



GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO

FINANCIAL INTELLIGENCE UNIT OF TRINIDAD AND TOBAGO

MINISTRY OF FINANCE



TYPOLOGY: TRADE BASED MONEY LAUNDERING

FIUTT REFERENCE: TYP/002/2023

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The Financial Intelligence Unit of Trinidad and Tobago (“the FIUTT”) is publishing this Typology in accordance with *Section 17(1)(b) of the Financial Intelligence Unit of Trinidad and Tobago Act Chap. 72:01, and Regulation 26(1)(d)(ii) of the Financial Intelligence Unit of Trinidad and Tobago Regulations.*

PURPOSE OF THIS TYPOLOGY

The purpose of this *Typology* is to assist individuals and businesses, within Trinidad and Tobago, in identifying suspicious transactions/activities related to **Trade Based Money Laundering (TBML)**, while conducting financial and operational activities. Further, it is intended that this publication would enhance public awareness and understanding of the nature of TBML. The publication also provides suspicious indicators of TBML.

GENERAL INFORMATION

Money laundering continues to be a serious global challenge. Despite the numerous efforts to curb such challenges, individuals and criminal enterprises continue to adopt alternative measures (lawful and unlawful) to facilitate their illegal activities.

The increase in global trade activities significantly increases the likelihood of unlawful activities occurring. In order to benefit from and sustain their criminal activity, individuals and criminal enterprises launder the proceeds generated from their criminal activities by mixing the illicit proceeds into the legitimate trade and financial systems. The greater the trade volumes, the greater the challenge of preventing, detecting and investigating illegal shipments and monetary flows.

Trade-Based Money Laundering vs Smuggling, Fraud and Other Trade-Related Offences?

Trade-based money laundering and trade-related offences both utilise a combination of one or more potentially unlawful activities. This can include the use of false invoices, deliberate misclassification of goods to circumvent controls and any other customs/tax violations.

The clear distinction between TBML and trade-related offences lies not in the movement of goods, but rather the movement of money or the transfer of value as a result of trading activities.

Like traditional money laundering, TBML seeks to provide a legitimate cover for illicit proceeds. Smuggling, fraud and other trade related offences intends to create illicit proceeds from illegal activities.

Trade-Based Money Laundering Common Techniques

Over and Under Invoicing:

- This involves the misrepresentation of the price of a good or service, in order to transfer value.
- Both the importer and exporter are involved in collusion.
- Under invoicing – value is moved from the exporter to the importer.
- Over invoicing – value is moved from the importer to the exporter.

Over and Under Shipment:

- This involves the misrepresentation of the quantity of goods or services.
- This technique can include ‘phantom’ or ‘ghost’ shipments where no product is actually shipped.
- Both the importer and exporter are involved in collusion.
- Over shipment – value is moved from the exporter to the importer.
- Under shipment - value is moved from the importer to the exporter.

Multiple Invoicing:

- This can involve the reuse of existing documentation to justify multiple payments for the same shipment of goods or delivery of services.
- This can also involve the use of falsified documentation to create unduly complex supply chains that involves multiple transshipment points or provide alternate shipping mediums.

Misclassification of Goods and Services:

- This involves the misrepresentation of the type or quality of a good or service.
- For example, a shipment of a relatively inexpensive good is classified as an expensive item, or a completely different item in order to justify the movement of money or the transfer of value.

Note: In real life scenarios, criminals can employ one or a combination of several of the listed methods in an attempt to further complicate trading activity.

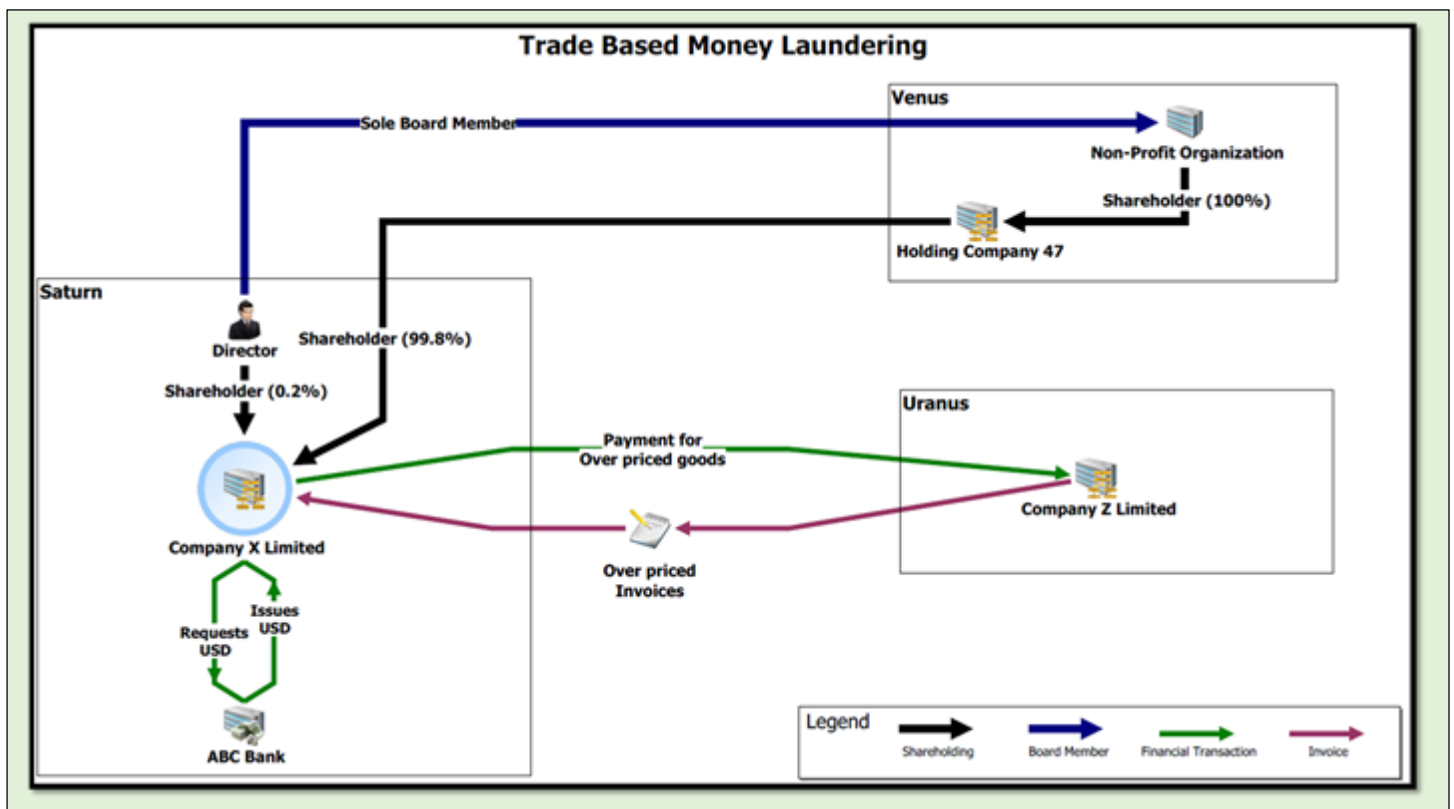
TYPOLGY CASE STUDY

Company X Limited (based in Saturn), is engaged in the manufacturing and distribution of flour, rice, feed and other grain products. Company X Limited is owned by a foreign based company registered as, Holding Company 47 which controls 99.8% shares, and one individual with 0.2% share, (Director of Company X Limited). It must be noted, that the Director and minority shareholder of Company X Limited is also listed as the Sole Board Member of a foreign based Non-Profit-Organisation (NPO).

Company X Limited approached ABC Bank to purchase USD currency to facilitate importation of the above-mentioned items under a specially established Forex facility. Company X Limited was allocated approximately USD 1.7 million to purchase the required raw materials.

In conducting its Due Diligence, ABC Bank unearthed issues surrounding beneficial ownership as well as suspected TBML. It was found that Company X Limited's ownership structure was layered by other companies making it difficult to identifying the natural persons behind the business. Company X Limited's majority shareholder, was also owned by a foundation incorporated in Country Venus. The ownership structure is complex and spans across a foreign jurisdiction which makes it increasingly difficult to identify the true legal persons and ultimate beneficial ownership.

Additionally, ABC Bank identified unusual activity in terms of the price charged between Company X Limited and their main supplier, Company Z Limited (based in Uranus). It was revealed that Company Z Limited was over-invoicing Company X Limited for products. The possible gain made by the over pricing of these invoices is in the region of **USD 290,000.00**.



SUSPICIOUS INDICATORS

The following list of suspicious indicators provides guidance in assessing transactions/activities to determine whether there are reasonable grounds to suspect the occurrence of TBML.

Please note that the existence of a single indicator on its own may seem insufficient to satisfy the threshold of reasonable grounds to suspect, but when combined with other indicators, could satisfy the threshold of reasonable grounds to suspect that the transaction/activity is related to an offence of TBML. Therefore, if one or more of these indicators are present, one should consider the context and all relevant factors to determine whether a ¹Voluntary Information Report (VIR) should be submitted to the FIUTT.

Suspicious Indicators Involving Trade Based Money Laundering

- Complex ownership structures where multiple entities (of a similar or unrelated business activity) are controlled by a single entity with the parent company or primary trading entity being established in a jurisdiction with weak ML/TF controls;
- The misclassification/misrepresentation of the quality or type of good or service being imported/exported;
- Overstating or understating the quantity of goods being shipped or services being provided;
- The under valuation/over valuation of goods being imported/exported;
- Significant discrepancies between the value of goods being imported/exported and the amount transferred for the alleged payment/receipt of goods;
- Significant discrepancies between the value of goods being imported/exported and the level of funds being withdrawn/deposited from/into business and personal accounts;
- Significant discrepancies between the value and quantity of goods being imported/exported and the declarations made with Customs and Excise;
- The use of “ghost shipments” where a product is not physically shipped but the relevant documentation is prepared to legitimize the transaction/activity and the relevant payments being made (involves collusion with the importer and exporter);

¹ FIUTT can only receive VIR's about suspicion of money laundering, financing of terrorist activities or proliferation financing, and in accordance with Section 52(1) of the Proceeds of Crime Act, Chap. 11:27 and Section 33(1) of the Anti-Terrorism Act, Chap. 12:07. To provide a VIR to the FIUTT, there is no obligation to identify yourself. You may provide a VIR to the FIUTT's email at fiutt@gov.tt. If you believe that the information you are providing is serious and requires an immediate law enforcement response, then you should also provide this information directly to the Trinidad and Tobago Police Service (TTPS).

- Shipment of goods is routed through a number of jurisdictions without economic or other plausible reason;
- Deposits into accounts are followed by near and/or immediate withdrawals or wire transfers to both local and foreign accounts of unrelated individuals and businesses;
- Funds are deposited into an account, which is subsequently transferred to several related party accounts, and then transferred to a foreign jurisdiction;
- Amount of funding channelled through the accounts do not appear to be commensurate with the type of activity the entities are said to be engaged in.

Dated: January 27, 2023

Financial Intelligence Unit of Trinidad and Tobago