

Mitigating the risk of Trade Based Money Laundering

Africa

The use of international trade to move and disguise the proceeds of crime i.e. Trade Based Money Laundering (“TBML”) activity is growing in both volume and global reach and poses a significant threat to the security and prosperity of developing economies.

US\$2.2 T

The non-profit organisation Global Financial Integrity has suggested that this transnational crime is worth as much as US\$2.2 trillion a year.

US\$19.67 T

The World Trade Organisation Statistical Review of 2019 noted that the volume of the global trade in merchandise grew by 3% in 2018, while the value of trade increased by 10% to US\$19.67 trillion.

It has been reported that TBML, an umbrella term for moving criminal funds through trade transactions in order to disguise their origins, is now:

“one of the primary means that criminal organisations use to launder illicit proceeds.”

To determine the exact scale is not an easy task and an estimation at best.

Despite developing economies equalling and in some cases outperforming developed countries in global trade activity, limited financial and fiscal benefits flow from the increased trade activities.

Recent experiences evidenced that increased global trade activity provides various opportunities for criminals to exploit global supply chains, customs compliance procedures and financial payment arrangements to disguise the proceeds of criminal activities in an effort to legitimise the origin of illicit funds.

1. <https://www.gtreview.com/news/americas/trade-based-money-laundering-a-growing-risk-us-government-told/>

2. <https://gfintegrity.org/anonymous-companies-and-transnational-crime/>

3. https://www.wto.org/english/res_e/statis_e/wts2019_e/wts19_toc_e.htm

Given the complexity of global trade and payment arrangements and the number of parties involved in import and/or export transaction, ample opportunities exist to exploit various areas of the supply chain and documentary procedures to perform illegal activities. More so in jurisdictions where financial, regulatory and customs controls have not yet achieved the maturity as in developed countries and indicators of TBML, illicit trade and illicit financial flows are absent.

There is a distinct silo approach in facilitating the actual trade and financing thereof.

Financial institutions are customarily the primary authority for identifying suspicious financial transactional activities occurring within the financial services sector, while border control and customs authorities are tasked with identifying trade related commercial anomalies and suspicious commercial activities.

“At FTI we understand the complexities of TBML in the current economic environment, and more specifically insofar as it relates to African trade related activities, we value the importance of combining customs lawyers with forensic investigation experts that specialises in all aspects of exchange control regulatory compliance, anti-corruption, money laundering and sanctions focused compliance.”

Kevin West, Senior Managing Director



Financial institutions operating in certain African jurisdictions experience substantial challenges to localise general operating systems to address country specific TBML activities and have to rely on third parties to provide details on financial flows and substantiating customs documentation, without oversight of the accuracy and completeness thereof.

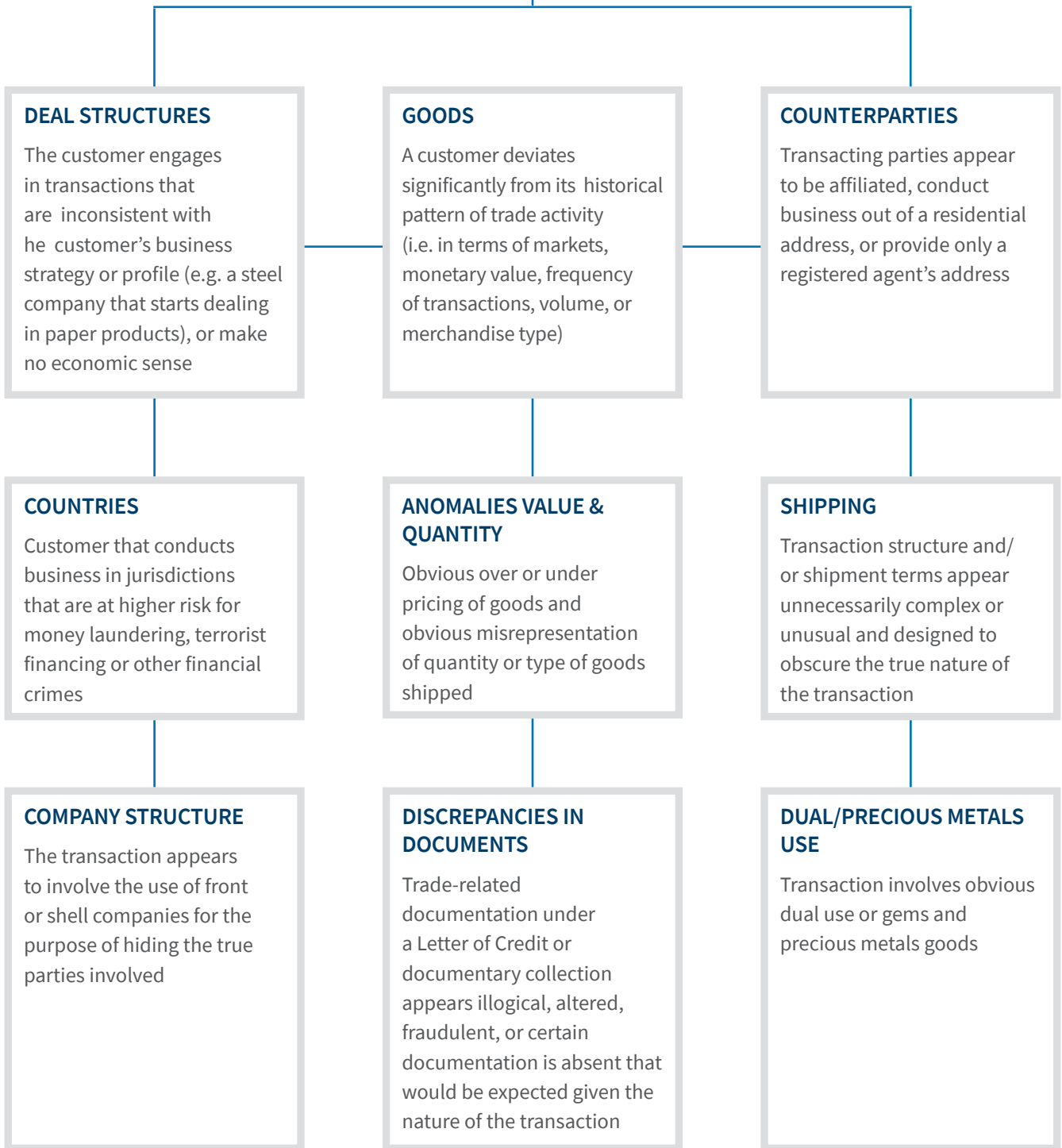


FTI Consulting South Africa has a dedicated TBML team comprising experienced customs and international trade lawyers and forensic investigation professionals to provide a seamless service to clients in the regulatory, financial, retail, supply chain, clearing and freight forwarding industries.

Our team can assist both financial and governmental institutions with:

- Providing intermediary TBML risk services to audit the full global trade and payment cycle of transactions underlying a request for the payment or release of funds by the financial institution;
- Providing a TBML support hub to financial institutions to assist with:
 - KYC and risk profiling reviews;
 - Review of third-party activities within the global trade transaction;
 - Documentary review of all trade related documentation;
 - Review of compliance with the provisions of customs and trade regulatory legislation;
- Industry specific trade risk indicators;
- Data analyses, trade transaction mirroring;
- Providing a full TBML risk report on transactional level;
- Development of client specific standard operating procedures and key control frameworks that allows for continuous monitoring of TBML risks;
- Development of TBML related internal audit programmes; and
- TBML training, development of training manuals and key performance indicators of staff involved in trade financing related functions.

EXAMPLES OF TBML RED FLAGS IN DEVELOPING ECONOMIES





About FTI Consulting South Africa

FTI Consulting help clients across Africa assess their exposure on the continent, understand the risks and opportunities and navigate the varied and complex regulatory and legal frameworks. Our team of Forensic Investigation, Global Trade & Excise and Strategic Communications professionals comprise chartered accountants, admitted attorneys, information technology specialists and communications specialists who regularly assist various clients to implement cross-border trade related risk and governance solutions ranging from ERP optimisation, advocacy work to ensure a company's freedom to operate and internal audit controls to trade and supply chain data management. Our approach and methodology has been utilised to formulate and substantiate submissions for revenue authority assessments, litigation and settlement procedures and dealing with conveying difficult messages in the most appropriate and effective manner. Our trade governance solution offering is client and country specific, ensuring an integrated approach to organisational and reputational risks within Africa and abroad. For more information, please visit www.fticonsulting.com/locations/south-africa



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