Feedback on Suspicious Transaction Reports (Banking Sector)

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Joint Financial Intelligence Unit

STR Overview
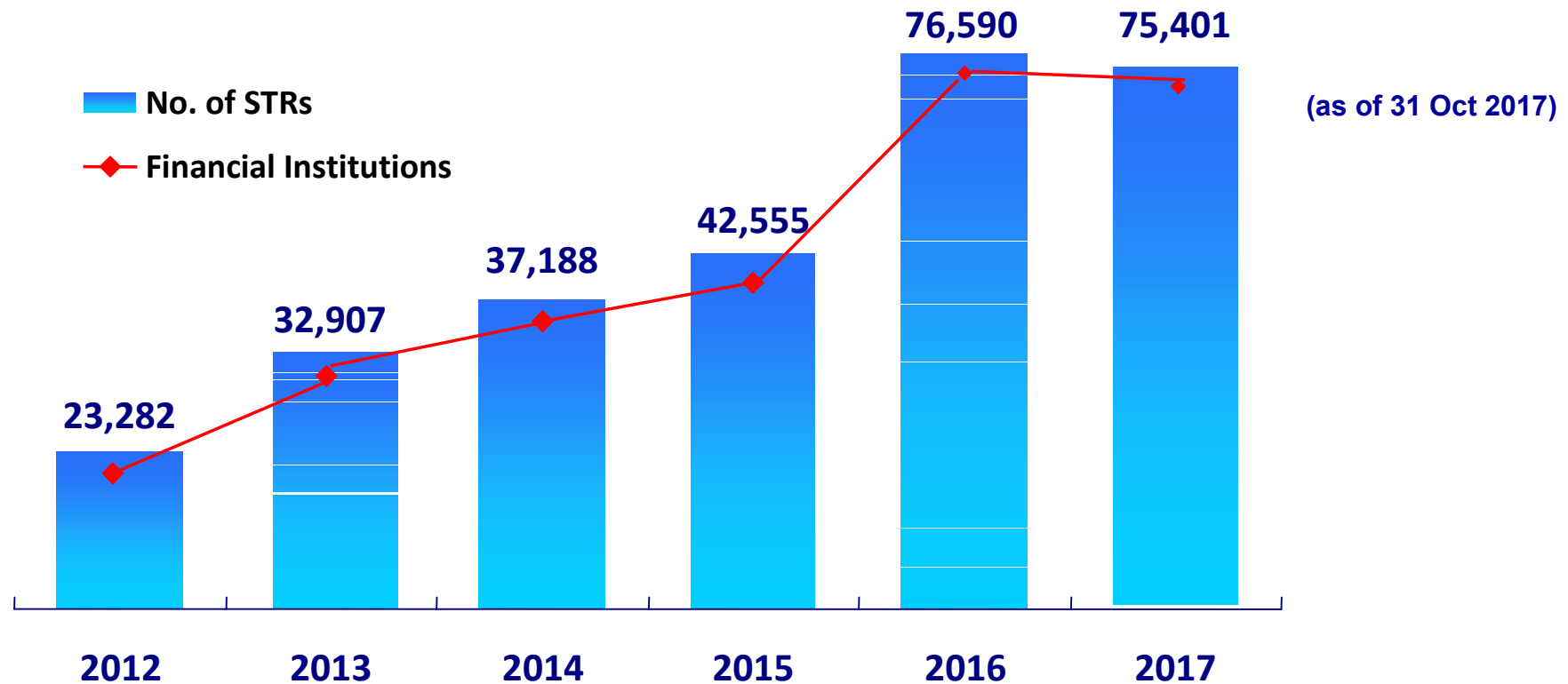
No. of STRs Received from 2012 to 2017

No. of STRs

Financial Institutions

(as of 31 Oct 2017)

76,590   75,401

42,555

37,188

32,907

23,282

2012   2013   2014   2015   2016   2017

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No. of STRs Filed by Banks from 2012 to 2017

Year	Others	Banks
2012	4,080	19,202 (82.5%)
2013	5,579	27,328 (83.0%)
2014	6,093	31,095 (83.6%)
2015	7,596	34,959 (82.2%)
2016	7,845	68,745 (89.8%)
2017 (as of 31 Oct 2017)	5,071	70,330 (93.3%)
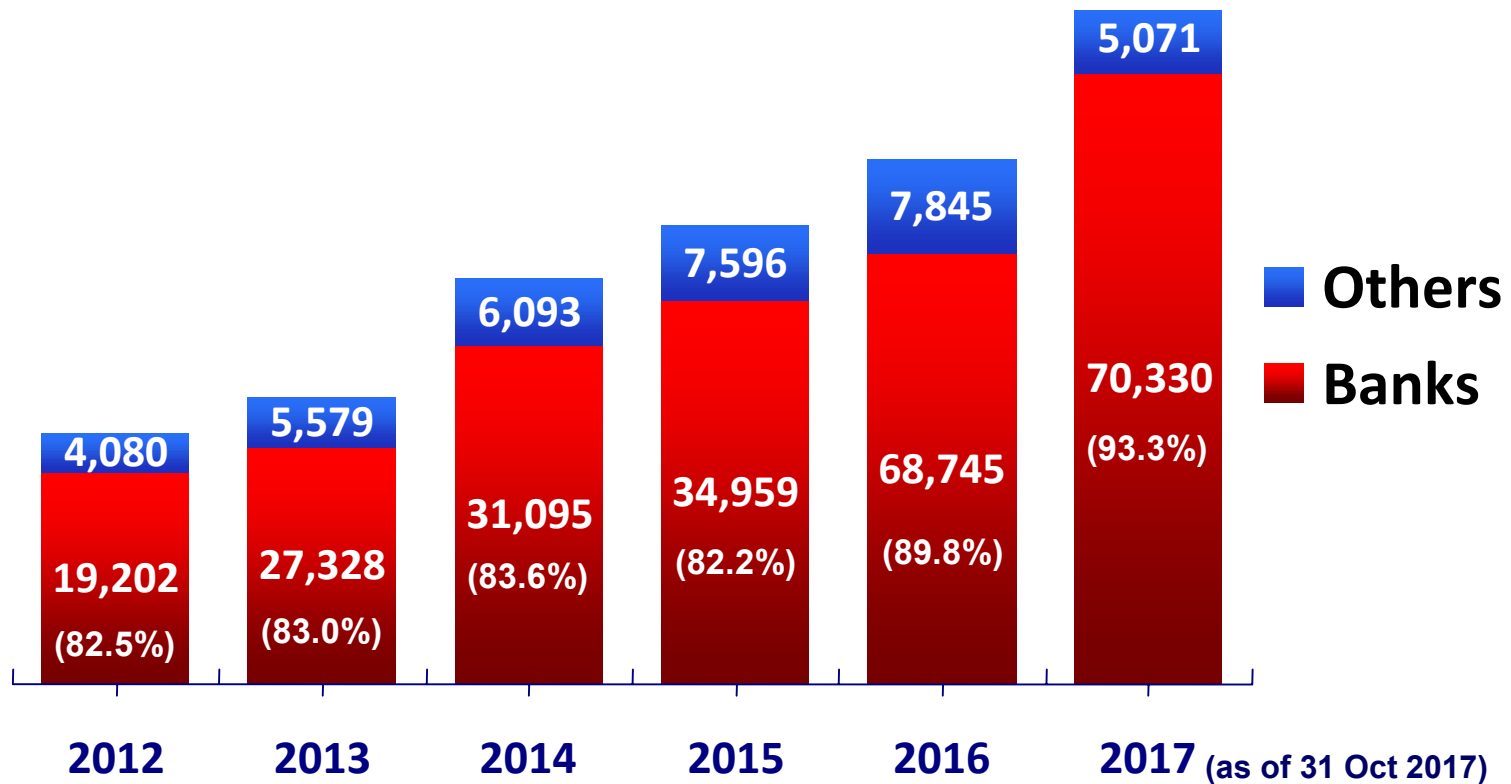
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STR Overview

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

2012
- 19,202
- 341
- 31
- 698
- 1,171

2013
- 27,238
- 401
- 28
- 1,410
- 2,108

2014
- 31,095
- 446
- 32
- 1,574
- 2,772

2015
- 34,959
- 495
- 33
- 1,095
- 3,566

2016
- 68,745
- 928
- 24
- 1,423
- 2,544
- 67

2017 (as of 31 Oct 2017)
- 70,330
- 906
- 21
- 1,668
- 737
- 550

Legend:
- ■ Banks
- ■ Insurance Companies
- ■ Money Lenders
- ■ Securities
- ■ MSOs
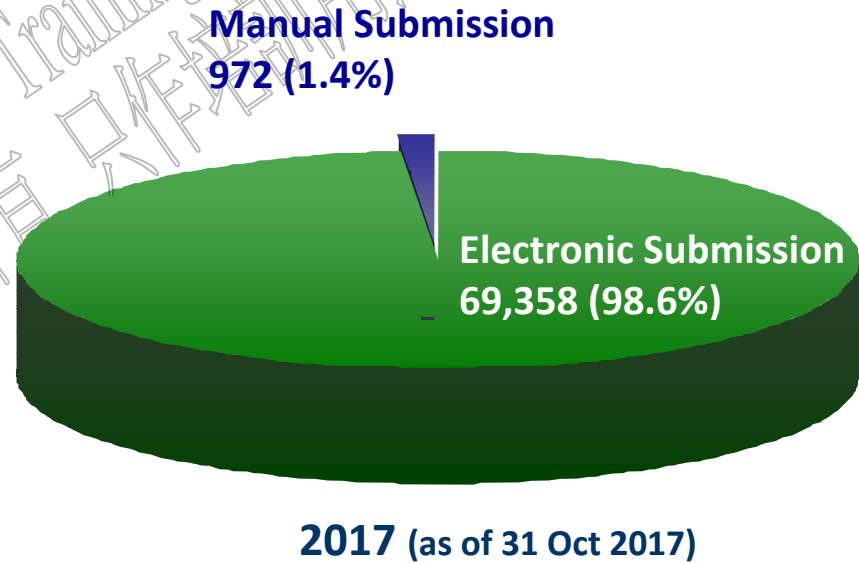- ■ Stored Value Facilities Licensees
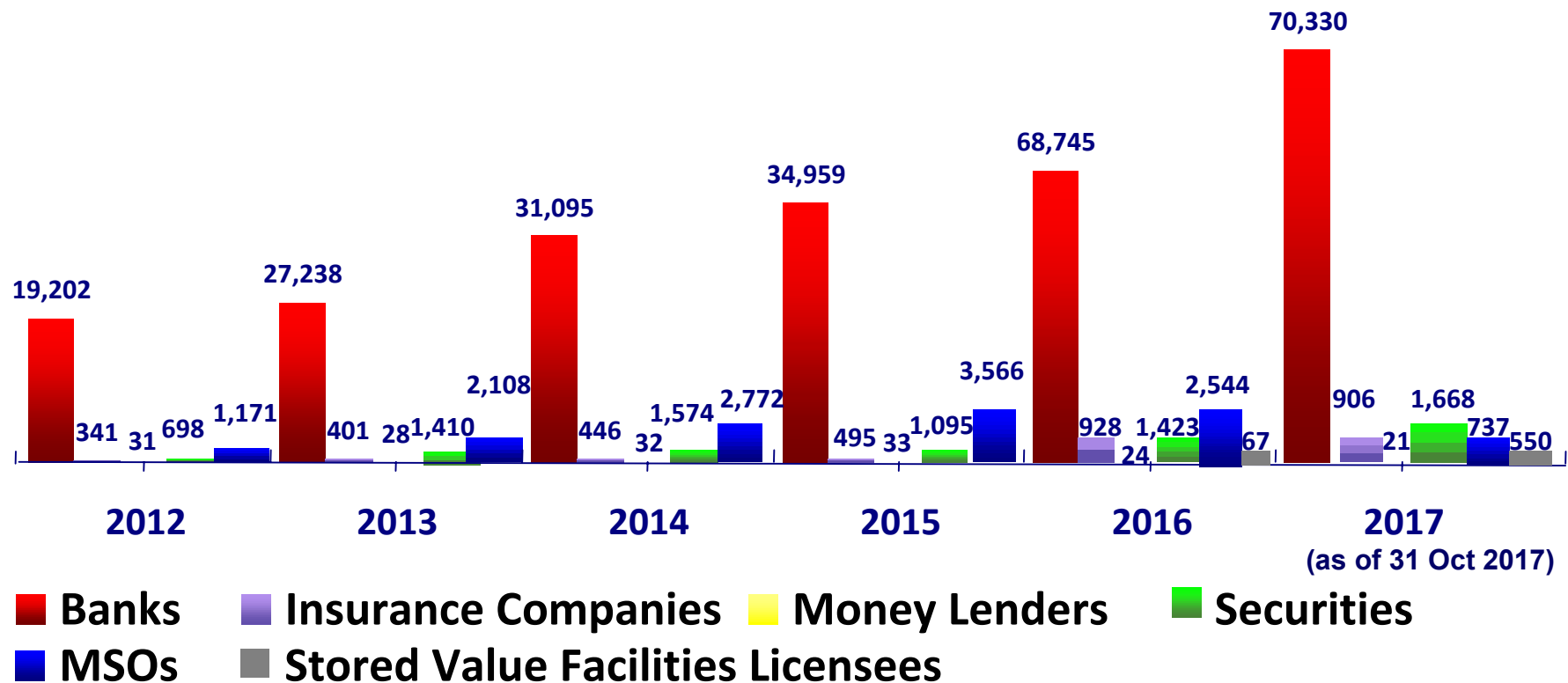
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Means of STR Submission by Banks

**Manual Submission
1218 (1.8%)**

**Electronic Submission
67,527 (98.2%)**

2016

**Manual Submission
972 (1.4%)**

**Electronic Submission
69,358 (98.6%)**

2017 (as of 31 Oct 2017)

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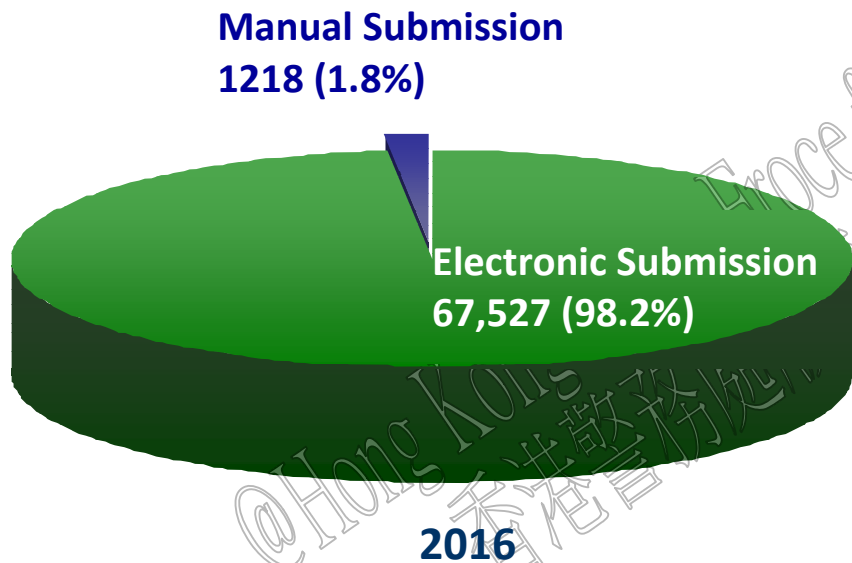
STR Overview

Dissemination of Financial Intelligence in 2016 and 2017

Regulator 1% **Overseas LEA / FIU 3%**

Other LEA 21%

Police 75%

2016

Regulator 2% **Overseas LEA / FIU 5%**

Other LEA 24%

Police 69%

2017 (as of 31 Oct 2017)

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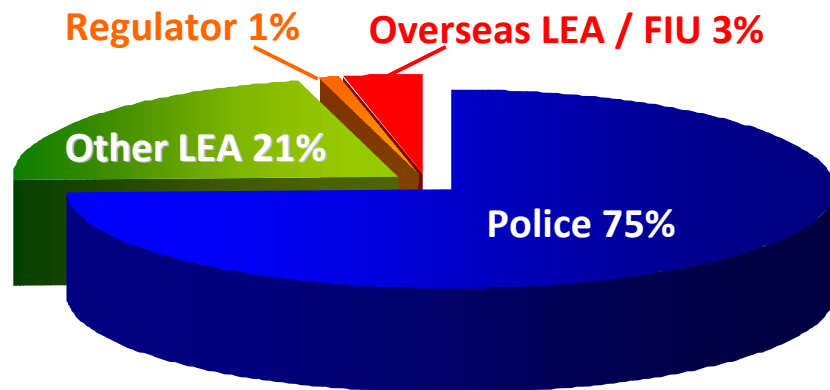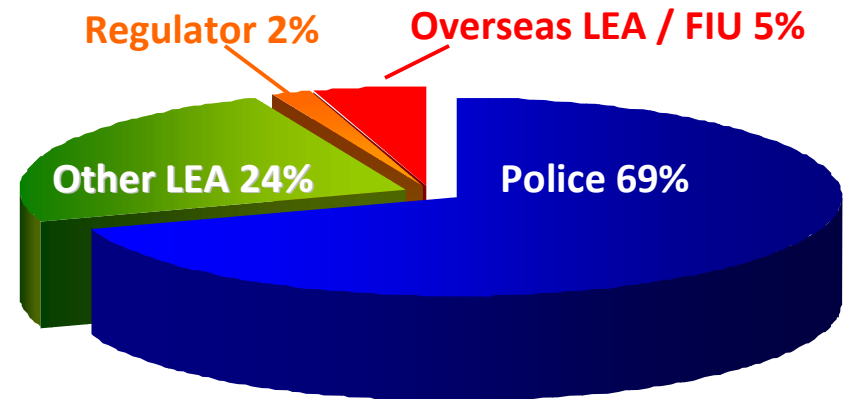
Area for Improvement on STR Reporting

- **Not all information fields are properly filled**

- **Insufficient ongoing 'KYC/CDD' conducted upon an alert**

- **Repetitive reporting**

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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.

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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

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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.)

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Recommendation – Filing Format

Triggering Factors →

Use Headings →

Conclusions & Way Forward →

Customer Background

Others

Others: Fraud

Additional Information

On 17Aug17, the Bank received a report of email hack that Ms_____ client was deceived into remitting USD5,005 from her account _____) in AUSTRALIA) to _____ The fund is held by the Bank.

Details of Investigation

The alerted account _____ was opened by B_____ on 08Sep16. B/__ claimed to be online salesman of :_____ with monthly income between HKD10,000 to HKD14,999. B^^ provided address and contact in China E____ 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_____   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.

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/_____ The Bank will proceed to close the account of B/_____.

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)

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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

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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

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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

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Thank You

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