



Joint Financial Intelligence Unit & Suspicious Transaction Reporting

Mr. CHAN Chun, Calvin
Senior Inspector of Police

**Joint Financial
Intelligence Unit**



Important Notice

All rights, including copyright, in this PowerPoint file are owned and reserved by the Hong Kong Police Force. Unless prior permission in writing is given by the Commissioner of Police, you may not use the materials other than for your personal learning and in the course of your official duty.

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。

STR

1. About JFIU
2. Key Legislation
3. Suspicious Transaction Reporting (STR)
4. Challenges
5. Case Studies



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

HK's AML/CFT Regime

5 Pronged Strategy

Legislation

Regulation

Law Enforcement

Publicity & Education

International Cooperation



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

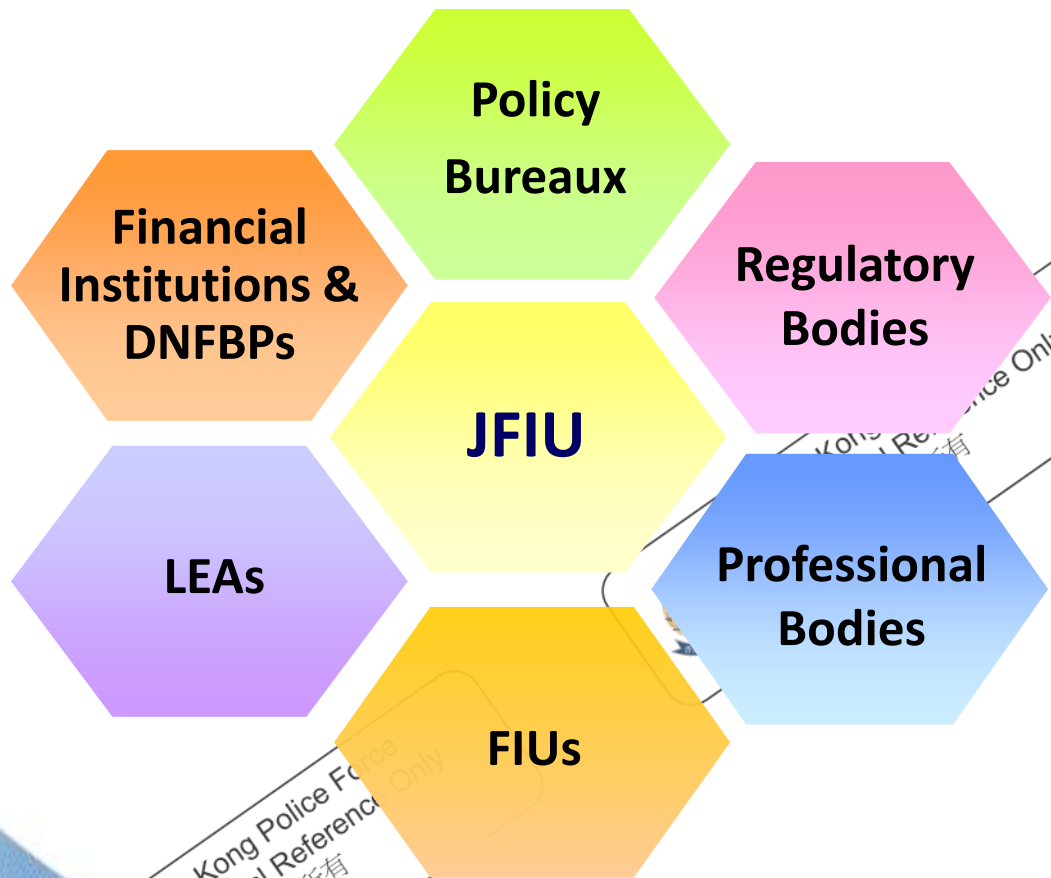


© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

About JFIU



- **Not** an investigative unit
- Receive, analyze and disseminate STRs
- International cooperation
- Typological study of money laundering / terrorist financing
- Training and outreach



AML/CFT Legislation

1989

Drug Trafficking (Recovery of Proceeds) Ordinance (DTROP, Cap 405)

1994

Organized & Serious Crimes Ordinance (OSCO, Cap 455)

2002

United Nations (Anti-Terrorism Measures) Ordinance (UNATMO, Cap 575)

2012

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

The Amendment of Cap 615 commenced operation in March 2018



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

The Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Ordinance 2018 applies

- **Statutory customer due diligence**
- **Record-keeping requirements**

to DNFBP (Designated non-financial businesses and professions)

The amendment ordinances bring Hong Kong's regulatory regime up to date and in line with international requirements as promulgated by **the Financial Action Task Force (FATF)**.

Legal Obligation to File STRs



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

Max penalty:
Fine at level 5 (HK\$ 50,000) &
3 months' imprisonment

S.25A(1) of Cap. 405 DTROP & Cap. 455 OSCO

S.12(1) of Cap. 575 UNATMO



Suspicious Transaction Reporting

- Legal obligation

- Applied to all

Where / when a person

- Disclosure based on knowledge / suspicion

- Reporting mechanism: No reporting threshold / compulsory reporting of cross-border transactions



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

Role of JFIU



**Financial
Intelligence
Unit**

AML/CFT

**Law
Enforcement
Agencies /
Regulators**

**Reporting
Entities**

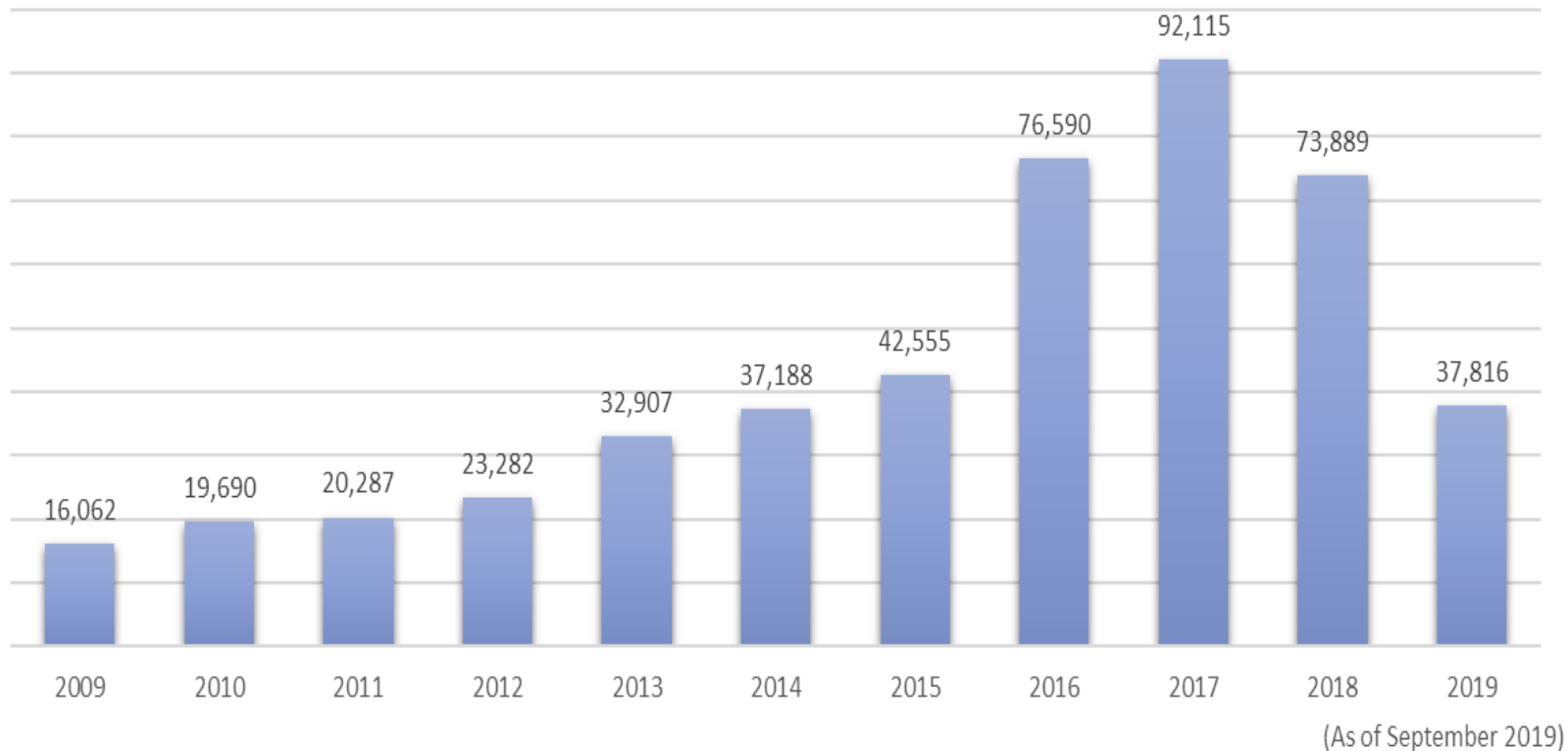


JFIU's Statistics



© Hong Kong Police Force
Personal Reference Only
香港警務處 參考

No. of STRs Received in the Past 10 Years



© Hong Kong Police Force
香港警務處
只可參考

STR Statistics



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

No. of STRs	2014	2015	2016	2017	2018	2019
Annual Total	37,188	42,555	76,590	92,115	73,889	37,816
Filed by Estate Agents	29	31	58	71	47	46
	0.06 – 0.14%					

(As of September 2019)



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

STREAMS

Suspicious Transaction REport And Management System



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

Reporting Method

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)

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.

**Download STREAMS
e-reporting form here**



**REPORT MADE UNDER SECTION 25A OF THE
DRUG TRAFFICKING (RECOVERY OF PROCEEDS) ORDINANCE OR
ORGANIZED AND SERIOUS CRIMES ORDINANCE /
SECTION 12 OF THE UNITED NATIONS (ANTI-TERRORIST MEASURES) ORDINANCE
TO THE JOINT FINANCIAL INTELLIGENCE UNIT ("JFIU")**

Date:
Ref. No.:

(A) SOURCE

Name of Institution:	Tel. No.:
Reporting Officer:	Fax No.:
Signature:	Email:

(B) SUSPICION

(Please provide details of transaction and property arousing suspicion and any other relevant information relating to money laundering associated predicate offence(s) and/or terrorist financing. Please also include any explanation given by the person(s) conducting the transaction and/or dealing with the property. Particulars of account holder, person conducting the transaction and the transactions are to be given in the following sections)

--

(C) OTHER INFORMATION

This is a new disclosure:	Yes/No	JFIU No.:
This disclosure relates to a previous disclosure:	JFIU No.:	Your Ref. No.:
This disclosure relates to existing investigation	Investigation Unit:	Case Ref.:

(D) THE PROPERTY BEING REPORTED

Property:	Value of the Property:	Last Known Location
Current Holder of the Property		



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

(E) SUSPECTED CRIME (Please put a "✓" in the selected box(es).)

Designated Categories of Offences by FATF

- | | |
|--|---|
| <input type="checkbox"/> Participation in an organized criminal group and racketeering | <input type="checkbox"/> Environmental crime |
| <input type="checkbox"/> Terrorism including terrorist financing | <input type="checkbox"/> Murder, grievous bodily injury |
| <input type="checkbox"/> Trafficking in human beings and migrant smuggling | <input type="checkbox"/> Kidnapping, illegal restraint and hostage-taking |
| <input type="checkbox"/> Sexual exploitation including that of children | <input type="checkbox"/> Robbery or theft |
| <input type="checkbox"/> Illicit trafficking in narcotic drugs / psychotropic substances | <input type="checkbox"/> Smuggling |
| <input type="checkbox"/> Illicit arms trafficking | <input type="checkbox"/> Tax crimes |
| <input type="checkbox"/> Illicit trafficking in stolen and other goods | <input type="checkbox"/> Extortion |
| <input type="checkbox"/> Corruption and bribery | <input type="checkbox"/> Forgery |
| <input type="checkbox"/> Fraud | <input type="checkbox"/> Piracy |
| <input type="checkbox"/> Counterfeiting currency | <input type="checkbox"/> Insider trading and market manipulation |
| <input type="checkbox"/> Counterfeiting and piracy of products | |

Other Predicated Offences

- ☐ Email Fraud
☐ VAT Fraud
☐ Bookmaking
☐ Others (Please Specify)
☐ Cannot be identified

(F) SUSPICIOUS INDICATOR (Please put a "✓" in the selected box(es).)

Fund Movement Pattern

- ☐ Indirect Transaction
☐ Uneconomical transaction
☐ Temporary repository of fund
☐ Transaction intended to break audit trail
☐ Transaction with no business purpose
☐ Customer insisted to use less secured transactions

Customer Background

- ☐ Transactions / Amount incommensurate with background of the person / business
☐ Money Courier
☐ Unlicensed Money Service Operator
☐ Politically Exposed Persons (PEP)
☐ Others (Please specify)

Accounts

- ☐ Shell company
☐ Account operated by signatory
☐ Transient account
☐ Non-resident personal account
☐ Offshore company

Others

- ☐ Casino related suspicious transaction
☐ Country subject to public statement
☐ Heavy insurance premium followed by quick redemption
☐ Others (Please Specify)

(G) SUBJECT

English Name:

Chinese Name:

Other ID

Type:

DOB:

Phone:

Address:

Additional Info:

Date of Last Update

English Name:

Chinese Name:

Other ID

Type:

DOB:

Phone:

Address:

Additional Info:

Date of Last Update

English Name:

Chinese Name:

Other ID

Type:

DOB:

Phone:

Address:

Additional Info:

Date of Last Update



© Hong Kong Police Force
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
香港警務處版權所有
只可用作個人參考

(H) ORGANIZATION

English Name:			
Chinese Name:		Date of Incorporation:	
Local Company	BR No.:	CR No.:	LC No.:
Oversea Company	Country:	Reg. No.:	
Non-government Org.	Y/N	Charitable Org.	Y/N
Business Nature:			
Phone:			
Address:			
Related Person		Role: <input type="checkbox"/> Director / <input type="checkbox"/> Shareholder / <input type="checkbox"/> Beneficial Owner / <input type="checkbox"/> Others:	
Related Company		Role: <input type="checkbox"/> Director / <input type="checkbox"/> Shareholder / <input type="checkbox"/> Beneficial Owner / <input type="checkbox"/> Others:	
Additional Info.:			
Date of Last Update			



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

(I) ACCOUNT

Account Institution:			
Account No.:		Type:	
Opening Date:		Closing Date:	
Balance	Currency:	Amount:	Date:
Related Person		Role: <input type="checkbox"/> Director / <input type="checkbox"/> Shareholder / <input type="checkbox"/> Beneficial Owner / <input type="checkbox"/> Signer / <input type="checkbox"/> Others:	
Related Company		Role: <input type="checkbox"/> Director / <input type="checkbox"/> Shareholder / <input type="checkbox"/> Beneficial Owner / <input type="checkbox"/> Signer / <input type="checkbox"/> Others:	
Additional Info.:			
Date of Last Update			

(J) TRANSACTION

No	From Date	To Date	Subject	Type	Currency	Amount
1				<input type="checkbox"/> TT / <input type="checkbox"/> Wire Transfer / <input type="checkbox"/> Cash / <input type="checkbox"/> Cheque / <input type="checkbox"/> Others:	HKD	
Transaction Branch						
Counterpart				A/C:	Others:	
Remark						



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



To Report, or Not to Report ?



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

How to File Quality STRs?

SAFE Approach

Screen

Ask

Find

Evaluate

subject entities' background & transactions

appropriate questions to clarify circumstances

relevant records for review

whether suspicion is substantiated



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



香港警務處
只可用作個人參考

What to Report in STRs?

CHECKLIST



- **Particulars** of the subject persons / organizations / beneficial owners
- **What Suspicious?**
 - Property involved
 - Accounts and transactions
- **Why Suspicious?**
 - Suspected crimes / suspicious indicators / news
 - Assessment and analysis?
 - Explanation by customers, if any
- **Previous STR ref. / Police case ref., if any**



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

Latest Money Laundering Trends



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



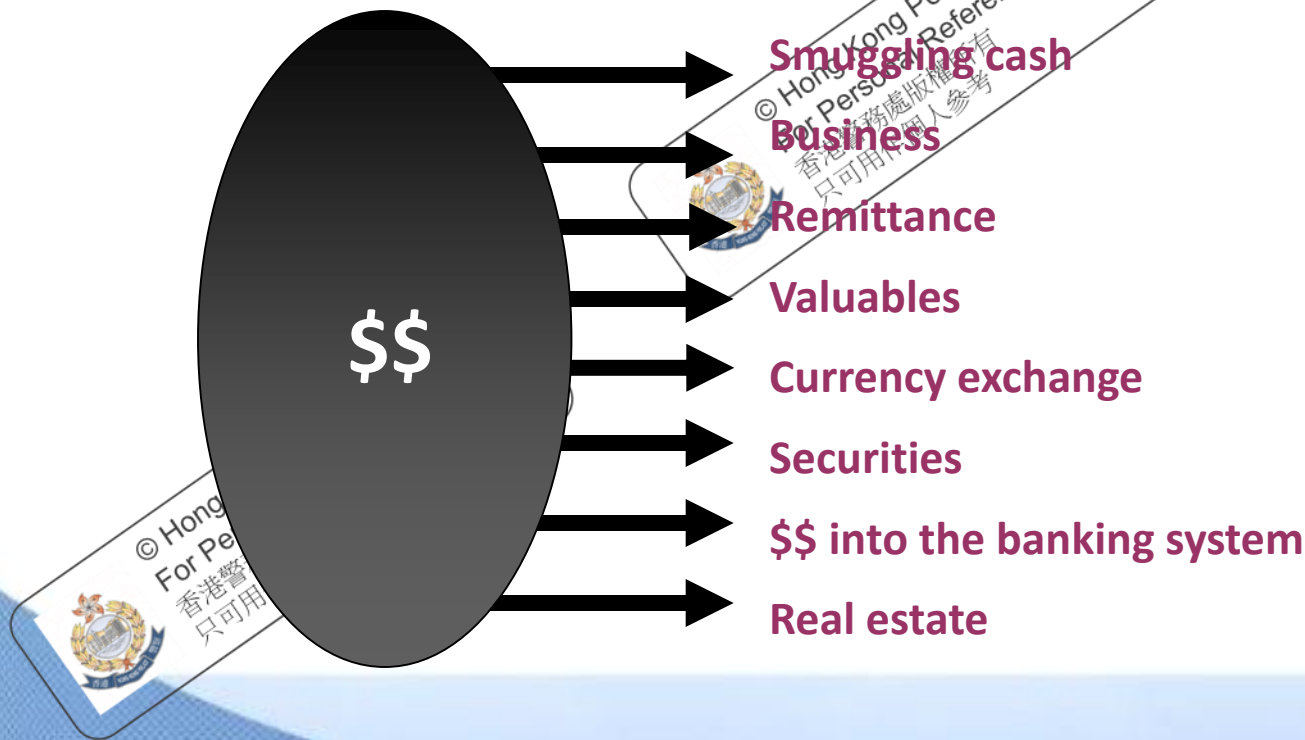
© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



Common Modus Operandi of Money Laundering

Stage I: Placement

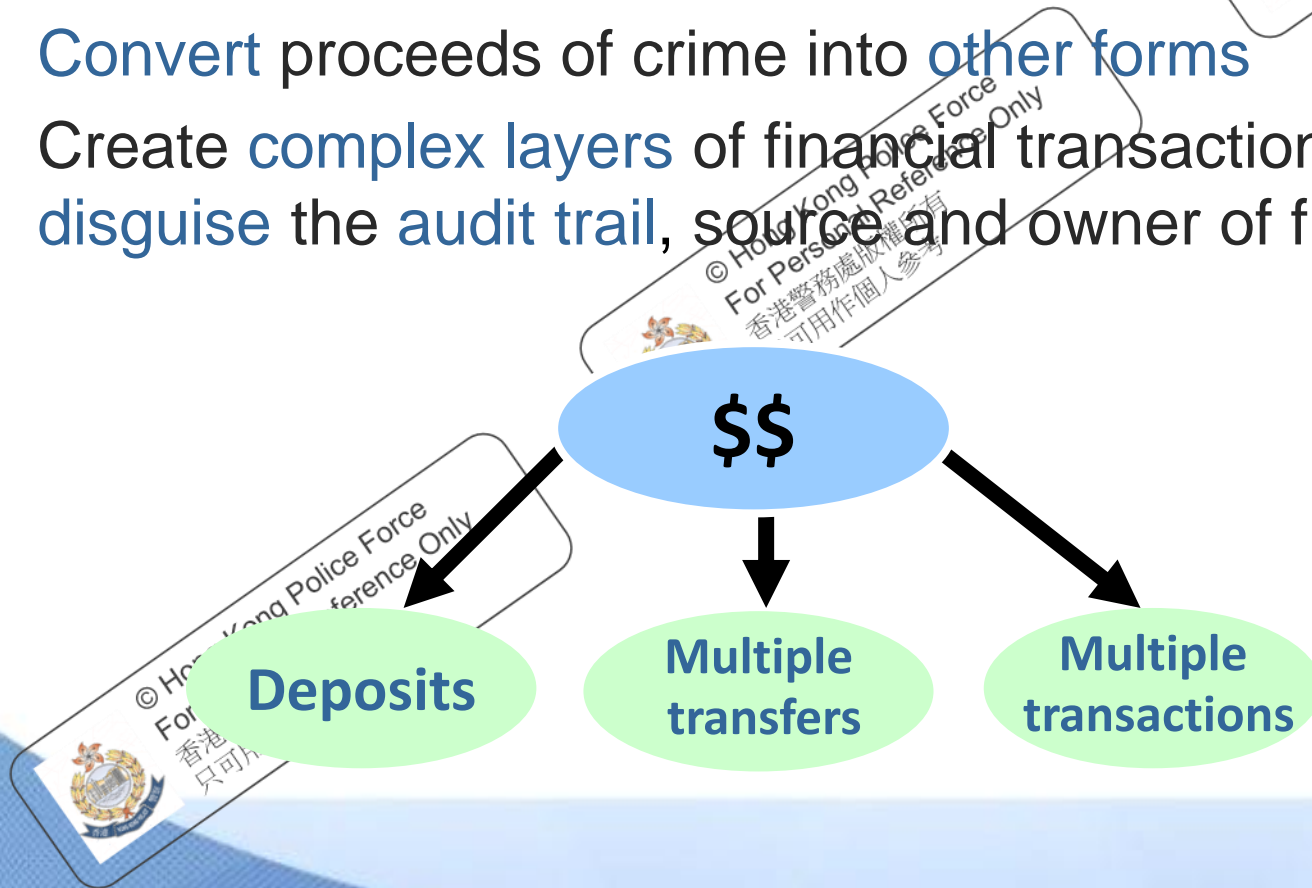
- Place dirty monies into the financial system



Common Modus Operandi of Money Laundering

Stage II: Layering

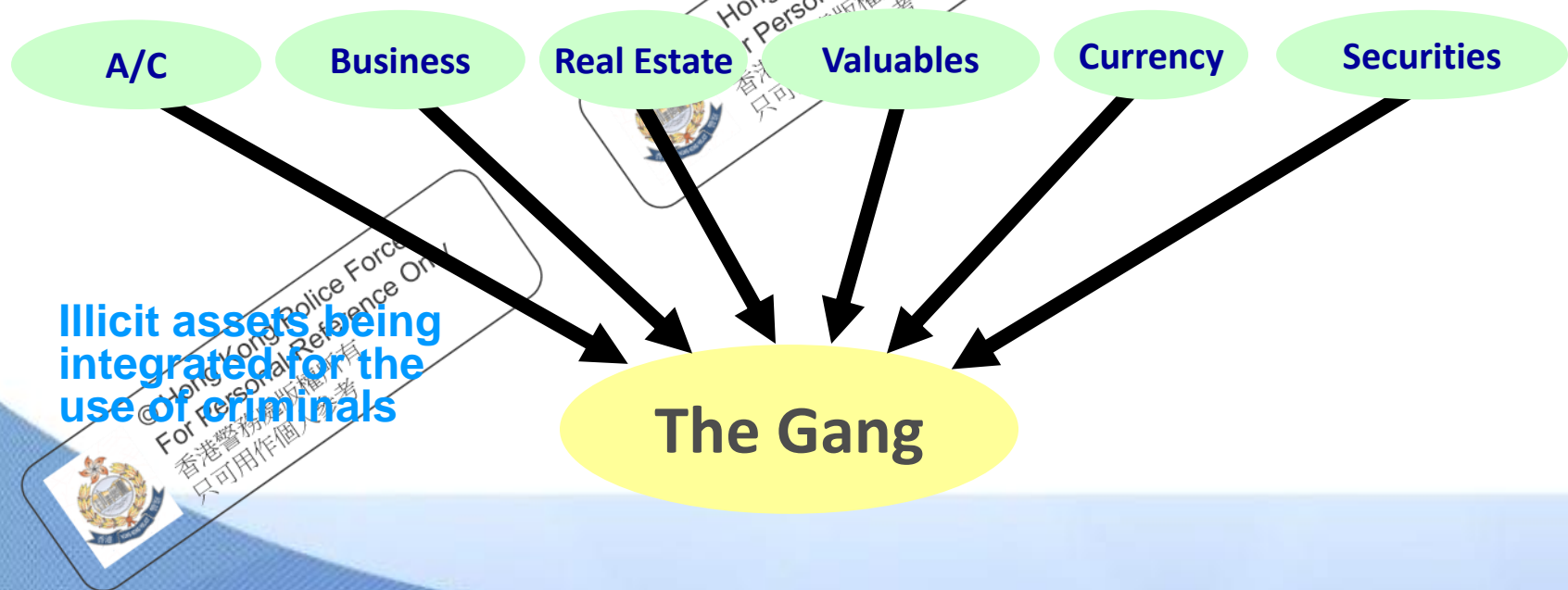
- Convert proceeds of crime into other forms
- Create complex layers of financial transactions to disguise the audit trail, source and owner of funds



Common Modus Operandi of Money Laundering

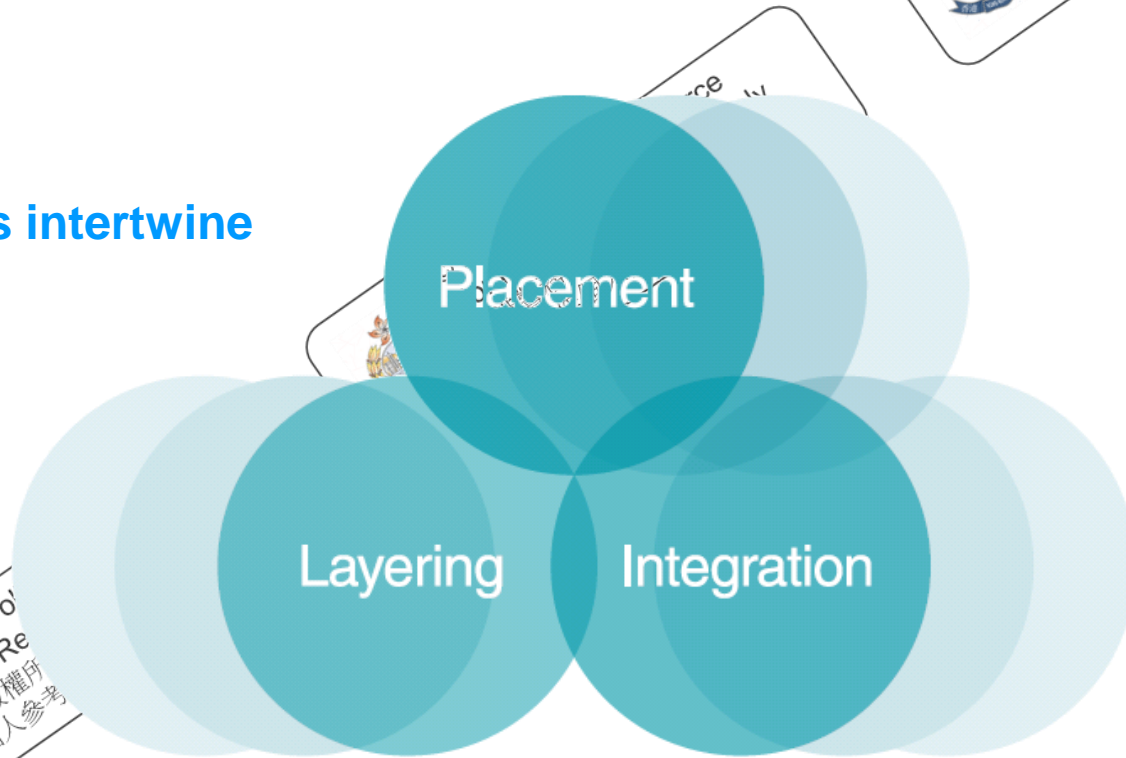
Stage III: Integration

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



Common Modus Operandi of Money Laundering

The three stages intertwine



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

Suspicious Transaction Indicators: Estate Agents

Customer Identity

- (i) Background of property purchaser/seller incommensurate with the transaction
- (ii) Property purchaser/seller being a shell company/offshore company
- (iii) Transactions conducted by a third party (e.g. under power of attorney)



KYC
CDD



Suspicious Transaction Indicators: Estate Agents



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

Transaction

- (i) **Cash** transactions in large amounts
- (ii) **Substantial difference between the transaction price and the market price** without apparent reason
- (iii) **Unknown source of funds** for purchasing the property
- (iv) **Transaction completed in an exceptionally short period**
- (v) Transaction proceeds directly transferred to the seller **without routing through a law firm**
- (vi) **Unreasonably generous commission** for the estate agent



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



Suspicious Transaction Indicators: Estate Agents

Others

- (i) Person negotiating the deal and the **ultimate purchaser being different persons**
- (ii) Purchaser and seller who **know each other** acting through an estate agent as if they were **strangers**
- (iii) **Frequent sale and purchase of property** among related parties
- (iv) **Unusual ownership records**





Case Studies



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

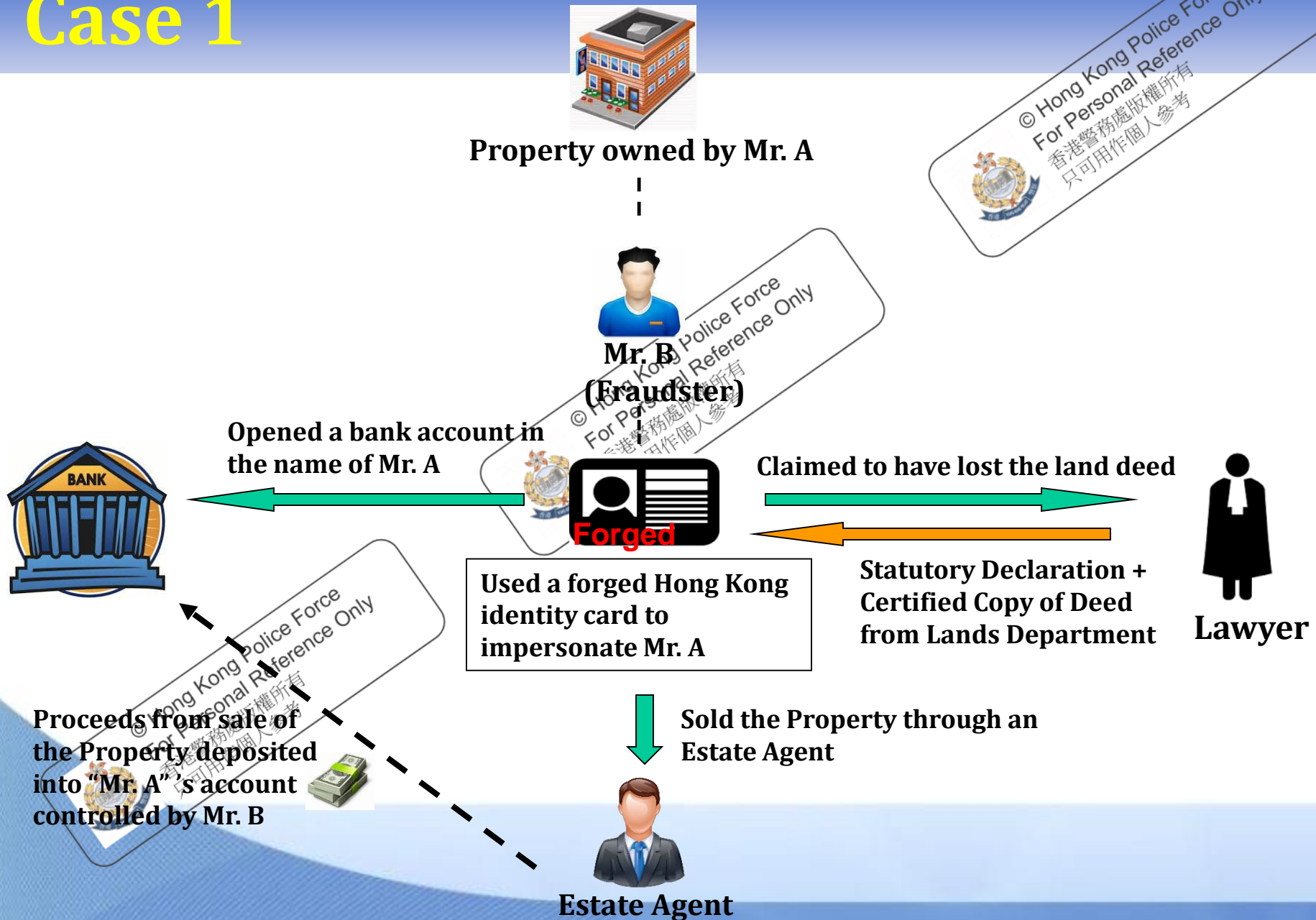


© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考



© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可用作個人參考

Case 1



Case 2

Mr C
(arrested)



Asked his wife
to resell
property to a
friend

Mrs C



Estate Agent



Mr C's friend



Further resale to
Mrs C's sister

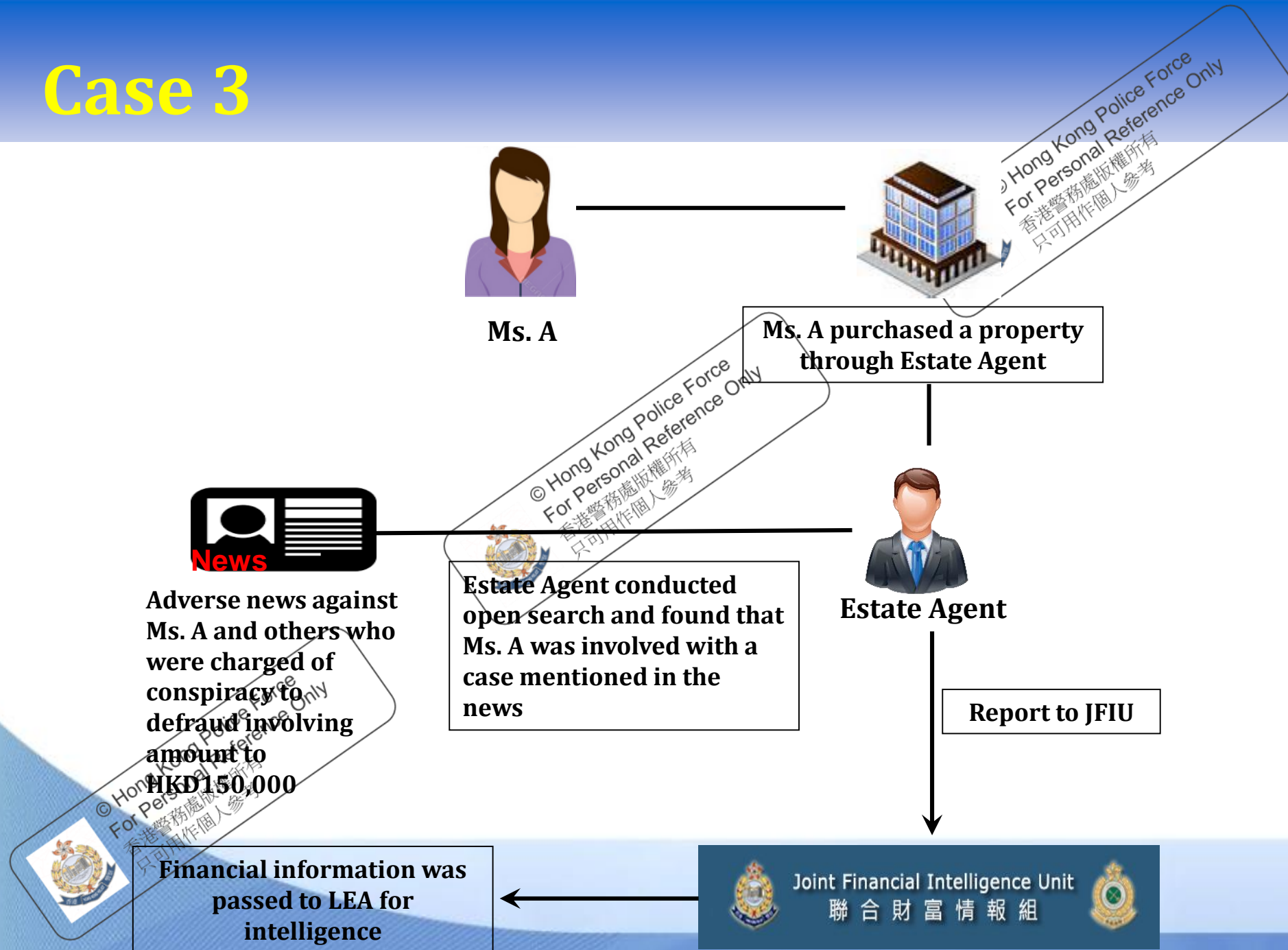


- Consecutive transactions arranged through the same estate agent

Joint Financial Intelligence Unit
聯合財富情報組

© Hong Kong Police Force
For Personal Reference Only
香港警務處版權所有
只可供個人參考

Case 3





Thank you!

www.jfiu.gov.hk

