

PANORAMIC

**ANTI-MONEY  
LAUNDERING**

China



LEXOLOGY

# Anti-Money Laundering

Contributing Editors

**Jonah Anderson, Anneka Randhawa and Ed Pearson**

White & Case LLP

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# Contributors

## China

Han Kun Law Offices

**HANKUN**

汉坤律师事务所  
Han Kun Law Offices

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**Ting Zheng**

ting.zheng@hankunlaw.com

**Shirley Liang**

shirley.liang@hankunlaw.com

**Zhang Xinyu**

hattie.zhang@hankunlaw.com

**Eryin Ying**

eryin.ying@hankunlaw.com

**Lin Zhu**

lin.zhu@hankunlaw.com

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DOMESTIC LEGISLATION

**Domestic law**

Identify your jurisdiction’s money laundering and anti-money laundering (AML) laws and regulations. Describe the main elements of these laws.

The following sets forth the major AML related laws and regulations of the People's Republic of China (for the purposes hereof, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan area, PRC) and their main elements:

No.	Title	Main elements
1. Laws		
	Anti - Money Laundering Law of the PRC (AML Law)	<p>The AML Law was originally passed by the Standing Committee of the 10<sup>th</sup> National People's Congress on 31 October 2006 and revised on 8 November 2024, which came into effect from 1 January 2025. The AML Law serves as the foundation for the regulatory framework of AML in China, providing the scope of money - laundering activities, the regulatory obligations in relation to AML, the scope of obligors, and the consequences of non - compliance with such regulatory obligations. The AML Law aligns with Financial Action Task Force (FATF) standards.</p> <p>As the core legislation governing AML in China, beyond the seven criminalised activities under the Criminal Law (as defined below), the AML Law provides a catch - all clause to broaden the scope of money - laundering activities to include that disguise or</p>

		<p>conceal the source or nature of proceeds and gains from 'other crimes', which allows authorities to incorporate additional offences, such as telecom and online fraud, into the upstream offences for the purpose of the AML regulatory framework.</p>
	<p>Criminal Law of the PRC (Criminal Law)</p>	<ul style="list-style-type: none"> <li>• Article 191 (Crime of Money Laundering) of the Criminal Law defines such money laundering activities that will be criminalised under PRC laws as the targeting the concealment or disguise of proceeds from seven specific upstream crimes, namely drug trafficking, organised crime, terrorism, smuggling, corruption, financial fraud, and disruption of financial order.</li> <li>• Article 312 (Crime of Concealing and Disguising Criminal Proceeds) and 349 (Crime of Harboring, Transferring, and Concealing Drug - Related Criminal Proceeds) expand the coverage of crimes targeting money laundering</li> </ul>

		<p>activities on the basis of article 191.</p> <ul style="list-style-type: none"> <li>• The 11<sup>th</sup> Amendment to the Criminal Law, promulgated in 2020, further refined and supplemented relevant provisions and criminalised 'self - money - laundering' activities, namely, laundering proceeds from own crimes shall also be criminalised under the Criminal Law, thus closing previous legal loopholes.</li> </ul>
	Law on the People's Bank of China of the PRC	This law defines the supervisory, monitoring, and investigative functions of the People's Bank of China (PBoC) in respect of AML work.
2. Departmental Rules and Normative Documents		
	Regulations on Anti - Money Laundering by Financial Institutions (FI AML Regulations)	<ul style="list-style-type: none"> <li>• Based on FI AML Regulations, PBoC established the China Anti - money Laundering Monitoring and Analysis Centre (AML Monitoring and Analysis Centre), which collects and analyses suspicious transaction reports submitted by financial institutions and detects risk indicators.</li> </ul>

		<ul style="list-style-type: none"> <li>• FI AML Regulations also specify the AML obligations and responsibilities of financial institutions, standardise workflows, and require the establishment of internal AML control systems, including dedicated AML departments or designated internal units by financial institutions.</li> </ul>
	Measures on the Administration of Client Identity Identification and Materials and Transaction Recording of Financial Institutions (FI Client Identification Measures)	These measures outline requirements for client identity identification, record - keeping, and transaction monitoring to prevent money laundering risks. These measures were originally released by regulators in 2007 and were updated by regulators in 2022, but the 2022 amendments were temporarily suspended due to technical reasons and AML work still follows the original measures in 2007.
	Measures for the Administration of Reporting Large - Value and Suspicious Transactions by Financial Institutions (Large - Value and Suspicious Transactions Reporting Measures)	The Large - Value and Suspicious Transactions Reporting Measures define reporting standards and procedures for large - value and suspicious transactions to facilitate the monitoring of potential money - laundering activities.

	Measures for the Administration of Freezing Assets Related to Terrorist Activities	These measures clearly stipulate that financial institutions shall cooperate with PBoC, public security administration and state security administration in AML investigations, providing information on assets related to terrorist organisations and individuals involved in terrorist activities and freezing such assets.
	Guidelines for Self - assessment of Money Laundering and Terrorist Financing Risks by Corporate Financial Institutions (FI Self - assessment Guidelines)	The FI Self - assessment Guidelines apply to all types of financial institutions and non - bank payment institutions, providing guidance on conducting self - assessments on AML risks and effectively utilising assessment results.
	Measures for the Supervision and Administration of Anti - money Laundering and Counter - terrorism Financing of Financial Institutions (FI AML and CTF Measures)	The FI AML and CTF Measures set out requirements for financial institutions to establish and improve AML and counter - terrorism financing (CTF) internal control systems, assess money laundering and terrorist financing risks, and develop risk management mechanisms that align with their risk profile and business scale to ensure effective compliance with AML and CTF obligations.
	Implementation Measures for Anti - Money Laundering in the Securities and Futures Industry (Securities and Futures Industry AML Measures)	Based on the general AML regulatory requirements applicable to all financial institutions (including securities and futures firms),

		<p>these implementation measures provide further requirements and specifically address the regulatory requirements applicable to securities and futures firms, and require securities and futures firms to establish and maintain AML internal control systems, including the formulation of operational procedures, enhancement of internal audits, and standardisation of AML activities.</p> <p>Additionally, securities and futures firms shall promptly report to local branches of the China Securities Regulatory Commission (CSRC) details of their internal AML department, the designated responsible person, and contact information of dedicated AML personnel to facilitate regulatory supervision and guidance.</p>
	<p>Anti - Money Laundering Guidelines for Securities Firms (Securities Firms AML Guidelines)</p>	<p>The guidelines were issued by the Securities Association of China, serving as a practical guide for meeting AML requirements to enhance the adaptability and feasibility of AML work for securities firms.</p>
	<p>Measures for the Administration of Anti - Money Laundering Work in the Insurance Sector (Insurance AML Measures)</p>	<p>These measures provide further requirements and specifically address the regulatory requirements applicable to insurance companies, insurance asset management</p>

		companies, insurance agents and insurance brokers, including the establishment and maintenance of AML internal control systems, formulation of operational procedures and standardisation of AML activities.
	Anti - Money Laundering Guidelines for Fund Management Companies	Based on the general AML regulatory requirements applicable to all financial institutions and Securities and Futures Industry AML Measures, the guidelines further specify requirements for the money laundering work of fund management companies.
	Administrative Measures for the Anti - Money Laundering and Anti - terrorist Financing Work of Payment Institutions	The measures set out specific requirements applicable to payment institutions, such as internal control, client identity identification, and suspicious transaction reporting.
	Measures for the Administration of Beneficial Ownership Information (Beneficial Ownership Measures)	These measures require entities such as companies, partnerships, and branches of foreign companies to register and report their beneficial ownership information through designated registration systems.
	Guidelines for Risk Assessment of Money Laundering and Terrorist Financing and Classified Client Management for Financial Institutions	The guidelines serve as a general guide for financial institutions to assess money laundering risk levels of clients and identify high - risk clients,

	(FI Client Management Guidelines)	with corresponding client due diligence (CDD) and risk control measures.
	Measures for the Administration of Anti - Money Laundering and Counter - Terrorist Financing in Banking Financial Institutions (Banking AML and CTF Measures)	The measures establish the basic framework for the anti - money laundering work of the banking financial institutions by improving their internal control systems, strengthening the regulatory mechanism, and clarifying the market entry standards.
	Guidelines for the Assessment of Money Laundering and Terrorist Financing Risks and Categorised Management of Clients of Insurance Institutions (Insurance Institutions AML and CTF Guidelines)	The guidelines aim to help insurance institutions implement a risk - based approach to AML. They require insurance institutions to assess the risk of their products or services being used for money laundering, classify customers based on risk levels, and apply appropriate AML measures accordingly in order to enhance the effectiveness of AML efforts.
3. Judicial interpretation		
	Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Money Laundering Cases (Judicial Interpretation on Money Laundering)	Judicial Interpretation on Money Laundering consists of 13 articles and mainly clarifies the criteria for identifying 'self - money laundering' and 'third - party money laundering', the standards for determining 'serious circumstances' in money laundering, and specific methods for concealing criminal proceeds. It also outlines the principles

		for concurrent punishment of money laundering and related crimes, sets minimum fines, and establishes standards for lenient punishment for offenders who cooperate and show remorse.
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Law stated - 1 January 2025

### Investigatory powers

Describe any specific powers to identify proceeds of crime or to require an explanation as to the source of funds.

As mandated under the AML Law, the PBoC is responsible for monitoring financial transactions, investigating suspicious activities, and overseeing financial institutions' AML compliance. The AML Law also requires the covered obligors to submit transaction records, CDD information, and suspicious transaction reports to facilitate the monitoring by PBoC of suspicious money-laundering activities. According to article 44 of the AML Law, during PBoC investigations on any covered obligor, it is mandated with the following administrative power :

- to question personnel from the covered obligor about suspicious activities;
- to access, review, and copy relevant documents and materials, and access computer networks and information systems to collect and save data; and
- to seal up files and materials that may be transferred, concealed, tampered with or destroyed and to preserve evidence.

Each covered obligor is obliged to carry out necessary know-your-client (KYC) checks on its clients, reserve the transaction documentation and records with such clients, and must promptly report to PBoC if it identifies any suspicious transactions. Under article 29 of the AML Law, where relatively high money laundering risks are involved, the covered obligors are also obliged to know the source of funds and purposes. While there is no universally applicable definition of what constitutes relatively high money laundering risk in PRC laws, some industry- or business- specific rules have provided for the obligation to know the source of funds and purposes under specified circumstances, such as article 8 of the Guidelines on the Anti-money Laundering and Anti-terrorist Financing Work of Banks for Cross-Border Business (for Trial Implementation) for cross-border banking activities.

Upon request by the PBoC, the covered obligor is further obliged to cooperate with the PBoC and submit the information and documents required by the PBoC. Thus, PBoC has extensive powers to identify proceeds of crime or to require an explanation of the source of funds from the covered obligors and their clients (through the covered obligors).

In addition to the PBoC, the Criminal Procedure Law of the PRC (Criminal Procedure Law) grants public security organs and procuratorates broader investigative authority in criminal

cases, which would enable them to identify proceeds of crime or to require an explanation from covered obligors or relevant clients as to the source of funds as follows:

- investigate filed cases and collect evidence comprehensively to determine guilt or innocence;
- seize or detain property and documents suspected to be proceeds of crime, ensuring proper handling to avoid misuse;
- verify evidence through preliminary reviews to ensure its authenticity, legality, and relevance for admissibility in court;
- interrogate suspects during criminal investigations, requiring them to explain the source of their funds; and
- obligate any unit or individual to provide evidence, including records or explanations clarifying the origin of funds.

**Law stated - 1 January 2025**

## MONEY LAUNDERING

### Criminal enforcement

#### Which government entities enforce your jurisdiction's money laundering laws?

The enforcement of the AML Law in China is mandated to various different authorities, with each authority responsible for the enforcement of the AML laws within its own regulated sphere. Set out below are the key law enforcement agencies for the AML laws in China and their respective functions and duties.

#### People's Bank of China

The People's Bank of China (PBoC) serves as the central AML authority and is designated as the State Council Anti-Money Laundering Administrative Department under the AML Law. It coordinates national AML efforts by formulating regulations and overseeing compliance across financial institutions and licensed non-bank payment institutions, manages AML funds monitoring through the AML Monitoring and Analysis Centre, which is responsible for processing large-value transaction reports and suspicious transaction reports, investigates suspicious transactions, and submits cases to judicial organs as needed. PBoC also collaborates with international bodies to align China's AML framework with global standards.

#### Financial regulatory agencies

China Securities Regulatory Commission (CSRC) and the National Financial Regulatory Administration (and its predecessors China Banking Regulatory Commission, China Insurance Regulatory Commission and China Banking and Insurance Regulatory Commission, referred to as NFRA) undertake the AML oversight duties within their respective regulated sphere, namely, NFRA for all licensed financial institutions in the banking,

insurance and trust sectors and CSRC for licensed financial institutions in the securities, funds and futures sector.

CSRC and NFRA share compliance-related data with PBoC and judicial organs to enhance risk assessment and enforcement actions. Article 14 of the AML Law explicitly requires financial regulatory agencies to participate in drafting AML management regulations for supervised financial institutions and to implement AML review requirements in financial institutions' market entry processes.

#### Industry regulatory authorities

The non-financial institutions within the covered obligors are subject to the oversight and regulation of both the industry regulators (eg, the Ministry of Finance for accounting firms) and PBoC. The industry regulators are responsible for supervising and inspecting the fulfilment of AML obligations by such non-financial institutions, and addressing AML supervision and management recommendations from PBoC. The industry regulators may request assistance from PBoC with supervision and inspections when necessary.

#### Judicial organs

The Ministry of Public Security (MPS) and local public security organs are responsible for investigating criminal AML cases, with a particular focus on money laundering crimes linked to underlying offences such as corruption, fraud, and organised crime. MPS will also receive cases (if deemed constituting criminal AML cases) submitted by PBoC or other authorities when enforcing the AML Law.

People's procuratorates are responsible for bringing AML-related criminal charges against natural and legal persons that violate AML laws and commit AML-related crimes.

People's courts handle the trial and adjudication of commitment of AML-related crimes, imposing criminal penalties, asset confiscations, and other enforcement measures.

#### AML joint conference

To coordinate the AML work among different authorities, China established an AML inter-ministerial joint conference (AML Joint Conference) system which is under the leadership of PBoC and comprised of the following members: PBoC, the Supreme People's Court, the Supreme People's Procuratorate, the General Office of the State Council, the Ministry of Foreign Affairs (MFA), MPS, the Ministry of State Security, the Ministry of Civil Affairs, the Ministry of Justice, the Ministry of Finance, the Ministry of Commerce, the State Taxation Administration, the State Administration for Market Regulation (SAMR), CSRC, NFRA, the State Administration of Foreign Exchange (SAFE), among many other authorities.

The AML Joint Conference has provided a platform for different authorities to share intelligence and unify the regulatory focus. For instance, following the 10<sup>th</sup> full-member meeting of AML Joint Conference, PBoC and the Supreme People's Procuratorate jointly released six typical cases on combating money laundering crimes on 19 March 2021, which provide practical guidance in administering AML work by judicial organs and administrative supervision departments at lower levels, and also expressed their willingness to cooperate in areas such as the identification and referral of case leads, information sharing, and

industry governance, to build synergy between administrative and judicial expertise jointly. For another instance, in early 2022, 11 members of the AML Joint Conference initiated the Three-Year Action Plan for Combating and Curbing Money Laundering Crimes (2022–2024) to crack down on various money laundering activities, with a particular focus on the money laundering crimes under article 191 of the Criminal Law.

**Law stated - 1 January 2025**

## **Defendants**

### **Can both natural and legal persons be prosecuted for money laundering?**

Both natural and legal persons can be prosecuted for money laundering if they have engaged in money laundering activities criminalised under the Criminal Law. Notably, as a general principle under the Criminal Law, where legal persons are found to have engaged in money laundering crimes, the senior management directly responsible for such crimes and other directly responsible persons will also be prosecuted and held accountable.

**Law stated - 1 January 2025**

## **The offence of money laundering**

### **What constitutes money laundering?**

Money laundering is defined under article 2 of the AML Law as the activities of disguising or concealing by various means the sources and nature of the proceeds and income generated from drug-related crimes, crimes by criminal syndicates or gangs, terrorism-related crimes, crimes of smuggling, crimes of corruption and bribery, crimes of disrupting the financial regulatory order, crimes of financial frauds and other crimes. Article 62 of the AML Law further stipulates that where any violation of the AML Law constitutes a criminal offence or if money laundering is committed by utilising covered financial institutions, covered non-financial institutions or other illegal channels, criminal liabilities shall be pursued in accordance with laws.

Money laundering crimes are further defined and prosecuted under article 191 of the Criminal Law, pursuant to which disguising or concealing the source, nature or ownership of proceeds derived from predicate offences will constitute money laundering crimes. Therefore, to break down the money laundering crime, it must constitute the following elements:

- predicate offence (also called 'upstream crime');
- intention to disguise or conceal the source/nature/ownership of proceeds and gains generated from predicate offence; and
- act to disguise or conceal the source/nature/ownership of such proceeds and gains.

Predicate offence

The following crimes shall fall in the scope of predicate offences:

- drug-related crimes (eg, trafficking, manufacturing, or distribution of drugs);
- organised crime (eg, activities by criminal syndicates or gangs);
- terrorism-related crimes (eg, financing or supporting terrorist acts);
- smuggling (eg, illegal importation or exportation of goods);
- corruption and bribery (eg, graft by public officials or private entities);
- crimes disrupting the financial regulatory order (eg, manipulating financial markets or institutions); and
- financial fraud (eg, embezzlement, ponzi schemes, or other fraudulent financial activities).

#### Intention

The PRC court will specifically look at the following parameters to determine whether the requirement 'intention' has been fulfilled by the offender as outlined in article 191 of the Criminal Law and the Judicial Interpretation on Money Laundering as follows:

- the information the offender has accessed and received;
- what actions have been taken by the offender towards the proceeds and gains generated from the predicate offences;
- type and amount of the proceeds and gains;
- the transfer and conversion methods of the proceeds and gains;
- any abnormality with respect to the offender's transaction history and fund accounts;
- the offender's professional experience and their relationship with the offenders for the predicate offences; and
- the testimony of the co-defendants and the testimony of witnesses.

#### Act

The offender must have conducted at least one of the following acts to constitute a money laundering crime under article 191 of the Criminal Law and article 5 of the Judicial Interpretation on Money Laundering as follows:

- providing fund accounts;
- converting property into cash, financial instruments or negotiable securities;
- transferring the funds through wire transfer or any other form of payment and settlement;
- transferring assets across borders;
- transferring or converting criminal proceeds and gains through means such as pawning, leasing, buying, selling, investing, auctioning, or purchasing financial products;
-

transferring or converting criminal proceeds and gains by mixing them with the operating revenue of cash-intensive venues such as shopping malls, restaurants, and entertainment venues;

- transferring or converting criminal proceeds and gains through fictitious transactions, fictitious claims and liabilities, fictitious guarantees, or reporting of fictitious income;
- Converting criminal proceeds and gains through means such as buying or selling lottery tickets, prize vouchers, stored-value cards, gold or other precious metals;
- converting criminal proceeds and gains into gambling proceeds through gambling;
- transferring or converting criminal proceeds and gains through "virtual asset" transactions or financial asset exchanges; or
- otherwise transferring or converting criminal proceeds and gains to disguise or conceal the source or nature of the proceeds obtained from predicate offences and the gains derived therefrom.

**Law stated - 1 January 2025**

### **The offence of money laundering**

#### **Can financial institutions or other money-centred businesses be prosecuted or pursued for their customers' money laundering crimes?**

Where the financial institutions or other money-centred businesses knowingly and intentionally assist with the money-laundering crimes of their clients, for example, they offer bank accounts to clients to help with laundering of proceeds from predicate offences, they will be prosecuted and pursued for joint criminal liabilities with such clients.

Where the financial institutions or other money-centred businesses have complied with their AML obligations, the risk of them being prosecuted or pursued for their clients' money laundering crimes should be remote. That said, failing to implement adequate AML controls or ignoring suspicious activities – could expose them to administrative penalties or civil liability for damages caused by their oversight.

**Law stated - 1 January 2025**

### **Qualifying assets and transactions**

#### **Is there any limitation on the types of assets or transactions that can form the basis of a money laundering offence?**

Generally, all assets underlying the proceeds and income generated from the predicate offences, namely drug-related crimes, crimes by criminal syndicates or gangs, terrorism-related crimes, crimes of smuggling, crimes of corruption and bribery, crimes of disrupting the financial regulatory order, crimes of financial frauds and other crimes, can form the basis of a money laundering offence. All transaction types designed to disguise or conceal the source or nature of such underlying assets constitute a money laundering offence.

**Law stated - 1 January 2025**

## Predicate offences

### Generally, what constitute predicate offences?

The following crimes shall fall in the scope of predicate offences:

- drug-related crimes (eg, trafficking, manufacturing, or distribution of drugs);
- organised crime (eg, activities by criminal syndicates or gangs);
- terrorism-related crimes (eg, financing or supporting terrorist acts);
- smuggling (eg, illegal importation or exportation of goods);
- corruption and bribery (eg, graft by public officials or private entities);
- crimes disrupting the financial regulatory order (eg, manipulating financial markets or institutions); and
- financial fraud (eg, embezzlement, ponzi schemes, or other fraudulent financial activities).

**Law stated - 1 January 2025**

## Defences

### Are there any codified or common law defences to charges of money laundering?

There are no specific codified or common law defences to charges of money laundering under PRC laws. However, in practice, law enforcement agencies may consider and investigate the following arguments made by defendants:

- Lack of knowledge or intent: one of the key elements that constitute a money laundering crime is the intention to disguise or conceal the source or nature of proceeds from predicate offences. If the accused can prove their unawareness or having no reason to suspect the origin of relevant funds, for example, proof of legitimate business purposes can be provided, and there is no red flag when dealing with the relevant funds, the accused can claim no guilt based on the lack of knowledge or intent. The accused should refer to the parameters that the PRC court will look at and prepare the evidence.
- Lack of link to specified predicate offences: so long as the relevant upstream crime does not fall into the specified scope of predicate offences, the act of disguising or concealing the proceeds from such upstream crime shall not qualify as money laundering, but could be found guilty of concealment of criminal proceeds.
- Self-laundering for own criminal proceeds: the mere possession, concealment, or physical transfer of illicit funds from predicate offence, without actively converting or legitimising the source of such illicit funds, shall not qualify as money laundering but will be deemed as part of the predicate offence and cannot be double punished.

**Law stated - 1 January 2025**

## Resolutions and sanctions

### What is the range of outcomes in criminal money laundering cases?

From a PRC law perspective, the range of outcomes in criminal money laundering cases depends on the specific circumstances of the offence, including the severity of the crime, the amount of money involved, the offender's role in the money laundering activities and cooperation with authorities.

#### Criminal penalties for natural persons

Base penalty: For natural persons convicted of money laundering under article 191 of the Criminal Law, the base penalty would be confiscation of proceeds obtained from the commission of the crime and incomes generated therefrom, imprisonment of up to five years or criminal detention, and/or monetary fines of not less than 10,000 yuan.

Penalty for serious circumstances: If the offence is deemed to have 'serious circumstances', the imprisonment term increases to five to 10 years with a mandatory monetary fine of not less than 200,000 yuan.

'Serious circumstances' are defined in the Judicial Interpretation on Money Laundering, including laundering amounts of 5 million yuan or more with aggravating factors (eg, multiple instances, refusal to cooperate in asset recovery, or causing losses exceeding 2.5 million yuan, or other serious consequences).

#### Criminal penalties for legal persons

Legal persons (eg, companies) convicted of money laundering are subject to monetary fines under article 191 of the Criminal Law; that is, a monetary fine of not less than 10,000 yuan as a base penalty and that of not less than 200,000 yuan as a penalty for serious circumstances. Directly responsible personnel of such legal persons would face the same penalties applicable to natural persons as stated under 'Criminal penalties for natural persons' above.

#### Lesser, non-criminal outcomes

Lesser penalty or even non-prosecution may be considered if the offender confesses, shows remorse, and actively assists in recovering criminal proceeds, particularly if the crime is deemed minor in accordance with article 10 of the Judicial Interpretation on Money Laundering.

If the people's procuratorate opts not to prosecute (eg, due to insufficient evidence or the crime is deemed minor), the case may be transferred to administrative authorities such as PBoC for handling, potentially leading to asset confiscation without criminal conviction.

**Law stated - 1 January 2025**

## Forfeiture and other remedies

## Describe any related asset freezing, seizure, forfeiture, disgorgement and victim compensation laws.

### Freezing and seizure

Asset freezing and seizure under the PRC laws are foundational mechanisms for securing property during criminal investigations, primarily governed by the Criminal Procedure Law. Under article 141(1) of the Criminal Procedure Law, any property or documents discovered during investigative activities that can prove a suspect's guilt or innocence must be seized or detained, while items unrelated to the case are explicitly exempt from such measures. Article 144(1) of the Criminal Procedure Law further empowers people's procuratorates and MPS to inquire into and freeze a suspect's financial assets – such as deposits, remittances, bonds, stocks, and fund shares – based on investigative needs and in accordance with regulations, with mandatory cooperation required from relevant units and individuals, such as financial institutions. These provisions ensure that law enforcement can target a broad range of assets linked to money laundering criminal activities, and law enforcement agencies have the reasonable discretion to determine 'investigative needs' on a case-by-case basis.

The authority to freeze and seize assets is distributed across different stages of the criminal justice process and vested in multiple entities. During the investigation phase, MPS and people's procuratorates (prosecutors) can decide to implement these measures, as stipulated in article 144 of the Criminal Procedure Law, supplemented by article 2 of Provisions on the Application of Seizure and Freezing Measures in the Handling of Criminal Cases by Public Security Organs, articles 227 and 237 of the Procedural Regulations for Public Security Organs Handling Criminal Cases (Public Security Regulations), and articles 210 and 212 of the Criminal Procedure Rules of the People's Procuratorate (Procuratorate Rules). In the trial phase, people's courts assume this authority under article 102 of the Criminal Procedure Law and articles 189, 341 and 342 of the Supreme People's Court Judicial Interpretation of the Criminal Procedure Law enabling them to freeze or seize property in cases where an offender's actions or other reasons might hinder judgment enforcement, where illegal gains remain unrecovered, or where it is deemed necessary for other reasons. This tiered structure ensures comprehensive asset control from investigation through prosecution to adjudication, providing a robust framework for securing case relevant assets at every judicial stage.

The scope of assets subject to freezing and seizure is precisely defined to focus on case relevant assets. Seizure and detention, as outlined in article 227 of the Public Security Regulations and article 212 of the Procuratorate Rules, apply to tangible and intangible items such as real estate (land, houses), movable property (machines, equipment), and documents (emails, telegrams). Freezing targets financial assets, including deposits, remittances, securities trading settlement funds, futures margins, bonds, stocks, fund shares, equity, insurance policy rights, and other investment interests. The assets that can be applied with freezing and seizure measures are restricted to proceeds of crime and their profits, assets used in committing offences, illegally possessed contraband, and other items that can prove the occurrence or severity of a crime. Irrelevant assets shall not be subject to the freezing or seizure measures, and if seized or frozen assets are later confirmed irrelevant, they must be released and returned within three days, with notification to affected parties. Additionally, law enforcement agencies must preserve essential living expenses and items for suspects,

offenders, and their dependants, while minimising disruption to involved entities' operations, balancing enforcement with limited protections.

#### Forfeiture

According to article 59 of the Criminal Law, forfeiture of assets refers to the confiscation of part or all of a convicted criminal's personal assets. When the entire property is confiscated, the necessary living expenses for the criminal and their dependants must be retained. When ordering property forfeiture, assets belonging to or legally entitled to the criminal's family members shall not be confiscated. Additionally, article 60 of the Criminal Law provides that before the forfeited property is executed, any lawful debts incurred by the criminal shall be repaid from the confiscated assets if the creditor requests repayment.

#### Disgorgement

Article 64 of the Criminal Law provides the principle on how to dispose of the assets involved in crimes, which provides that all money and assets illegally obtained by a criminal shall be recovered, or the criminal shall be ordered to return the assets or money to the victims, and the lawful assets of the victim shall be returned without delay; and contrabands and possessions of the criminal that are used in the commission of the crime shall be confiscated. All the confiscated money and assets, as well as the fines, shall be turned over to the state treasury, and no one may misappropriate or privately dispose of them.

In practice, the ruling court shall specify in the judgement what money or assets shall be confiscated and what shall be returned to the victims on a case- by- case basis.

#### Victim compensation

On the one hand, article 36 of the Criminal Law requires offenders to compensate victims for economic losses caused by their crimes, and article 101 of the Criminal Procedure Law allows victims to file incidental civil actions during criminal proceedings or pursue separate civil lawsuits to seek damages for infringement of personal rights or property destruction.

On the other hand, articles 18 and 36 of the National Compensation Law and the Supreme People's Court and Procuratorate Interpretation on Criminal Compensation Cases allow victims to seek state compensation if authorities unlawfully freeze, seize, or recover property.

**Law stated - 1 January 2025**

### **Limitation periods on money laundering prosecutions**

#### **What are the limitation periods governing money laundering prosecutions?**

Limitation periods based on maximum statutory penalty

According to article 87 of the Criminal Law, the statute of limitations for prosecuting money laundering offences varies depending on the maximum statutory penalty applicable to a specific crime as follows:

Maximum statutory penalty	Limitation period
Less than five years' imprisonment	Five years
Five to 10 years' imprisonment (excluding 10 years)	10 years
10 years' imprisonment	15 years

Given that the base penalty for the money laundering is less than five years' imprisonment, and the heavier penalty for serious circumstances is five to 10 years (inclusive) imprisonment, the limitation period governing money laundering prosecutions should be ranged from 10 years to 15 years.

The limitation period starts from the date the criminal act ends, and where the criminal act is committed several consecutive times, the limitation period shall start from the date the last criminal act ends. Subject to further discussions below, the limitation period can be extended or reset under specific circumstances.

#### Suspension and interruption of the limitation period

The Criminal Law provides mechanisms that can extend or reset the limitation period under specific circumstances as follows:

- Interruption (article 88): For a criminal who escapes from investigation or trial after people's procuratorate, MPS or state security organ docket the case or a people's court accepts the case, the case will not be subject to the period of limitation for prosecution.
- New criminal acts (article 89): If the offender commits additional crimes (including new money laundering acts) during the limitation period, the clock resets for all related offences from the date of the most recent crime.

**Law stated - 1 January 2025**

### **Extraterritorial reach of money laundering law**

#### **Do the money laundering laws applicable in your jurisdiction have extraterritorial reach?**

Article 12 of the AML Law has introduced a clause for its extraterritorial application, which provides that money laundering and terrorist financing activities outside the territory of the PRC that endanger the sovereignty and security of the PRC, infringe upon the legitimate rights and interests of citizens, legal persons and other organisations of the PRC, or disrupt the financial order within the PRC shall be dealt with in accordance with the AML Law and relevant laws and regulations, and the legal liabilities shall be pursued accordingly.

Article 49 of the AML Law also imposes an obligation on offshore financial institutions that have opened correspondent bank accounts in the PRC or have other close financial ties with the PRC to cooperate with the investigations initiated by PRC law enforcement authorities on money laundering and terrorist financing activities in accordance with the principle of reciprocity or the consensus agreement with relevant countries. The violation of such obligation will subject the offshore financial institutions to various administrative actions, including, without limitation, monetary fines, prohibition from engaging in certain businesses and enlisting in the Black Lists, as a result of which any entity and individual in the PRC must take AML special precaution measures against such offshore financial institution.

In addition to the extraterritorial effect of the AML Law, the Criminal Law (therefore, the prosecution against and criminalisation of money laundering activities under the Criminal Law) has jurisdiction based on territory, nationality and protection principle. To be more specific:

- the Criminal Law shall be applicable to anyone who commits a crime within the territory of the PRC, except as otherwise specifically provided by law, and the offence shall be deemed to have been committed within the territory of the PRC if a criminal act or its consequence takes place within the territory of the PRC;
- the Criminal Law shall be applicable to any citizen of the PRC who commits a crime prescribed in the Criminal Law outside the territory of the PRC; and
- the Criminal Law may be applicable to any foreigner who commits a crime outside the territory of the PRC against the State of the PRC or against the PRC citizens, if for that offence the Criminal Law prescribes a minimum punishment of fixed-term imprisonment of not less than three years; however, this does not apply to a crime that is not punishable according to the laws of the place where it is committed.

**Law stated - 1 January 2025**

## AML REQUIREMENTS FOR COVERED INSTITUTIONS AND INDIVIDUALS

### Enforcement and regulation

#### Which government entities enforce the AML regime and regulate covered institutions and persons in your jurisdiction?

China's AML regime is enforced, and covered obligors are regulated, by multiple authorities as follows:

- the People's Bank of China (PBoC) is the central AML authority that formulates regulations, supervises financial institutions, monitors large-value transactions and suspicious transactions, investigates suspicious activities, and collaborates with offshore authorities and international organisations.
- financial regulators:
  - the China Banking and Insurance Regulatory Commission (NFRA) oversees AML compliance in banking, insurance, and trust sectors; and
  - the China Securities Regulatory Commission (CSRC) supervises the securities, funds, and futures sectors.

- industry regulators regulate AML compliance of non-financial entities in their sectors.
- judicial organs comprise public security, procuratorates, and courts; they investigate, prosecute, and adjudicate money-laundering crimes.
- AML Joint Conference is an inter-agency coordination mechanism led by PBoC, bringing together key ministries and regulators to coordinate national AML policies, enforcement, and cooperation.

Law stated - 1 January 2025

## Enforcement and regulation

### Do the AML rules provide for ongoing and periodic assessments of covered institutions and persons?

The AML rules provide for the key ongoing and period assessment requirements applicable to covered obligors, as follows:

#### Covered financial institutions

##### Regular risk evaluations

Article 27 of the AML Law stipulates that covered financial institutions shall periodically assess their money laundering risk exposures and establish corresponding risk management systems and processes, and also establish relevant information systems as needed.

##### Self-assessment requirement

The AML law and the Guidelines for Self-assessment of Money Laundering and Terrorist Financing Risks by Corporate Financial Institutions (FI Self-assessment Guidelines) require covered financial institutions to assess their risk profiles and adjust controls accordingly, with assessments typically conducted every 24 to 36 months depending on risk levels; for those covered financial institutions with high inherent or residual risks, the self-assessment should be conducted no more than once every 24 months. The self-assessment should cover the assessment of inherent risk, control measure effectiveness, and residual risk evaluations.

##### Assessments for the Launch of New Business and Technology

The assessment of money-laundering risks is mandatory for the launch of any new business, product or service or the use of any new technology by covered obligors under article 36 of the AML Law, article 7 of the Regulations on Anti-Money Laundering by Financial Institutions (FI AML Regulations) and Counter-terrorism Financing of Financial Institutions (CTF) Measures, and articles 15 and 35 of the Implementation Rules of the Regulations on Supervision and Administration of Non-Bank Payment Institutions. Covered financial institutions must implement measures to reduce any risks flagged out during the assessment.

## Transaction Monitoring Standards Assessments

Covered financial institutions are required to regularly assess their transaction monitoring standards and update them based on the assessment result in order to ensure effective monitoring of suspicious transactions.

## Covered non-financial institutions

The AML rules applicable to other non-financial institutions within the covered obligors are less developed compared to those for covered financial institutions. That said, in the 2025 AML Work Meeting convened by PBoC, it was stressed that one of the focuses of AML work in 2025 is to promote the AML work among covered non-financial institutions.

**Law stated - 1 January 2025**

### **Covered institutions and persons**

#### **Which institutions and persons must have AML measures in place?**

Under the AML Law, the following covered institutions (covered obligors) are obligated to have AML measures in place:

- Financial institutions established within China
  - financial institutions regulated by NFRA, including banks, wealth management subsidiaries of banks, financial asset management companies, corporate group finance companies, financial leasing companies, auto finance companies, currency brokerage companies, consumer financing companies, insurance institutions (including insurance companies or insurance group companies, insurance intermediaries and insurance brokers) and trust companies;
  - financial institutions regulated by the CSRC, including securities firms, fund management companies and futures companies;
  - financial institutions regulated by PBoC, including non-bank payment institutions; and
  - other entities engaged in financial business as designated and announced by PBoC.
- Specific non-financial institutions established within China
  - real estate development companies or real estate agencies providing housing sales, housing purchase and sale brokerage services;
  - accounting firms, law firms, and notary institutions entrusted to handle the purchase and sale of real estate, manage funds, securities, or other assets, manage bank accounts, securities accounts, raise funds for the establishment and operation of enterprises, and act as agents for the buying and selling of business entities for clients;

- dealers engaged in the spot trading of precious metals and gemstones with value above a prescribed amount; and
  - other institutions required to perform the AML obligations as jointly determined by PBoC and the relevant state council departments according to the status of money laundering risks.
- Natural persons are not required to have AML measures in place.

**Law stated - 1 January 2025**

## **Covered institutions and persons**

### **How do regulated and non-regulated sector AML obligations differ?**

The AML obligations differ significantly between regulated sectors (primarily financial institutions) and non-regulated sectors (primarily specific non-financial industries newly included under the AML Law).

The covered obligors in the regulated sectors (ie, covered financial institutions) are subject to more comprehensive, stringent and well-defined AML rules. In theory, both covered financial institutions and covered non-financial institutions are required as a principle to adopt relevant prevention and control measures, establish sound internal control for AML and fulfil such other obligations as the client due diligence (CDD), preserve the identity materials of clients and the transaction records, report of large-value transactions and suspicious transactions, and take special preventive measures against money laundering, the covered financial institutions have been subject to a comprehensive legal framework and detailed operational guidelines for the implementation of such obligations; however, covered non-financial institutions are still awaiting sector-specific guidelines of their respective competent industry regulator.

Covered financial institutions are also imposed more obligations than covered non-financial institutions – for example, covered financial institutions are obliged to conduct internal or external audit to ensure the effective implementation of AML internal control policies, and are obliged to conduct regular self-assessment, while the covered non-financial institutions are not expressly imposed such obligations under the AML Law.

In addition, covered financial institutions are subject to more routine on-site inspections by PBoC and much higher penalties compared to the covered non-financial institutions (up to 5 million yuan for covered financial institutions compared with up to 500,000 yuan for covered non-financial institutions).

**Law stated - 1 January 2025**

## **Compliance**

**Do the AML laws applicable in your jurisdiction require covered institutions and persons to implement AML compliance programmes?  
What are the required elements of such programmes?**

The AML Law requires Covered Obligors to implement AML compliance programmes. These requirements are primarily established under the AML Law and are further elaborated through regulations and guidelines issued by PBoC and other relevant authorities. The required AML compliance programmes include the following main elements:

#### AML internal control

Article 27 of the AML Law requires covered financial institutions to:

- establish robust AML internal control systems;
- assign the responsibility for AML work to a designated internal department or specialized unit that will lead and oversee AML work;
- regularly assess money laundering risk levels and develop corresponding risk management systems and procedures, as well as establish relevant information systems as needed; and
- supervise the effective implementation of internal control systems through internal or external audits.

#### CDD

Pursuant to article 29 of the AML Law covered financial institutions shall conduct risk-based CDD upon their clients in any of the following circumstances:

- establishing a business relationship with the client or providing the client with one-off financial service above a prescribed amount;
- having reasonable grounds to suspect that the client or its transaction is involved in money laundering; or
- having any doubt about the authenticity, validity, or completeness of the client's identity materials previously obtained.

Covered financial institutions are required to understand the purpose and nature of the business relationship and identify beneficial owners of accounts or transactions. Enhanced due diligence is mandatory for high-risk clients, such as politically exposed persons, or transactions involving high-risk jurisdictions, and the due diligence can be simplified where the risk is low.

#### Record-keeping

Article 34 of the AML Law stipulates the minimum retention period for client identification data and transaction information is 10 years.

#### Transaction monitoring and reporting

According to the Large-Value and Suspicious Transactions Reporting Measures, covered financial institutions shall continuously monitor transactions to detect suspicious activities or patterns that may indicate money laundering or terrorist financing. Large-value transactions (eg, cash transactions exceeding 50,000 yuan or foreign currency equivalents)

and suspicious transactions shall be reported to AML Monitoring and Analysis Centre within five working days.

#### Audits

Covered financial institutions shall ensure the effective implementation of their AML internal control systems through internal audits or third-party audits.

#### Staff Training

Covered financial institutions shall allocate sufficient personnel based on the institution's business scale and money laundering risk profile, and conduct AML training and awareness programmes as required.

#### Application to covered non-financial institutions

Pursuant to article 42 of the AML Law, the covered non-financial institutions shall fulfil AML obligations and implement AML compliance programmes in light of their industrial features, business scale and money laundering risk profiles by reference to the obligations imposed upon the covered financial institutions (including the AML compliance programmes in points 1 to 6 above).

**Law stated - 1 January 2025**

## **Breach of AML requirements**

### **What constitutes breach of AML duties imposed by the law?**

The failure to comply with any obligation as imposed by the law will constitute a breach of AML duties. The typical circumstances that constitute a breach of AML duties are as follows :

- Failure to conduct CDD: inadequate verification of client identities, beneficial ownership, or risk profiles, especially for high-risk clients (eg, politically exposed persons).
- Non-reporting of suspicious transactions: not submitting reports for large or suspicious transactions to competent authorities (including PBoC).
- Weak internal controls and risk management: absence of dedicated AML departments, insufficient staff training, or outdated risk assessments.
- Non-compliance with investigations: refusing to cooperate with AML authorities during inspections.
- Unauthorised cross-border data sharing: sharing know-your-client (KYC) data with foreign entities without approval from Chinese authorities.
- Record-keeping violations: failing to retain client identity or transaction records for the mandated period.

**Law stated - 1 January 2025**

## **Breach of AML requirements**

### **Can a covered institution or person request consent from an authority to perform a transaction that would otherwise be a criminal offence?**

There is no such express exemption under written rules in China. Article 16 of the Criminal Procedural Law provides that no criminal responsibility shall be investigated if an act is obviously minor, causing no serious harm and is, therefore, not deemed as a crime but this is solely determined in the discretion of judicial organs, and there is no prior consent available to perform the said transaction.

**Law stated - 1 January 2025**

## **Customer and business partner due diligence**

### **Describe due diligence requirements in your jurisdiction's AML regime.**

Applicable scenarios for CDD

Pursuant to article 29 of the AML Law, covered financial institutions shall conduct risk-based CDD upon their clients in any of the following circumstances:

- establishing a business relationship with the client or providing the client with one-off financial service above a prescribed amount;
- having reasonable grounds to suspect that the client or its transaction is involved in money laundering; or
- having any doubt about the authenticity, validity, or completeness of the client's identity materials previously obtained.

Covered financial institutions are required to understand the purpose and nature of the business relationship and identify beneficial owners of accounts or transactions. Enhanced due diligence is mandatory for high-risk clients, such as politically exposed persons, or transactions involving high-risk jurisdictions, and the due diligence can be simplified where the risk is low.

Risk-based CDD

Covered obligors are required to adopt a risk-based approach during their CDD, and they shall identify and take reasonable measures to verify the identity of their client and the client's beneficial owner, understand the purpose of the business relationship and transactions, and, for high-risk transactions, assess the source and intended use of the relevant funds. For lower-risk transactions, simplified CDD is permitted.

When a client conducts business through an agent, the covered obligor is required to verify the agency relationship and identify and verify the agent's identity.

When entering into contracts such as life insurance or trust agreements where the beneficiary is not the client, the covered obligor must identify and verify the identity of the ultimate beneficiary.

## Collaboration in CDD

The covered obligors may collaborate with public security organs and business registration authorities, as well as other regulatory bodies such as civil affairs, taxation, immigration, and telecommunications departments, to enhance cooperation and information sharing during the CDD process.

While the AML Law permits the covered obligors to engage third-party service providers to conduct CDD, the covered obligors must assess the risk profile of such providers and their capability to fulfil AML obligations. If a third-party service provider is deemed high-risk or lacks the necessary capacity to perform AML duties or implement relevant CDD measures, the covered obligors must refrain from using such provider for CDD. The AML Law has also emphasized that the covered obligors remain responsible for the CDD conducted by the third-party service providers engaged by them.

## Continuous monitoring

The AML Law clarifies the obligations of the covered obligors to continuously monitor clients and their transactions. Throughout the duration of a business relationship, the covered obligors are required to constantly assess the overall status of their clients and transactions, and understand the associated money laundering risks.

## Risk management measures for suspicious transactions

For suspicious transactions, the covered obligors may implement risk management measures based on the client's money laundering risk profile and the necessity to mitigate such risks. These measures may include ongoing monitoring and verification of clients and their transactions, restricting transaction methods, amounts or frequency, limiting the types of business, refusing to process transactions, or terminating the business relationship.

**Law stated - 1 January 2025**

### **High-risk categories of customers, business partners and transactions**

**Do the AML rules applicable in your jurisdiction require that covered institutions and persons conduct risk-based analyses? Which high-risk categories are specified? What level of due diligence is expected in relation to customers assessed to be high risk?**

Articles 30 and 42 of the AML Law stipulate that the covered obligors shall continuously monitor and assess the clients' overall status and transaction activities throughout the cycle of business relationships to understand their money laundering risks. For high-risk situations, the covered obligors shall implement risk management measures such as restricting the methods, amounts, or frequencies of transactions, restricting business types, rejecting the handling of transactions, or even terminating business relationships when necessary.

The FI Client Management Guidelines provide a general framework for the key factors/scenarios for identifying high-risk clients and relevant enhanced due diligence (EDD)

measures, and the covered obligors may follow such guidelines for practical guidance. Below is a summary of major factors or scenarios and related EDD measures:

#### Politically exposed persons

According to article 4 of the *PBoC* Notice on Further Enhancing Beneficial Ownership Identification, politically exposed persons (PEPs), covered individuals with a high-profile political role in foreign countries, senior officials of international organisations and their immediate family members, and other individuals who hold interests in common with the foregoing individuals as covered obligors know or should have known; and where the beneficial owner of a client is a PEP, the Covered Obligors must obtain senior management approval/authorisation before establishing or maintaining business relationships with such client, conduct in-depth investigations into their source of property and funds, and increase the frequency and intensity of transaction monitoring analyses during the term of a business relationship.

#### Clients with complex equity/control structures

For clients with extremely complex equity structures or control arrangements, such as multi-layered ownership structures, cross-shareholdings, affiliated transactions, cyclic funding, or family-controlled arrangements, EDD shall be conducted including but not limited to upgrading the client's risk level, enhancing transaction monitoring and analysis, and obtaining senior management approval.

#### Clients having their beneficial owner from high-risk jurisdictions

If a client or its beneficial owner is incorporated in or comes from high-risk jurisdictions for AML/CTF (primarily the high-risk and other monitored jurisdictions identified by Financial Action Task Force (FATF), the covered obligors shall conduct EDD including but not limited to reviewing the client's purpose/nature of establishing business relationship or conducting transactions, increasing the frequency and intensity of transaction monitoring, and submitting suspicious transaction reports when suspicious activities are found out, and if necessary, rejecting the establishment of business relationships or conducting transactions with such client.

Some industry regulators have also, based on the general framework above, further clarified the scope of high-risk clients in industry-specific rules, such as article 13 of the Securities Firms AML Guidelines and article 26 of the Insurance Institutions AML and CTF Guidelines.

**Law stated - 1 January 2025**

### **Record-keeping and reporting requirements**

**Describe the record-keeping requirements for covered institutions and persons.**

Client identity data and transaction records subject to record-keeping requirements

Article 34 of the AML Law requires the covered obligors to establish a system for maintaining client identity information and transaction records. While such terms are not defined in the AML Law, article 27 of the FI Client Identification Measures as a longstanding PRC rule governing client identification provides some insight. It states that 'client identity materials' generally include documents and information containing client identity details as well as materials reflecting the client identification process. Meanwhile, 'transaction records' encompass, for each transaction, relevant data, business vouchers, account books, and other documents required by applicable regulations to reflect the true nature of the transaction, such as contracts, business vouchers, supporting documents, invoices, and business correspondence.

#### Record-keeping period

Under the AML Law, covered obligors shall retain client identity information and transaction records for at least 10 years after the business relationship ends or a transaction is completed. During the term of a business relationship, the covered obligors should update promptly if there is any change to the client identity information. Notably, according to article 29 of the FI Client Identification Measures, if any client identity information or transaction record is involved in a suspicious transaction activity which is subject to an AML investigation, and such investigation is not closed as of the end of the aforementioned record-keeping period, the covered financial institution shall maintain such data until the end of the relevant investigation.

When a covered obligor is dissolved, revoked, or declared bankrupt, it shall transfer client identity information and transaction records to the institution designated by the relevant department of the State Council of China.

#### Duty to safeguard client identity data and transaction records

Article 27 of the FI Client Identification Measures requires the covered financial institutions to adopt necessary management and technical measures to prevent the loss or destruction of client identity information and transaction records and to protect against the leakage of client identity and transaction information.

Covered financial institutions shall also take practical and effective measures to retain client identity information and transaction records in a manner that facilitates AML investigations and regulatory supervision, as such data is an important source for access and investigation under article 44 of the AML Law.

**Law stated - 1 January 2025**

### **Record-keeping and reporting requirements**

**Describe any reporting requirements for suspicious activity for covered institutions and persons.**

Functions of AML Monitoring and Analysis Centre

In China, the AML Monitoring and Analysis Centre, as part of the FIU, is directly led by PBoC and responsible for collecting and analysing suspicious transaction reports submitted by covered obligors, submitting analyses and reporting related work progress to PBoC. The AML Monitoring and Analysis Centre may also require covered obligors to provide supplemental information related to suspicious transactions, although it does not have law enforcement powers.

#### Scenarios triggering suspicious transaction report submission

The Large-Value and Suspicious Transactions Reporting Measures provide that suspicious transaction reports shall be submitted if covered financial institutions identify or have rationale to suspect that any client, funds/assets of any client, transactions or intended transactions of any client are related to AML or counter-terrorist financing activities, regardless of the amount of funds involved or asset value.

Covered financial institutions shall formulate transaction monitoring standards for themselves, such as monitoring standards including but not limited to the identity and activities of clients, source of funds, amount, frequency, fund flows, nature and other abnormal scenarios of transactions.

#### Time restraints on suspicious transaction reports

The Large-Value and Suspicious Transactions Reporting Measures mandate that suspicious transaction reports be electronically submitted to AML Monitoring and Analysis Centre by the covered financial institutions no later than five working days after the transaction is determined to be a suspicious transaction in accordance with the covered financial institutions' internal procedures regarding suspicious transaction reports.

**Law stated - 1 January 2025**

## Privacy laws

Describe any privacy laws that affect record-keeping requirements, due diligence efforts and information sharing.

### Recordkeeping

Article 19 of the PRC Personal Information Protection Law (PIPL) provides that the retention period of personal information shall be as minimal as necessary to achieve the purpose of processing such personal information, unless otherwise provided by the laws and administrative regulations. Accordingly, the record-keeping requirement under the AML Law shall not be affected by the minimum retention period requirement under the PIPL.

### Due diligence

The PIPL imposes many obligations in relation to the processing of personal information, which will need to be complied with by the covered obligors, even for the purpose of carrying out CDD as required under the AML Law. For example, as part of the client identity

information may fall into the scope of 'sensitive personal information' under the PIPL, the covered obligors will need to inform the relevant individuals of the necessity for processing their sensitive personal information and the impacts on their individual rights but do not need to obtain consent from the clients. The covered obligors will also need to conduct a personal information protection impact assessment prior to processing sensitive personal information.

#### Information sharing

Sharing of AML- related important data and personal information, if permitted, shall comply with relevant provisions under PRC laws. Therefore, the covered obligors will still need to follow the required formalities and procedures for the cross-border transfer of important data and personal information under other applicable laws when providing such data constituting part of AML- related information to offshore regulators. Such required formalities and procedures mainly include the security assessment by the Cyberspace Administration of China for the cross-border transfer of important data and the filing of standard contracts for the cross-border transfer of personal information, among other requisite and applicable formalities and procedures.

**Law stated - 1 January 2025**

### **Privacy laws**

#### **Does the law permit covered institutions and persons to share records or other information with (domestic or foreign) law enforcement and regulators, FIUs or other covered institutions and persons?**

##### Domestic law enforcement and regulators and FIUs

Permitted. According to article 16 and article 43 of the AML Law, covered obligors are required to share records and other relevant information with the AML administrative authority and the FIU (ie, PBoC and its local branches and AML Monitoring and Analysis Centre); the AML enforcement authorities and the FIU may issue investigation notices to covered obligors, requiring them to cooperate with AML investigations and provide relevant documents and materials within the prescribed time frame.

##### Foreign law enforcement and regulators and FIUs

Article 50 of the AML Law provides that where the covered financial institutions are requested by foreign countries or associations to provide client identification data or transaction information, or to seize, freeze or transfer domestic funds or assets, or to take any other action, which is not in accordance with the principle of reciprocity or consensus agreement with the PRC, the covered financial institutions must refrain from acting on the requests of foreign countries or associations and report to the relevant financial administrative department of the State Council promptly; that said, where a foreign country or association, for legitimate regulatory purposes, requests general compliance or operational information, the covered financial institutions will be permitted to provide such information after reporting

to the financial administrative department of the State Council and other competent PRC authorities. Thus, the covered financial institutions must not share any AML- related records or other information with such foreign law enforcement and regulators or FIUs that request records or information not in accordance with the principle of reciprocity or consensus agreement with the PRC, and they must fulfil their prior reporting obligation to relevant financial administrative department before they share general compliance or operational information.

While the covered non-financial institutions are not expressly to be subject to the aforementioned sharing restriction, given the general prohibition under article 7 of the AML Law that unless otherwise provided by law, any AML-related information must not be shared with any entity or individual, the covered non-financial institutions cannot share AML- related information with foreign law enforcement and regulators and FIUs unless approved by PBoC and competent industry regulators.

Without prejudice to the above restrictions, where the records or information to be shared with foreign law enforcement and regulators and FIUs contain any personal information or important data, such sharing will be further subject to required formalities and procedures for the cross-border transfer of important data and personal information under other applicable laws.

#### Other covered institutions and persons

Given the general prohibition under article 7 of the AML Law, unless otherwise provided by law, any AML- related information must not be shared with any entity or individual, including other covered obligors.

That said, article 37 of the AML Law provides an exception that for covered financial institutions that have branches or holdings in other financial institutions at home and abroad, as well as financial holding companies, they must coordinate anti-money laundering work at the head office or group level, and where they share AML- related records and other information within the group, the following conditions must be satisfied:

- they have established clear mechanisms and procedures for information sharing;
- the information must be shared in compliance with relevant data protection laws; and
- the information shared within the group must be used solely for AML purposes.

**Law stated - 1 January 2025**

## **Resolutions and sanctions**

### **What is the range of outcomes in AML controversies?**

The range of outcomes in AML controversies varies depending on the severity of the breach, the nature of the entity involved, and the enforcement authority's findings. Typical outcomes include the following:

Administrative penalties

Regulatory authorities may impose warnings, fines, orders for rectification, business restrictions, or even suspension/revocation of licenses. For instance, covered financial institutions may face fines up to 5 million yuan, while non-financial institutions could be fined up to 500,000 yuan. In more severe cases, where criminal proceeds or terrorist financing are involved, fines can escalate to up to 10 million yuan or up to twice the amount of the criminal proceeds.

#### Criminal liability

If the conduct involves or facilitates money laundering or related crimes, individuals and institutions may be subject to criminal investigation, prosecution, and sentencing.

#### Civil liability

Entities may be held liable for losses caused to clients or third parties due to AML violations, leading to compensation claims or lawsuits.

**Law stated - 1 January 2025**

## Resolutions and sanctions

### What are the possible sanctions for breach of AML laws?

In China, breaches of AML laws can result in administrative penalties and criminal liabilities.

#### Scope of breaches that trigger administrative penalties

Failure to comply with the AML obligations imposed under the AML Law would constitute a breach and be subject to administrative penalties. The typical breaches include:

- failure to establish or improve internal AML control systems, failure to set up dedicated AML departments in charge of AML work, inadequate staffing, failure to conduct money laundering risk assessments, and lack of monitoring standards for suspicious transactions (article 52 of the AML Law);
- failure to conduct CDD, retain client identity information, or report large-volume and suspicious transactions as required by law (article 53 of the AML Law); and
- providing services to unidentified clients, opening anonymous or fake-name accounts, falsifying client information, or assisting clients in evading AML obligations (article 54 of the AML Law).

#### Type and scope of administrative penalties

Depending on the specific breach and its severity, PBoC and its local branches or competent industry regulators may impose the following administrative penalties: monetary fines ( 5 million yuan for covered financial institutions and up to 500,000 yuan for covered non-financial institutions), warnings, orders to correct within a specific time,

restrictive/prohibit orders or advice to relevant financial regulatory authorities to restrict or prohibit the conducting business of covered financial institutions.

Notably, where the breach by the covered financial institutions results in the concealment of criminal proceeds or terrorist financing through such covered financial institutions, the monetary fines applicable to such covered financial institutions shall be escalated to up to 10 million yuan (if the relevant criminal proceeds is less than 10 million yuan) or up to twice the amount of relevant criminal proceeds (if the relevant criminal proceeds is more than 10 million yuan), and such financial institutions can be ordered to suspend business for rectification or be revoked their business licence.

#### Administrative penalties for directly responsible individuals

The individuals of covered financial institutions directly responsible for AML violations, including directors, supervisors, senior management, and other directly responsible personnel, may face fines, warnings, disqualification from holding relevant positions, or financial industry bans in severe cases. Individuals who can demonstrate due diligence and good faith compliance efforts may be exempted from liability.

Responsible persons of covered non-financial institutions violating the AML Law may be given a warning or a fine of up to 50,000 yuan.

#### Criminal liabilities

Where any breach of AML rules constitutes a crime, it shall be subject to criminal liability applicable to such crime under the Criminal Law. For example, where a covered obligor knowingly and intentionally assists in the disguise or concealment of the source or nature of criminal proceeds generated from predicate offences, such covered obligor would be deemed to commit a money-laundering crime and be prosecuted pursuant to the Criminal Law.

**Law stated - 1 January 2025**

### **Limitation periods for AML enforcement**

#### **What are the limitation periods governing AML matters?**

According to article 36 of the PRC Administrative Penalties Law, the administrative penalty shall not be imposed for a violation of AML laws that has not been discovered within two years; where such violation involves financial security and has harmful consequences, the aforesaid time period shall be extended to five years, except as otherwise prescribed by law; the time period prescribed in the preceding paragraph shall be counted from the date on which the AML violation is committed; and if the violation is of a continual or continuous nature, it shall be counted from the date on which the violation is end.

**Law stated - 1 January 2025**

### **Extraterritoriality**

## Do your jurisdiction's AML laws have extraterritorial reach?

Yes, the AML laws in China have extraterritorial reach. According to article 12 of the AML Law, money laundering and terrorist financing activities outside the PRC that affect its sovereignty, security, or financial order, or infringe upon the rights of its citizens or organisations, are subject to the AML Law and relevant regulations. Additionally, article 49 requires offshore financial institutions with ties to China, such as correspondent bank accounts in the PRC, to cooperate with PRC investigations on money laundering and terrorist financing activities. Violations may result in various administrative penalties like fines, business restrictions, and being blacklisted.

Law stated - 1 January 2025

## CIVIL CLAIMS

### Procedure

Enumerate and describe the required elements of a civil claim or private right of action against money launderers and covered institutions and persons in breach of AML laws.

Neither the AML Law nor other relevant AML rules explicitly provide for the required elements of a civil claim or private right of action against money launderers or the covered obligors in breach of AML laws. Instead, the claimant will need to establish general tort liability against money launderers and the covered obligors in breach of AML laws pursuant to article 1165 of the PRC Civil Code (Civil Code), and the following elements generally shall be satisfied:

- the relevant money launderers and the covered obligors are at fault;
- the claimant's civil rights and interests have been infringed;
- the claimant has suffered actual losses; and
- the actual losses can be proved to be caused by the breach of the relevant money launderers and the covered obligors.

Law stated - 1 January 2025

### Procedure

What is the limitation period on a civil claim?

The limitation period on a civil claim is three years. According to article 188 of the Civil Code, the limitation period begins when the claimant (plaintiff) becomes aware, or reasonably should have become aware, of the infringement of their rights and the identity of the opposing party. Additionally, PRC law imposes a long-stop limitation, which bars any claim from being brought to court more than 20 years after the event that gave rise to the claim unless there are special circumstances in which the court may extend the limitation period upon the claimant's application.

Law stated - 1 January 2025

## Damages

### How are damages calculated?

PRC law does not provide separate provisions for calculating damages in the AML civil claims, and the general rules outlined in article 1184 of the Civil Code should apply. In case of infringement upon another person's property, the property loss shall be calculated according to the market price when the loss is incurred or by other reasonable means. The damages arising from the breach of AML rules, such as the suffering of loss, should be calculated according to such general rule.

In practice, it is rarely seen that AML civil claims were brought against money launderers or the covered obligors, so there is no established practice for the calculation of damages for AML civil claims, and the actual calculation of damages will be subject to the discretion of each competent court on a case-by-case basis.

**Law stated - 1 January 2025**

## Other remedies

### What other remedies may be awarded to successful claimants?

Pursuant to article 1167 of the Civil Code, the claimant is entitled to request the wrongdoer to stop the infringement, remove the obstruction, and eliminate the danger if an act of infringement endangers such claimant's property safety. Each competent court reserves discretion in awarding one or more of these remedies.

**Law stated - 1 January 2025**

## INTERNATIONAL MONEY LAUNDERING EFFORTS

### Supranational

#### List your jurisdiction's memberships of supranational organisations that address money laundering.

China has become a member of the following supranational organisations that address money laundering:

- Financial Action Task Force (FATF): as of June 2007, China has become a formal member of FATF for the purpose of wider participation in AML international cooperation;
- Asia/Pacific Group on Money Laundering (APG): in July 2009, China reclaimed legal status in the APG and has since become a significant member; and
- Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG): in December 2004, six countries, including China, jointly established the EAG, representing the pivotal step for China's entrance onto the international stage of AML.

**Law stated - 1 January 2025**

## Anti-money laundering assessments

Give details of any assessments of your jurisdiction's money laundering regime conducted by virtue of your membership of supranational organisations.

In 2019, the FATF, EAG and APG jointly conducted the 4<sup>th</sup> Mutual Evaluation on China to assess the effectiveness of China's measures to combat money laundering and terrorist financing and their compliance with FATF Recommendations. The 2019 report concluded that China has a strong understanding of the money laundering and terrorist financing risks it faces, but it should focus more on the laundering of criminal proceeds and broaden the scope of sources used for its national risk assessment. Following the 4<sup>th</sup> mutual evaluation, China submitted three follow-up reports to FATF in 2020, 2021, and 2022 on its actions taken to strengthen its AML framework. Part of China's ratings with respect to FATF Recommendations have elevated during the follow-up reports, such as R.7 (targeted financial sanctions related to proliferation) and R.24 (transparency and beneficial ownership of legal persons). China is now compliant with nine FATF recommendations, largely compliant with 22 and partially compliant with five FATF recommendations, with only four non-compliant on FATF recommendations.

Based on the timeline for the next round of mutual evaluations issued on FATF's official website, the 5th FATF Mutual Evaluation on China is expected to be conducted from June 2026, and the assessment body is expected to consist of FATF, APG and EAG. Besides, at the 2025 AML Work Conference by People's Bank of China (PBoC) held on 1 April 2025 with officials of PBoC and AML Monitoring and Analysis Centre present, the goal is set to comprehensively advance preparations for the 5<sup>th</sup> Mutual Evaluation, aiming to build an AML system aligned with international advanced standards.

**Law stated - 1 January 2025**

## FIUs

Give details of your jurisdiction's Financial Intelligence Unit (FIU).

China has a de-centralised FIU structure consisting of the AML Monitoring and Analysis Centre, the Anti-Money Laundering Bureau (AMLB) and 36 provincial branches of PBoC.

AML Monitoring and Analysis Centre

As part of the Chinese government's commitment to implement related UN conventions, and based on recommendations developed by FATF as well as the Chinese context, the AML Monitoring and Analysis Centre was established in 2004 as an administrative FIU under PBoC, responsible for collecting, analysing, and disseminating financial intelligence.

Article 16 of the AML Law enhanced the legal status of the AML Monitoring and Analysis Centre, which provides that PBoC shall enable the AML Monitoring and Analysis Centre to:

- carry out anti-money laundering fund monitoring;
- take charge of receiving and analysing the reports of large-value transactions and suspicious transactions;

- refer the analysis results;
- report the relevant information to PBoC as required; and
- fulfil other duties as prescribed by PBoC.

The AML Monitoring and Analysis Centre has thus become an important legal entity within the AML framework of China. Ever since its establishment, the AML Monitoring and Analysis Centre has been playing a significant role in AML and has provided powerful financial intelligence support to law enforcement agencies against money laundering and other relevant crimes.

## AMLB

AMLB is responsible for consolidating and analysing information on suspicious payment transactions in yuan or foreign currencies provided by various sources and assisting the judiciary departments in the investigation into money-laundering-related criminal cases.

## PBoC provincial branches

According to articles 22 and 43 of the AML Law, provincial branches of PBoC are mandated with the power to investigate or verify suspicious transactions or other activities in violation of the AML Law by taking supervisory and investigative measures such as on-site checks and inquiry of personnel of the covered obligors.

**Law stated - 1 January 2025**

### **Mutual legal assistance**

**In which circumstances will your jurisdiction provide mutual legal assistance with respect to money laundering investigations? What are your jurisdiction's policies and procedures with respect to requests from foreign countries for identifying, freezing and seizing assets?**

Mutual assistance between onshore and offshore regulators

Articles 46 to 48 of the AML Law outline China's general framework for mutual legal assistance in AML matters. China engages in international AML cooperation pursuant to international treaties it has concluded or acceded to or based on the principle of equality and reciprocity. PBoC, as authorised by the State Council, is responsible for organising and coordinating international AML cooperation, representing the Chinese government in relevant international organisations, and facilitating AML cooperation and information exchange with foreign institutions in accordance with the law. Other relevant state authorities also participate in international AML cooperation within their respective mandates.

Notably, judicial assistance in relation to money laundering crimes is governed by the PRC International Criminal Judicial Assistance Law, which is also provided on the foundational principles of reciprocity and legal sovereignty of China. No foreign institutions, organisations or individuals are permitted to conduct any criminal proceeding in China, and the onshore

institutions, organisations and individuals are strictly prohibited from providing evidence materials or assistance to foreign countries without the consent of the competent authority of the PRC.

To be more specific, requests raised from foreign countries or regions are received by the Ministry of Justice (MoJ) if there is a treaty concluded with China or the Ministry of Foreign Affairs if there is none, which will forward the request to the relevant judicial authorities (eg, the Chinese courts, procuratorates, public security organs, etc) for verification on compliance with Chinese law and treaties.

Where the foreign request is verified to be compliant, the relevant judicial authority will grant assistance, such as the service of documents, evidence collection, witness cooperation, freezing, seizing or confiscating assets or the transfer of sentenced persons.

Where the foreign request is non-compliant, the request may be rejected or returned for amendment in the following circumstances:

- the requested act is not a crime under PRC laws;
- at the time of receipt of the request, the inquiry, investigation, prosecution, and trial of the crime in the request are underway within the territory of China, an effective judgment has been made, the criminal procedure has been terminated, or the limitation of the offence has expired;
- the crime against which the request is made is a political offence;
- the crime against which the request is made is purely a military offence;
- the purpose of the request is to examine, investigate, prosecute, sue, or execute a sentence based on race, ethnicity, religion, nationality, gender, political opinion or identity, or the parties may be unfairly treated for the above reasons;
- there is no substantive link between the requested matter and the case of assistance; and
- other circumstances provided by relevant judicial authority within their discretion and regulated sphere.

#### Mutual assistance between onshore covered obligors and offshore regulators

The same as the restrictions upon information sharing with offshore regulators, article 50 of the AML Law provides that where the onshore financial institutions are requested by offshore regulators to provide client identification data or transaction information, or to seize, freeze or transfer domestic funds or assets, or to take any other action, which is not in accordance with the principle of reciprocity or consensus agreement with the PRC, the onshore financial institutions must refrain from acting on the requests of offshore regulators and report to the relevant financial administrative department of the State Council promptly.

While the covered non-financial institutions are not expressly said to be subject to the same restrictions under the AML Law above, given the strict requirement on legal sovereignty under PRC laws, the covered non-financial institutions should also seek competent industry regulators' approval before they provide any legal assistance to foreign regulators.

**Law stated - 1 January 2025**

## UPDATE AND TRENDS

### Enforcement and compliance

Describe any national trends in criminal money laundering schemes and enforcement efforts.

In early 2022, 11 authorities in China initiated the Three-Year Action Plan for Combating and Curbing Money Laundering Crimes (2022–2024), with the People's Bank of China (PBoC) and the Ministry of Public Security (MPS) leading the campaign. The action plan called for coordination and consultation among departments to crack down on all kinds of money laundering activities. The plan also proposes to improve the risk prevention and control mechanism against money laundering and effectively safeguard national security, social stability, economic development and the interests of people. The plan mandated a nationwide three-year campaign against money laundering crimes from January 2022 to December 2024.

On 27 November 2024, the Joint Punishment Measures for Telecommunications and Internet Fraud and Related Crimes were jointly issued by the MPS, the National Development and Reform Commission, the Ministry of Industry and Information Technology, and PBoC. As an MPS official explains, telecom fraud is facilitated by operators in black and grey markets, including those engaging in money laundering schemes; the new guidelines would thereby indirectly promote the combating of criminal money laundering.

**Law stated - 1 January 2025**

### Enforcement and compliance

Describe any national trends in AML enforcement and regulation.

To better combat money laundering activities, China has significantly strengthened its AML framework in recent years, with some key milestones as follows:

- Revision to the AML Law. The AML Law, revised and effective as of 1 January 2025, introduced groundbreaking changes, including the expansion in the scope of predicate offences, inclusion of more competent authorities (meaning more resources) such as the PRC Ministry of Housing and Urban-Rural Development, Ministry of Justice (MoJ) and the PRC Ministry of Finance in the AML enforcement process and overseeing AML compliance by specific non-financial institutions, broadening the scope of AML obligations (eg, covered non-financial institutions are expressly included in the scope of covered obligors), emphasis on risk-based approach during know-your-client (KYC) and client due diligence (CDD) extension in the jurisdiction to encompass overseas money laundering and terrorist financing activities, and imposing higher penalties on violations under the AML Law.
- Implementation of Ultimate Beneficial Owner (UBO) registry. The UBO information management system was introduced pursuant to article 19 of the AML Law and article 4 of the Administrative Measures for Beneficial Owner Information which took effect from 1 November 2024. PBoC and the State Administration for Market Regulation are jointly responsible for establishing this system for legal persons and unincorporated organisations. As highlighted during the press briefing on the

Beneficial Ownership Measures, this initiative serves to enhance market transparency and safeguard against money laundering and terrorist financing. This move aligns with global practices, as all major economies have implemented similar systems and notably, the FATF recognises such systems as a critical benchmark in anti-money laundering evaluations.

- Introduction of special preventive measures. The AML Law recently introduced the special preventive measures, which have become a central pillar of China's AML framework. The special preventive measures are mandatory upon all entities and individuals in China (not limited to the covered obligors) for them to list screening their clients and transaction counterparties, and no person can provide services, funds or assets to anyone on the black list maintained by the national leading body for anti-terrorism efforts, the Ministry of Foreign Affairs, and PBoC.

**Law stated - 1 January 2025**

## **Enforcement and compliance**

### **Describe current best practices in the compliance arena for companies and financial institutions.**

Based on our knowledge of the industry practice, the following measures represent best practices in the compliance arena for companies and financial institutions:

- Conducting a thorough self-assessment – evaluating the institution's actual risks based on the characteristics of its client business channels and leveraging self-assessment results to improve high-risk areas and address weaknesses in control measures.
- Strengthening CDD – gaining a comprehensive understanding of client identities, ensuring that transaction activities align with clients' backgrounds, and accurately classifying and managing client risks. This includes paying close attention to identifying beneficial owners, enhancing ongoing monitoring capabilities, and reinforcing due diligence measures. Most importantly, as regulators focus more on the adequacy of due diligence for high-risk clients, institutions should, therefore, prioritise enhancements to KYC and transaction monitoring controls and the adoption of proactive, risk-based approaches tailored to high-risk scenarios. Institutions should also leverage advanced technologies, including big-data analytics and dynamic risk assessments to continuously monitor their clients.
- Optimising suspicious transaction monitoring – enhancing the effectiveness and relevance of suspicious transaction monitoring models based on product and service characteristics, improving the alignment between suspicious transaction reports and risk profiles.
- Enhancing awareness of financial crime risks – developing a thorough understanding of terrorist financing and proliferation financing risks and implementing targeted training and awareness programmes within the institution.

**Law stated - 1 January 2025**