

## **Press Release**

### **LCQ11: Controls and measures against money laundering and tax evasion**

Wednesday, April 29, 2015

Following is a question by the Hon Frederick Fung and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (April 29):

Question:

It has been reported that an investigation conducted jointly by an international organisation and overseas media revealed that HSBC Group's Swiss private bank was suspected of assisting more than 100,000 clients, including those from Hong Kong, in evading taxes by means of trust funds, shell companies, offshore accounts, etc. A number of countries have conducted investigations into or commenced legal proceedings on the incidents. For example, the judiciary of France has initiated legal proceedings against HSBC Group for assisting its clients in evading tax payments in France. Regarding regulators' efforts in combating activities carried out by banks to assist their clients in evading taxes, will the Government inform this Council:

(1) whether the Hong Kong Monetary Authority (HKMA) has approached overseas regulators so as to understand the aforesaid incidents; if HKMA has, of the details; if not, the reasons for that; whether HKMA or other law enforcement authorities will conduct investigations into the incidents; if they will, of the details; if not, the reasons for that; and

(2) whether it has assessed if the existing mechanism and legislation in Hong Kong are sufficient for combating activities carried out by banks to assist their clients in evading taxes, concealing assets or laundering money; how the authorities monitor the carrying out of such activities by local banks through their overseas branches?

Reply:

President,

(1) We take the relevant allegations seriously, insofar as they may affect the

integrity of Hong Kong as an international financial centre. The Hong Kong Monetary Authority (HKMA) has assessed the allegations and, in the course of that assessment, the relevant bank has confirmed that the alleged cases concerning a Switzerland-incorporated subsidiary of its group company assisting clients to evade tax during 2005-2007 did not relate to the banking group's operation in Hong Kong. The HKMA and the relevant enforcement authorities will continue to monitor closely the developments emanating from enquiries or investigations in other jurisdictions, and will liaise with overseas regulators as appropriate. The HKMA and the relevant enforcement authorities will take actions if there is any contravention of Hong Kong laws or regulations by any entity or person.

(2) The Government and regulators are fully committed to combating money laundering and tax evasion. The Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615) imposes on financial institutions stringent customer due diligence and record-keeping requirements that are consistent with the international standards promulgated by the Financial Action Task Force, and are applicable to overseas branches and subsidiaries of locally-incorporated banks. The HKMA attaches great importance to maintaining effective systems and controls against money laundering and terrorist financing in banks in Hong Kong, and overseas branches and subsidiaries of locally-incorporated banks, including requiring these banks to take effective measures to mitigate risks arising from tax evasion. The HKMA has recently published a guidance paper on anti-money laundering controls over tax evasion. It conducts regular on-site examination on banks' anti-money laundering and counter-terrorist financing controls, including tax-related controls. It also maintains dialogues with overseas regulators to share various supervisory matters on banking groups. In addition, financial institutions are required to report any suspicious transactions in relation to proceeds potentially arising from crimes (including money laundering and tax evasion) to the Joint Financial Intelligence Unit, established by the Hong Kong Police Force and the Customs and Excise Department, under the Organized and Serious Crimes Ordinance (Cap. 455). Also, under the Inland Revenue Ordinance (Cap. 112), it is a criminal offence for any person who wilfully with intent to evade or assist any other person to evade tax.

Ends