OECD International Academy for Tax Crime Investigation

*Investigative Techniques for the Effective Use of Banking Information*

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# UNDERSTANDING TRADE FINANCE AND ITS CONTEXT IN FINANCIAL CRIME

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**May 2022**

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BETTER POLICIES FOR BETTER LIVES

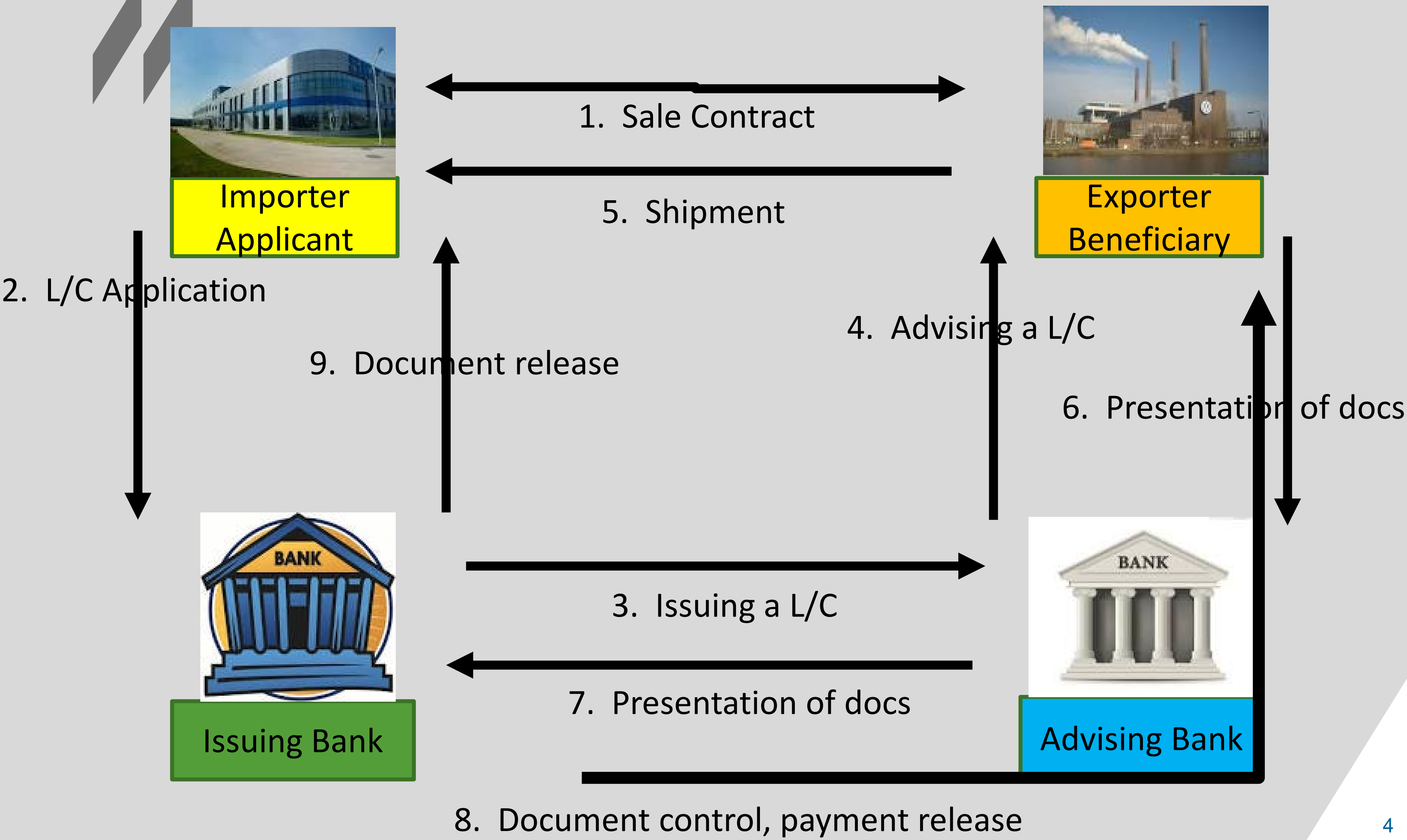
# Discussion Topics

- Why trade finance
- Trade finance process flow
- Other parties to a trade finance transaction
- Standard schemes

# Why Trade Finance

- Global trade is the lifeline of the world's economy as well as the lifeline of local and regional economic activity.
- Trade finance involves the financing of goods and services from one company to another; from one country to another.
- The completion of the financing is facilitated on the basis of lengthy and technical contractual documents carried out through banks. The documents are critical. Goods delivered, amounts, dates, locations, etc must exactly match the details set forth in the documents. And the actual documents, not a copy, must be in the possession of a bank when it is instructed to pay out. For these reasons, trade finance is also called "Documentary Credits."
- It is estimated that $1 trillion worth of financial crimes is facilitated using trade finance as its means.

# Basic Letter of Credit Transaction



# Other Parties in Trade Finance

- Banks may play various roles (confirming, advising, guaranteeing)
- Freight Forwarders
- Shipping Companies/Transport Companies
- Shipping Agents
- Insurers
- Factoring/Forfaiting

# Typical schemes

- Black Market Peso Exchange
- Smuggling
- Valuation
- False counting
- Under invoicing
- Over invoicing
- Product misclassification/mislabeling
- Amendments to L/C
- Factoring/Forfaiting covers

# If you are interested in exploring the possibilities for collaboration and strengthening your abilities…

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