



Seminar on Anti-Money Laundering
& Counter-Financing of Terrorism
Customs and Excise Department – Inspector Erica KO



聯合財富情報組
Joint Financial
Intelligence Unit



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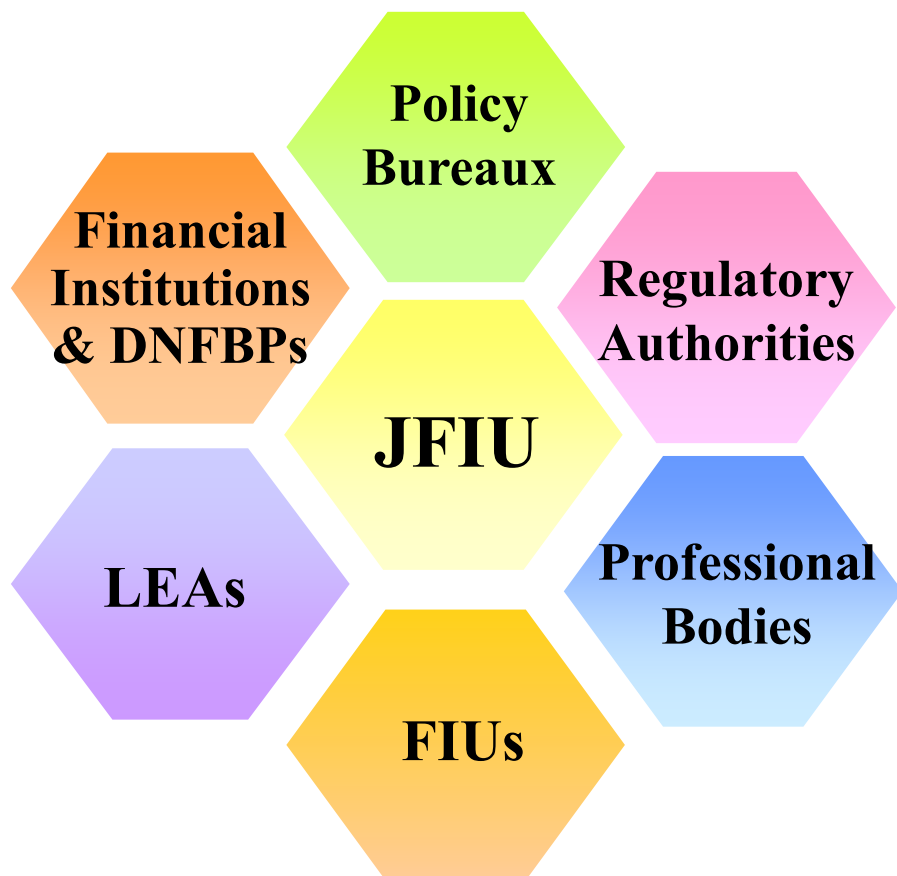


Introduction of Joint Financial Intelligence Unit

- Set up in 1989
- Co-staffed by officers of **HKPF** & **C&ED**
- **Sole agency** to manage the suspicious transaction reporting regime
- Intelligence Unit of LEA



Responsibility of JFIU



- **Not** an investigative unit
- Operation of the Suspicious Transaction Reporting Management System (STREAMS)
- Receive, analyze and store suspicious transaction reports and disseminate to the appropriate investigation team for processing
- Cross-departmental collaboration and international cooperation
- Academic research on money laundering and terrorist financing types
- Training and Outreach Activities



Different Stakeholders in AML/CFT

Reporting Entities

- Financial Institutions & DNFBPs
- CDD + KYC
- Record Keeping
- Internal Controls
- STR Filing

Financial Intelligence Unit

- JFIU
- STR Regime
- Intelligence Exchange
- International Cooperation
- Training & Outreach

Law Enforcement Agencies

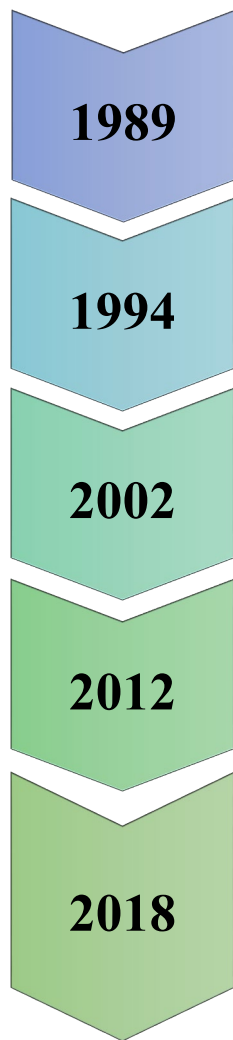
- eg. Police, Customs, ICAC
- Financial Investigation
- Asset Tracing
- Restraint & Confiscation
- Mutual Legal Assistance



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Key Legislation



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

Organized and Serious Crimes Ordinance (OSCO, Cap. 455)

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

AML & CFT (Financial Institutions) Ordinance (AMLO, Cap. 615)

AML & CFT Ordinance (Amendment), Cap. 615

Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance (CBNI, Cap.629)

Key Legislation

Combating money laundering and terrorist financing

- Any person who **knows or has reasonable grounds** to believe that any property represents the **proceeds of crime**

S.25 of Cap. 405 DTROP

- Dealing with the property

S.25 of Cap. 455 OSCO

- Any person who directly or indirectly **provides or raises property**

- With the **intention** to commit a terrorist act
- Know that the property is used to **commit** a terrorist act

(whether or not the property is actually used)

- **Maximum penalty: Fine of HK\$5 million and 14 years imprisonment**



Key Legislation

Legal Responsibilities for Reporting Suspicious Transactions

- Anyone who **knows or suspects**
- Any property represents the **proceeds of crime or terrorist property**
- Must be disclosed to an **authorized officer (Joint Financial Intelligence Unit)**
 - S.25A(1) of Cap. 405 DTROP*
 - S.25A(1) of Cap. 455 OSCO*
 - S.12(1) of Cap. 575 UNATMO*
- **Maximum penalty:**
 - **Fine of HK\$50,000 and three months imprisonment**



Key Legislation

Legal Defense

Anyone, who has made a report to an authorized officer (JFIU) and the disclosure relates to that act, **does not commit a money laundering offense** in the following two situations:

1. that disclosure is made **before he does that act and he does that act with the consent of an authorized officer**;
or
2. The report was made after he had disposed of the property:
 - on his **own initiative**; and
 - **as soon as it is reasonable** for him to make it.



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How to detect suspicious transactions



When to report



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How to detect suspicious transactions

SAFE approach



Screen

- **Screen** the account for suspicious indicators

Ask

- **Ask** the customer appropriate questions

Find

- **Find** out the customer's records

Evaluate

- **Evaluate** all the above information



Common Red Flags

Transaction

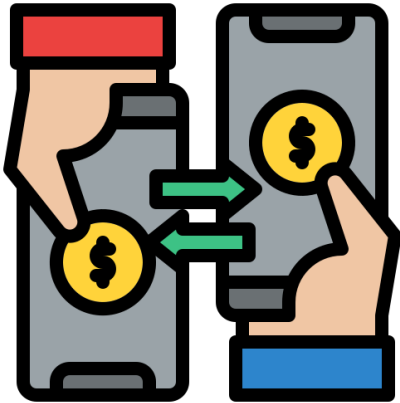
Source of funds/destination unknown/uncertain

The transaction volume, frequency, mode, type, counterparty, and purpose are not commensurate with the client's background

Large cash transactions/ Excessive funds

Test transactions and predict monitoring thresholds

Suddenly active trading occurs during a certain period of time



Common Red Flags

Customers and Accounts



The purpose of opening an account, the expected transaction volume, and the expected balance **are not commensurate with the customer's background**, and are not commensurate with the actual current situation

CDD/KYC **response avoidance/rejection/no response**, suspicion cannot be ruled out

Others



Crime related

LEA / Regulator / International Financial Institution, Inquiries / Notices / Referrals

News reports

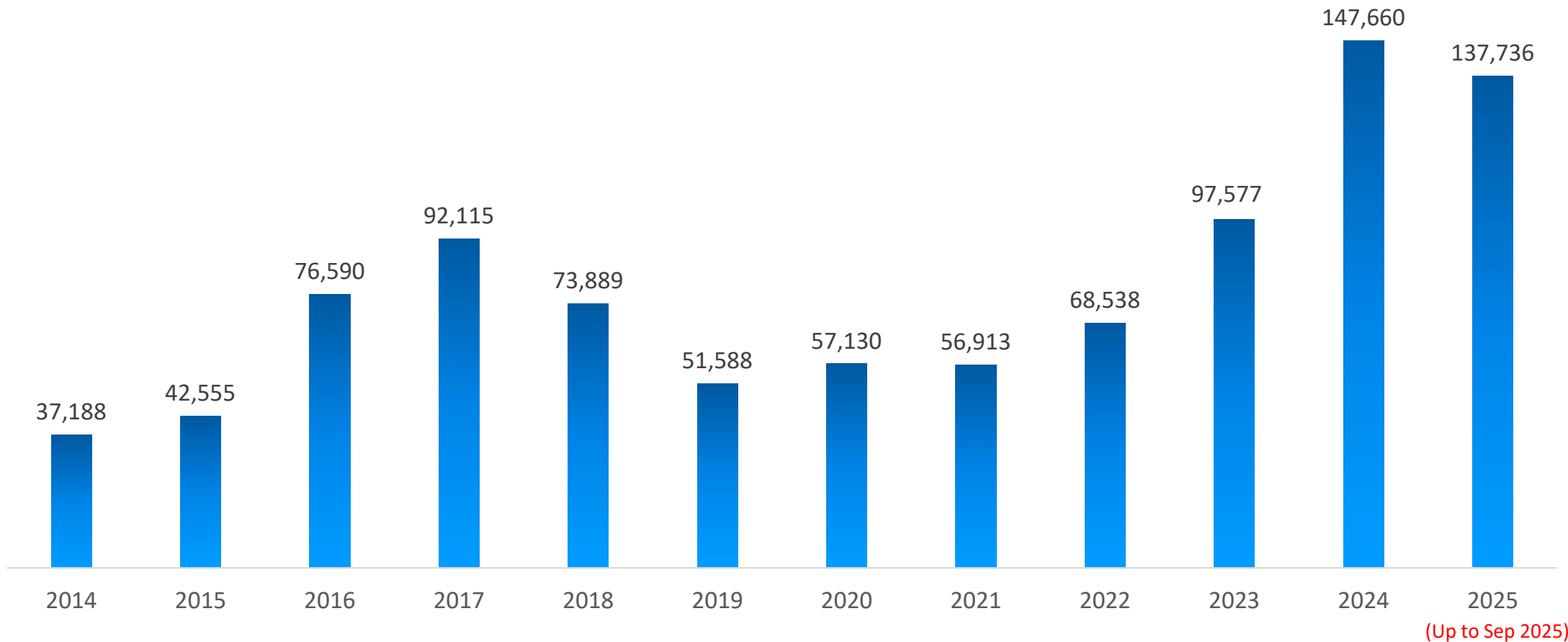


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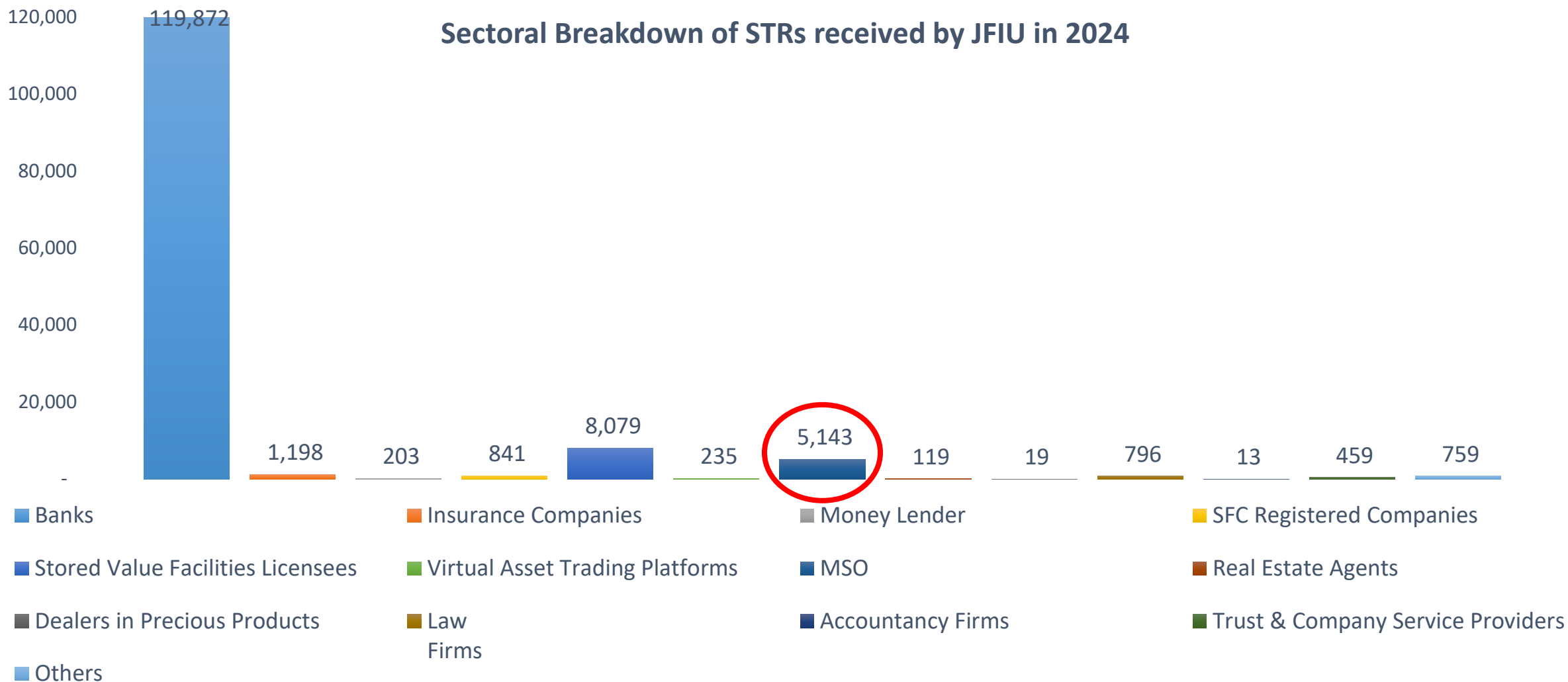


Statistics of STRs

No. of STRs received by JFIU



Statistics of STRs



How to Submit an STR to JFIU

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

繁體版 簡體版 Text Version SEARCH

Welcome to The Joint Financial Intelligence Unit (JFIU) website.

HOME

How to identify a Suspicion

- How to identify a Suspicion?
- When to submit an STR?
- How to submit an STR?
- What to Report in an STR?
- Download**

STR Summary Reporting Body Subject Organization Phone Address Account Transaction
Suspected Crimes Suspicious Indicators Open Source Info. Entity Lists Check Save Print

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-TERRORISM MEASURES) ORDINANCE TO THE JOINT FINANCIAL INTELLIGENCE UNIT ("JFIU")

STR Summary		
STR Number:	<input type="text"/>	
Submission Number:	<input type="text"/>	
Date of Submission:	<input type="text"/>	
Acknowledgement Issue Date:	<input type="text"/>	
Consent Letter Issue Date:	<input type="text"/>	
Consent:	<input checked="" type="checkbox"/> None <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	
Consent Remark:	<input type="text"/>	
Special Cases with Time Critical Nature:		
Report Related to Existing Investigation:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Attachment:		
No.	File Name	File Size
1		KB
Total		KB

www.jfiu.gov.hk

What to Report in an STR

- Details of the parties/organizations/beneficial owners
- What's suspicious?
 - Involving property, accounts and transactions
- Why is it suspicious?
 - Suspected crime/suspicious signs/information
 - Assessment and analysis?
 - Customer's explanation (if any)
- Previous suspicious transaction report number, customs or police case number (if any)



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.

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

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

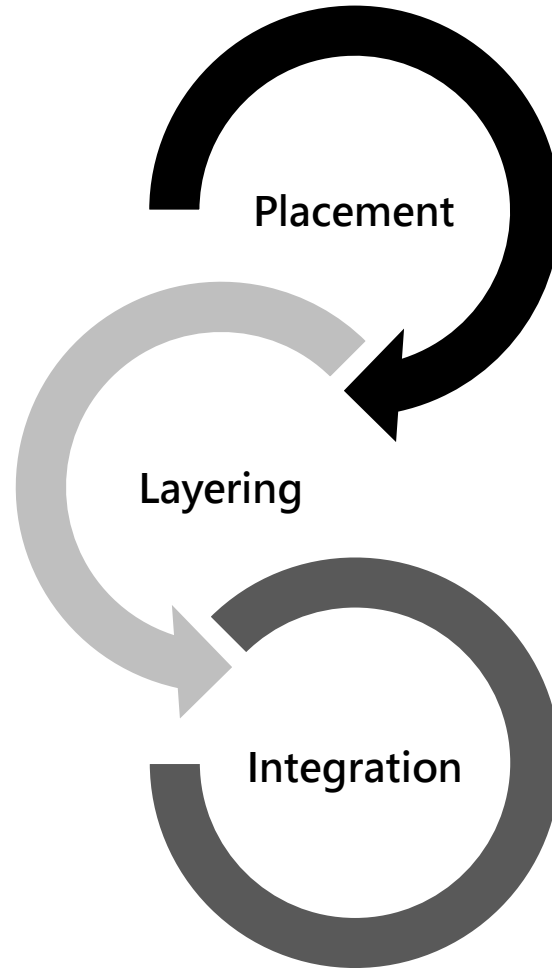
5) Conclusion & Way Forward

- Conclusion of the report
- Follow-up actions (Enhanced CDD measure, End of business relationship, etc.)

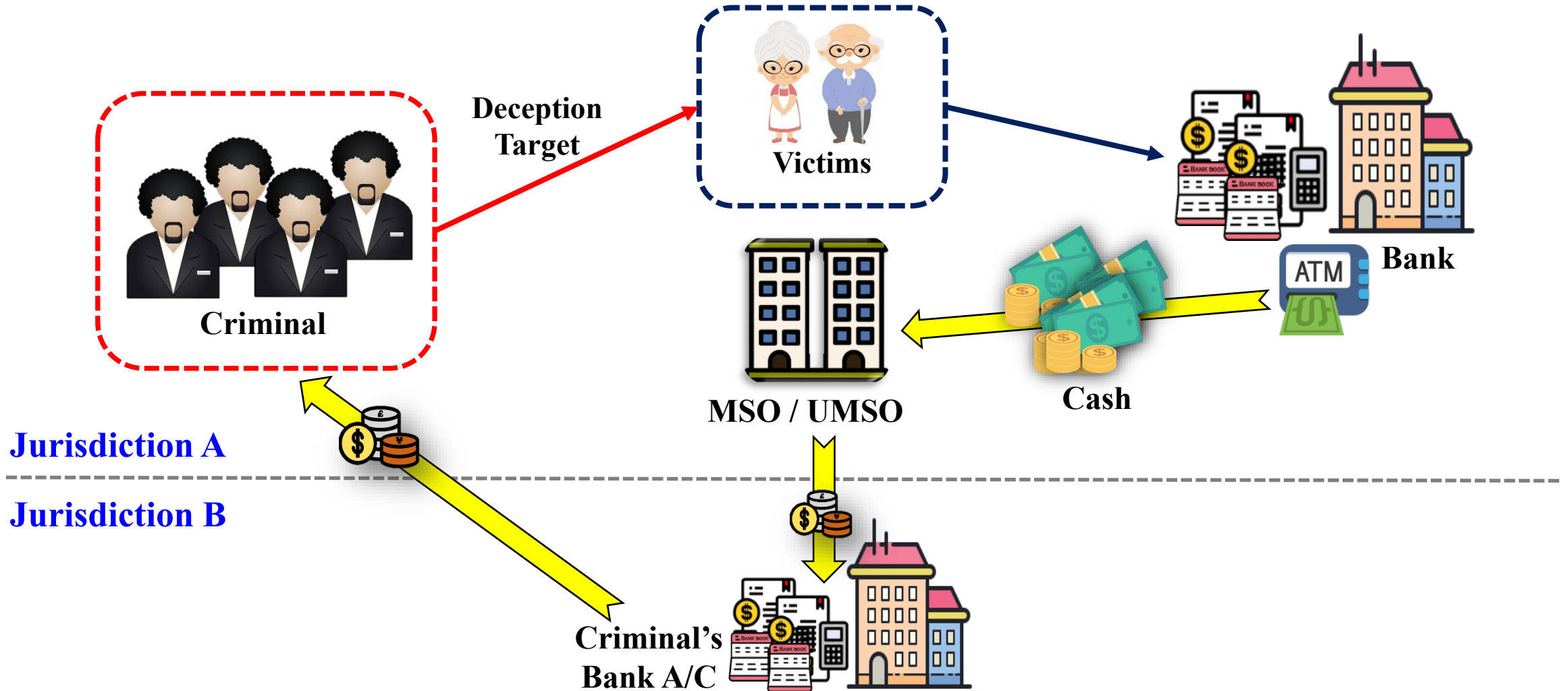
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Money Laundering Typology



Case Study



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