



The Role of JFIU in the Hong Kong AML Regime & Money Laundering Methods

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Agenda

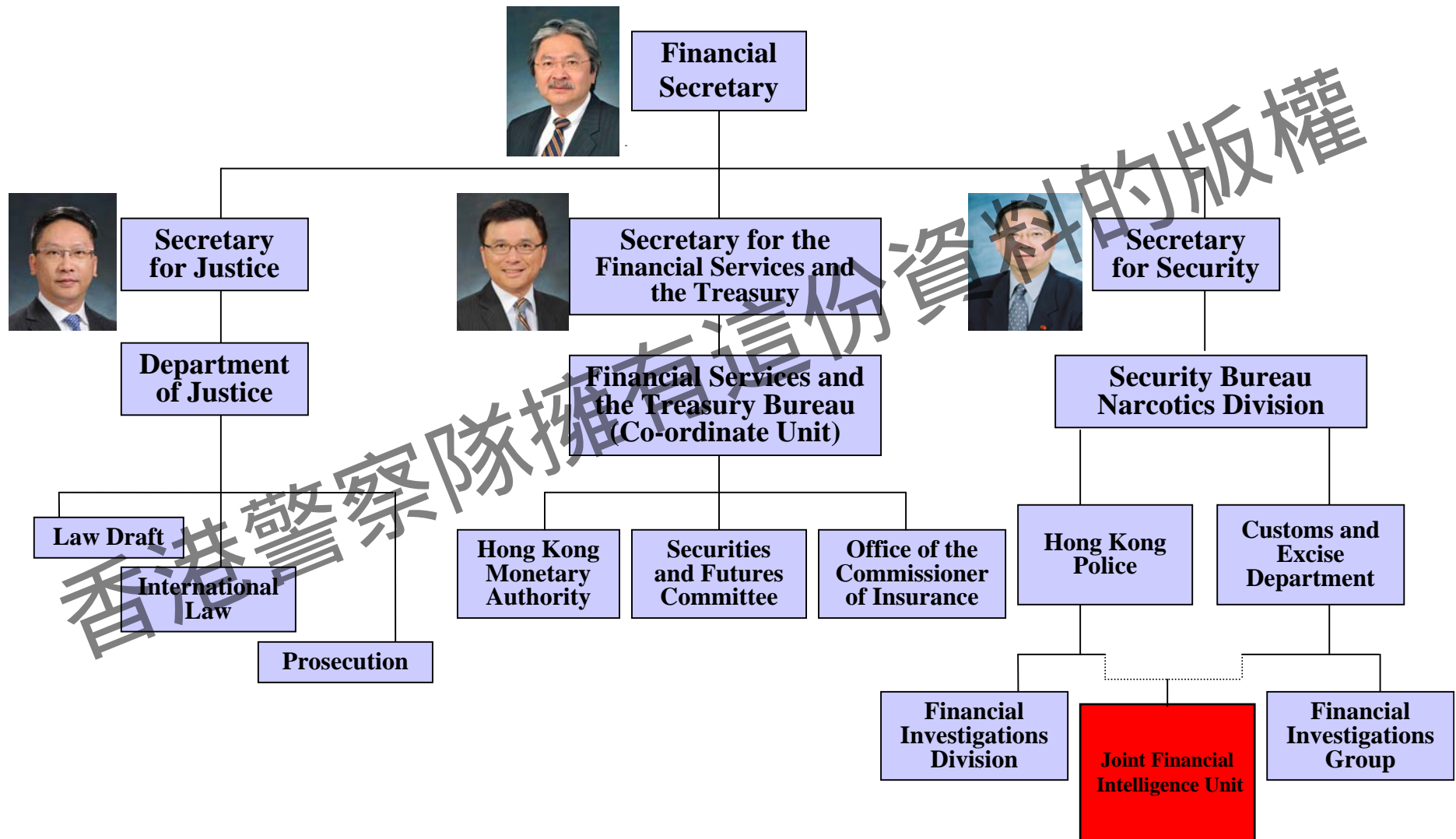
- Importance of Reporting Institutions
- Typologies
- Statistic of Suspicious Transaction Reports
- Quality Suspicious Transaction Reporting
- Case Study
- Conclusion



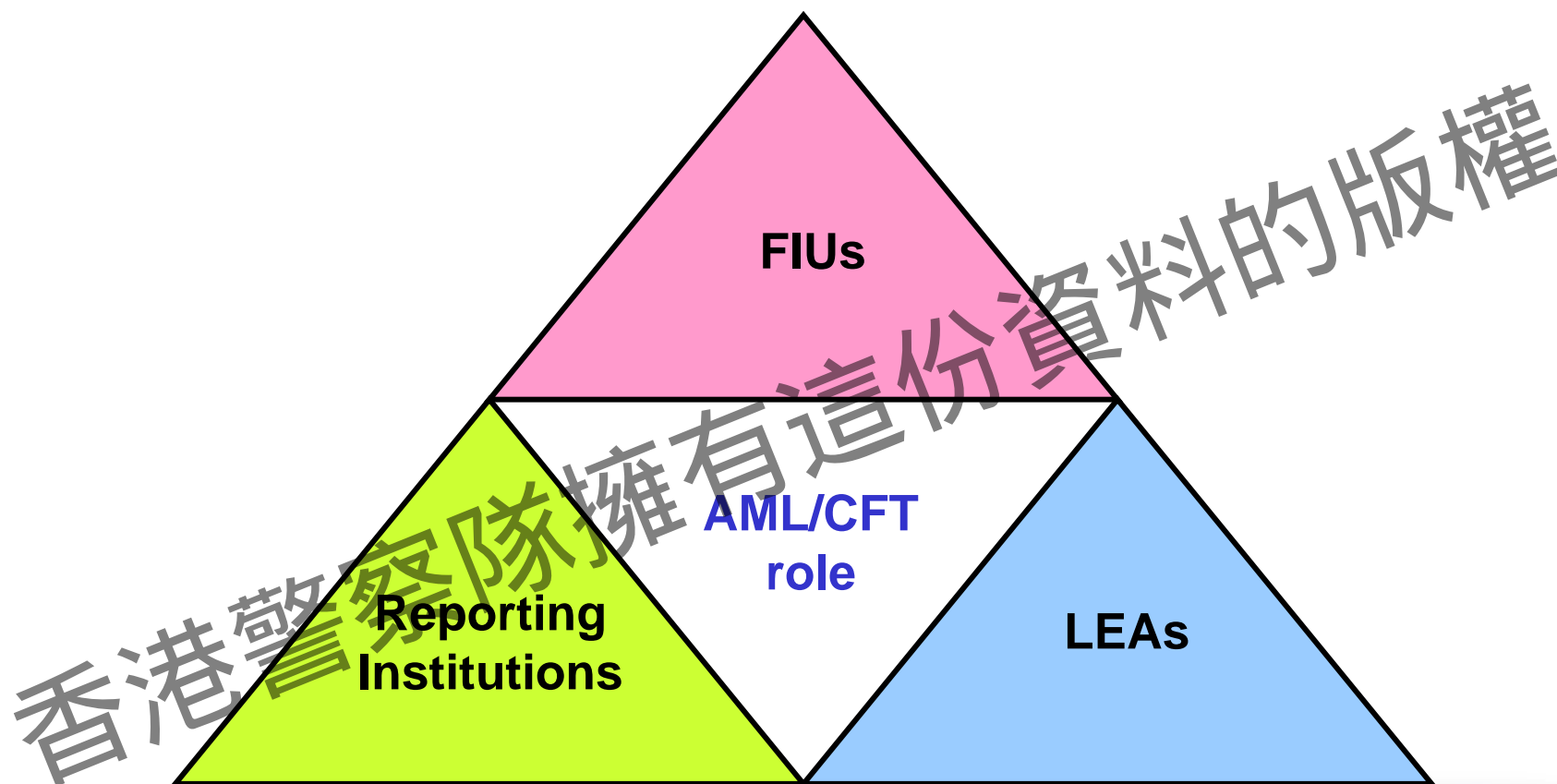
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Central Co-ordinating Committee on Anti-money Laundering and counter Financing of Terrorism



Importance of Reporting Institutions



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Different Players and Roles

Reporting Institutions

- Customer identification
- Record keeping
- Internal systems and controls
- Suspicious transactions

FIUs

- Handling STR
- Dissemination
- Information exchange
- Feedback
- Outreach program

LEAs

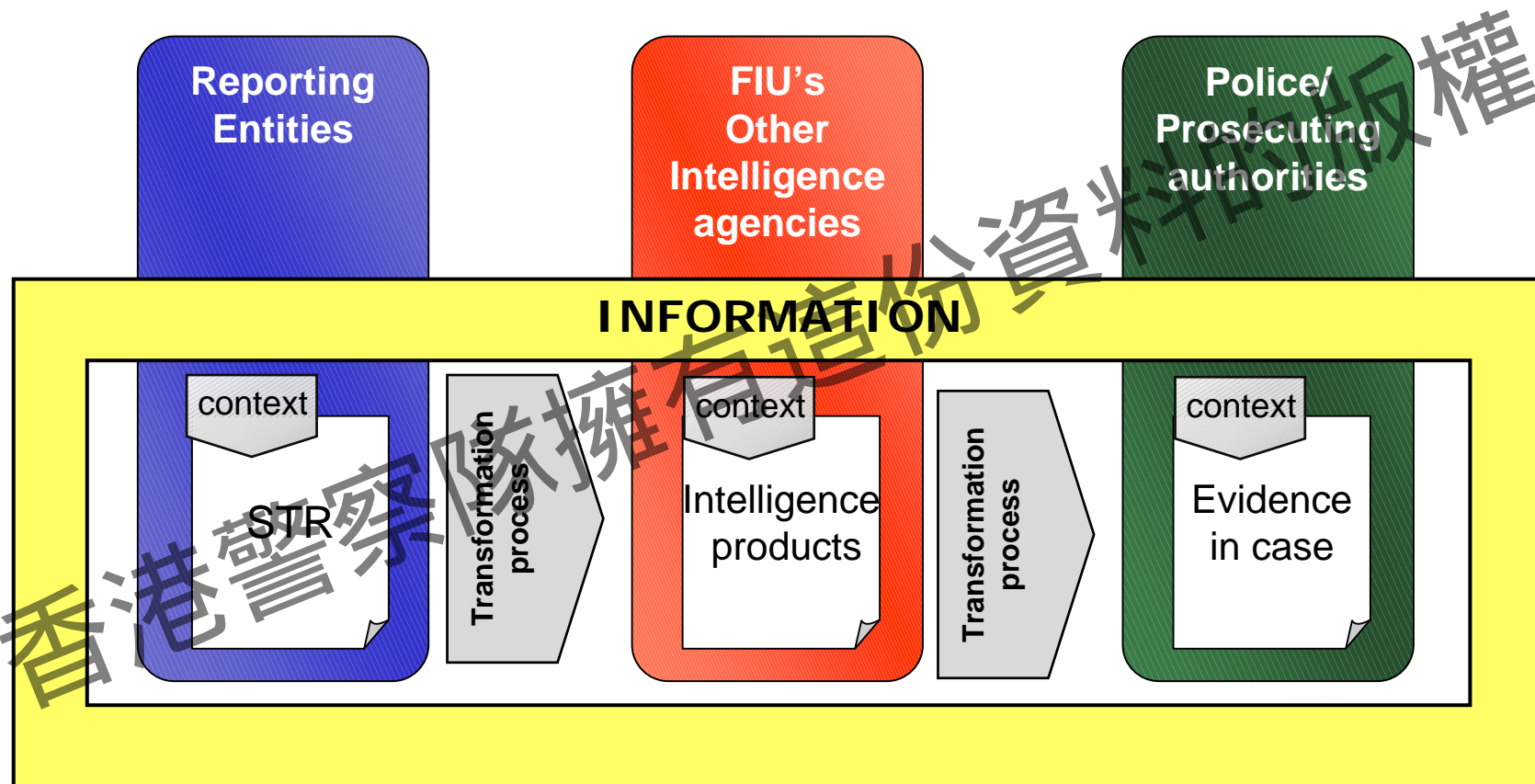
- ML investigation
- Asset tracing
- Asset recovery
- Information exchange
- MLA



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Information Flow



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Typologies



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Typologies

- A series of ML or TF arrangements which are conducted in similar manner or using the same methods.
- In general term, the study of methods, techniques and trends used by money launderer and terrorist financier.



Typologies

To help the reporting institutions in understanding the trend and identifying the vulnerable areas used by the Money Launderer and Terrorist Financier



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Typologies



Corporate Vehicle

- easy to set up
- beneficial ownership
- shell company



Use of TCSP

- non-resident holding several companies
- registered / corresponding address
- secretarial services



Account

- non face-to- face account opening
- opened company accounts with different FIs
- 3rd party as authorized signatories

Typologies



Money Transfer

- e-Banking
- via Money Services Operator
- 3rd party transactions



Other issues

- unlicensed Money Services Operator
- front man

Typologies

Indicators



The Accounts

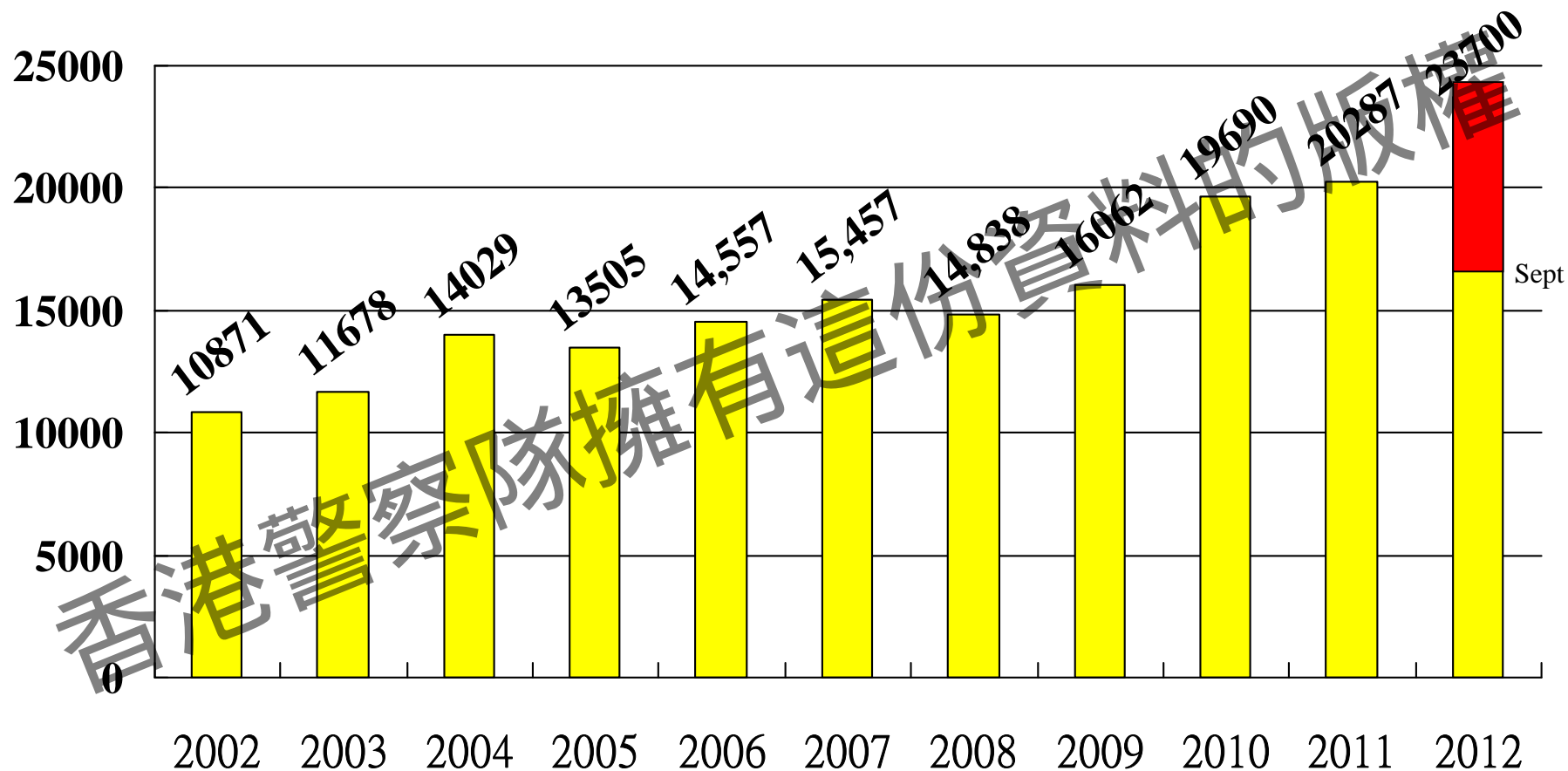
- Multiple inward remittances from different senders
- Multiple outward remittances to overseas accounts
- Temporary repository of fund



The Trading Activities

- Transactions are not commensurate with customer profile
- Large amount of trading volume for specific company's shares

STR received in the past 10 years



■ Estimated no. of STR received in 2012

STR received in the last 5 years

No. of STR filed by SFC Registered Companies

	2008	2009	2010	2011	2012 (as at 09/2012)
No. of STR filed by SFC Registered Companies	242	372	662	470	495
Total No. of STR filed	14,838	16,062	19,690	20,287	17,795

Quality Reporting

Sufficient
information?

Suspicion
identified?

CDD and KYC
process?

Precise and
Concise?

Evaluation?



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Quality Reporting

Sufficient Information

Client / BO information

- Company details
- ID information

Transaction information

- Source of fund with counterparties information
- Trading activities



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Quality Reporting

Suspicion identified



- Background of customer/BO
- Quote source of suspicion relating to the transaction patterns
- Avoid incoherent information



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Quality Reporting

KYC and CDD Process

- Update Personal and Company Information
- Enquire customers for suspicious transactions
- On-going transaction monitoring



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Quality Reporting

Precise and Concise

- Estimated STRs received this year $\leq 24,000$
- Quality reporting is essential
- Precise and concise without redundant and duplicated information



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Quality Reporting

Evaluation

- Not every STR is to be reported if risk can be mitigated
- Detailed the conclusion reached on the necessity of STR reporting
- Report STR once suspicion arose



Case Study 1

Account holder



Source of fund from 3rd party

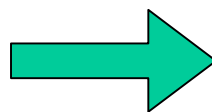


Huge profit within short period of time for one stock shares



Background check:

- Relationship identification
- Stock price
- Sensitive information
- Buy / Sell



Case Study 2



Account
holder



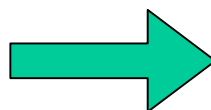
Change of
beneficiary
owner



Change of
transaction pattern
(fund in / out with
limited transactions)



Background check:
adverse record unveiled



Compliance

“Compliance is not a ‘check-the-box’ exercise, but rather requires financial institutions to exercise their judgement, as informed by our guidance and assistance.”

Bill Fox, ex-FinCEN Director



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Thank You



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