



TRADE-BASED MONEY LAUNDERING

THE FATF RECOMMENDATIONS set out a comprehensive framework of measures for jurisdictions to apply in order to counter money laundering and terrorist financing effectively.

This document highlights good practices to counter trade-based money laundering, and will also help competent authorities consider their risks.



UNDERSTANDING TRADE-BASED MONEY LAUNDERING

Organised criminal groups, professional money launderers and terrorist financing networks exploit international trade to launder proceeds of their crimes or finance their illicit activities. The speed and global reach of trade operations as a result of online business, make trade-based money laundering particularly difficult to detect.

A first step to effectively stop trade-based money laundering is for public and private sectors to understand how such schemes operate. Public sector should deepen their understanding of trade processes, including trade financing processes.

The **national risk assessment** is an important source of information. It summarises the money laundering and terrorist financing risks in the jurisdiction, sometimes broken down by specific sectors. The national risk assessment should reflect the full spectrum of a jurisdiction's trade-based money laundering risks and their components. However, national risk assessments are usually intended for anti-money laundering and counter-terrorist financing experts. Jurisdictions will need to focus on making the relevant information available and understandable to a broader audience.



INTERAGENCY COORDINATION AND COLLABORATION

Collaboration between law enforcement, prosecutors, financial intelligence units, customs services, and other authorities, and swift information-sharing mechanisms, are crucial to stopping trade-based money laundering. This includes:

- Sharing of knowledge and expertise of trade-based money laundering between competent authorities.
- Establishing a mechanism allowing cross-comparison and matching of large volumes of data in a timely manner. This should involve a broad range of information sources, such as suspicious transaction reports, trade data, basic and beneficial ownership information, criminal records, etc.
- Creating a coordination mechanism or a working group, whether under the umbrella of one agency or as a separate platform. This coordination may address other money laundering risks, but should prioritise trade-based money laundering to reflect the risk it poses to the national financial and trade systems.



PUBLIC-PRIVATE PARTNERSHIPS

Effectively fighting trade-based money laundering requires expertise from both authorities and the private sector. Relevant trade data is held across multiple stakeholders, from shipping companies to import agencies. The FATF Recommendations refer to cooperation between the public and private sector on anti-money laundering and counter-terrorist financing matters, for example by providing guidance to banks and non-financial institutions on how to meet the relevant requirements.

While the FATF Recommendations do not explicitly require jurisdictions to establish a public-private partnership, they are a useful way to increase communication between the involved sectors. In the context of trade-based money laundering schemes, such communication may be even more critical.

Trade-Based Money Laundering - Trends and Developments

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Find out more and download the full report at www.fatf-gafi.org or www.egmontgroup.org

