

Trade Based Financial Crime (TBFC)

Many regulators see trade finance as a key area for money laundering. It is attractive to a wide range of other financial crimes, including tax evasion, illegal goods, dual use goods, terrorism, proliferation financing, trafficking, sanctions busting, fraud and many others. TBFC takes advantage of trade complexities, limited verification, and substantial flow volumes to commit crimes and launder proceeds, often on a global scale.

For frontline and operations staff working in trade finance, identifying, assessing and mitigating trade risk is a vital and often complex task. To facilitate this, there are three broad areas of focus with some relevant questions below. The list is not exhaustive.

#1

What and why

Staff must be clear what trade is being proposed, what goods or services are being traded, and what finance is being asked for. Things to consider include:

- What are the overall risk factors relating to the proposed trade?
- Does the proposed trade fit with the business profile of the parties involved?
- Why is the requested finance appropriate?
- What is the trade and does it have a clear business purpose?
- What are the goods or services and why are these appropriate to the customer and the end user/end use?

#2

Who and how

It is important to understand which counterparties are involved in a trade and how they are involved.

Things to consider include:

- Who is buying/selling, who is paying, who is being paid?
- Which other third parties e.g. agents, are involved and how are they involved?
- How are the goods being shipped? Is the method appropriate to the goods concerned?
- Is there a risk of the involvement of a sanctioned person, entity, port or vessel?
- How are the goods priced and is this verifiable?

#3

When and where

Trades are typically carried out over a period of time. Things to consider include:

- Which are the ports of lading and discharging? Do they make sense in the context of the trade?
- Where are the buyer and the seller located and are the jurisdictions high risk?
- Is transshipment involved and if so, is there a good reason for it?
- What should be screened for sanctions, when and how often?
- Is there any indication that dual use goods might be traded to be used for illegal purposes?

