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Money laundering and financial crime – Global trends and emerging risks

Wilson Ang, Partner,
Norton Rose Fulbright (Asia) LLP
3 November 2015

Global trends – financial crime

- On 2 December 2014, the OECD published its analysis of the crime of bribery of foreign public officials in international business transactions between the entry into force of the OECD Anti-Bribery Convention in 1999 through to 2013.
 - 427 foreign bribery cases were analysed
 - Results were collated in a report
 - Some information identify areas of activities which merit closer attention

OECD Foreign Bribery Report

- 59% of cases were from sectors related to extractive, construction, transportation and storage, and information and communication
- 81% of total bribes were promised, offered or given to officials from state owned or controlled enterprises
- 75% of cases involved payments through intermediaries
- Most common reason to bribe is to secure a public procurement contract

Regional trends – corruption and fraud

- China
- India
- Indonesia
- Myanmar
- Thailand
- Malaysia

Singapore National Risk Assessment

- NRA Report issued by MHA, MOF and MAS in Jan 2014:
 - “*AML/CFT controls in banks are the most developed, but there is scope for improvement in the areas of trade finance and correspondent banking.*”
- Trade finance can be used to hide illegal movement of funds or value – typically by misrepresenting the price, quality or quantity of goods, or faking the existence of goods – and is dependent on *collusion* between buyer and seller:
 - Over/under invoicing to misrepresent price of goods
 - Short/over shipping to misrepresent the quantity or quality of goods
 - “Phantom” shipping where documentation is completely falsified and there is no shipment of goods at all
- Anticipated increase in trade with ASEAN Economic Community in 2015 and impending Trans-Pacific Partnership

MAS Guidance

- MAS Guidance on AML/CFT controls in Trade Finance and Correspondent Banking in Oct 2015:
 - Specific risk assessment of trade finance business
 - Due diligence dependent on role of bank and who is “instructing party”:
 - L/C Applicant also Importer/Buyer
 - L/C Issuing Bank
 - L/C Confirming Bank
 - L/C Beneficiary also Exporter/Seller

Trade-Based ML DD

- Further information required in trade finance CDD:
 - Trading partners or counterparties of the customer, e.g. buyers, sellers, shippers, consignees, notifying parties, shipping agents
 - Nature of goods traded
 - Country of origin of goods (whether from sanctioned country)
 - Trade cycle
 - Flag of vessel (whether related to sanctioned country)
 - Name and unique identification number of vessel (whether owned by sanctioned party)
 - Beneficial owner, commercial operator, registered owner of vessel
 - Ports (of loading, call and discharge) and trade routes
 - Market prices of goods e.g. commodities, to be compared with contract prices

Trade-Based ML DD

- Further controls required in trade finance CDD:
 - Assessment of deviation from market prices
 - Related party transactions
 - Underlying goods financed
 - Multiple financing of same invoice
 - Additional red flags to look out for:
 - Goods shipped to or from high risk jurisdiction
 - Inconsistencies and transactions that do not make economic sense
 - Unexplained frequent documentary changes
 - Multiple discrepancies, missing information in documentation
 - Use of shell/front companies and complex structures in transactions

Contact

Wilson Ang

Partner, Singapore

Norton Rose Fulbright (Asia) LLP

+65 6309 5392

wilson.ang@nortonrose.com



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