



# Methods and Trends of Money Laundering and Terrorist Financing

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聯合財富情報組



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# Agenda

## STR

1. **About JFIU**
2. **Key Legislation**
3. **Reporting Requirement**
4. **STR Observation**
5. **Methods and Trends**

# About JFIU

## Bureaux / Departments



Financial Services and  
the Treasury Bureau



Security Bureau



Department of Justice



Companies Registry



稅務署  
Inland Revenue  
Department

Inland Revenue  
Department

## Regulators



Hong Kong Monetary  
Authority



Securities and Futures  
Commission



Insurance Authority

## Law Enforcement Agencies



Hong Kong Police  
Force

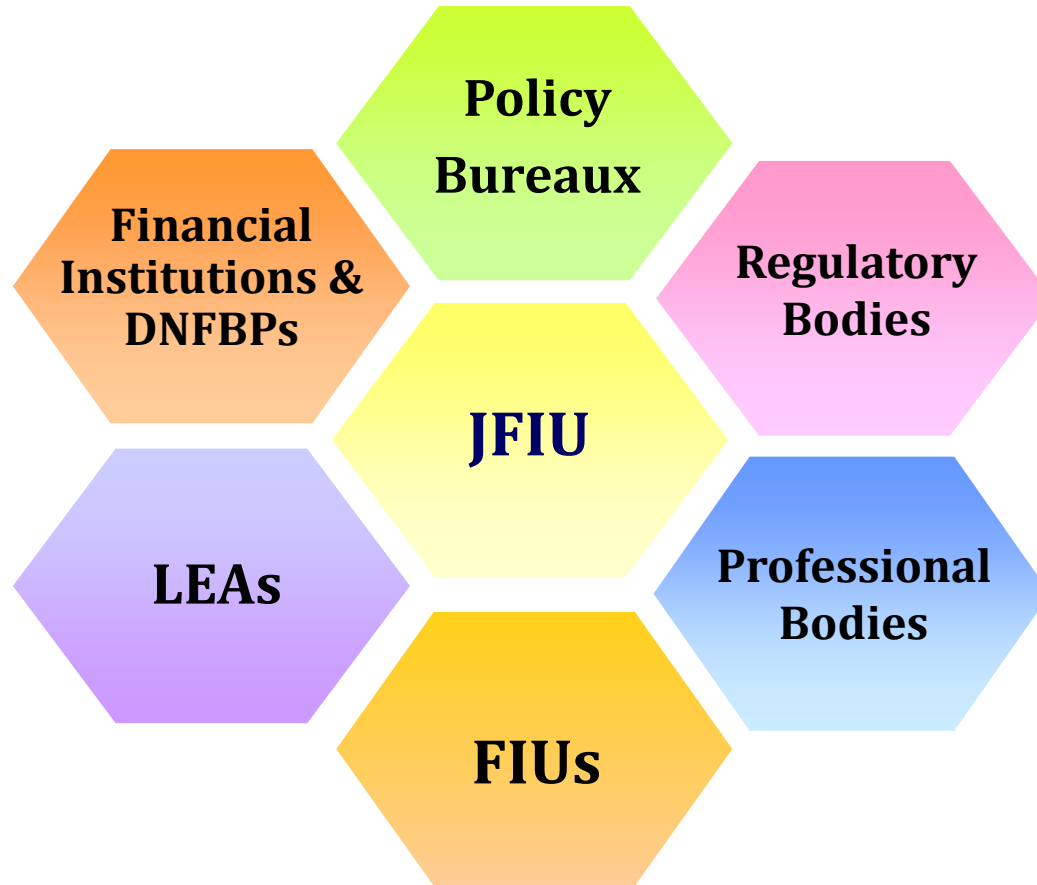


Customs and Excise  
Department

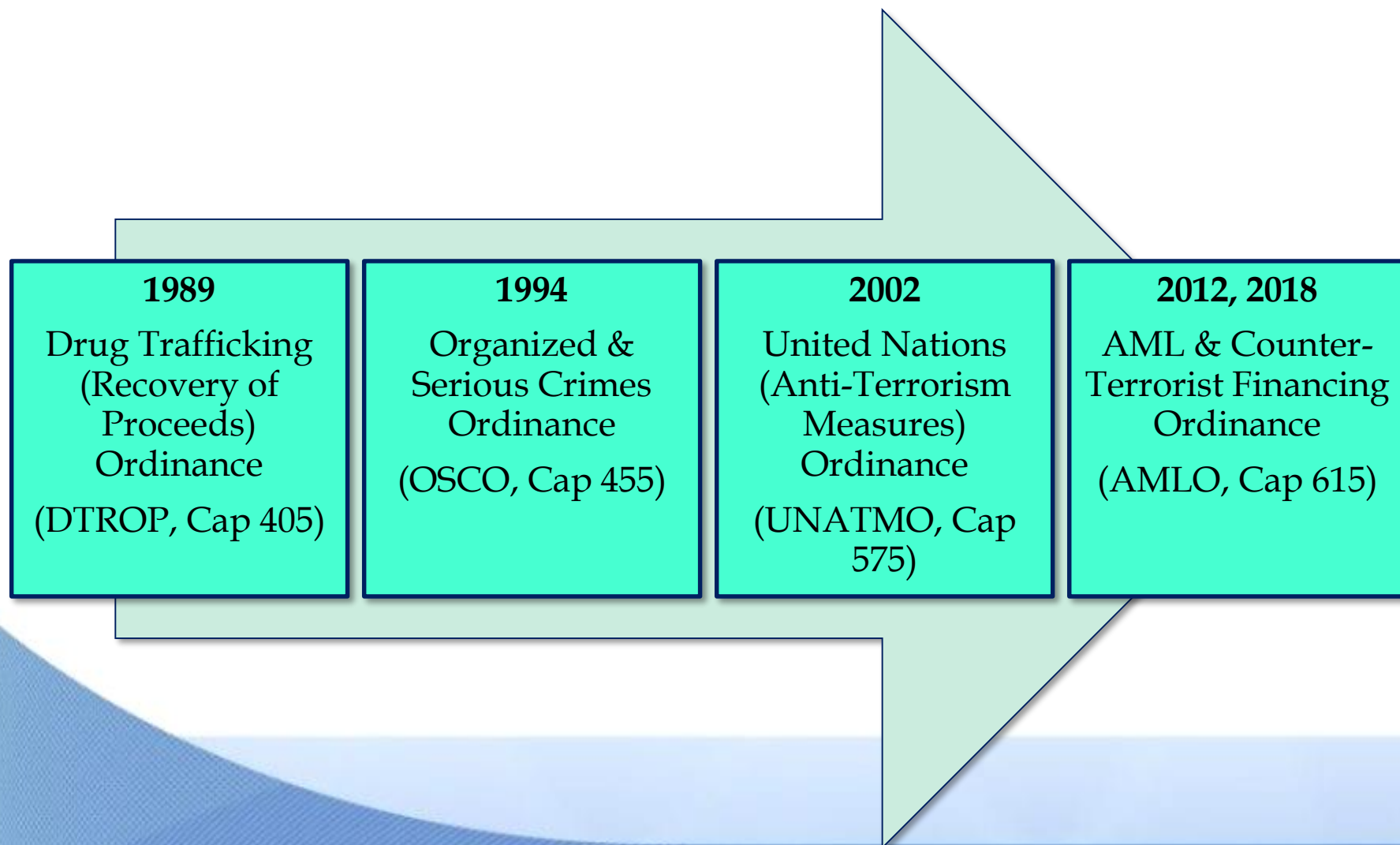


**ICAC**  
Independent  
Commission Against  
Corruption

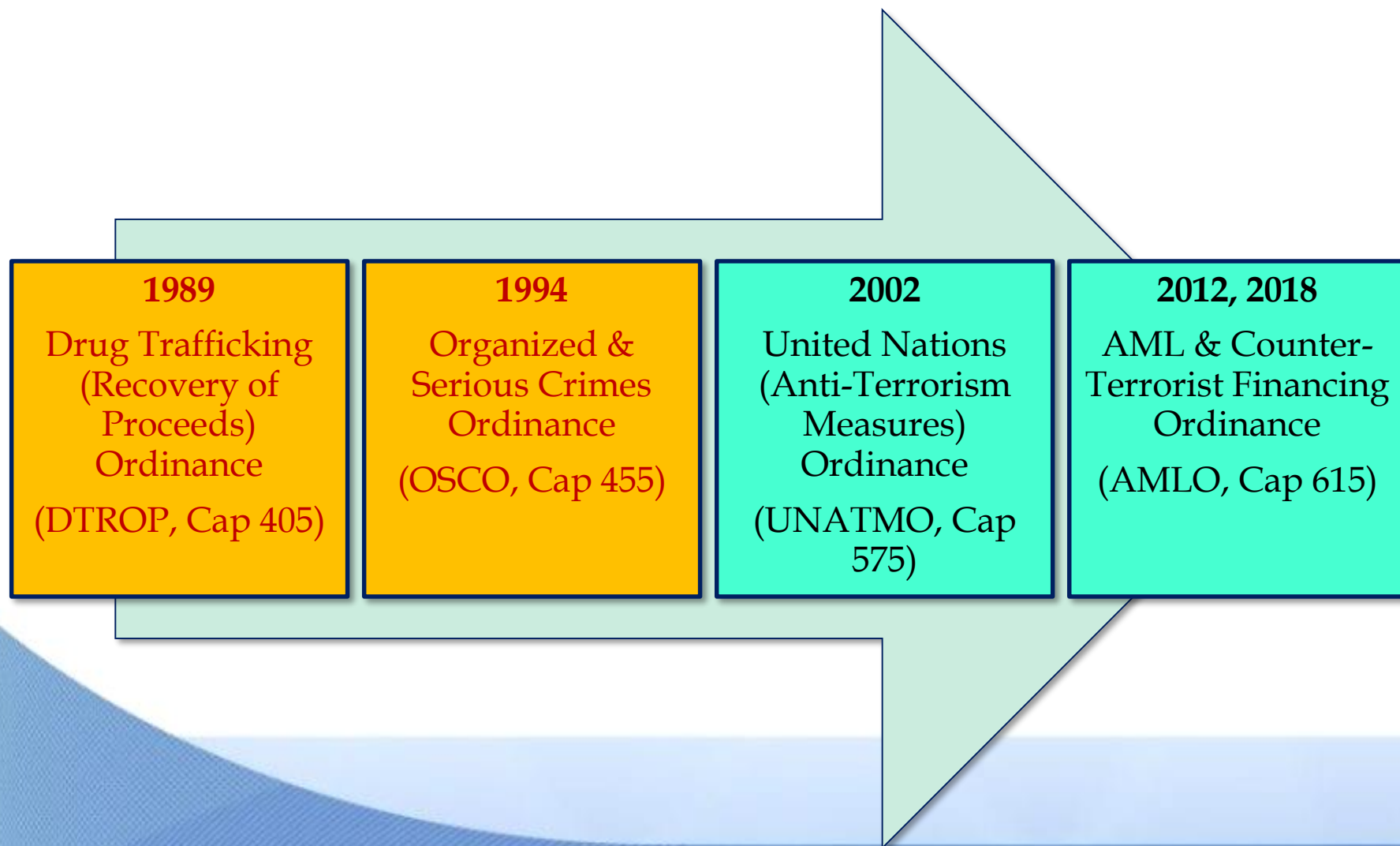
# About JFIU



# Key Legislation



# Key Legislation





# Key Legislation

Any person

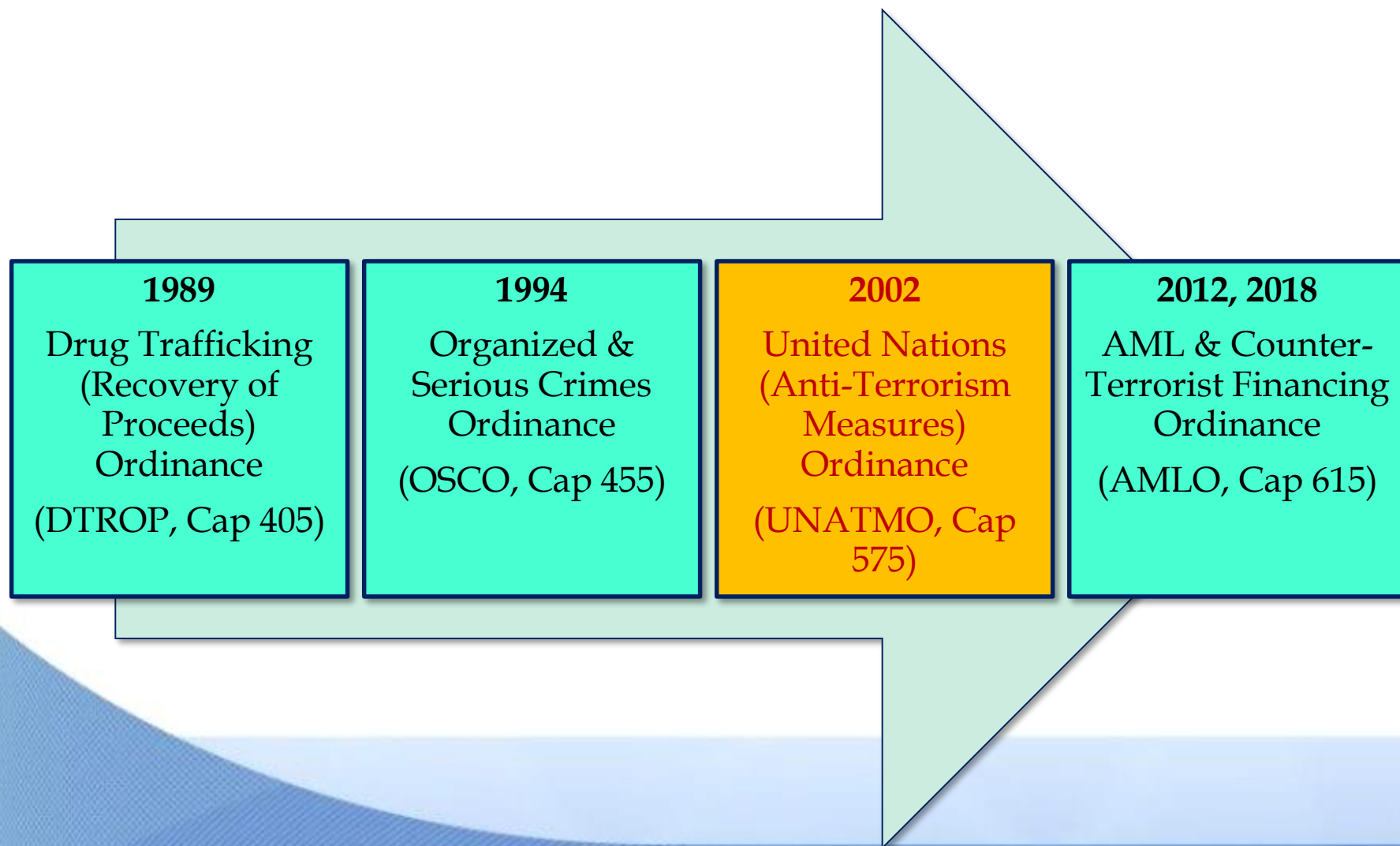
- knowing / having reasonable grounds to believe any property
- in whole / in part or directly/ indirectly represents proceeds of drug trafficking (S.25 of Cap 405 DTROP) / indictable offence (S.25 of Cap 455 OSCO)
- deals with that property

Maximum Penalty

- HKD 5M fine
- 14 years' imprisonment



# Key Legislation



# Key Legislation

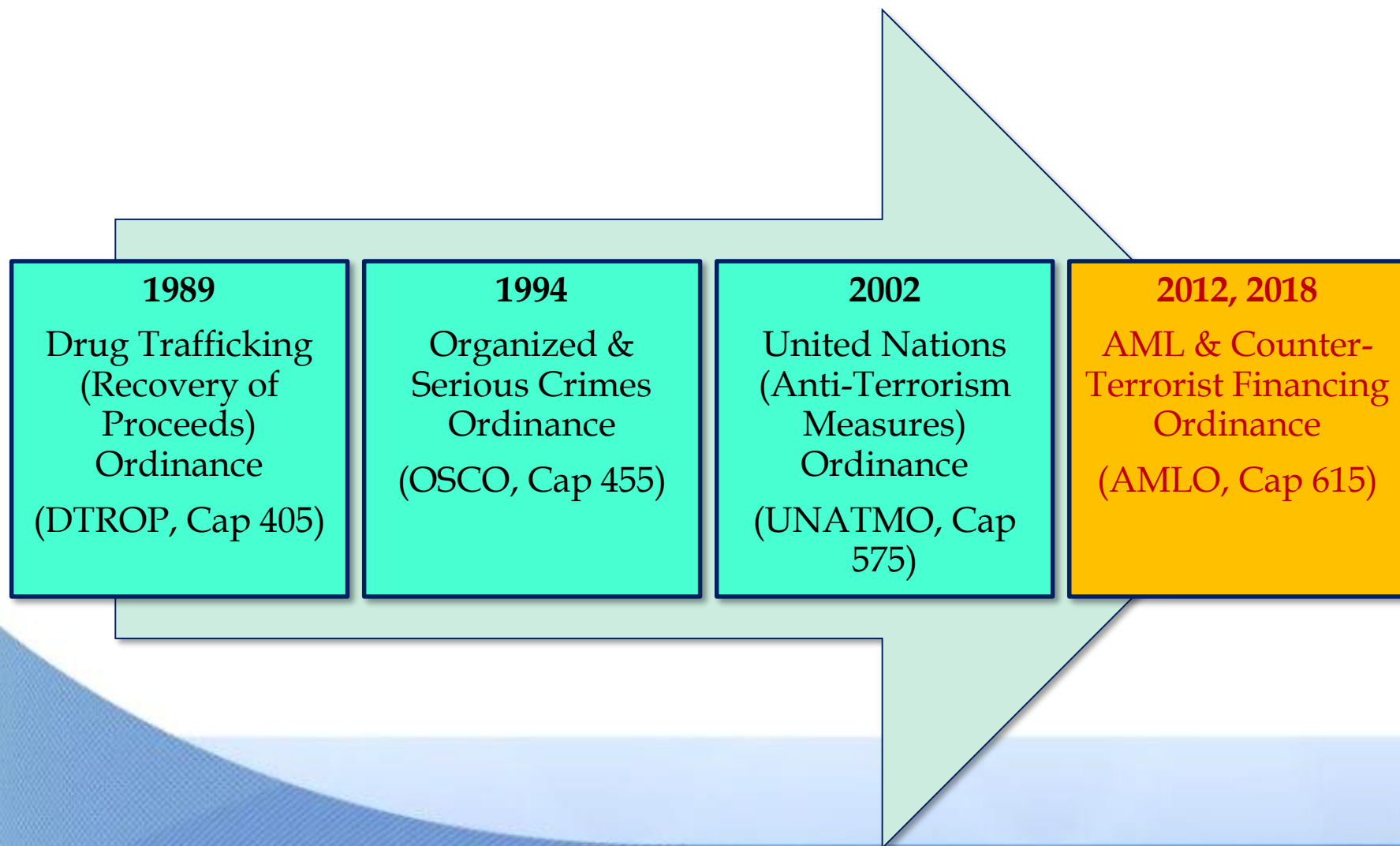
Any person should not

- provide / collect directly or indirectly any property
- with the intention that the property be or will be used in whole or in part
- to commit one or more terrorist act(s) (S.7 of Cap 575 UNATMO)

Maximum Penalty

- A fine
- 14 years' imprisonment

# Key Legislation



# Key Legislation

- 2012-04-01

Provides for the statutory requirements relating to customer due diligence (CDD) and record-keeping on specified financial institutions; and to provide for the powers of the relevant authorities to supervise financial institutions' compliance.

- 2018-03-01

Amended to extend the statutory CDD and record-keeping requirements to cover designated non-financial businesses and professions (viz. legal professionals, accounting professionals, estate agents, and trust or company service providers).

# 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)

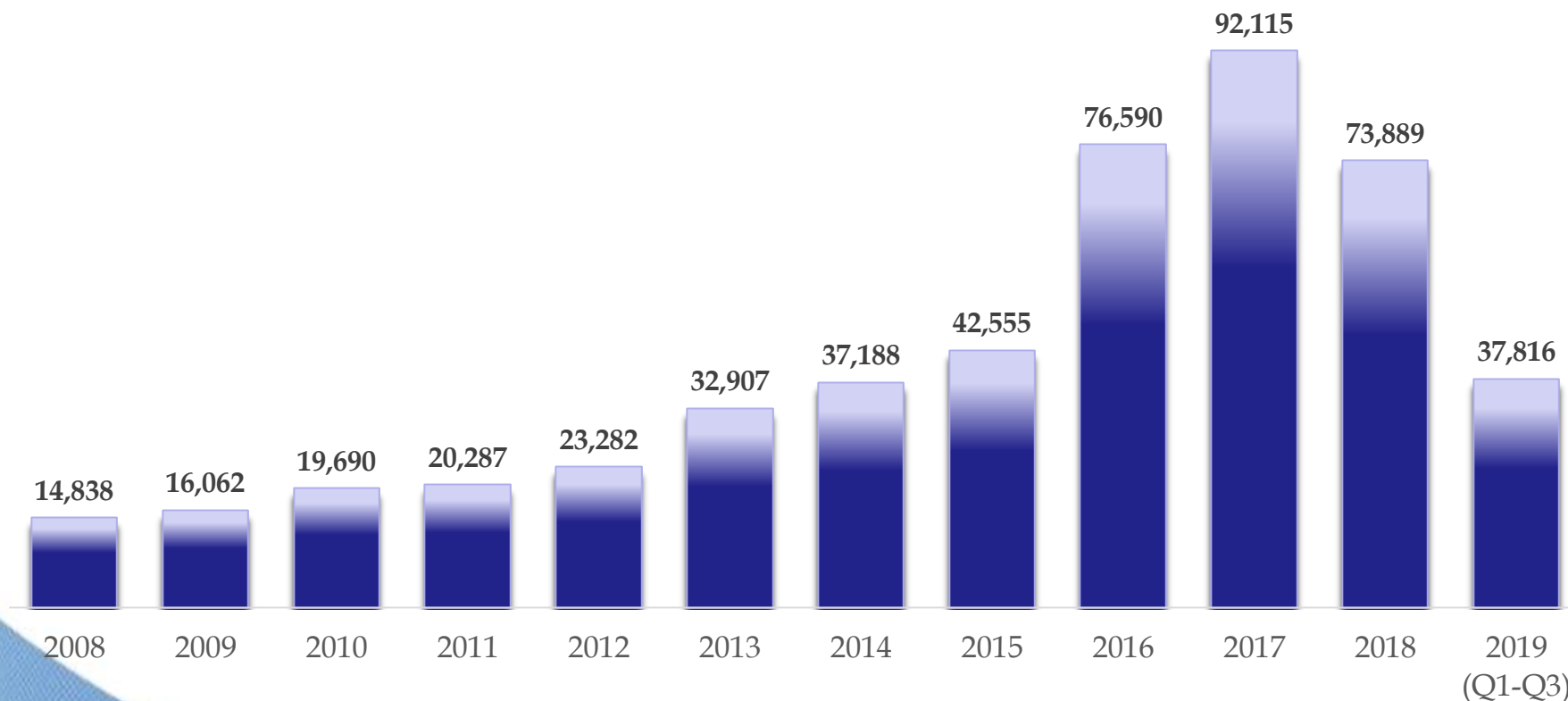
shall report to JFIU

## Maximum Penalty

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

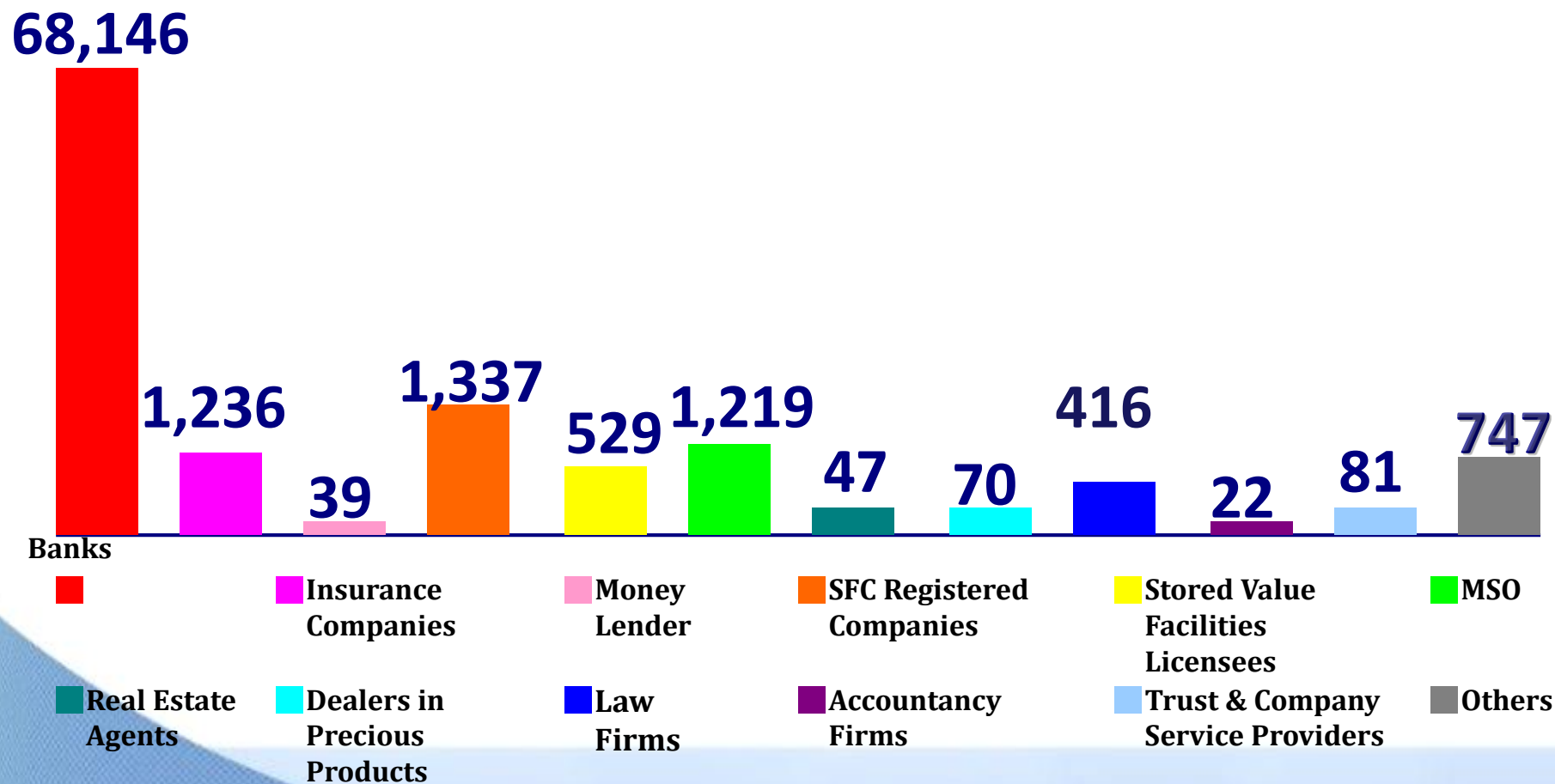
# STR Statistics

## Number of STRs received in the past 10 years



# STR Statistics

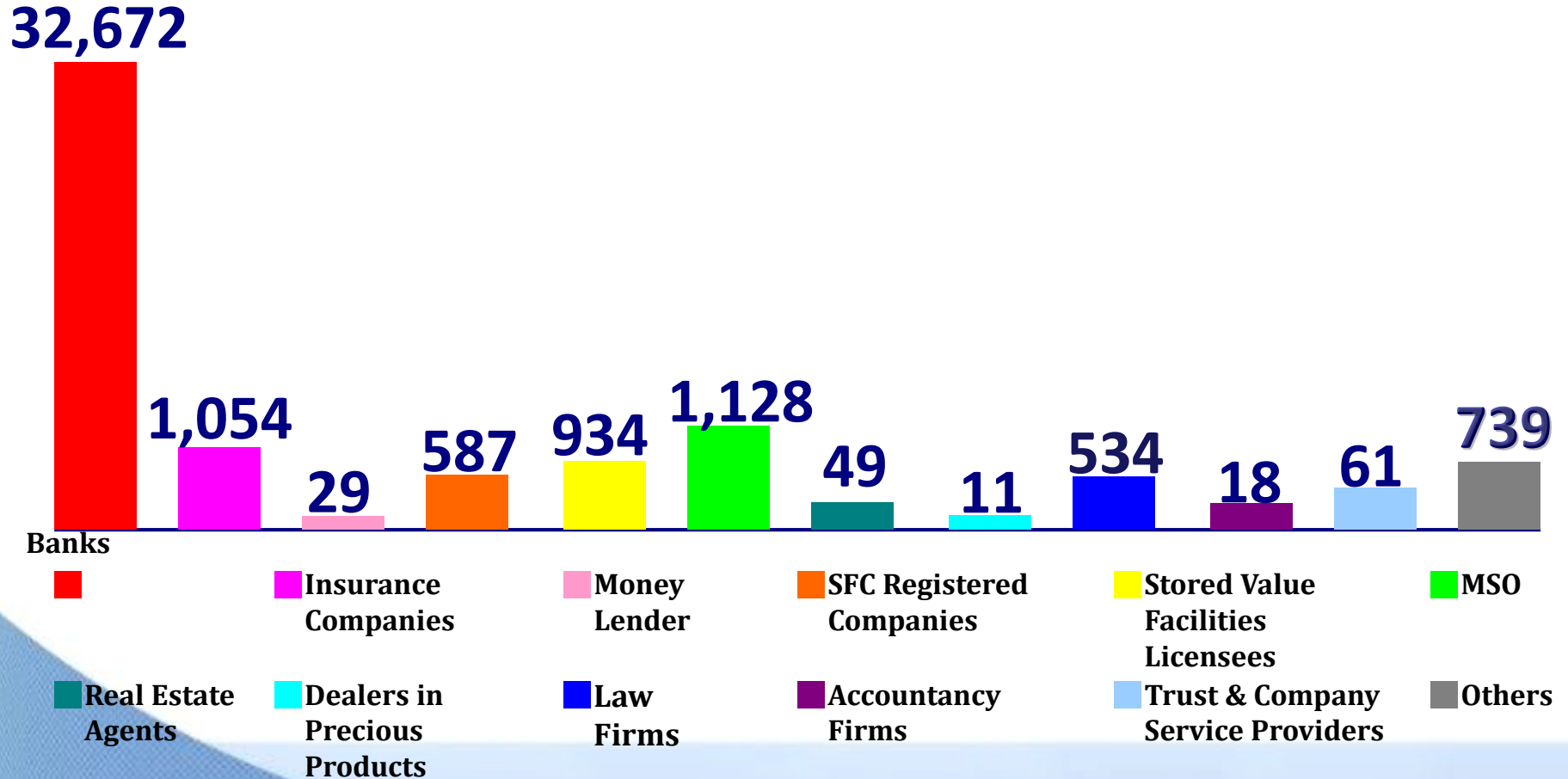
## Sectoral Breakdown of STRs received by JFIU in 2018





# STR Statistics

## Sectoral Breakdown of STRs received by JFIU in 2019 (Q1-3)



# STRs from TCSPs

Anti-Money Laundering and  
Counter-Terrorist Financing Ordinance,  
Cap.615 (AMLO)



| No. of STRs       | 2015           | 2016   | 2017   | 2018   | 2019<br>Q1-Q3 |
|-------------------|----------------|--------|--------|--------|---------------|
| Annual Total      | 42,555         | 76,590 | 92,115 | 73,889 | 37,816        |
| Filed by<br>TCSPs | 22             | 27     | 31     | 81     | 86            |
|                   | Less than 0.1% |        |        |        |               |

# Risk Indicators

## Client

- Politically Exposed Person?
- Non-resident / Corporate from high-risk country?
- No known nexus with Hong Kong?
- Complex corporate structure (obscuring ultimate beneficial ownership)?

## Transaction

- Payment from 3<sup>rd</sup> party / cashier order?
- Unusual high/ low payment for a property?
- Unexpected amount of transactions ?
- Transacted with unrelated parties / jurisdiction?

# Risk 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

## 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?

**\*TF Risk**

# Methods and Trends

## **3 main categories:**

- a) Threats posed by jurisdiction as a whole
- b) Threats posed by TCSPs
- c) Threats posed by professional intermediaries

# Case Study

## *Use of professional intermediaries to facilitate money laundering*

- *A criminal set up a Trust in order to launder the proceeds of his crime with the assistance of a collusive Independent Financial Adviser (IFA) and a Solicitor*
- *Purchase of garage > sold it to a company the purchase funded by a loan provided by the Trust*
- *Through controlling the Trust he was able to funnel funds back to himself through loaning funds from the Trust and receive payments on that loan*

# Case Study

## *TCSPs instrumental in obscuring beneficial ownership by Politically-Exposed Persons*

- *Mr. X a foreign lawyer utilized the services of several Trust and Company Service Providers to set up several offshore entities in various Offshore Financial Services Centres including Countries A, B and C*
- *The offshore entities included a private grow*
- *the Fund which was registered in Country B. The subscriptions which were paid into the Fund were routed through the various offshore entities in order to obscure the true source of the funds.*





**Thank you**



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