



HM Revenue
& Customs

Tackling trade-based money laundering

What the FATF report did and didn't say!



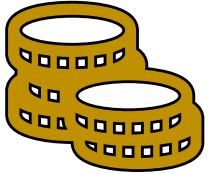
This is not an ADB material. The views expressed in this document are the views of the author/s and/or their organizations and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy and/or completeness of the material's contents, and accepts no responsibility for any direct or indirect consequence of their use or reliance, whether wholly or partially. Please feel free to contact the authors directly should you have queries.

PRESENTATION TOPICS

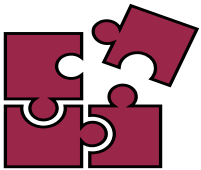


Current thinking – FATF/Egmont report’s key findings.

More radical thinking – what was left on the cutting room floor



Illicit cash integration risks – what are the most common linked to TBML?

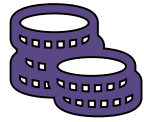


Public Private Partnerships – What next?

SUMMARIZING THE RECENT FATF/EGMONT REPORT (1)



Intro section tries to demystify TBML. The definition still remains a little inaccessible to the lay person, but it helps differentiate between it and smuggling.



Conservative estimate of amounts laundered via TBML - \$500 million. Realistically, we're probably talking billions, but we sought a pragmatic estimate.



'Traditional' TBML methods still extremely popular. Trade doc manipulation common. However, stark issue of lack of LE understanding about these processes.



Good understanding within financial institutions, but limited awareness elsewhere. To the point of being non-existent in nearly all DNFBPs.

SUMMARIZING THE RECENT FATF/EGMONT REPORT (2)



We were really keen to major on the growth of PPPs. They have been a fundamental game changer since the 2012 APG report.



Had high hopes for the Egmont engagement, and it did provide some useful insight but also a disappointing inflexibility in some aspects of risk mitigation.



Technology *could* improve some elements of the risk mitigation process. But as with any new tech beware being promised the world...



US were really keen to promote the existing FATF Standards. But project team were keen to explore possible amendments such as...

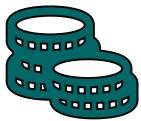
WHAT DIDN'T MAKE THE CUT...



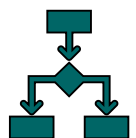
Really interesting conversation about possible extension of the Standards to cover freight forwarders and customs brokers.



ADB proposal on potential improvements to SAR / STR reporting process, virtuous feedback loops and better verifiable data.



While entirely understandable, bringing up BMPE meant we had to completely revise our ambitions for a 'new and emerging' trends title!



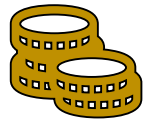
Shying away from a more detailed section on SBML. It felt really interesting and a meaty challenge, but strong resistance from the project team about it.

ILLICIT CASH INTEGRATION RISKS LINKED TO TBML

2020 FATF report findings are sooooo 2006 FATF report findings:



Third-party invoice settlement: Previously unknown individuals or companies suddenly appear into the financial settlement chain.



Bulk cash movements: Given association with commodity-based predicate offences, significant street cash generated, consolidated and shipped in airfreight or via lorries.



Money Service Businesses: To reduce risk of bank curiosity, the use of MSBs to settle invoices, including to unrelated third-parties in 'legitimate' supply chains.



Surrogate shopping: Mostly linked to the Far East, where networks of 'professional' shoppers buy high-value goods. Primarily this is to circumvent currency controls.



Cash proxies: Gold exploitation, given global price, is proving a highly lucrative alternative to traditional cash-based movements.

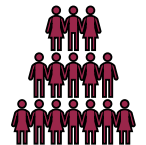
PPPs – WHAT NEXT FOR THESE CRITICAL FORUMS?



Report peppered with great examples of cooperation and yet... Still some reluctance by some to follow this model of engagement.



If a critical issue is about information disaggregation, then PPPs are a ready made solution to the problem. And models are entirely adaptable.



For those already established, how do we build alliances between PPPs? Several critical issues are truly global – TBML, TF, Crypto / Tech-enabled ML.



However, issue can sometimes be looking at the problem through the wrong end of the telescope – e.g. UK → who has data rather than who is exposed to risk.



HM Revenue
& Customs

THANK YOU

ANY QUESTIONS!



OFFICIAL