

Joint Financial Intelligence Unit & Suspicious Transaction Reporting

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Joint Financial
Intelligence Unit



Important Notice

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重要告示

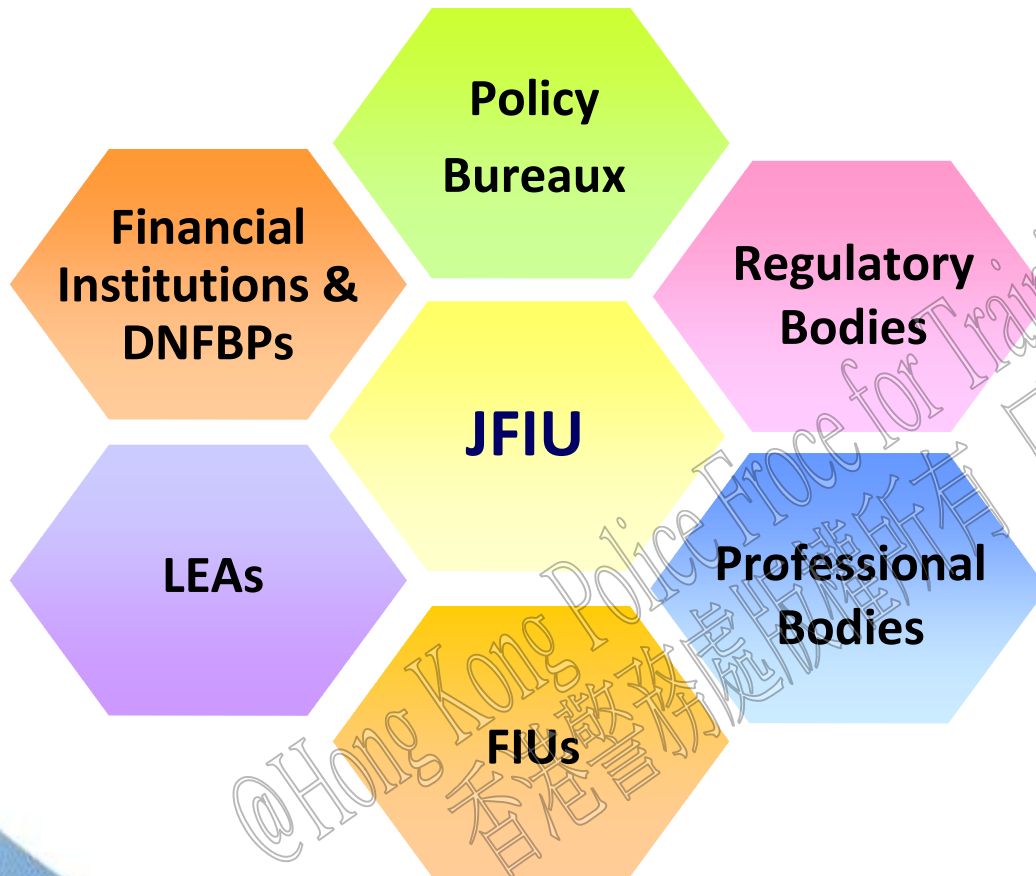
香港警務處持有並保留本簡報檔案包括版權在內的所有權益。除預先獲得警務處處長書面許可外，本簡報檔案只可用作個人學習及處理公務上用途。

Overview

S T R

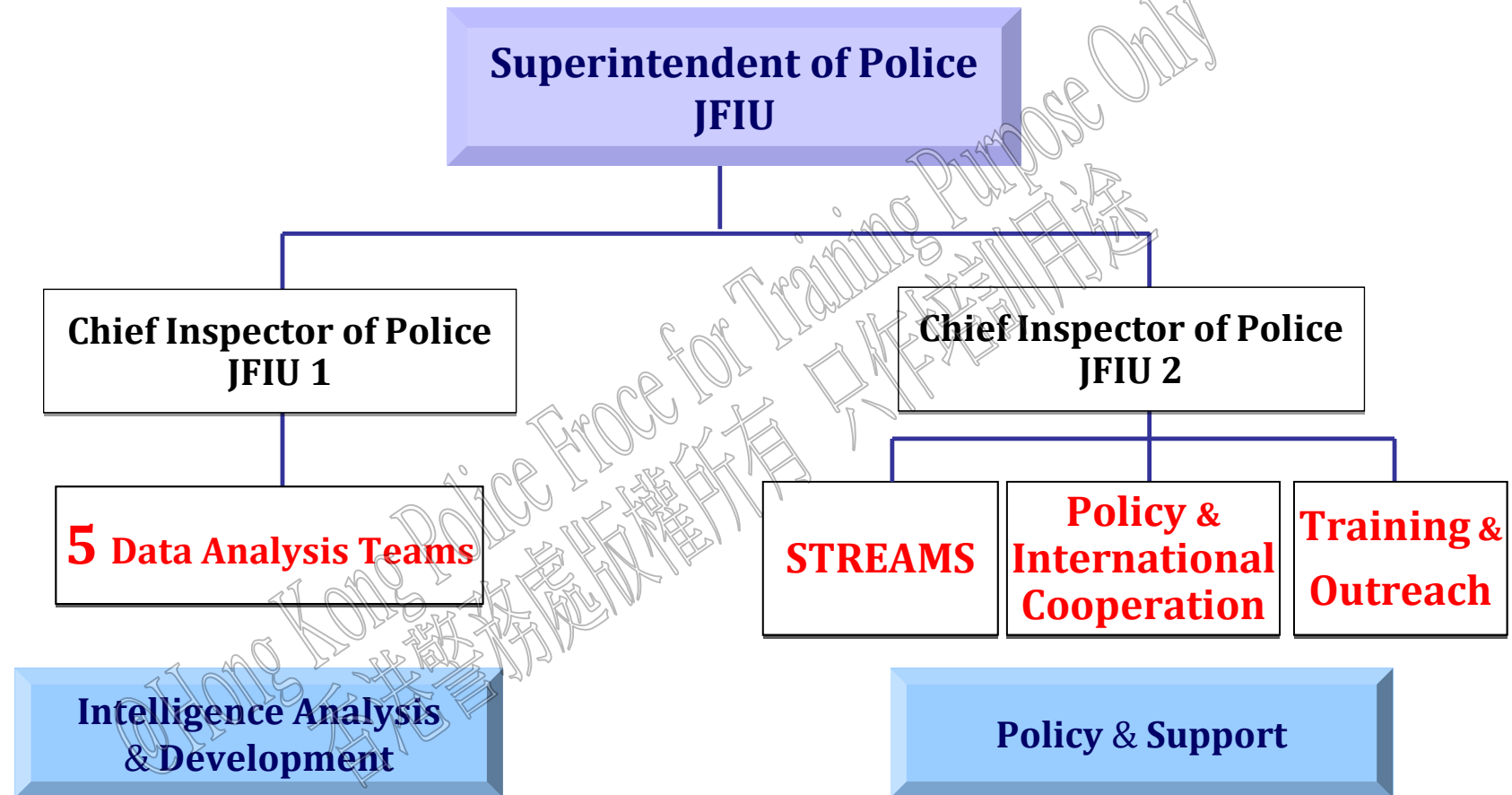
- 1. About JFIU**
- 2. Key Legislations**
- 3. STRs**
- 4. Feedback on Quality of STR**
- 5. Case Studies**
- 6. Recent trends and challenges in Money Laundering Investigation**

About JFIU



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

Structure of JFIU



AML/CTF Legislations

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 Requirements



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 Requirements

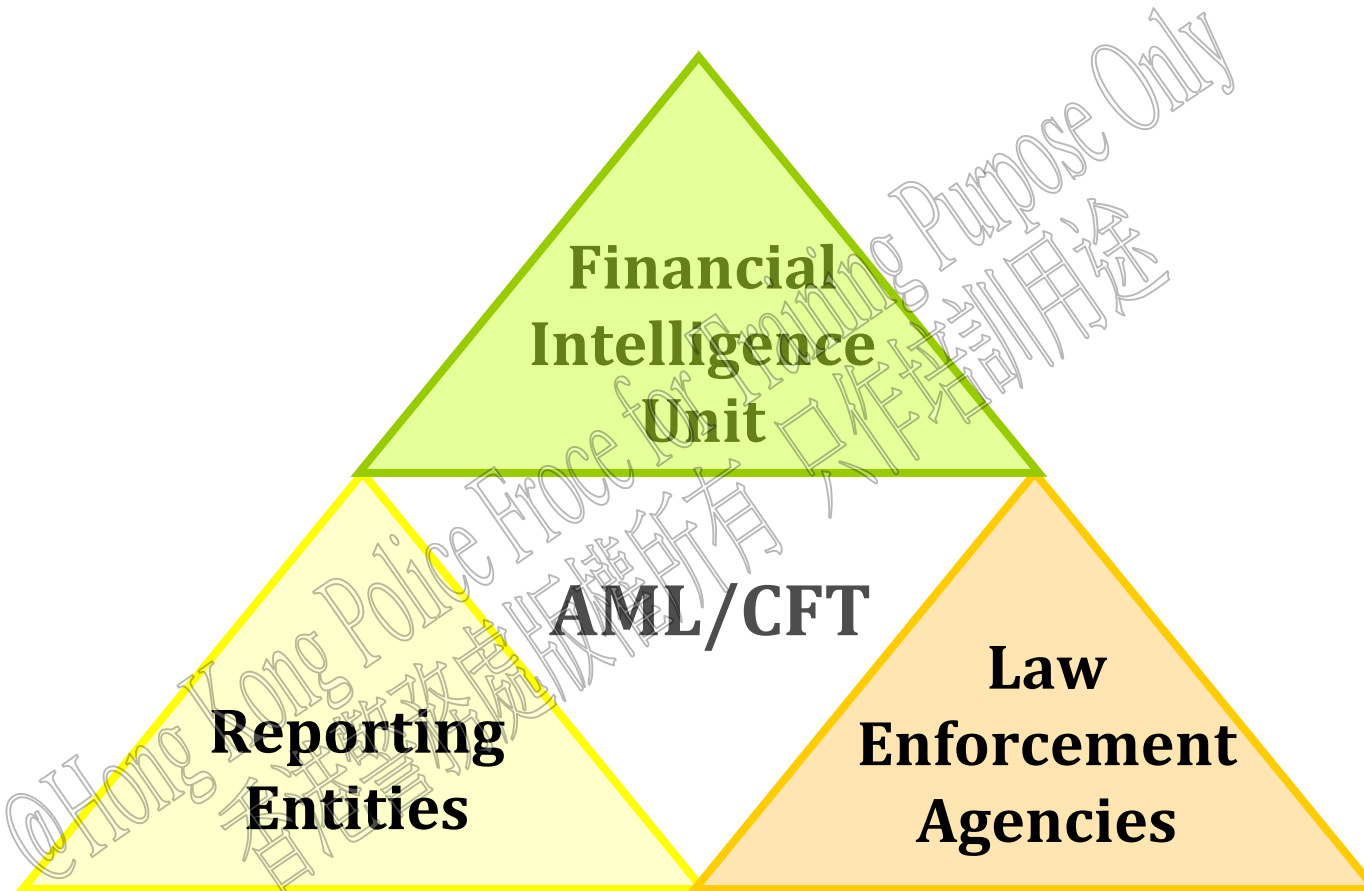
- A legal requirement
- Applies to everyone
- Knowledge and suspicion based reporting

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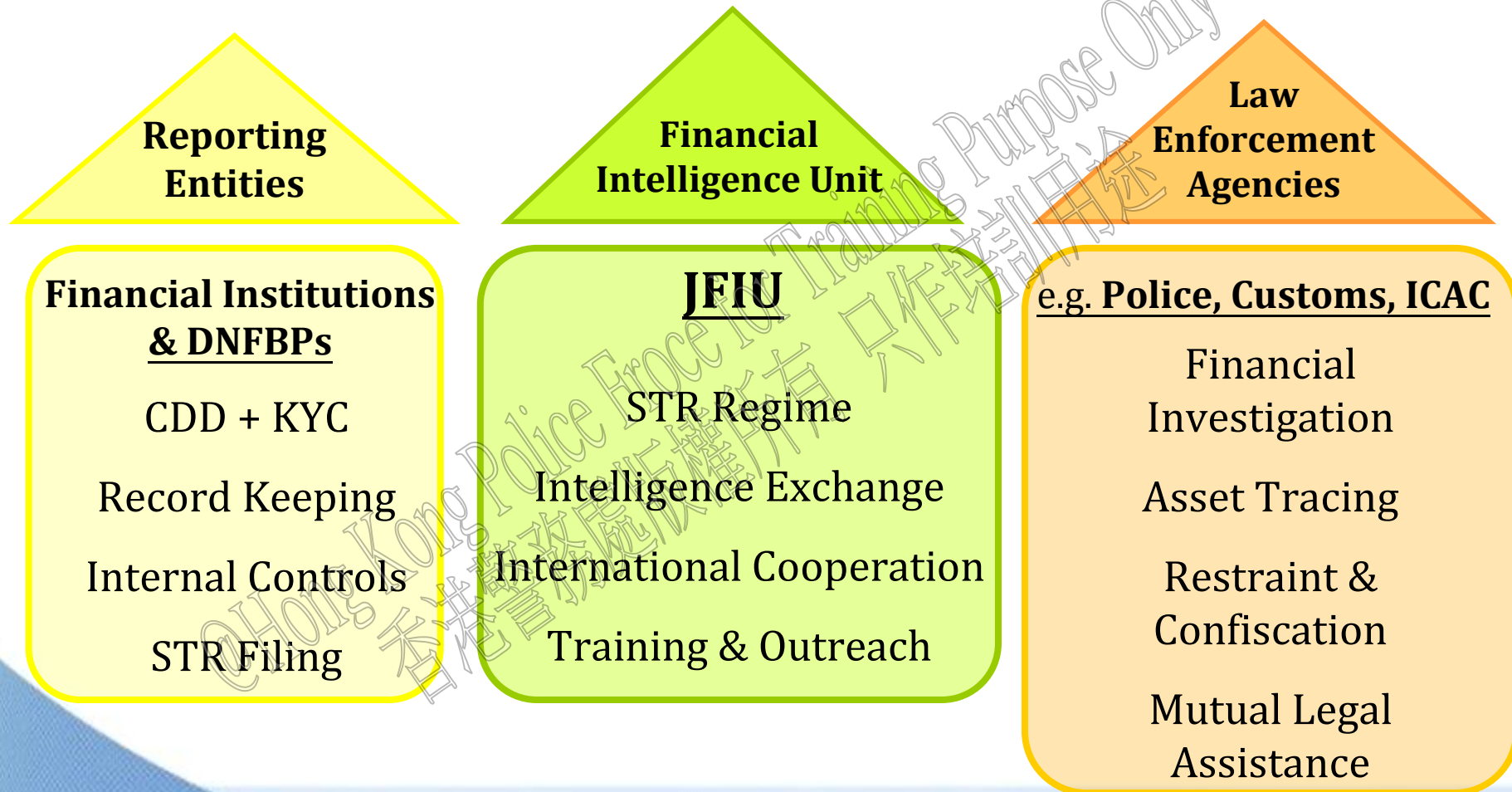
Reporting Requirements

- 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

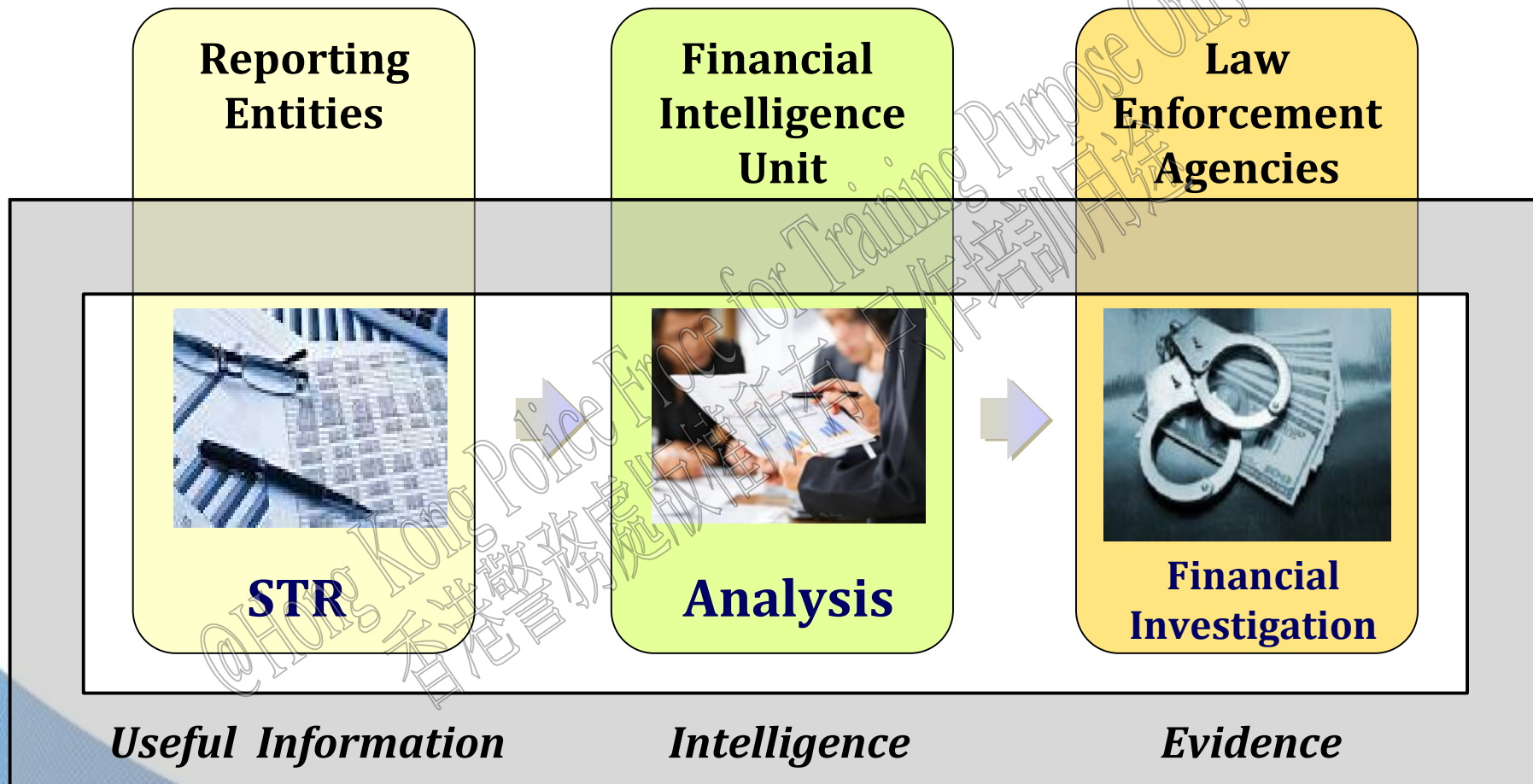
Role of JFIU



Role of JFIU



Flow of information



STREAMS

*Suspicious Transaction
REport
And
Management
System*

Methods 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:

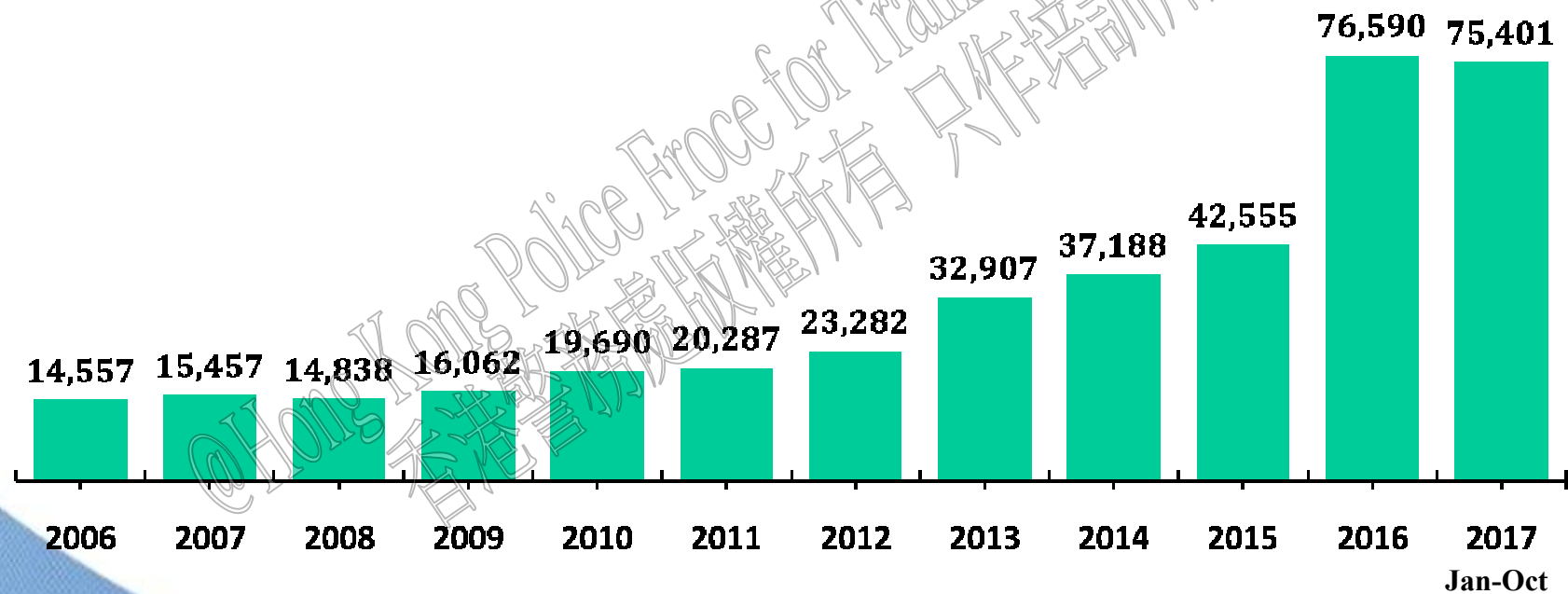
Database: SBOX-ACCESS ...

Login Reset

< Form > can be downloaded here

STR Statistics

Projected annual no. of STRs in 2017: **90,000+**



STR Statistics

No. of STRs	2012	2013	2014	2015	2016	2017 (Oct)
Annual Total	23,282	32,907	37,188	42,555	76,590	75,401
Filed by Securities Sector	698	1,410	1,574	1,095	1,423	1,668
	1.85% - 4.28%					



**To Report,
Or Not**



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What to Include in a STR?



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



To File a STR or Not?

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

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訓練用途



Feedback on Quality of STRs

- Triggering events
- Background details
- Account opening documents
- Transaction records
- Sources of public research

Feedback on Quality of STRs

- Insufficient case details / particulars (large amount of transfers to 3rd party)
- Information overloaded
- Transactions not fully described
- Insufficient KYC/CDD
- Use of abbreviations / jargons

Feedback on Quality of STRs

- 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 (use of headings, triggering events/factors, background, transaction records, results of CDD/KYC, conclusion, any further action recommended?)

Red Flags – Securities Sector

- Refused to provide information



KYC
CDD

- Frequent transactions with money services operators

- PEP or senior political figures related



Red Flags – Securities Sector

- Below a threshold amount
- Little or no securities activities
- Disregard of losses, commissions or other costs that may incur
- Liquidation of the accounts





Case Studies

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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**

Profit



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

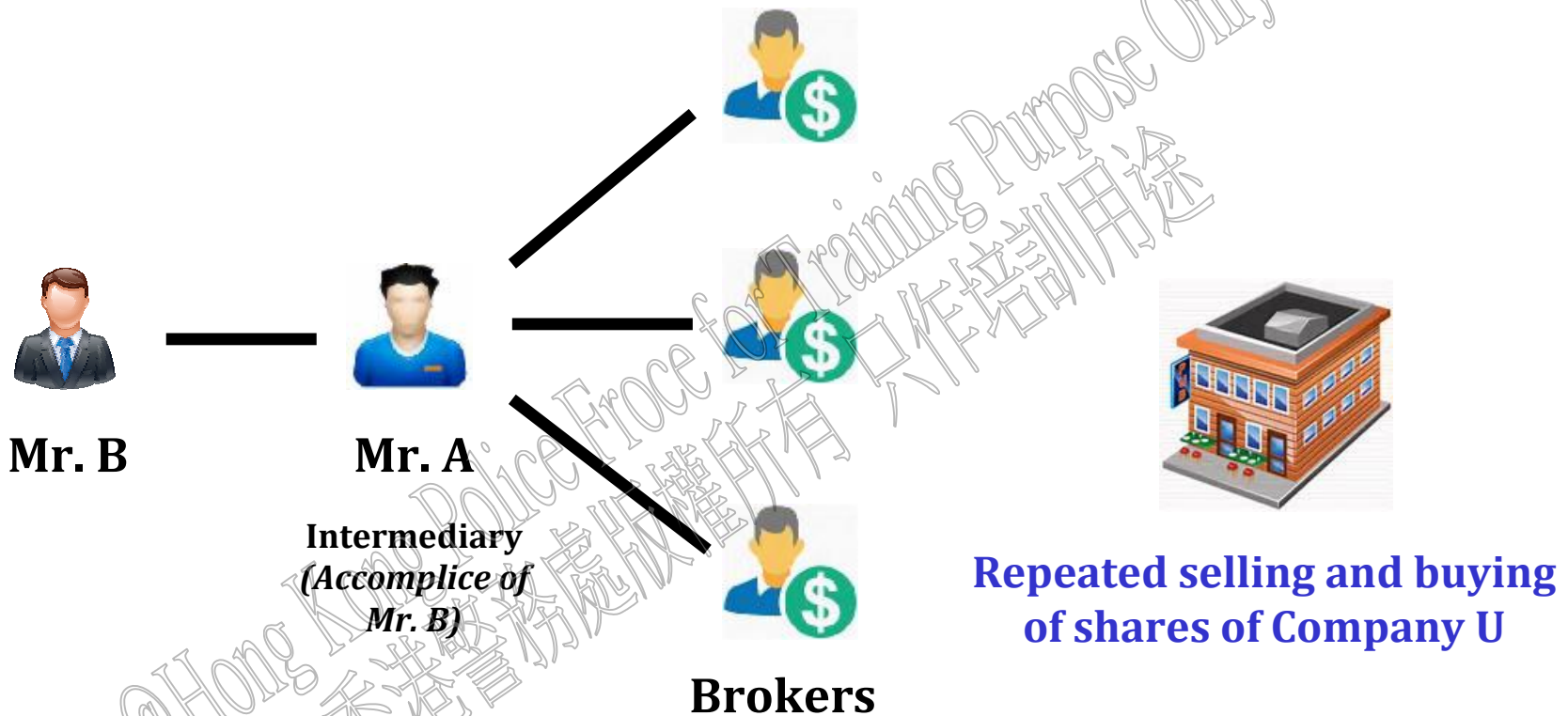
Case Study 1 – Insider Trading

Suspicious Indicators

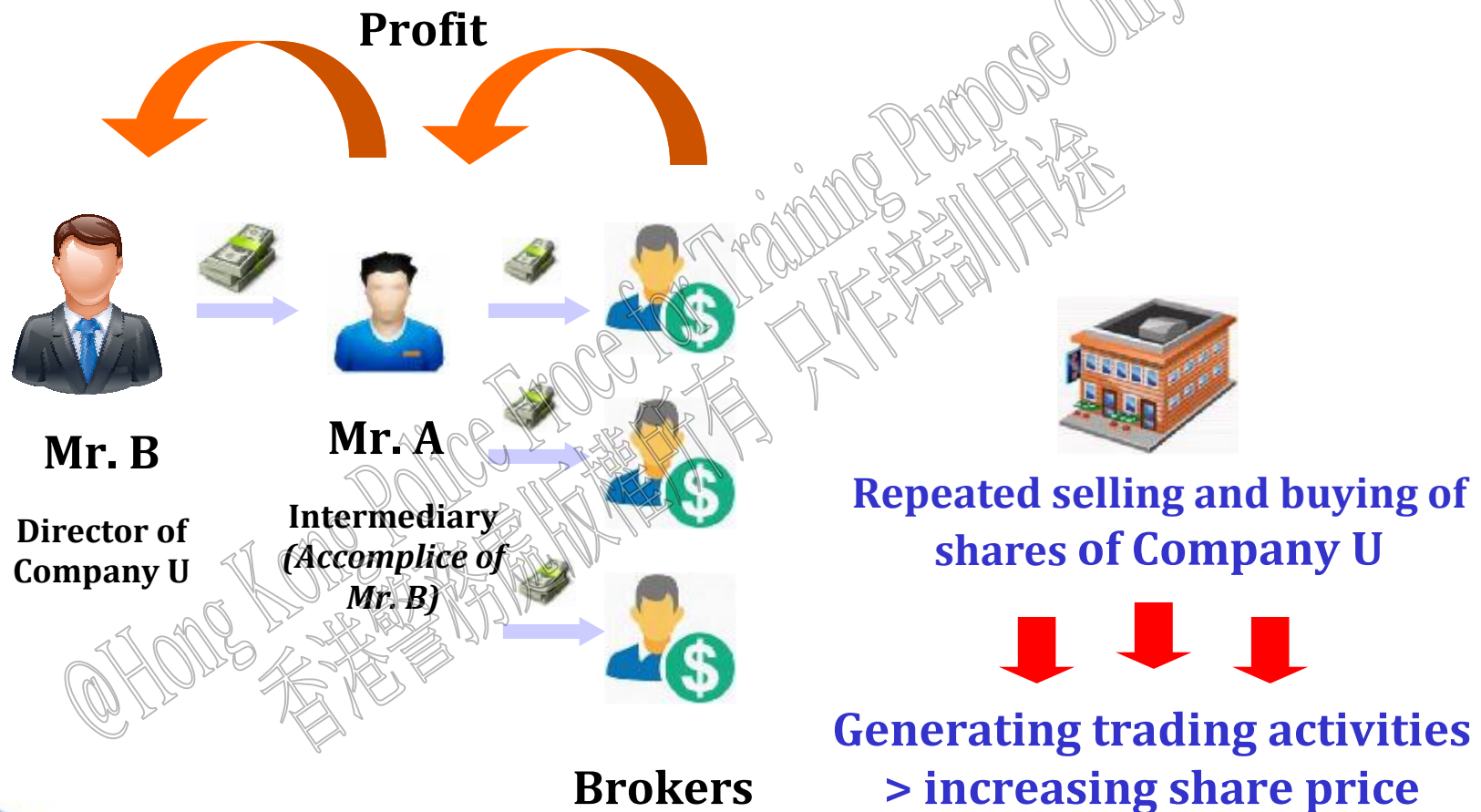
- (1) Unusually significant transactions;**
- (2) Not commensurate with customer's investment profile;**
- (3) Buy/Sell shares shortly before the news.**



Case Study 2 – Market Manipulation



Case Study 2 – Market Manipulation



Case Study 2 – Market Manipulation

Suspicious Indicators

- (1) Unusually large transactions;**
- (2) Repeated buy/sell of shares;**
- (3) Subject company (Company U) has no apparent business operation/activity.**



Recent Trends in Money Laundering Activities and Challenges in Investigation

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Trends in Money Laundering Activities

Cross-border Transactions



Non-local Signatories



Business Service Providers



Offshore Companies

Challenges in Money Laundering Investigation



Make use of the internet / high-tech crime



Non-face to face account opening



Online money management



New payment methods

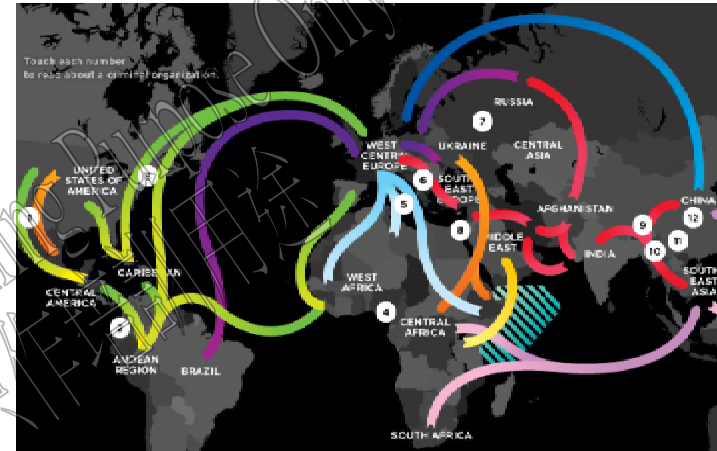
Challenges in Money Laundering Investigation



Use of professional services



Complex financial products



Transnational criminal groups



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Thank you!



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