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Money Laundering & Terrorist Financing And Suspicious Transaction Reporting

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Detective Senior Inspector of Police



Joint Financial
Intelligence Unit



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- ◆ About JFIU

- ◆ Key Legislation



- ◆ Money Laundering and Terrorist Financing

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- ◆ Suspicious Transaction Report

- ◆ Recommendation



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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 LEAs and FIUs worldwide
- ▶ Member of Egmont Group since 1996
- ▶ Establishment of Financial Intelligence and Investigation Bureau (FIIB)

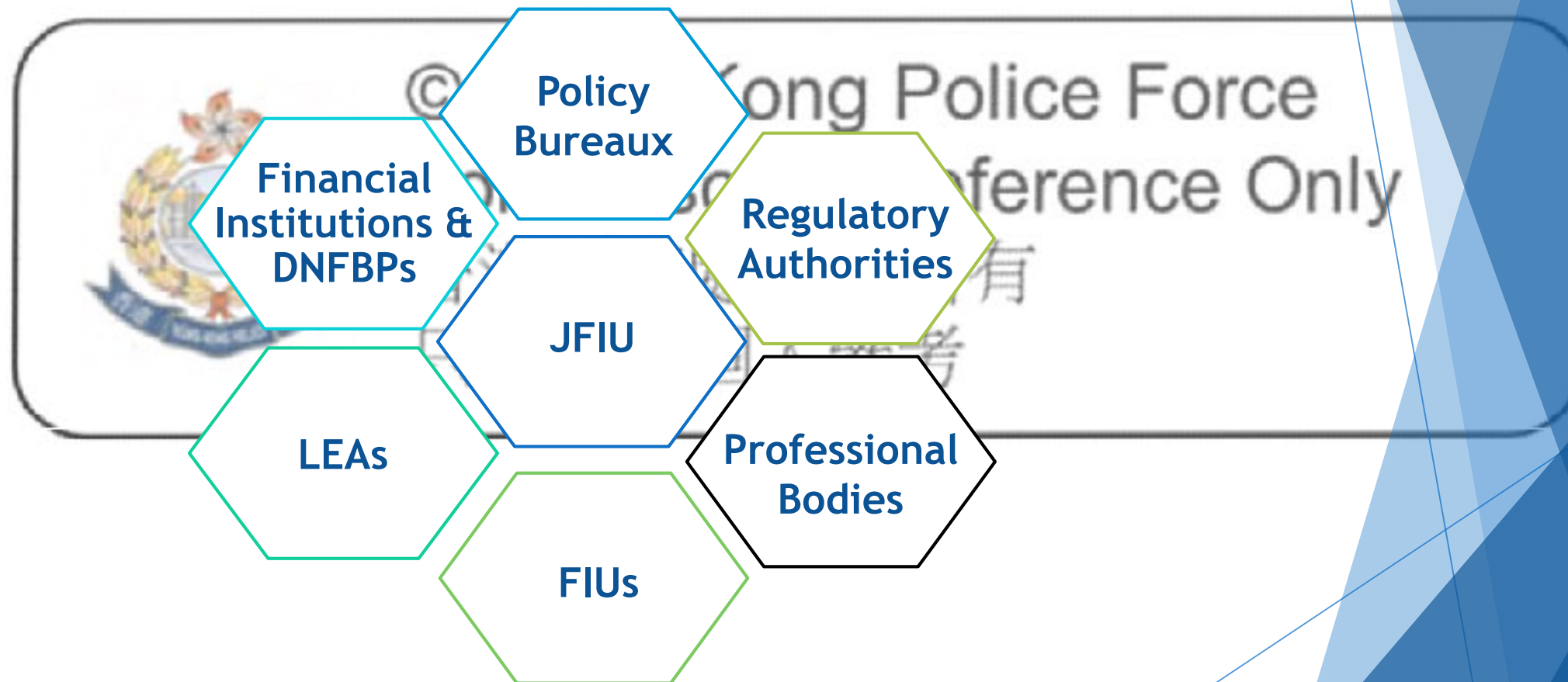


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About JFIU



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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)

2018

AML & CFT Ordinance (Amendment), Cap. 615
打擊洗錢及恐怖分子資金籌集條例(第615章)的修訂

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Key Legislation (Anti Money Laundering)

Any person

- **Knowing or having reasonable grounds to believe**
- **Any property**
- **In whole or in part or indirectly represents proceeds of drug trafficking**
- **Deals with the property**



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S.25 of Cap 405 DTROP

S.25 of Cap 455 OSCO

Maximum Penalty:

- **HKD 5 Million fine**
- **14 years' imprisonment**

Key Legislation (Counter-Terrorist Financing)

Any person should 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**



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S.7 of Cap 575 UNATMO

Maximum Penalty:

- **14 years' imprisonment**



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Key Legislation (Suspicious Transaction Reporting)

Any person

- Knows or suspects
- Any property represents / was used / is intended to be used in connection with the proceeds of drug trafficking or indictable offences or terrorist property
- Should disclose that knowledge or suspicion to an authorized officer (i.e. JFIU)

S.25A(1) of Cap. 405 DTROP

S.25A(1) of Cap. 455 OSCO

S.12(1) of Cap. 575 UNATMO

Maximum Penalty:

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

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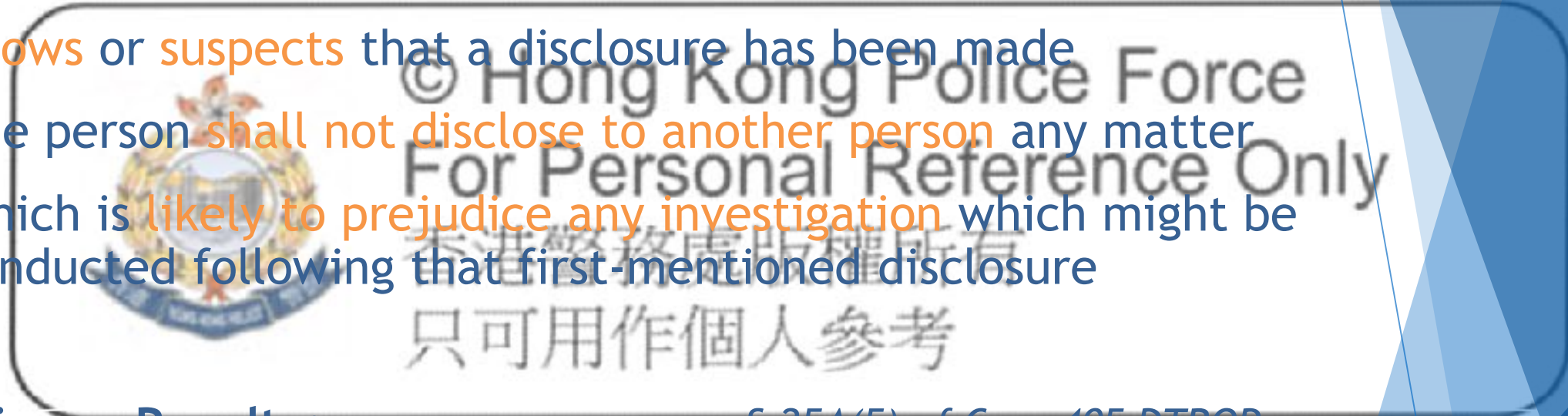
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Key Legislation (Tipping off)

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(5) of Cap. 405 DTROP

S.25A(5) of Cap. 455 OSCO

S.12(5) of Cap. 575 UNATMO

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- ◆ Key Legislation



- ◆ Process of Money Laundering and Terrorist Financing

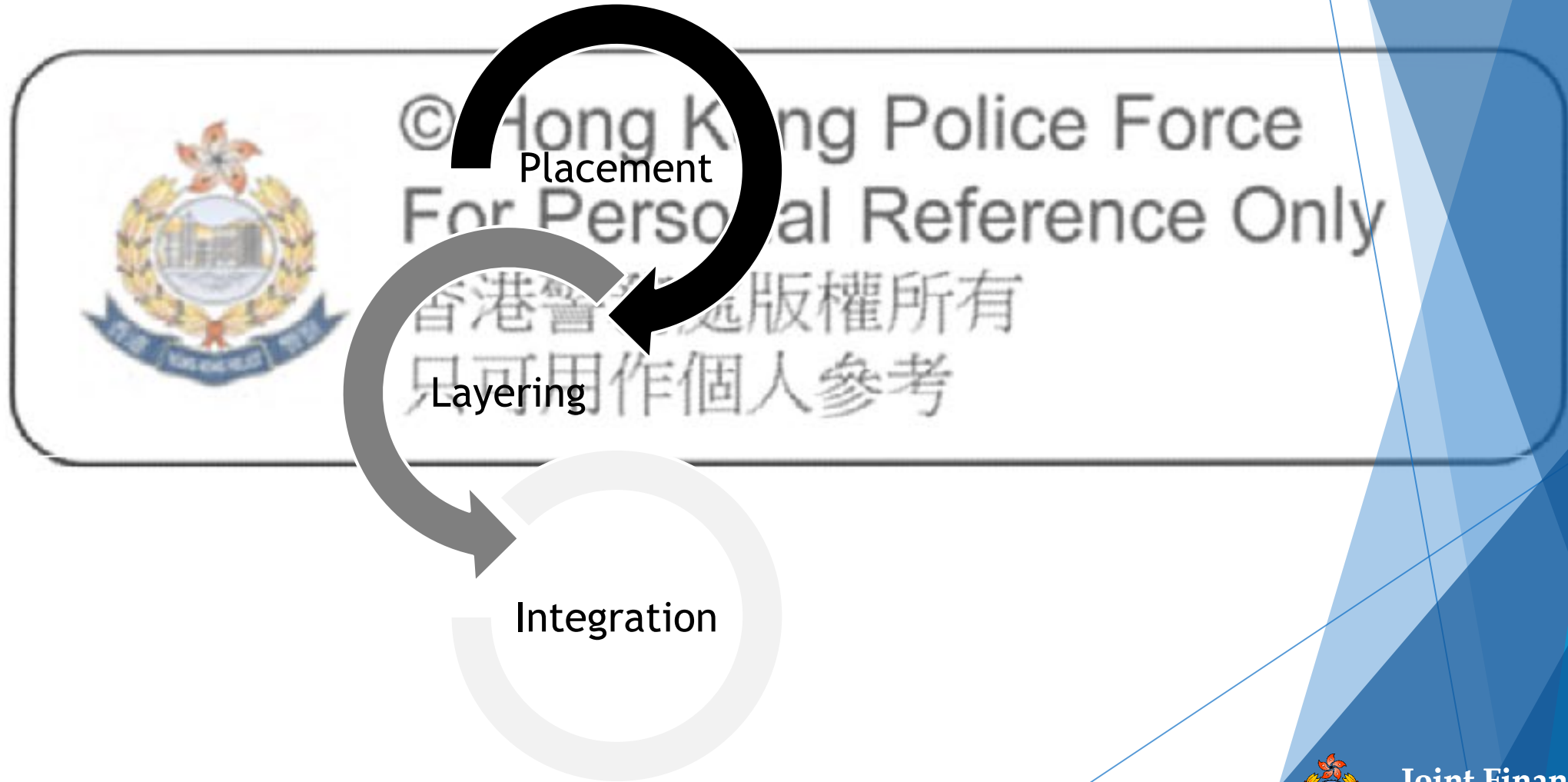
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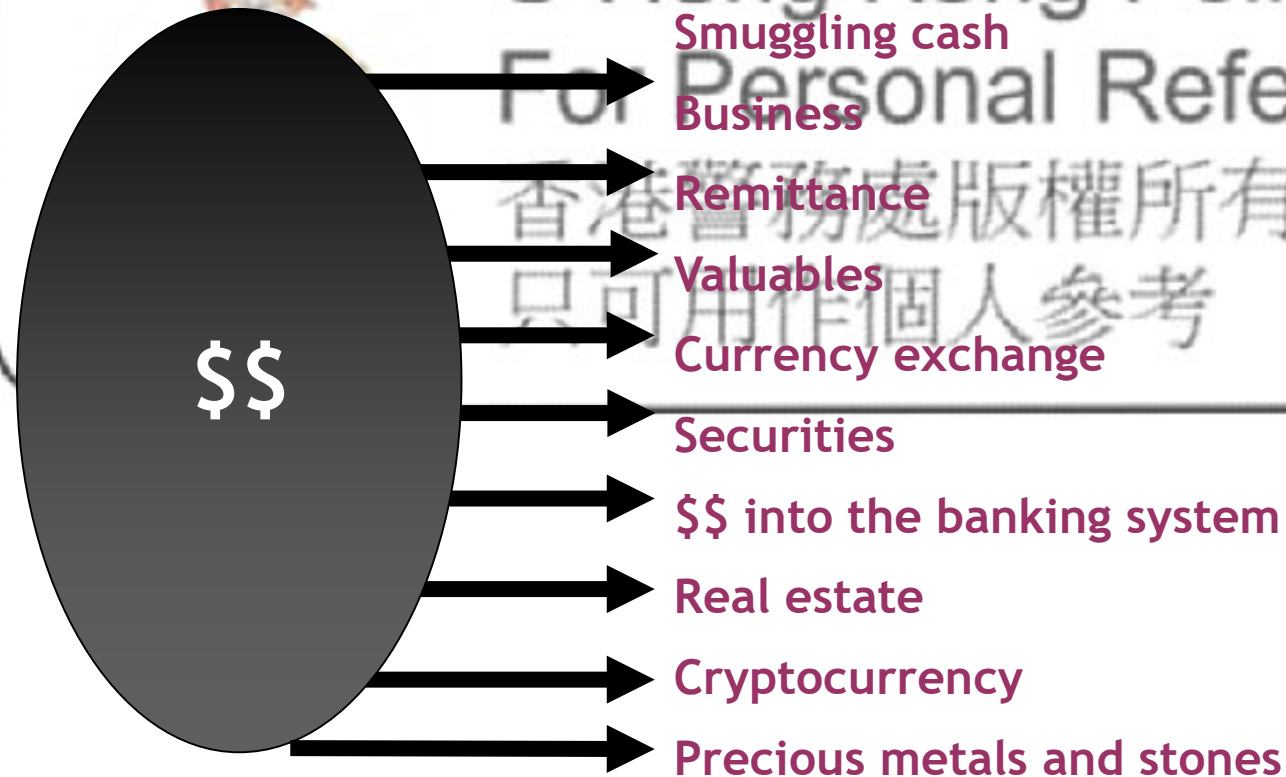
Process of Money Laundering



Process of Money Laundering

▶ Stage I: Placement

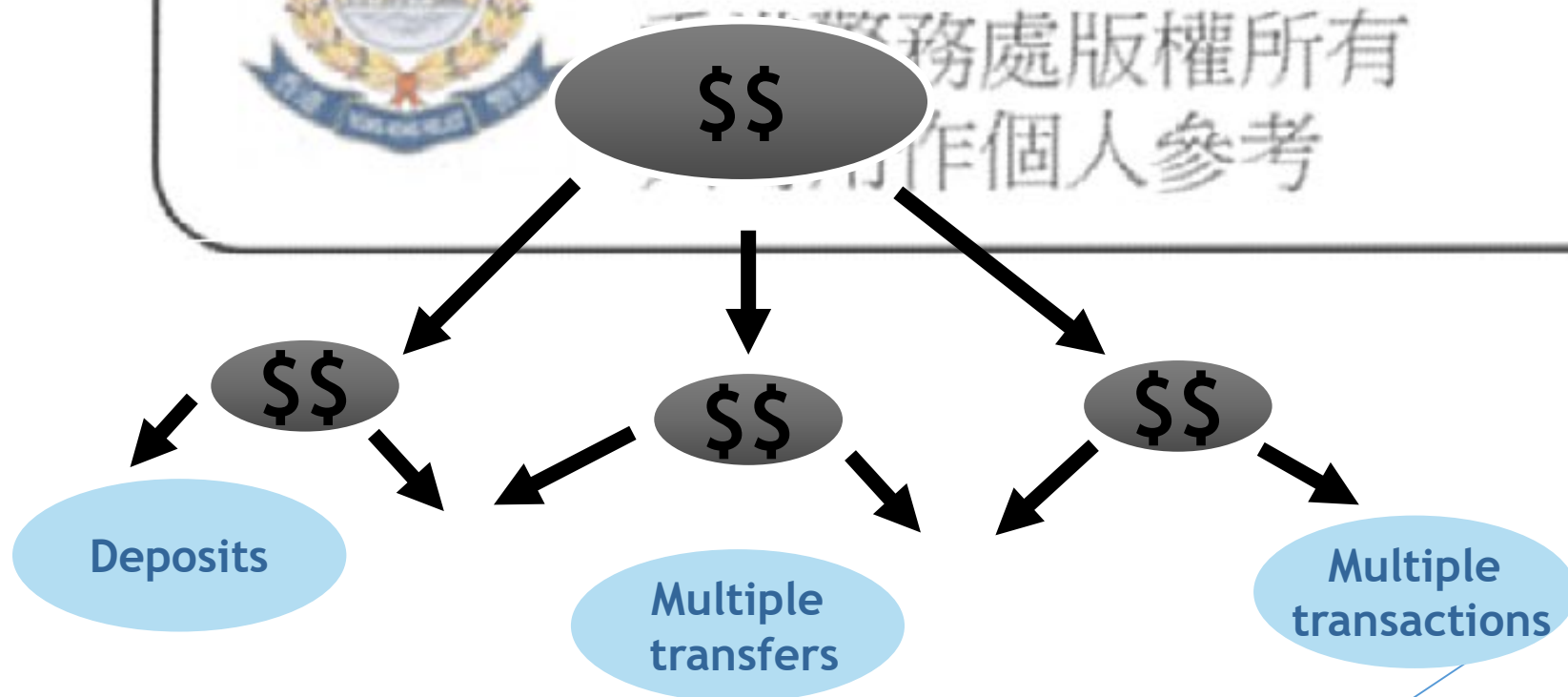
- ▶ Place dirty money into the financial system



Process of Money Laundering

▶ Stage II: Layering

- ▶ Convert proceeds of crime into other forms
- ▶ Create complex layers of financial transactions to defraud the audit trail, source and owner of funds

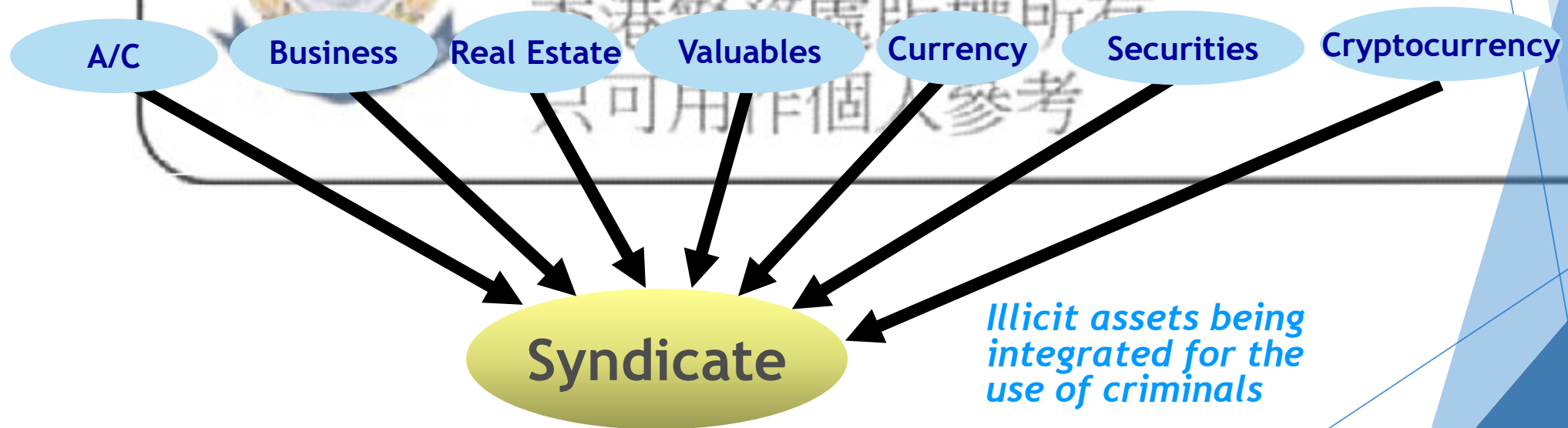


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Process of Money Laundering

▶ Stage III: Integration

- ▶ To integrate the laundered funds from different sources
- ▶ Use the laundered funds to purchase 'clean assets'



Common in Terrorist Financing

- ▶ Abuse of donations and NPOs

- ▶ Funding from criminals or legitimate activities

- ▶ Physical transportation of cash

- ▶ Use of banks accounts and MSOs



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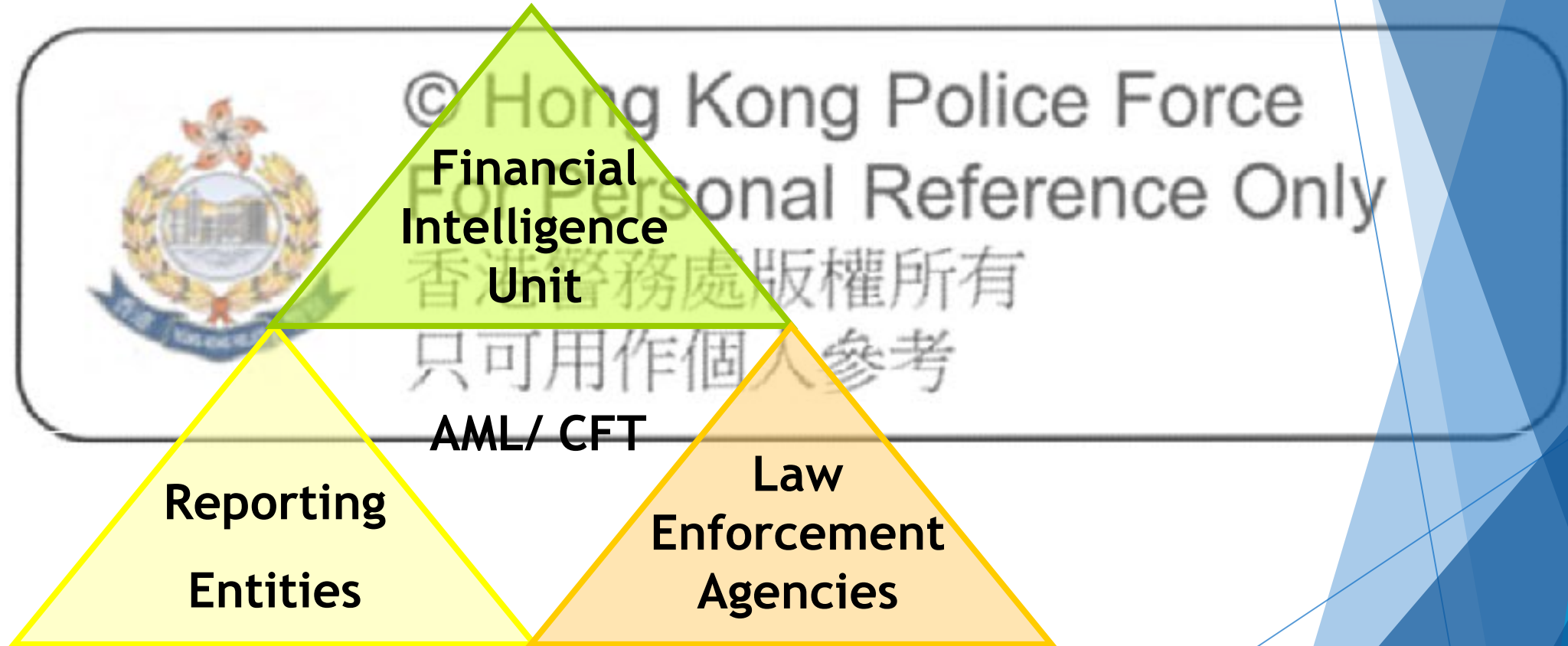
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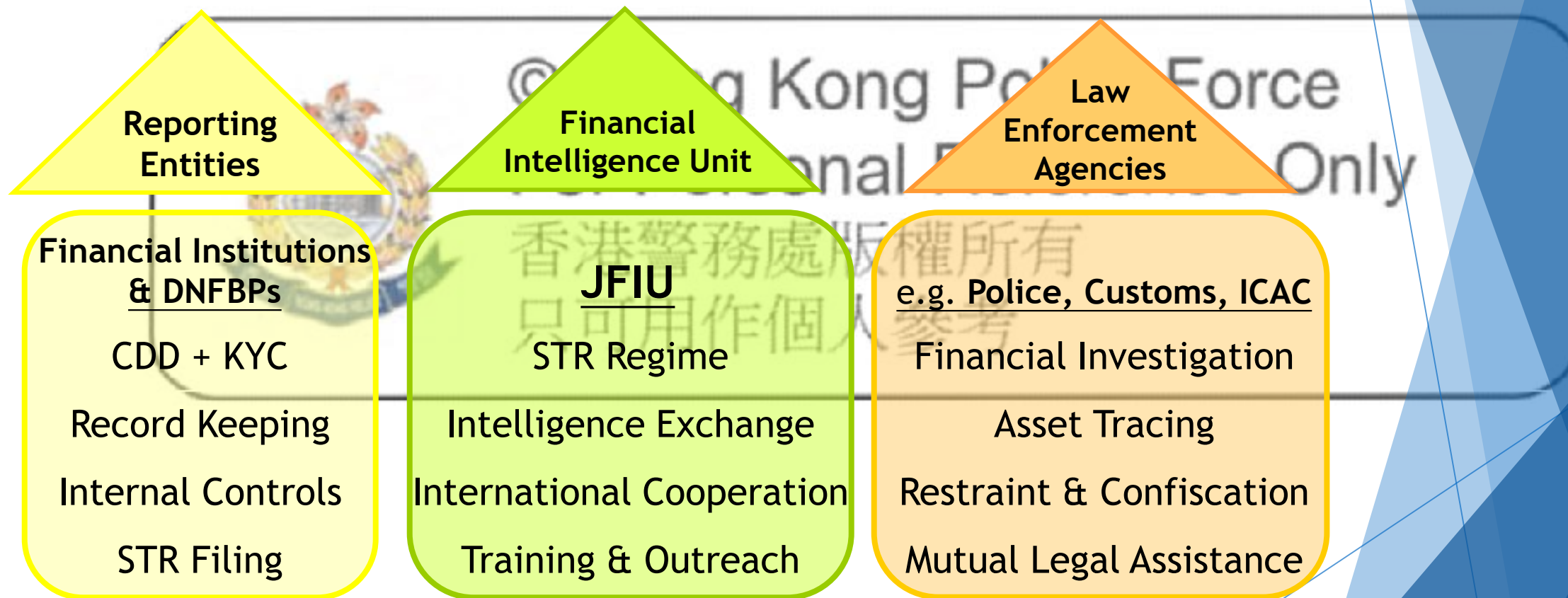


STR Mechanism

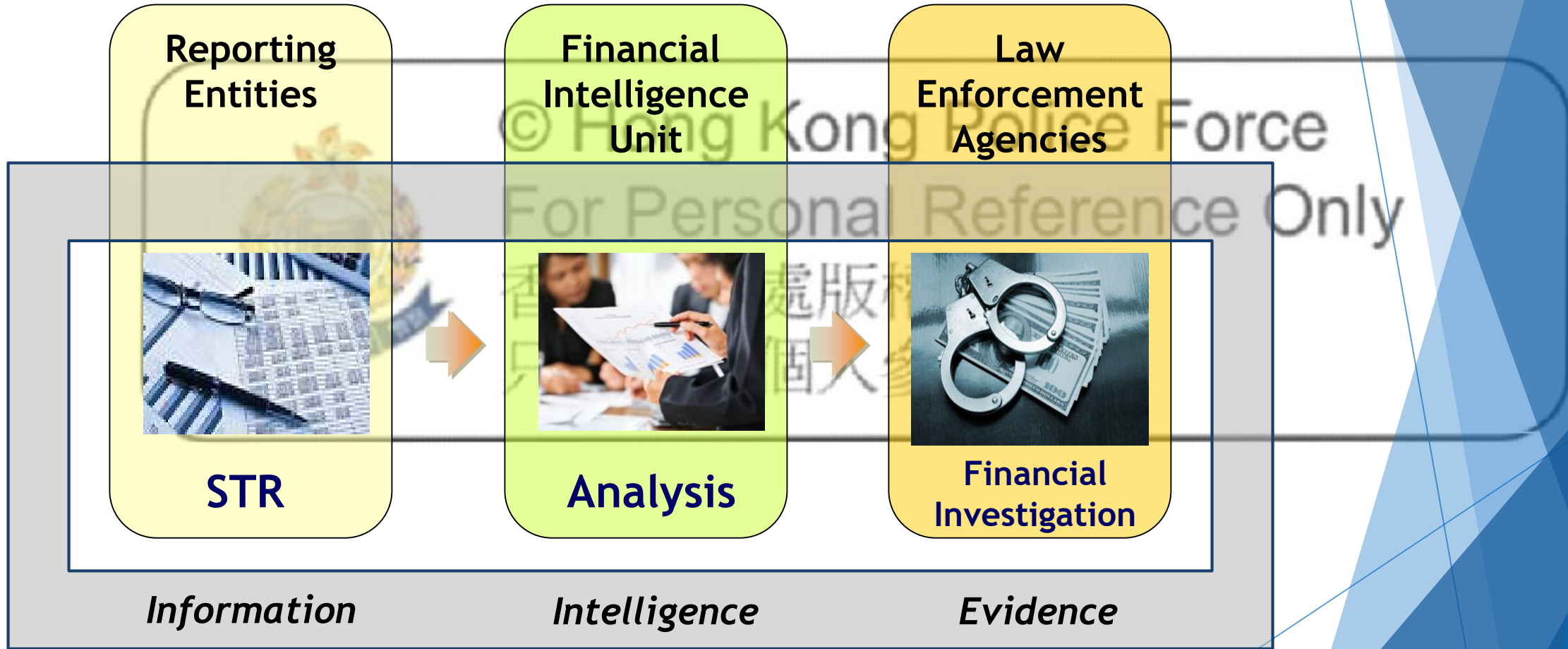


STR Mechanism

← Public-Private Partnership →

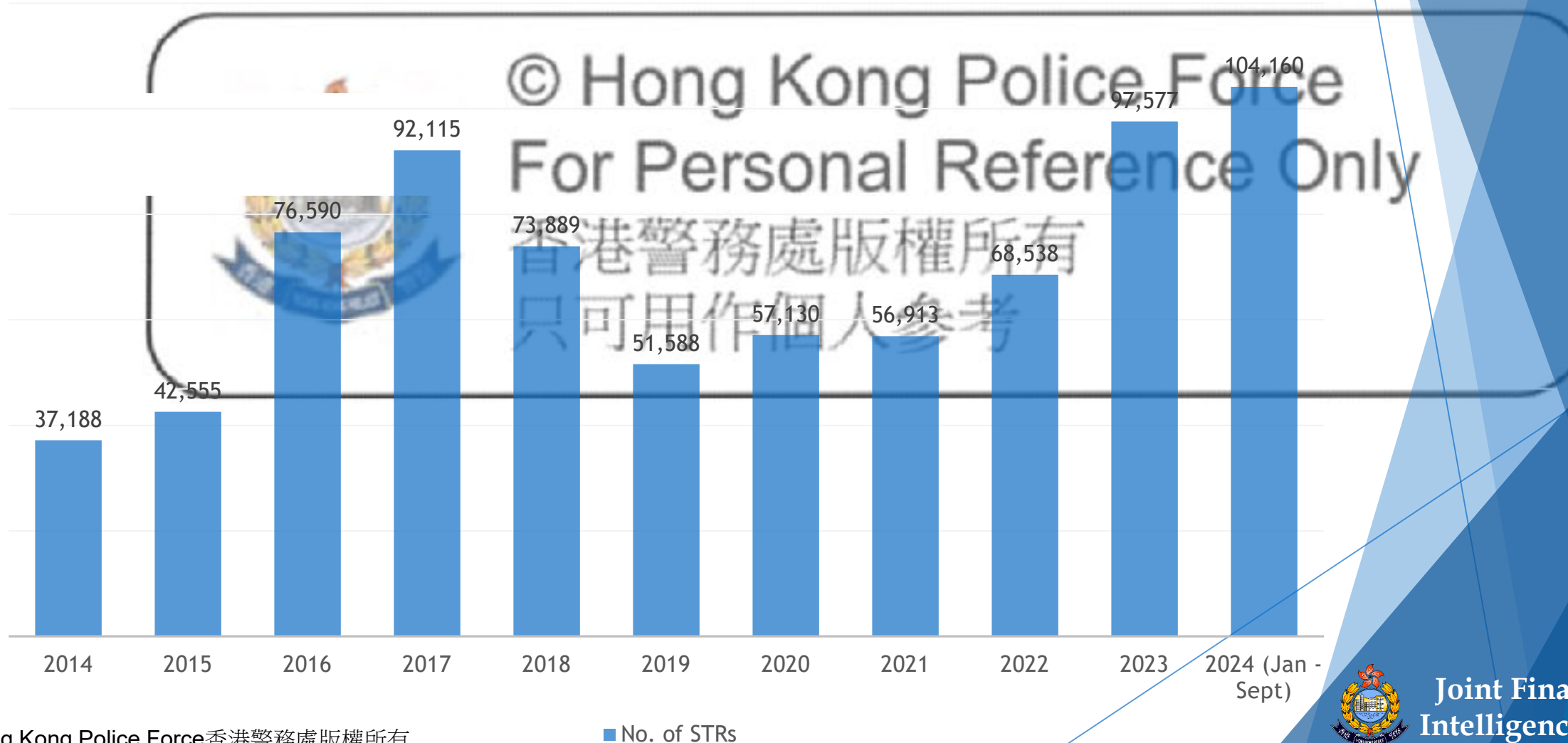


STR Mechanism



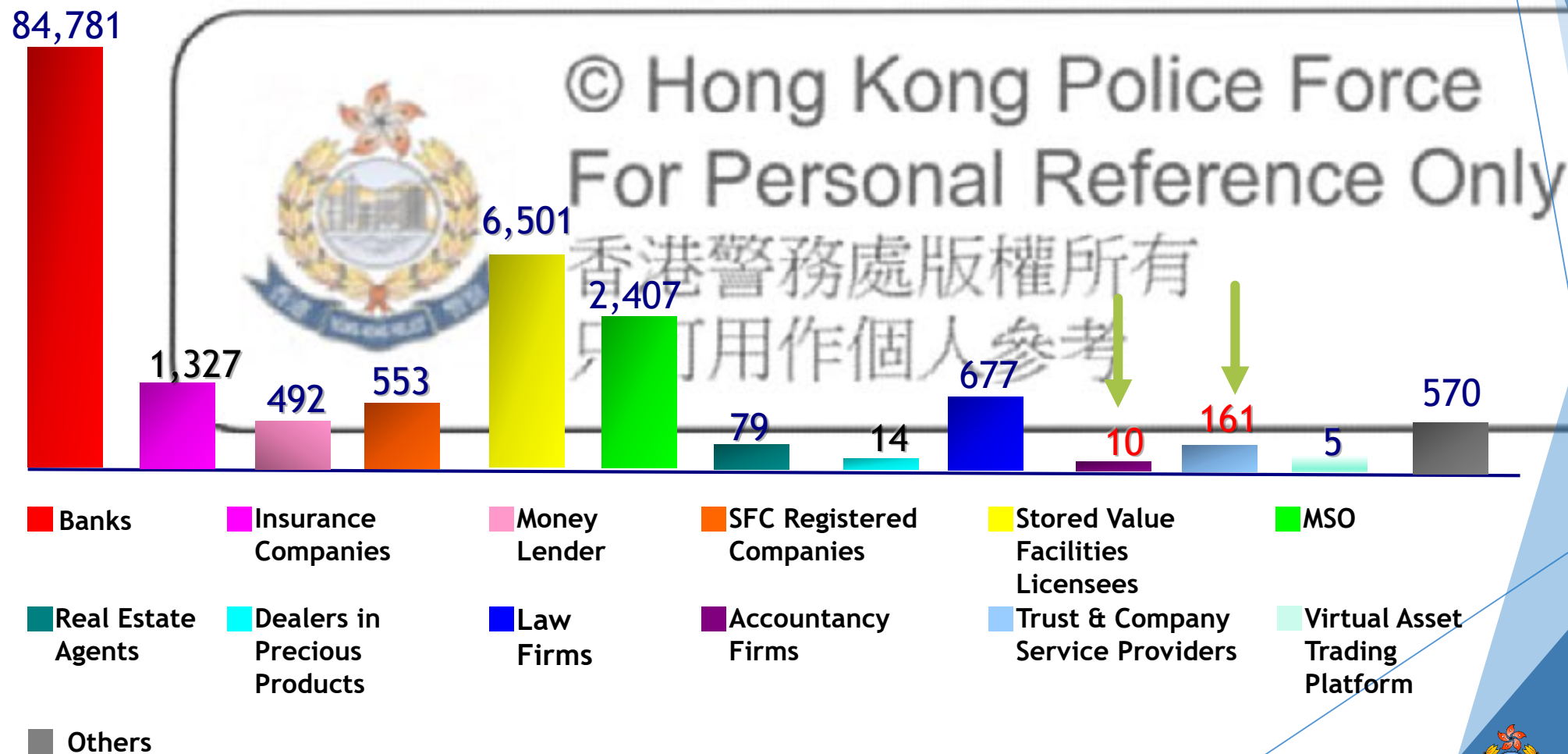
STR Statistics

Number of STR received (2014-2024 Jan-Sept)



STR Statistics

► Sectoral Breakdown of STRs received by JFIU in 2023



STR Reporting

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)

Suspicious Transaction Report And Management System (STREAMS)



STR Reporting

- Legal obligation
- Applied to all
- Disclosure based on knowledge or suspicion
- No reporting threshold
- Legal protection against civil or criminal liability
- No disclosure of the reported details to another person
- Source of the report is kept confidential



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STR Reporting

Red Flag Indicators

Client

- Politically Exposed Person?
- Non-resident / Corporate from high-risk country?
- No known nexus with Hong Kong?
- Stooage account?
- Complex corporate structure (No supporting documents to ascertain the ultimate beneficial ownership)?
- Offshore bank account?



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Red Flag Indicators

Transaction

- Payment from 3rd party / cashier order / demand draft?
- Transactions incommensurate with Client's background?
- Unusual high / low payment for a property / goods payment?
- Transacted with unrelated parties / jurisdiction?
- Account used as temporarily repository of fund

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Red Flag 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

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STR Reporting

Red Flag Indicators

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?



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'SAFE' Approach

Screen

subject entities' background & transactions

Ask

appropriate questions to clarify circumstances

Find

relevant records for review

Evaluate

whether suspicion is substantiated

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Filing an STR

**REPORT MADE UNDER SECTION 25A OF THE
 DRUG TRAFFICKING (RECOVERY OF PROCEEDS) ORDINANCE OR
 ORGANIZED AND SERIOUS CRIMES ORDINANCE/
 SECTION 12 OF THE UNITED NATIONS (ANTI-TERRORISM MEASURES) ORDINANCE
 TO THE JOINT FINANCIAL INTELLIGENCE UNIT ("JFIU")**

STR Summary	
STR Number:	<input type="text"/>
Submission Number:	<input type="text"/>
Date of Submission:	<input type="text"/>
Acknowledgement Issue Date:	<input type="text"/>
Consent Letter Issue Date:	<input type="text"/>
Consent:	<input checked="" type="checkbox"/> None <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable
Consent Remark:	<input type="text"/>

Special Cases with Time Critical Nature:

* Report Related to Existing Investigation:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
---	---

Attachment:

No.	File Name	File Size
1		KB
Total		KB



Filing an STR

Reporting Body	
Organization ID:	<input type="text"/>
Organization Name:	<input type="text"/>
Reporting Officer ID:	<input type="text"/>
Reporting Officer:	<input type="text"/>
Organization Reference:	<input type="text"/>
Phone:	<input type="text"/>
Fax:	<input type="text"/>
Email:	<input type="text"/>

***Reason for Disclosure:**

Drug Trafficking (ROP) Ordinance [Cap.405]:	<input type="checkbox"/>
Organized and Serious Crimes Ordinance [Cap. 455]:	<input checked="" type="checkbox"/>
United Nations (Anti-Terrorism Measures) Ordinance [Cap. 575]:	<input type="checkbox"/>
National Security Law:	<input type="checkbox"/>

Other Information:

This Disclosure Related to a Previous Disclosure:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
JFIU Reference: <input type="text"/>	Your Reference: <input type="text"/>



Filing an STR

STR Summary	Reporting Body	Subject	Organization	Phone	Address	Account	Transaction
Suspected Crimes	Suspicious Indicators	Open Source Info.	Entity Lists	Check	Save	Print	

Organization	
Sequence No: 1	+ -
English Name:	<input type="text"/>
Chinese Name:	<input type="text"/>
Date of Incorporation:	<input type="text"/>
Local Company: <input type="checkbox"/>	BR No.: <input type="text"/> CR No.: <input type="text"/> Public Listed Company No.: <input type="text"/>
Oversea Company: <input type="checkbox"/>	Country: <input type="text"/> Reg. No.: <input type="text"/>
Non-Government Organization: <input type="checkbox"/> Yes <input type="checkbox"/> No	Charitable Organization: <input type="checkbox"/> Yes <input type="checkbox"/> No
Nature: <input type="text"/>	Business Nature: <input type="text"/>
Phone:	<input type="text"/>
Email: <input type="text"/>	+ -
Address:	<input type="text"/>
Related Person:	Role: <input type="text"/> if Others: <input type="text"/>
Related Company:	Role: <input type="text"/> if Others: <input type="text"/>
Additional Information:	<input type="text"/>



Filing an STR

STR Summary Reporting Body Subject Organization **Phone** Address Account Transaction
Suspected Crimes Suspicious Indicators Open Source Info. Entity Lists **Check Save Print**

Phone Entity

Save +

No.	Linked?	Country Code	Area Code	* Subscriber Number	Extension
1	<input type="checkbox"/>				

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Filing an STR

STR Summary Reporting Body Subject Organization Phone **Address** Account Transaction
Suspected Crimes Suspicious Indicators Open Source Info. Entity Lists **Check Save Print**

Address Entity **Save +**

No.	Linked?	Address Detail
1	<input type="checkbox"/>	

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Filing an STR

Account

Sequence No: 1 + -

Account Institution:	<input style="width: 95%;" type="text"/>		
Account Number:	<input style="width: 25%;" type="text"/>	Account Type: <input style="width: 20%;" type="text"/> <input type="button" value="v"/>	if Others: <input style="width: 35%;" type="text"/>
Opening Date:	<input style="width: 25%;" type="text"/>	Closing Date:	<input style="width: 35%;" type="text"/>
Balance:	Currency: HKD <input type="button" value="v"/>	Amount: <input type="button" value="+"/> <input type="button" value="v"/>	Date: <input style="width: 35%;" type="text"/>
Related Person:	<input style="width: 25%;" type="text"/>	Role: <input style="width: 20%;" type="text"/> <input type="button" value="v"/>	if Others: <input style="width: 35%;" type="text"/>
Related Company:	<input style="width: 25%;" type="text"/>	Role: <input style="width: 20%;" type="text"/> <input type="button" value="v"/>	if Others: <input style="width: 35%;" type="text"/>
Additional Information:	<input style="width: 95%; height: 40px;" type="text"/>		

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Filing an STR

Summary of Suspicious Transaction in the Reviewed Period

+ - ...

No.	From (Date)	To (Date)	Subject	Type	Currency	Amount
1					HKD	+
	Transaction Branch:					
	Transaction Counterpart:			A/C:		Others:
Remark:						

- * Total Amount of Suspicious Transactions Reported (in HKD)
- * Total Period covering the Suspicious Transactions (in days)
- * Daily Average of the Suspicious Transactions Reported



Filing an STR

STR Summary Reporting Body Subject Organization Phone Address Account Transaction
Suspected Crimes Suspicious Indicators Open Source Info. Entity Lists **Check Save Print**

Suspected Crimes (Please put a "✓" in the selected box(es).)

Designated Categories of Offences by FATF Clear Checkbox

<input type="checkbox"/> Participation in an Organized Criminal Group and Racketeering	<input type="checkbox"/> Counterfeiting Currency
<input type="checkbox"/> Terrorism including Terrorist Financing	<input type="checkbox"/> Counterfeiting and Piracy of Products
<input type="checkbox"/> Trafficking in Human Beings and Migrant Smuggling	<input type="checkbox"/> Environmental Crime
<input type="checkbox"/> Sexual Exploitation including Sexual Exploitation of Children	<input type="checkbox"/> Murder, Grievous Bodily Injury
<input type="checkbox"/> Illicit Trafficking in Narcotic Drugs and Psychotropic Substances	<input type="checkbox"/> Kidnapping, Illegal Restraint and Hostage-Taking
<input type="checkbox"/> Illicit Arms Trafficking	<input type="checkbox"/> Robbery or Theft
<input type="checkbox"/> Illicit Trafficking in Stolen and Other Goods	<input type="checkbox"/> Smuggling (including in relation to customs and excise duties and taxes)
<input type="checkbox"/> Corruption and Bribery	<input type="checkbox"/> Tax Crimes (related to direct taxes and indirect taxes)
<input type="checkbox"/> Fraud	<input type="checkbox"/> Extortion
<input type="checkbox"/> Email Scam	<input type="checkbox"/> Forgery
<input type="checkbox"/> Investment Scam	<input type="checkbox"/> Piracy
<input type="checkbox"/> Romance Scam	<input type="checkbox"/> Insider Trading and Market Manipulation
<input type="checkbox"/> Telephone Deception	
<input type="checkbox"/> Others (Please specify)	

Money Laundering No Crime Related
 Self Laundering Other (Please specify in 'Additional Information')
 Third-Party Laundering

Additional Information:



Filing an STR

STR Summary Reporting Body Subject Organization Phone Address Account Transaction
Suspected Crimes **Suspicious Indicators** Open Source Info. Entity Lists **Check Save Print**

Suspicious Indicators (Please put a "✓" in the selected box(es).)

Fund Movement Pattern <input type="checkbox"/> Indirect Transaction/ Transaction Intended to Break Audit Trail <input type="checkbox"/> Uneconomical Transaction/ Transaction with No Business Purpose <input type="checkbox"/> Temporary Repository of Fund <input type="checkbox"/> Numerous Transaction Counterparties without Apparent Reasonable Cause <input type="checkbox"/> Transaction Involving High-Risk Jurisdiction/Region <input type="checkbox"/> Large Cash Transaction <input type="checkbox"/> N/A	Customer Background/Behavior Clear Checkbox <input type="checkbox"/> Transactions/ Amount Incommensurate with the Background of the Person / Business <input type="checkbox"/> Suspected Money Courier/Unlicensed Money Service Operator <input type="checkbox"/> Politically Exposed Persons (PEP) <input type="checkbox"/> Customer Insisted to Use Less Secured Transactions <input type="checkbox"/> Customer Evasive/Reluctant to Provide Information <input type="checkbox"/> Suspected Counterfeit Document Presented by the Customers <input type="checkbox"/> N/A
Accounts <input type="checkbox"/> Shell Company <input type="checkbox"/> Account Operated/Controlled by Third-Party other than Signatory/Account Holder <input type="checkbox"/> Non-Resident Personal Account <input type="checkbox"/> Offshore Company <input type="checkbox"/> N/A	

Others **Clear Checkbox**

Casino related Suspicious Transaction
 Charitable Organization/NPO related Suspicious Transaction
 Others (Please Specify)
 N/A

Narrative comment about the questioned transactions:



Filing an STR

(STR Summary) (Reporting Body) (Subject) (Organization) (Phone) (Address) (Account) (Transaction)
(Suspected Crimes) (Suspicious Indicators) **Open Source Info.** (Entity Lists) **Check Save Print**

Open Source Information

Website:

Additional Information:



Filing an STR

Entity Lists

Subject List

No.	Linked	English Name	Chinese Name	HKID	Other ID No.	Country	Occupation	
1	<input type="checkbox"/>							+ - ...

Organization List

No.	Linked	Company Name	Registration Type	Person Name	Person Role	Company Name	Company Role	
1	<input type="checkbox"/>							+ - ...

Phone List

No.	Country Code	Area Code	* Subscriber Number	Extension	
1					+ - ...

Account List

No.	Account Number	Account Type	Person Name	Person Role	Company Name	Company Role	
1							+ - ...

Address List

No.	Address Detail	
1		+ - ...



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STR Reporting

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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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:						
Gender: <input type="checkbox"/> M <input type="checkbox"/> F <input checked="" type="checkbox"/> U Occupation:							
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:							



STR Reporting

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.



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STR Reporting

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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STR Reporting

Recommended Structure of STR Narrative

(4) Reporting Entities' Enquiries & Open Source Information

- Suspicious indicators (KYC queries, world check, etc. → report all for JFIU to screen)
- 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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STR Feedback

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



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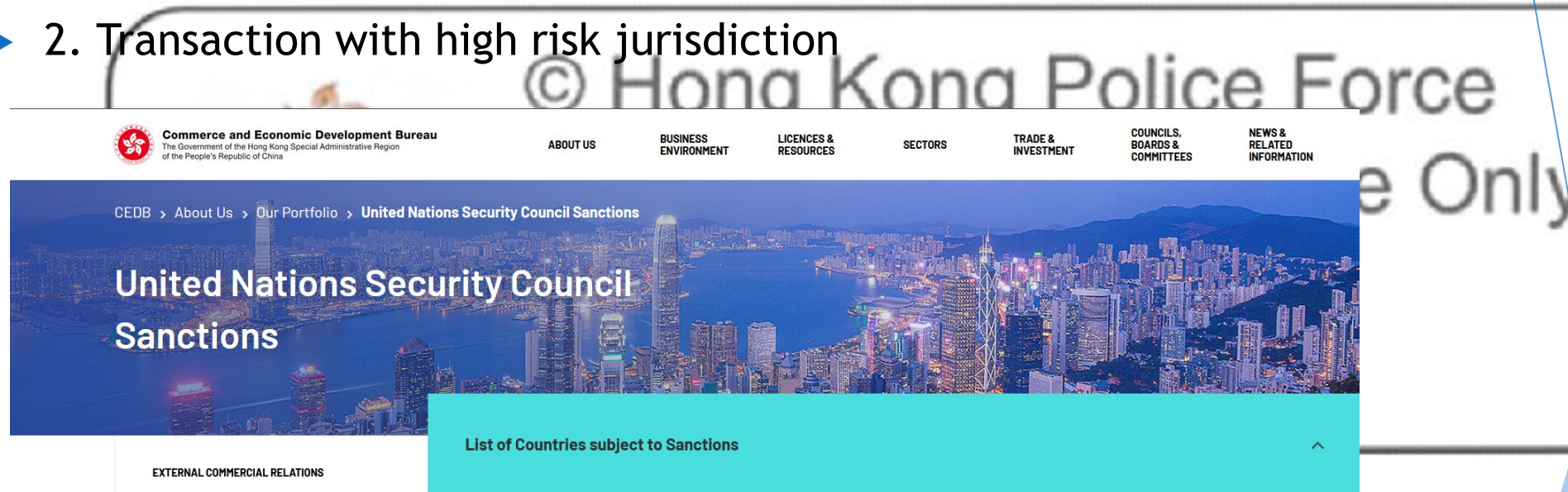


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Case sharing

- ▶ 1. Adverse news
- ▶ 2. Transaction with high risk jurisdiction





Thank You!

Website: www.jfiu.gov.hk

Telephone: (852) 2866 3366

Email: jfiu@police.gov.hk



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