

Trade-Based Money Laundering Investigations



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Value Touches Everything

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Learning Objectives:

TLO7. Incorporate TBML investigations into criminal cases and money laundering investigations.

- | | |
|---------|---|
| ELO 7.1 | Understand the dynamics and mechanics of TBML. |
| ELO 7.2 | Develop the investigative skillsets needed to investigate TBML. |
| ELO 7.3 | Develop an international illicit flow of funds investigation. |
| ELO 7.4 | Know how to use trade document to develop a criminal case. |
| ELO 7.5 | Identify different TBML schemes and mechanisms. |



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Definition And Mechanics Of TBML

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Defining TBML

TBML is “the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimize their illicit origins” ~ 2006 FATF

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Defining TBML

Why is it used?

- To use commerce as a cover to move funds and assets throughout jurisdictions
- Geographic: To use international commerce that matches the illicit flow of funds and illegal products
- Commercial: Justify the use of financial service institutions to move criminal proceeds

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Defining TBML

Tactical Challenge

- Volume of proceeds
- Frequencies
- Geographies

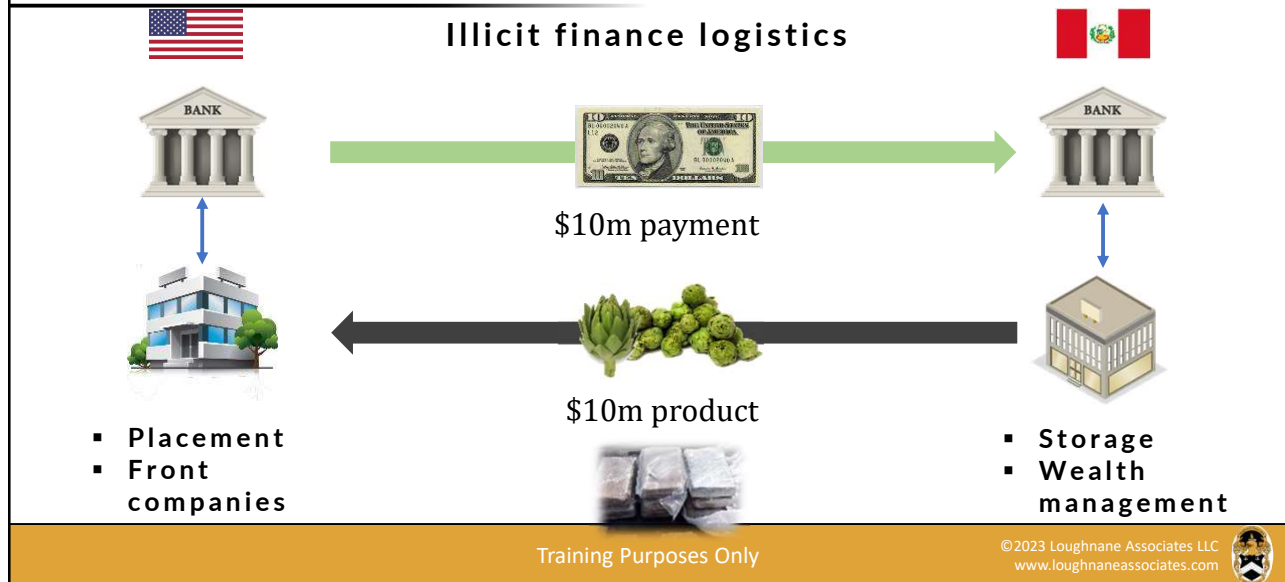
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Defining TBML



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Defining TBML

OUR CHALLENGE The volume and complexity of international trade

Tactical challenge

- 79,000 containers daily
- \$7.3 billion enter the U.S. daily
- From most geographies in the world

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Who Exploits TBML?

TRADE BASED MONEY LAUNDERING THREAT ACTORS					
DRUG CARTELS	TERRORIST ORG.	INSURGENCIES	TCOs	GANGS	STATE ACTORS
 PISANA	 AI SHABAAB	 ELN NATIONAL LIBERATION ARMY	 NDRANGETHA	 MS13	 NORTH KOREA
 C.D.S. CARTEL DE SINALOA	 HEZBOLLAH	 LORD'S RESISTENCE ARMY	 BRATVA RUSSIAN	 LATIN KINGS	 IRAN
 Los Soles - Venezuela	 ISIS	 Tigray People's Liberation Front	 TRIADS	 BLOODS	 SYRIA

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Developing The Investigative Skill Sets

What to look for

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Legitimate Commerce Dynamics

UNDERSTANDING THE
MARKETS

The volume and complexity
of international trade

- Understand legitimate supply-demand in the markets
 - Geographies/jurisdiction of production
- Market place
- Logistics
- Financial services

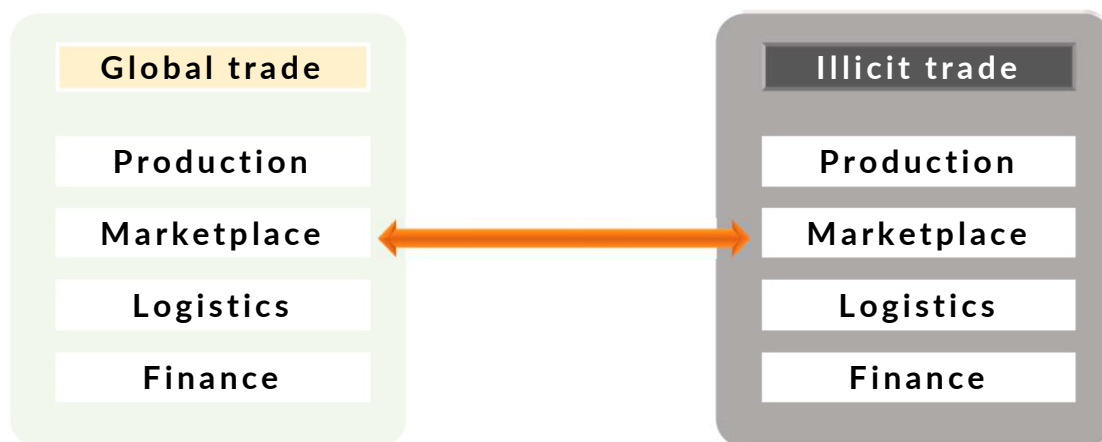
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Key To Decipher And Understand TBML



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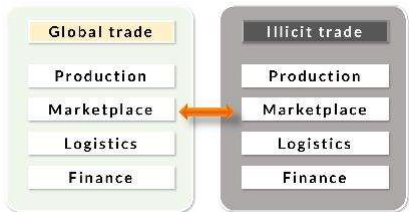
- Agroindustry trade**
 - Commodities flow north
 - Funds (payment) flows south
- Transportation**
 - Shipping (land, sea & air)
- Supporting services**
 - Logistics
 - Banking
 - Insurance
 - Ports of exit & entry



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General Questions To Develop The Case

How does criminal finance mimic trade?



Facts to discover and correlate:

- Geography by product & marketplace?
- Shipping & associated logistics?
- Financial services support?
- How are proceeds **placed** within the financial system and how do they flow?
- **Document & Evidence** trail?

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Developing The Investigation

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TBML Investigation

Case descriptive data

- Market → U.S.A - Canada
- Illicit market → Drugs (cocaine)
- Supply origin → Colombia/Peru
- Shipping point → Colombia
- Logistics → Maritime
- Port of entry → New Jersey
- Method → Papaya and drugs

Who, what, where, why, and when?

How → modus operandi



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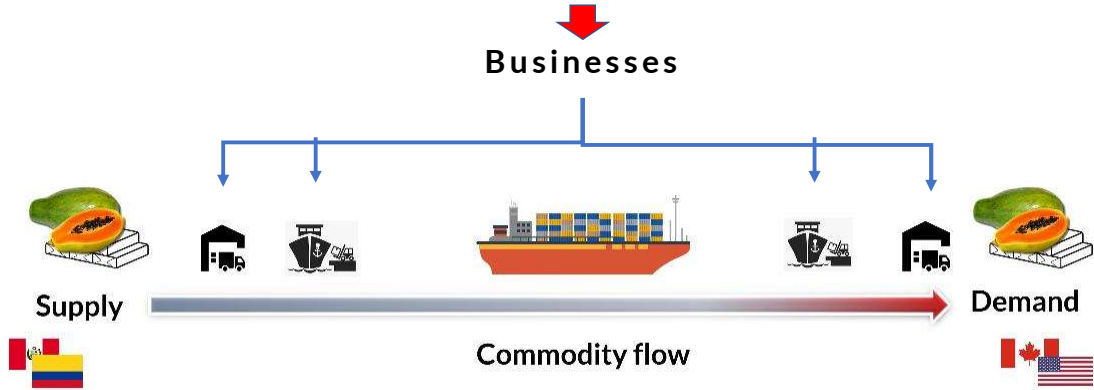
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TBML Investigation

Who is associated?
What document trail can we get?
Who signed the documents?



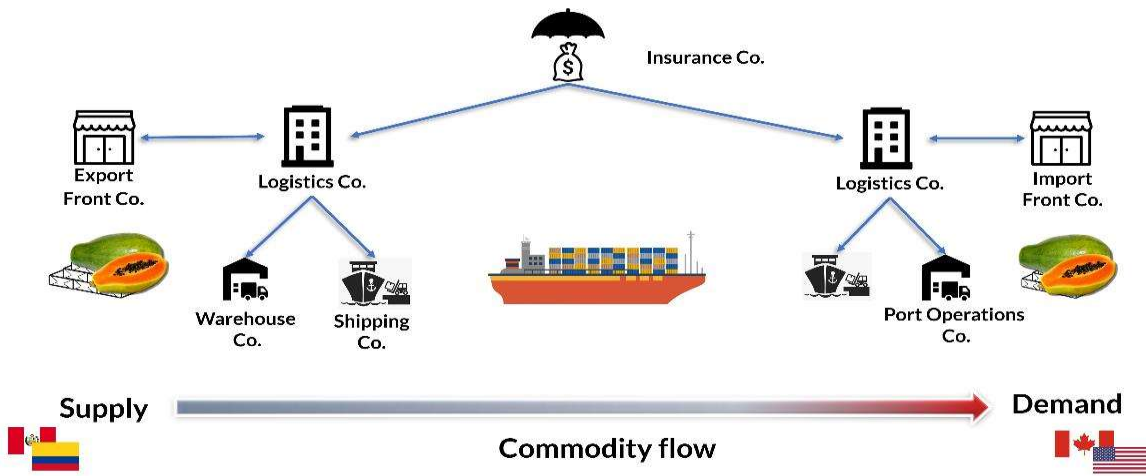
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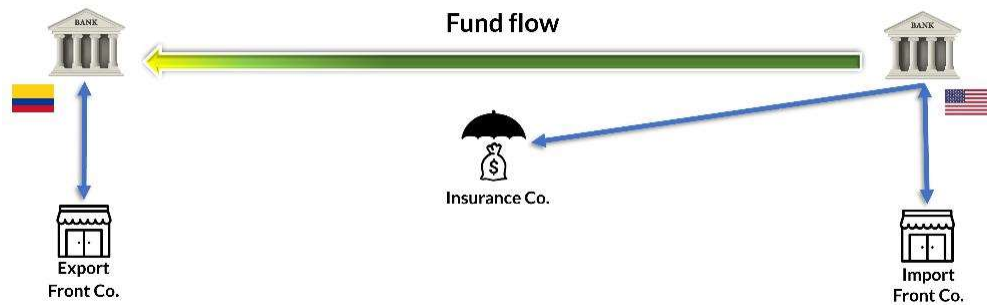
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TBML Investigation



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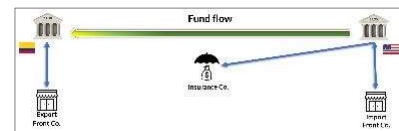
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TBML Investigation

- How are the funds moved?
- What type of payment is used?
- What interbank communications are used?
- Who signed accounts and orders?
- How many nonfinancial service businesses are involved?
- Who services the accounts?
- What document trail we can collect?
- What can we observe using surveillance?



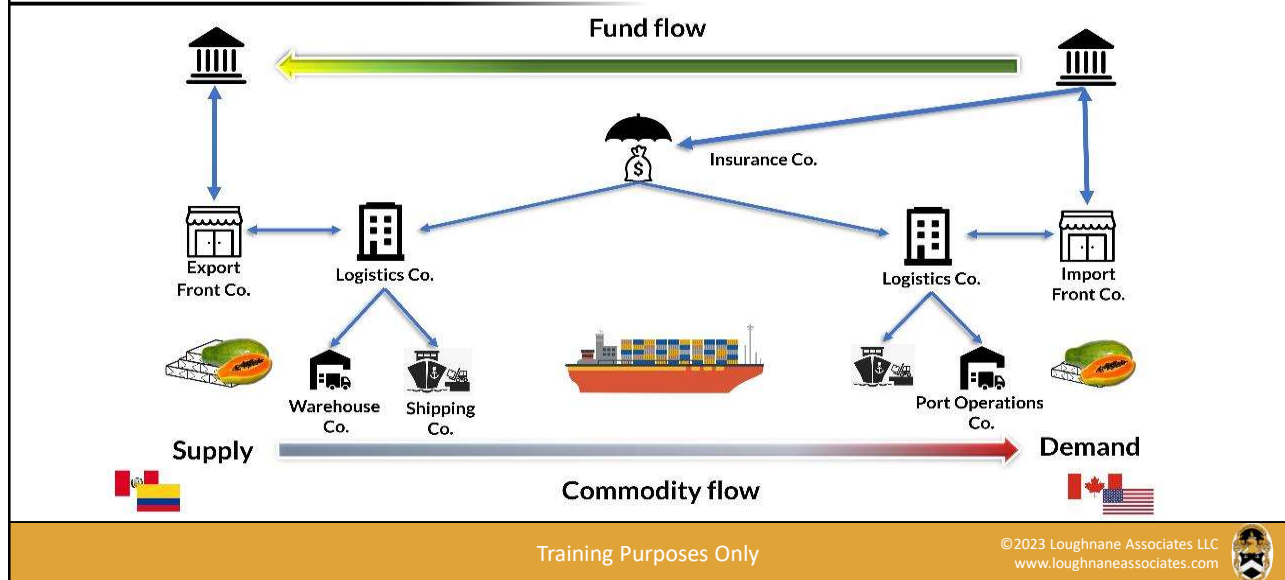
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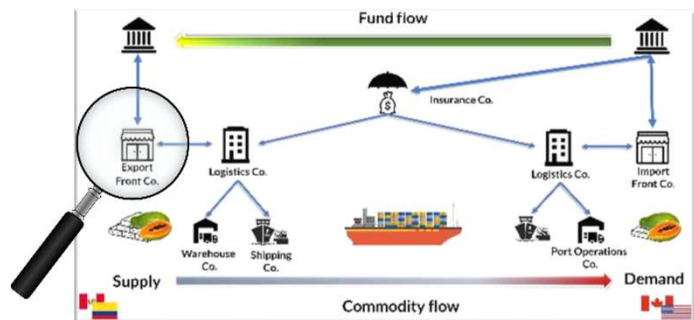
TBML Investigation



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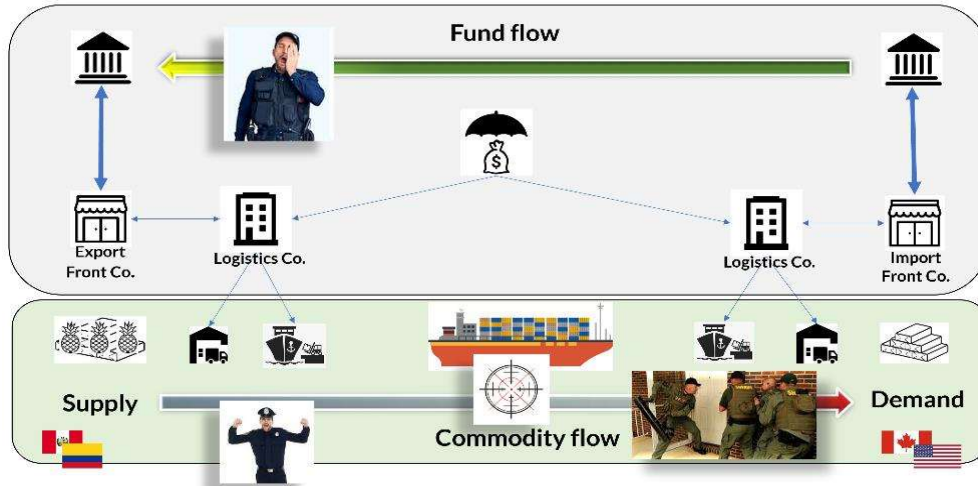
Collecting Data & Evidence Data

- Names associated with each
- Documents to collect
- Point of placement of proceeds
- Financial trail



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Collecting Data & Evidence Data



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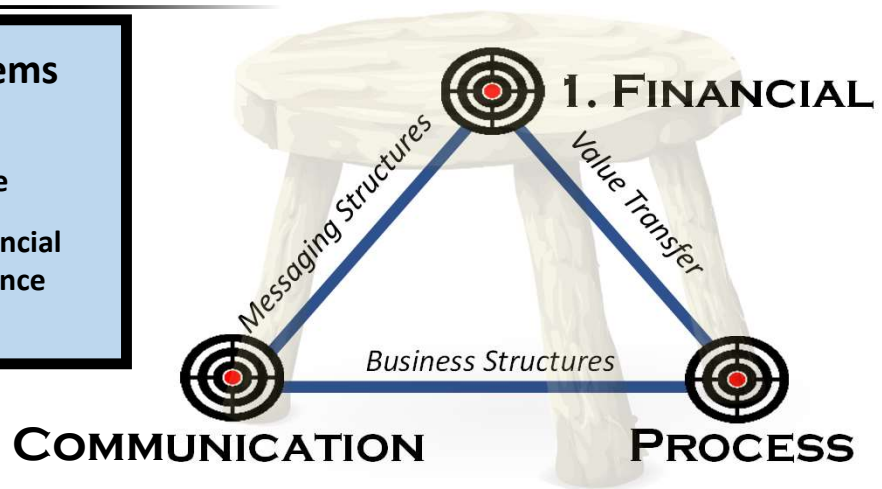
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Three Vulnerability Targets

- Financial Systems contain:**
- ✓ Storage of Evidence
 - ✓ Instruments of Financial Crime & Terror Finance
 - ✓ Victim



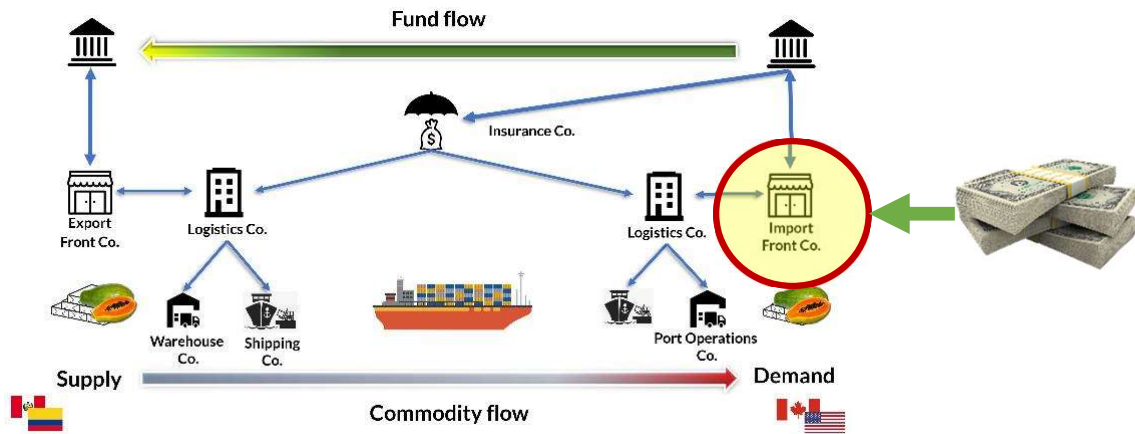
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A Vulnerable Node



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Document Exploitation & Evidence Collection

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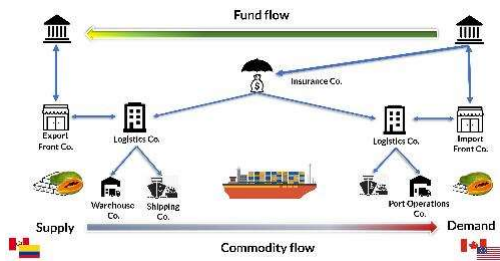


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Basic Trade Documents

Leaves a document trail from:

- Banking
- Insurance
- Customs
- Logistics



The three basic trade documents:

- Bill of lading
- Policy of insurance
- Invoice

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Payment Document

Seller (exporter) payment document

Letter of credit

- Title/transport document
- Invoice
- Packing list
- Certificate of origin
- Inspection certificate
- Buyer seller data
 - Address, phones, others
- Etc.

Date: _____

IRREVOCABLE LETTER OF CREDIT NO. _____

Beneficiary: _____ Applicant: _____
City of Overland Park, Kansas
8500 Santa Fe Drive
Overland Park, Kansas 66212

Amount: _____

Expiration Date: _____

Attention: Chief Financial Officer

We hereby establish our Irrevocable Letter of Credit No. _____ in favor of the City of Overland Park, Kansas ("the City") for the account of _____ (the Bank) up to an aggregate amount not to exceed \$ _____ for the _____ (purpose of letter of credit).

This Letter of Credit is available by payment with _____ (the Bank) against presentation of your drafts) at sight drawn on _____ (the Bank) and accompanied by the original of this Letter of Credit and original amendment, if any.

The sight draft drawn under this letter of credit must bear on it face the clause "Drawn under _____ (the Bank) Letter of Credit No. _____ for full or partial payment."

This Letter of Credit will expire _____ (the stated expiration date) at the counters of _____ (the Bank), _____ (the Bank address) at the close of the Bank's business day, unless otherwise extended as hereinafter set forth. As used herein, the term "business day" means a day on which the Bank is open for the purpose of conducting a commercial banking business.

Demand for payment as per "Exhibit A" may be made in the form of a fax, by courier, by postal service mail or other telecommunication facility. A fax or other written demand for payment must be followed by the appropriate original sight draft specified above within three (3) business days of the sending of such telecommunication.

If demand for payment is made by you hereunder at or prior to 12:00 p.m. C.S.T.C.D.T., on a business day and such demand for payment conforms to the terms and conditions hereof, payment shall be made to you of the amount demanded, in immediately available funds, not later than 3:00 p.m. C.S.T.C.D.T., on the same business day. If the demand for payment does not conform to the terms and conditions of this Letter of Credit, the bank shall give you prompt notice not later than 3:00 p.m. C.S.T.C.D.T., on the same business day.

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Payment Document

- Seller (exporter) payment document
- **Open accounts**
 - Wire transfer between importer and exporter
 - Basic data
 - Name
 - Address
 - Account numbers (**buyer** & seller)
 - Very general reason for transfer explanation (e.g., invoice #1234)

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Payment Document Comparison

Open Accounts

- Name
- Address
- Account numbers (buyer & seller)
- Very general reason for transfer explanation, e.g., "purchase of x"
- Invoice #1234

Open Accounts

- Title/transport document
- Invoice
- Packing list
- Certificate of origin
- Inspection certificate
- Buyer seller data
- Address, phones, etc.



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TBML Schemes And Transfer Of Value

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Basic TBML Schemes

OVER INVOICING

Invoicing a product at a higher price/volume to justify volumes of funds moved

MULTIPLE INVOICING

Sending two or more invoices for the same shipment to justify the volume and frequency of fund transfers

PHANTOM SHIPPING

Faking a shipment to justify fund payments

BLACK MARKET PESO EXCHANGE

Transfer of value and national movement of funds

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TBML Schemes

OVER INVOICING



50 Kilos invoiced
\$2,907,070.5



10 Kilos sent
\$581,414.1

\$2,907,070.5
-\$581,414.1
\$2,325,656.4

MULTIPLE INVOICING



6 Shipments invoiced
\$9000 each
Total \$54k



1 shipment
sent valued in
\$9k

\$54,000
-\$9000
\$45,000

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TBML Schemes

PHANTOM SHIPPING



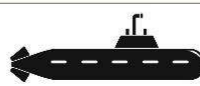
Supply

Fund flow



Demand

Cocaine flow



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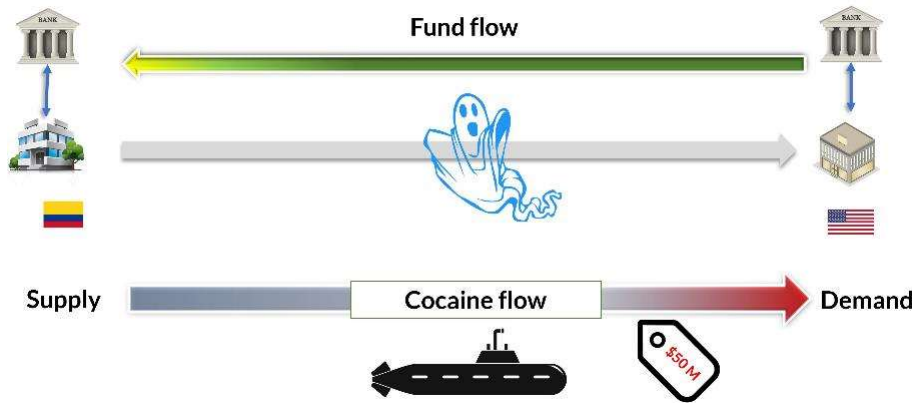
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PHANTOM SHIPPING



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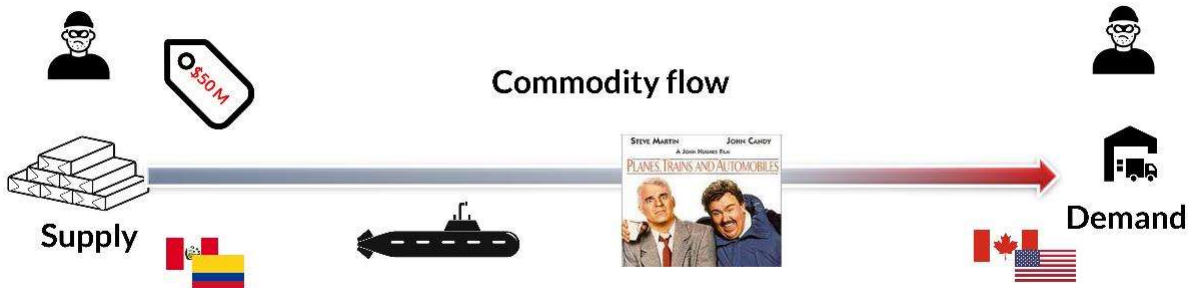
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TBML Schemes

BLACK MARKET PESO EXCHANGE



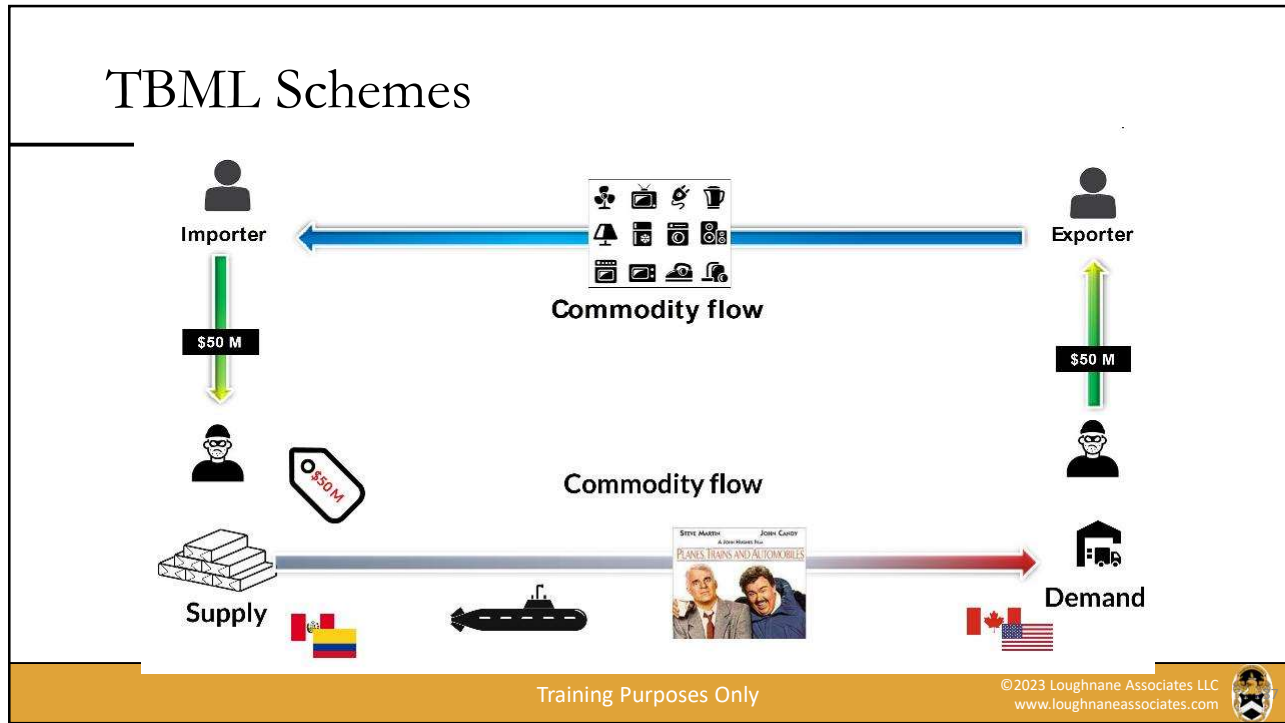
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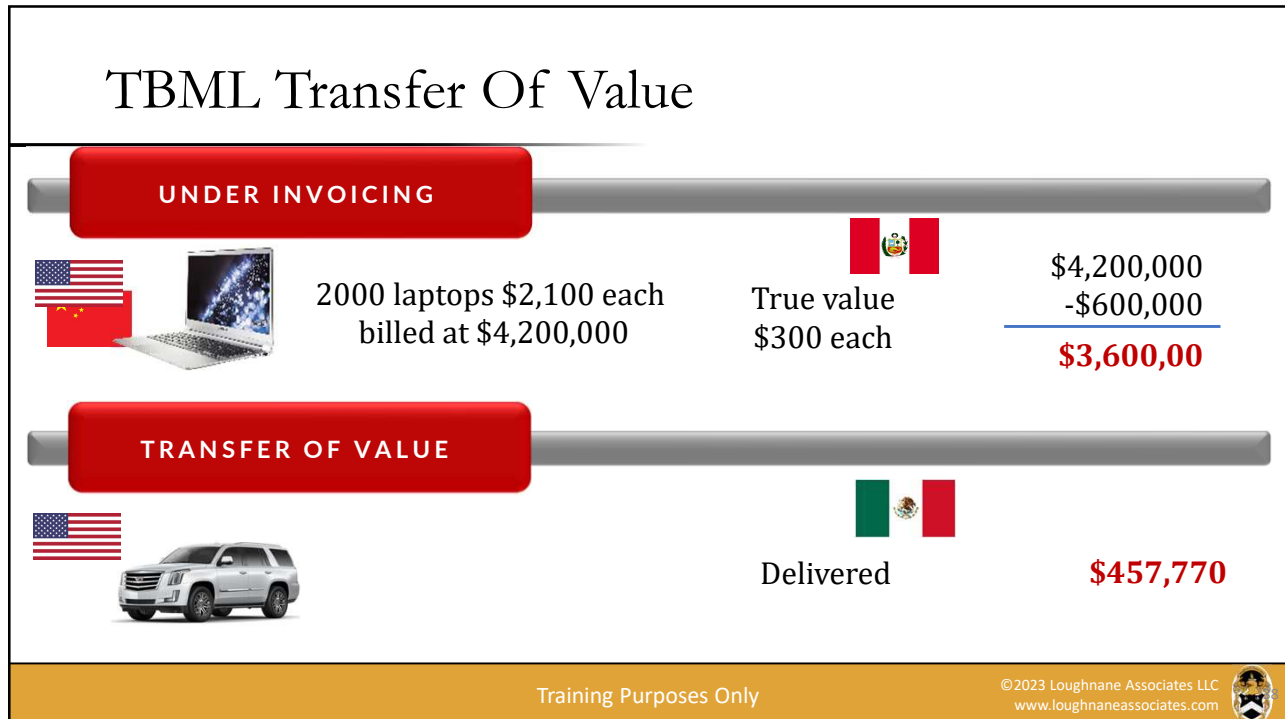
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TBML Schemes



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TBML Transfer Of Value



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Investigative Process & Resources

A Line Of Questioning And Asking For Help

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Questioning Data & The Target's Behavior

- Does the target have frequent commercial involvement with high-risk geographies or destinations of funds?
- Do letters of credit suffer many amendments?
- Is there excessive defaults on trade finance guarantees?
- **Is the trade structure unnecessarily complex?**
- Does the suspect trade in high-risk goods?
- Is there any documentary traded goods details discrepancies?

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Questioning Data & The Target's Behavior

Developing The Criminal Investigation

- Identifying underlying crime and illicit market
- Identifying commercial TBML infrastructure/scheme
- Charting the commodity and fund flows
- Charting the network and vulnerable nodes
- Collect documents and evidence
- **Identify the point of placement of proceeds**

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Resources & Support

TRADE
TRANSPARENCY UNIT



- ICE established the Trade Transparency Unit to:
- Identify global TBML trends
- Conduct ongoing analysis of trade data provided through partnerships with other countries' trade transparency units

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Trade Transparency Unit (TTU)



“One of the most effective ways to identify instances and patterns of TBML is through the exchange and subsequent analysis of trade data for anomalies that would only be apparent by examining **both sides of a trade transaction.**”

Trade Transparency | Homeland Security. (n.d.). US Dept. of Homeland Security. <https://www.dhs.gov/trade-transparency>

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Other Resources

FinCEN



- U.S. Financial Intelligence Unit (FIU)
- Can provide BSA data in support of investigations
- Has a point of contact that can collaborate with a case
- Can contact the EGMONT group for foreign FIU assistance
 - **Egmont request**

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Task Force Approach

Operational Concept:

- Task Force
- Multiagency
- Mutual Legal Assistance Treaties (MLAT)

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Questions?

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