



Framework for Managing Risks of Trade Based Money Laundering and Terrorist Financing

State Bank of Pakistan

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Exchange Policy Department



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Acronyms	Expansions
AD	Authorized Dealer
AML	Anti-Money Laundering
CDD	Customer Due Diligence
CFT	Combating Financing of Terrorism
CNIC	Computerized National Identity Card
EDD	Enhanced Due Diligence
EFE	Electronic Form “E”
EIF	Electronic Import Form
FATF	Financial Action Task Force
FMU	Financial Monitoring Unit
H.S. Code	Harmonized System Code
KYC	Know Your Customer
MFE	Manual Form “E”
MIF	Manual Import Form
MIS	Management Information System
ML	Money Laundering
SBP	State Bank of Pakistan
STR	Suspicious Transaction Report
TBML	Trade Based Money Laundering
TF	Terrorist Financing
UNSC	United Nations Security Council

Definitions:

For the purposes of this framework

1. **“Authorized Dealer”** means as defined under Foreign Exchange Regulation Act 1947.
2. **“Beneficial Owner”** in relation to a customer of an AD means the natural person(s) who ultimately own(s) or controls a customer or the person on whose behalf a transaction is being conducted and includes the person(s) who exercise(s) ultimate effective control over a person or a body of persons whether incorporated or not.
3. **“Dual Use Goods”** means items, which can be used for both civil and military purposes.
4. **“Fair Market Value”** means the probable price at which a willing buyer will buy from a willing seller when:
 - i. both are unrelated,
 - ii. know the relevant facts,
 - iii. neither is under any compulsion to buy or sell, and
 - iv. all rights and benefits inherent in (or attributable to) the item must have been included in the transfer.
5. **“FMU”** means Financial Monitoring Unit established under Anti-Money Laundering Ordinance, 2007.
6. **“Money Laundering and Financing of Terrorism or ML/TF”** has the same meaning as ascribed to them in AML Act.
7. **“Overdue”** shall mean and include:
 - a) **Export Bills:** Where amount representing full value of goods exported, less any permissible deduction on account of commission/discount, has not been repatriated within the prescribed period.
 - b) **Advance Payment Import:** Where importer does not ensure shipment into Pakistan of equivalent value of advance payment within the prescribed period.
 - c) **Advance Payment Export:** Where EFE/MFE is not certified within the prescribed period after receipt of advance payment and shipping documents are not submitted by the exporter after certification of EFE/MFE within the prescribed period.
 - d) **Regulatory Penalties:** Where importer does not arrange funds for the deposit of penalty due on advance payment import in the event shipment is not made within the prescribed period/funds remitted are not repatriated post cancellation of contract.
8. **“Red Flag”** means the event trigger or indicator that is used to identify when a review or escalation activity needs to take place.
9. **“Suspicious Transaction Report”** means as defined under section 7 of AML Act.

10. “Trade Based Money Laundering and Terrorist Financing” refers to the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimize their illicit origin or finance their activities.

11. “Trade Transactions” Following is an indicative list of trade transactions:

- a) Letter of Credit
- b) Documentary Collection
- c) Open Account
- d) Advance Payment Import
- e) Advance Payment Export
- f) Export Invoice Discounting
- g) Financing for Trade Transaction
- h) Bank Guarantee
- i) Packing Credit
- j) Stand-by Letter of Credit

12. “Trade related Activities” means activities performed by Authorized Dealers as an intermediary to facilitate trade transactions.

1. Introduction

Transferring value through legitimate trade transactions has become increasingly attractive avenue for money launderers and terrorist financiers, as they are able to easily obscure their transactions in significant volumes of international trade and escape detection. The main methods by which such people transfer value through legitimate trade transactions are under invoicing, over invoicing, short/over shipment, obfuscation of type of goods/services etc.

As the international trade is becoming highly vulnerable to ML/TF risks, effective regulatory framework is required to mitigate the misuse of trade transactions. This document contains instructions that shall help ADs in effectively managing ML/TF risks. However, it may not be construed as exhaustive list of measures for curbing TBML/TF.

Further, the compliance of the provisions of this framework does not absolve Authorized Dealers from their legal and regulatory obligations under prevailing AML/CFT laws/rules and regulations or any other relevant law for the time being in force.

2. Objective

The prime objective of this framework is to strengthen the trade related AML/CFT regime and conserve foreign exchange. This framework applies to all banks authorized by SBP to deal in foreign exchange.

3. Bank's AML/CFT Policies

Authorized Dealers (ADs) shall emphasize on the overall trade related risks in their AML/CFT policy and relevant trade business guidelines, policies and procedures. Such policies and procedures should, inter alia, specify:

- a) Screening procedure of customers for trade transactions.
- b) Procedure for identification and monitoring of trade transactions with related party.
- c) Procedure for complete risk profiling of customers dealing in or intending to deal in trade.
- d) Procedure for developing Authorized Dealer's own risk profile.
- e) Procedure for verification of prices of underlying contracts related to import/export of goods/services.
- f) Procedure for handling descriptions, which are unclear, coded or worded in a language other than English.
- g) Screening procedure of goods being traded as per relevant Trade Policy
- h) Procedure for Identification of dual use of goods such as:
 - i) Import/Export Licensing Requirement (Reference: Pakistan National Control Lists of dual used goods and technologies available at <http://www.secdiv.gov.pk/GET>)
 - ii) Identification of end usage and end user.
 - iii) Focus on counterparties.
 - iv) Goods screening from UNSC Resolutions.

4. Board and Senior Management Oversight

Authorized Dealers (ADs) shall enhance the oversight role of their Board of Directors and senior management in the areas of ML/TF risks associated with trade transactions. In this respect, ADs shall institute clear policies and procedures defining therein responsibilities of their Board of Directors or its Sub-Committees and senior management with specific focus on the following:

- a) Development and implementation of Customer Risk Profiling Framework and Transaction Monitoring System for managing ML/TF risks.
- b) Implementation of technology based solutions.
- c) Periodical review of AD's distinct risk profile.
- d) Review of reports, which provide useful insight into the internal controls, to gauge their adequacy to mitigate ML/TF risks.
- e) Development and implementation of price verification policy including level of acceptable price variance.
- f) Granting of status of AD to branches.
- g) Regular training of officers engaged in processing of trade business to enhance their skill set for dealing with ML/TF risks emanating from trade transactions.

5. Risk Profiling

a) Risk Profiling of Customers

- i. Authorized Dealers (ADs) shall ensure that risk based approach is adopted while conducting KYC/CDD of trade related customers. At the time of onboarding a customer, ADs shall capture the relevant information about trade related activities of the customer and incorporate it in the Customer's Risk Profile giving due weightage to various risk factors. However, in case the customer is not engaged in the trade related activities at the time of onboarding, the relevant information shall be captured and made part of Customer's Risk Profile when the customer enters into the domain of trade business. The assessment for risk profiling may include but not limited to the following:
 - a) The goods/services in which the customer usually trade in and prices thereof where available
 - b) Customer's key buyers and suppliers
 - c) Annual volume of trade transactions of customer
 - d) Trade cycle of the customer
 - e) The countries of origin of goods in which the customer trades
 - f) The jurisdictions/countries of business
 - g) Modes of transportation for goods
 - h) Port(s) of loading/discharge
 - i) Usual mode of trade and terms of payments
 - j) Related business concerns (domestic as well as international) and third parties such as shipping agents, insurance companies, inspection companies etc.
 - k) Active membership of customer with Chamber of Commerce/Trade Association
 - l) Person(s) authorized to sign on behalf of customer
 - m) Legal structure of the customer
 - n) Ultimate beneficial owner of the customer/transactions along with his/her stakes in the trade transactions directly or indirectly
 - o) Conduct of customer's personal PKR/FCY Account
- ii. Authorized Dealers (ADs) shall obtain an undertaking from new customer, which intends to do trade business, wherein the customer shall be required to declare the name(s) of bank(s) with which it has/had trade business relationship along with various type of trade transactions in which it has been dealing. Upon obtaining the said undertaking, ADs shall verify the status of customer overdues [Export Bills, Advance Payment Import, Advance Payment Export,

Regulatory Penalties etc.] and default history from the concerned bank(s) by forwarding a request through their Head Office to the Head of Compliance of the concerned bank(s). The overdues, if any, shall be given due weightage by ADs while taking the decision of onboarding the client. In the event of boarding, the overdues shall be made part of Customer's Risk Profile.

- iii. While onboarding proprietorship concerns for trade business, the assessment, as noted above, shall be conducted by ADs keeping in view the higher ML/TF risks associated with this form of business due to factors such as minimum legal requirements in formation, registration and winding up of the business etc.
- iv. ADs shall also integrate the performance of the trade clients in their risk profile including historic and outstanding overdues [Export Bills, Advance Payment Imports, Advance Payment Exports, Regulatory Penalties etc.]
- v. ADs shall formulate procedure whereby each of their client, based on the risk assessment conducted at the time of onboarding with respect to trade related activities, performance history and historic reporting of STRs to FMU (if any), is assigned a risk rating/category in addition to the general risk profile of the customer being maintained by the ADs under AML/CFT instructions issued by SBP from time to time.
- vi. To this end, ADs shall integrate their Customer Risk Profiling System with Core Banking Systems/Transaction Monitoring Systems. It shall be ensured that the Customer Risk Profiling System, Core Banking Systems and Transaction Monitoring Systems are robust enough to cater the above risk profiling needs and matters ancillary thereto.
- vii. ADs shall undertake assessment of their existing customers on the above parameters and shall complete the same latest by **April 30, 2020**. Moreover, periodic review of the trade portfolios shall be done by ADs to keep the risk profile of their customers updated. However, timeline of this review shall not go beyond three years in any case. Notwithstanding the above, the values of elements, which are likely to change more frequently such as price of commodities, ports etc. may be updated in the customer's risk profile as and when required.
- viii. ADs shall take into account the risk rating of the customer while allowing trade transactions. In this respect, a criteria shall be developed by the ADs whereby the requests for trade transactions of clients with high risk rating/outstanding overdues/poor performance history shall be escalated to the higher management for taking appropriate decision about the fate of transactions.
- ix. The Customer's Risk Profile shall be universal bank wide and shall address the scenario of customer doing trade business with multiple branches. Further, the primary key (unique identifier) for risk profile of sole proprietorship shall be the CNIC of sole proprietor.

b) ADs Own Risk Profile

Authorized Dealers (ADs) shall develop their distinct trade-related risk profile latest by **April 30, 2020**, which shall include but not limited to the following:

- a) Weighted average risk rating of their trade portfolios i.e. weighted average of risk rating assigned to trade customers

- b) Jurisdictions with which trade transactions have been undertaken during a year
- c) Industries, sectors and segments of economy with which trade transactions have been carried out during a year
- d) Sanctions compliance regime of AD
- e) No. of red flags raised and escalated to the higher management during a year
- f) No. of STRs reported to FMU during a year
- g) No. of trade related customers subjected to EDD during a year
- h) Average audit rating of branches authorized to deal in foreign exchange/foreign trade
- i) Risks associated with various trade related products offered by the AD
- j) Risks emanating from various channels offered by AD for settlement of trade transactions

The risk profile of ADs shall be escalated, on annual basis, to the risk management committee of the Boards of Directors for review.

6. Control Framework To Manage Trade Related ML/TF Risks

a. Price related Due Diligence

- i. Authorized Dealers (ADs) shall define clear policies and procedures for price verification, including defining the level of acceptable price variance, escalation procedures and suspicious transaction reporting mechanism when significant differences in prices are identified.
- ii. It shall be the exclusive responsibility of an AD to perform due diligence with respect to various risk factors in a trade transaction. In this regard, ADs shall be specifically required to verify the prices of underlying contracts as declared on EIF/MIF, EFE/MFE, Advance Payment Voucher (Appendix V-14) from reliable sources i.e. chambers of commerce, local business circles, daily newspapers, Internet, historic appraisements, Customs valuation rulings, etc. where prices are available and shall satisfy themselves before approving EIF/MIF, EFE/MFE or disbursing the amount to the exporter as the case may be that the prices declared by their client represent the fair market value of goods.
- iii. ADs shall institute a mechanism, supported by technology-based solutions, to carry out assessment of prices of underlying contracts on post transaction basis that is after the approval of EIF/MIF, EFE/MFE or disbursing the amount to the exporter, where price checks are not performed at pre-transaction stage, and shall satisfy themselves that the prices declared by their client represent the fair market value of goods. This function may be performed by the department other than the front office/centralized trade-processing unit where transaction is taking place. To this end, ADs may assign this function either to their risk management department or compliance department. The department to which this function is assigned shall be under obligation to conclude the assessment with thirty days of approving EIF/MIF, EFE/MFE or disbursing the amount to the exporter as the case may be.
- iv. ADs shall require the exporter to submit a copy of underlying sale contract along with Advance Payment Voucher (Appendix V-14).
- v. The procedure of price verification/assessment shall be documented by ADs for later review /audit/inspection.
- vi. The significant variance between the prices of goods declared on EIF/MIF, EFE/MFE, Advance Payment Voucher and their fair market value shall serve as one of the prime red flag indicators

and all such transactions shall be escalated to the higher management, which shall review the same and consider the option of filing STR with FMU etc. This procedure shall be documented by ADs for later review /audit/inspection.

- vii. Further, ADs shall develop the detailed scenarios of other trade related red flag indicators. A non-exhaustive list of common red flag indicators is provided at **Annexure-A** for guidance.

b. Form “I”, Form “E” related Due Diligence

- i. Authorized Dealers (ADs) shall ensure compliance of the following instructions while approving EIF/MIF, EFE/MFE:
 - a) Full details/exact specification, quality/varieties/sub categories of goods being imported/exported are declared on EIF/MIF, EFE/MFE and declaring the description of goods that is general in nature or represents the generic name of goods should be avoided.
 - b) Declaration of unit of measurement such as boxes, cases etc. on EIF/MIF, EFE/MFE, which obscures the actual quantity of goods being imported/exported, shall be avoided. In this respect, unit of measurement, if not required to be declared otherwise, shall be declared in line with relevant Custom Valuation Rulings (if available).
 - c) In case, the brand/trade name/trademark of a product is to be declared on EIF/MIF, EFE/MFE, it shall be accompanied by the generic name of such product.
 - d) H.S. Code of each product which forms the part of the underlying contract is declared on EIF/MIF, EFE/MFE. Where an H.S. Code includes multiple goods/products, ADs shall ensure that the particulars of each product are written against that H.S. Code.
 - e) Guideline at (a)(c) & (d) above shall be followed while making declaration on Advance Payment Voucher (**Appendix V-14**). Moreover, it shall be ensured by ADs that in case of advance payment export, declaration made on EFE/MFE is strictly in accordance with the particulars declared on Advance Payment Voucher and name of consignee declared on EFE/MFE is of the same entity from which the advance payment is received.
- ii. The particulars of EIF/MIF, EFE/MFE shall be corroborated with that of Goods Declaration Form, where transaction does not involve a letter of credit, to check the cohesion and in case of significant variation(s), the matter shall be escalated to the higher management, which shall review the same and consider the option of filing STR with FMU etc.

c. High Risk Transactions and Enhanced Due Diligence

- i. Authorized Dealers (ADs) shall ensure that high risk transactions in the area of trade business are subject to more extensive due diligence and are escalated, where required, to the higher management.
- ii. In this respect, following transactions may have higher ML/TF risks and may be considered for EDD:
 - a) Open Account

- b) Advance Payments (Import & Export of Goods)
 - c) Import/Export of Services
 - d) Import/Export of Free of Cost Goods
 - e) Trade transactions with related party
 - f) Import of goods that are exempt from import related duties
 - g) Import of goods that are subject to over 25% import duties
 - h) Export of goods on which export related rebates are allowed by the Government of Pakistan
 - i) Where an exporter allows trade discounts to the same importer consistently by the way of deduction of amount of discount from the proceeds of export bills.
 - j) Trade transaction of sole proprietorship or partnership concern received by centralized trade processing unit from a different branch of an AD with whom their relationship is not generally associated or frequent switching of branch for trade transactions by such concerns.
 - k) Trade transactions with high-risk jurisdictions or jurisdictions with lax AML/CFT regulations and implementations
 - l) Outward remittance from personal FCY account of the importer
 - m) Unusually relaxed terms for settlement of counter value both for exports as well as imports e.g. no specific timeline for shipment of goods against exports advance payment, extended credit period for payment against import of goods especially between unrelated parties.
- iii. Due weightage shall be given by ADs to the risk rating of the customer while allowing high-risk transactions. In this respect, a criteria shall be developed by the ADs whereby transactions falling in high-risk category specifically Advance Payments (Import & Export), where clients have outstanding overdues/poor performance history, shall be escalated to the higher management for taking appropriate decision about the fate of transactions.
- iv. In case of recurrence of non-performance post allowing the transaction, the higher management of ADs may subject the customer to enhance/continuous monitoring. However, in case of persistent non-performance during the period in which the customer has been subjected to enhance/continuous monitoring, the AD may evaluate the transaction for filing an STR with FMU if they have sufficient grounds to form suspicion that the customer is using trade transaction to launder money, finance terrorism etc. ADs, in such circumstance, should also evaluate the risks of continuing relationship with the customer.
- v. Notwithstanding the above, even if the senior management of ADs on the matter escalated to it does not find sufficient grounds for filing of an STR, they may consider subjecting the customer to enhanced/continuous monitoring.

d. Development and Maintenance of Goods related MIS

- i. Head/Principal office of Authorized Dealers (ADs) shall develop a list of goods along with the details of their unit prices which are:
 - a) Exempted from Import related duties by the Government of Pakistan
 - b) Subject to over 25% import related duties
 - c) Subject to export related rebate allowed by Government of Pakistan

Such details shall be disseminated to the concerned departments that are entrusted with the price verification function for their reference. Moreover, Head/Principal office of ADs shall be responsible to keep the said list/details updated with respect to exemption/rebates granted/duties imposed by Government of Pakistan during the year.

- ii. ADs shall start developing a database of the unit prices of goods being traded through them along with their H.S. Codes, which may serve as a reference point for their future trade activity. Further, they shall identify H.S. Codes with respect to their trade portfolios wherein multiple products or varieties of goods are reported and build an internal repository of the unit prices of such variety of products for their future reference.

e. Trade Related Data/MIS and Regulatory Reporting

- i. Authorized Dealers (ADs) shall develop accurate & comprehensive MIS of the trade transactions at their head/principle office taking into account important variables of all type of trade transactions so that the data extraction becomes easy and requirement of regulator with respect to requisition of data/MIS are met in a timely manner.
- ii. ADs shall also ensure accurate reporting of trade related data, through ITRS, in their monthly foreign exchange returns to SBP, by following the principal of dual control.

f. Transaction Monitoring

- i. Authorized Dealers (ADs) shall incorporate a comprehensive set of trade related ML/TF risks scenarios/red flags, on the pattern of non-exhaustive list given in Annexure-A, in their transaction monitoring system and shall ensure that any alerts generated are analyzed by the AML analyst for their logical conclusion. The alert trail i.e. from generation of alert till its closure shall be documented for later review/inspection/audit. Such scenarios shall be reviewed periodically by ADs (at least once in two years) but more frequently if required in order to ensure their effectiveness.
- ii. ADs shall keep complete record of transactions rejected on the basis of ML/TF concerns associated with it.

g. Suspicious Transaction Reporting

- i. Where an Authorized Dealer (AD) forms a suspicion about a customer or a transaction or a pattern of transactions of which a transaction is a part, as defined in section 7 of AML Act, it shall be mandatory for the concerned AD to report the STR to FMU not later than seven working days after forming suspicion.
- ii. However, before reporting the STR, it is suggested that ADs may undertake appropriate inquiries on transactions. In all cases, requirements of relevant laws should be fulfilled and it should be ensured that no tipping off takes place.

h. Technology Based Solutions

Authorized Dealers (ADs) shall also adopt technology-based solutions to mitigate ML/TF risks associated with trade transactions where possible with specific focus on the following:

- i. System based detection of Invoices, Goods Declaration, Transport Documents already used.
- ii. Sanctions screening of individuals and entities along with ports of loading/discharge.
- iii. Screening of vessels, shipping company and voyage checks.
- iv. Verification of prices of goods.
- v. Maintenance of non-performance and overdue status of import payments and export receipts respectively.

i. Staffing Requirements

- i. Authorized Dealers (ADs) shall ensure availability of adequate staff at centralized trade processing units and branches, where function is also assigned to branches, in order to minimize mistake in data recording and due diligence.
- ii. Trade related business targets shall not be assigned to the staff working at centralized trade processing units.

j. Risk Awareness and Trade related ML/TF Risks Training

- i. Authorized Dealers (ADs) shall allocate adequate resources to create awareness of the ML/TF risks associated with trade transactions with specific focus on typologies of TBML, common red flag indicators and the measures to mitigate TBML risks. Such awareness session/capacity building sessions may, inter alia, include research based case studies, simulations, onsite visits to air cargo terminals, ports etc.
- ii. ADs shall also regularly carry out the training need assessment of the staff working in the trade function to check that they are adequately equipped with the skills required to contain ML/TF risks associated with trade transactions. Further, ADs may regularly carry out refresher courses of trade related staff to keep them abreast with the developments in the field of AML.
- iii. The staff working in risk management and control functions should also be made part of such awareness sessions.
- iv. ADs shall proactively collaborate with each other and arrange knowledge sharing events to share their experience with each other. Further, such collaboration may include development of portal/helpdesk where experts of the industry can answer queries.

k. Collaboration with Stakeholders including Customs, Shipping Companies etc.

Authorized Dealers (ADs) shall also collaborate with relevant departments such as Pakistan Customs, shipping companies, Chambers of Commerce etc. in order to develop an understanding of their internal work and raise awareness of their staff working in trade function.

l. Internal Audit

Internal Audit Departments of Authorized Dealers (ADs) shall periodically review (at least once in two years) the robustness of bank's system and controls with respect to compliance with the provisions of this framework. The audit report prepared by the Internal Audit Department shall be submitted to the risk management committee of the bank's Board of Directors for

review and taking necessary action in accordance with the recommendations of the report. First such review shall be conducted and report thereof shall be placed before the risk management committee of the board **not later than December 31, 2020**.

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Annexure-A

Common Red Flag Indicators

- i. Obvious over or under/over pricing of goods (significant discrepancies appear between the value of the goods reported on the invoice/EIF/MIF, EFE/MFE, Advance Payment Voucher and the known fair market value of the goods).
- ii. The description of goods on the Goods Declaration Form/Transport documents significantly varies from the description declared on EIF/MIF, EFE/MEF or underlying contract.
- iii. Significant variation is found between the description of the goods on the bill of lading and the invoice.
- iv. There are indications that the descriptions of the goods is disguised.
- v. The tenor of the transaction does not commensurate with the nature of the underlying goods – for example perishable goods are traded on terms involving lengthy usance period.
- vi. Documents such as a letter of credit is received through unverified channels such as unauthenticated SWIFT message.
- vii. The type of goods being shipped appears to be inconsistent with the exporter's or importer's regular business activities.
- viii. The size of the shipment does not commensurate with the size of the exporter's or importer's regular business activities.
- ix. The packaging of goods is inconsistent with the commodity or shipping method.
- x. The goods are transshipped through one or more countries/jurisdictions for no apparent economic or logistical reason.
- xi. The country from which goods are being shipped is designated as "high risk" for money laundering activities.
- xii. The transaction involves the receipt of payments from third parties that have no apparent connection with the transaction.
- xiii. The method of payment apparently does not commensurate with the risk characteristics of the transaction e.g. the remittance of funds in advance payment for a shipment from a new supplier in a high-risk country.
- xiv. The transactions involving consecutive trade discount offered by exporters to the same importer.
- xv. The transaction involves repeatedly amended or frequently extended letters of credit.
- xvi. An exporter receives advance payment(s) but does not make shipment(s) there against.
- xvii. An Importer remits advance payment(s) but does not receive shipment(s) there against.
- xviii. The transaction appears to involve use of front or shell companies for the purpose of hiding the true parties involved.
- xix. The transaction involves import/export of dual use goods.
- xx. The item ordered is incompatible with the technical level of the country to which it is being shipped, such as semiconductor manufacturing equipment being shipped to a country that has no electronics industry.
- xxi. Where important details are missing on commercial invoice(s) or mentioned vaguely.
- xxii. Where some of the shipping documents are provided in photocopies instead of original against the regularity instructions or against normal business scenarios.
- xxiii. Where goods declaration in commercial invoice(s) are not proper, incomplete or otherwise not mentioned at all to conceal the facts.
- xxiv. Receipt of proceeds from non-cooperative countries as per FATF list against the shipment made to a third country.
- xxv. Where export proceeds are received from unrelated/third party with differing nature of business from that of exporter.

Typologies of Trade Based Money Laundering

Typologies of TBML means various methods used to launder money through trade transactions. The definitions and purposes of various methods are summarized as follows:

Methods	Definition	Purpose	
		Import	Export
Under Invoicing	The act of stating the price of goods/services on an invoice as being less than their fair market value.	• Receive Excess Value	• Transfer excess value
Over Invoicing	The act of stating the price of goods/services on an invoice as being more than their fair market value.	• Transfer excess value	• Receive Excess Value
Short Shipment	The act of shipping less than the invoiced quantity or quality of goods thereby misrepresenting the true value of goods in the documents.	• Transfer excess value	• Receive Excess Value
Over Shipment	The act of shipping more than the invoiced quantity or quality of goods thereby misrepresenting the true value of goods in the documents.	• Receive excess value	• Transfer excess value
Obfuscation of type of Goods/Services	The act of omitting information from the relevant documentation or deliberately disguising or falsifying it.	May be to • Receive excess value • Transfer excess value	May be to • Transfer excess value • Receive excess value
Phantom shipment	Shipping nothing at all with false invoices.	• Transfer value	• Receive value

Name of Authorized Dealer: _____

Advance Payment

Currency: _____

Name and Address of Exporter: _____

Name and Address of Importer: _____

Export of: _____
(Description & HS Code of Goods to be exported)

To: _____

Amount: _____

Date: _____
(Stamp and Signature of the Beneficiary of Remittance)

Date: _____
(Stamp and Signature of Authorized Dealer)