Guidance for Insurance Sector on the Best Practices for Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Compliance
(Subject：Record keeping of transactions involving high-risk products)

Approved by FSC Letter No. Jin-Guan-Bao-Zong-Zi-10704937560 dated July 24, 2018

Foreword:
These best practices guidance is provided for the reference of insurance enterprises in undertaking anti-money laundering and countering the financing of terrorism (AML/CFT) operation. It is not meant to be mandatory. An insurance enterprise may, based on the nature and size of its business and in consideration of the results of risk assessment in the areas of geographic locations, customers, products and services, transactions and delivery channels, select the most appropriate best practices to prevent or reduce money laundering and terrorist financing (ML/TF) risks.

Record keeping of transactions involving high-risk products

I. Factors to be considered in identifying high-risk products

An insurance company can use a risk-based approach to identify and assess types of products posing high ML/TF risk and should take corresponding risk mitigation measures. Risk factors to be considered in identifying and assessing high -risk products are exemplified below:

(I) Degree of association with cash.

(II) Does the product involve high premium or high cash value?

(III) Is single premium allowed for the product?

(IV) Is a free-look period provided for policy?

(V) Is a large number of transactions in a short period of time allowed?

(VI) The amount of policy surrender charge (high or low).

(VII) Are anonymous payments (e.g. premium payment or repayment of policy loan) or payments by unrelated third parties allowed?

(VIII) Can the benefit or surrender value be paid to an unrelated third party?

(IX) Is cross-border receipt or delivery of payments allowed?

(X) The channel to establish business relationships or delivery channel, including whether it is a face-to-face transaction or a new type of delivery channel, such as electronic commerce or transaction through the offshore insurance unit.

(XI) The degree of association with predicate offences.

II. Factors to be considered in keeping transaction records of high-risk products

(I) The feasibility of integrating insurance policy information by customer:

An insurance company should, if feasible, integrate all insurance policy information of individual customers to evaluate the degree of a customer's transactions involving high risk products.

(II) Correlation of transaction records:

An insurance company should link up the transaction records of individual customers to get a holistic view of the customer's transaction pattern and history.

(III) Possibility of reconstructing transaction records:

Transaction records should be kept in such a way as allows to reconstruct individual transactions, so that the records can present the holistic transaction process and content.

(IV) Immediate storage and access of transaction records:

Transaction records should be promptly stored and be readily accessible when needed to make sure records are swiftly available to competent authorities or law enforcement agencies upon request.

III. Suggestions for the retention of transaction records of high-risk products

(I) Retention period

Transaction records of high risk products should be kept for at least 5 years after business relationship with the customer ends, and the retention periods for different high risk products purchased by the customer should be taken into overall consideration. However, if a longer retention period is required as otherwise provided by law or as deemed necessary by the insurance company out of risk management consideration, the longer retention period prevails.

(II) Contents of record

1. All records obtained in customer due diligence, e.g. copies or records of official identification documents like passport, identity card, driver's license or similar documents, copies or records of identification documents of customer or persons acting on behalf of the customer, data or information of beneficial owners; customer's risk assessment and classification records, watch list filtering records, and other customer due diligence or enhanced due diligence records.
2. Contract documents and files, e.g. insurance provisions, attached application forms, endorsements and other agreements.
3. Business correspondence, e.g. inquiries to establish the background and purpose of complex, unusual large transactions and the results of any analysis undertaken, purpose and nature of business relationship, information on customer's source of wealth and sources of funds.
4. Necessary transaction information, e.g. name, or account number or identifier of each party involved in a transaction, date of transaction, currency and amount of transaction, the way payments are made or delivered (e.g. cash, checks), destination of funds, and ways to provide instructions or authorization.
5. Transaction monitoring records, e.g. records of approvals given by senior management based on the approval hierarchy set by the insurance company in consideration of internal risks, records of ongoing transaction monitoring, and records of enhanced ongoing monitoring during the course of business relationship.

(III) Retention methods

For transactions involving high risk products, an insurance company can keep business correspondence and customer transaction records in hard copy or electronic form in such a way that it will permit reconstruction of individual transactions. An insurance company should also consider the security of stored documents and electronic data that they can be used as evidence for prosecution of criminal activities.

(IV) When an insurance company engages a third party assist in customer due diligence, appropriate measures for the preservation of records by third parties should be considered.