

## Guideline 1

### Financial Transactions Reporting Act

### Suspicious Transactions

#### *Introduction*

1. A *financial institution*<sup>1</sup> must report to the Financial Intelligence Unit (FIU) any transaction (including attempted transactions) which it reasonably suspects is related to the commission of:
  - a money laundering offence;
  - a financing of terrorism offence;
  - any other *serious offence*<sup>2</sup>.
2. A transaction or attempted transaction for which the customer refused to provide satisfactory evidence of identity should also be reported as a suspicious transaction to the FIU.

#### *How to Identify Suspicious Transactions?*

3. Put simply, a suspicious transaction is **a transaction which is inconsistent with a customer's known legitimate business or personal activities or with the normal business for that type of account.**
4. When considering whether a transaction is usual or unusual to a customer, a financial institution and its employees must reasonably evaluate various factors surrounding the customer and the transaction such as:
  - a. the customer's usual occupation, business or principal activity;
  - b. the customer's transaction history;
  - c. the customer's income level and source of income;
  - d. reasons for the transactions as provided by the customer;
  - e. the customer's behavior or appearance;
  - f. the frequency of transactions;
  - g. the size and complexity of the transaction;
  - h. the identity or location of any other person(s) involved in the transaction;
  - i. the usual or typical financial, business or operational practices or behavior of customers in the similar occupation or business category;
  - j. the availability of identification documents and other documentation;
5. This list of factors is not exhaustive and may include other factors. These factors individually may seem insignificant, but when considered together may raise questions on the appropriateness and normality of the transaction(s).

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<sup>1</sup> Includes all financial and non-financial businesses that are covered by the FTR Act as specified in the Schedule of the FTR Act.

<sup>2</sup> Defined as an offence for which the maximum penalty prescribed by law is death or imprisonment for not less than 6 months or a fine of not less than \$500.

6. All the above factors surrounding a transaction and a customer should be assessed before reaching a conclusion that a transaction is suspicious and is likely to be a money laundering or terrorist financing related transaction or a transaction linked to a serious offence. The decision that a transaction is suspicious should be based on a combination of the above listed factors and not just one factor regarding the transaction or customer.

***Are cash transactions only to be reported as suspicious transactions?***

7. No, the requirement to report any suspicious transaction applies to all types of transaction regardless of whether cash is involved. Thus non-cash transactions, such as telegraphic transfers, that may appear suspicious, should also be reported.
8. There is no minimum monetary threshold amount for reporting suspicious transactions. Thus a transaction considered suspicious should be reported to the FIU regardless of the dollar amount of the transaction.

***What are some examples of suspicious transactions?***

9. The Appendices lists some examples of suspicious transactions for different types of financial institutions. This list is not exhaustive and may include other types of transactions.
10. These transactions are considered to be suspicious transactions unless they are found rational by the financial institution employee in view of the customer's occupation, business details, explanations and other factors.

***How to Report a Suspicious Transaction?***

11. This can be reported to the FIU electronically or through paper reports.
12. In cases where a financial institution must urgently report on a suspicious transaction, it may verbally report this to the Director of the FIU or any of the analysts via telephone. This must be followed up with a formal written report.
13. Larger financial institutions such as banks and credit institutions may decide to provide their reports of suspicious transactions to the FIU through their Anti-Money Laundering Compliance Officer. Clear internal reporting procedures should be in place to allow for this and all employees must follow these reporting procedures.

***When to Report a Suspicious Transaction?***

14. A suspicious transaction must be reported to the FIU no later than 2 working days after forming the suspicion or the receipt of the information being reported on.

***Can attempted transactions also be reported as a Suspicious Transaction?***

15. Yes. If a transaction has not been completed but is found suspicious by an employee of the financial institution, the transaction can still be reported as suspicious even if minimal details of the customer has been obtained by the employee.

***What protection is there for financial institutions and its employees for disclosing customer's information?***

16. Financial institutions and its employees are provided protection under the Financial Transactions Reporting (FTR) Act in two ways.
17. Firstly, the FTR Act prohibits the disclosure of information that will identify or likely to identify any person who has handled a transaction for which a suspicious transaction report (STR) has been raised or any person which has prepared or made a STR.
18. Secondly, a financial institution and its employees are protected from any civil, criminal or disciplinary action taken against it for reporting a suspicious transaction in good faith.
19. If there is a prosecution in the courts for money laundering offence in relation to a suspicious transaction that has reported on by a financial institution, it is deemed that the financial institution and its employees did not have possession of information relating to that transaction at any time.

***Can a financial institution or its employee disclose to anyone that it has made a report to the FIU?***

20. A financial institution and its employees or agents must not disclose to any person:
  - that it has reported or will be reporting a suspicious transaction to the FIU;
  - that the financial institution has formed a suspicion on a particular customer's transaction;
  - any other information which may cause the person to conclude that a suspicion has been formed or that a report has been or may be made to the FIU.
21. A financial institution, its employees or agents, must not disclose to the customer being reported on that it will be reporting (or has reported) his or her transaction or information to the FIU as being suspicious.
22. Disclosure of information on suspicious transactions is only allowed under the following circumstances:
  - disclosure to an employee or agent of the financial institution for the purpose of performance of that person's duties;
  - disclosure to a lawyer for the purpose of obtaining legal advice on the matter;
  - disclosure to a supervisory authority (such as Reserve Bank of Fiji or Capital Markets Development Authority) to enable them to carry out their supervisory role;
  - disclosure as part of a court order.

***Does the reporting of a customer's information and transactions to the FIU mean that a financial institution is breaching customer confidentiality requirements?***

23. No. A financial institution's obligation to report customer's transactions or information under the FTR Act overrides any obligations it has under any other law or business requirement to protect the confidentiality of its customer's information.

***Can the FIU request further information on STRs submitted?***

24. Yes. The FIU may, as part of its analysis process, request a reporting institution to provide further information on a suspicious transaction reported on.

For further information please contact the Financial Intelligence Unit on:

Phone: 322-3333

Fax: 331- 6454

Website address: [www.FIJIFIU.gov.fj](http://www.FIJIFIU.gov.fj)

Postal address: FIU, Reserve Bank of Fiji, Private Mail Bag, Suva

**Financial Intelligence Unit**

26 October 2007

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Attached: Appendices –Examples of Suspicious Transactions

1A- Banks/Lending/Credit Financial Institutions

1B- Foreign Exchange Dealers/Money Remitters

1C- Investment Advisers, Brokers, Dealers and Investment Fund

1D- Insurance Brokers, Agents, Businesses

1E- Accountants

1F- Lawyers

1G- Real Estate Agents, Businesses

## Appendices 1A

### Examples of Suspicious Transactions –Banks/Lending/Credit Financial Institutions

The following transactions should be considered suspicious only if the financial institution finds no rational reason for the transaction in view of the customer's occupation, business details, explanations and other factors as listed in Guideline 1.

#### ACCOUNT OPENING

1. Customer attempts to open an account(s) in what appears to be a fictitious name or in the name of other persons.
2. Customer submits copies identification documents while refusing to present the originals without any rational reasons.
3. Customer provides identification documents which are suspected to be forged or false.
4. Customer provides unclear or doubtful information during account opening process.
5. Customer refuses to present his or her personal identification documents without any rational reasons.
6. Customer insists on establishing his or her identity through means other than using personal identification documents.
7. Attempts by a customer to open an account by mail-order or email.
8. Transactions involving business accounts that are suspected of not being registered companies. Accounts bearing the names of corporations must have incorporation or company registration details.
9. Financial institution finds discrepancies in the identification data (eg address, business details) or documents (eg passport, driver's licence) of a customer after an account is opened.
10. Customer attempts to open multiple accounts.

#### CASH TRANSACTIONS

1. Customer conducts a series of large deposits and withdrawals within a short period of time in cash or by cheque. The customer keeps making withdrawals until all funds are deposited has been depleted.
2. The stated occupation of the customer does not correspond to the level or type of transactions undertaken.( eg a student customer makes a series of large cash deposits and withdrawals at different locations)
3. Sudden increase in an account balance through large cash deposits.
4. Customer frequently exchanges small denomination notes for large ones.
5. Customer deposits very dirty or moist currency notes.
6. Customers who appear to be acting together, simultaneously using separate tellers to conduct large cash transactions or foreign exchange transactions.

7. Customer conducts several transactions on the same day at the same branch but in conducting the transactions the customer deliberately uses different tellers.
8. Customer frequently conducts cash transactions for amounts just below the reporting threshold of \$10,000 eg \$9,900, \$9,000, \$9,990 in an apparent attempt to avoid being reported on.
9. An *occasional customer* frequently conducts cash transactions below the occasional transaction threshold of \$5,000 to avoid activating the customer identification requirements.
10. Company accounts that are dominated by cash transactions rather than other monetary instruments normally associated with commercial businesses such as cheques or credit cards.
11. Customer presents uncounted funds for a transaction. On counting of the funds by the financial institution employee, the customer reduces the amount of funds to be transacted to avoid activating the reporting requirements.
12. Customer frequently purchases travelers cheques, bank drafts or other negotiable instruments with cash.
13. Customer makes irregular large loan repayments exceeding the required monthly/weekly repayment amount using cash or other negotiable instruments.
14. Customer makes large cash payments which clears off his/her loan balance well before the end of the loan term.

#### TRANSACTIONS THROUGH EXISTING ACCOUNTS

1. Large deposits and withdrawals during a short period of time into an account immediately after being opened. The account is then closed or discontinued for any other transactions.
2. Customer frequently conducts transactions at particular branches instead of a branch conveniently located to where he/she resides or works.
3. Frequent telegraphic transfers of large sums into an account of customer.
4. Customer frequently receives large deposits into his/her account at a branch distantly located from the branch at which the customer maintains his/her account.
5. Transactions involving an account which is used frequently to remit funds to a large number of people.
6. Funds are deposited into several accounts, consolidated into one and transferred abroad.
7. Large deposits into a particular account before these funds are remitted abroad.
8. Customer deposits large sums of money into his/her account, obtains a certificate of balance before transferring the funds to another account. This transaction takes place within a couple of days.
9. An account receives frequent remittances from a large number of people followed by a large remittances or withdrawals from that accounts just after receiving the remittances.

10. An inactive account suddenly experiences significant activity with large deposits and withdrawals noted.
11. Customer gives conflicting information to different financial institution officials.
12. Multiple deposits into an account by third parties.
13. Deposits into personal accounts of what appears to be proceeds from business related activities.
14. Lack of documentary evidence to support large transactions.
15. Large value term deposits for a customer, however this is not supported by the customer's occupation or business activity.

#### CROSS BORDER TRANSACTIONS

1. Transactions where customers make frequent large overseas remittances within short periods of time.
2. Customer sends or receives large overseas remittances for economically unreasonable purposes.
3. Information concerning the originator of a wire transfer is not provided.
4. Transactions where customers frequently purchases or encash large amounts of traveler's or remittance cheques (including those denominated in foreign currencies).
5. Transactions involving customers or business entities who are based in jurisdictions which do not cooperate with international anti-money laundering efforts ("Non-cooperative countries and territories (NCCTs). For a list of NCCT, refer to the Financial Action Taskforce website on: [www.fatf-gafi.org](http://www.fatf-gafi.org)

## Appendices 1B

### Examples of Suspicious Transactions –Foreign Exchange Dealers/Money Remitters

The following transactions should be considered suspicious only if the financial institution finds no rational reason for the transaction in view of the customer's occupation, business details, explanations and other factors as listed in Guideline 1.

#### CROSS BORDER TRANSACTIONS

1. Transactions where customers make frequent large overseas remittances within short periods of time.
2. Customer sends or receives large overseas remittances for economically unreasonable purposes.
3. Information concerning the originator of a wire transfer is not provided.
4. Transactions where customers frequently purchases or encash large amounts of traveler's or remittance cheques (including those denominated in foreign currencies).
5. Transactions involving customers or business entities who are based in jurisdictions which do not cooperate with international anti-money laundering efforts ("Non-cooperative countries and territories (NCCTs). For a list of NCCT, refer to the Financial Action Taskforce website on: [www.fatf-gafi.org](http://www.fatf-gafi.org)
6. Customers who decline to provide information or evidence in conducting a transaction.
7. Customer attempts to conduct a transaction using documents (justification documents such as airline tickets) presented in a previous transaction.
8. Person conducting transaction at the counter using identification documents of another person. This includes any dealing with an agent where the identity of the ultimate beneficiary is undisclosed, contrary to normal procedure for the type of business concerned.
9. Customers transferring large sums of money to or from overseas locations with instructions for payments in cash.
10. Numerous wire transfers received by a customer but each transfer is below the reporting requirement in the remitting country.

#### FOREIGN CURRENCY OR CASH TRANSACTIONS

1. Customer frequently purchases travelers cheques
2. Customers who appear to be acting together, simultaneously using separate tellers to conduct large cash transactions or foreign exchange transactions.
3. Customer converts large quantities of low denomination notes for those of higher denomination.
4. Large amount of cash presented without any reliable documentary evidence of its source.
5. Frequent exchange of cash into other currencies.



## Appendices 1C

### Examples of Suspicious Transactions – Investment Advisers, Brokers, Dealers and Investment Fund

The following transactions should be considered suspicious only if the investment adviser/broker/dealer or investment fund finds no rational reason for the transaction in view of the customer's occupation, business details, explanations and other factors as listed in Guideline 1.

#### OPENING OF INVESTMENT ACCOUNT

1. A customer who is reluctant to provide his/her details and for whom verification of identity proves unusually difficult.
2. A customer refuses to present the required identification documents or submits copies of identification documents while refusing to provide original identification documents for no rational reason.
3. Unusual discrepancies noted in the identification of the customer such as the customer's name; address or date of birth. Customer provides conflicting information or details about himself/herself and her investment needs.

#### INVESTMENT TRANSACTIONS

4. A customer purchases securities (eg stocks, bonds etc) and the nature of such an investment is irregular given the customer's occupation/business details and other background information.
5. A customer makes a series of purchase of stocks, bonds, units etc using cash or cheque within a short period of time and is considered irrational in view of the customer's occupation, investment history and other factors.
6. Customer settles a large transaction using cash or small denomination notes and coins.
7. Customer transfers his investment to an apparently unrelated third party with no explanation.
8. Investment transactions involving accounts of corporations that are suspected of never having existed, especially in cases where during your contact with such corporations after their accounts were opened, you suspected errors or misleading information was provided at the initial account opening stage.
9. Early termination of an investment by a customer despite losses incurred as a result of the termination; especially where cash was used by the investor and/or the refund is paid to a third party.
10. Selling of securities by a customer for no rational reason or in circumstances that appear unusual.

## Appendices 1D

### Examples of Suspicious Transactions –Insurance Businesses, Brokers and Agents

The following transactions should be considered suspicious only if the insurance business, broker or agent finds no rational reason for the transaction in view of the customer's occupation, business details, explanations and other factors as listed in Guideline 1.

#### ACCOUNT OPENING

1. Applicant is reluctant to provide the necessary identification information and documentation or provides minimal information.
2. Applicant provides conflicting information about his/her personal details and/or provides identification documents which you suspect to be fictitious.
3. Applicant appears to have insurance policies with several other institutions.
4. Applicant requests insurance policies in amounts which is considered beyond the customer's apparent means.
5. Application for a policy from a potential customer in a distant place where a comparable policy could be provided "closer to home."
6. Customer requests an insurance product that has no apparent purpose and is reluctant to provide the reason for his/her investment.
7. The applicant for an insurance policy requests to make a lump sum payment by a wire transfer or with foreign currency.
8. Applicant attempts to use a third party cheque to purchase a policy.
9. Applicant seeks an insurance policy with premiums that exceed the customer's apparent means.
10. Applicant accepts very unfavorable conditions unrelated to his/her health or age.
11. Applicant requests to make a lump sum payment to purchase the insurance policy, when this would normally

#### DURING THE TERM AND END OF THE INSURANCE CONTRACT

12. Unusual instances of pre-payment of insurance premiums.
13. Customer pays large amount of premiums in cash or cheques which does not correspond to the customer's background
14. Customer changes from paying his/her premiums fortnightly or monthly to annually or in full.
15. The first (or the only) insurance premium is paid from a bank account outside of Fiji
16. Customer requests during the term of the insurance contract, that the ultimate beneficiary be replaced with another person who has no apparent connection with the customer/policy holder.
17. Customer cancels his/her policy early without a reasonable reason.

18. A customer on just having signed on his/her policy, immediately cancels his/her policy, especially at a loss, and requests that the payout be made to a third party.

## **Appendices 1E**

### **Examples of Suspicious Transactions –Accountants**

The following transactions should be considered suspicious only if the accountant finds no rational reason for the transaction in view of the customer's occupation, business details, explanations and other factors as listed in Guideline 1.

#### GENERAL

1. A customer fails or is unwilling to provide adequate identification information.
2. Customer's transactions or proposed transactions does not correspond to the customer's economic background

#### CUSTOMER ACCOUNT

3. A customer puts money in an accountant's account and uses this account to conduct transactions which could have been easily conducted through a bank or other type of account. This may include transfers to and from unrelated parties or large and rapid deposits and payments to suppliers or persons/entities in foreign countries.
4. Receipt of large sums of funds into the customer's account which is considered unreasonable in view of the customer's economic background.
5. Customer overpays the accountant by a substantial amount and seeks a refund from the accounting firm which is drawn on the firm's bank account.

#### TAX

6. Customer does not provide reasonable explanation for transactions.
7. Customer transactions with third parties in countries with a history of terrorism, drug trafficking or with weak regulatory framework.
8. Customer unreasonable use offshore accounts, trusts or companies to conduct his business.

#### FINANCIAL SERVICES

9. A customer acting on behalf of a third person whom the accounting firm does not get to meet or is unable to contact or receive direct instructions from.
10. Customer is reluctant to provide adequate information when seeking financial advice.
11. Requests from customers to make settlements on their behalf which may appear usual or unreasonable.
12. Customer requests the formation of complicated business structures which is considered unreasonable.
13. Business transaction on behalf of a customer with persons or entities in countries which have weak anti money laundering regulatory measures or have a history of terrorism and other

## Appendices 1F

### Examples of Suspicious Transactions –Lawyers

The following transactions should be considered suspicious only if the lawyer finds no rational reason for the transaction in view of the customer's occupation, business details, explanations and other factors as listed in Guideline 1.

1. A customer requests that a lawyer holds in trust money on his/her behalf for no reasonable explanation such as for the provision of certain legal services or to conduct a particular transaction on behalf of the customer.
2. A customer seeks a lawyer's services to act on behalf of a third person whom the lawyer does not get to meet, contact or obtain instructions from.
3. A customer puts money in a lawyer's trust account and uses this account to conduct transactions which could have been easily conducted through a bank or other type of account.
4. Customer engages a lawyer to purchase a property or make other investments and deposits funds for this purpose into the lawyers trust account. The customer decides not to proceed with the proposed purchase or investment for no reasonable explanation and requests the lawyer to transfer the funds to an unrelated third party without providing reasonable explanation for the transfer.
5. Customer provides conflicting information or instructions to different members of the law firm.

## Appendices 1G

### Examples of Suspicious Transactions – Real Estate Agents or Businesses

The following transactions should be considered suspicious only if the real estate agent or business finds no rational reason for the transaction in view of the customer's occupation, business details, explanations and other factors as listed in Guideline 1.

1. A purchaser pays for a deposit on a property using large amount of cash.
2. A purchaser seals a deal on a property using cash.
3. The deposit on a property is paid by a third party other than the buyer's spouse such as a business associate.
4. A customer (seller) unexpectedly offers to pay generous commission or fees.
5. A customer (property-owner) frequently changes his/her instruction to an agent on how to handle property rental payments.
6. A customer purchases a property without inspecting the property.
7. A purchaser uses a different name on the contract, agreements or deposit receipts etc.
8. A customer purchases the property in the name of a nominee other than his/her spouse eg in the name of a business associate or a relative.
9. A customer purchases many properties within a short period of time and does not seem to be particular of the location, condition etc of each property.