

# Reducing Risk of Trade-Based Crime

Rapid growth in international trade, as well as increased anti-money laundering scrutiny in other types of financial products and transactions have made trade an increasingly attractive venue for moving illicit funds. Trade-based money laundering (TBML) is a complex phenomenon that can only be prevented by applying best practices and knowing how to identify “red flag” indicators.



## International exports and imports are increasing in developed markets.

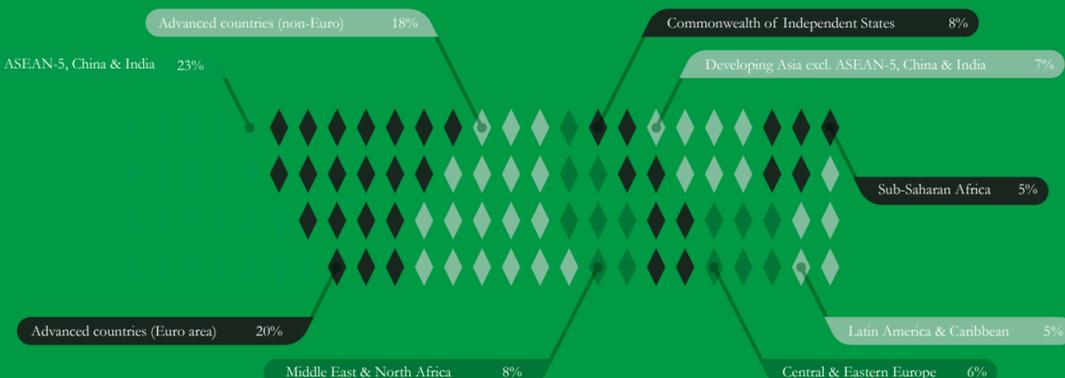
This adds to the number of customers who require risk mitigation and financing of cross-border trade.

**If a buyer** pays cash on delivery, the payment must cover the period between obtaining goods and selling them in order to recoup the expenditure.

**If a seller** allows a buyer additional time to pay, the seller must finance that period.

## Regional Shares of Trade Business\*

World trade transactions are concentrated in Asia and Europe with increasing numbers in the Middle East and Africa.



\*Source: ICC Global Survey 2013

## Identify Red Flags

**Screen smartly.** Avoid shipping seemingly harmless products that can be used for making weapons or subsidising movement of illegitimate goods to sanctioned countries by identifying areas of risk early in the process.

- Customer**  
Unusual and inconsistent shipments
- Document**  
Description of goods inconsistent with letters of credit
- Transaction**  
Unusual number of intermediaries, changes in names of parties
- Payment**  
Payments to unrelated third parties, changes to location, over or under-invoicing or price manipulation
- Shipment**  
Inconsistent quantity of goods compared with containers used, or sequential or unverifiable container numbers
- Ports of Call**  
Changes or additions to locations along the shipment route
- Transportation**  
Incomplete information regarding the vessel or aircraft such as beneficial owner, previous names, port of registry and operator

### Documents that Require Screening



Bill of Lading



Letter of Credit



Commercial Invoice

## Screening Best Practices\*\*

- Complete** Complete a financial crime risk assessment giving appropriate weight to money laundering and sanctions risks.
- Document** Document roles and responsibilities for managing financial crime risks in trade finance.
- Determine** Determine what checks are necessary and in what circumstances for non-client beneficiaries of an LC or DC.
- Provide** Provide training for trade-specific money laundering, sanctions and terrorist financing risks.
- Maintain** Maintain a detailed list of red flags to identify suspicious transactions.
- Identify** Identify dual-use goods in transactions and confirm whether a government license is required.
- Screen** Screen trade documents against applicable sanctions lists at key stages of a transaction.

\*\*Data from Financial Conduct Authority, July 2013 report, Banks' control of financial crime risks in trade finance. <http://www.fca.org.uk/news/tr13-03-banks-control-offinancial-crime-risks-in-trade-finance>