



Pusdiklat Anti Pencucian Uang dan
Pencegahan Pendanaan Terorisme

Countering TOC Financing - The Role of Financial Intelligence Unit

Jakarta, August 14th 2019

Presentation Structure

Money Laundering

Financial Intelligence Unit

TOC – International Trade Abuse

PPATK – DJBC Collaboration



Money Laundering:

“the concealment, disguise, obscure of the origins of illegally obtained assets, so that the assets as if derive from legitimate activities”

Money Laundering Process



Placement: the initial entry of the "dirty" cash or proceeds of crime into the financial system.

Layering: to separate the illicit money from its source through complex transaction that obscure the audit trail and sever the link with the original crime.

Integration: the money is returned to the criminal from what seem to be legitimate sources.

New Paradigm to Fight a Crime

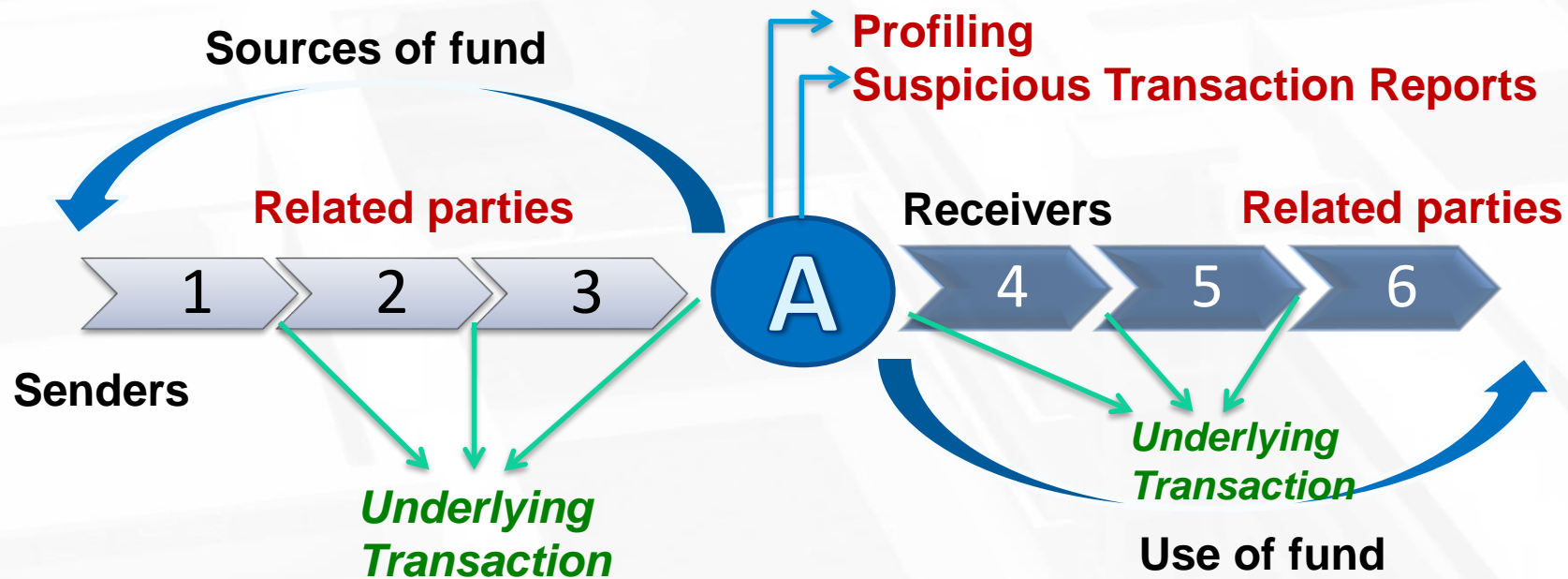


Follow
the
money

Follow
the
suspect

1. Money as blood of the crime.
2. Most criminals are economically motivated.
3. Tracing the crime/suspect by tracing the transaction.
4. Wider reach and could reveal more suspects. In some cases its beneficiaries.

Follow the Money



Financial intelligence Unit (FIU)

In most countries, the present of FIU is undoubtedly crucial to assist law enforcement agency for their investigation processes through follow the money approach. Crimes nowadays such as white-collar crime, organized crime, and trans-national crime are very complex that it is difficult to prosecute the person. However, it is most likely to trace their assets and confiscate it for the country.

Almost most countries around the globe have its own FIU with almost 120 of them



FIU Argentina



FIU Thailand



FIU Canada



FIU United States



financial intelligence centre
REPUBLIC OF SOUTH AFRICA



Financial
Reporting
Authority

FIU Cayman Island

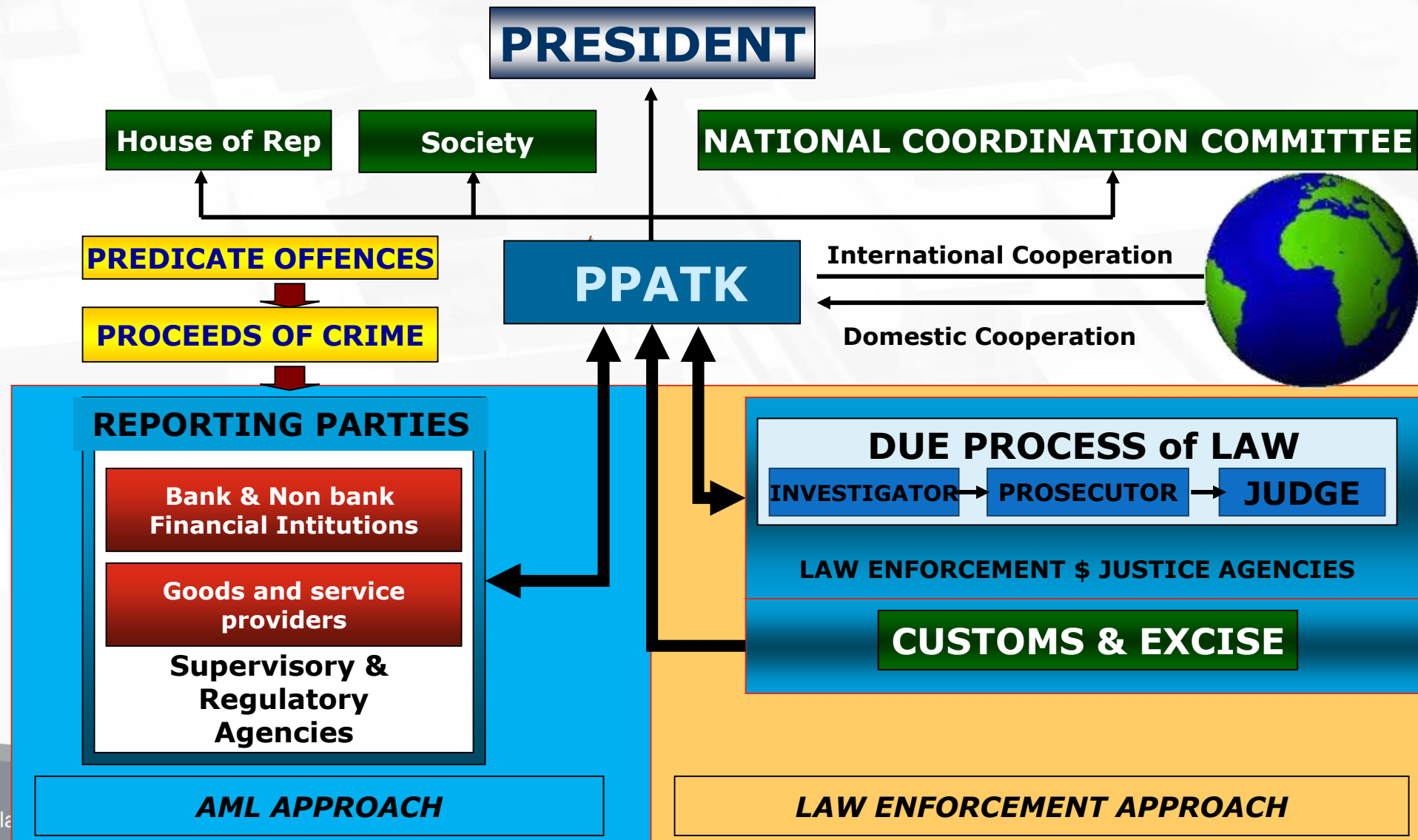
FIU Main Tasks

Collecting/Receiving

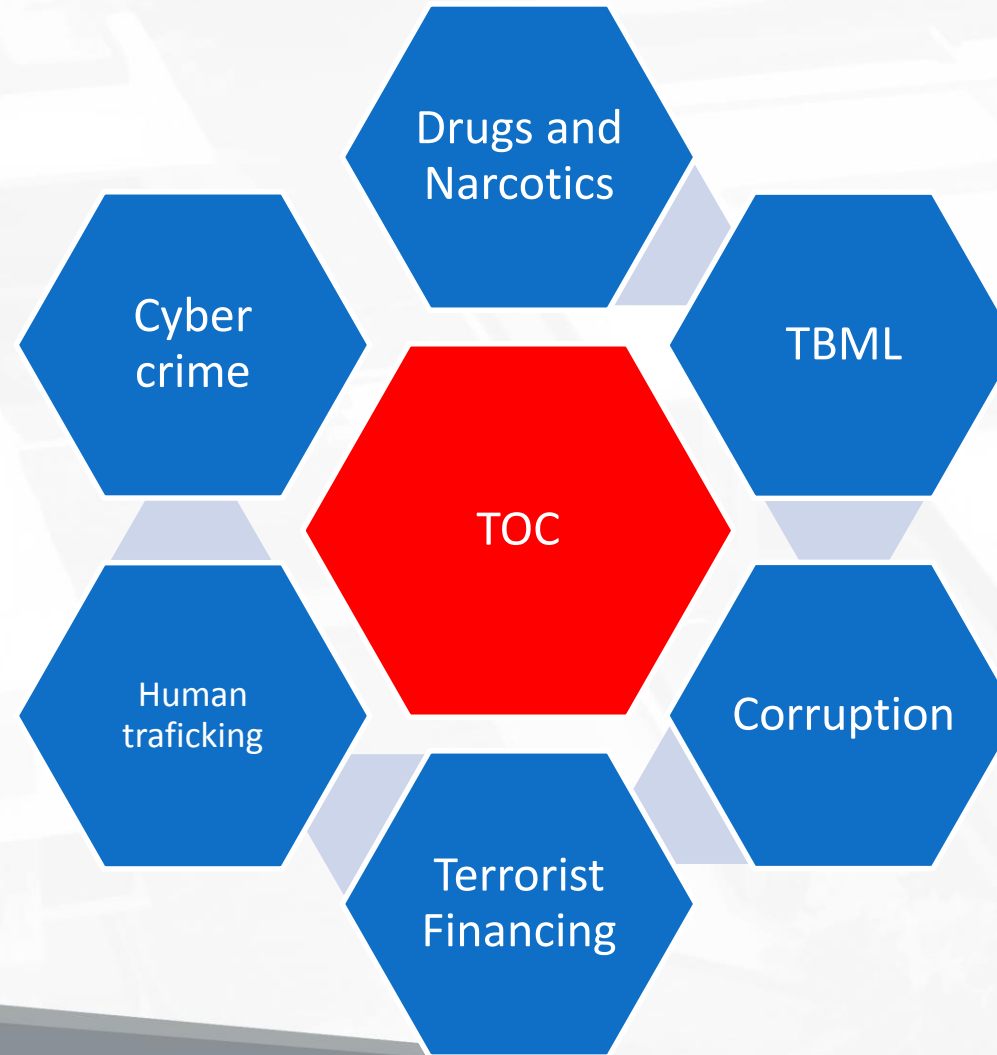
Analyzing

Disseminating

AML/TF REGIME SCHEME



TOC Financing



Money Laundering (FATF, 2006)

Three broad categories of hiding illicit funds and introduce it into the formal economy

Via the use of
financial
institutions

Physically
smuggle bulk
cash from one
country or
jurisdiction to
another

The transfer of
goods via
international
trade

FATF Definition on TBML

The **FATF** defines TBML as the "process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimize their illicit origins."

Note:

- TBML is unilinear to common believe of hiding illicit money that represented by cash, checks, wire transfer, virtual currency and property ownerships;
- It is the value represented by trade goods – and the accompanying documentation both genuine and fictitious- to transfer illicit funds.

Trade Finance

- Trade Finance can be described as the provision of finance and services by FIs for the movement of goods and services between two points, either within a country or cross border.
- *“It takes two to tango”*, means that TBML rely upon collusion between the seller and buyer.
- Various intermediaries can facilitate Trade Finance such as bank, correspondent bank, issuing bank, insurance, etc.
- APG typologies report focus on cross border trade finance, excluding domestic trade.

Open Account Transaction

- The majority of international trade is carried out under “open account: payment will be made when the goods received by the buyer” terms.
- FIs only aware of the actual payment-money transfer, and will not be aware of the underlying reason of the payment.
- FIs is not in the position to check the validity of underlying goods that has been shipped.

“Anything that can be priced can be mispriced”

-Raymond Baker-

“TBML generally begins with the invoice!”

-John A Cassara-

Magnitude of (TB) Money Laundering

- Criminals launder 2-5% of global GDP annually or approximately \$3-5 Trillion. (UNODC, 2011)
- It is deteriorating for developing countries economy in which \$6.6 trillion have lost in illicit financial flows through trade misinvoicing. (Global Financial Integrity, 2015)
- 5.69 % or equivalent \$218,9 Billion was moved out from the U.S. in the form of value transfer via undervalued export. (Zdanowicz, 2013)
- Experts believe approximately half of the trillions dollars laundered every year from Narcotics and the other half comes from tax-evasion. (International Policy Report, 2003)



Possible Suspicious Activity – Red Flags

- Transaction from/to High risk jurisdictions / free trade zones
- Activity unrelated to core business ex; an exporter of electronics shipping paper supplies.
- A party is unable or unwilling to produce appropriate documentation upon request.
- International wire transfers are received as payment for goods into bank accounts where the exporter is not located.
- The transactions involves a 3rd party that has no apparent connection to the buyer or seller.
- Payment is made from multiple sources and/or multiple accounts.



INTER AGENCIES COOPERATION:



About the Egmont Group

Recognizing the importance of international cooperation in the fight against money laundering and financing of terrorism, a group of Financial Intelligence Units (FIUs) met at the Egmont Arenberg Palace in Brussels, Belgium, and decided to establish an informal network of FIUs for the stimulation of international co-operation.

[Read more.](#)

The Egmont Group is a united body of 159 Financial Intelligence Units (FIUs)

PPATK has been a member of the Egmont Group since 2004

Benefits:

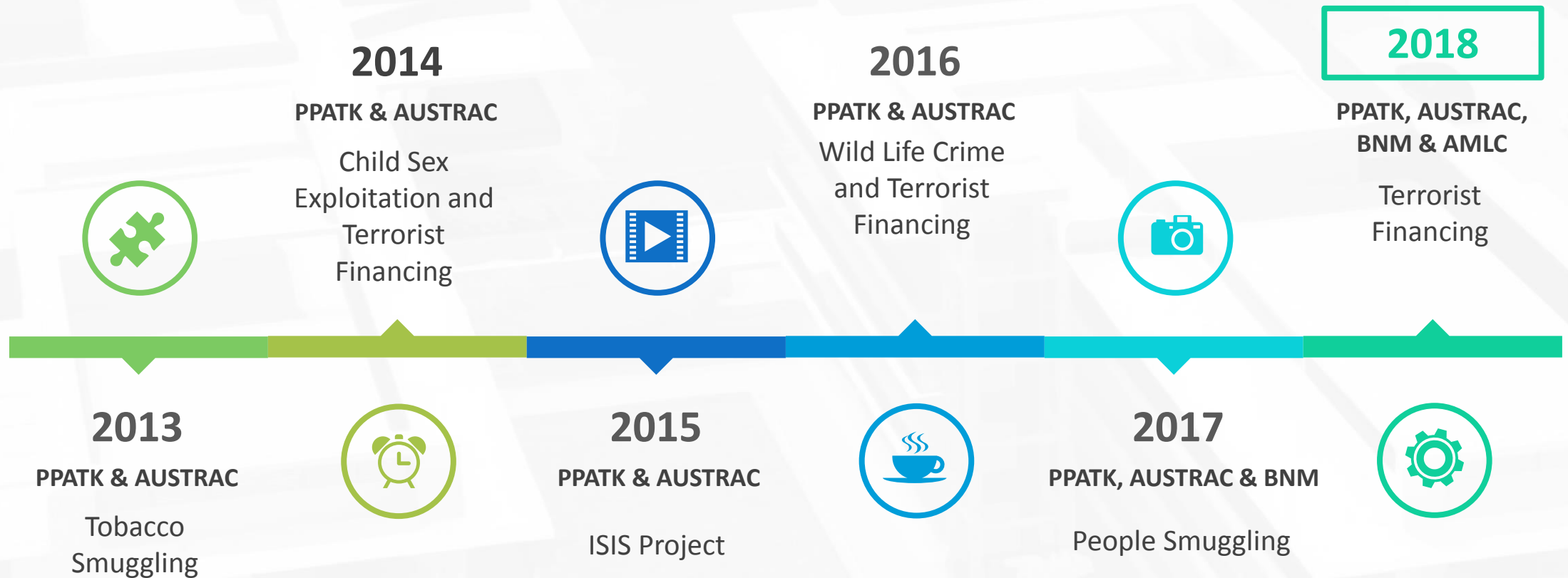
Expanding and systematizing international cooperation in the reciprocal exchange of financial intelligence information

Increasing the effectiveness of FIUs by offering training and personnel exchanges to improve the expertise and capabilities of personnel employed by FIUs

Fostering better and secure communication among FIUs through the application of technology, presently via the Egmont Secure Web (ESW)



Joint Analysis



PPATK-DJBC Collaboration

- Data and information sharing in which DJBC owned trade data while PPATK owned finance data. Those data is crucial to detect anomalies in international trade and to justify the movement of large amounts of money;
- Financial data is beneficial to reveal a comprehensive network of fraudulent international trade or financial transfer;
- Assist in revealing the beneficiaries or mastermind of certain offences in which sometimes difficult to trace with follow the suspect approach;
- DJBC's data assist banking sector to detect TBML practices so they could better in submitting STR;
- Joint investigation on electronic smuggling, unlicensed manufacture of tobacco products and used clothes smuggling.



SIPESAT and IFTI Data for Detecting TBML

- Assisting “follow the money” approach. PPATK could trace ownership of bank account more effective and efficient. As a result, PPATK intelligence report quality increased and benefitting LEA in their investigation processes.
- IFTI is crucial as data comparison in analysis process. Combining IFTI and Export-Import data could be a powerful weapon to detect TBML.
- Can be used as a disruption strategy to combat TBML and to secure trade finance system from being exploited for TBML.
- Enhance the mechanism of Trade transparency scheme with capability of getting full visibility on the financial picture attached to the trade data.

Thank You



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