

RGC Ref. No.:

UGC/FDS14/H04/19

(please insert ref. above)

**RESEARCH GRANTS COUNCIL
COMPETITIVE RESEARCH FUNDING SCHEMES FOR
THE LOCAL SELF-FINANCING DEGREE SECTOR**

FACULTY DEVELOPMENT SCHEME (FDS)

Completion Report

(for completed projects only)

Submission Deadlines: 1. Auditor's report with unspent balance, if any: within **six** months of the approved project completion date.
2. Completion report: within **12** months of the approved project completion date.

Part A: The Project and Investigator(s)

1. Project Title

Thinking out of the Box: Challenges for Accountants in Anti-money Laundering and Counter-terrorist Financing in Hong Kong

2. Investigator(s) and Academic Department(s) / Unit(s) Involved

Research Team	Name / Post	Unit / Department / Institution
Principal Investigator	Dr Heather Lee / Associate Professor	Department of Accountancy / The Hang Seng University of Hong Kong
Co-Investigator(s)	Nil	
Others	Nil	

3. Project Duration

	Original	Revised	Date of RGC / Institution Approval <i>(must be quoted)</i>
Project Start Date	1 January 2020	-	
Project Completion Date	31 December 2021	30 June 2022	Approved by HSUHK on 6 August 2021
Duration <i>(in month)</i>	24	30	
Deadline for Submission of Completion Report	31 December 2022	30 June 2023	

Part B: The Final Report

5. Project Objectives

5.1 Objectives as per original application

1. examine and analyze the effectiveness of the legal and regulatory framework in AML and CTF as well as the challenges for accountants after implementing the new measures of the amended AMLO:
 - (i) to help accountants and other professionals such as lawyers better understand and implement the new duties imposed on them;
 - (ii) to provide information to financial institutions regarding the legal constraints of the services performed by accountants to enhance understanding between their business relationship; and
 - (iii) to provide analytical information to academics in understanding the amended AMLO to facilitate teaching and learning;
2. examine the possible liability risks on accountants under the amended AMLO, which drive acts of accountants in compliance with the amended AMLO, to assess the dissuasiveness and proportionality of the sanctions imposed as well as the effectiveness of law enforcement via the court system;
3. propose recommendations for developing a holistic approach in regulating accountants in AML / CTF and for effectively implementing the amended AMLO to safeguard the integrity of the financial market in Hong Kong and to further enhance the reputation as an international financial centre with a clean and safe business environment; and
4. provide practical insights to practitioners, financial institutions, academics, regulators, management of companies and policy makers.

5.2 Revised objectives

Date of approval from the RGC: N/A

Reasons for the change:

- 1.
- 2.
3. ..

5.3 Realisation of the objectives

(Maximum 1 page; please state how and to what extent the project objectives have been achieved; give reasons for under-achievements and outline attempts to overcome problems, if any)

With reference to similar measures under the regimes of Australia, the United Kingdom (UK) and the United States (US), the practical challenges facing accountants as a result of the expanded and non-traditional scope of work imposed on them in accordance with the new anti-money laundering (AML) and counter-terrorist financing (CTF) measures under the current legal and regulatory regime in Hong Kong, including the dissuasiveness and proportionality of the sanctions imposed via the court system, as well as the related suggestions for enhancing the effective and efficient implementation of the new measure are discussed. The result has been published in *Journal of Business Law* (2023, 2, 120-138) (i.e. fulfilled Objectives 1-4). Moreover, with the enactment of the Financial Reporting Council (Amendment) Ordinance 2021, an overhaul and unprecedented reform of the regulatory regime for accountants in Hong Kong has been launched. The major practical concerns for accountants and the challenges facing the regulators under the new regulatory regime which went into effect in October 2022 are discussed, with reference to the regime of the UK. The result will be published in *Journal of Business Law* (forthcoming) (i.e. fulfilled Objectives 1-4). The PI also examined and discussed the implementation challenges of AML and CTF requirements in the listed market. The result of the above discussion was included in a part of an article which has been published in *Law and Financial Markets Review* (2023, DOI: <https://www.tandfonline.com/doi/abs/10.1080/17521440.2023.2191788>) (i.e. fulfilled Objectives 1, 3-4).

5.4 Summary of objectives addressed to date

Objectives <i>(as per 5.1/5.2 above)</i>	Addressed <i>(please tick)</i>	Percentage Achieved <i>(please estimate)</i>
1. examine and analyze the effectiveness of the legal and regulatory framework in AML and CTF as well as the challenges for accountants after implementing the new measures of the amended AMLO: (i) to help accountants and other professionals such as lawyers better understand and implement the new duties imposed on them;	✓	100%

<p>(ii) to provide information to financial institutions regarding the legal constraints of the services performed by accountants to enhance understanding between their business relationship; and</p> <p>(iii) to provide analytical information to academics in understanding the amended AMLO to facilitate teaching and learning;</p>		
<p>2. examine the possible liability risks on accountants under the amended AMLO, which drive acts of accountants in compliance with the amended AMLO, to assess the dissuasiveness and proportionality of the sanctions imposed as well as the effectiveness of law enforcement via the court system;</p>	✓	100%
<p>3. propose recommendations for developing a holistic approach in regulating accountants in AML / CTF and for effectively implementing the amended AMLO to safeguard the integrity of the financial market in Hong Kong and to further enhance the reputation as an international financial centre with a clean and safe business environment; and</p>	✓	100%
<p>4. provide practical insights to practitioners, financial institutions, academics, regulators, management of companies and policy makers.</p>	✓	100%

6. Research Outcome

6.1 Major findings and research outcome

(Maximum 1 page; please make reference to Part C where necessary)

New statutory requirements on AML and CTF have been implemented on accountants in accordance with the amended Anti-Money Laundering and Counter-Terrorist Financing Ordinance in Hong Kong (AMLO) in 2018. These new measures require accountants, during their engagements, to think outside their traditional scope of work. This is by no means an easy task, even for experienced accountants, particularly during these initial years of the implementation. With reference to the regimes of Australia, the UK and the US, this project examined the practical challenges facing accountant after implementing these new measures which include the ambiguity of the scope of the customer due diligence, uncertainty of the reporting boundary for suspicious transactions, deficiencies of the regulatory regime and possibly higher liability risk. The related recommendations have also been provided. The above findings have been published in *Journal of Business Law* (2023, 2, 120-138).

Following the implementation of the Financial Reporting Council (Amendment) Ordinance effective October 2022, there has been a significant and extensive reform of the regulatory regime for accountants. With reference to the regime of the UK, this project discussed the major practical concerns for accountants and the challenges facing supervisors under the new regulatory regime, including issues related to the new roles of the regulators and their collaboration; the proportionality and dissuasiveness of sanctions; the sufficiency and completeness of inspections and investigations; and the governance structure—impartiality vs professional competency, along with suggestions related to the roadmap for an effective and efficient regulatory regime for accountants. The result will be published in *Journal of Business Law* (forthcoming).

The implementation challenges of AML and CTF measures for listed companies, together with related recommendations, were examined. In the listed market, listed companies are in lack of clear and sufficient guidance to carry out AML and CTF measures. The result of the above discussion was included in a part of an article which has been published in *Law and Financial Markets Review* (2023, DOI: <https://www.tandfonline.com/doi/abs/10.1080/17521440.2023.2191788>).

The statutory requirements as stipulated in the amended AMLO for accountants have been incorporated into PI's teaching at Hang Seng University of Hong Kong.

6.2 Potential for further development of the research and the proposed course of action

(Maximum half a page)

The current research examined and discussed the statutory AML and CTF requirements and the related implementation challenges on accountants. The AML and CTF requirements have been imposed on various industries, such as financial institutions, insurance companies and certain professionals, such as lawyers. Further research may be expanded to the above industries/ professionals.

Layman's Summary

(Describe in layman's language the nature, significance and value of the research project, in no more than 200 words)

AML and CTF are the prevalent topics on the top of the agendas of countries / jurisdictions around the globe. The launch of the amended AMLO in Hong Kong in 2018 has imposed unprecedented duties on accountants, the gatekeepers to the financial markets. The expanded role for accountants in combating money laundering and terrorist financing can help safeguard the integrity of the financial market in Hong Kong and further enhance the reputation as an international financial centre with a clean and safe business environment. This project examined the practical challenges facing the accountants from a legal perspective after the implementation of the amended AMLO. The result of the study will provide recommendations for accountants to implement the measures of the amended AMLO and for regulators to develop a holistic approach in regulating accountants in AML and CTF. It can also provide practical insights to practitioners, financial institutions, academics, regulators, management of the companies and policy makers.

Part C: Research Output**7. Peer-Reviewed Journal Publication(s) Arising Directly From This Research Project**

(Please attach a copy of the publication and/or the letter of acceptance if not yet submitted in the previous progress report(s). All listed publications must acknowledge RGC's funding support by quoting the specific grant reference.)

The Latest Status of Publications				Author(s) (denote the corresponding author with an asterisk*)	Title and Journal / Book (with the volume, pages and other necessary publishing details specified)	Submitted to RGC (indicate the year ending of the relevant progress report)	Attached to this Report (Yes or No)	Acknowledged the Support of RGC (Yes or No)	Accessible from the Institutional Repository (Yes or No)
Year of Publication	Year of Acceptance (For paper accepted but not yet published)	Under Review	Under Preparation (optional)						
2023				Heather Mui Fong Lee and Say H. Goo*	Thinking outside the Box: Challenges for Accountants in Anti-money Laundering and Counter-terrorist Financing in Hong Kong/ <i>Journal of Business Law</i> , 2023, 2, 120-138.		Yes (Annex I)	Yes	Yes (https://research.hkdb.hsu.edu.hk/view/publication/202200117)
2023				Tommy C.K. Leung, Heather M. F. Lee* and Tony K. F. Chan	A Roadmap to Gender Diversity among Hong Kong Boards in the Financial Market/ <i>Law and Financial Markets Review</i> , 2023. DOI: https://www.tandfonline.com/doi/abs/10.1080/17521440.2023.2191788 .		Yes (Annex II)	Yes	Yes (https://research.hkdb.hsu.edu.hk/view/publication/202300033)
	2022			Heather Mui Fong Lee and Say H. Goo*	Keeping One Step Ahead: Roadmap of an Effective and Efficient Regulatory Regime for		Yes (Annex III)	Yes	No*

					Accountants in the Financial Market in Hong Kong/ <i>Journal of Business Law</i> (forthcomin g)				

* It will be accessible from the Institutional Repository after publication.

8. Recognized International Conference(s) In Which Paper(s) Related To This Research Project Was / Were Delivered

(Please attach a copy of each conference abstract)

Month / Year / Place	Title	Conference Name	Submitted to RGC <i>(indicate the year ending of the relevant progress report)</i>	Attached to this Report <i>(Yes or No)</i>	Acknowledged the Support of RGC <i>(Yes or No)</i>	Accessible from the Institutional Repository <i>(Yes or No)</i>
Nil						

9. Whether Research Experience And New Knowledge Has Been Transferred / Has Contributed To Teaching And Learning

(Please elaborate)

The statutory requirements as stipulated in the amended Anti-Money Laundering and Counter-Terrorist Financing Ordinance 2018 for accountants have been incorporated into PI's teaching at Hang Seng University of Hong Kong.

10. Student(s) Trained

(Please attach a copy of the title page of the thesis)

Name	Degree Registered for	Date of Registration	Date of Thesis Submission / Graduation

Nil			

11. Other Impact

(e.g. award of patents or prizes, collaboration with other research institutions, technology transfer, teaching enhancement, etc.)

Nil

12. Statistics on Research Outputs

No. of outputs arising directly from this research project	Peer-reviewed Journal Publications	Conference Papers	Scholarly Books, Monographs and Chapters	Patents Awarded	Other Research Outputs (please specify)	
					Type	No.
	3	0	0	0		

13. Public Access Of Completion Report

(Please specify the information, if any, that cannot be provided for public access and give the reasons.)

Information that Cannot Be Provided for Public Access	Reasons
Nil	