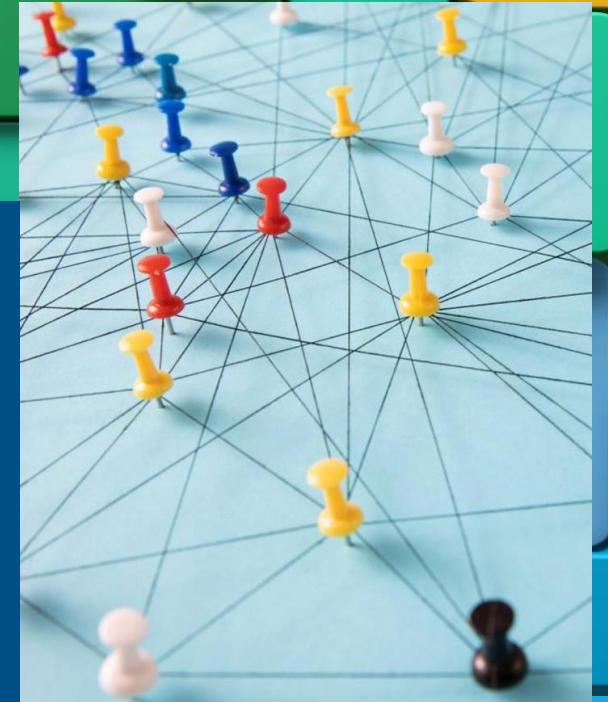


# **Trade Based Money- laundering Introduction**



2024-5626 OECD Academy for Tax and Financial Crime Investigation Africa Academy (Kenya) :  
Managing Financial Crime Investigations (Intermediate) Programme

**GROUP 1 :** What are the personal attributes of a financial crimes investigator

**GROUP 2 :** What is the difference between a “tax audit” and a “financial investigation”

**GROUP 3 :** What are possible sources of financial intelligence

**GROUP 4 :** How would you order your financial investigation - strategic, tactical and operational

## The FINANCIAL ACTION TASK FORCE (FATF)

The Financial Action Task Force (FATF) is the global **Money laundering (ML)** and **Terrorist Financing (TF)** supervisory body.

It was established in 1989, by a Group of Seven (G-7) Summit held in Paris. The summit recognised the growing threat posed by money laundering to the banking system and financial institutions.

The **inter-governmental body** **sets international standards** that aim to prevent these illegal activities and the harm they cause to society.

As a policy-making body, the FATF works to **generate the necessary political will** to bring about national legislative and regulatory reforms in these areas.

With more than **200 countries and jurisdictions** committed to implementing them. The FATF has developed the **FATF Recommendations, or FATF Standards**, which ensure a co-ordinated global response to prevent :

- ☐ organized crime,
- ☐ corruption and
- ☐ terrorism.
- ✓ They help authorities go after the **money of criminals** dealing in *illegal drugs, human trafficking and other crimes*.
- ✓ The FATF also works to stop funding for **weapons of mass destruction**.

The FATF reviews money laundering and terrorist financing techniques and continuously strengthens its standards to address new risks, such as the regulation of virtual assets, which have spread as cryptocurrencies gain popularity.

The FATF monitors countries to **ensure they implement** the FATF **Standards fully and effectively**, and holds countries to account that do not comply.



Financial Action  
Task Force



# WHAT DOES FATF EVALUATE

The Financial Action Task Force (FATF) examines **techniques and counter-measures** AND reviews whether **existing national and international policies** are sufficient to combat the developing threat.

The FATF has developed **40 +9 recommendations** underpinned by **11 immediate outcomes** that are recognized as the international standard, together with their interpretative notes, provide the international standards for combatting money laundering (ML) and terrorist financing (TF). The FATF revised the 40 and IX Recommendations. The **nine special** recommendations, designed **to combat terrorist financing** were first published by the FATF in 2001

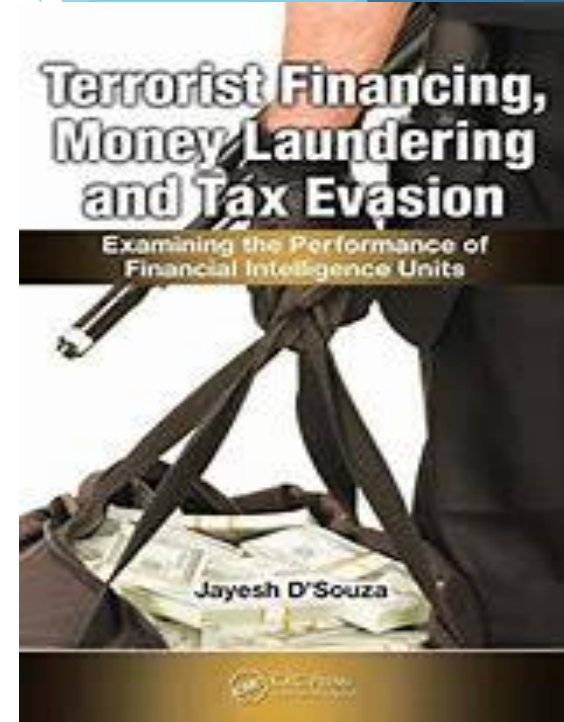
The revision of the FATF Recommendations was adopted and published in February 2012.

The FATF monitors compliance with the 40+9 recommendations through a two-pronged strategy.

1. The member countries complete annual self-assessment style questionnaire and
2. The FATF regularly conducts on-site Mutual Evaluation Report examinations on individual jurisdictions, assessing the effectiveness of their national policies in dealing with money laundering and terrorist financing.

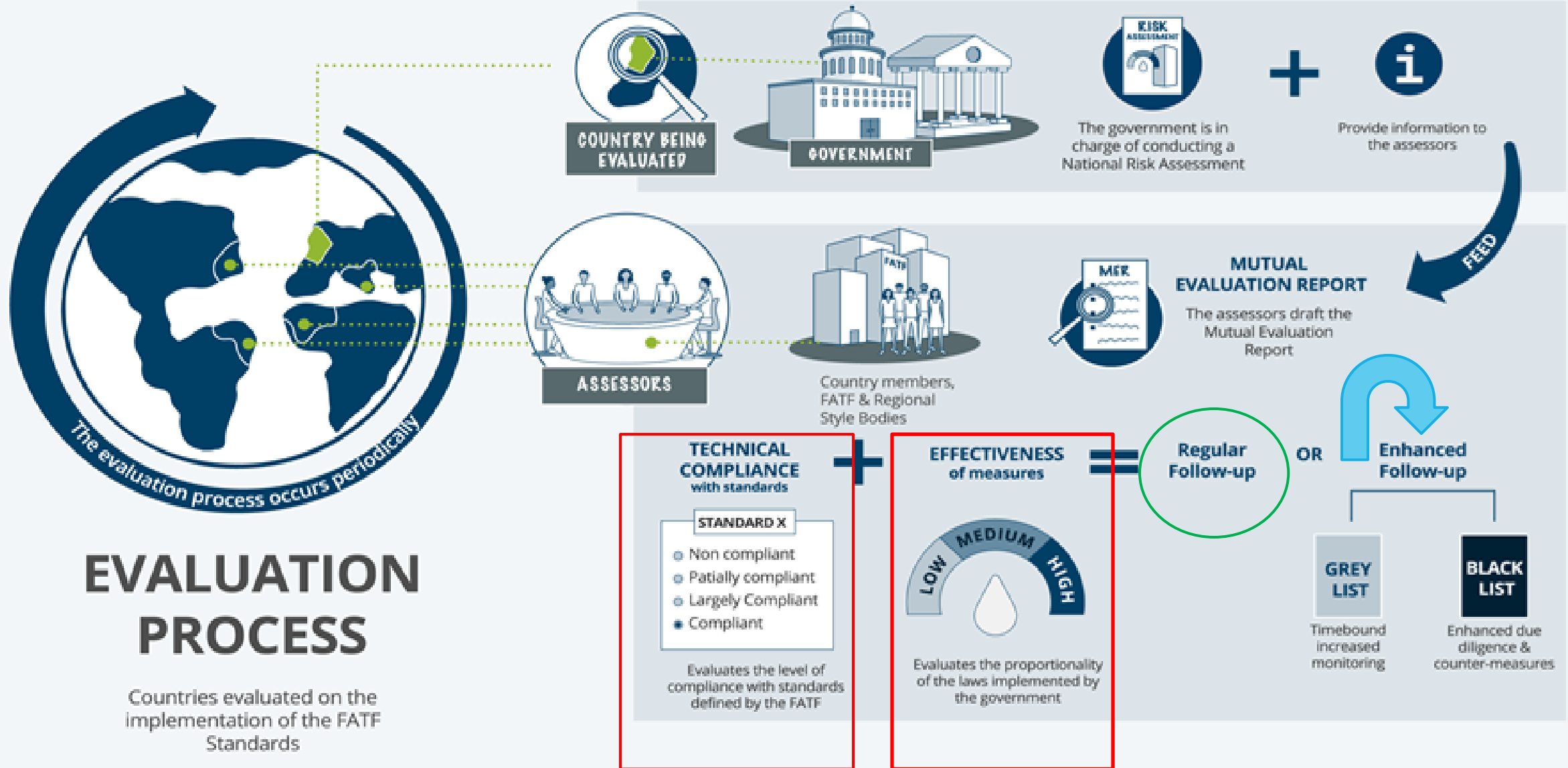
The importance was reiterated in 2005 by the **United Nations Security Council**:

***“[The United Nations] strongly urges all Member States to implement the comprehensive, international standards embodied in the Financial Action Task Force’s (FATF) Forty Recommendations on Money Laundering and the FATF Nine Recommendations on Terrorist Financing [1].”***





# THE INTERNATIONAL FATF EVALUATION PROCESS AT A GLANCE



# FATF MEMBERSHIP AND REQUIREMENTS TO CO-OPERATION

## FATF Blacklist

FATF in 2000 issued its first list of “Non-Cooperative Countries or Territories”. The list contained FATF members believed to be **uncooperative** in international efforts against money laundering and later terrorist financing.

*The most common breach being **unwillingness or inability** to provide **other foreign authorities** with **information** relating to **on-going investigations of suspected international money laundering**, such as client or bank account details.*

## FATF Greylist

The FATF grey list is the agency’s official list of countries and jurisdictions that are identified as having **strategic deficiencies** in their regimes to i.) **counter money laundering**, ii.) **terrorist financing**, and iii.) **proliferation financing**.

*Unlike the blacklisted ones, the grey list countries **actively work with the FATF** to **address strategic deficiencies** in their regimes.*

“When the FATF places a jurisdiction under **increased monitoring**, it means the country has **committed** to resolving **swiftly** the identified strategic deficiencies within **agreed timeframes** and is subject to increased monitoring,” says the FATF.

### Finance Watchdog, FATF greylists Turkey, Turkey denounces the decision

22 October 2021



Finance watchdog Financial Action Task Force (FATF) has **grey listed** Turkey over its failure to make sufficient efforts to fight money laundering and terrorist financing, in a decision severely criticized by Turkey's Ministry of Treasury and Finance in a written statement.

FATF Chair Marcus Player has made a statement after 3-day plenary in Paris and announced that Turkey, Jordan and Mali have been **greylisted** while Botswana and Mauritius have been **dropped off the list**. He has also stated that the number of countries under close monitoring has been increased, noting that Pandora Papers include information about money laundering, against which a fight struggle is necessary.

'FATF is aware of rights organizations' concerns'

Noting that Turkey has made a **commitment** to address the **related issues**, Player has said that it has **put these commitments into action**.

Referring to the Law No. 7262 on the Prevention of the Financing of the Proliferation of Weapons of Mass Destruction, which has been recently introduced in Turkey, the FATF head has indicated that they are aware of the concerns of the human rights organizations.

Indicating that the FATF is aware of concerns over Turkey's treatment of non-profit organizations (NPOs), Player has briefly stated, "Turkey needs to implement a **true risk-based approach** to NPOs and ensure **authorities don't disrupt or discourage legitimate activity**".

Turkey needs to address "serious issues of supervision" in its banking and real estate sectors, and with **gold and precious stones dealers**, FATF Chair Marcus Player has said during the news conference.

### Malta Added to the FATF Grey List – This is a wake-up call

PUBLISHED: JULY 01, 2021



On June 25 2021, Malta was placed on the FATF's list of jurisdictions under increased monitoring, better known as the 'grey list'. It is the first time that an EU Member State has been placed on this list due to **increased and persistent money laundering and terrorist financing risks**.

So now we know what the facts are. Malta was placed under examination from Moneyval and the nation passed the test, but FATF determined that there are still important problems to address, and Malta now has the opportunity to continue demonstrating that it is taking a hard stance against money laundering and terrorist financing (AML/CFT).

Here's some info on what the FATF expects to see in this regard.

- Financial Action Task Force (FATF) president Marcus Player said that a **stronger anti-money laundering framework** will strengthen Malta's rule of law and the integrity of its financial system.
- I left Malta several years ago, and the state of rampant corruption was one of the reasons. Unfortunately, most Maltese people have been living in a state of denial for many years. Even when they acknowledged the sorry state of things, they felt helpless and resigned to the idea that this is how things work in Malta, and there's nothing you can do about it.

# FATF MEMBERSHIP AND REQUIREMENTS TO CO-OPERATION

South Africa is a **member** of the FATF and, therefore, **bound to adhere** to the FATF's 40+9

## Countries on the Grey list – Oct 2024:

Angola, Bulgaria, Burkina Faso, Cameroon, Côte d'Ivoire, Croatia, Democratic Republic of the Congo, Haiti, Kenya, Lebanon, Malta, Mali, Monaco, Mozambique, Namibia, Nigeria, Philippines, South Africa, South Sudan, Syria, Tanzania, Venezuela, Vietnam, Yemen

Albania, Algeria, Barbados, Botswana, Cambodia, Cayman Islands, Jamaica, Jordan, Mauritius, Pakistan, Panama, Senegal, Turkey, Senegal, UAE and Zimbabwe, were removed from increased monitoring

## EU list of non-cooperative jurisdictions for tax purposes

### Finance Watchdog, FATF greylists Turkey, Turkey denounces the decision

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# SOME OF KEY TAKEAWAYS FROM MALTA'S GREY LISTING

Over the past 5 years, the island has been rocked by **constant corruption scandals**, not to mention the **assassination** of **Daphne Caruana Galizia**, a journalist who dedicated her life to expose corruption in Malta, in 2017. Malta grey listed **despite** the country having **passed an equally arduous Moneyval assessment** in March 2021.

*Wake-up call for every resident of the nation to change their way of doing things and demand much more from their politicians and law enforcement agencies.*

## **What happens following Malta being greylisted by FATF?**

Malta will have to sign a commitment to address shortcomings, in a **tailor-made action plan** drawn up by the **FATF's experts** that will be subjected to what the body calls "enhanced monitoring".

## **How does financial greylisting affect the Maltese economy?**

Financial greylisting could seriously harm Malta's economy, **impacting foreign direct investment, money transactions, and even banking activity**, a new study has found :

- ❑ Malta's reputation as a tax paradise will suffer due to **increased regulatory pressure** on banks will force them to increase **AML and KYC checks** - other countries will look **suspiciously at movements to and from Maltese banks**
- ❑ **Demonstrate measures** taken to **combat corruption** and **lax law enforcement**
- ❑ Exodus of companies and high net worth individuals to countries with a friendlier tax code
- ❑ Malta has in past 10-20 years been characterized by **extreme levels of greed** attracting many **unsavory characters and shady businesses** in **financial sector and property boom**
- ❑ Extensive new measures required to address dependence on **online gaming and finance**
- ❑ Address **whole sectors that pay minimal tax** just because it has long been accepted that the people providing services in these sectors work in the **black economy**, example being construction.
- ❑ Change and influence overall **culture of tax evasion** and corruption – **disincentivize**





## SOME OF KEY TAKEAWAYS FROM SOUTH AFRICA'S GREY LISTING

- ❑ Since 2009 report South Africa was regarded as "**partially or non-compliant**" for certain core FATF Recommendations, SA had to **report**, under a **targeted follow-up process**, to every FATF Plenary on the progress made in addressing the deficiencies in the 2009 MER.
- ❑ This sword kept hanging over **South Africa until November 2017** when, as a result of the **Financial Centre Amendment Act** the FATF decided to remove South Africa from its targeted follow-up process.
- ❑ **ASSESSING RISKS AND APPLYING A RISK-BASED APPROACH**  
South Africa followed a cabinet approved process and conducted its **first National Risk Assessment (NRA)** to address the risks associated with Money Laundering. **Preliminary Key Findings released 10 July 2019.**

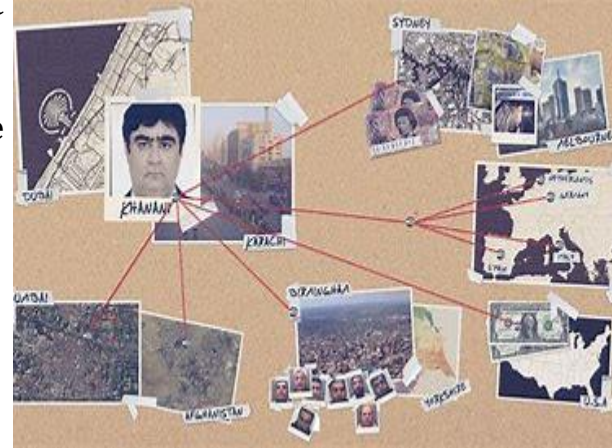
The NRA process involved a range of stakeholders as part of the **Inter-Departmental Working Group on AML/CFT NRA (IWG)** consisting of government departments, LEAs, Intelligence Agencies, Financial and Non-Financial supervisors and regulators.



# FATF MER SA : EXECUTIVE SUMMARY

**Serious key findings against South Africa and individual agencies level of compliance includes :**

- a.) **Domestic money laundering (ML)** crime addressed but understanding of threats from **foreign predicates is limited**. Understanding of terrorist financing **(TF) risks is underdeveloped and uneven** and not adequately addressed.
- b) South Africa has suffered from a sustained period of **“State capture”**, which helped to generate **substantial corruption proceeds** and undermined key agencies including by replacing **key staff and increasing resources** at key law enforcement and judicial agencies.
- c) FIC effectively produces operational financial intelligence that **Law Enforcement Agencies (LEAs)** use to help investigate predicate crimes and trace criminal assets, but the LEAs **lack the skills and resources to proactively investigate ML or TF**.
- d) A reasonable number of ML convictions but only partly consistent with South Africa’s risk profile. Few cases of third-party ML and foreign predicate offense are prosecuted. **The proactive identification and investigation of ML networks and professional enablers is not really occurring**.
- e) South Africa has achieved some good results proactively pursuing confiscation of criminal proceeds, particularly using civil forfeiture powers **but has had less success recovering assets from “State capture” and proceeds** which have been **moved to other countries**. Some recent cases suggest that this situation is improving.
- f) **Use of cash is prevalent** in South Africa and it has been assessed as high risk for ML and TF, including cross-border movement. Detecting and recovering cash proceeds of crime remains challenging and efforts to **detect and confiscate falsely or undeclared cross-border movement of currency** needs **substantial improvement**.
- g) South Africa has **convicted one person for TF since the last ME (2009)** and was prosecuting **one case as of the onsite** which is **inconsistent with its significant TF risks**. A conservative approach to classifying politically motivated acts of violence as terrorism negatively impacts the investigation and prosecution of potential terrorist financiers.





# FATF MER SA : EXECUTIVE SUMMARY (CONTINUED)

h) Law enforcement faces **challenges to readily obtain accurate and updated beneficial ownership (BO) information** about companies and trusts adequate to enable effective investigation of ML and TF.

i) Smaller Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs) are focused on compliance, **not on identifying and understanding risks**. Some high-risk sectors rarely report : Dealers in **Precious Metals and Stone** (DPMS) and **Company Service Providers** (CSPs) are not AML/CFT regulated, **Virtual Asset Service Providers** (VASPs).

j) Risk-based AML/CFT regulation and supervision is relatively new. **Inspections** in other sectors are **too infrequent and focus on the presence of basic controls not the soundness of AML/CFT programs**. The FIC is a key coordinator amongst supervisors and provides a wide range of well-regarded guidance. Market entry controls to screen out criminality need fundamental improvements.

k) South Africa provides constructive **mutual legal assistance (MLA)** which has helped to resolve some criminal cases in other countries, but it is sometimes slow. Seeking **international cooperation in investigations is not a priority**, inconsistent with South Africa's risk profile, and following up on requests made needs **major improvement**.

l) Since April 2019, South Africa has implemented **TFS for proliferation financing (PF)** fairly well, most of the time without delay, but some **major improvements** are needed, as the private sector's understanding is uneven, and supervision of PF-related obligations is new.

## ML/TF Threats

39. The main domestic **proceeds-generating predicate crimes** in South Africa **are tax crimes, corruption and bribery, fraud**, then trafficking in illicit drugs, and **environmental** and **resource** type crimes which are rated as **medium-high**.

- The authorities highlighted **VAT fraud** as a **main tax-related offense** and also recognized evasion of income taxes as a concern.

**ULTIMATE BENEFICIAL OWNERSHIP IN UAE**  
New Regulation makes Beneficial Ownership Register Necessary



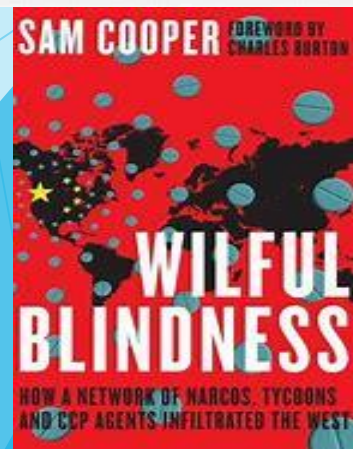
  
Governmental & Military

**MLAT**

means

Mutual Legal Assistance  
Agreement

by acronymsandslang.com



# THE MUTUAL EVALUATION PROCESS: IMMEDIATE OUTCOMES & RECOMMENDATIONS

EFFECTIVENESS	TOPIC	RELATED RECs
★ IO 1	Risk and policy coordination	R. 1, 2, 33, 34
★ IO 2	International cooperation	R. 36-40
★ IO 3	Supervision	R. 14, 26-28, 34, 35
★ IO 4	Preventive measures	R. 9-23
★ IO 5	Transparency of legal persons and arrangements <span>Beneficial Ownership</span>	R. 24, 25
★ IO 6	Financial intelligence	R. 29-32
★ IO 7	Money laundering investigations and prosecutions	R. 3, 30, 31
★ IO 8	Confiscation	R. 1, 4, 32
★ IO 9	Terrorist financing investigations and prosecutions	R. 5, 30, 31, 39
★ IO 10	Terrorist financing targeted financial sanctions and <span>non-profit organizations</span>	R. 1, 4, 6, 8
IO 11	Proliferation financing targeted financial sanctions and domestic coordination	R. 7



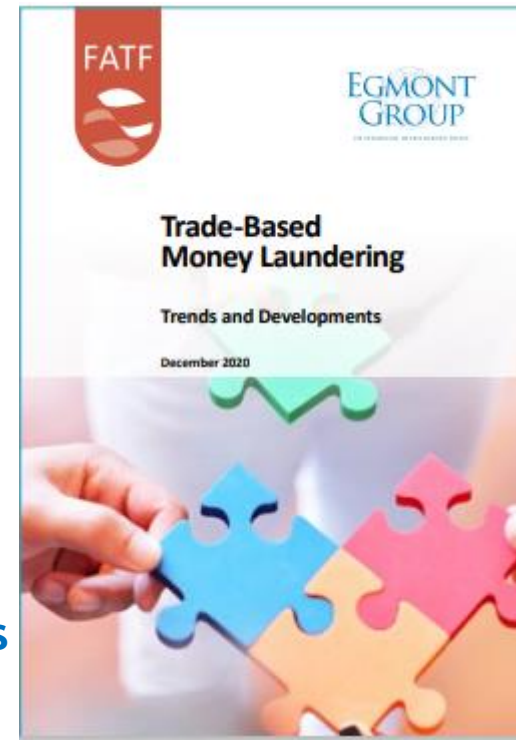
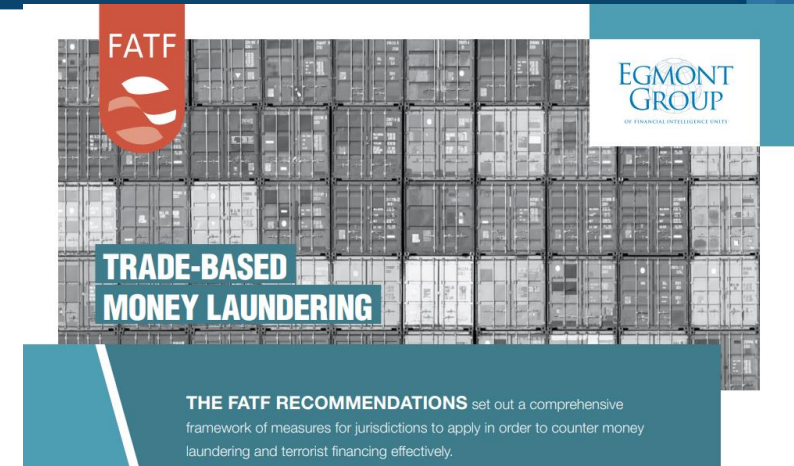
# TRADE-BASED MONEY LAUNDERING

Trade-based money laundering is defined :

- as the process of **disguising**
- the proceeds of crime and
- **moving value** through the use of **trade transactions** in
- an attempt to
- legitimise their illicit origins.

In practice, this can be achieved through the **misrepresentation** of the **price, quantity or quality of imports or exports**.

Moreover, trade-based money laundering techniques vary in complexity and are frequently used in combination with other money laundering techniques to further obscure the money trail.



# TRADE BASED MONEY LAUNDERING – STRUCTURAL RISK INDICATORS

1. The **corporate structure** of a trade entity appears **unusually complex and illogical**, such as the involvement of **shell companies** or companies registered in high-risk jurisdictions.
2. A trade entity is registered or has offices in **a jurisdiction with weak AML/CFT compliance**.
3. A trade entity is **registered at an address** that is likely to be a **mass registration address**, e.g. high-density residential buildings, post-box addresses, commercial buildings or industrial complexes, especially when there is no reference to a specific unit.
4. The **business activity of a trade** entity does not appear to be appropriate for the stated address, e.g. a trade entity appears to use **residential properties**, without having a commercial or industrial space, with no reasonable explanation.
5. A trade entity **lacks an online presence** or the online presence suggests business **activity inconsistent** with the stated line of business, e.g. the website of a trade entity contains mainly boilerplate material taken from other websites or the website indicates a **lack of knowledge regarding the particular product or industry in which the entity is trading**.
6. A trade entity displays a notable lack of typical business activities, e.g. it **lacks regular payroll transactions** in line with the number of stated employees, transactions relating to **operating costs, tax remittances**.
7. **Owners or senior managers** of a trade entity appear to be **nominees acting to conceal** the *actual beneficial owners*, e.g. they lack experience in business management or **lack knowledge of transaction details**, or they manage multiple companies.
8. A trade entity, or its owners or senior managers, appear in **negative news**, e.g. past money laundering schemes, fraud, *tax evasion, other criminal activities, or ongoing or past investigations or convictions*.
9. A trade entity maintains a **minimal number of working staff**, inconsistent with its volume of traded commodities.
10. **The name of a trade entity appears to be a copy** of the name of a well-known corporation or is very similar to it, potentially in an effort to appear as part of the corporation, even though it is not actually connected to it.
11. A trade entity has **unexplained periods of dormancy**.
12. An entity is not compliant with regular business obligations, such as **filing VAT returns**.



Structural risk indicators

# TRADE BASED MONEY LAUNDERING – TRADE ACTIVITY INDICATORS

1. **Trade activity is inconsistent** with the stated **line of business** of the entities involved, e.g., a car dealer is exporting clothing or a precious metals dealer is importing seafood.
2. A trade entity engages in **complex trade deals involving numerous third-party intermediaries** in incongruent lines of business.
3. A trade entity engages in transactions and **shipping routes or methods that are inconsistent** with standard business practices.
4. A trade entity makes **unconventional or overly complex use of financial products**, e.g. use of letters of credit for unusually long or frequently extended periods without any apparent reason, intermingling of different types of trade finance products for different segments of trade transactions.
5. A trade entity consistently displays **unreasonably low profit margins** in its trade transactions, e.g. importing wholesale commodities at or above retail value, or reselling commodities at the same or below purchase price.
6. A trade entity purchases commodities, allegedly on its own account, but the **purchases clearly exceed the economic capabilities** of the entity, e.g. the transactions are financed through **sudden influxes of cash deposits or third-party transfers** to the entity's accounts.
7. **A newly formed or recently re-activated** trade entity engages in **high-volume and high value trade** activity, e.g. an unknown entity suddenly appears and engages in trade activities in sectors with high barriers to market entry.



# TRADE BASED MONEY LAUNDERING – TRADE DOCUMENTS & COMMODITIES RISKS

## 1. Inconsistencies across contracts, invoices

or other trade documents, e.g. contradictions between the name of the exporting entity and the name of the recipient of the payment; differing prices on invoices and underlying contracts; or discrepancies between the quantity, quality, volume, or value of the actual commodities and their descriptions.

2. Contracts, invoices, or other trade documents **display fees or prices** that do not seem to be in line with commercial considerations, are **inconsistent with market value**, or significantly fluctuate from previous comparable transactions.
3. Contracts, invoices, or other trade documents have **vague descriptions** of the traded commodities, e.g. the subject of the contract is only described generically or non specifically.
4. Trade or customs **documents supporting the transaction are missing**, appear to be counterfeits, include false or misleading information, are a resubmission of previously rejected documents, or are frequently modified or amended.
5. Contracts supporting **complex or regular trade transactions** appear to be unusually simple, e.g. they follow a “sample contract” structure available on the Internet.
6. The **value of registered imports** of an entity displays significant **mismatches to the entity’s volume of foreign bank transfers for imports**. Conversely, the value of registered **exports shows** a significant mismatch with incoming foreign bank transfers.
7. Commodities imported into a **country within the framework of temporary importation** and inward processing regime are **subsequently exported with falsified documents**.
8. Shipments of commodities are routed through a **number of jurisdictions without economic or commercial justification**.



Trade document and commodity risk indicators



# TRADE BASED MONEY LAUNDERING – TRADE DOCUMENTS & COMMODITIES RISKS



Account and transaction activity risk indicators

1. A trade entity makes **very late changes to payment arrangements** for the transaction, e.g. the entity **redirects payment to a previously unknown entity** at the very last moment, or the entity requests changes to the scheduled payment date or payment amount.
2. An account displays an **unexpectedly high number or value of transactions** that are **inconsistent with the stated business activity of the client**.
3. An account of a trade entity appears to be a “pay-through” or “transit” account with a rapid movement of high-volume transactions and a small end-of-day balance without clear business reasons, including:
  - An account displays **frequent deposits** in cash which are subsequently transferred to persons or entities in **free trade zones** or offshore jurisdictions without a business relationship to the account holder.
  - Incoming **wire transfers** to a trade-related account are split and forwarded to **nonrelated multiple accounts** that have little or no connection to commercial activity.
4. Payment for imported commodities is made by an entity other than the consignee of the commodities with no clear economic reasons, e.g. by a **shell or front company not involved in the trade transaction**.
5. **Cash deposits or other transactions** of a trade entity are consistently just below relevant reporting thresholds.
6. Transaction activity associated with a trade entity increases in volume quickly and significantly, and then goes **dormant after a short period of time**.
7. Payments are sent or received **in large round amounts** for trade in sectors where this is deemed as unusual.
8. Payments are routed in **a circle – funds** are sent out from one country and **received back in the same country**, after passing **through another country or countries**.

## CAN WE DO THIS ON MY/OUR OWN

High risk countries for Trade-based Money Laundering (TBML)

Free trade zones (FTZs) are listed as **more vulnerable to TBML** due to the minimum level of regulation applied in trade among those areas.

According to the 2010 report of FATF, there are almost **3 000 FTZs in 135 countries** and the **total amount of exports from FTZs = \$400 billion worth.**



How to detect commonly used  
Trade-Based Money Laundering  
(TBML) Techniques?



# DOMESTIC & INTERNATIONAL COOPERATION & COLLABORATION

To give effect to a Whole-of-Government approach to address Illicit Financial Flows cooperatively with a Focus on Building Trust

# TRADE-BASED MONEY LAUNDERING – DOMESTIC COOPERATION

A first step to effectively stop trade-based money laundering is for public and private sectors to **understand how such schemes operate**.

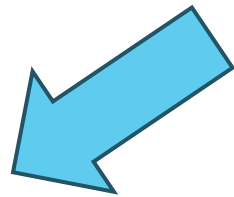
Public sector should **deepen their understanding of trade processes and trade financing processes**.



## INTERAGENCY COORDINATION AND COLLABORATION

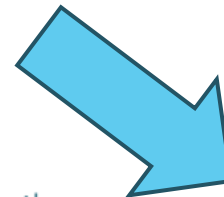
Collaboration between law enforcement, prosecutors, financial intelligence units, customs services, and other authorities, and swift information-sharing mechanisms, are crucial to stopping trade-based money laundering. This includes:

- 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.



## THE PATH FORWARD

for effective public-private partnerships



# TRADE BASED MONEYLAUNDERING : DOMESTIC GOVERNMENT COOPERATION

Focuses on 3 areas



**WHOLE OF GOVERNMENT  
APPROACH**



**NATIONAL FINANCIAL  
INTELLIGENCE SYSTEM  
(NFIS)**



**TRUST BUILDING**



# TRADE-BASED MONEY LAUNDERING – THE WHOLE OF GOVERNMENT APPROACH – GENERAL PRINCIPLES OF RULE OF LAW

Constitution = Cooperative government

## TAX ADMINISTRATION

Organ of State = Tax Act  
Mandate = Tax & Customs  
Secrecy Provisions but :

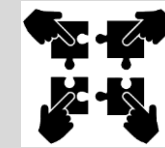
1. High Court Order (Revenue)
2. Competent Court (Customs)
3. Obligated by Tax Act
4. Taxpayer Consent
5. Overriding Legislation
  - *Prevention of Organised Crime Act/s*
  - *Financial Intelligence Act*

## COLLABORATION



- Legislative interpretation  
- Legal Gateways:
- MOUs
- Practical Arrangements
- Collective case management
- Secondments
- Joint media statements

## COOPERATION



- Facilitated by legislation:
- Ad hoc sharing info
- Continuous collaboration
- Joint Projects
- Joint enforcement
- Parallel investigations

Mutual Cooperation & Sharing of Information = TRUST

... through **legal gateways** that provide for collaboration & enables mutual cooperation to improve National Compliance  
*(Collective strategic Intent)*



## How?

- 1) **Use what we have** - existing regulatory framework - Constitution, Legislation (**Legal gateways**) & **MOUs**.
- 2) Align, integrate & implement rights & obligations within a **National Financial Intelligence System (NFIS)** to cooperate & exchange information.
- 3) **Implement the above practically** - **Agreements that aligns, harmonises & as far as possible unifies 'agencies' Standard Operating Procedures**

The Financial Intelligence Centre should be focused on working with all relevant internal and external stakeholders to support efforts to trace, freeze and recover stolen assets.

Tax Authorities must be committed to the automatic exchange of information (CRS) in fighting tax evasion and other financial crimes

# TRADE BASED MONEYLAUNDERING : STRATEGIC INTENT AND ELEMENTS TO STRENGTHEN THE FINANCE INTELLIGENCE CHAIN

1. Operationalise in an institutionalised a the [financial intelligence network](#) to suspicious transactions
  - legal gateways to exchange information with FIC, Reserve Bank, Financial Institutions etc. within the financial intelligence network
  - streamline and connect the inter-agency operational systems: **Tax Authority, Police, and Prosecuting Authority : tripartite operational arrangement** covering among others, principles of investigation/prosecution
2. Develop and implement a **Stakeholder and Liaison Strategy** that ensures that priorities across relevant stakeholders (**national and international**) are aligned and **operational cooperation enables** a whole of government approach.
3. Implement a National **Enforcement and Compliance Strategy**
4. **Inculcate professional scepticism** through training and upskilling to detect ML/TF/PF and better use of financial intelligence and other enforcement tools
5. **Mutual Administrative Assistance (MAA) and Memoranda of Understanding (MOUs)** to clearly specify and allow joint investigations and asset recovery assistance
6. Enhance underlying **data architecture** to enable improved and **continuous analysis** of illicit financial flows and **red flagging** of suspicious transactions = **enhancing data sources** and ensuring that the **data lake** remains the primary source of data
7. Have an effective **traveller management system** at all border posts to improve detection of illicit cash/goods/people
8. **Identify**, investigate, refer for prosecution and recover the assets in matters related to serious and **complex money laundering** involving *professional money laundering networks, professional enablers and third-party money laundering.*
9. Embed intergovernmental collaboration on **non-profit sector screening** particular tax exempt institutions
10. **Design and implement a beneficial ownership database** with reporting and user access.
11. **Specific focus on recovery of funds/assets**



## Developing Trends :

- ❖ Build trust and motivation between individual stakeholders on both public and private sides
- ❖ Embed a data-driven approach
- ❖ Expert working groups or operational cooperation
- ❖ Data pooling and collaborative analytics within : *exchange of information laws* which respects national and international data protection and privacy legal frameworks
- ❖ Feedback to obliged entities in order to improve the quality of the suspicion reporting system (SAR)
- ❖ the sharing of ML/TF trends and typologies
- ❖ exchange of data to cross-match financial and criminal information, and intelligence
- ❖ Task force approach



# TRADE-BASED MONEY LAUNDERING – OTHER CONSIDERATIONS

**Tax** - DTAs, TIEAs, Multilateral agreements - EOIR, Spontaneous, AEOI,

**Customs** - CMAAs, Multilateral agreements - EOIR, Spontaneous, AEOI,  
WCO CEN , WCO Joint enforcement projects;

**INTERPOL Notices, ESAAMG, FATF, UNOCD** - typologies  
and case studies, **Joint enforcement projects**, i.e. WCO on Illegal  
Wildlife Trade.

## Alternatives / Additional Measures / Sanctions

Publication of Tax Offenders: 'name & shame' - Tax legislation

Reporting enables to FIC and/or Supervisory Bodies - Administrative Sanction/Penalties

Delinquent Directorship

Removal as Preferred Suppliers - National Treasury



## Developing Trends :

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- ❖ Feedback to obliged entities in order to improve the quality of the suspicion reporting system
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Gold Leaf Tobacco: SARS claims billions from Sasfin in Rudland money laundering debacle



The [South African Revenue Service](#) (SARS) filed a **R4.8-billion damages claim** against **Sasfin Bank Limited**, dated 22 December 2023. In an unprecedented step, SARS argues that Sasfin must be held liable for damages suffered by the revenue service because **the bank facilitated large-scale tax evasion between 2013 and 2023.**

Worse, perhaps, is that on at least **three occasions** in November 2022 and February 2023, long after **Sasfin management was very much aware that the bank was probably harbouring criminals**, large sums were again unlawfully moved offshore.

**Used the Sasfin system** over the course of a decade to unlawfully – and mostly unnoticed – sneak R8.2-billion offshore.

On the back of fictitious invoices and incomplete documentation these funds were **moved from company accounts held at Sasfin to accounts in destinations like Dubai, Switzerland and Mauritius.**



Protect the financial system from abuse and remove the financial reward of crime



Apply the widest possible  
Enforcement Action

Systemic & Sustainable  
**WHOLE OF GOVERNMENT**  
Approach to Address Financial  
Crime & IFFs

Execute Agency  
Mandates Effectively

Rebuild Public Trust &  
Confidence

**GLOBAL ASSET  
RECOVERY & Sentences**

Strategic & Impactful  
Prosecutions

Comply with FATF  
Recommendations

‘Must Win’  
Philosophy

