[Appendix] 2017/11

**Red Flags for Transactions Suspected to Involve Money Laundering or Terrorism Financing (Futures Commission Merchants and Leverage Transaction Merchants )**

1. **Related to customer accounts:**
   * 1. The trader opens multiple accounts without justifiable reason, and the beneficial owner of the accounts is the same person.
     2. Multiple accounts are opened under the names of different companies, but the companies share an identical statutory representative or authorized signatory.
     3. Identical contact information, such as address or phone number, is given for accounts of multiple different customers, but no obvious relationship between the customers can be seen based on the other information given (such as names, ages, places of residence, phone numbers).
     4. The customer refuses to provide information requested for no legitimate reason, or refuses to comply with due diligence or continuous monitoring procedures.
     5. The customer is unable to provide reasonable explanations when its address or workplace is too far from the futures commission merchant or leverage transaction merchant, and the circumstances of its transactions are obviously unusual.
     6. Frequent changes are made to the customer’s personal information, such as address, phone number, or occupation, but there is no clear evidence to prove that the changes are factual or with reason.
     7. The customer intentionally uses illegible (illegal) or disguised (fraudulent) handwriting to fill out the application form or fill in information that is false, difficult to verify, or invalid.
     8. The applicant attempts to bribe or threaten personnel, intends to provide incomplete content on the application form, or attempts to coerce the employed personnel into accepting incomplete or erroneous information.
     9. The applicant is a politically exposed person, and attempts to evade filling in the application form correctly and completely, or does not fully prove the legitimacy of his/her sources of funds.
     10. The customer is from a country or region with high money laundering or terrorism financing risk, or a country or region with high tax avoidance risks or strict financial confidentiality, as advised by international AML organizations.
     11. The customer, person acting on behalf of the customer, clearing participant, or beneficial owner is a terrorist or terrorist group as advised by the FSC based on information provided by foreign governments, or a terrorist organization identified or investigated by an international organization against money laundering; or the transaction is suspected or reasonably suspected of being associated with terrorist activities, terrorist organizations, or terrorism financing.
     12. The customer is introduced by an overseas bank, affiliate company, foreign brokerage, or other investors, and the customer and the person who introduced the customer are both from jurisdictions that have not complied or have not fully complied with FATF Recommendations or from other high-risk countries or regions.
2. **Related to transactions:**
3. **Transactions/services - futures commission merchants**
   1. Large-sum transaction domestic and foreign futures contracts, options contracts, or futures options contracts are established immediately after the account is opened.
   2. Large-sum transaction domestic and foreign futures contracts, options contracts, or futures options contracts are established immediately after the legal entity account is opened, and the transaction amount applied for is clearly incommensurate with its capital, operating revenue, or liquid cash, or the company has been established for only an extremely short period of time.
   3. The customer engages in large-sum domestic or foreign futures contract, options contract, or futures options contract transactions.
   4. Large-sum transaction domestic and foreign futures contracts, options contracts, or futures options contracts are suddenly established under an account that has been dormant for more than one year.
   5. The customer uses an account opened collectively by company employees or members of a specific group to engage in large-sum and frequent transactions in domestic or foreign futures contracts, options contracts, or futures options contracts.
   6. The customer engages in frequent transactions in inactive and low fluidity domestic or foreign futures contracts, options contracts, or futures options contracts.
   7. The customer engages in frequent or substantial amounts of transactions in domestic or foreign futures contracts, options contracts, or futures options contracts at prices that are far higher or far lower than market prices.
   8. Multiple accounts are assigned to the same person conducting transactions on behalf of others.
   9. The customer expresses interest in futures transactions but does not request related information for understanding product characteristics, security, risks, profitability, or professional information.
   10. The customer engages in large consecutive transactions in specific domestic or foreign futures contracts, options contracts, or futures options contracts within a short period of time.
   11. The customer engages in non-competitive bidding, and the trade price deviates significantly from the market price.
   12. The customer uses dummy accounts or assigns a third party or the same customer account in different branches of the same futures commission merchants to perform transactions (laundering transactions) with the same amounts.
   13. The customer engages in large transactions but authentication of its identity is difficult or has expired (e.g. foreign nationals, tourists, and customers who do not reside in the country).
   14. Multiple accounts of persons other than the customer, or persons acting on behalf of a customer, are used to disperse large transactions.
   15. The trader engages in frequent or large transactions for products that can be physically delivered (e.g. raw materials, precious metals etc.) and requests the delivery of physical products before the expiry of the contract, resulting in suspicious circumstances in the purpose and motive of transactions that the merchant’s personnel consider to be suspicious.
   16. The trading counterparty is a terrorist or terrorist group as advised by the FSC based on information provided by foreign governments, or a terrorist organization identified or investigated by an international organization against money laundering; or there is suspicion or reasonable grounds to suspect that the funds for a transaction are linked with terrorist activity, terrorist organizations, or financing of terrorism.
   17. When an individual implicated in a special or material case reported in media such as television, newspapers, magazines, or the Internet engages in transactions at the futures commission merchant and the transactions are obviously unusual.
   18. Any other obviously unusual transactions or suspicious circumstances that come to the attention of the merchant’s personnel, regardless of transaction amounts or whether the transactions have been completed.
4. **Transactions/services - leverage transaction merchants**
   1. The legal entity customer engages in large-sum transactions that are clearly incommensurate with its capital, operating revenue, or liquid cash, or the company has been established for only an extremely short period of time.
   2. The customer engages in large-sum transactions.
   3. The customer expresses interest in products but does not request related information for understanding product characteristics, security, risks, profitability, or professional information.
   4. The customer uses company employees or members of a specific group to sign contracts collectively and engages in large and frequent transactions.
   5. The customer engages in frequent and large transactions in products that are inconsistent with the customer's own needs.
   6. When an individual implicated in a special or material case reported in media such as television, newspapers, magazines, or the Internet engages in transactions at the leverage transaction merchant and the transactions are obviously unusual.
   7. Any other obviously unusual transactions or suspicious circumstances that come to the attention of the merchant’s personnel, regardless of transaction amounts or whether the transactions have been completed.
5. **Related to payment/remittances:**
   * 1. The customer's designated bank account for payment and collection is located in a country or region with high money laundering or terrorism financing risks, or a country or region with high tax avoidance risks or strict financial confidentiality, as advised by international AML organizations.
     2. Deposits or premiums are wired come from a country or region with high money laundering or terrorism financing risk, or a country or region with high tax avoidance risks or strict financial confidentiality, as advised by international AML organizations.
     3. The customer immediately deposits transaction deposits or premiums that exceed a specific amount immediately after the account is opened or the contract is signed, or frequently deposits multiple deposits or premiums and immediately transfers the funds.
     4. An account that has been dormant for over a year is suddenly engaging in deposits or withdrawals exceeding a specific amount, or frequent, multiple deposits or premiums are deposited and funds are immediately transferred.
     5. Frequent deposits and withdrawals of deposits or premiums between multiple designated accounts of the same trader that exceed a specific amount.
     6. The futures commission merchant serves as a distributor or co-marketer of a futures trust fund(s), and discovers that the trader is rapidly transferring large amounts of funds among various financial instruments in an obviously unusual manner.