



# Joint Financial Intelligence Unit & Suspicious Transaction Reporting

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Joint Financial  
Intelligence Unit



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## 重要告示

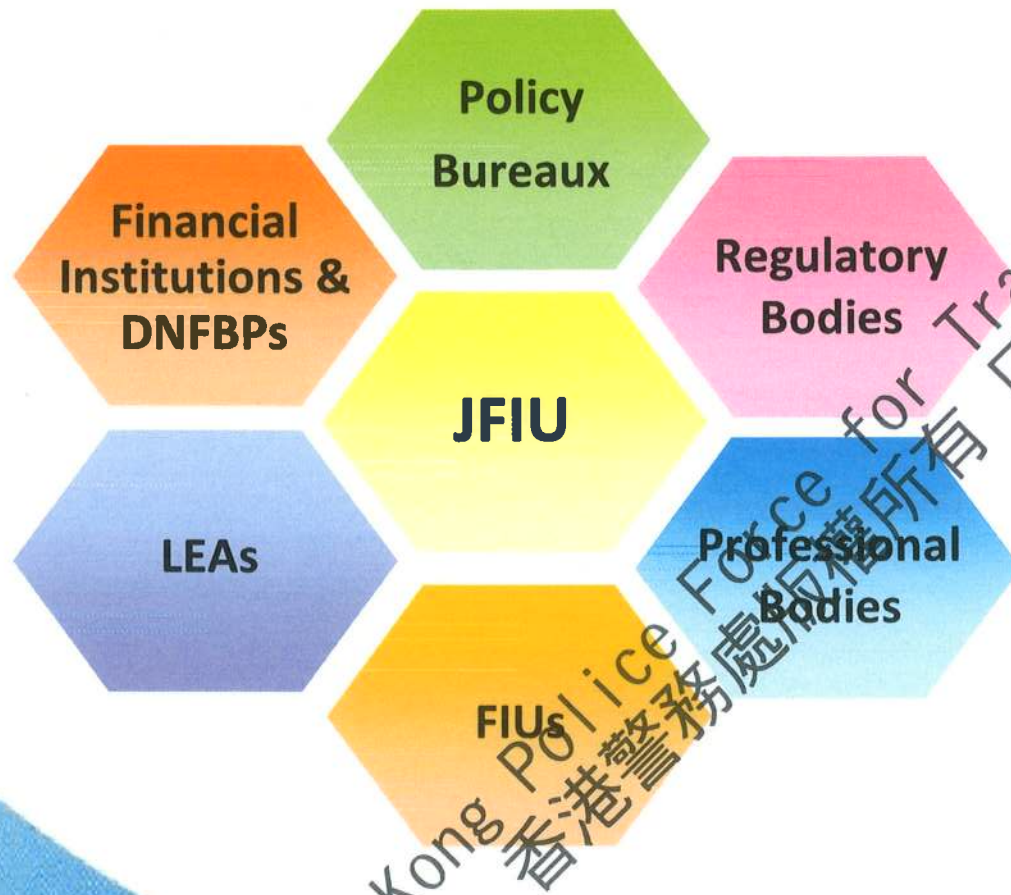
香港警務處持有並保留本簡報檔案包括版權在內的所有權益。除預先獲得警務處處長書面許可外，本簡報檔案只可用作個人學習及處理公務上用途。

# Overview

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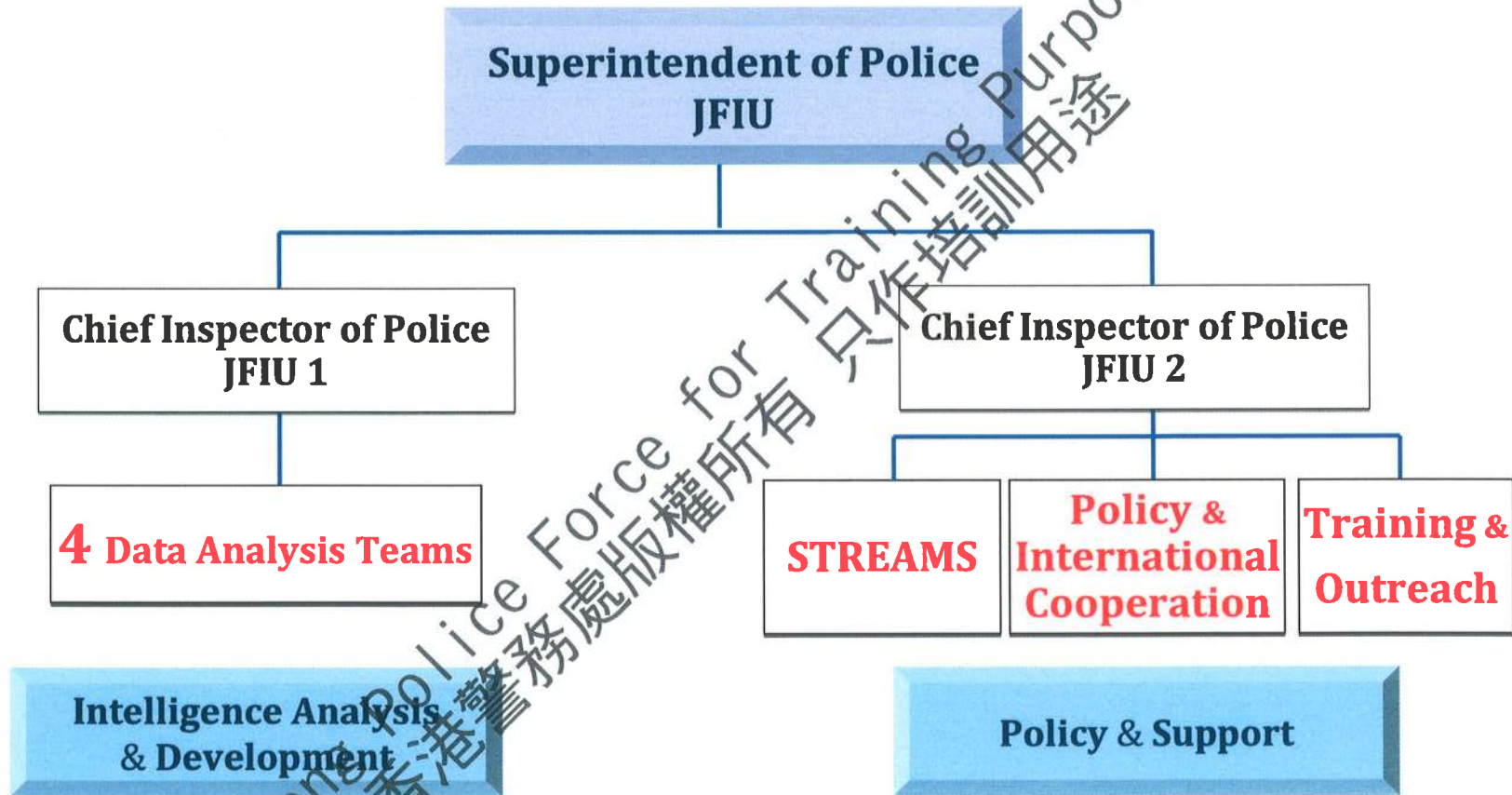
1. About JFIU
2. Key Legislation
3. STR
4. Challenges
5. Case Studies

# About JFIU



- Not an investigative unit
- Receive, analyze and disseminate suspicious transaction reports
- International Cooperation
- Study the trend and typology used by the criminals in ML/TF
- Training & Outreach

# Structure of JFIU



# AML/CTF Legislation

1989

**Drug Trafficking (Recovery of Proceeds) Ordinance (DTROP, Cap. 405)**

1994

**Organized & Serious Crimes Ordinance (OSCO, Cap. 455)**

2002

**United Nations (Anti-Terrorism Measures) Ordinance (UNATMO, Cap. 575)**

2012

**AML & Counter Terrorist Financing (Financial Institutions) Ordinance (AMLO, Cap. 615)**



# Reporting requirement



Any person, who **knows / suspects** any property represents **proceeds of crime / terrorist property**, shall **make a report** to an authorized officer (**JFIU**).

**Max. Penalty:**  
**Fine at Level 5 (HK\$ 50,000)**  
**& 3 Months' Imprisonment**

**S.25A(1) of Cap. 405 DTROP & Cap. 455 OSCO**

**S.12(1) of Cap. 575 UNATMO**

# Reporting requirement

- A legal requirement
- Applied to all
- Knowledge and Suspicion based reporting

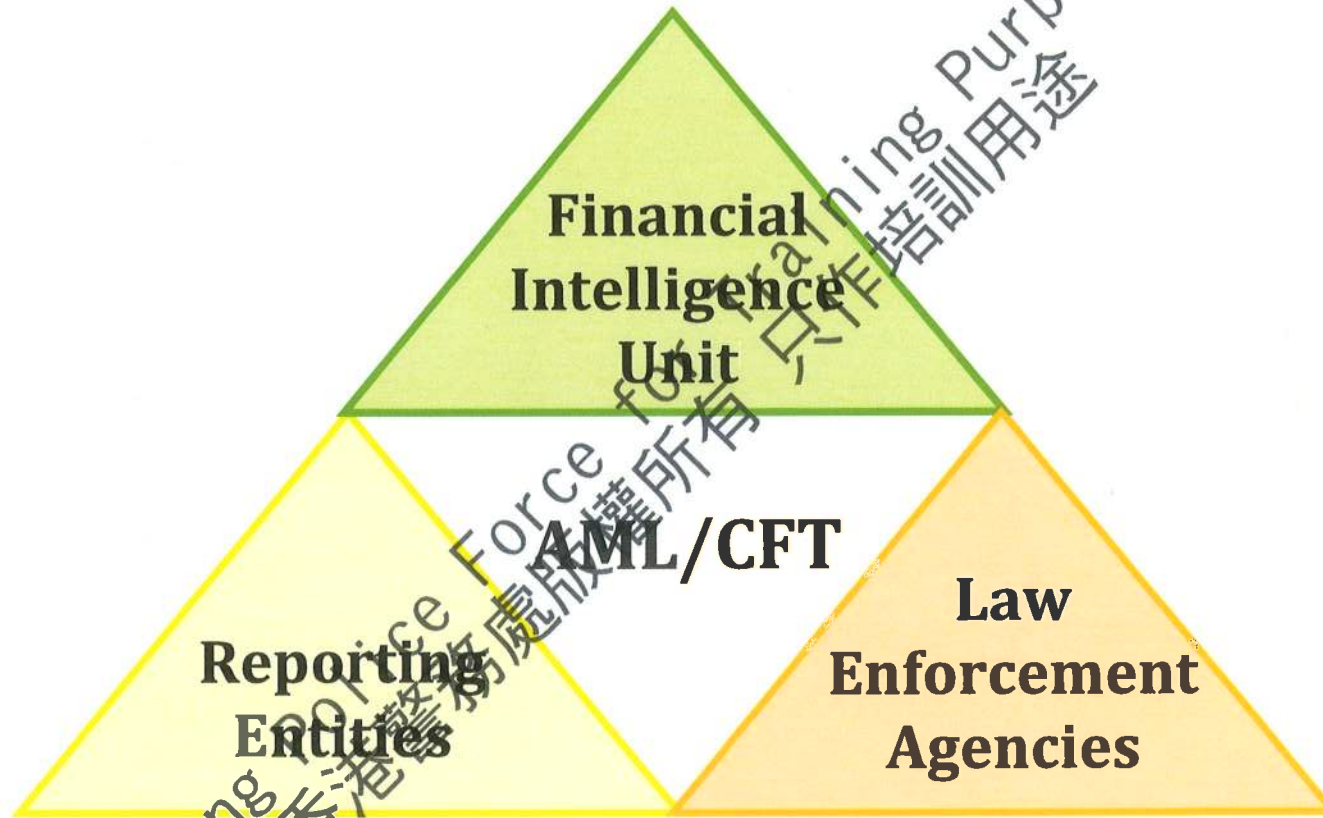
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# Reporting requirement

- No threshold or cross boundary reporting
- Legal protection from civil or criminal liability
- After reporting, no tip off
- The source of the report is protected

# Role of JFIU



# Role of JFIU

## Reporting Entities

### Financial Institutions & DNFBPs

CDD + KYC

Record Keeping

Internal Controls

STR Filing

## Financial Intelligence Unit

### JFIU

STR Regime

Intelligence Exchange

International Cooperation

Training & Outreach

## Law Enforcement Agencies

e.g. Police, Customs, ICAC

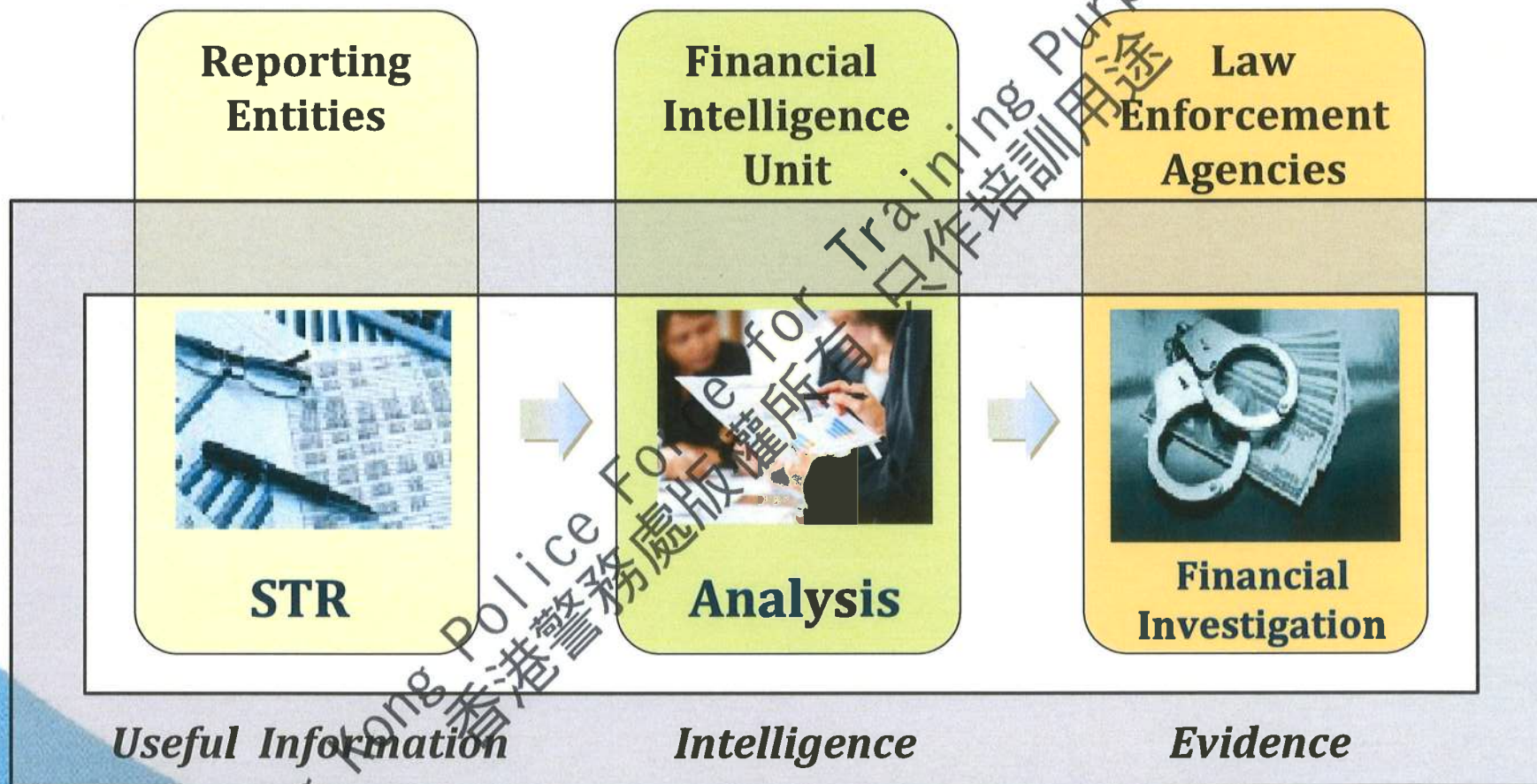
Financial Investigation

Asset Tracing

Restraint & Confiscation

Mutual Legal Assistance

# Flow of information



# Method of reporting

## How to submit a STR?

Suspicious transaction reports can be made in one of the following ways:



- by e-reporting system, STREAMS
- by email to [jfiu@police.gov.hk](mailto:jfiu@police.gov.hk)



- by fax to : (852) 2529 4013



- by mail, addressed to Joint Financial Intelligence Unit, GPO Box 6555 Hong Kong



- by telephone (852) 2866 3306 or (852) 2860 3413 (for urgent reports during office hours)

If you want to file STR via STREAMS, you have to complete **the application form** and return to JFIU either by fax (2529 4013) or email ([jfiu@police.gov.hk](mailto:jfiu@police.gov.hk)). If you need any further information, please feel free to contact JFIU staff.

STREAMS - Login Frame

Suspicious Transaction Report And Management System (STREAMS)

Username:

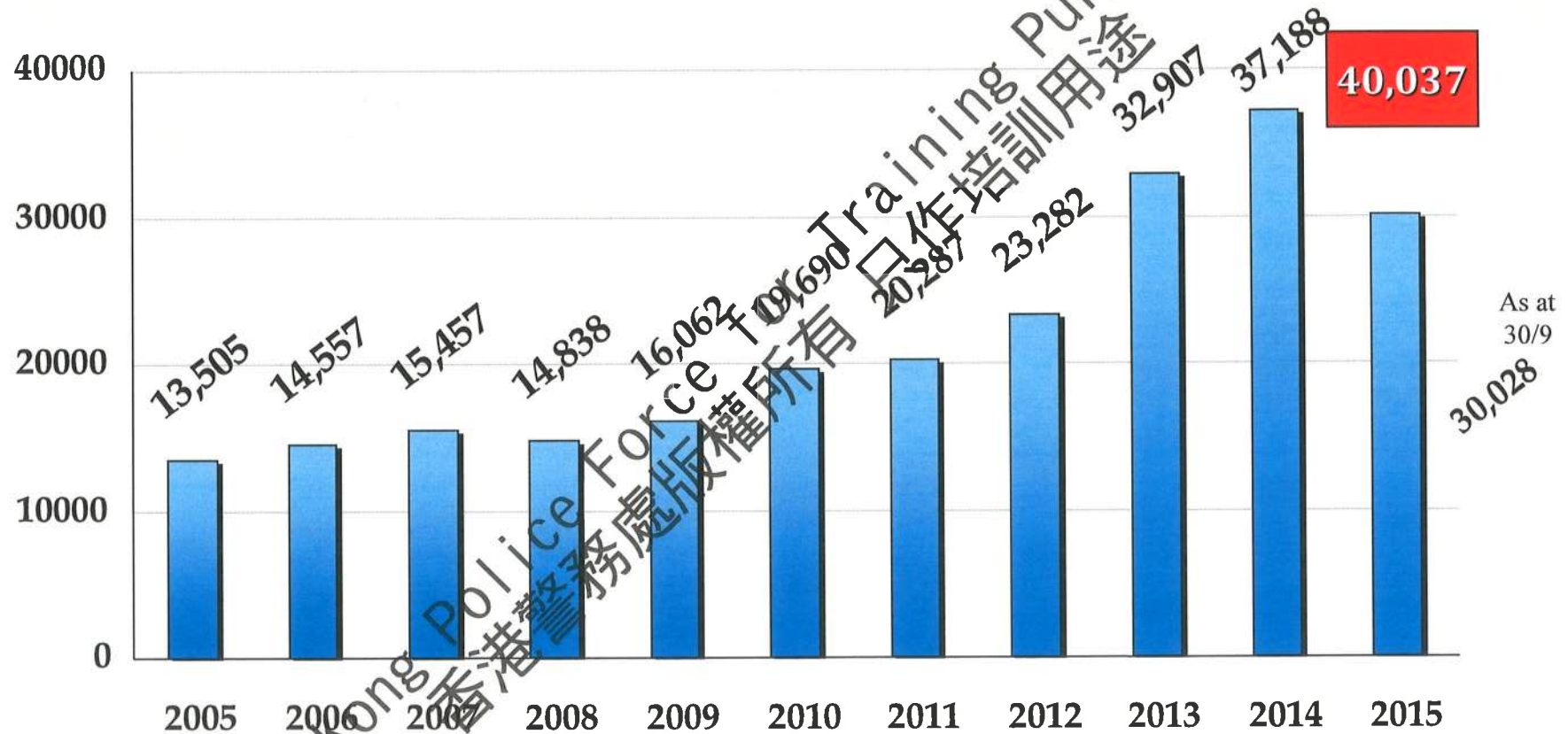
Password:

Database: SBOX-ACCESS

Login Reset

< Form > can be downloaded here

# STR Statistics



**Projected annual no. of STRs in 2015**

# STR Statistics

No. of STRs	2011	2012	2013	2014	*2015 (Jan-Sep)
<b>Annual Total</b>	<b>20,287</b>	<b>23,282</b>	<b>32,907</b>	<b>37,188</b>	<b>*30,028</b>
<b>Filed by Securities Sector</b>	<b>470</b>	<b>698</b>	<b>1,410</b>	<b>1,574</b>	<b>*941</b>
	<b>2.3-4.3%</b>				



# To Report, Or Not to Report ?

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# What to Report in STR?



## CHECKLIST



- **Subject/ Organization/ Beneficial Owner's Particulars (in details)**
- **What Suspicious?**
  - Property involved
  - Account(s) & Transaction(s)
- **Why Suspicious?**
  - Suspected Crime(s)/ Suspicious Indicator(s)/ News
  - Assessment & Analysis?
  - Explanation by customers, if any.
- **Previous STR Ref. / Police Case Ref., if any**



# How to File Quality STR?

## **SAFE** Approach

**S**creen

subject entities' background & transactions

**A**sk

appropriate questions to clarify circumstances

**F**ind

relevant records for review

**E**valuate

whether suspicion is substantiated

# Quality vs Quantity

## Recent Observations

on the **STRs** filed by your Sector



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# Challenges

## Cross-border Transactions



**non-local signatories**



**corporate service providers**



**offshore companies**

# Challenges



## Internet/ Hi-Tech Driven



**Non-face-to-face  
account opening**



**E-Banking**



**New  
Payment Methods**

# Challenges



**Misuse of Professional Services**



**Complex Financial Products**



**Transnational Crime Syndicate**

# Red Flags – Securities Sector

- **Refuses to provide information**
- **Frequent transactions with money services businesses**
- **PEP or senior political figure related**



KYC  
CDD



# Red Flags – Securities Sector

- **Below a threshold amount**
- **Little or no securities activities**
- **Purchase regardless to loss, commissions or other costs**
- **Liquidation of the accounts shortly**







# Case Study



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# Case Study 1 – Insider Trading



**Mr. X,  
manager of ...**



**Company Y**



**Company Y-1**



**Company Y-2**



# Case Study 1 – Insider Trading

**Insider Information :  
Reorganization of  
Companies Y1-2**



**Mr. X**



**Wife of X**



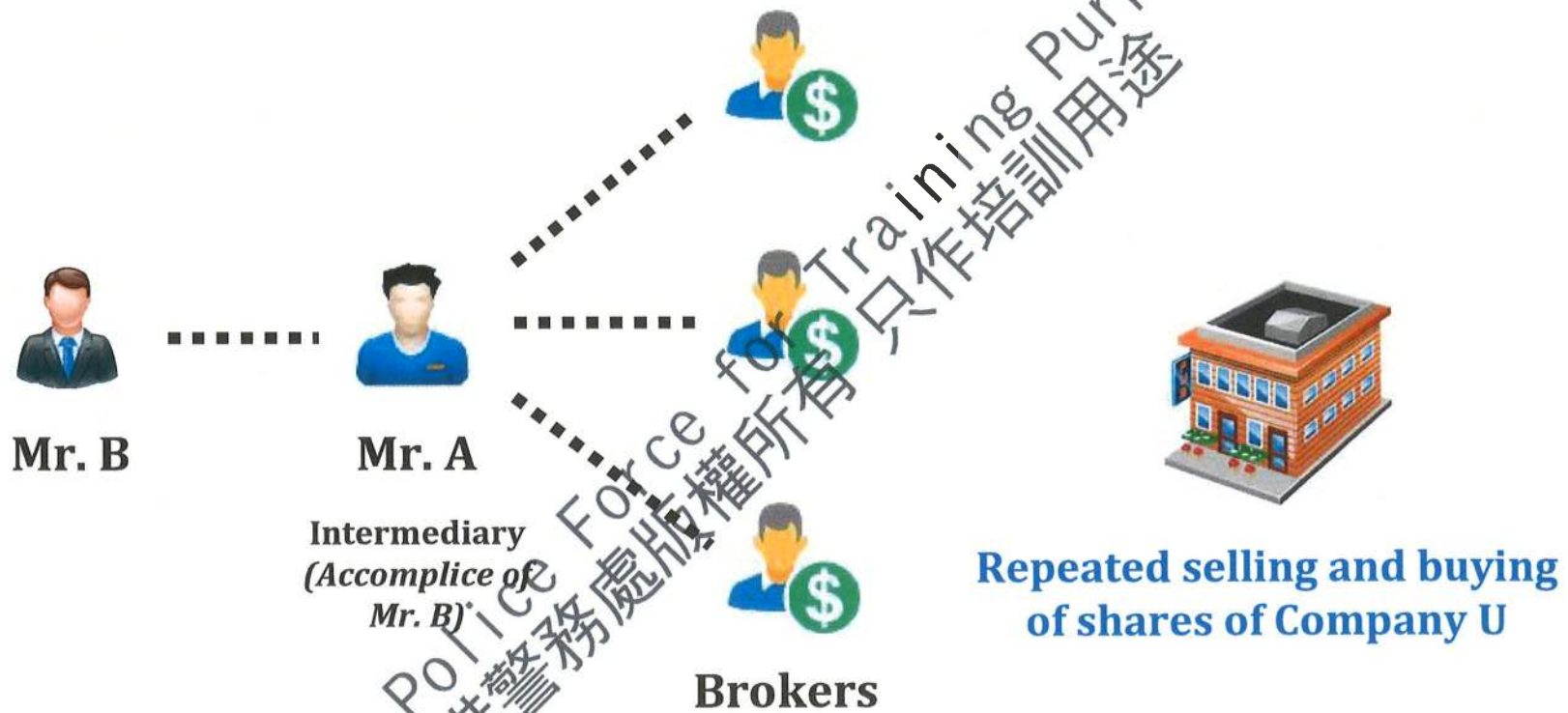
# Case Study 1 – Insider Trading

## Suspicious Indicators

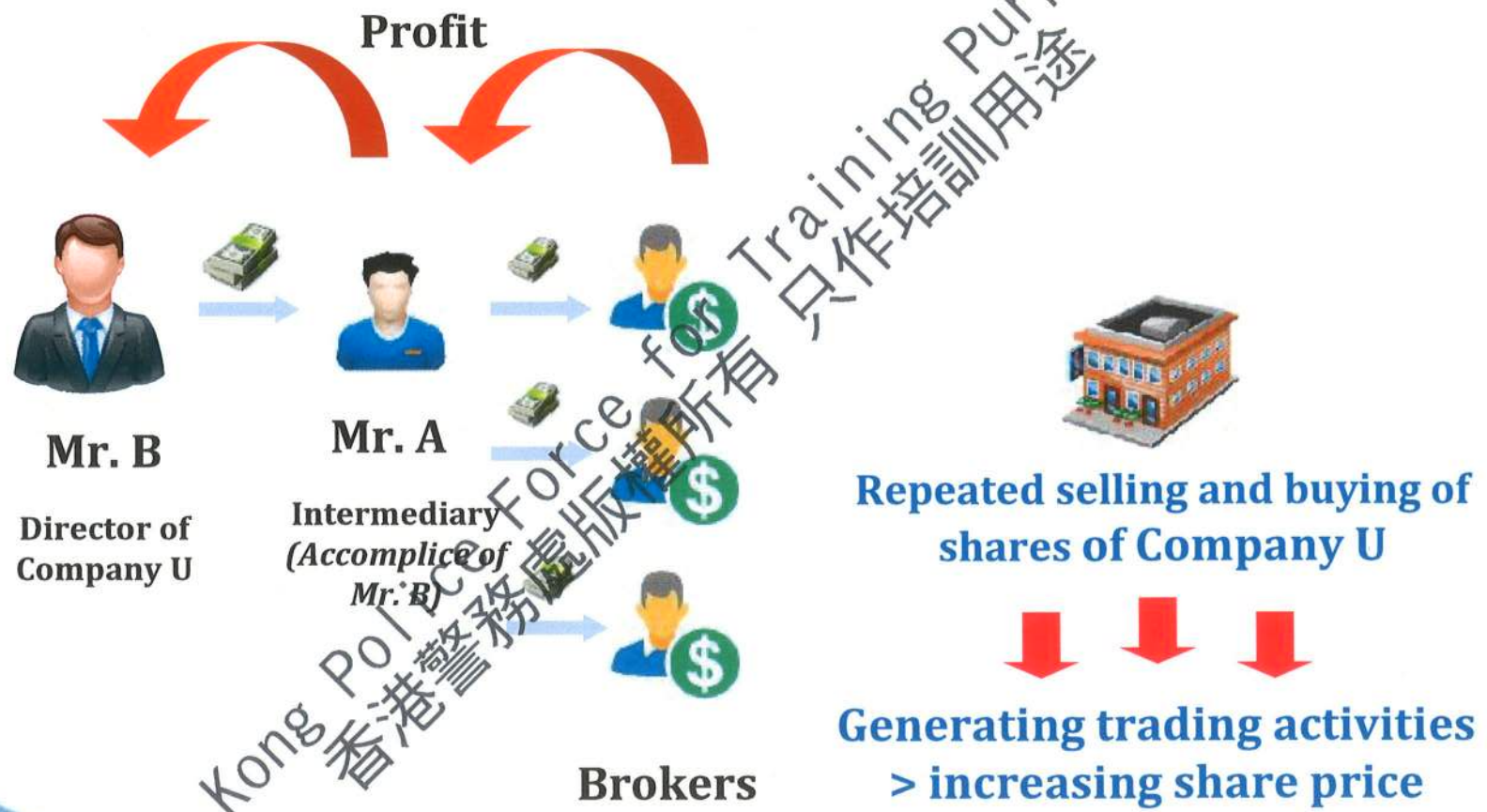
- (1) Unusually significant transactions;**
- (2) Not commensurate with customer's investment profile;**
- (3) Purchase shortly before news.**



# Case Study 2 – Market Manipulation



# Case Study 2 – Market Manipulation



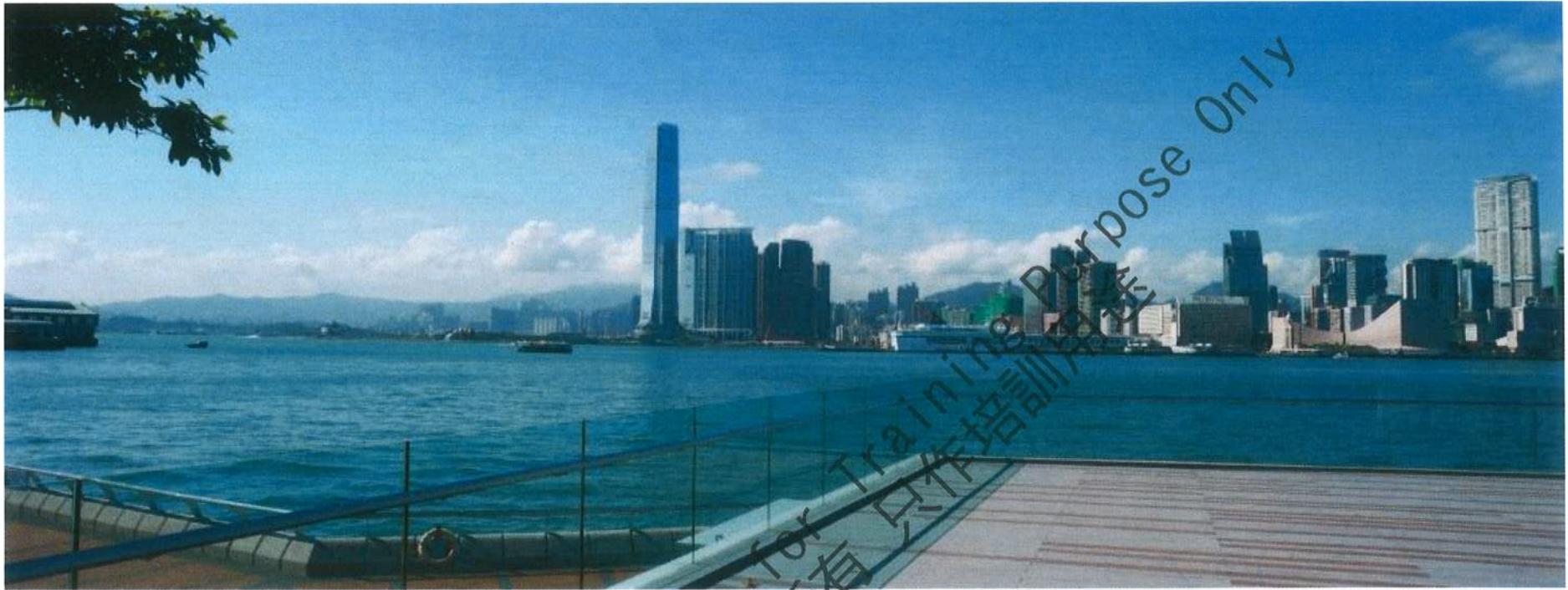
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# Case Study 2 – Market Manipulation

## Suspicious Indicators

- (1) Unusually large transactions;**
- (2) Repeated purchase and sale of shares;**
- (3) Subject company (Company U) has no apparent business.**





*Thank you!*



[www.jfiu.gov.hk](http://www.jfiu.gov.hk)