

US action against Standard Chartered Bank

The Hong Kong Monetary Authority (“HKMA”) has taken note of the Consent Order (“Order”) entered into by the New York State Department of Financial Services (“DFS”) and Standard Chartered Bank (“SCB”) on 19 August.

According to the Order, the transaction monitoring system of Standard Chartered Bank, New York Branch (“SCBNY”) does not meet the requirements of the DFS. Before the system is fully rectified, SCBNY has been required to, among other things, temporarily suspend its USD clearing services to, inter alia, certain retail business clients of Standard Chartered Bank (Hong Kong) Limited (“SCBHK”). The HKMA believes this is probably due to the fact that Hong Kong is the Group’s largest market and the top originator across the network of commercial US dollar transactions cleared through SCBNY, many of these involving retail business clients.

Hong Kong, as a member of the Financial Action Task Force, has a robust anti-money laundering and counter financing of terrorism (“AML/CFT”) regime that complies with international standards, including customer due diligence and transaction monitoring requirements under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance. When a bank conducts cross border business transactions involving a foreign jurisdiction, the bank and the relevant authorities in that jurisdiction would have to ensure that the relevant AML laws and regulations in that jurisdiction are fully complied with. That said, the HKMA reminds banks operating internationally that they need to be aware of the scope of these requirements or standards and how they affect their operations.

The HKMA has been monitoring closely SCBHK’s AML/CFT controls. Although we have identified some areas for improvement, they are not issues that cause significant supervisory concerns.

The HKMA has asked SCBHK to render whatever assistance necessary to SCBNY in this matter. We have also required SCBHK to take appropriate actions regarding the affected customers and to minimize possible disruptions to their day to day operations.

Hong Kong Monetary Authority
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