



Joint Financial Intelligence Unit & Suspicious Transaction Reporting

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Joint Financial
Intelligence Unit



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重要告示

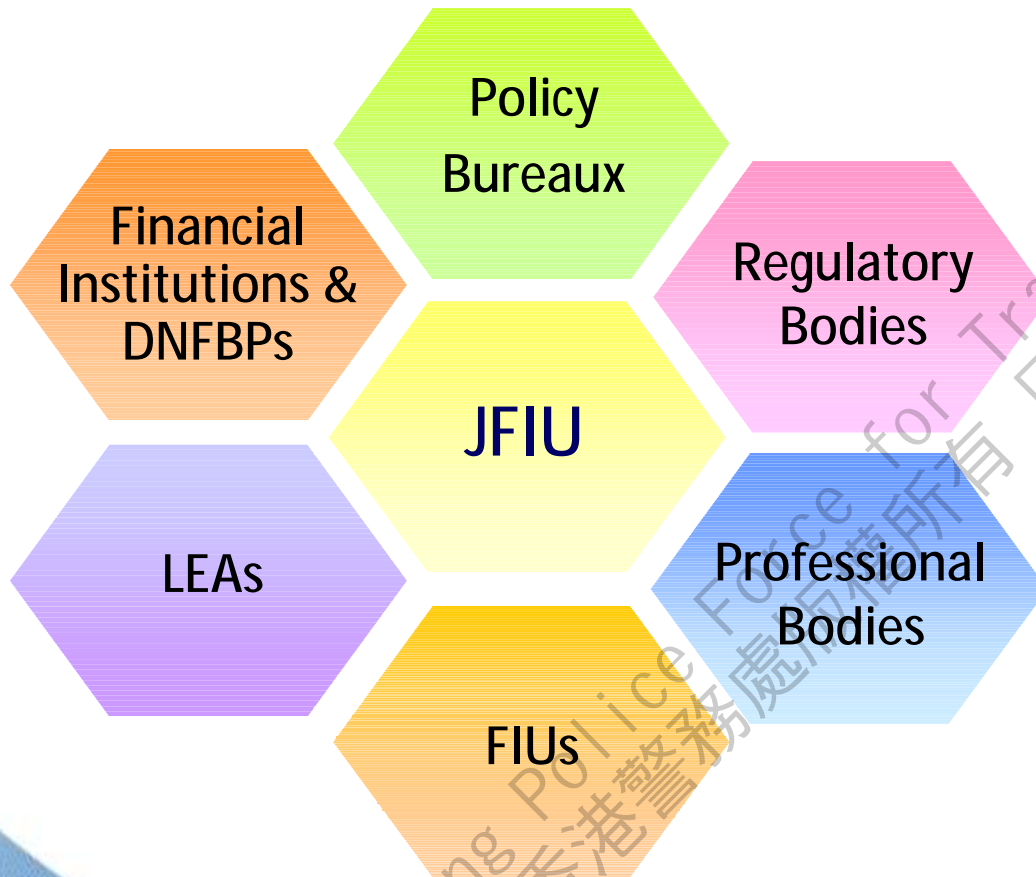
香港警務處持有並保留本簡報檔案包括版權在內的所有權益。除預先獲得警務處處長書面許可外，本簡報檔案只可用作個人學習及處理公務上用途。

Overview

STR

- 1. About JFIU**
- 2. Key Legislation**
- 3. STR**
- 4. Feedback on quality of STR**
- 5. Case Studies**

About JFIU



n Not an investigative unit

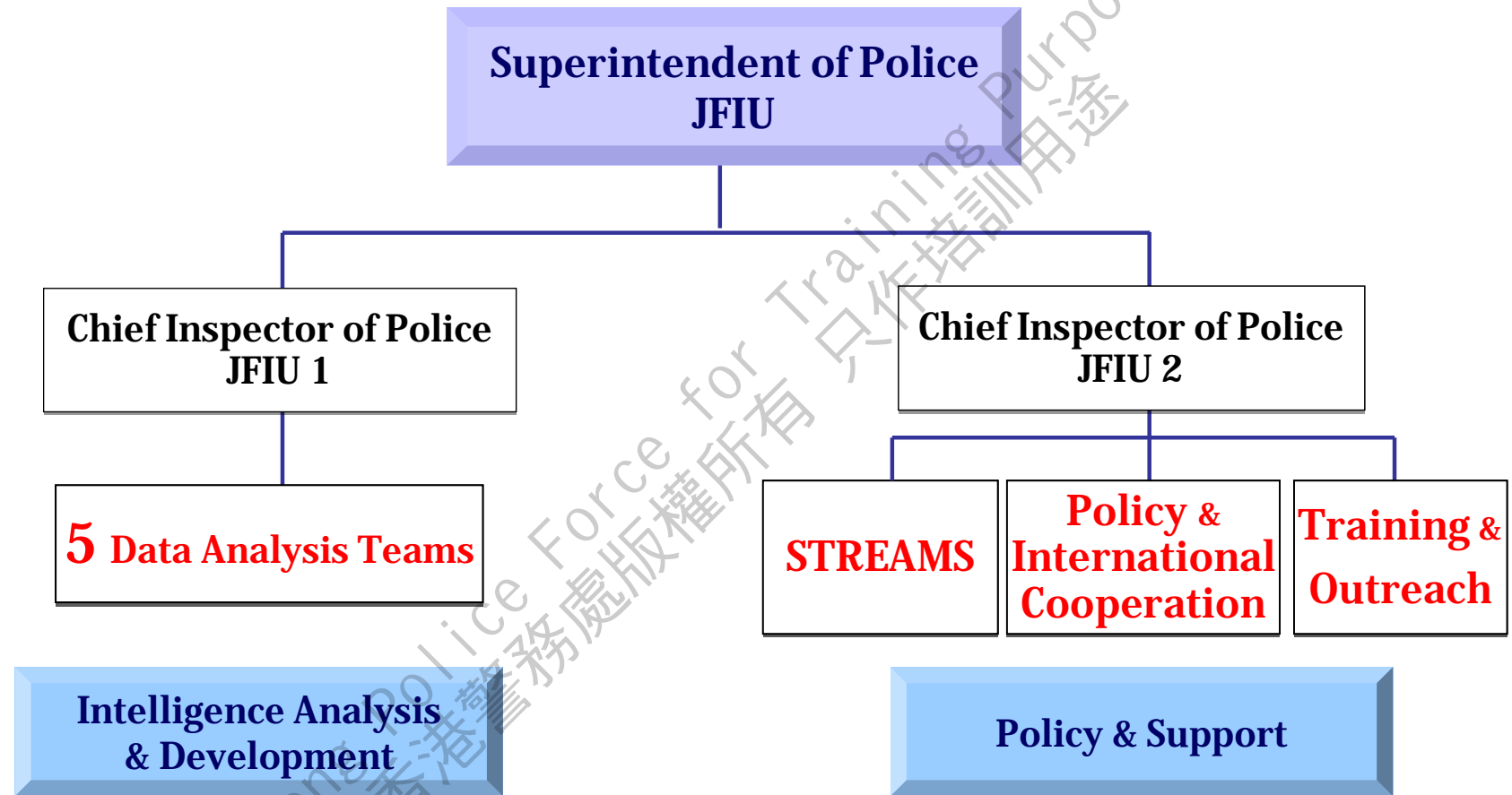
n Receive, analyze and disseminate suspicious transaction reports

n International Cooperation

n Study the trend and typology used by the criminals in ML/TF

n 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

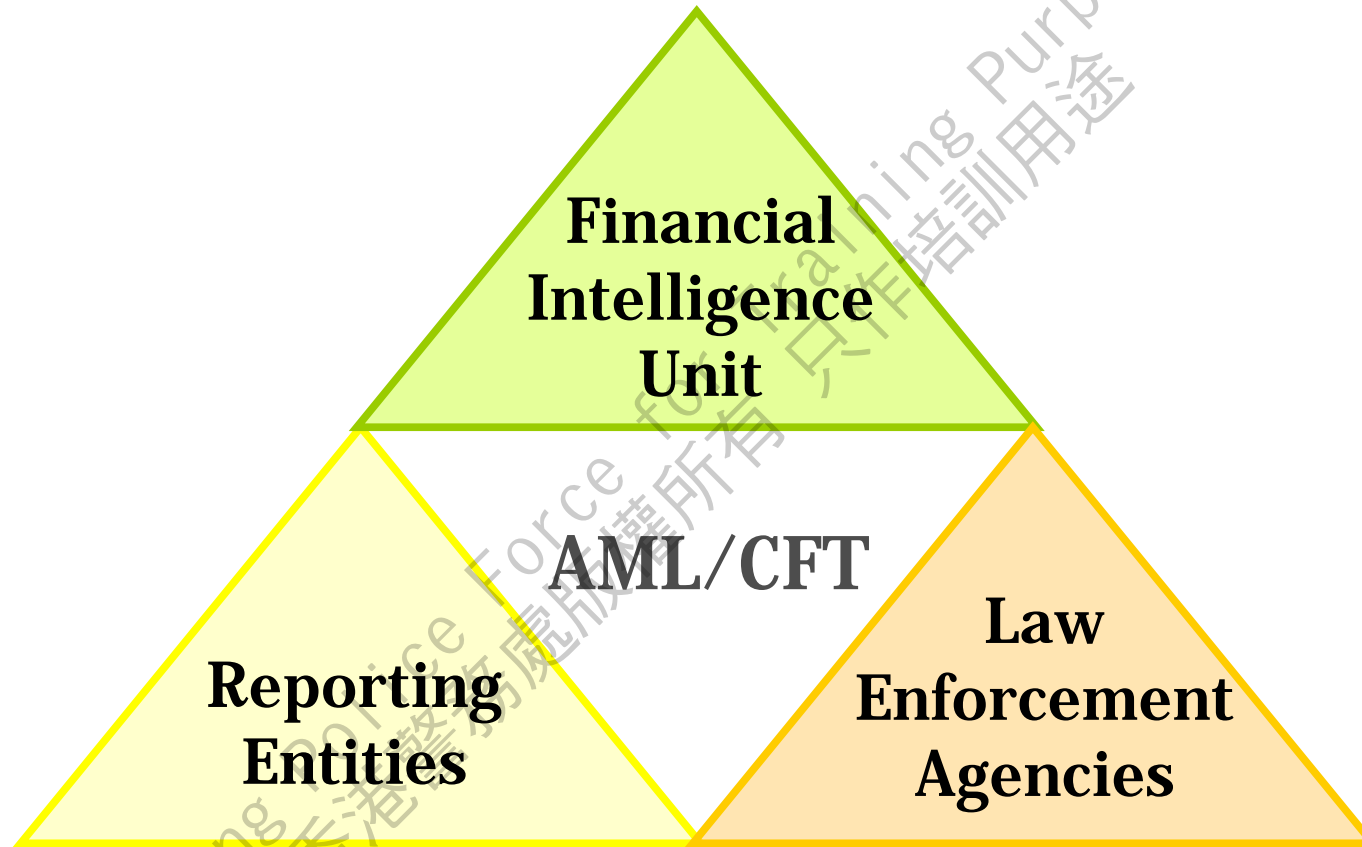
Reporting requirement

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

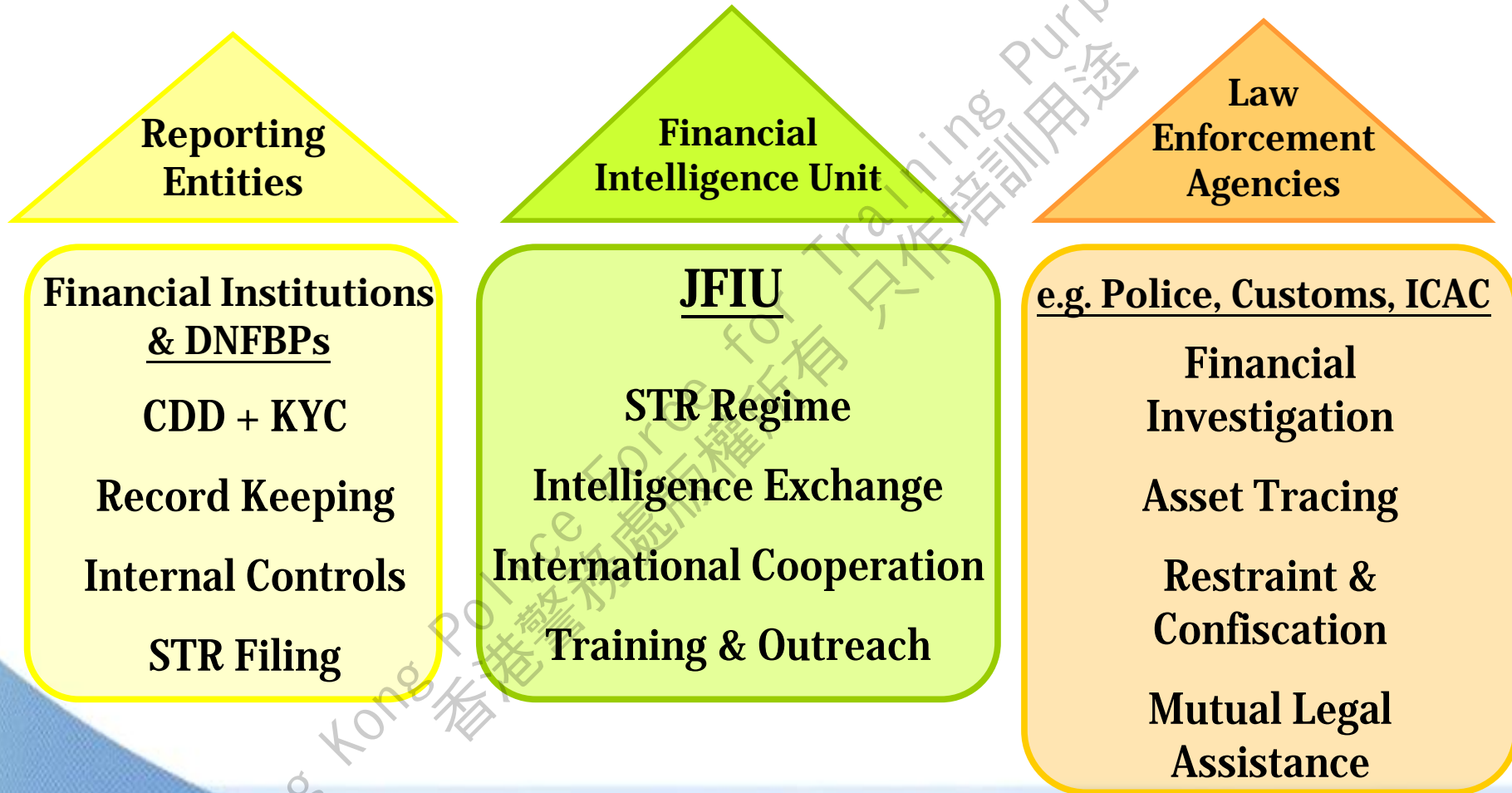
Reporting requirement

- 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

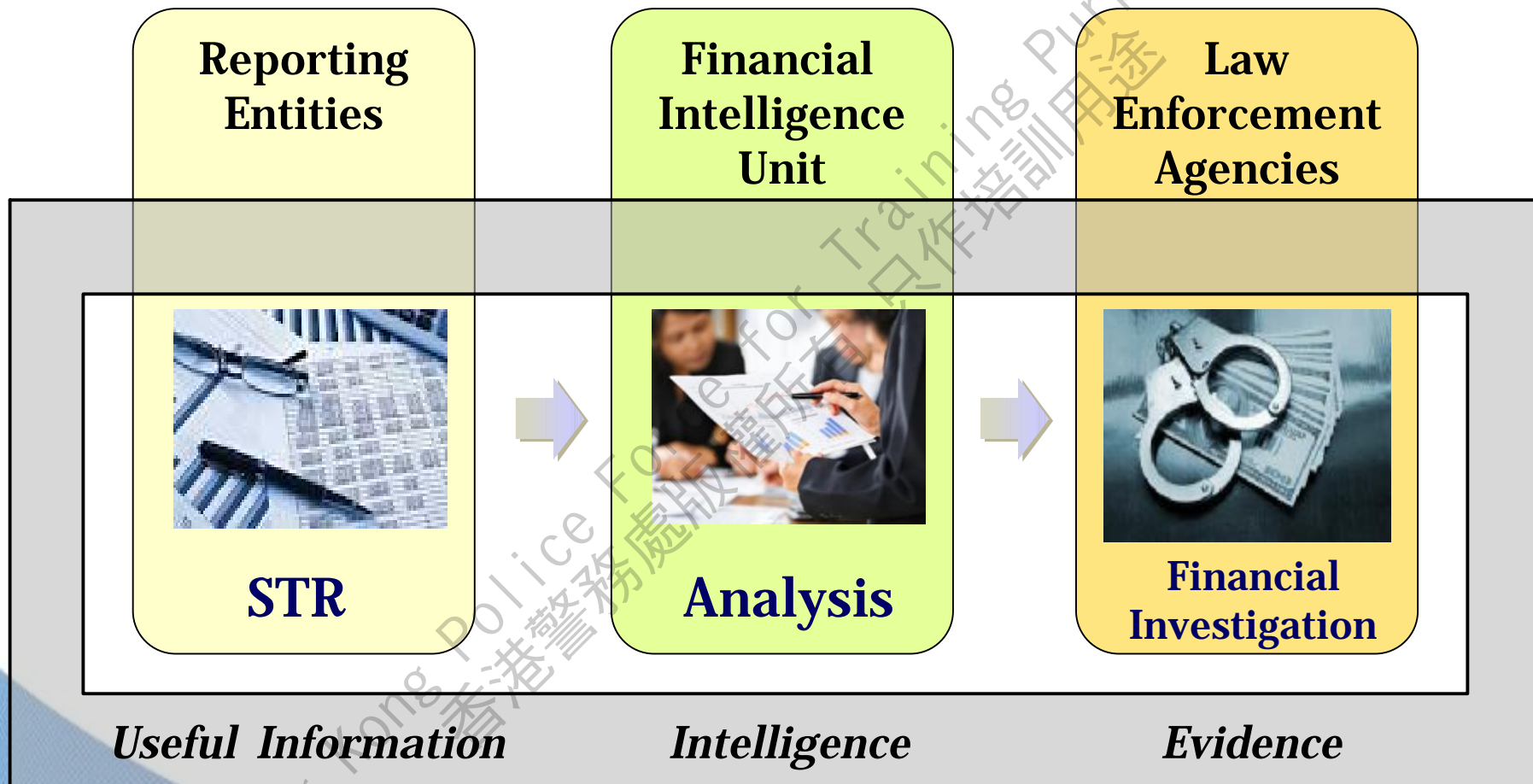
Role of JFIU



Role of JFIU



Flow of information



STREAMS

*Suspicious Transaction
REport
And
Management
System*

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



- by fax to : (852) 2529 4013



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



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

STREAMS - Login Frame

Suspicious Transaction Report
And Management System (STREAMS)

Username:

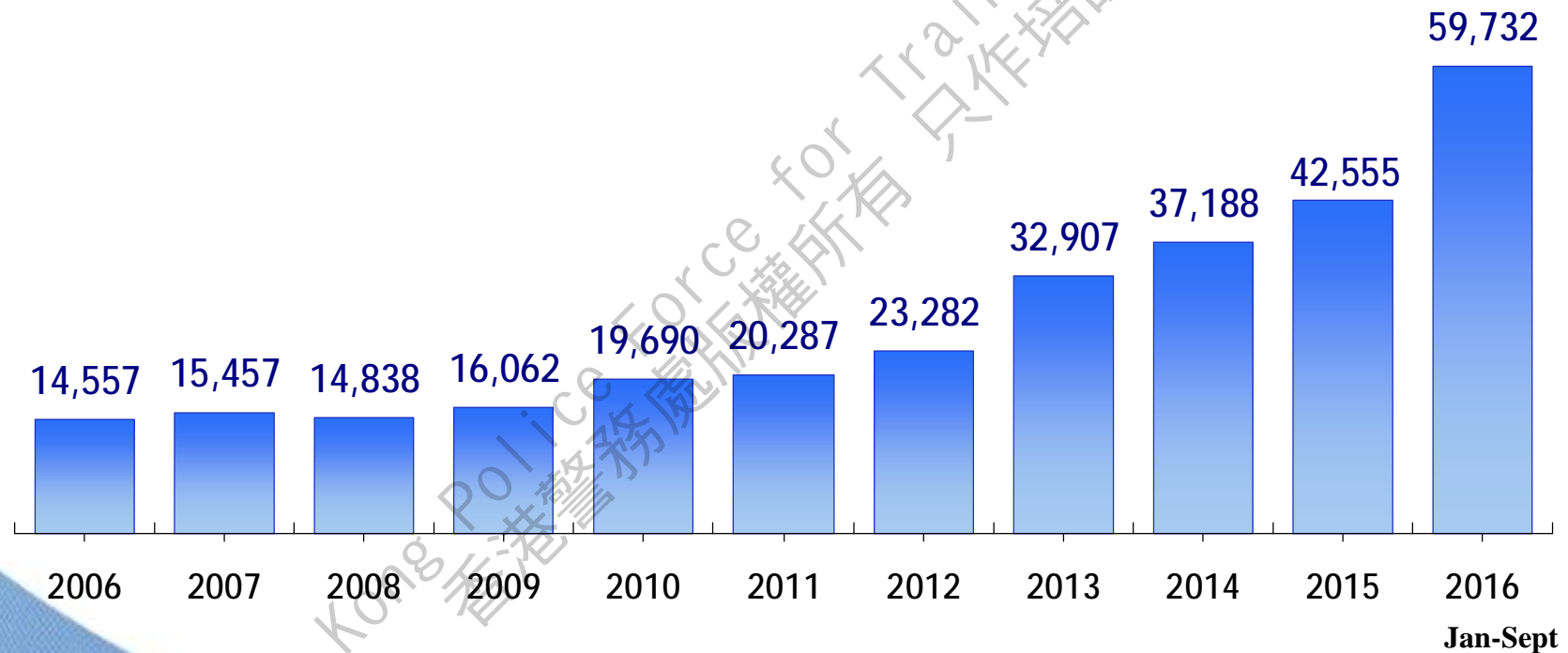
Password:

Database: SBOX-ACCESS

< Form > can be
downloaded here

STR Statistics

Projected annual no. of STRs in 2016: 70,000



STR Statistics

| No. of STRs | 2012 | 2013 | 2014 | 2015 | 2016 (Jan-Sept) |
|---------------------------------------|----------------------|---------------|---------------|---------------|--------------------|
| Annual Total | 23,282 | 32,907 | 37,188 | 42,555 | 59,732 |
| Filed by Securities Sector | 698 | 1,410 | 1,574 | 1,095 | 844 |
| | 1.41% - 4.28% | | | | |



**To Report,
Or Not to Report ?**

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

Screen

subject entities' background & transactions

Ask

appropriate questions to clarify circumstances

Find

relevant records for review

Evaluate

whether suspicion is substantiated

Feedback on quality of STR



Feedback on quality of STR

- **Trigger event**
- **Background details**
- **Account opening document**
- **Transaction record**
- **Source of public research**

Feedback on quality of STR

- **Insufficient case details / particulars**
(內部轉賬大額資金至第三者)
- **Overwhelming information**
- **Transaction not fully describe**
- **Insufficient CDD**

Feedback on quality of STR

- **Executive summary in ‘Suspected crime’ and ‘suspected indicator’**
- **Do not use attachment unless strictly necessary (except for account opening mandate, transaction record etc.)**
- **Precise and concise presentation structure**

Red Flags – Securities Sector

■ Refuses to provide information



KYC
CDD

■ Frequent transactions with money services businesses

■ PEP or senior political figure related



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

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**

Profit



**Purchase of stock of
Companies Y1-2**



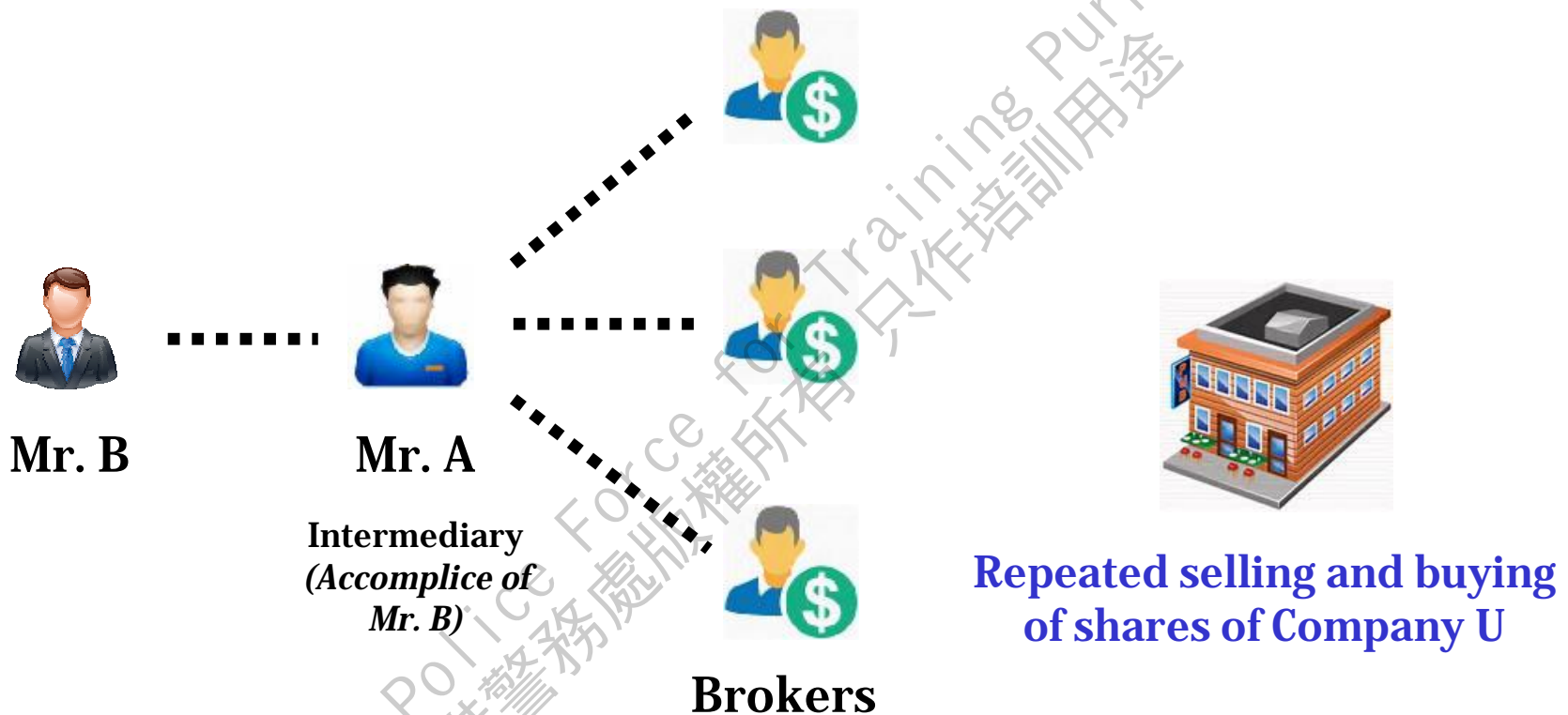
Case Study 1 – Insider Trading

Suspicious Indicators

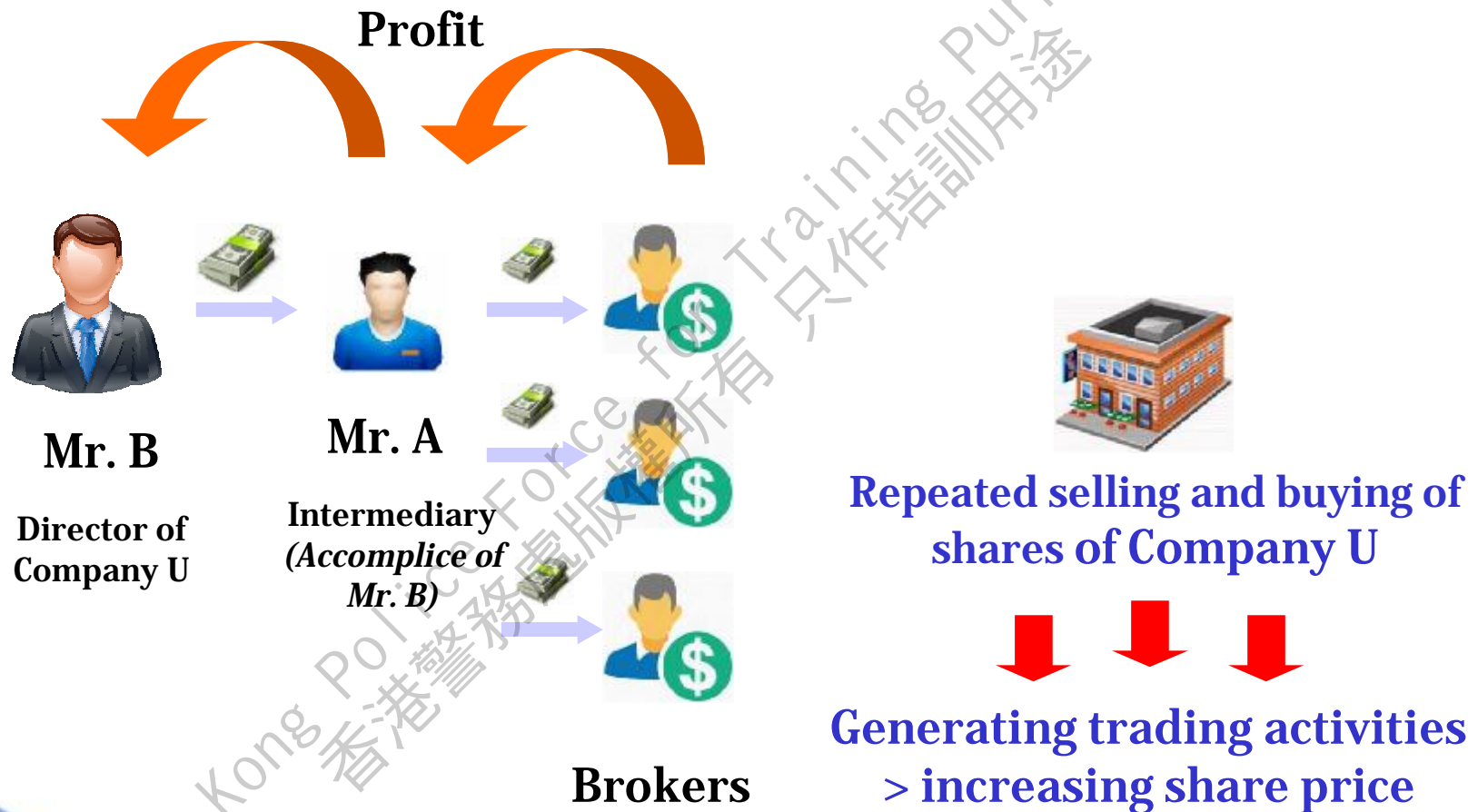
- (1) Unusually significant transactions;**
- (2) Not commensurate with customer's investment profile;**
- (3) Purchase shortly before news.**



Case Study 2 – Market Manipulation



Case Study 2 – Market Manipulation



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