



Anti-Money Laundering & Terrorist Financing and Suspicious Transaction Reporting



- ◆ Key Legislation
- ◆ STR Figures
- ◆ STR reporting and Feedback
- ◆ Case Studies



- ◆ Key Legislation
- ◆ STR Figures
- ◆ Feedback on STR reporting
- ◆ Case Studies



Key Legislation

1989

Drug Trafficking (Recovery of Proceeds) Ordinance (DTROP, Cap. 405)
販毒(追討得益)條例 (第405章)

1994

Organized and Serious Crimes Ordinance (OSCO, Cap. 455)
有組織及嚴重罪行條例 (第455章)

2002

United Nations (Anti-Terrorism Measures) Ordinance (UNATMO, Cap. 575)
聯合國(反恐怖主義措施)條例 (第575章)

2012

AML & CFT (Financial Institutions) Ordinance (AMLO, Cap. 615)
打擊洗錢及恐怖分子資金籌集(金融機構)條例 (第615章)

2018

Amendment of AMLO, Cap. 615
打擊洗錢及恐怖分子資金籌集條例(第615章)的修訂



Joint Financial
Intelligence Unit



Key Legislation (Anti Money Laundering)

Any person

- **Knowing** or **having reasonable grounds to believe**
- Any property
- **In whole or in part or indirectly represents proceeds of drug trafficking**
- **Deals with the property**

Maximum Penalty:

- **HKD 5 Million fine**
- **14 years' imprisonment**

S.25 of Cap 405 DTROP

S.25 of Cap 455 OSCO



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Key Legislation (Counter-Terrorist Financing)

Any person should not

- **provide** or **collect** directly or indirectly
- Any property
- **With the intention that the property be used or knowing that the property will be used**
- **in whole or in part to commit one or more terrorist acts**

S.7 of Cap 575 UNATMO

Maximum Penalty:

- **14 years' imprisonment**



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Key Legislation (Suspicious Transaction Reporting)

Any person

- **Knows** or **suspects**
- Any property **represents / was used / is intended to be used in connection with the proceeds of drug trafficking or indictable offences or terrorist property**
- Should **disclose** that knowledge or suspicion to **an authorized officer (i.e. JFIU)**

S.25A(1) of Cap. 405 DTROP

S.25A(1) of Cap. 455 OSCO

S.12(1) of Cap. 575 UNATMO

Maximum Penalty:

- **Level 5 fine (HKD 50,000)**
- **3 months' imprisonment**



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Key Legislation (Suspicious Transaction Reporting)

Where a person

- **Knows** or **suspects** that a disclosure has been made
- The person **shall not disclose to another person** any matter
- Which is **likely to prejudice any investigation** which might be conducted following that first-mentioned disclosure

Maximum Penalty:

- **HKD 500,000 fine**
- **3 months' imprisonment**

S.25A(5) of Cap. 405 DTROP

S.25A(5) of Cap. 455 OSCO

S.12(5) of Cap. 575 UNATMO



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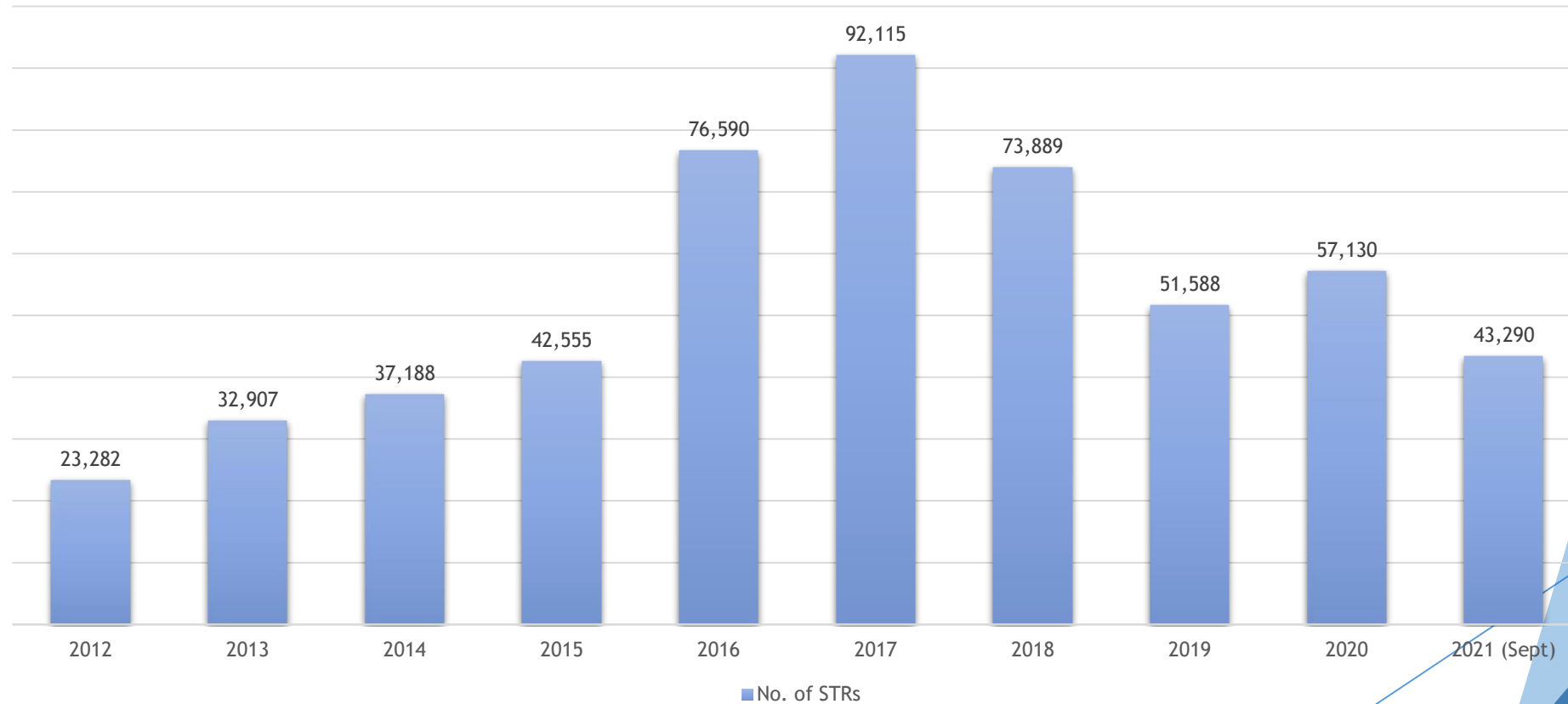


- ◆ Key Legislation
- ◆ STR Figures
- ◆ STR reporting and Feedback
- ◆ Case Studies



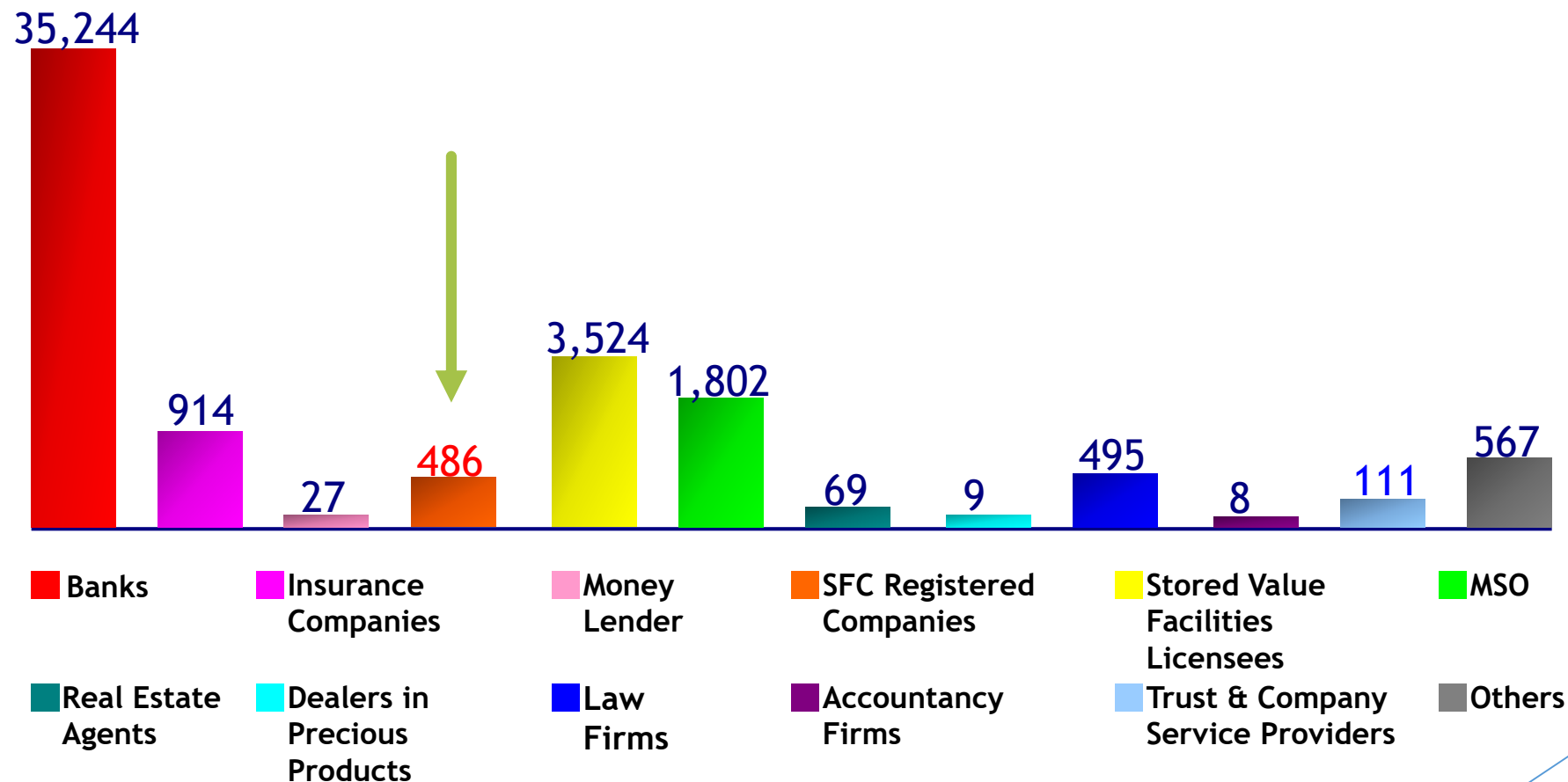
STR Statistics

▶ Number of STR received (2012-2021 Jan-Sep)



STR Statistics

► Sectoral Breakdown of STRs received by JFIU in 2021 (Jan-Sep)



STR Statistics

STRs filed by SFC registered companies between 2016 and 2021 (Jan-Sept)

No. of STRs	2016	2017	2018	2019	2020	2021 (Jan-Sept)
Total received by JFIU	76,590	92,115	73,889	51,588	57,130	43,290
Filed by SFC registered companies	1,423	2,090	1,337	735	694	486
	1.86%	2.27%	1.81%	1.42%	1.21%	1.12%

- ◆ Key Legislation
- ◆ STR Figures
- ◆ STR reporting and Feedback
- ◆ Case Studies





To Report,
or Not to Report?



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STR Reporting

- Legal obligation
- Applied to all
- Disclosure based on knowledge or suspicion
- No reporting threshold
- Legal protection against civil or criminal liability
- No disclosure of the reported details to another person
- Source of the report is kept confidential



STR Reporting

Red Flag Indicators

Client

- Politically Exposed Person?
- Non-resident / Corporate from high-risk country?
- No known nexus with Hong Kong?
- Complex corporate structure (obscuring ultimate beneficial ownership)?



STR Reporting

Red Flag Indicators

Transaction

- Payment from 3rd party / cashier order?
- Unusual high/ low payment for a property?
- Unexpected amount of transactions ?
- Transacted with unrelated parties / jurisdiction?



STR Reporting

Red Flag Indicators

Previous Records/ Further Enquiries

- Background check / open source (adverse news)
- Failing to disclose specific role / relationship / ownership of property
- Unwilling to response to questions or answers are not convincing
- Unwilling to provide supporting document



STR Reporting

Red Flag Indicators

Evaluation

- Information from client is incommensurate with your record in hand?
- Information from client could not be verified?
- The client appeared to be a stooge in the transaction?



STR Reporting

SAFE Approach

Screen

subject entities' background & transactions

Ask

appropriate questions to clarify circumstances

Find

relevant records for review

Evaluate

whether suspicion is substantiated



STR Reporting

Screen

- 1) Background – Sensitive / Political / Connection with Sensitive/ Political person(s)
- 2) Background **Vs** Invested Amount
- 3) One off payment – Large amount of money
- 4) Change beneficiary frequently and/or without reasonable reason(s)
- 5) Method of payment
(Small amount instalment Vs one off payment)



STR Reporting

Ask

- 1) Appropriate check and enquiry
- 2) Clarify any suspicion
 - ▶ Financial Background
 - ▶ Source of funds
 - ▶ Purpose of the transaction / application



STR Reporting

Find

- 1) Find / Review clients' previous records
- 2) Analysis on clients' background (suspicious?)

Personal	Corporate
Occupation	Business nature / activities
Income / Address	Income and expenses
Age	History
Past transactions	Trade counterparts



STR Reporting

Evaluate

- 1) Identify risk indicator
 - 2) Assess the findings
 - 3) Assess the clients / transaction is suspicious or not?
 - ▶ ‘Screen’, ‘Ask’, ‘Find’ – complete the three step?
 - ▶ Review the findings, satisfy the situation?
 - ▶ If confirm / reasonable grounds to believe the suspicious of the clients / transaction
- **File STR**



STR Reporting

Recommended structure of STR narrative

- (1) Triggering Factors
- (2) Background of Subject(s)
- (3) Transactions
- (4) Reporting Entity's Enquiries & Open Source Information
- (5) Conclusion & Way Forward



STR Reporting

Recommended Structure of STR Narrative

(1) Triggering Factors

- Involved crimes (fraud/corruption/sanctions/terrorist acts, etc.)
- Warrants/court orders received
- Open source information (news/list of regulatory agencies, etc.)
- Pattern of suspicious transactions (large transactions/temporary repository of fund, etc.)

(2) Background of Subject(s)

- Personal: Age, occupation, income, transaction history, etc.
- Corporate: Date of establishment, business nature, expected transaction amount, etc.



STR Reporting

Recommended Structure of STR Narrative

(3) Transactions

- Reviewed period
- Fund movement pattern (sudden change?)
- Total amount deposited/withdrawn
- **Suspicious transactions** (Not limited to transactions of large amount/frequent transactions)
- Pattern of suspicious transactions



STR Reporting

Recommended Structure of STR Narrative

(4) Reporting Entities' Enquiries & Open Source Information

- Suspicious indicators (KYC queries, world check, etc. → not necessary to report all queries carried out)
- Links of open source information

(5) Conclusion & Way Forward

- Conclusion of the report
- Follow-up actions (Enhanced CDD measure , End of business relationship, etc.)



STR Reporting

How to submit an 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



- by fax to : (852) 2529 4013



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



- by telephone (852) 2866 3366 (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). If you need any further information, please feel free to contact JFIU staff.

Suspicious Transaction Report And Management System (STREAMS)

STREAMS - Login Frame

Suspicious Transaction Report And Management System (STREAMS)

Username:

Password:

Database: SBOX-ACCESS

Login Reset



STR Reporting

**REPORT MADE UNDER SECTION 25A OF THE
 DRUG TRAFFICKING (RECOVERY OF PROCEEDS) ORDINANCE OR
 ORGANIZED AND SERIOUS CRIMES ORDINANCE/
 SECTION 12 OF THE UNITED NATIONS (ANTI-TERRORISM MEASURES) ORDINANCE
 TO THE JOINT FINANCIAL INTELLIGENCE UNIT ("JFIU")**

STR Summary	
STR Number:	<input type="text"/>
Submission Number:	<input type="text"/>
Date of Submission:	<input type="text"/>
Acknowledgement Issue Date:	<input type="text"/>
Consent Letter Issue Date:	<input type="text"/>
Consent:	<input checked="" type="checkbox"/> None <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable
Consent Remark:	<input type="text"/>

Special Cases with Time Critical Nature:

* Report Related to Existing Investigation: Yes No

Attachment:

No.	File Name	File Size
1		KB
	Total	KB



STR Reporting

STR Summary	Reporting Body	Subject	Organization	Phone	Address	Account	Transaction
Suspected Crimes	Suspicious Indicators	Open Source Info.	Entity Lists	Check	Save	Print	

Reporting Body	
Organization ID:	<input type="text"/>
Organization Name:	<input type="text"/>
Reporting Officer ID:	<input type="text"/>
Reporting Officer:	<input type="text"/>
Organization Reference:	<input type="text"/>
Phone:	<input type="text"/>
Fax:	<input type="text"/>
Email:	<input type="text"/>

***Reason for Disclosure:**

Drug Trafficking (ROP) Ordinance [Cap.405]:	<input type="checkbox"/>
Organized and Serious Crimes Ordinance [Cap. 455]:	<input type="checkbox"/>
United Nations (Anti-Terrorism Measures) Ordinance [Cap. 575]:	<input type="checkbox"/>

Other Information:

This Disclosure Related to a Previous Disclosure:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
---	---



STR Reporting

Subject

Sequence No: 1 + -

English Name:	Family Name: _____	Given Name: _____	Middle Name: _____
Chinese Name:	_____	CCC: <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	HKID: <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> (<input type="text"/>)
Other ID + -	Type: _____ <input type="text"/>	if Others: _____	
	ID No.: _____	Country: _____ <input type="text"/>	
DOB: _____	Gender: <input type="checkbox"/> M <input type="checkbox"/> F <input checked="" type="checkbox"/> U		Occupation: _____
Nature:	_____ <input type="text"/>		
Phone:	_____		
Email: + -	_____		
Address:	_____		
Additional Information:	_____		



STR Reporting

STR Summary	Reporting Body	Subject	Organization	Phone	Address	Account	Transaction
Suspected Crimes	Suspicious Indicators	Open Source Info.	Entity Lists	Check	Save	Print	
Organization							
Sequence No: 1							+ -
English Name:							
Chinese Name:		Date of Incorporation: _____					
Local Company: <input type="checkbox"/>	BR No.: _____	CR No.: _____	Public Listed Company No.: _____				
Oversea Company: <input type="checkbox"/>	Country: _____					Reg. No.: _____	
Non-Government Organization:	<input type="checkbox"/> Yes <input type="checkbox"/> No		Charitable Organization:	<input type="checkbox"/> Yes <input type="checkbox"/> No			
Nature:	▼		Business Nature:	▼			
Phone:							
Email:	+ -						
Address:							
Related Person:		Role:	▼	if Others: _____			
Related Company:		Role:	▼	if Others: _____			
Additional Information:							



STR Reporting

STR Summary Reporting Body Subject Organization **Phone** Address Account Transaction
Suspected Crimes Suspicious Indicators Open Source Info. Entity Lists **Check Save Print**

Phone Entity

Save +

No.	Linked?	Country Code	Area Code	* Subscriber Number	Extension
1	<input type="checkbox"/>				



STR Reporting

STR Summary Reporting Body Subject Organization Phone **Address** Account Transaction
Suspected Crimes Suspicious Indicators Open Source Info. Entity Lists **Check Save Print**

Address Entity

Save +

No.	Linked?	Address Detail
1	<input type="checkbox"/>	



STR Reporting

STR Summary Reporting Body Subject Organization Phone Address **Account** Transaction
Suspected Crimes Suspicious Indicators Open Source Info. Entity Lists **Check Save Print**

Account

Sequence No: 1



Account Institution:			
Account Number:		Account Type: <input type="text"/>	if Others: <input type="text"/>
Opening Date:		Closing Date:	<input type="text"/>
Balance:	Currency: HKD <input type="text"/>	Amount: <input type="text"/>	Date: <input type="text"/>
Related Person:		Role: <input type="text"/>	if Others: <input type="text"/>
Related Company:		Role: <input type="text"/>	if Others: <input type="text"/>
Additional Information:			



STR Reporting

STR Summary Reporting Body Subject Organization Phone Address Account **Transaction**
Suspected Crimes Suspicious Indicators Open Source Info. Entity Lists **Check Save Print**

Summary of Suspicious Transaction in the Reviewed Period

+ - ...

No.	From (Date)	To (Date)	Subject	Type	Currency	Amount
1					HKD	+ -
	Transaction Branch:					
	Transaction Counterpart:			A/C:		Others:
Remark:						

* Total Amount of Suspicious Transactions Reported (in HKD)
* Total Period covering the Suspicious Transactions (in days)
* Daily Average of the Suspicious Transactions Reported

STR Reporting

STR Summary Reporting Body Subject Organization Phone Address Account Transaction
Suspected Crimes Suspected Crimes Suspected Crimes Suspected Crimes Suspected Crimes Suspected Crimes Suspected Crimes
Suspected Crimes Suspected Crimes Suspected Crimes Suspected Crimes Suspected Crimes Suspected Crimes Suspected Crimes
Check Save Print

Suspected Crimes (Please put a "√" in the selected box(es).)

Designated Categories of Offences by FATF Clear Checkbox

<input type="checkbox"/> Participation in an Organized Criminal Group and Racketeering	<input type="checkbox"/> Counterfeiting Currency
<input type="checkbox"/> Terrorism including Terrorist Financing	<input type="checkbox"/> Counterfeiting and Piracy of Products
<input type="checkbox"/> Trafficking in Human Beings and Migrant Smuggling	<input type="checkbox"/> Environmental Crime
<input type="checkbox"/> Sexual Exploitation including Sexual Exploitation of Children	<input type="checkbox"/> Murder, Grievous Bodily Injury
<input type="checkbox"/> Illicit Trafficking in Narcotic Drugs and Psychotropic Substances	<input type="checkbox"/> Kidnapping, Illegal Restraint and Hostage-Taking
<input type="checkbox"/> Illicit Arms Trafficking	<input type="checkbox"/> Robbery or Theft
<input type="checkbox"/> Illicit Trafficking in Stolen and Other Goods	<input type="checkbox"/> Smuggling (including in relation to customs and excise duties and taxes)
<input type="checkbox"/> Corruption and Bribery	<input type="checkbox"/> Tax Crimes (related to direct taxes and indirect taxes)
<input type="checkbox"/> Fraud	<input type="checkbox"/> Extortion
<input type="checkbox"/> Email Scam	<input type="checkbox"/> Forgery
<input type="checkbox"/> Investment Scam	<input type="checkbox"/> Piracy
<input type="checkbox"/> Romance Scam	<input type="checkbox"/> Insider Trading and Market Manipulation
<input type="checkbox"/> Telephone Deception	
<input type="checkbox"/> Others (Please specify)	

Money Laundering No Crime Related
 Self Laundering Other (Please specify in 'Additional Information')
 Third-Party Laundering

Additional Information:



STR Reporting

STR Summary Reporting Body Subject Organization Phone Address Account Transaction
Suspected Crimes **Suspicious Indicators** Open Source Info. Entity Lists **Check Save Print**

Suspicious Indicators (Please put a "✓" in the selected box(es).)

<p>Fund Movement Pattern</p> <p><input type="checkbox"/> Indirect Transaction/ Transaction Intended to Break Audit Trail</p> <p><input type="checkbox"/> Uneconomical Transaction/ Transaction with No Business Purpose</p> <p><input type="checkbox"/> Temporary Repository of Fund</p> <p><input type="checkbox"/> Numerous Transaction Counterparties without Apparent Reasonable Cause</p> <p><input type="checkbox"/> Transaction Involving High-Risk Jurisdiction/Region</p> <p><input type="checkbox"/> Large Cash Transaction</p> <p><input type="checkbox"/> N/A</p> <p>Accounts</p> <p><input type="checkbox"/> Shell Company</p> <p><input type="checkbox"/> Account Operated/Controlled by Third-Party other than Signatory/Account Holder</p> <p><input type="checkbox"/> Non-Resident Personal Account</p> <p><input type="checkbox"/> Offshore Company</p> <p><input type="checkbox"/> N/A</p>	<p>Customer Background/Behavior Clear Checkbox</p> <p><input type="checkbox"/> Transactions/ Amount Incommensurate with the Background of the Person / Business</p> <p><input type="checkbox"/> Suspected Money Courier/Unlicensed Money Service Operator</p> <p><input type="checkbox"/> Politically Exposed Persons (PEP)</p> <p><input type="checkbox"/> Customer Insisted to Use Less Secured Transactions</p> <p><input type="checkbox"/> Customer Evasive/Reluctant to Provide Information</p> <p><input type="checkbox"/> Suspected Counterfeit Document Presented by the Customers</p> <p><input type="checkbox"/> N/A</p>
<p>Others Clear Checkbox</p> <p><input type="checkbox"/> Casino related Suspicious Transaction</p> <p><input type="checkbox"/> Charitable Organization/NPO related Suspicious Transaction</p> <p><input type="checkbox"/> Others (Please Specify)</p> <p><input type="checkbox"/> N/A</p>	

Narrative comment about the questioned transactions:



STR Reporting

(STR Summary) (Reporting Body) (Subject) (Organization) (Phone) (Address) (Account) (Transaction)
(Suspected Crimes) (Suspicious Indicators) (Open Source Info.) (Entity Lists) **Check** **Save** **Print**

Open Source Information

Website:

Additional Information:



STR Reporting

STR Summary Reporting Body Subject Organization Phone Address Account Transaction
Suspected Crimes Suspicious Indicators Open Source Info. Entity Lists Check Save Print

Entity Lists

Subject List

No.	Linked	English Name	Chinese Name	HKID	Other ID No.	Country	Occupation	
1	<input type="checkbox"/>							+ - ...

Organization List

No.	Linked	Company Name	Registration Type	Person Name	Person Role	Company Name	Company Role	
1	<input type="checkbox"/>							+ - ...

Phone List

No.	Country Code	Area Code	* Subscriber Number	Extension	
1					+ - ...

Account List

No.	Account Number	Account Type	Person Name	Person Role	Company Name	Company Role	
1							+ - ...

Address List

No.	Address Detail	
1		+ - ...



STR Feedback

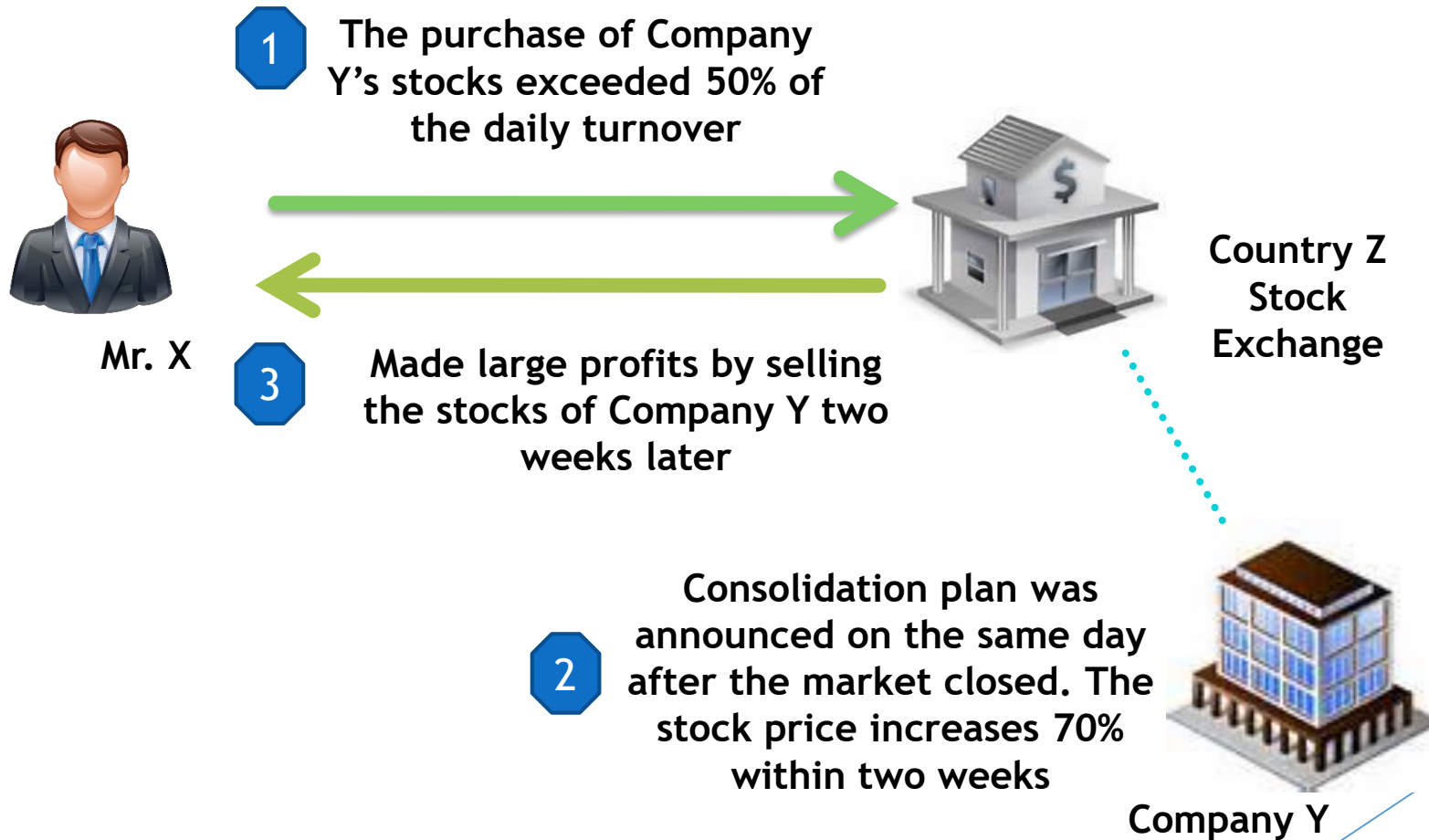
- ▶ Acknowledgement of receipt
- ▶ Consent / No Consent / N/A
- ▶ Quarterly STR analyses
- ▶ Meeting with stakeholders



- ◆ About JFIU
- ◆ Key Legislation
- ◆ STR Statistics
- ◆ STR Reporting
- ◆ Case Studies



Case Study 1 - Insider Dealings



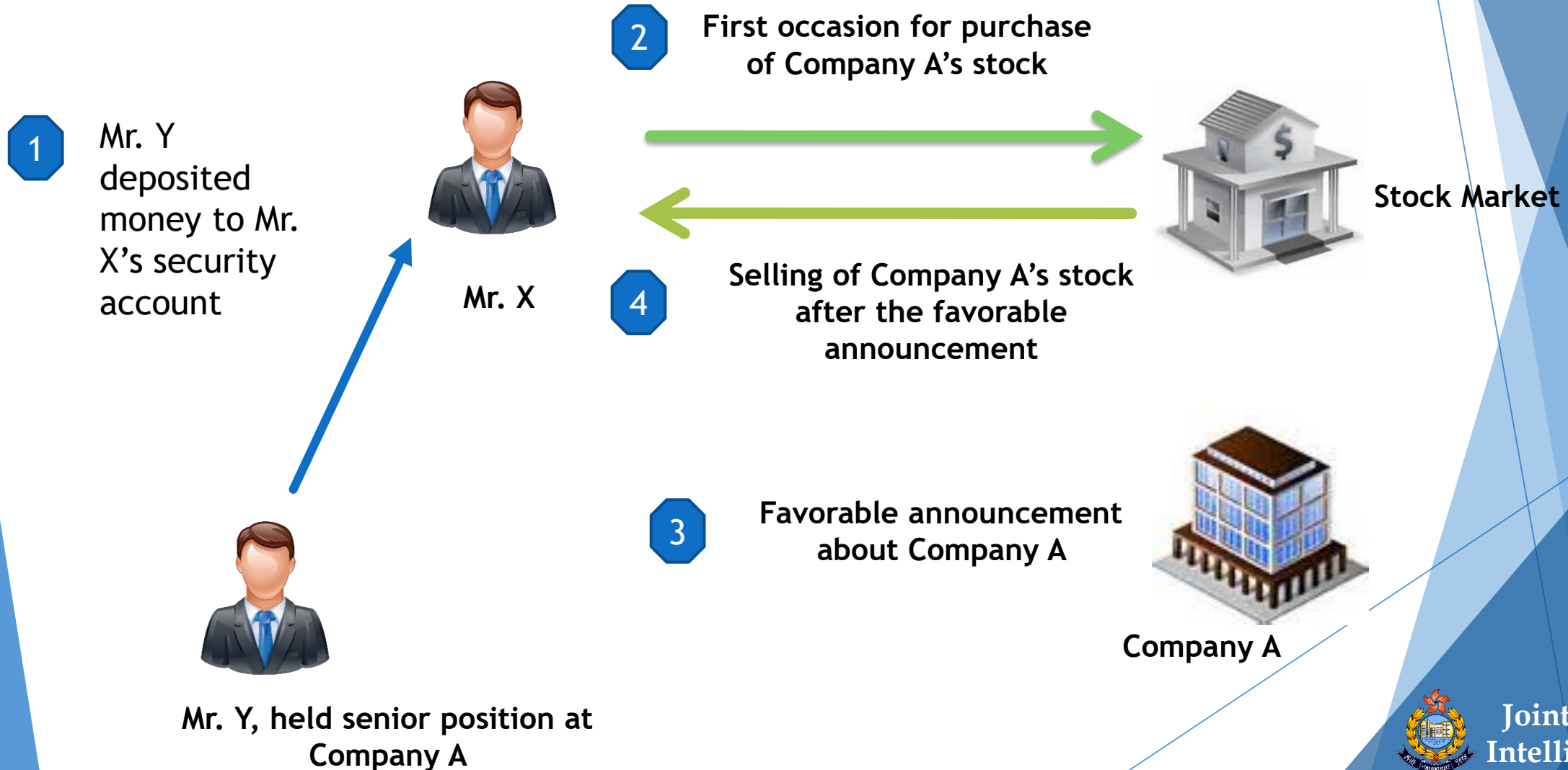
Case Study 1 - Insider Dealings

Suspicious Activity Indicator

- Unusual large-volume trading
- The purchasing behavior does not match with the client's investment portfolio - Mr. X never trade stocks listed in Country Z's stock exchange
- The trading took place around the same time when market-sensitive information was announced



Case Study 2 - Insider Dealings



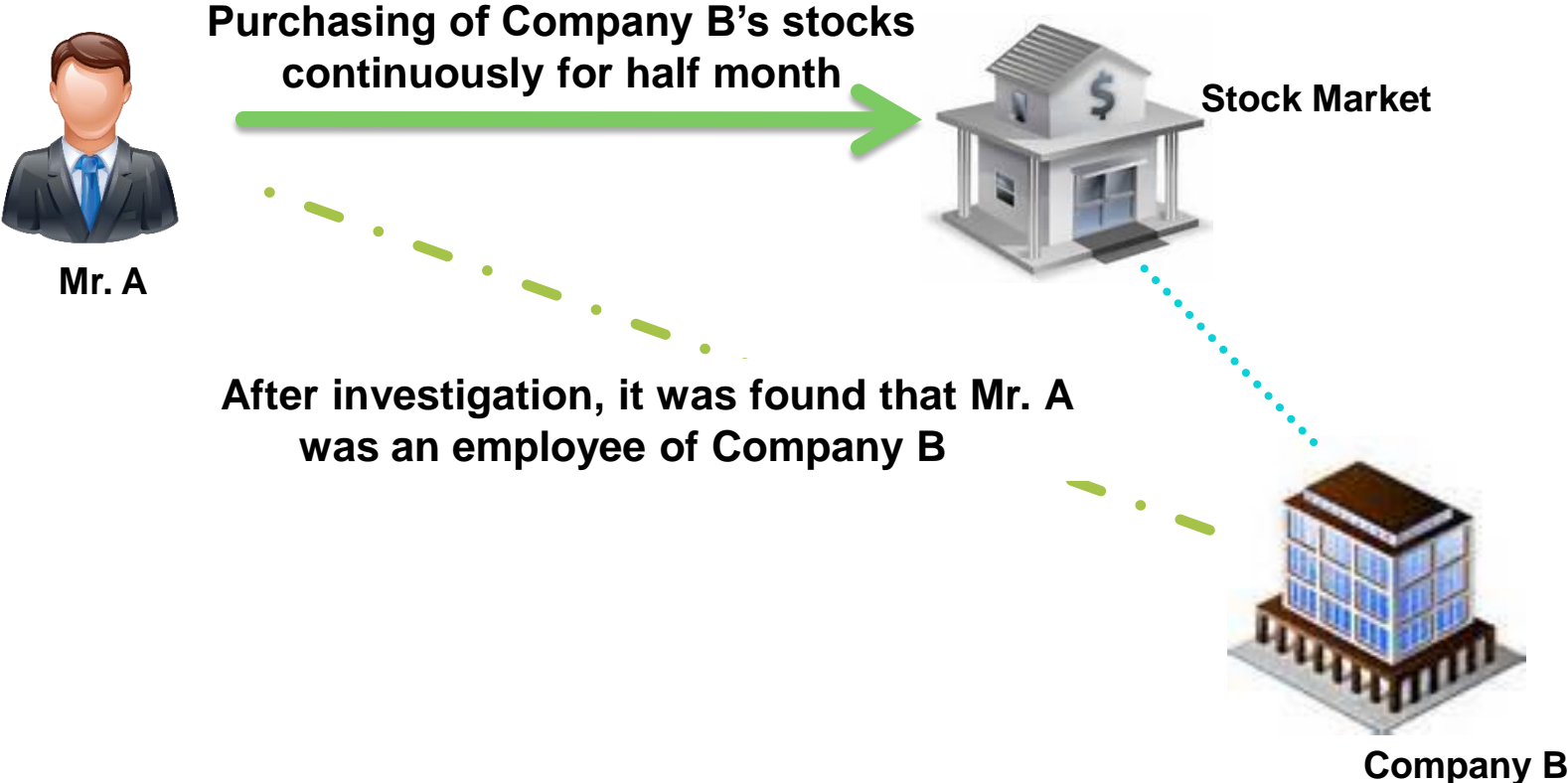
Case Study 2 - Insider Dealings

Suspicious Activity Indicator

- Deposit of money from third party, the transfer of money from Mr. Y to Mr. X's security account is dubious
- Mr. Y had close connection with Company A, he might have obtained insider information
- First occasion of purchasing Company A's stock, the purchase is shortly before its favorable announcement



Case Study 3 - Market Manipulations



Case Study 3 - Market Manipulations

Suspicious Activity Indicator

- Purchase price is higher than normal
- Transactions usually made few minutes before closing of market
- Transactions exceeded 50% of daily turnover and raised the stock price



Case Study 4 - Market Manipulations



Three separate clients of security firm X, they shared the same contact number and IP address

**Frequent trading of Stock Y,
Three accounts placed similar price and quantities**



Stock Market

Case Study 4 - Market Manipulations

Suspicious Activity Indicator

- Purchase price is higher than normal
- Pattern of “High Buy but Low Sell”
- Sources of fund of the three individuals were in doubt
- The three individuals shared the same contact number and IP address indicating their accounts were counted by the same gang





Thank You!

Website: www.jfiu.gov.hk

Telephone: (852) 2866 3366

Email: jfiu@police.gov.hk



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