



Local enforcement against money laundering

Figure 1 — Number of suspicious transaction reports

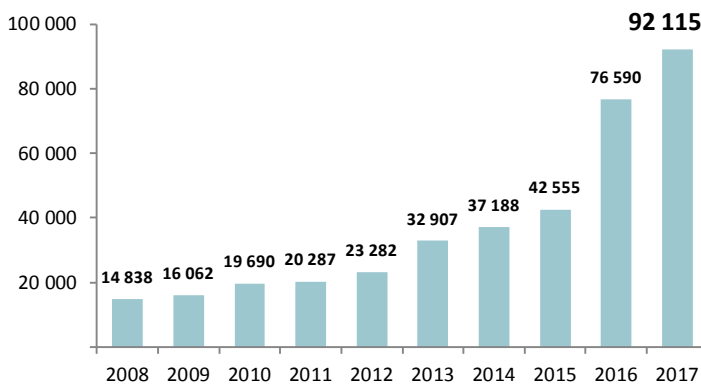


Figure 2 — Distribution of STRs by sector

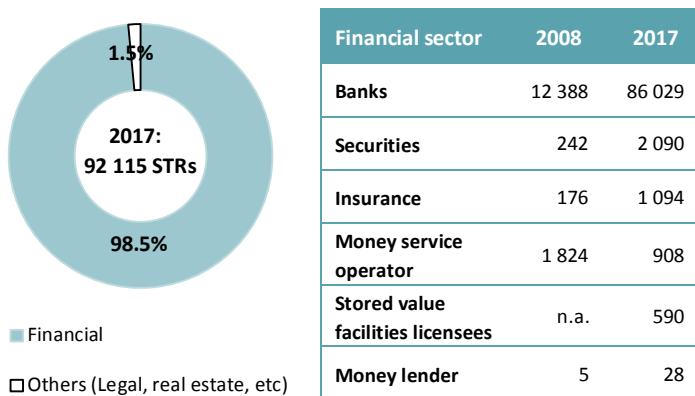
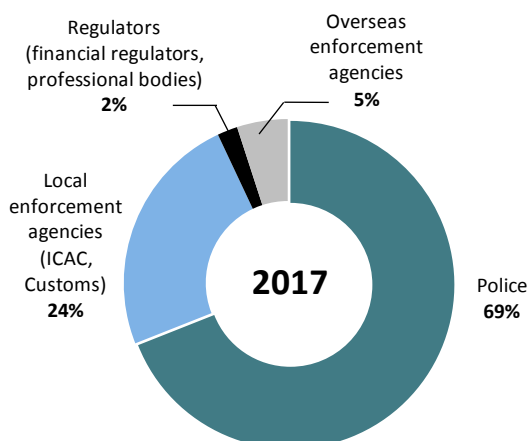


Figure 3 — Dissemination of intelligence on STRs in 2017*



Note: (*) As at 31 October 2017.

Highlights

- Local enforcement agencies have been taking active efforts to combat money laundering arising from various criminal activities (e.g. drug trafficking, organized crime and terrorist financing), as free capital movement in and out of Hong Kong makes the city more susceptible to money laundering risks.
- At present, local people who knows or suspects any property or financial transaction that represents proceeds of crime or terrorist activity is obliged by law to report such suspicious transaction reports ("STRs") to the Joint Financial Intelligence Unit operated by both the Police and Customs. Over the past decade, while the number of STRs has surged by 521% to 92 115 cases in 2017, there was a pronounced growth of 80% in 2016 alone (**Figure 1**).
- Analysed by sector, an overwhelming majority of STRs were filed by the financial sector, accounting for 98.5% of the overall cases. Within the financial sector, not only did banks make up the bulk (93.4% of all reports) of all STRs, they were also the main driver of the significant growth of STRs over the past decade. For the other sectors (e.g. legal and real estate), they took up 1.5% of STRs in 2017 (**Figure 2**).
- The Joint Financial Intelligence Unit is tasked to analyse and disseminate intelligence on STRs to local and overseas law enforcement agencies for follow-up action. As at October 2017, 95% of STRs were disseminated to local agencies, mostly to the Police (69%), and the Independent Commission against Corruption and Customs (24%) for further investigations. Meanwhile, 5% of STRs information was shared with overseas agencies (**Figure 3**).

Local enforcement against money laundering (cont'd)

Figure 4 — Number of money laundering investigations, prosecution and conviction

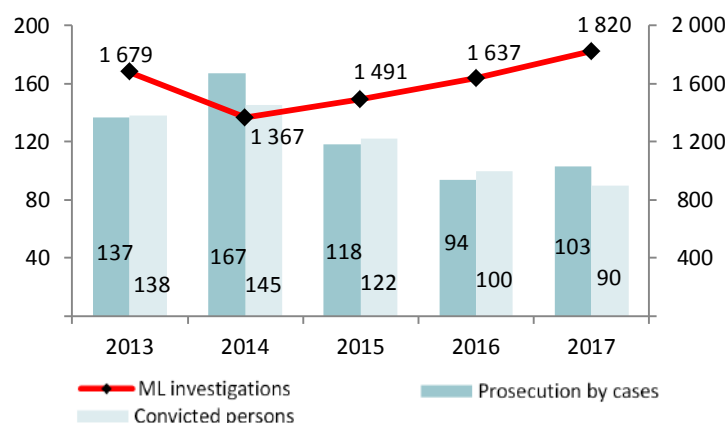


Figure 5 — Predicate offences related to money laundering

Predicate offences	Number	%
Fraud & forgery	1 290	79.6%
Drug related	75	4.6%
Robbery burglary & theft	60	3.7%
Loan-shark	55	3.4%
Gambling	44	2.7%
Corruption	18	1.1%
Tax crime	13	0.8%
Vice	6	0.4%
Organized crime group	5	0.3%
Human smuggling	2	0.1%
Others	53	3.3%

Figure 6 — Value of restrained or confiscated assets

	Number of restraint orders applied	Value of proceeds restrained (HK\$ million)	Number of confiscation orders applied	Value of proceeds confiscated (HK\$ million)
2013	43	1 346	34	704
2014	49	1 091	47	318
2015	28	354	23	139
2016	29	303	12	134
2017	31	67	28	336

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Highlights

- On average, local law enforcement agencies conducted investigation into about 1 600 money laundering cases each year during 2013-2017, upon referral of intelligence from the Joint Financial Intelligence Unit. These probes led to an average of 124 prosecutions cases each year during the same period. During 2013-2017, the number of prosecution cases and convicted persons have dropped noticeably by 25% and 35% respectively (**Figure 4**). To a certain extent, this drop could be attributable in part to increasing complexity of money laundering in recent years, such as the use of multiple accounts overseas by different persons and companies.
- According to a dedicated government analysis, out of 1 908 selected money laundering cases during 2011-2015, a total of 1 621 predicate offences were identified. Within this total, fraud and forgery (80%) were the most common type of offences, followed by drug-related offences (5%) and robbery, burglary and theft offences (4%) (**Figure 5**). According to the same analysis, 58% of these offences originated from outside Hong Kong, with the United States and the Mainland as the major sources.
- The Government can seek restraint order from the court to freeze assets of people charged with money laundering. Over the past five years, the number of such orders have declined by 28%, while the amount of frozen assets have shrunk by 95% to just HK\$67 million in 2017. Upon conviction, the frozen assets may be confiscated. The confiscated amount has fallen by 52% in four years to HK\$336 million in 2017, as some proceeds were returned to crime victims through civil proceedings (**Figure 6**).

Data sources: Latest figures from Joint Financial Intelligence Unit and Hong Kong's Money Laundering and Terrorist Financing Risk Assessment Report.

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