



2012

Joint Financial Intelligence Unit Annual Report



Joint Financial Intelligence Unit
聯合財富情報組



Vision and Mission

Vision

That the Joint Financial Intelligence Unit (JFIU) remains one of the leading FIUs in the Asia-Pacific Region

Mission

That JFIU will continue to assist the Government in her efforts to protect Hong Kong from the illicit activities of money laundering and terrorist financing by:

- **J**uxtaposing JFIU's professional standards with the relevant international standards
- **F**ostering and strengthening cooperation with local and international agencies in the exchange of financial intelligence
- **I**ntelligently analyzing suspicious transaction reports received by JFIU and making disseminations as appropriate
- **U**pgading the relevant sectors' awareness and understanding on money laundering and terrorist financing issues

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Chapter 1

Preface

JFIU is jointly run by staff members of the Hong Kong Police Force (HKPF) and the Hong Kong Customs and Excise Department (C&ED). It manages the suspicious transaction reporting regime for Hong Kong and its role is to receive, analyse and store suspicious transactions reports (STRs) and to disseminate them to the appropriate investigative units.

The JFIU Annual Report 2012 outlines the five main areas of operations and accomplishments in combating money laundering and terrorist financing in Hong Kong:

- Cultivation, analysis, dissemination of financial intelligence, and research on case typologies related to money laundering and terrorist financing;
- Coordination and communication with JFIU stakeholders such as policy bureaux, financial regulators and professional bodies on the formulation of anti-money laundering (AML) and counter-terrorist financing (CFT) policies and legislation;
- Specialist training mainly to officers from local and overseas law enforcement agencies (LEAs) and Financial Intelligence Units (FIUs);
- Publicity outreach to private sectors like financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs) to enhance awareness of suspicious transaction reporting and relevant legislation, and understanding of the latest trends in money laundering and terrorist financing;
- International cooperation particularly on intelligence exchange with FIU and LEA counterparts.

As cross-border or even transnational crimes become more prevalent, money laundering and terrorist financing have greater relevance to every global citizen and city. JFIU could not achieve our mission in combating money laundering and terrorist financing through the above listed operations without continuous inter-departmental and international collaboration and stakeholders' support. JFIU hopes that, upon reading this annual report, all of you will have more in-depth understanding of JFIU's history and developments, and realize the significance of AML and CFT success in providing professional and effective regime that safeguards the interest of the public, ensures the integrity and stability of financial system, and enhances the reputation and status of Hong Kong as the world's major financial centre in the age of globalization and IT advancement.



Acknowledgments

JFIU would like to thank the Customs and Excise Department and Mr. Gareth Jones (Superintendent of Police) for their valuable advice on this publication.

Chapter 2

The Year in Review – Head of JFIU’s Message



Hong Kong as one of the world’s major financial centres provides vibrant financial service and attracts massive capital flow because of the relatively low tax rate, well-established communication network and open yet sophisticated financial system. All these competitive edges of Hong Kong, though conducive to our economic development, are likely to lead to vulnerability to money laundering or even terrorist financing activities. JFIU has been closely assisting government policy bureaux and outreaching to private sectors to enhance the effectiveness of Hong Kong’s anti-money laundering (AML) and combating the financing of terrorism (CFT) regime in the past 24 years.

The year of 2012 could be seen as a landmark for the AML developments, both at international level and in Hong Kong. The integration of the 40+9 Financial Action Task Force (FATF) recommendations into 40 revised ones since February 2012, along with the FATF Mandate Renewal commenced in April 2012 till 2020, has further highlighted the requirements to deal with new and emerging threats such as new payment methods, and offer more flexibility in applying measures in relatively lower risk areas. Hong Kong was successfully removed from regular follow-ups to biennial updates in October 2012. JFIU would continue its endeavour to comply with the revised 40 FATF recommendations, and preparations for the fourth round of Mutual Evaluations (ME) of Hong Kong, which is expected to take place in January 2016.

The implementation of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO) on 1 April 2012 is a milestone in improving Hong Kong’s money laundering preventive measures. AMLO seeks to better align the financial sector with current international standards. Not only does it call for banks, money service operators, insurance and securities companies to make more detailed and informative Suspicious Transaction Reports (STRs), it also raises these sectors’ awareness of implementing more systematic customer due diligence (CDD), know your customer (KYC) measures and record keeping requirements in order to safeguard their interests and protect the integrity of our financial system. The codification of such money laundering preventive measures may be one of the contributing factors of the sharp rise of 14.7% in the amount of STRs received by JFIU, resulting in the record high of 23,282 in 2012 (2,995 more than that in 2011). What is also worth noting is that there has been a continual increase in STRs filed by the designated non-financial businesses and professions (DNFBPs). The effectiveness of AMLO in combating money laundering has been enhanced lest any suspicious case slips away. However, the soaring trend of STRs increases the workload of JFIU

officers. An increase in manpower, and greater focus on workflow of STR analysis and dissemination are the way forward.

Training and outreach are key activities of JFIU. This year, a total of six Financial Investigation courses were run to equip and share with the Hong Kong Police Force's crime officers, local AML partners and our international counterparts the specialist knowledge to handle the ever-changing typologies; seminars were given to the financial institutions (FIs), DNFBPs and other private sectors to heighten their alertness on money laundering and discuss issues relating to STRs. JFIU also sent officers to attend international training courses such as the 'Strategic Analysis Training' organized by the World Bank, and the 'Egmont Group Tactical Analysis Training' held in Bangkok. Subsequent in-house training sessions were conducted to share the new knowledge within JFIU and other HKPF's units.

After a year of hard work, on behalf of JFIU, I would like to express heartfelt gratitude to all stakeholders for their valuable assistance and support, particularly in suspicious transaction reporting and publicity outreach. Last but not the least, the concerted effort and team spirit of JFIU colleagues are critical to the smooth operation of the unit. All these contribute to foster JFIU's development in the future. We JFIU officers will spare no effort for embracing the challenges ahead and sustaining our enthusiasm and confidence in combating money laundering and terrorist financing.



Cyril MAK
Superintendent of Police
Head of JFIU, Hong Kong

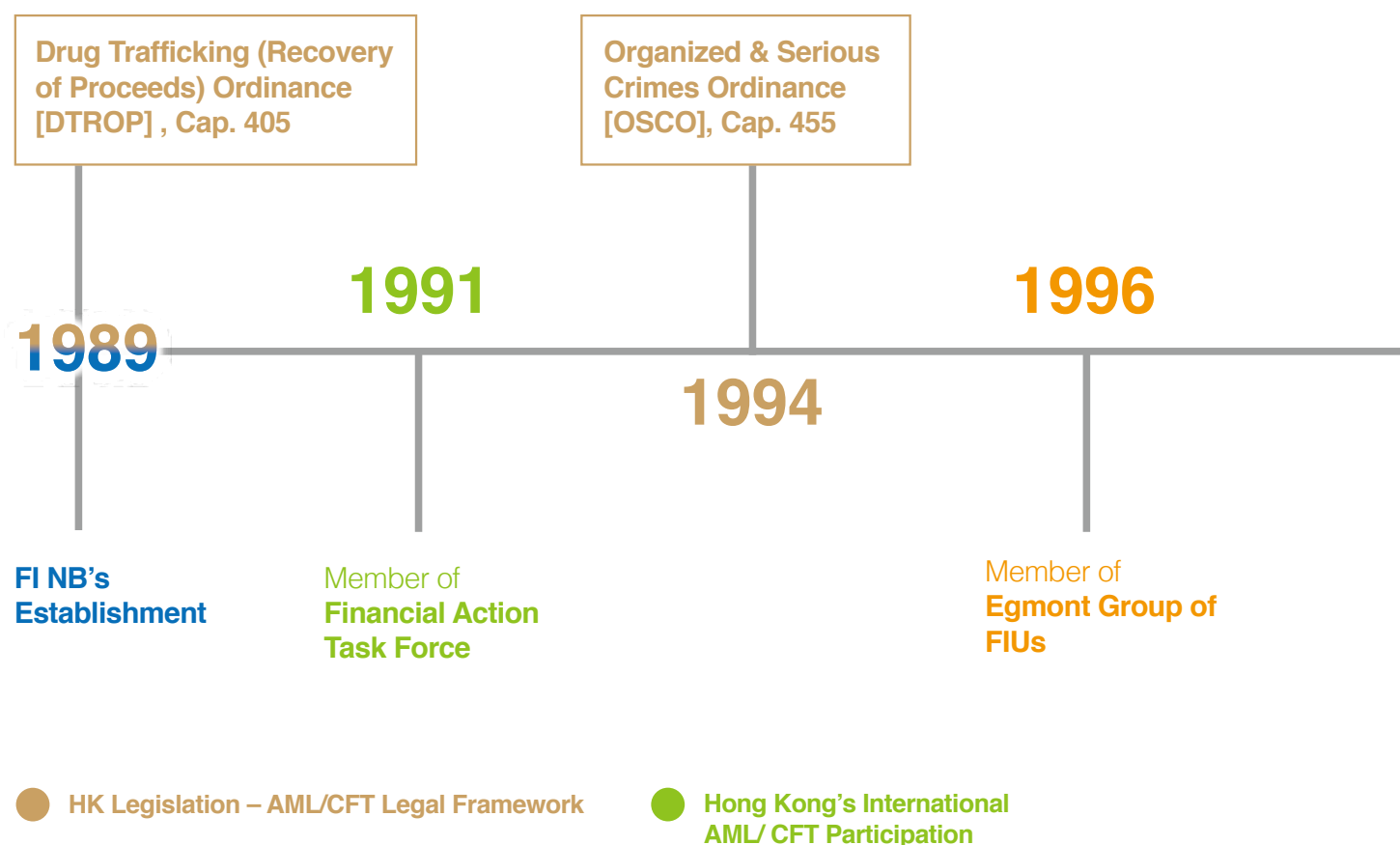
Chapter 3

About JFIU

History and Establishment

In 1989, the enactment of the Drug Trafficking (Recovery of Proceeds) Ordinance (DTROP) in the Laws of Hong Kong imposed the requirement of suspicious transaction reporting. Financial Investigations Division (FI) was thus set up within Narcotics Bureau (NB) of the Hong Kong Police Force (HKPF) for implementing DTROP, while JFIU was formed under FI NB as the designated unit of Hong Kong to receive, analyze and disseminate suspicious transaction reports (STRs).

JFIU has been managing the anti-money laundering (AML) enforcement framework in Hong Kong, mainly through maintaining the reporting regime for STRs made under the provisions of DTROP and, since 1994, the Organized and Serious Crimes Ordinance (OSCO). After the promulgation of United Nations (Anti-Terrorism Measures) Ordinance (UNATMO) in 2002, JFIU also receives STRs related to terrorist property.



Chapter 3

Since 2010, JFIU has been disintegrated from FI NB and expanded to a full division structure; the Superintendent of FI NB no longer commanded JFIU as the new post of the Head of JFIU was created; the office of JFIU has also been relocated within the Police Headquarters. This revised mode of operation was to enhance JFIU's independence as an ideal law-enforcement type of Financial Intelligence Unit (FIU).

In the past 24 years, JFIU has been developing to meet the requirements of expanding local legislative enactments in response to the ever-revising international standards and dynamic social changes relevant to combating money laundering and terrorist financing. To ensure Hong Kong is kept up-to-date with the latest AML trends and expectations, Hong Kong joined the international AML/CFT body, Financial Action Task Force (FATF), in 1991 and the FATF-style Regional body, Asia Pacific Group on Money Laundering (APG), in 1997 as a member, and JFIU joined the Egmont Group of Financial Intelligence Units (Egmont Group) as a member in 1996.



Organization and Work

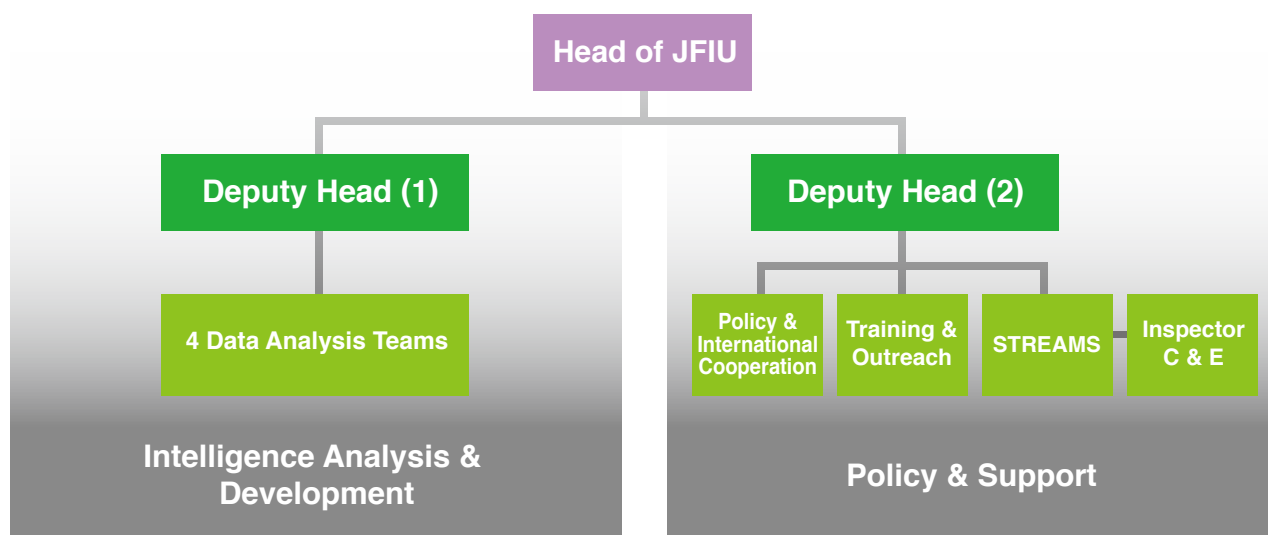
JFIU as a law-enforcement type of FIU is jointly operated by the HKPF and the Customs and Excise Department (C&ED). Subsequent to the third Mutual Evaluations (ME) of Hong Kong conducted by FATF in 2008, the Hong Kong Special Administrative Region Government (HKSARG) made provisions to increase the number of staff members of JFIU from 29 to 44.

The Head of JFIU (Superintendent of Police) commands two Deputy Heads, each leading a functional section (JFIU 1 & JFIU 2):

JFIU 1 (Intelligence Analysis and Development), comprising four analysis teams, is responsible exclusively for making initial enquiries, conducting risk assessments and cultivating intelligence on money laundering and terrorist financing from STRs for further dissemination.

JFIU 2 (Policy & Support), comprising three teams, is responsible for overseeing the Suspicious Transaction Report and Management System (STREAMS, a web-based platform facilitating the e-reporting/ dissemination of STRs and interfacing with other intelligence databases), formulating policy and maintaining international cooperation and intelligence exchange with FIU counterparts, as well as coordinating financial investigation specialist training and publicity outreach particularly to the financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs). The STREAMS Team cooperates with the C&ED Team on risk assessment and dissemination of STRs to complement the workflow and increase the efficiency of financial intelligence analysis and dissemination.

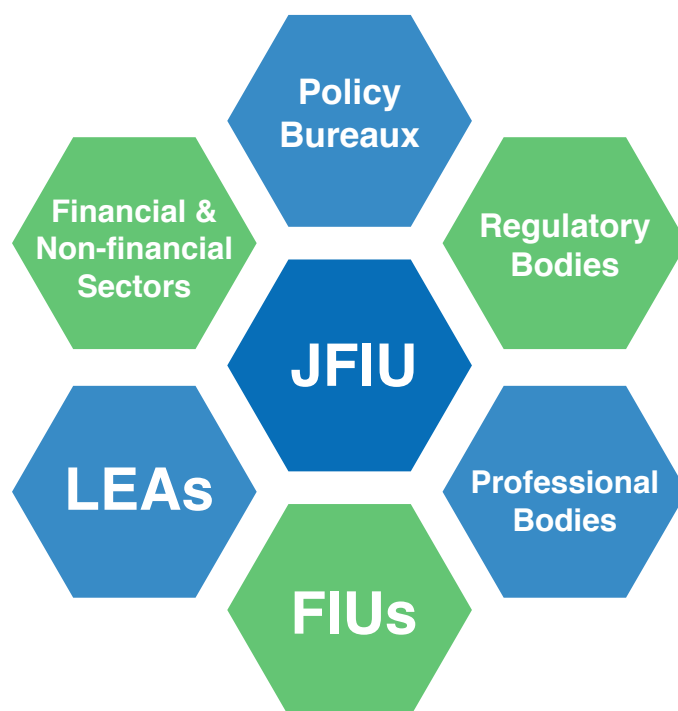
Structure of JFIU



Interface of JFIU

JFIU has been working hand-in-hand with our stakeholders with a view to complying with the international standards and improving Hong Kong's AML/ CFT regime in response to the global and local social and crime trends. The interfacing stakeholders include HKSARG's policy bureaux, the Financial Services and Treasury Bureau (FSTB) and the Narcotics Division (ND) of the Security Bureau (SB), regulatory and professional bodies, private sectors like FIs and DNFBPs that are more prone to money laundering activities, FIUs and law enforcement agencies (LEAs) in the Greater China Region and worldwide.

Interface of JFIU



How to contact JFIU ?

Mail : G.P.O. Box No. 6555, General Post Office, Hong Kong
Tel : (852) 2866 3366
Fax : (852) 2529 4013
Email: jfiu@police.gov.hk

Chapter 4

Suspicious Transaction Reporting

Suspicious Transaction Reporting Regime

Under section 25A of the Organized and Serious Crimes Ordinance (OSCO), Cap. 455 and the Drug Trafficking (Recovery of Proceeds) Ordinance, Cap. 405 (DTROP) as well as section 12 of the United Nations (Anti-Terrorism Measures) Ordinance (UNATMO), Cap. 575 of Laws of Hong Kong, any person who knows or suspects any property is or represents proceeds of crime or terrorist property has to report his knowledge or suspicion to an authorized officer (i.e. JFIU officer) by way of a suspicious transaction report (STR). Any person who has to deal with a property in question would not be regarded as committing the offence of money laundering or terrorist financing, if he reported an STR and obtained the consent from JFIU before he dealt with the property (statutory defence).

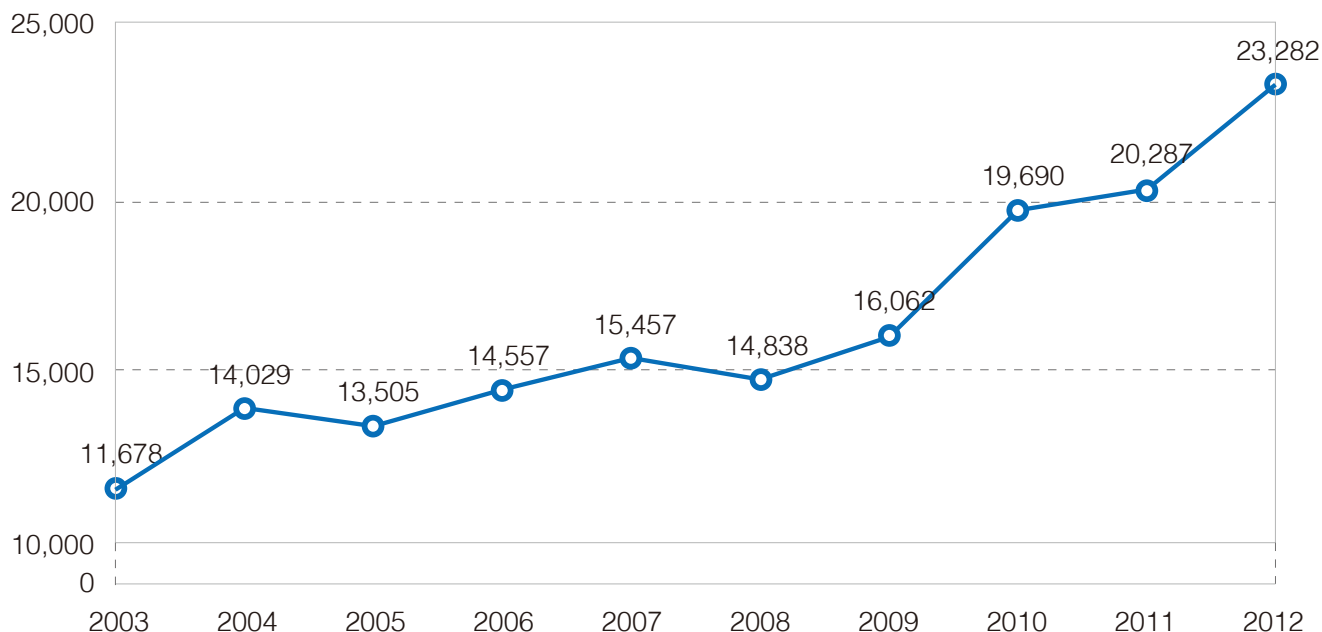
The obligation of filing an STR rests on any person under the above provisions. Nevertheless, the financial institutions (FIs) (e.g. banks, insurance/ securities companies and money service operators (MSO)) are the major reporting entities.

STR Submission Trends

STR Filings per Annum

In the last decade, the annual total number of STRs received by JFIU has been rising steadily as shown in the chart below. The figure in 2012 (23,282) was almost a double of that in 2003 (11,678), while an increase of 14.76% was marked when compared to 20,287 in 2011.

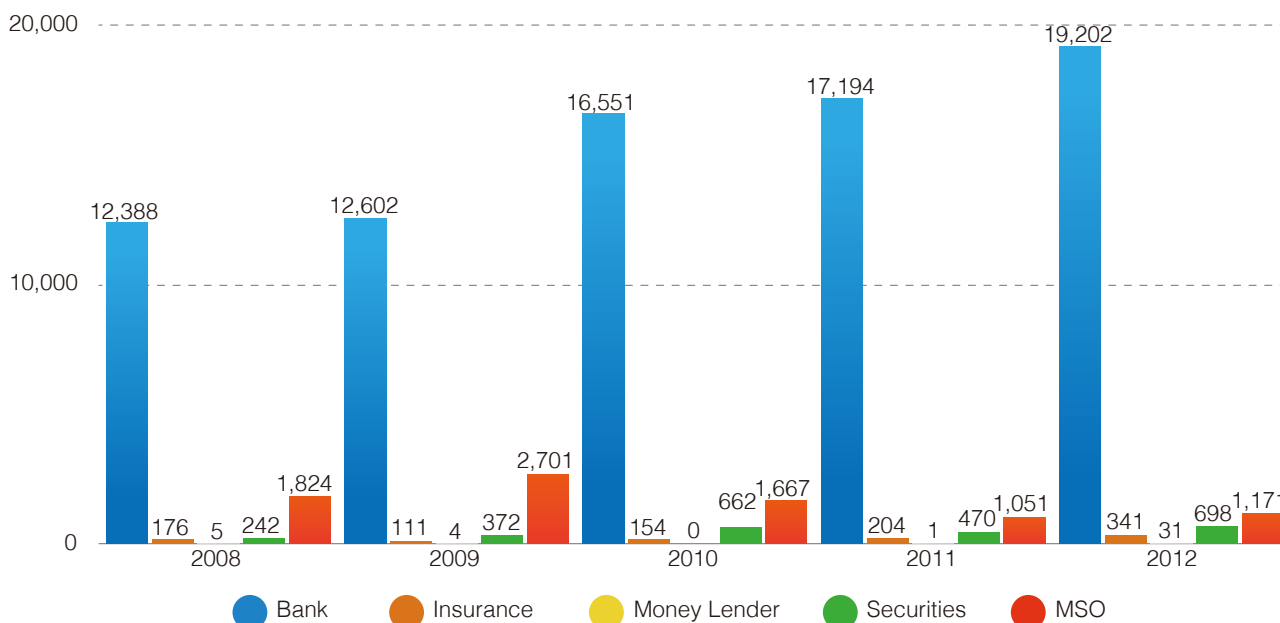
Number of STRs received from 2003 to 2012



STR Filings by Sectors

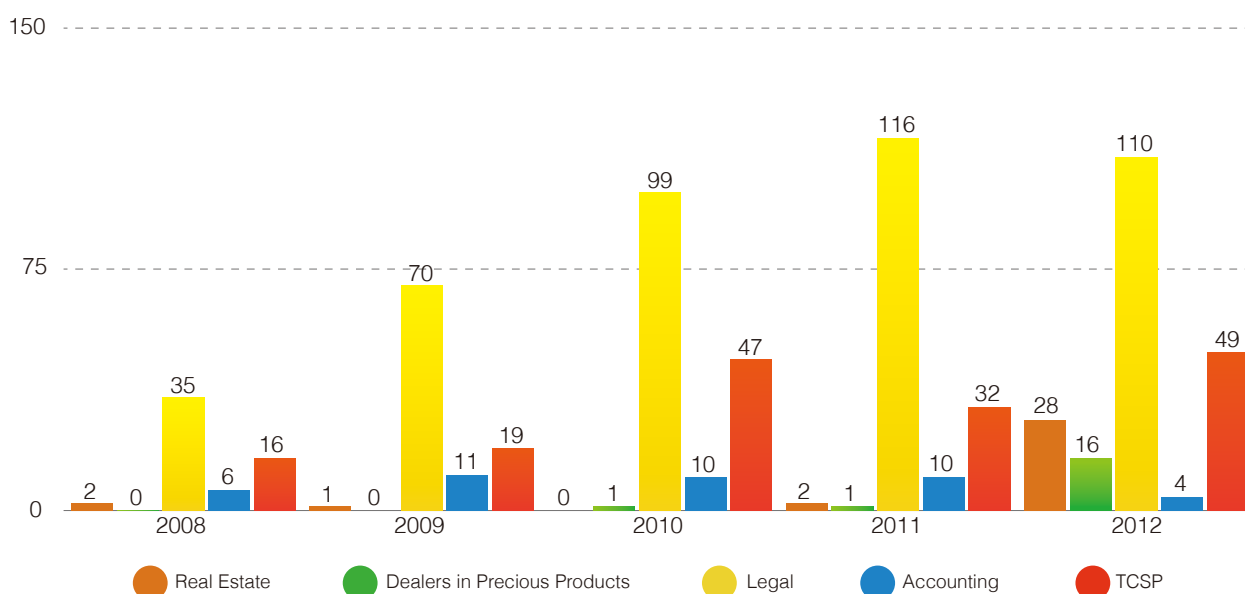
In the past five years, FIs accounted for over 90% of the annual total STR submissions, with banks as the major contributor (82.48%).

Number of STRs Filed by Financial Sector from 2008 to 2012



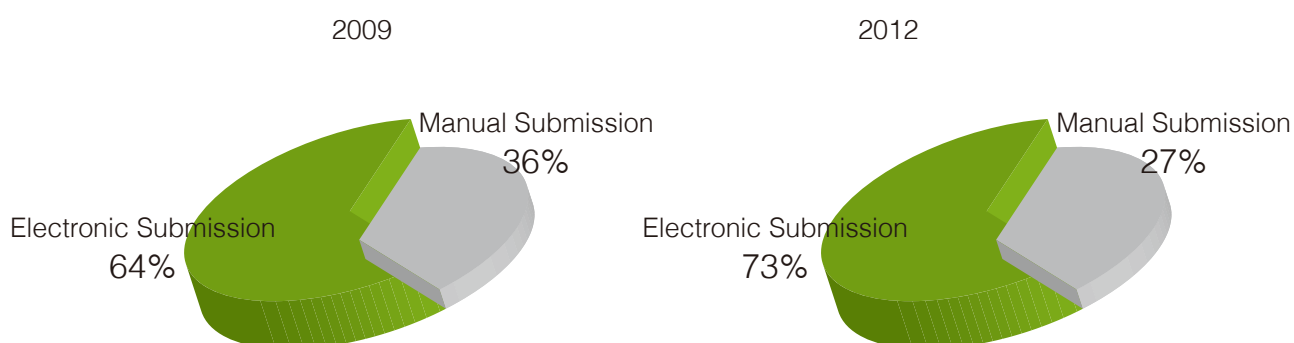
Compared to the STR filings by FIs, the designated non-financial businesses and professions (DNFBPs) filed much fewer STRs in the past five years as shown in the below chart. Although the total number of STRs from the DNFBPs (207) was only less than 1% of the annual total number of STRs received by JFIU in 2012 (23,282), it was 3.5 times of that in 2008 (59).

Number of STRs Filed by DNFBPs from 2008 to 2012



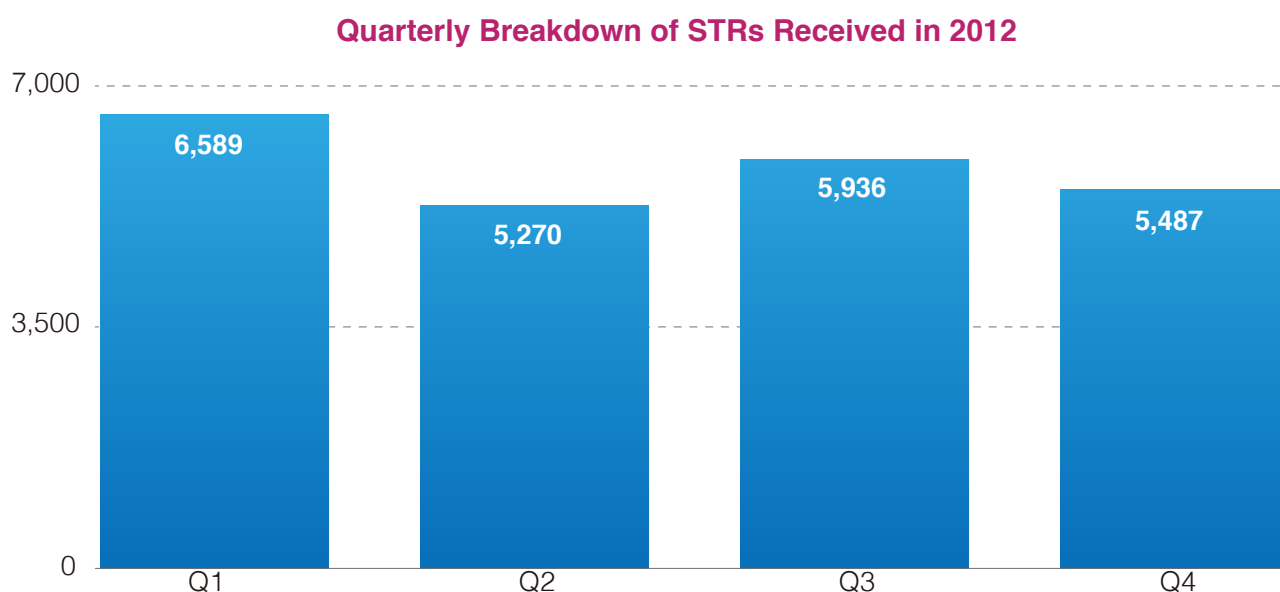
Means of STR Submission

STRs can be submitted via e-reporting system 'STREAMS', email, fax, post and telephone. Electronic means have been preferred by the reporting entities in the past few years, as shown in the below graphs.



Suspicious Transaction Reporting in 2012

In 2012, the number of STRs received, 23,282, has reached a record high since the establishment of JFIU in 1989, and the quarterly breakdown of STRs received was evenly distributed.



Chapter 4

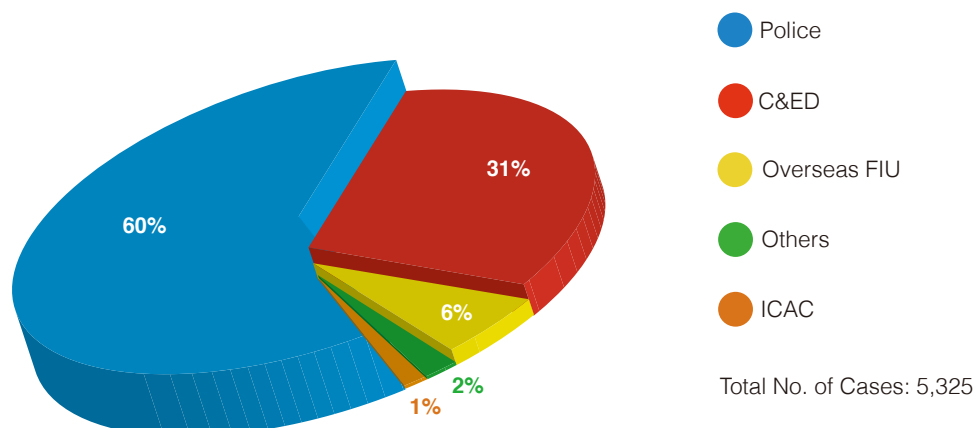
The yearly breakdown by category of reporting entities in 2012 showed that the banking sector remains the main STR contributor accounting for 82.48% (19,202) of the STRs filed, followed by Money Service Operators (MSO).

Sector	No. of STRs received in 2012	%
Financial Institutions		
Banks	19,202	82.48
Insurance Companies	341	1.47
Securities Firms	698	3.00
Money Service Operators (MSO)	1,171	5.03
Money Lenders	31	0.13
DNFBPs		
Real Estate Agents	28	0.12
Dealers in Precious Products	16	0.07
Legal Firms	110	0.47
Accounting Firms	4	0.02
Trust & Company Service Providers (TCSP)	49	0.21
Others	1,632	7.00
Total	23,282	100

Dissemination of STRs in 2012

JFIU contributes to the investigations undertaken by local law enforcement agencies (LEAs) and overseas Financial Intelligence Units (FIUs) through dissemination of financial intelligence obtained from STRs and other intelligence sources. Among the 5,325 cases disseminated by JFIU to LEAs and FIUs in 2012, the top three financial intelligence recipients were HKPF (60%), C&ED (31%) and overseas FIUs (6%).

Dissemination of Financial Intelligence in 2012



STREAMS

Since 2006, JFIU has built and deployed a web-based platform known as the Suspicious Transaction Report and Management System (STREAMS) for receiving, analysing and disseminating STRs. In the past few years, the increasing demand of suspicious transaction reporting and advancement in information technology urged continuous enhancement of STREAMS' performance and capacity to meet the need of intelligence analysis. The next major system enhancement of STREAMS will commence in 2013 and is scheduled for completion by 2015.

Latest Development in STR Filing

The promulgation of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO) since April 2012 has fortified the anti-money laundering system in the banking, securities and insurance industries, and in particular the money service industry. The respective regulators or licensing authority issued guidelines in relation to the identification and reporting of suspicious transactions. The enhanced AML/CFT regime resulted in the higher number and quality of STR submissions in 2012, with its upward trend expected to continue.

How to Submit an STR via STREAMS ?

STRs can be submitted by e-reporting system, STREAMS. The STREAMS External Users Registration Form can be downloaded at www.jfiu.gov.hk.



Chapter 5

Case Examples & Typologies

Working with STR Reporting Entities to Maintain Timely Intelligence Flow

Hong Kong, as an international financial centre, is famous for its open market policy and the free flow of capital. Commonly found in other international cities, money launderers would remit crime proceeds (usually involving large sums of money) through different legal channels, such as the banking system, to conceal its origin. Thus, it is of paramount importance to, in a timely manner, identify and deter the criminals (money launderers) from using the financial systems and intermediaries to disguise and hide from authorities the proceeds of crime.

To this end, as stipulated under the Laws of Hong Kong, any persons who come across any funds or property, which they know or suspect to be proceeds of crime, have to make a suspicious transaction report (STR) to JFIU. Once an STR is received, JFIU conducts analysis and assessment, and the value-added intelligence will be disseminated to local and/ or overseas law enforcement agencies/ regulators, as deemed appropriate.

Partnership with Crime Wing Bureaux of HKPF

JFIU liaises closely with crime wing bureaux in the HKPF such as FI NB and the Commercial Crime Bureau (specialising in investigating transnational fraud). Through this partnership, along with daily efforts in STR analysis, JFIU has been monitoring the latest crime trends in money laundering, and conducting case studies on typical cases deserving the attention of AML stakeholders. The characteristics of two prevailing types of money laundering, namely email scam and money laundering related to illegal gambling activities, are elaborated as follows:

Email Scam (By Change of Bank Account Details of Goods Supplier)

Email Scam is a prevailing crime worldwide committed by cross-border crime syndicates who target genuine trading partners using emails as their major means of communication. The swindlers take advantage of technology and deceive victims in different jurisdictions. The most common modus operandi of email scam comprises elements of hacking, pretence and money laundering.

Hacking and Pretence

Swindlers intrude into the email communications between two business partners. They take advantage of the established email dialogue, pretend to be the goods supplier (by using e-mail address(es) very similar or even identical to the one used by the supplier), and request the buyer

(Victim 1) to pay for the goods by depositing the money into another bank account which is, unbeknown to both the goods supplier and buyer, under the control of the fraudsters.

Money Laundering

To perpetrate email scam, fraudsters prearrange stooges to set up personal / corporate bank accounts in Hong Kong or elsewhere. The accounts are subsequently used to receive fraudulent payment from the victimised buyer.

The scam normally comes to light when the goods suppliers (Victim 2) dunned the buyer (Victim 1) for the outstanding payment. By then the money would have been withdrawn or remitted (mostly via e-banking) to elsewhere in the world.

Situation in Hong Kong

In 2012, about 70% of the bank accounts (stooges) involved in email scam were corporate bank accounts opened in Hong Kong. The account holders were stooges, either local or overseas, who came to Hong Kong to set up shell companies through secretarial firms and corporate bank accounts with e-banking services.

Very often, swindlers hack the email communications between the buyers and suppliers. About 40% of the victims were Hong Kong Small and Medium Enterprises (SMEs).

Case Example – Email Scam

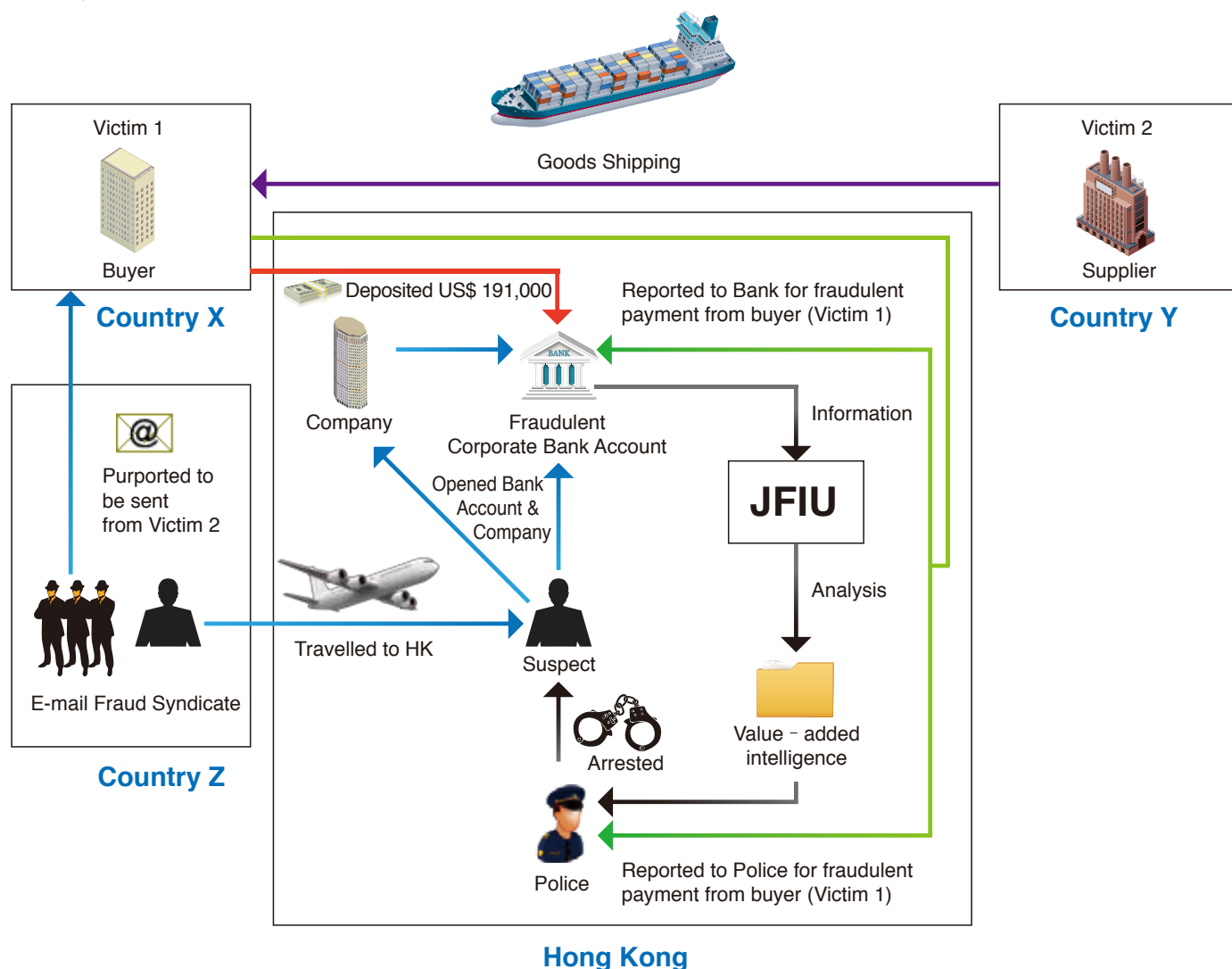
A crime syndicate hired an individual (suspect) in Country Z for GBP 5,000. The suspect was requested to travel to Hong Kong for the purpose of registering a company and opening a corporate bank account. When the suspect arrived Hong Kong, he was received by a person who arranged accommodation and provided him with supporting documents and information (including address, email address and telephone number) for opening a bank account and company registration.

Thereafter, a shell company was registered through a company secretarial service provider and a corporate bank account was opened by the suspect. After the bankcards, passwords and banking devices were issued by the bank, the suspect then left Hong Kong.

A month later, a goods buyer (Victim 1) in Country X fell prey to fraudsters of an email scam. Victim 1 has maintained a regular trading relationship with a supplier (Victim 2) in Country Y for years. However, Victim 1 was not aware that the email (which purported to be the supplier of goods in Country Y) was a fictitious one. Acting on the instruction of that fictitious email, the buyer remitted a sum of US\$191,000 to a new corporate bank account in Hong Kong.

Since no payment was received by Victim 2 after the shipment of goods to Victim 1 as scheduled in the genuine business dealing, Victim 2 made an enquiry with Victim 1. Until then, Victim 1 was aware that the new corporate bank account holder was a stooge. A report was made to the bank as well as HKPF for the fraud.

Upon investigation and enforcement actions by HKPF, the suspect was arrested when he returned to Hong Kong with an attempt to withdraw money from that corporate bank account. The suspect was later charged with money laundering offence and sentenced to 28 months imprisonment.



Money Laundering Related to Illegal Gambling Activities

Case Example – Illegal Gambling Activities

JFIU received intelligence that a bank account in Hong Kong had frequent and massive deposit/withdrawal transactions with a total turnover of about HK\$30 million in six months. The account holder was a female Hong Kong citizen (Suspect 1), and the account activities were incommensurate with her background. Upon JFIU's analysis, suspicious transaction patterns and account counterparties were identified. The value-added intelligence was disseminated to a regional crime unit of HKPF.

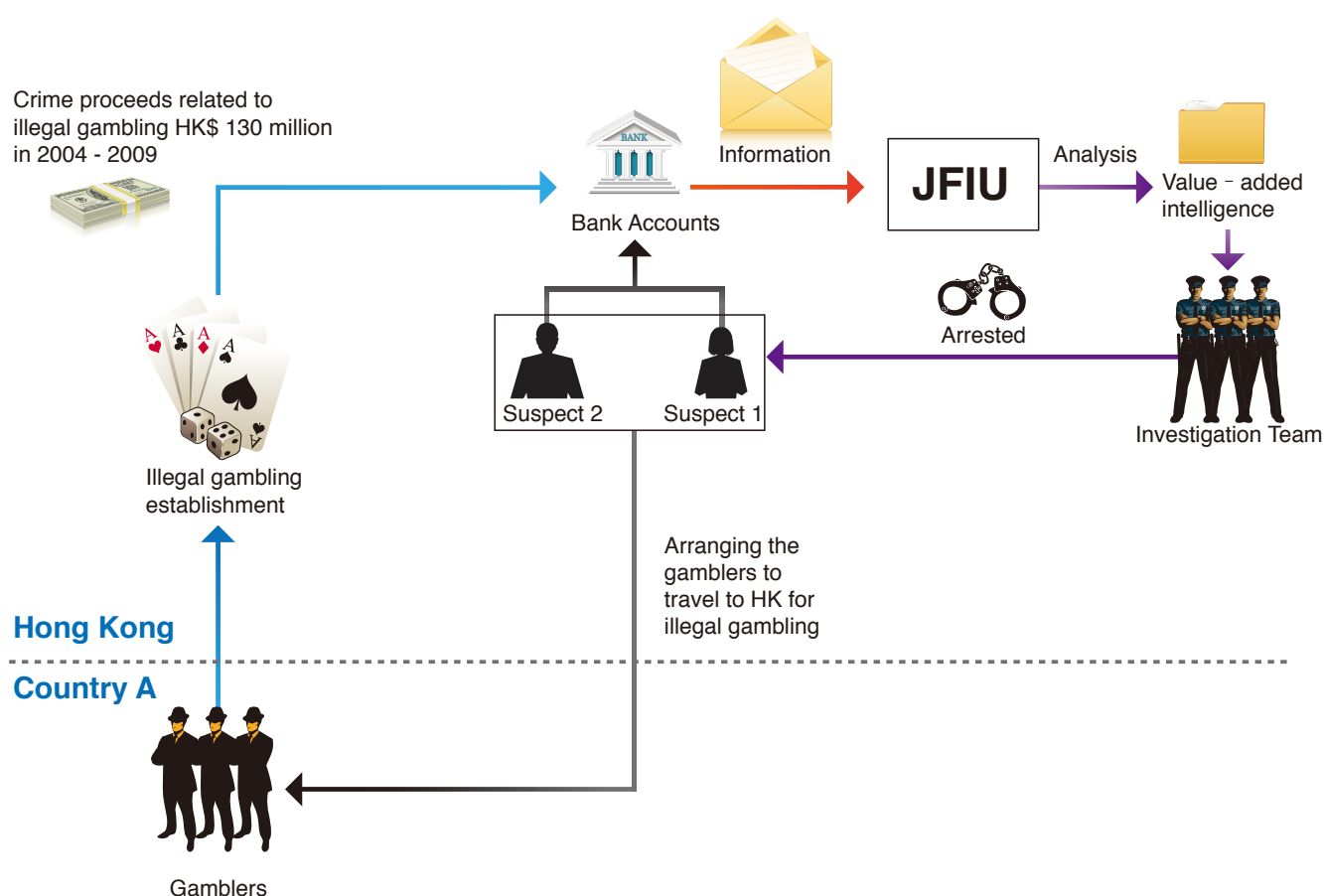
After further investigations, it was found that the female and her husband (Suspect 2) had not paid tax for seven years. Their bank accounts had transactions with sums up to HK\$130 million between 2004 and 2009. Besides, they had two properties in Hong Kong worth more than HK\$10 million. The investigation also revealed that the source of fund mainly stemmed from managing a gambling establishment in Hong Kong and arranging gamblers (mainly from Country A to Hong Kong) to patronise that gambling establishment.

The couple were then arrested for money laundering related offences. Suspect 2 admitted that the source of funds was crime proceeds from operating a gambling establishment since 2006. The gambling activities were mainly Pai Gou and Mahjong. Having received monies from gamblers, he then instructed Suspect 1 to handle the large sum of monies by transferring into different persons' bank accounts in smaller sums so as to launder the crime proceeds.

JFIU Public Website

JFIU's public website (www.jfiu.gov.hk) was updated in 2011 to reflect the demand for more sector-specific typologies and information on AML/CFT subject.

Both Suspects 1 and 2 were formally charged with money laundering offences, and were sentenced to 18 months imprisonment and fined for HK\$300,000 respectively. A total of HK\$5.3 million valued assets were restrained, while the confiscation proceeding is in progress.



Efforts of Financial Investigations Division, Narcotics Bureau (FI NB), Hong Kong Police Force

There are two other examples of financial investigations launched by the FI NB of the HKPF against syndicated criminal activities.

Case Example – Money Laundering Related to Bookmaking

In a joint police operation against a bookmaking syndicate between Country C and Hong Kong, a male was arrested for engaging in bookmaking with more than HK\$270,000 cash and bank passbooks seized at his residence.

Upon investigation by the FI NB, the bank accounts of the male recorded a turnover of HK\$11.8 million in total between 2008 and 2010. The examination of the account activities revealed that a pattern of frequent and large amount of cash deposit and withdrawal transactions took place after the horseracing day. The investigation on the male also failed to identify any legitimate source of income that could generate such huge cash turnover. The accounts appeared to be used as temporary repository of fund and the male was believed to be assisting a bookmaking syndicate to launder the crime proceeds.

In 2012, the male was convicted of three counts of money laundering offences and sentenced to 54 months imprisonment. The seized cash was also forfeited.

Case Example – Money Laundering Related to Managing Vice-establishment

The FI NB and an investigation team of the HKPF conducted parallel investigation against a vice syndicate. The syndicate controlled several premises, which were used as vice establishments. Between 2010 and 2011, more than 60 sex workers were arrested in the vice establishments controlled by the syndicate.

Financial investigation revealed that the syndicate was headed by a male and a female. The couple either jointly owned or rented the premises that were used as vice establishments. They visited the premises regularly to collect proceeds and engage in housekeeping work. The couple and the companies under their control maintained a total of 19 bank accounts. Between 2004 and 2011, the accounts recorded a turnover of HK\$17.7 million. The analysis on the accounts activities showed that most of the transactions were cash transactions of about HK\$3,000 each time. Repeated cash deposit transactions were often detected in a single day. Besides, the couple had no legitimate source of income to support the frequent cash deposits to their accounts that was commensurate with the high account turnover. The couple were unable to provide reasonable explanation to their finance.

In 2012, the couple were convicted of the offences of money laundering and managing a vice establishment, and sentenced to 54 months imprisonment. About HK\$17 million of crime proceeds have been restrained pending confiscation proceeding.

Efforts of the Financial Investigation Group, Customs and Excise Department

Aiming to enhance the enforcement capability and effectiveness against syndicate crimes through better coordination of financial and criminal investigation, the Customs and Excise

Department (C&ED) set up a new formation, namely the Syndicate Crimes Investigation Bureau (SCIB) in January 2013 by merging the former Special Task Force and the Financial Investigation Group (FIG) of Customs Drug Investigation Bureau.

The FIG is headed by a Superintendent and comprises two Divisions, each commanded by an Assistant Superintendent. The Divisions specialize in the following areas: (i) crimes proceeds investigation, (ii) international financial investigation, and (iii) financial intelligence and support.

The recent case of smuggling of marked oil is of interest to the AML partners and stakeholders.

Case Example – Smuggling of Marked Oil

Marked oil, also known as 'industrial diesel oil', is light diesel oil to which a marker and a colouring substance have been added to distinguish it from ordinary light diesel oil. Being free from duty, it is only intended for industrial use, such as in restaurants, dyeing factories and construction sites, or as fuel for fishing vessels. It is not permitted to be used as fuel in road vehicles and pleasure vessels.

Since 2009, C&ED had mounted a joint investigation with the Customs Authority of Country M into a smuggling syndicate, which was suspected of smuggling over 500,000 tons of marked oil by fishing vessels to Country M and laundering crime proceeds up to \$2.6 billion over the past three years.

In a joint operation between C&ED and the Customs Authority of Country M in 2010, C&ED arrested 19 persons, including the masterminds of the syndicate. After thorough investigation, C&ED prosecuted five persons in August 2010. It was the first time that C&ED invoked the Organized and Serious Crimes Ordinance (OSCO) to freeze HK\$240 million worth suspected crime proceeds derived from marked oil smuggling activities.

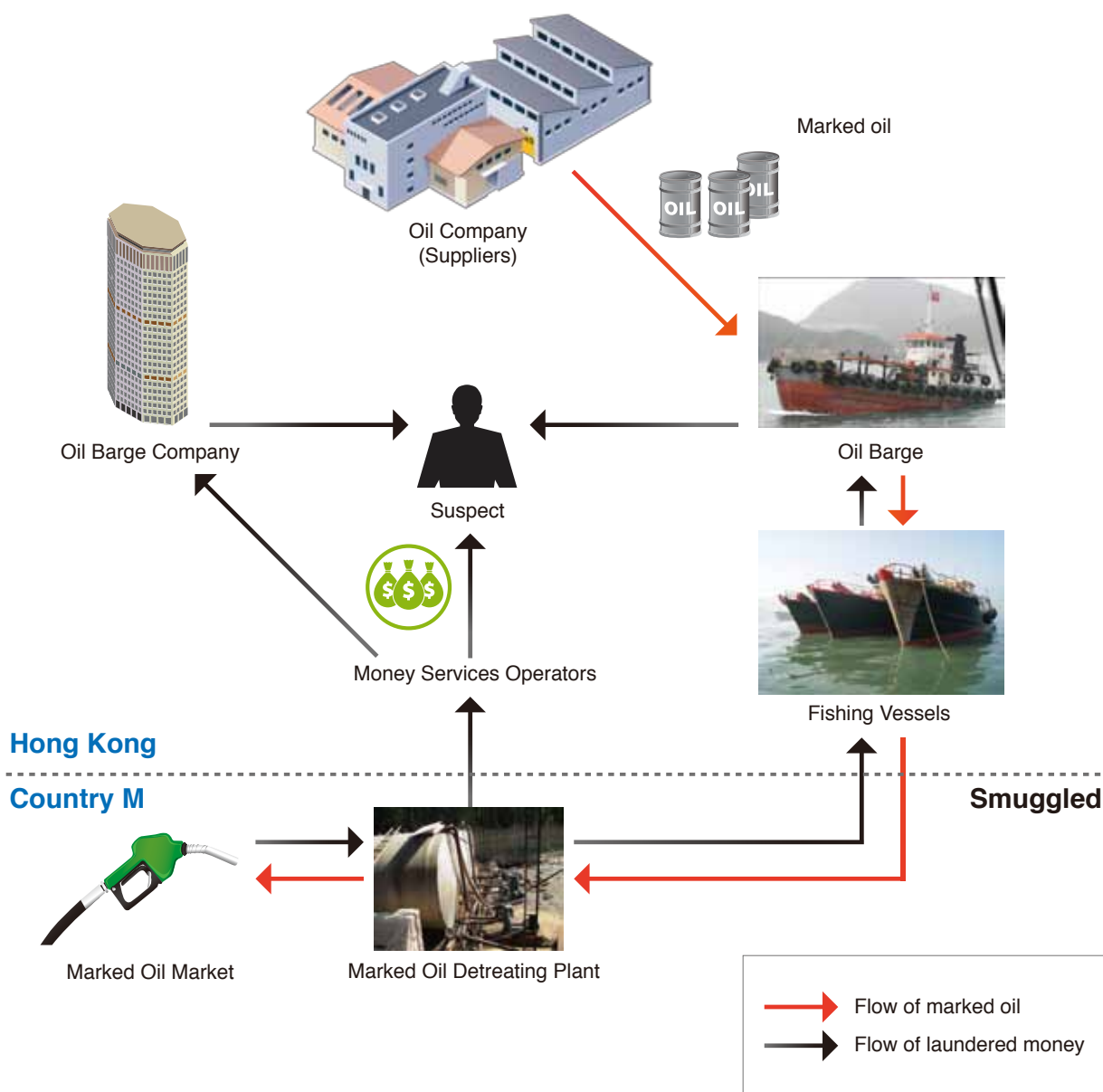
During the investigation, C&ED identified four witnesses of Country M having information regarding the detailed operations of smuggling, which was crucial to the prosecution. In order to obtain such evidence, C&ED solicited assistance of the legal authorities of Hong Kong and Country M for the first time.

From May to September 2012, with the co-ordination of the Customs Authority of Country M, C&ED, together with the Hong Kong Court Judge and the prosecution and defence counsels, attended an evidence-taking hearing at the Court in Country M in three phases. Testimonies were obtained from the four witnesses from Country M and were later ruled admissible as evidence in the Court of Hong Kong.

Chapter 5

The case was tried at the court of Hong Kong from August to November 2012. The five defendants were convicted of one count of conspiracy to export unmanifested cargo and six counts of money laundering charges, and sentenced to 4 to 6 years' imprisonment respectively. C&ED would apply for confiscation of a total of about HK\$240 million worth crime proceeds owned by the five offenders.

The case affirmed the effectiveness of the enforcement co-operation between C&ED and the Customs Authority of Country M. It also set an example for future bilateral co-operation.



Chapter 6

International Cooperation and Representation

Hong Kong has been a member of the Financial Action Task Force (FATF) and the Asia Pacific Group on Money Laundering (APG) since 1991 and 1997 respectively. JFIU has also joined the Egmont Group of Financial Intelligence Units (Egmont Group) as a member since 1996.

Over the past years, JFIU saw the importance of engaging with international partners in the course of discharging its functions as a Financial Intelligence Unit (FIU).

From July 2012 till 2014, Mr Bernard Law, Deputy Head of JFIU, represents Hong Kong to share the co-chairmanship of the APG Implementation Issues Working Group (IIWG) with New Zealand. He is currently leading an IIWG project to identify the obstacles to investigating, prosecuting and sanctioning the money laundering offence and to propose the way forward.

JFIU also contributed to sharing experience and expertise with APG/Egmont Group members. Mr Law acted as the facilitator and one of the panellists at the APG Capacity Building and Typologies Workshop held in Hanoi, Vietnam in 2012.

The participation of JFIU officers in these international events showed our commitment to fostering cooperation with our counterparts for the exchange of financial intelligence and sharing experience.



Mr Ma Ping-yiu, Former Head of JFIU (Left) and Mr Bernard Law, Deputy Head of JFIU attended the APG Plenary 2012 in Australia.

Information Exchange

Owing to the transnational nature of money laundering activities, a close and effective international cooperation is required to effectively trace the ill-gotten gains and identify the background of the criminals. JFIU treasures the information exchanged with overseas partners as there have been growing importance and value of financial intelligence exchange in money laundering investigations. In 2012, both the figures of request from overseas FIUs and request made by JFIU for exchange of information increased, marking the more frequent cooperation and mutual support among the FIUs through the Egmont Group network.



JFIU and the Polish FIU entered into the Memorandum of Understanding on the Cooperation and Exchange of Financial Intelligence Related to Money Laundering and the Financing of Terrorism at the Egmont Plenary at St. Petersburg, Russia in July 2012.

International Visitors

As with other FIUs worldwide, JFIU treasures strategic international affiliation, which is crucial to long-term organizational development. JFIU is committed to establish and strengthen the relations with our international partners, and delegations from overseas FIUs and law enforcement agencies are welcomed. In 2012, the officials from Australia, Botswana, France, Japan, Macao, Malaysia, UK and USA visited JFIU. Such direct meetings offered opportunities for dialogue for the visiting FIUs and JFIU to have mutual understanding on the situation, practices and challenges that different anti-money laundering units are encountering.



Head of Macao GIF visited JFIU in November 2012.



Regional Cooperation

JFIU maintains close relations with our regional partners. In May 2012, the Head of JFIU and Head of FI NB of HKPF co-chaired the first Australia-Macao-Hong Kong Anti-Money Laundering Seminar with the representative of Australian Federal Police (AFP), during which the latest trends and typologies of money laundering cases in the Region were discussed. The seminar was attended and well received by officers from the AFP, the Macao Judiciary Police, the Macao Financial Intelligence Office 'Gabinete de Informação Financeira (GIF)' and the HKPF.

JFIU has regular meetings with the neighbouring jurisdictions, in particular the China Anti-Money Laundering Monitoring & Analysis Centre (CAMLMAC) and the GIF, to discuss the latest trends relevant to their jurisdictions. JFIU and the Macao authorities had bilateral exchange on experiences in a variety of areas. JFIU officers shared the money laundering investigations skills and typologies with Macao's law enforcement agencies and the Macao Gaming Inspection and Coordination Bureau.

The first Australia-Macao-Hong Kong Anti-Money Laundering Seminar was held in Hong Kong Police Headquarters in May 2012.



A JFIU officer participated in the Egmont Strategic Intelligence Analysis Course in 2012.



Chapter 7

Training and Outreach

JFIU is dedicated to arrange in-house financial investigation training and coordinate publicity outreach to the financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs). The training and seminars are to equip the police officers with knowledge and skills in money laundering investigations and increase the private sectors' awareness of their roles in Hong Kong's anti-money laundering and combating the financing of terrorism (AML/CFT) regime.

JFIU also offers specialist training to global partners through two international financial investigation courses. One is conducted in English for AML partners across continents, while the other is conducted in Chinese for strategic partners within the Greater China Region. The more frequent liaison and closer cooperation with worldwide AML partners have further enhanced Hong Kong's strategic role as a financial gateway to the Mainland China, as well as a global financial, trade and logistics centre.



The International Financial Investigation Course (English Class) was held in Hong Kong Police Headquarters in November 2012.

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Participants of International Financial Investigation Course enjoyed their visit to the Hong Kong Monetary Authority, and discussion with fellows during practical exercise on money laundering investigation.



Held annually since 1989, these courses have been well received by many local and overseas officers who are eager to develop AML awareness and network with strategic partners. In 2012, a total of 44 overseas participants from 10 different jurisdictions participated in these courses and the theme of which was money laundering and the gaming industry.



Upon the completion of the International Financial Investigation Course, participants were awarded a certificate, and established valuable network.



Chapter 7

As an integral part of the Hong Kong Police Force's strategy to enhance AML capacity, JFIU runs four financial investigation courses every year, specifically for police investigators working in Police Headquarters Units and Regional / District Crime Units. JFIU trained 192 police officers during the year.



The new session of strategic and tactical analysis has been added to the in-house Financial Investigation Courses since December 2012.



Participants enjoyed discussion during practical exercise.

Financial Investigation Training Attendance

From 1991 to 2012, a total of 475 overseas delegates from 27 different jurisdictions, 143 local delegates and 1,331 HKPF members attended the Financial Investigation Courses.

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JFIU recognises that the best way to effectively combat money laundering and the terrorist financing is capacity building in those sectors more prone to such criminal activities. Working in partnership with the Financial Services and Treasury Bureau (FSTB) and the Narcotics Division (ND), Security Bureau (SB) of the Hong Kong Special Administrative Region Government (HKSARG), JFIU regularly provides seminars together with other stakeholders such as the Hong Kong Monetary Authority, the Hong Kong Institute of Certified Public Accountants, the CPA Australia and the Estate Agents Authority.

JFIU co-hosted or the officers joined as guest speakers in 30 seminars over the year to continue raising awareness, enhancing knowledge and skills, discussing matters of common interest in respect of combating money laundering and terrorist financing.

JFIU participated in a well-attended outreach seminar at Hong Kong Art Centre.



Mr Cyril Mak, Former Deputy Head of JFIU shared his AML expertise at an anti-money laundering seminar in 2012.



JFIU's Participation in Outreach Seminars

Between 2011 and 2012, JFIU co-organized or took part in 57 AML/CFT seminars in Hong Kong.



Chapter 8

Conclusion and Outlook

Challenges are always ahead of Financial Intelligence Units (FIUs) around the world and JFIU is no exception. The two main challenges are the record-high number of suspicious transaction reports (STRs) year-over-year, and the preparation for the fourth round of Mutual Evaluations (ME) to be taken place in January 2016.

First, JFIU will conduct a comprehensive review to further improve the management of STR workflow and seek additional resources especially manpower with a view to heightening the effectiveness of analysis and dissemination of STRs along with the continuous improvement in STRs' quantity.

Second, JFIU will assist the Hong Kong Police Force (HKPF) to align with the Financial Action Task Force (FATF)'s latest standards, such as conducting 'strategic intelligence analysis' and adopting 'proactive parallel financial investigation', which are all made to meet the new FATF's requirements. Also, JFIU will work closely with the 'Money Laundering and Terrorist Financing Risk Assessment Task Force', which is a newly established team in the HKPF to contribute to the territory-wide risk assessment programme of Hong Kong.

Taking into account the latest Follow-up Report to the ME Report of Hong Kong published in October 2012 and the revised FATF standards, JFIU officers will uphold the faith to set goals and roadmap to drive initiatives and enhance the effectiveness of our AML/ CFT regime. JFIU's determination in fighting against money laundering and terrorist financing will once again be proven by the progress in the years ahead.





Chapter 9

Glossary

Abbreviations 簡稱	English Full Name	中文名稱
AFP ^	Australian Federal Police	澳洲聯邦警察
AML	Anti-Money Laundering	打擊清洗黑錢
AMLO #	Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance	《打擊洗錢及恐怖分子資金籌集(金融機構)條例》
APG* 「亞太反洗錢組織」	Asia Pacific Group on Money Laundering	亞洲／太平洋反清洗黑錢組織
CAMLMAC ^	China Anti-Money Laundering Monitoring & Analysis Centre	中國反洗錢監測分析中心
CCB ~	Commercial Crime Bureau	商業罪案調查科
CDD	Customer Due Diligence	客戶盡職審查
CFT	Combating the Financing of Terrorism	反恐融資
C&ED ~	Customs and Excise Department	香港海關
DNFBPs	Designated Non-Financial Businesses and Professions	指定的非金融企業及行業
DTROP #	Drug Trafficking (Recovery of Proceeds) Ordinance	《販毒(追討得益)條例》
Egmont Group*	The Egmont Group of Financial Intelligence Units	埃格蒙特組織
FATF* 「特別組織」	Financial Action Task Force	打擊清洗黑錢財務行動特別組織
FIs	Financial Institutions	金融機構
FI NB ~	Financial Investigations Division, Narcotics Bureau	毒品調查科財富調查組
FIG, C&ED ~	Financial Investigation Group, Customs and Excise Department	香港海關財富調查課
FIU	Financial Intelligence Unit	財富情報單位

ICAC ~	Independent Commission Against Corruption	廉政公署
FSTB ~	Financial Services and Treasury Bureau	財經事務及庫務局
GIF ^	Gabinete de Informação Financeira (Macao Financial Intelligence Office)	澳門金融情報辦公室
HKPF ~	Hong Kong Police Force	香港警務處
HKSARG ~	The Government of the Hong Kong Special Administrative Region	香港特別行政區政府
IIWG	APG Implementation Issues Working Group	亞太反洗錢組織執行課題工作小組
JFIU ~	Joint Financial Intelligence Unit	聯合財富情報組
KYC	Know Your Customer	認識你的客戶
LEA	Law Enforcement Agency	執法機關
ME	Mutual Evaluations	相互評核
MSO	Money Service Operators	金錢服務經營者
ND, SB ~	Narcotics Division, Security Bureau	保安局禁毒處
OSCO #	Organized and Serious Crimes Ordinance	《有組織及嚴重罪行條例》
SCIB ~	Syndicate Crimes Investigation Bureau	香港海關有組織罪案調查科
STR	Suspicious Transaction Report	可疑交易報告
STREAMS	Suspicious Transaction Report and Management System	可疑交易報告管理系統
TCSP	Trust and Company Service Providers	信託及公司服務供應商
UNATMO #	United Nations (Anti-Terrorism Measures) Ordinance	《聯合國(反恐怖主義措施)條例》

Remarks

* - International Organization
^ - Overseas counterparts/ partners

~ - Local units
- Local Legislation

備註

* - 海外組織
^ - 海外對口單位／伙伴
~ - 本地機關
- 本地法例