Trade STR Data Points & Feedback Loop

Alexander Malaket | Catherine Daza-Estrada
Asian Development Bank

Building Partnerships for Trade

ADB Trade Finance Gaps, Growth, and Jobs Survey

Trade Finance Scorecard: *Regulation & Market Feedback*

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, <u>NOT</u> 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 – *Under FIU Review | FIU TXN Approved | FIU TXN Denied | Inter-Agency Follow Up |Investigation Initiated | Prosecution Initiated | Prosecution Completed | STR Resolved*
B. TBML Identifier	B.1. Document/s Giving Rise to Suspicion B.2. STR/SAR Code ("What") – *Animal Trade | Fraud | Human Trafficking | Money Laundering | Narcotics Trafficking | Sanctions | Other* B.3 TBML Technique ("How") – *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* B.4 TBML Intent ("Why") – *Proliferation of WMD | Terrorism Financing | Other* B.5 STR/SAR Threat Level – *Extreme | High | Medium | Low | Negligible | Nil* 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 <u>Marine</u>: *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 <u>Air</u>: *AWB Number, Name of Carrier, Name of Agent, Airline & Flight Number, Date of Despatch, Address*
	E.9 <u>Truck</u>: *Truck B/L Number, Name of Carrier, Name(s) of Driver(s), Registration No. of Truck(s), Registration No. of Trailer(s)*
	E.10 <u>Rail</u>: *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

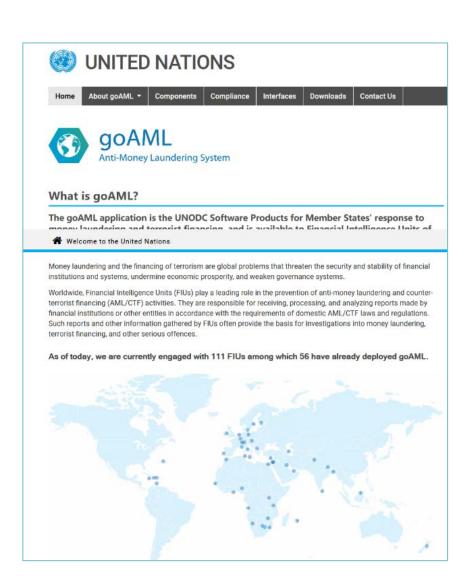## *How this links to the initiative –*

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

- 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*

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.