



Red Flag Indicators by Sector

The following is a list of early warnings. It is not exhaustive, and may be updated as emerging money-laundering and financing of terrorism trends and patterns evolve. The existence of an indicator alone may not imply suspicion, but combined with other indicators, it may suggest suspicious activity or transaction.

General

1. New or prospective client is known to you as having a questionable reputation or criminal background
2. Client provides false or misleading information
3. Client is unwilling, unable, or uncontactable to provide information for CDD purposes
4. Verifying the background of a new or prospective client is challenging
5. Unusual or suspect source of funds or refusal to provide source of funds information
6. Client shows uncommon curiosity about internal systems, controls, and policies
7. Complex or layered ownership structure for no apparent economic or business purpose
8. Use of trusts, shell companies, or private investment companies and a reluctant to disclose information about controlling parties
9. Client linked to adverse media relating to a suspect activity or law enforcement investigation
10. Client resides in or the transaction involves a jurisdiction known to have inadequate anti-money laundering and counter financing of terrorism framework or a jurisdiction in which the FATF has called for countermeasures or enhanced client due diligence measures
11. Client is suspected to be conducting transactions on behalf of a third party without identity disclosure
12. Willingness to pay higher cost to expedite transactions without a plausible explanation or to conceal beneficial owner identity
13. Client uses intermediaries which are not subject to adequate AML/CFT laws
14. Client has a history of changing financial institutions or service providers



Red Flag Indicators by Sector

Banks and Credit Unions

1. Sudden activity on an inactive or dormant account with no plausible explanation particularly involving large deposits from or withdrawals to third parties or overseas accounts
2. Sudden activity on an inactive or dormant account with no plausible explanation particularly
3. Transfer of company funds or deposit of company checks into an employee's account outside the normal payroll cycle
4. Unexpected or premature repayment of a loan with no plausible explanation or by a third party
5. Credit card payments from unrelated accounts, third parties or jurisdictions
6. Indications of elder financial abuse such as sudden increase in debit card purchases or ATM withdrawals, abnormal cash transfers to a relative or other third party, new joint account established, changes to account signatories or suspicious signatures, newly acquired credit card with accumulating debt, request for account statements to be mailed to a P.O. Box or address different from the customers

Financial Lenders

1. Client has been declined or a business relationship terminated by another lender(s)
2. Client is accompanied by an unknown third party or is suspected to be conducting transactions on behalf of a third party without identity disclosure
3. Large amount of cash is deposited and soon after used to secure financing facilities such as loans
4. Loan is secured by cash or other assets held by an unrelated third party
5. Client defaults on a cash-secured loan or any loan that is secured by assets which are readily convertible into cash



Red Flag Indicators by Sector

Trust Services Providers

1. Request to establish a trust where the indicated purpose is unconvincing or unclear
2. Trust assets are withdrawn shortly after contribution to the Trust and there is no plausible reason
3. Trust with little to no activity is suddenly used intensively and there is no plausible explanation
4. Request for large fund distribution to be in multiple smaller transactions to avoid perceived threshold
5. Inability to reasonably justify frequent and large asset contributions into a trust or asset distributions from a trust where such contribution or distribution – (a) is from or to, a country or jurisdiction that presents higher risk of tax evasion; and (b) from or to, a trust relevant party or any other person

Corporate Service Providers

1. Request to establish a company with low or no business activity and low capital
2. Multiple intercompany loan transactions and/or multijurisdictional wire transfers that have no apparent legal or commercial purpose
3. Frequent large incoming remittances into bank accounts from different individuals and companies, mainly located overseas with no apparent economic or business purpose
4. Use of complex loans, or other obscure means of finance, versus loans from regulated financial institutions
5. Transaction patterns in the bank accounts are often not in line with the company's principal business



Red Flag Indicators by Sector

Insurance Managers, Brokers, Long Term Insurers

1. Customer (typically aged about 17-26) purchases a life policy with cash value and surrenders it within a short period, which could be an indication of terrorism financing
2. 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 or cooling off rights by any policyholder. If abnormal exercise of these rights becomes apparent, the matter should be treated as suspicious and reported through the usual channels
3. Transactions that are not commensurate with the customer's apparent financial means, for example, where customers without reasonable financial standing purchase large single premium policies for a large, assured sum
4. Customers that are legal entities whose structure makes it difficult to identify the ultimate beneficial owner or controlling interests. (Note: This can happen at inception or, subsequently, an individually owned insurance policy can be assigned to a legal entity.
5. Customer's request to change or increase the sum insured and/or the premium payment are unusual or excessive



Red Flag Indicators by Sector

Digital Asset Businesses

1. Conducting digital asset to fiat exchange at a potential loss (e.g. when the value of digital asset is fluctuating, or regardless of abnormally high commission fees as compared to industry standards, and especially when the transactions have no logical business explanation).
2. Incoming transactions from many unrelated wallets in relatively small amounts (accumulation of funds) with subsequent transfer to another wallet or full exchange for fiat currency. Such transactions by several related accumulating accounts may initially use digital assets instead of fiat currency
3. Use of cross-chain swaps within VASPs (e.g. receiving Ethereum-based tokens but withdrawing Tron-based ones)
4. Transactions involving more than one type of digital assets particularly those that provide higher anonymity, such as anonymity enhanced cryptocurrency or privacy coins and despite additional transaction fees
5. Customer is significantly older than the average age of platform users or who appears unfamiliar with digital asset technology opens an account and engages in large numbers of transactions, suggesting their potential role as a digital asset money mule or a victim of elder financial exploitation

Securities

1. Mirror trades or transactions involving securities used for currency conversion for illegitimate or no apparent business purposes
2. Securities transactions are unwound before maturity, absent volatile market conditions or other logical or apparent reason
3. Purchase of a security does not correspond to the customer's investment profile or history of transactions (e.g. the customer may never have invested in equity securities or may have never invested in a given industry) and there is no reasonable business explanation for the change
4. Making a large purchase or sale of a security, or option on a security, shortly before news or a significant announcement is issued that affects the price of the security, which may be suggestive of potential insider trading or market manipulation
5. Accumulation of stock in small increments throughout the trading day to increase price



Red Flag Indicators by Sector

Money Service Business

1. Substantial increase(s) in the number of transactions/ frequency/ amounts by a customer without apparent cause, especially if remittances are made to a destination/ person not normally associated with the customer
2. There is lack of apparent relationship between the sender and beneficiary, and/or personal remittances sent to countries or jurisdictions that have no apparent family or business link to customer, and/or the customer has no relation to country where he/she sends/receives the money and cannot sufficiently explain why money is sent there/received from there
3. Numerous transactions by a customer, especially over a brief time, such that the amount of each transaction is not substantial, but the cumulative total of which is substantial
4. Banknotes are in small denominations and dirty; stains on the notes indicating that the funds have been carried or concealed or notice a musty or smoky smell on the notes; notes are packaged carelessly.
5. Customer is accompanied by others who keep a low profile or stay just outside the premise

High Value Goods Dealers

1. Transaction is beyond the legitimate means of the client based on known income
2. Request for "off the record" transaction
3. Request to refund overpayment to a third party
4. Under- or over-valued transactions
5. Willingness to pay a premium to expedite transactions without a plausible explanation or to conceal beneficial owner identity



Red Flag Indicators by Sector

Lawyers

1. Incidents where legal advice on the setting up of corporate entities, trusts or nonprofits is sought and may be misused to conceal ownership, genuine economic purpose, or underlying assets
2. Non-profit organisation requests services for purposes or transactions not compatible with those declared or not typical for that body
3. Reason for client choosing the legal professional is unclear, given the firm's size, location, or specialization.
4. Services where legal practitioners are asked to assure the client's standing, reputation, and credibility to third parties, without a commensurate knowledge of the client's affairs
5. Required service was refused by another professional or previous legal advisor terminated the relationship

Accountants

1. Use of complex loans, or other obscure means of finance, versus loans from regulated financial institutions
2. Irregularities related to goods/services billing such as, over or under invoicing, multiple invoicing for the same goods/services, falsely described goods/services, over or under shipments
3. Structuring of transactions to avoid dealing with identification requirements or regulatory record-keeping and AML/CFT reporting thresholds
4. Transaction patterns in the bank accounts are often not in line with the company's principal business
5. Multiple bank accounts opened with various banks for no apparent economic or business purpose



Red Flag Indicators by Sector

Real Estate

1. Purchaser buys property without making any attempt to inspect or review the brochure or marketing material of the property
2. Purchaser pays the initial deposit with a cheque from a third party, other than an immediate family member like a spouse, parent, or sibling
3. Client purchases multiple properties in a short time, and seems to have few concerns about the location, condition, and anticipated repair costs, etc., of each property
4. Purchaser's known business activity and purpose do not match the real estate transaction, e.g. purchaser is a non-profit organisation, but the property is purchased for investment requires large financing
5. Client purchases property in the name of a nominee such as an associate or a relative (other than a spouse), or on behalf of minors or incapacitated persons or other persons who lack the economic capacity to conduct such purchases

Charities

1. Charity's funds are comingled with personal or private business funds instead of banked directly into charity's account.
2. Corporate donations made using a personal account or donor makes large contributions which are inconsistent with the donor's known background or income
3. Significant cash withdrawals are made from a charity's bank account that is typically not used for cash transactions
4. Numerous fund transfers ordered in small amounts in an apparent effort to avoid triggering identification or reporting requirements or foreign exchange transactions performed on behalf of donors or beneficiaries. This may be followed by fund transfers to locations having no apparent connection with the donors or beneficiaries or to high-risk areas which is an indication of terrorist financing schemes.
5. Goods or services purchased by the charity does not match the needs of the operations or payment for goods or services made by cheques not drawn from the charity's account.
6. Multiple accounts used to collect and channel funds to a small number of beneficiaries, particularly in high-risk areas or transactions involving foreign currency which are subsequently transferred to high-risk areas within a short time frame.