What are the most common Trade-Based Money Laundering Red Flags?

Documentary Fraud

Documentary fraud occurs when trade documents are altered to hide illegal activities. This can make it harder to detect money laundering or terrorist financing.

Banks should carefully review documents to spot any unusual changes or red flags.

Over- or Under-Invoicing

Over- or under-invoicing involves misrepresenting the value of goods to move illegal funds. This tactic is common in trade-based money laundering.

Banks should compare invoices to market values to identify any discrepancies.

Complex Transaction Structures

Complex transaction structures can hide the true purpose of trade activities. These setups often involve unnecessary intermediaries or payments.

Banks should ensure transactions match the customer's business profile to reduce risks.

High-Risk Jurisdiction Concerns

Transactions involving high-risk regions are more likely to involve money laundering. These areas often have weaker regulations.

Banks should perform extra checks on transactions linked to these regions.

Misrepresentation of Goods

False descriptions of goods or shipping details can hide illegal activities. This is a common tactic in trade finance fraud.

Banks should verify that goods match the customer's business and documentation.

Shell Companies and Transparency Issues

Shell companies can hide the true identity of those involved in trade transactions. This lack of transparency increases risks.

Banks should identify the real owners of these companies to ensure transparency.