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## STATEMENT OF DISCIPLINARY ACTION

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### The Disciplinary Action

1. The Monetary Authority (MA) has ordered WeChat Pay Hong Kong Limited (WPHK) to pay a pecuniary penalty of HK\$875,000 pursuant to section 33Q(2)(a) of the Payment Systems and Stored Value Facilities Ordinance (Chapter 584 of the Laws of Hong Kong) (PSSVFO).

### Summary of the Contravention and Facts

2. The disciplinary action follows the filing of a self-report by WPHK and further investigation by the Hong Kong Monetary Authority (HKMA) which found that, during the period from 25 August 2016 to 24 October 2021 (Relevant Period), WPHK contravened section 8Q of the PSSVFO as it had not fulfilled the minimum criterion under section 6(2)(b) of Part 2 of Schedule 3 to the PSSVFO. The areas of non-compliance and related findings are summarised in the following paragraphs.

Failure to have in place adequate and appropriate systems of control regarding ongoing customer due diligence (CDD) review upon trigger events: Paragraph 5.2 of the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism for Stored Value Facility Licensees (the Guideline)<sup>1</sup>

3. During the Relevant Period, WPHK did not assess the risks involved upon receipt of law enforcement agency (LEA) intelligence<sup>2</sup> and the need to conduct CDD in cases where the LEA intelligence provided mobile numbers involved in potential scams for WPHK to identify and confirm whether the numbers were associated with its customers (Confirmations). Due to its noncategorisation of the Confirmations as trigger events, WPHK did not conduct CDD review on these customers to ensure documents, data and information obtained from these customers are up-to-date and relevant.

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<sup>1</sup> During the Relevant Period, four versions of the Guideline prevailed: September 2016, February 2018, October 2018 and September 2020. References to the Guideline herein refer to the September 2020 version unless specified otherwise.

<sup>2</sup> This refers to the requests made by the LEAs (e.g. the Hong Kong Police Force, the Independent Commission Against Corruption and the Customs and Excise Department) for information about specific customers and/or business relationships.

4. During the Relevant Period, 435 pieces of LEA intelligence in which mobile numbers were provided by the LEA as the only identifier were provided to WPHK for Confirmations. As WPHK failed to check all of its relevant databases at the material time, it was unable to identify that 64 mobile numbers involved in the LEA intelligence were in fact held by 54 customers.
5. If WPHK were able to identify these 54 customers and categorise LEA intelligence as trigger event at the material time, it would have conducted CDD review on these customers.

Failure to have in place adequate and appropriate systems of control regarding applying enhanced due diligence (EDD) measures in a high money laundering or terrorist financing risk situation: Paragraph 4.8.1 of the Guideline

6. During the Relevant Period, WPHK failed to apply EDD measures in relation to a business relationship or transaction to mitigate and manage the risks in a situation that by its nature might present a high money laundering / terrorist financing risk, i.e. customers confirmed to be associated with phone numbers provided by LEAs (Confirmed Customers) and were subsequently identified to be involved in a high risk situation.
7. During the Relevant Period, WPHK received a total of 1,827 pieces of LEA intelligence involving 500 accounts. Out of the 500 accounts, 98 of these accounts associated with 84 customers were subsequently reported to the Joint Financial Intelligence Unit. WPHK had not applied EDD measures on these Confirmed Customers and this caused WPHK a delay of between 80 and 900 days in doing so.

## **Conclusion**

8. Having considered all information on hand, the MA has found that WPHK contravened section 8Q of the PSSVFO during the Relevant Period.
9. In deciding the disciplinary action set out in paragraph 1 above, the MA has had regard to the PSSVFO<sup>3</sup>, the Guideline on Exercising Power to Order a Pecuniary Penalty<sup>4</sup>, and the Guidance Note on Cooperation with the HKMA in Investigations and Enforcement Proceedings<sup>5</sup>. The MA has taken into account all relevant circumstances of the case, including but not limited to:

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<sup>3</sup> Section 33Q(3) of the PSSVFO specifies the matters that the MA must have regard to before taking any actions against a regulated person under section 33Q(2). According to section 33Q(4) of the PSSVFO, in reaching a decision to take an action under section 33Q(2)(a) or (b), the MA may have regard to any information or material in the MA's possession that is relevant to the decision, regardless of how the information or material has come into the MA's possession.

<sup>4</sup> This guideline was published by the HKMA on 27 April 2018 under section 54(1E) of the PSSVFO. It sets out the factors that the MA will consider, where applicable, in determining whether to order a pecuniary penalty and the amount of the pecuniary

- (a) the seriousness of the investigation findings;
- (b) the need to send a clear deterrent message to the industry about the importance of effective controls and procedures to address money laundering and terrorist financing risks;
- (c) WPHK has taken remedial measures to address the deficiencies identified by the HKMA and enhance its systems of control;
- (d) WPHK has filed a self-report to bring the matter to the attention of the HKMA; and
- (e) WPHK has no previous disciplinary record and is co-operative in resolving concerns identified by the HKMA.

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penalty if there has been a contravention of a provision of the PSSVFO, a requirement imposed under the PSSVFO or a condition attached to a licence, consent or any other instrument granted or given by the MA under the PSSVFO.

<sup>5</sup> This guidance note was issued by the HKMA on 22 August 2018 to provide an overview of how the HKMA considers and recognises cooperation in its investigations and enforcement proceedings and highlight the benefits of cooperation.

