

Newsletter of *GIF* of *SPU*



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Suspicious Transaction Reports Statistics (2024)

Number of STRs	2024	2023
From Financial Institutions and Insurance Companies	1,097 (20.9%)	887 (19.2%)
From Games of Fortune Operators	3,837 (73.2%)	3,431 (74.4%)
From Other Institutions	311 (5.9%)	296 (6.4%)
Total	5,245	4,614

- The total number of STRs received by the Financial Intelligence Office of the Unitary Police Service (*GIF* of *SPU*) in 2024 was 5,245, which had increased by 13.7% as compared with 2023. The increase mainly came from the financial sector.
- STRs received from the financial sector and gaming sector constituted 20.9% and 73.2% of total respectively, whereas those received from other institutions constituted 5.9%.
- During 2024, *GIF* of *SPU* disseminated 142 STRs to the Public Prosecutions Office.

The 2nd “Outstanding STR Case Award”

GIF has marked its 7th year of successful “Public-Private Partnership” implementation, fostering a stable relationship with the banking sector. On 25 November 2024, *GIF* hosted its 12th “Joint Meeting on Prevention and Suppression of Financial Crimes” to strengthen the effectiveness on preventing and combating crimes of money laundering and terrorist financing (“AML/CFT”) in Macao. During the meeting, representatives of *GIF* presented data on suspicious transaction reports in Macao, comprehensively analyzed recent typologies and trends of suspicious transactions in the financial sector, and discussed the latest international standards for AML/CFT. Through experience sharing and information exchange, *GIF* aimed to enhance the vigilance of banking sector against risks of financial crime and deepen their understanding of prevention and combat measures thereof.

Meanwhile, the ceremony for the 2nd “Outstanding STR Case Award” was simultaneously held to recognize exceptional STR cases. Various banks actively contributed STR cases this time, leading to keen competition. **The winner of the “Best STR Case” award this year was Hang Seng Bank Limited, Macau Branch, while Bank of China (Macao) Limited and Industrial and Commercial Bank of China (Macao) Limited jointly shared the “Outstanding STR Case”**

award. *GIF* extended warm invitations to the representatives of awarded banks to present their identification and analysis processes, preventive measures taken, typologies and insights gained from the STR cases. Through the above ceremony, *GIF* anticipated to motivate reporting entities and practitioners to improve the quality of suspicious transaction reporting and reinforce internal control measures of the banking sector against money laundering and terrorist financing. Hence, a strengthened protective network will be developed through the partnership between the public and private sectors.

The productive meeting and recognition ceremony provided a platform for in-depth discussions among participants regarding compliance practices and evolving global trends of money laundering. Participating institutions unanimously agreed the importance of public-private collaboration, in achieving effective monitoring of different types of financial transactions by regulatory authorities and financial institutions, and attaining the mutual goal of preventing and combating financial crimes. Participants of the meeting comprised *GIF* representatives, led by Director, Chu Un I and Deputy Director, Fong Iun Kei, alongside approximately 40 banking sector representatives, including compliance officers and staff from all banks.



The award-winning institutions of the 2nd “Outstanding STR Case Award” Ceremony



The Best STR Case

Winner: Hang Seng Bank Limited, Macau Branch

Case Study

Company A opened bank account in Macao and claimed that it was for investment purpose. Several incoming funds were identified as suspicious as they were received from 3 unusual counterparties in overseas countries. The business of these counterparties involved offensive tools manufacturing. Further enquiry was raised for the purpose of transactions. Company A claimed that the incoming funds were rental income from leasing properties / machineries to those counterparties. Supporting documents such as the lease agreement were requested by the bank for due diligence purpose. However, Company A was non-cooperative and failed to provide the requested documents without legitimate reason. After declining the request from the bank, Company A transferred most of the funds to the Ultimate Beneficial Owner's personal account in another bank.

Red Flags

- The source of overseas incoming funds was highly suspicious, which involved high-risk industry.
- Company A declined bank's request to provide the requested documents to obscure the purpose of the transaction.
- Company A did not explain the reason why the rental income was transferred to the bank in Macao directly instead of sending to their overseas bank account.
- Company A subsequently transferred most of the funds to another bank after continuous inquiry by the bank.



“Best STR Case” award – Hang Seng Bank Limited, Macau Branch



The Excellent STR Case

Winner: Bank of China (Macau) Limited

Case Study

The bank discovered several abnormal transactions involving 2 new customers Mr. A and Mr. B. Both were non-local residents and their bank accounts were opened through intelligent kiosks, claiming for the purpose of insurance premium payment. Shortly after account opening, Mr. A received HKD 1.40 million from different third parties, then he made 6 wire transfers totaling HKD 1.15 million to Mr. Z's overseas bank account; Mr. B also received multiple transfers from different parties shortly after the account opened, and remitted the funds to 3 overseas personal bank accounts, including HKD 2.20 million to Mr. Z's account.

Since Mr. A and Mr. B opened accounts at the same branch within one week, and their transaction pattern was similar to those identified in previous fraud cases, the bank suspected that the transactions might involve fraud syndicate. The bank then initiated review on customers that had the same pattern in account opening during the same month. After review, 3 additional new customers (Mr. C, D, and E) were identified to have close connections to Mr. A and Mr. B:

1. There were fund transfers between Mr. A, Mr. C and Mr. D, some transfers were in small amounts and suspected for testing purposes.
2. Mr. C had similar transaction patterns with Mr. A and Mr. B; after account opening, Mr. C received funds totaling HKD 280K from multiple parties and then remitted to Mr. Y's overseas bank account.
3. Mr. E and Mr. B opened bank accounts for the purpose of insurance premium payments on the same day at the same branch. Both of them registered the same corresponding address and work unit.
4. All 5 customers were from the same overseas region.

Red Flags

- All of the 5 new customers claimed that the purpose to open bank accounts was for insurance premium payments. While they were able to provide the original copy of the insurance policy, no outflow of funds to the insurance company was identified from their account activities. The account opening purpose incommensurates with these customers' account transactions.
- According to the transaction history of Mr. A, Mr. B and Mr. C's bank accounts, it was noted the inflow and outflow of funds in similar amounts with low account balances, some of the funds were remitted to the same overseas personal account. The transactions showed rapid inflows and outflows, along with characteristics of fund splitting.
- The 5 individuals approached the same branch for account opening within a short period of time. All 5 individuals were from the same region, some of them shared identical corresponding address, or engaged in mutual transfers. Their transaction patterns resembled those seen in previous fraud cases, these 5 customers were suspected to be involved in fraud syndicate.





The Excellent STR Case

Winner: Industrial and Commercial Bank of China (Macau) Limited

Case Study

The bank discovered that a merchant, engaged in the auto parts and accessories business, had abnormal and multiple transactions within a few hours. Most of the transactions involved mobile banking payments using overseas credit cards with a significant number of unsuccessful transactions. It was suspected that the merchant obtained credit card data through illegal means to bind to mobile banking payment systems, in order to conduct fraudulent transactions. Therefore, these credit cards might involve application fraud, theft, and illegal card skimming.



Red Flags

- The abnormal increase in transaction volume was obviously not in line with industry level: the merchant had small transaction volumes in the past, but there were over a hundred transactions on the same day. Besides, the selling price of goods differed significantly with the market price.
- Non-cooperation with due diligence: The merchant was not willing to provide extra documents/records for further investigation.
- Consecutive multiple unsuccessful transactions: There were more than 100 consecutive unsuccessful transactions within a few hours and the merchant could not provide reasonable explanations.
- Binding multiple overseas bank cards to mobile banking payment system: Transactions might involve criminal syndicate obtaining credit card information through illegal activities and binding mobile banking payment systems in order to conduct fraudulent transactions.



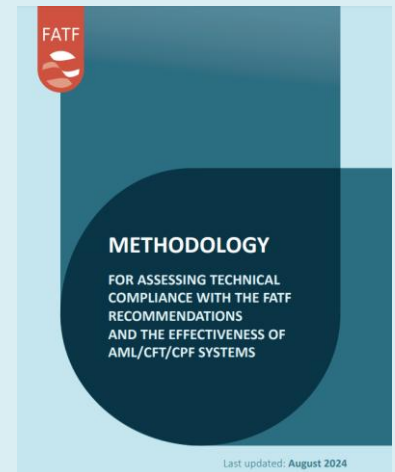
“Outstanding STR Case” award – Bank of China (Macau) Limited and Industrial and Commercial Bank of China (Macau) Limited

International Trend – Changes to AML/CFT Standards

Changes to Assessment Methodology

The key changes to the 40 Recommendations and 11 Immediate Outcomes of the FATF assessment methodology have been grouped as below:

1. Proliferation Financing Risk Assessment and Coordination **(released in previous newsletter)**
2. Virtual Assets and Virtual Asset Service Providers, Supervision and Preventive Measures **(released in previous newsletter)**
3. Transparency and Beneficial Ownership of Legal Persons and Legal Arrangements **(released in previous newsletter)**
4. **Asset Recovery and International Cooperation**
5. **Non-Profit Organizations**



Asset Recovery and International Cooperation (Changes to Technical Compliance Recommendations 4, 30, 31, 38 and 40, Immediate Outcomes 2 and 8)

Changes to Recommendation 4 (Confiscation and Provisional Measures)

- ◆ Jurisdictions should have policies and operational frameworks that **prioritize asset recovery in both the domestic and international context**.
- ◆ Jurisdictions should **periodically review their asset recovery regime** to ensure its ongoing effectiveness and provide sufficient resources to effectively pursue asset recovery.
- ◆ Consistent with Recommendation 2, jurisdictions should ensure the necessary **domestic cooperation and coordination frameworks and agency structures** to enable effective use of provisional and confiscation measures.
- ◆ Jurisdictions should enable the FIU or other competent authority to take **immediate action, directly or indirectly, to withhold consent to or suspend a transaction** suspected of being related to ML, predicate offences, or TF.
- ◆ Jurisdictions should enable competent authorities to **freeze and seize criminal property and property of corresponding value without a court order**, with such action reviewable through judicial proceedings within a period of time.
- ◆ Jurisdictions should have measures, including legislative measures, to enable the **confiscation of criminal property without requiring a criminal conviction (non-conviction based confiscation)** in relation to a case involving ML, predicate offences or TF, **to the extent that such a requirement is consistent with fundamental principles of domestic law**.
- ◆ To the extent that such a requirement is consistent with fundamental principles of domestic law, jurisdictions should have measures, including legislative measures, to **enable confiscation to be extended to other property of a person convicted of ML, predicate offences, or TF** where the court is satisfied that such property is derived from criminal conduct.
- ◆ Jurisdictions should enable their **competent authorities and tax authorities to cooperate** and, where appropriate, coordinate and share information domestically with a view to enhancing asset recovery efforts and supporting the identification of criminal property.

Changes to Recommendations 30, 31 (Responsibilities and Powers of Law Enforcement and Investigative Authorities)

- ◆ Minor amendments harmonizing language e.g. “criminal property,” “property of corresponding value” for Recommendation 30.
- ◆ Competent authorities should have timely access to a wide range of information, particularly to support the identification and tracing of criminal property and property of corresponding value for Recommendation 31.

Changes to Recommendation 38 (Mutual Legal Assistance: Freezing and Confiscation)

- ◆ Jurisdictions should have measures to take expeditious action in the widest possible range of circumstances in response to requests for cooperation by foreign jurisdictions seeking assistance to identify, trace, evaluate, investigate, freeze, seize and confiscate criminal property and property of corresponding value. This should include recognizing and enforcing orders made on the basis of conviction and non-conviction based confiscation proceedings.
- ◆ In recognizing and enforcing foreign freezing, seizing or confiscation orders, **requested jurisdictions should be able to rely on the findings of fact in the foreign order.** Enforcement should not be made conditional on conducting a domestic investigation.
- ◆ Where the requested jurisdiction requires a court order to provide assistance due to domestic law, requesting jurisdictions should ensure that their courts have authority to issue freezing, seizing and confiscation orders for property located abroad or, mechanisms for domestic judicial review and validation of orders to be submitted for enforcement.
- ◆ Jurisdictions should have measures to enable informal communication with other jurisdictions in asset recovery cases, including facilitating assistance before a request is made and updating jurisdictions, as appropriate, on the status of their requests.
- ◆ Jurisdictions should have in place the widest possible range of treaties, arrangements, or other mechanisms to enhance co-operation in asset recovery.



Changes to Recommendation 40 (Other Forms of International Cooperation)

- ◆ Jurisdictions should ensure that the FIU or other competent authority is able to take immediate action, directly or indirectly, to **withhold consent to or suspend a transaction suspected of being related to ML, predicate offences, or TF**, in response to a relevant request from a foreign counterpart. If the authorities responsible for the suspension power differ in character in the requesting and requested jurisdictions, the FIU should be able to send to and receive from counterparts' requests for assistance to allow indirect diagonal cooperation (with non-counterparts).
- ◆ Law enforcement authorities should be able to exchange domestically available information for intelligence or investigative purposes and cooperate with foreign counterparts to identify and trace criminal property and property of corresponding value, and in support of the freezing, seizing, and confiscation of such property through the formal mutual legal assistance process.
- ◆ Law enforcement authorities should be able to spontaneously share relevant information regarding criminal property and property of corresponding value with foreign counterparts without a prior request, in appropriate cases.
- ◆ Jurisdictions should take part in multilateral networks to better facilitate rapid and constructive international cooperation in asset recovery. Jurisdictions should apply for membership in a relevant Asset Recovery Inter-agency Network (ARIN) or other body supporting international cooperation in asset recovery.

Changes to Immediate Outcome 2 (International Cooperation)

The assessed jurisdiction has to demonstrate its efforts on international cooperation, especially those changes as shown in Recommendations 38 and 40 in the previous paragraphs, in addition, the followings have been added for this Immediate Outcome **with a greater focus on international cooperation in asset recovery**:

- ◆ To what extent the jurisdiction has sought or provided mutual legal assistance and extradition in an appropriate and timely manner, e.g. to request evidence or to locate and extradite criminals in relation to ML, associated predicate offences and TF; or to facilitate asset recovery, including foreign enforcement of freezing, seizing and confiscation orders.
- ◆ To what extent the different competent authorities use other forms of international cooperation to seek information or assistance from other foreign authorities for asset recovery. This should include all relevant types of information (such as criminal records, and other information on the identify of a suspect; financial intelligence; and basic or beneficial ownership information), and covers information and assistance from relevant competent authorities (such as supervisors, FIUs, law enforcement agencies, authorities with responsibility for asset recovery or asset management, customs and tax authorities).

Changes to Immediate Outcome 8 (Asset Recovery)

The assessed jurisdiction has to demonstrate its efforts on asset recovery, especially those changes as shown in Recommendations 4, 30 and 31 in the previous paragraphs, in addition, the followings have been added for this Immediate Outcome:

- ◆ How well the authorities are managing frozen or seized property to preserve its value including through pre-confiscation sale or disposal, where appropriate.
- ◆ To what extent the jurisdiction returns confiscated property to victims through restitution, compensation or other measures.
- ◆ How well the jurisdiction's declaration or disclosure system is identifying and seizing non-declared or falsely-declared cross border movements of currency and bearer negotiable instruments.
- ◆ To what extent the system is leading to the confiscation of currency or bearer negotiable instruments related to ML/TF or predicate offences.

Non-Profit Organizations (Changes to Technical Compliance Recommendation 8, Immediate Outcome 10)

Changes to Recommendation 8 (Non-Profit Organizations)

NPOs play a vital role in global economies and social systems. Their efforts complement the activities of the public and business sectors in providing essential services, comfort and hope to those in need around the world. Jurisdictions should be mindful of the potential impact of measures on legitimate NPO activities. Any measures that are not proportionate to the assessed TF risks, and thus impeding their ability to operate, are not in line with Recommendation 8. NPOs are not reporting entities and should not be required to conduct customer due diligence. In light this, the following requirements are added:

- ◆ Jurisdictions should identify which subset of organizations fall within the FATF definition of NPO.
- ◆ Jurisdictions should conduct a risk assessment of these NPOs to identify the nature of TF risks posed to them.
- ◆ Jurisdictions should have in place focused, proportionate and risk-based measures to address the TF risks identified, in line with the risk-based approach.

Changes to Immediate Outcome 10 (TF preventive measures and financial sanctions)

- ◆ To what extent, without unduly disrupting or discouraging legitimate NPO activities, the jurisdiction has applied focused, proportionate and risk-based mitigation measures to only those organizations which fall within the FATF definition of NPOs, in line with identified TF risk.

The Asia/Pacific Group on Money Laundering (APG) will finish its third round mutual evaluation in 2025. The new APG's fourth round mutual evaluation will commence adopting the above changes in methodology.



Reference: *FATF Recommendations and Methodology*
(<https://www.fatf-gafi.org/en/publications/Mutualevaluations/Fatf-methodology.html>)

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