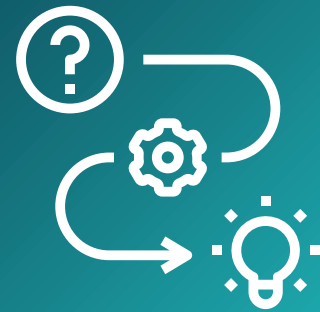


Identifying Red Flags relating to Trade-Based Money Laundering

OVERVIEW



**Importance
of tackling
TBML**



**What
patterns are
identified ?**



**TBML Red
Flags**



IMPORTANCE OF TACKLING TBML



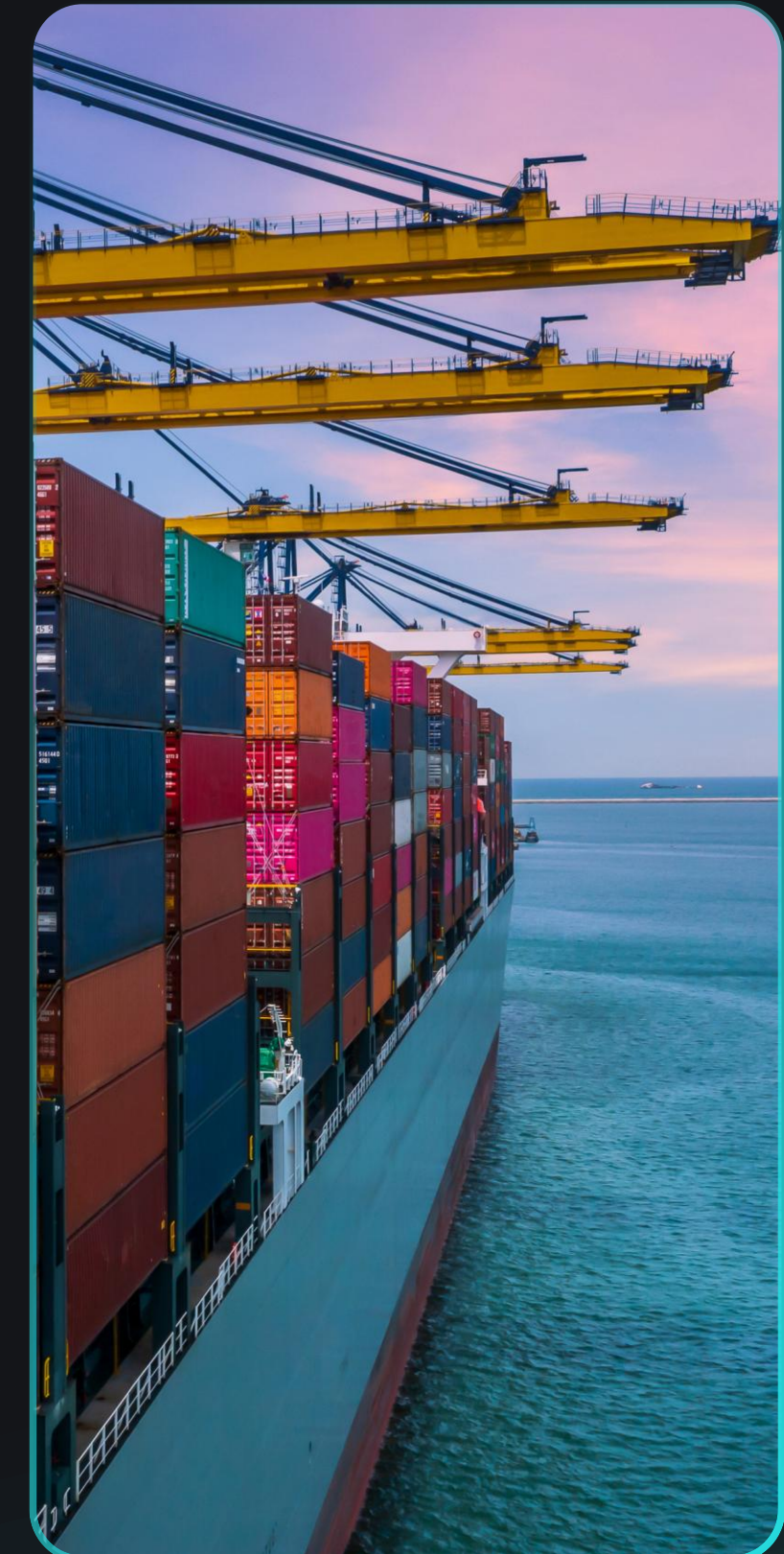
TBML accounts for 80% of illicit financial flows worldwide
Between **EUR 572 billion – EUR 1.5 trillion**.



TBML across **EU** is, as an average, between **9% and 17%**
of **GDP**.



As identified in the NRA 2023, TBML exploits Malta's
geographical location and **transshipment activity**. Its inherent
and residual risk levels are also rated **medium-high**.



WHAT PATTERNS ARE IDENTIFIED?

FATF recognises three main methods to launder the proceeds of crime:

1. The use of the legitimate financial system
2. Physical movement of cash through cash couriers across borders
3. Physical movement of goods through the trade system





COMMON THEMES

- It is crucial to focus on the associated predicate offence, but the **process of ML** shall be analysed as well.
- In professional ML networks, TBML, is carried out by one group of criminals, while the predicate offences are **committed by other criminals**.
- **Common themes** conducive to TBML exploitation were identified:
 - Goods with wide pricing margins – High value items – **False Description, Under-invoicing, Third Party Payments and Diversion of Goods.**
 - Goods with extended trade cycles – Low value items – **Phantom Shipments, False Description, Over-invoicing and Multiple Invoicing.**

COMMON SECTORS

The most vulnerable goods/services for TBML are as follows:



CIRCULAR FLOW OF FUNDS



Company A (Italian Exporter)



1,000 biros worth €2 each - under invoice for 1,000 biros at a price of €1 each



Company B (Shell Maltese Importer)

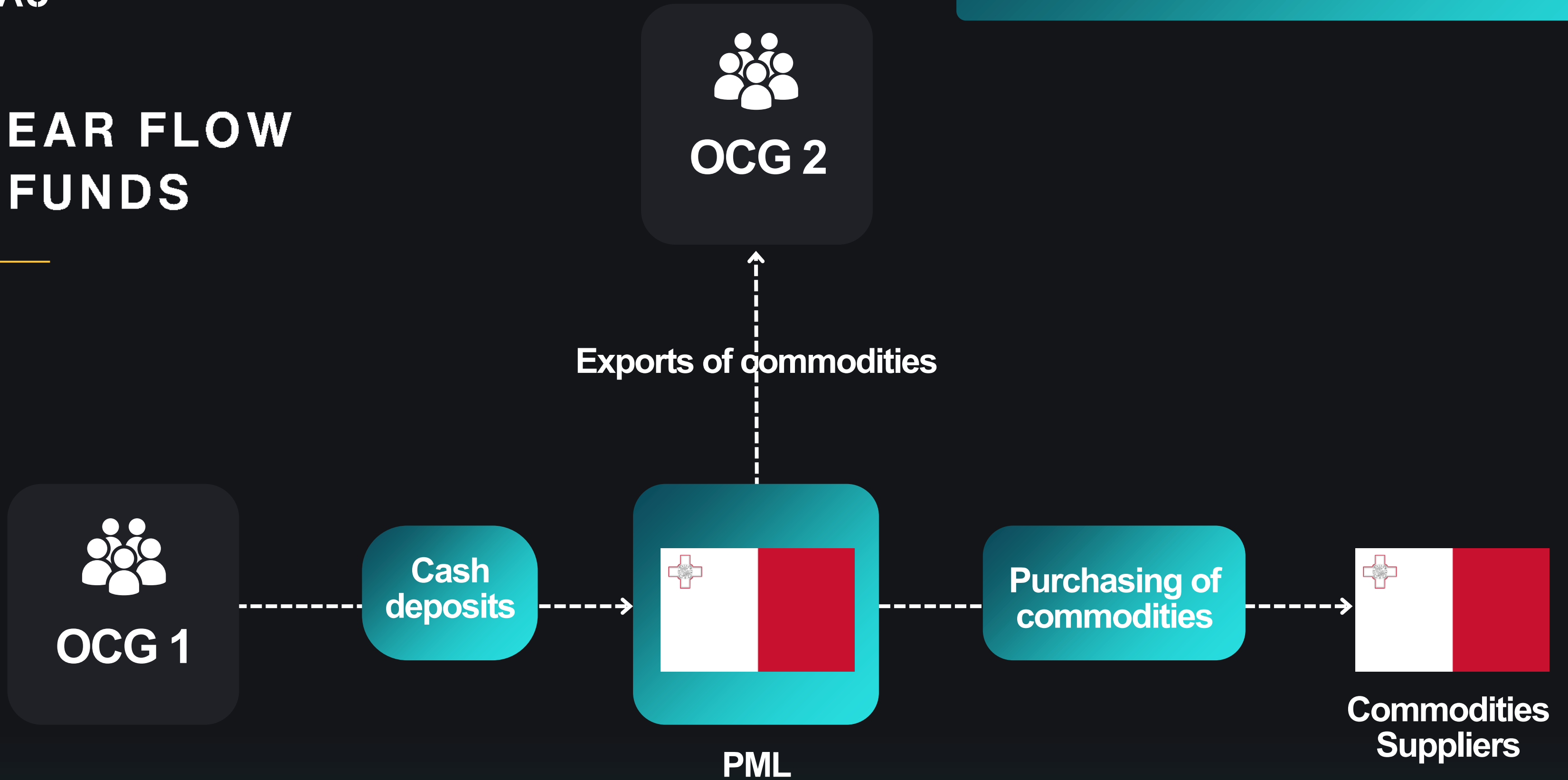


1,000 biros worth €2 each - under invoice for 1,000 biros at a price of €1 each

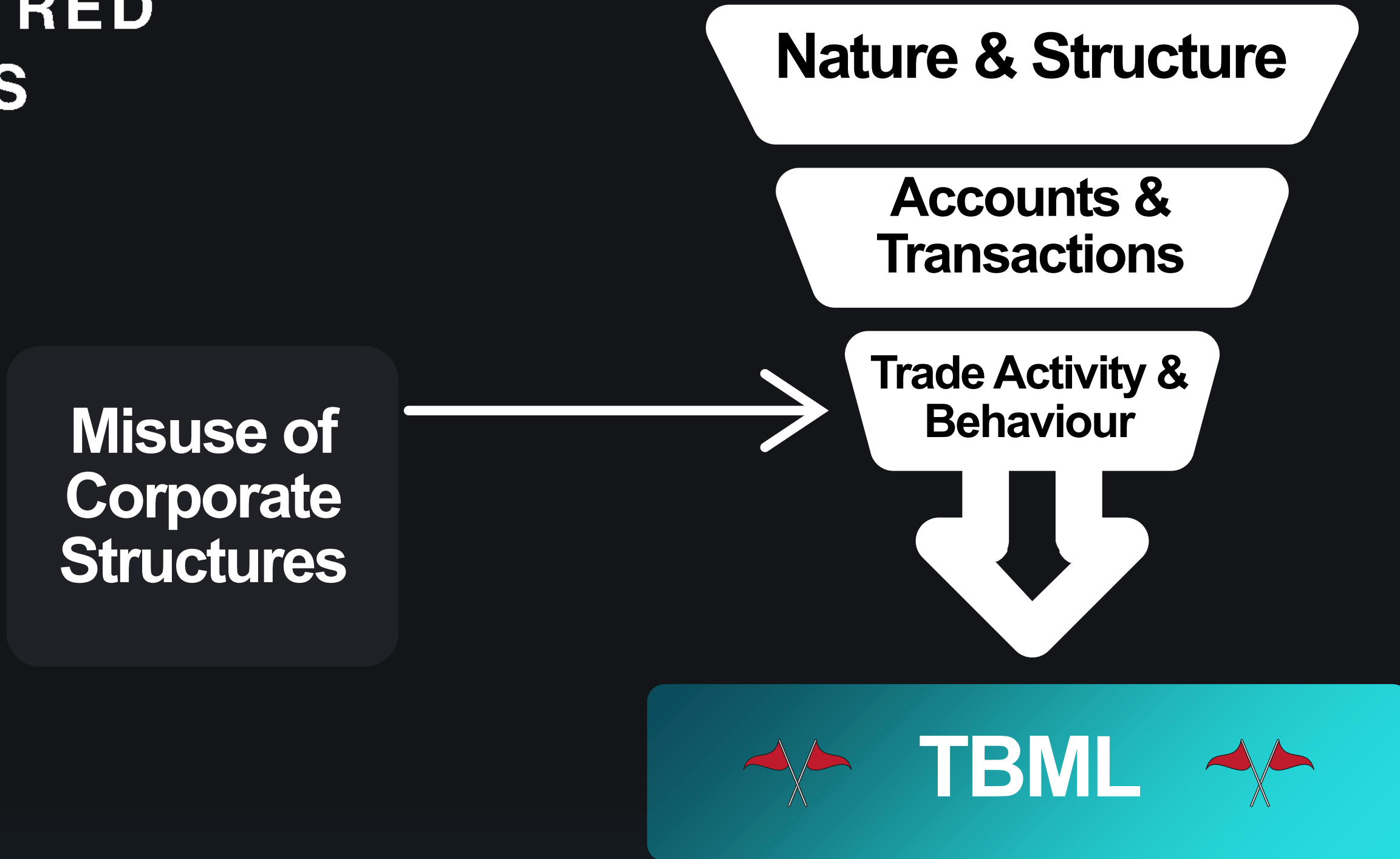


Company B sells the biros for €2,000 and deposits the extra €1,000 Euro (the difference between the invoiced price and the "fair market" price) into a bank account to be disbursed according to Company A's instructions

LINEAR FLOW OF FUNDS



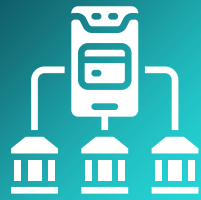
TBML RED FLAGS



INDICATORS - NATURE & STRUCTURE



Business Registration & Information



Offshore Jurisdictions & Non-Resident Accounts



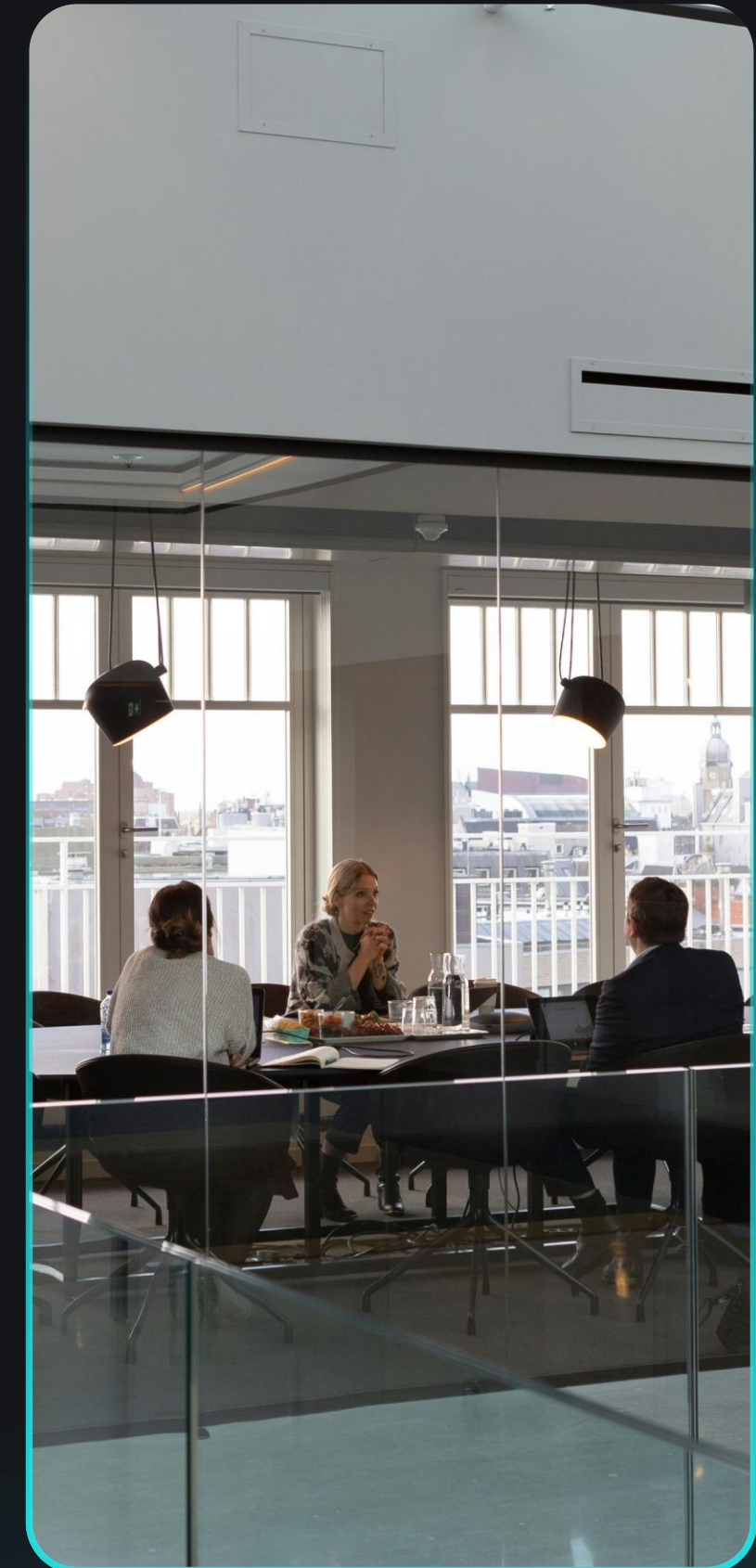
Business Activity



Management Structure



Professionals and non-professional intermediaries





INDICATORS – TRADE ACTIVITY & BEHAVIOUR



Documentation



Shipping & Documents



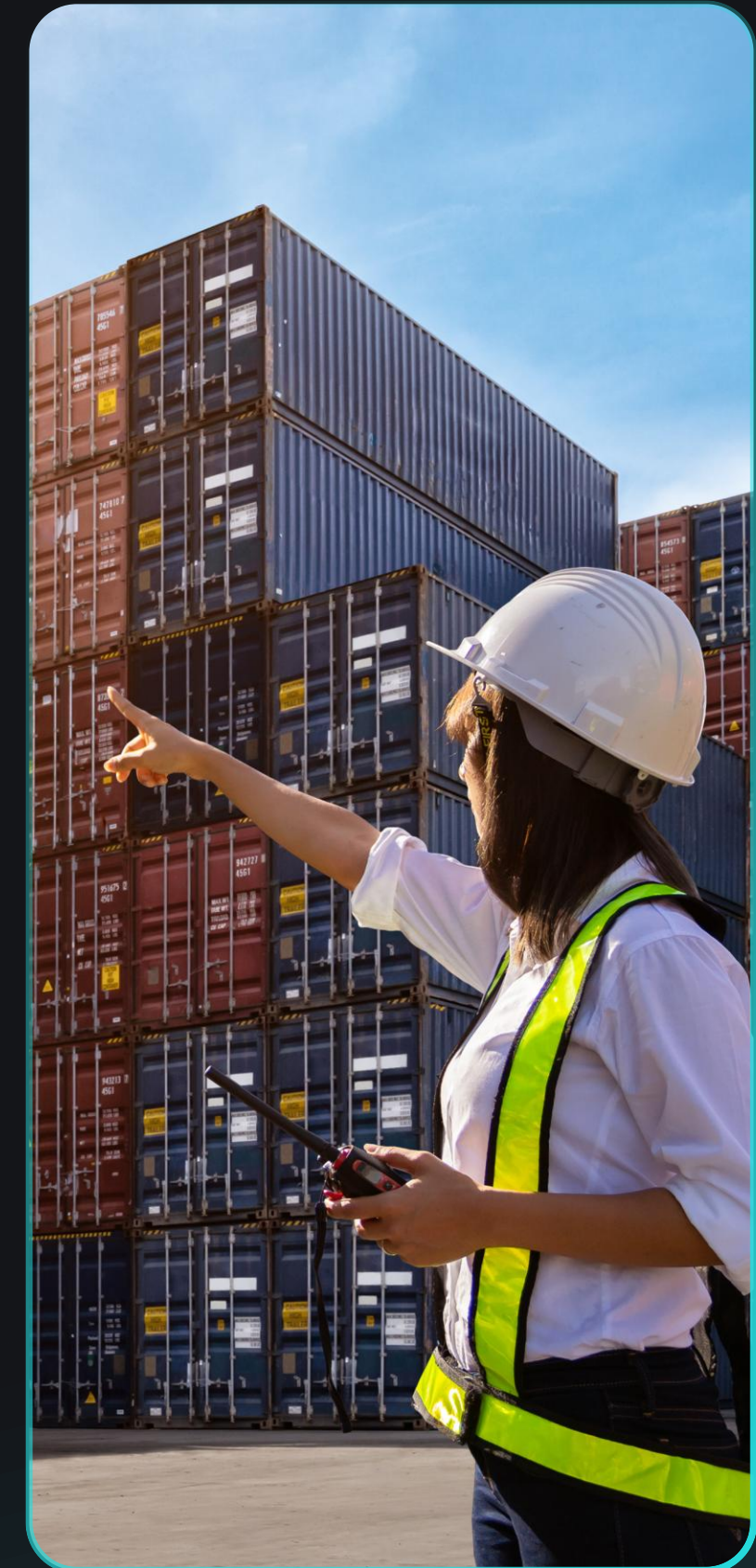
Non-Resident Accounts & Offshore Jurisdictions



Business Activity



Professionals and non-professional intermediaries



INDICATORS – ACCOUNT & TRANSACTIONS



Certain commodities may provide greater opportunity for ML



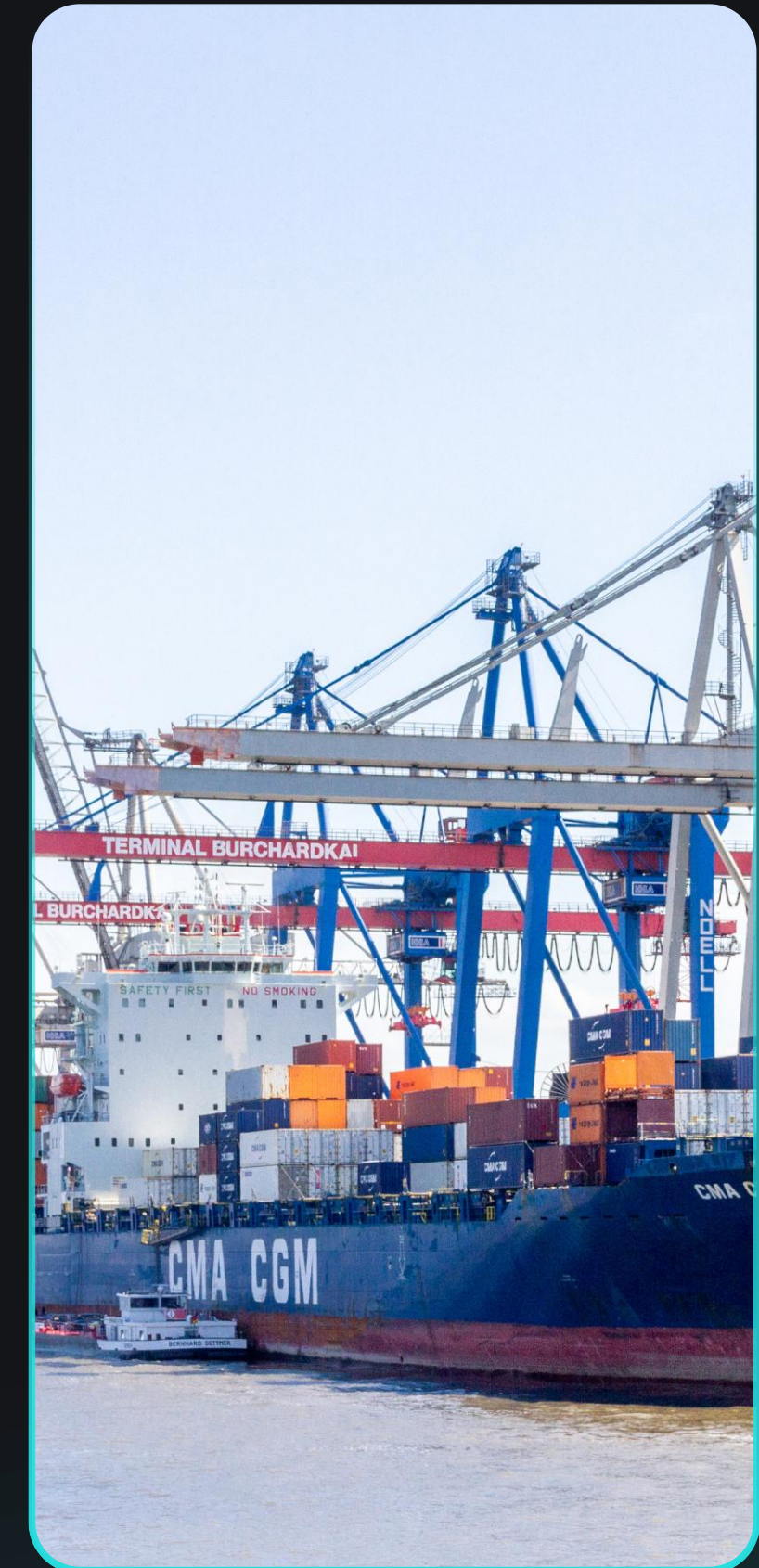
Purpose of Payment



Volume in fluctuations



Transit / Conduit Accounts





INDICATORS – ACCOUNT & TRANSACTIONS



Banking Activity vs Business Activity



Non-Resident Accounts & Offshore Jurisdictions



Third Party and Related Party Payments



Thank you

