

Mr Ricky YAU
ICAC Deputy Commissioner cum Head of Operations

The 8th ICAC Symposium
23 May 2024
FIFTY YEARS ON: Embracing the Challenge

Thank you Drago, distinguished guests, ladies and gentlemen,

Let me begin by expressing my heartfelt gratitude to my ICAC colleagues, led by the Symposium Chairman Bryan CHONG and the Symposium Director Kate CHEUK, for organising this impressive conference. While the weather has not been very nice to us these few days, I hope you are all enjoying the Symposium and your stay in Hong Kong. Let me also take this opportunity of our 50th Anniversary to thank successive generations of graft-fighters in the Commission for taking us this far. As one of the very first dedicated anti-corruption agencies in the world, it goes without saying that the anniversary is a significant milestone for us. It is not just an occasion for celebration; it is also an occasion for us to reflect on where we should be heading.

Hong Kong's Journey

2. Half a century ago, Hong Kong was a very different place – a rapidly expanding population had stretched public resources to the limit, and this provided the environment and opportunity for corruption to flourish. The scourge of corruption had infiltrated so many areas of the public service, that most citizens had bitterly come to accept it as way of life. The tipping point came in 1973, when a senior police officer under investigation for corruption by the police fled Hong Kong, unleashing a flood of public outrage. The Government had no choice but to act – and they did, decisively, with the establishment of the ICAC in 1974.

3. The political will to launch our fight against corruption was backed up with a strong legal framework, which gave special powers of investigation to the ICAC and, most important of all, guaranteed the independence that was needed for ICAC to carry out its duties without fear or favour.

4 And so the foundations were put in place – political will, an independent anti-corruption agency with strong legal powers. But we also needed the right people in place, the fine men and women who would be responsible for winning the support of the people, ensuring public confidence and trust in this fledgling organisation. The strategy was simple – one Commission with three departments to lead the fight on three different fronts: enforcement, prevention and education, targeting corruption in both the public and private sectors. Simple, but effective.

5. Indeed, we are pleased to see that, thirty years after the ICAC was born, when the United Nations Convention Against Corruption entered into force in 2005, the Articles of the Convention clearly reflected key elements of our strategy and practice, which now shape the way many agencies are tackling graft in their own jurisdictions.

6. The latest milestone on the ICAC journey was taken in February this year, when we established the Hong Kong International Academy Against Corruption, with a mission to set up a platform to foster worldwide anti-corruption efforts and advance the global anti-corruption cause.

Embracing the Challenge

7. Fifty years have passed and Hong Kong has developed into one of the world's great cities, with a reputation for clean government and strong rule of law, which forms the very foundation upon which we fight corruption. Despite our success, it would be naïve to say that corruption has been completely eradicated. Time and again we have seen the need to take positive action to meet new challenges. For example, while graft in our government sector has seen a steadily downward trend, corruption in the private sector now makes up around 70% of our annual complaints.

8. In Hong Kong, and indeed worldwide, we have observed an ever-increasing sophistication on the part of those involved in corruption. I would like to address three major challenges that this brings, and share how the ICAC has adapted to handle those challenges. First, I will look at the increased complexity in how corrupt individuals and syndicates carry out their illicit activities today. Then I will discuss the technological challenge we face, and lastly, I will turn to the increasingly cross-border nature of corruption itself.

Increased Complexity

9. Modern-day corruption has become increasingly difficult to detect, let alone prove. As we become smarter, so do the criminals. Corrupt individuals have become more adept at using sophisticated money laundering techniques to hide the origins of their illicit funds. This includes the use of offshore accounts, shell companies and complex financial transactions to obscure the money trail and conceal the proceeds of crime.

Financial Investigation

10. That is why it is now widely accepted that, for any agency to be successful in combating corruption in the modern era, it must have the capacity to start and conduct complicated financial investigations. Dealing with sophisticated transactions, creative accounting treatments, and the sheer volume of records, requires expertise. Like many of our counterparts here today, the ICAC has established dedicated units to support our work in this field.

11. Over the last 30 years, we have gone from one small financial investigation team to a full-fledged Forensic Accounting Group consisting of 12 Certified Public Accountants, all with a diverse range of expertise, including Certified Fraud Examiners, Certified Anti-Money Laundering Specialists, Certified Internal Auditors and a Chartered Financial Analyst.

12. In addition to assisting investigation teams to conduct complex financial investigation, their role includes providing expert support during searches of listed companies, preparation of expert statements, testimony at court and, of course, asset

recovery through the restraint and confiscation of proceeds of crime. As an illustration, in the three-year period from 2021 to 2023, the ICAC has been successful in restraining over HK\$650 million, with HK\$82 million confiscated or paid in restitution. As of today, we have assets of HK\$1.6 billion under restraint pending resolution by the courts in ongoing prosecutions.

Technological Challenge

13. I now come to technological challenge. The use of technology by the corrupt has complicated the fight against graft in ways we could not previously have imagined, from algorithms performing intricate financial transactions to the remote manipulation and control of online data. Technology is also being used to evade detection, with computers now performing roles previously undertaken by human actors. It is vital that anti-corruption agencies leverage the use of Information Technology and digital forensic tools in our battle against corruption.

Forensic Investigation Tools and Technology

14. It is no exaggeration that when ICAC was established in the 1970s, our most advanced piece of technology was probably a typewriter! But the dawn of the digital age and the onset of the Internet means we live in a very different world today. At the ICAC, we have tried to adapt as quickly as we can, by taking the challenges posed by these developments as opportunities to improve the way we work. We were one of the first law enforcement agencies in the world to introduce video interviews for suspects, and our interview suites are now in their third generation after a series of digital upgrades.

15. Our dedicated Computer Forensic Team now comprises 11 certified computer specialists. These specialists have greatly enhanced our capacity to deal with the ever-increasing number of mobile devices being seized in operations. For instance, in 2023 alone, we seized over 800 smartphones in our operations. Our ability to crack these mobile devices is critical in bringing the corrupt to justice, as they invariably contain useful digital evidence required for investigation, prosecution or asset recovery proceedings.

16. While computer forensics is no doubt very important in this digital era, physical documents still form the bulk of evidence used in our prosecutions. Large volumes of documents need to be properly analysed for evidential value and then presented at trial in a way that can be easily understood. We have therefore created a Record Digitisation System to convert physical documents into digital form, allowing us to use data analytic tools to identify important documentary evidence and present it at court.

17. Those of you visiting our Headquarters tomorrow afternoon will have the chance to see some of these technologies first-hand, while the back-to-back training programme to be organised by the Academy and IAACA on Saturday morning will also have a strong focus on innovation and the use of technology. But let me cite one example here to quickly demonstrate the practical value of embracing technology.

18. As you can see, Hong Kong is a densely populated city. We have over 40,000 residential and commercial buildings, all requiring building management services for maintenance, renovation, security and cleaning. This is a lucrative business and one that is prone to corruption in the procurement of contracts for providing those services. In recent years, reports concerning building management have accounted for around 40% of our annual complaints relating to corruption in the private sector.

19. In January 2023, we took arrest action in an Operation codenamed “Fire Net”, which was the single largest building management case we have ever investigated. It was a pro-active investigation that targeted a corruption syndicate in the building management industry. Our technical experts had devised an analytical tool to mine over 100,000 pieces of data supplied by the building authorities, to search for and identify tender rigging patterns and associations amongst contractors or consultants involved in the procurement of building management projects. We were able to identify companies and individuals of interest, on whom we then focused more technical investigative resources in order to unearth the corrupt activities. During the operation, 50 suspects in the criminal syndicate were arrested. Subsequently, 23 suspects were charged with corruption offences, involving bribes amounting to \$6.5 million dollars, and works contracts covering 11 different buildings and worth over half a billion dollars.

Cross-Border Nature

20. The last challenge, but certainly not the least, is that corruption and the corrupt know no boundaries. There is no doubt that the problem has become increasingly globalised, with illicit payments flowing across borders and highly complex corruption networks, involving multiple actors working covertly in various sectors. These networks can involve collusion between individuals, businesses and government officials, making them difficult to identify and dismantle.

International Cooperation

21. With the odds heavily stacked against law enforcement, international cooperation remains the key to tackling the cross-jurisdictional aspects of corruption. Addressing this challenge demands a comprehensive approach, including, on top of formal mutual legal assistance, the early sharing of information, coordinated action and pragmatism. Underpinning all of this is the need for mutual understanding and trust between different countries and jurisdictions. As we look around the world today, with globalisation apparently in retreat and conflicts seemingly arising on an almost daily basis, this might seem to be an insurmountable challenge.

22. But the ICAC is determined to adopt a positive and proactive approach, pursuing any and all avenues for international cooperation in the fight against corruption. After the world opened up following the pandemic, ICAC has approached its return to the international arena with renewed vigour and optimism.

23. Since 2023, our officers have been involved in professional anti-corruption training on a truly global scale. Our officers have travelled to eight countries on different continents to deliver training programmes tailored for their anti-corruption agencies, and we welcomed participants from 28 countries to join our capacity building programmes in Hong Kong. Such exchange has transcended the barriers presented by different languages, legal systems, socio-economic backgrounds and cultures. And there is only one purpose, that is to help build capacity in countries at different stages of their own anti-corruption journeys by sharing our experience. During the process, we also benefit by learning from the experience of our counterparts.

24. As a law enforcement agency, the ICAC knows full well that the lack of genuine international cooperation not only undermines anti-corruption efforts, but gradually erodes the rule of law itself. The ICAC therefore applauds the UNODC initiative to establish the Global Operational Network of Anti-Corruption Law Enforcement Authorities (**the GloBE Network**), and looks forward to throwing our full support behind this initiative to promote more direct communication between anti-corruption agencies. At its best, international cooperation can strengthen the collective global response to corruption, promote knowledge sharing, enhance investigative capabilities and facilitate the recovery of illicit proceeds. And that, surely, is why we are all gathered in Hong Kong for our symposium this week. To build new friendships and reinforce old ones, to share and to learn, but most importantly to build up trust by understanding each other's problems and working together towards a common goal.

Concluding Remarks

25. In taking you on ICAC's journey over the last half century, I have focused on the challenges presented by the increased complexity of corruption investigations, technological advances and the cross-jurisdictional nature of corruption, and offered some possible solutions.

26. This is not a definitive list of the challenges we must overcome, and my fellow panellists have highlighted other areas of concern. But even a distinguished panel such as this cannot predict what the next challenge will be or where it will emerge.

All we can say for sure is – we must adapt, we must innovate, and we must embrace the challenge. Thank you.

XXXX