



Significance of STR - Quantity and Quality

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Intelligence Unit**



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Background of making STR

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Background of making STR

Offence of Non-Disclosure

S.25A(1) of DTROP / OSCO & S.12(1) of UNATMO

Any person who knows / suspects any property represents proceeds of crime / terrorist property, shall make a report to an authorized officer (JFIU)

MAX PENALTY:

- Fine of \$50,000 AND
- Imprisonment for 3 months



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Background of making STR

Statutory Defences to ML/ TF

S25A(2) of DTROP / OSCO

Person deals with property and not committed ML,
provided if :

STR made BEFORE the act

- And the act done with consent from JFIU;

or

STR made BEFORE the act

- On his own initiative

- As soon as reasonably practicable



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‘Knowing’ / ‘Suspect’

KNOW will include:

- (a) Actually known
- (b) A reasonable man will know, and
- (c) A reasonable man will ask.

Suspect

- More objective and personal, no sufficient evidence to prove.



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Guideline on Anti-Money Laundering and Counter-Terrorist Financing

Chapter 7 Suspicious Transaction Reports



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Timing and Manner

When knows/suspects the property represents proceeds of crime, make disclosure to JFIU **as soon as it is reasonable** to do so.



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Others

- Internal Reports – Assign an MLRO as contact point with JFIU
- Maintain records of all ML/TF reports made to MLRO and whether the report was disclosed to JFIU
- Maintain records of all disclosures made to JFIU



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Post Reporting Matters

- (a) Filing report to JFIU only provides statutory defense to ML/TF in relation to the acts disclosed in that report. Does not absolve other risks with the account's continued operation
- (b) A 'Consent' response from JFIU does not construe as 'clean bill of health' of the account
- (c) Should conduct review of the business relationship upon filing the report, no matter what the response provided by JFIU



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Post Reporting Matters

- (d) Concern over the operation of customer's account, should take appropriate action to mitigate the risk. Filing a report with JFIU and continue to operate the relationship without further consideration / control is not acceptable
- (e) Relationships reported to JFIU should be subject to appropriate review by MLRO



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About JFIU



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About JFIU

聯合財富情報組主管
Head of JFIU

副主管 (1)
Deputy Head (1)

副主管 (2)
Deputy Head (2)

4個情報分析小隊
4 Intelligence
Analysis Teams

政策及支援
Policy &
Support

培訓及外展
Training &
Outreach

可疑交易報告
管理系統
STREAMS

海關督察
Inspector C&ED

情報分析及發展
Intelligence Analysis
& Development

政策及支援
Policy & Support

About JFIU

Joint Financial Intelligence Unit (“JFIU”)

- Set up in 1989
- Jointly operated by HKPF & C&E attached to NB
- Office: At the Police Headquarters
- Not a reporting centre / an investigative unit
- Major Responsibilities:
 - Receive
 - Analyze
 - Disseminate Suspicious Transaction Report (“STR”)



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Relevant Legislation (after making STR)

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Relevant Legislation

Statutory Protection

- S25A(3) of DTROP/ OSCO & S12(3) of UNATMO
 - a) Not treat as *a breach of any restriction* imposed by contract or enactment, rule of conduct or other provision
 - b) Not render the person who made it *liable in damages for any loss*



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Relevant Legislation

Tipping Off Offence

- S25A(5) of DTROP / OSCO & S12(5) OF UNATMO
 - Tipping Off
 - Any matter likely to prejudice an investigation
- **MAX PENALTY:**
 - Fine of \$500,000-HKD AND
 - Imprisonment for 3 years



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The “SAFE” Approach

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The “SAFE” Approach

- How to identify a Suspicion?

- Screen
- Ask
- Find
- Evaluate

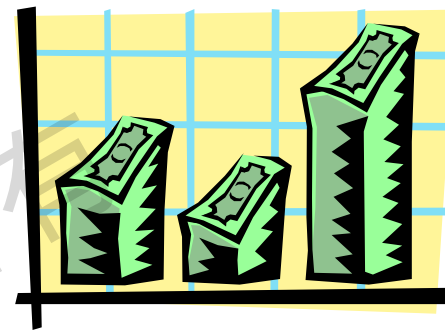


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“SAFE” - Screen

- Screen customer & transaction
- Identify suspicious indicators
 - Deviated from the norm
 - Unusual Customer or Company profile
(e.g. wealth is incommensurate with background)
 - Unusual transaction
(e.g. U-turn, bulk cash transaction etc.)



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“SAFE” - Ask

- Ask appropriate questions
- Clarify suspicious circumstances
 - Financial Background
 - Source of funds
 - Purpose of the transaction
 - Counterparties involved
 - Ultimate Beneficial Owner



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“SAFE” - Find

- Find the customers' records
- Review information
- Analyze if any suspicions from:

Individual Customer	Corporate Client
Occupation	Business Activity
Income	Revenue
Age	Incorporation
Previous Transaction	Transaction Counterparts



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“SAFE” - Evaluate

- Evaluate information obtained
- Identify if any ‘Suspicious Indicator’
 - More than one indicator possible
 - More indicators appear → Greater Suspicious
- Possible Suspicious Indicators:
 - Activity does not match the profile
 - ‘Politically Exposed Persons’ (PEPs) related
 - Sudden change of transaction pattern
 - Complicated structure / background
 - From alarming jurisdictions



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“SAFE” - Evaluate

- Ask yourself:
 - All steps in ‘Screen’, ‘Ask’, ‘Find’ were completed?
 - Is the transaction suspicious?
 - Having considered all circumstances, can the suspicious be eliminated?
 - Conclusion => genuinely suspicious ?



→ *File an STR*



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Submission of STR



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Submission of STR

- **How to file an STR?**

- Suspicious Transaction Report And Management System (“STREAM”)
- Email
- Fax
- Post
- Verbal (Urgent only – follow up by hardcopy)

Post : G.P.O. Box No. 6555, General Post Office, Hong Kong
Email : jfiu@police.gov.hk
Tel : 28663366
Fax : 25294013
Website : <http://www.jfiu.gov.hk/eng/how.html>



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Submission of STR

Feedback from JFIU:

- Acknowledgement of Receipt
 - File ref.
 - Details of contact person
- Letter of Consent / No Consent
- STR Quarterly Analysis Report



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Thank You



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