



Suspicious Transaction Reporting

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Joint Financial
Intelligence Unit



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Introduction



Carson YEUNG

*Owner of an English Soccer Club
Birmingham City*

- Laundered HK\$720M in 2001-2007
- Convicted of 5 counts of Money Laundering offences
- Sentenced to 6-year imprisonment



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Introduction



22-year-old school dropout

- Laundered HK\$13.1 billion in 2009-2010
- Sentenced to 10.5-year imprisonment



61-year-old housewife

- Laundered HK\$6.7 billion in 2002-2005
- Sentenced to 10-year imprisonment



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Legislation

- ❖ **Drug Trafficking (Recovery of Proceeds) Ordinance (DTROP, Cap 405)**
- ❖ **Organized & Serious Crimes Ordinance (OSCO, Cap 455)**
- ❖ **United Nations (Anti-Terrorism Measures) Ordinance (UNATMO, Cap 575)**

-
- ❖ **Anti-Money Laundering & Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO, Cap 615)**



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Money Laundering

(s.25 of OSCO / DTROP)

- ❖ Any person
 - **knowing** / having **reasonable grounds to believe**
 - any property in whole/ in part or directly/ indirectly represents **proceeds of drug trafficking / indictable offence**
 - **deals** with that property



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Terrorist Financing

(s.8 of UNATMO)

- ❖ Any person without licence granted by S for S
 - **make** any **property/financial services available**
 - **collect** property or **solicit** financial services
 - to / for the benefit of **another person**
 - **knowing or being reckless** as to whether
 - that **another person** is a terrorist or terrorist associate



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Legal Obligation to File STR

(s.25A of OSCO / DTROP and s.12 of UNATMO)

- ❖ Any person, who **knows / suspects** any property represents **proceeds of crime / terrorist property**, shall **make a report** to an authorized officer (**JFIU**).



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'Protection'

[s.25A (2) of OSCO / DTROP]

If a person who has made an STR does any act in contravention of s. 25(1) "Money Laundering", the person does not commit the offence if:

- ❖ that STR is made BEFORE the act AND the act is done **with the consent** of an authorized officer (**JFIU**)

OR

- ❖ that STR is made AFTER the act; on his own initiative; and as soon as reasonably practicable



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Other Protection

- ✘ be treated as **a breach of any restriction upon the disclosure** of information imposed by contract or by any enactment, rule of conduct or other provision [s.25A(3)]
- ✘ render **liable in damages for any loss** arising out of the disclosure [s.25A(3)]
- ✘ reveal **the identity of any person** as the person making the disclosure [s.26]



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Tipping Off

[s.25A(5) of OSCO / DTROP]

A person commits “Tipping Off” offence if

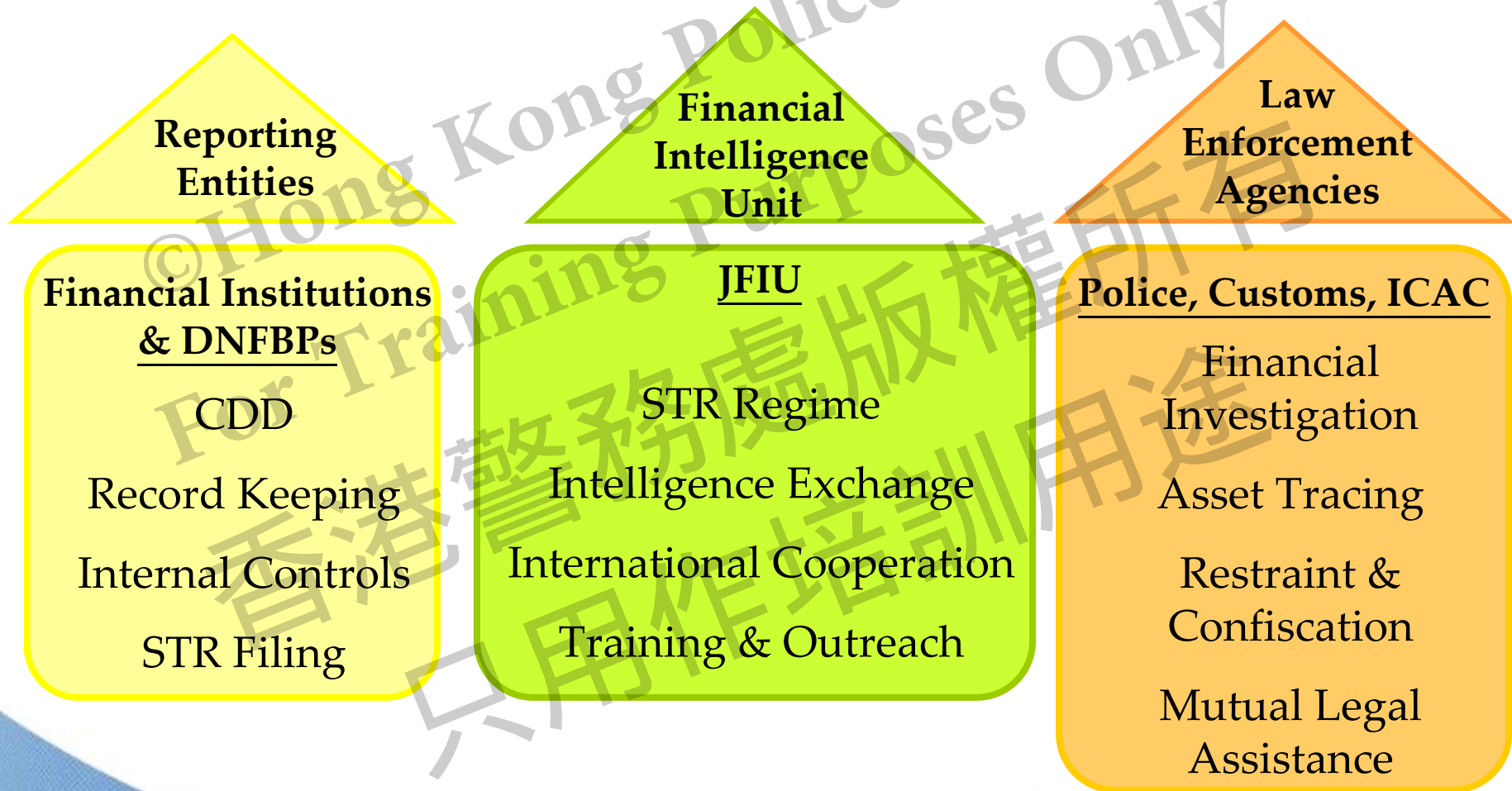
- ❖ - he knows or suspects an STR has been made
- ❖ - discloses to any other person any matter
- ❖ - likely to prejudice any investigation regarding the STR



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Our Partnership in AML



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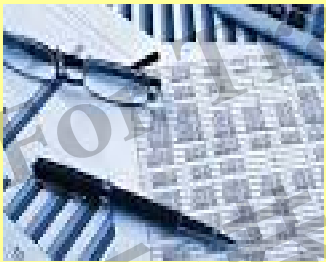


Our Partnership in AML

**Reporting
Entities**

**Financial
Intelligence
Unit**

**Law
Enforcement
Agencies**



STR



**Intelligence
Analysis**



**Financial
Investigation**

Information Flow



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Suspicious Transaction Indicators for Securities sector

Securities market related Fraud Indicators

- ❖ The customer opens numerous accounts for different legal entities that the customer controls;
- ❖ The customer receives many incoming cheques or wire transfers from unrelated third parties;
- ❖ The customer allocates incoming third-party deposits among numerous accounts;
- ❖ The customer makes numerous outgoing payments to third parties close in time to when the customer receives many incoming third-party cheques or wire transfers;
- ❖ The customer's profile does not suggest a legitimate business reason for receiving many third party deposits



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Suspicious Transaction Indicators for Securities sector

Suspicious Indicators Associated with Insider Trading

- ❖ The customer makes a large purchase or sale of a security, or option on a security, shortly before news is issued that affects the price of the security;
- ❖ The customer is known to have friends or family who work at or for the securities issuer;
- ❖ The customer's purchase does not correspond to his or her investment profile;
- ❖ The customer's account is opened or significantly funded shortly before a purchase; and
- ❖ The customer sells his or her position in a security in conjunction with a significant announcement about the security.



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Suspicious Transaction Indicators for Securities sector

Suspicious Suspicious Indicators for Market Manipulation

- ❖ The customer engages in large or repeated trading in securities that are illiquid, low priced or difficult to price;
- ❖ The officers or insiders of the issuing company are associated with other low priced, illiquid or low volume companies;
- ❖ The issuing company has failed to make required regulatory disclosures or has been the subject of a prior trading suspension;
- ❖ A customer's transactions show a pattern of receiving physical securities or receiving incoming shares transfers that are then sold, with the proceeds wired out of the account;



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Challenges

- ❖ Huge volume of transactions makes it difficult to analyze and investigate each transaction from the point of view of ML/TF.
- ❖ Securities markets provide quick liquidity and anonymous trading requirements which are much sought after by potential money launderers.
- ❖ A large number of entities provide intermediation services raise the issue of effective monitoring and enforcement.
- ❖ Competitive nature of these markets may cause intermediaries to ignore 'suspicious transactions indicators'.



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Challenges

- ❖ AML/CFT compliance is a new arena and capacity building is an issue to some jurisdictions where the markets are in a nascent stage of growth.
- ❖ Potential money launderers may trade through a complex maze of entities and structure their transactions so as to avoid detection.
- ❖ Globalization, integration of financial markets and electronic trading networks provide seamless avenues for carrying out financial transactions across markets and regions.



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Filing an STR

'SAFE' Approach

- ❖ **S**creen the clients/activities for suspicious indicators; then
- ❖ **A**sk the clients appropriate questions; then
- ❖ **F**ind out the clients records and review information in hand; then
- ❖ **E**valuate all the information to decide whether or not to make an STR



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STR Content

- ❖ Subject's personal information
- ❖ Suspicious activities
- ❖ Why suspicious?
 - Any indicators?
 - Assessment & Analysis?
 - Explanation by customers, if any.



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STR Quality

**Sufficient
Info?**

Suspicion?

**CDD &
KYC?**

**Precise &
Concise?**

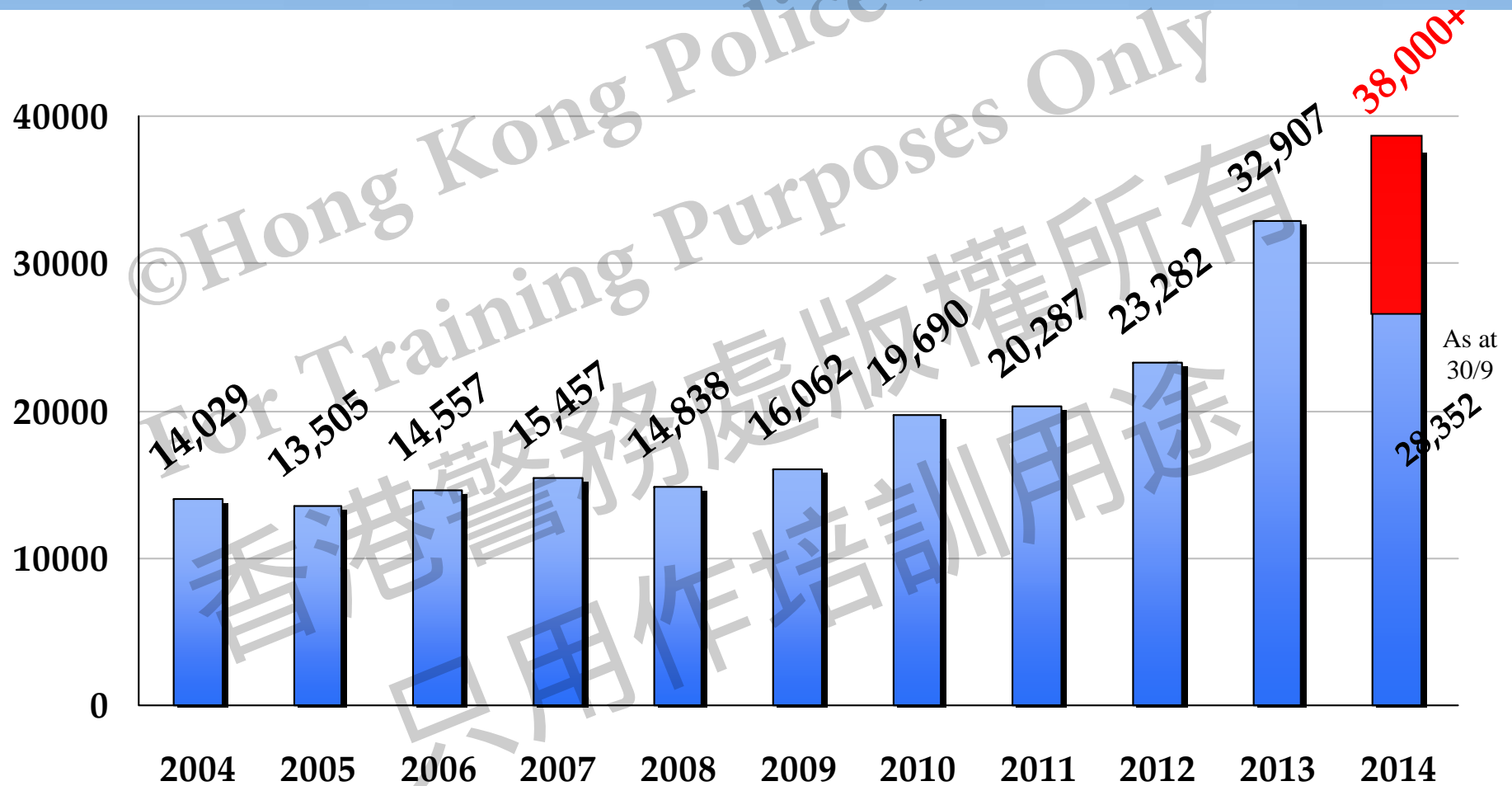
Evaluation?



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STR Figures



Projected annual no. of STR in 2014

STR Figures

	2010	2011	2012	2013	2014*
Annual STR No.	19,690	20,287	23,282	32,907	28,352
No. of STRs Filed by Securities Sector	662	470	698	1,410	1,362

* As at 2014-09-30



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STR Submission

Joint Financial Intelligence Unit
The Government of the Hong Kong Special Administrative Region

GovHK 香港政府一站通 繁體版 简体版

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- JFIU Annual Report 2013 - 2014-08-27 **NEW**
- AML Seminar Schedule - 2014-08-20 **NEW**
- FATF Report - Virtual Currencies (Key Definitions and Potential AML/CFT Risks) **NEW**
- FATF Statement - 2014-06-27 **NEW**
- Improving global AML/CFT Compliance : On-going Process - 2014-06-27 **NEW**

See More

Suspicious Transaction Report

SBox/Secure Area Login

2013 Annual Report

Welcome to the Joint Financial Intelligence Unit (JFIU) web site. The web site has been designed to give people in Hong Kong, especially those in the financial services industry and the Designated Non-Financial Businesses and Professions (DNFBP) including lawyers, accountants, estate agents, trust and company service providers, and precious metal and stone dealers, a greater understanding of the law on money laundering and terrorist financing, and t

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Last revision date: Dec 2012



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STREAMS/ S-Box

jfiu.gov.hk

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 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.

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2012 c | Important Notes

Last revision date: Dec 2012



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STR Feedback

- ❖ Receipt Acknowledgement
 - STR No.
 - Contact Person
- ❖ Letter of Consent/ No Consent
- ❖ Quarterly Report



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A simple case example

- ❖ A suspect in Australia declared minimal income to the Australian Taxation Office (ATO) while living a luxurious lifestyle.
- ❖ Investigation revealed that the suspect attempted to disguise from the ATO income he had derived from the trading of shares on the Australian Stock Exchange (ASX).
- ❖ By creating several offshore companies in Netherlands, he sold his ASX shares to the offshore companies at a value well below the true market value in an 'off market' trade so as to reduce his tax liabilities in Australia while still maintaining control of the ASX shares.



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A simple case example

- ❖ The suspect later arranged the shares be sold via his offshore companies at market value and the proceeds of the sales were returned to Australia disguised as loans from the offshore companies.
- ❖ The FIU Australia (AUSTRAC) analyzed the STR information and fund transfers between the offshore companies in Netherlands and his Australia-based company.
- ❖ Subsequently the suspect was charged with money laundering and dishonestly obtaining a gain from ATO and sentenced to 8.5 years' imprisonment.



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Thank you!

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