

7TH ICC UAE TRADE FINANCE CONFERENCE

Digital Journey & Future of Trade Finance

COMPLIANCE CHALLENGES

20th November 2018

Dubai Chamber of Commerce & Industry

Trade Based Money Laundering

What is Trade Based Money Laundering ('TBML')?

Payments and/or value transfer in settlement of trade transactions to mask the movement of illicit funds.

Are we looking for TBML in the right place?

- Illicit flows to and from developing and emerging economies was between **14–24%** of their total trade from 2005–2014¹.
- **80%** of global trade was done using open account settlement ².
- **US\$3.07 quadrillion** in payments are made annually ³.
- **\$16 trillion** of trade transactions occur each year ⁴.

Only about **0.1%** of the value of payments made reflect settlement of documentary trade.

We need to look beyond Trade Finance!

Sources: 1. Global Financial Integrity, 2017; 2. Wolfsberg, 2017; 3. CHIPS and World Bank; 4. World Trade Organisation. Other sources: Combating Trade Based Money Laundering: Rethinking the Approach, BAFT, 2017

Wolfsberg Group Trade Finance Principles

The Wolfsberg Group:

- is an association of thirteen global banks
- it aims to develop frameworks and guidance for the management of financial crime risks
- has published a number of materials designed to provide FIs with an industry perspective on effective financial crime risk management

Wolfsberg Group Trade Finance Principles

- redrafted and issued in 2017 in conjunction with the ICC and BAFT
- the core principles paper has been expanded to:
 - explain what is meant by various mitigation activities
 - describe the challenges and limitations faced by FIs
 - recommend actions that law enforcement, customers and other government agencies and policy makers still need to address to help the financial services industry meet its obligations

Risks and Challenges

- Differing jurisdictional standards
- Manual processing and documentation review
- Varying levels of maturity in financial crime, CDD & Sanctions policies
- Dual use goods / Understanding the ultimate use of the product
- Multiple parties & intermediaries
- Price verification checks

Source: The Wolfsberg Group, ICC and BAFT Trade Finance Principles, 2017

Control Framework

Customer Due Diligence

Sanctions checks – Activity based Financial Sanctions & Export Controls

Counterparty Due Diligence

Name Screening

Transaction monitoring checks

Transaction screening

Trade transformation – future state solutions

Automation

Data Analytics

Information sharing

Collaboration

Better awareness

Emerging
Technology

Questions & Answers