



Hong Kong - AML KYC Regulations

Document History

Issue Date	Version	Comments
11.11.2019	1.0	-
15.08.2020	2.0	Revised
25.06.2024	3.0	Revised
26.03.2025	4.0	-

Disclaimer: Neither Shufti Pro nor the authors of this document shall be held responsible, liable or accountable for the contents of this document. The responsibility to comply with AML - KYC regulations lies with the Client. Achieving full compliance with legal obligations requires a thorough analysis of the specific situation, organizational requirements, and regulatory practices. The information provided in this document should be seen as an overview of requirements and measures towards conducting proper and satisfactory Identity Verification procedures. This document suggests general measures in line with recommendations, resources, or procedures provided by relevant laws and authorities to support identity verification requirements. The mere reference to or reliance placed on this document alone does not constitute a warranty of any system nor does it guarantee legal compliance. It remains the sole responsibility of the Client to comply with its legal obligations.

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1. Introduction

Hong Kong introduced its anti-money laundering and counter-terrorist financing framework on 1st March 2018. The law regulates the rights and obligations of legal persons and natural persons in preventing and detecting money laundering and terrorist financing. The law also contains provisions regarding Customer screening, identification, and verification of Customers, and the reporting of unusual transactions.

2. Scope

This 'Hong Kong - AML KYC Regulations' report may be used as a reference to highlight information from Hong Kong's '*Anti-Money Laundering and Counter-Terrorist Financing Ordinance*'.

Under the guidelines from the Hong Kong Monetary Authority (HKMA), Joint Financial Intelligence Unit (JFIU), Registry for Trust and Company Service Providers, and the aforementioned legislation(s), this document highlights the necessary requirements for AML and KYC procedures, in particular Identity Verification, required in Hong Kong.

3. Definitions

- **Client**: Shufti Pro's customer is referred to as the Client.
- **Customer**: The Client's customer whose subject to the KYC - AML checks.
- **End-user**: The Client's Customer is referred to as end-user but from Shufti Pro's perspective.
- **Document Verification**: The process of verifying the authenticity of a government-issued identity document.
- **Identity Verification**: The process of verifying the identity of the Customers.
- **Proof of Identity**: Any government-issued identity document that can be used to identify a natural person (Individual).
- **EDD**: Enhanced Due Diligence (EDD) is a process that executes a greater level of scrutiny related to the potential business relationships.

- **Third-Party Diligence**: Outsourcing of the due diligence process to an external party by the Client who is originally responsible for carrying out due diligence activities.
- **PEP**: Politically Exposed Person (PEP) is a person with a higher risk for potential involvement in bribery/corruption.
- **Due Diligence**: Refers to the measures taken to mitigate risk before entering into an agreement or carrying out a financial transaction with another party.

4. References

- [Cap. 615 Anti-Money Laundering and Counter-Terrorist Financing Ordinance](#)
- [Guideline on Anti-Money Laundering and Counter Financing of Terrorism \(For Licensed Corporations\)](#)
- [Registry for Trust and Company Service Providers Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers](#)
- [The Hong Kong Association of Banks - Frequently Asked Questions in relation to Anti-Money Laundering and Counter-Financing of Terrorism.](#)
- [Registry for Trust and Company Service Providers FAQ](#)

5. Due Diligence Requirements

5.1. Identity Verification Requirements for Individuals¹

As per the requirements of Hong Kong regulations, these are the following ID attributes required for the purpose of identifying an Individual from official documents.

- Full Name;
- Date of Birth;
- Nationality;
- Residential Address

¹ Appendix A of the Registry for Trust and Company Service Providers Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers

- Unique Identification Number (e.g. identity card number or passport number) and document type.

5.2. Identity Verification Requirements for Corporations²

- Full name of the corporation;
- Date and place of incorporation;
- Registration or incorporation number; and
- Address of registered office in the place of incorporation and business address.

5.3. Compliant CDD Methods

Shufti Pro may apply one or more of the following measures at the request of the Client to perform Identity Verification on its behalf. Where an End-user is an Individual, who does not present himself to the Client for verification in physical presence:

- 5.3.1. Shufti Pro shall perform verification of the End-user's identity based on independent sourced documents that are highlighted in 5.4. These documents provide reasonable reliability to the confirmation of the identity in Hong Kong. Shufti Pro shall ensure that documents being utilized are photo-based biometric identification documents that suffice requirements for Identity Verification.
- 5.3.2. Shufti Pro can also perform verification of the End-user's identity through a real-time audio-video transmission, where a live, interactive video session is carried out between an identification expert and the End-user. During this session, the End-user will be asked to show their identity documents. The End-user will also be asked to perform some random gestures as a part of a liveness check.
- 5.3.3. To verify the End-user's identity, Shufti Pro shall also verify the documents that are submitted. Shufti Pro utilizes its specialized Document Verification service to perform checks on the authenticity of the document. This includes checks on security features such as holograms, tapered/crumpled edges,

doctored elements, form inconsistencies, document expiration, MRZ, reflected colors and microprinting.

5.4. Documents Required for Verification

The following documents are considered in Hong Kong as Proof of Identity:

Identity Verification³

- National Identity Card (HKID);
- Driving License;
- Any document provided by a governmental body;
- Passport.

Address Verification

The following documents are considered in Hong Kong as proof of address:

- A current utility bill (such as gas, electricity, telephone or mobile phone bill); (issued no more than three months ago that shows the End-user's address and name);
- Bank statement (issued no more than three months ago that shows the End-user's address and name);
- A document issued by a government department that shows the End-user's address and name.

5.5. Timing of Verification

Identity Verification is not limited to a one-time, one instance process. In fact, it is required in multiple instances as per regulations. The Client is to conduct verification: (a) before establishing a business relationship with the Customer; (b) before carrying out for the Customer an occasional transaction that involves an amount equal to or above HK\$120,000 or an equivalent amount in any other currency, whether carried out in a single operation or in several operations; (c) when the TCSP licensee suspects that the Customer or the Customer's account is involved in money laundering or terror financing regardless of the

³ 5.17 of the Registry for Trust and Company Service Providers Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers

levels of transaction of (b); (d) when the Client doubts the veracity or adequacy of any information previously obtained for the purpose of identifying the Customer or for the purpose of verifying the Customer's identity.⁴ The application and choice of when to deploy Identity Verification procedures depend on the Client's requirements and correspondence with Shufti Pro.

The Client is to pursue Identity Verification when onboarding a new Customer. If the Client is dealing with transaction data, the Client should apply Identity Verification as per the monetary thresholds defined in Hong Kong's legislations. In other instances, Identity Verification becomes more important to employ if the Client faces higher risks from the Customers. A high-risk situation would be any instance where an Individual might represent above normal exposure of money laundering related threats to the Client.

6. Politically Exposed Persons and EDD Measures

As per the Enhanced Due Diligence requirements under Hong Kong's regulations, the Client is required to determine if the Customer is a Politically Exposed Person, holds a public office, or exhibits a higher risk profile.⁵ To fulfill the Client's obligations, Shufti Pro provides the Client with its *AML Screening service*. The service screens an Individual's selected ID attributes of *Name* and *DOB* against watchlists of global regulatory authorities, foreign and domestic databases, compromised PEPs and sanctioned Individuals.

The service highlights the category of the PEP based on the degree of risks they pose and any immediate family member, or a close associate of the PEP.

The Client may utilize such services as per the Client's requirements. This includes before or after establishing a relationship with the Customer.

7. Reliance on External Services

Hong Kong's legislation states that the Client may seek the services of a third party to apply measures of due diligence if they fall under the categories specified in legislation(s).⁶ The Client is also required to collect all such data (Due Diligence Information) from the third

⁴ Section 5.4 of the Registry for Trust and Company Service Providers Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers

⁵ Section 5.26 of the Registry for Trust and Company Service Providers Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers

⁶ Article 18 of Division 4 of Part 2 of Schedule 2 of the Cap. 615 Anti-Money Laundering and Counter-Terrorist Financing Ordinance

party, without undue delay. In this scenario, Shufti Pro will be the external third-party service provider to the Client.

Hong Kong's regulations state that the Client, regardless of reliance on a third party, remain liable for maintaining all such compliance and fulfilling AML and KYC obligations.⁷

8. Record Retention

As per Hong Kong's Act, the Client is required to retain data for not less than five (5) years after the termination of business relations or completion of individual transactions.⁸ These are a part of the Client's AML and KYC obligations for due diligence. In the case where this information is processed, collected and managed by a relevant third-party, the Client is liable to collect all such necessary information (Due Diligence Data) from the third party without undue delay and the third party is also required to keep records for at least five (5) years after the termination of business relations or completion of individual transactions.⁹

⁷ Section 5.53 of the Registry for Trust and Company Service Providers Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers

⁸ Section 9.3 of the Registry for Trust and Company Service Providers Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers

⁹ Section 5.58 of the Registry for Trust and Company Service Providers Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers