

Joint Financial Intelligence Unit & Suspicious Transaction Reporting

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**Joint Financial
Intelligence Unit**



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AML/CFT Legislation

1989

Drug Trafficking (Recovery of Proceeds) Ordinance (DTROP, Cap 405)

1994

Organized & Serious Crimes Ordinance (OSCO, Cap 455)

2002

United Nations (Anti-Terrorism Measures) Ordinance (UNATMO, Cap 575)

2012

Anti-Money Laundering & Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO, Cap 615)



Legal Obligation to File STRs



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

Max. penalty:
Fine at level 5 (HK\$ 50,000) &
3 months' imprisonment

S.25A(1) of Cap. 405 DTROP & Cap. 455 OSCO

S.12(1) of Cap. 575 UNATMO

Legal Obligation to File STRs

- **Cap 405 S.25A(1)**

(1) Where a person **knows or suspects** that any property-

- (a) in whole or in part directly or indirectly represents any person's proceeds of;
- (b) was used in connection with; or
- (c) is intended to be used in connection with,

drug trafficking, he shall as soon as it is reasonable for him to do so disclose that knowledge or suspicion, together with any matter on which that knowledge or suspicion is based, to an authorized officer.

- **Cap 455 S.25A(1)**

(1) Where a person **knows or suspects** that any property-

- (a) in whole or in part directly or indirectly represents any person's proceeds of;
- (b) was used in connection with; or
- (c) is intended to be used in connection with,

an indictable offence, he shall as soon as it is reasonable for him to do so disclose that knowledge or suspicion, together with any matter on which that knowledge or suspicion is based, to an authorized officer.

Legal Obligation to File STRs

- **Cap 575 S.12(1)**

- (1) Where a person **knows or suspects** that any property is **terrorist property**, then the person shall disclose to an authorized officer the information or other matter-
 - (a) on which the knowledge or suspicion is based; and
 - (b) as soon as is practicable after that information or other matter comes to the person's attention.

Suspicious Transaction Reporting

- Legal obligation

- Applied to **all**

Where / when a person

- Disclosure based on **knowledge** / suspicion

- Reporting mechanism: **No reporting threshold** / compulsory reporting of **cross-border transactions**

Suspicious Transaction Reporting

■ Statutory protection from civil / criminal liability

(3) A disclosure referred to in subsection (1)-

(a) shall not be treated as a breach of any restriction upon the disclosure of information imposed by contract or by any enactment, rule of conduct or other provision;

(b) shall not render the person who made it liable in damages for any loss arising out of-

(i) the disclosure;

(ii) any act done or omitted to be done in relation to the property concerned in consequence of the disclosure.

Suspicious Transaction Reporting

■ Not to disclose details after reporting

- (5) A person commits an offence if, knowing or suspecting that a disclosure has been made under subsection (1) or (4), he **discloses to any other person any matter which is likely to prejudice any investigation** which might be conducted following that first-mentioned disclosure.

■ Source of information kept **confidential**

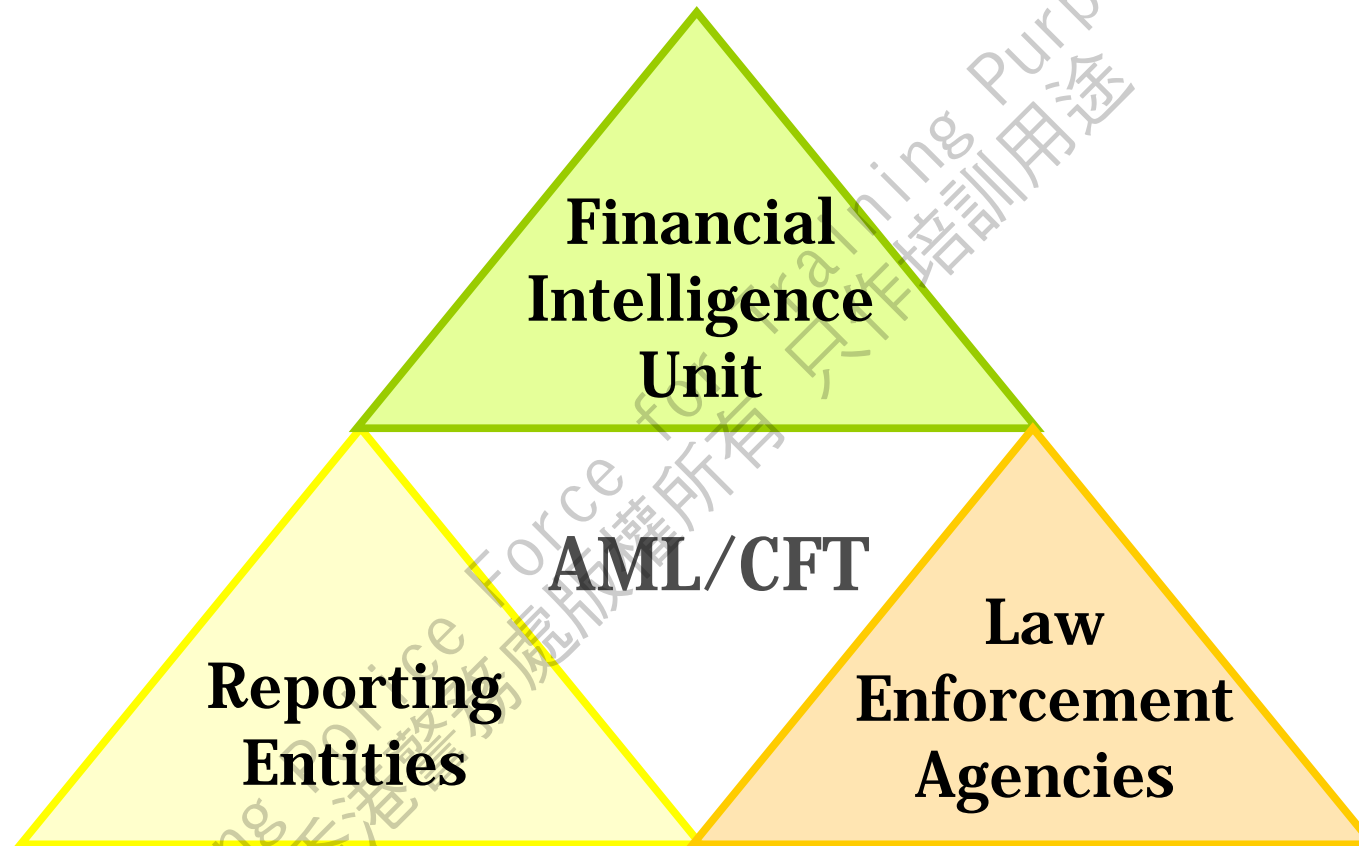
Money Laundering Cap 405 / 455

A person commits an offence if, **knowing or having reasonable grounds to believe** that any **property** in whole or in part directly or indirectly represents any person's proceeds of **drug trafficking / an indictable offence**, he deals with that property.

"Dealing" (處理), in relation to property referred to in section 15(1) or 25, includes-

- (a) **receiving** or **acquiring** the property;
- (b) **concealing** or **disguising** the property (whether by concealing or disguising its nature, source, location, disposition, movement or ownership or any rights with respect to it or otherwise);
- (c) **disposing of** or **converting** the property;
- (d) **bringing into** or **removing** from Hong Kong the property;
- (e) **using** the property to borrow money, or as security (whether by way of charge, mortgage or pledge or otherwise);

Role of JFIU



Role of JFIU

Reporting Entities

**Financial Institutions
& DNFBPs**

**Customer Due
Diligence (CDD) +
Know Your
Customer (KYC)**

Record Keeping

Internal Control

STR Filing

Financial Intelligence Unit

JFIU

STR Regime

Intelligence Exchange

International Cooperation

Training & Outreach

Law Enforcement Agencies

e.g. Police, Customs, ICAC

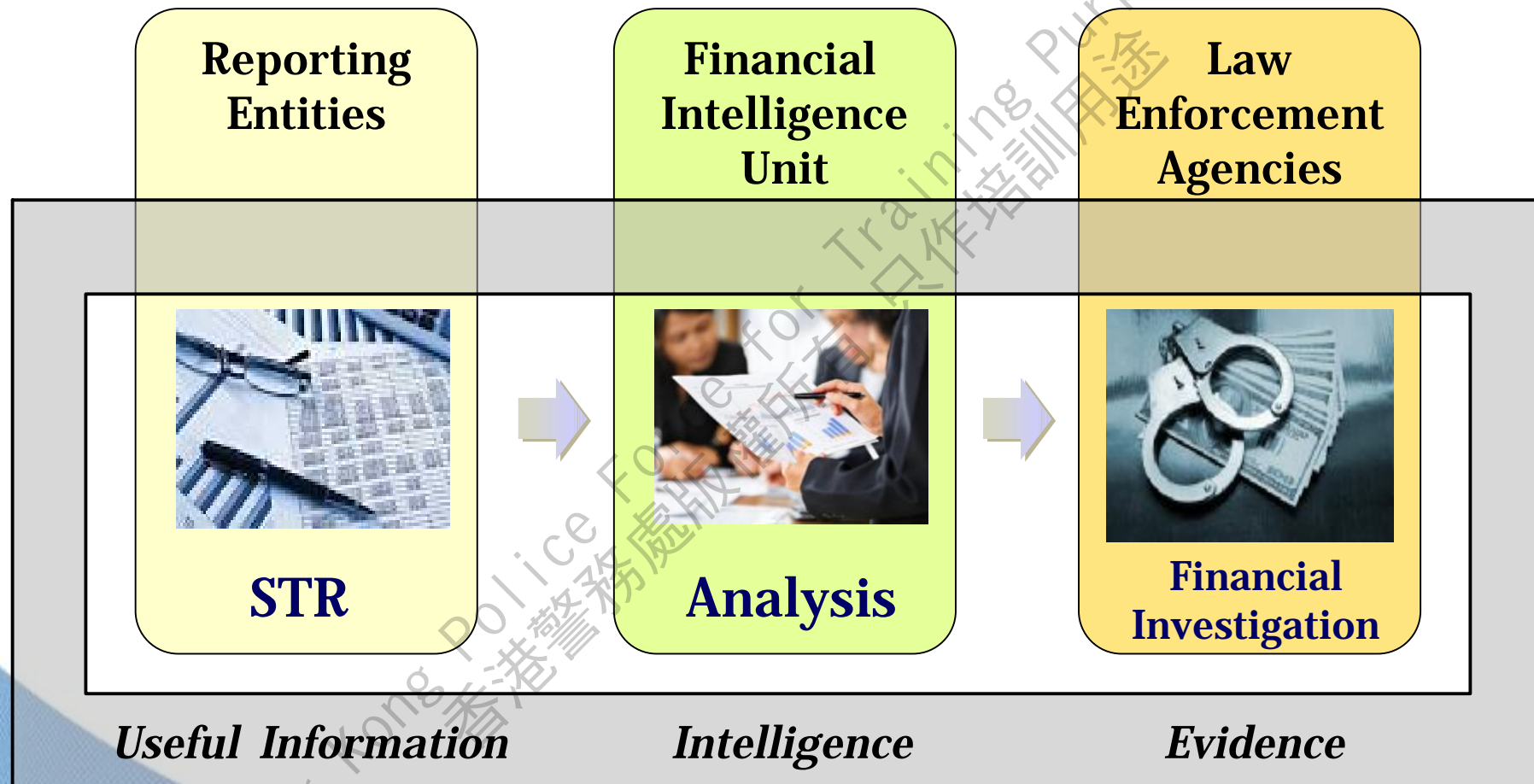
**Financial
Investigation**

Asset Tracing

**Restraint &
Confiscation**

**Mutual Legal
Assistance**

Information Flow



STREAMS

***Suspicious Transaction
REport
And
Management
System***

Reporting Method

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

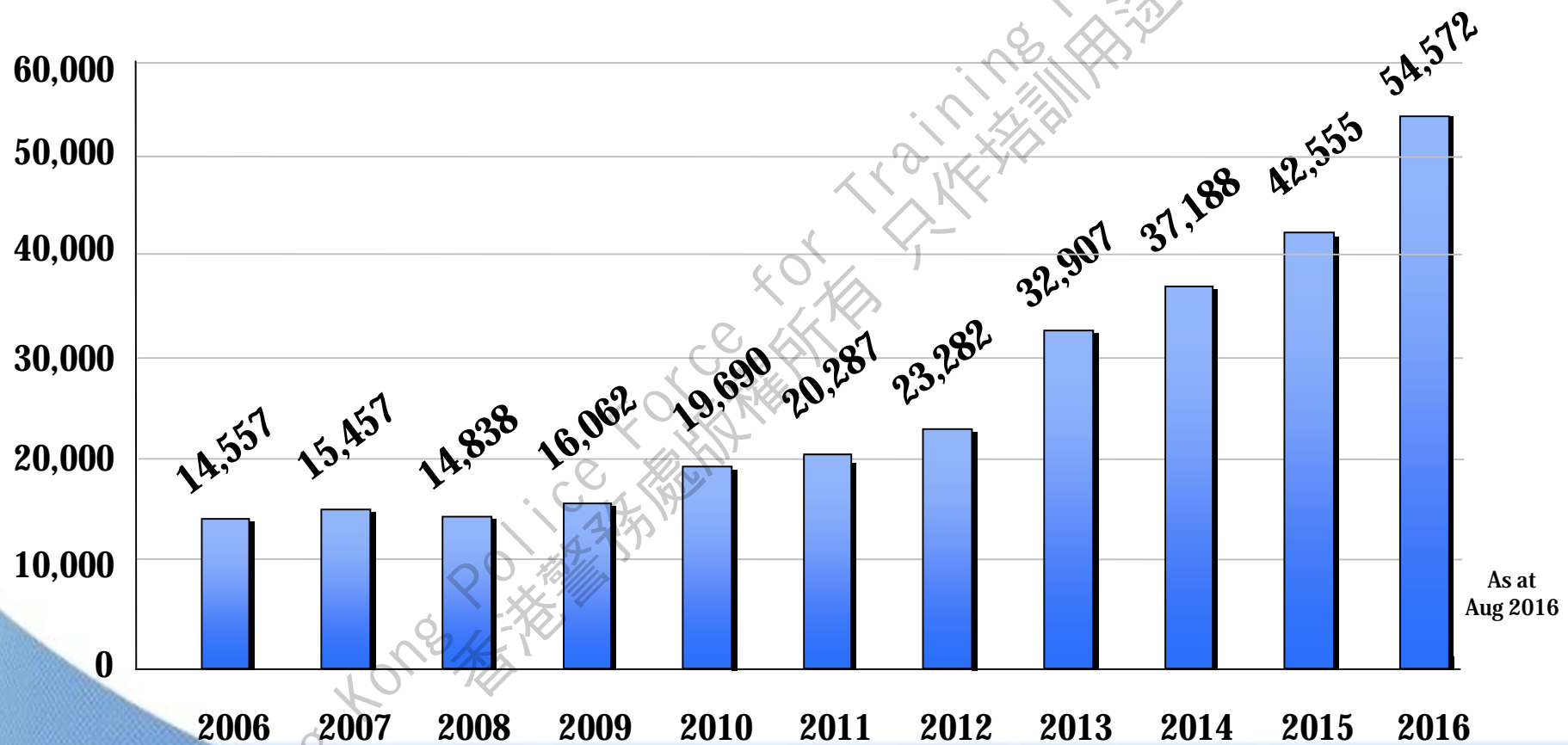


- by telephone (852) 2866 3366 (for urgent reports during office hours)

If you want to file STR via STREAMS, you have to complete the [application form](#) and return to JFIU either by fax (2529 4013) or email (jfiu@police.gov.hk). If you need any further information, please feel free to contact JFIU staff.

**Download STREAMS
e-reporting form here**

STR Statistics



STR Statistics

No. of STRs	2012	2013	2014	2015	*2016 (August)
Annual Total	23,282	32,907	37,188	42,555	*54,572
Filed by Money Service Operators	1,171	2,108	2,772	3,566	*1,784
	3.2 – 8.3%				



**To Report,
or Not to Report ?**

What to Report in STRs?



- **Particulars of the subject persons / organizations / beneficial owners**
- **What Suspicious?**
 - Property involved
 - Accounts and transactions
- **Why Suspicious?**
 - Suspected crimes / suspicious indicators / news
 - Assessment and analysis?
 - Explanation by customers, if any
- **Previous STR ref. / Police case ref., if any**

How to File Quality STRs?

SAFE Approach

Screen

subject entities' background & transactions

Ask

appropriate questions to clarify circumstances

Find

relevant records for review

Evaluate

whether suspicion is substantiated

“SAFE” - Ask

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



“SAFE” - Find

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

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

“SAFE” - Evaluate

- n Evaluate information obtained
- n Identify ‘Suspicious Indicator’
 - More than one indicator possible
 - More indicators appear à greater suspicion
- n 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

“SAFE” - Evaluate

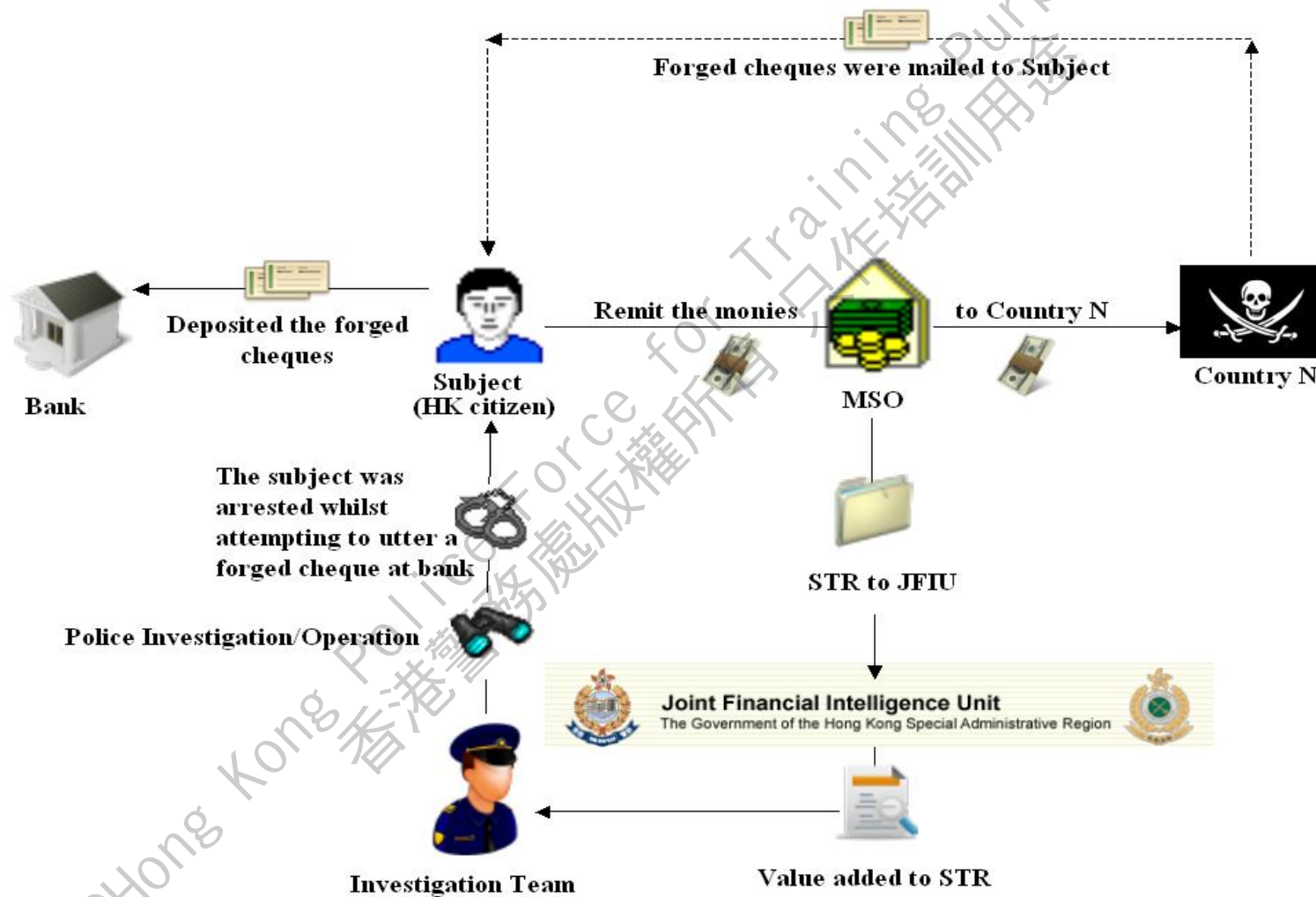
n Ask yourself:

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

à File an STR



Case example





Thank you!



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