money Laundering Prevention*. New Jersey: John Wiley & Sons, Inc.
9. Securities and Futures Commission. "Guideline on Anti-Money Laundering and Counter-Terrorist Financing". 1 November 2016.
10. The Hong Kong Association of Banks. "Guidance Paper on Combating Trade-based Money Laundering". 1 November 2016.
11. Bank for International Settlements. "Basel Committee on Banking Supervision: Guidelines on Sound management of risks related to money laundering and financing of terrorism, February 2016". 1 November 2016.
12. FATF. "Risk-Based Approach Guideline for the Banking Sector, October 2014". 1 November 2016.
13. Hong Kong Monetary Authority. "Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance". 1 November 2016.
14. Hong Kong Monetary Authority. "Basel Committee on Banking Supervision's Paper on "Sound management of risks related to money laundering and financing of terrorism". 1 November 2016.
15. Hong Kong Monetary Authority. "FATF Risk-Based Approach Guidance for the Banking Sector and Money Laundering and Terrorist Financing Risk Assessment". 1 November 2016.
16. Bank for International Settlements. "Customer due diligence for banks". 1 November 2016.
17. Basel Institute on Governance. "Basel AML Index 2015 Report". 1 November 2016.
18. Custom and Excise Department of the HKSAR Government. "Chapter 615 Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Schedule 2 Section 1(1)". 1 November 2016.

19. FATF. "An effective system to combat money laundering and terrorist financing". 1 November 2016.
20. FATF. "Third Mutual Evaluation Report – Anti-money laundering and combating the financing of terrorism Hong Kong, China". 1 November 2016.
21. Financial Conduct Authority. "Banks' management of high money-laundering risk situations". 1 November 2016.
22. Hong Kong Monetary Authority. "Code of Banking Practice (February 2015)". 1 November 2016.
23. Hong Kong Monetary Authority. "Feedback from recent AML/CFT examinations AML Seminars". 1 November 2016.
24. Hong Kong Monetary Authority. "Industry Working Group on Prevention of Money Laundering and Terrorist Financing, FAQ on Politically Exposed Persons". 1 November 2016.
25. Hong Kong Monetary Authority. "Regulatory Update on AML/CFT — Understanding Source of Wealth Requirements, 21 January 2016". 1 November 2016.
26. Hong Kong Monetary Authority. "Treat Customers Fairly Charter". 1 November 2016.
27. HKIB e-learning:
  - a. What is money laundering?
  - b. International Initiatives
  - c. Customer Identification Program
  - d. USA Patriot Act
  - e. Wolfsberg Principles on Correspondent Banking
  - f. Terrorist related Money Laundering
  - g. Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) - Overview
  - h. BSA/AML - Compliance Program Requirements