



Our Ref: C/EPLM(32)/AML, M102558

20 October 2015

Narcotics Division, Security Bureau
30/F., High Block, Queensway Government Offices
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Email to r32-consultation@sb.gov.hk

Dear Sirs,

**Establishment of a Reporting System on the Physical Cross-Boundary
Transportation of Large Quantities of Currency and Bearer Negotiable
Instruments**

The Hong Kong Institute of CPAs appreciates that, as a member of the Financial Action Task Force ("FATF"), Hong Kong has certain obligations to fulfil. In particular, it is incumbent upon Hong Kong to introduce a system to identify the physical cross-border carriage of large quantities of currency and bearer negotiable instruments ("CBNI"), to meet the requirements of Recommendation 32 of FATF's anti-money laundering and counter-terrorist financing recommendations ("R32 System"). However, this should be done while minimising disruption to the travelling public and those transporting cargo, in accordance with Hong Kong existing policies and practices to welcome and facilitate legitimate tourists and business travellers, and to facilitate international transportation.

Our responses to the specific questions asked in the consultation paper are provided below.

Question 1: *What are your views on the principles we have adopted in devising Hong Kong's R32 System? What other major factors do you think we should take into account?*

We agree with the basic principles. The new arrangements and their purpose should be well publicised once they have been agreed and approved. As the R32 System is not intended to be a form of currency control, it should be made very clear what subsequent steps may be taken where a declaration or disclosure is

made that a person is carrying CBNIs above the threshold amount: For example, will that person be asked questions about the source of the CBNIs, and what other action may be taken? (See also our response to Question 8.)

Question 2: *Do you have any views for Hong Kong to adopt a mixed system for passengers?*

We agree that a mixed system of declarations for incoming travellers and disclosure upon request by outgoing travellers, and declarations for cargo, as proposed, should be able to achieve the intended purpose of an R32 System. This will have the advantage of dovetailing with existing customs arrangements, while minimising inconvenience to travellers. However, its overall effectiveness would depend on the quality of the risk profiling and adequacy of resources for monitoring the system.

Question 3: *What do you think of the proposed arrangement of implementing a declaration system with advance electronic submission of information for importing and exporting cargoes?*

The proposal for a declaration system for importing and exporting cargo seems reasonable under the circumstances. Again, the overall effectiveness of the system in helping to prevent and detect money laundering/ terrorist financing would depend on the quality of the risk profiling and adequacy of resources for monitoring the system.

Question 4: *Should FATF's recommended threshold of USD/EUR 15,000 (equivalent to around HK\$120,000) be adopted as the designated threshold for Hong Kong's R32 System? Or should a lower/higher threshold be adopted?*

We agree that it makes sense to adopt the same threshold as adopted for other AML purposes in Hong Kong. On this basis, the proposed threshold of HK\$120,000 seems to be appropriate. The threshold should be stipulated in subsidiary legislation or regulations, rather than primary legislation, so that it is more amenable to revision in future.

Question 5: *For declarations, should we follow the commonly adopted practice of requiring only those transporting CBNIs above the designated threshold to report? Or should all passengers/persons responsible for a cargo be required to declare, regardless of the amount of CBNIs they transport?*

The purpose of the R32 System will be achieved with the minimum of disruption if declarations are required only for those carrying CBNI above the threshold amount. Ideally, this should be the approach, provided that monitoring and enforcement would not be rendered more problematic. At the same time, it may need to be considered whether the enforcement regime would be significantly easier to implement if all persons were required to make a declaration, as, e.g., it might be more straightforward to take action against people who have clearly made a false declaration, rather than making no declaration when one should have been made. However, the additional administrative burden of requiring declarations across the board would need to be weighed up in any final decision.

Question 6: *Do you think that Hong Kong's R32 System should or should not include specific items such as casino tokens and bearer share certificates?*

Logically, casino tokens and bearer shares should also be covered, particularly given that many people travel from Hong Kong to visit the casinos in Macau.

Question 7: *Do you think that Hong Kong should not regulate the posting of CBNIs via the mail system at this stage?*

We would agree that the sending of CBNIs via the mail system should not be regulated at this stage, but the situation should be monitored. If implementation of the R32 System were to result in a sudden and significant increase in use of the mail system, the decision not to regulate this form of service delivery might need to be reviewed.



Question 8: *Do you have any suggestions on how we could enhance the publicity for the implementation of the R32 System so that members of the public and relevant practitioners could be well informed?*

To enhance publicity, reminders could also be included on landing cards and airlines and rail operators could be requested to hand out declaration forms to incoming passengers. Publicity should also make clear that the R32 System is not a form of currency control and explain what subsequent steps will be taken where a declaration or disclosure is made that someone is carrying above the threshold amount of CBNI's.

Should you have any questions on this submission, please feel free to contact me at the Institute.

Yours faithfully,

Peter Tisman
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PMT/EC/sc

