Frequently Asked Questions

Employee Screening Procedures

Q1 **What are the employee screening requirements for trust or company service provider ("TCSP") licensees?**

Answer: TCSP licensees must assess the risk of money laundering and/or terrorist financing ("ML/TF") of their businesses, develop and implement policies, procedures and controls on employee screening procedures. TCSP licensees must also have appropriate screening procedures in order to be satisfied of the integrity of any new employees.

Q2 **When should a TCSP licensee conduct employee screening and how should it be done?**

Answer: Employee screening should be conducted at the recruitment stage (before the employees are appointed to their role) and on an ongoing basis.

Good ethical behaviour should be required of all levels of employees within a TCSP licensee. Employees of the licensee should act with integrity in carrying out their role and responsibilities. Recruitment and performance appraisal systems for employees should be designed so as to include integrity as a key assessment factor. The level of assessment should be proportionate to their role in the licensee and the ML/TF risks they may encounter.

Date: 5 May 2023

Frequently Asked Questions

Independent Audit Function

Q1   What are the responsibilities of an independent audit function?

Answer: An independent audit function established by a trust or company service provider ("TCSP") licensee should regularly review the anti-money laundering and counter-terrorist financing ("AML/CTF") systems of the licensee to ensure effectiveness. The review should include, but not limited to:

(a)   adequacy of the licensee's AML/CTF systems, money laundering and/or terrorist financing ("ML/TF") risk assessment framework and application of risk-based approach;

(b)   effectiveness of suspicious transaction reporting systems;

(c)   effectiveness of the compliance function; and

(d)   level of awareness of staff having AML/CTF responsibilities.

Q2   Who can assume the role of independent audit function?

Answer: The role of independent audit function can be assumed by internal staff members or external third parties. The audit function should have a direct line of communication to the senior management of the TCSP licensee and be independent of the functions/parties that are subject to review. The independent audit function should have sufficient expertise and resources to enable the licensee to carry out its responsibilities, including independent reviews of the licensee's AML/CTF systems.

Q3　　　**If a person has already taken up the role of compliance officer or money laundering reporting officer, can he/she also perform the audit function?**

Answer:　　No.　The independent audit function should be independent of the functions/parties that are subject to review.　The compliance officer or money laundering reporting officer <u>cannot</u> perform the role of independent audit function at the same time.

Q4　　　**My company only has a few staff and has difficulty in appointing appropriate staff members to perform the independent audit function.　What should I do?**

Answer:　　Regardless of the size of business, a TCSP licensee must establish an independent audit function to review the effectiveness of its AML/CTF systems.　If a TCSP licensee lacks appropriate personnel to perform the independent audit function, it should seek assistance from external parties.

Q5　　　**What is the frequency and extent required for the independent audit function to review of the TCSP licensee's AML/CTF systems?　Is it mandatory for the audit function to be performed by external parties?**

Answer:　　The frequency and extent of the review should be commensurate with the nature, size and complexity of the licensee's business and the ML/TF risks arising from those businesses.　A review by external parties is not a mandatory requirement but the TCSP licensee should seek a review from external parties where appropriate.

Date: 5 May 2023

Frequently Asked Question

Digital Identification System

Q1   **Paragraph 5.17(d) of the Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers makes reference to a digital identification system that is a reliable and independent source that is recognized by the Registrar of Companies ("the Registrar"). Which digital identification system is recognized by the Registrar?**

Answer: The Registrar recognizes iAM Smart, developed and operated by the HKSAR Government, as a digital identification system that can be used for identity verification of natural persons.

Date: 5 May 2023