



# Trade STR Data Points & Feedback Loop

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# ADB Trade Finance Gaps, Growth, and Jobs Survey

# Trade Finance Scorecard: Regulation & Market Feedback

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## ADB BRIEFS

### KEY POINTS

- The estimated global trade finance gap is high, at \$1.3 trillion.
- Achieving the Sustainable Development Goals is at risk if ADB continues to help trade finance gap contribute to human development needs.
- More than 70% of surveyed banks said a strategy for narrowing the trade finance needs of the global market.
- More than 40% of trade finance applications reported by banks were from small and medium-sized enterprises (SMEs).
- Women-owned firms often face additional barriers to access trade finance.
- There is still a need to ensure that technology solutions to the trade finance gap do not result in job losses or displacement of workers.
- Trade finance remains an essential component to economic growth.
- Anti-money laundering (AML) and counter-fraud (CFT) measures are an impediment to closing gaps.

**2019 Trade Finance Gaps, Growth, and Jobs Survey**

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### INTRODUCTION

Our ability to achieve the Sustainable Development Goals (SDGs) can be compromised by insufficient financing available for trade. As trade's ability to drive inclusive growth and poverty reduction is widely recognized, addressing the trade finance gap would help achieve many of the SDGs, including those related to gender equality and economic empowerment of women (SDG 5) and economic growth and jobs (SDG 8) (Figure 1).

Nevertheless, this survey, our sixth and the world's leading survey of international trade finance needs, identifies large market gaps for trade finance that make it impossible to exploit the full potential of trade to deliver growth, jobs, and poverty reduction.

The dynamics of international trade are becoming even more complicated. On the one hand, trade tensions and the imposition of trade barriers, along with softening global economic growth expected in 2019, will adversely impact global trade levels. On the other, emerging technologies such as artificial intelligence (AI) and blockchain, as well as pending new trade agreements, suggest future trade growth.

Given the uncertain world economic outlook, it is crucial that these and other breakthrough technologies be applied to create more efficient, stable, and sustainable trade finance channels that will spur global growth and development.

The United Nations Asia-Pacific Action Agenda of the Third International Conference on Financing for Development focuses on the need to improve the trade finance environment and financing trade. It acknowledges that "lack of access to trade finance is a critical country's trading constraint and a hindrance to sustained economic growth and development."

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## TRADE FINANCE SCORECARD REGULATION AND MARKET FEEDBACK

### KEY POINTS

- Protecting criminals and terrorists from using the global financial system is critically important.
- Implementing global regulation across jurisdictions with multiple stakeholders is a challenge, which can have unintended negative consequences.
- The 2019 Trade Finance Gaps, Growth, and Jobs Study of the Asian Development Bank identified unintended consequences from anti-money laundering and combating the financing of terrorism (AML/CFT) regulation as an important contributor to global market gaps for small and medium-sized enterprises financing, including in developing countries.
- The Trade Finance Scorecard and Regulation and Market Feedback is the first of a series in progress. It offers three unique features and contributions to other efforts to address unintended consequences:
  - Rather than using criteria associated with creating and implementing AML/CFT regulation, it assesses needs to:
  - Complementing the Financial Action Task Force and Financial Stability Board work in this area, the Scorecard offers a new diagnostic tool to identify and measure unintended consequences of AML/CFT regulations, including their interpretation and implementation.
  - It provides a new channel for feedback by ADB through which stakeholders can engage to resolve issues.
- The Scorecard is not an end in itself but the beginning of a process. The next step is a workshop with stakeholders to address issues.

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### OBJECTIVES

The need for robust regulation on international banking and financial flows is clear. Access to correspondent banking and trade financing is particularly important for developing markets that depend on trade to create economic value and to drive inclusion.

Certain parts of the current regulation, and its interpretation and implementation, are reported by banks to have unintended consequences on the financing of international trade. Some of these consequences negatively impact cross-border remittance flows, which are equally critical to developing markets.

Some regulatory and procedural compliance requirements have contributed to "distorting" by banks. This term refers to the exit from markets, banking relationships and client relationships that, in the worst cases, have resulted in loss of access to products and services critical to economic activity, trade, development and inclusion.

Requirements or perceptions of requirements related to anti-money laundering and combating the financing of terrorism (AML/CFT) are said to contribute to global market demand for trade finance, reducing economic inclusion in regions and markets that need it most.

Africa, the Caribbean, and the Pacific are among the regions most in need of trade financing and yet have the most difficulty in accessing it and the critical international trade and development activity it enables.

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## Singapore AML/CFT Workshop, March 2019



# Background: ADB-led AML Initiatives

## → 2012 Asia/Pacific Group (APG) Report on Trade-Based Money Laundering:

- “...statistics relating to TBML are not distinguished from those of other forms of ML. Data needed to combat TBML remain dispersed over various domestic sectors. Practices to compile and collate the statistics and data relevant to TBML vary among jurisdictions.”
- Policy recommendations → “...to have common formatting of how TBML statistics are to be recorded and maintained so that trends [and actionable intelligence] are more easily identifiable.”



# PROPOSALS

## 1 Trade STR Data Points

- Add trade-relevant data elements to existing STR formats; adopt common data points across jurisdictions.
- Proposal is to select data points from a set of options.

## 2 Feedback Loop

- Implement Feedback Loop between industry, FIUs, LEAs
- Feedback on the efficacy of the data elements itself, NOT the info contained in the data elements

# Trade-Related Data Elements for STR/SAR

- ✓ Add trade-relevant data elements to STRs; adopt common data points across jurisdictions
- ✓ Proposal is to select data points from the following set of options

Category	Data Elements
A. Unified Reference Codes	A.1 Related SAR Number A.2 Other Relevant X-Reference A.3 Inter-Agency Tracking Number A.5 STR/SAR Status Code - <i>Under FIU Review   FIU TXN Approved   FIU TXN Denied   Inter-Agency Follow Up   Investigation Initiated   Prosecution Initiated   Prosecution Completed   STR Resolved</i>
B. TBML Identifier	B.1 Document/s Giving Rise to Suspicion B.2 STR/SAR Code (“What”) - <i>Animal Trade   Fraud   Human Trafficking   Money Laundering   Narcotics Trafficking   Sanctions   Other</i> B.3 TBML Technique (“How”) - <i>Over-invoicing   Under-invoicing   Split invoicing   Overshipment   Undershipment   Mis-description of goods   Phantom shipment   BMPE   Surrogate shopping/surrogate buyer   Third party invoice settlement   Shell companies</i> B.4 TBML Intent (“Why”) - <i>Proliferation of WMD   Terrorism Financing   Other</i> B.5 STR/SAR Threat Level - <i>Extreme   High   Medium   Low   Negligible   Nil</i> B.6 Frequency/Recurrence of Suspicious Activity
C. Parties Identification	Other than client, should include party ID for: C.1 Letter of Credit (LC) Applicant/ Importer C.2 LC Beneficiary/ Exporter C.3 Issuing Bank/Confirming Bank C.4 Other transaction counterparties

D. Transaction & Documentation

- D.1 Goods and/or Services Description
- D.2 Note on Services Trade
- D.3 Harmonized Customs Code(s)
- D.4 ISO Unique Transaction Identifier
- D.5 Product Type - *Documentary Credit | Documentary Collection | Standby LC | Guarantee | Open Account Finance | Invoice Finance | Other*
- D.6 Transaction Amount
- D.7 Transaction Currency
- D.8 Unit Price
- D.9 Quantity Shipped
- D.10 Unit of Measure

E. Transport

- E.1 Port or Place of Taking in Charge
- E.2 Port or Place of Loading
- E.3 Transit Port/s
- E.4 Port of Place of Discharge
- E.5 Port of Place of Delivery
- E.6 Container No.
- E.7 Marine:  
*Marine, B/L Number, Container Number, Name of Vessel, IMO Number, Voyage No., Date on Board, Date Issued, Name of Carrier, Name of Agent, Name of Master*
- E.8 Air:  
*AWB Number, Name of Carrier, Name of Agent, Airline & Flight Number, Date of Despatch, Address*
- E.9 Truck:  
*Truck B/L Number, Name of Carrier, Name(s) of Driver(s), Registration No. of Truck(s), Registration No. of Trailer(s)*
- E.10 Rail:  
*Rail B/L Number, Name of Railway Company, Address, Name of Agent, Signing Receipt, Train Reference No., Wagon No.*



## *'FinCEN leaks'*

- ✓ STR/SARs are important data sets in fighting financial crimes but are underutilized
- ✓ FIUs and LEAs need concise, data-rich STRs
- ✓ Must safeguard confidentiality of STR data

## *How this links to the initiative –*

1. better structured STRs to help FIUs/LEAs sift through huge report volumes and reallocate time/resources to 'higher threat/ more urgent' ones
2. common data points make analysis and automation easier (use of APIs) – and facilitates cross-border exchange of financial intel
3. feedback loop benefits to focus on materiality



# Progress UPDATE

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- SG 'working group' remains engaged
- **Dec 2020**: tentative release of FATF TBML report – likely to mention ADB's trade STR data points and feedback loop initiative
- Collaboration with UNODC goAML, WCO

# To form 'coalition of the willing' for the "test" program

- ✓ Coalition to lead and support discussions on TBML fields addition in goAML schema
- ✓ FIUs would need to agree to "test" (make visible) the TBML fields once new schema is launched
- ✓ No material additional cost – *ADB can cover cost for any technical assistance (training) required*



The screenshot shows the goAML website interface. At the top, there is the United Nations logo and the text "UNITED NATIONS". Below this is a navigation menu with links for "Home", "About goAML", "Components", "Compliance", "Interfaces", "Downloads", and "Contact Us". The goAML logo, featuring a globe icon, is prominently displayed with the text "goAML Anti-Money Laundering System". A section titled "What is goAML?" follows, containing a brief description of the application as a UNODC software product. Below this, there is a "Welcome to the United Nations" section with a paragraph explaining the global impact of money laundering and terrorism financing. A final line of text states: "As of today, we are currently engaged with 111 FIUs among which 56 have already deployed goAML." At the bottom of the page, there is a world map with blue dots indicating the locations of the 111 Financial Intelligence Units (FIUs) engaged with the system.



## Next Steps

- At least three (3) jurisdictions agree to join/support the pilot
  - Confirmed – Indonesia, Bangladesh, Pakistan, Sri Lanka
- Kickoff call to agree:
  - i. data elements
  - ii. promote TBML ‘stream’/focus group in goAML meeting
  - iii. “testing” implementation
- ‘Observer Group’ to keep informed and engaged in the ‘testing’ implementation
  - APG
  - AUSTRAC
  - Wolfsberg Group
  - UK HMRC
  - Oceania Customs Organisation
  - World Customs Organisation
  - Interpol

*Thank You.*