



**DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220**

Report Pursuant to Section 5(b) of the Hong Kong Autonomy Act

INTRODUCTION

The Hong Kong Autonomy Act (“HKAA” or “Act”) (P.L. 116-149) was enacted on July 14, 2020. Pursuant to Section 5(a) of the Act, not later than 90 days after the date of the enactment of the HKAA, if the Secretary of State, in consultation with the Secretary of the Treasury, determines that a foreign person is materially contributing to, has materially contributed to, or attempts to materially contribute to the failure of the Government of China to meet its obligations under the Sino – British Joint Declaration (“Joint Declaration”) or Hong Kong’s Basic Law, the Secretary of State shall submit to the appropriate Congressional committees and leadership a report (“Section 5(a) Report”) that includes (1) an identification of the foreign person; and (2) a clear explanation for why the foreign person was identified and a description of the activity that resulted in the identification.

On October 14, 2020, the Secretary of State submitted the first Section 5(a) Report, which identified 10 foreign persons and explained the basis for their identification. The Department of the Treasury’s (Treasury) Office of Foreign Assets Control (OFAC) had previously imposed asset-blocking sanctions on each of the 10 foreign persons on August 7, 2020, when it designated those persons (and one other individual) pursuant to Executive Order (E.O.) 13936.¹

Pursuant to Section 5(b) of the Act, not earlier than 30 days and not later than 60 days following the submission of the Section 5(a) Report, the Secretary of the Treasury, in consultation with the Secretary of State, shall submit a report to Congress that identifies any foreign financial institution (FFI) that knowingly conducts a significant transaction with a foreign person identified by the Secretary of State in the Section 5(a) Report. This report fulfills the Secretary of the Treasury’s reporting requirements under Section 5(b) of the HKAA.

STEPS TAKEN TO IDENTIFY APPLICABLE FOREIGN FINANCIAL INSTITUTIONS

Since the issuance of the State Department’s Section 5(a) Report, Treasury has investigated — through all sources of information, including classified and unclassified — whether any FFI may have knowingly conducted a significant transaction with any of the 10 foreign persons identified in the Section 5(a) Report following the date of the report’s submission (October 14, 2020). Treasury has also issued public guidance and conducted outreach to foreign governments and FFIs to ensure they understand the reporting requirements and sanctions risks under the HKAA.

¹ Although Stephen Lo, the previous commissioner of the Hong Kong Police Force, was not listed in the Section 5(a) Report as a foreign person materially contributing to the failure of the Chinese government to meet its obligations under the Joint Declaration or Basic Law, he is designated pursuant to E.O. 13936 for being the leader or official of a government entity whose members have engaged in activities to prohibit, limit, or penalize the exercise of freedom of expression or assembly in Hong Kong.

Research and Investigation

Treasury, in consultation with interagency partners, has conducted regular searches of all available sources of information, including classified and unclassified holdings, for any potential significant transactions by FFIs with the foreign persons identified in the Section 5(a) Report. These efforts have not yielded any information on significant transactions with these foreign persons. Treasury will continue to actively monitor this type of activity.

Foreign and Public Engagement

Treasury leadership has held constructive conversations with foreign counterparts across the globe to communicate U.S. policy objectives with respect to Hong Kong, to clarify HKAA reporting requirements and sanctions risks, and to request that governments communicate these requirements and risks to financial institutions within their respective jurisdictions. As part of these engagements, Treasury conveyed its willingness to engage further with FFIs about their potential exposure to HKAA reporting and sanctions.

In addition, in conjunction with the State Department's Section 5(a) Report, OFAC issued Frequently Asked Questions (FAQs)² clarifying how Treasury intends to implement its authority under the HKAA, including an explanation of key deadlines and definitional terms.

Further, on November 17, OFAC conducted a virtual roundtable with Hong Kong-based FFIs to discuss the HKAA and related Congressional reporting and sanctions implications for FFIs.

FOREIGN FINANCIAL INSTITUTIONS THAT KNOWINGLY CONDUCT A SIGNIFICANT TRANSACTION WITH FOREIGN PERSONS IDENTIFIED IN A SECTION 5(A) REPORT

At this time, Treasury has not identified any FFI that has knowingly conducted a significant transaction with a foreign person identified in the Section 5(a) Report submitted on October 14, 2020, after the date of the report's issuance. Treasury will continue to monitor for any activity that meets these criteria. Treasury will also continue to engage foreign governments and FFIs to ensure they understand the reporting requirements and sanctions risks under the HKAA and other authorities, as well as any relevant public guidance OFAC has issued. As required by the Act, Treasury will update the Section 5(b) Report in an ongoing manner and intends to resubmit these updates with the annual report under section 301 of the United States-Hong Kong Policy Act of 1992 (22 U.S.C. 5731).

² See OFAC FAQs [848](#), [849](#), [850](#), and [851](#).