

Suspicious Transaction Reporting



Joint Financial Intelligence Unit



Notification

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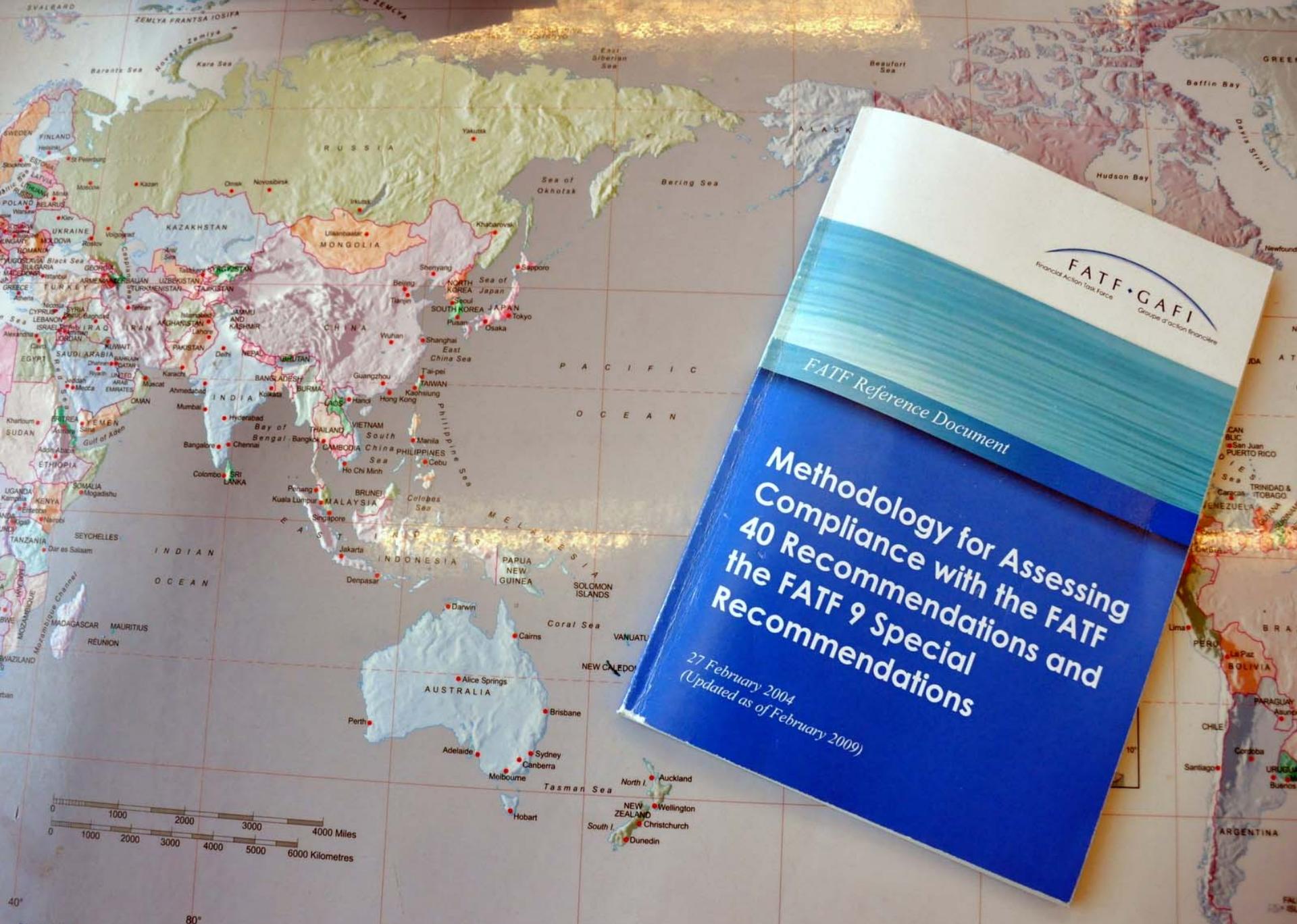




Introduction

- Legal Obligation to Report
- Filing & Feedback
- Protection & Concerns
- RBA & SAFE
- Statistics
- Practical Considerations
- Case Examples





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*"Criminals, driven by profit, have come to rely on the financial system; thus, the financial system and the information within it now provide a new **opportunity** to tackle these threats."*



The World Bank, StAR Initiative



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Overseas Fraud



- Student A/C Holder
- 100+ Cash and Transfer deposits
- ATM transfers
- STR Made
- A/C Holder Convicted
- Intelligence shared with overseas police as part of wider investigation

Legal Obligation



- Section 25A(1) OSCO- the reporting offence – summary offence
- Failing to report to an authorised officer
- Knowledge or suspicion that any property is or is connected to the proceeds of an indictable offence
- Within a reasonable time



*“There is a possibility,
which is more than
fanciful, that the
relevant facts exist”*

Are You PROTECTED?



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Protection

- AML offence: s.25 (1) OSCO
- Disclosure protection and offence: s.25A(2)
- Protection against suit: s.25 (3)
- Offence to disclose the disclosure: s.25 (5) tipping off “any matter likely to prejudice an investigation”



Administration



➤ **JFIU website**

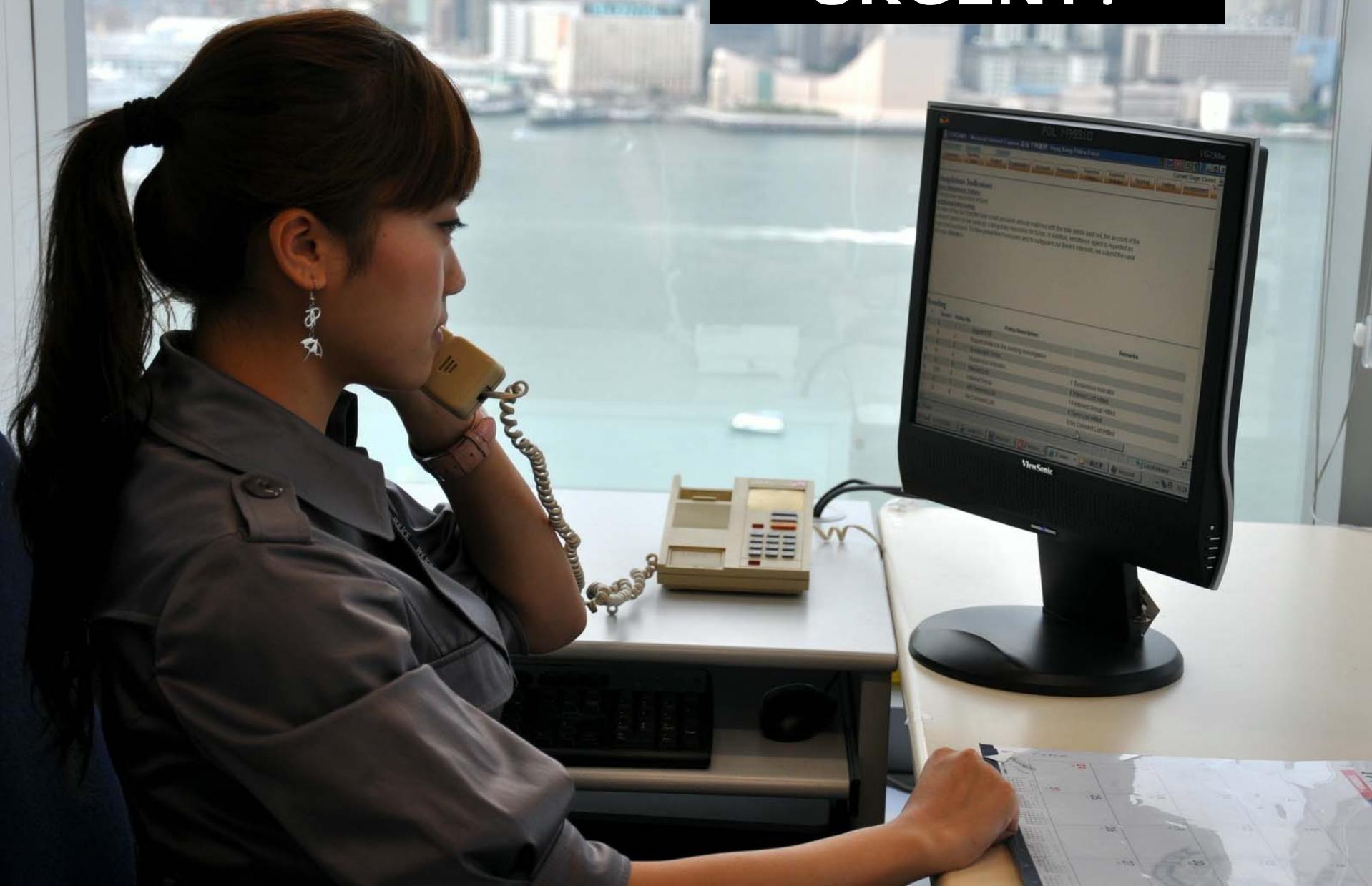
- Making a Report
- Security
- Feedback
- STREAMS

Risk Based Approach (SAFE)



- **S**creen for suspicious activity indicator(s)
- **A**sk appropriate questions
- **F**ind out records for review
- **E**valuate

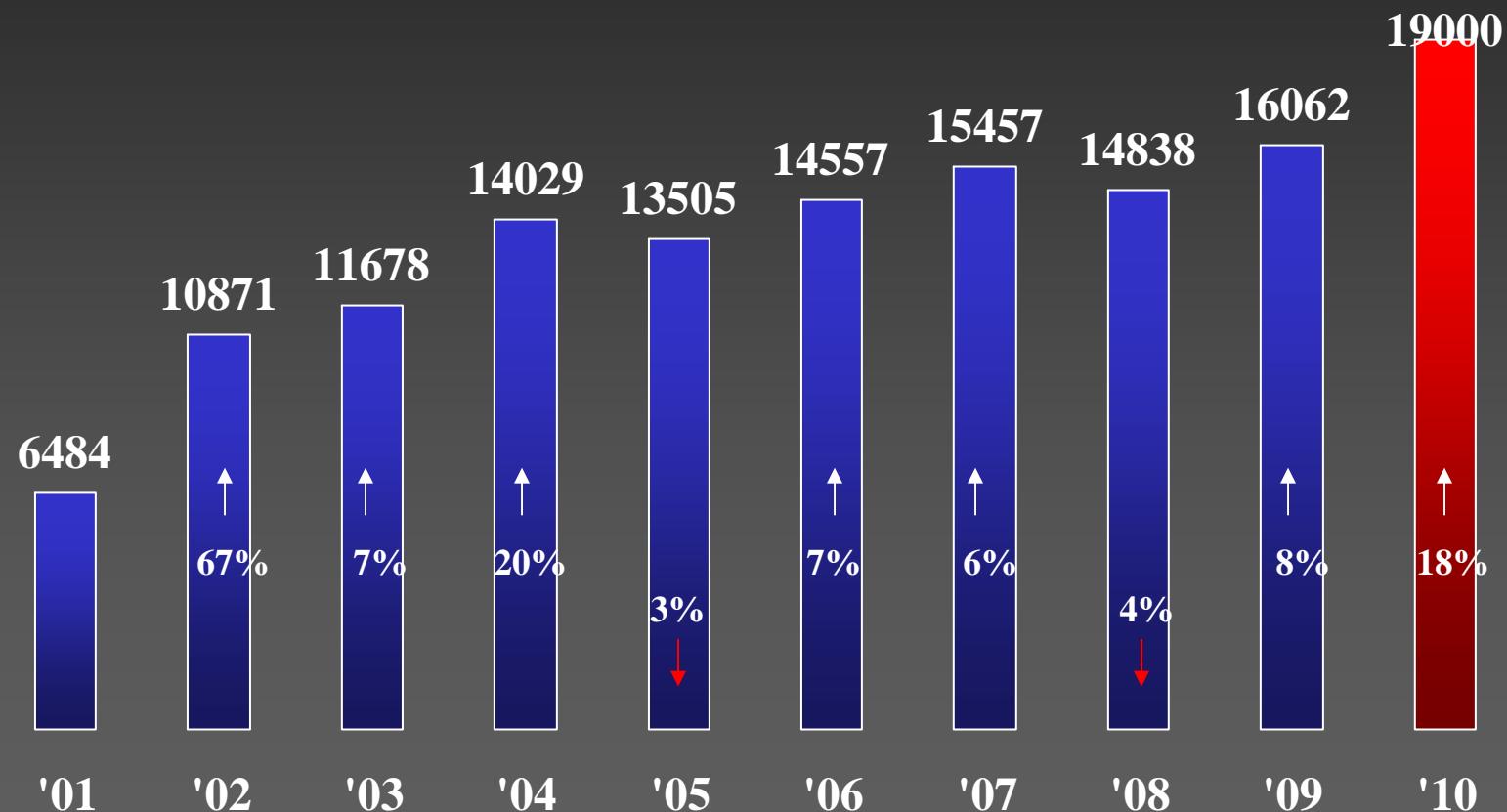
URGENT?



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STR



1,583 in a month

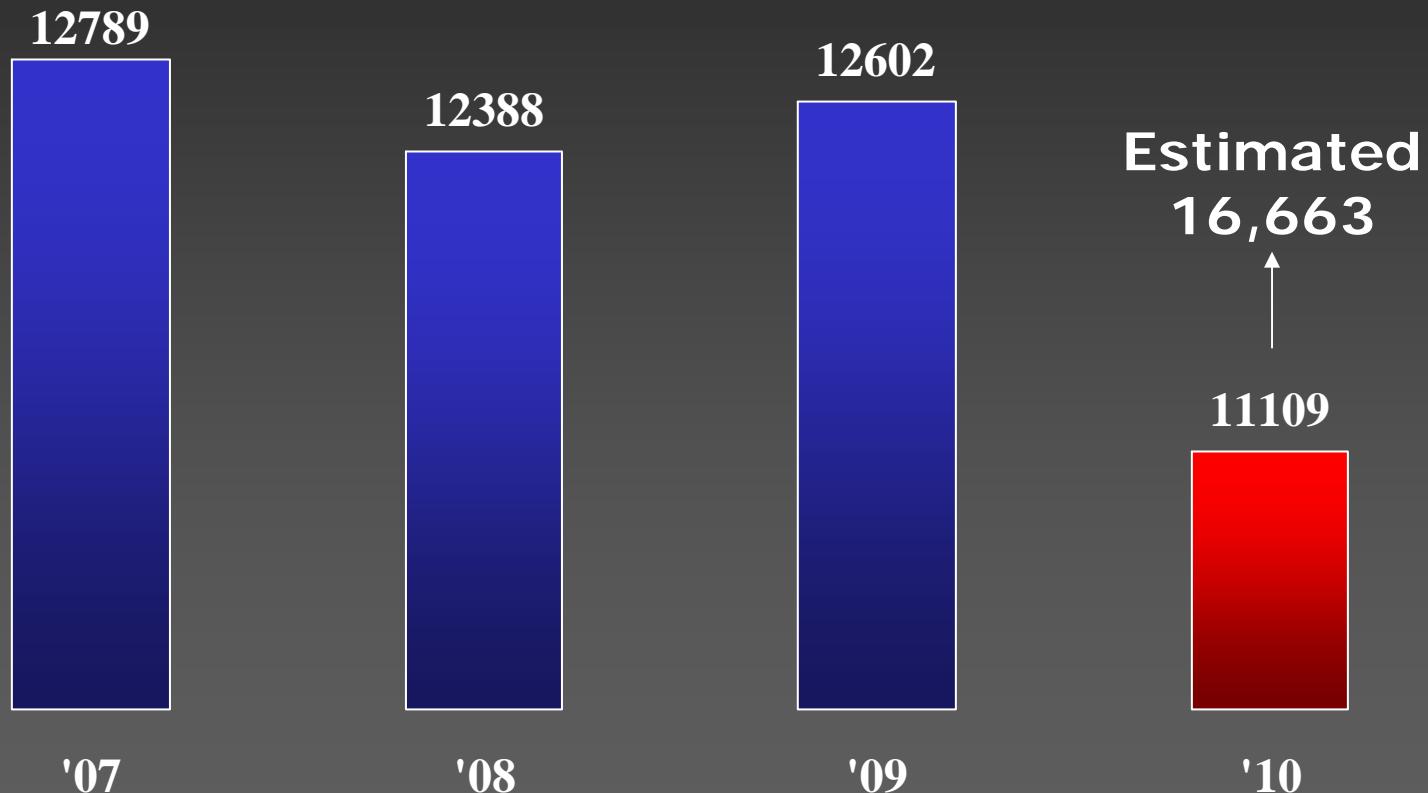
395 in week

56 in a day

2 during this presentation!



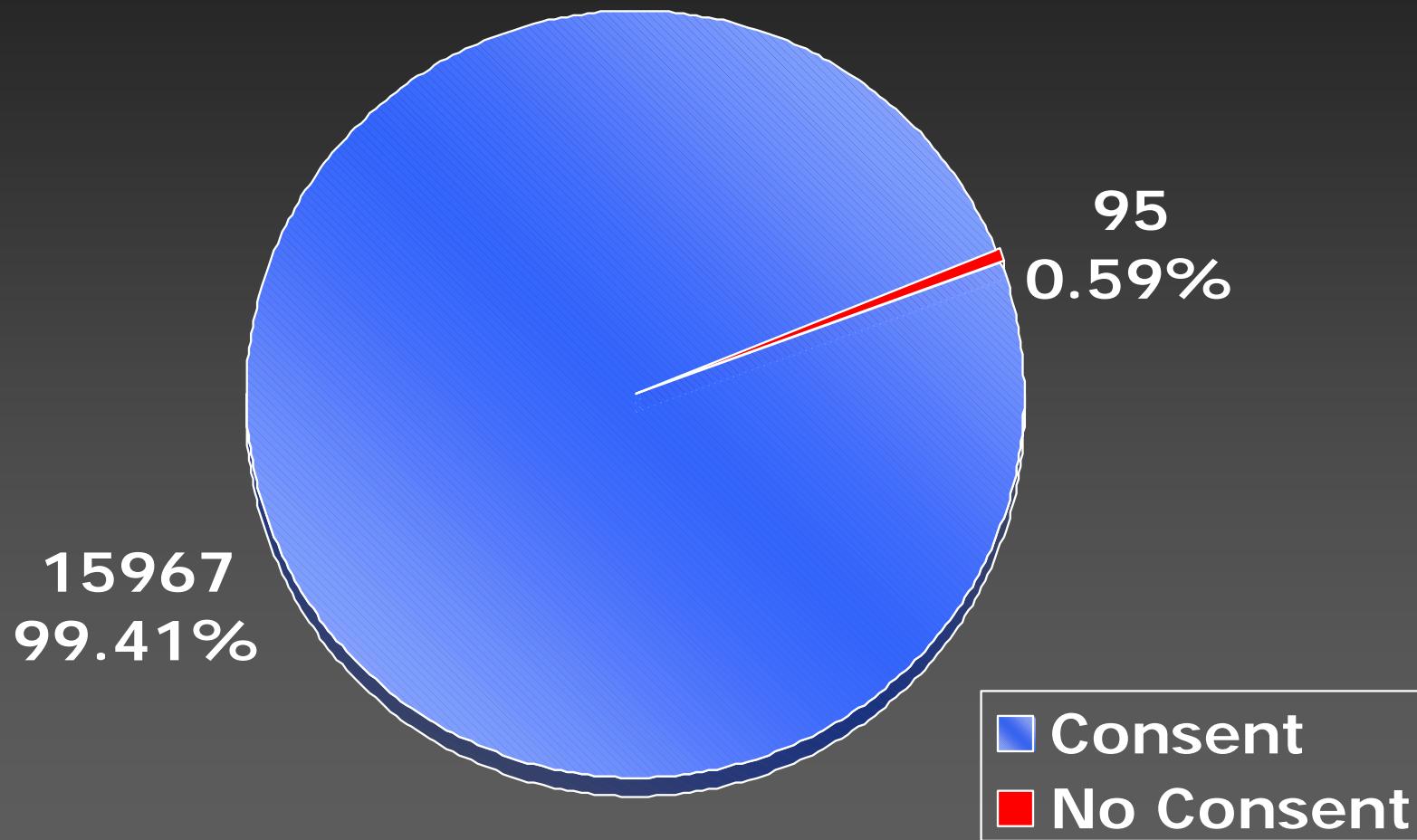
STR - Banks



As at 31 August



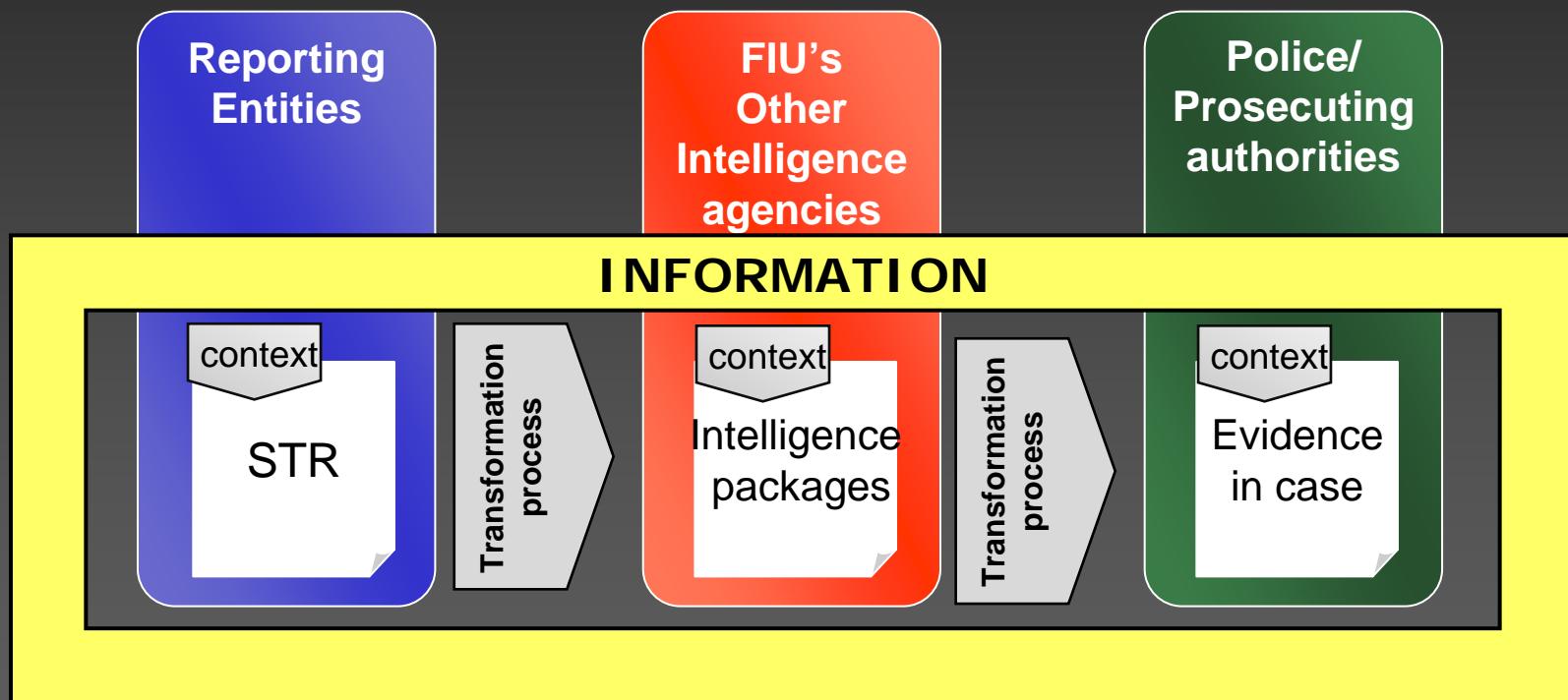
Percentage for Consent & No Consent STR 2009



■ Consent
■ No Consent



Information Flow



What level of Suspicion requires Reporting?

What is Subjective Suspicion?

Should I clarify with the Client?

Is that Tipping Off?

Am I Protected?



Could You Do More?



- Suspicious Activity - Child's A/C
- Cheque and Transfer Deposits
- STR Made to JFIU
- Parents with same Bank
- Linked to IPO applications & refunds
- Risk Based Approach - Missing
- Suspicion could have been eliminated

Risk Based Approach (SAFE)



- **S**creen for suspicious activity indicator(s)
- **A**sk appropriate questions
- **F**ind out records for review
- **E**valuate

Telephone Deception



- HK A/C – Targeted from Taiwan
- Non-resident A/C holder, no apparent requirement for banking service in HK
- Inwards remittances from various and unconnected parties, cash withdrawal shortly after
- 18 Victims in Taiwan
- Callers claimed to be Police/Prosecutor
- HK\$15.7 Million
- 15 Arrests + Restraint



Loan Sharking



- Lending Money at an excessive rate
- Frequent low cash value deposits often inconsistent with A/C holder profile
- Often small amounts \$50-500 every 7-10 days, can include decimal
- A/C maintains low / negligible balance before or after the transactions
- ATM transfer or Instant Cash deposit IN
- ATM Cash withdrawal OUT
- Repository only – no other uses



Don't be left holding the Basket for a Loan Shark.....



DH Account being used for Tax Evasion



- Domestic Helper, 9 year relationship with bank consistent with DH income
- Sudden deposit of \$2.2 Million
- Request remittance overseas
- KYC/CDD – Employer operates small business
- STR made
- Analysis suggested criminality – tax evasion + money laundering - indictable offences



Applying RBA



- Steps Taken to Clarify Suspicion?
- Appropriate Questions?
- What Information / Records Reviewed?
- What do you Know / What do you see?
- Analysis of transaction pattern
- What Combination of Red Flags?
- Clearly articulate your suspicion
- Be Professional



Substandard



- “Large Cash Transaction”
- “Frequent or Multiple remittance by same person”

Too Many.....





Too Few.....



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Protect

You

Bank

Hong
Kong







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