Unraveling the Complex Web of Trade-Based Money Laundering

In the dynamic realm of trade finance operations for importers and exporters, the versatility that drives efficiency also exposes vulnerabilities to trade finance crimes, notably trade-based money laundering. As perpetrators continually seek loopholes in international trade regulations, it's crucial to understand the common methods employed in these illicit practices, which we outline in turn:

Multiple Invoicing Tactics:

a. Duplicating invoices for the same shipment inflates the value transferred through the finance system.
b. Inflated credit is generated and received for goods, acting as collateral, in what is known as multiple invoicing.

Mispricing Strategies (Under-Invoicing and Over-Invoicing:

a. Deliberate misdeclaration of goods' value, either lower (under-invoicing) or higher (over-invoicing) than the actual value.
b. Misrepresentation of quality to influence pricing on the invoice and facilitate substantial fund transfers between companies.

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Phantom Shipments:

a. Creation and issuance of invoices for nonexistent or undelivered goods.
b. Encouraged by the paper-based nature of international trade, allowing parties to produce fraudulent documents affirming legitimacy.

Shipment Manipulation (Under-Shipment and Over-Shipment):

a. Exporters may ship fewer goods than agreed to transfer greater value to themselves.
b. Conversely, exporters might over-ship goods to transfer greater value to importers.
c. Highlights the advanced nature of trade-based money laundering involving not only fund transfers but also the manipulation of shipped goods.

Complex Routing and Payment Irregularities:

a. Shipments routed through multiple subsidiaries or countries without apparent reason.
b. Inconsistent payment plans with the transaction's risk level.
c. Payments for large consignments handled by third parties unrelated to the transaction, raising red flags for potential money laundering.

Understanding these methods is pivotal for businesses to fortify their defense against trade-based money laundering.

Stay informed, stay vigilant.

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