



Joint Financial Intelligence Unit **Emerging Money Laundering** **Methods & Trends**

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Senior Inspector of Police



**Joint Financial
Intelligence Unit**



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重要告示

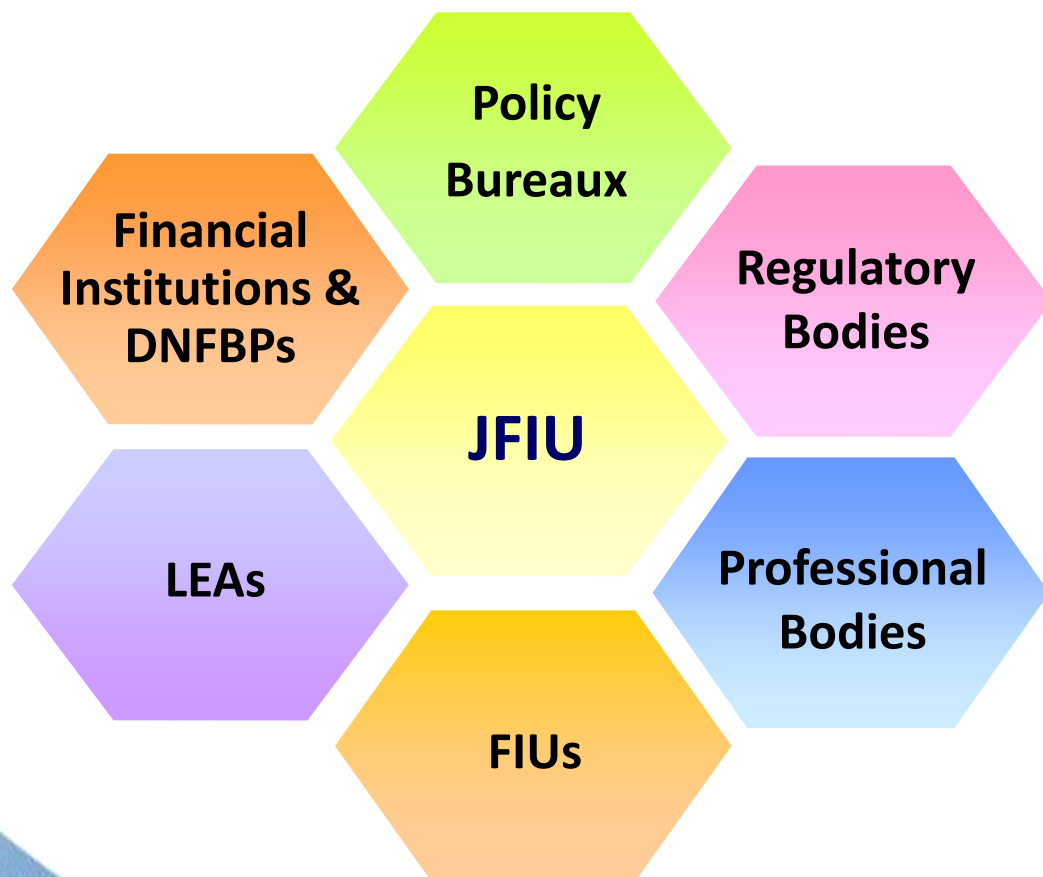
香港警務處持有並保留本簡報檔案包括版權在內的所有權益。除預先獲得警務處處長書面許可外，本簡報檔案只可用作個人學習及處理公務上用途。

內容總覽

S T R

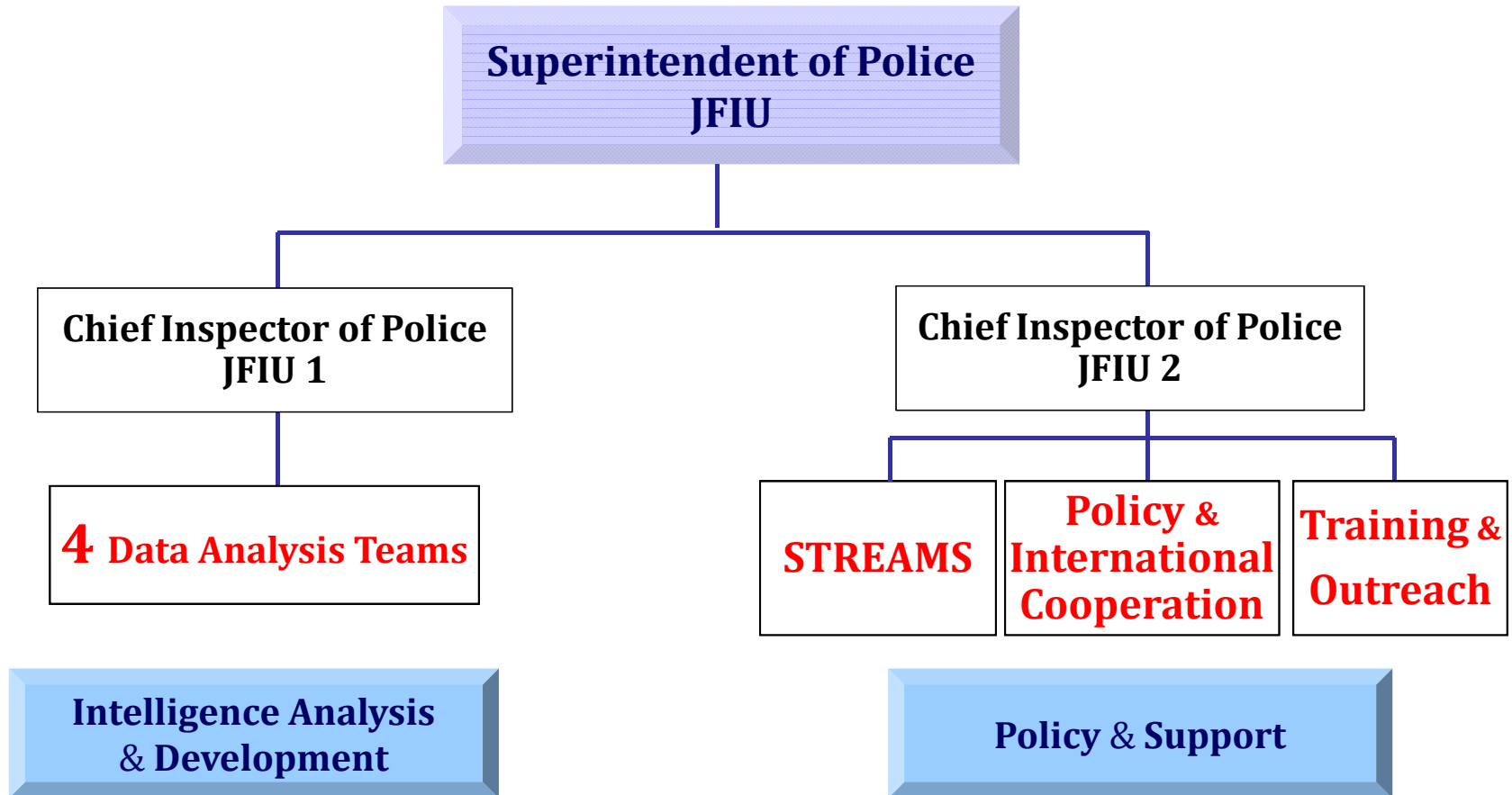
- 1. About JFIU**
- 2. Money Laundering – Definition**
- 3. Key Legislation**
- 4. Money Laundering Methods**
- 5. Challenges and Indicators**

About JFIU



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

Structure of JFIU



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)



Money Laundering - Definition

The term “Money Laundering”:

an act intended to have the effect of making any property:



- (a) that is the proceeds obtained from the commission of an indictable offence under the laws of Hong Kong, or of any conduct which if it had occurred in Hong Kong would constitute an indictable offence under the laws of Hong Kong; or
- (b) that in whole or in part, directly or indirectly, represents such proceeds,
not to appear to be or so represent such proceeds.

S.1 Sch.1 Cap. 615 AMLO

Money Laundering – Offence



- Any person who
- **knowing** / Having reasonable grounds to **believe** that
- any property represents any person's proceeds of drug trafficking / indictable offence
- **deals** with that property

Max penalty:

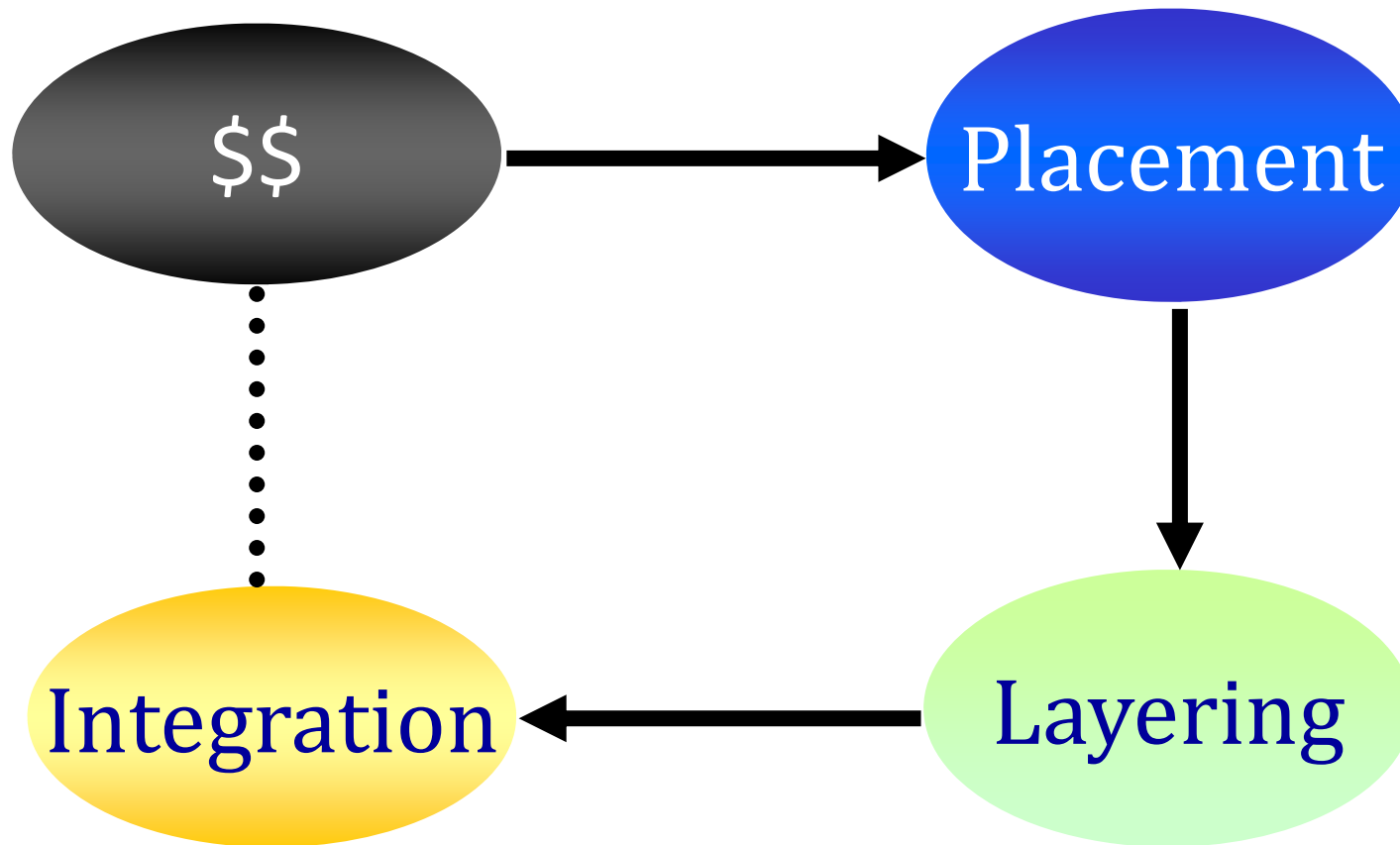
Fine of HKD \$5,000,000 and Imprisonment for 14 years

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

Money Laundering Methods



Money Laundering Methods



Money Laundering Methods

Placement



Smuggling cash

Business

Remittance

Valuables

Currency

Securities

Banking System

Real Estate

Money Laundering Methods

Layering



deposits

multiple
transfers

multiple
transactions

Money Laundering Methods

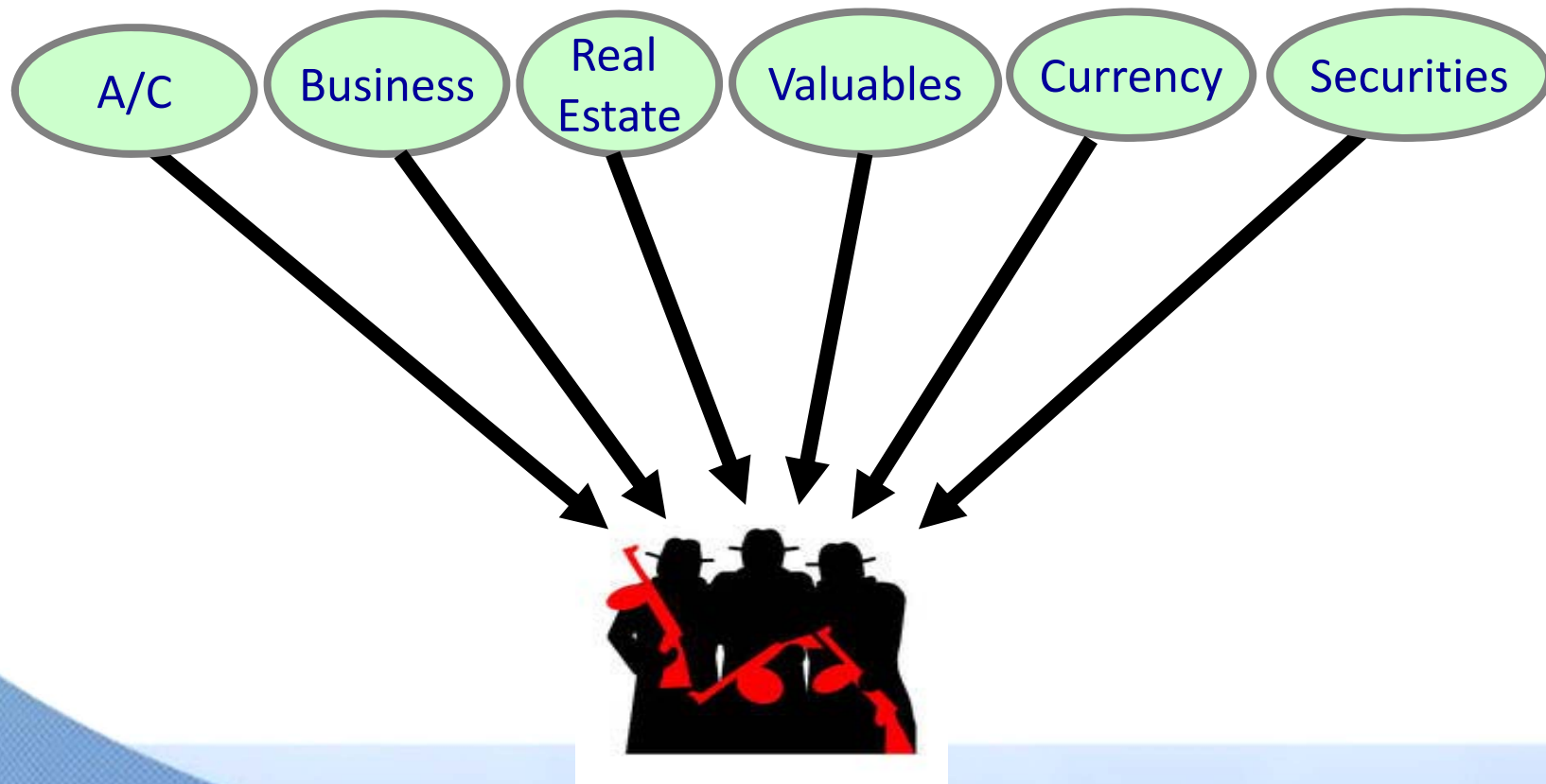
Integration

- Use layered funds to purchase 'clean assets'
- Liquid assets
- Fixed assets (e.g. real estate)
- Business



Money Laundering Methods

Integration



Importance of MSOs in AML

Business Characteristics

- One-off
- Cash Transactions
- Simple
- Worldwide



Challenges in Combating Money Laundering

Cross-border transactions



Non-local signatories



Corporate service providers



Offshore companies

Challenges in Combating Money Laundering



Use of Internet / high technology



Non-face-to-face account opening



E-banking



New payment methods

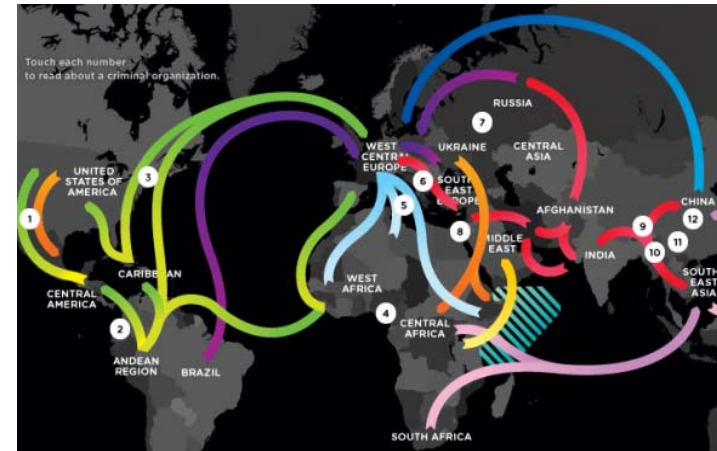
Challenges in Combating Money Laundering



Use of professional service



Complicated financial products



Transnational crime syndicates

Red-flag indicator



Some of the common red-flag indicators

- (i) Unusual large cash transactions
- (ii) Substantial increases in transactions of an individual or business without apparent cause,
- (iii) Customers who exchange or remit cash by means of numerous smaller transactions so that each transaction is unremarkable
- (iv) Reluctant to provide normal information
- (v) number of customers transferring funds to the same beneficiary without an adequate explanation.



Some of the common red-flag indicators

- (vi) Transactions inconsistent with the customer's usual business or apparent means without good explanation.
- (vii) Customers receipt of numerous transfers but each transfer is below the reporting /identification requirement in the remitting country.
- (viii) Customers sending and receiving transfers to/from tax havens, particularly if there are no apparent business reasons for such transfers





Thank you!



www.jfiu.gov.hk



Joint Financial Intelligence Unit & Suspicious Transaction Reporting

Ms. KWOK Ka-ying Stephanie
Senior Inspector of Police



Joint Financial
Intelligence Unit



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內容總覽

STR

- 1. Key Legislation**
- 2. Suspicious Transaction Report (STR)**
- 3. Role of JFIU**
- 4. Statistics**
- 5. SAFE approach**
- 6. Case example**

AML/CFT Legislation

1989

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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

Legal Obligation to File STRs

- Cap 405 S.25A(1)

(1) Where a person **knows or suspects** that any property-

(a) in whole or in part directly or indirectly represents any person's proceeds of;

(b) was used in connection with; or

(c) is intended to be used in connection with,

drug trafficking, he shall as soon as it is reasonable for him to do so disclose that knowledge or suspicion, together with any matter on which that knowledge or suspicion is based, to an authorized officer.

- Cap 455 S.25A(1)

(1) Where a person **knows or suspects** that any property-

(a) in whole or in part directly or indirectly represents any person's proceeds of;

(b) was used in connection with; or

(c) is intended to be used in connection with,

an indictable offence, he shall as soon as it is reasonable for him to do so disclose that knowledge or suspicion, together with any matter on which that knowledge or suspicion is based, to an authorized officer.

Legal Obligation to File STRs

- Cap 575 S.12(1)

- (1) Where a person **knows or suspects** that any property is **terrorist property**, then the person shall disclose to an authorized officer the information or other matter-
 - (a) on which the knowledge or suspicion is based; and
 - (b) as soon as is practicable after that information or other matter comes to the person's attention.

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

Suspicious Transaction Reporting

■ Statutory protection from civil / criminal liability

(3) A disclosure referred to in subsection (1)-

(a) shall **not 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;

(b) shall **not render the person who made it liable in damages for any loss** arising out of-

(i) the disclosure;

(ii) any act done or omitted to be done in relation to the property concerned in consequence of the disclosure.

Suspicious Transaction Reporting

- Not to disclose details after reporting

- (5) A person commits an offence if, knowing or suspecting that a disclosure has been made under subsection (1) or (4), he discloses to any other person any matter which is likely to prejudice any investigation which might be conducted following that first-mentioned disclosure.

- Source of information kept confidential

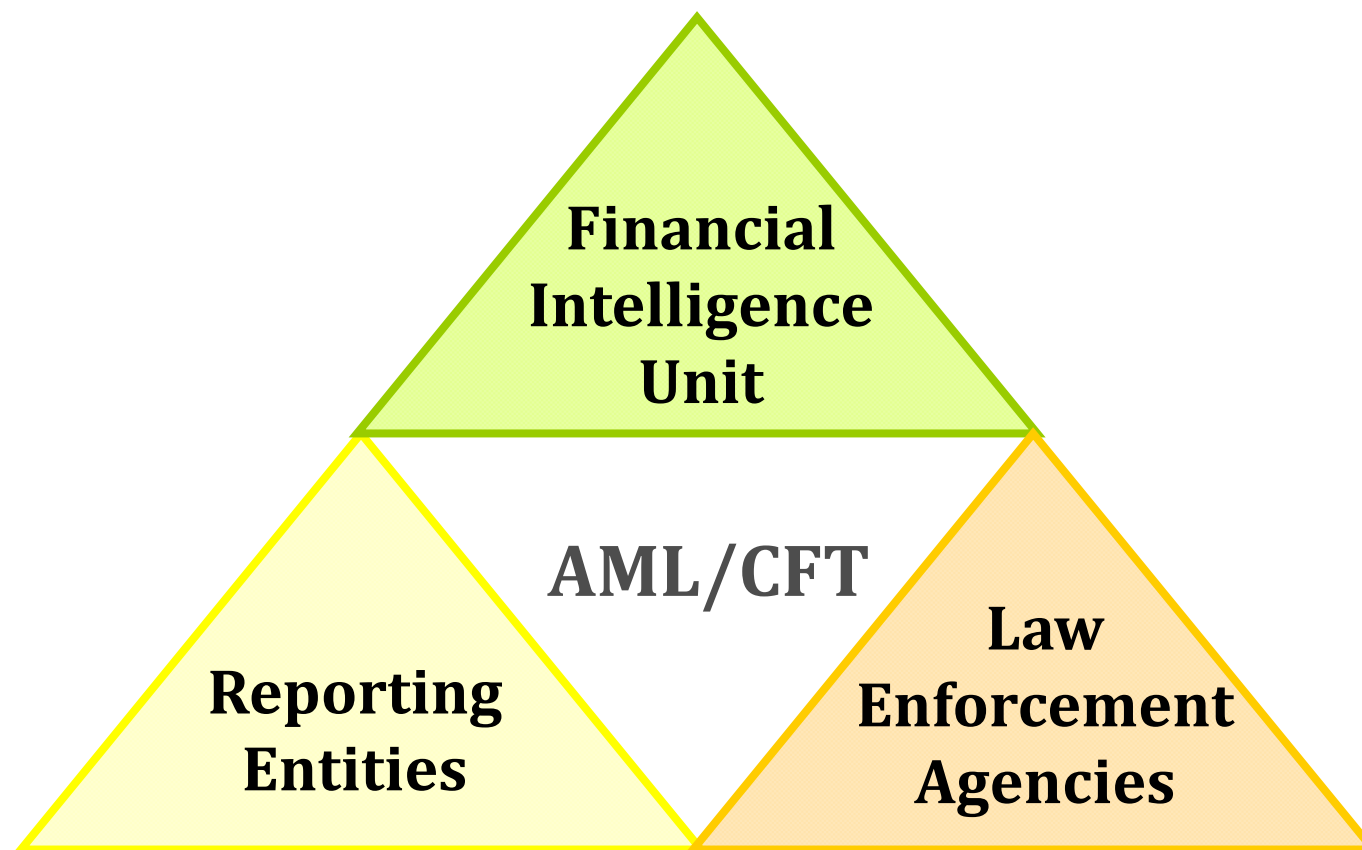
Money Laundering Cap 405 / 455

A person commits an offence if, **knowing or having reasonable grounds to believe** that any **property** in whole or in part directly or indirectly represents any person's proceeds of **drug trafficking / an indictable offence**, he deals with that property.

"Dealing" (處理), in relation to property referred to in section 15(1) or 25, includes-

- (a) **receiving** or **acquiring** the property;
- (b) **concealing** or **disguising** the property (whether by concealing or disguising its nature, source, location, disposition, movement or ownership or any rights with respect to it or otherwise);
- (c) **disposing of** or **converting** the property;
- (d) **bringing into** or **removing** from Hong Kong the property;
- (e) **using** the property to borrow money, or as security (whether by way of charge, mortgage or pledge or otherwise);

Role of JFIU



Role of JFIU

Reporting Entities

Financial Institutions & DNFBPs

Customer Due Diligence (CDD) + Know Your Customer (KYC)
Record Keeping
Internal Control
STR Filing

Financial Intelligence Unit

JFIU

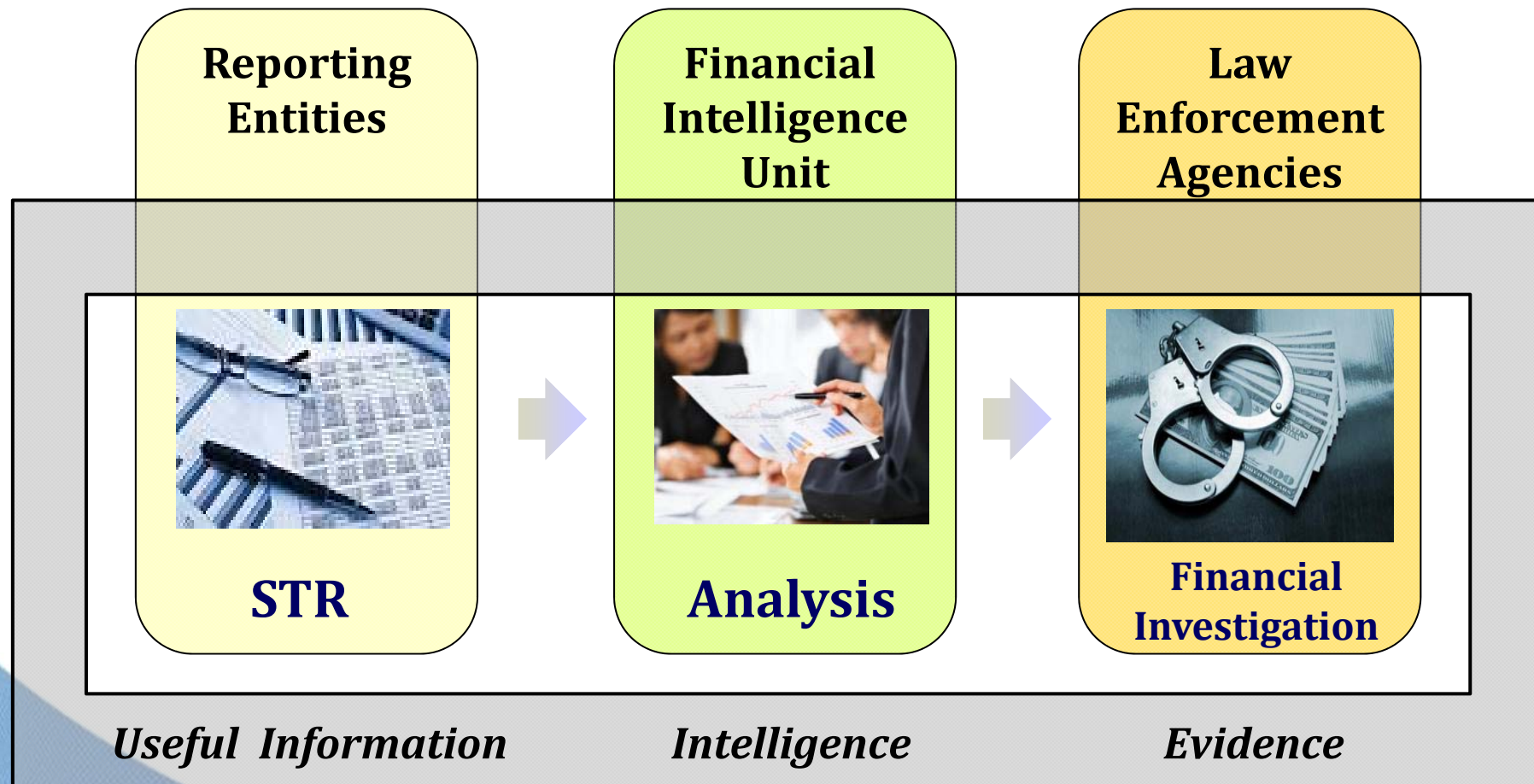
STR Regime
Intelligence Exchange
International Cooperation
Training & Outreach

Law Enforcement Agencies

e.g. Police, Customs, ICAC

Financial Investigation
Asset Tracing
Restraint & Confiscation
Mutual Legal Assistance

Information Flow



STREAMS

*Suspicious **T**ransaction
REport
And
Management
System*

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

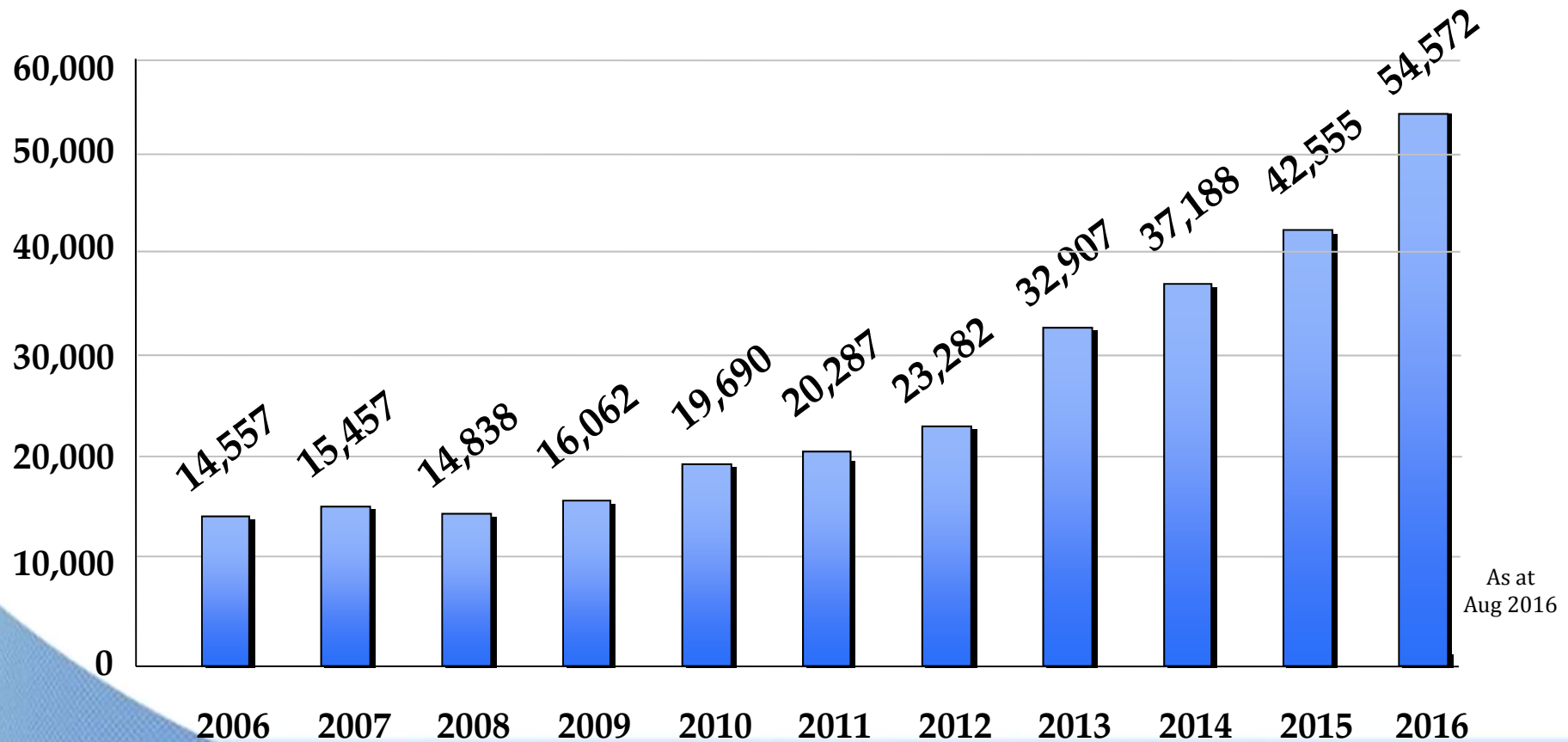


- by telephone (852) 2866 3366 (for urgent reports during office hours)

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**

STR Statistics



STR Statistics

No. of STRs	2012	2013	2014	2015	*2016 (August)
Annual Total	23,282	32,907	37,188	42,555	*54,572
Filed by Money Service Operators	1,171	2,108	2,772	3,566	*1,784
	3.2 – 8.3%				



**To Report,
or Not to Report ?**

What to Report in STRs?



- **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**

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

“SAFE” - Ask

- Ask appropriate questions
- Clarify suspicious circumstances
 - Financial Background
 - Source of funds
 - Purpose of the transaction
 - Counterparties involved
 - Ultimate Beneficial Owner



“SAFE” - Find

- Find the customers' records
- Review information
- Analyze if any suspicions from:

Individual Customer	Corporate Client
Occupation	Business Activity
Income	Revenue
Age	Incorporation
Previous Transaction	Transaction Counterparties

“SAFE” - Evaluate

- Evaluate information obtained
- Identify ‘Suspicious Indicator’
 - More than one indicator possible
 - More indicators appear → greater suspicion
- Possible Suspicious Indicators:
 - Activity does not match the profile
 - ‘Politically Exposed Persons’ (PEPs) related
 - Sudden change of transaction pattern
 - Complicated structure / background
 - From alarming jurisdictions

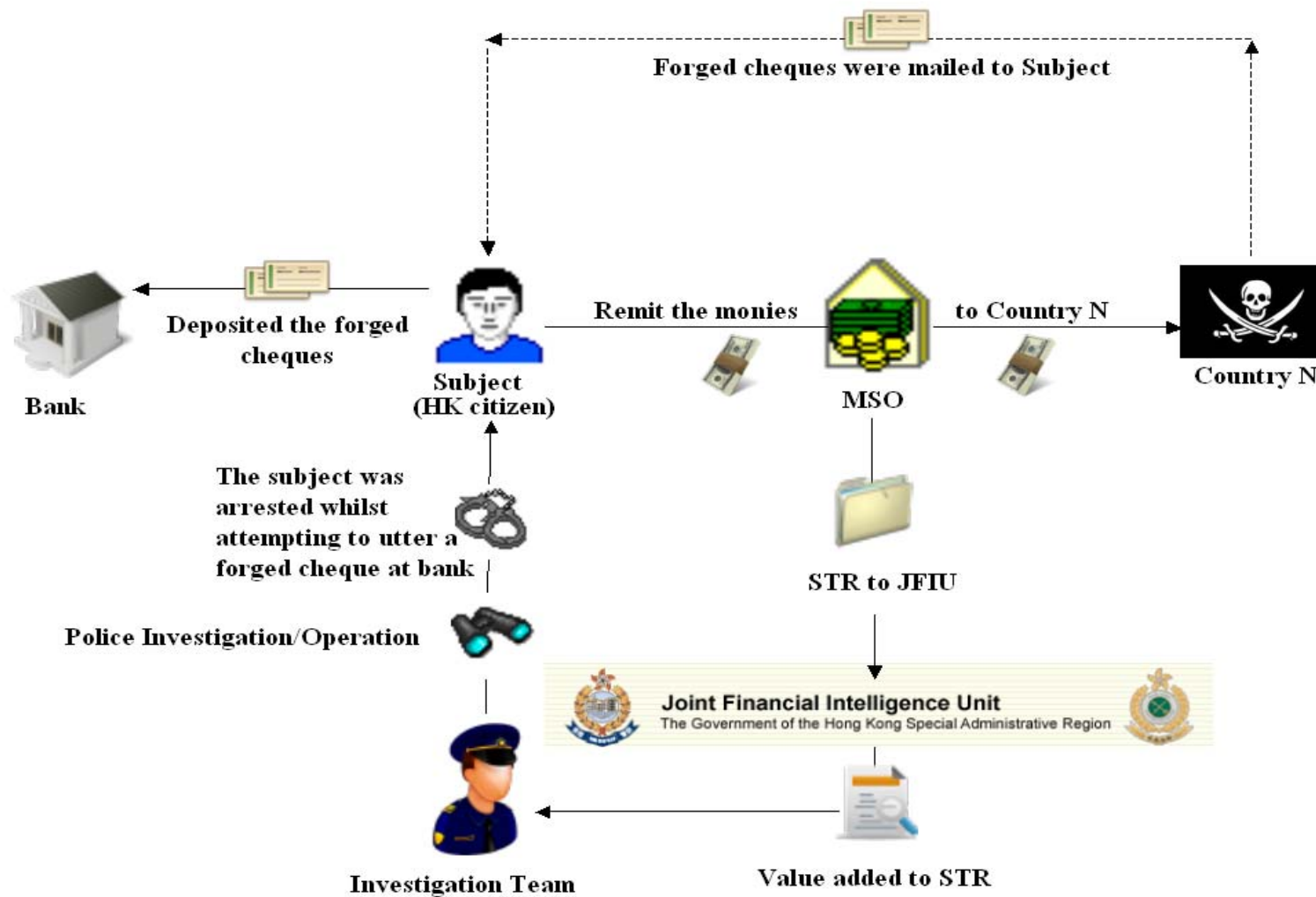
“SAFE” - Evaluate

- Ask yourself:
 - All steps in ‘Screen’, ‘Ask’, ‘Find’ were completed?
 - Is the transaction suspicious?
 - Having considered all circumstances, can the suspicious be eliminated?
 - Conclusion => genuinely suspicious

→ *File an STR*



Case example





Thank you!



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