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# Anti-Money Laundering – Due Diligence for NGOs

Navigating risks and challenges  
in the NGO sector

Strictly private & confidential



**Alan  
Linning**

**Partner, Hong Kong**  
T +852 2843 2231  
E: alan.linning@mayerbrown.com



**Cassandra  
Wu**

**Head of Loan Capital  
Markets Legal /  
Pro Bono Lead - APAC**  
BNP Paribas



**Matthieu  
Feld**

**Head of Group**  
Dispute Resolution – APAC  
BNP Paribas

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# Agenda

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1. Introduction
2. Overview of the legal and regulatory environment in Hong Kong
3. Specific vulnerabilities and risks in the NGO sector
4. Guidelines on due diligence in accepting donations
5. Q&A

A close-up photograph of a compass rose on a dark, textured surface. The compass rose is made of metal and has several points. The cardinal directions are labeled: 'E' (East) at the top, 'S' (South) at the bottom, 'W' (West) on the left, and 'N' (North) on the right. There are also intermediate directions like 'NE', 'SE', 'SW', and 'NW'. The background is dark and slightly blurred, showing some numbers like 60, 80, 100, 120, 140, 160, 180, 200, 220, 240, 260, 280, 300, 320, 340, 360. A dark blue rectangular overlay covers the middle part of the image, and the word 'INTRODUCTION' is written in white, bold, sans-serif capital letters across it. A small orange vertical bar is on the left side of the blue overlay.

# INTRODUCTION

# Introduction

- Importance of the anti-money laundering framework
  - International financial centre – need to safeguard the integrity of the financial system
  - Large flows of capital, people, goods, and information
  - Sophisticated market infrastructure
  - Well-established legal system
  - Advanced professional services
  - Prime target for money laundering
- Hong Kong is a member of the Financial Action Task Force (“**FATF**”)



# Financial Action Task Force ("FATF")

- Established in 1989
- 40 members worldwide, including Hong Kong
- Sets standards and promotes effective implementation of legal, regulatory, and operational measures for combating money laundering and terrorist financing
- Best Practices for Combating the Abuse of Non-Profit Organisations (June 2015): <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/BPP-combating-abuse-non-profit-organisations.pdf>
- Best Practices Paper On Combating The Terrorist Financing Abuse of Non-Profit Organisations (November 2023)



# Compliance Challenges

- Compliance challenges for NGOs in the modern funding environment
  - Anonymous and/or overseas funding sources
  - Lack of funding in general
- HKCSS NGO Governance Team has developed a toolkit together with Mayer Brown and BNP Paribas
  - Designed to assist NGOs in conducting and managing their fundraising activities and operations
  - Provides a risk-based approach reflecting the latest legal and regulatory requirements
  - Due Diligence Toolkit for Hong Kong NGOs (June 2023, to be updated):  
<https://governance.hkcass.org.hk/node/532>



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A compass rose is centered on a dark, textured background. The compass has a metallic needle pointing towards the top. The background is partially covered by a dark blue rectangular overlay on the left side, which contains white text. The text is arranged in four lines, with the first two lines being the largest and the last two lines being smaller. The text reads: "OVERVIEW OF THE LEGAL AND REGULATORY ENVIRONMENT IN HONG KONG".

# OVERVIEW OF THE LEGAL AND REGULATORY ENVIRONMENT IN HONG KONG

# Relevant Legislation



- Drug Trafficking (Recovery of Proceeds) Ordinance ("**DTRPO**"), Cap. 405
- Organized and Serious Crimes Ordinance ("**OSCO**"), Cap. 455
- Weapons of Mass Destruction (Control of Provision of Services) Ordinance, Cap. 526
- United Nations Sanctions Ordinance, Cap. 537
- United Nations (Anti-Terrorism Measures) Ordinance, Cap. 575



# Relevant Legislation



- Anti-Money Laundering and Counter-Terrorist Financing Ordinance ("**AMLO**"), Cap. 615
- Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region ("**HKNSL**")
- Safeguarding National Security Ordinance, Instrument A305

# Main Offences Related to Money Laundering

- Under both DTRPO and OSCO
- Active money laundering (s25(1))
  - “Dealing with property... knowing or having reasonable grounds to believe that [it]... represents... proceeds of an indictable offence
    - Indictable offences
    - Overseas conduct
- Failure to disclose (s25A(1))
  - “Know[ing] or suspect[ing] that any property... represents... proceeds of an indictable offence... [you] shall as soon as it is reasonable... disclose that knowledge or suspicion to [the JFIU]”
- Tipping off (s25A(5))
  - “Knowing or suspecting that a disclosure has been made... [you disclose] to any other person any matter which is likely to prejudice any investigation which might be conducted

