



Suspicious Transaction Reporting

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**Joint Financial
Intelligence Unit**



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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

Drug Trafficking (Recovery of Proceeds) Ordinance (DTROR, 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)



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
- 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**

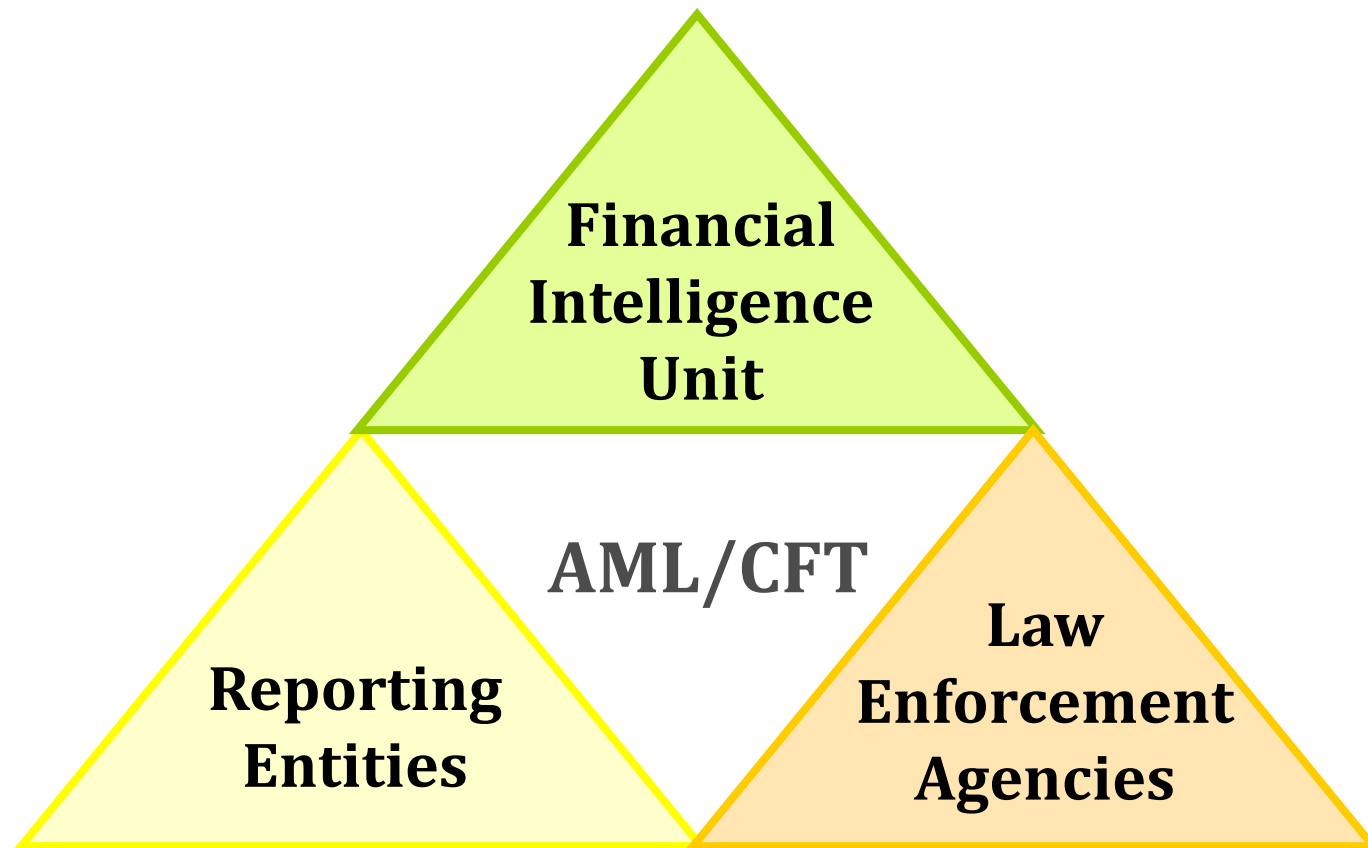
Money Laundering Cap 405 / 455

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", 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

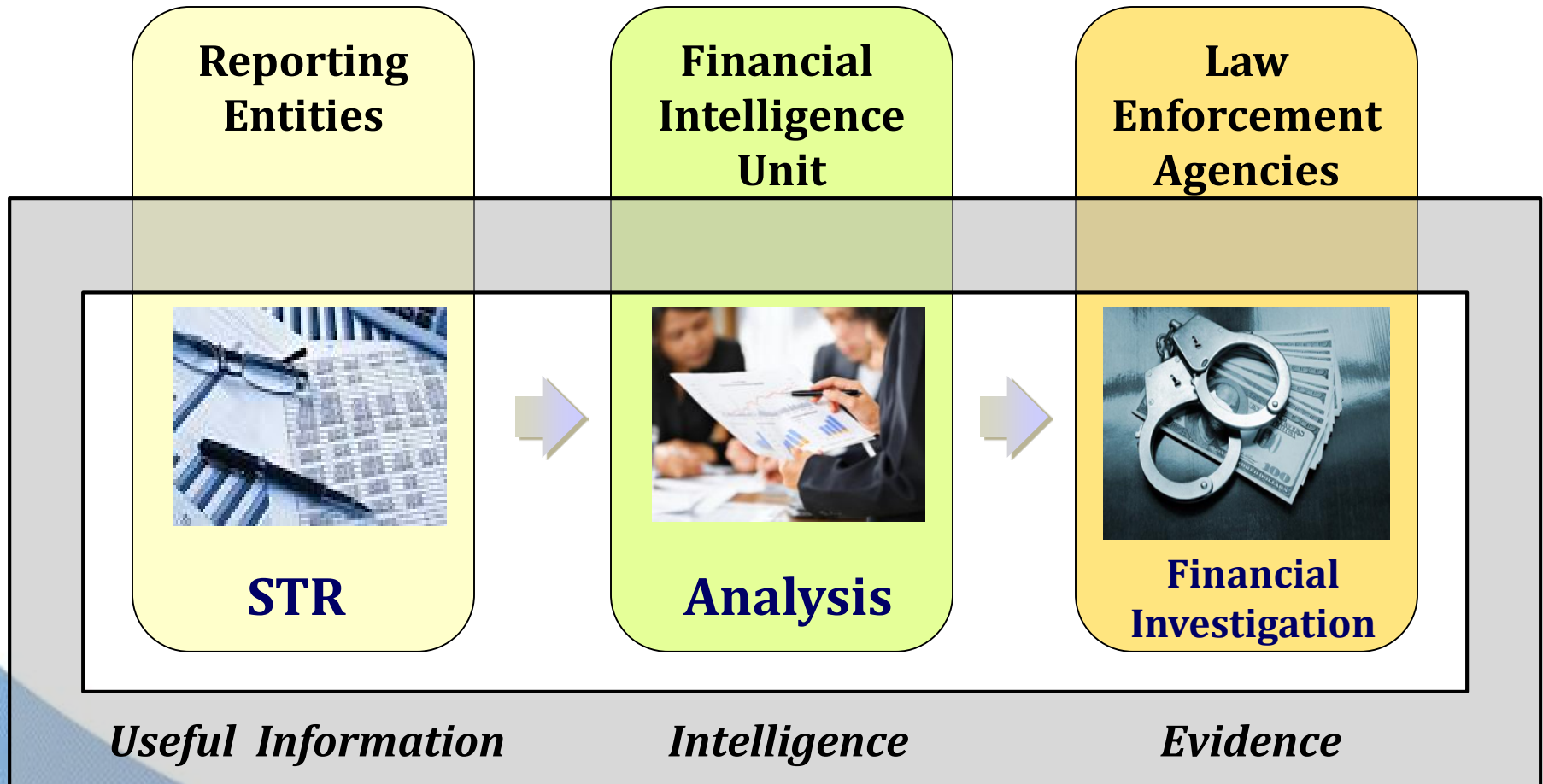
STR Regime
Intelligence Exchange
International Cooperation
Training & Outreach

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
account application
form here**



Reporting Method

What to Report in an STR?

An STR should include the following details:

- personal particulars (name, identity card or passport number, date of birth, address, telephone number, bank account number) of the person(s) or company involved in the suspicious transaction;
- details of the suspicious financial activity;
- the reason why the transaction is suspicious - which suspicious activity indicators are present?
- the explanation, if any, given by the person about the transaction

In order to ensure that all relevant information is included in the STR, a proforma has been designed to assist STR makers. Click [here](#) to download a copy of the proforma.

Download

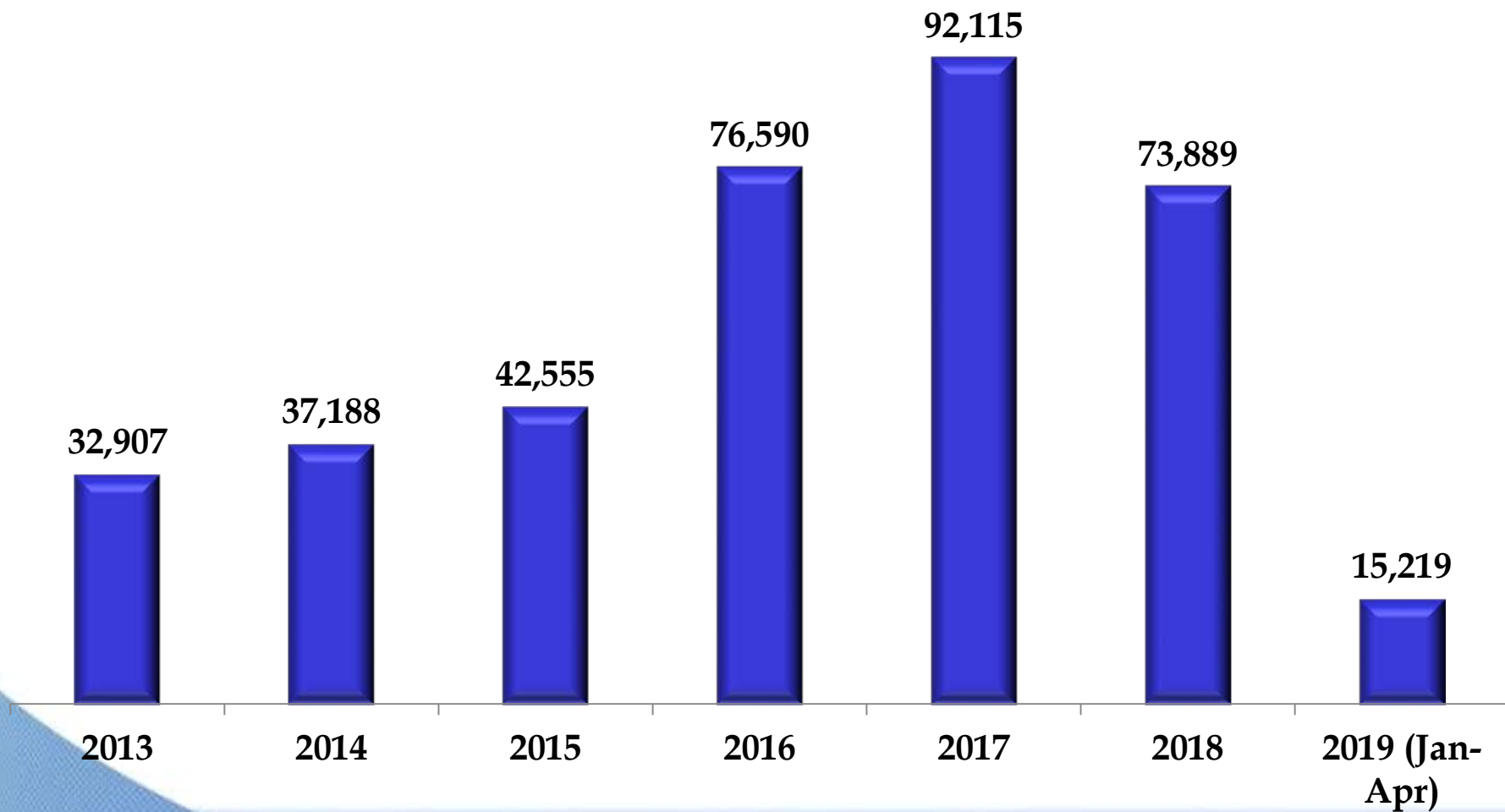
- [Download proforma for reporting STR](#)

Please click 'Check' button at the top right corner of the STR Proforma to ensure sufficient information is provided. For expedite processing, please submit the completed STR Proforma by email to jfiu@police.gov.hk



Download proforma here

STR Statistics



STR Statistics

No. of STRs	2015	2016	2017	2018	2019 (Jan-Apr)
Annual Total	42,555	76,590	92,115	73,889	15,219
Filed by Money Service Operators	3,566	2,554	908	1,219	446
	1.0 – 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 and analyze information

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

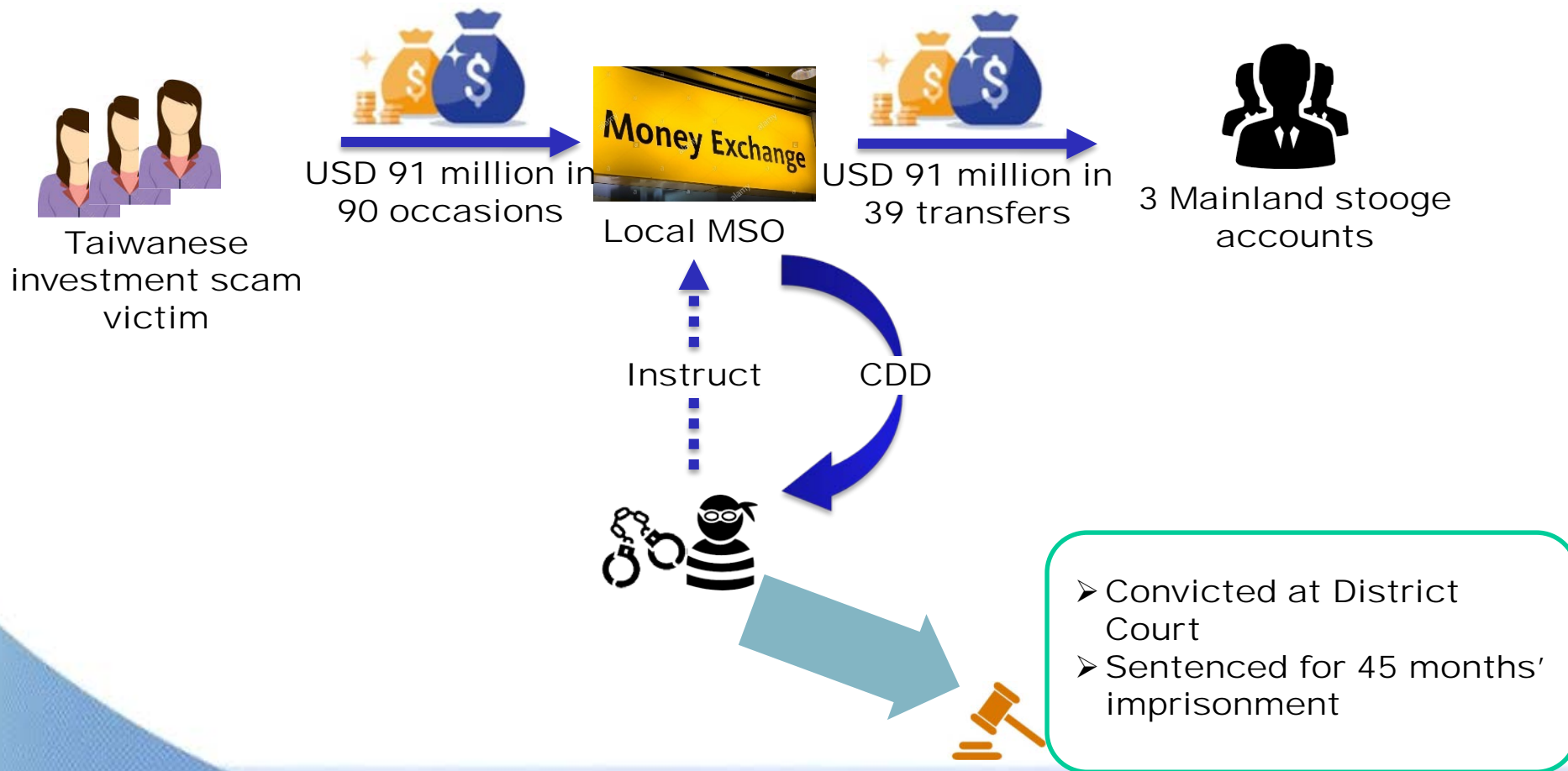
“SAFE” - Evaluate

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

→ *File an STR*



Case Example





Thank you!



www.jfiu.gov.hk

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