



Methods of Money Laundering & Terrorist Financing And Suspicious Transaction Reporting

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- ◆ About JFIU

- ◆ Key Legislation

- ◆ Methods of ML and TF

- ◆ STR

- ◆ Narrative Structure

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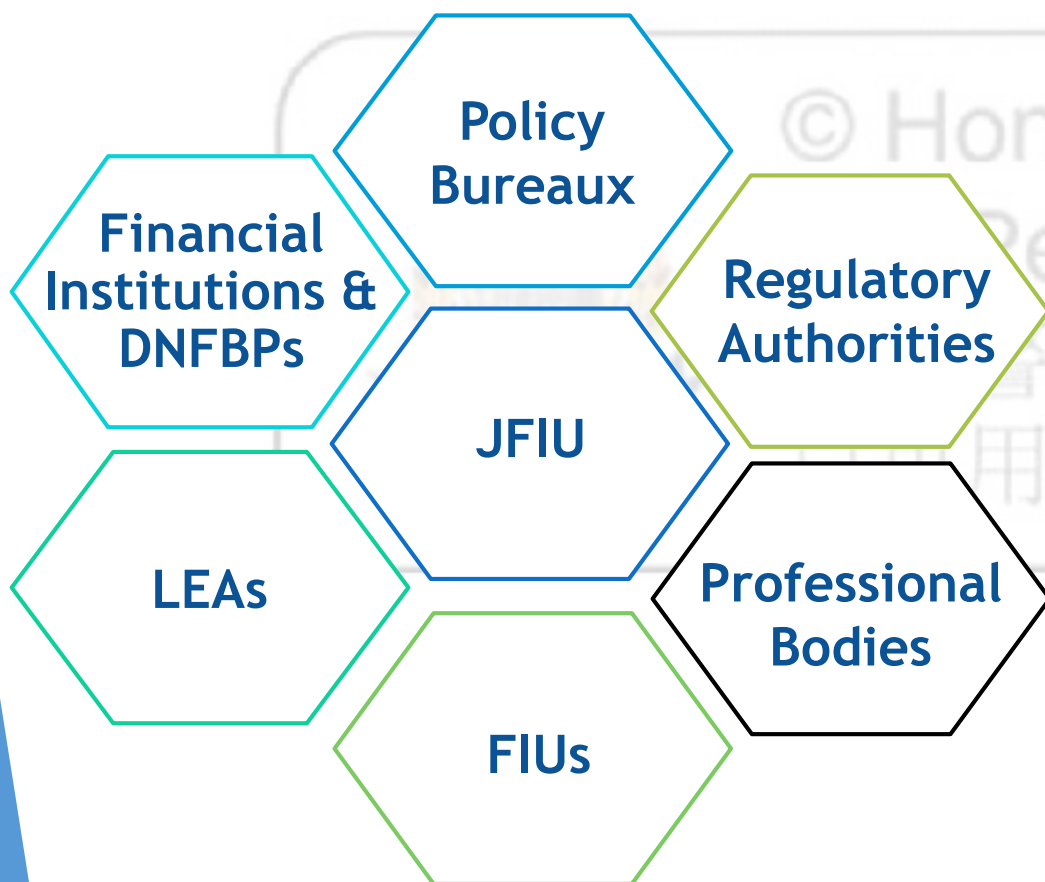


About JFIU

- ▶ Co-staffed by officers of HKPF & C&ED
- ▶ Sole agency to manage the suspicious transaction reporting regime
- ▶ Financial intelligence exchanges with FIUs and LEAs worldwide
- ▶ Member of Egmont Group since 1996
- ▶ Establishment of Financial Intelligence and Investigation Bureau (FIIB) in 2021



About JFIU



CHARTER

- ▶ Operation analysis of **STR**
- ▶ Global exchange of financial intelligence and information
- ▶ **Strategic analysis** of financial intelligence and other information
- ▶ Research on ML/TF trends and typologies
- ▶ Operation of the STREAMS
- ▶ Support on provisional measures to prevent further dealing of suspicious property
- ▶ Staffing of local and international AML/CFT policy matters
- ▶ Coordination of AML/CFT **training and outreach**

Key Legislation

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

販毒(追討得益)條例 (第405章)

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

有組織及嚴重罪行條例 (第455章)

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

聯合國(反恐怖主義措施)條例 (第575章)

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Key Legislation (AML)

Any person

- **Knowing** or **having reasonable grounds to believe**
- Any property
- In whole or in part directly or indirectly represents **proceeds of drug trafficking / indicatable offence**
- **Deals with the property**

Maximum Penalty:

- **HKD 5 Million fine**
- **14 years' imprisonment**

S.25 of Cap. 405 DTROP

S.25 of Cap. 455 OSCO



Key Legislation (*CFT*)

Any person shall not

- **Provide** or **collect** directly or indirectly
- Any property
- **With the intention that the property be used** or **knowing that the property will be used**
- In whole or in part to commit **one or more terrorist acts**

Maximum Penalty:

- **14 years' imprisonment**

S.7 of Cap. 575 UNATMO



Key Legislation (*STR*)

Any person

- **Knows** or **suspects**
- Any property **represents / was used / is intended to be used in connection with the proceeds of drug trafficking or indictable offences or terrorist property**
- Should **disclose** that knowledge or suspicion to **an authorized officer (i.e. JFIU)**

Maximum Penalty:

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

S.25A(1) of Cap. 405 DTROP

S.25A(1) of Cap. 455 OSCO

S.12(1) of Cap. 575 UNATMO



Key Legislation (*STR*)

Where a person

- **Knows** or **suspects** that a disclosure has been made
- The person **shall not disclose to another person** any matter
- Which is **likely to prejudice any investigation** which might be conducted following that first-mentioned disclosure

Maximum Penalty:

- **HKD 500,000 fine**
- **3 months' imprisonment**

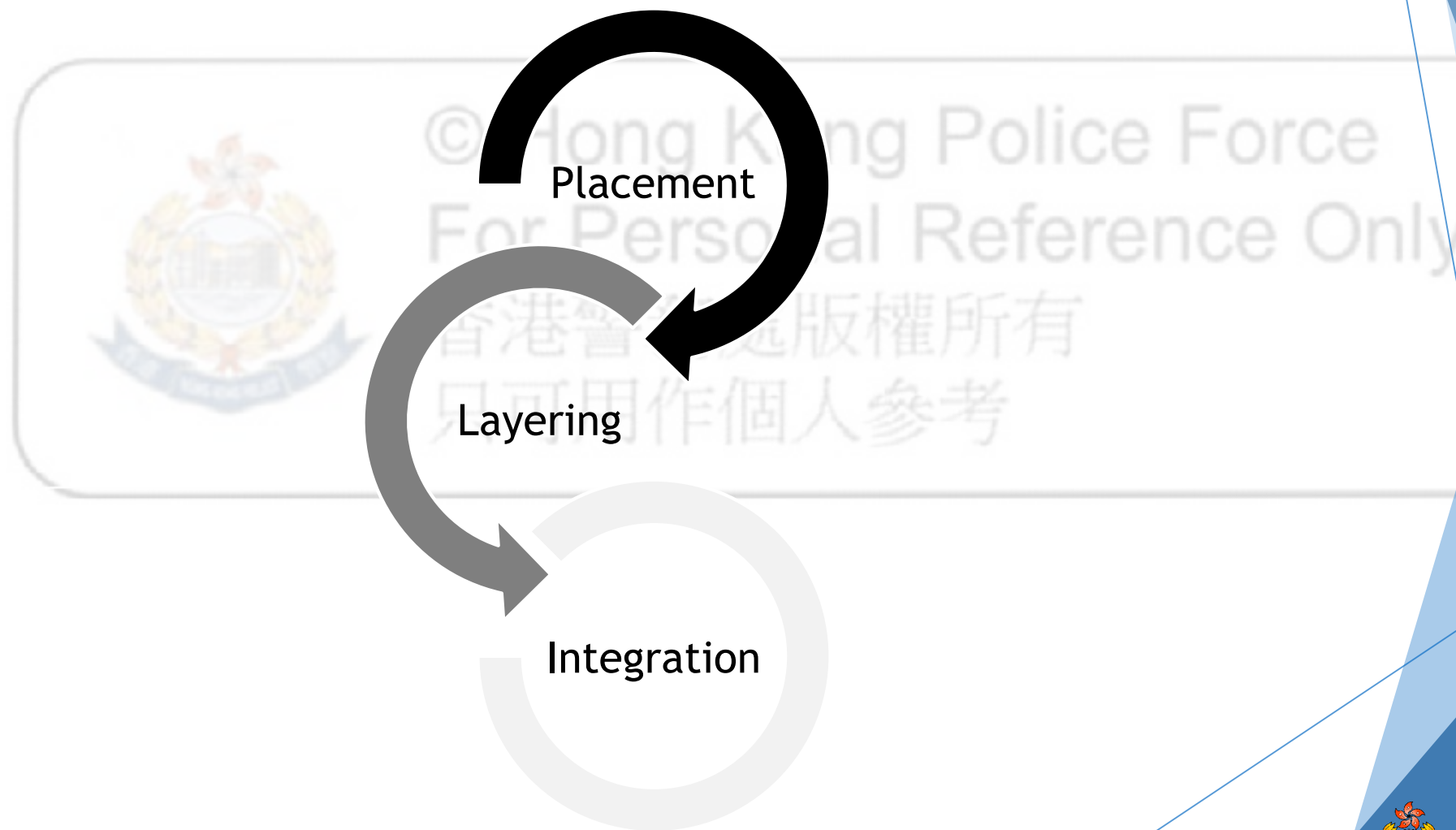
S.25A(5) of Cap. 405 DTROP

S.25A(5) of Cap. 455 OSCO

S.12(5) of Cap. 575 UNATMO



Methods of Money Laundering



Methods of Money Laundering

► Stage I: Placement

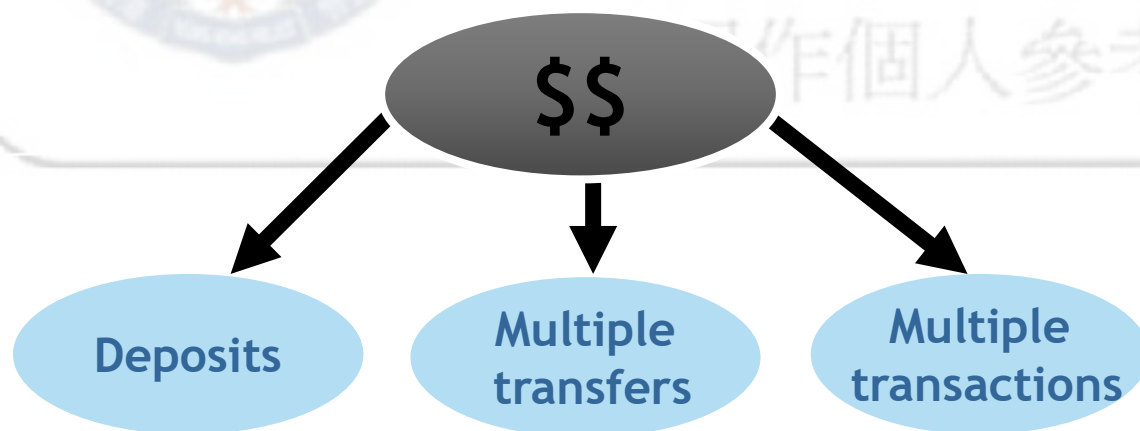
- Place crime proceeds into the financial system



Methods of Money Laundering

► Stage II: Layering

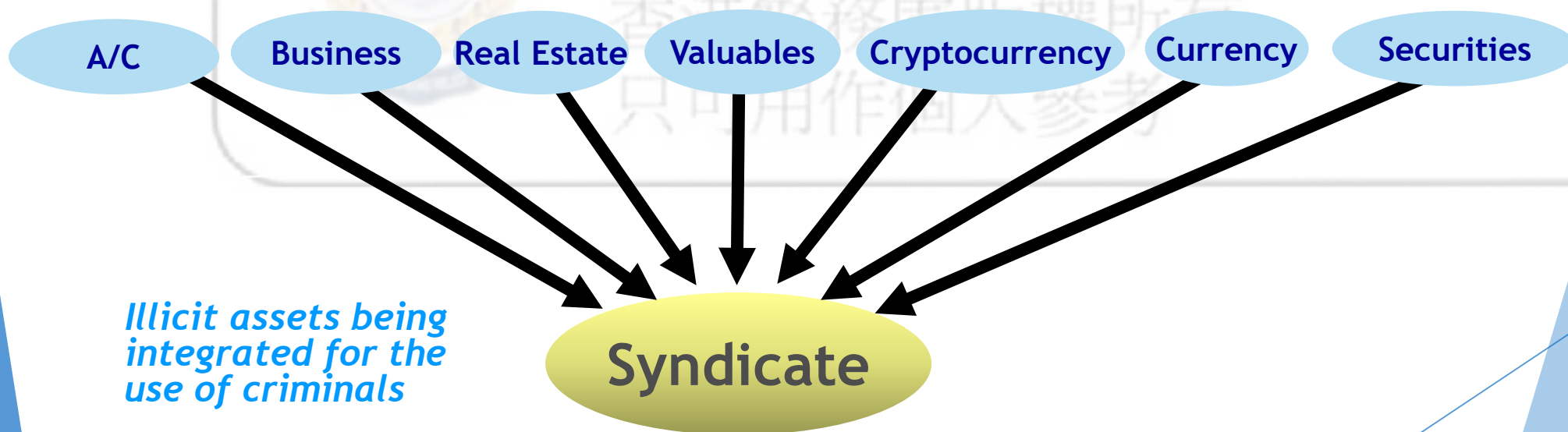
- Convert proceeds of crime into other forms
- Create complex layers of financial transactions to defraud the audit trail, source and owner of funds



Methods of Money Laundering

► Stage III: Integration

- To integrate the laundered funds from different sources
- Use the laundered funds to purchase 'clean assets'



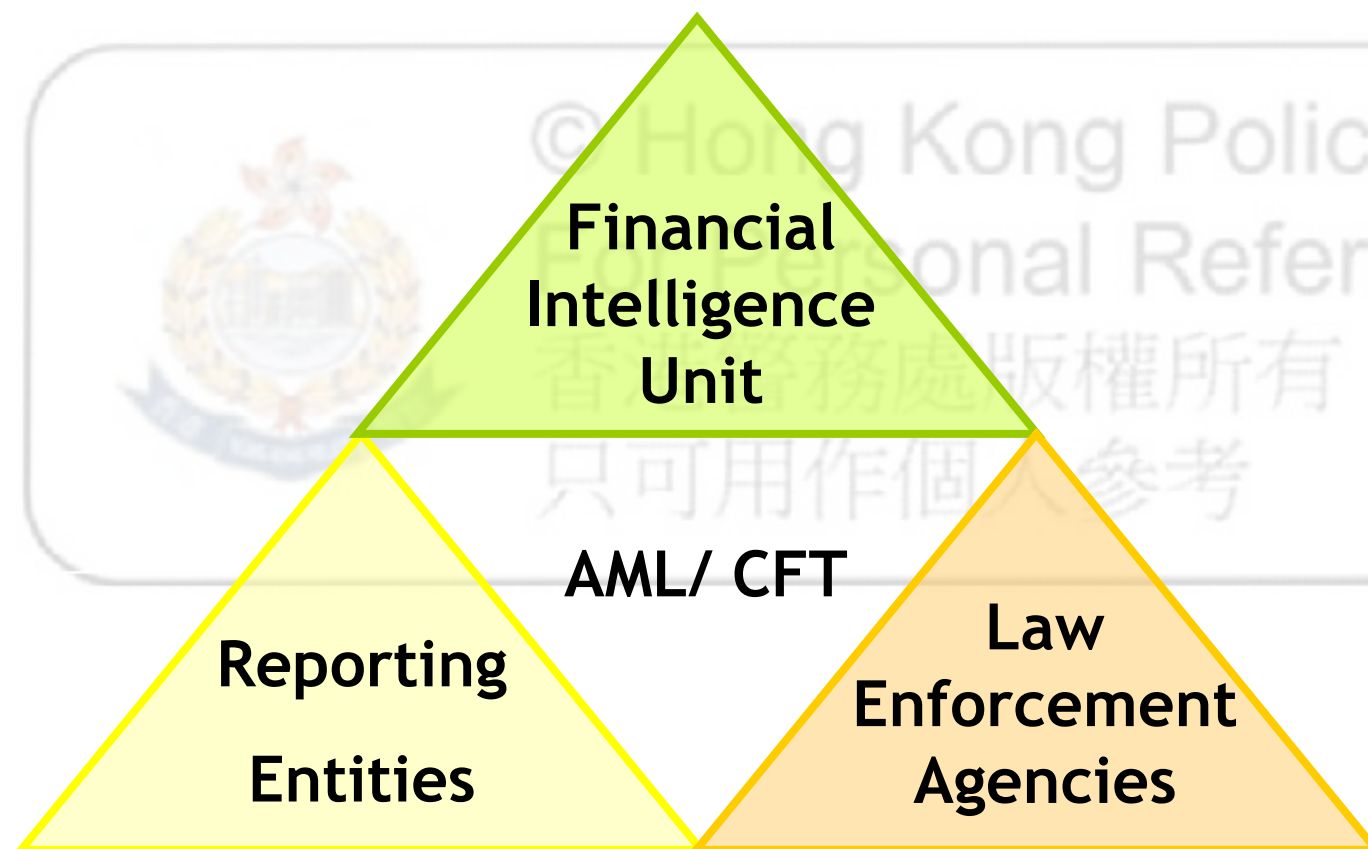
Methods of Terrorist Financing

- ▶ Funding from criminals or legitimate activities
- ▶ Physical transportation of cash
- ▶ Use of banks accounts and MSOs

* Overall level of terrorism threat in HK - “Moderate”

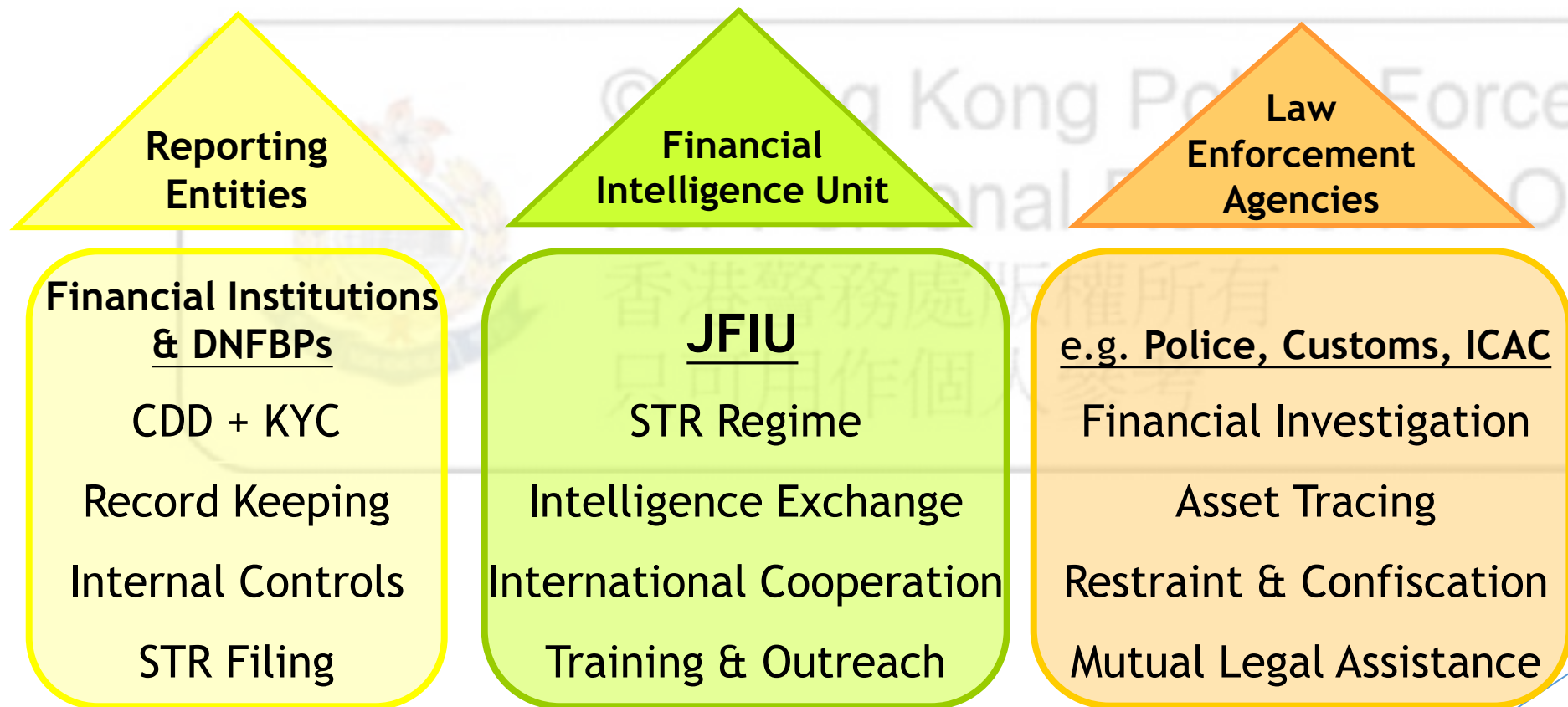


STR Mechanism

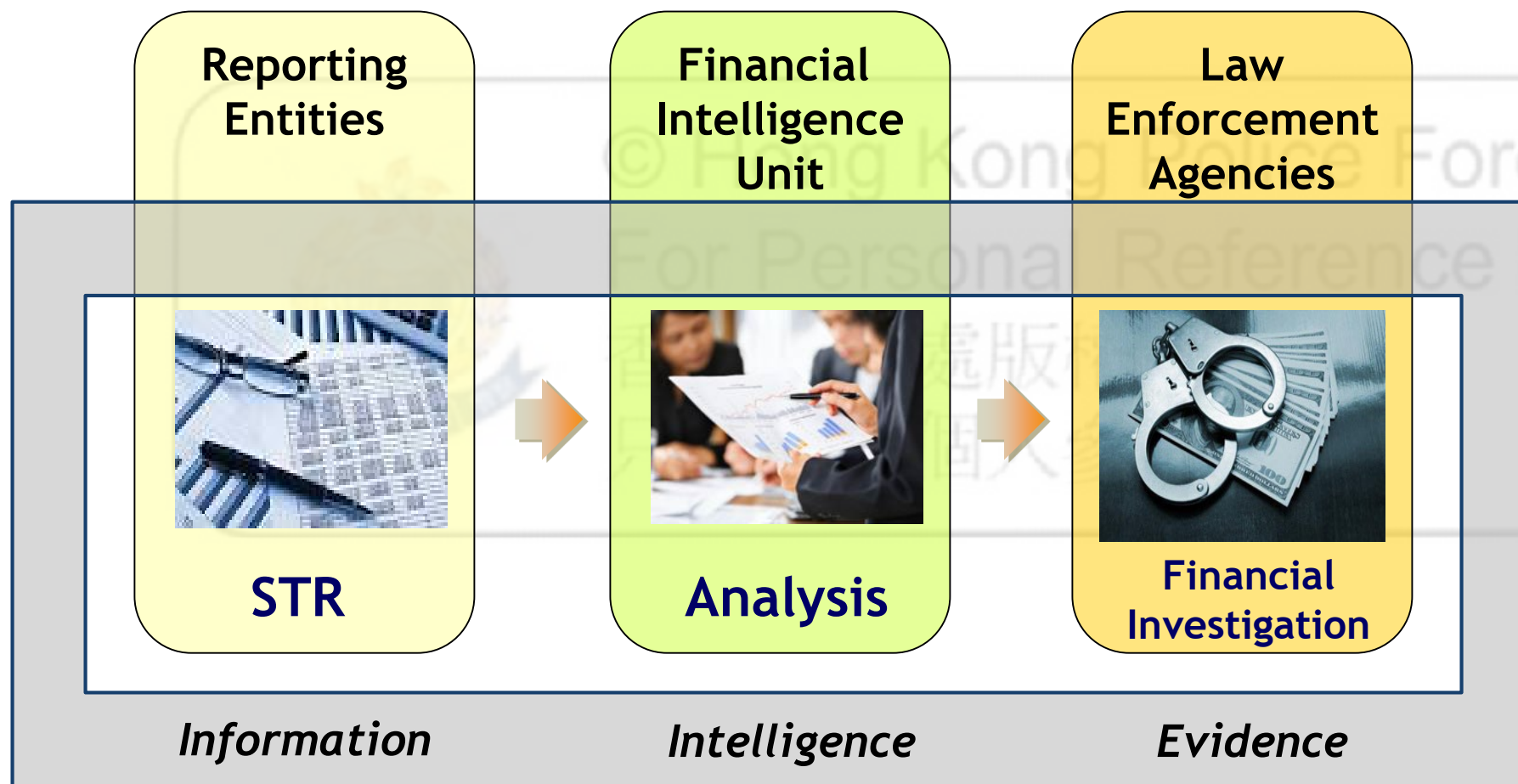


STR Mechanism

← Public-Private Partnership →

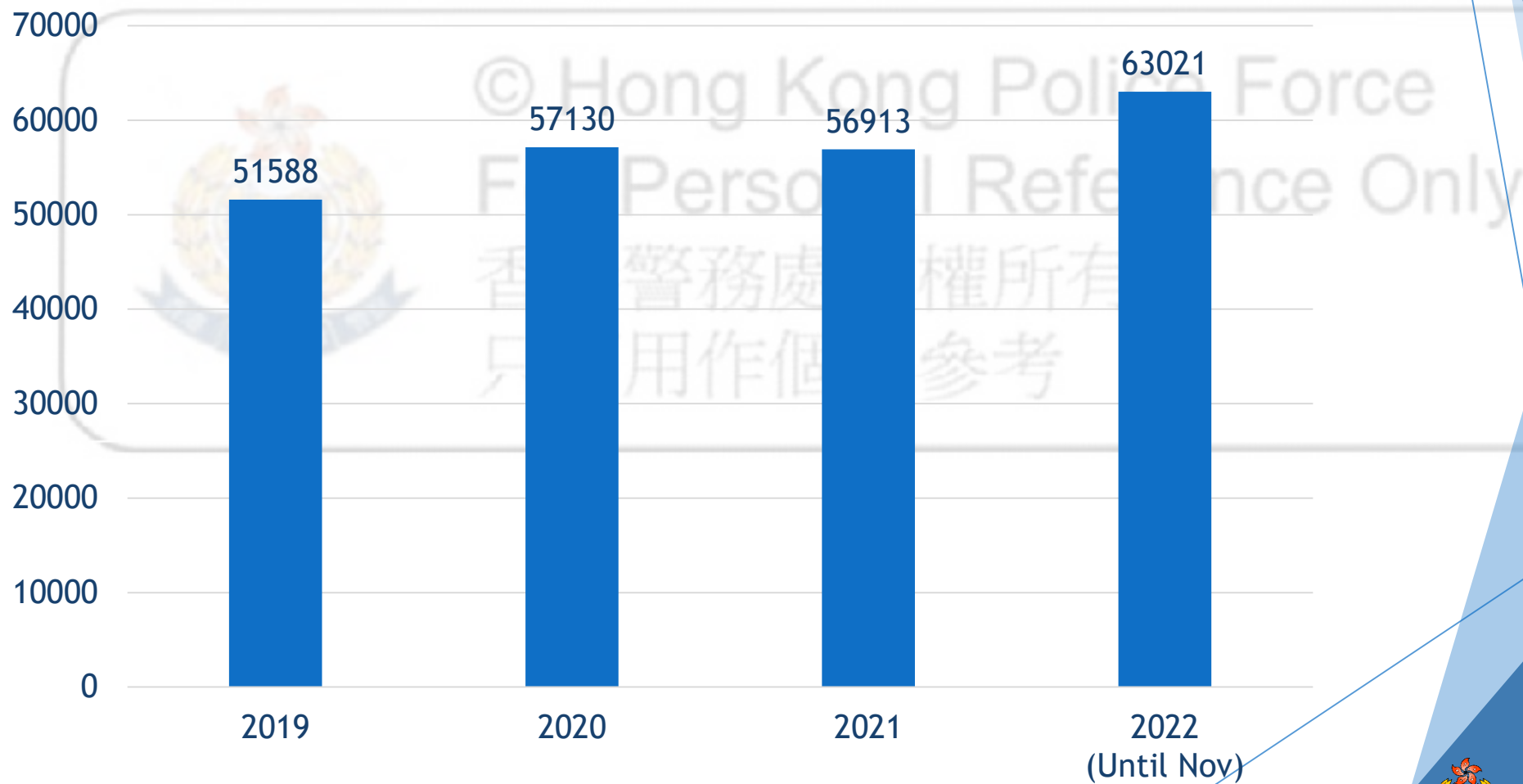


STR Mechanism



STR Statistics

Number of STRs received from 2019 to Nov 2022



STR Statistics

Sectoral Breakdown of STRs received by JFIU in 2022 (until Nov)



Traditional Banks

Money Lenders

Money Service Providers

Law Firms

Others

Virtual Banks

Securities Firms

Real Estate Agents

Accountancy Firms

Insurance Companies

Stored Value Facilities Licensees

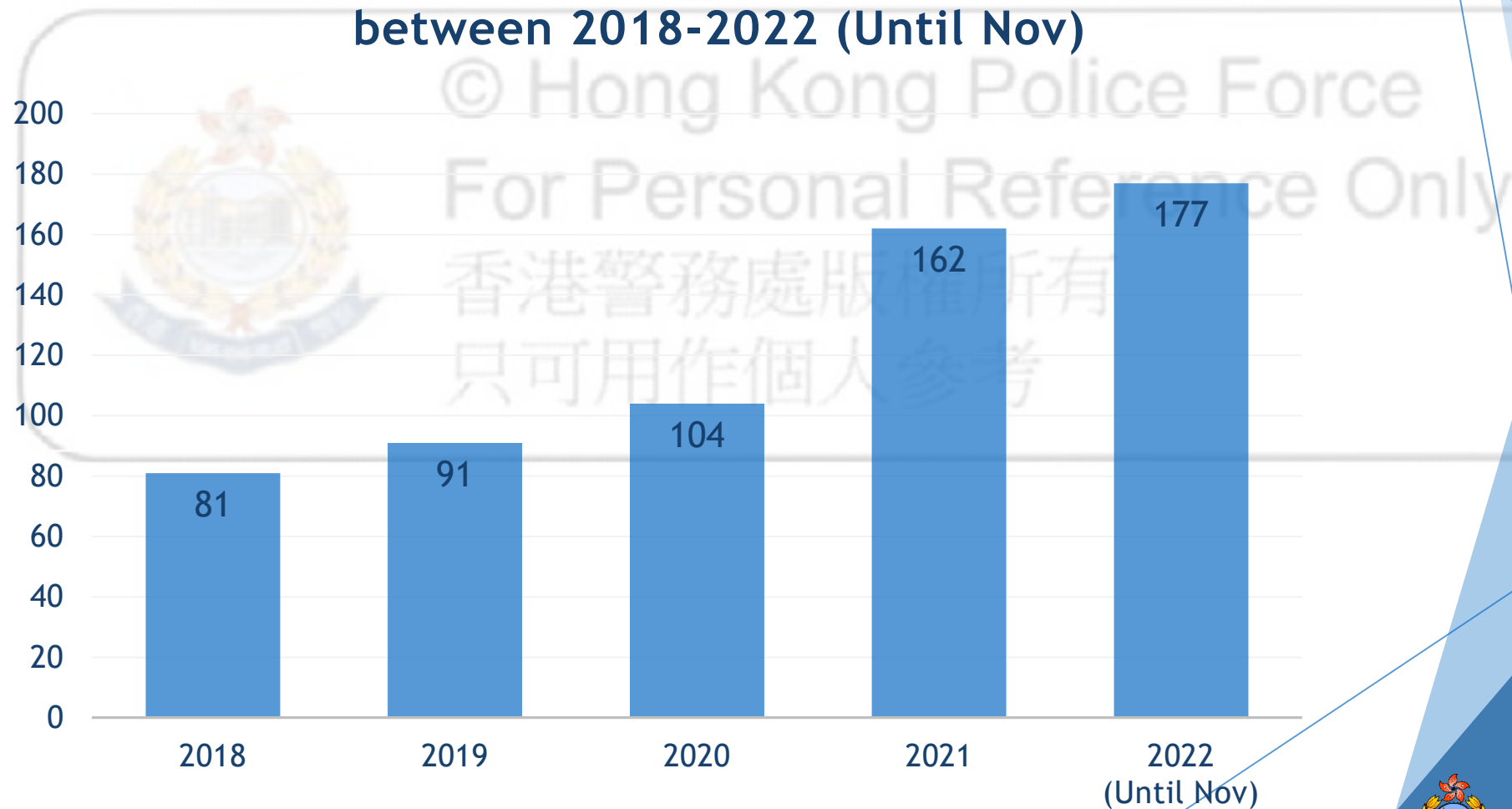
Dealers in Precious Products

Trust & Company Services Providers



STR Statistics

Number of STRs received from TCSPs
between 2018-2022 (Until Nov)



Red Flags Indicators (TCSP)

- ▶ Multi-jurisdictional and/or complex structure of corporate entities and/or trusts are established **without valid ground**
- ▶ Payments (local or foreign) are made or received **without a clear connection** to the actual activities of the corporate entity
- ▶ Use of **off-shore bank accounts** without legitimate economic necessity
- ▶ **Customer's unwillingness** or refusal to provide information/documentary proof on himself/herself or beneficial owner(s) of trusts/companies
- ▶ Sources and/or destinations of funds are unknown
- ▶ Transactions are **heavily cash-based** which should normally be carried out through other payment facilities



Red Flags Indicators (TCSP)

- ▶ Customer's **background is not commensurate with the value of transactions** carried out by the customer or on behalf of the company
- ▶ A company is established primarily for the purpose of **collecting funds from various sources** which are then transferred to local/foreign bank accounts that have no apparent ties with the company
- ▶ Incorporation of a company by a **non-resident with no links or activities in the jurisdiction** where the company is established
- ▶ The **money flow** generated by a company **is not in line** with its underlying **business activities**



‘SAFE’ Approach

Screen

subject entities’ background & transactions

Ask

appropriate questions to clarify circumstances

Find

relevant records for review

Evaluate

whether suspicion is substantiated



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)

Suspicious Transaction
Report And Management
System (STREAMS)



If you want to file an STR via STREAMS, you have to complete **the application form** and return to the JFIU either by fax (2529 4013) or email (jfiu@police.gov.hk). If you need any further information, please feel free to contact the JFIU.

Recommended Structure of STR

STR Summary

Reporting Body

Subject

Organization

Phone

Address

Account

Transaction

Suspected Crimes

Suspicious Indicators

Open Source Info.

Entity Lists

Check

Save

Print

Subject

Sequence No: 1

English Name: Family Name: Given Name: Middle Name:

Chinese Name: CCC: HKID: ()

Other ID Type: if Others: ID No.: Country:

DOB: Gender: ☐ M ☐ F ☒ U Occupation:

Nature:

Phone:

Email: + -

Address:

Additional Information:

STR Summary

Reporting Body

Subject

Organization

Phone

Address

Account

Transaction

Suspected Crimes

Suspicious Indicators

Open Source Info.

Entity Lists

Check

Save

Print

Account

Sequence No: 1

Account Institution:

Account Number: Account Type: if Others:

Opening Date: Closing Date:

Balance: Currency: HKD Amount: + - Date:

Related Person: Role: if Others:

Related Company: Role: if Others:

Additional Information:



STR filing

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:	<div></div>
Submission Number:	<div></div>
Date of Submission:	<div></div>
Acknowledgement Issue Date:	<div></div>
Consent Letter Issue Date:	<div></div>
Consent:	<div><div><input checked="" type="checkbox"/> None</div><div><input type="checkbox"/> Yes</div><div><input type="checkbox"/> No</div><div><input type="checkbox"/> Not Applicable</div></div>
Consent Remark:	<div></div>

Special Cases with Time Critical Nature:

* Report Related to Existing Investigation:

☐ Yes

☒ No

Attachment:

+

Refresh

No.	File Name	File Size
1		KB
Total		KB



STR filing

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

Reporting Body	
Organization ID:	<input type="text"/>
Organization Name:	<input type="text"/>
Reporting Officer ID:	<input type="text"/>
Reporting Officer:	<input type="text"/>
Organization Reference:	<input type="text"/>
Phone:	<input type="text"/>
Fax:	<input type="text"/>
Email:	<input type="text"/>

***Reason for Disclosure:**

Drug Trafficking (ROP) Ordinance [Cap.405]:	<input type="checkbox"/>
Organized and Serious Crimes Ordinance [Cap. 455]:	<input type="checkbox"/>
United Nations (Anti-Terrorism Measures) Ordinance [Cap. 575]:	<input type="checkbox"/>

Other Information:

This Disclosure Related to a Previous Disclosure:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
---	---



STR filing

STR Summary	Reporting Body	Subject	Organization	Phone	Address	Account	Transaction
Suspected Crimes	Suspicious Indicators	Open Source Info.	Entity Lists	<input type="button" value="Check"/> <input type="button" value="Save"/> <input type="button" value="Print"/>			

Subject

Sequence No: 1 + -

English Name:	Family Name: _____	Given Name: _____	Middle Name: _____
Chinese Name:	CCC: <table border="1" style="display: inline-table; width: 100px; height: 20px;"></table>	HKID: <table border="1" style="display: inline-table; width: 100px; height: 20px;"></table> ()	
Other ID + -	Type: _____ ▼	if Others: _____	
	ID No.: _____	Country: _____ ▼	
DOB: _____	Gender: <input type="checkbox"/> M <input type="checkbox"/> F <input checked="" type="checkbox"/> U		Occupation: _____
Nature: _____	▼		
Phone: _____			
Email: + -	_____		
Address: _____	_____		
Additional Information:	_____		



STR filing

STR Summary	Reporting Body	Subject	Organization	Phone	Address	Account	Transaction
Suspected Crimes	Suspicious Indicators	Open Source Info.	Entity Lists	<input type="button" value="Check"/> <input type="button" value="Save"/> <input type="button" value="Print"/>			

Organization

Sequence No: 1 + -

English Name:			
Chinese Name:		Date of Incorporation: _____	
Local Company: <input type="checkbox"/>	BR No.: _____	CR No.: _____	Public Listed Company No.: _____
Oversea Company: <input type="checkbox"/>	Country: _____		Reg. No.: _____
Non-Government Organization:	<input type="checkbox"/> Yes <input type="checkbox"/> No	Charitable Organization:	<input type="checkbox"/> Yes <input type="checkbox"/> No
Nature:	<div>▼</div>	Business Nature:	<div>▼</div>
Phone:			
Email:	<div>+ -</div>		
Address:			
Related Person:		Role: <div>▼</div>	if Others: _____
Related Company:		Role: <div>▼</div>	if Others: _____
Additional Information:			



STR filing

STR Summary

Reporting Body

Subject

Organization

Phone

Address

Account

Transaction

Suspected Crimes

Suspicious Indicators

Open Source Info.

Entity Lists

Check

Save

Print

Phone Entity

Save +

No.	Linked?	Country Code	Area Code	* Subscriber Number	Extension
1	<input type="checkbox"/>				

只可用作個人參考



STR filing

STR Summary

Reporting Body

Subject

Organization

Phone

Address

Account

Transaction

Suspected Crimes

Suspicious Indicators

Open Source Info.

Entity Lists

Check

Save

Print

Address Entity

Save +

No.	Linked?	Address Detail
1	<input type="checkbox"/>	



STR filing

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

Account			
Sequence No:		1	+ -
Account Institution:			
Account Number:		Account Type: <input type="text"/>	if Others: <input type="text"/>
Opening Date:		Closing Date:	
Balance:	Currency: HKD <input type="text"/>	Amount: <input type="text"/> + <input type="text"/>	Date: <input type="text"/>
Related Person:		Role: <input type="text"/>	if Others: <input type="text"/>
Related Company:		Role: <input type="text"/>	if Others: <input type="text"/>
Additional Information:			



STR filing

STR Summary

Reporting Body

Subject

Organization

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Address

Account

Transaction

Suspected Crimes

Suspicious Indicators

Open Source Info.

Entity Lists

Check

Save

Print

Summary of Suspicious Transaction in the Reviewed Period

+

-

...

No.	From (Date)	To (Date)	Subject	Type	Currency	Amount
1					HKD	+ <div></div>
	Transaction Branch:					
	Transaction Counterpart:			A/C:		Others:
<div>Remark:</div> <div></div>						

- * Total Amount of Suspicious Transactions Reported (in HKD)
- * Total Period covering the Suspicious Transactions (in days)
- * Daily Average of the Suspicious Transactions Reported



STR filing

STR Summary

Reporting Body

Subject

Organization

Phone

Address

Account

Transaction

Suspected Crimes

Suspicious Indicators

Open Source Info.

Entity Lists

Check

Save

Print

Suspected Crimes (Please put a "✓" in the selected box(es).)

Designated Categories of Offences by FATF

Clear Checkbox

☐ Participation in an Organized Criminal Group and Racketeering

☐ Terrorism including Terrorist Financing

☐ Trafficking in Human Beings and Migrant Smuggling

☐ Sexual Exploitation including Sexual Exploitation of Children

☐ Illicit Trafficking in Narcotic Drugs and Psychotropic Substances

☐ Illicit Arms Trafficking

☐ Illicit Trafficking in Stolen and Other Goods

☐ Corruption and Bribery

☐ Fraud

☐ Email Scam

☐ Investment Scam

☐ Romance Scam

☐ Telephone Deception

☐ Others (Please specify)

☐ Counterfeiting Currency

☐ Counterfeiting and Piracy of Products

☐ Environmental Crime

☐ Murder, Grievous Bodily Injury

☐ Kidnapping, Illegal Restraint and Hostage-Taking

☐ Robbery or Theft

☐ Smuggling (including in relation to customs and excise duties and taxes)

☐ Tax Crimes (related to direct taxes and indirect taxes)

☐ Extortion

☐ Forgery

☐ Piracy

☐ Insider Trading and Market Manipulation

☐ Money Laundering

☐ Self Laundering

☐ Third-Party Laundering

☐ No Crime Related

☐ Other (Please specify in 'Additional Information')

Additional Information:



STR filing

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

Suspicious Indicators (Please put a "✓" in the selected box(es).)

Fund Movement Pattern <ul style="list-style-type: none"><input type="checkbox"/> Indirect Transaction/ Transaction Intended to Break Audit Trail<input type="checkbox"/> Uneconomical Transaction/ Transaction with No Business Purpose<input type="checkbox"/> Temporary Repository of Fund<input type="checkbox"/> Numerous Transaction Counterparties without Apparent Reasonable Cause<input type="checkbox"/> Transaction Involving High-Risk Jurisdiction/Region<input type="checkbox"/> Large Cash Transaction<input type="checkbox"/> N/A Accounts <ul style="list-style-type: none"><input type="checkbox"/> Shell Company<input type="checkbox"/> Account Operated/Controlled by Third-Party other than Signatory/Account Holder<input type="checkbox"/> Non-Resident Personal Account<input type="checkbox"/> Offshore Company<input type="checkbox"/> N/A	Customer Background/Behavior <div>Clear Checkbox</div> <ul style="list-style-type: none"><input type="checkbox"/> Transactions/ Amount Incommensurate with the Background of the Person / Business<input type="checkbox"/> Suspected Money Courier/Unlicensed Money Service Operator<input type="checkbox"/> Politically Exposed Persons (PEP)<input type="checkbox"/> Customer Insisted to Use Less Secured Transactions<input type="checkbox"/> Customer Evasive/Reluctant to Provide Information<input type="checkbox"/> Suspected Counterfeit Document Presented by the Customers<input type="checkbox"/> N/A
---	--

Others

Clear Checkbox

- ☐ Casino related Suspicious Transaction
- ☐ Charitable Organization/NPO related Suspicious Transaction
- ☐ Others (Please Specify)
- ☐ N/A

Narrative comment about the questioned transactions:



STR filing

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

Open Source Information

Website:



Additional Information:



STR filing

STR Summary Reporting Body Subject Organization Phone Address Account Transaction

Suspected Crimes Suspicious Indicators Open Source Info. **Entity Lists** **Check** **Save** **Print**

Entity Lists

Subject List

No.	Linked	English Name	Chinese Name	HKID	Other ID No.	Country	Occupation	
1	<input type="checkbox"/>							+ - ...

Organization List

No.	Linked	Company Name	Registration Type	Person Name	Person Role	Company Name	Company Role	
1	<input type="checkbox"/>							+ - ...

Phone List

No.	Country Code	Area Code	* Subscriber Number	Extension	
1					+ - ...

Account List

No.	Account Number	Account Type	Person Name	Person Role	Company Name	Company Role	
1							+ - ...

Address List

No.	Address Detail	
1		+ - ...



Recommended Structure of STR Narrative

- 1) Triggering Factors
- 2) Background of Subject(s)
- 3) Transactions
- 4) Reporting Entity's Enquiries & Open Source Information
- 5) Conclusion & Way Forward

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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

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Recommended Structure of STR Narrative

4) Reporting Entities' Enquiries & Open Source Information

- ▶ Suspicious indicators (KYC queries, world check, etc.)
- ▶ Links of open source information

5) Conclusion & Way Forward

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

STR Feedback

- ▶ Acknowledgement of receipt
- ▶ Consent / No Consent / N/A
- ▶ Quarterly STR analyses

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Thank You!

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