



Increased vigilance against money laundering in Hong Kong & Singapore

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Long time rivals for private wealth

Hong Kong and Singapore have long vied to be the wealth management destination of choice for wealthy Chinese, both being attractive by reason of their easy access to financial services and the safe harbour that their common law regimes provide. Yet, Singapore had often been assumed to have an edge over Hong Kong because of its political neutrality and friendly policies and incentives to attract foreign wealth.

Crackdown in Singapore

However, it has recently been suggested that Hong Kong has seen an uptick in inquiries from wealthy Chinese looking to establish or move their family offices to the city since Singapore's banks were required to step up their know-your-customer checks and processes following the billion dollar money laundering raid in August 2023.

Indeed, since then in Singapore there have been increased vigilance and difficulties in opening bank accounts and obtaining permanent residency especially if they involve passports from certain jurisdictions such as Cyprus, Vanuatu and Cambodia.

The police are said to be continuing to work with banks to run checks on even existing customers' names and their connections to known suspicious individuals and corporations, including those overseas. The Monetary Authority of Singapore even introduced in April 2024 a digital platform for the sharing of customer information to combat money laundering.

These measures have resulted in the waiting time to open private banking accounts to more than triple and even the closure of existing accounts.

In contrast, it is well known that in Hong Kong a new family office may be set up in a matter of weeks and applicants are not asked if they have been rejected elsewhere.

Hong Kong is not letting its guard down

Yet, while there may be renewed interest in Hong Kong as a place for Chinese wealth to invest in, it would be a gross misjudgement to assume that the Chinese territory is not itself keeping a close watch on money laundering activities.

In February 2024, Hong Kong authorities arrested seven people suspected of being involved in a \$1.8 billion money laundering case and seized HK\$165 million worth of assets, including five properties and three commercial units, as part of the operation.

The Hong Kong Monetary Authority announced in April 2024 that it had completed an investigation and disciplinary proceedings for Hua Nan Commercial Bank, Ltd., Hong Kong Branch under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) and imposed a penalty of HK\$9,000,000 against the bank.

Separately, in July 2024 The Hong Kong unit of DBS Group Holdings was fined HK\$10 million for violating anti-money laundering and counter-terrorist financing regulations after an investigation conducted by the Hong Kong Monetary Authority into control failures of DBS Bank (Hong Kong) between April 2012 and April 2019.

Indeed, it would be far more accurate to say that in both Hong Kong and Singapore, the regulators are now requiring financial institutions to step up their know-your-customer game and ask probing questions to scrutinise declarations made by customers as to their source of funds and commercial activities.

Legal advisors can provide advice, advocacy and asset recovery

In this regard, it is imperative that financial institutions be vigilant and work with their legal advisors to ensure they are adopting the appropriate stances and taking the necessary steps to avoid the penalties recently suffered by the banks mentioned above.

Financial institutions facing increasing regulator requests for cooperation and information or document disclosure, legal advice and representation should immediately be sought to ensure there is no regulatory overreach and a constructive dialogue may be had.

Where necessary and appropriate, unfounded allegations of regulatory breaches should be challenged with legal representation and advocacy in the most suitable fora.

Asset recovery services and legal representation in Court may also become necessary where funds and other assets have been co-mingled with or traced to criminal proceeds.

Should your organization require any such specialist assistance, please feel free to reach out to our expert teams in Hong Kong or Singapore.

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