



Feedback on Suspicious Transaction Reports (Banking Sector)

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**Joint Financial
Intelligence Unit**



Important Notice

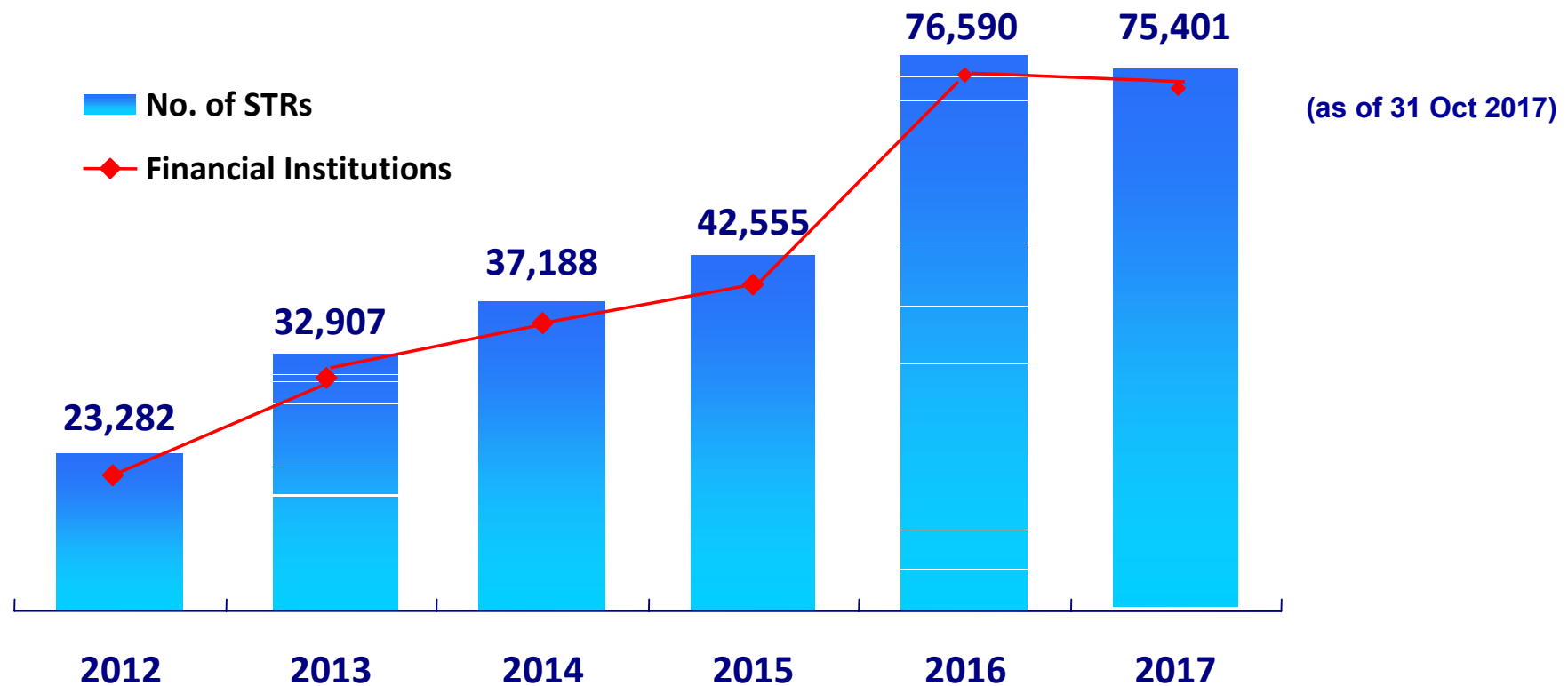
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STR Overview

No. of STRs Received from 2012 to 2017

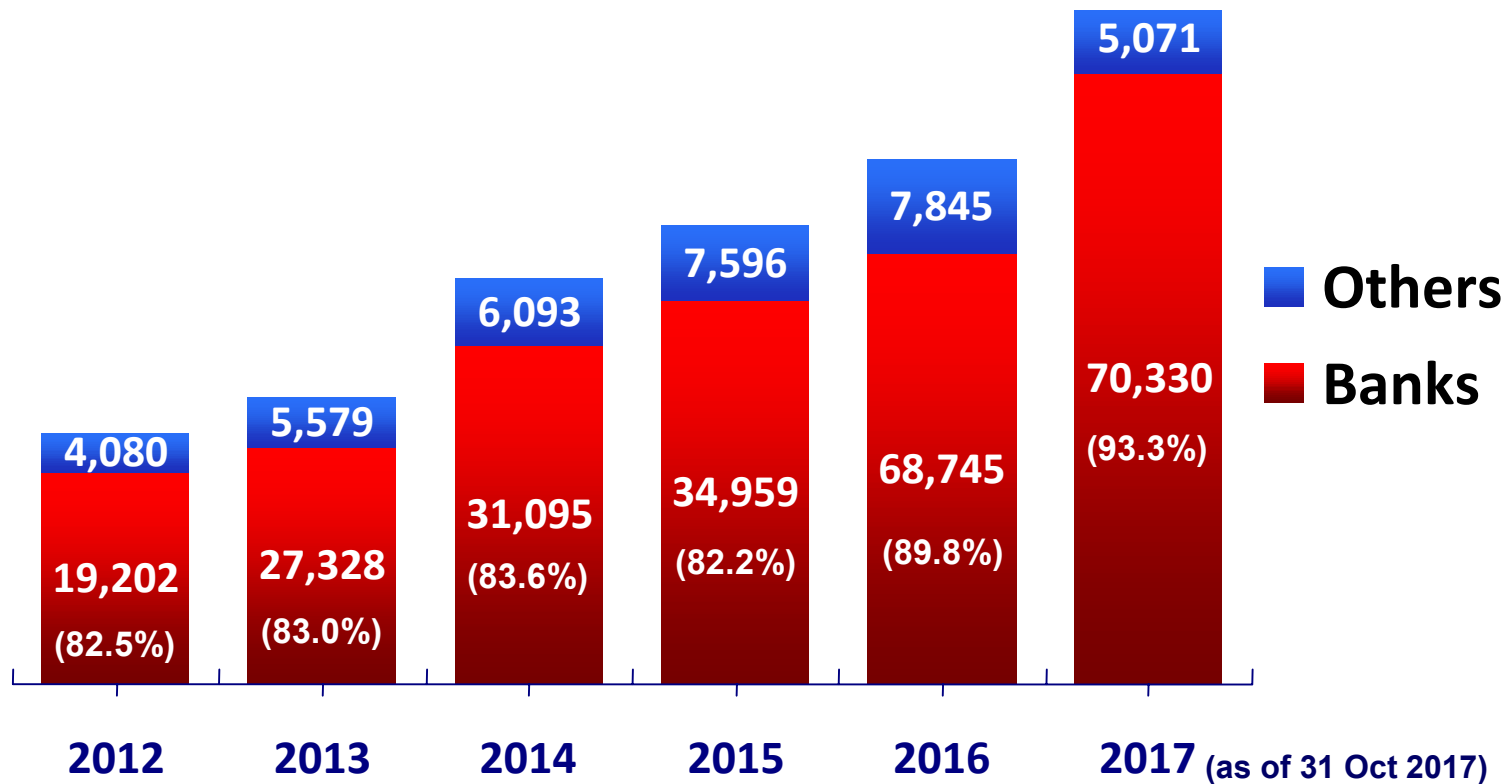


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STR Overview

No. of STRs Filed by Banks from 2012 to 2017

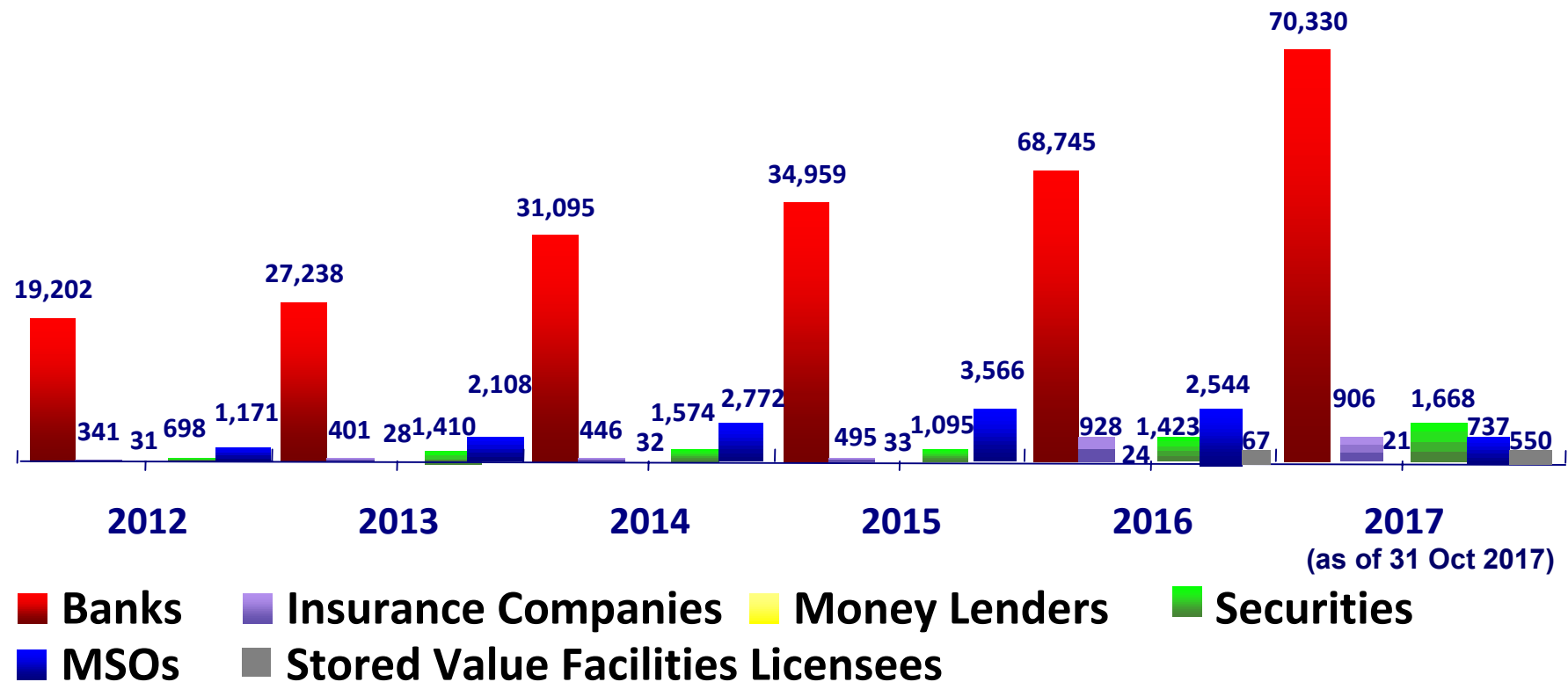


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STR Overview

No. of STRs Filed by Financial Sector from 2012 to 2017

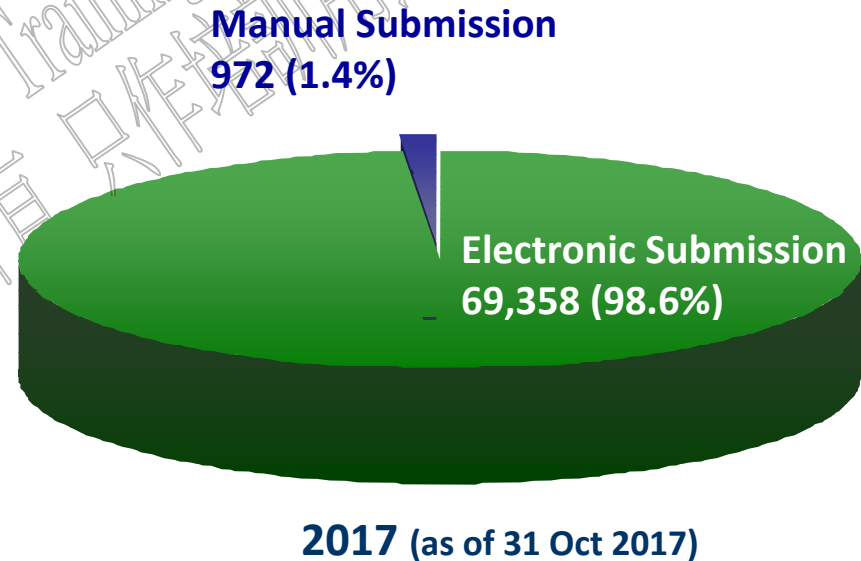
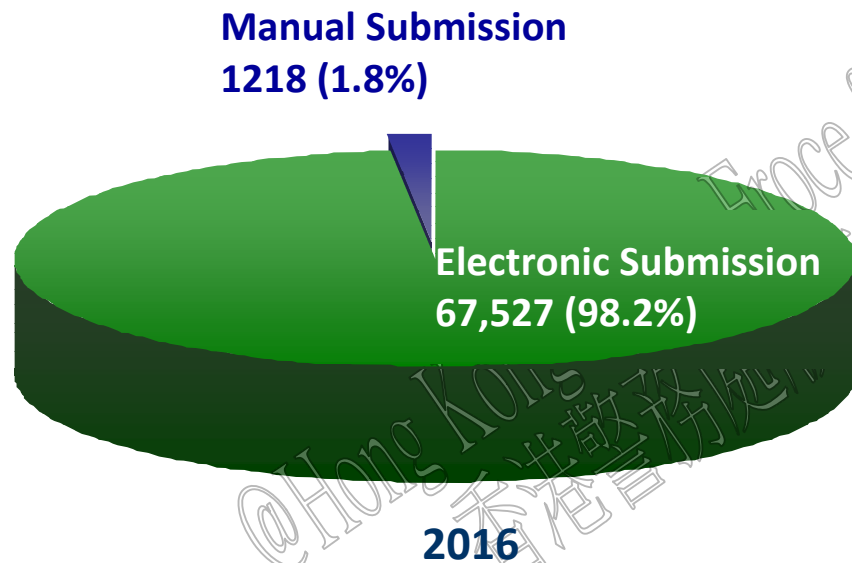


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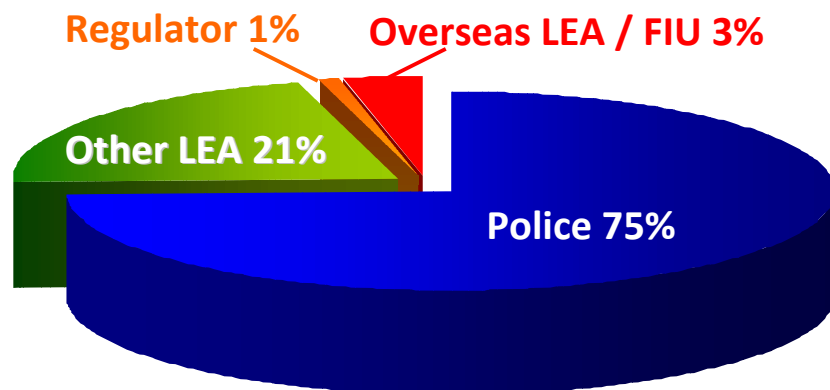
STR Overview

Means of STR Submission by Banks

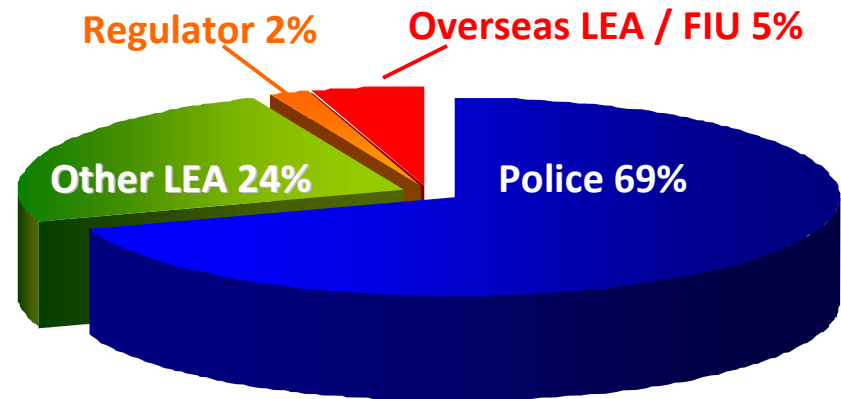


STR Overview

Dissemination of Financial Intelligence in 2016 and 2017



2016



2017 (as of 31 Oct 2017)



Area for Improvement on STR Reporting

- Not all information fields are properly filled
- Insufficient ongoing 'KYC/CDD' conducted upon an alert
- Repetitive reporting



Recommended Structure for STR Filing

(1) Triggering Factors

- **Offence** (Fraud, corruption, sanctioned, terrorist financing etc.)
- **Search warrant / court order** served
- **Publicly available information** (Adverse news, SFC alerts etc.)
- **Suspicious transaction patterns** (Substantial cash deposits, temporary repository of funds, suspected UMSO etc.)

(2) Background of Subject(s)

- **Individual:** age, occupation, reported salary, banking history etc.
- **Corporate:** incorporation date and location, business nature, expected turnover etc.



Recommended Structure for STR Filing

(3) Transactions

- Reviewing period
- Previous transaction pattern (Sudden change?)
- Total deposit & withdrawal amounts
- Suspicious transactions (Not simply frequent transactions / large-amount transactions)
- Suspicious patterns



Recommended Structure for STR Filing

(4) KYC/CDD & Open Source

- Detail the findings if suspicious (KYC enquiry, adverse reports of counterparties, adverse news., etc.)
- Provide links of open source information

(5) Conclusion & Way Forward

- Conclusion of report
- Follow up action (Further review, account closure etc.)



Recommendation – Filing Format

Triggering Factors →

Customer Background

Others

Others: Fraud

Additional Information

On 17Aug17, the Bank received a report of email hack that Ms. [redacted] client was deceived into [redacted] in [redacted] (AUSTRALIA) to [redacted]. The fund is held by the Bank.

Use Headings →

Details of Investigation

The alerted account [redacted] was opened by B/ [redacted] on 08Sep16. B/ [redacted] claimed to be online salesman of [redacted] with monthly income between HKD10,000 to HKD14,999. B** provided address and contact in China. [redacted] maintains no other accounts with the Bank.

Transaction Details

The account activities were reviewed from Sep16 to Sep17. Upon review, USD account recorded 13 credit transactions with totaling over USD318K and 13 debit transactions with totaling over USD313K. Counterparts were found companies engaged in trading of telephone & communications equipment and constructional materials etc. and individuals including housewife and manager. Account transactions showed temporary repository of fund pattern. Personal account was believed to be used as business purpose.

HKD and EUR accounts were inactive with few and insignificant transactions.

Previous disclosure

• B/ [redacted] was not the subjects of our previous disclosures.

World Check

• No exact match result was found.

External Search

• No useful information can be found online.

Conclusions & Way Forward →

Conclusion

Account review found that account transactions showed temporary repository of fund pattern. Personal account was believed to be used as business purpose. This disclosure is filed to JFIU's review given the fraud allegation against B/ [redacted]. The Bank will proceed to close the account of B/ [redacted].



Prevalent ML Trend – Fraud Related ML

- **900 classified ML cases in 2016, around 97% were fraud related**

Type of Fraud : Email Scam (64%) , Investment Fraud (22%)

Overseas Victims : Mainly from US, followed by Taiwan and Mainland

Amount involved : HK\$5.4 billion, HK\$3.7 billion (Fraud),
HK\$2.5 billion (Email Scam)

(65% less than HK\$1 million, 6% more than HK\$10 million)



Prevalent ML Trend – Fraud Related ML

- **The recipient bank accounts –**
 - Majority are corporate accounts (incorporated in HK)
 - Crime proceeds were received in international funds transfer
 - Vague business nature reported in opening documents
 - Mostly opened for a relatively short period of time (<18 months)
 - Mainly owned by non-residents (particularly Chinese ID/TWP Holder)
 - Registered address of secretarial firms or corporate service providers
 - Crime proceeds were dissipated within same day or next day
 - Major destination includes HK, China



Prevalent ML Trend – Fraud Related ML

Remain **dormant** for several months after opened

↓
'Testing transactions' **or**

↓
Sudden large inflow of funds

↓
CDD + KYC, Request for invoices, freight doc. etc

↓
Fund was **dissipated quickly** via various means

↓
CDD + KYC, Request for documents



JFIU Remarks

- STR shall only be filed upon 'genuine' suspicion but not to fulfil any other obligation.
- Filing of STR is misused for 'approval' of continuation of a transaction or de-risking.
- STR shall be filed in a timely manner and with recent information





Thank You

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