

**Bills Committee on  
Anti-Money Laundering and Counter-Terrorist Financing  
(Financial Institutions) Bill**

**Information on Overseas and Local Money Laundering Cases**

This note provides information on overseas and local cases involving money laundering activities and explains how the proposed legislation would contribute to preventing/combating these activities.

2. The preventive measures (including customer due diligence and record-keeping) to be implemented by financial institutions as set out in the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Bill are intended to-

- (a) make it more difficult for criminals to make use of the financial system for money laundering and terrorist financing activities; and
- (b) preserve an audit trail and relevant transaction records and documents to facilitate subsequent law enforcement agencies' investigation into money laundering or other criminal activities if necessary.

3. A number of selected local and overseas cases involving money laundering activities are set out in the **Annex**. In those cases, the customer due diligence requirements, including the requirement to obtain information on the purpose and the intended nature of the business relationship, information on the beneficial owners etc. when opening an account and the requirement to conduct ongoing monitoring of business relationship are instrumental to the detection of suspicious activities by financial institutions, which leads to reports being made to the relevant authorities for further investigation. The transaction records kept by financial institutions can also facilitate law enforcement agencies' follow-up and be used as evidence in legal proceedings.

## **Selected Cases Involving Money Laundering Activities**

### Case 1

A law enforcement agency received suspicious transaction reports on a series of corporate accounts that recorded substantial u-turn fund movements from Europe. Upon investigation by the law enforcement agency, the suspicious fund flow relates to a transnational organized crime group engaged in the deceit of various governments within the European Union of value added tax payable for carbon dioxide emission credit trading. Based on the information kept by the financial institution pursuant to the record-keeping requirement which relates to the fund flow and the account holders, the law enforcement agency was able to work with the corresponding overseas agencies to mount joint enforcement operations against the group, which led to the restraint of substantial crime proceeds in various jurisdictions and arrest of 17 criminals.

### Case 2

A law enforcement agency received a suspicious transaction report from a financial institution in respect of the account of its customer Mr. X, which recorded a series of credit and debit transactions involving substantial amount of cash and transfer deposits, which were not in line with the financial institution's knowledge and information on the customer profile gathered during the customer due diligence process. Account and transaction analysis by the law enforcement agency led to detection of Mr. X's involvement in illegal bookmaking activities. Betting slips in excess of HK\$13 million were subsequently uncovered in Mr. X's premises. Computerized betting records of HK\$11 million were also found. Mr. X was subsequently convicted of bookmaking and money laundering offences.

### Case 3

This case involved the laundering of proceed from insider trading. Investigation was initiated pursuant to a report from a bank that a significant purchase of shares of a listed company was carried out through the bank account of Mrs. Y. Noting from its ongoing

monitoring of the account that Mrs. Y did not usually perform securities transactions, the bank made a report to the relevant authority on the basis that these substantial securities transactions were not in line with the bank's knowledge of the usual transaction pattern of Mrs. Y's account. Subsequent investigation revealed that Mrs. Y's husband possessed insider information on a listed company and used Mrs. Y's account over which he had power of attorney to conduct the relevant transactions for profit. Mr. Y was subsequently prosecuted and convicted.