
STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Monetary Authority (MA) has taken disciplinary action against Fubon Bank (Hong Kong) Limited (FBHK) and ordered it to pay a pecuniary penalty of HK\$4,000,000, pursuant to section 21(2)(c) of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) (AMLO).

Summary of Contraventions and Facts

2. The disciplinary action follows an investigation by the Hong Kong Monetary Authority (HKMA) triggered by FBHK's self-report of transaction monitoring failures. The HKMA found that FBHK contravened two specified provisions, namely, sections 19(3) and 5(1) of Schedule 2 to the AMLO between April 2019 and July 2022 (Relevant Period). FBHK's contraventions and the related findings are summarised below.

Section 19(3) of Schedule 2 to the AMLO

3. FBHK failed to establish and maintain effective procedures for the purpose of carrying out its duties under section 5 of Schedule 2 to the AMLO. It failed to have in place effective procedures for managing system changes. There were deficiencies in the controls for transmission of transaction data from the Core Banking System to its transaction monitoring system (TMS). The user acceptance test procedures were ineffective. Moreover, FBHK did not have effective procedures for following up a substantial decrease in transaction alerts identified since June 2019 and regularly reviewing the scope of transactions covered by the TMS.

Section 5(1) of Schedule 2 to the AMLO

4. In respect of around 64,000 customers, FBHK contravened paragraph (b) of section 5(1), in that it failed to conduct appropriate scrutiny of transactions carried out for these customers (either by the TMS or management information system reports) to ensure that they were consistent with its knowledge of these customers, their business and risk profiles as well as source of funds.
5. FBHK also contravened paragraph (a) of section 5(1), in that it failed to conduct trigger event reviews upon reactivation of dormant business relationships with around 1,500 customers out of the aforementioned 64,000 customers, as such reactivations were not identified due to system errors.

Conclusion

6. Having considered all of the evidence and the representations of FBHK, the MA's conclusion is that FBHK contravened the two specified provisions of the AMLO during the Relevant Period as set out in paragraphs 2 to 5 above.
7. In deciding the disciplinary action set out in paragraph 1 above, the MA has had regard to the *Guideline on Exercising Power to Impose Pecuniary Penalty*¹ and the *Guidance Note on Cooperation with the HKMA in Investigations and Enforcement Proceedings*². The MA has also taken into account all relevant circumstances of the case, including but not limited to:
 - (a) the seriousness of the investigation findings;
 - (b) the need to send a clear deterrent message to FBHK and the industry about the importance of having effective procedures to address money laundering and terrorist financing risks;
 - (c) FBHK reported its transaction monitoring failures to the HKMA. It was cooperative during the investigation and enforcement proceedings;
 - (d) FBHK has carried out remediation to address the identified transaction monitoring failures and the associated control deficiencies; and
 - (e) FBHK has no previous disciplinary record.

- End -

¹ The current version of this guideline was published by the HKMA on 27 April 2018 under section 23(1) of the AMLO. The guideline sets out the factors that the MA will consider, where applicable, in determining whether to impose a pecuniary penalty and the amount of the pecuniary penalty if there has been a contravention of a specified provision as defined by section 5(11) of the AMLO.

² The guidance note was issued by the HKMA on 22 August 2018. This guidance note provides an overview of how the HKMA considers and recognises cooperation in its investigations and enforcement proceedings, and highlights the benefits of cooperation.