

**ANNEX “C”**

**EXAMPLES OF SUSPICIOUS TRANSACTIONS**

## **GENERAL COMMENTS**

The list of situations given below is intended mainly to highlight the basic ways in which money may be laundered. While each individual situation may not be sufficient to suggest that money laundering is taking place, a combination of such situations may be indicative of such a transaction. Further, the list is by no means complete or exhaustive and will require constant updating and adaptation to changing circumstance and new methods of laundering money. The list is intended solely as an aid, and must not be applied as a routine instrument in place of common sense.

## **EXAMPLES OF SUSPICIOUS TRANSACTIONS:**

### **I. Transactions Which Do not Make Economic Sense**

1. Transactions not in keeping with the customer's normal activity, the financial markets in which the customer is active and the business which the customer operates.
2. Buying and selling of securities with no discernible purpose in circumstances which appear unusual.
3. Transactions not in keeping with normal practice in the market in which they relate, e.g., with reference to market size and frequency, or at off-market prices, early termination of products at a loss due to front end loading or early cancellation, especially where cash had been tendered and/or the refund check is to a third party.
4. Other transactions linked to the transaction in question which could be designed to disguise money and divert it to other forms or to other destinations or beneficiaries.
5. The entry of matching buys and sells in particular securities, wash sales, creating an illusion of trading. Such wash trading does not result in a bona fide market position and might provide "cover" for a money launderer.
6. Wash trading through multiple accounts of the same customer with the same or different broker(s) might be used to transfer accounts by generating offsetting losses and profits in different accounts.
7. Unusual transfers of positions between accounts, whether or not commonly owned.
8. Abnormal settlement instructions, including payment to apparently unconnected parties, and/or where such instructions for settlement are not in accordance with the usual practice of the market or the Regulated Intermediary.

## **Transactions Involving Overseas Jurisdiction**

1. A customer introduced by an overseas bank, affiliate, Regulated Intermediary or other investor, all of which are based in countries where production of drugs, drug trafficking or graft and corruption may be prevalent.
2. A large number of security transactions across a number of jurisdictions.

## **II. Transactions Involving Unidentified Parties**

1. A personal customer for whom verification of identity proves unusually difficult and who is reluctant to provide details.
2. A corporate/trust customer where there are difficulties and delays in obtaining copies of the accounts or other documents of incorporation.
3. Any transaction in which the counterparty to the transaction is unknown.
4. Settlement either by registration or delivery of securities to be made to an unverified third party.
5. Customers who wish to maintain a number of trustee or customers' accounts that do not appear consistent with their type of business, including transactions that involve nominee names.
6. A number of transactions by the same counterparty in small amounts relating to the same security, each purchased for cash, then sold in one transaction, the proceeds being credited to an account different from the original account, the owner of which is unverified.

## **III. Miscellaneous**

1. Large or unusual transactions in cash or bearer forms, remittances and transfers of funds.
2. The use of a customer of an intermediary to holds funds that are not being used to trade in securities.
3. A customer who deals with an intermediary only in cash or cash equivalents rather than through banking channels.
4. A customer who opens several accounts, in his own name or that of a nominee/s, trustee/s, agent/s, or dummy/ies, that do not appear to be consistent with their type of business.
5. The known background of the person conducting the transaction is not consistent with the transaction, and/or any unusual behavior in conducting the transaction;
6. The production of seemingly false identification in connection with any transaction, the use of aliases and a variety of different addresses;
7. A client with no discernible purpose for using the covered institution's service, where such service can easily be provided elsewhere with more convenience to client.