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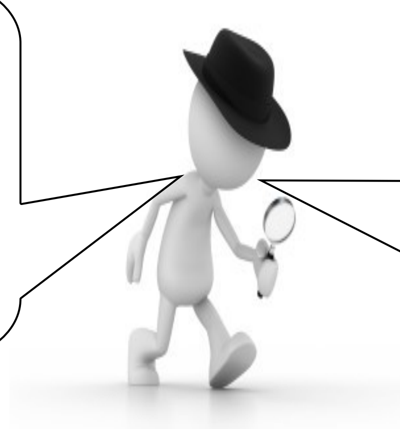
INDICATORS TO IDENTIFY SUSPICIOUS TRANSACTION

A **suspicious transaction** will often be one which is inconsistent with a customer's known legitimate business or activities or with the normal business for that type of account. It follows that an important pre-condition of recognition of a suspicious transaction is for the regulated business to know enough about the customer's business activities to recognise that a transaction, or a series of transactions, is unusual.



Indicators can be defined as warnings identified based on known methods of operation or a deviation from a typical profile of a customer or operation that may lead one to believe that a customer or business may be engaged in money laundering or terrorist financing.

Importance of Identifying Suspicious Transactions

* In order to combat money laundering and prevent the financing of terrorism, it is necessary that suspicious transactions are properly identified. Implementing an effective systemic approach to identify suspicion may safeguard you and your institution, business or profession from the risk of being involved with money laundering and terrorist financing crimes.

* In addition, the identification of suspicious transactions is one of the important activities necessary to produce quality suspicious reports.

The following four **SAFE** steps aid in the identification of suspicious transactions:

Screen – Screen the customer or account for indicators of suspicious activities.

Ask – Ask the customer appropriate questions.

Find – Find and review the customers' records.

Evaluate – Evaluate all of the above and determine if the transaction is suspicious.

Key Suspicious Transactions Indicators Classified by Sector:

Banking/Deposit-Taking

* A customer who is reluctant to provide usual or customary information or who provides only minimal, false or misleading information;
* A customer who provides information which is difficult or expensive for the bank to verify;
* A customer who opens an account with a significant cash balance;
* The business in which the customer is engaged would normally be conducted not in cash or in such amounts of cash, but by cheques, bankers drafts, letter of credit, bills of exchange, or other instruments;
* Such a deposit appears to be credited to an account only for the purpose of supporting the customer's order for a banker's draft, money transfer or other negotiable or readily marketable money instrument;
* Deposits are received by other banks and the bank is aware of a regular consolidation of funds from such accounts prior to a request for onward transmission of funds;
* The avoidance by the customer or its representatives of direct contact with the bank;
* The use of nominee accounts, trustee accounts or client accounts which appear to be unnecessary for or inconsistent with the type of business carried on by the underlying customer/ beneficiary;
* The use of numerous accounts for no clear commercial reason where fewer would suffice (so serving to disguise the scale of the total cash deposits);
* The use by the customer of numerous individuals (particularly persons whose names do not appear on the mandate for the account) to make deposits;
* Frequent insubstantial cash deposits which taken together are substantial;
* Frequent switches of funds between accounts in different names or in different jurisdictions;
* Matching of payments out with credits paid in by cash on the same or previous day;
* Substantial cash withdrawal from a previously dormant or inactive account;
* Substantial cash withdrawal from an account which has just received an unexpected large credit from overseas;
* Making use of third party (e.g. a profession firm or a trust company) to deposit cash or negotiable instruments, particularly if these are promptly transferred between client and/or trust accounts;
* He declines to provide information which normally would make him eligible for valuable credit or other banking services; and
* He makes insufficient use of normal banking facilities, such as higher interest rate facilities for larger credit balances.

Fiduciary Services

* A request for or the discovery of an unnecessarily complicated trust or corporate structure involving several different jurisdictions;
* Payments or settlements to or from an administered entity which are of a size or source which had not been expected;
* An administered entity entering into transactions which have little or no obvious purpose or which are unrelated to the anticipated objects;
* Transactions involving cash or bearer instruments outside a recognized clearing system, in settlement for an account or otherwise;
* The establishment of an administered entity with no obvious purpose;
* Sales invoices values exceeding the known or expected values of goods and services;
* Sales or purchases at inflated or undervalued prices;
* A large number of bank accounts or other financial services products all receiving small payments which in total amount to a significant sum;
* Large payments of third party cheques endorsed in favour of the customers;
* The use of nominees other than in the normal course of fiduciary business;
* Excessive use of wide-ranging Powers of Attorney;
* Unwillingness to disclose the source of funds (e.g. sale of property, inheritance, business income etc.);
* The use of post office boxes for no obvious advantage or of no obvious necessity;
* Tardiness or failure to complete verification;
* Administered entities continually making substantial losses;
* Unnecessarily complex group structure;
* Unexplained subsidiaries;
* Frequent turnover of shareholders, directors, trustees, or underlying beneficial owners;
* The use of several currencies for no apparent purpose; and
* Arrangements established with the apparent object of fiscal evasion.

Insurance

* Application for business from a potential client in a distant place where comparable service could be provided "closer to home";
* Application for business outside the insurer's normal pattern of business;
* Introduction by an agent/ intermediary in an unregulated or loosely regulated jurisdiction or where criminal activity is prevalent;
* Any want of information or delay in the provision of information to enable verification to be completed;
* Any transaction involving an undisclosed party;
* Early termination of a product, especially at a loss caused by front-end loading, or where cash was tendered and/or the refund cheque is to a third party;
* A transfer of the benefit of a product to an apparently unrelated third party;
* Use of bearer securities outside a recognized clearing system in settlement of an account or otherwise;
* Insurance premiums higher than market levels;
* Large, unusual or unverifiable insurance claims;
* Unverified reinsurance premiums;
* Overpayment of premium;
* Large introductory commissions; and
* Insurance policies for unusual / unlikely exposures.

Money Services Businesses

* Customer is known to be involved in, or indicated his involvement in criminal activities;
* Customer does not want correspondence sent to home address;
* Customer uses same address but frequently changes the names involved;
* Customer is accompanied by others and watched;
* Customer shows uncommon interest in your internal systems, controls and policies;
* Customer appears to have only a vague knowledge of the amount of the transaction;
* Customer goes to unnecessary lengths to justify the transaction;
* Customer presents information/ details which are confusing;
* The transaction is suspicious but the customer seems to be blind to the fact that he might be involved in money laundering or terrorist financing;
* Customer provides a telephone contact which either does not exist or ha been disconnected;
* Customer insists that the transaction be done quickly;
* Customer attempts to develop a close relationship with staff;
* Customer uses different names and addresses;
* Customers attempts to bribe or offer unusual favours to provide services which are suspicious or unusual;
* Customer tries to convince staff not to complete any documentation normally required for the transaction;
* Customer provided doubtful, vague or seemingly false or forged documentation or information;
* Customer refuses to provide personal identification or refuses to present originals;
* Identification documents appear new or have recent issue dates;
* Customer's supporting documents lack important details; and
* Customer starts making frequent large cash transactions when this has not been the case in the past.

Legislation:

- *Financial Services (Implementation of Industry Standards) Regulation (FSR), No. 51 of 2011.*
- *Anti-Terrorism (Prevention of Terrorist Financing) Regulations (ATR), No. 47 of 2011.*
- *Anti-Money Laundering Regulations (AMLR), No. 46 of 2011.*