Joint Financial Intelligence Unit

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27th September 2005

Miss Rita YEUNG
Banking Policy Department
Hong Kong Monetary Authority
Two International Finance Centre
8 Finance Street, Central
Hong Kong.

Dear Rita,

Customer Due Diligence

With a view to streamlining the processing of suspicious transactions reports ("STR") and providing better feedback to reporting entities, w.e.f. 1st October 2005 a risk based approach will be adopted in assessing and classifying STR received by the Joint Financial Intelligence Unit.

Where a STR has been disseminated to an investigative unit for investigation, at the conclusion of the investigation the reporting entity will be notified by the investigative unit of the classification of the STR in writing.

There will be three types of classification:

Classification		Descriptions
Low Risk	-	*There are insufficient grounds to establish a crime.*
Unresolved	-	*There are grounds to believe there may be a crime, but for some reasons the investigative unit decides not to continue the*

investigation.

Confirmed Crime - *Investigation has led to discovery or confirmation of a crime, with or without arrest or prosecution.*

The new set of classifications will become effective on 1st October 2005. I would be grateful if you could disseminate this letter to the compliance officers of all authorized institutions under your supervision.

The subject officer Mr. Nelson Cheng will answer all queries relating to this new set of classifications. He can be contacted on 2860 3402.

Yours faithfully,

(Lam Man-wing, Edwin)
Head, Joint Financial Intelligence Unit

c.c. Commissioner of Customs and Excise
(Attn: Mr. Eric Ho)