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Money Laundering & Terrorist Financing And Suspicious Transaction Reporting

YEUNG Chun Yu Michael
Detective Senior Inspector of Police



Joint Financial
Intelligence Unit



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- ◆ About JFIU

- ◆ Key Legislation



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- ◆ Money Laundering and Terrorist Financing

- ◆ Suspicious Transaction Report

- ◆ Recommendation



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About JFIU

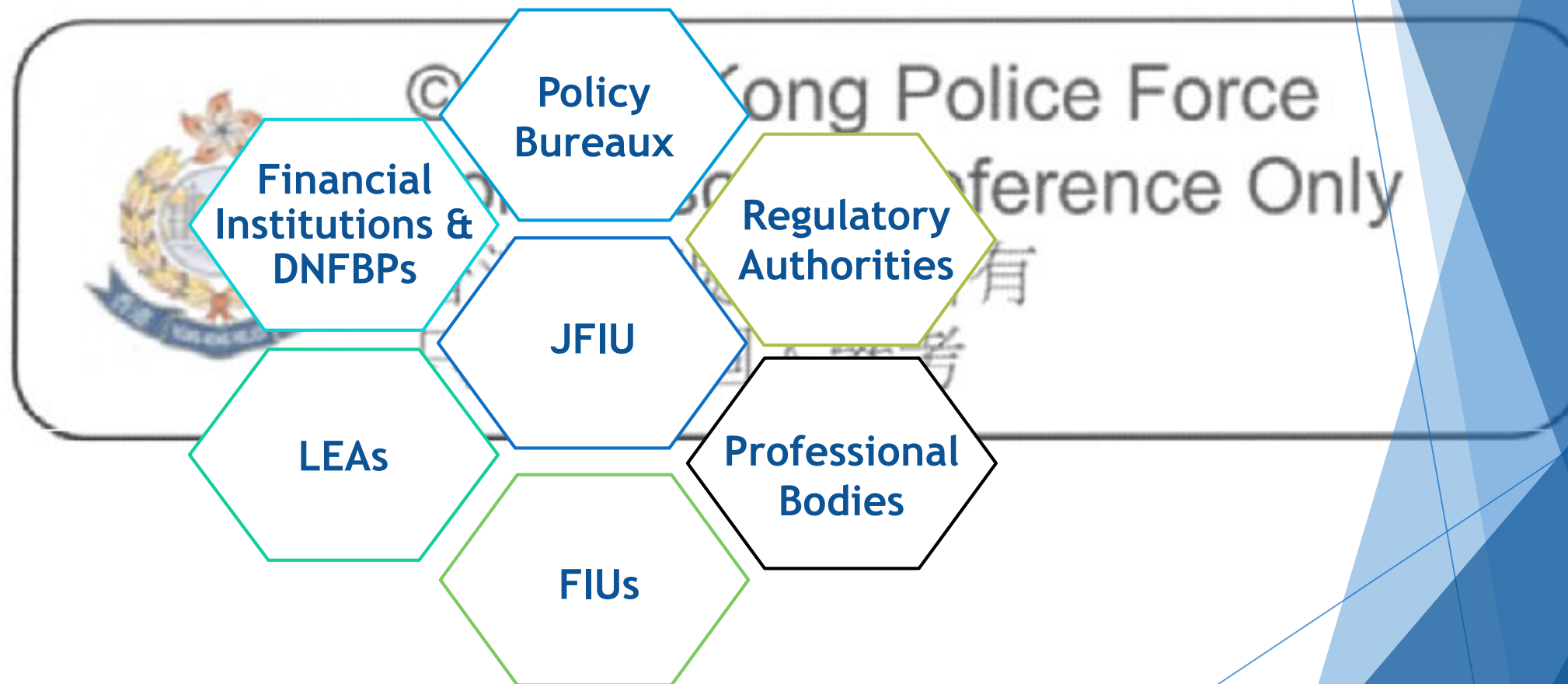
- ▶ Set up in 1989
- ▶ Co-staffed by officers of HKPF & C&ED
- ▶ Sole agency to manage the suspicious transaction reporting regime
- ▶ Financial intelligence exchanges with LEAs and FIUs worldwide
- ▶ Member of Egmont Group since 1996
- ▶ Establishment of Financial Intelligence and Investigation Bureau (FIIB)



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About JFIU



- ◆ About JFIU

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- ◆ Methods of Money Laundering and Terrorist Financing

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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)

2018

AML & CFT Ordinance (Amendment), Cap. 615
打擊洗錢及恐怖分子資金籌集條例(第615章)的修訂

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Key Legislation (Anti Money Laundering)

Any person

- Knowing or having reasonable grounds to believe
- Any property
- In whole or in part or indirectly represents proceeds of drug trafficking
- 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 (Counter-Terrorist Financing)

Any person should 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

S.7 of Cap 575 UNATMO

Maximum Penalty:

- 14 years' imprisonment



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Key Legislation (Suspicious Transaction Reporting)

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)**

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

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

S.12(1) of Cap. 575 UNATMO

Maximum Penalty:

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



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Key Legislation (Tipping off)

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 years' imprisonment

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

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

S.12(5) of Cap. 575 UNATMO

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- ◆ Key Legislation



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- ◆ Process of Money Laundering and Terrorist Financing

- ◆ Suspicious Transaction Report

- ◆ Recommendation



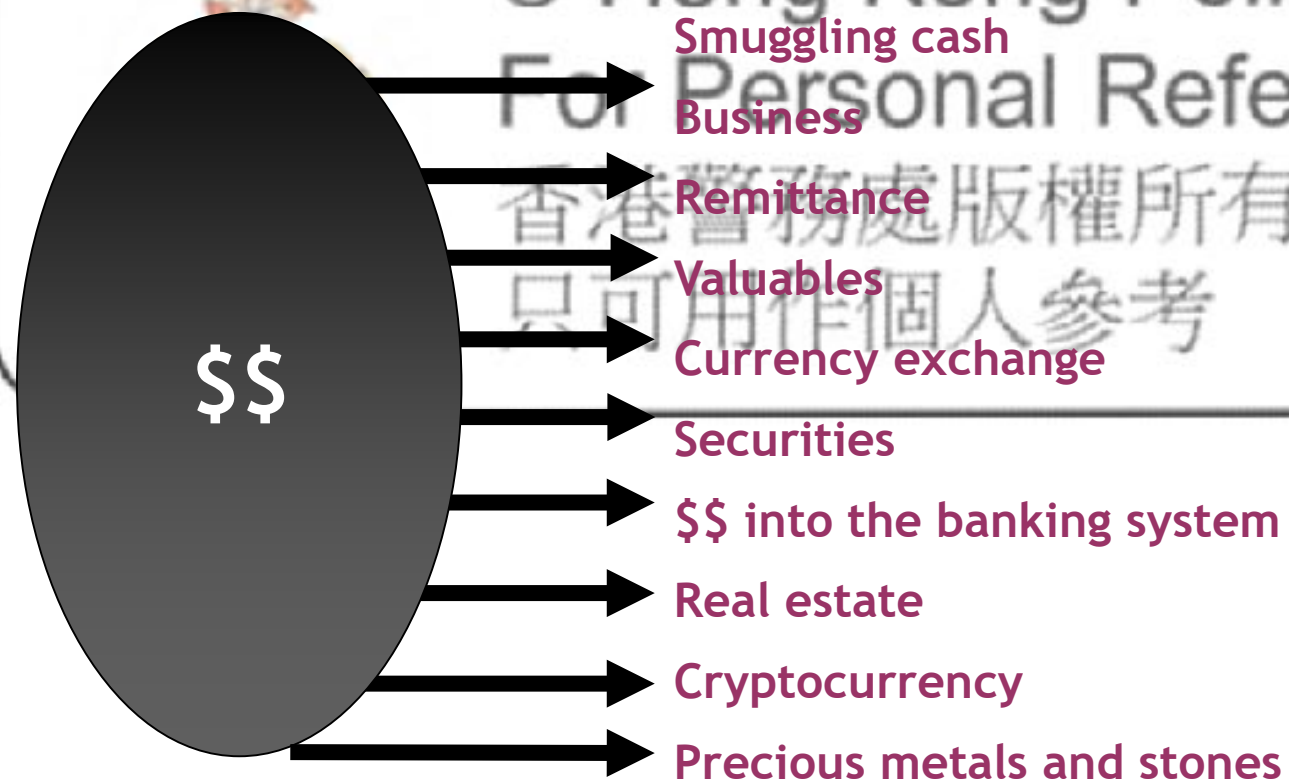
Process of Money Laundering



Process of Money Laundering

► Stage I: Placement

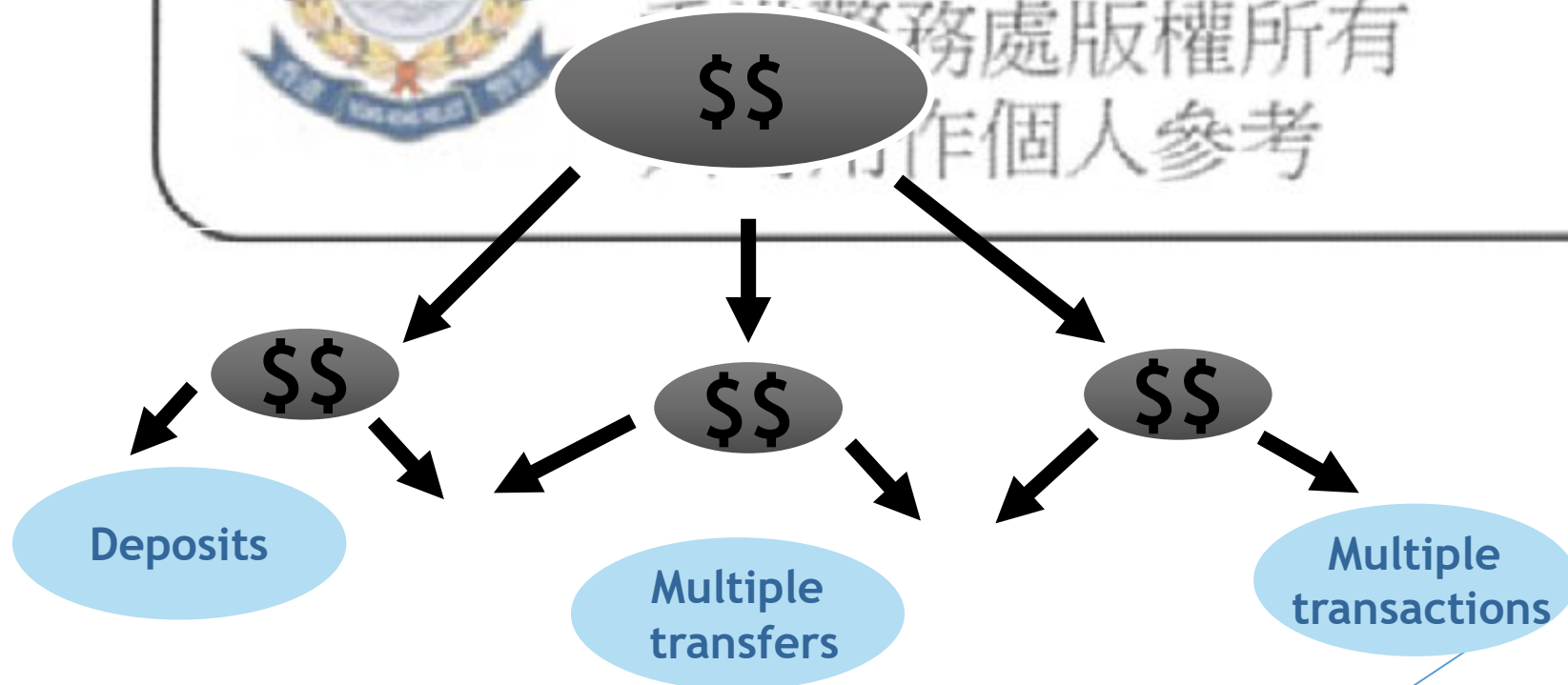
- Place dirty money into the financial system



Process of Money Laundering

► Stage II: Layering

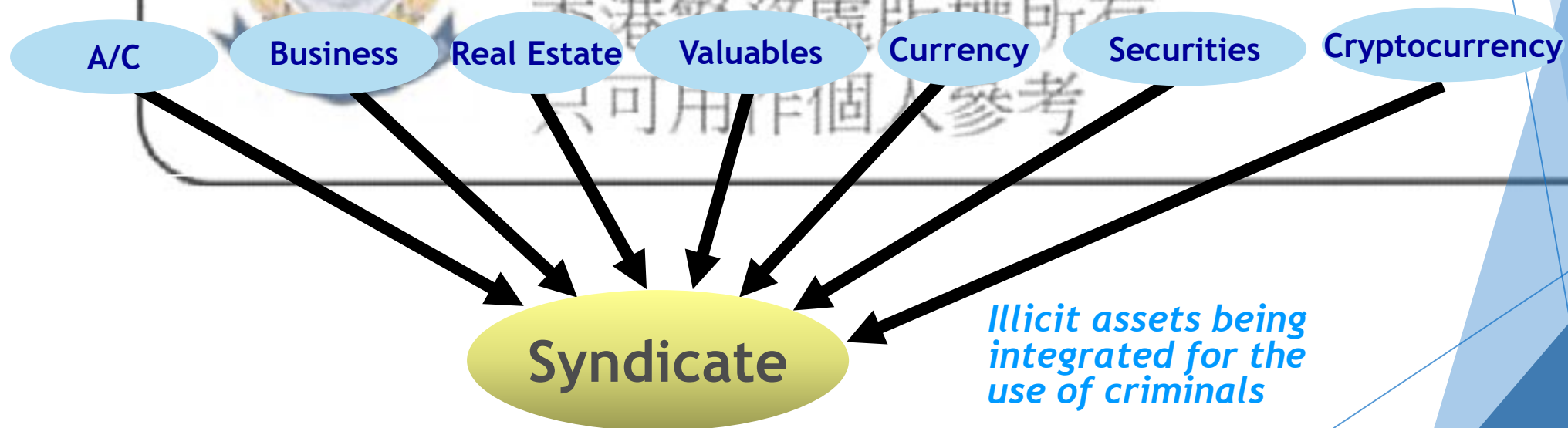
- Convert proceeds of crime into other forms
- Create complex layers of financial transactions to defraud the audit trail, source and owner of funds



Process of Money Laundering

► Stage III: Integration

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



Common in Terrorist Financing

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



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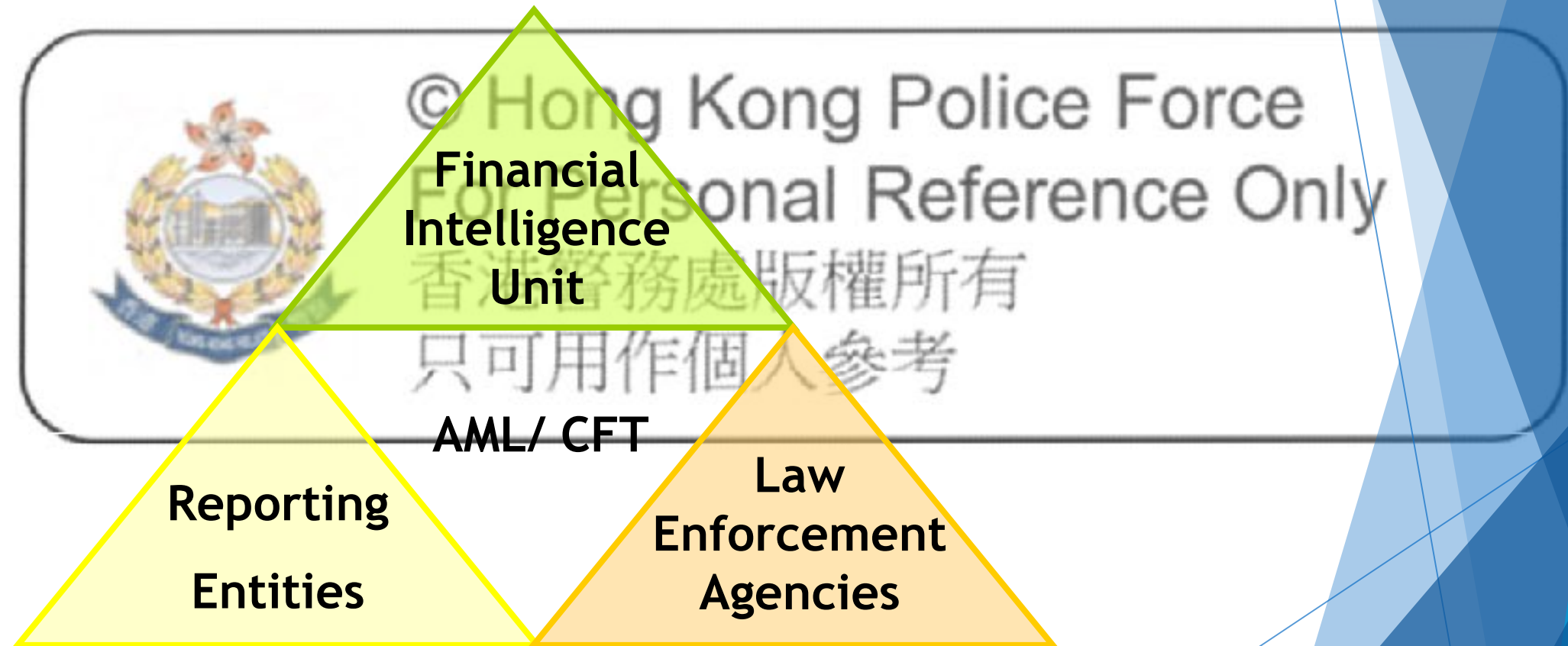
- ◆ Recommendation



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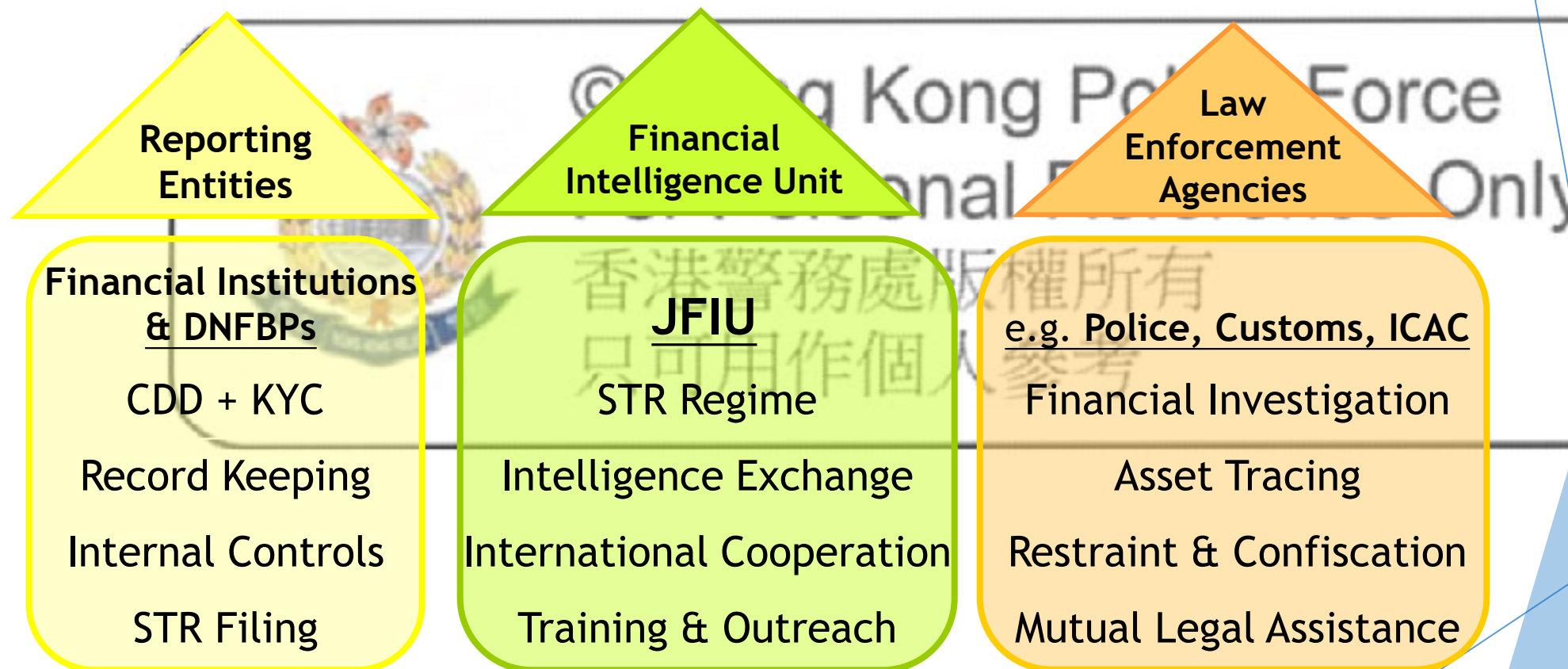


STR Mechanism

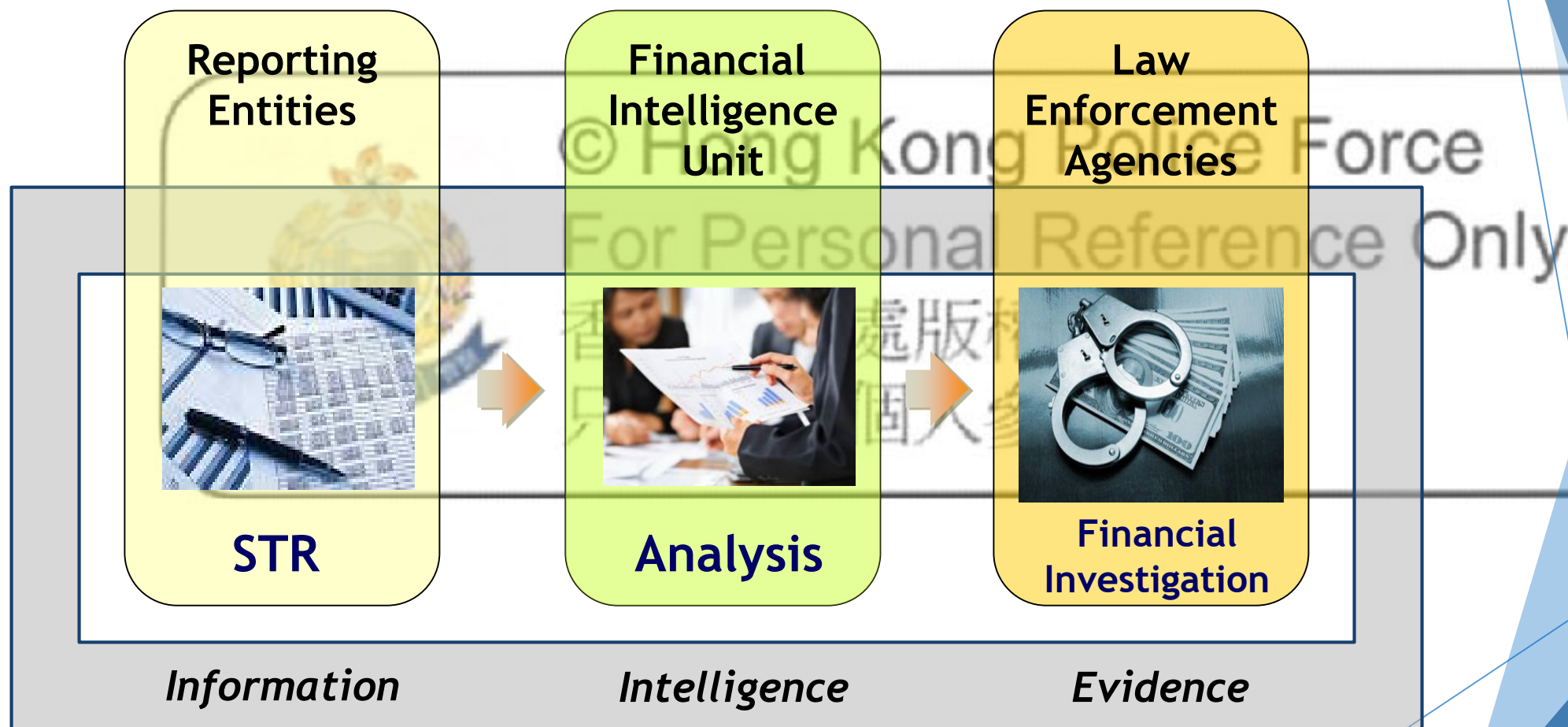


STR Mechanism

← Public-Private Partnership →

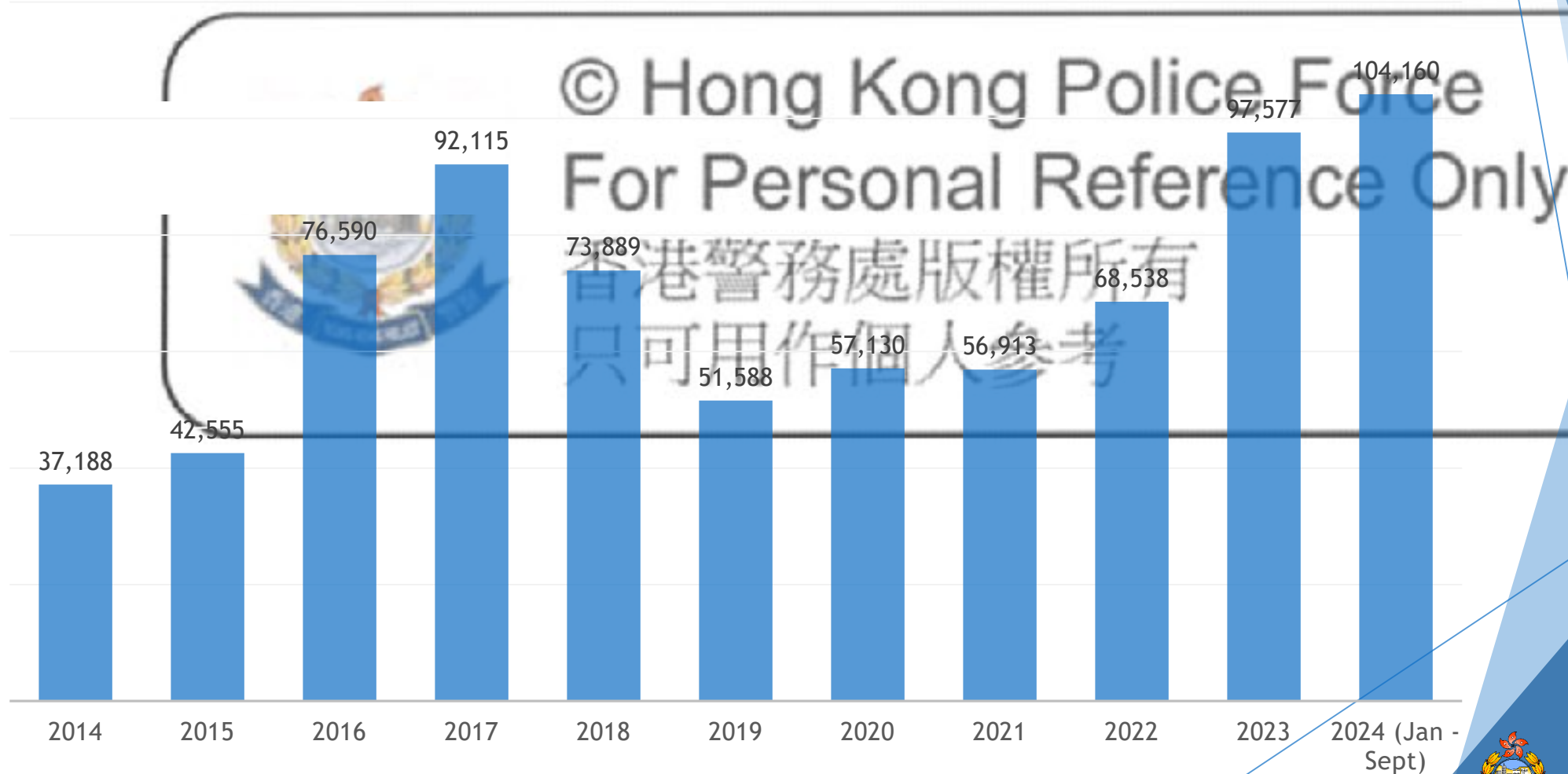


STR Mechanism



STR Statistics

Number of STR received (2014-2024 Jan-Sept)



■ No. of STRs

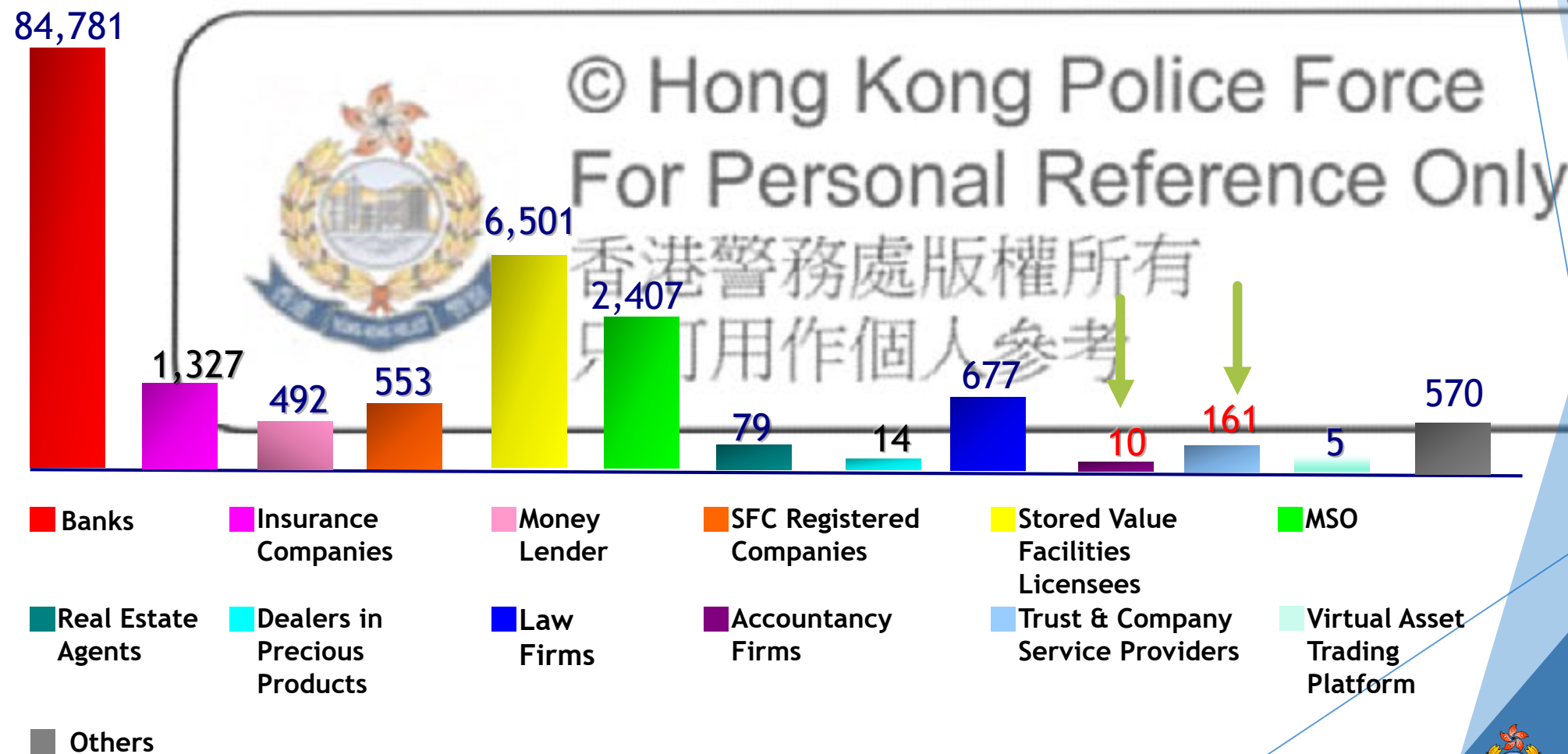


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STR Statistics

► Sectoral Breakdown of STRs received by JFIU in 2023



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)

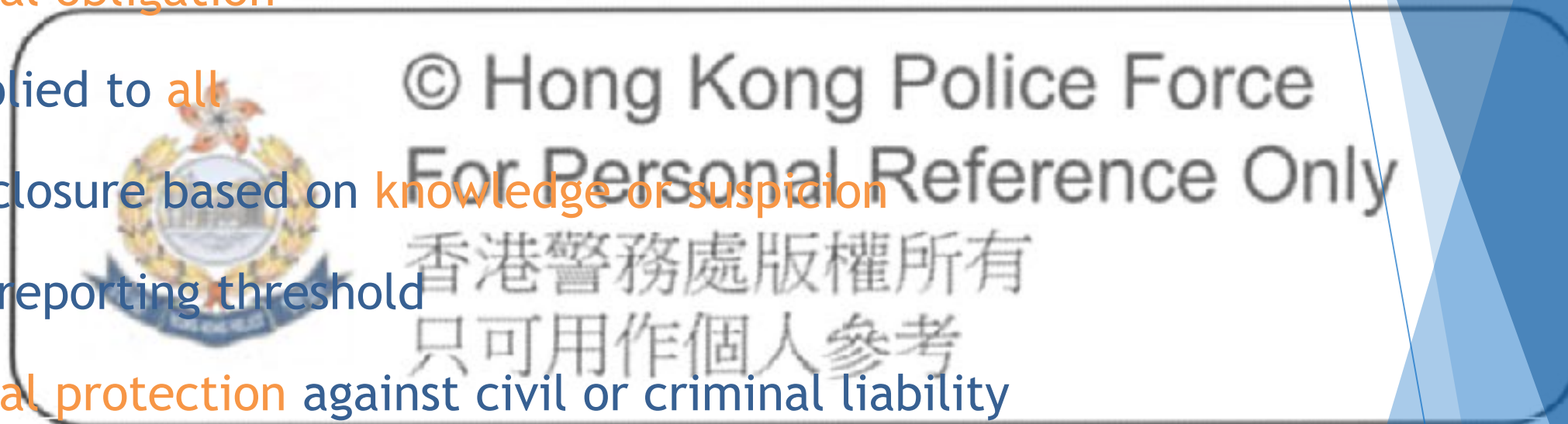
Suspicious Transaction
Report And Management
System (STREAMS)



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.

STR Reporting

- Legal obligation
- Applied to all
- Disclosure based on knowledge or suspicion
- No reporting threshold
- Legal protection against civil or criminal liability
- No disclosure of the reported details to another person
- Source of the report is kept confidential

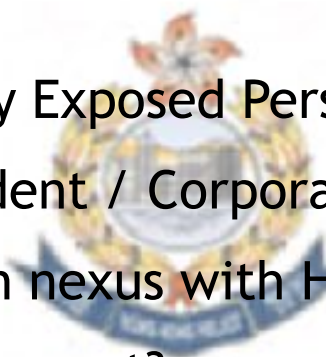


STR Reporting

Red Flag Indicators

Client

- Politically Exposed Person?
- Non-resident / Corporate from high-risk country?
- No known nexus with Hong Kong?
- Stooge account?
- Complex corporate structure (No supporting documents to ascertain the ultimate beneficial ownership)?
- Offshore bank account?



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Red Flag Indicators

Transaction

- Payment from 3rd party / cashier order / demand draft?
- Transactions incommensurate with Client's background?
- Unusual high / low payment for a property / goods payment?
- Transacted with unrelated parties / jurisdiction?
- Account used as temporarily repository of fund

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Red Flag Indicators

Previous Records/ Further Enquiries

- Background check / open source (adverse news)
- Failing to disclose specific role / relationship / ownership of property
- Unwilling to response to questions or answers are not convincing
- Unwilling to provide supporting document

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STR Reporting

Red Flag Indicators

Evaluation

- Information from client is incommensurate with your record in hand?
- Information from client could not be verified?
- The client appeared to be a stooge in the transaction?



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‘SAFE’ Approach

Screen

Ask

Find

Evaluate

subject entities’ background & transactions

appropriate questions to clarify circumstances

relevant records for review

whether suspicion is substantiated

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Filing an STR

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

Special Cases with Time Critical Nature:

* Report Related to Existing Investigation:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
---	---

Attachment:

+ Refresh

No.	File Name	File Size
1		KB
Total		KB



Filing an STR

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:

Organization Name:

Reporting Officer ID:

Reporting Officer:

Organization Reference:

Phone:

Fax:

Email:

*Reason for Disclosure:

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

Other Information:

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



Filing an STR

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:	HKID:	
Other ID	Type:	if Others:	
+ -	ID No.:	Country:	
DOB:	Gender:	Occupation:	
	<input type="checkbox"/> M <input type="checkbox"/> F <input checked="" type="checkbox"/> U		
Nature:			
Phone:			
Email:	+ -		
Address:			
Additional Information:			



Filing an STR

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

Organization

Sequence No: 1 + -

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



Filing an STR

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



Filing an STR

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"/>	



Filing an STR

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:					

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Filing an STR

STR Summary

Reporting Body

Subject

Organization

Phone

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	+ -
	Transaction Branch:					
	Transaction Counterpart:			A/C:		Others:
Remark: <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



Filing an STR

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

<input type="checkbox"/> Participation in an Organized Criminal Group and Racketeering	<input type="checkbox"/> Counterfeiting Currency
<input type="checkbox"/> Terrorism including Terrorist Financing	<input type="checkbox"/> Counterfeiting and Piracy of Products
<input type="checkbox"/> Trafficking in Human Beings and Migrant Smuggling	<input type="checkbox"/> Environmental Crime
<input type="checkbox"/> Sexual Exploitation including Sexual Exploitation of Children	<input type="checkbox"/> Murder, Grievous Bodily Injury
<input type="checkbox"/> Illicit Trafficking in Narcotic Drugs and Psychotropic Substances	<input type="checkbox"/> Kidnapping, Illegal Restraint and Hostage-Taking
<input type="checkbox"/> Illicit Arms Trafficking	<input type="checkbox"/> Robbery or Theft
<input type="checkbox"/> Illicit Trafficking in Stolen and Other Goods	<input type="checkbox"/> Smuggling (including in relation to customs and excise duties and taxes)
<input type="checkbox"/> Corruption and Bribery	<input type="checkbox"/> Tax Crimes (related to direct taxes and indirect taxes)
<input type="checkbox"/> Fraud	<input type="checkbox"/> Extortion
<input type="checkbox"/> Email Scam	<input type="checkbox"/> Forgery
<input type="checkbox"/> Investment Scam	<input type="checkbox"/> Piracy
<input type="checkbox"/> Romance Scam	<input type="checkbox"/> Insider Trading and Market Manipulation
<input type="checkbox"/> Telephone Deception	
<input type="checkbox"/> Others (Please specify)	

<input type="checkbox"/> Money Laundering	<input type="checkbox"/> No Crime Related
<input type="checkbox"/> Self Laundering	<input type="checkbox"/> Other (Please specify in 'Additional Information')
<input type="checkbox"/> Third-Party Laundering	

Additional Information:



Filing an STR

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 <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	Customer Background/Behavior Clear Checkbox <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
Accounts <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	
Others Clear Checkbox <input type="checkbox"/> Casino related Suspicious Transaction <input type="checkbox"/> Charitable Organization/NPO related Suspicious Transaction <input type="checkbox"/> Others (Please Specify) <input type="checkbox"/> N/A	

Narrative comment about the questioned transactions:



Filing an STR

(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:



Filing an STR

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		+ - ...



- ◆ About JFIU

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STR Reporting

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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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 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:									
		Gender: <input type="checkbox"/> M <input type="checkbox"/> F <input checked="" type="checkbox"/> U				Occupation:									



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STR Reporting

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.

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STR Reporting

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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STR Reporting

Recommended Structure of STR Narrative

(4) Reporting Entities' Enquiries & Open Source Information

- Suspicious indicators (KYC queries, world check, etc. → report all for JFIU to screen)
- Links of open source information

(5) Conclusion & Way Forward

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

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STR Feedback

- ▶ Acknowledgement of receipt

- ▶ Consent / No Consent / N/A

- ▶ Quarterly STR analyses

- ▶ Meeting with stakeholders



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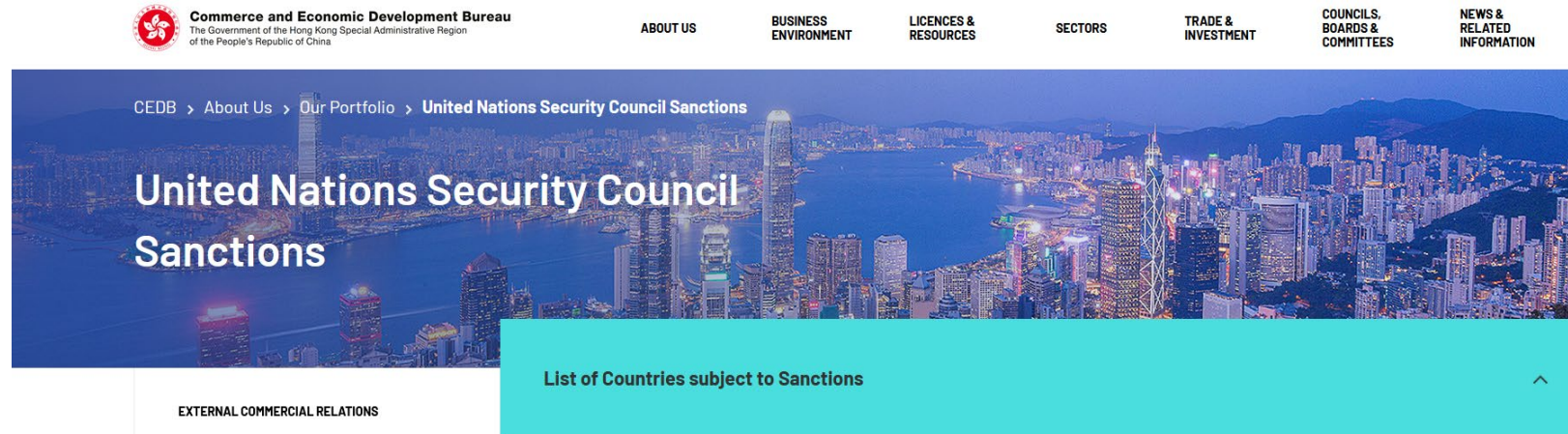


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Case sharing

- ▶ 1. Adverse news
- ▶ 2. Transaction with high risk jurisdiction



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Intelligence Unit





Thank You!

Website: www.jfiu.gov.hk

Telephone: (852) 2866 3366

Email: jfiu@police.gov.hk



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