GUIDELINE II


First Edition
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CHAPTER 1: GENERAL

A. Introduction

Based on Article 13 paragraph 1 sub-paragraph a of Law Number 15 Year 2002 regarding Criminal Acts of Money Laundering (“TPPU Law”), Financial Dealers (“PJK”) such as banks, financing institutions, securities companies, mutual fund managers, custodians, trust agents, custody and settlement institutions, foreign currency traders, pension funds, and insurance companies are obligated to report Suspicious Financial Transactions to the Indonesian Financial Transaction Reports and Analysis Center (the “PPATK”) in an effort to detect money laundering activities early.

Furthermore, in accordance with Article 26, sub-article (e) of the TPPU LAW, PPATK has function, among others, to issue guidelines in assisting PJK to detect unreasonable financial transactions of the customers. Considering the difficulties undergone by PJK in dealing with the aforementioned matter, PPATK needs to issue Guidelines on the Identification of Suspicious Financial Transactions for PJK. These guidelines are also the continuation of the General Guidelines on the Prevention and Eradication of Criminal Acts of Money Laundering for Financial Dealers.

B. The Use of Guidelines

These guidelines are issued to provide comprehension and reference for PJK on the methods for identifying suspicious financial transactions accurately in order to produce quality Suspicious Financial Transaction Reports. These guidelines will explain the identification method of Suspicious Financial Transactions, which include the following matters:

1. Definition of Suspicious Financial Transactions.
2. The importance of identification of Suspicious Financial Transactions.

3. Elements and Indicators of Suspicious Financial Transactions.

4. The implementation of Know Your Customer Principles.

In addition to assisting PJK, these guidelines can also be used as a reference to prevent and eradicate criminal acts of money laundering and terrorism funding by other government agencies or regulators.

In order to increase effectiveness in its implementation, PPATK will continuously review and improve these guidelines, the results of which will be periodically issued. In addition to that, it is also possible to provide explanation on significant matters that may occur in the implementation thereof.
CHAPTER 2: IDENTIFICATION OF SUSPICIOUS FINANCIAL TRANSACTIONS

1. Definition of Suspicious Financial Transactions

As already known, the TPPU Law uses the term “Suspicious Financial Transaction”. The word “suspicious” has the connotation that such financial transaction is surely related to a criminal act so as to pose impediment to Suspicious Financial Transaction reporting. Basically, referred to as “Suspicious Financial Transaction” is the transaction that is unusual or improper and is not always related to a certain criminal act.

The term “suspicious transaction” in the anti-money laundering terminology was initially used by the Financial Action Task Force on Money Laundering (FATF) in the Forty Recommendations concerning the eradication of criminal acts of money laundering. In practice, every state may use different terms. The term used is not only “suspicious transaction”, but also other terms such as “unusual transaction”.

There is no standard characteristic of Suspicious Financial Transactions as it is influenced by variation and development of existing financial services and instruments. However, there are general characteristics of Suspicious Financial Transactions, which can be used as a reference, as follows:

a. Transactions having unclear economical and business target.
b. Transactions conducted in relatively large amount cash and/or conducted repeatedly and unnaturally.

c. Transactions conducted differently from that of usually and normally conducted by the relevant customer.

If required, PJK can clarify or request the supporting document of the transactions conducted by the customer, to determine Suspicious Financial Transactions. In reporting Suspicious Financial Transactions, the suspected object is dominated by the transaction itself rather than the person or customer conducting the transaction.

2. The importance of identification of Suspicious Financial Transactions

In committing money laundering, the perpetrator does not normally spend or use the properties obtained from his/her criminal act directly, but he/she will first try to put such properties into the financial system through placement, layering or integration phases. With respect to the aforementioned matter, the identification of Suspicious Financial Transaction is one of the important activities to be conducted by PJK in producing quality report on Suspicious Financial Transaction. Such action is required to support the efforts of preventing and eradicating criminal acts of money laundering and terrorism funding as well as securing the financial system so that it will not be used for illegal purposes.

3. Elements and Indicators of Suspicious Financial Transactions

Elements of Suspicious Financial Transactions

In accordance with Article 1 item 6 of the TPPU Law, a Suspicious Financial Transaction basically has the following elements:

a. Transaction deviating from:
   - the profile;
   - the characteristics; or
GUIDELINES ON THE IDENTIFICATION OF SUSPICIOUS FINANCIAL TRANSACTIONS FOR FINANCIAL DEALERS

- the usual transaction pattern of the relevant customer.

b. Transaction reasonably suspected to have been conducted with the purpose of evading the reporting that must be conducted by the relevant PJK.

c. Financial transaction conducted using fund alleged to be attributable to criminal acts.

If a financial transaction indicates one or more of the aforementioned elements, the relevant PJK must identify it as a Suspicious Financial Transaction and report it to the PPATK.

**Indicators of Suspicious Financial Transactions**

In identifying whether or not a financial transaction has one or more of the aforementioned elements, the relevant PJK can use the indicators of Suspicious Financial Transactions, which include, among other things:

a. Transactions

1) Cash

   i. Cash transactions conducted in an unusual amount from that of usually conducted by the relevant customer.

   ii. Transactions conducted in a relatively small amount but with high frequency (structuring).

   iii. Transactions conducted by using several different individual names for the interest of a particular person (smurfing).

   iv. The foreign currency exchange or purchase in a relatively large amount.

   v. The purchase of travelers checks in cash in a relatively large amount.
vi. The purchase of several insurance products in cash in a short period time or at the same time with premium payment entirely in a large amount and followed by policy disbursement prior to due date.

vii. The purchase of securities by cash, transfer, or checks under other person’s name.

2) Economically irrational transactions

i. Transactions having no conformity with the initial purpose of account opening.

ii. Transactions having no relationship with the business of the relevant customer.

iii. Transaction amount and frequency are different from that of normally conducted by the customer.

3) Fund transfers

i. Fund transfers to and from high-risk offshore financial centers without any clear business purposes.

ii. Receipts of fund transfers in several phases and once accumulated the funds are subsequently transferred entirely to other account.

iii. Receipts and transfers of funds at the same or approximately the same amount and conducted in a relatively short period (pass-by).

iv. Fund payments for export import activities without complete documents.

v. Fund transfers from or to other high-risk countries.

vi. Fund transfers from or to other high-risk parties.

vii. Receipts/payments of funds made by using more than one (1) account, either in the same name or a different one.
viii. Fund transfers using the account of PJK’s employee in an unusual amount.

b. Behaviors of the Customer

1) Unreasonable behaviors of the relevant customer when conducting a transaction (nervous, rushed, unconfident, etc.).

2) Customer/prospective customer gives false information with respect to his/her identity, sources of income or businesses.

3) Customer/prospective customer uses identification document, that is unreliable or alleged as fake such as different signature or photo.

4) Customer/prospective customer is unwilling or refusing to provide information/documents requested by the officials of the relevant PJK without any clear reasons.

5) Customer or his/her legal representative tries to persuade the officials of the relevant PJK in one way or another not to report his/her transaction as a Suspicious Financial Transaction.

6) Customer opens account for a short period.

7) Customer is unwilling to provide right information or immediately terminating business relationship or closing his/her account at the time the officials of the relevant PJK request information with respect to his/her transaction.

If the relevant PJK still feels uncertain even after conducting Suspicious Financial Transaction identification, it will be better that the relevant PJK report such transaction to the PPATK as a Suspicious Financial Transaction in order to avoid unexpected risks including the possibility of being penalized as set forth in Article 6 paragraphs (1) and 8 of the TPPU Law.

4. The implementation of Know Your Customer Principles
In order to increase effectiveness in identification process of Suspicious Financial Transactions, in implementing Know Your Customer Principles, PJK shall execute enhanced due diligence to the customers who are potentially performing money laundering activities when opening accounts. The examples including high-risk customer, high-risk business, and high-risk countries. PPATK will issue information with respect to high-risk customer, high-risk business, and high-risk countries in a separate publication. However, PJK is not necessary to perform such investigation as usually done by investigators.

With respect to the aforementioned matter, without prejudice to the stipulation of Know Your Customer Principles issued by each PJK supervisory authority, the following matters need to be observed in implementing Know Your Customer Principles:

a. To establish a complete and up to date customer database covering all important information with respect to the customer including customer’s profile. With respect to the aforementioned matter, PJK shall make profile of existing customer and initial profile of new customer. Customer’s profile will highly help PJK to indicate Suspicious Financial Transactions promptly.

b. To provide adequate and sustainable training for their employees so that they possess the required knowledge and skill.

c. To make investigation policy and procedure of enhanced due diligence review to the high-risk customer, high-risk business and high-risk countries when opening an account.
CHAPTER 3: SUSPICIOUS FINANCIAL TRANSACTION REPORTING

These guidelines shall be applied to commercial banks, rural credit banks (the “BPR”), securities companies, mutual fund managers, custodians, insurance companies, pension funds, and financing institutions. While the guidelines for other PJK will be issued separately.

If the elements of Suspicious Financial Transactions are found in the identification process, the relevant PJK must report it in accordance with the provisions in the TPPU Law and the procedure regulated in the guidelines concerning Suspicious Financial Transactions. The obligation to report Suspicious Financial Transactions to the PPATK will be effective as from October 18, 2003.
CHAPTER 4: INFORMATION AND INQUIRIES

The implementation of the anti-money laundering regime is a relatively new issue for various parties in Indonesia. Therefore, the PPATK has opened a help-line to provide assistance in the form of information and consultation service with respect to the identification and reporting of Suspicious Financial Transactions. However, these services do not constitute legal assistance for PJK.

Such help-line service can be accessed by e-mail to: helpline@ppatk.go.id that will be operating on business days from 08.00 to 16.00 hours West Indonesian Time.
Several case samples of Suspicious Financial Transactions are provided in this ATTACHMENT and they are described in three phases, namely:

- **Cases**

  Exposing the activity and/or method used by customer of a PJK in an effort to hide the origin of the properties attributable to his/her criminal act.

- **Suspicious Indicators**

  Describing several facts of a case that indicate Suspicious Financial Transactions if combined.

- **Elements of Suspicious Financial Transactions**

  In accordance with the TPPU Law, a transaction is classified as a Suspicious Financial Transaction if it indicates one or more of the following elements:

  a. The transaction is deviating from:

     - the profile;
     - the characteristics; or
     - usual transaction pattern

     of the relevant customer.

  b. Transaction reasonably suspected to have been conducted with the purpose of evading reporting that must be conducted by the relevant PJK.

  c. Financial transaction the fund which is alleged to be originating from Criminal Acts committed or failed to be committed by using Properties alleged to derive from proceeds of crime.
These phases conclude the elements that must be found in a case so that it can be classified as a Suspicious Financial Transaction.

1. Banking

Case 1

Bank “Z” found some indicators of Suspicious Financial Transactions occurring in a number of its branch offices

<table>
<thead>
<tr>
<th>Date</th>
<th>Activities</th>
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</table>
| 7/4/2003   | • Mr. A, an agribusiness entrepreneur, opened an account in Bank “Z” with initial deposit of Rp.100,000.00  
            | • The account was opened for land transaction purpose.  
            | • Mr. A resides in a similar address with Mr. B who is also a customer of Bank “Z”.  |
| 8/4/2003   | • Directorate General of Taxes issued a decision on tax restitution of PT “X” (this information was known later).  |
| 9/4/2003   | • Mr. A received money transfer from Tax Service Office regarding Tax Restitution Order (SKMKP) in the name of PT “X” in the amount of Rp.500,276,458.00  
            | • It was found out later that the President Director of PT “X” has a similar name with Mr. A.  |
| 10/4/2003  | • Mr. A and Mr. B came to Bank “Z” and withdrew some cash in the amount of Rp.500,000,000.00 from the account of Mr. A. The following transactions were further conducted:  
            | o Mr. B transferred Rp.250,000,000.00 to his account at other branch of Bank “Z”.  
            | o Mr. B transferred Rp.250,000,000.00 to the account of “C” at other branch of Bank “Z”.  
            | • Mr. B withdrew Rp.200,000,000 from his account and he then performed the following:  |
GUIDELINES ON THE IDENTIFICATION OF SUSPICIOUS FINANCIAL TRANSACTIONS FOR FINANCIAL DEALERS

<table>
<thead>
<tr>
<th>Date</th>
<th>Activities</th>
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<tbody>
<tr>
<td></td>
<td>o Depositing Rp.100,000,000.00 to the account of Mr. C.</td>
</tr>
<tr>
<td></td>
<td>o Transferring Rp.100,000,000.00 to the account Mr. D at other branch of Bank “Z”.</td>
</tr>
<tr>
<td></td>
<td>• Mr. C withdrew cash in the amount of Rp.100,000,000.00 on the same day.</td>
</tr>
<tr>
<td>11/4/2003</td>
<td>• Mr. D withdrew Rp.10,000,000.00 in cash.</td>
</tr>
<tr>
<td>14/4/2003</td>
<td>• Mr. D transferred Rp.30,000,000.00 to the account of Mr. E at other branch of Bank “Z”.</td>
</tr>
<tr>
<td></td>
<td>• Mr. E further placed the fund in a deposit.</td>
</tr>
<tr>
<td></td>
<td>• Bank “Z” knows that Mr. E is an employee of PT “X”.</td>
</tr>
<tr>
<td>16/4/2003</td>
<td>• Mr. D transferred again Rp.20,000,000.00 to the account of Mr. E then he put the fund again in a deposit.</td>
</tr>
</tbody>
</table>

Suspicious indicators

- Although Mr. A is a new customer, he has conducted a transaction in a relatively enormous amount.
- Some transactions in and out were conducted consecutively on the same day or on days that are close to one another.
- Transactions occurred among the parties having connection.
- Tax restitution that should be paid to company’s account was transferred to personal account.

Elements of Suspicious Financial Transactions

The aforementioned series of transactions indicate the following elements:

- Transaction deviates from the customer’s characteristics.
- The fund is alleged to be originating from criminal acts.
Therefore, it can be concluded that such transactions constitute Suspicious Financial Transactions.

**Case 2**

PT R in accordance with the data available at Bank “Q” is a retailer of jewelry and precious metal. Based on the bank’s observation, this company has a slow growth. Usual transfer to and from the account of PT R from a number of individuals is a multiple amount of Rp.5 million and ranges from Rp.5 million to Rp.50 million. Transfer out is also conducted in a routine manner to two “company executives” of PT R in a relatively enormous amount namely ranges from Rp.100 million to Rp.500 million. Cash withdrawing is also performed frequently by the employees of PT R and the amount reaches tens of billion Rupiah in a month. The aforementioned mutation pattern draws the attention of Bank Q officials.

**Suspicious Indicators**

- Customer’s account activity is inconsistent with the fact that customer’s business grows slowly.

- Transaction patterns as reflected by transaction amount and frequency involving some persons do not comply with customer’s business characteristics.

- Routine transfer to two “company executives” of PT R in a large amount has unclear relation with customer’s business.

- Cash withdrawing in a relatively large amount frequently having unclear relation with customer’s business often occurs.

**Elements of Suspicious Financial Transaction**

The aforementioned series of transactions indicate the following elements:

- Transaction deviates from the customer’s characteristics.
Therefore, it can be concluded that such transactions constitute Suspicious Financial Transactions.

**Case 3**

Bank X, in November 2002, opened saving accounts for 10 new customers most of whom work as private entrepreneurs with the average income of Rp.500,000,00 to Rp.2,000,000,00 per month. Within a month, the ten accounts simultaneously receive hundreds million of Rupiah each time through RTGS from a senior regional official. Each of account holders withdrew some cash through ATM in several phases within a relatively short period and they left only tens thousand Rupiah in their accounts.

Bank X checked the addresses of the account holders and it found that they provided false addresses. There is information that one of the ten account holders has been arrested by the Police due to fraud cases.

**Suspicious Indicators**

- Accounts were opened for the purpose of receiving funds in several phases and the funds were withdrawn in a relatively short period.

- Transactions were conducted without clear reasons.

- Transactions amount and frequency does not comply with customer’s income profile.

- The withdrawal was conducted in cash through ATM in a reasonable high frequency and maximum amount so that the balance is almost gone.

- One of the customers was arrested by the Police due to fraud cases.

- The customers provided fake addresses.

**Elements of Suspicious Financial Transactions**

The aforementioned series of transactions indicate the following elements:
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- Transaction deviates from the customer’s characteristics.
- The fund is alleged to be originating from a criminal act.

Therefore, it can be concluded that such transactions constitute Suspicious Financial Transactions.

**Case 4**

Mr. X, a tourist from Africa arrived in Indonesia on July 3, 2003 and at the same day he came to Bank D to open a saving account. He received fund transfer from a state included in the NCCT’s list through wire transfer in the amount of US$80,000.00 on July 11, 2003. Mr. X then withdrew some Rupiah cash in a several phases through ATM. The withdrawing continued until July 3, 2003 and he left the balance of Rp.50,000.00. On August 2003, Bank D received a request from correspondence bank to cancel money transfer and freeze the account of Mr. X. The cancellation purpose is because Mr. X falsifies and uses other’s person identity.

**Suspicious Indicators**

- Customer opens account for receiving transfer and withdrawing the fund in a relatively short period (pass-by).
- Customer provides fake identity.
- Customer comes from high-risk country.
- Customer receives fund from overseas without clear underlying transaction and in a relatively enormous amount.
- Cash withdrawing is conducted in a several phases and in a reasonable high frequency through ATM.
- Transfer cancellation from correspondence bank.

**Elements of Suspicious Financial Transactions**
The aforementioned series of transactions indicate the following elements:

- Transaction deviates from the customer’s characteristics as a tourist.
- The fund is alleged to be originating from a criminal act.

Therefore, it can be concluded that such transaction constitutes Suspicious Financial Transactions.

2. Non-Bank Financial Institution

Case 5

Company’s account owned by A in Swiss Trust Company received transfer fund of US$2,5 million from a foreigner named B. US$100,000.00 out of that fund was then withdrawn and the remaining amount was transferred to several company’s accounts in USA and Europe belonging to C and D. Based on the information from the mass media, it was found out that C had been involved in a criminal act of money laundering and D had been involved in fraud, falsification, and prostitution.

Suspicious Indicators

- Customer has a connection with parties who based on the information from mass media are involved in several criminal acts.

Elements of Suspicious Financial Transactions

The aforementioned series of transactions indicate the following elements:

- The fund is alleged to be originating from a criminal act.

Therefore, it can be concluded that such transaction constitutes Suspicious Financial Transactions.

Case 6
Fabio, a taxi driver, covers an insurance policy for 10-year scheme with advance premium payment in a lump sum manner. The premium paid by Fabio is Rp.10 billion. Within the next three months, Fabio withdrew his insurance policy by reason of incidental needs. As the withdrawal was conducted prior its due date, he only received Rp.8.4 billion in the form of check. He then deposited the check in his bank account. Based on the information, it was found out that Fabio conducted the same things to 5 other insurance companies.

Suspicious Indicators

- Cancellation of insurance policy was conducted in a very short period before its due date with reasonable amount of cancellation penalties.

- The value of insurance policy premium exceeds Fabio’s yearly income as a taxi driver.

- There is Information that Fabio conducted the same things to 5 other insurance companies.

Elements of Suspicious Financial Transactions

The aforementioned series of transactions indicate the following elements:

- Transaction deviates from customer’s characteristics.

- The fund is alleged to be originating from criminal acts.

Therefore, it can be concluded that such transaction constitutes a Suspicious Financial Transaction.