

4.2 Quiz

Before concluding this guide, let's do a small test to see if you understand what we have just discussed.

4.2.1 General

1. Which of the following acts does not constitute a money laundering offence?
 - a. Dealing with any property, knowing the property is proceeds of a crime
 - b. Dealing with any property, believing the property is proceeds of a crime
 - c. Dealing with any property, suspecting the property is proceeds of a crime

2. Which of the following is a statutory requirement?
 - a. Reporting a suspicious transaction
 - b. Reporting corruption
 - c. Reporting a crime



3. When should a suspicious transaction report be made when you deal with your customer?
 - a. Whenever there are suspicious activity indicators making the transaction with the customer suspicious
 - b. Whenever there are suspicious activity indicators and the transaction with the customer remains suspicious, after all the information has been reviewed and attempt to clarify the issues with the customer has failed
 - c. For all transactions of HK\$200,000 and above

4. To which organization a suspicious transaction report should be made?
 - a. Narcotics Division, Security Bureau
 - b. Hong Kong Monetary Authority
 - c. Joint Financial Intelligence Unit

5. Which of the following is not normally required for "Customer Due Diligence"?
 - a. Know the spouse of the customer
 - b. Know the customer
 - c. Know the transaction

4.2.2 Sector Specific Questions

(i) Remittance Agents and Money Changers

6. Assuming you are an employee of a remittance agent. A customer, Mr. Chan, whom you have known for a few years, introduces a new customer, Mr. Li to you. Mr. Chan owns a small restaurant in Central and he tells you that Mr. Li is his meat supplier in Wanchai Market. Mr. Li gives you HK\$50,000 in cash and requests you to remit the funds to a UK bank account in the name of David Li. When you ask him what the money is used for, Mr. Li replies that David Li is his son studying in UK and the money is to cover his living expenses. What is the most appropriate course of action?
- Refuse the remittance request as the money is in cash
 - Proceed with the remittance but make a suspicious transaction report to the Joint Financial Intelligence Unit as the money is in cash
 - Proceed with the remittance and keep the record of transaction



7. Another day you receive a call from a new customer Mr. Lo, who requests you to remit HK\$100,000 to an account in name of Mr. Tai in Thailand. He asks you to give him your company's bank account number so that he can deposit money into it. You then tell him to come down to the shop for an ID inspection but he says he is too busy. He will fax you his ID card copy and asks you to process the remittance. Which of the following is the most appropriate course of action you take?
- Refuse the remittance and make a suspicious transaction report
 - Proceed with the remittance and make a suspicious transaction report
 - Refuse the remittance but no need to make a suspicious transaction report
8. After you have refused to process the remittance for Mr. Lo in Q.7, a teenager comes to the shop and gives you HK\$100,000 in cash. He shows you his ID card and asks you to remit the money to Mr. Tai's account in Thailand. The teenager's ID indicates that he is not the caller, i.e. Mr. Lo. He also sounds quite differently from Mr. Lo. What should be your most appropriate first course of action?
- Proceed with the remittance and keep record of the remittance
 - Ask the teenager about his relationship with Mr. Lo and Mr. Tai before considering whether to entertain the request
 - Refuse the remittance request



9. Following upon Q.7 and Q.8, the teenager subsequently tells you that he has just been paid HK\$100 by a stranger round the corner of the street for processing the remittance for him. The teenager says that the man looks like a drug addict. The cash consists of notes of small denominations with strong smell of cigarette. What is the most appropriate course of action?



- a. Refuse the remittance and make a suspicious transaction report to the Joint Financial Intelligence Unit
 - b. Refuse the remittance but no need to make a suspicious transaction report
 - c. Process the remittance
10. Following upon Q.7-Q.9, if you decide to make a suspicious transaction report, what should be the most appropriate information to be included in the report?
- a. Particulars of the teenager and Mr. Tai, the suspicious circumstances, and the amount involved
 - b. Particulars of the teenager, the predicate crime you suspect, and the amount involved
 - c. Particulars of the teenager and the suspicious circumstances

(ii) *Money Lenders*

6. Assuming you are an employee of a money lender. A walk-in customer Mr. Wilson, holding a US passport, asks for a loan of US\$200,000. He produces a certificate of deposit issued by a New York bank. There is no question about the authenticity of the certificate. What is the most appropriate action you should first take?
- Process his application as usual
 - Ask for more information about him as he is a new customer and a non-resident
 - Refuse the application as he is a non-resident



7. The other day, a group of five people led by a Mr. Lam, appear at your company. Each applies for a loan of HK\$200,000. All the applicants are unknown to your company. In support of their applications, they all produce similar documents to show that they are employed by trading companies, with monthly salary ranging from HK\$20,000 to HK\$30,000. Whenever you ask them questions about their jobs, they appear to be evasive and need to seek Mr. Lam's advice. You have serious doubt as to the veracity of the information they have provided in support of their loan applications. What should be the most appropriate course of action?
- Continue to question the applicants to ascertain the predicate crime for making a suspicious transaction report
 - Refuse the application and make a suspicious transaction report
 - Refuse the application but do not make a suspicious transaction report as the predicate crime is unknown



8. A customer Mr. Leung regularly applies for loan ranging from HK\$100,000 to HK\$200,000, and he usually settles the loan prematurely, often after the first or second scheduled repayment. You notice that the settlements are always by cash in Hong Kong dollars. He claims to own a company trading miscellaneous goods to Europe, and the loan is for getting supplies from the suppliers in Mainland China. This time, Mr. Leung wants to borrow HK\$500,000. Which of the following information can assist you more in deciding whether you should continue the business relationship with Mr. Leung?
- The size of his company office, his supplier's addresses, the exact goods that he is trading
 - The size of his family, how often he goes up to China and how often he travels to Europe
 - The size of his business, reasons of early settlement, and the sources of the Hong Kong currency




9. Following upon Q.8, if Mr. Leung is not willing to answer your questions as to the sources of the cash, etc., and at the same time you find out from the “credit rating check” that Mr. Leung similarly applies for loans from other money lenders. What should be the best course of action?
- Refuse the application and make a suspicious transaction report
 - Proceed with the application as no crime is detected
 - Proceed with the application as no crime is detected but make a suspicious transaction report
10. Following upon Q.8 and Q.9, if you decide to make a suspicious transaction report, what should be the most appropriate information to be included in the report?
- Particulars of Mr. Leung and the amounts involved
 - Particulars of Mr. Leung and his company, the suspicious circumstances, and the amounts involved
 - Particulars of Mr. Leung and the predicate crimes



(iii) *Estate Agents*

6. You are approached by a walk-in customer who wishes to purchase a luxury apartment for HK\$8 million. Following a brief visit to the subject apartment, the customer offers HK\$2 million as initial deposit. Moreover, the customer requests a completion date as soon as possible. For the initial deposit, he declines to provide any other form of payment other than cash. If you were the agent, which of the following would be your best course of action in this situation:

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- a. Ask for the reason(s) for the urgency for completion of the transaction and the abnormally high amount of initial deposit and advise the customer to use other form of payment such as a cheque or a cashier order as initial deposit
 - b. Accept the initial deposit and try to complete the transaction as soon as possible
 - c. Decline the transaction

7. Following upon Q.6, you have tried to conduct some "Know Your Customer" on your customer. However, the customer refuses to answer any of your enquiries and insists on paying cash as initial deposit. What will be your best course of action to take?

- a. Accept his request immediately for fear that the business will be lost
- b. Decline the transaction and make a suspicious transaction report
- c. Decline the transaction but do not make a suspicious transaction report as the predicate crime is not known

8. You are introduced to a new customer, Mr. Gold, who seems to be very affluent and is involved in property investment. Mr. Gold now offers very attractive commission for the sale of a number of properties. You hear from your friends that he is allegedly involved in triad activities including the sale of pirated discs. Now, Mr. Gold approaches you again and says that he would like you to be the agent for a chain transaction – he will sell a property to a third party who will then sell the property to his family member within nine months. A very attractive commission of 3.5% for each transaction is offered. What will be your best course of action upon his request?
- Accept the deal without hesitation
 - File a "Crime Information" to the Police alleging that the customer is a triad member
 - Make a suspicious transaction report to the Joint Financial Intelligence Unit regarding this transaction and provide information you have regarding Mr. Gold



9. A month ago, a Mr. Hui purchased an investment property in the name of a British Virgin Islands (BVI) company, White Power Ltd., through your estate agency. The transaction was completed by means of a cash payment of HK\$4 million by Mr. Hui. You learned from the newspaper yesterday that Mr. Hui had been arrested for drug trafficking. What is the best course of action to be taken upon knowing the facts?
- Make a suspicious transaction report to the Joint Financial Intelligence Unit about the transaction and the BVI company
 - Make a report to the local police station about the transaction and the BVI company
 - No action is needed as the transaction took place some time ago



10. Mr. Au has recently been arrested for organizing a series of serious crimes. His wife, Mrs. Au, approaches you to urgently arrange the sale of her property (as you have been acting as their estate agent in the past). A very attractive commission and sale price are offered by Mrs. Au for speedy completion of the sale. However, you are aware that the property was actually purchased by Mr. Au four years ago as you were in fact involved in the transaction. The property was assigned to Mrs. Au as a gift following her marriage to Mr. Au. Should you accept the offer to act as her estate agent in this transaction?



- a. Yes. Mrs. Au is not arrested in this case. It should be legal to deal with her
- b. Yes. I just act as an agent to find a buyer for Mrs. Au and I should have no legal responsibility for such act
- c. No. The transaction may involve property derived from crime proceeds. I will also make a suspicious transaction report to the Joint Financial Intelligence Unit regarding this transaction

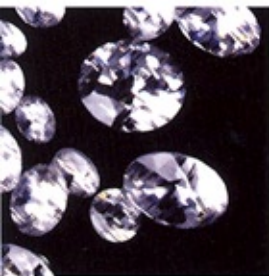
(iv) *Precious Metals and Precious Stones Dealers*

6. Mr. Kan approaches a jewellery retailer in order to purchase some loose diamonds. He requests 10 loose diamonds, each of around one carat, for a total purchase price of around HK\$800,000. Mr. Kan appears nervous, does not examine the diamonds in detail nor negotiates over the price. Upon payment, Mr. Kan insists on settlement in US banknotes. If you were the shop keeper, which of the following would be the best description of the immediate action(s) you should take regarding the above situation:

- a. Complete the deal as usual
- b. Advise the customer to use other form of payment such as a credit card or a cashier order and obtain some information of Mr. Kan tactfully regarding his background and the purpose of his transaction
- c. Decline the deal

7. Following upon Q.6, you try to ascertain more information, but Mr. Kan refuses to answer any of your questions and insists on using cash to settle payment. What will be your best course of action?

- a. Proceed with the deal immediately and make a suspicious transaction report afterward
- b. Proceed with the deal immediately but do not make a suspicious transaction report as the predicate crime is not known
- c. Decline the deal and make a suspicious transaction report



8. Your jewellery shop has a customer, Mrs. Tsao, who appears affluent and is interested in buying a number of luxury watches and jewellery accessories. You recently read an article in the newspaper suggesting Mrs. Tsao's husband is a prominent triad figure who has allegedly made a lot of money out of the sale of pirated discs and other counterfeit products. Mrs. Tsao has spent over HK\$6 million within last year in your shop. All purchases are settled by personal cheques drawn on her husband's account. What will be your best action?
- Continue to do business with Mrs. Tsao as she is a VIP customer
 - Make a suspicious transaction report to the Joint Financial Intelligence Unit regarding these transactions and provide information you have regarding Mrs. Tsao
 - File a "Crime Information" to the Police alleging that Mr. Tsao is a triad member



9. A Mr. Chu who is unknown to you and claims to be engaged in precious stones trade, has offered a batch of high quality precious stones to you at a substantial discount. However, he requests the payment method to be in cash and refuses any other safer methods of payment. Which is the best course of action for you?
- Accept the deal as it will be a profitable business for you
 - Conduct more enquiries with Mr. Chu regarding the source of these precious stones and his background
 - Make a suspicious transaction report to the Joint Financial Intelligence Unit immediately



10. During an exhibition and trade fair of jewellery and diamonds, a raw diamond wholesaler, Mr. Shing approaches you and asks if you can act as a third party buyer and seller at the same time. He will sell a batch of raw diamonds to your company and you should then sell it to another designated British Virgin Islands company at his direction. He offers you a very attractive commission. What should be your immediate action in response to his request?
- Accept his request, as it is a quick and profitable transaction
 - Ask for more details regarding this wholesaler and the purpose of this transaction
 - Refuse this transaction immediately



4.2.3 Answers

General

1. Answer: c

A person commits the offence of money laundering when he/she deals with any property **knowing** or **having reasonable grounds to believe** it to be crime proceeds or terrorist property. If a person **knows** or **suspects** any property to be crime proceeds or terrorist property, he/she should report his/her knowledge or suspicion to the Joint Financial Intelligence Unit. Failing to report is an offence.

2. Answer: a

3. Answer: b

4. Answer: c

5. Answer: a

Sector Specific Questions

(i) Remittance Agents and Money Changers

6. Answer: c

There are no suspicious circumstances. The transaction appears consistent with the subject's known background.

7. Answer: c

You are recommended to request the customer to visit your office and inspect the original of your customer's proof of identity if the customer is in Hong Kong. (Apart from the risk of being misused for money laundering, you also need to be mindful of the risk of fraud associated with non face-to-face transaction for new customer.) However, there are no suspicious circumstances, so there is no need to make a suspicious transaction report at this stage.

8. Answer: b

You need to "Know Your Customer" when establishing business relationship with them.

9. Answer: a

A number of suspicious activity indicators exist, i.e. use of third party, large cash transaction, and possible drug background. There is also no way for you to clear the suspicion. Therefore, no business relationship should be established with the teenager and a report should be made to the Joint Financial Intelligence Unit even though the remittance was not proceeded. In refusing the remittance, you may explain to the teenager that the refusal was in accordance with the anti-money laundering practices of your company, that you need to be satisfied with the result of "Know Your Customer" before processing remittance for customer.

10. Answer: a

(ii) Money Lenders

6. Answer: b

You need to "Know Your Customer" when establishing business relationship with them.

7. Answer: b

There are some suspicious activity indicators showing that the loan application may be related to fraud or other illegal purposes. It should be noted that you need not establish the predicate crime in a suspicious transaction report.

8. Answer: c

9. Answer: a

There are suspicious circumstances, which suggest that the loans may be related to illegal activities. Suspicious activity indicators include (i) multiple loans, (ii) early settlement without logical reasons, and being inconsistent with normal commercial activities, (iii) settlement of loan by cash, and (iv) customer was evasive upon enquiries. There is no need to ascertain the predicate crime in making suspicious transaction report.

10. Answer: b

(iii) Estate Agents

6. Answer: a

You need to "Know Your Customer" before deciding whether you should establish business relationship with the customer.

7. Answer: b

If you consider the case still suspicious even though you have done "Know Your Customer", it is better for you to decline the transaction and report your suspicion to the Joint Financial Intelligence Unit. In declining the transaction, you may explain to the customer that the declination is in accordance with the anti-money laundering practices of your company, that you need to be satisfied with the result of "Know Your Customer" before proceeding with the transaction for the customer. In making a report, there is no need for you to establish the predicate crimes.

8. Answer: c

There are reasonable grounds for you to suspect that his assets are proceeds of crimes.

9. Answer: a

There is no time limit for reporting a suspicious transaction. The report should be made as soon as practicable once you have the knowledge or suspicion.

10. Answer: c

The suspicious activity indicators include (i) husband arrested for crimes, (ii) urgent disposal of property, and (iii) transaction not consistent with normal business/commercial activities.

(iv) Precious Metals and Precious Stones Dealers

6. Answer: b

You need to "Know Your Customer" when establishing business relationship with your customers. Mr. Kan's response to your suggestion of changing the method of payment should form part of your "Know Your Customer" process.

7. Answer: c

There are suspicious circumstances, which you cannot clear after doing "Know Your Customer". The suspicious activity indicators include (i) new customer and unusual purchase, (ii) cash of foreign currency in large amount, and (iii) suspicious demeanour of the customer and his evasiveness. In declining the deal, you may explain to the customer that the declination is in accordance with the anti-money laundering practices of your company, that you need to be satisfied with the result of "Know Your Customer" before proceeding with the transaction for the customer.

8. Answer: b

There are reasonable grounds for you to suspect that the property of Mrs. Tsao may be proceeds of crime. Suspicious activity indicators include (i) husband involved in crimes, and (ii) making purchases in large amount.

9. Answer: b

You need to "Know Your Customer" before deciding whether the offer should be accepted or a suspicious transaction report be made.

10. Answer: b

The proposed transaction has no business sense at all and more "Know Your Customer" is needed. Suspicious activity indicators include (i) transaction with no business sense, and (ii) British Virgin Islands company is involved.

So, what is your score?

Please see the scale below:



If you get five or more correct answers out of a total of ten questions in the general and industry-specific sections, then you pass the test. Otherwise, you may need to go over this guide again, refer to your training or compliance officer, or consult the JFIU for further assistance.