

# Challenges of Improving STR reporting

An overview

26<sup>th</sup> June 2025

# Why does STR reporting matter?

## **'An effective system'**

A country's efforts in developing sound laws and regulations and implementing and enforcing them should focus on one goal, the high-level objective of an effective AML/CFT framework:

### High Level Objective;

Financial systems and the broader economy are protected from the threats of money laundering and the financing of terrorism and proliferation, thereby strengthening financial sector integrity and contributing to safety and security.

This objective can only be achieved if the components of a country's AML/CFT framework are operating well together.

# Recommendations 20 and 21

## **20. Reporting of suspicious transactions**

If a financial institution suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity, or are related to terrorist financing, it should be required, by law, to report promptly its suspicions to the financial intelligence unit (FIU).

## **21. Tipping-off and confidentiality**

Financial institutions, their directors, officers and employees should be:

- a) protected by law from criminal and civil liability for breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, if they report their suspicions in good faith to the FIU, even if they did not know precisely what the underlying criminal activity was, and regardless of whether illegal activity actually occurred; and
- b) prohibited by law from disclosing ("tipping-off") the fact that a suspicious transaction report (STR) or related information is being filed with the FIU. These provisions are not intended to inhibit information sharing under Recommendation 18.

# Recommendation 23

## **DNFBPs; Other measures**

The requirements set out in Recommendations 18 to 21 apply to all designated non-financial businesses and professions, subject to the following qualifications:

- a) Lawyers, notaries, other independent legal professionals and accountants should be required to report suspicious transactions when, on behalf of or for a client, they engage in a financial transaction in relation to the activities described in paragraph (d) of Recommendation 22. Countries are strongly encouraged to extend the reporting requirement to the rest of the professional activities of accountants, including auditing.
- b) Dealers in precious metals and dealers in precious stones should be required to report suspicious transactions when they engage in any cash transaction with a customer equal to or above the applicable designated threshold. (EUR 15,000)

# FATF Methodology – 5<sup>th</sup> Round (August 2024)

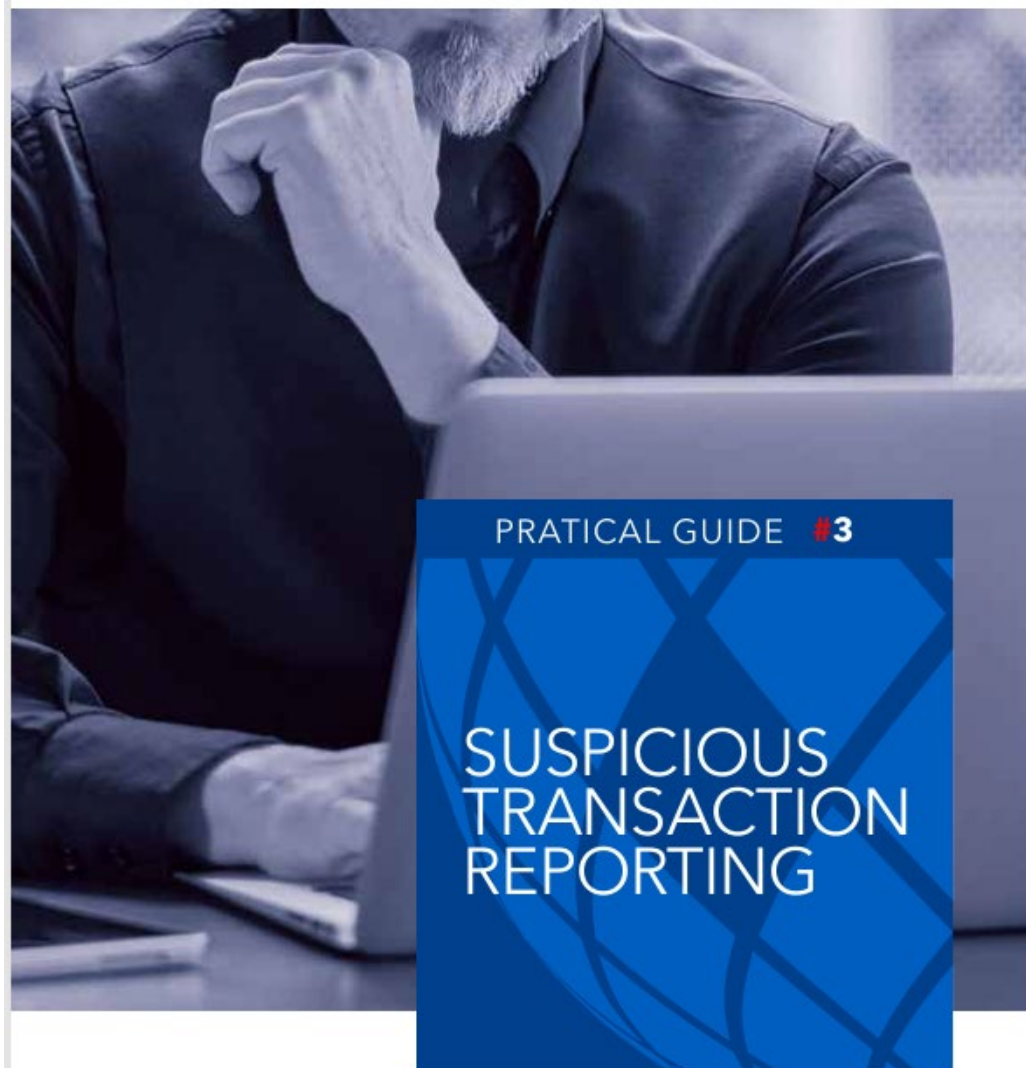
**Immediate Outcome 3** - Supervisors appropriately supervise, monitor and regulate financial institutions and VASPs for compliance with AML/CFT requirements, and financial institutions and VASPs adequately apply AML/CFT preventive measures, and report suspicious transactions. The actions taken by supervisors, financial institutions and VASPs are commensurate with the risks.

**Immediate Outcome 4** - Supervisors appropriately supervise, monitor and regulate DNFBPs for compliance with AML/CFT requirements, and DNFBPs adequately apply AML/CFT preventive measures commensurate with the risks, and report suspicious transactions.

# General requirements for effective STR reporting

See Chapter IX of OS 2.318

- An adequately resourced AML/CFT compliance function independent of the decision making of the rest of the financial institution/DNFBP and able to act on its own initiative
- adequate knowledge, skills and experience to be able to understand the ML/TF risks related to the business' activities and business model, including a thorough understanding of the national legal and regulatory framework relating to the prevention of ML/TF
- Clear policies and procedures setting out when the submission of an STR is appropriate and what the process is
- Clear lines of communication between all staff and managers, and between the AML/CFT function and the rest of the business
- Staff empowered to act on their own initiative within policy guidelines, to raise suspicions of ML/TF activity with management
- Bespoke training to all staff in the AML/CFT function dependent on role, covering both their internal responsibilities and common ML and TF typologies
- Effective harvesting and use of intelligence to improve detection of suspicious activity



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## **Guideline:**

# **Suspicious Transaction Report**

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# Law no 1.362, chapter V – Reporting and Information Obligations

## Article 36

- The organizations and persons referred to in Article 1 and in Article 2, items 1º) and 2º) are required to report to the Authority's financial intelligence department, in consideration of their activity, all sums and funds entered in their books, all transactions or attempted transactions involving sums or funds which they **know, suspect or have reasonable grounds to suspect** originate from an offence referred to in Article 218-3 of the Criminal Code, or are linked to the financing of terrorism or corruption.
- They are also bound by the same obligation in the event that a transaction giving rise to a legitimate suspicion is refused or cannot be completed on the customer's initiative, due to the customer's fault or because of specific and concordant evidence pointing to involvement in the offences covered by the present law.

# Timeliness – when should the STR be submitted

## Article 36

- 'This declaration must be made in writing, **before the transaction is executed**, and specify the facts that constitute the evidence on which the said organisations or persons rely to make the declaration. It shall indicate, where applicable, the period within which the transaction must be executed. If circumstances so require, the declaration may be preceded by fax or by an appropriate electronic means'.

## Article 37

- If, due to the seriousness or urgency of the matter, the AMSF's financial intelligence unit deems it necessary, it may oppose the execution of any transaction on behalf of the customer concerned by the report in order to analyse, confirm or refute the suspicions and transmit the results of the analysis to the competent authorities.
- This objection shall be notified in writing or, failing this, by fax or by an appropriate electronic means, before the expiry of the period within which the transaction must be executed as referred to in Article 36. It shall prevent the execution of any transaction for a maximum period of five working days from the date of notification.

# Timeliness – when should an STR be submitted

## Article 39

- The organisations and persons referred to in articles 1 and 2 **shall refrain from carrying out any transaction that they know or suspect to be related to the proceeds of an offence referred to in Article 218-3 of the Criminal Code, terrorist financing or corruption until they have made the report provided for in Articles 36 or 40.** They may then proceed with the transaction **only in the absence of an objection from the department performing the financial intelligence function of the AMSF** under the conditions laid down in the last paragraph of Article 37.
- If the organisations or persons referred to in Articles 1 and 2 know or suspect that a transaction is related to the proceeds of an offence referred to in Article 218-3 of the Criminal Code, terrorist financing or corruption, but are unable to make the report provided for in Articles 36 or 40 before carrying out the transaction, either because it is not possible to postpone it or because it would be likely to prevent the prosecution of the beneficiaries of the said offences, these bodies or persons shall make this report **without delay** after carrying out the transaction.
- **In this case, they shall also indicate the reason why it was not possible to make the report prior to carrying out the transaction.**

# Elements of a good quality STR

## Basic Structure

- As much information as possible should be completed in the data fields.
- Include all available Customer Due Diligence (CDD) information.
- Dates of birth and identity documents are vital for identifying individuals correctly.
- In addition to the explanation, fully populate all the other information fields.

## Missing or inaccurate information:

- limits opportunities for analysis
- impacts negatively on positive identification of subjects
- reduces the overall effectiveness of the STR.

# Clear and Concise

- Structure your explanation in a logical format. Include all relevant information.
- Briefly summarise your suspicion.
- Provide a chronological sequence of events.
- Avoid acronyms and jargon – they may not be understood or be misinterpreted
- If describing a service provided or technical aspect of your work, provide a brief synopsis in the STR to aid the reader.
- Break large amounts of information/text into more readable paragraphs - very long STRs which are text heavy are difficult to read.
- List bank account/transaction information separately

# Reason for Suspicion

- **Who** is involved?
- **What** is the suspected criminal/terrorist property?
- **What** is the value of the criminal/terrorist funds (estimated if necessary)?
- **Where** are the criminal/terrorist funds/property?
- **When** did the circumstances arise (or are expected to happen)?
- **How** are the subject(s) involved?
- **How** did the circumstances arise?
- **Why** are you suspicious?

# Remember...

- STR reporting is a legal obligation and an integral part of Monaco's AML-CFT mechanism
- STRs are the basis of a large number of the DSPs ML cases
- MONEYVAL are continually monitoring the system for improvements
- Continued failure or weakness reflects on all parties and the ramifications are serious (remaining on the grey list – reputational damage – loss of income and investment – attracts more criminal finances)
- It is the responsibility of Banks, other FIs and DNFBPs to continually develop and refine their compliance mechanisms





# Any Questions?

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