



Methods of Money Laundering & Terrorist Financing And Suspicious Transaction Reporting

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- ◆ About JFIU
- ◆ Key Legislation
- ◆ Methods of Money Laundering and Terrorist Financing
- ◆ Suspicious Transaction Report
- ◆ Case Study



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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

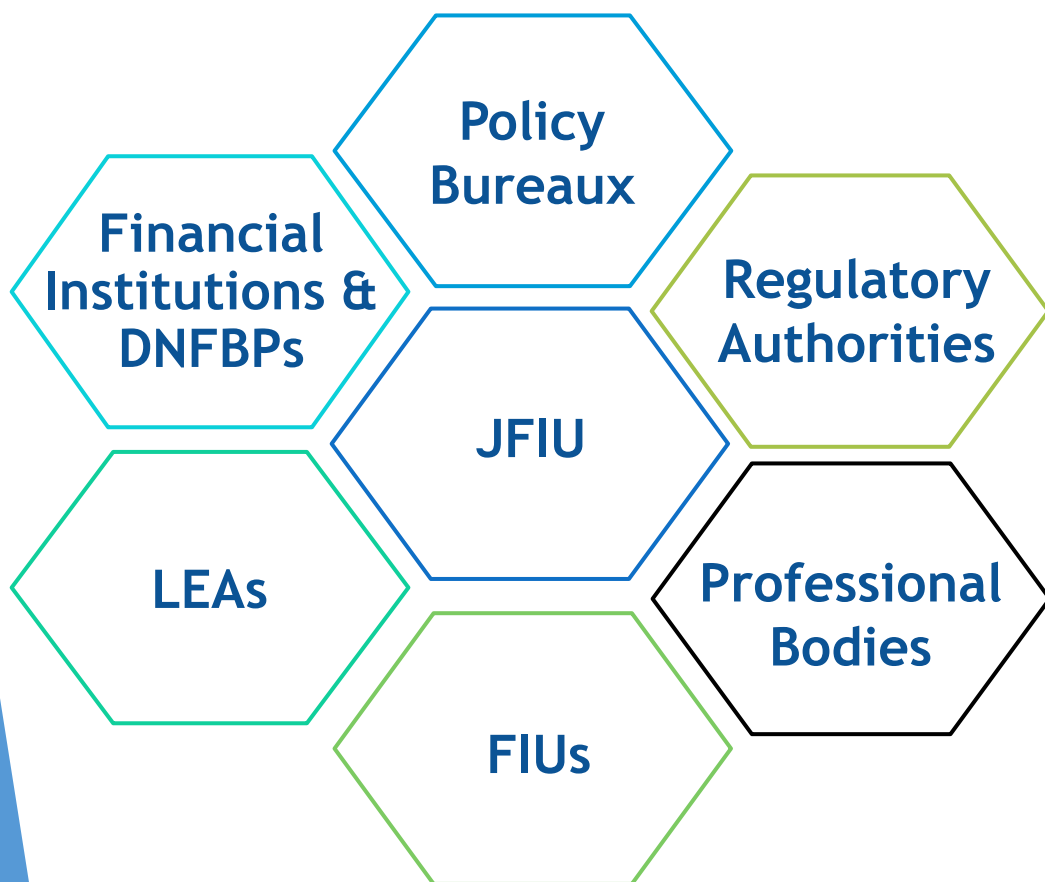


About JFIU

- ▶ 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 LEAs and FIUs worldwide
- ▶ Member of Egmont Group since 1996
- ▶ Establishment of Financial Intelligence and Investigation Bureau (FIIB)



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**

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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)

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



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



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**



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)**

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 (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

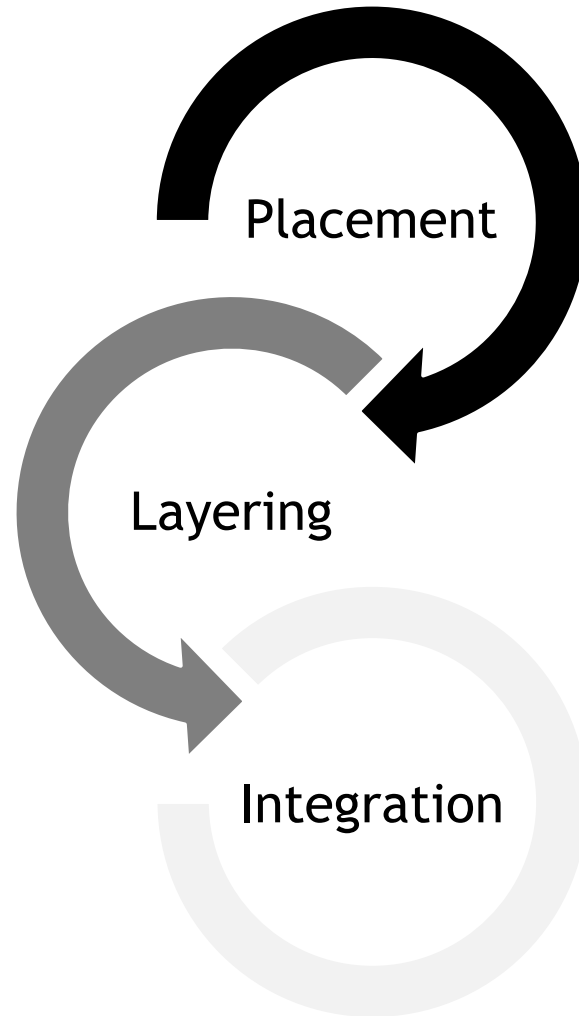
S.12(5) of Cap. 575 UNATMO



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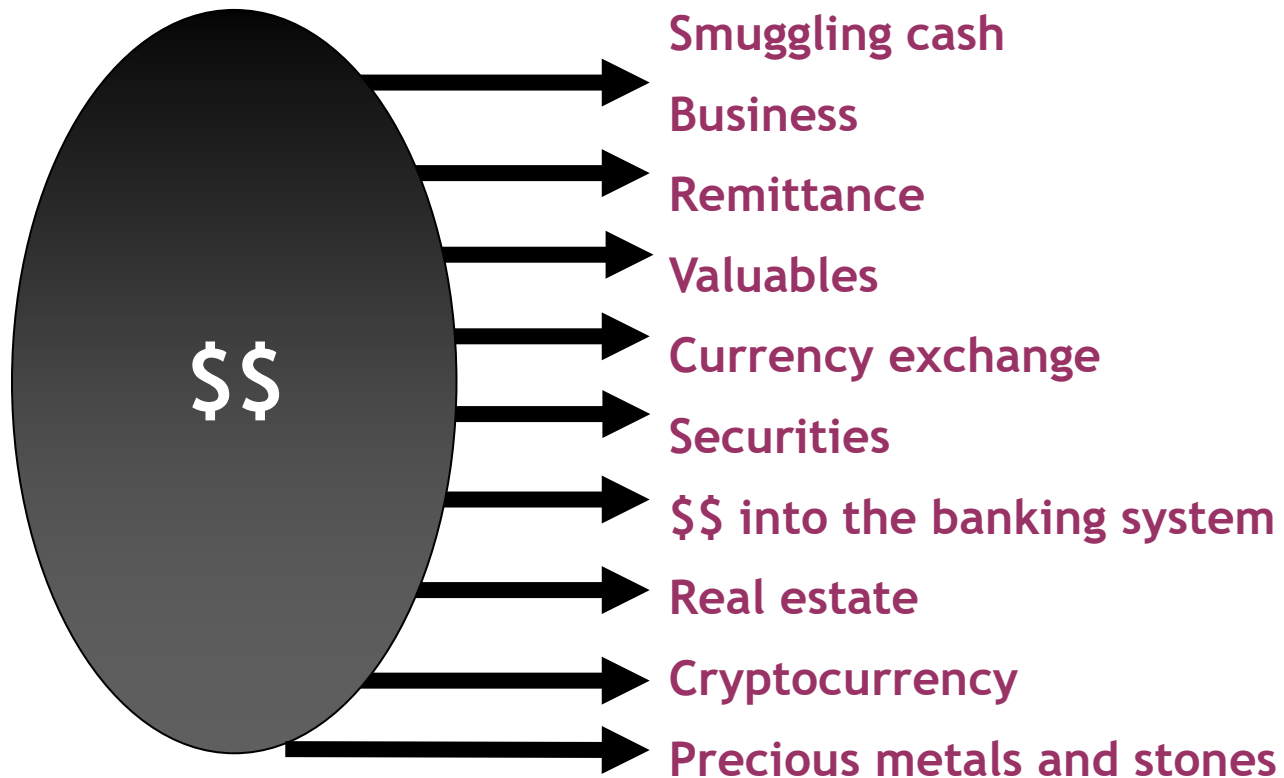
Methods of Money Laundering



Methods of Money Laundering

► Stage I: Placement

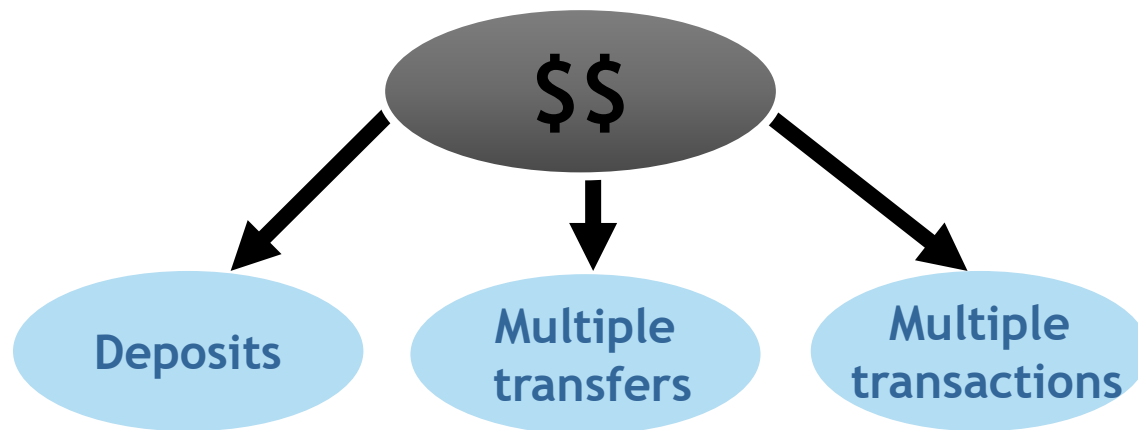
- Place dirty money into the financial system



Methods of Money Laundering

► Stage II: Layering

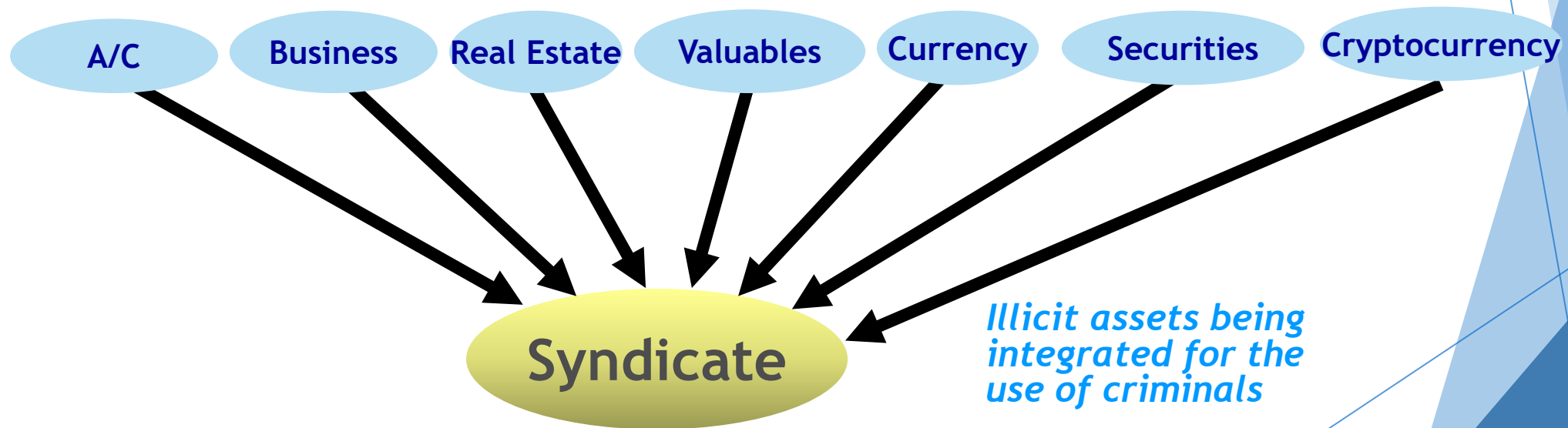
- Convert proceeds of crime into other forms
- Create complex layers of financial transactions to defraud the audit trail, source and owner of funds



Methods of Money Laundering

► Stage III: Integration

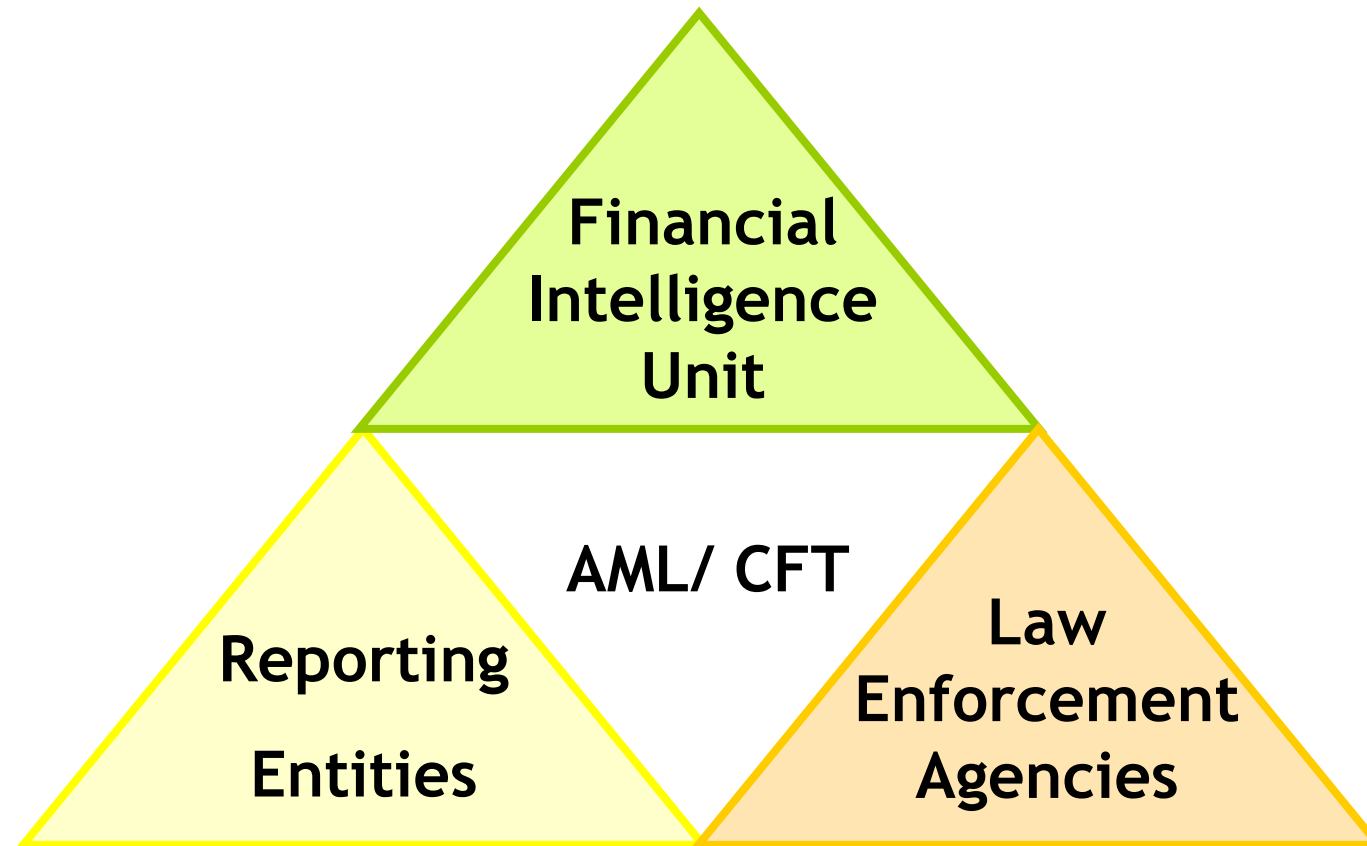
- To integrate the laundered funds from different sources
- Use the laundered funds to purchase 'clean assets'



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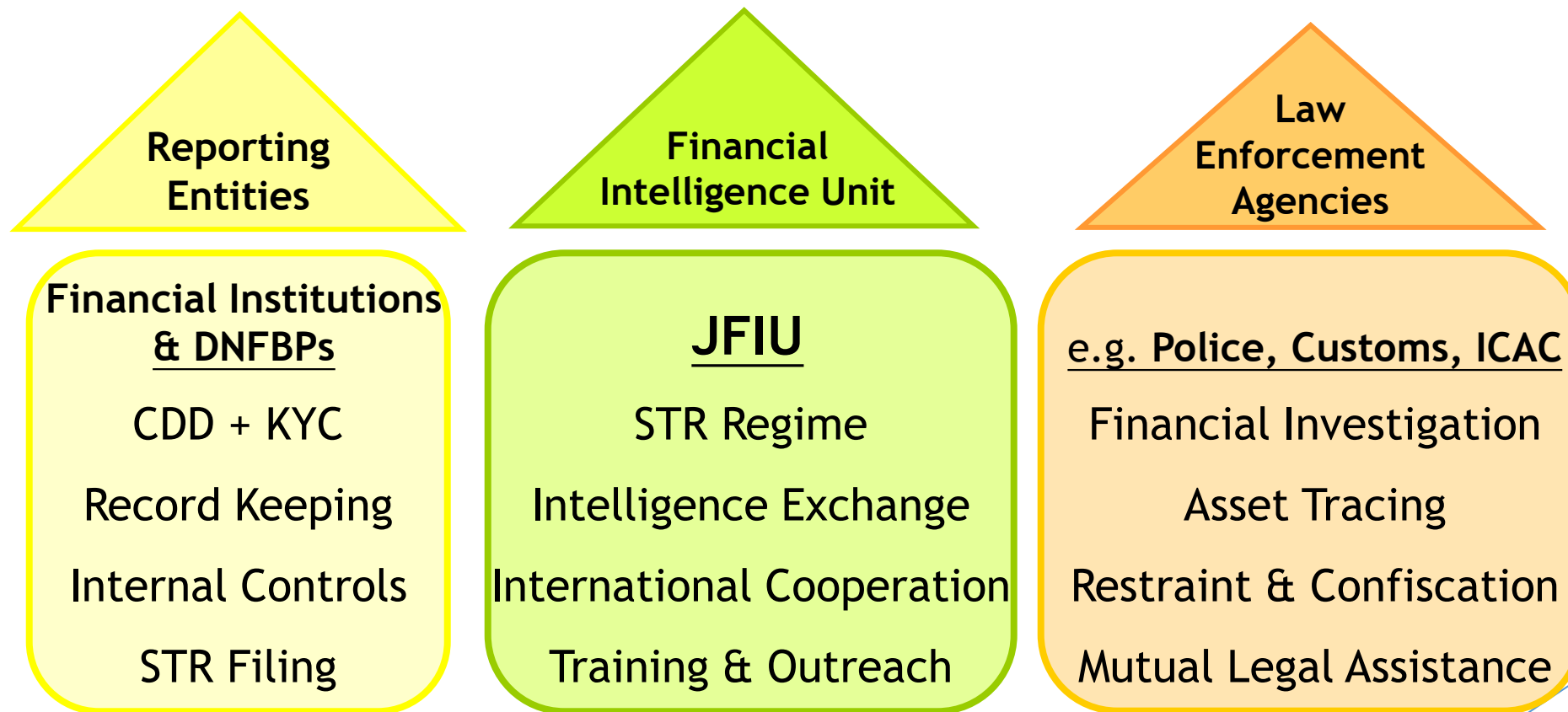


STR Mechanism

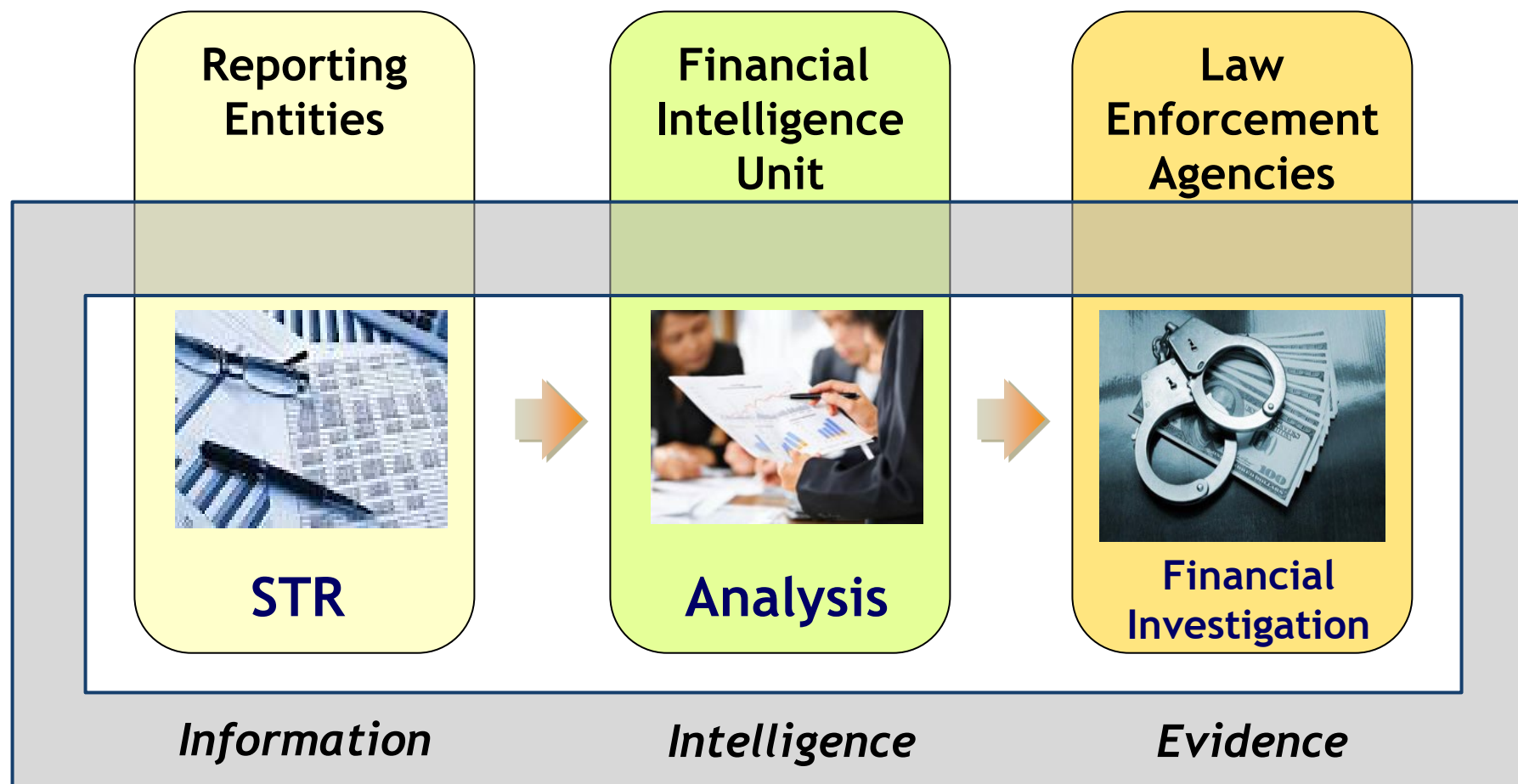


STR Mechanism

← Public-Private Partnership →

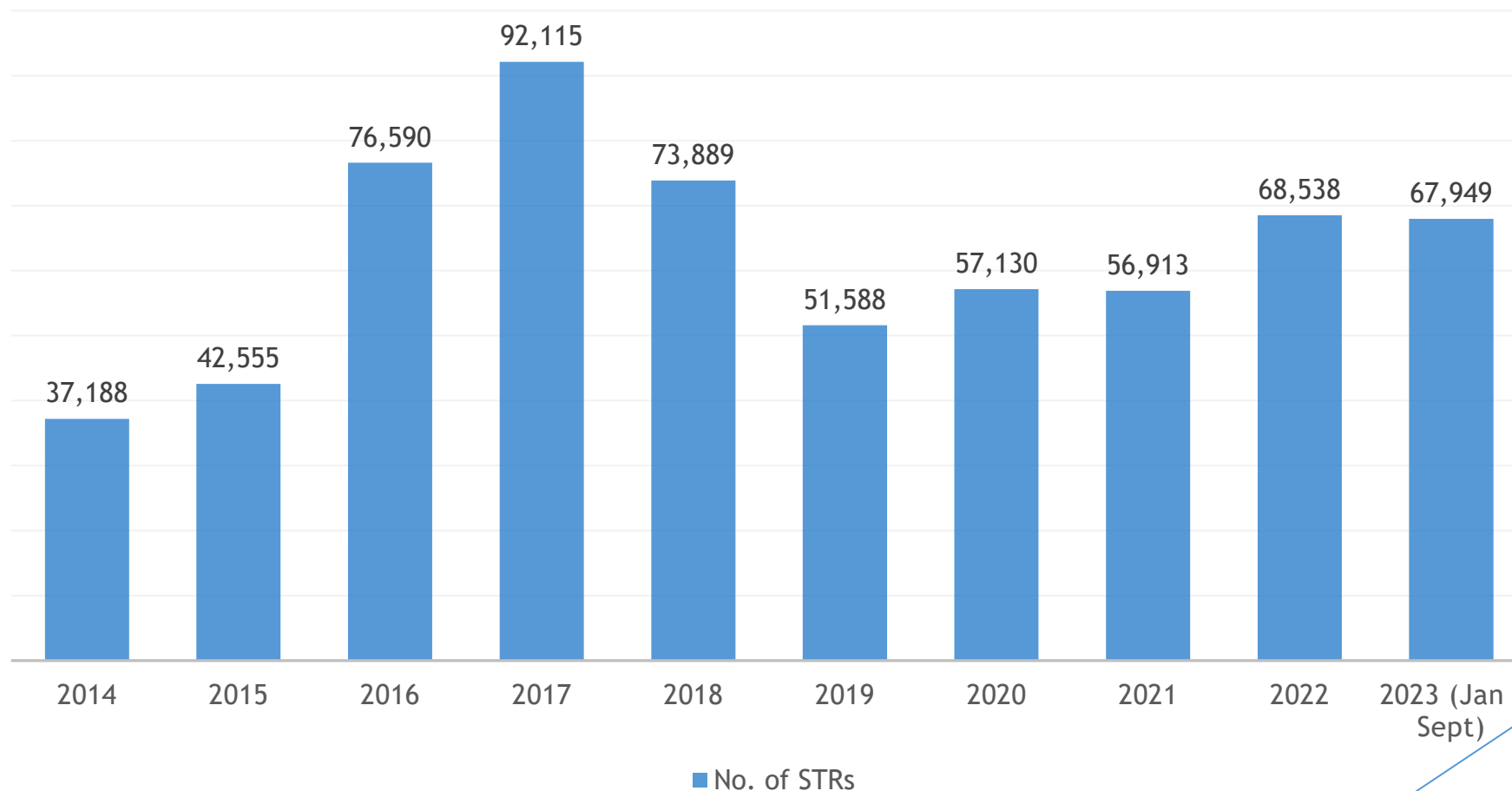


STR Mechanism



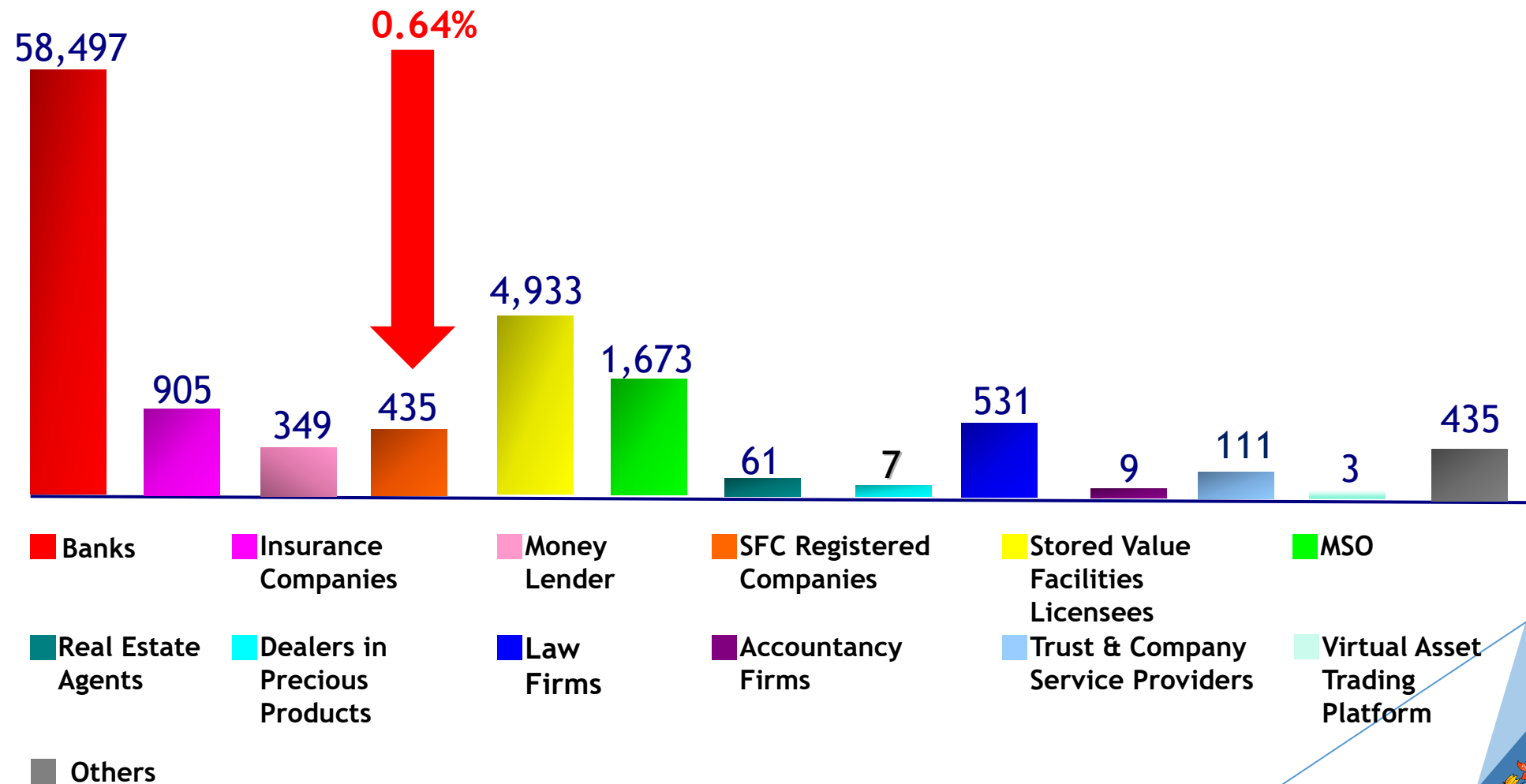
STR Statistics

Number of STR received (2014-2023 Jan-Sept)



STR Statistics

► Sectoral Breakdown of STRs received by JFIU in 2023 (Jan-Sept)



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.

‘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

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 Summary		Reporting Body		Subject		Organization		Phone		Address		Account		Transaction	
Suspected Crimes		Suspicious Indicators		Open Source Info.		Entity Lists									
Account															
Sequence No: 1															
Account Institution:															
Account Number:				Account Type:				if Others:							
Opening Date:				Closing Date:											
Balance:		Currency: HKD		Amount: +		Date:									
Related Person:				Role:				if Others:							
Related Company:				Role:				if Others:							
Additional Information:															

STR Summary		Reporting Body		Subject		Organization		Phone		Address		Account		Transaction	
Suspected Crimes		Suspicious Indicators		Open Source Info.		Entity Lists									
Subject															
Sequence No: 1															
English Name:		Family Name:				Given Name:				Middle Name:					
Chinese Name:		CCC:				HKID:									
Other ID		Type:				if Others:									
ID No.:						Country:									
		Gender: <input type="checkbox"/> M <input type="checkbox"/> F <input checked="" type="checkbox"/> U				Occupation:									



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 Feedback

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



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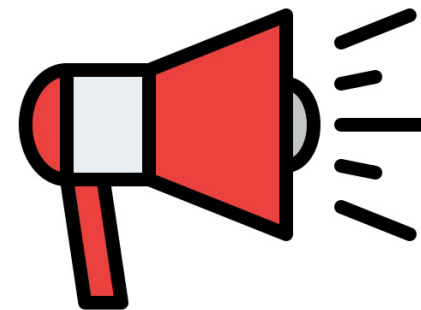
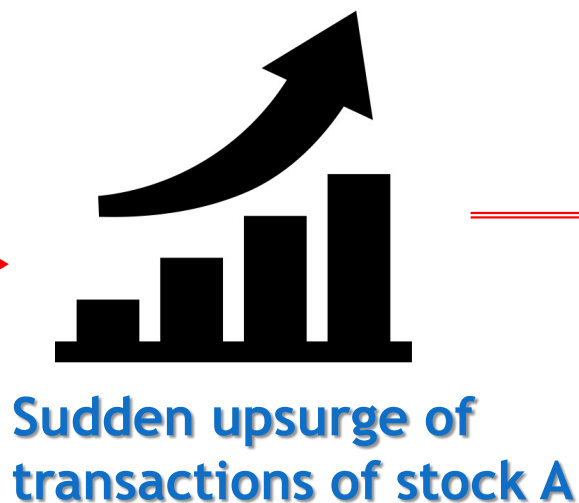


Case Study (1)

(1) Inside information



Securities account A (a/c A) has maintained dormant



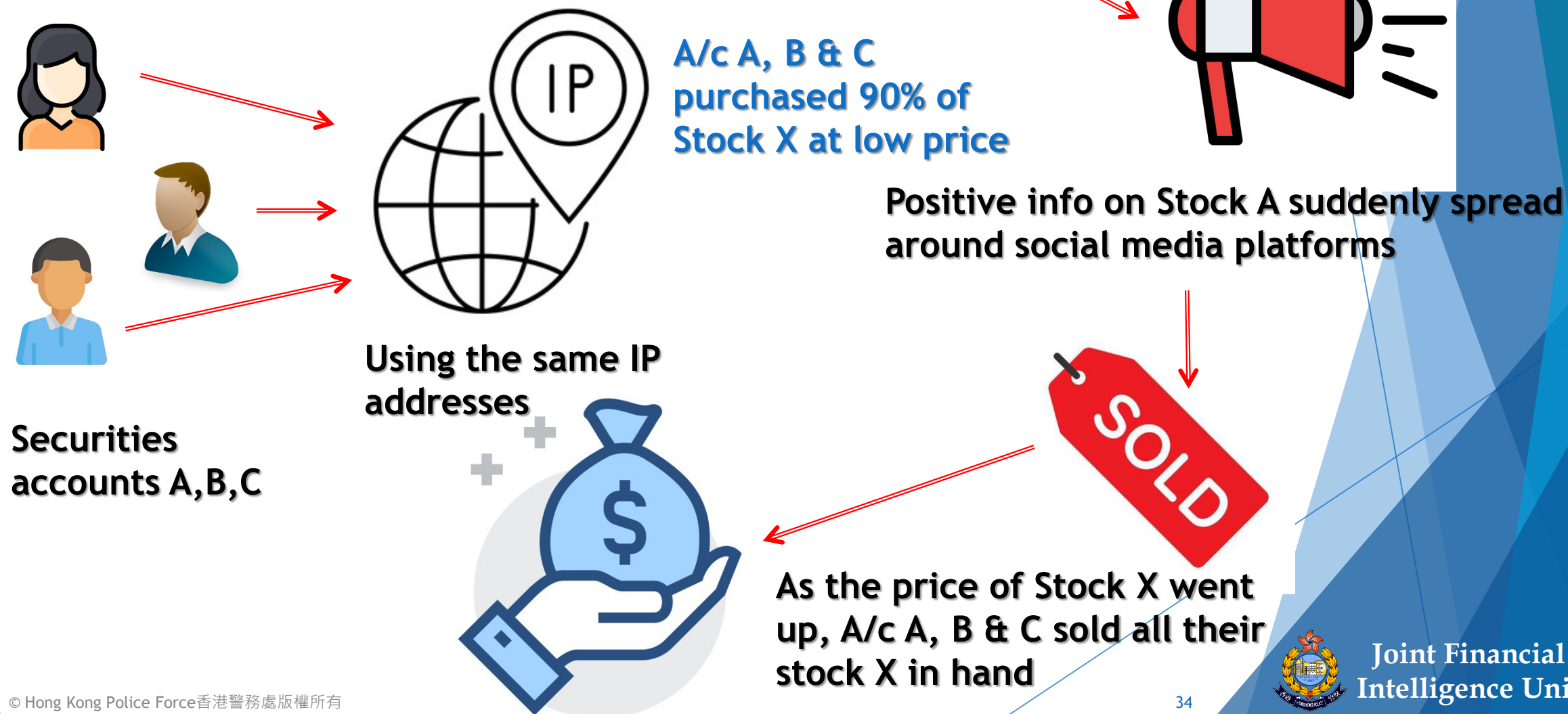
Immediately after the sudden large purchase of Stock A by a/c A, positive news was released relating to Stock A



A/c A then immediately sold all stock A

Case Study (2)

(2) Pump and dump



Case Study (3)

(3) Cross Trade



Shareholder of
listed company A



Listed
company A

Sold a specific amount
of stocks of company A
to a manager at a low
price without recording
the trade on the
exchange



The manager who quitted
company A shortly

Case Study (4)

(4) Marketing manipulation



Depositing into the securities account with cash



Holder of the securities account is actually the manager of listed company A



Sold the stocks when the price reached a certain level



Continuously purchased stocks of company A



Making the stock price of company A go up



Thank You!

Website: www.jfiu.gov.hk

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Email: jfiu@police.gov.hk