



Anti-Money Laundering Seminar for Licensed Money Lenders 2020 – Suspicious Transaction Reporting

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Agenda

STR

1. About JFIU
2. Key Legislation
3. Reporting Requirement
4. STR Mechanism
5. STR Statistics
6. STR Reporting
7. Analysis on STRs from Money Lenders
8. STR Case Examples

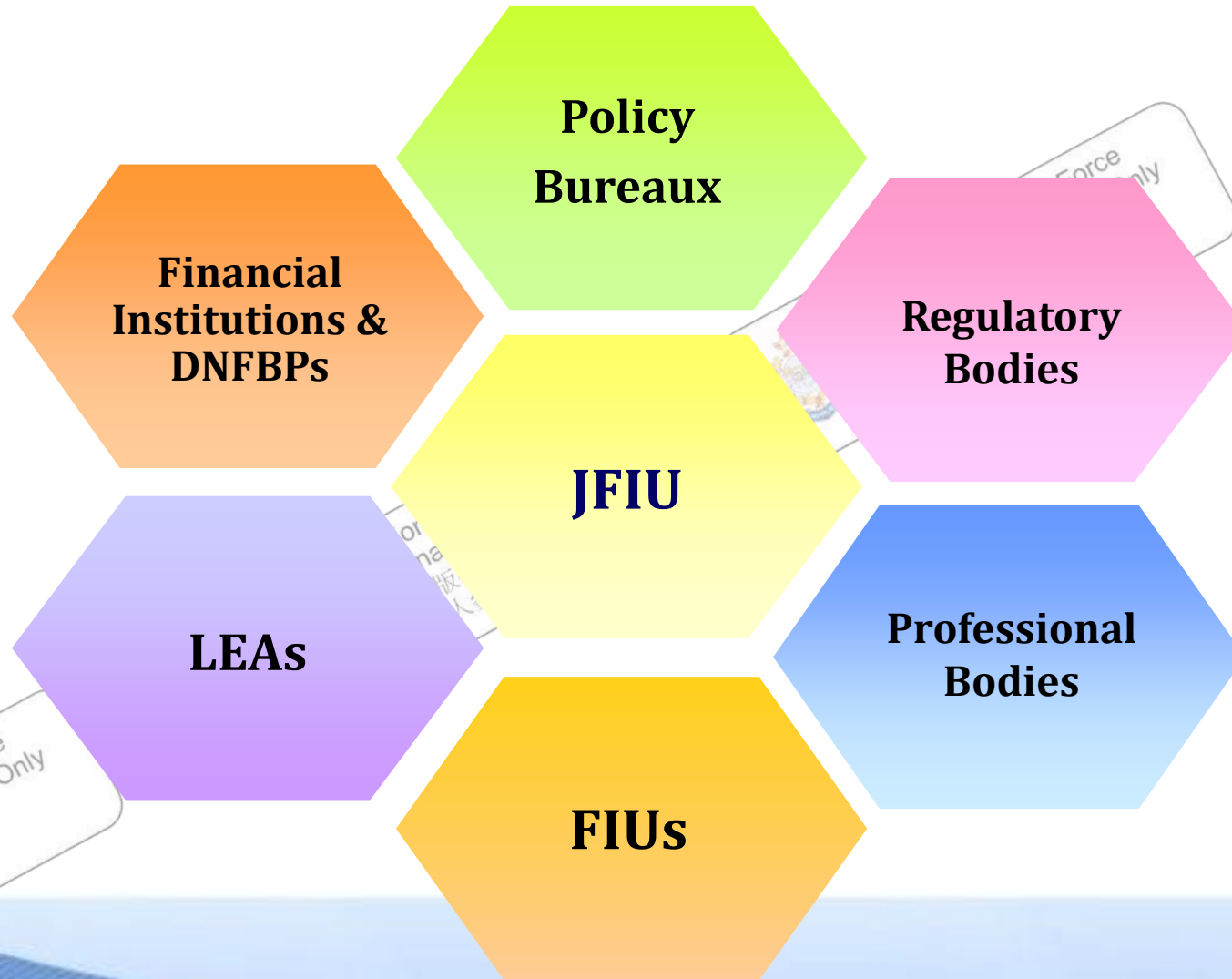
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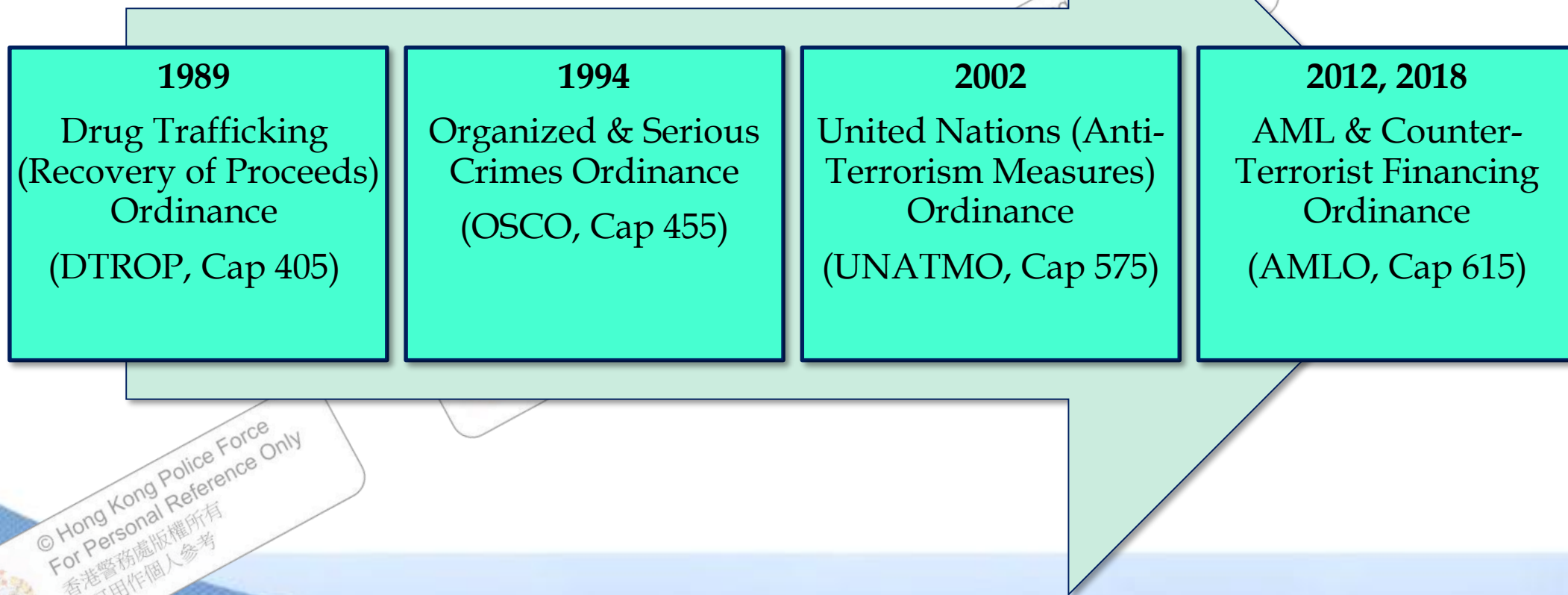
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About JFIU



Key Legislation



Key Legislation

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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, 2018

AML & Counter-
Terrorist Financing
Ordinance
(AMLO, Cap 615)

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Key Legislation

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2012, 2018

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Reporting Requirement

Any person knows or suspects any property represents the proceeds of

- drug trafficking (S.25A of Cap 405 DTROP) or
- any serious crimes (S.25A of Cap 455 OSCO) or
- terrorist property (S.12 of Cap 575 UNATMO) shall report to JFIU

Maximum Penalty

- Level 5 (HKD 50,000) fine
- 3 months' imprisonment

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STR Mechanism

Prevention

Detection

**Financial
Intelligence
Unit**

AML/ CFT

**Reporting
Entities**

**Law
Enforcement
Agencies**

STR Mechanism

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

e.g. Police, Customs, ICAC

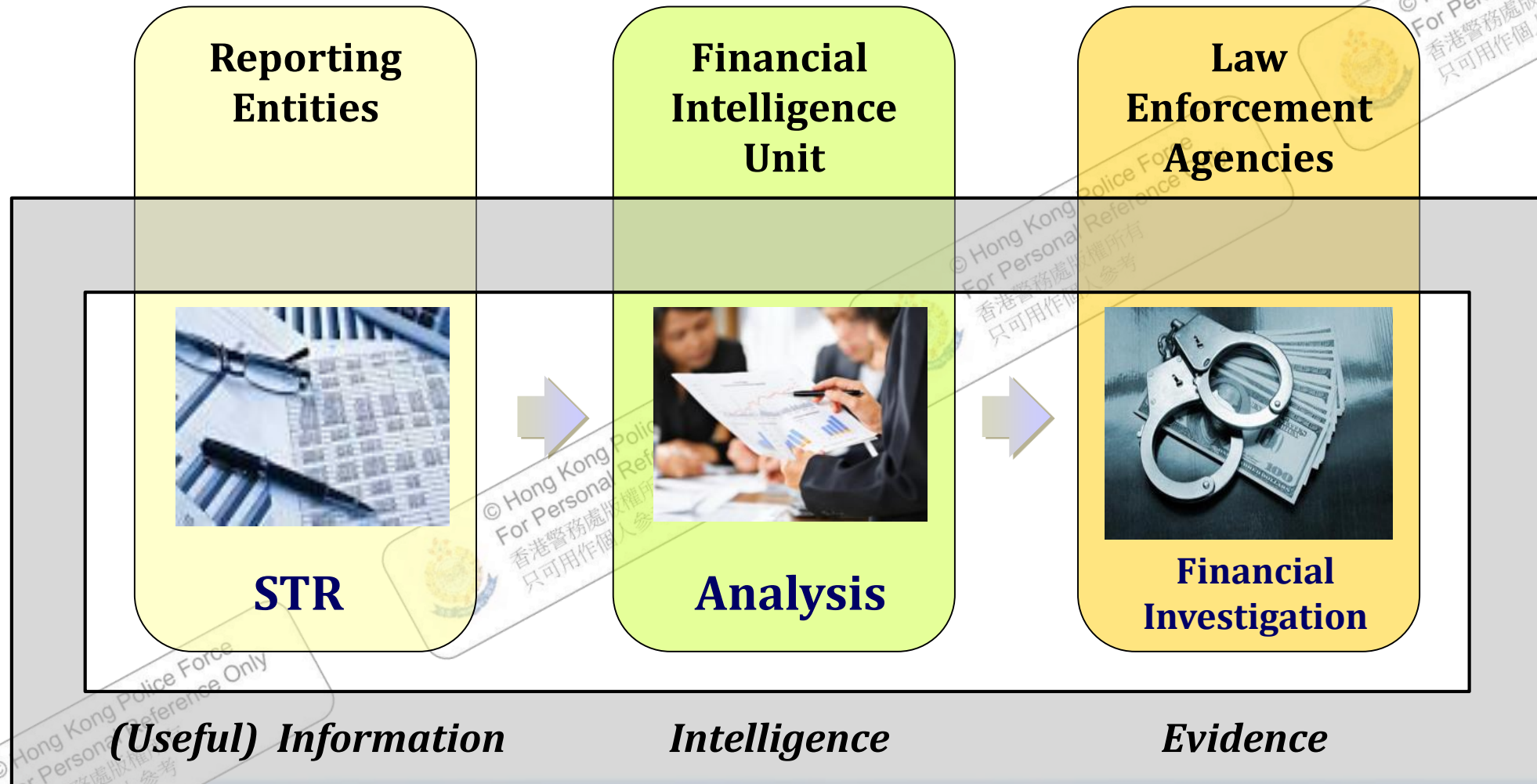
Financial Investigation

Asset Tracing

Restraint & Confiscation

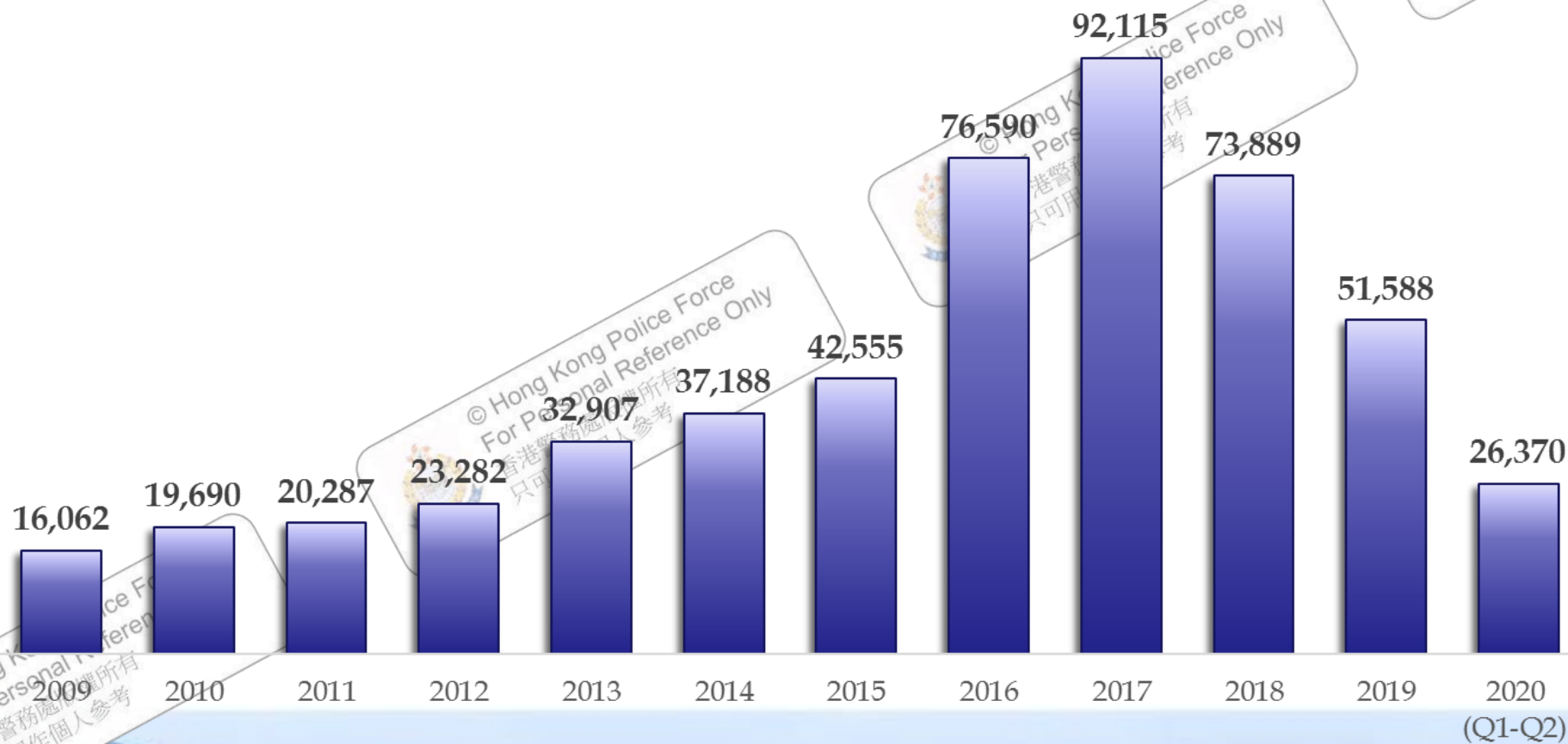
Mutual Legal Assistance

STR Mechanism



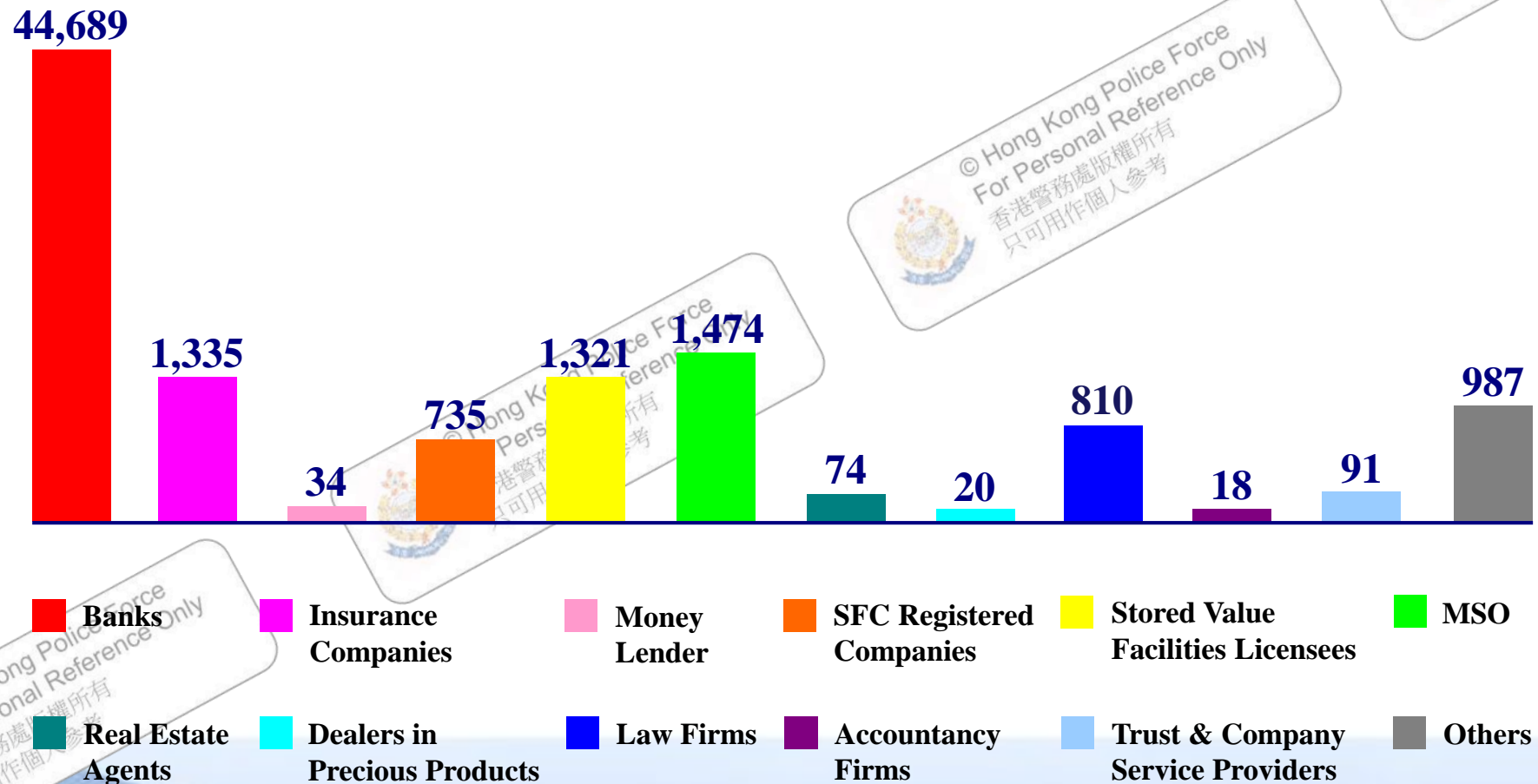
STR Statistics

Number of STRs received in the past 10 years



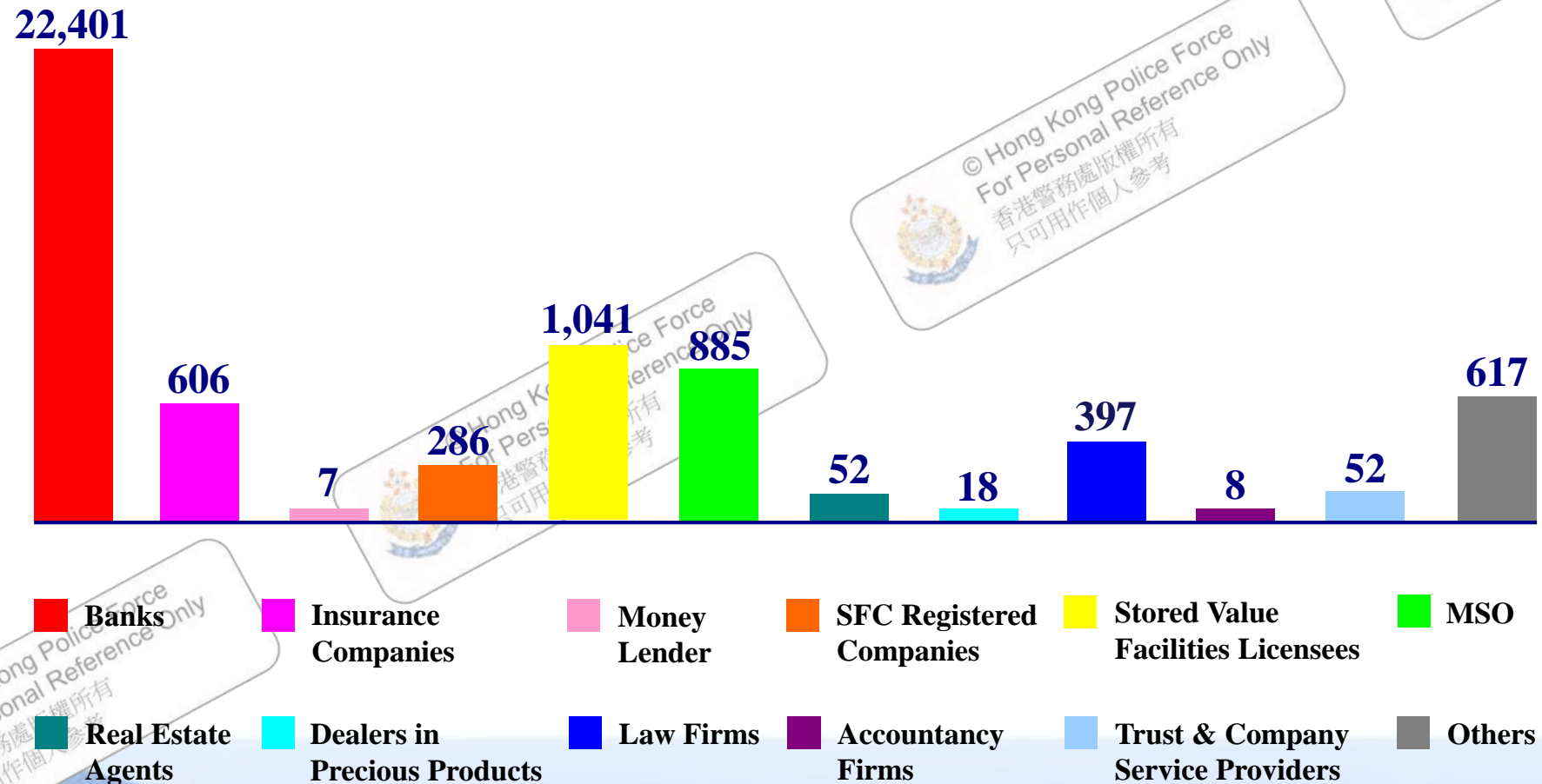
STR Statistics

Sectoral Breakdown of STRs received by JFIU in 2019



STR Statistics

Sectoral Breakdown of STRs received by JFIU in 2020 (Q1-2)



STRs from Money Lenders Sector

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No. of STRs	2014	2015	2016	2017	2018	2019	2020 (Q1-2)
Annual Total	37,188	42,555	76,590	92,115	73,889	51,588	26,370
Filed by Money Lenders Sector	32	33	24	28	39	34	7
	0.027% to 0.086%						

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STR Reporting

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.

Suspicious Transaction
Report And Management
System (STREAMS)



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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

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STR Content

■ Particulars

of the subject persons / organizations / beneficial owners
(including details of ID document or company registration)

■ What Suspicious?

- Property involved *(e.g. company, real estate, vessel, etc.)*
- Accounts & transactions *(including. amount, currency, source of fund)*

■ Why Suspicious?

- Suspected crimes / suspicious indicators / news
- Assessment and analysis?
- Explanation by clients, if any

■ Previous STR ref. / Police case ref., if any

Recommended Structure of STR Narrative

- 1) Triggering Factors
- 2) Background of Subject(s)
- 3) Transactions
- 4) KYC/CDD Result & Open Source Information
- 5) Conclusion & Way Forward



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STR Observation

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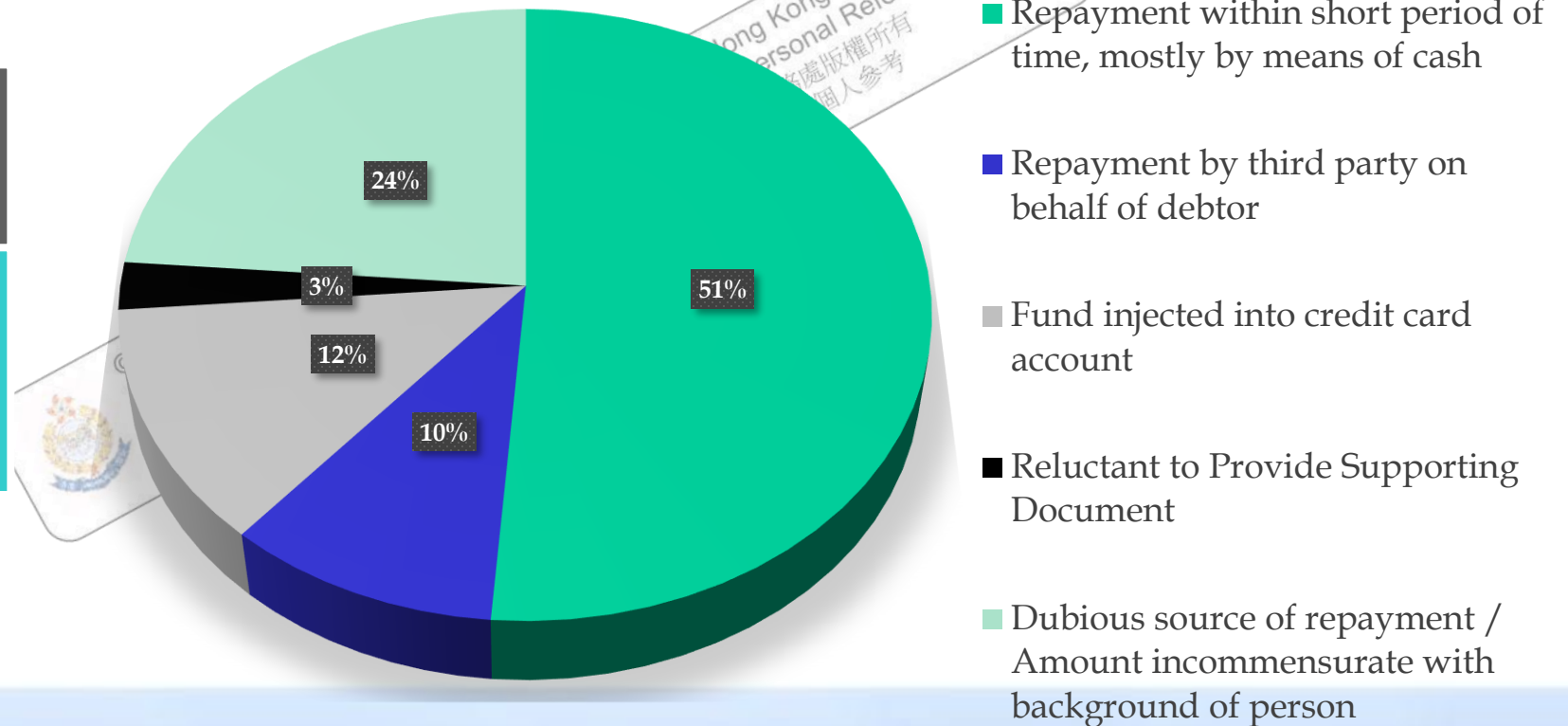
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STR Observation

- **STR Trend:** (from STRs filed by Money Lenders Sector from 2018 to Q2 2020)

	Total between 2018 and Q2 2020
No. of STRs	80

Analysis of STRs submitted by Money Lenders



STR Case Examples

Case Examples (1) – Repayment within short period of time

- *A debtor borrowed a total of HKD 100,000 on 2019-06-01.*
- *Full repayment made on 2019-06-02.*
- *Claimed that the source of fund was business revenue but Debtor reported himself as an employee.*

STR Case Examples

Case Examples (2) - Fund injected into credit cards

- *Subjects deposited around HKD 122,000 to HKD900,000 to credit cards issued by money lenders in September 2019.*
- *Made sudden and frequent purchases on mobile phones and electronic products within one to two weeks.*

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STR Case Examples

Case Examples (3) – Repayment by a third party on behalf of debtor.

- A debtor borrowed a total of HKD 100,000 on 2019-09-01.*
- Third party made repayment on behalf of debtor on 2019-09-17.*

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Contact Us

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Fax : (852) 2529-4013
Email : jfiu@police.gov.hk
Mail : GPO Box 6555 Hong Kong





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Thank You!



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Anti-Money Laundering Seminar for Licensed Money Lenders 2020 – Money Laundering Methods and Trends

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and Terrorist Financing Risk Assessment Unit

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Agenda

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2. ML Techniques
3. Typologies by Sectors
4. Q & A



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What is Money Laundering?

“Money Laundering is the processing of these criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardizing their source.”

FATF

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Law in Hong Kong

1989 - Cap.405, Drug Trafficking (Recovery of Proceeds) Ordinance

1994 - Cap.455, Organized and Serious Crimes Ordinance

2002 - Cap.575, United Nations (Anti-Terrorism Measures) Ordinance

2011 - Cap.615, Anti-Money Laundering and Counter Terrorist Financing Ordinance

2018 - Cap.629, Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance

Method of Money Laundering



**Money into Financial
Institutions, DNFBPs and
other Sectors**



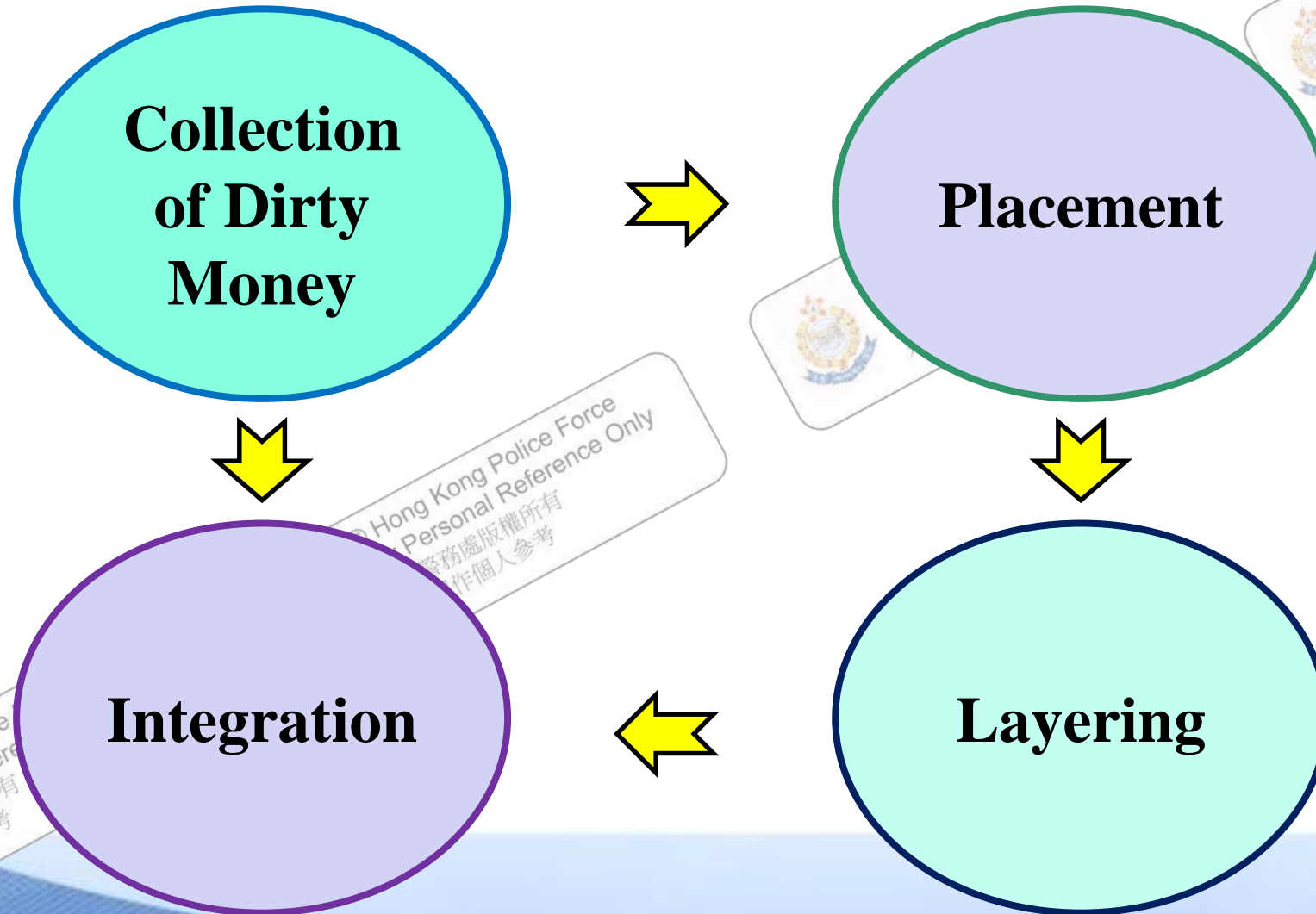
Physical Movement of Cash



**Trade Based Money
Laundering**

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Process of Money Laundering



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Typologies



Case Investigation

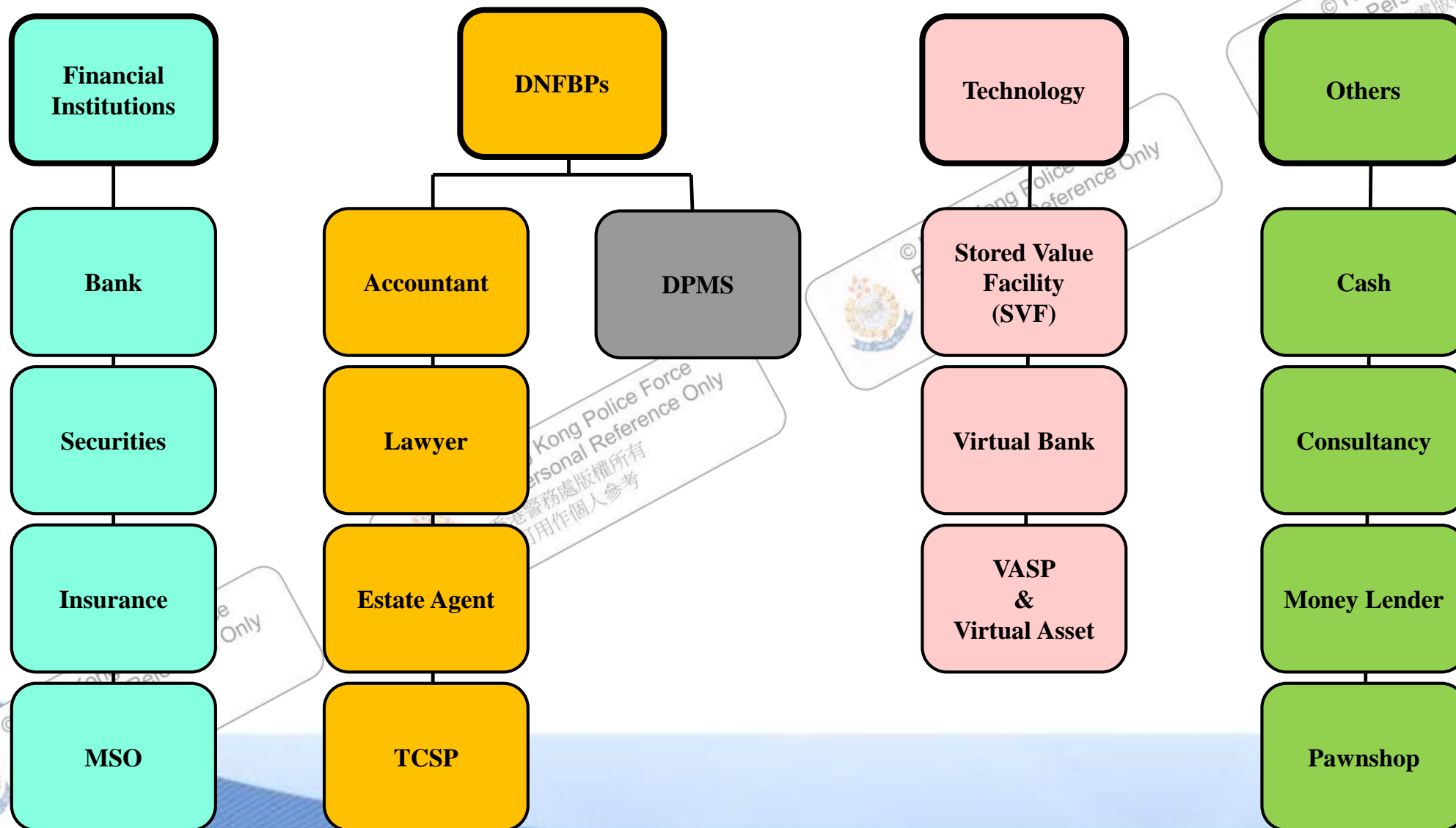


**STR /
Intelligence Report**

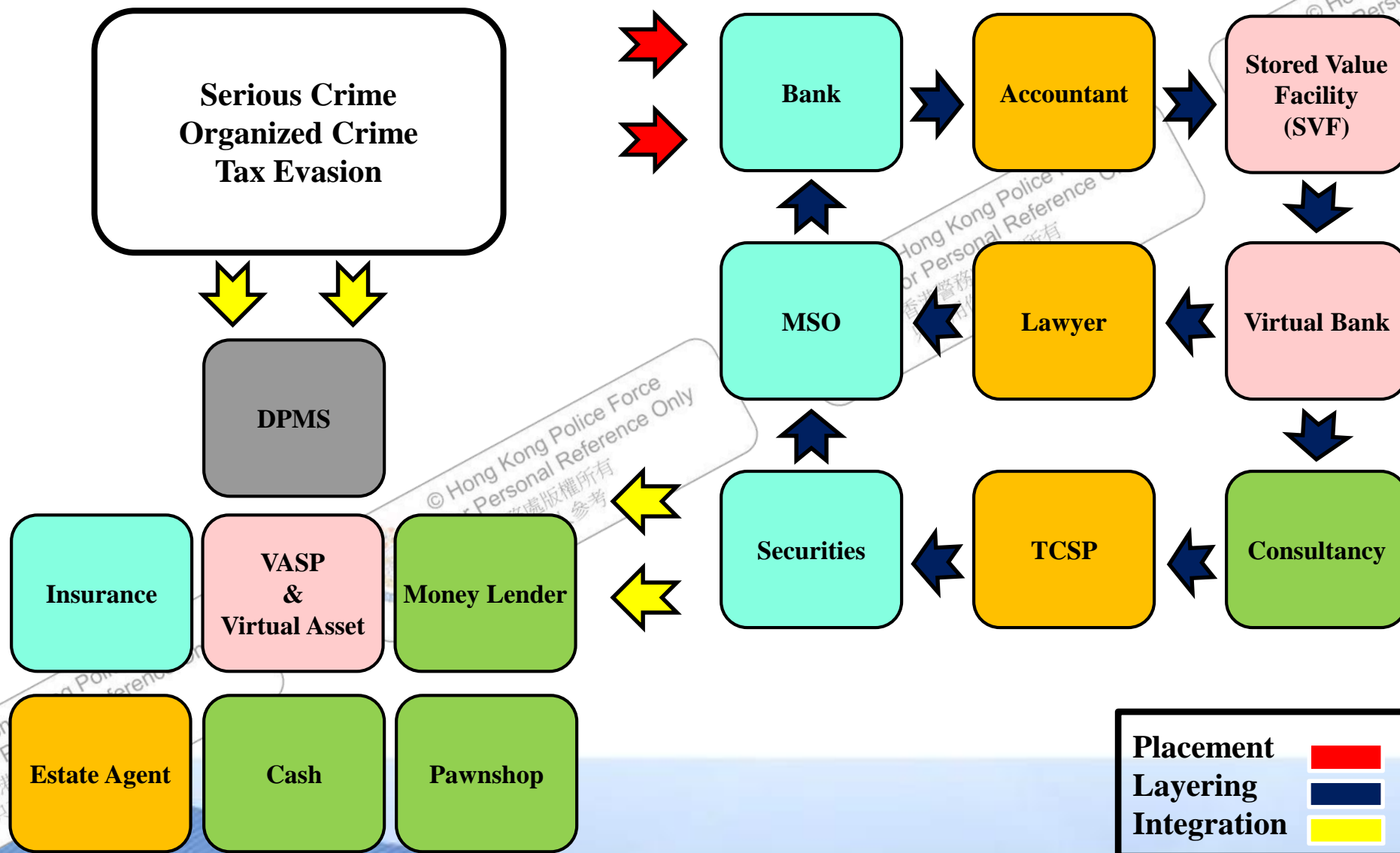


**FATF /
APG Report**

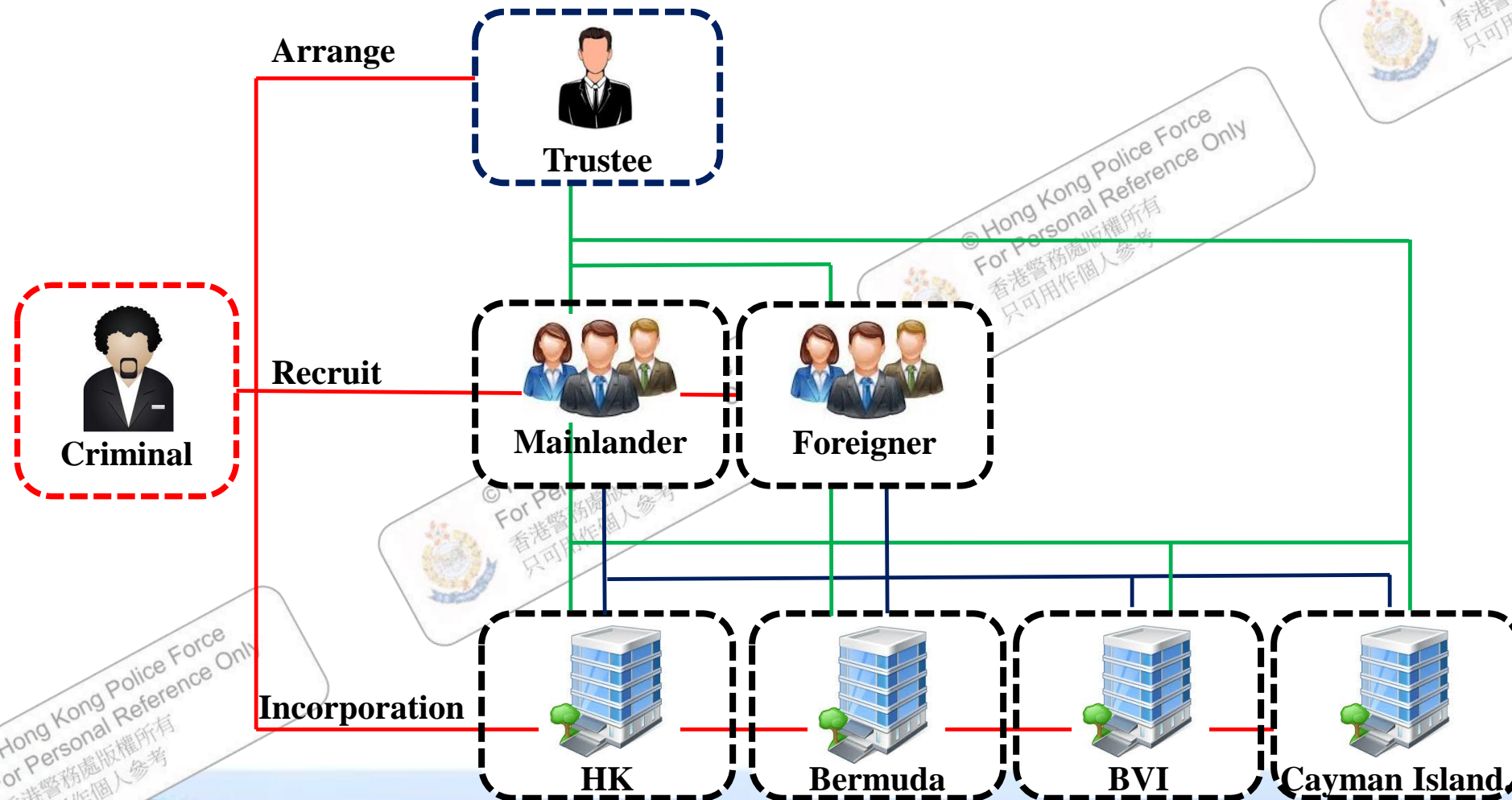
Typologies by Sectors



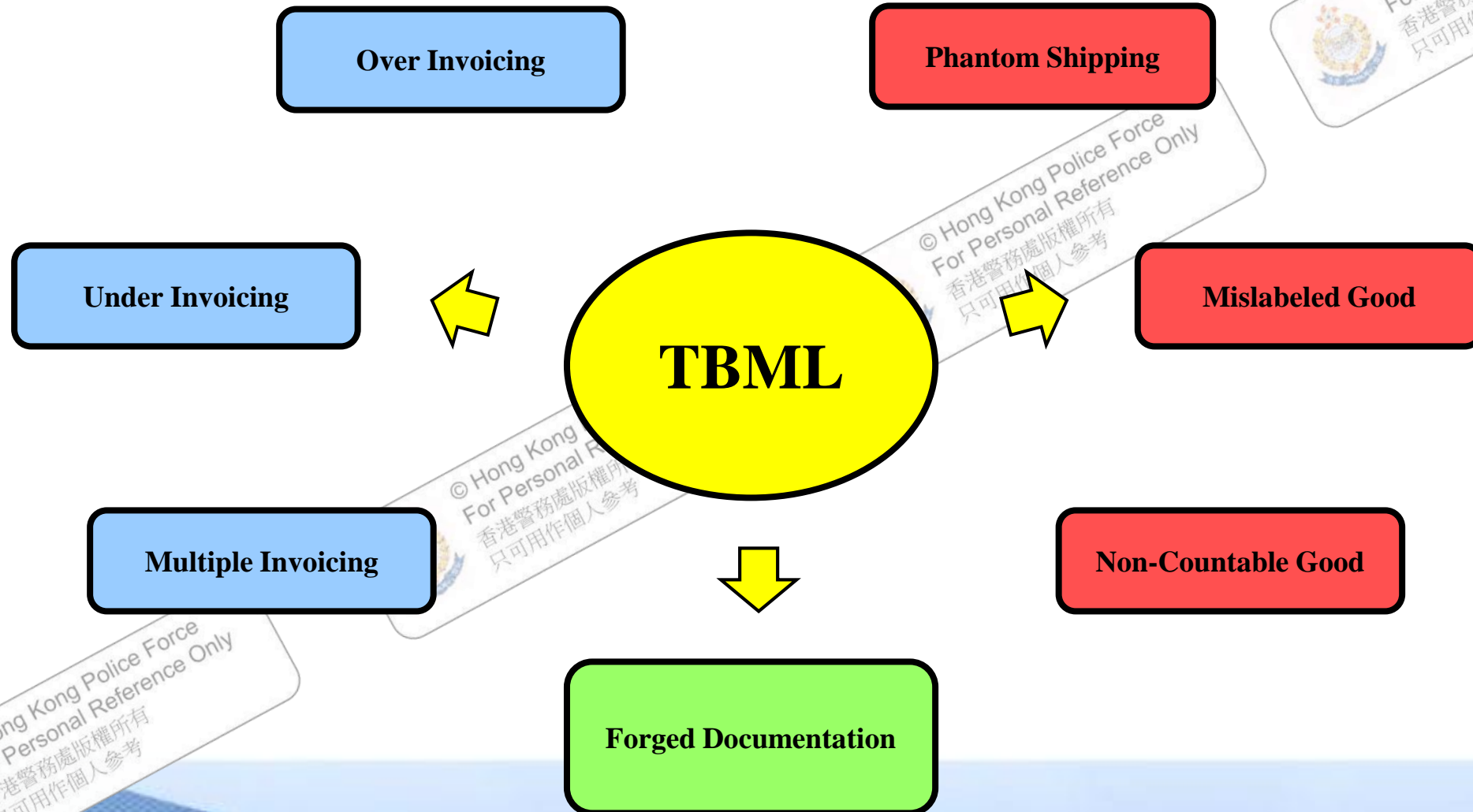
Process of Money Laundering



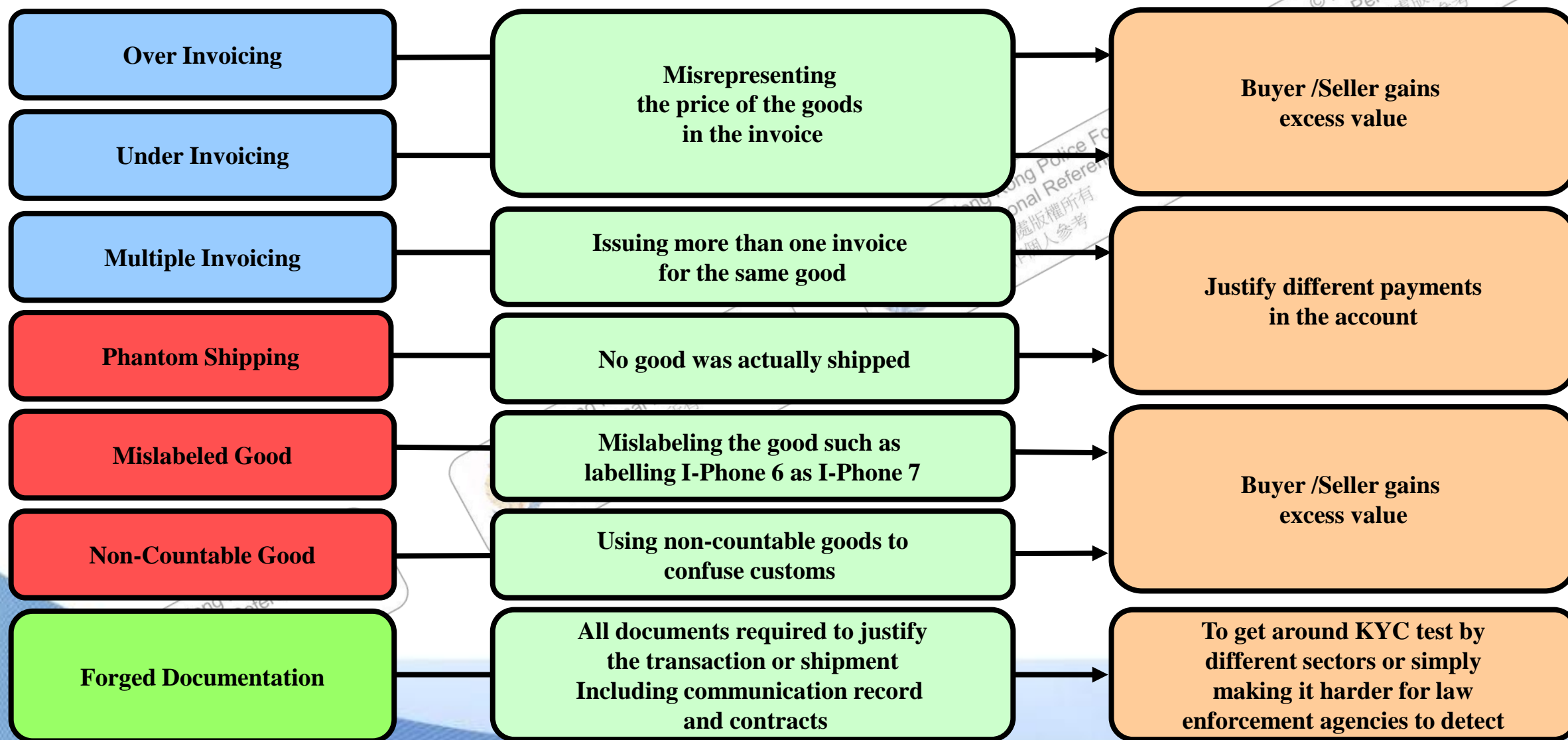
Use of Trustee / Stooge / Corporate Body



Trade Based Money Laundering (TBML)



Trade Based Money Laundering (TBML)



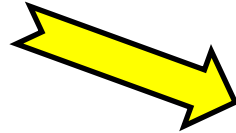
Bank (1) – Email Scam

Jurisdiction A



Test Money

1



Bank A/C

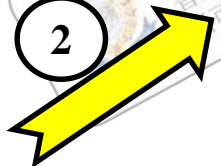
Jurisdiction C

3



Jurisdiction B

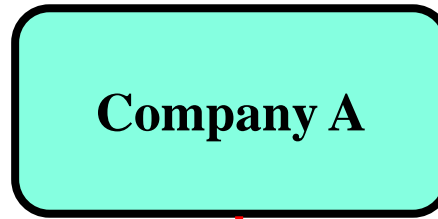
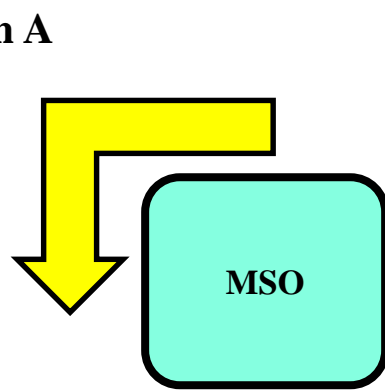
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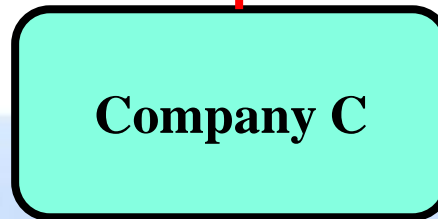
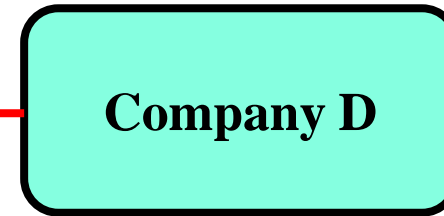
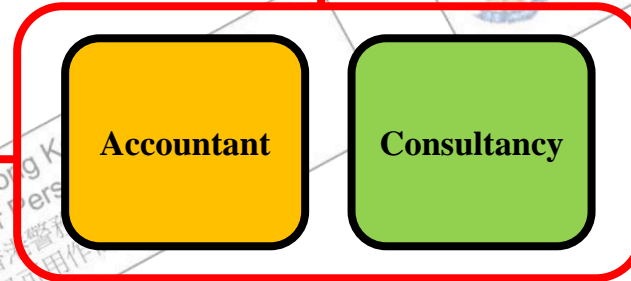
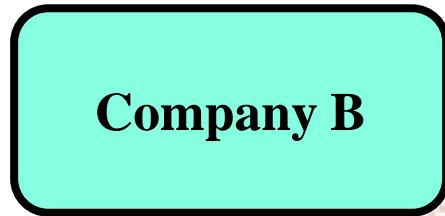
Crime Proceeds

Bank (2) – Listing Fraud

Jurisdiction A



Jurisdiction B



Bank (3) - Bookmaking



Day	Deposit	Withdrawal
Sunday	Minimal Transactions	
Monday	Large No. of Deposits and Withdrawals	
Tuesday	Minimal Transactions	
Wednesday	Minimal Transactions	
Thursday	Large No. of Deposits and Withdrawals	
Friday	Minimal Transactions	
Saturday	Minimal Transactions	



Bank (4) – Tax Avoidance / Evasion

Jurisdiction A

**Company A
(Seller)**

Payment to
Co. A

Selling below
Market Price

Direct Shipment

Jurisdiction B

**Company B
(Shell Company)**

Payment to
Co. B

Selling at
Market Price

**Customer
(Buyer)**

Note: The tax rate in Jurisdiction A is higher than the tax rate in Jurisdiction B. Company A set up Company B in Jurisdiction B and pay tax there.



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Bank (5) – Foreign Corruption

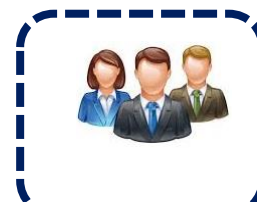
Jurisdiction A



Bribery



Jurisdiction B



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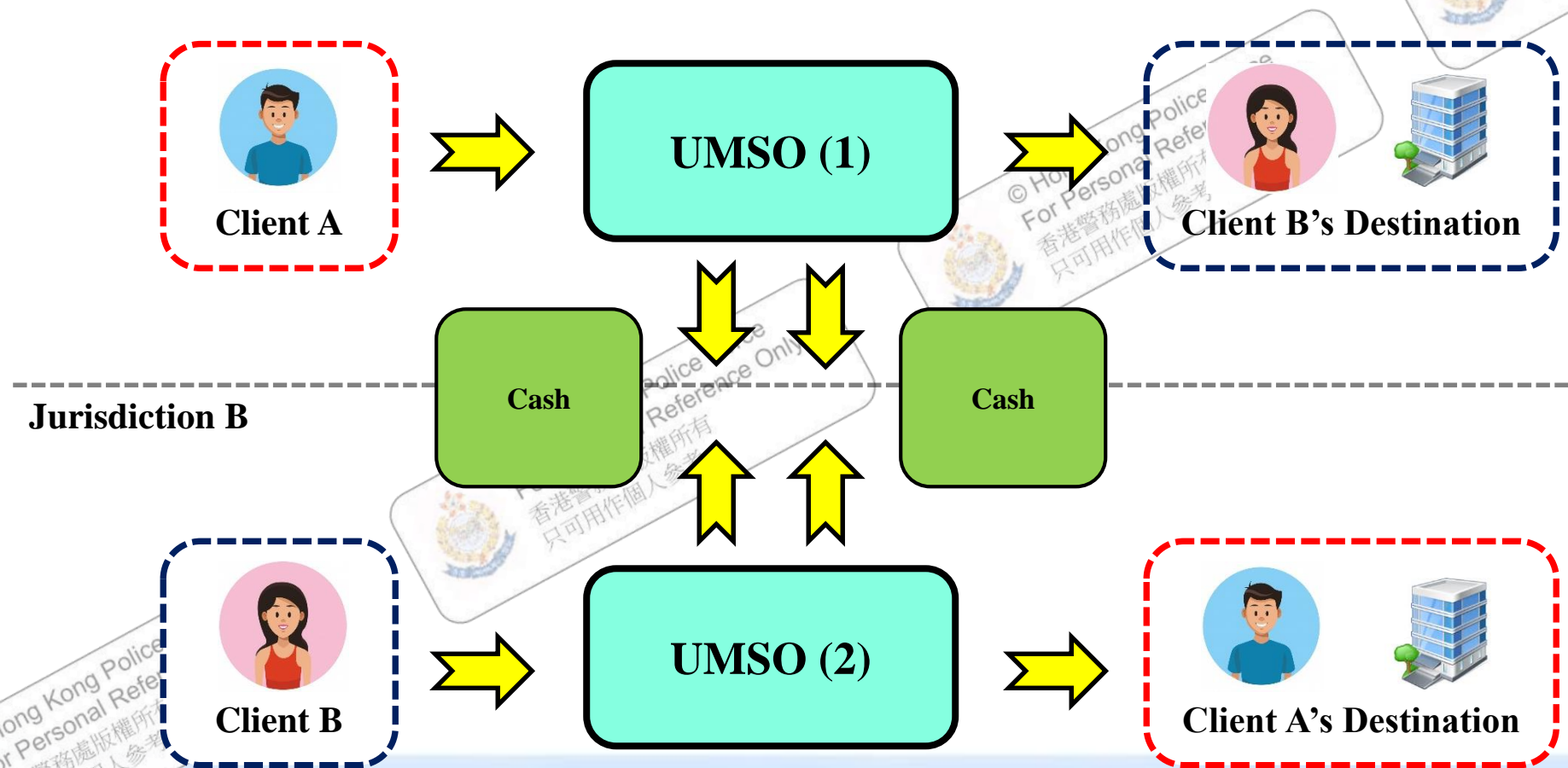
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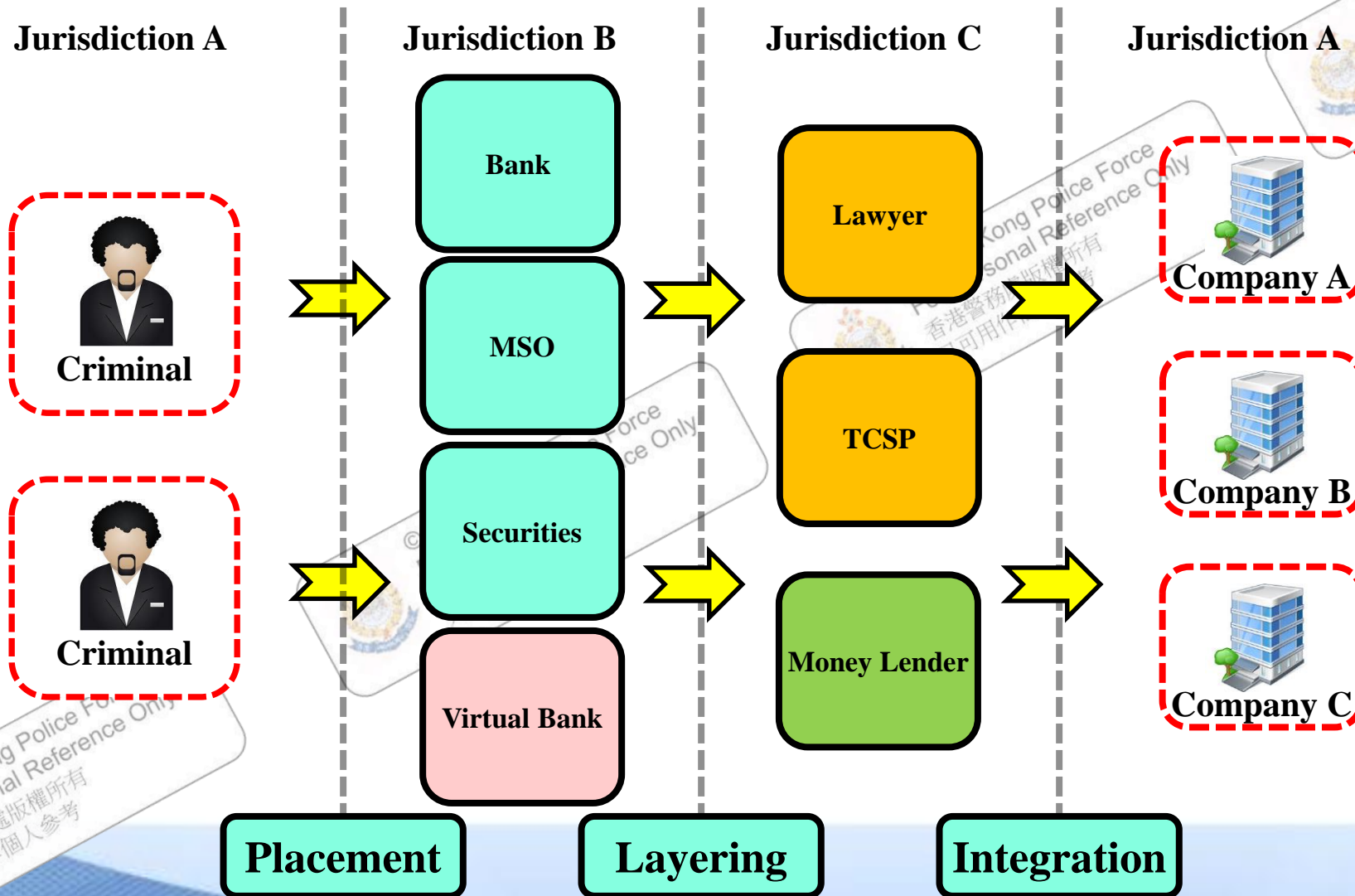
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Bank (6) – UMSO

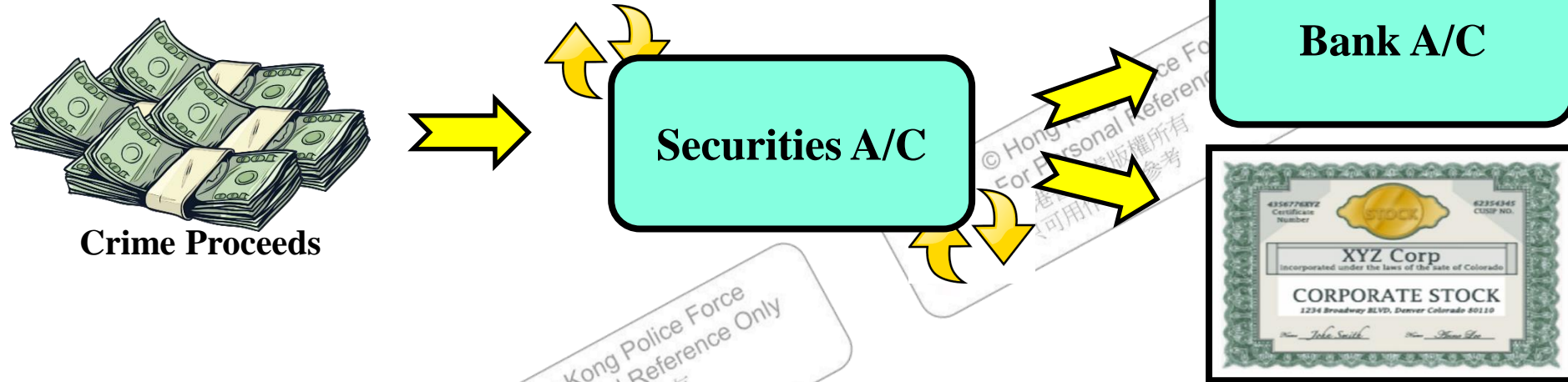
Jurisdiction A



Bank (7) – Loan Back ML

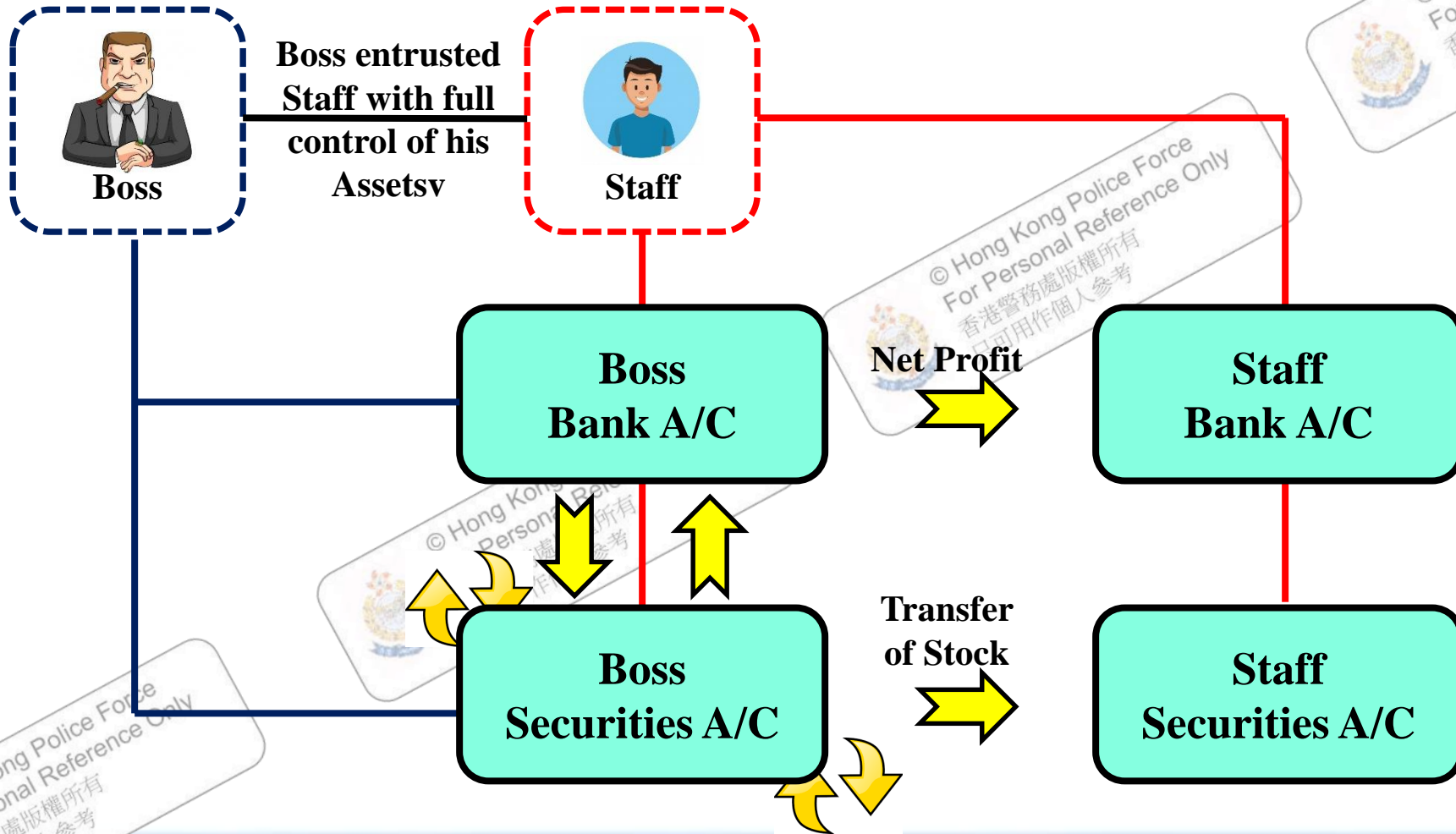


Securities (1) – General Case

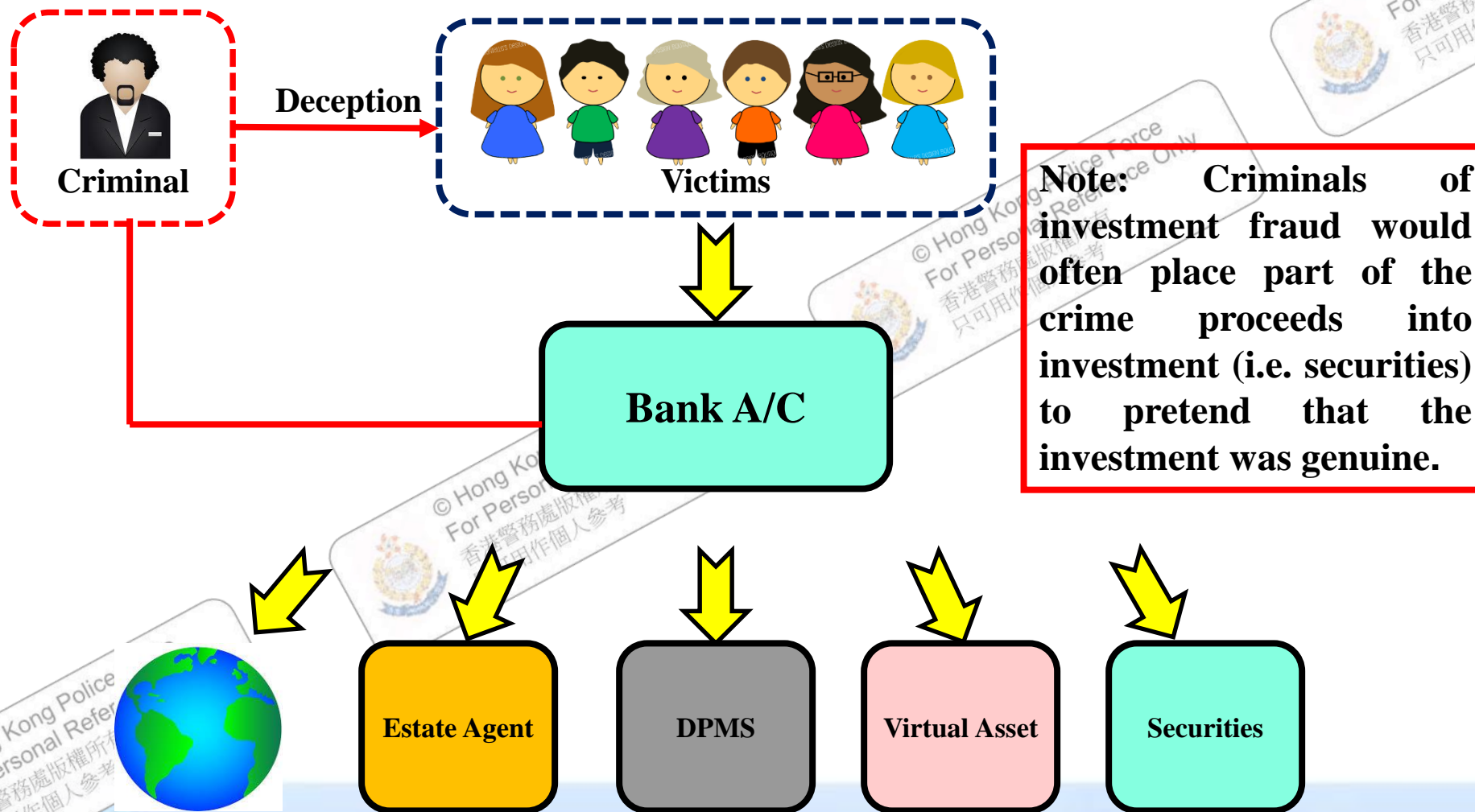


Note: Criminals will conduct frequent trades within the account and each trade might only involve small gain or loss. The idea was merely to layer the crime proceeds.

Securities (2) – Staff Embezzlement



Securities (3) – Investment Fraud

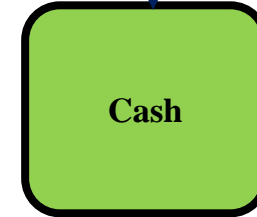
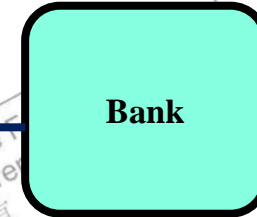


MSO (1) – Telephone Deception

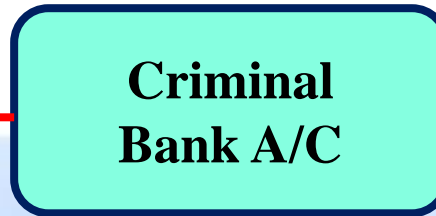
Jurisdiction A



Deception



Jurisdiction B



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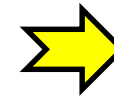
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MSO (2) – Drug Related

Jurisdiction A

Jurisdiction B



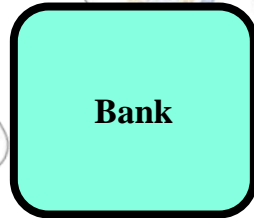
Insurance (1) – General Case



Crime Proceeds



Withdrawn



Pledge



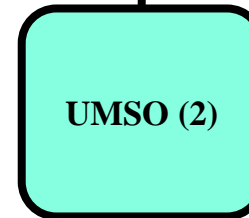
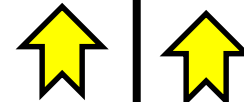
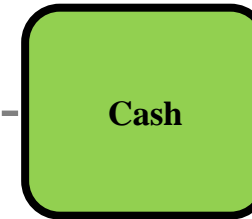
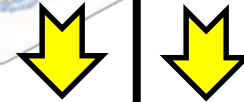
Insurance (2) – Use of UMSO and Insurance Broker

Jurisdiction A

Jurisdiction B



Crime Proceeds



Policy Signed



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Lawyer (1) – Investment Fraud

Jurisdiction A



Deception



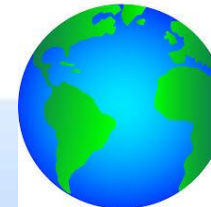
Jurisdiction B

Engage



Escrow
Bank A/C

Jurisdiction C

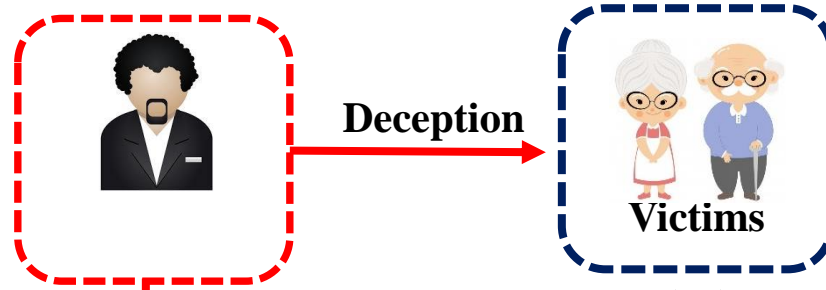


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Lawyer (2) – Remittance Service

Jurisdiction A



Engage

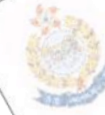


Bank A/C

Bank A/C

Jurisdiction B

Criminal's Destination



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Accountant (1) – Tax Evasion



**Submission of
forged document**

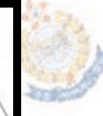


Audit

Engage



Tax Evasion



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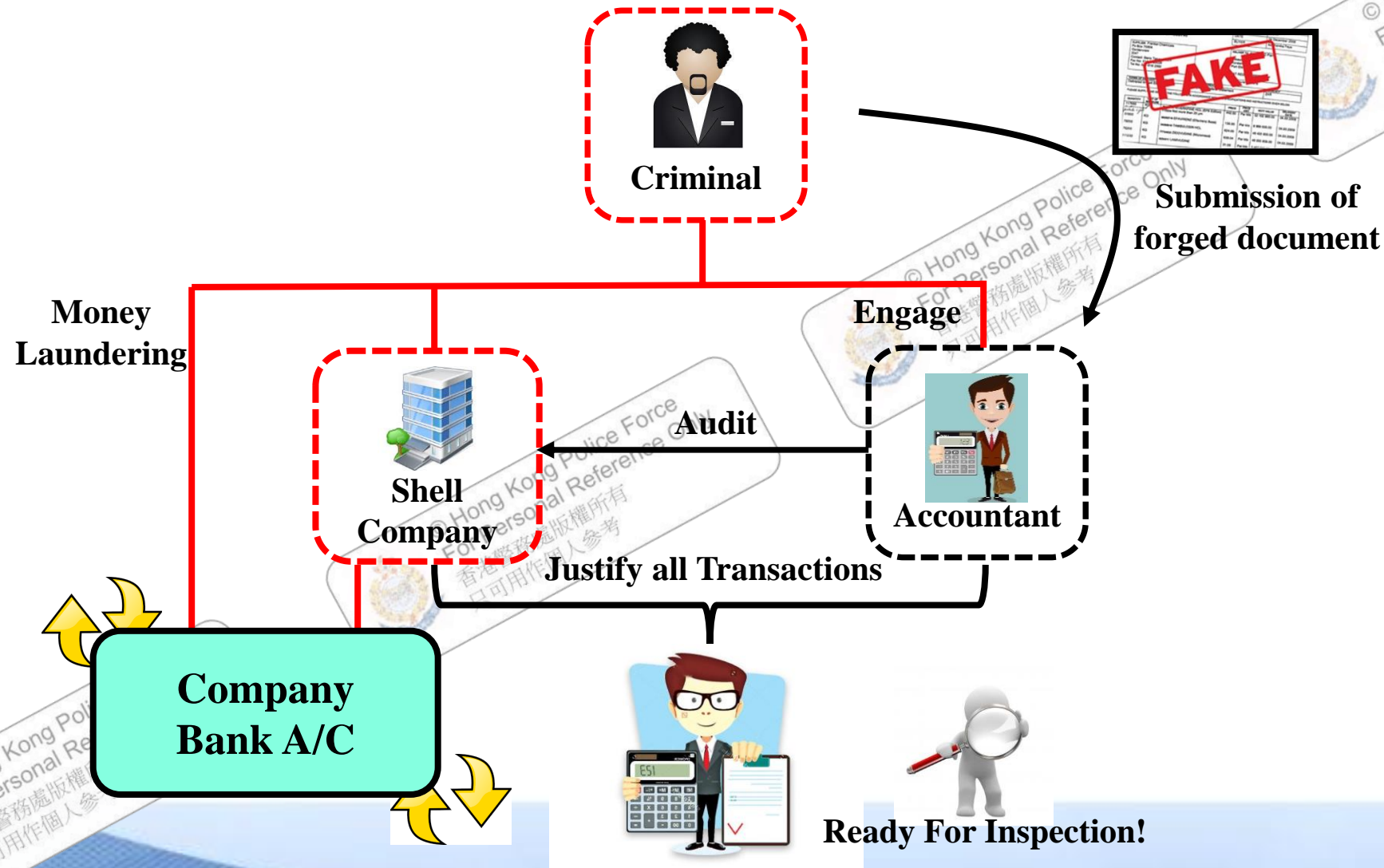
**Business with
Operation**

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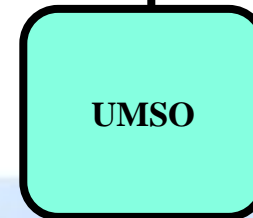
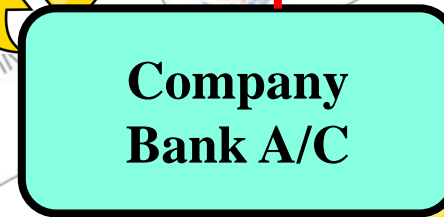


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Accountant (2) – Audit for Shell Company



Accountant (3) – Willful Blindness



Estate Agent (1) – Direct Payment

Normal
Case

Engage



Buyer



Lawyer



Seller



Estate Agent

Suspicious
Case



Buyer

Engage



Estate Agent



Seller



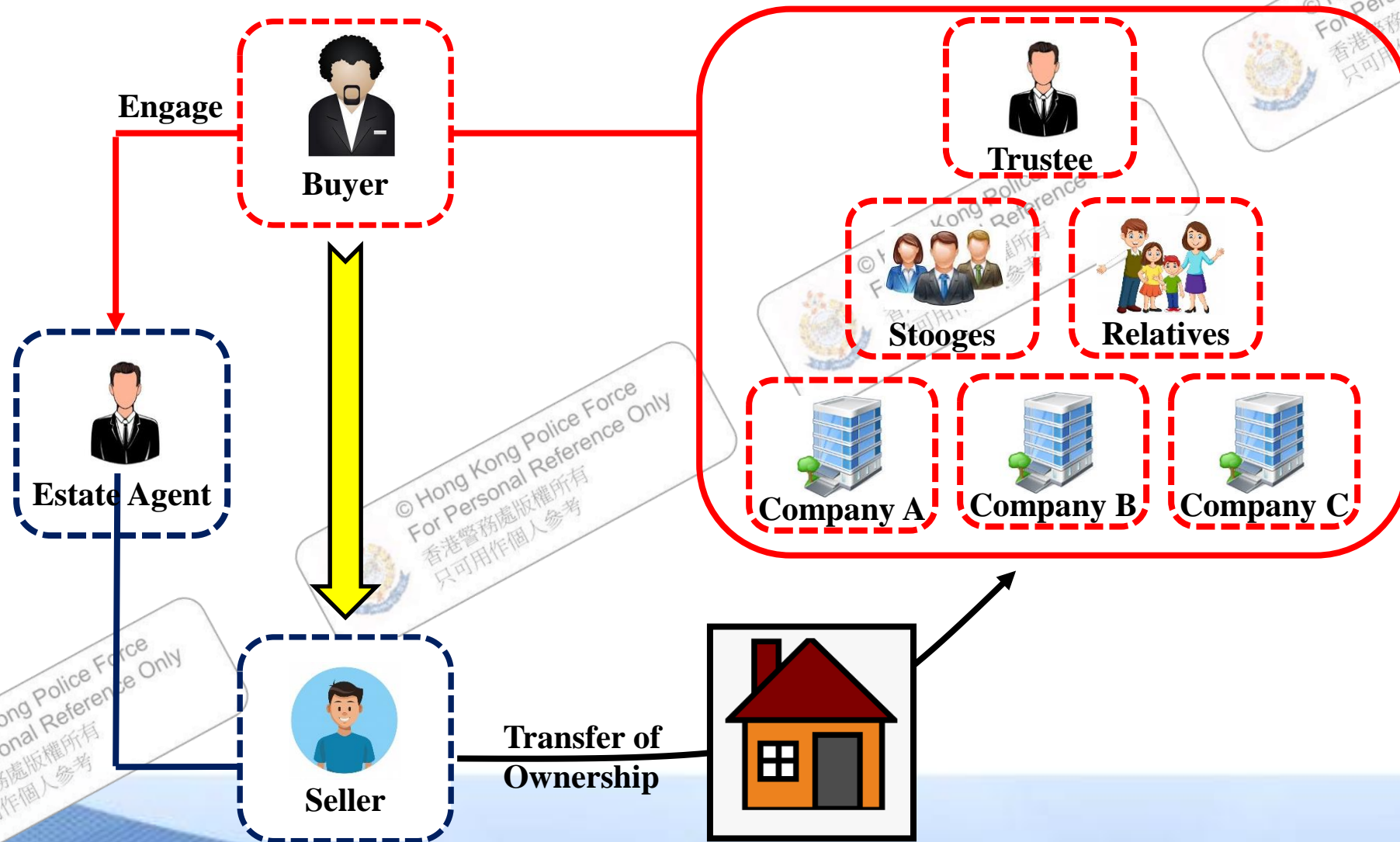
Transfer of
Ownership

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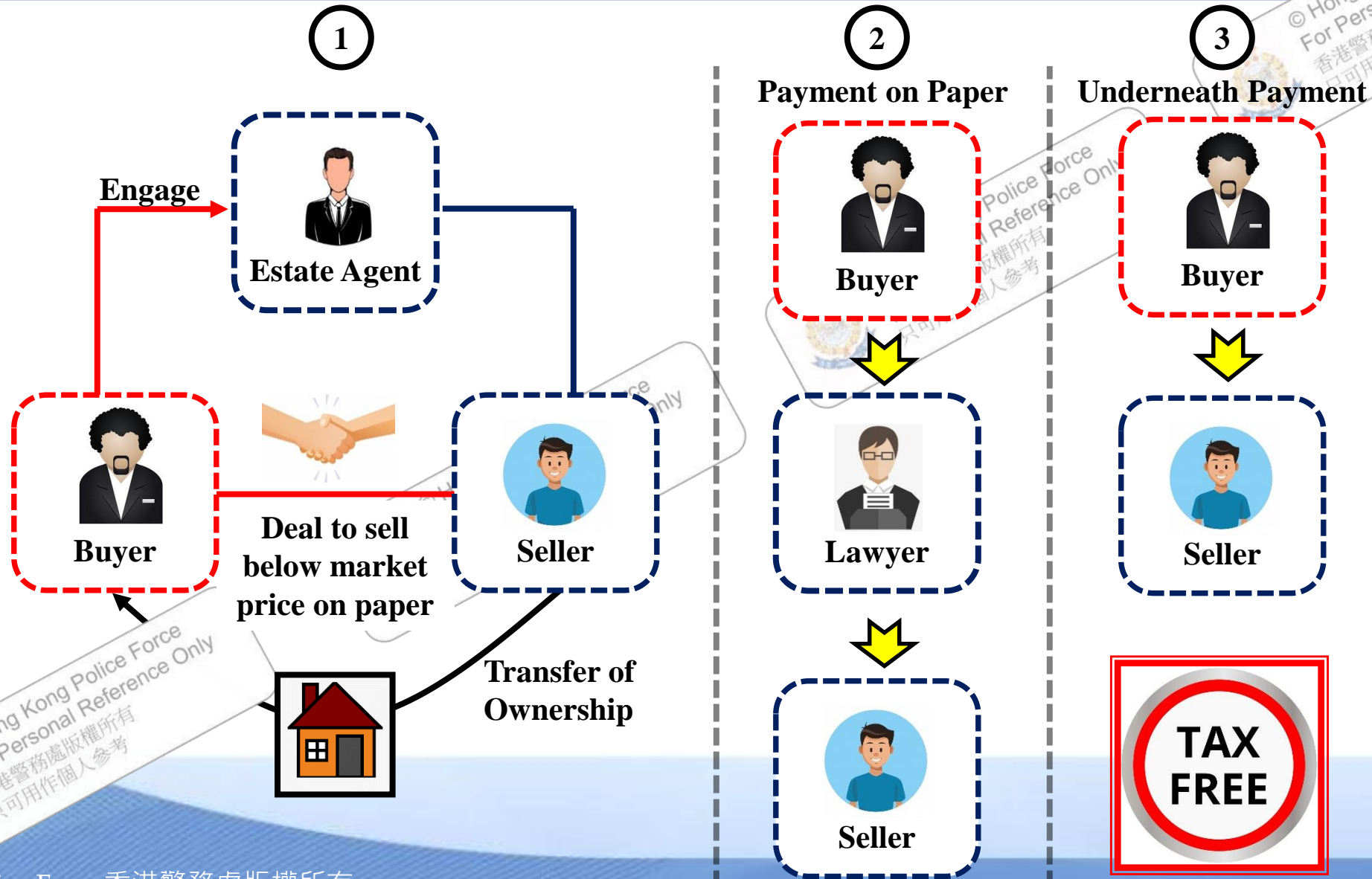
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Estate Agent (2) – Use of 3rd Party



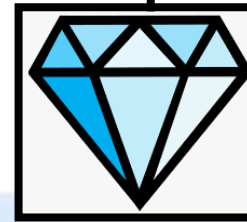
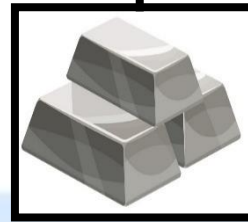
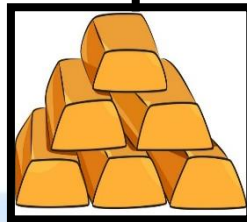
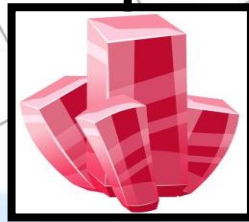
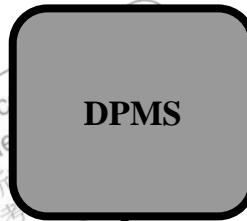
Estate Agent (3) – Tax Evasion



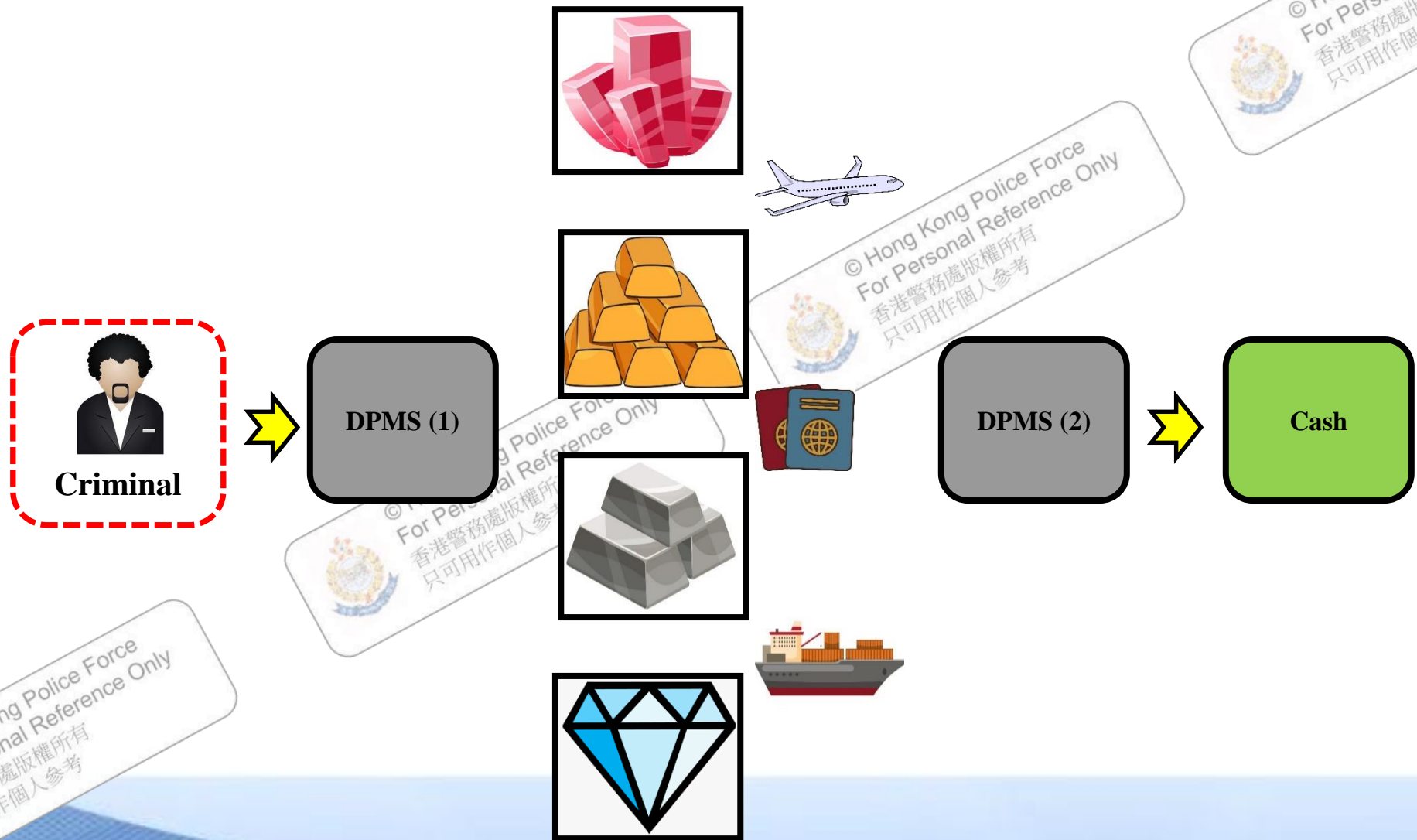
DPMS (1) – General Case



Crime Proceeds



DPMS (2) – Advanced Case



SVF (1) – Deception

Cyber World

**Criminal
SVF A/C**



Criminal

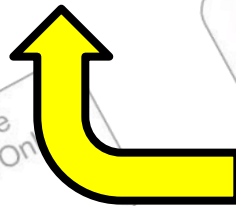
Deception

Note: Features of SVF included instantaneous transaction and hidden identity which are favorable for money laundering activities.

Real World



Victims



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SVF (2) – Bookmaking

Cyber World

**Criminal
SVF A/C**

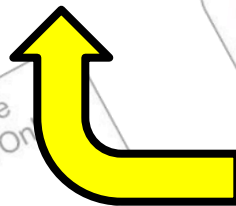


**Set Up Online
Gambling**



Solicit

Real World



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Virtual Bank – Use of Fake ID



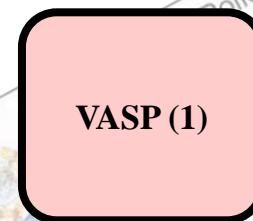
VASP and Virtual Asset

Jurisdiction A

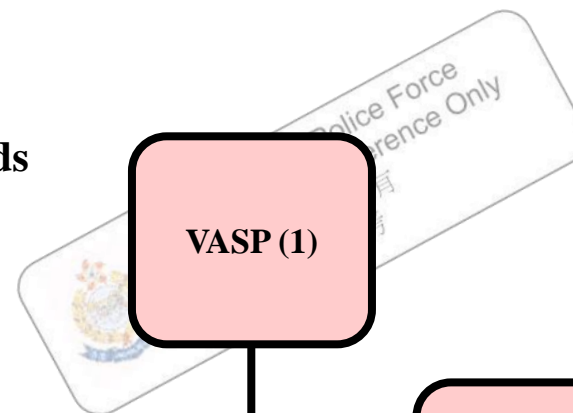
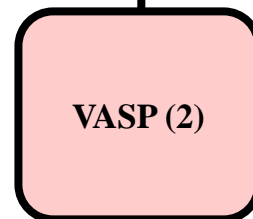
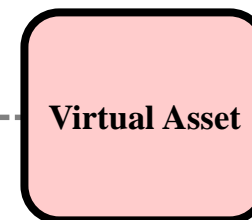
Jurisdiction B



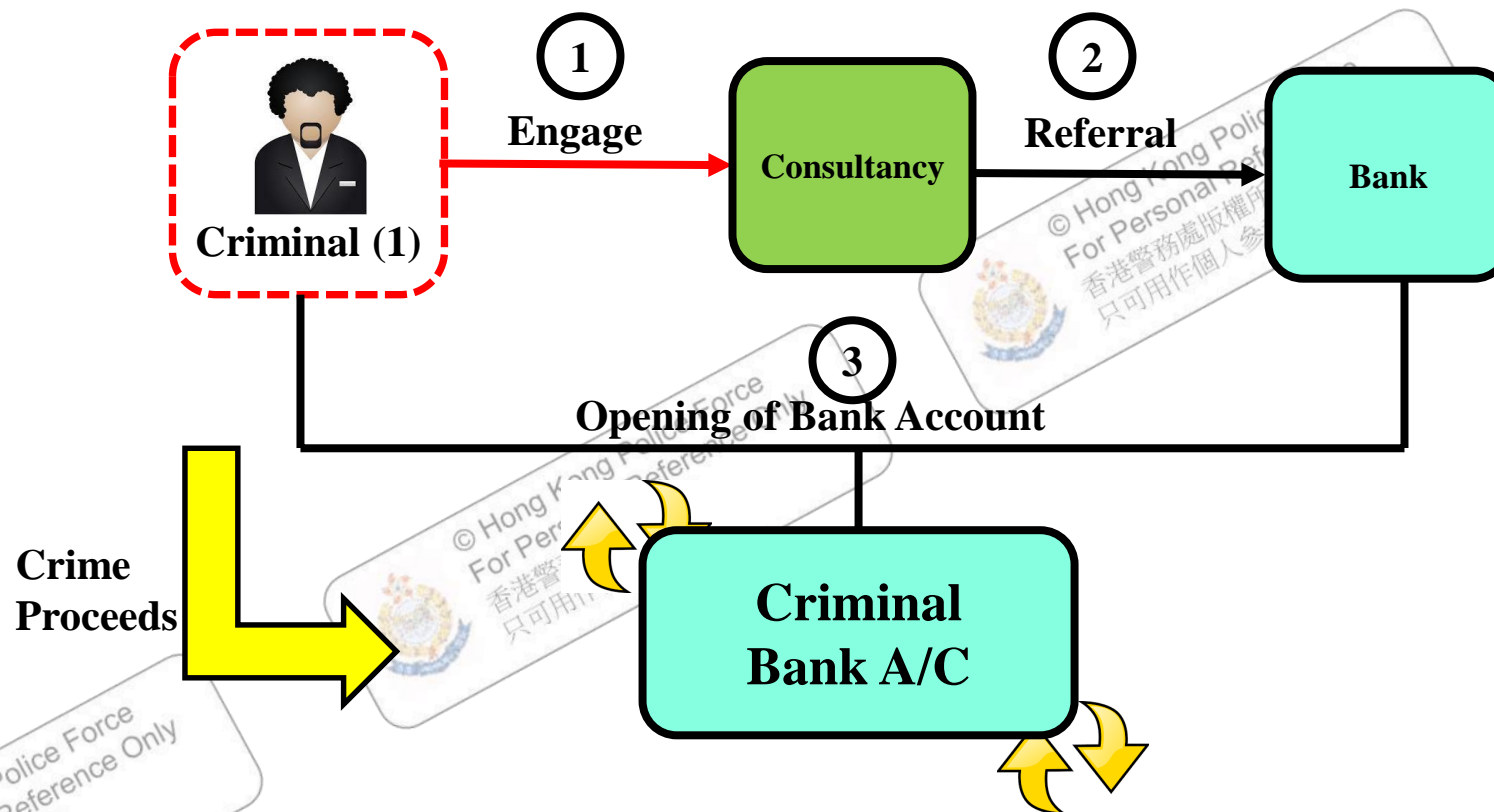
Crime Proceeds



Associated

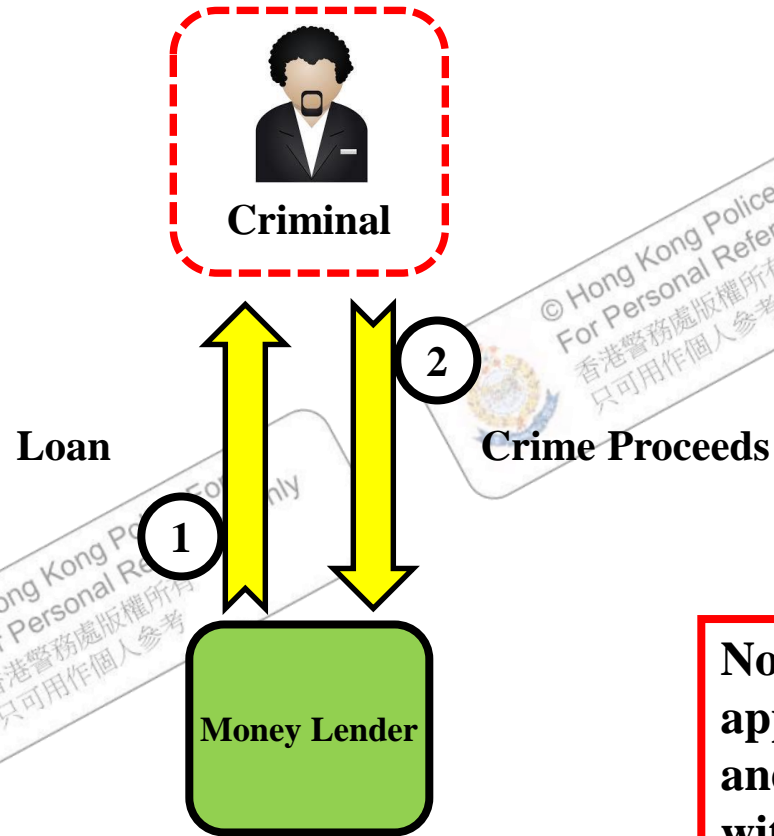


Consultancy Firm



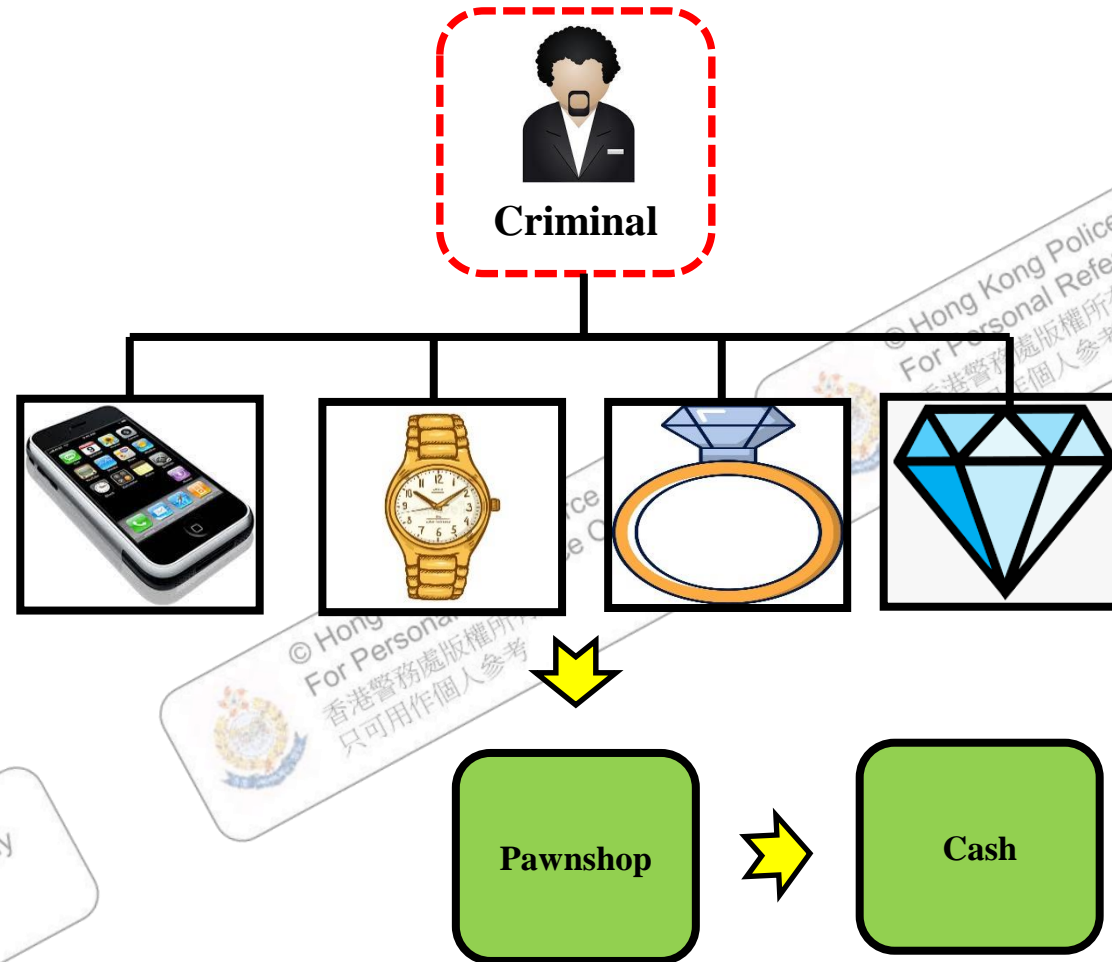
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Money Lender



Note: Criminals could apply a “revolving loan” and so they could keep withdrawing clean monies from the money lender and repay it by crime proceeds.

Pawnshop – Dispose of Stolen Property



Note: The use of pawnshop is usually associated with offences under the theft ordinance (i.e. Theft, Robbery, Burglary, Obtaining Property by Deception, etc.)

