

# Money Laundering and Terrorist Financing Methods and Suspicious Transaction Reporting

Financial Intelligence & Investigation Bureau

Hong Kong Police Force



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# Agenda

- Financial Intelligence & Investigation Bureau
- Key Legislation
- Money Laundering & Terrorist Financing Methods
- Suspicious Transaction Reports
- Sectorial sharing
- Sharing and Case Studies



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# Financial Intelligence & Investigation Bureau



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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 FIUs and LEAs worldwide
- Member of Egmont Group since 1996



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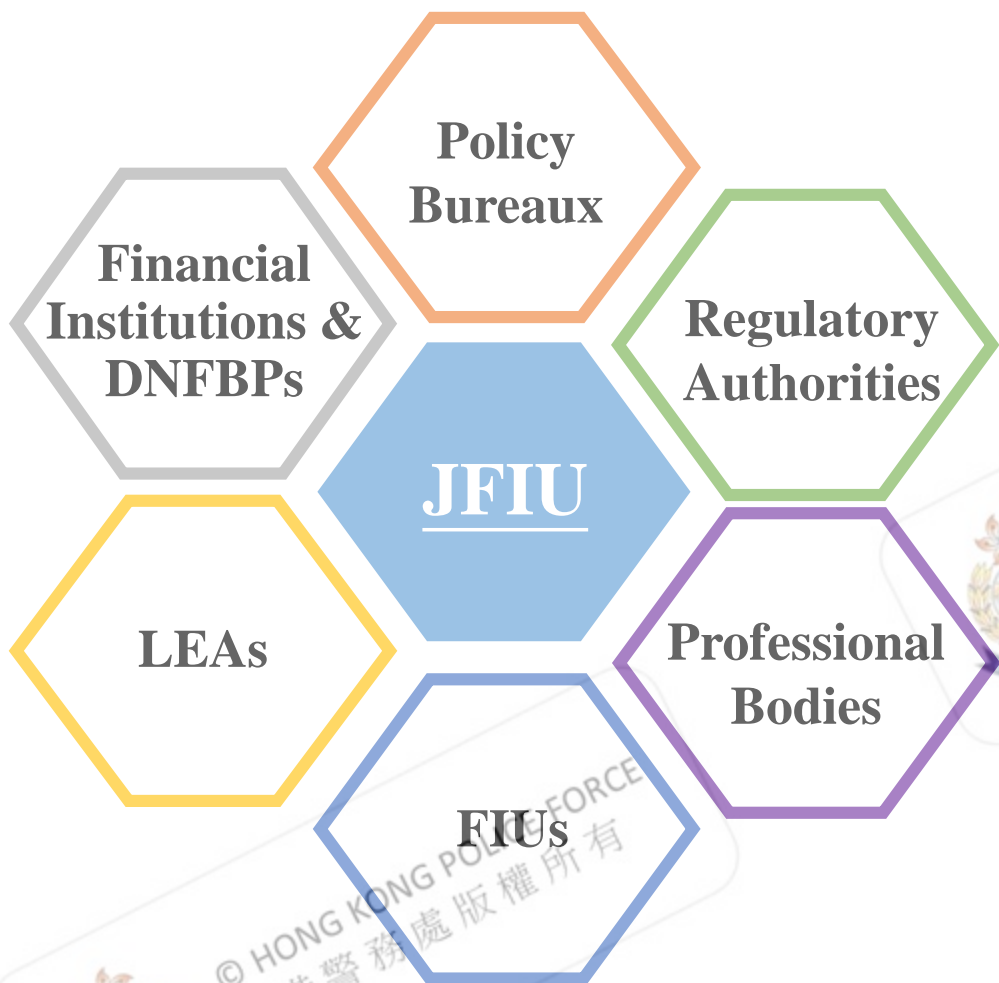
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# About JFIU



## 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**



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# Methods of Money Laundering & Terrorist Financing



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# 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.”

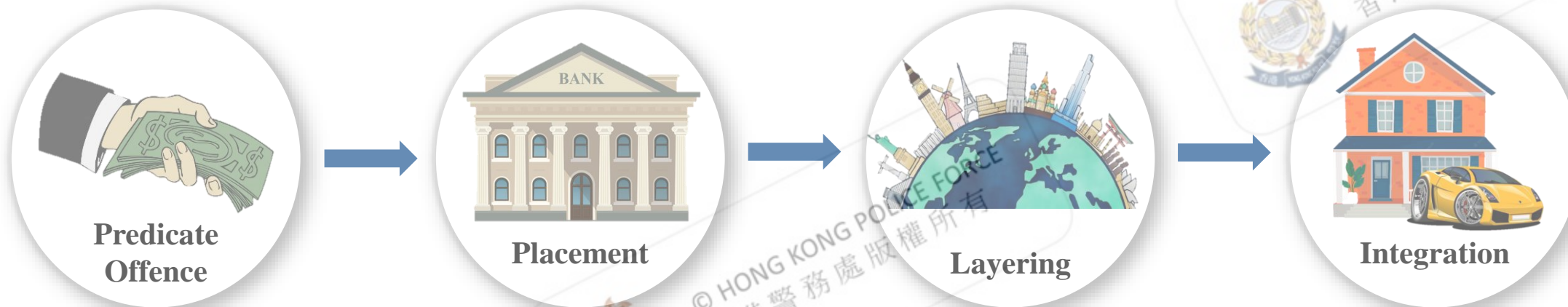
“Terrorist financing is the financing of terrorist acts, and of terrorists and terrorist organizations.”



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# Methods of Money Laundering



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# Methods of Terrorist Financing



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# Key Legislation



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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)**



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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 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

**Maximum Penalty:**

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

*S.25A of Cap. 405 DTROP*

*S.25A of Cap. 455 OSCO*

*S.12 of Cap. 575 UNATMO*



# Suspicious Transaction Report



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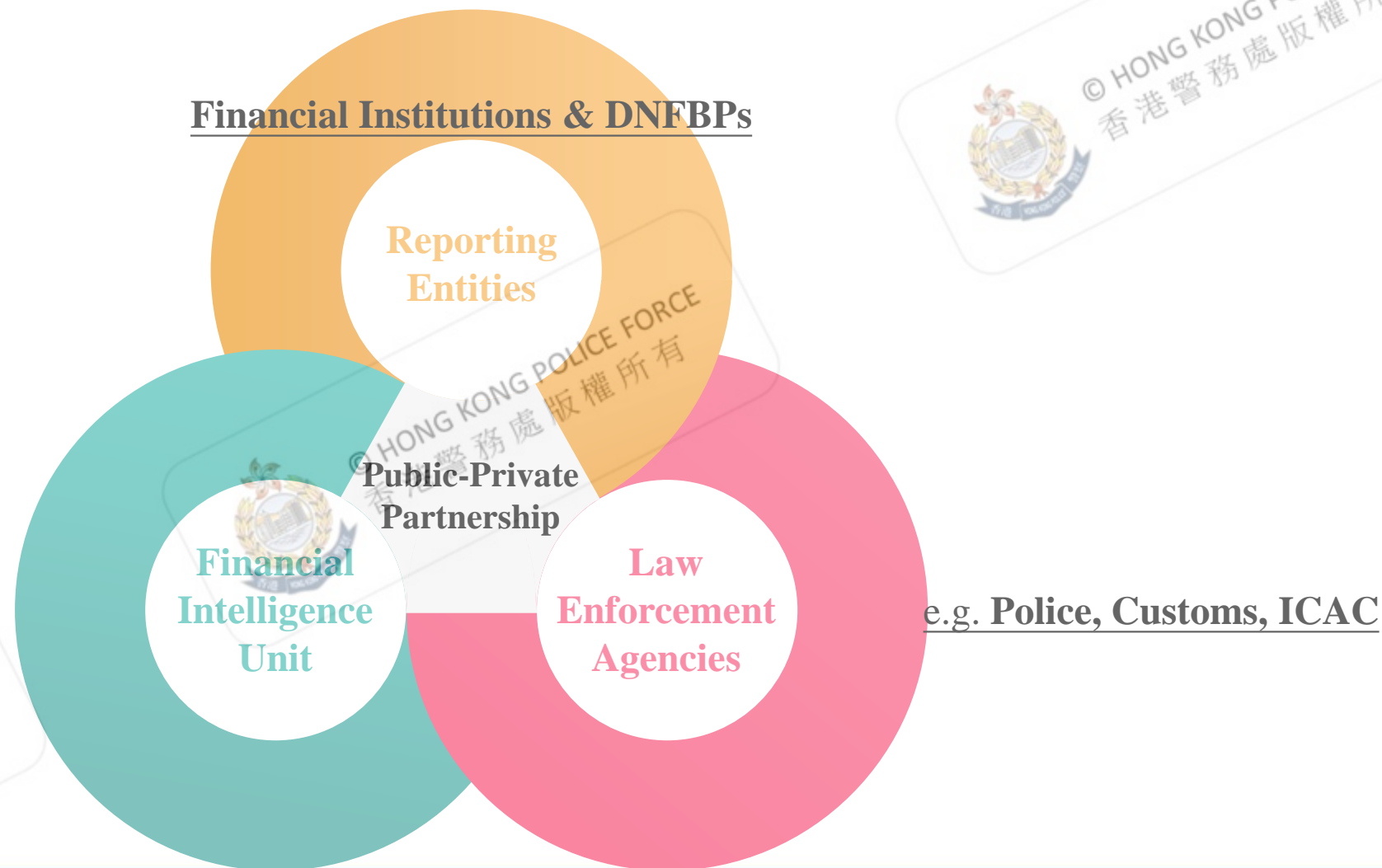
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# Mechanism of STR



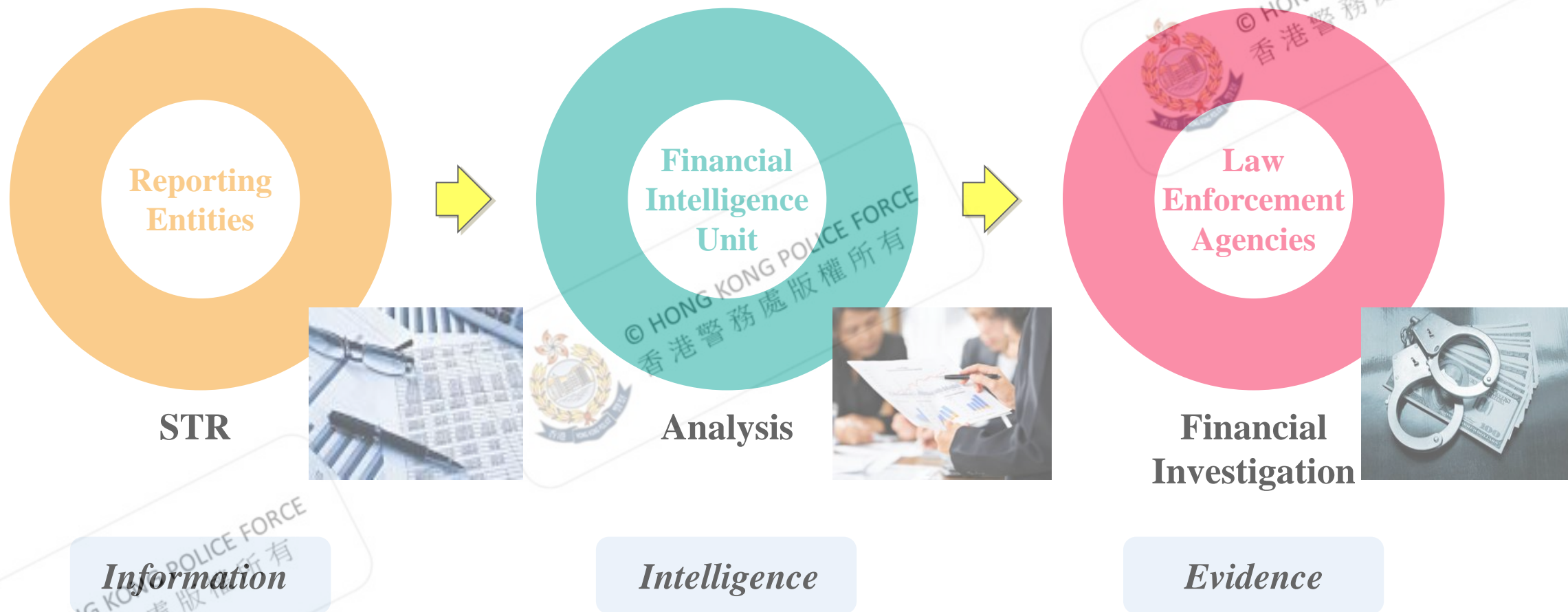
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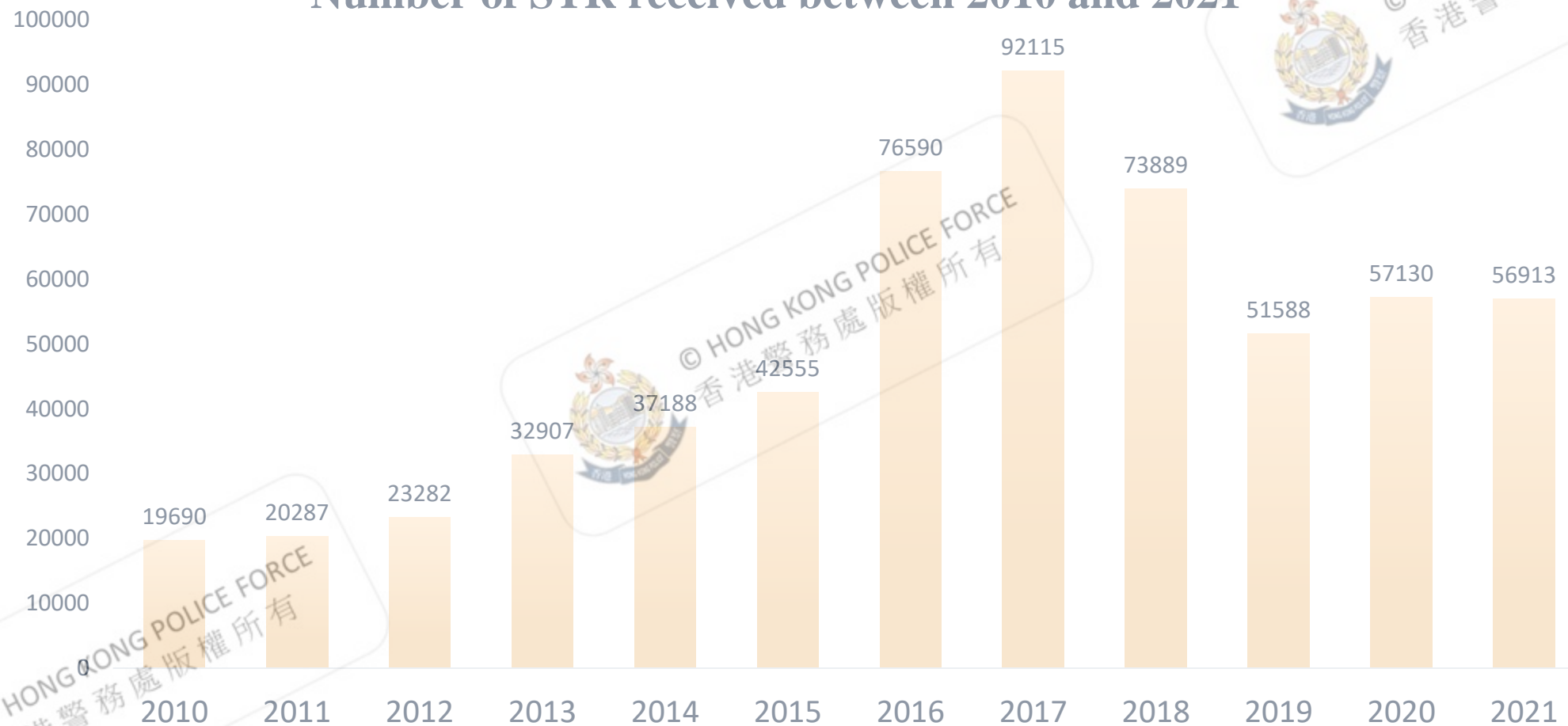


# Mechanism of STR



# Statistics of STR

Number of STR received between 2010 and 2021



# Statistics of STR

## Sectoral Breakdown of STRs received by JFIU in 2021



# 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](mailto: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](mailto: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 Management System (STREAMS)

Username:

Password:

Database:  ...

Login Reset



# 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:	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:			



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# 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. → not necessary to report all queries carried out)
- 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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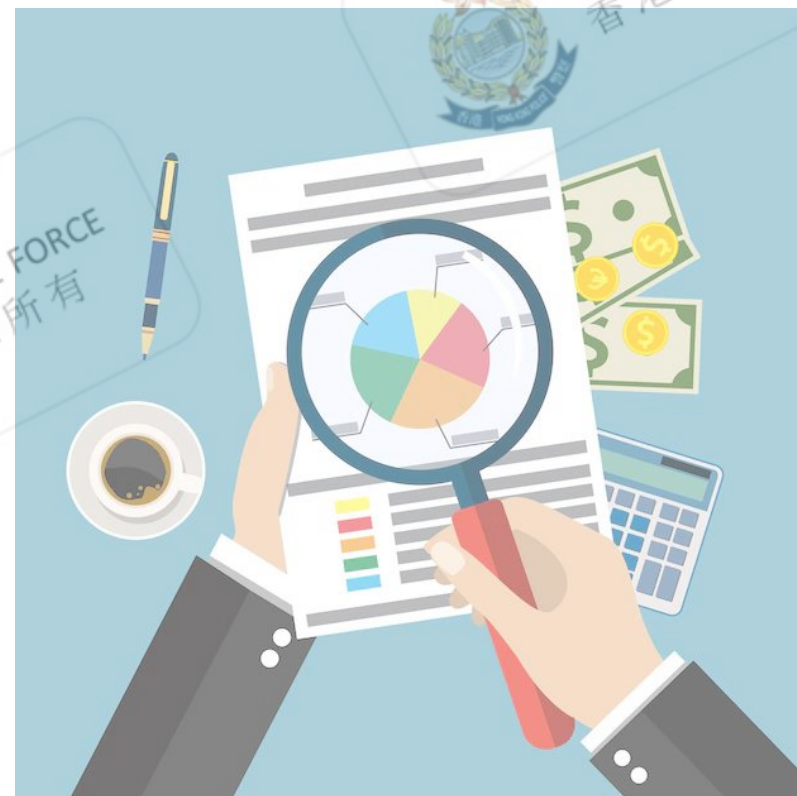


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# Feedback of STR

- Acknowledgement of receipt
- Consent / No Consent / N/A
- Quarterly STR analyses
- Meeting with stakeholders



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# Money Lenders



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# Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report 2022

## Summary of Sectoral Threat Ratings

### 香港洗錢及恐怖分子資金籌集風險評估報告 - 產業風險評估

Sector	Rating in 1 <sup>st</sup> HRA	Rating in 2 <sup>nd</sup> 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
<b>Money Lenders</b>	<b>Medium-low</b>	<b>Medium-low</b>
Non-bank Credit Card Companies	N/A	Low
Standalone Financial leasing	N/A	Low





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