
Anti- Money Laundering by Stock- brokers/ DPs An Enforcement Perspective

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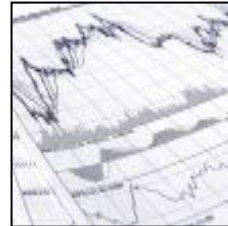




- What are Suspicious Transactions
- Suspicious Transactions Reports submitted to FIU-IND
- Types of suspicion reported by stock-brokers/ DPs
- Suggestions



What are Suspicious Transactions





“**Suspicious transaction**” means a transaction whether or not made in cash which, to a person acting in good faith-

- (a) gives rise to a reasonable ground of suspicion that it may involve the **proceeds of crime**; or
- (b) appears to be made in circumstances of **unusual or unjustified complexity**; or
- (c) appears to have **no economic rationale or bona fide purpose**; or
- (d) gives rise to a reasonable ground of suspicion that it may involve **financing of the activities relating to terrorism**.

Rule 2(1)(g)





- Generation of Alerts
- Analysis of Alerts
- Identification of Suspicious Transactions
- Decision to report
- Filing of STR with FIU-IND





■ Alerts-

- Potentially suspicious
- Should have potential of being suspicious

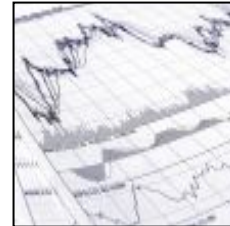
■ Suspicious Transactions-

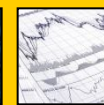
- Alert is only the starting point. Suspicion need not be limited to the basis of alert
- The process of analysing alerts need to be clear to those analysing alerts
- All alerts need not be suspicious
- Feedback from analysts to alert generation

OBJECTIVE- IDENTIFICATION OF A SUSPICIOUS CASE



Suspicious Transactions Reports submitted to FIU-IND

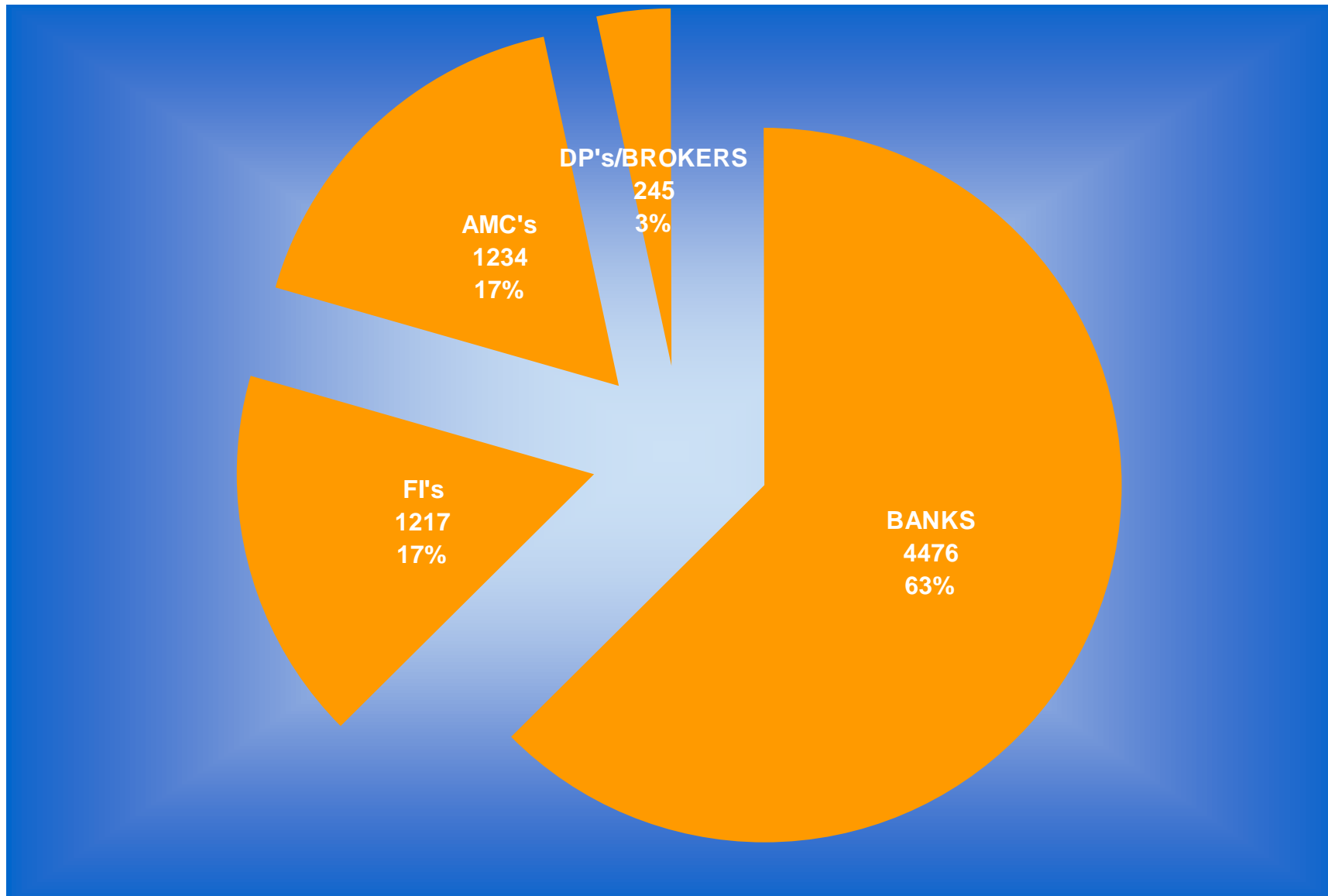
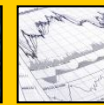


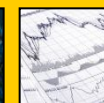


Category/Year	2006-07	2007-08	2008-09
Banks	437	1183	2826
Financial Institutions	88	288	841
Intermediaries	292	445	742
Total	817	1916	4409



STRs received till 31.03.09

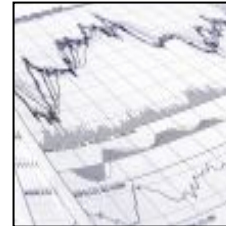




Agency/Year	2006-07	2007-08	2008-09
Law Enforcement Agencies	338	885	2334
Intelligence Agencies	60	49	90
Regulators	30	34	30
Total	428	968	2454



Types of suspicion reported by brokers/ DPs





- Opening of account with forged documents
- Transactions in Dormant DP account
- Transactions in penny stocks
- Bulk deal in shares of an illiquid scrip by customers having common introducer
- Trades of Significant volumes as a percentage of exchange turnover
- Transactions at abnormal prices in Futures/ Option
- Payment of substantial amount in trading account by DDs
- Synchronised trades
- Transactions in excess of customer's profile

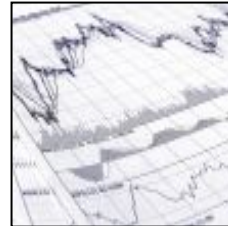




- Link with other STRs
- Link with CTRs
- Dissemination of relevant cases to appropriate agency
- Dissemination to Regulator in appropriate cases



Suggestions

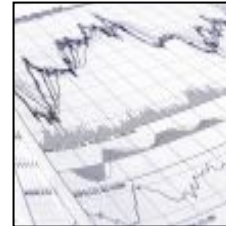




- Do KYC properly- capture information relating to nature of business and financial status of the customer
- File STR if transactions considered suspicious- do not look for ML/FT
- Grounds of suspicion may be given in detail-
 - Give sequence of events- basis of alert, details of analysis, findings etc
 - Mention conclusions and assumptions separately
 - Mention the period of investment for which STR is filed and investment made during the period
 - It should be clearly mentioned whether investor has given PAN details
 - Give details to the extent possible- details of bank accounts



Questions?





Thank You

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