





# Implementing Controls to Detect Trade-Based Money Laundering

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# Objectives:

- » Risk Assessment in the context of TBML
- » Setting up/Revisiting the Policies and Procedures
- » TBML and the application of Customer Due Diligence obligations including ongoing monitoring obligations
- » Evaluation in relation to Reporting Obligations
- » Record-Keeping Obligations for effective compliance monitoring
- » Training, Awareness and an overarching Compliance Culture





‘There is a growing concern on how the rapid growth in the global economy has made international trade an increasingly attractive avenue to move illicit funds through financial transactions associated with the trade in goods and services. TBML is a complex phenomenon since its constituent elements cut across not only sectoral boundaries but also national borders. The dynamic environment of international trade allows TBML to take multiple forms.’

- ‘APG Typology Report on Trade Based Money Laundering’ adopted by APG Members at the 15<sup>th</sup> Annual Meeting 20 July 2012





# Risk Assessment in the context of TBML - Business Risk Assessment



How many customers or accounts are conducting trade transactions;



How many alerts were/are being raised on unusual transaction pattern related to TBML;



What is the value and volume of trade transactions;



The value and volume of transactions relate to high-risk trade products;



How many customers or accounts conducting trade transactions have been onboarded;



The value and volume of transactions conducted by onboarded customers or accounts;



How many customers, accounts, value and volume of trade transactions are held or conducted by high-risk customers;



Customers or accounts incorporated or have operations in high-risk countries or high-risk industries conducting trade transactions;



The value and volume of trade transactions to or from high-risk countries or high-risk industries;



How many onboarded customers or accounts transact in high-risk products;



The number of reports raised on suspicions of TBML;





# Risk Assessment in the context of TBML – Customer Risk Assessment

## Customer

One might consider the onboarding channel risks, business and occupation risk, geographic risk, client relationship risk, transparency risk and behavioural and transactional risk.

## Products/Services/Transactions

One might consider factors such as product transparency, complexity, third party reliance and risk, speed of settlement, usage of cash, cross-border movement of funds and transaction channels used.

Assess the nature of the transactions regarding the underlying goods or products to the transactions that are financed or intermediated by the bank, source of funds, mode of payments.

## Delivery

For example, involve third party payments, non-face-to-face relationships or transactions or payment from or to anonymous party.

## Geography

Evaluate the typical flows of its customers' transactions, jurisdictions to which the trade transactions have nexus to, and whether the jurisdictions are subject to sanctions, embargos or similar measures issued by.



# Setting up/Revisiting the Policies and Procedures

Mapping out of existing policies and procedures to identify any control gaps, if any.

Review of the subject person's policies and procedures, to identify any gaps between the policies and regulatory requirements. Assessing the knowledge of TBML, TBML red flags, typologies and controls and applying this knowledge and integrating it within the policies and procedures.

Question to ask: Are these being operationalised effectively?

These should be periodically reviewed.



# TBML and the application of Customer Due Diligence obligations including ongoing monitoring obligations



Identification of named parties.



Identification of countries and shipment routes.



Identification of the goods involved and research of the current market value of the goods involved in a transaction.



Using sanctions screening and adverse media.



Classifying the usual business activities of the importer.



Identifying documentation which provide information on the importer.





# Transaction Monitoring, Payment Screening and Sanctions Screening

- Transaction review of the trade documentation and other transaction related information.
- Pre-transaction, in-progress and post-transaction reviews.
- The subject person should also seek to detect any unusual or potentially suspicious features within a trade finance transaction or a series of transactions.



# Transaction Monitoring, Payment Screening and Sanctions Screening

Additional measures to consider:

Gather information and understanding from the instructing party in relation to the frequency of the transactions.

Conduct checks into the verification of shipments.

Organise site visits and meetings with the instructing party.

Question if the goods are typically exported from a particular country.

Incorporate additional measures for high-risk goods and services.





# Evaluation in relation to Reporting Obligations

When a subject person is assessing whether to file a report to the FIAU, it should, at a minimum:

- ✓ Review trade finance documents;
- ✓ Conduct company verifications and media searches;
- ✓ Conduct reviews of client account activity;
- ✓ Review existing CDD information;
- ✓ Review the results of any available screening and monitoring processes; and
- ✓ Re-assess the customer risk and make adjustment to the risk rating, if deemed suitable.



# Record-Keeping Obligations for effective compliance monitoring

It is important that a subject person retains **adequate records** to demonstrate that controls are operating effectively. Such records are imperative to carry out effective AML/CFT compliance monitoring and to demonstrate to the FIAU that TBML risks are being managed effectively.

In the case of **closing a hit as a false alert**, subject persons should **document the process** taken to assess the TBML risks triggered and the rationale for closing the alert. Any additional information gathered, including any correspondence with the customer, should be filed together with all the records pertaining to the transaction.





# Training, Awareness and an overarching Compliance Culture

A subject person should provide its staff with **pertinent, detailed and targeted training** including training to detect and prevent TBML risks and to heighten the risk awareness and competence of such relevant staff to mitigate ML/TF/PF risks and compliance with regulatory requirements.

**Compliance Culture** within the subject person is **fundamental for a sustainable AML/CFT process**:

Senior Management's **commitment and communication**.

Encourage **open dialogue and transparency**.

Encourage reporting.

**Leading by example** and the Senior Management's **accountability**.

**Keeping up the momentum and improving** where necessary.



# References and useful resources:

## FIAU

- [FIAU webinar on Trade-Based Money Laundering – July 2020](#)
- [FIAU Guidance Document on the Funding of Terrorism – November 2020](#)

## FATF

- [FATF publication on TBML trends and developments – December 2020](#)
- [FATF & Egmont publication on TBML risk indicators– March 2021](#)

## EUROPOL

- [Europol – European Financial and Economic Crime Threat Assessment – September 2023](#)
- [Europol - Decoding the EU's most threatening criminal networks – April 2024](#)

## Other publications

- [Singapore AML/CFT Industry Partnership – best practices document for countering TBML – May 2018](#)
- [AUSTRAC - Financial Crime Guide on Preventing TBML – October 2022](#)
- [UAE FIU - Updated Strategic Analysis Report on TBML – June 2024](#)





# Thank you