

## **EXAMPLES OF SUSPICIOUS TRANSACTIONS**

### **1. General Comments**

The list of situations given below is intended mainly as a means of highlighting 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, and will require constant updating and adaptation to changing circumstances 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.

A customer's declarations regarding the background of such transactions should be checked for plausibility. Not every explanation offered by the customer can be accepted without scrutiny.

It is justifiable to suspect any customer who is reluctant to provide normal information and documents required routinely by the bank in the course of the business relationship. Banks should pay attention to customers who provide minimal, false or misleading information or, when applying to open an account, provide information that is difficult or expensive for the bank to verify.

### **2. Transactions Which Do Not Make Economic Sense**

- i) A customer-relationship with the bank that does not appear to make economic sense, for example, a customer having a large number of accounts with the same bank, frequent transfers between different accounts or exaggeratedly high liquidity;
- ii) Transactions in which assets are withdrawn immediately after being deposited, unless the customer's business activities furnish a plausible reason for immediate withdrawal;
- iii) Transactions that cannot be reconciled with the usual activities of the customer, for example, the use of Letters of Credit and other methods of trade finance to move money between countries where such trade is not consistent with the customer's usual business;
- iv) Transactions which, without plausible reason, result in the intensive use of what was previously a relatively inactive account, such as a customer's account which shows virtually no normal personal or business related activities but is used to receive or disburse unusually large sums which have no obvious purpose or relationship to the customer and/or his business;
- v) Provision of bank guarantees or indemnities as collateral for loans between third parties that are not in conformity with market conditions;
- vi) Unexpected repayment of an overdue credit without any plausible explanation;
- vii) Back-to-back loans without any identifiable and legally admissible purpose.

### **3. Transactions Involving Large Amounts of Cash**

- i) Exchanging an unusually large amount of small-denominated notes for those of higher denomination;
- ii) Purchasing or selling of foreign currencies in substantial amounts by cash settlement despite the customer having an account with the bank;
- iii) Frequent withdrawal of large amounts by means of cheques, including traveller's cheques;

- iv) Frequent withdrawal of large cash amounts that do not appear to be justified by the customer's business activity;
- v) Large cash withdrawals from a previously dormant/inactive account, or from an account which has just received an unexpected large credit from abroad;
- vi) Company transactions, both deposits and withdrawals, that are denominated by unusually large amounts of cash, rather than by way of debits and credits normally associated with the normal commercial operations of the company, e.g. cheques, letters of credit, bills of exchange, etc;
- vii) Depositing cash by means of numerous credit slips by a customer such that the amount of each deposit is not substantial, but the total of which is substantial;
- viii) The deposit of unusually large amounts of cash by a customer to cover requests for bankers' drafts, money transfers or other negotiable and readily marketable money instruments;
- ix) Customers whose deposits contain counterfeit notes or forged instruments;
- x) Large cash deposits using night safe facilities, thereby avoiding direct contact with the bank;
- xi) Customers making large and frequent cash deposits but cheques drawn on the accounts are mostly to individuals and firms not normally associated with their business;
- xii) Customers who together, and simultaneously, use separate tellers to conduct large cash transactions or foreign exchange transactions.

#### **4. Transactions Involving Bank Accounts**

- i) Matching of payments out with credits paid in by cash on the same or previous day;
- ii) Paying in large third party cheques endorsed in favour of the customer;
- iii) Substantial increases in deposits of cash or negotiable instruments by a professional firm or company, using client accounts or in-house company or trust accounts, especially if the deposits are promptly transferred between other client company and trust accounts;
- iv) High velocity of funds through an account, i.e., low beginning and ending daily balances, which do not reflect the large volume of funds flowing through an account;
- v) Multiple depositors using a single bank account;
- vi) An account opened in the name of a moneychanger that receives structured deposits;
- vii) An account operated in the name of an offshore company with structured movement of funds.

#### **5. Transactions Involving Transfers Abroad**

- i) Transfer of money abroad by an interim customer<sup>1</sup> in the absence of any legitimate reason;
- ii) A customer which appears to have accounts with several banks in the same locality, especially when the bank is aware of a regular consolidated process from such accounts prior to a request for onward transmission of the funds elsewhere;

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<sup>1</sup>An interim customer is one who is not a regular customer of the bank in question, or does not maintain an account, deposit account, safe deposit box, etc. with the bank.

- iii) Repeated transfers of large amounts of money abroad accompanied by the instruction to pay the beneficiary in cash;
- iv) Large and regular payments that cannot be clearly identified as bona fide transactions, from and to countries associated with (i) the production, processing or marketing of narcotics or other illegal drugs or (ii) criminal conduct;
- v) Substantial increase in cash deposits by a customer without apparent cause, especially if such deposits are subsequently transferred within a short period out of the account and/or to a destination not normally associated with the customer;
- vi) Building up large balances, not consistent with the known turnover of the customer's business, and subsequent transfer to account(s) held overseas;
- vii) Cash payments remitted to a single account by a large number of different persons without an adequate explanation.

**6. Investment Related Transactions**

- i) Purchasing of securities to be held by the bank in safe custody, where this does not appear appropriate given the customer's apparent standing;
- ii) Requests by a customer for investment management services where the source of funds is unclear or not consistent with the customer's apparent standing;
- iii) Larger or unusual settlements of securities transactions in cash form;
- iv) Buying and selling of a security with no discernible purpose or in circumstances which appear unusual.

**7. Transactions Involving Unidentified Parties**

- i) Provision of collateral by way of pledge or guarantee without any discernible plausible reason by third parties unknown to the bank and who have no identifiable close relationship with the customer;
- ii) Transfer of money to another bank without indication of the beneficiary;
- iii) Payment orders with inaccurate information concerning the person placing the orders;
- iv) Use of pseudonyms or numbered accounts for effecting commercial transactions by enterprises active in trade and industry;
- v) Holding in trust of shares in an unlisted company whose activities cannot be ascertained by the bank;
- vi) Customers who wish to maintain a number of trustee or clients' accounts that do not appear consistent with their type of business, including transactions that involve nominee names.

**8. Miscellaneous Transactions**

- i) Purchase or sale of large amounts of precious metals by an interim customer;
- ii) Purchase of bank cheques on a large scale by an interim customer;
- iii) Extensive or increased use of safe deposit facilities that do not appear to be justified by the customer's personal or business activities.

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