

## APPENDIX I

**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 insurer or broker in the course of the business relationship. Insurers and brokers should pay attention to customers who provide minimal, false or misleading information or, when applying for a life insurance policy, provide information that is difficult or expensive for the insurer or broker to verify.

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

- i) Transactions where the nature, size or frequency appears unusual, for example, customer requests for early termination or cancellation (within one year from the date of inception) of a single premium policy, especially where cash had been tendered;
- ii) Transactions that are incompatible with the customer's normal activity or are beyond the customer's apparent financial means, for example, customer requests for a single premium contract with large sum-assured;
- iii) Transactions in which funds are received by way of a third party cheque, especially where there is no apparent connection between the third party and the customer;
- iv) Abnormal settlement instructions, including payment to apparently unconnected parties or to countries in which the insured is not known to operate;

- v) A sudden request for a significant purchase of a lump sum contract from an existing customer whose current contracts are small and of regular payment only.

### **3 Transactions Involving Large Sums**

- i) An insurer receives large or unusual premium payment in cash from customer. In particular, an insurer should be vigilant in verifying information and the nature of transaction of any customer if any single payment exceeding \$20,000 is in cash;
- ii) Transactions in which funds are received from or paid to a customer's account in a financial haven country, or in foreign currency especially when such transactions are not consistent with the customer's transaction history;
- iii) Overpayment of premium with a request to refund the excess to a third party or to a different country.

### **4 Transactions Involving Unidentified Parties**

- i) Assignment of a policy to unidentified third parties and for which no plausible reasons could be ascertained;
- ii) A number of policies taken out by the same insured for low premiums, each purchased for cash and then cancelled with return of premium to a third party.

### **5. Free-Look Provisions and Others**

- i) A policyholder may exercise cancellation rights or cooling off rights on life insurance products where the sum invested must be repaid (subject to any shortfall deduction where applicable). This could offer a readily available route for laundering money, and insurers should therefore be alert to any abnormal exercise of cancellation/cooling off rights by any policyholder. In the event that abnormal exercise of these rights becomes apparent, the matter should be treated as suspicious and reported through the usual channels;
- ii) Employees or agents who have consistently high activity levels of single premium business far in excess of any average company expectation;
- iii) The use of an address that is not the customer's permanent address, for example, utilisation of the agent's office or home address for the despatch of customer documentation.