

UNUSUAL TRANSACTIONS

This annex contains the typology, organised into a uniform structure, of unusual transactions observed hitherto by the profession and affecting the operations of all service providers subject to the MLA.

1.) Money laundering using unusual cash transactions

- a) If a natural person makes an unusually large cash deposit or cash withdrawal, especially if it is not in conformity with the customer's profession. The physical presence of the customer should not in itself render the cash deposit suspicion-free. Example: A criminal will always have an orderly passport and will always maintain an orderly appearance, because he/she will not risk two things at the same time.
- b) If there is a sudden significant increase in cash deposits or withdrawals by either a private individual or a company.
- c) Customers with several relatively small deposits, which however are significant in total value.
- d) Frequent exchange of cash into some other currency.
- e) Significant movements of funds on an account that was previously inactive.
- f) If customers arrive together and conduct high value cash transactions or foreign currency transactions at the same time with the same bank.
- g) Regular cash transactions just below the value threshold for identification.
- h) Withdrawal and deposit of cash on the same day or within a short time interval without the movement of cash, with the transaction affecting the accounts of several customers.

2.) Money laundering using bank accounts

- a) If a customer maintains several bank accounts at the bank without this being justified by his/her business activities, and makes frequent transfers between the bank accounts without reasonable cause. Reasonable cause includes transfers performed to facilitate book-keeping.
- b) If the movements of funds on bank accounts maintained for natural persons or legal entities do not indicate business activities, but significant amounts are credited or debited to the bank account without a clear purpose.
- c) If general banking services are used in an unusual way, such as if interest due on a large deposit amount is disclaimed.
- d) If several persons deposit regularly or large amounts to the same account.
- e) If several people transfer smaller amounts of money to the same account, which are then transferred on to a third account that has no clear connection with the given account.
- f) If a large amount of cash is placed in deposit and is offered as collateral by the owner of the bank account.

3.) Suspicious transactions of businesses organisations

- a) If there is a change in ownership of the company and the background or appearance of the new owners (homeless, etc.) is inconsistent with the activities of the company, or if the financial activities of the company are suddenly transformed following the change in ownership.
- b) Companies with financial indicators noticeably different from those of other similar companies.
- c) If the owner of a business makes several deposits on the same day in different branches of the bank.

- d) An account with transfers being conducted without a reasonable business purpose or inconsistent with the company owning the account or with its history (incoming and outgoing transfers, especially from and to countries that qualify as tax havens).
- e) An account that receives many incoming transfers or many small deposits, with the entire amount subsequently being transferred, if the activity is inconsistent with the customer company or its history.
- f) If a company makes frequent large cash deposits and maintains high balances but does not use other services such as loans, letters of credit, wage payment or tax payment services, etc.
- g) Financial transactions using substitutes for money, with details missing or containing fictitious beneficiaries, senders, etc.
- h) Unusual funds transfers between connected accounts, or the accounts of companies with clear interlocking ownership in addition to business relationships.
- i) If the extent of cash deposits and their placement and frequency are inconsistent with the company's activities.
- j) If a company is managed by a person – duly authorized to represent the company – whose appearance and abilities clearly make him/her unsuitable for such activities, especially if the account is controlled by a person who is not employed by the company.
- k) If the same person or group controls the account or accounts of several companies and if there are regular funds movements on the accounts.
- l) If transfers to the account are frequently returned due to contracts not having been concluded or due to erroneous transfers.
- m) If a company established with the minimum required capital conducts significant turnover or receives a large loan from another bank.
- n) If members provide frequent and unreasonable loans to the company and if the individual or total amount of these loans is suspiciously high.
- o) If a current account credit provided for the day is transferred in a single amount between closed companies related to each other in ownership and in funding without a real economic substance, and if at the end of the day the amount returns to the bank account of the company that has initiated the transfer.

4.) Money laundering using transactions associated with investments

- a) If there is increased demand for investment services where the source of the allocated capital is not clear or it is foreign to the business activities of the customer.
- b) Cash purchase of securities in a high value, purchase in several instalments below the value threshold for identification.
- c) Purchase, sale or possession of securities without reason or under unusual circumstances, such as where the financial situation of the firm does not justify a sale.
- d) Purchase or sale of illiquid securities without an established market price or where it is not available from a public source or difficult to obtain, and where the transaction or the series of transactions is not consistent with the profile of the customer.
- e) Instructions for derivative transactions where the customer continuously makes only profits or realises only losses vis-à-vis the same group of customers on the other side.
- f) If the customer initiates a complex transaction affecting many accounts and companies, inconsistent with the profile of the customer, if the series of transactions includes transaction orders related to securities.
- g) Regular instructions to carry out loss-making transactions, especially if the front-office employee specifically points out this fact to the attention of the customer.
- h) Instructions for high magnitude transactions initiated with cash deposits.

- i) Instructions for linked transactions to conduct cross-linked deals, initiated by several customers (businesses in general) that can be associated with each other.
- j) If the same customer maintains several securities accounts without reason, with no significant turnover on either, but with a significant total invested amount.
- k) If a customer holds physical securities in an unreasonably high amount – volume – despite the availability of electronic storage.
- l) Withdrawal or transfer of the proceeds following a sale, with a subsequent instruction for a similar or even higher volume transaction following a new deposit.

5.) Money laundering via credit transactions

- a) If customers suddenly repay their troubled loans.
- b) Application for a loan against collateral where the origin of the collateral is unknown or if the collateral is not consistent with the financial standing of the customer.
- c) Application for financing from a financial institution where the source of the customer's financial contribution is not known.
- d) Application for a loan when the customer has significant funds available on another account.
- e) The use of funds from a loan that is inconsistent with the declared purpose of the loan.
- f) An application for loans to off-shore companies or an application for a loan secured by a promissory note from an off-shore bank.
- g) If the purpose of the loan as declared by the customer makes no economic sense, or if the customer offers to provide a cash collateral for the loan, while refusing to disclose its purpose.
- h) If a customer purchases depository receipts and uses them as collateral for a loan.
- i) If a customer secures a loan with a cash deposit.
- j) If a customer uses cash collateral deposited with an off-shore financial institution in order to obtain a loan.
- k) If funds originating from a loan are unexpectedly directed to an off-shore territory.
- l) If a customer unexpectedly repays a loan or a significant portion thereof without an economic precedent visible to the bank.
- m) If a loan is repaid by a person with whom the customer had (has) no financial relationship.

6.) Money laundering using international activities

- a) Contact with large amounts from companies registered in countries associated with drug trading.
- b) Holding of large balances inconsistent with the customer's usual business turnover with a subsequent transfer to a foreign country.
- c) If a customer, in the course of his/her foreign trade activities, regularly deviates from the payment methods that are customary for the respective countries.
- d) A customer is suspicious if he/she conducts a significant flow of funds with countries associated with the production of or trade in drugs, especially if the customer's business profits are inconsistent with the economic and commercial structures of the respective countries.
- e) Transactions affecting off-shore banks or shell-banks with names very similar to the name of a large legal financial institution.
- f) Frequent payment orders or payment orders for large amounts where the beneficiary or the obligor is an off-shore institution and where this is inconsistent with the known business of the customer.

- g) If a customer sends and receives transfers (to and from countries qualifying as tax havens), especially if such transactions have no visible business reasons or if such transactions are inconsistent with the business or the history of the customer. A typical case would be for an off-shore reinsurer to transfer a larger amount identified as commissions to a private individual.
- h) Regular repeated transfers from the bank account (accounts) of a natural person to countries that qualify as tax havens.
- i) If a customer receives transfers or sends transfers that are just below the value threshold for reporting or affect a number of banks, but there is no visible relationship between the transactions and the activities or history of the customer.

7.) Insufficient or suspicious information

- a) If a business organisation is reluctant to provide comprehensive information about the business purpose of the enterprise, its previous banking relationships, officers, directors or place of business.
- b) If a customer refuses to provide information when opening an account, or purchases cash substitutes above the specified threshold.
- c) If a customer tries to open an account without references, a local address or personal identification (passport, driving license or social security card), or refuses to provide any other information required by the bank for opening an account.
- d) If a potential borrower is reluctant or refuses to specify the purpose of a loan or the source of funds for repayment, or specifies a questionable purpose and/or source of funds.
- e) If a customer provides very minimal information or information that seems to be false, or information that is difficult for the Bank to verify, especially with regard to his/her personal identity.
- f) If a potential customer is reluctant or refuses to provide references, or the references cannot be verified or cannot be contacted.
- g) If a person does not indicate his/her past or present employment on the loan application.

8.) Unusual features or activities

- a) If an account is maintained for a customer located at a distant address from the location of the bank or the branch, especially if another branch is available in closer proximity and there is no logical explanation for choosing a more distant branch.
- b) Accounts or customers with frequent large amounts of cash deposits that are bundled using currency straps bearing the seals of other banks.
- c) If the customer holding the account almost never visits the financial institution but has a number of couriers who deposit money onto his/her account.
- d) If there are significant unexplained deviations from traditional banking methods.
- e) If a customer's willingness to take risks suddenly increases, diverging from his/her customary behaviour.

9.) Attempts to evade reporting or record-keeping requirements

- a) If a customer attempts to enter into a financial transaction for an amount above a certain threshold, but retrieves a portion of the money when informed of the record-keeping or reporting requirement, in order to keep the transaction just below the specified threshold.
- b) If a person takes cash to the financial institution and insists that the prescribed record-keeping or reporting forms should not be completed.
- c) If a customer makes many deposits in short succession to a single account, each below the threshold for identification, or if he/she distributes large deposits to several accounts in order to evade mandatory reporting.
- d) If a customer is reluctant to provide information that is required for identification, or is reluctant to carry on with the transaction when informed of the requirement to identify him-/herself.
- e) If a customer forces or attempts to force a bank employee not to submit the required record-keeping or reporting forms.

10.) Money laundering using life insurance

- a) Sudden significant increase in extraordinary payments or withdrawals by either a private individual or a legal entity.
- b) A deposit of a significant amount for unit-linked life insurance not consistent with the customer profile.
- c) Regular transactions just below the value threshold for identification.
- d) Payments and withdrawals not consistent with the customer profile.
- e) Use of a service in a form different from the general practice.
- f) If a business organisation is reluctant to provide comprehensive information about the business purposes of its enterprise, about its previous banking relationships, officers, directors, or about its place of business activities.
- g) If a customer refuses to provide information when entering into a contract.
- h) If a customer intends to enter into a contract without disclosing his/her references, local address or personal identity (using a passport, driving license or social security card), or refuses to provide any other information required by the insurance company in order to enter into a contract.
- i) If a customer provides very minimal information or information that seems to be false, or information that is difficult for the insurance company to verify, especially with regard to his/her personal identity.
- j) If there are unexplained significant deviations from traditional insurance practices.
- k) If a customer attempts to enter into a transaction or a contract for an amount above a certain threshold, but withdraws from entering into the contract when informed of the record-keeping or reporting requirement, in order to keep the transaction just below the specified threshold.
- l) If a customer intends to make a cash payment and insists that the prescribed record-keeping or reporting forms should not be completed.
- m) If a customer enters into many contracts below the value threshold for identification.
- n) If a customer is reluctant to provide the information that is required for identification or to carry on with the transaction when informed of the requirement to identify him-/herself.
- o) If a customer forces or attempts to force a bank employee not to submit the required record-keeping or reporting forms.

11.) Money laundering using the change of money

- a) Possession of an unusually large sum if not consistent with the appearance or the behaviour of the customer.
- b) Regular change of large amounts of money.
- c) If customers arrive together and change large amounts of money at the same time.
- d) A series of successive transactions, each just below the value threshold for identification.
- e) Change of a large sum or regular change involving rarely used currencies
- f) If a customer is reluctant to identify him-/herself.
- g) If a customer attempts to initiate a change above the value threshold, but retrieves a portion of the money when informed of the due diligence requirement, in order to keep the transaction just below the specified threshold.
- h) Exchange of small denominations of currency into a larger denomination or sale with a concurrent purchase of a different currency.

12.) Money laundering via pawning

- a) If customers suddenly repay their pawn loans.
- b) If customers regularly pawn a large number of items, each representing a smaller value individually but a larger value in total, and if those are typically not redeemed.
- c) A customer whose appearance gives reason to believe that he/she is not the owner of the pawned property.
- d) If the customer is very nervous and his/her behaviour may give rise to the suspicion that he/she may have become involved in a money laundering transaction.
- e) If the clothing and the behaviour of the customer are inconsistent with the quality of the pawned property.
- f) If the customer rather withdraws from a transaction on hearing of identification.
- g) If the purpose of the loan as declared by the customer does not make economic sense or if the customer refuses to disclose the purpose of the loan.
- h) If a customer purchases depository receipts and uses them as collateral for a loan.
- i) If the registered office or the residence of the customer is located in one of the states listed in Annex No. 4.
- j) If a different person tries to redeem a pawned property of significant value without providing an acceptable explanation.

13.) Transactions giving rise to the suspicion of terrorist financing

Terrorists usually maintain low profile behaviours and lifestyles to avoid causing suspicion in their environments, networks and financial practices. It is therefore impossible or difficult to specify the types of unusual transactions in relation to terrorists.

Terrorists collect unlawful funds as well as funds that typically seem lawful: in addition to protection moneys, blackmail and trading in drugs and arms they also collect funds from lawfully operating foundations as well as from not for profit organisations, and they also collect membership fees and sell publications.

- a) It may be suspicious for instance, if a customer who is the citizen of a foreign country applied for not only one or two bank cards, but several when opening an account. After opening the account a long period – even several months – may pass before a transfer or cash payment is made to the account, which would then be withdrawn in cash within a short period of time from ATMs with the use of the cards. Subsequently the account may be dormant for a lengthy period of time, and then the process would be repeated.

- b) It may also be suspicious if several persons cancelled their life insurance policies and requested payment of the amount to the same person.