



TIP OF THE MONTH

Suspicious Transaction Reporting (STR) – Red Flags

How to identify a suspicious transaction?

- No monetary threshold for making a report
- Suspicion should be based on a **reasonable** evaluation of relevant factors, such as the knowledge of the customer's business, financial history, background and behaviour. All circumstances surrounding a transaction should be reviewed.

Red Flags Indicators

Disclaimer: The list is an indication and NOT exhaustive

General Indicators

- Client admits being involved in criminal activities;
- Client holds accounts in several financial institutions for no apparent reason;
- Client conducts transactions at different physical locations in an apparent attempt to avoid detection;
- Client repeatedly uses an address but frequently changes the names involved;

- Client provides confusing details about the transaction or knows few details about its purpose;
- Client is secretive and reluctant to meet face-to-face;
- Normal attempts to verify the background of a client is difficult;
- Client appears to be acting on behalf of a third party, but does not disclose;
- The transaction does not appear to make sense or is inconsistent with the usual or expected activity for the client;
- Client attempts to develop close rapport with staff;
- Client spells his or her name differently from one transaction to another;
- Reporting person becomes aware that a client is the subject of a money laundering or terrorism financing investigation;
- Reporting person becomes aware, from a reliable source that a client is suspected of being involved in illegal activity;
- Transaction involves a suspected shell entity (that has no assets, operations or other reason to exist).

Specific Indicators for Law Firms

- The client is overly secretive or evasive about:
 - his identity,
 - the identity of any beneficial owner,
 - source of funds; and
 - purpose of transaction.
- The client is using a legal professional without good reason;
- The client is reluctant or refuses to provide information required to enable the transaction to take place;
- The client has professional or family ties to individuals who are engaged in unusual private businesses;
- The client provides false or counterfeited documentation;
- The client shows uncommon familiarity with policies and procedures;
- The parties or their representatives are native to, resident in or incorporated in high-risk countries;
- The parties to the transaction are connected without an apparent business reason;
- Litigation is settled too easily or quickly, with little or no involvement by the law firm;
- The client requests for payments to be made by third parties without any justification;

- There are multiple appearances of the same parties in transactions over a short period of time;
- The age of the parties is unusual for the transaction, for instance, if they are under legal age and there is no logical explanation for their involvement;
- Funds received from or sent to a foreign country when there is no apparent connection between the country and the client;
- Funds received from or sent to high-risk countries;
- There is a request to change the payment procedures previously agreed upon without logical explanation;
- There has been an increase in capital from a foreign country, which either has no relationship to the company or is high risk;
- The company receives an injection of capital or assets which is not proportionate with the size or market value of the company, with no logical explanation;
- The client is prepared to pay substantially higher fees than usual, without legitimate reason;
- The client has changed legal advisor several times in a short space of time or engaged multiple legal advisers without legitimate reason;
- Frequent changes in the legal structures and or legal persons;
- Client asks for transactions to be completed quickly;
- No documentation to support the client's previous transactions.