



Overview of Trade-Based Money Laundering

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30th October 2024



Overview

- What is Trade-Based Money Laundering?
- Why is TBML appealing to Criminals?
- Who is involved in TBML Schemes?
- TBML Types and Techniques
- Economic Sectors and Businesses at risk of TBML
- TBML and its Risks to Subject Persons



What is Trade-Based Money Laundering?





What is Trade-Based Money Laundering?

- “The Process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimise their illegal origin or finance their activities.”
- Trade is the key element of this type of money laundering.
- Criminals make use of trade or service transactions to launder illicit funds.
- TBML is the result of a chain of transactions.
- Trade Based Terrorist Financing (FBTF) is based on the same concept with a different outcome



Why is TBML appealing to Criminals?



Why is TBML appealing to Criminals?

- Often under-reported or discovered through other offences
- The complexity of TBML rings and transactions
- Cross-border element of trade adds an additional layer of complexity to the transaction
- Documentation can be easily obtained to legitimise the transfer of funds



Who is involved in TBML Schemes?



Who is involved in TBML Schemes?

Organised Crime
Groups

Terrorist Financers

These parties all have designated roles to ensure the illicit transactions go through without detection.

Professional Money
Launderers

Dishonest
Politically Exposed
Persons



TBML Types and Techniques



TBML Types and Techniques

→ It is universally understood that there are three main types of TBML

→ These are:

- Documentary Trade-Based Money Laundering
- Open Account Trade-Based Money Laundering and
- Service Based Money Laundering

→ The techniques used in the chain of trade transactions determine the type of TBML present

→ More than one technique may be used in one TBML scheme



Types of TBML



Documentary Trade-Based Money Laundering

- Banking or trading documentary instruments support transactions.
- These transactions typically involve regulated banking and financial institutions carrying out the movement of goods and services between the two counterparties.
- Criminal organisations use documentation to back up the legitimisation funds through what appears to be a legitimate transaction.
- Vulnerabilities:
 - Masking of the true value of goods transferred
 - Provides perpetrators with a paper trail to disguise illicit funds



Open Account Trade-Based Money Laundering

- Is a fundamental part of the global trading process, whereby goods are shipped and delivered before payment is due.
- Occurs when goods are moved between two companies, and payment is made without the involvement of an intermediary bank or financial institution.
- Vulnerabilities:
- The reduced roles of banking and financial institutions provide less insight into transactions.
 - The disconnect between operators and payment institutions creates a gap for criminals to abuse
 - The use of third-party payment intermediaries further adds a layer of complexity



Service Based Money Laundering

- Differs from the other two types of TBML as it revolves around services rather than transfer of goods
- Illegally obtained funds are legitimised through payments for fictitious services.
- Services include:
 - Accountancy
 - Legal Assistance
 - Consultancy Services
 - Tour and Travel Services



TBML Techniques



TBML Techniques

Misuse of Invoices

- Over & Under Invoicing
- Multiple Invoicing

Shipment of Goods

- False Descriptions
- Over & Under Shipment
- Phantom Shipments
- Diversions of Goods
- Counterfeit Goods

Other Techniques

- Use of Shell/Front Companies
- Third Party Payment
- Black Market Trading



Economic Sectors and Businesses at risk of TBML



Economic Sectors and Businesses at risk of TBML

- There is no specific economic sector or business structure which is mostly vulnerable to TBML.
- Different economic sectors provide different opportunities for TBML
- Similarly, businesses of different sizes and reputations provide differing opportunities for TBML



TBML and its Risks to Subject Persons



TBML and its Risks to Subject Persons



- Criminals who set up TBML Schemes target Subject Persons' services
- Given the complexity and layers involved in TBML schemes, it is hard for Subject Persons to detect
- Subject Persons may be facilitating TBML by servicing their customers



Thank you!