



Trade AML Red Flag Checklist

Internal only

Section 1: (pg 1-5)

Date (dd/mm/ccyy)	<table><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>								
Client name									
Product type									
Transaction reference									
Currency									
Amount	R								

Initiation/Issue/Amend						
Grouping	Red Flag check	What should I be looking out for?	Which product is the check relevant to?	Cross Border/ Domestic	Yes	No
Client	<p>Check Client Profile Form (Absa 5366 EX)</p> <p>If Client Profile Form is not in place refer to front office (RE/CSM) for review and approval.</p> <p>RE/CSM name:</p> <p>Decision comments:</p> <p>Signature:</p> <p>AB number:</p>	<ul style="list-style-type: none">Is the purpose of Trade in line with the client's Business?Are the role and location of Agents and third parties aligned to client profile?Does the client have an approved AML dispensation in place?	All	Both		

Grouping	Red Flag check	What should I be looking out for?	Which product is the check relevant to?	Cross Border/ Domestic	Yes	No
Commercial	<ul style="list-style-type: none"> Is the Trade Finance product being used in an Unconventional manner? Is the commercial transaction illogical/incomprehensible/unusually complex? Does it make commercial and economic sense? 	<p>a) The Trade Finance product is used in an unconventional (unusual) manner, for example, it is clear from the transactional structure that the Trade transaction has not been issued for giving an undertaking to the beneficiary. The purpose of the Red Flag is to reveal if the structure is designed to obscure the true nature of the transaction.</p> <p>b) The commercial transaction appears illogical, incomprehensible or unusually complex i.e. the structure does not make sense. It may involve unrelated countries for no apparent reason. It is not clear why certain parties are involved in the transaction. The transaction may be beyond the capacity and/or substance of client. This Red Flag must be evaluated against the normal transaction flows of the client in question.</p> <p>c) The commercial transaction does not appear to make any economic sense, i.e. it should be questioned as to why the client is involved in it. Improbable goods, origins, quantities, destination. The aim of this Red Flag is to identify obvious over- or underpricing of the goods.</p>	All	Both		
	Are the goods in line with the client's known business?	The type of goods appear inconsistent with the client's regular business activities.	All	Both		
Country	Does the transaction involve countries designated as " High Risk "?	<ul style="list-style-type: none"> Is the involved country one that the client normally trades with? Perform checks against the Restricted Activity Matrix ("RAM") Any attempt to disguise or circumvent countries involved in the actual trade? 	All	Cross boarder only		
Parties	Does the client's behavior give rise to Red Flags?	<ul style="list-style-type: none"> The client suddenly becomes anxious and puts pressure on the bank to conclude the transaction faster than expected. Excessive/aggressive/pressured contact by the client/a reluctance to provide requested information. <p>Are the Beneficiary and Applicant connected in some way?</p>	All	Both		
	Does the company structure give rise to Red Flags?	<ul style="list-style-type: none"> The company structure of the involved parties may give rise to Red Flags. It may be that the buyer and the seller are members of the same group/company. In such situations there is an increased risk that the buyer and the seller may be colluding to defraud the banks or other involved parties in some way. It may also be that the transaction involves the use of front (or shell) companies, with the intention of hiding the actual parties involved. 	All	Both		

Grouping	Red Flag check	What should I be looking out for?	Which product is the check relevant to?	Cross Border/ Domestic	Yes	No
Goods and size of shipment	Is the value of the transaction unusual, e.g. very high or low?	<ul style="list-style-type: none"> The amount of the transaction is unusual, e.g. very high or very low. The amount charged for the goods appears not to be in line with market norms; i.e. too high or too low. Both above may be an indication of over- or under invoicing or transfer pricing. Blatant anomalies in value versus quantity. Totally out of line with client's known business. Unusually high margins on Letter of Credit transfers (more than 40% of LC value). 	All	Both		
	Is this product regarded as a " High Risk " commodity from a money laundering or dual use goods perspective?	The type of commodity shipped is designated as " High Risk " under money laundering or under " dual-use goods " considerations.	All	Both		
		Tobacco + cigarettes				
		Scrap metal				
		Natural minerals or metals				
		Cement				
		Cocoa				
		Nuts				
		Sugar				
		Urea (also known as ceramide)				
		Consumer electronics or appliances				
		Arms, Military, Defense or Aerospace goods				
		Military goods are involved, an " End user certificate " should be requested as part of the due diligence				
		Chemicals or Radioactive Material				
		Drugs/Pharmaceuticals				
		Precious jewel/gemstones e.g. diamonds				
		Dual-use items subject to Export Controls when combined with " high risk jurisdictions "				
		Dual-use goods - goods that can be used for more than one purpose, peaceful and non-peaceful, such as software or technology (documents, diagrams etc.) which can be used for both civil and military applications. Goods can range from raw materials to components to complete systems, e.g. aluminum alloys, bearings, or lasers. They could also be items used in the production or development of military goods.				
Transaction	Do the physical documents appear fraudulent?	<ul style="list-style-type: none"> Check that the Physical/Drawdown documents do not appear fraudulent and no unauthorised amendments done to documents. Are documents in line with its title/purpose? 	All	Both		

Grouping	Red Flag check	What should I be looking out for?	Which product is the check relevant to?	Cross Border/ Domestic	Yes	No
	Is the client requesting unexplained or constant material changes to the transaction?	The transaction involves the use of repeated amendment/extension/cancellation requests. This may indicate an unusual trading relationship, wherein the trading pattern does not follow normal business flows or business profile.	All	Both		
	Does the Trade Finance transaction contain non-standard terminology?	The Trade Finance transaction contains non-standard terminology, which indicates that the drafter is not familiar with the standard terminology used in Trade Finance transactions. Example: <ul style="list-style-type: none"> • Assignable. • Divisible. • Unconditional. • Unconditional revolving. 	All	Both		
	Offshore shipment for a client or transaction where it would not be expected to be seen.	Check that the transport documents are in line with the transaction.	All	Cross border only		

Escalations:	
Level 1 Ops team refers to Trade/Operations Manager	Any Red Flags identified by maker and checker must be documented on the checklist, signed and referred to the Trade/Operations Manager.
	Trade/Operations Manager to review. All decisions must be documented, evidenced and signed on the checklist.
	If transaction does not pass level 1 check, the Trade/Operations Manager must refer documented checklist and evidence to Trade/Operations Manager or ARO MLRO team.
Level 2 Trade/Operations Head or ARO MLRO team in country	Trade/Operations Head or ARO MLRO team reviews the transaction and evidence provided. If in order, Trade/Operations Head/ ARO MLRO team must record decision on checklist and return to Trade Ops to proceed.
	If not in order, Trade/Operations Head or ARO MLRO team must refer to Fin Crime.
Level 3 Fin Crime (abcapfinancialcrime2@absa.africa)	Fin Crime must review the transaction and evidence provided. If in order, Fin Crime must record decision on checklist and return to Trade Ops to proceed.

a) Details of referral where applicable:

Transaction approved

Yes	No
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Signature of Maker

Name

AB number

Signature of Checker

Name

AB number

b) Details of Trade/Operations Manager decision:

Transaction approved

Yes	No
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Signature of Trade/Operations Manager

Name _____

AB number

c) Details of Trade/Operations Head/ARO MLRO decision:

Transaction approved

Yes	No
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Signature of Trade/Operations Head/ARO MLRO

Name _____

AB number

d) Details of Fin Crime decision:

Transaction approved

Yes	No
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Signature of Fin Crime

Name _____

AB number

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Grouping	Red Flag check	What should I be looking out for?	Which product is the check relevant to?	Cross Border/ Domestic	Yes	No
Documents						
Discrepancies	Are there variances between the goods description on the transport document and the invoice?	Check that no variances/discrepancies exist between the goods description on the transport documents compared to the invoice.	All	Both		
	Are there unusual/non-typical documents that are called for in the LC in an attempt to enhance the credibility of the transaction?	<p>In some cases unusual (non-typical) documents are called for/ presented, which may indicate that an attempt is being made to enhance the credibility of the transaction.</p> <ul style="list-style-type: none"> • Examples of such documents include: • Irrevocable Corporate Purchase Order ("ICPO"). • "Comfort letter" from their banks. • An authorisation to carry out a "Soft Probe". • A signed Non-Circumvention Non-Disclosure Agreement, supposedly published by the ICC. 	DOC	Cross border only		
	Is the LC significantly overdrawn?	Check for overdrawn LC after applying the tolerance threshold.	DOC	Cross border only		
	Does the Trade Finance transaction contain non-standard clauses?	<p>The Trade Finance transaction contains non-standard clauses, which indicates that the drafter is not familiar with the standard terminology used in Trade Finance activities.</p> <p>Examples include:</p> <ul style="list-style-type: none"> • Ready, willing and able. • Letter of interest. • Proof of product. • The funds are "good, clean and cleared, of non-criminal origin". • "This is a bearer instrument letter of credit". • "To be advised between applicant and beneficiary". • "Prime bank guarantee issued by one of the top 50 or 100 world banks or cash wire transfer". 	DOC	Both		
	<ul style="list-style-type: none"> • Is the shipment location of goods, shipping terms or description of goods consistent with the Trade Transaction? • Is the commodity/goods being transshipped through a country for no apparent commercial or logical reason? Does the shipment route/information appear unusual or inconsistent? 	<ul style="list-style-type: none"> • The transport route appears unusual or inconsistent with the final destination. • The bill of lading does not indicate a container number or indicates a "non-existent" container number or sequential numbering. • Check that the location of the goods, shipping terms, or descriptions of the goods are consistent with the Trade Transaction. • The commodity is transshipped through one or more countries for no apparent commercial or logistical reason; this may indicate that no real shipment has taken place. • Critical documents are missing from the transaction, such as invoices or transport documents. • The Trade Transaction covers the movement of goods but fails to call for presentation of transport documents, this could relate to Phantom Shipping. 	All	Cross border only		

Grouping	Red Flag check	What should I be looking out for?	Which product is the check relevant to?	Cross Border/ Domestic	Yes	No
	Does the Transaction involve the export of used vehicles?	Check if the transaction involves the export of used vehicles. The document presented should evidence whether direct from factory or prior ownership i.e. vehicle registration.	All	Cross border only		
	Is the same invoice being presented multiple times for the same transaction?	Check whether invoices are being issued multiple times for the same goods. (e.g. duplicate invoices).	All	Both		
	Has the exporter requested return of documents with the intension of replacing them with a new altered set, particularly if it follows a discrepancy?	Check for the following requests by exporters: <ul style="list-style-type: none"> To take back and replace trade shipping documents. Following a discrepancy, the new documents provided have been altered or issued by a different entity. 	All	Cross border only		

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AB number

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Signature of Trade/Operations ManagerNameAB number

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YesNo

Signature of Trade/Operations Head/ARO MLRONameAB number

d) Details of Fin Crime decision:Transaction approved

YesNo

Signature of Fin CrimeNameAB number

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Grouping	Red Flag check	What should I be looking out for?	Which product is the check relevant to?	Cross Border/ Domestic	Yes	No
Payments/Settlements						
Payment	Do the payment instructions raise Red Flag concerns? Does the payment (instruction) seem illogical?	<ul style="list-style-type: none"> The transaction involves the receipt of payments from third party entities or requests to pay third party entities, which have no apparent connection with the transaction. Last minute changes being requested/changes in banking details/SSIs. The Trade Finance transaction includes a feature by which the buyer effectively controls the payment. This could indicate that the seller and buyer are colluding in a non-competitive manner and that they have an underlying relationship outside an expected trading relationship, which is not known to the banks. The payment or the instructions to make the payment appear to be illogical for the particular transaction. Blatant anomalies or changes in value or volume of the transactions processed against the agreed/expected or historic value or volume. Changes in financing behaviour of Party X or Party Y. Changes in settlement behaviour of the buyer. Failed or returned payments to sellers (under a Payables Finance program). Or a combination of the above. 	All	Both		
	The transaction involves an unusual payment trigger point?	<ul style="list-style-type: none"> The transaction involves an unusual trigger point for payment (e.g. before goods are shipped with no documentation required). 	All	Both		
	Are guarantee claims being presented shortly after issuance?	Check for guarantee claims made within a short time after issuance of 30 (thirty) days. Last minute changes to payment instructions. Continuous claims under various guarantee instructions. Claim pressure tactics.	DOC	Both		

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Signature of Fin Crime

Name

AB number