

## **Annex: Red Flags for Suspicious Money Laundering or Terrorism Financing Transactions**

Drafted by the Insurance Agency Association in the 7<sup>th</sup>-term first interim Board of Directors and Supervisors Meeting on August 24, 2017

Approved by the FSC Insurance Bureau per letter No. Jin-Guan-Bao-Zong-Zi-10610958850 dated November 13, 2017

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Amendment approved by the FSC Insurance Bureau per letter No. Jin-Guan-Bao-Zong-Zi-10610961240 dated January 4, 2018

Amendment approved by the FSC Insurance Bureau per letter No. Jin-Guan-Bao-Zong-Zi-10704163000 dated July 27, 2018

### **1. Before Transaction – Customer Identity Information**

- (1) The customer uses forged or altered identification document.
- (2) The customer is suspected of purchasing insurance using a fake name, a figurehead, a fictitious business or entity .
- (3) Documents provided by the customer are suspicious or unclear, or the customer refuses to provide other supporting documents, or the documents provided cannot be authenticated.

### **2. Unusual Transaction Activity / Unusual Customer Behaviors**

- (1) The customer used to purchase low-premium insurance and pay premiums by making regular payments but suddenly likes to purchase insurance that requires a large lump-sum premium payment, for which no reasonable explanations are provided.
- (2) The customer purchases an insurance product without concern for the coverage or benefits, or the customer only cares about the procedures for policy loan, cancellation of insurance policy or changing beneficiary when purchasing an insurance policy with high cash value or requiring high lump-sum premium payment.
- (3) The customer usually pays premium by making regular payments but suddenly requests to purchase a large-sum policy by paying off premium all at once.
- (4) The customer purchases insurance products with high cash value successively over a short period of time and the insurances purchased do not appear to be commensurate with the customer's status and income or are unrelated to the nature of the customer's business.

### **3. Unusual Transaction Activity – Cross-border Transactions**

- (1) The transaction payment is remitted from a country or jurisdiction known to have inadequate AML/CFT regimes, or other countries or jurisdictions that do not or insufficiently comply with the recommendations of international organizations on AML/CFT as forwarded by the Financial Supervisory Commission and the transaction does not appear to be commensurate with the customer's status and income or is unrelated to the nature of the customer's business.
- (2) After paying a large premium (including cross-border premium payment) for an insurance policy, the customer applies to terminate the policy in a short period of time, for which no reasonable explanations are provided.
- (3) An account is operated in the name of an offshore company or an offshore account held by a foreign legal person or individual is operated by a domestic enterprise, with regular movement of funds that accumulatively reaches a specific amount within a certain period
- (4) Related parties of a transaction are terrorists or terrorist groups designated by foreign governments as forwarded by the Financial Supervisory Commission, or terrorist groups identified or investigated by an international organization; or the fund for a transaction seems to, or is reasonably suspected to, have a connection with terrorism activities, groups, or terrorism financing.
- (5) The customer is referred by a foreign agent company or other companies and those companies are established in a high-risk country or jurisdiction published by an international anti-money laundering organization as forwarded by the Financial Supervisory Commission or in a country known for corruption, drug manufacturing or drug trafficking.

### **4. Unusual Transaction Activity – Large-sum Transactions**

- (1) The customer pays premiums in cash and in several payments marginally below the threshold for declaration but cannot reasonably explain the sources of funds, and the transactions do not appear to be commensurate with the customer's status and income or are unrelated to the nature of the customer's business.
- (2) The customer, after making a large premium payment for a policy purchased, applies for large policy loan or cancels the policy in a short period of time, for which no reasonable explanations are provided.

## **5. Unusual Transaction Activity – Customer Identify Information**

- (1) An individual implicated in an extraordinary or major case reported in the media such as television, newspaper, magazine or the Internet intend to purchase an insurance product with cash value and the transaction shows signs of money laundering.
- (2) The customer has a situation provided in the “Template of Directions Governing Anti-Money Laundering and Combating the Financing of Terrorism of Insurance Agent Companies (Including Banks Operating Concurrently Insurance Agency Business” or other situations under which the required procedure for identity verification cannot be completed.

## **6. Other Transactions**

Other transactions that fit the descriptions of money laundering red flags and determined as unusual activities following the company’s internal procedures and rules.