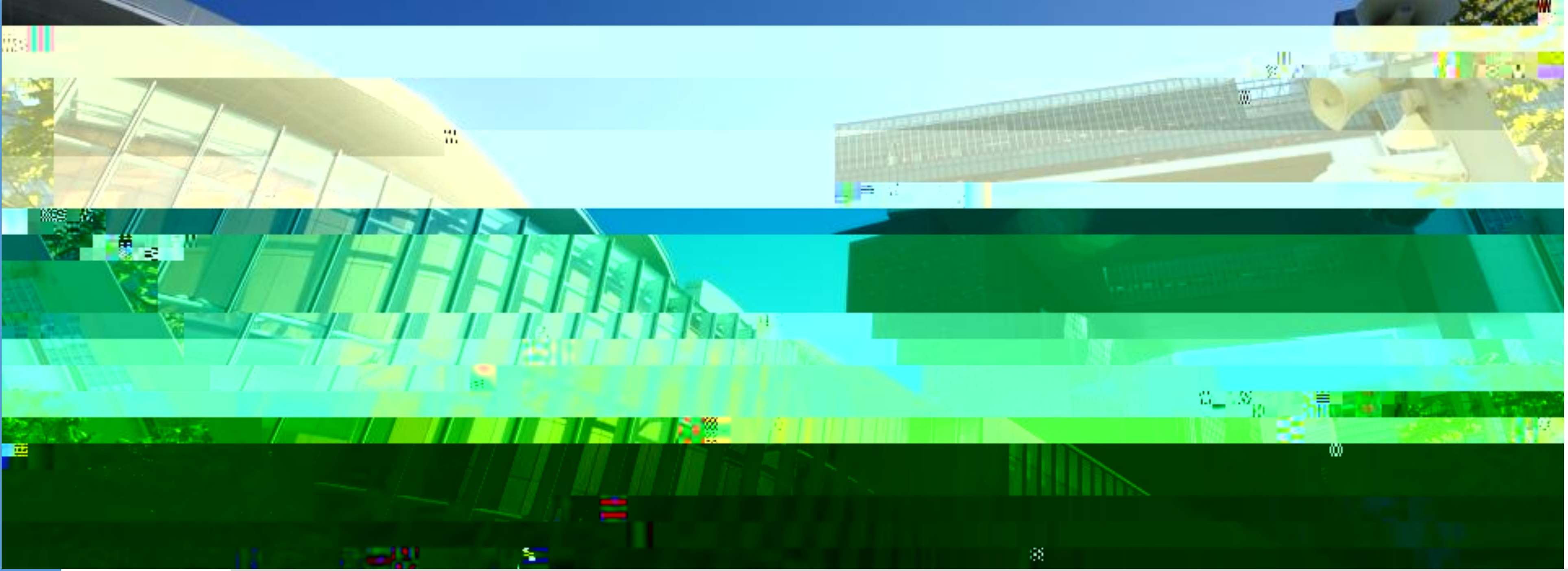


Suspicious Transaction Reporting

Legal obligations, trend analysis and case study

Stephen YIP

Detective Inspector of Police

Financial Intelligence and Investigation Bureau

Important Notice

About JFIU & FIIB

Key Legislation

STR

Case Study

About JFIU

Key Legislation

STR

Case Study

Key Legislation

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 the property

Maximum Penalty:

- HKD 5 Million fine
- 14 years' imprisonment

Key Legislation

Any person shall not

- Provide or collect 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

Maximum Penalty:

- 14 years' imprisonment

Key Legislation

Any person

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

Maximum Penalty:

- Level 5 fine (HKD 50,000)
- 3 months' imprisonment

Key Legislation

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

Maximum Penalty:

- HKD 500,000 fine
- 3 years' imprisonment

STR Mechanism

STR Reporting

Recommended Structure of STR

Financial Intelligence
and Investigation Bureau

Recommended Structure of STR Narrative

1) Triggering Factors

   Involved crimes (fraud/corruption/sanctions/terrorist acts, etc.)

   Warrants/court orders received

   Open source information (news/list of regulatory agencies, etc.)

   Pattern of suspicious transactions (large transactions/temporary repository of fund, etc.)

2) Background of Subject(s)

   Personal: Age, occupation, income, transaction history, etc.

   Corporate: Date of establishment, business nature, expected transaction amount, etc.

Recommended Structure of STR Narrative

3) Transactions

Reviewed period

Fund movement pattern (sudden change?)

Total amount deposited/withdrawn

Suspicious transactions (Not limited to transactions of large amount/frequent transactions)

Pattern of suspicious transactions

Recommended Structure of STR Narrative

4)

Financial Intelligence

About JFIU

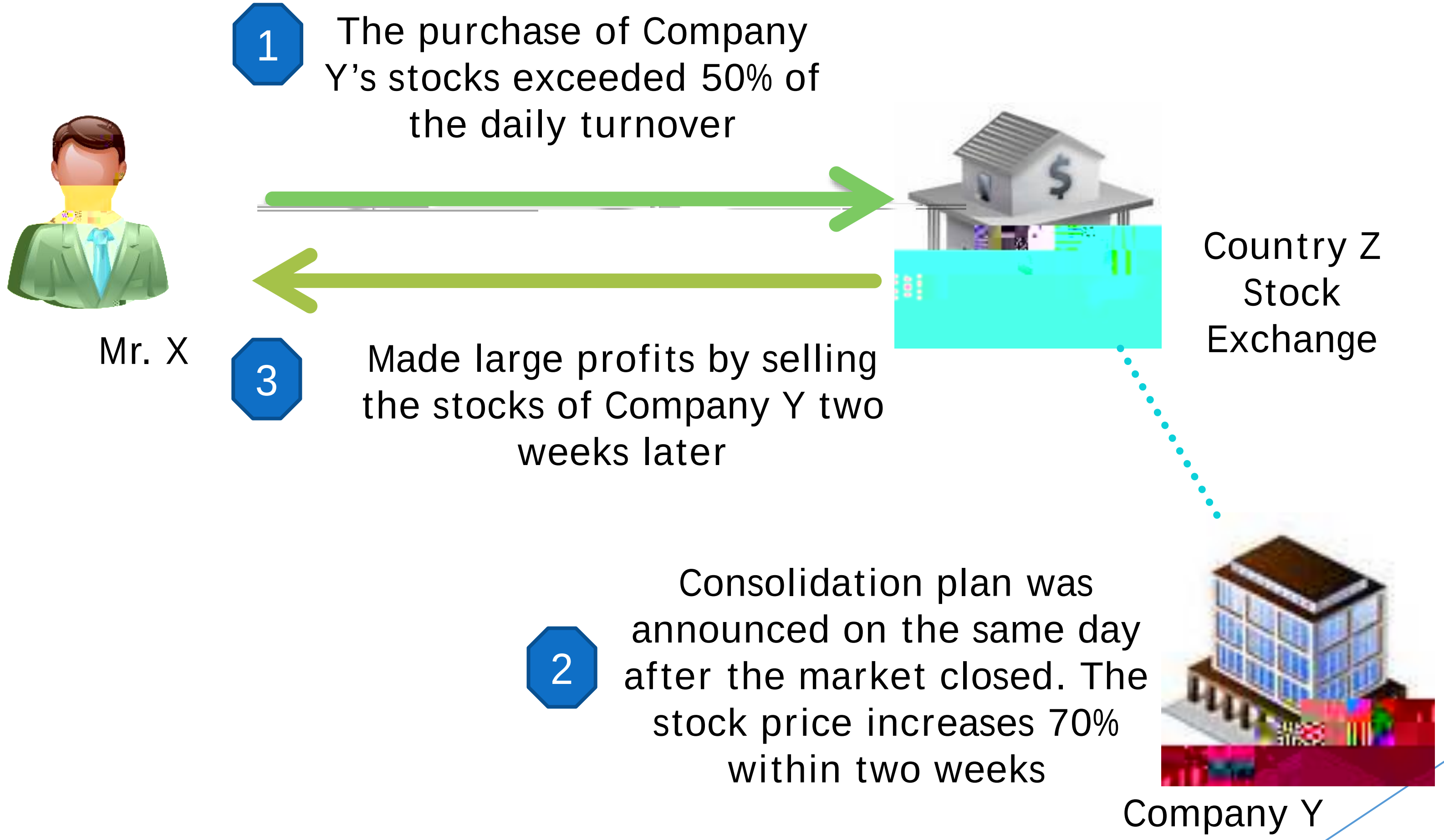
Key Legislation

STR

Case Study

Financial Intelligence
and Investigation Bureau

Case Study 1 ð Insider Dealings

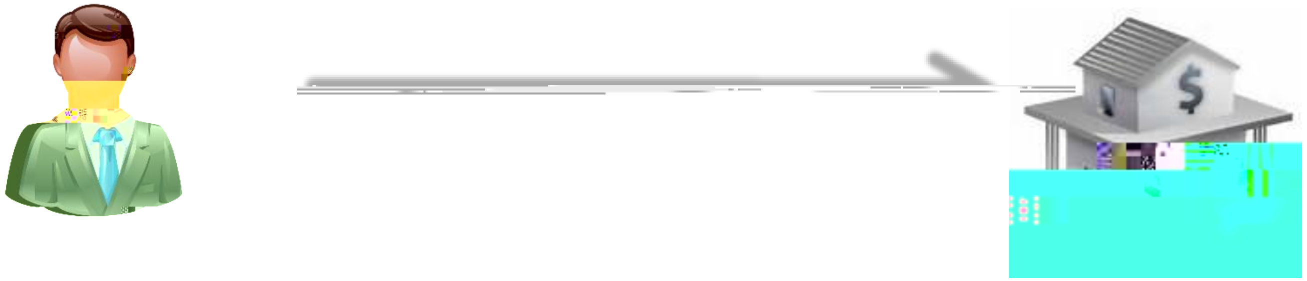


Suspicious Activity Indicator

Unusual large-volume trading

The purchasing behavior does not match with the clientõs investment portfolio ð Mr. X never trade stocks listed in Country Zõs stock exchange

The trading took place around the same time when market-sensitive information was announced



Case Study 2 ð Insider Dealings

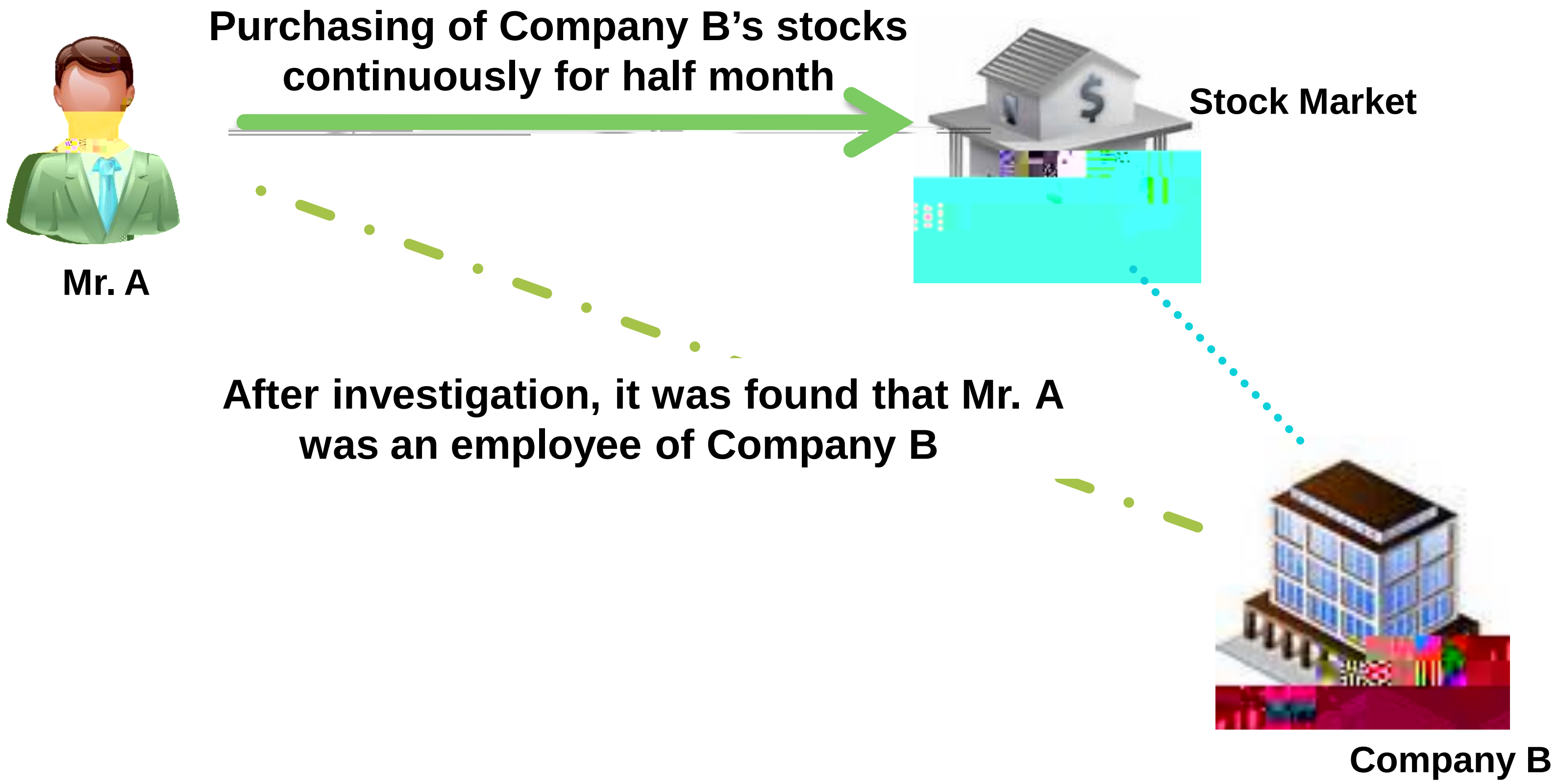
Suspicious Activity Indicator

Deposit of money from third party, the transfer of money from Mr. Y to Mr. Xõs security account is dubious

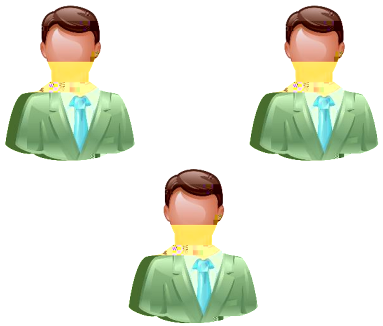
Mr. Y had close connection with Company A, he might have obtained insider information

First occasion of purchasing Company Aõs stock, the purchase is shortly before its favorable announcement

Case Study 3 ð Market Manipulations



Case Study 4 ð Market Manipulations



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

Case Study 4 ð Market Manipulations

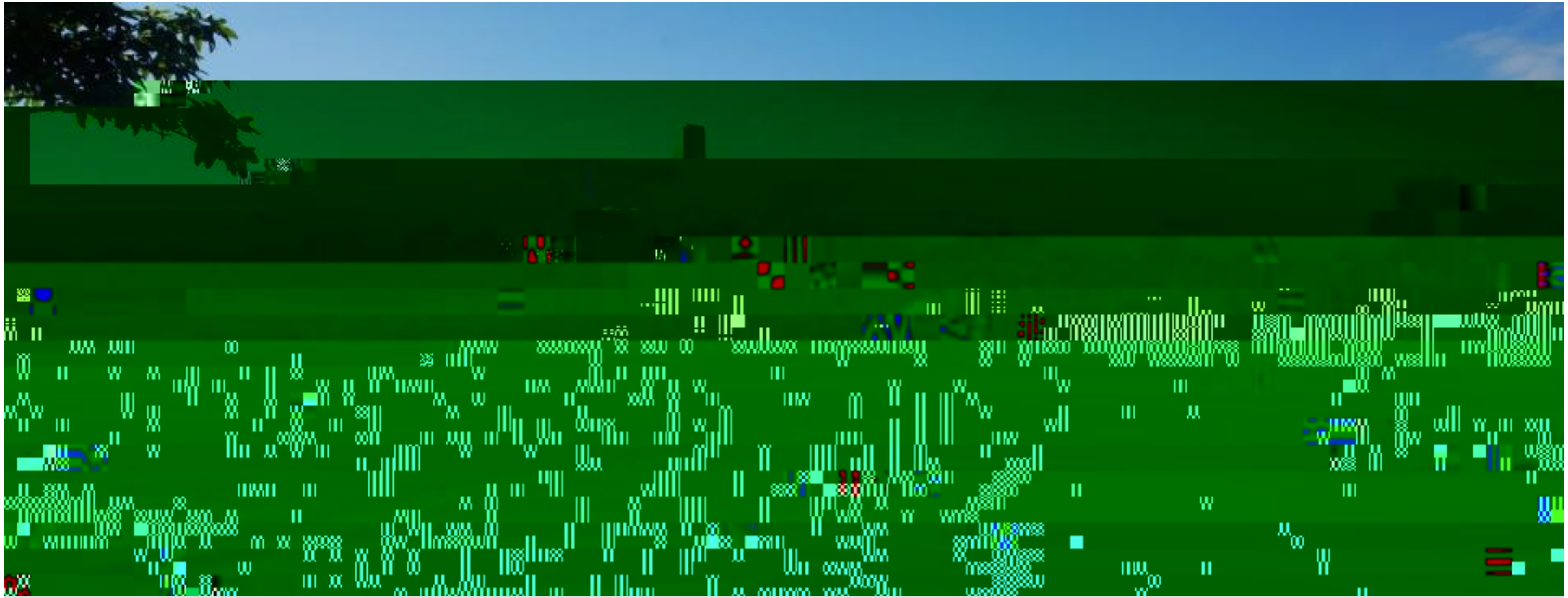
Suspicious Activity Indicator

Purchase price is higher than normal

Pattern of òHigh Buy but Low Selló

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



Thank You!

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