



# Suspicious Transaction Reporting – Legal Obligations, trend analysis and case study



*Joint Financial Intelligence Unit,  
Financial Intelligence and Investigation Bureau*

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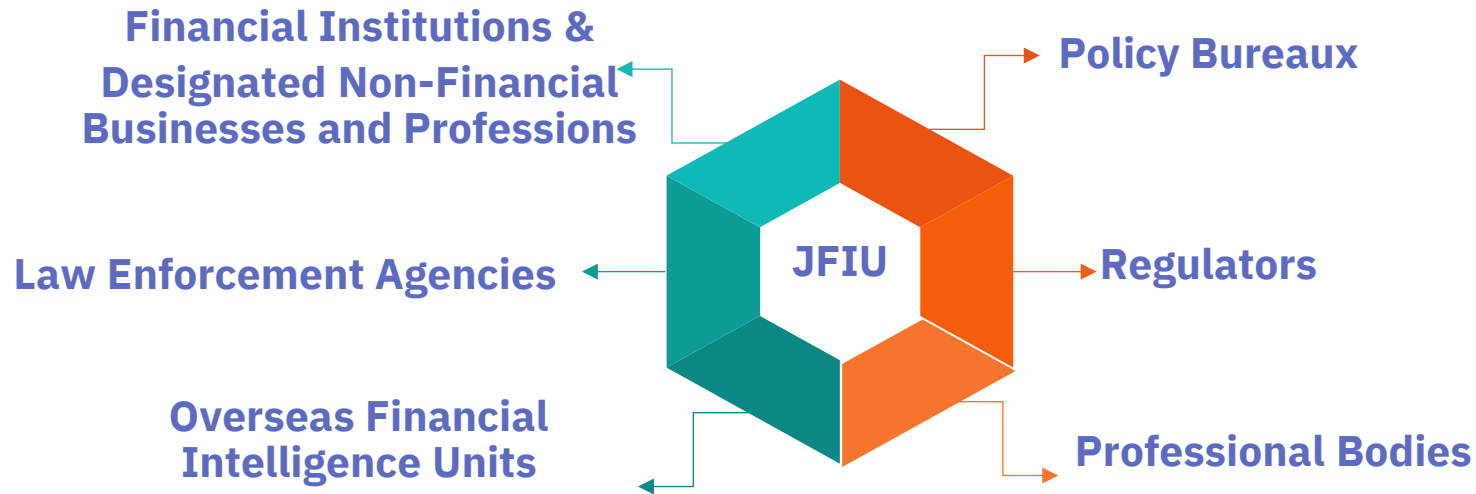
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# 01 About JFIU



- ▶ 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 FIUs and LEAs worldwide
- ▶ Member of Egmont Group since 1996
- ▶ Restructured and established FIIB in June 2021

# 01 About JFIU



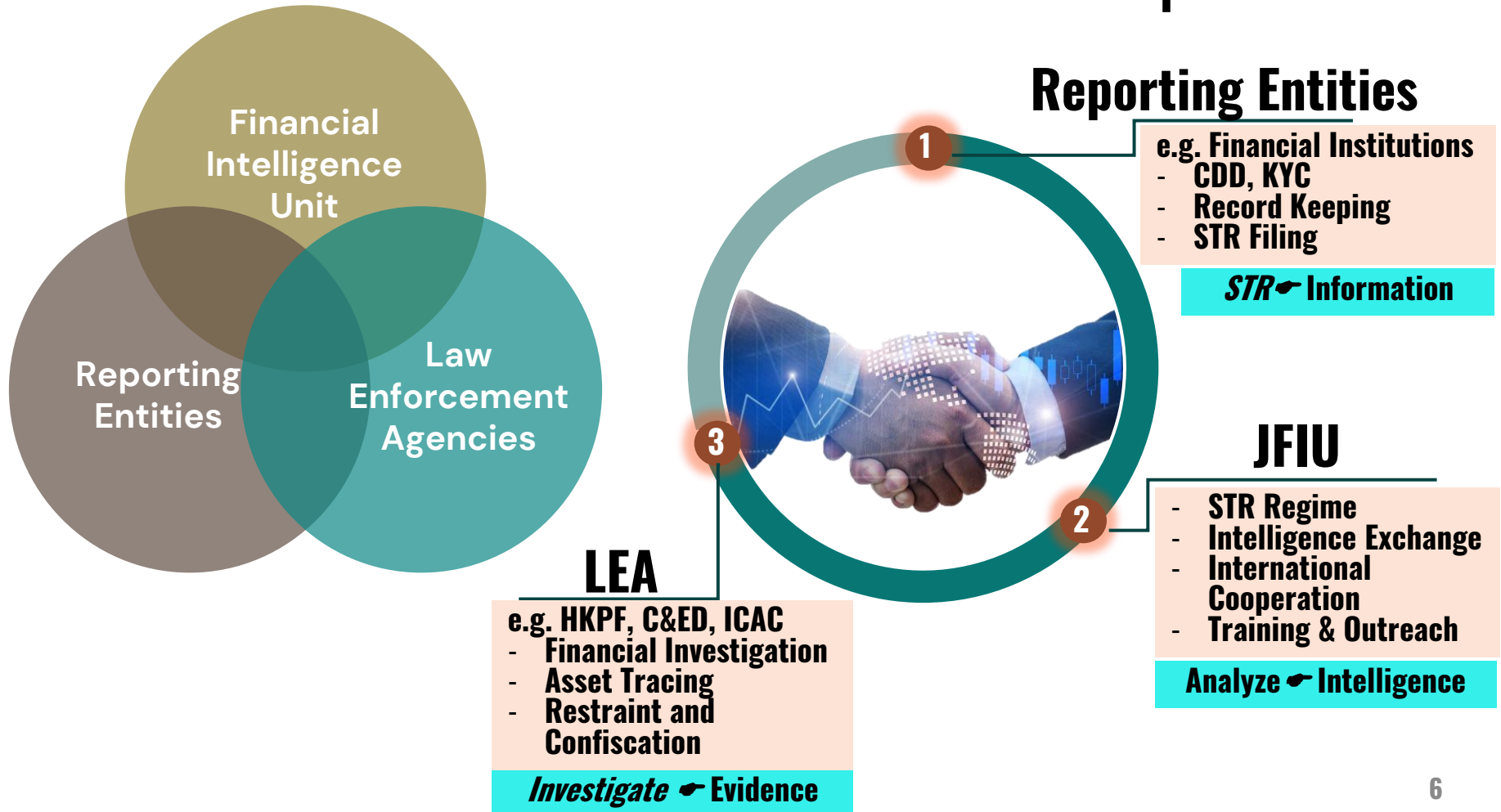
## **Functions of the JFIU**

- ◆ STR Data Analysis and Intelligence Development for further analysis and dissemination
- ◆ International Cooperation and Training
  - Maintaining international cooperation & intelligence exchange with FIU counterparts
  - coordinating financial investigation specialist training and publicity outreach programmes
- ◆ Strategic Analysis and Policy
  - Conducting in-depth research on the ML/TF trends and performing policy study
- ◆ Support
  - Manage STREAMS system - a web-based platform facilitating reporting/dissemination of STRs

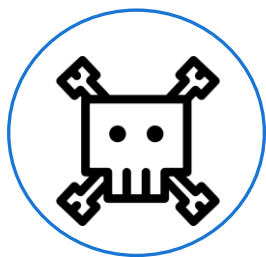
# 01 About JFIU



## ← Public-Private Partnership →



# 02 KEY LEGISLATIONS



1989

**Drug Trafficking  
(Recovery of Proceeds)  
Ordinance**

(DTROP, Cap.405)



1994

**Organised and Serious  
Crimes Ordinance**

(OSCO, Cap.455)



2002

**United Nations  
(Anti-Terrorism  
Measures) Ordinance**

(UNATMO, Cap.575)



2012

**Anti-Money Laundering  
and Counter-Terrorist  
Financing Ordinance**

(AMLO, Cap.615)

# 02 KEY LEGISLATIONS (AML)



Any person

- Knowing or having reasonable grounds to believe
- Any property
- In whole or in part directly or indirectly represents proceeds of drug trafficking / indicatable offence
- Deals with that property

**DTROP**

s.25, Cap. 405

**OSCO**

s.25, Cap. 455

**Max. Penalty:  
HK\$5M Fine &  
14-Year Imprisonment**



# 02 KEY LEGISLATIONS (CTF)



Any person shall not

- Provide or collect by any means 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

**UNATMO**

s.7, Cap. 575

**Max. Penalty:**

**Fine and 14-year  
Imprisonment**

# 03 Legal Obligations



Any person

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

**DTROP**

s.25A(1),

Cap. 405

**OSCO**

s.25A(1),

Cap. 455

**UNATMO**

s.12(1),

Cap. 575

**Max. Penalty:  
Level 5 Fine &  
3-month  
Imprisonment**

# 03 Legal Obligations (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

**DTROP**

s.25A(5),  
Cap. 405

**OSCO**

s.25A(5),  
Cap. 455

**UNATMO**

s.12(5),  
Cap. 575

**Max. Penalty:  
HK\$500,000  
Fine & 3-Year  
Imprisonment**

# 03 Legal Obligations



- Legal Requirement
- Apply to everyone
- Knowledge and suspicion-based reporting
  
- Reporting Mechanism: -
  - No threshold or cross boundary reporting
  - Legal protection from civil or criminal liability
  - No tipping off
  - The source of the report is strictly protected

# 04 STR Reporting



**Screen**

Subject entities' backgrounds & transactions

**Ask**

Appropriate questions to clarify circumstances

**Find**

Relevant records for review

**Evaluate**

Whether suspicion is substantiated

**SAFE** rule

# 04 STR Reporting



## RISK INDICATORS

### ■ Client

- Politically Exposed Person?
- Company from high risk country?
- No known nexus with HK?

### ■ Transaction

- Payment from 3rd party/ cashier order?
- Unusual high/ low payment?
- Unexpected amount of transactions?
- Transacted with unrelated parties/ jurisdiction?

# 04 STR Reporting



## RISK INDICATORS

### ■ Previous Records/ Further Enquiries

- Background Check/ Open Source (*adverse news*)
- Failing to disclose specific role/ relationship/ ownership of income
- Unwilling to response to questions or answers are not convincing
- Unwilling to provide supporting document

### ■ 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?

# 04 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](mailto: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)**

STREAMS - Login Frame

Suspicious Transaction Report And Management System (STREAMS)

Username:

Password:

Database: SBOX-ACCESS

Login Reset

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





# 04 STR Reporting



## RECOMMENDED STRUCTURE OF STR

- 1) Triggering Factors
- 2) Background of Subject(s)
- 3) Transactions
- 4) CDD/ KYC and Open Source Information
- 5) Conclusion and Way Forward



# 04 STR Reporting



## ■ Triggering Factors

- Involved crimes (e.g. Fraud/ Corruption/ Sanctions/ Terrorist Acts etc.)
- Warrants/ Court Orders received
- Open source information (e.g. News/ List of Regulatory Agencies etc.)
- Pattern of suspicious transactions (e.g. Large Tx/ Temp. Repository of Funds)

## ■ Background of Subject(s)

- Individual: Age/ Occupation/ Income/ Tx History etc.
- Corporation: Date of Est./ Business Nature/ Office Address/ Expected Tx Amount etc.

# 04 STR Reporting



## ■ Transactions

- Review period
- Fund movement pattern (e.g. Sudden change?)
- Total deposited/ withdrawal amount
- Suspicious transaction patterns (e.g. unclear counterparties etc.)

## ■ CDD/ KYC and Open Source Information

- Suspicious indicators (e.g. KYC/ World Check etc.)
- Links of open source information/ adverse news

## ■ Conclusion and Way Forward

- Conclusion of the report
- Follow-up actions (e.g. Enhanced CDD measures/ Exit Relationship etc.)

# 04 STR Reporting



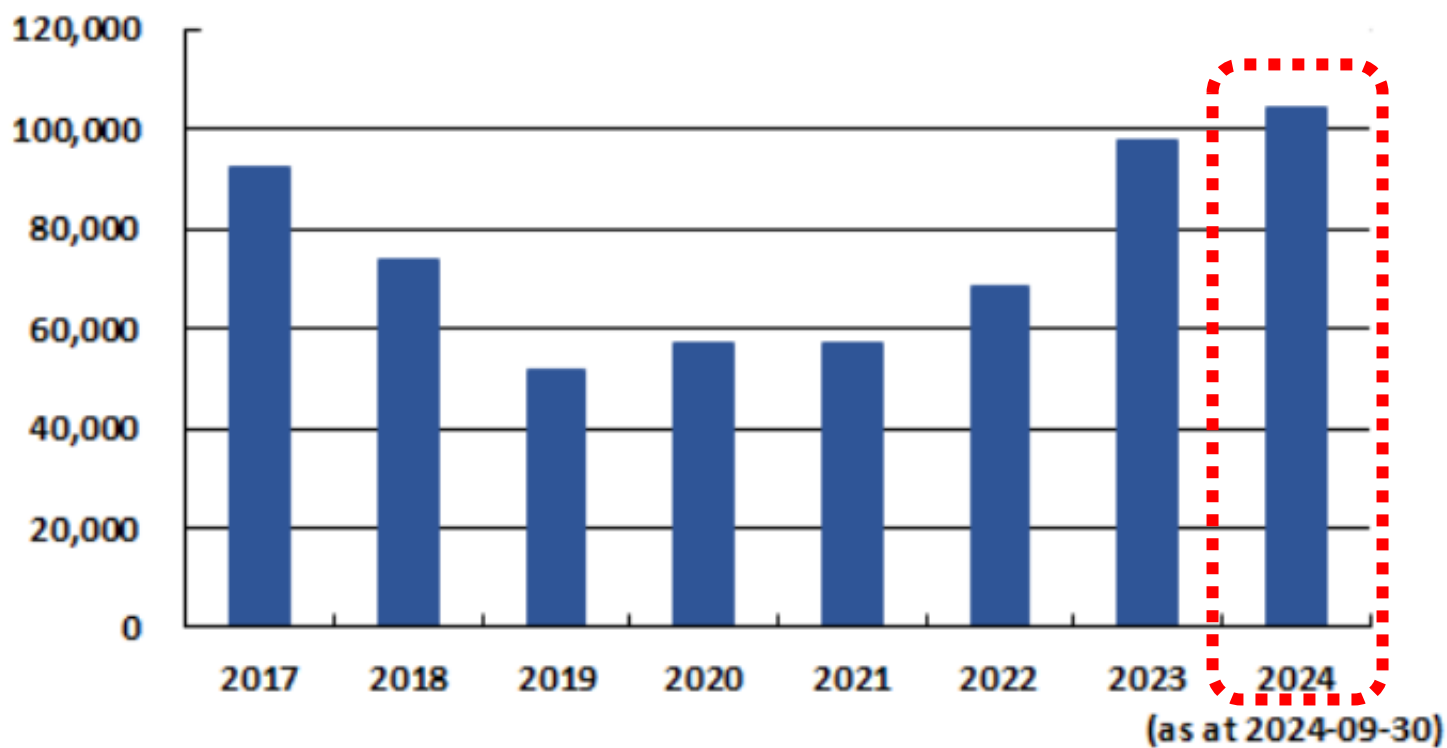
## STR FEEDBACK

- 1) Acknowledgement of Receipt
- 2) Consent/ No Consent/ N/A
- 3) Quarterly STR Analyses
- 4) Meetings with Stakeholders

# 05 STR Statistics



## STR received between 2017 and September 2024



# 05 STR Statistics



AI  
Real-time  
Monitoring



# 05 STR Statistics



Breakdown of STR filed by different sectors in 2023

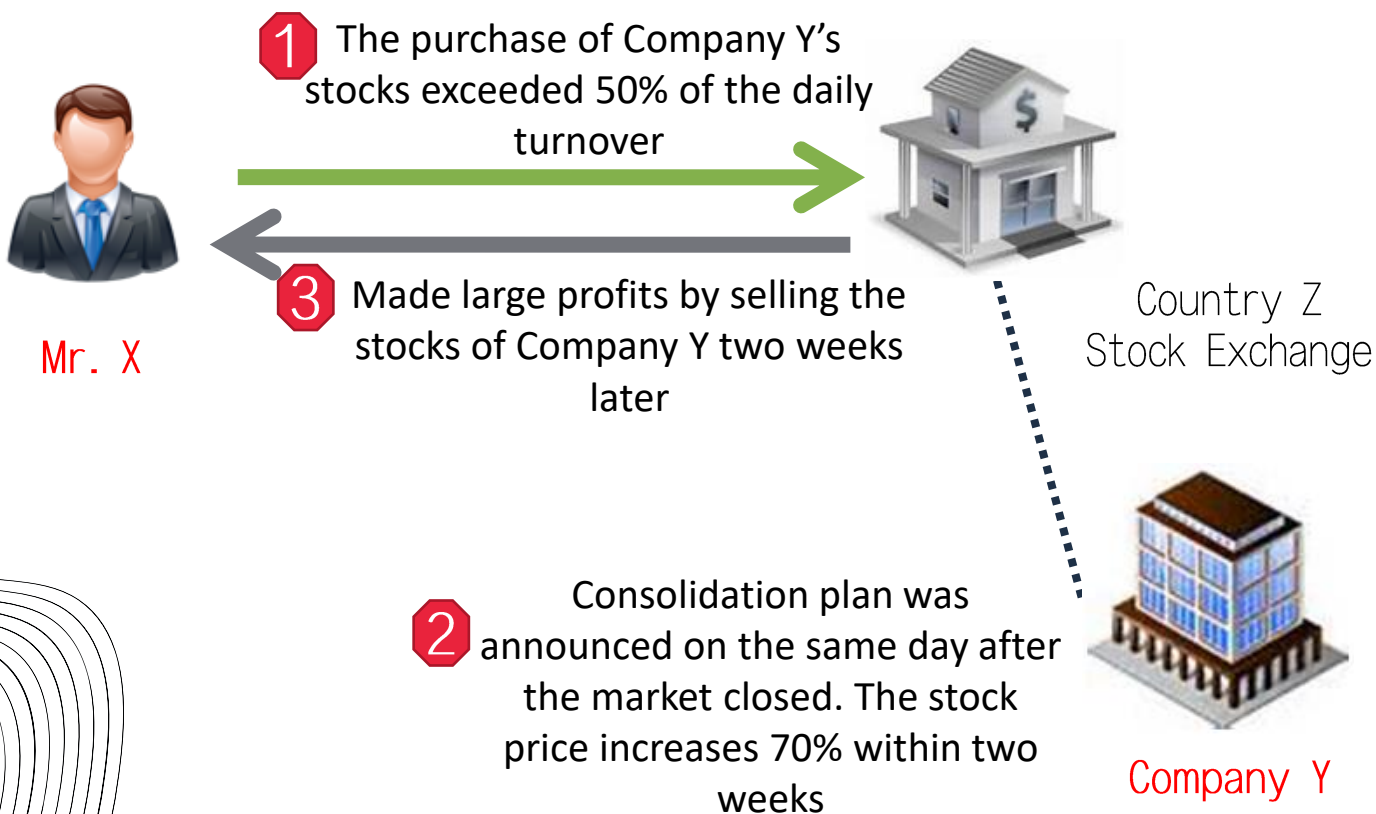
| Sector                              | No. of STRs received in 2023 | Percentage (%) |
|-------------------------------------|------------------------------|----------------|
| Banks                               | 84,781                       | 86.90          |
| Insurance Companies                 | 1,327                        | 1.36           |
| Securities Firms                    | 553                          | 0.57           |
| Virtual Asset Trading Platforms     | 5                            | 0.01           |
| Money Service Operators             | 2,407                        | 2.47           |
| Money Lenders                       | 492                          | 0.50           |
| Stored Value Facilities Licensees   | 6,501                        | 6.66           |
| Estate Agencies                     | 79                           | 0.08           |
| Dealers in Precious Metals & Stones | 14                           | 0.01           |
| Legal Professionals                 | 677                          | 0.69           |
| Accounting Professionals            | 10                           | 0.01           |
| Trust and Company Service Providers | 161                          | 0.16           |
| Others                              | 570                          | 0.58           |
| Total                               | 97,577                       | 100            |





# 05 Case Study 1

## Insider Dealings



# 05 Case Study 1



## Insider Dealings

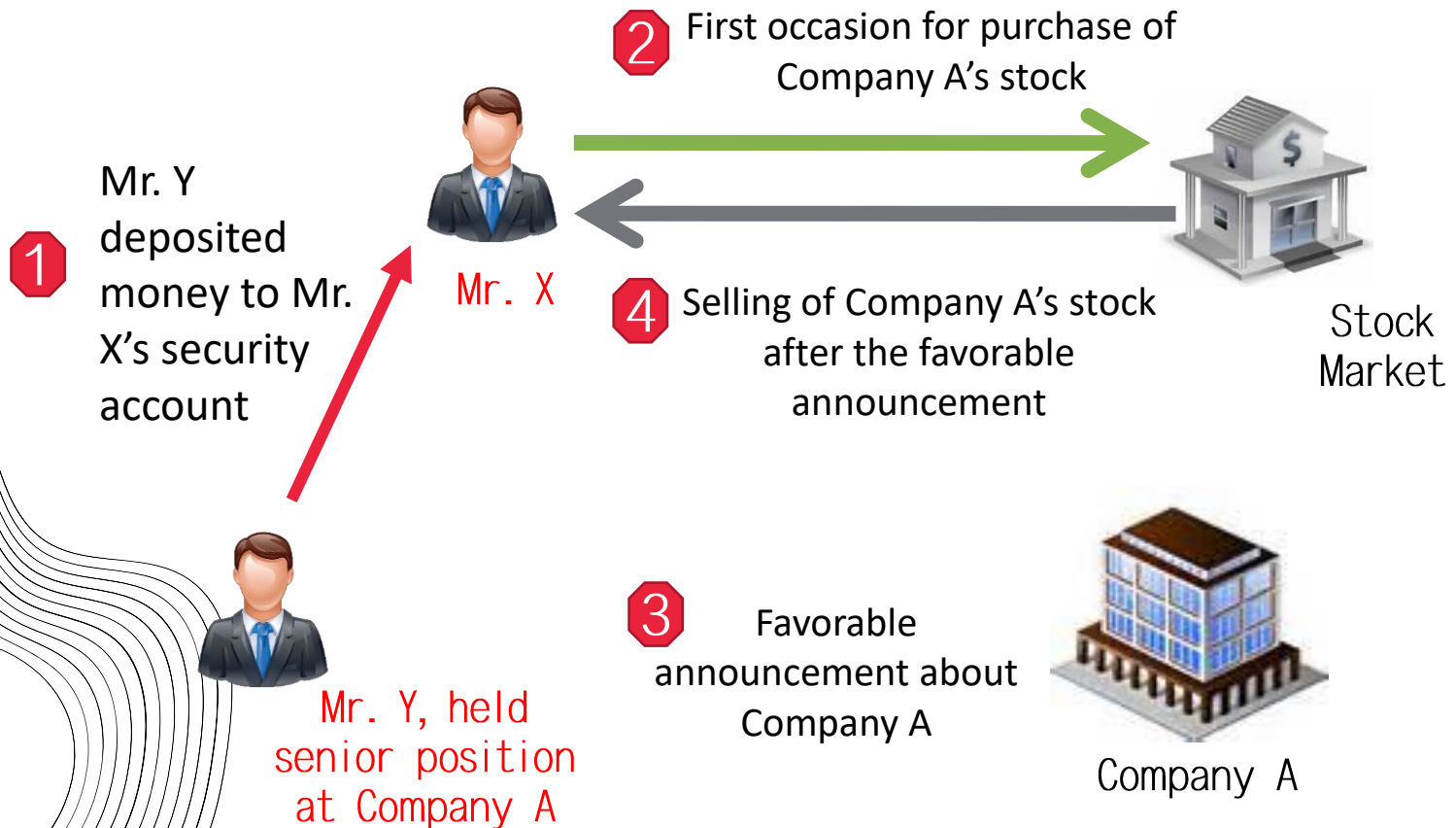
### Suspicious Activity Indicator

- Unusual large-volume trading
- The purchasing behavior does not match with the client's investment portfolio – Mr. X never trade stocks listed in Country Z's stock exchange
- The trading took place around the same time when market-sensitive information was announced

# 05 Case Study 2



## Insider Dealings



# 05 Case Study 2



## Insider Dealings

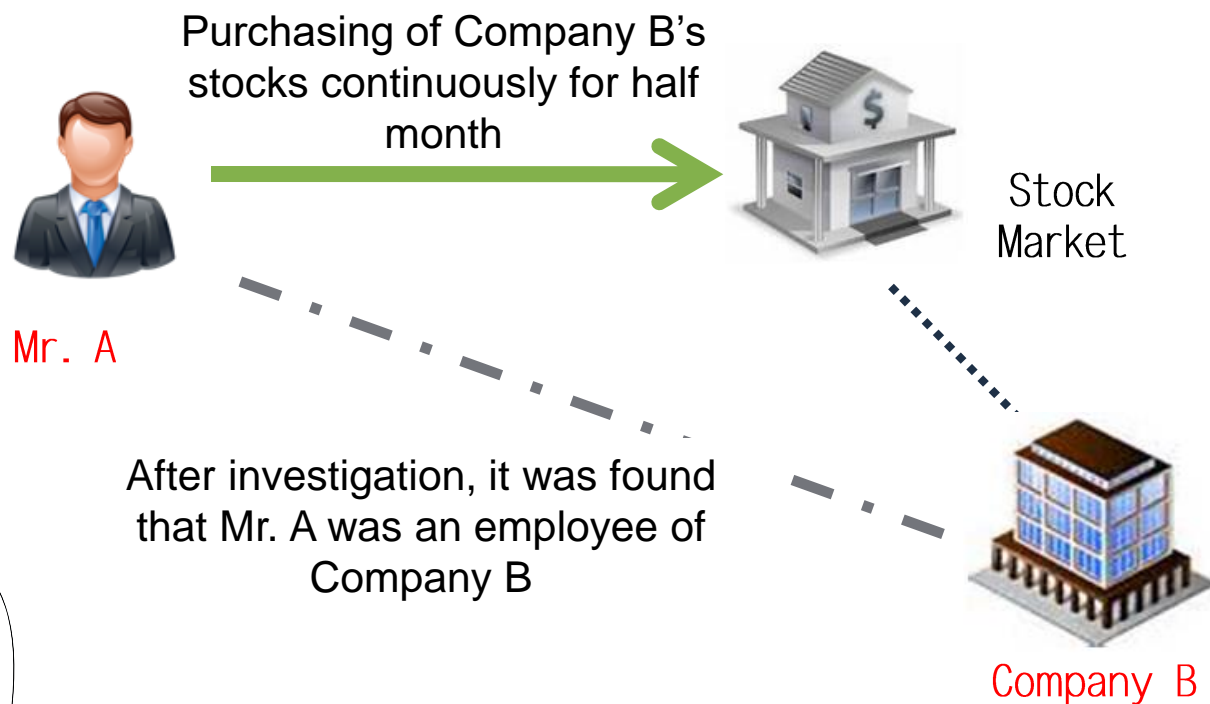
### Suspicious Activity Indicator

- Deposit of money from third party, the transfer of money from Mr. Y to Mr. X's security account is dubious
- Mr. Y had close connection with Company A, he might have obtained insider information
- First occasion of purchasing Company A's stock, the purchase is shortly before its favorable announcement

# 05 Case Study 3



## Market Manipulation



# 05 Case Study 3



## Market Manipulation

### Suspicious Activity Indicator

- Purchase price is higher than normal
- Transactions usually made few minutes before closing of market
- Transactions exceeded 50% of daily turnover and raised the stock price

# 05 Case Study 4



## Market Manipulation



Three separate clients  
of security firm X, they  
shared the same  
contact number and IP  
address

Frequent trading of Stock Y,  
Three accounts placed similar  
price and quantities



Stock Market

# 05 Case Study 4



## Market Manipulation

### Suspicious Activity Indicator

- Purchase price is higher than normal
- Pattern of “High Buy but Low Sell”
- Sources of fund of the three individuals were in doubt
- The three individuals shared the same contact number and IP address indicating their accounts were counted by the same gang





**[www.jfiu.gov.hk](http://www.jfiu.gov.hk)**  
**[jfiu@police.gov.hk](mailto:jfiu@police.gov.hk)**  
**Tel.: +852 2866 3366**