Money Laundering and Terrorist Financing Methods and Suspicious Transaction Reporting

Alice LAM

Senior Inspector
Financial Intelligence & Investigation Bureau
Hong Kong Police Force

Agenda

- Financial Intelligence & Investigation Bureau

- Money Laundering & Terrorist Financing Methods

- Key Legislation

- Suspicious Transaction Reports

- Sectorial sharing

- Sharing and Case Studies

Financial Intelligence and Investigation Bureau

Financial Investigation Division
- Responsible for money laundering and terrorist financing investigations

Joint Financial Intelligence Unit
- Processes and analyses suspicious transaction reports
- Exchanges financial intelligence with other local and foreign law enforcement agencies (leas)
- Maintains close liaison with banks and other stakeholders

Headquarters
- Looks after AML/CFT policy and legislation matters, strategic analysis and ongoing territory-wide risk assessment, training and outreaching

# Methods of Money Laundering & Terrorist Financing

What is ML & TF?

"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."
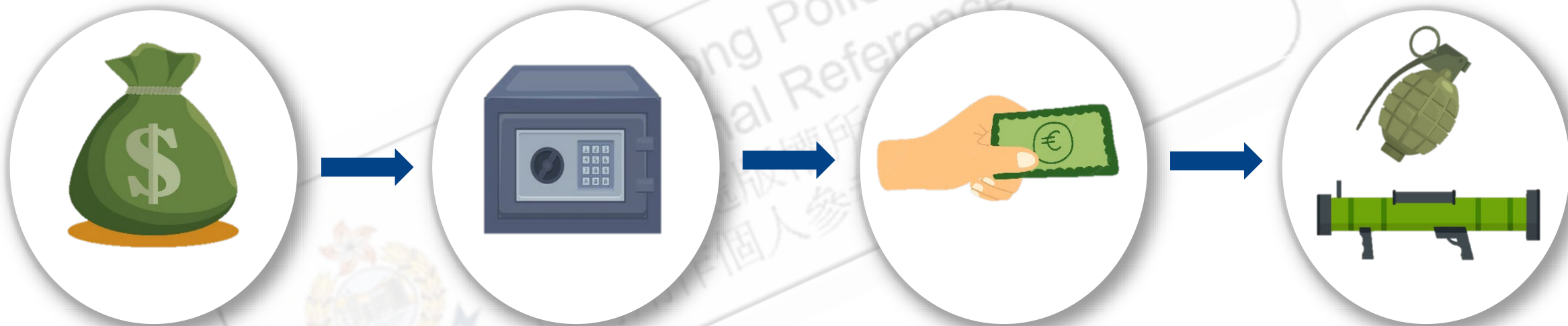
"Terrorist financing is the financing of terrorist acts, and of terrorists and terrorist organizations."

FATF

Methods of Money Laundering

Predicate Offence → **Placement** → **Layering** → **Integration**
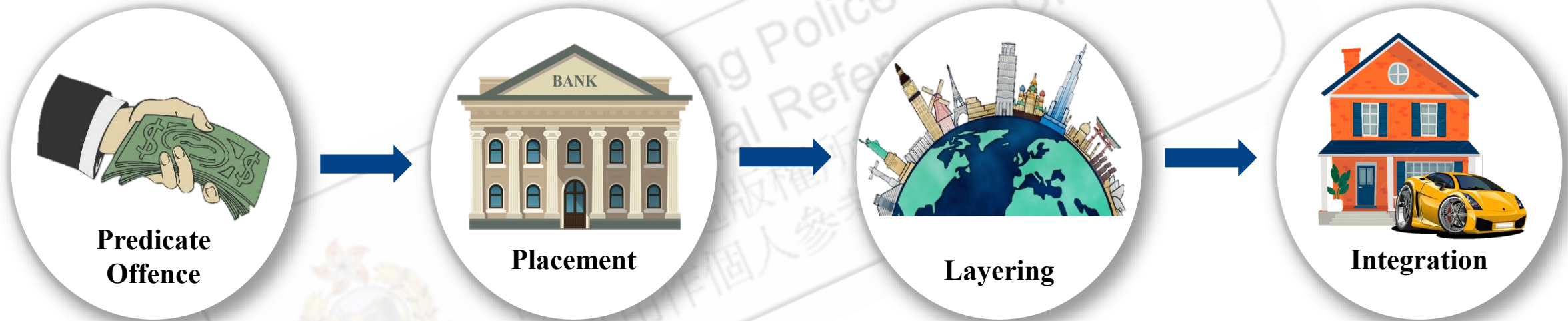
Methods of Terrorist Financing

Key Legislation

Key Legislation

1989 — Drug Trafficking (Recovery of Proceeds) Ordinance(DTROP, Cap. 405)
販毒(追討得益)條例 (第405章)

1994 — Organized and Serious Crimes Ordinance (OSCO, Cap. 455)
有組織及嚴重罪行條例 (第455章)

2002 — United Nations (Anti-Terrorism Measures) Ordinance (UNATMO, Cap. 575)
聯合國(反恐怖主義措施)條例 (第575章)

2012 — AML & CFT (Financial Institutions) Ordinance (AMLO, Cap. 615)
打擊洗錢及恐怖分子資金籌集(金融機構)條例 (第615章)

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

S.25 of Cap. 405 DTROP

S.25 of Cap. 455 OSCO

Maximum Penalty:
- HKD 5 Million fine
- 14 years' imprisonment

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 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 of Cap. 405 DTROP

S.25A of Cap. 455 OSCO

S.12 of Cap. 575 UNATMO

Key Legislation (STR Cont'd)

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

S.25A of Cap. 405 DTROP

S.25A of Cap. 455 OSCO

S.12 of Cap. 575 UNATMO

Maximum Penalty:

- HKD 500,000 fine

- 3 years' imprisonment

Suspicious Transaction Report

Mechanism of STR

Public-Private Partnership

Reporting Entities — Financial Institutions & DNFBPs

Financial Intelligence Unit — JFIU

Law Enforcement Agencies — Police, Customs, ICAC
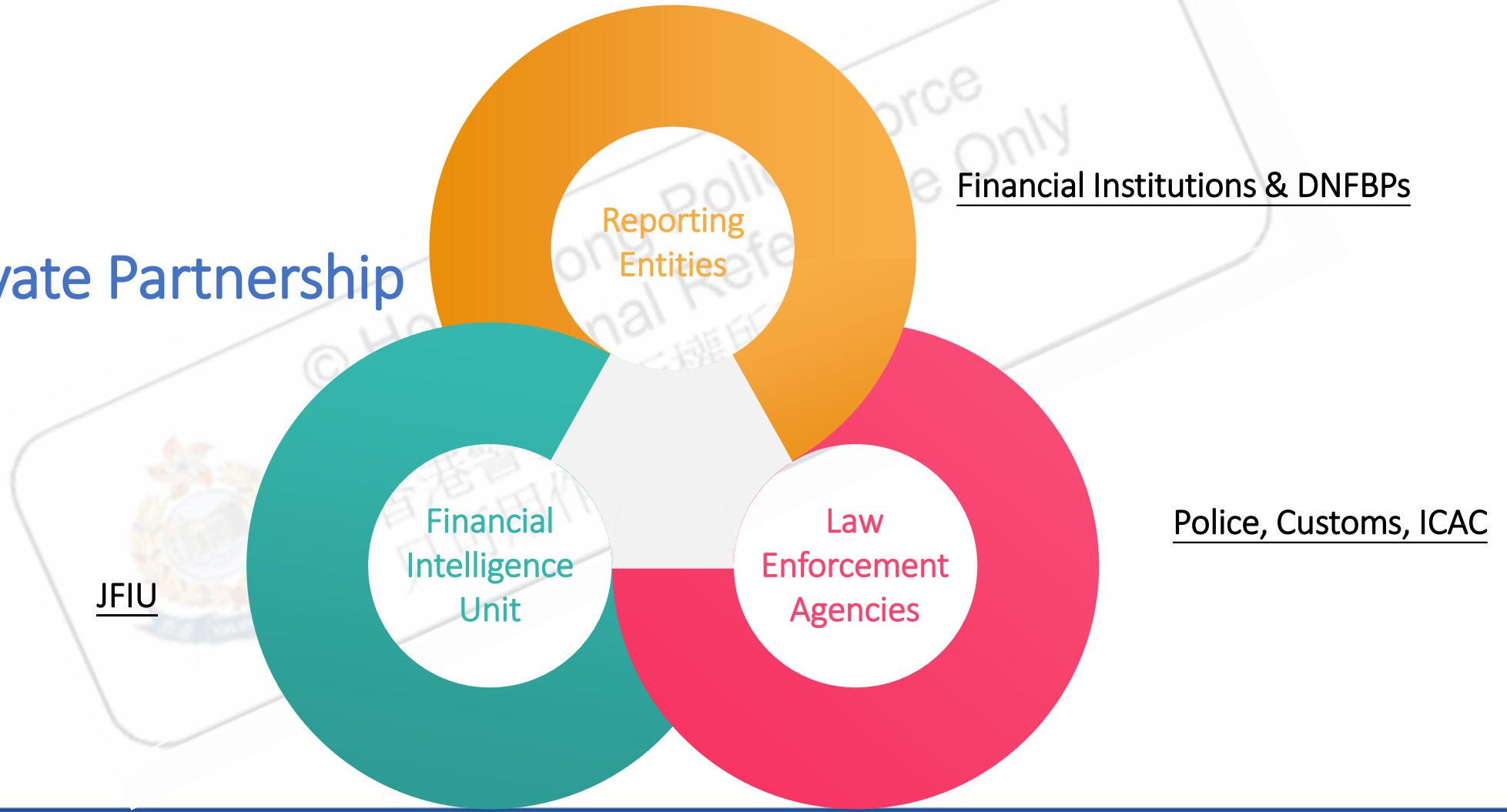
STR Mechanism
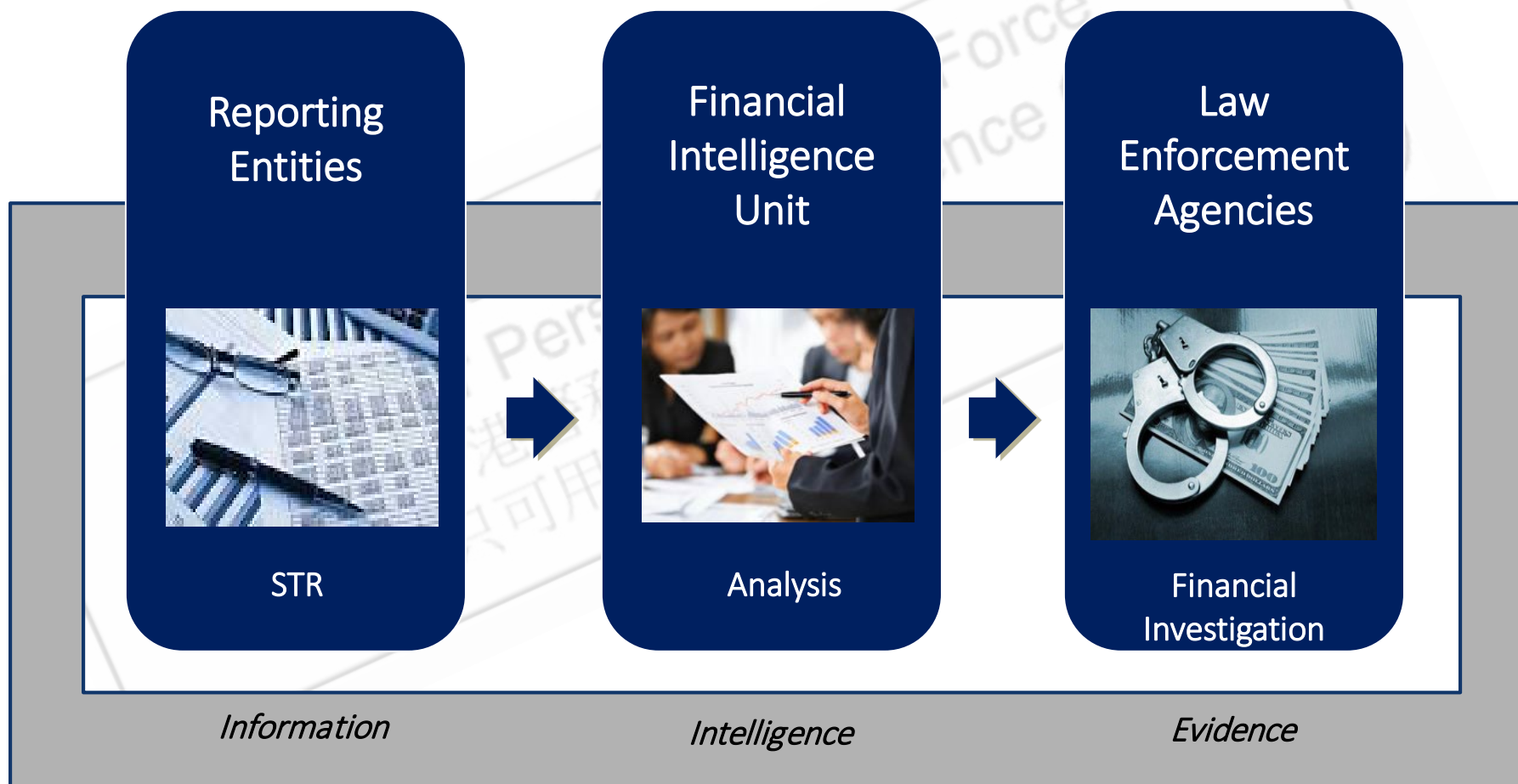
STR Statistics

Number of STRs received in the past 5 years

Breakdown of STRs filed by different sectors in 2023

Sector	No. of STRs received in 2023	Percentage (%)
Financial Institutions (FIs)		
Banks	84,781	86.89%
Stored Value Facilities Licensees	6,501	6.66%
Money Service Operators	2,407	2.47%
Insurance Companies	1,327	1.36%
Securities Firms	553	0.57%
Money Lenders	492	0.50%
Virtual Asset Trading Platforms	5	0.01%
Designated Non-Financial Business and Professions (DNFBPs)		
Legal Professionals	677	0.69%
Trust and Company Service Providers	161	0.16%
Estate Agencies	79	0.08%
Dealers in Precious Metals & Stones	14	0.01%
Accounting Professionals	10	0.01%
Others	570	0.58%
Total	97,577	100%

Reporting of STR

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 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.

Suspicious Transaction Report And Management System (STREAMS)

STREAMS - Login Frame

Suspicious Transaction Report And Managament System (STREAMS)

Username
Password
Database: SBOX-ACCESS

Login   Reset

Recommended Structure of STR

Recommended Structure of STR Narrative

1) Triggering Factors

2) Background of Subject(s)

Recommended Structure of STR Narrative

3) Transactions

4) Reporting Entity's Enquiries &

 Open Source Information

5) Conclusion & Way Forward

WORLD-CHECK
REDUCING RISK THROUGH INTELLIGENCE

KYC

FIIB

Feedback of STR

- Acknowledgement of receipt

- Consent / No Consent / N/A

- Quarterly STR analyses

- Meeting with stakeholders

Money Lenders

Licensing of Money Lender

Money lenders must have a valid money lender's license

In Hong Kong, you can borrow money from:

Licensed banks

Deposit-taking companies

Money lenders

Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report 2022
Summary of Sectoral Threat Ratings

Sector	Rating in 1st HRA	Rating in 2nd HRA
Bank (incl' Virtual Banks)	High	High
Securities	Medium	Medium
Insurance	Medium-low	Medium-low
MSO	Medium-high	Medium-high
Accountants	Medium-low	Medium-low
Lawyers	Medium-low	Medium-low
Estate Agents	Medium-low	Medium-low
TCSPs	Medium	Medium
DPMS	Medium-low	Medium-low
SVFs	Medium	Medium
Virtual Asset Service Providers	Low	Medium-low
Money Lenders	Medium-low	Medium-low
Non-bank Credit Card Companies	N/A	Low
Standalone Financial leasing	N/A	Low

Sectoral Threat Assessment

0.04%
143 out of 351,950 STRs

STR

Conviction

2.48%
8 out of 323 cases
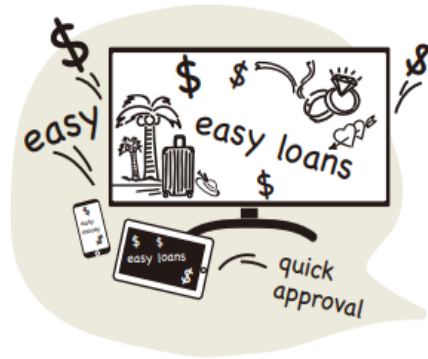
NIL

NIL

Confiscation

Restraint

Risk level: Medium-low

Consumer Over-Indebtedness

Excessive exposure to misleading advertisement

Overspending

Ease of borrowing
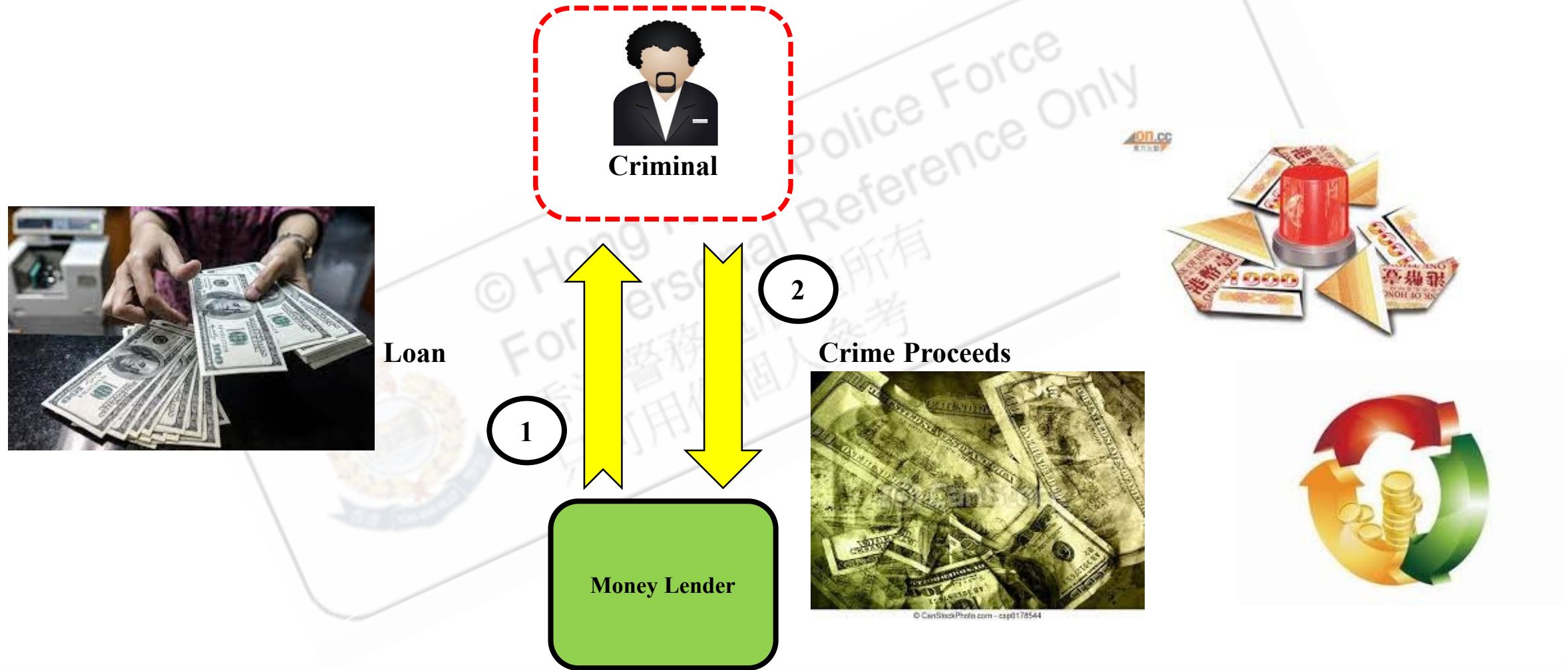
Limited access to financial advice

Sharing and Case Studies

Case Study (1)

Criminal

Loan

Crime Proceeds

Money Lender

1

2

Case Study (2)

Sell Drug

Drug Dealer → Drug Buyer

Loan

Crime Proceeds

Money Lender

Thank You!