Proliferation Financing:
Risk Assessment and Mitigation

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NOVEMBER / DECEMBER 2022
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Commerce and Economic Development Bureau

Disclaimer

1. International requirements relating to proliferation financing

2. Proliferation financing risk assessment in Hong Kong

3. Counter-proliferation strategy in Hong Kong

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TFS means to freeze, without delay, funds or other assets of, and to ensure that no funds and other assets are made available to, and for the benefit of, designated persons/entities.

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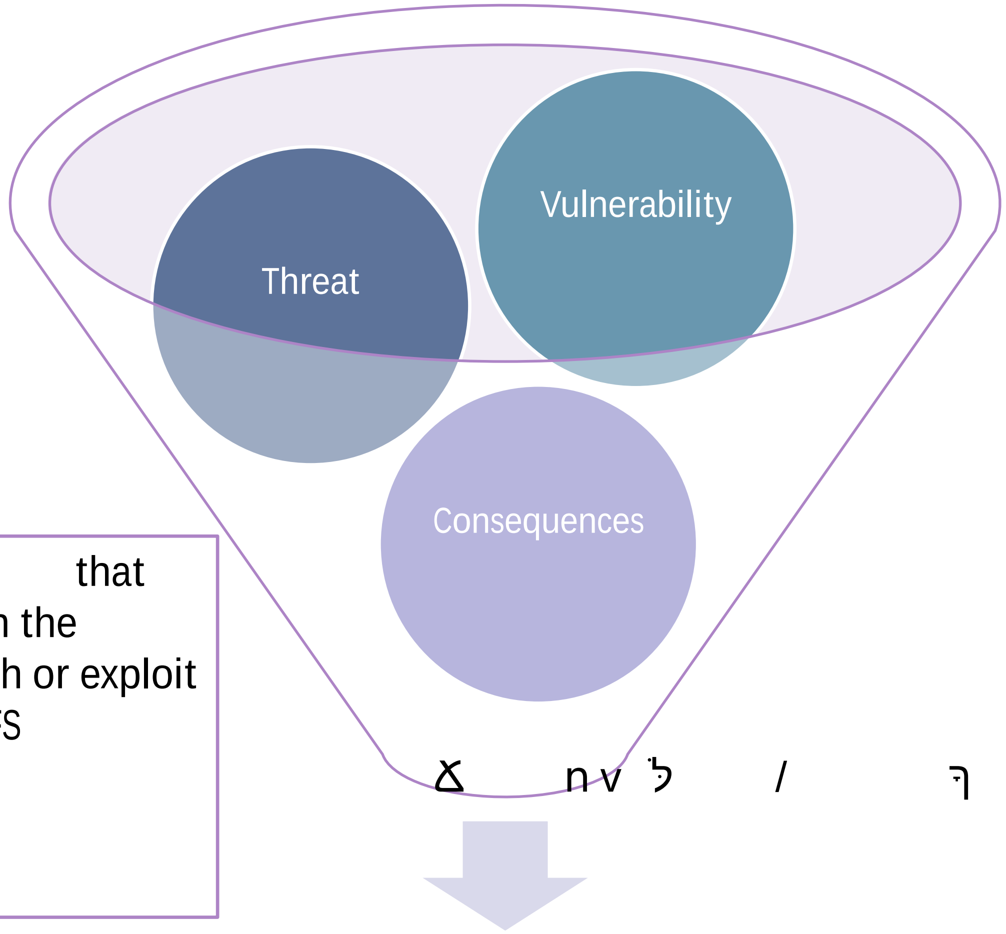
In FATF’s context, PF risk refers to the potential breach, non-implementation or evasion of the TFS obligations.

October 2020 2020 10

R.1 expanded to cover PF, requiring

that previously caused or with the potential to evade, breach or exploit a failure to implement TFS



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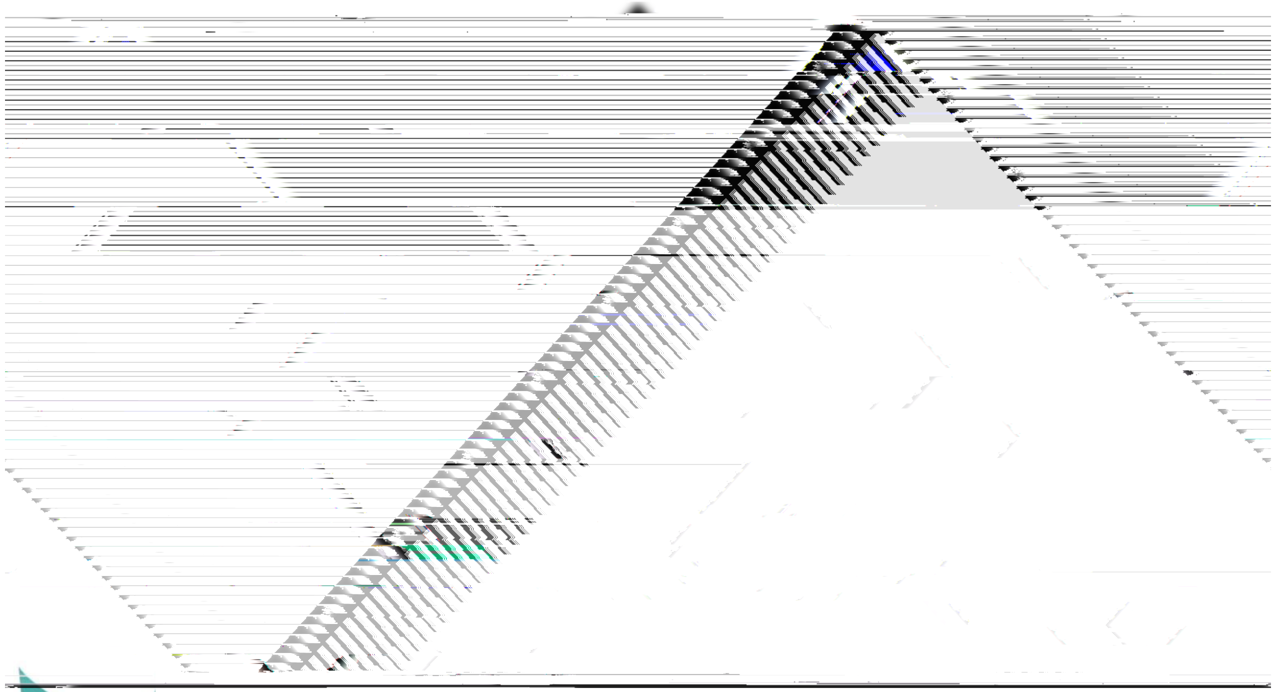
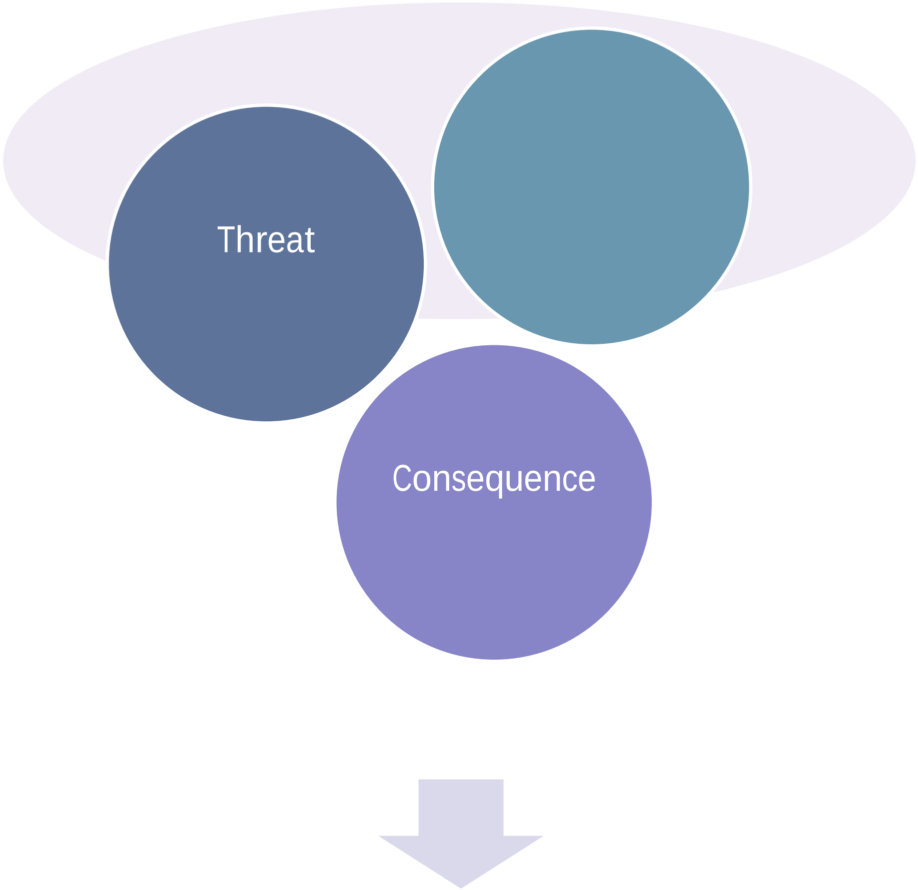
The Government's risk assessment report facilitates private sector to implement measures in mitigating risk posed by possible PF activities.




Threat
Consequence

Risk mitigation does not mean risk avoidance.

Comprehensive legislative framework

- United Nations Sanctions Ordinance
- Anti-Money Laundering and Counter-Terrorist Financing Ordinance
- Organized and Serious Crimes Ordinance
- Strategic trade control system

Defence system by financial sector

- Customer Due Diligence and record keeping
- Suspicious transaction reporting
- Alert mechanism
- Compliance culture and systems
- Capacity building

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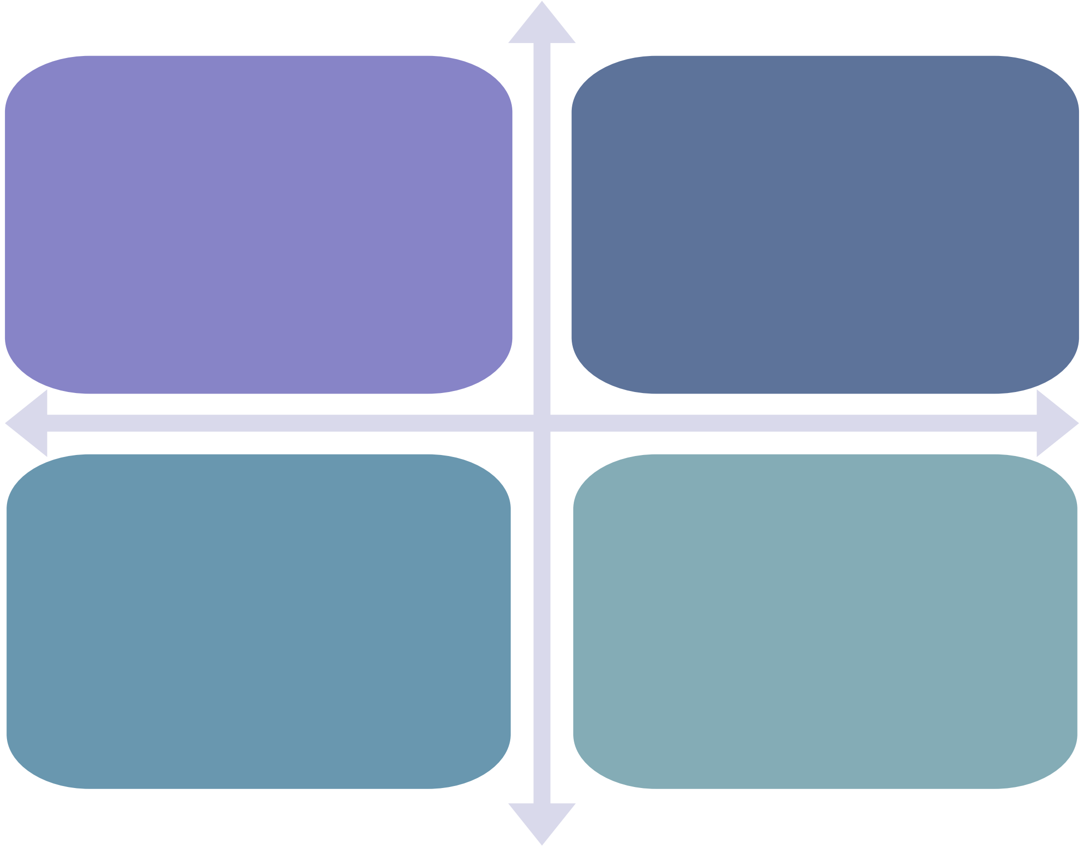
“PACE” strategy is applicable to the Government, financial regulators and the financial sector.
“PACE”



Website of the Commerce and Economic Development Bureau – Page on UNSC sanctions

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https://www.cedb.gov.hk/en/policies/united-nations-security-council-sanctions.html

https://www.fstb.gov.hk/fsb/aml/en/risk-assessment.htm

by FATF (June 2021)

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https://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Proliferation-Financing-Risk-Assessment-Mitigation.pdf

by FATF (February 2018)

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