

Counter-measures

Due diligence process for customers from Myanmar:

Authorized institutions (AIs) should adhere to the requirements set out in the HKMA Guideline on Prevention of Money Laundering (Guideline). The following prescribes the areas where additional effort should be made:

A. New customers

1. Direct customers

- 1.1 AIs should pay special attention to new customers from Myanmar by clearly ascertaining the customers' background and the expected level and nature of account activities. A supervisory officer (who does not normally have to be involved) should sign to approve the opening of such accounts.

2. Shell / nominee companies* and customers introduced through intermediaries

- 2.1 Where new accounts are to be opened by shell / nominee companies, the procedure described in paragraph 1.1 above should also apply to the ultimate beneficial owners of the companies.
- 2.2 AIs are advised not to accept new customers introduced through intermediaries that only operate in Myanmar, particularly if the customers are also from that country. If upon due consideration AIs consider it justified for accounts to be opened (i.e. notwithstanding the above), they should ascertain clearly from the intermediaries information regarding the relevant customers' background (including that of their beneficial owners) as well as the expected level and nature of account activities as set out in paragraph 1.1.

3. Correspondent accounts

- 3.1 AIs should not open new correspondent accounts for banks incorporated in or licensed by Myanmar.

B. Existing customers

- 1.1 AIs should take the opportunity to review the records of existing customers from Myanmar. Where necessary, AIs should obtain additional evidence of identity of such existing customers as well as additional information about their background to ascertain whether the level and nature of account activities and commensurate with their occupation or business.

* Nominee companies refer to companies with nominee shareholders.

- 1.2 AIs should review the existing correspondent relationship with banks from Myanmar. Information should be obtained from such respondent banks regarding the latter's beneficial ownership and management, major business activities, as well as policies and procedures to prevent money laundering. AIs should also ascertain whether these banks allow direct use of the correspondent accounts by third parties.
- 1.3 Where the above procedures do not produce satisfactory results, AIs should consider reporting to the Joint Financial Intelligence Unit (JFIU) and terminating the correspondent relationship where appropriate (subject to the views of the JFIU).

On-going monitoring of account activities for customers from Myanmar:

Account activities of customers from Myanmar should be monitored closely by making reference to the expected level and nature of account activities ascertained during the due diligence process. There should be special reports to provide line management and compliance officers with timely information on a regular basis to detect unusual or suspicious activities for these customers. In case of significant deviations, AIs should seek explanation or justification from the customers and reports should be made to the JFIU immediately, if deemed appropriate.

In considering to report to the JFIU, AIs should refer to the updated list of suspicious activity indicators provided by the JFIU that is attached herewith. AIs should note however that this is a condensed list and reference should also be drawn from the more detailed list included in the Guideline.

**List of suspicious activity indicators
commonly associated with money laundering in Hong Kong**

1. Large or frequent cash transactions, either deposits or withdrawals.
2. Suspicious activity based on transaction pattern, e.g.:
 - (a) Account used as a temporary repository for funds.
 - (b) A period of significantly increased activity amid relatively dormant periods.
 - (c) “Structuring” or “smurfing” i.e. many low value transactions conducted when one, or a few, large transactions could be used. Seen particularly in incoming remittances from countries with value based transaction reporting requirements, e.g. frequent remittances of just below AUS\$10,000 from Australia or US\$10,000 from the US.
 - (d) “U-turn” transactions, i.e. money passes from one person or company to another, and then back to the original person or company.
 - (e) Increased level of account activity on the first banking day after Hong Kong horse racing, normally Mondays and Thursdays, indicating illegal bookmaking.
3. Involvement of one or more of the following entities which are commonly involved in money laundering:
 - (a) Shelf, or shell companies.
 - (b) Company registered in a known “tax haven” or “off-shore financial centre”.
 - (c) Company formation agent, or secretarial company, as the authorized signatory of the bank account.
 - (d) Remittance agency or money changer.
 - (e) Casino.
4. Currencies of, or entities associated with, or nationals of the high risk countries, e.g.:
 - (a) Those countries which are commonly associated with drug trafficking, drug production, fraud and money laundering.
 - (b) Those countries which have been identified as having serious deficiencies in their money laundering regimes. These countries include, but are not

limited to, the 9 NCCTs currently identified by the FATF i.e. Cook Islands, Egypt, Guatemala, Indonesia, Myanmar, Nauru, Nigeria, the Philippines and Ukraine.

5. Customer who refuses, or is unwilling, to provide explanation of financial activity, or provides explanation assessed to be untrue.
6. Activity is incommensurate with that expected from the customer considering the information known to the bank about the customer and the customer's previous financial activity. (For personal accounts consider customer's age, occupation, residential address, general appearance, type and level of previous financial activity. For company accounts consider business nature, type and level of previous financial activity.)
7. A customer introduced by an overseas bank, intermediary, affiliate or another customer, both of which are based in a NCCT.