

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

Approved by the Financial Supervisory Commission, with Letter

Chin-Kuan-Yin-Fa-Tze 10610003210 dated June 28, 2017

## **1. Products / Services – Deposit, Withdrawal, or Remittance**

- (1) The aggregation of cash deposited into an account, or the aggregation of cash withdrawn from an account, reaches a specific amount within a certain period.
- (2) The aggregation of cash deposited into a customer's accounts, or the aggregation of cash withdrawn from a customer's accounts, reaches a specific amount within a certain period.
- (3) The aggregation of cash deposited by a customer, or the aggregation of cash withdrawn by a customer, with the amount of each transaction slightly below the currency reporting threshold, reaches a specific amount within a certain period.
- (4) A customer's account suddenly has deposits that accumulatively reach a specific amount (e.g. by depositing multiple promissory notes or checks into the account.)
- (5) An inactive account suddenly has deposits that accumulatively reach a specific amount and are transferred rapidly.
- (6) Immediately after a customer opens an account, payments that accumulatively reach a specific amount are deposited or remitted into the account and transferred rapidly.
- (7) Payments are intensively deposited into an account and transferred rapidly to the extent that the total amount or number of payments reaches a specific level.
- (8) A customer frequently transfers funds that accumulatively reach a specific amount between multiple customer accounts.
- (9) A customer frequently processes transactions in the form of cash withdrawal but such transactions have an effect of money transfer.
- (10) Each of a customer's deposit is followed immediately by a withdrawal with similar amount, and such transactions accumulatively reach a specific

amount.

- (11) A customer frequently deposits or withdraws cash on behalf of other person, or an account is frequently deposited or withdrawn cash by a third party, to the extent that such transactions accumulatively reach a specific amount.
- (12) A customer uses cash that accumulatively reaches a specific amount at a time to make multiple remittances or apply negotiable instruments (e.g. cashier's checks, due-from-bank checks and drafts), negotiable certificates of deposit, traveler's checks, beneficiary certificates, or other securities.
- (13) A customer purchases or sells foreign exchange, foreign currency cash, traveler's checks, foreign currency drafts, or other bearer's financial instruments that accumulatively reach a specific amount.
- (14) A customer frequently exchanges small-denomination notes for those of large-denomination, or vice versa.
- (15) The funds remitted from or to high ML/TF risk jurisdictions accumulatively reach a specific amount. The high ML/TF risk jurisdictions described in the Template include but are not limited to the jurisdictions, published by international anti-money laundering organizations and notified by Financial Supervisory Commission, that have serious deficiencies in AML/CFT, and other jurisdictions that fail to comply with or completely comply with the recommendations of such organizations.

## 2. Products / Services – Credit

- (1) A customer suddenly repays loans that accumulatively reach a specific amount but fails to reasonably explain the source of funds.
- (2) A customer uses large amount of cash, cash equivalents, high-value goods, or real estates, etc., or funds, assets or credits provided by unrelated third-parties as collaterals or guarantees to apply loans.
- (3) Default on loans secured by cash, cash equivalents, or assets that can be easily converted into cash with the intention of having bank dispose such collaterals.

## 3. Products / Services – Offshore Banking Unit

- (1) Within a certain period, multiple domestic residents receive remittance from an offshore account, and the transfer and settlement of funds are operated by one or a small number of persons.

- (2) 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.
- (3) A customer builds up large balances in an account and frequently transfers funds that accumulatively reach a specific amount to the customer's offshore account(s).
- (4) A customer frequently deposits traveler's checks and foreign currency drafts that are issued overseas.
- (5) Within a certain period, a customer frequently purchases large amounts of offshore structured products, which are inconsistent with the customer's needs.

#### 4. Products / Services – Trade Finance

- (1) Discrepancies appear between the description of the commodity on the bill of lading and payment order or invoice, such as inconsistency in the product amount or type.
- (2) Significant discrepancies appear between the pricing or the value of the product or service reported on the invoice and its fair market value (undervalued or overvalued).
- (3) The method of payment appears inconsistent with the risk characteristics of the transaction, for example, the use of an advance payment for a new supplier in a high-risk jurisdiction.
- (4) A transaction involves the use of letters of credits that are amended, extended, or change payment location frequently or significantly without a reasonable explanation.
- (5) Using letters of credit, negotiable instruments or other means that are issued overseas without trade basis to obtain financing.
- (6) Commodities shipped are inconsistent with the customer's industry or operations, or unrelated to the customer's business nature.
- (7) Customers involved in high-risk suspicious ML/TF activities, including importing/exporting goods that are subject to embargo or restrictions (e.g., military supplies of foreign governments, weapons, chemicals, or natural resources such as metals).
- (8) The commodity is shipped to or from a high ML/TF risk jurisdiction.

- (9) The type of commodity shipped is vulnerable to ML/TF, for example, high-value but low-volume goods (such as diamonds and artworks).

#### 5. Products / Services – Correspondent Banking

- (1) The amount of credits and debits in an account held by a financial institution is apparently inconsistent with its scale of deposit or nature of business, or the fluctuations of credits and debits in such account apparently exceeds the fluctuation of its deposits.
- (2) Unable to identify the actual account holder of a payable-through account.
- (3) The currency-shipment patterns with a respondent bank has a significant change.
- (4) A respondent bank rapidly increases the amount and number of cash deposits while its non-cash deposits are not relatively increased.

#### 6. Products / Services – Safe Deposit Box

- (1) A customer uses safe deposit box in an unusual frequent manner. For example, a customer frequently opens safe deposit box or rents multiple safe deposit boxes.
- (2) A customer opens safe deposit box with several individuals, or an individual that is not the original lessee frequently opens the safe deposit box.

#### 7. Products / Services – Others

- (1) Frequent fund transfer between a prepaid card company's accounts located in different jurisdictions accumulatively reaches a specific amount.
- (2) Using personal accounts to conduct embassy, diplomatic representative office, or official affairs; or using accounts held by embassy, diplomatic representative office, or governments to pay personal expenses of foreign nationals (such as expenses for college students).

#### 8. Unusual Transaction Activity / Behavior – Transaction Behavior

- (1) Selling financial debts in large volume but requesting cash payments; frequently using traveler's checks or foreign currency checks that accumulatively reach a specific amount without a reasonable explanation; lacking reasonable information of the underlying trade's quantities and

prices in the transactions of issuing letters of credit that accumulatively reach a specific amount; or opening an account with large amount cashier's checks issued by another financial institution but seems to be suspicious ML/TF transaction.

- (2) Deposit, withdrawal, remittance, or other transactions conducted by an individual involved in a special and material case that is instantly reported by television, press, internet or other media are apparently unusual.
- (3) Several individuals together go to a bank to conduct deposit, withdrawal, remittance, or other transactions.

#### 9. Unusual Transaction Activity / Behavior – Customer identification information

- (1) A customer has “Regulations Governing the Deposit Accounts and Suspicious or Unusual Transactions”, “Template of Directions Governing Anti-Money Laundering and Combatting the Financing of Terrorism of Banks”, or other circumstances that result in the incompleteness of customer identification process.
- (2) A large number of customers share the same address, occupants of an address change frequently, or the address is not the actual residence address.
- (3) An originator of cross-border remittance fails to provide a reasonable explanation on the relationship between the originator and the beneficiary.

#### 10. Terrorism Financing

- (1) Related parties of a transaction are terrorists or terrorist groups designated by foreign governments and notified by 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.
- (2) Within a certain period, a young customer either withdraws or transfers funds that accumulatively reach a specific amount, transfers or remit funds that accumulatively reach a specific amount to hot areas of frequent military and terrorism activities or non-profit organizations, and immediately terminates relationship or closes the account.
- (3) Cross-border transactions that accumulatively reach a specific amount are conducted in the name of a non-profit organization without a reasonable

explanation.

#### 11. Cross-border Transactions

- (1) A customer frequently transfers funds abroad that accumulatively reach a specific amount.
- (2) A customer frequently transfers funds from abroad and immediate withdraws cash that accumulatively reaches a specific amount.
- (3) A customer frequently receives funds from abroad that accumulatively reach a specific amount and immediate remit such funds to another person in the same jurisdiction, or to the original sender's account in another jurisdiction.
- (4) A customer frequently transfer funds from or to a jurisdiction that presents high risk of tax evasion or financial secrecy.