Public and Private Sector Stakeholders in combating Trade Based Money Laundering (TBML).

CFATF Secretariat Research Desk

March 25th, 2021

Importance of Public-Private Partnerships (PPPs) in combating TBML

- ✓ Share information and knowledge about existing ML/TF typologies.
- ✓ Identify new and emerging risks.
- ✓ Channel of exchanging financial intelligence between operational authorities and reporting entities.
- ✓ Increase communication between the involved sectors.
- ✓ The FATF Recommendations contemplate co-operation between the public and private sectors on AML/CFT matters, but they do not explicitly require jurisdictions to establish a PPP to meet this requirement.
  - ➢ *For example, competent authorities should provide guidance and feedback to FIs and DNFBPs in applying AML/CFT measures.*

Source: FATF Report Trade Based Money Laundering: Trends and Methods, 2020

Key Public and Private Sector Stakeholders

Public Sector

- Customs
- Law Enforcement Agencies (LEAs)
- Prosecutors
- Financial Intelligence Units (FIUs)
- AML/CFT Supervisors
- National Security Agencies

Private Sector

- Financial Institutions (FIs)
- Designated Non-Financial Businesses and Professions (DNFBPs)

This list is not exhaustive as there are other stakeholders involved in fighting TBML. However, the above are the primary stakeholders in identifying, combatting and disrupting TBML schemes.

Public Sector Stakeholders

Customs

- ✓ Analysing and detecting goods and shipments used for TBML.
  - ➢ In-depth knowledge of international trade system.
  - ➢ Access to trade documents and data where anomalies can be identified.
- ✓ Collaborating with domestic law enforcement agencies (LEAs) and FIUs.
  - ➢ Improves the collective capacity to identify TBML by linking suspicious trade activity with suspicious financial activities.
  - ➢ In TBML cases, the investigation of predicate offences at the domestic level is often linked to investigations of international money laundering, as LEAs follow the trail of money and goods into the customs arena.
  - ➢ Collaboration should include swift information sharing between the authorities, and co-ordination of the investigative and operational responses to TBML and related predicate offences.

Source: FATF Report Trade Based Money Laundering: Trends and Methods, 2020

Public Sector Stakeholders

Law Enforcement Agencies (LEAs)

- Investigation of predicate offences at the domestic level is often linked to investigations of international ML.

Prosecutors

- Required to prove that the laundered funds or assets are the proceeds of crime and that the defendant/s was aware of such.
- The knowledge requirement of TBML can be hard to prove even when there is evidence to support the objective side of the ML offence.

Financial Intelligence Unit (FIU)

- Analyse data and information from reporting entities, administrative and law enforcement authorities, and international counterparts which can enable the detection, substantiation, or possible negation of a TBML scheme.
- Using a “reverse” approach by launching an investigation based on analysis corporate structures, registration details, alleged company purposes, and other related activities to determine if various trade transactions were fictitious and part of a TBML scheme.

Source: FATF Report Trade Based Money Laundering: Trends and Methods, 2020

Public Sector Stakeholders

AML/CFT Supervisors

- Due to their responsibility for ensuring compliance with AML/CFT requirements, supervisors have greater access to data and information on the structure and systems of FIs and DNFBPs that can be valuable to TBML investigations and prosecutions.

National Security Agencies

- Use of intelligence gathered by national agencies on the activities of organized crime groups can result in the detection or disruption of TBML.
- Different agencies may be better placed to detect TBML based on the sector and technique/s used. Co-operation and information sharing mechanisms should be established.

Tax Authorities

- Criminal groups can use TBML schemes to launder money and for tax evasion purposes.
- Investigation into tax evasion and other violations, especially by companies, may lead to detection of TBML schemes.

Private Sector Stakeholders

FIs and DNFBPs are on the frontline of combatting ML, since they are either **involved in moving value** (e.g., by executing transactions on behalf of their clients) or they have **unique knowledge about their clients' financial activities** (e.g., accountants and lawyers).

Financial Institutions (FIs)

- These provide valuable leads to FIUs, LEAs and other authorities for detecting possible TBML schemes, given their involvement in trade finance, their knowledge of customer behaviour, and their role as a financial intermediary.
- FIs may also identify suspicious activity through the detection of anomalies with regard to open account trade and correspondent banking.

Designated Non-Financial Businesses and Professions (DNFBPs)

- Another source of valuable information about possible TBML schemes.
- They can identify and recognize companies used solely to hide the original form of the payment and other complex legal structures established for ML activities.
    - Particularly notaries, auditors, and accountants.

Source: FATF Report Trade Based Money Laundering: Trends and Methods, 2020

THANK YOU!

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