



Suspicious Transaction Reporting

Legal obligations, trend analysis and case study

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Financial Intelligence
and Investigation Bureau



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- ◆ About JFIU & FIIB
- ◆ Key Legislation
- ◆ STR
- ◆ Case Study



◆ About JFIU & FIIB

◆ Key Legislation

◆ STR

◆ Case Study

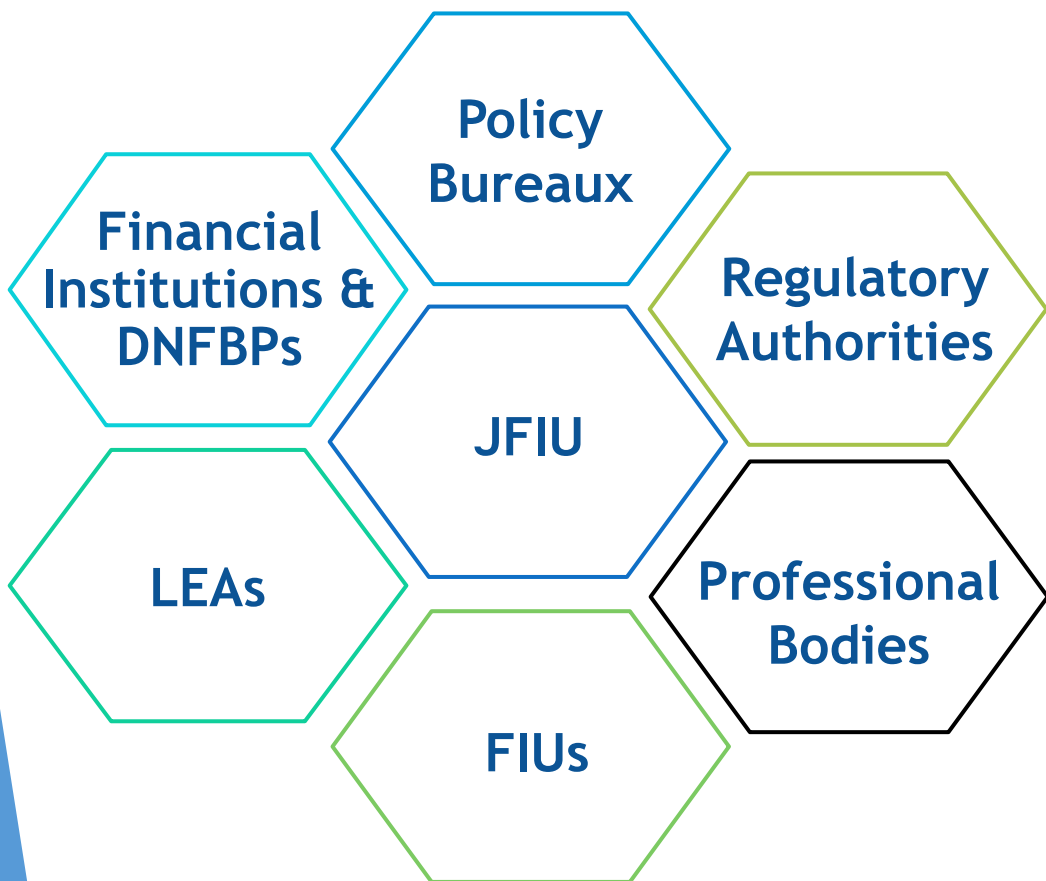


About JFIU

- ▶ Set up in 1989
- ▶ Co-staffed by officers of HKPF & C&ED
- ▶ Sole agency to manage the suspicious transaction reporting regime
- ▶ Financial intelligence exchanges with FIUs and LEAs worldwide
- ▶ Member of Egmont Group since 1996



About JFIU



CHARTER

- ▶ Operation analysis of **STR**
- ▶ Global exchange of financial intelligence and information
- ▶ **Strategic analysis** of financial intelligence and other information
- ▶ Research on ML/TF trends and typologies
- ▶ Operation of the STREAMS
- ▶ Support on provisional measures to prevent further dealing of suspicious property
- ▶ Staffing of local and international AML/CFT policy matters
- ▶ Coordination of AML/CFT **training and outreach**

Financial Intelligence and Investigation Bureau



Financial Investigation Division

- responsible for money laundering and terrorist financing investigations

Joint Financial Intelligence Unit

- processes and analyses suspicious transaction reports
- exchanges financial intelligence with other local and foreign law enforcement agencies (LEAs)
- maintains close liaison with banks and other stakeholders

Headquarters

- looks after AML/CFT policy and legislation matters, strategic analysis and ongoing territory-wide risk assessment, training and outreaching



- ◆ About JFIU
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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)

Key Legislation (AML)

Any person

- **Knowing** or having reasonable grounds to believe
- Any property
- In whole or in part directly or indirectly represents **proceeds of drug trafficking / indicatable offence**
- **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



Key Legislation (*CFT*)

Any person shall 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**

Maximum Penalty:

- **14 years' imprisonment**

S.7 of Cap. 575 UNATMO



Key Legislation (*STR*)

Any person

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

Maximum Penalty:

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

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

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

S.12(1) of Cap. 575 UNATMO



Key Legislation (*STR - cont'd*)

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 years' imprisonment**

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

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

S.12(5) of Cap. 575 UNATMO

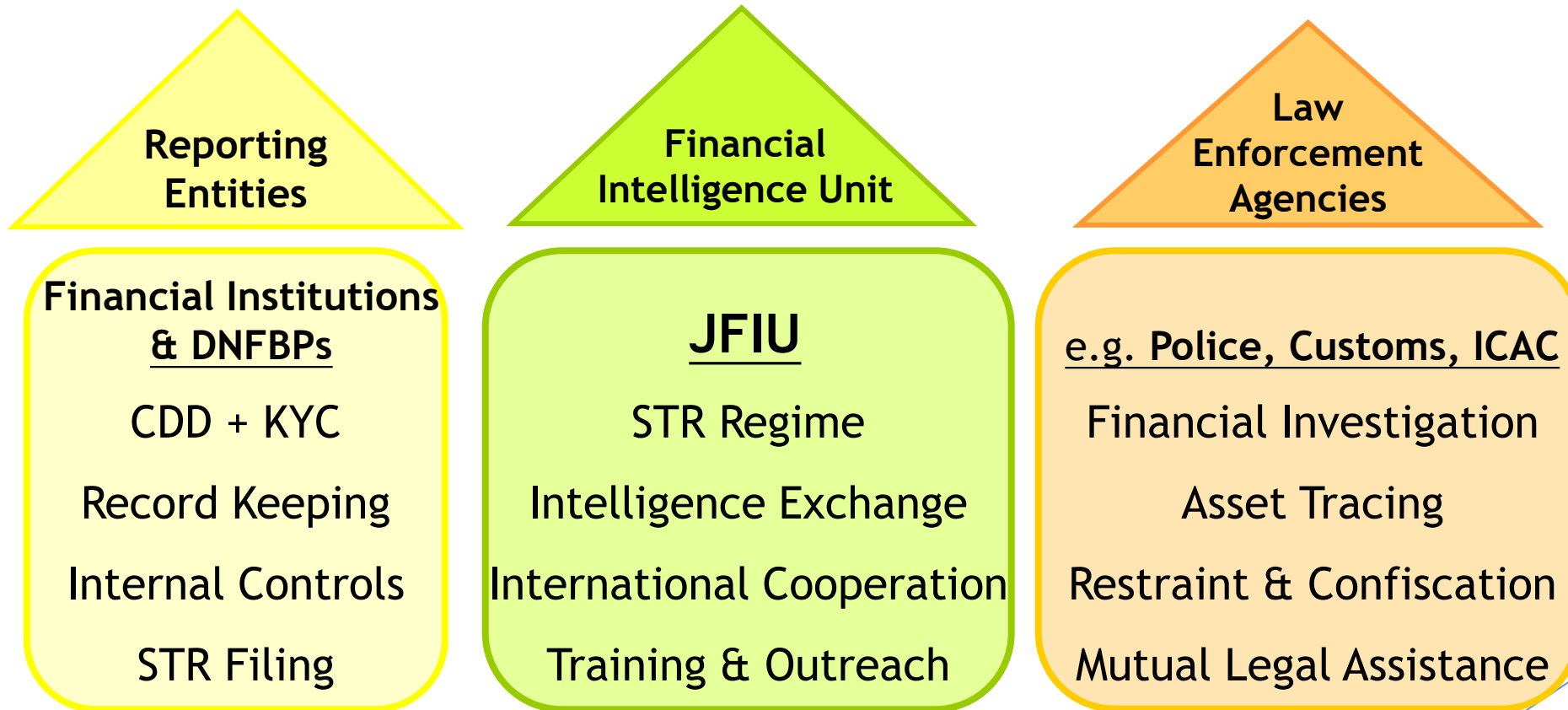


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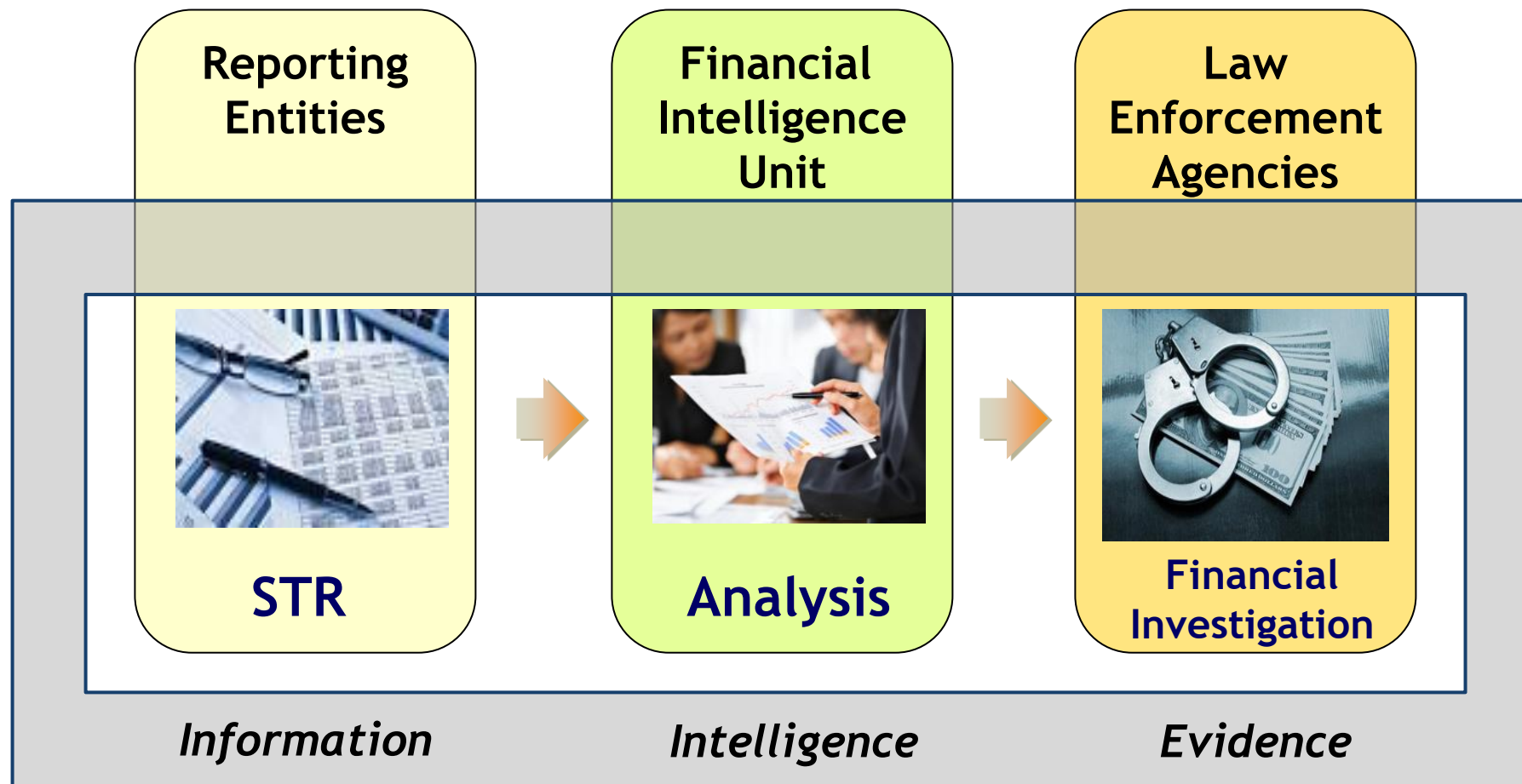


STR Mechanism

← Public-Private Partnership →

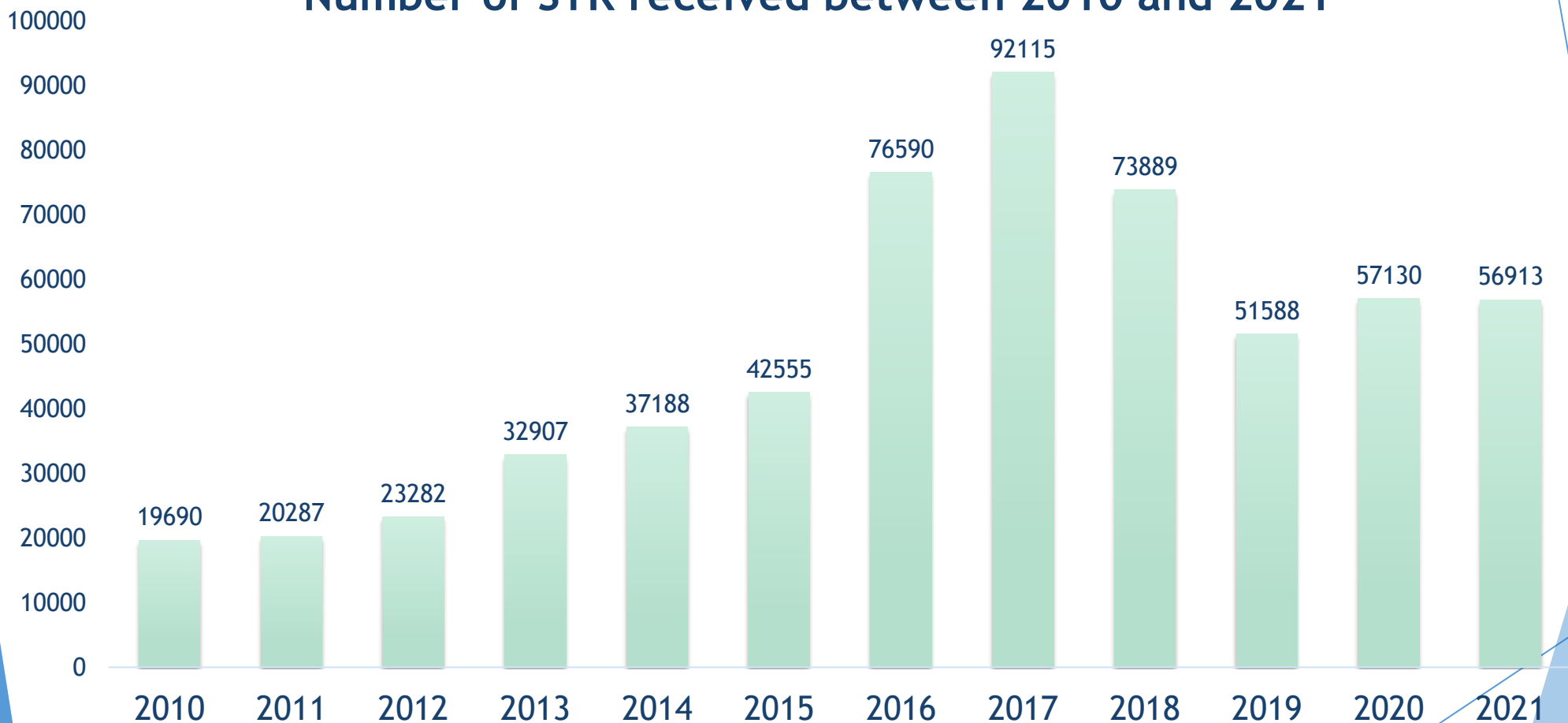


STR Mechanism



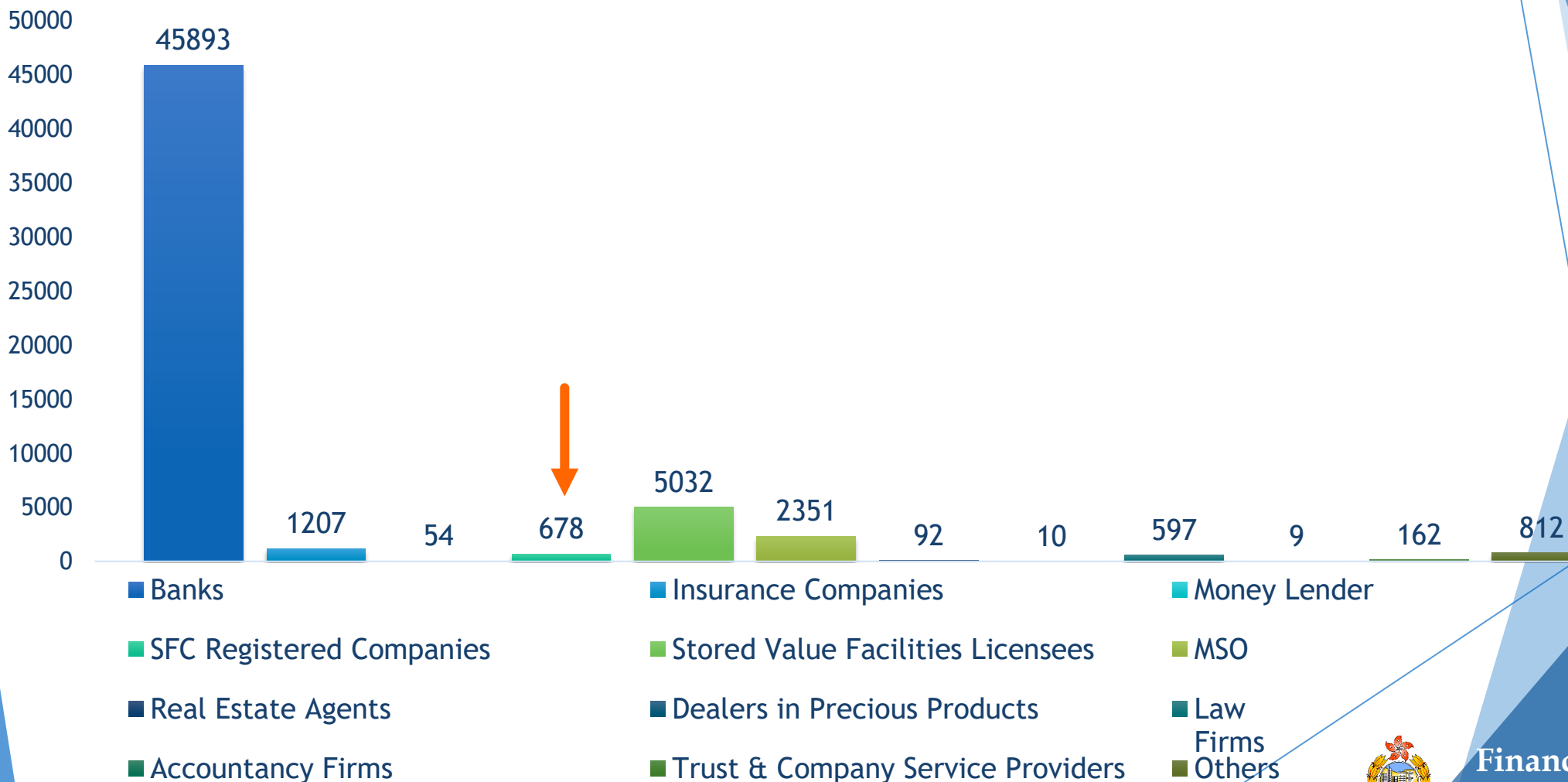
STR Statistics

Number of STR received between 2010 and 2021



STR Statistics

Sectoral Breakdown of STRs received by JFIU in 2021)



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)



Suspicious Transaction Report And Management System (STREAMS)



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



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



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.

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



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 Feedback

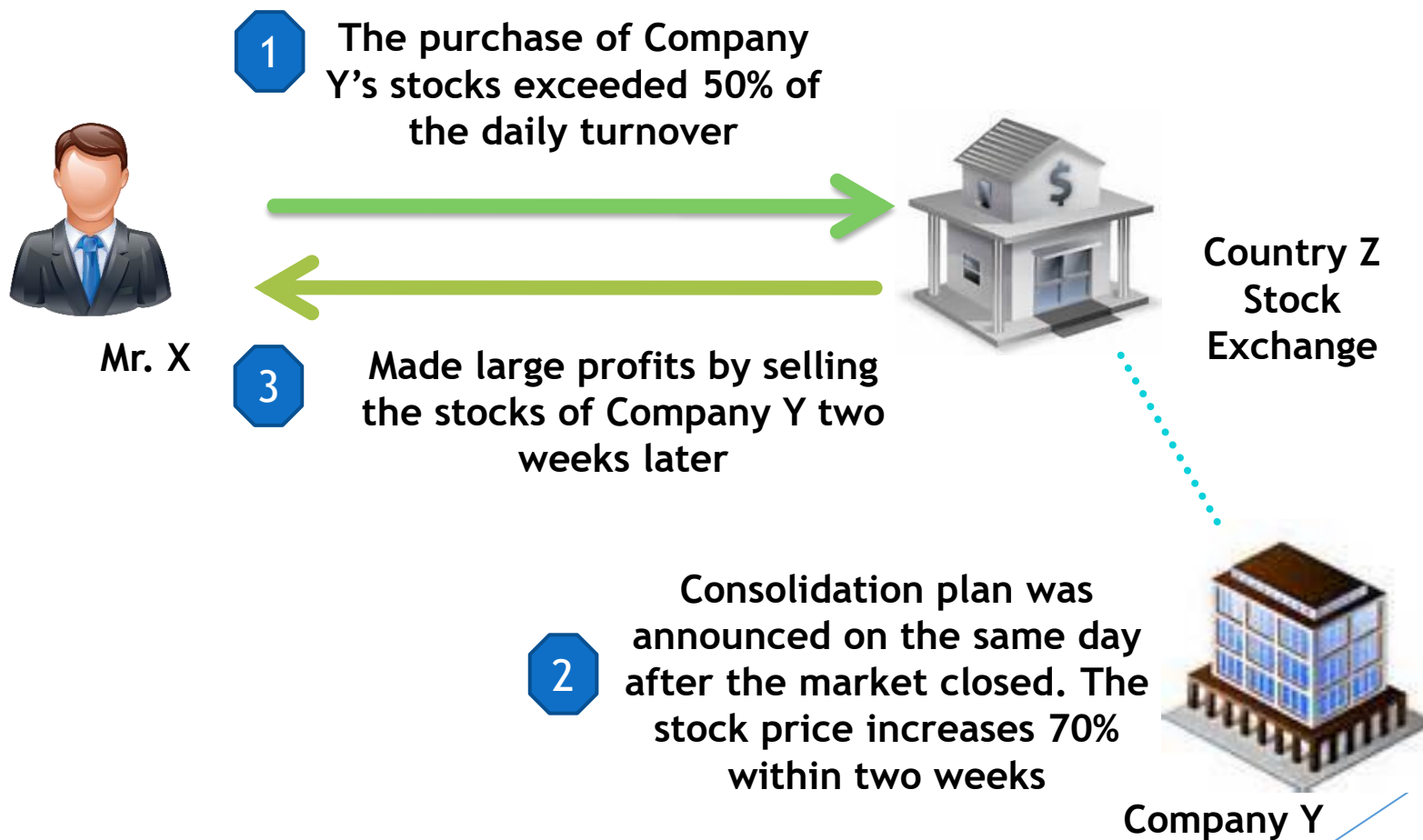
- ▶ Acknowledgement of receipt
- ▶ Consent / No Consent / N/A
- ▶ Quarterly STR analyses
- ▶ Meeting with stakeholders



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Case Study 1 - Insider Dealings

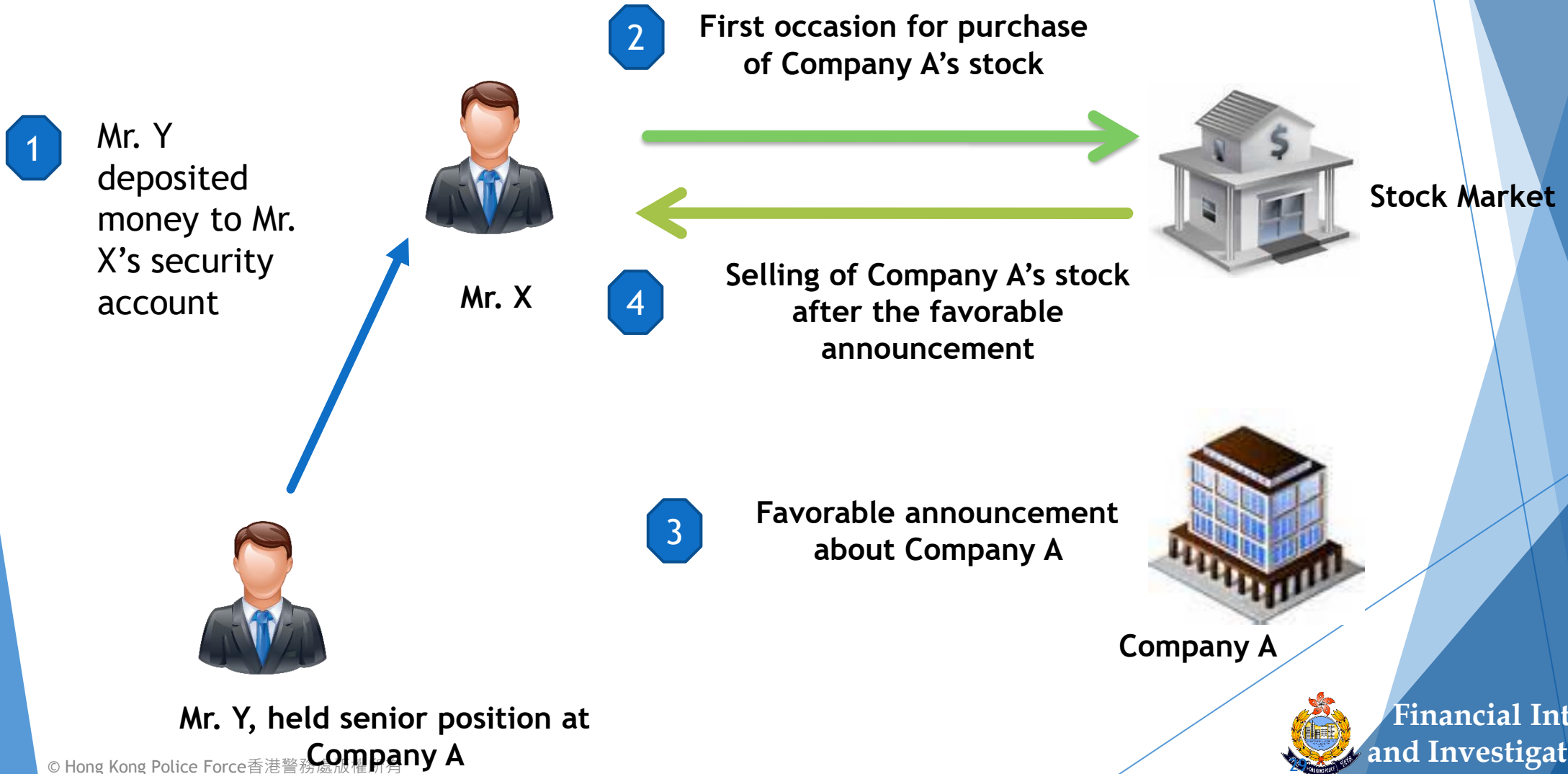


Case Study 1 - Insider Dealings

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



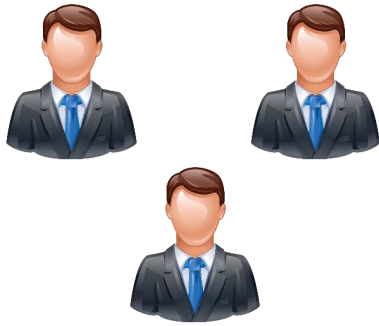
Case Study 3 - Market Manipulations

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

Email : jfiu@police.gov.hk

