



Suspicious Transaction Reporting: Overview & Statistics

Vincent Lo

Detective Senior Inspector of Police

JFIU



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Joint Financial
Intelligence Unit



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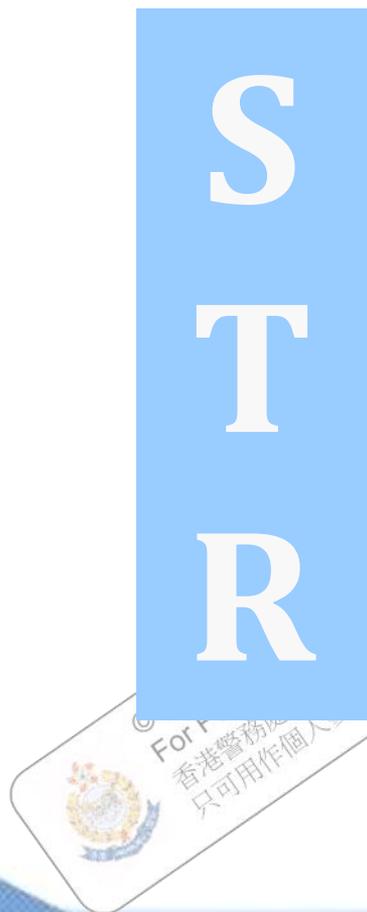
重要告示

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。

Agenda

STR

1. About JFIU
2. Key Legislation
3. Reporting Requirement
4. STR Mechanism
5. STR Reporting
6. STR Statistics
7. Case Studies



About JFIU

Bureaux / Departments



Financial Services and
the Treasury Bureau



Security Bureau



Department of Justice



Companies Registry



稅務署
Inland Revenue
Department

Inland Revenue
Department

Regulators



Hong Kong Monetary
Authority



Securities and Futures
Commission



保險業監管局
Insurance Authority

Insurance Authority

Law Enforcement Agencies



Hong Kong Police
Force

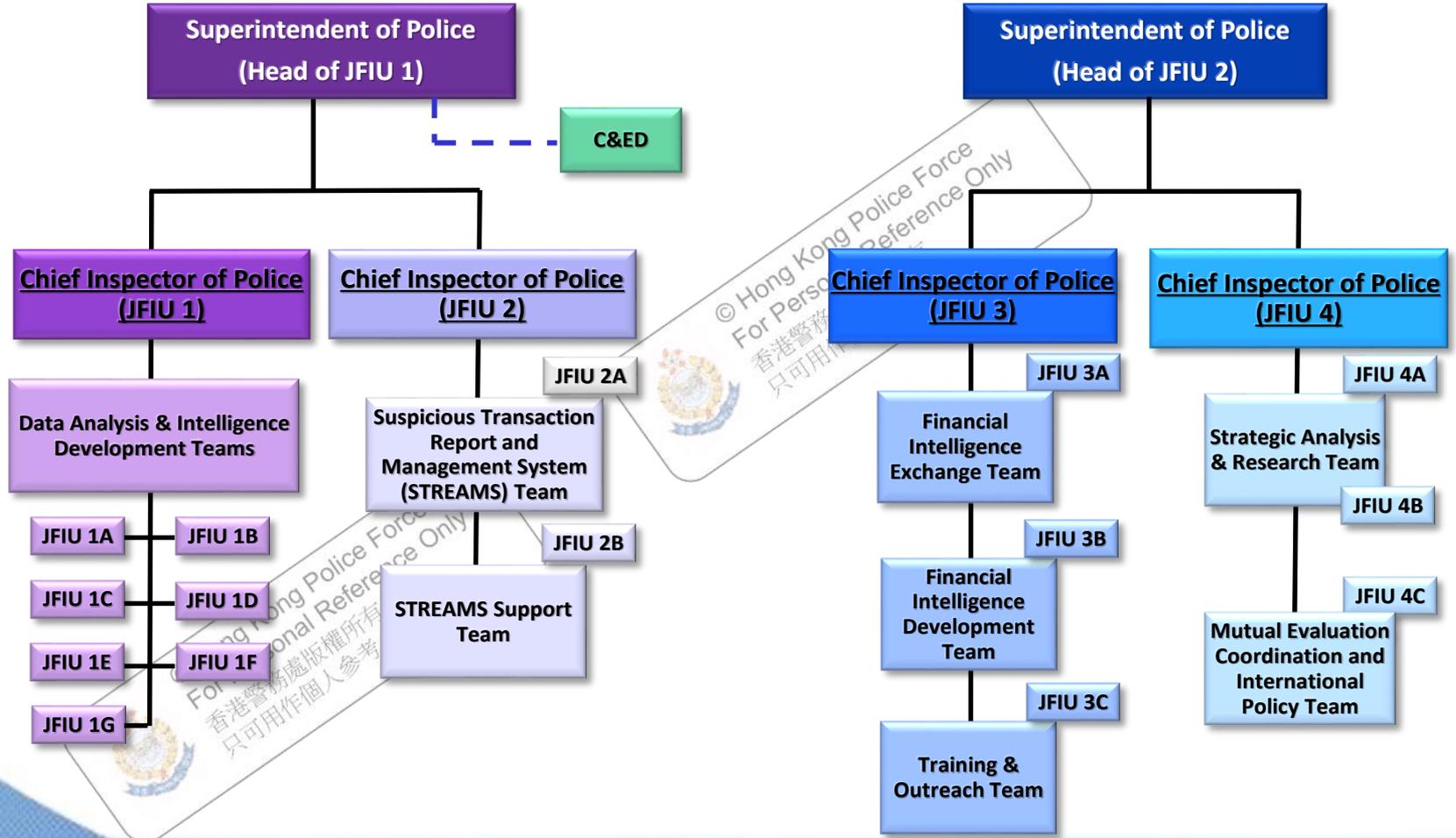


Customs and Excise
Department

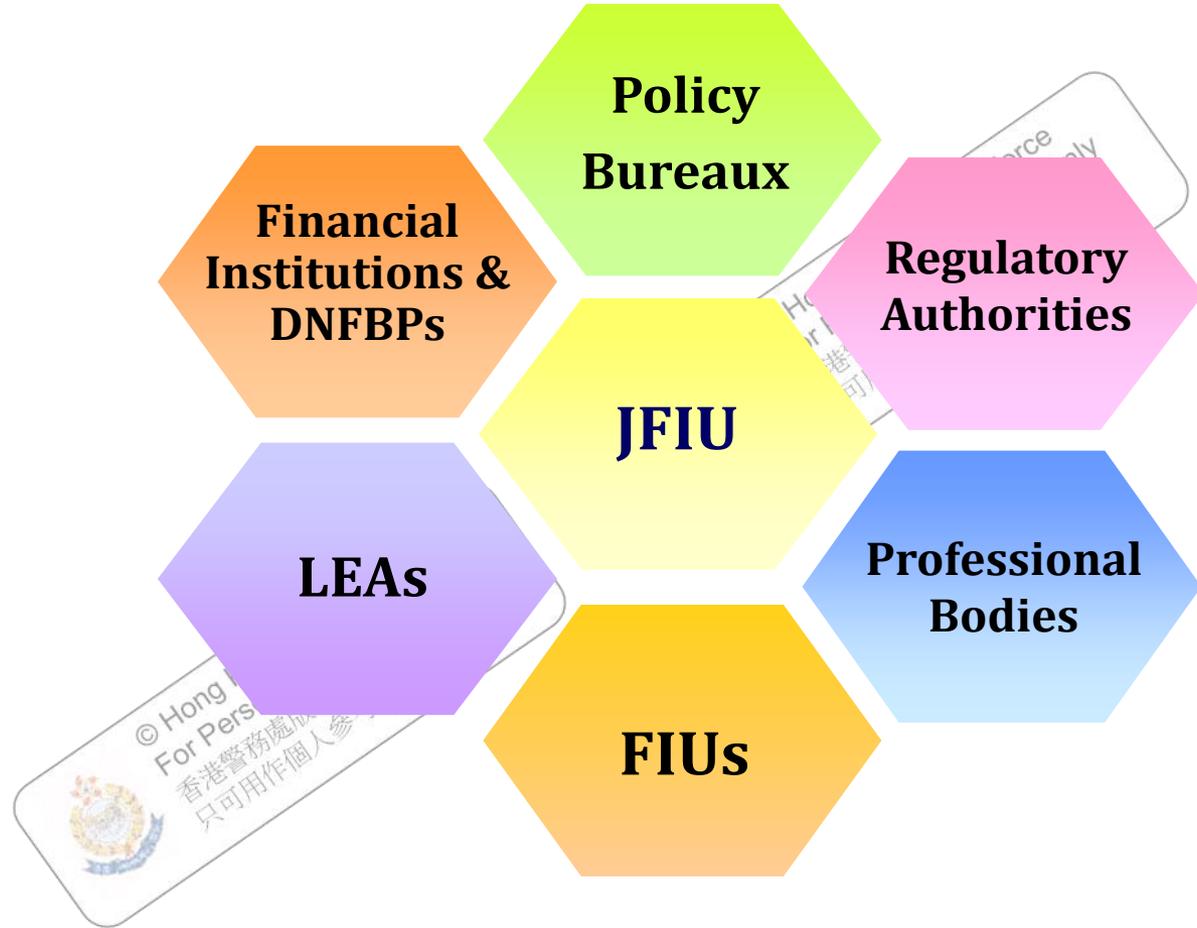


ICAC
Independent
Commission Against
Corruption

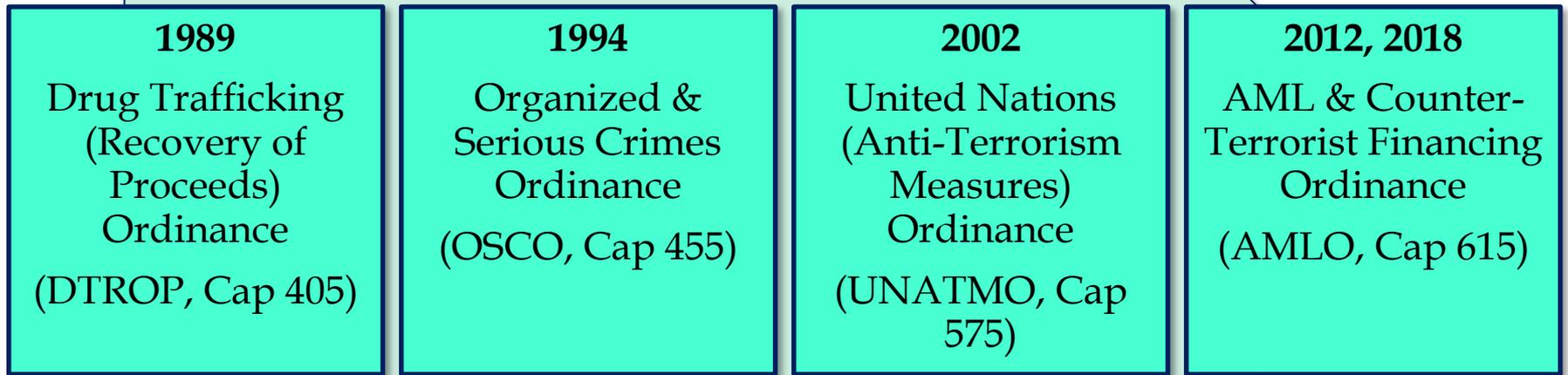
About JFIU



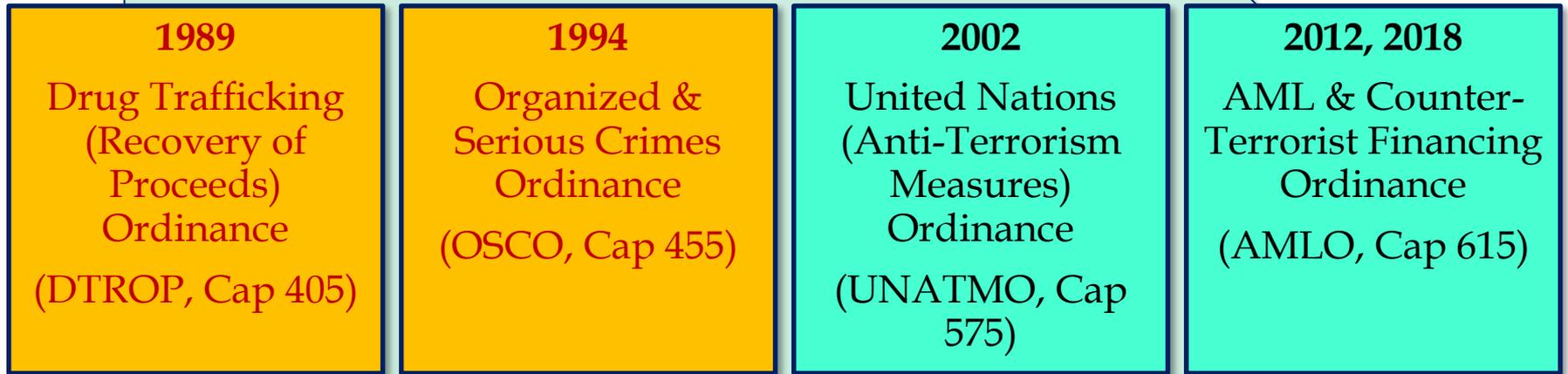
About JFIU



Key Legislation



Key Legislation



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Key Legislation

Any person

- knowing / having reasonable grounds to believe any property
- in whole / in part or directly / indirectly represents proceeds of drug trafficking (S.25 of Cap 405 DTROP) / indictable offence (S.25 of Cap 455 OSCO)
- deals with that property

Maximum Penalty

- HKD 5M fine
- 14 years' imprisonment



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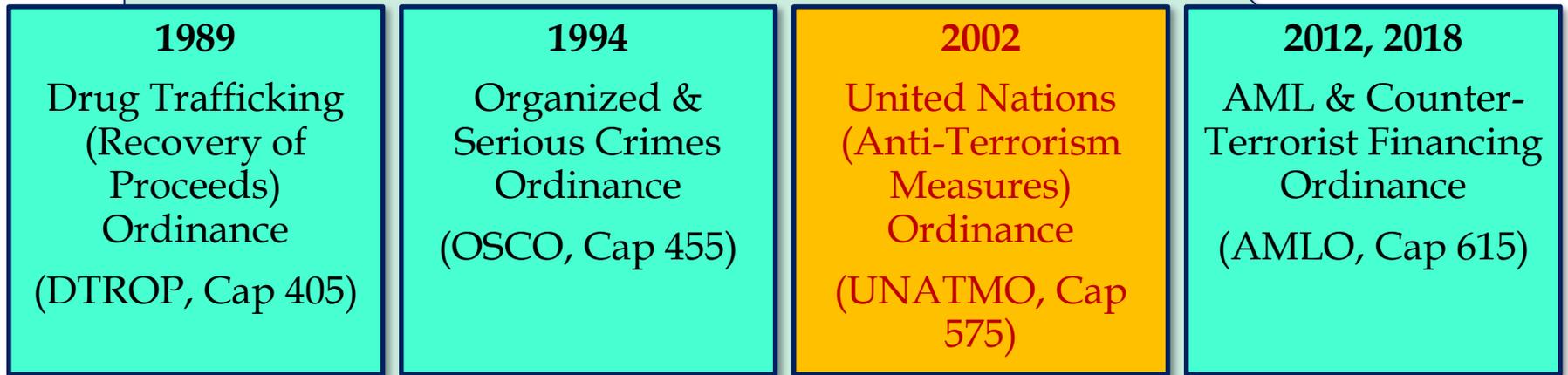
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Key Legislation



Key Legislation

Any person should not

- provide / collect directly or indirectly any property
- with the intention that the property be or will be used in whole or in part
- to commit one or more terrorist act(s) (S.7 of Cap 575 UNATMO)

Maximum Penalty

- A fine
- 14 years' imprisonment

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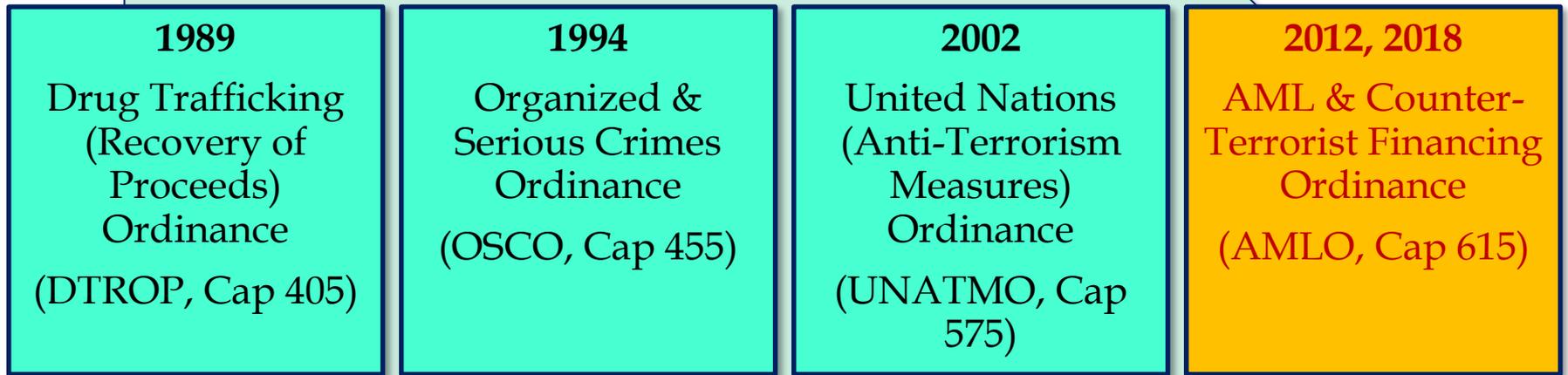
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Key Legislation

- Prohibition on making property, etc. available to or collecting property, etc. for terrorists and terrorist associates (Section 8);
- Prohibition on dealing with certain property (Section 8A); and
- Prohibition on providing or collecting property to finance travel for specified purpose (Section 11L).

Key Legislation



Key Legislation

- 2012-04-01

Provides for the statutory requirements relating to customer due diligence (CDD) and record-keeping on specified financial institutions; and to provide for the powers of the relevant authorities to supervise financial institutions' compliance.

- 2018-03-01

Amended to extend the statutory CDD and record-keeping requirements to cover designated non-financial businesses and professions (viz. legal professionals, accounting professionals, estate agents, and trust or company service providers).

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Reporting Requirement

Any person knows or suspects any property represents the proceeds of

- drug trafficking (S.25A of Cap 405 DTROP) or
- any serious crimes (S.25A of Cap 455 OSCO) or
- terrorist property (S.12 of Cap 575 UNATMO)

shall report to JFIU

Maximum Penalty

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

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STR Mechanism

Prevention

Detection

**Financial
Intelligence
Unit**

AML/ CFT

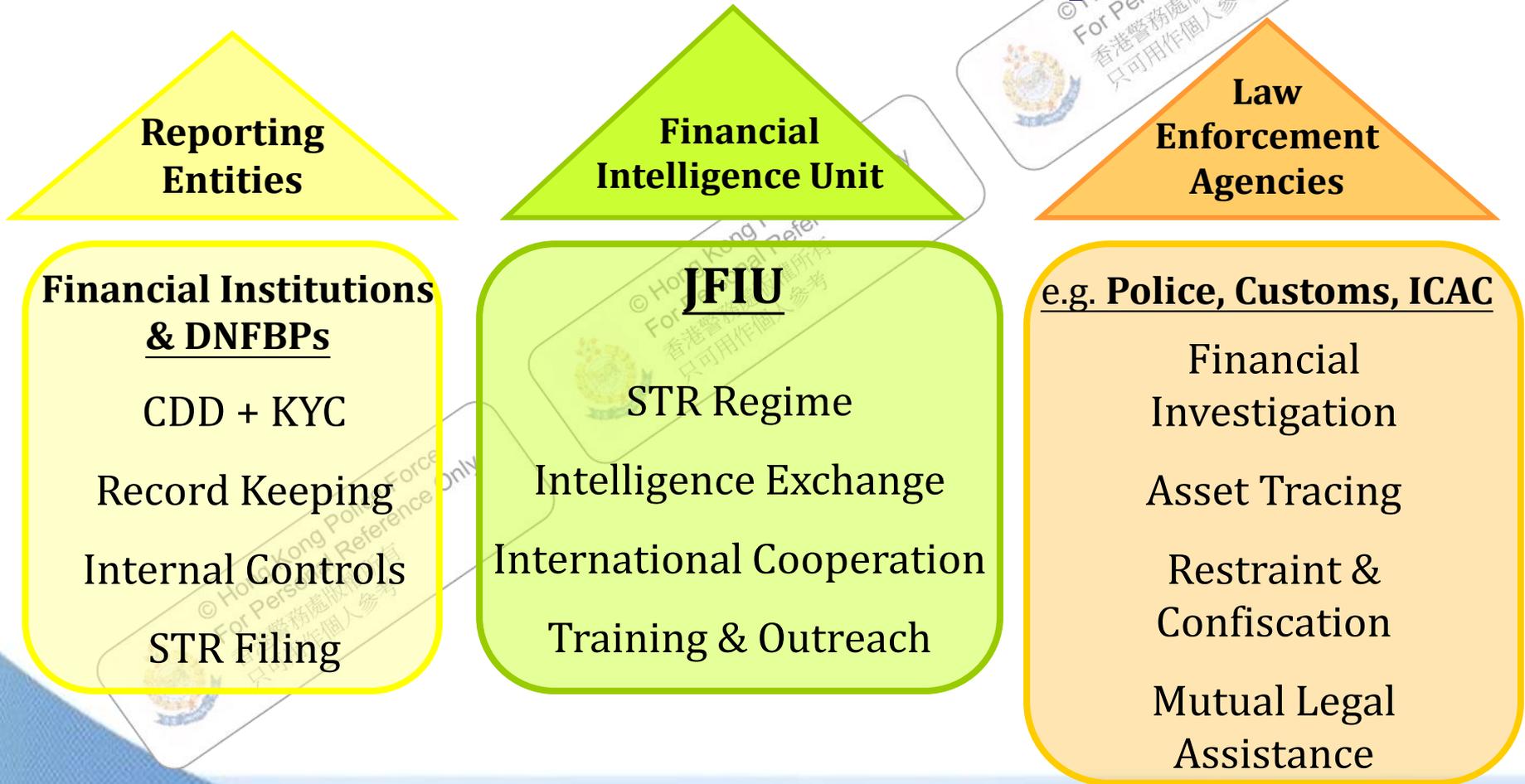
**Reporting
Entities**

**Law
Enforcement
Agencies**

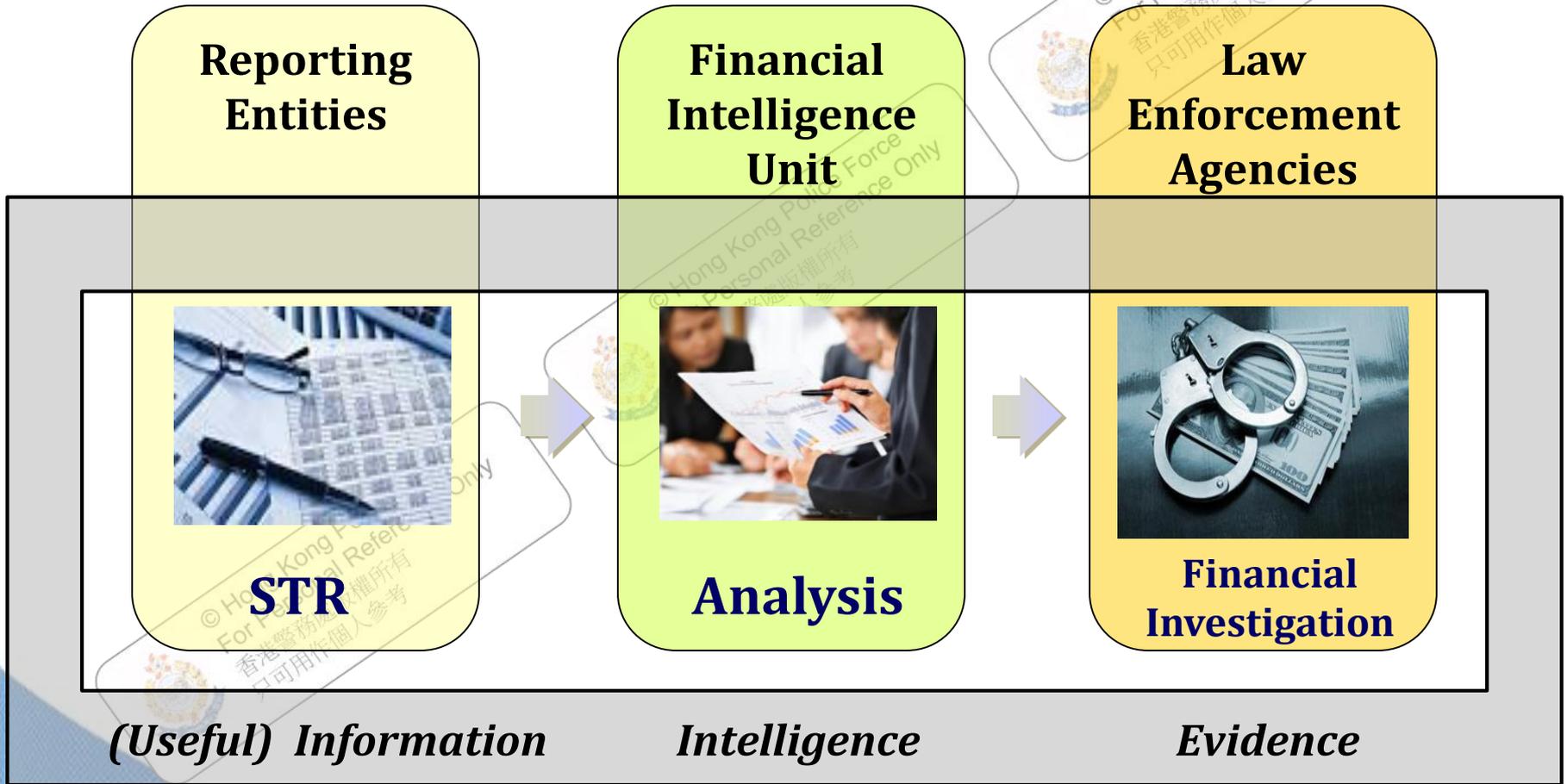


STR Mechanism

← Public-Private Partnerships →



STR Mechanism



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STR Reporting

Police Force
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How to submit an STR?

Suspicious Transaction
Report And Management
System (STREAMS)

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)

STREAMS - Login Frame

Suspicious Transaction Report
And Management System (STREAMS)

Username

Password

Database: SBOX-ACCESS

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.

How to File Quality STRs?

SAFE Approach

Screen

subject entities' background & transactions

Ask

appropriate questions to clarify circumstances

Find

relevant records for review

Evaluate

whether suspicion is substantiated

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STR Content

■ Particulars

of the subject persons / organizations / beneficial owners
(including details of ID document or company registration)

■ What Suspicious?

- Property involved (*e.g. company, real estate, vessel, etc.*)
- Accounts & transactions (*including. amount, currency, source of fund*)

■ Why Suspicious?

- Suspected crimes / suspicious indicators / news
- Assessment and analysis?
- Explanation by clients, if any

■ Previous STR ref. / Police case ref., if any

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Recommended Structure of STR Narrative

- 1) Triggering Factors
- 2) Background of Subject(s)
- 3) Transactions
- 4) KYC/CDD Result & Open Source Information
- 5) Conclusion & Way Forward



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STR Reporting

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 個人參考

- 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: + -

Account Institution:	<input style="width: 90%;" type="text"/>		
Account Number:	<input style="width: 40%;" type="text"/>	Account Type: <input style="width: 15%;" type="text"/> <input style="width: 10px;" type="text" value="v"/>	if Others: <input style="width: 35%;" type="text"/>
Opening Date:	<input style="width: 40%;" type="text"/>	Closing Date:	<input style="width: 35%;" type="text"/>
Balance:	Currency: HKD <input style="width: 10px;" type="text" value="v"/>	Amount: <input style="width: 10px;" type="text" value="+"/> <input style="width: 10px;" type="text" value="v"/> <input style="width: 40%;" type="text"/>	Date: <input style="width: 35%;" type="text"/>
Related Person:	<input style="width: 40%;" type="text"/>	Role: <input style="width: 15%;" type="text"/> <input style="width: 10px;" type="text" value="v"/>	if Others: <input style="width: 35%;" type="text"/>
Related Company:	<input style="width: 40%;" type="text"/>	Role: <input style="width: 15%;" type="text"/> <input style="width: 10px;" type="text" value="v"/>	if Others: <input style="width: 35%;" type="text"/>
Additional Information:	<div style="border: 1px solid black; height: 100px;"></div>		

STR Feedback

- Acknowledgement of receipt
- Consent/ No Consent/ N/A



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Risk 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)?

Transaction

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

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Risk 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

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?

***TF Risk**

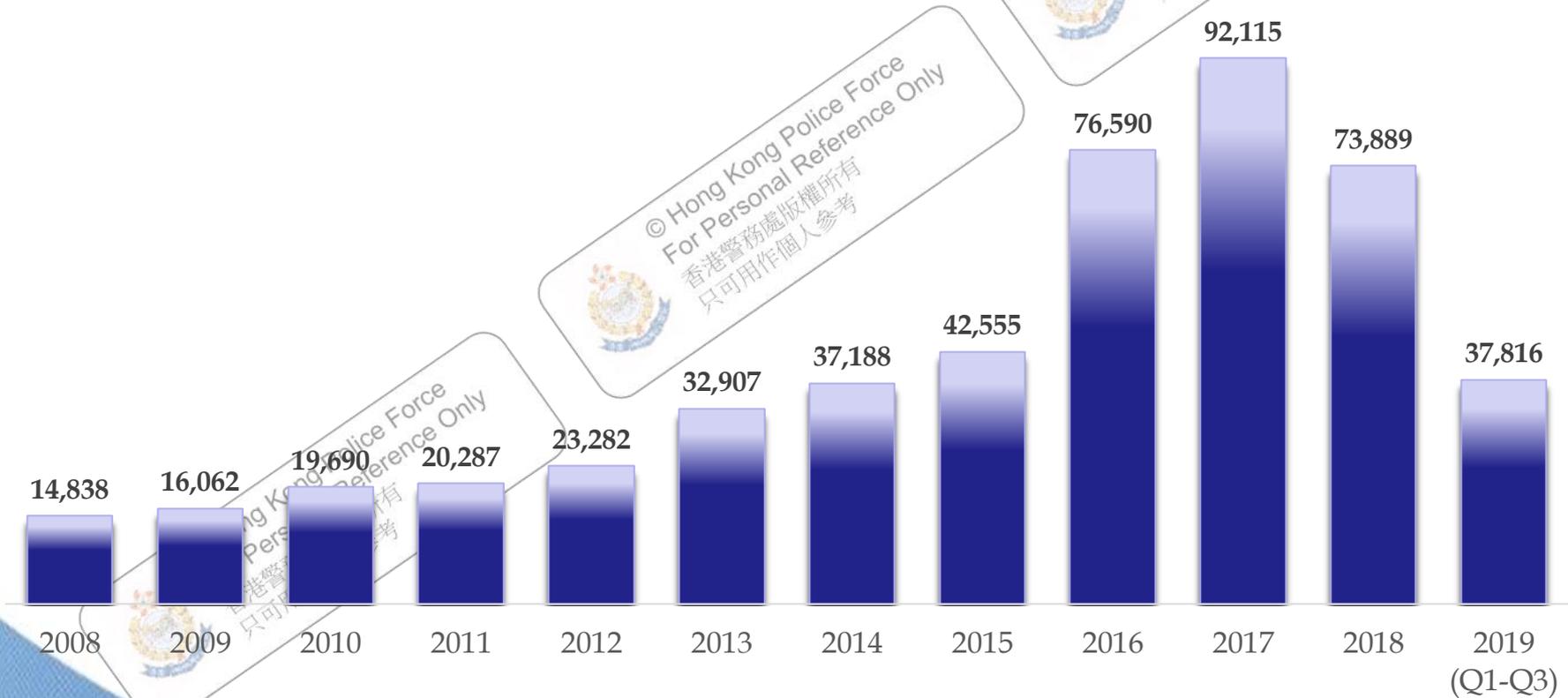
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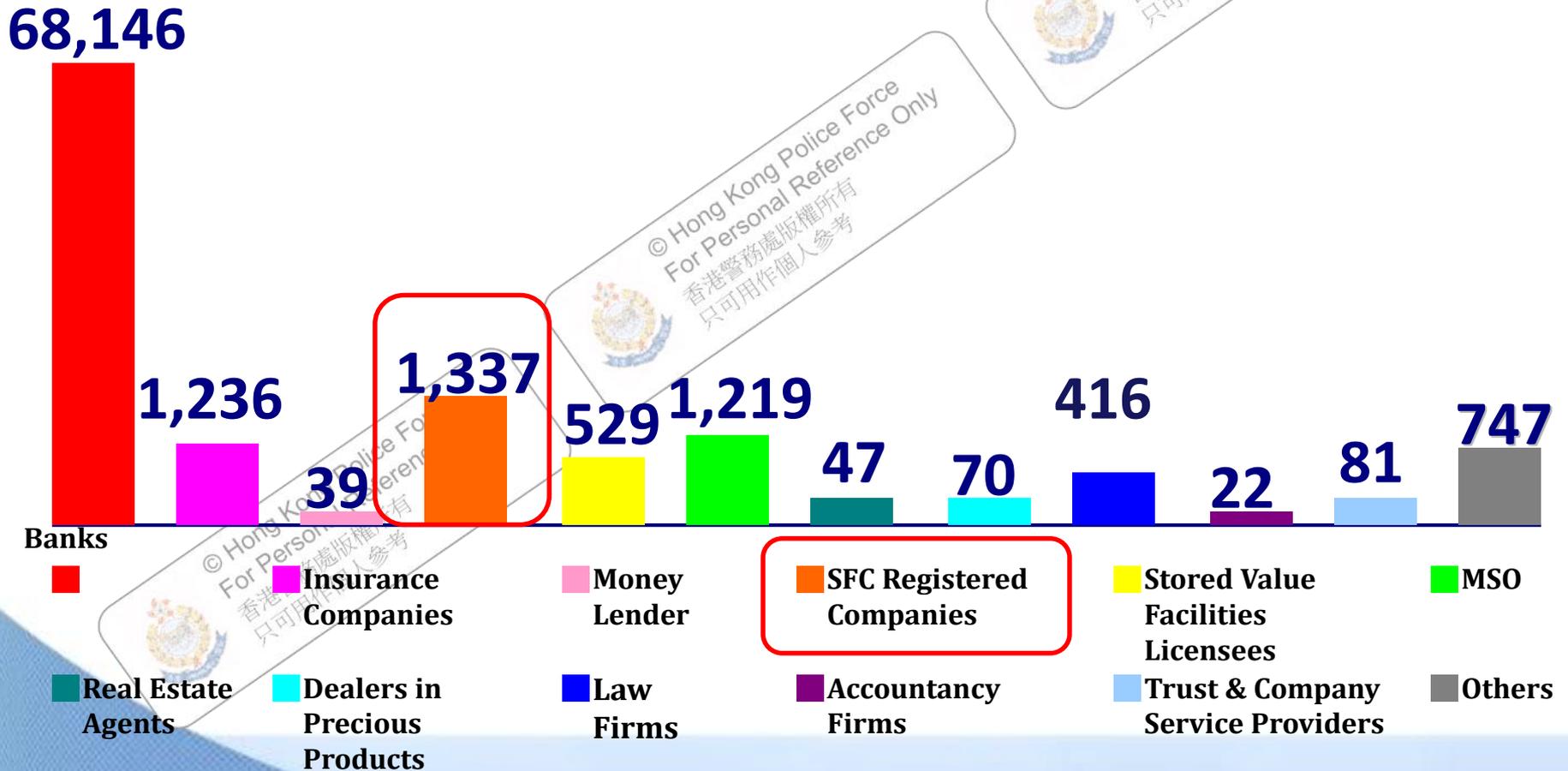
STR Statistics

Number of STRs received in the past 10 years



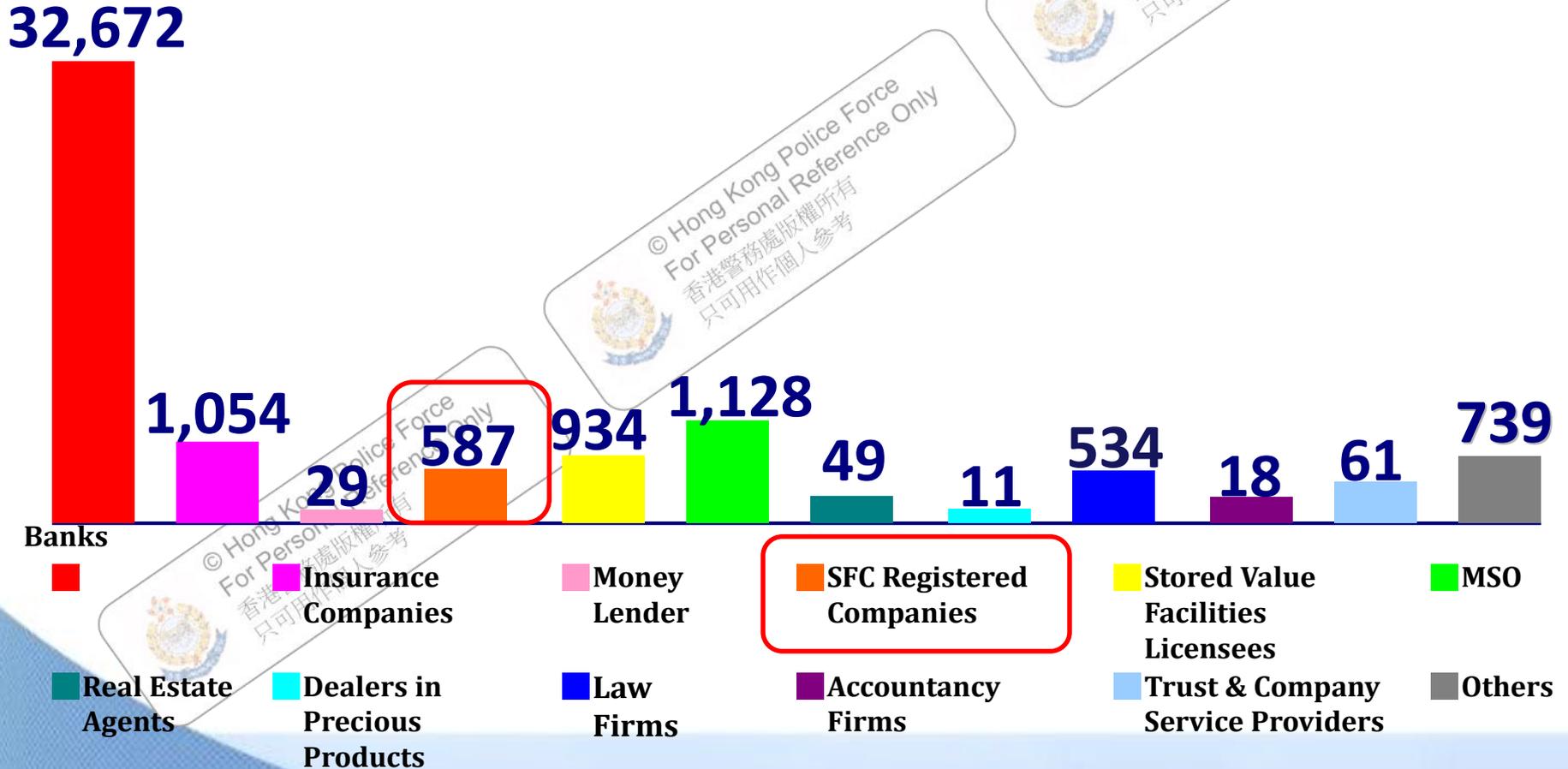
STR Statistics

Sectoral Breakdown of STRs received by JFIU in 2018



STR Statistics

Sectoral Breakdown of STRs received by JFIU in 2019 (Q1-3)



STRs from Securities Firms

Anti-Money Laundering and
Counter-Terrorist Financing Ordinance,
Cap.615 (AMLO)

No. of STRs	2014	2015	2016	2017	2018	2019 Q1-Q3
Annual Total	37,188	42,555	76,590	92,115	73,889	37,816
Filed by Securities Firms	1574	1095	1423	2090	1337	587
	4.23%	2.57%	1.86%	2.27%	1.81%	1.55%

- Disseminated STRs:
 - 291 (21.7%) (2018)
 - 200 (34.1%) (2019 Q1-Q3)

Case Study 1 – Insider Dealing



Mr. X

The purchase of Company Y's stocks exceeded 50% of the daily turnover



Made large profits by selling the stocks of Company Y two weeks later



**Country Z
Stock Exchange**

Consolidation plan was announced on the same day after the market closed. The stock price increases 70% within two weeks



Company Y



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Case Study 1 – Insider Dealing

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



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Case Study 2 – Market Manipulations



Mr. A

Purchasing of Company B's stocks
continuously for half month



Stock Market

After investigation, it was found that Mr.
A was an employee of Company B



Company B



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Case Study 2 – 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



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Thank you

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