



RESULTS REPORT OF THE TRADE-BASED MONEY LAUNDERING (TBML) REGIONAL WORKSHOP

Panama City, Panama, 3-4 April 2019



WITH THE PARTICIPATION OF:





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This document reflects the content of the discussions and results of the event. The above aspects do not commit the participating institutions and countries. The content of the document was approved during the XL Plenary Session of Representatives of GAFILAT that took place on 6 December 2019 in Arequipa, the Republic of Peru.

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ABOUT GAFILAT

The Latin American Financial Action Task Force (GAFILAT) is a regionally based intergovernmental organisation that groups together 17 Latin American countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic and Uruguay, with the purpose of combating money laundering and terrorist financing (ML/TF), through the commitment to continuously improve national policies against both crimes and deepen the different cooperation mechanisms among the member countries.

The governments of Germany, Canada, Spain, the United States, France and Portugal, as well as the following international organisations, participate as observers: Alliance for Financial Inclusion (AFI), World Bank, Central American Bank for Economic Integration (CABEI), Inter-American Development Bank (IDB), United Nations Security Council Counter-Terrorism Committee (CTED), Inter-American Commission against Terrorism (CICTE), International Monetary Fund (IMF), Egmont Group of Financial Intelligence Units, United Nations Office on Drugs and Crime (UNODC) and the International Criminal Police Organisation (INTERPOL). Its meetings are also attended, as related organisations, by the Financial Action Task Force (FATF), the Caribbean Financial Action Task Force (CFATF), the Asia Pacific Group on Money Laundering (APG) and the Organisation of American States through the Department of Dangerous Drugs and Crime (DOT/OAS).



GAFILAT was created based on the model of FATF, adhering to the 40 FATF Recommendations as the most recognised international standard against ML/TF, allowing for the development of its own recommendations to improve national policies to combat these crimes.

ABOUT CRIME STOPPERS CARIBBEAN, BERMUDA AND LATIN AMERICA (CBLA-CS)

Crime Stoppers International (CSI) is an International Non-Governmental Organisation created in the United States in 1976 and based in the Netherlands since 2016. It is dedicated to promoting a culture of responsible, anonymous, safe and reliable citizen reporting of crimes or people with current arrest warrants, creating a global community that helps solve a crime every 14 minutes in the cities where it operates. See: www.csiworld.org

Crime Stoppers Caribbean, Bermuda and Latin America (CBLA-CS) is one of the seven regions worldwide in which the organisation is structured. The regional headquarters are located in Panama, in Ciudad del Saber, the centre of international cooperation. The regional office coordinates and supports programmes in the region, designs, promotes and manages tools and resources for all its

programmes, decides on regional programme policies and manages technical and financial cooperation for all the countries in the region.

CBLA-CS is one of the organisations recognised by the United Nations (UN) that support the ten principles of the Global Compact on human rights, labour standards, the environment and the fight against corruption. At the same time, the organisation works to achieve the Sustainable Development Goals (SDGs), understanding that citizen security is multidimensional and not just limited to prosecuting crime. It has active offices in Belize, El Salvador, Guatemala, Honduras, Panama, Argentina, Jamaica, Trinidad and Tobago, Bahamas, Bermuda, Barbados, Cayman Islands, Dominica, British Virgin Islands, St. Kitts, Turks and Caicos Islands, Saint Lucia and Antigua. See: www.cblacrimestoppers.com

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I. INTRODUCTION

This report presents the main analysis and conclusions of the **Trade-Based Money Laundering Regional Workshop** organised by GAFILAT and Crime Stoppers Caribbean Bermuda and Latin America (CBLA CS). The main objective of the meeting was to expose the links between ML and illicit trade, particularly trade-based money laundering –hereinafter “TBML”– and to approach this reality in a Latin American context. Representatives of the financial intelligence units (FIU) and of the customs and prosecutorial agencies of 16 GAFILAT member countries attended and contributed to the meeting.

The workshop was organised as a multi-stakeholder approach to understand the different dimensions of this issue. Experiences were shared and the perspectives of various sectors and countries were discussed. The exchange showed that in order to understand this criminal phenomenon, as well as the strategies needed to fight it, an articulated and comprehensive transnational view is required that enhances both the actions of the anti-money laundering and financial intelligence areas and of the customs and tax administrations, among other actors.

Background

According to the Financial Action Task Force (FATF), there are various methods for money laundering, including: i. the use of financial institutions; ii. the physical movement of money from one state to another or from one jurisdiction to another; and iii. the transfer of value through trade. In the latter, TBML is understood as the abuse of the –international– trading system, with the purpose of transferring value and concealing the illicit origin of money¹.

Thanks to worldwide efforts over the last few decades, the financial system is an increasingly hostile and risky environment for money laundering. For this reason, criminals resort to methods that operate, either in full or in part, outside the financial system, mainly the TBML². Thus, trade is increasingly used for these purposes as anti-money laundering (AML) and anti-terrorist financing (ATF) regulations become more effective³.

The positioning of this form of crime is the adaptive result of criminal organisations in light of the controls developed in financial systems nationally and internationally. Although TBML is not a recent phenomenon, its growth and complexity in the context of the globalised world is⁴. The challenges in



1. Financial Action Task Force. (2006). Trade Based Money Laundering. Paris: FATF. Retrieved from <http://www.fatfgafi.org/publications/methodsandtrends/documents/tradebasedmoneylaundering.html>
2. McSkimming, S. (2010). Trade-Based Money Laundering: Responding to an Emerging Threat. Deaking Law Review No 37
3. Financial Action Task Force. (2008). Best Practices Paper Best Practices on Trade Based Money Laundering. Paris: FATF.
4. Cassara, J. A. (2015). Trade-Based Money Laundering: The Next Frontier in International Money Laundering Enforcement. Cary, North Carolina, USA: John Wiley Sons Inc.

addressing it comprehensively stem precisely from the complexity of the schemes, in particular from the alteration of the value of a commercial transaction in an invoice by fraudulently reporting the quantity, quality, unit price and/or description of a good (over or under invoicing), as well as from invoicing the same goods or services more than once (double invoicing). Additionally, TBML is related to capital flight, tax evasion, export incentive fraud, value added tax (VAT) fraud and abusive business practices, among other illicit activities⁵.

Despite the growth of TBML, customs agencies, investigative agencies, FIU, tax authorities and bank supervisors still lack the capacity to identify and combat this form of laundering as compared to other ML techniques⁶. The TBML that takes place in Latin America can facilitate drug trafficking, terrorism and other crimes, while posing a serious threat to the region's financial systems and economic stability. The fight against this scourge is still at an early stage⁷.

By virtue of the above, and in order to understand this criminal phenomenon and its growth in the Latin American context, the Financial Analysis Unit of Panama (FAU), together with Crime Stoppers Caribbean, Bermuda and Latin America (CBLA-CS) and

the United Nations Regional Office for Drugs and Crime (UNODC), organised the Subregional Meeting on Trade-Based Money Laundering on 30 and 31 August 2018 in Panama City.

Representatives of the FIUs, Customs and Public Ministries of Colombia, Costa Rica, Panama, Peru and the Dominican Republic, together with other authorities of the host country, participated in this event. Proposals emerged from the meeting regarding training, inter-institutional articulation, international cooperation, prevention and criminal investigation. The participants, aware that these are transnational crimes common to several countries in the region, stressed the importance of continuing this initiative within the framework of GAFILAT. In particular, they emphasised the need to develop documents and other tools that promote knowledge of the problem and generate positive experiences in its prevention and prosecution.

As a follow-up to the results of this sub-regional meeting, Crime Stoppers presented the conclusions of the meeting to the XXXVIII Plenary Session of Representatives of GAFILAT, whereupon it was agreed to organise the Trade-Based Money Laundering Regional Workshop.



5. Cassara, J (2017, November 28). Congressional Testimony S1241 Modernizing AML Laws to combat money laundering and terrorist financing. Retrieved from the US Senate: <https://www.judiciary.senate.gov/imo/media/doc/Cassara%20Testimony.pdf>

6. Financial Action Task Force. (2008). Op. cit.

7. Financial Action Task Force FATF. (2010). Money Laundering vulnerabilities of Free Trade Zones. Paris. Retrieved from: <http://www.fatfgafi.org/media/fatf/documents/reports/ML%20vulnerabilities%20of%20Free%20Trade%20Zones.pdf>



Objectives

The main objectives of the Trade-Based Money Laundering Regional Workshop were to:

- Expose the links between ML and illicit trade (typologies, modus operandi and warning signs, among other factors).
- Provide elements to define the TBML phenomenon in Latin America and identify the main typologies that take place in the countries of the region.
- Disseminate experiences and challenges in identifying, preventing and prosecuting TBML.
- Discover various types of analysis of the FIUs in order to detect TBML activity.
- Provide elements that strengthen existing prevention and prosecution strategies in the participating countries.
- Generate a space for dialogue to strengthen interaction and cooperation between institutional actors from the various countries that attended the workshop.
- Generate inputs to promote knowledge of the problem in the region and define how to deal with it.

II. RESULTS OF THE SESSIONS

The workshop followed a mixed methodology, with:

DISCUSSION PANELS: Experts participated to provide an understanding of the TBML issue from different perspectives and contexts, in order to deepen their knowledge and agree on common grounds. Participants included members of the academic community, staff of multilateral and international cooperation agencies, representatives of entities, the private sector and the civil society. Panellists came from various Latin American countries, from Spain, Italy, the United States and the United Kingdom.

PRESENTATION OF CASES: Illustrative cases of the problem in Latin America were presented demonstrating how cases of this form of laundering are investigated, from the viewpoint of the attending entities, in order to assess what is understood by TBML in the region.

DISCUSSION GROUPS: Based on the inputs proposed by the experts and the case studies, an attempt was made to generate dialogue among the participants and panellists on relevant aspects of TBML, such as: training, visibility and case management; prevention strategies; cooperation and articulation mechanisms; and strengthening criminal investigation. The conclusions were presented in the plenary session.

The main results are stated below:

A. DISCUSSION PANELS

PANEL 1. TRADE-BASED MONEY LAUNDERING ANALYSIS

Participants: **John Zdanowicz**, Research Professor, FIU Business School; **Tobias Freeman**, Senior Legal Officer, Siracusa International Institute; **Juan Ricardo Ortega**, Inter-American Development Bank, IDB; **Jack Radisch**, Senior Programme Manager, OECD; **Stefano Gesuelli**, Attaché, Guardia di Finanza of Italy. Moderator: Ana Linda Solano López.

This first panel discussed a general approach to the problem posed by TBML, starting from the way in which trade –particularly illicit trade– is related to other forms of organised and transnational crime. The panel aimed to provide attendees with common grounds of understanding for further discussions.

MAIN POINTS OF DISCUSSION

- TBML is understood as one of the three main ways to move money, in addition to the use of financial institutions and the physical movement of money between states or jurisdictions. In light of the FATF definition, TBML is understood as the process of hiding the proceeds of crime by transferring value through the use of commercial transactions that legitimise their illicit origins (Financial Action Task Force, 2006). Thus, to move money out of the jurisdiction, exports are undervalued and imports are overvalued. Conversely, to bring money into the jurisdiction, exports are overvalued and imports are undervalued.

- **Transferring value through trade can have several motivations.** In addition to laundering the proceeds of drug sales and other crimes, this method

EXAMPLE:

If I am in city M with one million US dollars in cash from drug sales that I want to move to country A, I need a partner who will turn that million into gold watches. To that end, I buy 200 watches for \$5,000 each. I thus turn my illegal money into a commodity, send it to a colluding partner in country A and bill it at \$5,000 per watch. In this way, I moved one million dollars in gold watches and, once they are in country A, they are sold again in the market for their true value - exports are being undervalued.

To overvalue the import, if I have another million dollars that I want to move, I contact my partner in his country and ask him to buy 10,000 shavers at \$ 0.10, spending \$1,000. I import them into my country, but I then have an invoice that says I have to pay \$100 for a razor that only costs \$ 0.10. I pay the invoice. I just moved another million dollars to a foreign country

(PROFESSOR JOHN ZDANOWICZ).

can be used to finance terrorism or pay bribes to officials. It allows innovation in tax avoidance or evasion schemes, fraudulent export benefits, VAT fraud schemes, capital flight –avoiding capital controls, through barter schemes and systems such as the Hawala or the Chinese money flight system– and, in general, trade in goods through TBML.

- **Dimension of the problem.** John Zdanowicz pointed out that, by reviewing import and export trans-



actions between the United States and different countries in the world, an estimate is made based on ordinary prices. In relation to Latin America, he said that in 2017 \$34 billion were moved from the United States to the region, while in the same period of time \$37 billion were moved from Latin American countries to the United States. Most of these transactions go undetected.

Zdanowicz also estimates that between 6 and 9% of US imports and exports are suspect in terms of invoice alteration. While this is not to say that they are fraudulent and all constitute a TBML or illicit trade scheme, their scale does merit further study.

●● **TBML and the balloon effect.** TBML is the back door of ML, as strategies at the international level have been focused on countering risks in the financial system, the main door, which means that it is increasingly difficult to use as a means of moving illicit money. TBML has become another option for ML and is a very complex area, with numerous documentations, actors and different regulations in different jurisdictions, as well as important volumes of transactions and movements of goods, among other factors. Given the actions to strengthen the AML systems, some of the illegal activity was transferred to foreign trade. This generated a “balloon effect: if you squeeze a balloon on one side, it inflates on the other” (John Zdanowicz).

●● **TBML growth accompanied by abnormal trade behaviour in Latin America.** TBML grew significantly between 2007-2011, associated for example with sales of gold, palm oil and scrap iron. Among other reasons, in Latin America there is no symmetrical

treatment between export and import customs checks; for exports, controls can be minimal and flexible, and this is exploited for TBML schemes.

●● **Inconsistencies in certain commercial behaviour.**

Based on the information presented in this first panel, the use of duty-free shops at land borders that are not attractive to tourists stands out. For example, it was noted that on the border between Colombia and Venezuela, the Venezuelan town of Ureña is a place of little touristic interest, but there is a large duty-free shop selling cigarettes and liquor. The same can be found on the US - Mexico border, Belize’s border with Guatemala, and at other areas throughout the region. The panel also stressed the importance of companies gaining more control over their distributors and that there should be more regulation and supervision of countries in the installation of these commercial spaces.

●● Another inconsistency is **product triangulation.**

Cases of TBML show inconsistent commercial behaviour. For example, it was mentioned that some investigations in Latin America show money that arrives in Mexico and Guatemala and then goes to France, where it is turned into merchandise to be sent back to the region. Another case of intraregional movements presented during the workshop was related to TBML in textile products: Chinese products were counterfeited in the United States, sent to Honduras, were certified as having been created there, and were then exported from the Honduran free zones to Colombia. This shows gaps in the tracking of the trade chain, from the true origin of the goods to the final destination.

●● **Vulnerability of information systems.** These behaviours can be generated by violations of the administrative systems of the entities. Interfering with these information systems is a very important tool for criminal organisations and is generally facilitated by acts of corruption.

Therefore, the panel stressed that it is necessary to reinforce the monitoring of processes and procedures to ensure that they are in line with criteria for quality. This includes having auditors and experts who ensure that the software code managed by a customs office has the required information security features and standards and that it cannot be manipulated by third parties or generate malicious code.

●● **Importance of defining and measuring illicit trade.** For the Organisation for Economic Co-operation and Development's Task Force against Illicit Trade (OECD TFCIT), it is important to clearly identify illicit trade and understand the context in which it thrives. However, this is not easy to define, as countries do not always agree on which products can be legally sold. A transaction can be initiated legally and, at some point in the supply chain, become illicit. There is even greater variation in the application of quality standards. Deciding what constitutes licit and illicit trade in goods is therefore very complex. The TFCIT examined illicit trade in the broad sense – illicit trafficking in narcotics, human trafficking, consumer goods, wildlife, etc. – but an in-depth analysis was really made with respect to counterfeiting. The latest TFCIT study shows that trade in counterfeits amounts to US \$509 billion per year, equivalent

The TBML schemes identified involve fraudulent business practices such as:

- Over- and under-invoicing of goods and services Transport of money of illicit origin to another country to acquire goods that enter the local country by means of technical smuggling through under-invoicing.
- Shipments in greater or lesser volume of goods and services, as well as false description of goods and services.
- Multiple invoicing of goods and services: this could involve issuing two invoices for a single shipment, issuing a modified invoice with late charges or administrative fees, or providing credits for non-existent refunds and returns. Where these methods are used, the detection of abnormal pricing may require an audit of the entire transaction.
- Change of information in transport documents not only in terms of under- or over-invoicing, but also in relation to what happens during transit. In other words, the bills of lading were changed, so that the information regarding the movement of goods in the country of origin ends up being altered somewhere in the supply chain, carrying information completely different from the actual goods being transported. The most sophisticated schemes integrate these fraudulent practices into a complex network of companies, transactions and movements of goods, real or fictitious.

to 3.3% of total world trade. This is a growing figure, as previous studies showed US \$461 billion, equivalent to 2.5% of world trade. In the European Union, US \$121 billion per year were accounted for, 6.8% of the value of Community trade⁸.

●●●●

8 See report in: OECD/EUIPO (2019), Trends in Trade in Counterfeit and Pirated Goods, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/g2g9f533-en>.



From a political point of view of politics and regarding economic development, there is a clear need to understand the problem, map it, find its origins, see up to where the value moves through the global supply chains, where it transits, and so on. It is important to understand the concept of illicit trade in order to analyse the implications of TBML in the region and the challenges involved.

In view of the above, several main challenges arise in Latin America: i. the need to train customs agents, ii. the need to improve technological infrastructure to be able to identify activities or practices involved in TBML, iii. the need to strengthen real time cooperation and exchange of information and iv. the need to reinforce data protection.

●● **Correlations between free trade zones (FTZs) and illicit trade.** According to OECD TFCIT mapping, for example, a disproportionate amount of exports in counterfeits occurs in countries with very large free trade zones.

Other correlations exist between the size of the free zone, the number of operators and the value of exports of counterfeit goods or goods in transit. Furthermore, for each additional free zone a country has, the value of trade in counterfeit goods increases by 5.9%. Another relevant fact is that for every 1% of value exported from the free zones, there is a 2.8% increase in the value of the counterfeit products.

Moreover, for each additional company in a free trade zone, the value of counterfeits exported in-

creases by 2.9%. The logic behind this data is repeated with every increase: thus, for every extra employee in the FTZ there is a 2.1% increase in the value of counterfeit exports. Basically, the larger the free zone, the more people work there and the more companies operating, the higher the value of counterfeit trade⁹. **On this matter, the problem of TBML is not fully dimensioned unless the relationship between free zones and illicit trade is deepened.**

●● **New borders or threats in TBML. Virtual goods.** It is assumed that any product can be the object of ML, in over –or under–valuation schemes. This is even more attractive if the technology can transfer value without there being physical movement of a good, instead using virtual goods and not just cryptomoney; for example, the sale of a magic wand for a video game.

Another possibility is the smuggling of services. In Italy, for example, it is common to watch a football game in a restaurant, bar or pub. Generally, it is not controlled whether the establishment owns the transmission rights or paid the fee to transmit the encounter; however, providing these services illegally on Italian territory reportedly generated EUR 200 million as net profit for organised crime in the last year.

This case demonstrates the difficulty in identifying this type of activity as ML or to relate it to other types of crimes such as smuggling. There is therefore a need to consider how to properly criminalise these new behaviours and to agree on common regulatory frameworks.



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PANEL 2. CHALLENGES IN PREVENTING AND PROSECUTING TRADE-BASED MONEY LAUNDERING, A MULTILATERAL APPROACH.

Participants: **Nicolás Ernesto Negri**, National Coordinator for the Fight against Money Laundering and TF - Ministry of Justice and Human Rights of Argentina; **Enrique Ramírez Paniagua**, Director of Customs of the Dominican Republic and WCO Vice-President for LATAM and the Caribbean; **Manuel Grimaldo**, General Manager of the Colón Free Zone; **Margarita Libby**, IDB Senior Integration and Trade Specialist; **Raúl Zambrano**, CIAT Director of Technical Assistance and ICTs. Moderator: Ana Linda Solano López.

This panel focused on analysing the TBML problem from different multilateral, transnational and international cooperation perspectives, as well as the challenges it poses and the potentialities of working together in the region.

MAIN POINTS OF DISCUSSION

● **From anti-laundry strategies.** FATF's 2006 document Trade Based Money Laundering was a reference framework within the FATF global network and for GAFILAT. The FATF is currently working on updating the TBML documents to address emerging trends and risks, and to identify sectors that are

IDEAS AND PROPOSALS PRESENTED WITHIN THE PANEL:

- Position this discussion at a global level, in multilateral and academic settings. Address issues such as What is illicit trade? What is TBML? and propose holistic solutions, which allow for a comprehensive response to the problem.
- Strengthen research capacities, e.g. by creating special task forces at the national and international level.
- Develop a harmonised code system. The quantity of import and export codes does not correspond; certain cases of TBML were resolved because the import and export codes were coincident.
- The number of codes must increase. Supermarket chains have more codes than most customs agencies. There are about 8,000 export and 18,000 import codes, while a large supermarket has hundreds of thousands. More detail is required in the description of the products being exported and imported.
- More and better-quality data should be collected, so that statistical analysis can be carried out to quickly identify anomalies in the information presented.
- With TBML it is also necessary to monitor weights, not just prices. Cases were reported of imports of coffee weighing 1.26 kg per kilo, of briefcases weighing 90 kg per piece or of pillows weighing 45 kg, all of which are obviously concealing other types of products.
- It is important for financial institutions to monitor and analyse trade funding. This requires the use of customs and other documents to better assess the risks in terms of money laundering beyond just a simple invoice.
- Incentives for cooperation and articulation between different authorities. For example, in terms of increasing collection, sharing these state profits among public entities to strengthen their capacities to fight crime.
- TBML involves customs or tax fraud, and combatting it must translate into higher revenues, which must be added to the strategies of decapitalisation of criminal organisations such as confiscation or extinction of ownership.



most vulnerable¹⁰. The aim is to analyse topics such as new means of payment, the final beneficiary, triangulation schemes, challenges in the exchange of information, differences in import and export codes, the dangers of free zones, the importance of working together, risk indicators or the use of new typologies of international trends in updating these indicators. These FATF measures in relation to the TBML guidelines or documents are important to better understand how this crime can occur in Latin America.

●● **Risk in the country and prioritisation.** It was pointed out that the challenge of national anti-money laundering systems is to understand the phenomenon globally and to dimension the real risk that trade-related money laundering poses to countries today.

Therefore, national risk assessments and diagnostics that countries should make in line with the FATF recommendations are important to understand the impact of international trade in terms of money laundering. It is crucial to understand market realities and eventually detect if there are anomalies in relation to the products that enter and leave, as well as in the flow of foreign exchange generated by the operations and the volume per product of those commercial transactions, among other factors that generate significant conclusions.

●● **Overcoming compartmentalisation.** It was mentioned that agencies generally approach TBML in a compartmentalised manner based on their own competencies. Thus, the customs directorate focuses on smuggling, while tax authorities focus on evasion and law enforcement authorities on confiscation of smuggled goods. For their part, financial control bodies have a limited view of foreign trade operations. In this sense, it is understood that it is important for countries to have national cooperation mechanisms that allow for joint action among the competent authorities, in addition to having bilateral and/or multilateral agreements with other countries.

●● **In general, in relation to TBML, the key is the articulation and inter-institutional and international cooperation.** It is essential that the countries of the region continue to work on the exchange of information. To that end, it is essential to take advantage of big data to create early warnings, both nationally and internationally. More appropriate tools are therefore required to detect these patterns and intervene quickly.

●● **Articulation with tax agencies.** The World Customs Organization (WCO) drove cooperation between tax and customs agencies. A higher degree



10. Financial Action Task Force. (2006). Trade Based Money Laundering. Paris: FATF. <http://www.fatf-gafi.org/publications/methodsandtrends/documents/trade-basedmoneylaundrying.html>
Financial Action Task Force (2008). Best Practices Paper Best Practices on Trade Based Money Laundering. Paris: FATF. <http://www.fatf-gafi.org/media/fatf/documents/recommendations/BPP%20Trade%20Based%20Money%20Laundering%202012%20COVER.pdf>
Financial Action Task Force (2010). Money Laundering vulnerabilities of Free Trade Zones. Paris. <http://www.fatf-gafi.org/media/fatf/documents/reports/ML%20vulnerabilities%20of%20Free%20Trade%20Zones.pdf>
Asian Pacific Group GAFI (2012). APG Typology Report on Trade Based Money Laundering. Sydney. https://www.fatf-gafi.org/media/fatf/documents/reports/Trade_Based_ML_APGReport.pdf

of communication allows for the detection of anomalies, such as an importing user who is not active as a taxpayer in the Directorate General of Taxes. This automatically generates a red alert, because as the subject is not a taxpayer, its level of commercial activity is not consistent with its condition as an importer.

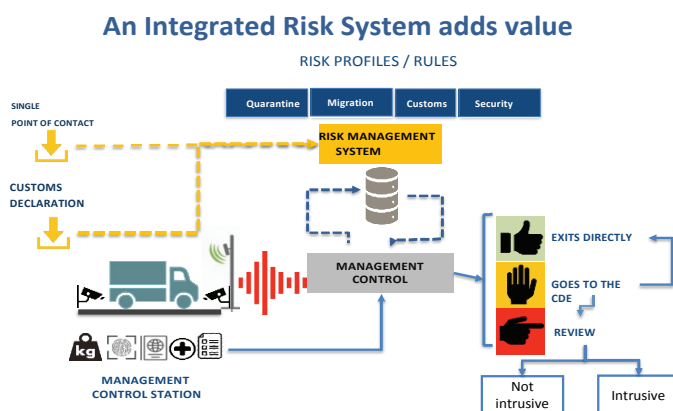
Another articulation strategy in this area could be the creation of a portal to share experiences and generate greater communication, mainly among countries with more commercial exchanges.

The WCO Regional Vice-Chair considers that, in order to strengthen the Customs' anti-money laundering capabilities, the risk profiles of users and agents involved in the TBML process need to be refined so that they can focus on where there is an objective risk in order to not pose an obstacle to legitimate trade. The use of technological tools is vital, as it allows us to act more quickly and proactively. One example of this are technologies designed to strengthen control over the entry of goods.

●● **Customs integration.** It is important not only to look into the entry and exit of products, but also into their transit. In Central America, for example, transits represent more than 60% of trade movements and the region has a very high level of trade association.

They are important models of integration and coordinated management with the ability to identify anomalies before the illicit transaction is completed. This requires non-intrusive control technology, in accordance with international instruments and tools that allow verification of risk levels in the information universe.

An information exchange model can be highly effective, since it collects data from customs agents and land, sea or air carriers, who most directly detect changes in the value of the goods, weight alterations, inconsistencies in the description of the nature of the product or changes in the tariff code, all of which are indications of a possible TBML scheme.



**Slide from Margarita Libby's presentation*

●● **Free zones and anti-laundering measures.** It was indicated that it is important to reinforce the AML and CTF strategies in the free zones with respect to the persons or companies that intend to establish themselves there. This involves not only knowing the customers, but also analysing information from various sources, such as that produced by the United Nations in its container control programme or by the Public Security Council of Panama, among other bodies (in the case of the Colón Free Zone). There should be a close relationship with the customs agency, since the administrators of the free zone control the entry of goods, but not their exit. Technological systems that provide access to cus-



toms personnel in charge of risk analysis, so that they can act quickly and verify potentially improper actions, are helpful.

Systems are also being established to control permits for handling products such as cigarettes and liquor. The above systems help block unauthorised companies and a similar mechanism will be implemented for drugs.

Anonymous reporting systems for money laundering and illicit trade issues were also implemented with Crime Stoppers CBLA.

●● **Relevance of e-invoice and emerging technologies.** The introduction of e-invoicing in Latin America marked a turning point. It involves a change of scheme, since a document is sent to the tax authorities, who then record a transaction between two parties, a transfer of goods or an agreement for the provision of a service. The models for the transmission of the invoice are not the same throughout the region, as in some countries it can be done up to two days after the commercial operation. In others, the information is transmitted to the tax authorities even before the transaction is authorised. This is the case in Brazil, Mexico, Ecuador and Chile, as well as of the new models under development in Colombia and Panama.

E-invoicing has some features that could help make commercial transactions more transparent. One of these features is that, since they are digitally signed, they cannot be altered without evidence of such alteration. In addition, the documents must be in the possession of the tax authorities before the transaction occurs or very shortly thereafter. This allows for immediate validation of the transaction

and the VAT return to be checked against sales and purchases. It is even possible, as has been done in Chile since August 2017, to declare VAT to taxpayers and establish what their purchases, credits, debits and payments are.

E-invoicing has considerable potential in terms of combating TBML. For example, with regard to the case proposed in the first panel, that of the \$100 shavers, what would happen to that partner abroad if he lived in a country where e-invoicing was properly implemented? The person involved buys shavers for 10 cents and sells them for \$100, but the administration, having the e-invoices issued for the transaction, is able to more quickly verify goods being transported. In this particular case, alarms would be raised by the unusual added value between the purchase and sale of the product.

Another feature of the e-invoice is that it establishes a simple and direct consultation mechanism, consisting of a bar code or a QR, which incorporates the tax information of the product and its characteristics. In this way, customs or other authorities can detect changes in the value, weight or nature of goods, and agencies or countries can exchange information. Even without this exchange of data, the above could only be verified with the document attached to the customs declaration.

The challenge lies in taking advantage of this infrastructure, which has recently been implemented in Latin America, Europe, Asia and some African countries. E-invoicing could therefore benefit cooperation and information exchange with countries outside the region. New technologies can help in this regard; for example, a private blockchain between tax and customs administrations, with re-

stricted access and secure, encrypted techniques for sharing information in real time.

●● **Use of agreements for the exchange of tax information.** As there are OECD conventions for the exchange of tax information, the data on the e-invoice could be shared, together with the commercial data and require, in addition, that the means of payment, bank accounts and other details be included in the customs declarations. By cross-checking the customs declaration with the movement of goods and the entry and exit information, early TBML-related alerts could be identified.

PANEL 3. TRADE-BASED MONEY LAUNDERING - INTERNATIONAL EXPERIENCES

Participants: **General Gustavo Moreno**, Deputy Director, Colombian National Police; **José Manuel Álvarez Luna**, Chief Inspector, UDEF, Spanish National Police; **Luis Reyna**, Special Agent for Criminal Investigations, IRS - U.S. Department of the

Treasury; **Harry Schmidt**, Attaché in Panama, HIS - ICE, U.S. Embassy; **Ricardo Puyol Sánchez**, Criminal Judge, Málaga, Spain. Moderator: **Marconi Melo**.

Panel 3 took the analysis to national contexts, based on the experiences of police investigators and judges, which complemented the vision provided by other participating entities. Precisely, other panels stated the importance of involving judges and prosecutors in the fight against TBML, in order to give more weight to investigations, prosecutions and convictions for money laundering.

There was a consensus in the panel on the positive evolution of the TBML preventive system, but at the same time it was noted that the outcome of investigations does not always correspond to the efforts deployed.

MAIN POINTS OF DISCUSSION

●● **Challenges to criminal investigation posed by TBML.** It was pointed out that a more holistic approach is required in order to face the trade-based

IDEAS AND PROPOSALS PRESENTED WITHIN THE PANEL:

- The 2006 FATF Trade Based Money Laundering document is a major reference in the field. The FATF is currently working on updating the documents produced on TBML in order to identify new trends, risks and the most vulnerable sectors.
- Each country determines the risk posed by TBML and the prioritisation strategies it considers implementing. Inter-institutional and international cooperation is essential, and the panellists provide several examples in this regard.
- They stress, inter alia, the relevance of strengthening anti-money laundering capacities in the international trade and customs sector of the customs authorities and in the free zones.
- In certain free zones, measures have been taken such as anonymous reporting systems and authorisation systems for more vulnerable products.
- Implementation of customs integration and risk management models that can be reinforced with AML elements, especially for early TBML detection.
- Potential of e-invoicing in anti-money laundering and illicit trade matters, as well as the possibilities offered by the blockchain and tax information exchange agreements.



laundering schemes, oriented to combat criminal economy systems, as TBML is a manifestation of organised crime that requires innovation, application of new forms of analysis and systemic thinking.

This involves analysing whether the strategic, tactical and operational intelligence of the authorities is sufficient. Since this is an eminently economic crime, with implications –and convergences– in other types of crime, it became important in the Colombian case to apply the notions of criminal and financial intelligence. Business intelligence and market intelligence were included from the private sector, and a structure was created to address the TBML phenomenon in an integrated manner and thus be able to analyse natural and legal persons within the criminal economic system.

It is also important to understand that there are challenges associated with the notion of informality. Such informality, which goes hand in hand with illegality and criminality, has become a fundamental grey area for money laundering through these schemes. These informalities occur in border areas, where cultural, national security and foreign trade factors converge.

The following were highlighted as the main challenges to criminal investigation:

- **The lack of early detection.** These typologies are based on trade/market relations, generating payments/transfers between importers/exporters, mostly with actual trade activities. Its early detection is important in order to be able to track the movements generated by the commercial activity, both of the goods and the capital used.

- **The lack of coordination and exchange of information between public and private entities to detect suspicious transactions** involved in the process of import/export trade that have documents and data of importance to detect and investigate during the entire process.

- **Use of professionals.** In many cases the perpetrators are professionals (Hawalar-Broker) dedicated to offsetting economic/market operations of licit origin, intermingling those of illicit origin, practically functioning as a parallel bank that provides services to all types of clients, including criminal organisations which can indeed be their best clients. They have different “offices” in the necessary jurisdictions and if they do not have offices, they resort to other professionals (Hawalar-Broker), place the funds delivered anywhere and are able to deliver them in the form of any kind of asset required by the client (bank accounts, financial products, real estate, etc.), creating the necessary structure to hide the origin of the funds.

- **Duration of the investigations and international nature.** Collection by the police and judicial authorities of economic/financial information from public and private institutions at both the national and international level, which can take several years.

- **Difficulty in the investigations** to determine and provide the relationships of the funds with criminal activities, in addition to having to normally handle a large volume of both financial and business information by creating sometimes complex corporate and commercial structures

The following are some of the practical scenarios proposed:

- Cases related to TBML schemes have existed in the Latin American region for decades. For example, Spanish companies that transferred money to large companies in the United States with which they had no business whatsoever. Products were detected that were ending up in countries in Latin America or were entering as smuggled goods. Brokers were involved, offering how and where the money was to be placed. These operators had accounts in different countries and generated offsets with various transactions.

- **Alternation between methods for ML.** During the investigations it is possible to see how criminal methods mutate and it is important that such operational information can be fed back to strategic objectives. It was explained that, in a recent investigation, criminal organisations in Morocco were found to be operating through a fish export company. They were exporting to other Spanish companies that were part of the organisation, but in the name of front men. They paid everything in cash; there were no financial transactions. By cross-checking the information with the Inland Revenue and other databases, they were able to detect that the criminal organisation was collecting cash throughout Europe from drug trafficking, human trafficking or other criminal activities and transporting it in vehicles, thus evading the AML controls established in the financial system. However, as border controls were established on the physical movement of money, the criminals changed their tactics, invest-

ing the money in vehicles they were selling in the other jurisdiction. In Germany, where large cash payments are accepted, they would buy high-end vehicles for EUR 50,000 or 60,000, travel with them to Morocco, where they had already sold them, and thus launder the money.

- **Particularities of the TBML investigation from the role of the financial investigator and customs.**

It was indicated that the financial investigator receives financial information from potential organisations and criminal groups related to TBML schemes. The first thing is to study the characteristics of the case: if it is money that comes in large amounts, if these amounts come from countries that are usually involved in TBML schemes and what the behaviour is of the money in the bank account - does it stay a few days in the accounts before being withdrawn, leaving a small amount in what could be a commission? It also analyses how the bank account was opened or whether the company that owns it is a front company. Work is done with local authorities to establish how the company has been registered, the numbers it handles, whether it has links or relationships with other companies abroad, with countries with possible activities or links to TBML, or whether it is registered with the supervisory body as a money transfer service provider. Another element of study is bank account behaviour: Do they pay their employees? What information do they provide to the banks, how do they explain their business? and other questions that allow for the financial profiling of these companies, organisations or individuals. Once a potential money laundering case has been detected, work is done in partner-



ship with other investigative agencies, to determine the predicate offence, and with the border protection agency, to understand the commercial aspect of the money laundering scheme. Thus, through the work of the agencies involved (financial, commercial and investigation of the preceding conduct) the financial movement is mapped and contrasted with the mapping of commercial movements and products, possible over –or under– invoicing, smuggled or counterfeit products, etc. Even so, the information obtained is often meaningless, and it is necessary to work with authorities in other countries to understand what is happening. As an example, we worked on a case with Mexico consisting of a carousel scheme where the same product –cell phones– entered continuously into a circular scheme, in order to benefit from tax incentives for VAT refunds in Mexican territory for the alleged exports.

It was mentioned that the Homeland Security agency (HSI) has successfully developed transnational crime investigations, thanks to a unit called the [Business Transparency Unit](#) dedicated to this purpose. This is an initiative that began in 2004 with Colombia. This unit has agreements to share information between the HSI and the customs agencies of 17 countries around the world. Data are exchanged on exports, imports, companies, managers, officials or goods (nature of products, value, weight), according to the different agreements established with each country. This information is managed through a database created by the HSI and accessed by the customs agencies.

● **Strengthening the judicialisation of cases.** It was discussed how this type of crime poses a set of

The case of Ceuta and Melilla, autonomous cities of Spain in North Africa, bordering Morocco.

There is an atypical trade, as both cities are exempt from import and export taxes with the national tax rate, although they have a small local rate. The alerts were generated because the money coming in was not dirhams from Morocco, the currency with which the goods were to be paid, but pounds sterling. This was a payment for hashish trafficking made legal by buying products or paying invoices for goods that ended up in Morocco.

The system they use is as follows: money paid for drug trafficking activities is delivered to Spanish merchants in Ceuta and Melilla. The porters (usually women) take large bundles of the product to Morocco, where no tax is paid. They then hand it over to criminal organisations, which already have companies to sell it and generate the legal money there.

challenges in the field of investigation and prosecution, which generate a disruptive effect from the judicial perspective. The first challenge is crime globalisation and transnationality. It is common for criminal activity preceding TBML to take place in a different jurisdiction than the one where the laundering activity takes place.

In line with the complexity of understanding these cases and the necessary coordination of all the in-

stitutions involved in the field of repression of this type of behaviour, there are four areas in which the different countries should strengthen their action:

- The judiciary should strengthen the specialisation of judges and prosecutors, not only in the ML field, but also in related areas (economics, finance, accounting).
- Reinforce AML systems to strengthen TBML suspicious transaction reporting.
- Strengthen the instruments of criminal judicial cooperation. In Europe, from 2002-2003, regulations and directives began to be applied to create common areas of justice that allow each country's judge or prosecutor to be identified as their own, so that the transmission of information on a criminalised case can take place directly. This has led to the implementation of figures such as the European investigation order or the European delivery order, issued by a judge in a given country and valid in any other EU jurisdiction. Cross-border confiscation or seizure measures are important tools for the seizure of assets. This makes cooperation an effective and organised instrument. In general, all legislative and criminal policy measures that minimise barriers between states to transnational crime help make TBML law enforcement systems effective.

PANEL 4 TRADE-BASED MONEY LAUNDERING, A PERSPECTIVE FROM THE PRIVATE SECTOR.

Participants: **Robert Pittenger**, Chair of the Parliamentary Forum on Intelligence and Security, Former US Senator; **Nicolas Otte**, IT Prevention Director - PMI; **Nicky Dunleavy**, Deputy Director of

An example of this form of joint work is the Fashion police investigation

This refers to a successfully-completed joint investigation with Colombia. Called Fashion police, it was initiated in 2012 following suspicions raised by an organisation that laundered its assets through a TBML scheme, using textile products acquired with money of illicit origin and exported from the United States - specifically from the district of Los Angeles - to Colombia and Mexico. The investigations involved the Trade Transparency Unit, the Colombian customs agency and Mexican authorities, as well as other US agencies. This case is a good example of the results provided by the exchange of information and collaboration between countries and agencies in dismantling these criminal organisations.

Approximately 40 individuals involved in the plot were arrested: freight forwarders, customs agents, importers, exporters, businessmen and corrupt officials. In addition, a significant amount of goods and cash was seized.

Financial Crime, HSBC; **J.R. Helmig**, SAS Institute Inc; **Filippo Musca**, Director of the Siracusa International Institute. Moderator: Alejo Campos.

This panel sought to approach the viewpoint of the private sector and civil society, represented by the financial, technological, academic and product sectors vulnerable to illicit trade. Find out the private sector's vision of the TBML problem and possible solutions, mainly focused on the relevance of public-private cooperation.



MAIN POINTS OF DISCUSSION.

●● The financial sector's view of the challenges posed by TBML.

The Wolfberg Group¹¹ estimates that 80% of commercial transactions occur through open accounts, i.e. through a simple flow of money between bank accounts. It is therefore very difficult for a financial institution to obtain relevant information on these transactions. The other 20% does occur through financial documents –for example, letters of credit– and more data on the business transaction can be collected in these cases. This distinction needs to be taken into account.

How can financial institutions detect cases of TBML? As concerns the generation of suspicious operation reports, there are two stages: 1) the incorporation stage - the time of the customer's due diligence, the assessment of its business sector, etc.; 2) monitoring of transactions with money laundering indicators. It is important to note again that

these are indicators of money laundering in general and that there are no specific indicators that address the TBML category.

Most of the 80% of transactions that occur through open accounts and that are suspicious are monitored. However, as a result of the above, it is feasible to indicate that a significant percentage of trade-based money laundering is not detected. The 20% of transactions using financial documents undergo a more thorough analysis, by cross-checking the documentation provided with risk indicators associated with TBML, which makes it possible to determine whether this business activity can be linked to ML.

●● **Other financial sector constraints.** With regard to over and under invoicing, we can examine the prices of the components involved in the commercial transaction and determine whether they are real-



11. The Wolfsberg Group, ICC and BAFT (2019) Trade Finance Principles
<https://www.wolfsberg-principles.com/sites/default/files/wb/Trade%20Finance%20Principles%202019.pdf>

THE PANEL EXPRESSES IDEAS AND PROPOSALS:

- Proposals to strengthen research as a holistic and systemic approach to understanding the criminal economy.
- Knowledge of cultural, national security and foreign trade factors that influence criminal behaviour.
- Need for strategic analysis to understand how criminals alternate laundering patterns and adapt to controls established by the authorities.
- Importance of integrating elements of financial, commercial and precedent-setting investigations, which in some countries are the responsibility of different investigative agencies, to achieve the identification and investigation of TBML cases.
- Successful experiences with Trade Transparency Units for the bilateral exchange of customs information.
- From the judicial point of view, the need to specialise judges and prosecutors is stressed, as is the importance of forms of judicial integration such as the Eurojust model.

istic. Possibly, the harmonisation of code systems and tools such as those discussed at the event can help make better diagnoses about the reality of prices and product descriptions.

Reviews are manual and paper-based, which is very time consuming. In addition, we need to trust the information received, and if we only see screenshots of some aspects of the transaction, we do not see the whole process; therefore, the bank's analysis is based on the available data.

Finally, it was pointed out that another need for banks in the area of TBML is the access to intelligence information. Without connection between the actors and exchange of information it is very difficult for financial institutions to identify TBML cases on their own.

●● **Private sector's perspective.** The tobacco sector is particularly vulnerable to illicit trade and TBML schemes, as criminal organisations use this product as a vehicle to launder the proceeds of criminal activity or to finance terrorist activities.

According to the OECD's illicit trade report, of the \$509 billion in counterfeits, tobacco stands for \$40 billion. These profits are used to pay for criminal activities such as human trafficking, corruption or terrorism.

●● From a technology point of view, emphasis is placed on building anti-fraud and anti-money laundering capacities for customs, banks, FIU, members of the supply chain and other related actors. One of the problems that entities face is that of data and access to data by competent authorities. Often the information is of poor quality, not standardised, not

presented in easily usable formats, and therefore takes too long to process.

In addition, certain analytical capabilities are required to detect over-invoicing, under-invoicing or other anomalies. By overcoming silo-logic and developing integrated analysis systems it is possible to move towards more sophisticated information crossings, set automatic alarms, generate alerts to risk profiles or develop other statistical analyses that allow predictive and proactive capabilities.

●● **Civil society.** It was mentioned that civil society can contribute to the fight against TBML in several ways, such as:

- Support for the articulation between the various state agencies involved, NGOs and the private sector. Civil society can articulate and support work towards the goals set.
- Forums or academic spaces on relevant topics in places where they are relevant and can have an impact.
- Public policy recommendations on important topics to analyse, for example, the strengthening of free zones or free trade zones.

●● **Academic community.** There is a need to investigate illicit trade and related offences such as money laundering and particularly TBML. The objective is to provide diagnostics that help predict trends, identify connections between various sectors and link illicit trade and money laundering. Such analyses can serve as a basis for comprehensive and cross-sectoral recommendations to overcome the challenges posed by this crime at the national, regional and global levels. Research should also be



used to strengthen capacities of entities, especially of the criminal justice system.

●● **Public-private articulation:** PPP models. It was reported that there are currently six PPPs in the world and one of them is the British Joint Money Laundering Intelligence Taskforce (JMLIT). It consists of UK research agencies, regulators and financial institutions that securely obtain and share information. Members meet weekly at the National Crime Agency (NCA) and produce operational, strategic and tactical intelligence that is shared among all participants. They also issue reports on crime typologies and maintain expert groups in six areas, including TBML. This group exchanges information that would otherwise not be accessible, which was very useful, for example, in identifying the perpetrators of the terrorist attack in Manchester in 2017. The data from financial institutions on suspects, shared in JMLIT, made it possible to speed up investigations and detect the networks of suspected terrorists, something that would have taken much longer or not have happened at all with the traditional way of exchanging information.

B. CASES PRESENTED

The representatives of the countries attending the workshop presented cases related to the TBML in which the three authorities (FIU, customs and prosecution) had participated. These presentations provided input for the discussion groups, which served to identify both common problems and differences of interest in the functioning of the entities. Topics such as information exchange, working techniques,

ways of cooperating and articulating, and regulatory developments, among others, were also addressed. Mainly cases of overvaluation of exports and association with types of smuggled goods.

●● **Typologies.** Methodologies were presented for over –and under– valuation of goods, false imports, a case of TBML associated with corruption schemes, cross-border transportation of money justified in commercial transactions, schemes with front companies, schemes involving free zones, product smuggling and product triangulation.

●● **Main goods.** The goods included gold, food, counterfeit drugs, household appliances, textiles, cigarettes and vehicles.

Among other difficulties discussed in the following section, attendees noted that case handling times are too long; criminal investigations take time to get started and then drag on, sometimes for years. Challenges to access to information by authorities, national cooperation and data analysis capacity were also mentioned.

It is thought that the cases presented, by including the forms in which the crimes took place, the alerts, risk indicators, inter-agency work and the development of investigations, among other elements, may constitute a solid basis for developing work on typologies in the area of money laundering through trade, as well as for other actions described in the following section.

C. MAIN CONCLUSIONS OF THE WORKING GROUPS.

I. GENERAL CONCLUSIONS

Conceptualisation of TBML. There is no analysis or literature on the subject in the region. The references come mainly from other regions. There is no conceptual clarity about what TBML is, which makes it difficult to combat it properly.

As a result of what was exposed in the working groups, the importance of adapting the ML risk analysis model made by each country was highlighted, in order to understand how MLBT is presented at a national level, to later share these risk assessments and generate a regional diagnosis.

II. TRAINING AND KNOWLEDGE MANAGEMENT

The following aspects are highlighted:

- The importance of training and visibility of TBML, the relevance of including other actors such as police and judges and strategies towards citizens.
- Need for a greater focus in training programmes for competent authorities to improve their capacity to identify, prevent, investigate and prosecute cases of TBML/TF. It is understood that this training must be continuous and dynamic, given the permanent mutation of the phenomenon. At the same time, it must be shared by the various actors involved, which makes it possible to manage clear common languages.
- The training of customs officers in TBML needs to be strengthened, as they are the first front in the fight against this form of ML. Anti-money laundering authorities and the financial sector also need to be strengthened in foreign trade and customs matters, among other relevant areas.
- There is a need to incorporate into existing AML/CTF training programmes the subject of TBML, including aspects such as the relevance of financial and business data, to assist in the identification of TBML/TF.
- Strategies should be developed to raise awareness and train citizens in general, including compliance officers and the media.
- In the area of knowledge management, it is important to create a network of experts to communicate and make this problem visible.
- It is necessary to generate diagnoses and mapping in the region that serve to better understand the problem. They must be periodically updated and a system should be developed that allows to consult documents to learn about typologies, cases and working methods, highlight good practices, identify new patterns for alerts and, in gen-

THE PANEL EXPRESSES IDEAS AND PROPOSALS:

- It discussed the current limitations faced by the financial sector in identifying TBML.
- The dimension of the problem for vulnerable sectors such as tobacco and the instrumental use of illicit trade to finance criminal activities such as human trafficking, corruption and terrorism was presented.
- From a technological point of view, the importance was stressed not only of access to information, but also of its quality and the capacity to produce analyses based on it.
- The civil society, the academic environment and the private sector submitted proposals to work together on TBML issues. Mainly, successful models of public-private partnerships or PPPs, in the field of money laundering and, particularly, TBML.



eral, disseminate knowledge, since little work has been done on this form of money laundering.

- It is necessary to develop tools to systematise good practices and typologies. The distribution of such tools should be wide and expeditious.
- A greater exchange of information with the private sector is needed, so that it can contribute knowledge of its field of action and, in turn, receive the necessary tools to understand its vulnerabilities.
- Work must be done on the civil society's contributions in terms of dissemination, awareness raising and management of spaces for exchange at the national and regional levels.

III. INSTITUTIONAL STRENGTHENING AND CRIMINAL PROSECUTION

It is important to boost the anti-money laundering capabilities of public bodies, for example by setting up specialised anti-money laundering units within the customs or by strengthening existing ones. The need to generate TBML risk indicators, profiles and warning signals that can be shared and disseminated was stressed. The cases presented during the workshop are considered a valid starting point for generating specific typologies of TBML.

In terms of criminal prosecution, the relevance of promoting judges' specialisation and the development of specific research methodologies with a multidimensional approach for effective prosecution stands out, while continuing to implement strategies to decapitalise criminal organisations, such as confiscation or extinction of ownership, and to strengthen the follow-up of investigations related to possible TBML cases.

IV. MULTILATERAL ARTICULATION

The fight against TBML requires several specialties, areas of knowledge and information and requires more integration, exchange and cooperation.

In general, it is relevant to encourage international organisations to include TBML in their agendas, as well as to provide training and recommendations to countries.

Similarly, it is considered important to encourage greater integration between anti-money laundering and customs authorities in the region, as well as between agencies such as the FATF and the WCO in the area of TBML, which will help to combat it in a comprehensive manner. In this sense, actions such as the production of documents, guides, training and other joint products are necessary.

At the inter-institutional level, participants suggested the creation of special committees or task forces, both at the strategic and operational levels, in order for the authorities involved and the private sector to address TBML jointly, which will serve to define typologies, profiles and risks in real time. In addition, risk matrices must be designed to focus on the phenomenon and standardise the data criteria required from each entity to identify the risk of TBML. Intelligence and operational networks between several countries were proposed, and some forms of integration of Central American (allowing for joint work, regular meetings and protocolised channels of information exchange) were proposed as an example. The main requirement is for the information to be in real time.

It can be based on models of cooperation and exchange such as the Trade Transparency Units, oriented not only to illicit trade, but also including

TBML. In addition, these units must be multilateral. Another aspect to consider is the analysis of this and other models of integration between agencies and the international community to apply them to the reality of the region. Likewise, the existing legal frameworks in criminal matters, anti-money laundering, tax, customs and foreign trade could be studied to enable cooperation between agencies through multilateral agreements. Tools and spaces such as IberRed and EUROJust should be promoted for the exchange of useful information that helps to develop legal proceedings in different countries. The participants emphasised that the cases analysed and presented as TBML had a satisfactory outcome thanks to the inter-institutional work, so it is essential to generate a cultural change that strengthens cooperation and teamwork among the agencies involved.

V. INFORMATION AND TECHNOLOGY

It is important to strengthen the quality of the information generated in customs in terms of anti-money laundering and to issue early warnings, which requires producing and providing access to information in an agile manner (tax, financial, customs and all participants in anti-money laundering systems). Greater connectivity between entities must be generated. It is necessary to analyse whether the technology guarantees the security of information and safeguards the chain of custody, with the use of blockchain both at national and international level. At the very least, it must be possible to ensure that the information provided at one end of the business relationship is the same as at the other and matches the data in transit.

Emerging technologies are also needed to produce better analyses. For example, tools to automate risk analysis and include the foreign trade component as an indicator.

Finally, a communication platform between the relevant authorities and unified databases should be established.

VI. PRIVATE SECTOR

In this field, work must be done to identify TBML risks in the region's free trade zones, in addition to strengthening transparency, due diligence and customer knowledge measures in those areas. The manufacturers and/or suppliers with whom one enters into a contractual or business relationship, as well as the local and foreign buyers of the products, must be known. It is important to implement or improve measures such as the licensing of companies engaged in the import, sale, export and re-export of goods, and systems for the registration of licenced companies.

In addition, information sharing strategies could be strengthened. For example, in some countries, free zones exchange information with financial intelligence, but not with customs agencies.

SUMMARY

- The event allowed to deepen the understanding of TBML and of how it appears in Latin America, while highlighting the need to know more about the topic. The lack of knowledge can make it difficult for the various actors involved in the fight against this criminal practice to prevent, detect, prosecute and, in general, make decisions.
- There is a lack of academic development and analysis of the regional context.
- In addition to the forms of TBML associated with price alteration on invoices or other documents, other techniques were presented such as alteration in volume or quality related to the physical goods and therefore to the work of customs, knowledge which is essential to develop the relevant actions.
- The event served to detect positive practices in the countries, establish needs in terms of cooperation and determine the steps to be taken to combat this scourge in the region.
- The need for inter-institutional and international work stood out. Solutions must come not only from the anti-money laundering field, but also from customs and tax administrations. Work with the private sector and civil society also needs to be strengthened.
- The importance of regional strategies to help guide and establish lines of action was highlighted in what concerns coordination and articulation. For example, coordinated actions between OMA and GAFILAT that conceptualise TBML in the region and serve as a guide at the national level to act both preventively (customs and FIUs) and punitively (prosecutors and other actors).
- The relevance of training and visibility on TBML was emphasised, including for police and judges, and developing strategies for citizens and actors such as compliance officers and the media.
- Need to strengthen and share risk indicators and specific profiles for the TBML, both in customs and in financial intelligence units. Generate indicators common to all entities.
- Promote technological developments as a possible inter-institutional blockchain and the use of electronic invoicing in the fight against illicit trade and TBML.
- Finally, in relation to criminal investigation, countries could have specialised groups and more efficient investigation methodologies. Likewise, it is relevant to strengthen the individual capacities of each entity involved so that they are more resolute in the detection of TBML phenomenon. All of the foregoing points to the fact that the use of technology is essential, not only for interaction and communication, but also for strengthening strategic, analytical and financial intelligence capabilities.