

Implementing Controls to Detect Trade Based Money Laundering

Presented by

Dr Roxanne Borg

Guidance and Outreach Senior Officer - Legal Affairs

Training Session on Trade-Based Money Laundering | 26th February 2025 | ©Financial Intelligence Analysis Unit Malta

OBJECTIVES



Risk Assessment in the context of TBML



Policies and Procedures



Customer Due Diligence Obligations



Reporting Obligations



Transaction Monitoring Obligations



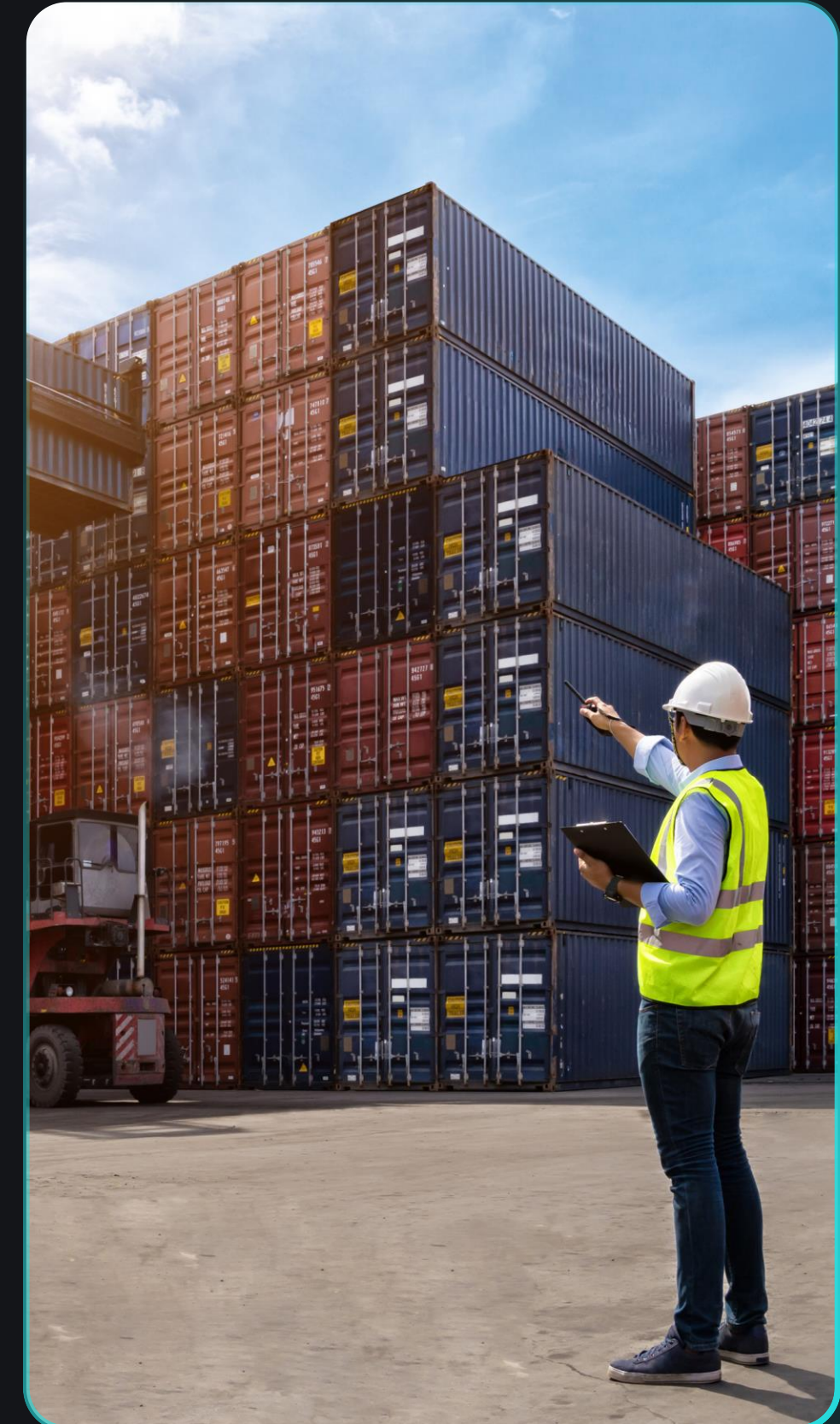
Record Keeping Obligations



Training and an Overarching Compliance Culture



Best Practices





RISK ASSESSMENT IN THE CONTEXT OF TBML - BUSINESS RISK ASSESSMENT

When conducting the BRA, accountants and auditors need to consider whether the customers that they are providing a service to are involved in:

- High-risk trade products
- High-risk industries
- High-risk jurisdictions



RISK ASSESSMENT IN THE CONTEXT OF TBML - BUSINESS RISK ASSESSMENT (2)

Accountants and Auditors also need to determine:

- The number of reports raised on suspicions of TBML;
- The number of customers transacting in high-risk products or high-risk industries;
- The number of customers dealing with/in high-risk countries;
- The value and volume of trade transactions conducted by high-risk customers;
- How many alerts were/are being raised on unusual transaction patterns related to TBML.

RISK ASSESSMENT IN THE CONTEXT OF TBML – CUSTOMER RISK ASSESSMENT

Customer Risk- Present a higher ML/FT Risk:



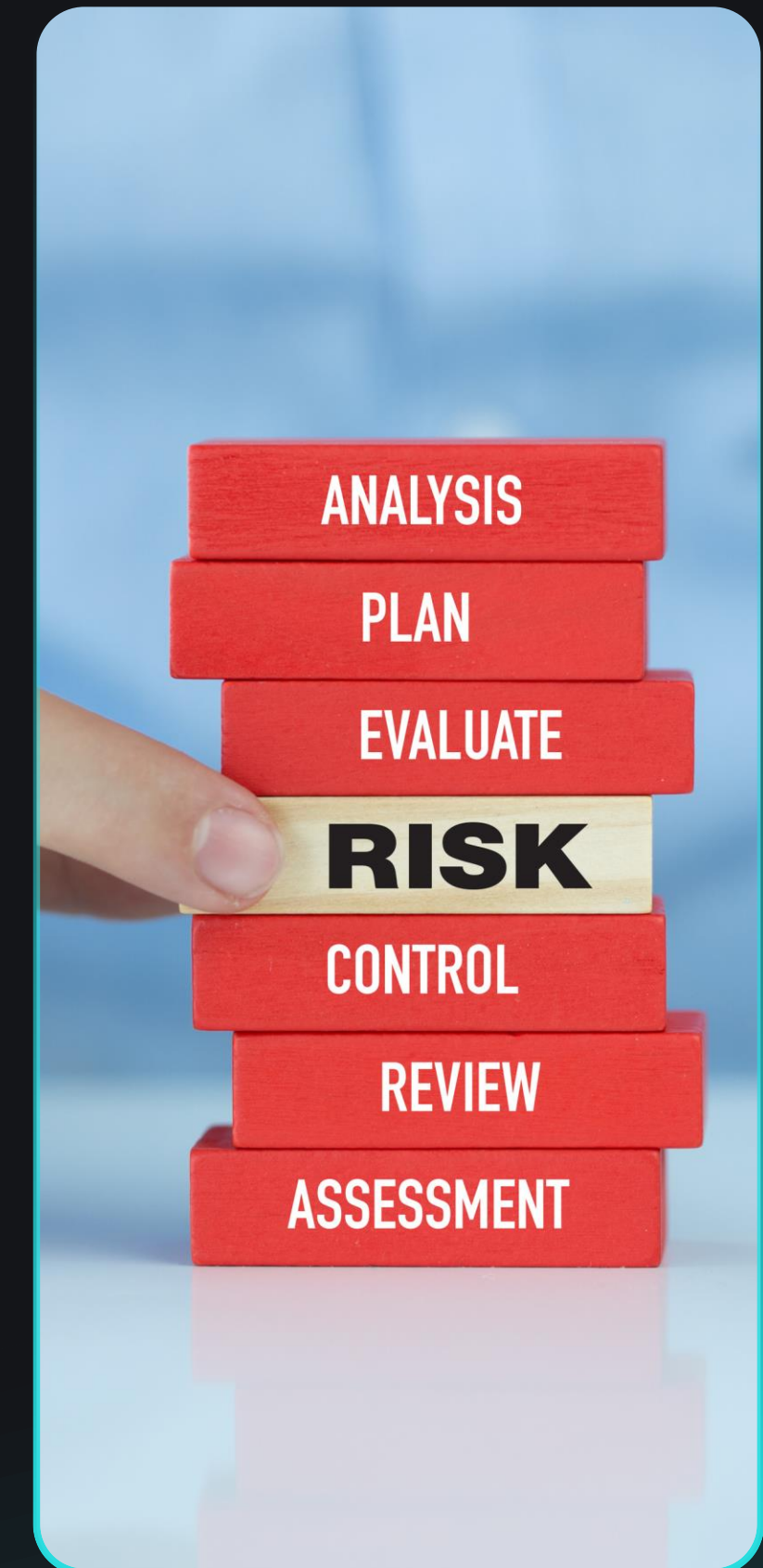
The activity pursued is cash (or cash equivalent) intensive;



The activity is commonly associated with a higher risk of corruption;



Adverse media on the customer.



RISK ASSESSMENT IN THE CONTEXT OF TBML – CUSTOMER RISK ASSESSMENT (2)

Product/Service and Transaction Risk:



Consider factors such as product transparency, complexity, usage of cash, cross-border movement of funds and transaction channels used. Assess the nature of the transactions regarding the underlying goods or products present in the transactions, source of funds and mode of payments.

Delivery Channel Risk:



Identification of the channels by which accountants and auditors provide services (e.g., online vs. face-to-face), as channels that are not in person may pose a higher risk.

Geographical Risk:



Evaluate whether there are in place controls to assess jurisdictions to which trade transactions have nexus to, and whether the jurisdictions are subject to sanctions, embargos or similar measures.

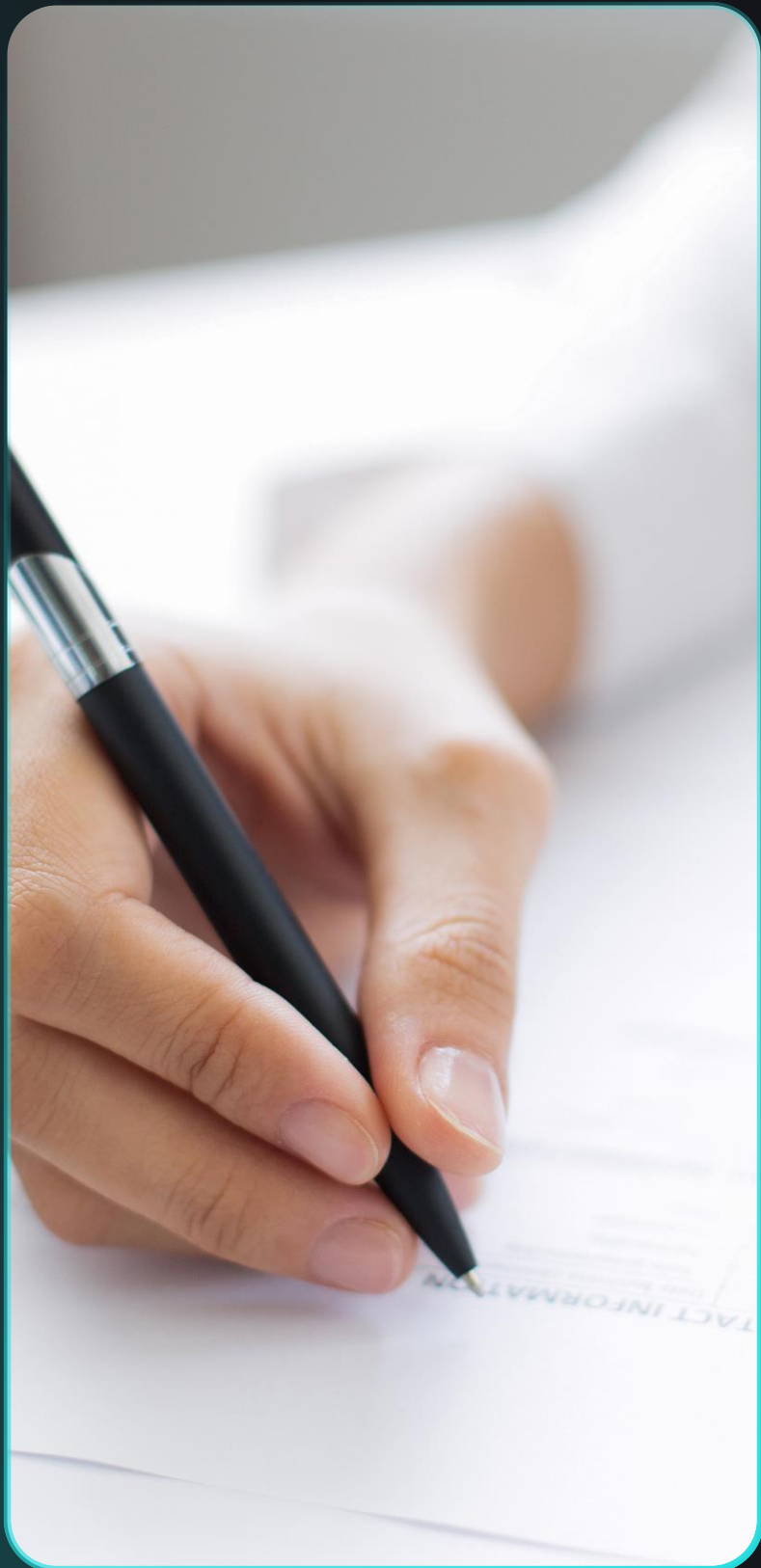
POLICIES AND PROCEDURES

Accountants and auditors should develop policies and procedures to assess and mitigate the risks of trade-based money laundering. These policies and procedures should set out well-defined processes with clear lines of responsibility.

Policies and procedures should be regularly updated to take into account emerging risks.

Policies and procedures should be reviewed to determine if there are any gaps between the policies and regulatory requirements, and whether the current policies and procedures cater for TBML.





APPLICATION OF CUSTOMER DUE DILIGENCE OBLIGATIONS- ONGOING MONITORING

Information that can be obtained:

- Nature of the business;
- The parties and countries that the customer intends to transact with;
- The typical volume and price of goods to be transacted;
- Identification of the goods involved and research of the current market value of the goods involved in a transaction;
- Whether the customer will be trading with goods subject to embargo;
- Identification of key suppliers and customers and their location

APPLICATION OF CUSTOMER DUE DILIGENCE OBLIGATIONS- ENHANCED DUE DILIGENCE

Factors related to TBML that should trigger accountants and auditors to conduct further research:



High-risk Individuals



High-risk industries



High-risk jurisdictions



Complex transaction structures, and high-value/volume transactions



Sanctions exposure

REPORTING OBLIGATIONS

When assessing whether to file a report to the FIAU, a subject person should, as a minimum:

- Conduct company verifications and media searches for any adverse media;
- Review existing CDD information and, where required, obtain further information;
- Review trade finance documents;
- Review the results of any available screening and monitoring processes;
- Re-assess the customer risk and adjust the risk rating where necessary.



RECORD KEEPING OBLIGATIONS

Subject persons should ensure proper documentation and record keeping of both the initial CDD assessment and any updated information.

An audit trail should be maintained for addressing any TBML risks and red flags that may arise at any stage of the transaction. This audit trail should include the basis of the decision and approvals obtained.

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

Building sufficient level of knowledge of TBML schemes should be the foundation of any strategy to counter this form of money laundering. Where possible, training should consider the circumstances which are unique to the accounting firm or to the sole practitioner.

Copies of the training materials and attendance records for training that was delivered should be maintained. This will enable the reviewing and updating of training materials with new information, including new typologies and trends in TBML.

Building an Anti-Money Laundering Culture: Establishing a culture of compliance is crucial for a sustainable AML/CFT process. This involves educating employees about the risks of TBML, empowering employees to spot and report suspicious activity and encouraging open dialogue and communication.



BEST PRACTICES (1)

MLRO:



Provide/attend TBML specific training;



Ensure regular reporting to senior management and Board members on TBML risk events or matters;



Assess whether a STR should be filed;



Based on the information obtained and the final STR determination, re-assess and recommend adjustment to the customer's risk profile;

BEST PRACTICES (2)

Checks that can be carried out:



Performing Price Checks



Check for False Description of Goods or Services



Ongoing Monitoring



Review of accompanying trade-related documents



Thank you



fiaumalta.org



queries@fiaumalta.org

