Introduction
Trade-based money laundering
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2012 U.S. Customs and Border Protection

- 11.5 million containers through U.S. ports
- Approximately 4% scanned
- Fewer than 1% physically inspected
Introduction

Trade-based money laundering

Three popular means for moving illicit funds ...

1 – Cash couriers
2 – Financial institutions
3 – Trade
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Introduction

Trade-based money laundering

• In general,
  a) applying detection methods
  b) against relevant data
  c) can result in meaningful insights

• John A Cassara’s 44 Red Flag Indicators effectively provide a TBML “detection playbook”
What is it?
Trade-based money laundering
Trade-Based Money Laundering

What is it?

**Trade-based money laundering**

*noun* \trād bāst mə-nē lōn-d(ə-)rin\'

Disguising proceeds from criminal activity by moving value using trade transactions to legitimize their illicit origins

(FATF/GAFI, June 2006b)
Trade-Based Money Laundering

Invoice manipulation: moving money IN by importing undervalued goods

Pay for a container supposedly half-filled with sticky notes, but receive one full of high-end laptops.

A half-filled container with 1,500 cases of 18 dozen sticky notes
Approximate weight 30,000 lbs.
Valued at $7,500 USD

“A 45 Footer High Cube” Shipping Container
Holds ~3,000 ft³

A filled container with (boxed) 6,000 (boxed) Top-line laptops
Approximate weight 30,000 lbs.
Valued at $15,000,000 USD
### Invoice Manipulation

**Moving money IN or OUT through invoice manipulation**

<table>
<thead>
<tr>
<th>Direction</th>
<th>Import/Export</th>
<th>Pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Move money OUT</td>
<td>Import goods</td>
<td>Overvalued pricing</td>
</tr>
<tr>
<td></td>
<td>Export goods</td>
<td>Undervalued pricing</td>
</tr>
<tr>
<td>Move money IN</td>
<td>Import goods</td>
<td>Undervalued pricing</td>
</tr>
<tr>
<td></td>
<td>Export goods</td>
<td>Overvalued pricing</td>
</tr>
</tbody>
</table>
Cassara’s 44 Possible Red-Flag Indicators of TBML

- These indicators generally involve inconsistencies or irregularities in one of the following categories:
  - documentation (for example, bills of lading, manifests, invoices)
  - geopolitical (for example, involvement with a country on a watch list)
  - goods: their respective amount, type, units, value, or weight
  - party (for example, account, customer, carrier)
  - payment medium and source
  - shipping (for example, shipping container, firm, route)
Why SAS Visual Investigator?

Trade-based money laundering
SAS Visual Investigator

Problem Solving Capabilities

**Surveillance**
- Rule Authoring + Models
- Batch Monitoring
- Deployment Mgmt.
- Simulation

**Alert Management**
- Operational Productivity
- Governance and Workflow
- Investigation Enrichment

**Search & Investigate**
- Interactive Workspaces
- Ad hoc Insights
- Data Visualizations

**Entity Analytics**
- Entity Resolution
- Network Visualizations
- Multi-Source Integration
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Suitable for solving problems across industries

- Banking
- State/local government
- Federal government
- Energy
- Manufacturing

- Health care
- Life Sciences
- Communications
- Retail
- Commercial
• **Surveillance** – rule authoring, model deployment, and simulation to detect anomalies, suspicious behavior, and circumstances worthy of further analysis and investigation.

• **Entity analytics** – applying network and entity generation processes to automatically build networks, resolve real-world entities and identify communities based on the latest data.

• **Alerting and investigating** – prioritizing alerts and events, routing alerts for prompt triage, investigating, and dispositioning; “Workspaces” providing interactive work areas for exploring and analyzing data; “Insights” provide a means to collect and document a wide array of internal and external investigation artifacts.

• **Search and discovery** – providing powerful search capabilities, including free text and geospatial search, filters and facets, and multiple “workspace” visualization options.
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- **Data** – connect existing external data sources to the application, including entity, reference, and transaction tables
  - Allow SAS Visual Investigator to manage alerted information
## Common import/export documents (Hong Kong)

### Commercial Documents
- Quotation
- Sales Contract
- Pro Forma Invoice
- Commercial Invoice
- Packing List
- Inspection Certificate
- Insurance Policy
- Insurance Certificate
- Product Testing Certificate
- Health Certificate
- Phytosanitary Certificate
- Fumigation Certificate
- ATA Carnet
- Consular Invoice

### Financial Documents
- Documentary Credit D/C
- Standby Credit
- Collection Instruction
- Bill of Exchange (B/E) or Draft
- Trust Receipt (T/R)
- Promissory Note

### Transport Documents
- Shipping Order S/O
- Dock Receipt D/R or Mate's Receipt
- Bill of Lading (B/L)
- House Bill of Lading (Groupage)
- Sea Waybill
- Air Waybill (AWB)
- House Air Waybill (HAWB)

### Government Documents
- Certificate of Origin (CO)
- Certificate of Origin (GSP) (aka Form A)
- Import / Export Declaration
- Import / Export License
- International Import Certificate (IIC)
- Delivery Verification Certificate (DVC)
- Landing Certificate
- Customs Invoice

### Shipping Guarantee
- Packing List (aka packing note)
• **Surveillance** – set up Red Flag Indicators using SAS Visual Investigator’s Scenario Administrator

• Note: most of Cassara’s 44 Red Flag indicators lend themselves to straightforward scenario authoring
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- **Entity analytics** – resolve entities such as people, corporations, and vessels to determine which are the same and which are different
- Prepare data for network visualization
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- Alert management – define strategies and queues for directing suspicious entities to specific analysts or groups
- triage and disposition trade-based alerts; explore and analyze suspicious alerts
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Data > Surveillance > Entity Analytics > Alert Management > Search & Investigate > Case Work

- **Search and discovery** – conduct searches and use networks, maps, timelines, and supporting detailed trade data to build insights and collect and document investigation artifacts
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View switching: same information, many visualizations

Examples of detail, table, network, map, and timeline views
Case management – configure SAS Visual Investigator with actions and workflows to allow users to “promote” alerted information and investigations – including insights – into cases.
Machine learning is a method of data analysis that automates analytical model building.

Text analytics allows you to analyze text from unstructured data and enhance models to improve lift and performance.

- Comment fields
- Web content, logs, feeds
- Books and other text sources
Recommended Reading

Terrorist Financing books from John Cassara

• *Hide and Seek, Intelligence, Law Enforcement and the Stalled War on Terrorist Finance*, John Cassara (2006 Potomac Books)

• *On the Trail of Terror Finance - What Intelligence and Law Enforcement Officers Need to Know*, John Cassara (2010 Red Cell IG)

• *Trade-Based Money Laundering: The Next Frontier in International Money Laundering*, John Cassara (2015, Wiley)

See *Paper SAS672-2017* for additional recommended reading, documentation, and URLs
Thank you

Trade-based money laundering & SAS Visual Investigator
Bibliography

Paper SAS672-2017


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