Prime Bank Trade Based Money Laundering Risk Management Policy & Guidelines

December, 2025

Prime Bank

AML & CFT Divsion, Prime Bank PLC. Head Office

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LIST OF ACRONYMS

ADs	Authorized Dealers
AIT	Advance Income Tax
AML	Anti-Money Laundering
APG	Asia Pacific Group on Money Laundering
ATA	Anti-Terrorism Act
BAFT	Bankers Association for Finance and Trade
BASIS	Bangladesh Association of Software and Information Services
BB	Bangladesh Bank
BCSIR	Bangladesh Council for Scientific and Industrial Research
BE	Bill of Entry
BEPZA	Bangladesh Export Processing Zone Authority
BEZA	Bangladesh Economic Zone Authority
BFIU	Bangladesh Financial Intelligence Unit
BIDA	Bangladesh Investment Development Authority
BL	Bill of Lading
BTB	Back to Back
BUET	Bangladesh University of Engineering and Technology
C&F	Clearing and Forwarding
CAMLCO	Chief Anti-Money Laundering Compliance Officer
CCC	Central Compliance Committee
CCI&E	Chief Controller of Import and Export
CDD	Customer Due Diligence
CFR	Cost and Freight
CFT	Combating Financing of Terrorism
CI	Commercial Invoice
EDD	Enhanced Due Diligence
EDF EPZ	Exporters' Development Fund Processing Zone
ERC	Export Registration Certificate
ERQ	Exporters Retention Quota
EZ	Economic Zone
FATF	Financial Action Task Force
FCA	Financial Crime Authority

FE	Foreign Exchange
FERA	Foreign Exchange Regulation Act
FOB	Free on Board
GFET	Guidelines for Foreign Exchange Transactions
GFI	Global Financial Integrity
IMP Form	Import Form
IRC	Import Registration Certificate
IPO	Import Policy Order
LC	Letter of Credit
LCAF	Letter of Credit Authorization Form
LTR	Loans Against Trust Receipt
ML	Money Laundering
MLPA	Money Laundering Prevention Act
MPLR	Money Laundering Prevention Rules
NBR	National Board of Revenue
NPL	Non-performing Loan
OBU	Off-shore Banking Units
OIMS	Online Import Monitoring System
PEZ	Private Economic Zone
PF	Proliferation Financing
PI	Proforma Invoice
PSI	Pre Shipment Inspection
RBA	Risk Based Approach
SAR	Suspicious Activity Report
SBLC	Standby Letter of Credit
STR	Suspicious Transaction Report
TF	Terrorist Financing
TBML	Trade Based Money Laundering
TMD	Treasury Management Division/Department
TTP	Trade Transaction Profile
TTI	Total Tax Incidence
USD	US Dollar

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INTRODUCTION & TBML POLICY STATEMENT OF PRIME BANK PLC.

TBML RISK MANAGEMENT GUIDELINE:

TBML Risk Management Guidelines have been formulated for the development of AML/CFT control framework that is appropriate and proportionate to TBML risks that Prime Bank as a Financial Institution may reasonably face. This implies that the TBML risk assessment identify and includes all known risks considering the complexity of operations, customer types, product and services, distribution channel and jurisdiction, Foreign Exchange Guidelines and other perspective as well as the policy and strategy to mitigate and prevent those risks. The resulting risk ratings influence the manner in which and the degree to which should be mitigated and managed.

POLICY ISSUES AND INTRODUCTORY:

In line with the embedding Core Risk Management culture across the banking sector, Prime Bank's TBML guidelines named "PBL Trade Based Money Laundering Risk Management & Prevention Guidelines" was approved in its 501st meeting of the Board of Directors held on 18th June 2020.

To accommodate the recent regulatory changes, Prime Bank PLC. has reviewed and updated the existing "Prime Bank Trade Based Money Laundering Risk Management Policy & Guidelines" and circulated among all employees of the bank. The guidelines have been renamed as- "Prime Bank Trade Based Money Laundering Risk Management Policy & Guidelines".

OBJECTIVE OF THE GUIDELINES:

Broad Objective:

To ensure that a system is established within the bank through which Trade Based Money Laundering control is managed and implemented through stringent and appropriate procedures as per BFIU guidelines on prevention of TBML.

Specific Objective:

Apart from this broad objective, the specific objectives are:

a. To Prevent Trade Based Money Laundering through banking channels.

b. To Ensure the implementation of required provisions of Acts, Rules and Instructions & Directives of BFIU;

c. To prevent Bank's products or services from being used as a channel for TBML;

d. To build awareness on the importance of TBML prevention among all employees, members of the Board of Directors, owners and customers of Bank.

e. To prevent damage to the Prime Bank's name and reputation by preventing illicit outflow through International Trade.

f. To assist regulators/law enforcement agencies in their efforts to investigate and track money launderers & terrorist financers.

SCOPE OF THE GUIDELINES:

This policy sets out:

a. The obligations of Prime Bank with respect to the requirements imposed under the MLPA-2012 (including all amendments -2015), ATA-2009 (including all amendments -2012 & 2013), BFIU ML & TF Risk Management Guidelines, MLP Rules-2019, BFIU Master Circular-26, BFIU Guidelines for Prevention of Trade Based Money Laundering-2019; Guidelines for Foreign Exchange Transactions(GFET), 2018; Import Policy Order 2021-24 along with other instructions & directives of BFIU;

b. Requirements imposed on implementing a comprehensive risk-based approach in managing TBML risks; and

c. Roles & Responsibilities of the Trade Services Division and relevant stakeholders.

COMPLIANCE POLICY STATEMENTS:

a. That in order to protect Bank's reputation and to meet its legal and regulatory obligations, it is essential that Prime Bank shall minimize the risk of being used by Money Launderers & terrorist financiers. With that end in view, it will be an obligatory responsibility for all employees and management of the Bank to realize and combat the situation on these critical risk issues of ML, TF & PF and TBML.

b. That Keeping the AML & CFT issues in mind, Prime Bank has developed a written AML & CFT compliance program duly approved by the Board of Directors that ensures and monitors compliance with the Acts, Rules & BFIU directives including record keeping and reporting requirements;

c. That the written AML&CFT compliance program establish clear line of responsibilities, accountabilities & reporting within the organization to ensure that policies, procedures, and controls are introduced and maintained which can deter criminals from using our facilities for money laundering and the financing of terrorist activities, thus ensuring that we comply with our obligations under the law;

d. That the program is tailored to our bank and are based upon an assessment of the Trade Based Money Laundering risks, taking into account the bank's business structure and factors such as its size, location, activities, Trade Operation system and risks or vulnerabilities to money laundering and terrorist financing.

e. That it also includes a description of the roles the officials of Trade and relevant divisions and other appropriate personnel who will play significant roles in monitoring compliance and effectiveness of TBML policies and procedures.

f. That it includes landscape of TBML in Bangladesh and Risk based approach for TBML controls to prevent illicit outflow through trade products and operations.

g. Formulation and review of this policy will be initiated by CCC as and when required, while period between successive reviews shall not exceed three years.

h. That it is the responsibility of every employee to protect the institution from exploitation by money launderers and terrorist financiers and officials will be held responsible for non-compliance with the applicable laws and the institution's policy including the criminal, civil and disciplinary penalties and reputational harm that may result from any bank with money laundering and terrorist financing activity.

i. That it is the responsibility of every individual to become familiar with the rules and regulations that relate to his or her assignment. Ignorance of the rules and regulations is no excuse for non-compliance.

j. That Prime Bank will support government, law enforcement agencies and BFIU in their efforts to combat the use of the financial system for the laundering of the proceeds of crime or the movement of funds for criminal purposes.

AML & CFT POLICY MANAGEMENT:

a. CAMLCO/DCAMLCO is the authority to explain sense and sentiment of the policy. In case any ambiguity developed due to English version of the BFIU Circulars, original Bangla text to be considered. Laws of the land are to be considered superior to any policy and process of any bank and that of central bank. However, in case of any unintentional contradiction prevails or developed in future, international standards and laws and regulations adopted by the Government of Bangladesh and all relevant laws of land in force of Bangladesh, directives & guidelines of Bangladesh Financial Intelligence Unit (BFIU) shall prevail.

b. CAMLCO/DCAMLCO shall be the custodian of the policy. AML & CFT Division will coordinate the review and upgradation process of policy in conjunction with Central Compliance Committee (CCC).

c. This policy shall be applicable across Prime Bank & its' both local and foreign branches and subsidiaries. Bank will ensure the comply of all the rules and regulations stipulated in MLPA-2012 (including all amendments in 2015), ATA-2009 (including all amendments in 2012 & 2013) by its foreign branches and subsidiaries. In case of any failure and inability of complying such rules and regulations, foreign branches and subsidiaries should inform to CCC or AML & CFT Division according to BFIU Circular No. 26 dated 16-06-2020.

d. As per instruction & directives of BFIU, Prime Bank has prepared its own guidelines approved by the Board of Directors to prevent Trade Based Money Laundering. Accordingly, change of guidelines is to be approved by the Board of Directors of Bank. MD's approval suffices the changes of guidelines as recommended by CAMLCO/CCC, which to be ratified by Board of Prime bank within 180 days of such approval.

e. Formulation and review of this guidelines based on legal/regulatory or business/operational changes should be reviewed & updated at a reasonable time or time-to-time which will be initiated by CCC, otherwise, the guidelines should be reviewed annually.

Chapter 01

AN OVERVIEW ON TRADE PROCESS AND TBML RISKS

1.1 Defining Money Laundering

Money laundering involves taking criminal proceeds and disguising their illegal sources in order to use the funds to perform legal or illegal activities. Simply put, money laundering is the process of making dirty money look clean.

Money laundering can be defined in a number of ways. But the fundamental concept of money laundering is the process by which proceeds from a criminal activity is disguised to conceal their illicit origins. Most countries adopted to the following definition which was delineated in the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988) (the Vienna Convention) and the United Nations Convention Against Transnational Organized Crime (2000) (the Palermo Convention):

- The conversion or transfer of property, knowing that such property is derived from any offense, e.g. drug trafficking, or offenses or from an act of participation in such offense or offenses, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such an offense or offenses to evade the legal consequences of his actions;
- The concealing or disguising the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from an offense or offenses or from an act of participation in such an offense or offenses, and;
- The acquisition, possession or use of property, knowing at the time of receipt that such property was derived from an offense or offenses or from an act of participation in such offense or offenses.

The Financial Action Task Force (FATF), the international standard setter for anti-money laundering (AML) and combating financing of terrorism (CFT) efforts, recommends that money laundering should be criminalized in line with the Vienna Convention and Palermo Convention. Like other countries of the world, Bangladesh has criminalized money laundering in line with those conventions. Moreover, Bangladesh also considers some domestic concerns like 'smuggling of money or property from Bangladesh' in criminalizing money laundering.

Section 2 (v) of Money Laundering Prevention Act (MLPA), 2012 of Bangladesh defines money laundering as follows:

'Money laundering' means —

i. Knowingly moving, converting, or transferring proceeds of crime or property involved in an offence for the following purposes: -

   (1) concealing or disguising the illicit nature, source, location, ownership or control of the proceeds of crime; or

   (2) assisting any person involved in the commission of the predicate offence to evade the legal consequences of such offence;

ii. Smuggling money or property earned through legal or illegal means to a foreign country;

iii. Knowingly transferring or remitting the proceeds of crime to a foreign country or remitting or bringing them into Bangladesh from a foreign country with the intention of hiding or disguising its illegal source; or

iv. Concluding or attempting to conclude financial transactions in such a manner so as to reporting requirement under this Act may be avoided;

v. Converting or moving or transferring property with the intention to instigate or assist for committing a predicate offence;

vi. Acquiring, possessing or using any property, knowing that such property is the proceeds of a predicate offence;

vii. Performing such activities so as to the illegal source of the proceeds of crime may be concealed or disguised;

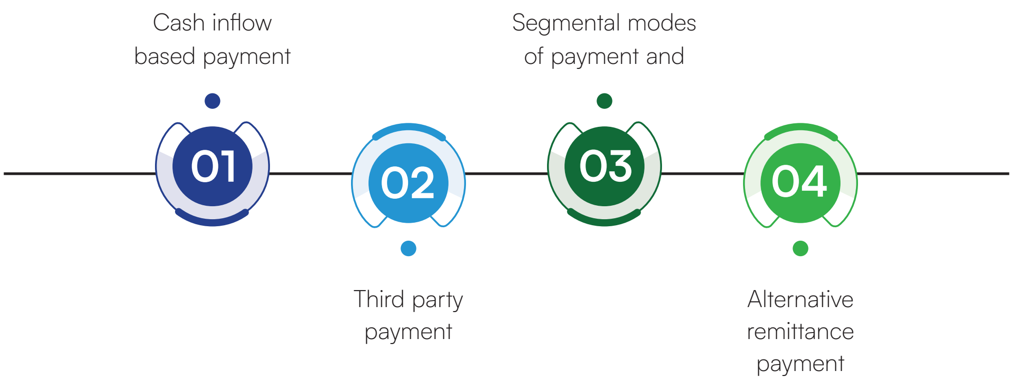
viii. Participating in, associating with, conspiring, attempting, abetting, instigating or counseling to commit any offences mentioned above.

1.2 Defining Trade Based Money Laundering

In 2008 FATF, in its best practice paper, Trade Based Money Laundering has been defined as "The term trade-based money laundering and terrorist financing (TBML/FT) refers to the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimize their illegal origins or finance their activities".

Basic TBML Techniques — refers to the techniques through which money launderers or terrorist financiers usually commits trade based money laundering. According to the Guidance Paper on Combating Trade-based Money Laundering, February 1, 2016, developed by the Hong Kong Association of Banks with input from the Hong Kong Monetary Authority, understanding the commercial purpose of any trade transaction is a key requirement in determining its money laundering risk. The Guidance paper and according to FATF to execute trade-based money laundering the following typology used:

APG (2012) identified additional four techniques of trade-based money laundering as:



1.3 Scope of TBML in Bangladesh:

Generally, criminals use trade finance to obscure the illegal movements of funds through misrepresentation of price, quality or quantity of goods and services. And to do this, in most cases, there might be collusion between the seller and the buyer. The collusion may well arise because both parties are controlled by the same person/entity. The transfer of value in this way may be executed in a number of ways such as Over Invoicing, Under Invoicing, Multiple Invoicing, Short shipment, over shipment, Phantom Shipment, and complicated payment Structure, discount, price changes or without making any payment at all etc. Bangladesh is not an exception in this regard.

1.4 Trade Services of Prime Bank PLC.:

At present all local and foreign trade transactions and services are being operated and controlled centrally by Trade Services Division (TSD). All the customers approaching for trade services/trade finance (import/export/bank guarantee) of all AD and non-AD branches are getting their services by TSD officials. After receiving the approach letter from the branches (on behalf of the customer) or directly from the customers, TSD officials ensures the due diligence and documentations of necessary papers of respective import or export trade before processing the transaction. At this present structure, the TSD officials should have proper knowledge on TBML in both national and international context, bank's exposure to TBML and its own trade controls. In day-to-day trade process TSD officials should be aware of the risk of possible occurrence of TBML and the responsibility of preventing this for safety of bank as well as country.

Against such backdrop, to combat TBML/TF these Guidelines make some recommendations to guide effective control measures; however, they do not modify or supersede any applicable laws, regulations and requirements applicable to Prime Bank. These Guidelines must be read together with the following Laws, Rules, Regulations and Guidelines:

(a) Money Laundering Prevention Act, 2012;

(b) Money Laundering Prevention Rules, 2019;

(c) Anti-Terrorism Act, 2009;

(d) Anti-Terrorism Rules, 2013;

(e) Foreign Exchange Regulations Act, 1947;

(f) Customs Act, 1969;

(g) The Import and Export Control Act, 1950;

(h) Importers, Exporters and Indentors (Registration) Order, 1981;

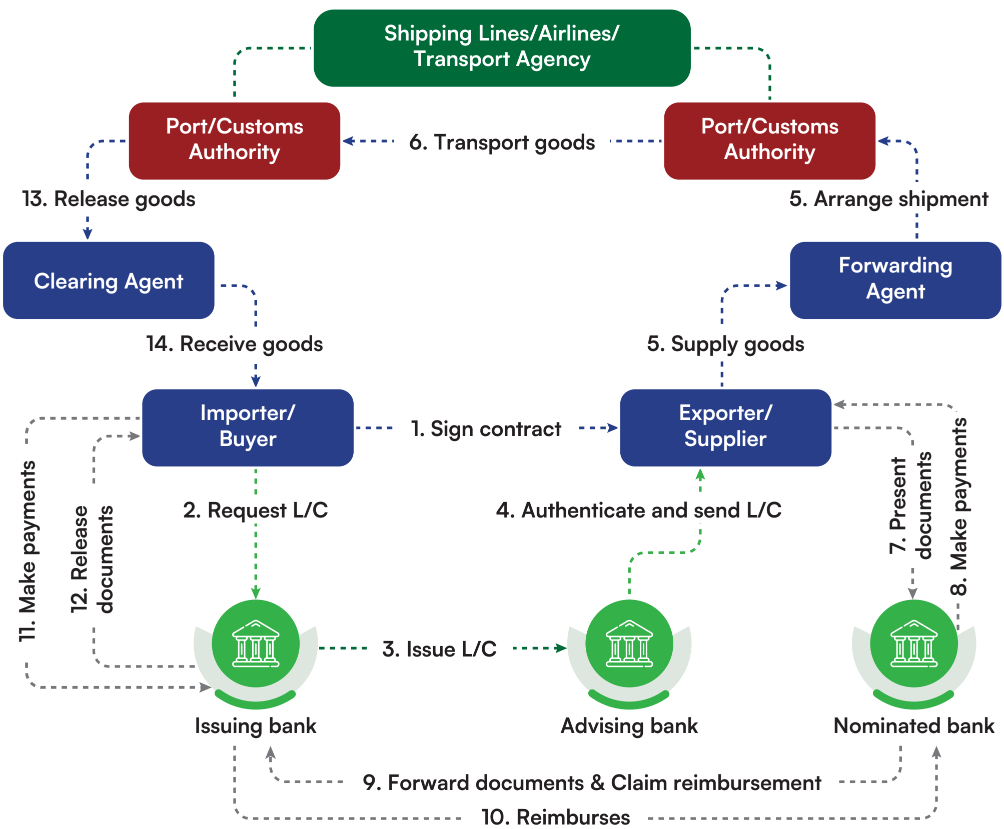
(i) Value Added Tax Act, 1991;

(j) Import Policy Order and Export Policy in force;

(k) Rules, Govt. SROs, Circulars, Circular letters, Guidelines, instructions issued by relevant authorities/regulators.

1.5 The process flow in a documentary credit

Among the trade payment methods mostly followed in Bangladesh are documentary credit and documentary collection. In a documentary credit process, the issuing banks have primary obligations in the transaction. The process flow is as under:



a. The Buyer (importer) and the seller (exporter) furnish sale/purchase contract.

b. The applicant (Buyer) requests the issuing bank to open documentary credit on account of the buyer.

c. The issuing Bank issues the credit in favor of the beneficiary and transmits through the advising bank (usually).

d. The advising bank advises the credit to the beneficiary (Seller).

e. The beneficiary ships the goods, prepares, collects & collates the required documents under the credit and presents to the nominated bank (usually).

f. The nominated bank forwards documents to the issuing bank/confirming bank. Nominated bank can honor/negotiate documents i.e make payments and claim re-imbursement if documents are in order as per LC terms.

g. Issuing bank on receipt of complying presentation and /or obtaining documents effects payment to the beneficiary and/or nominated bank, as the case may be.

h. The applicant releases documents from the issuing bank.

i. The applicant clears the goods from the customs through his appointed clearing agent.

1.6 The process flow in a documentary collection

Under documentary collection, Banks involve in the transaction without incurring its own payment undertaking & the process flow (from exporter perspective) is as under:

a. The Buyer (importer) and the seller (exporter) furnishes sale/purchase contract

b. The principal (exporter) ships the goods & submits documents to the remitting bank

c. The remitting bank sends documents to the collecting bank

d. The collecting bank sends documents to the presenting bank [sometime collecting and presenting bank are same

e. The presenting bank releases documents to the drawee (the importer) as per collection instructions, and

f. The drawee clears the goods from the customs through his appointed clearing agent.

1.7 Products & Services Related to Trade

Though exhaustive list of trade related products and services are not practicable, some indicative examples of products or services that fall within the scope of the Guidelines are:

a) All types of Commercial Documentary Credits

b) All types of Bank Guarantees

c) All types of Standby LCs

d) All types of Bills for Collections

e) Open Account Transactions

f) Cash in Advance

g) All kinds of trade finance and payments

h) Import and export of services and software.

i) Trade finance products (such as factoring, forfeiting, etc.) which do not exist or are not allowed in Bangladesh have not been covered in these guidelines. Before such products are allowed by banks, ML & TF risks of these products be assessed and consulted with BFIU.

1.8 Scope/Definition of Customer

Any person or entity maintaining an account or a business relationship of any type, the beneficial owner of the account or business relationship, the person or entity involved in a financial transaction that may pose reputational or other risk to the institution is a customer. In any single transaction through banking channel, there must be at least two parties involved. Depending on the nature of transaction, there may be engagement of three or more parties in a single transaction. Outside the banking channel, there are also some other intermediaries involved in trade.

1.9 Parties Involved and Their Role in Trade

Many parties actively participate in international trade in various points and they differ from one country to another based on the local regulatory requirements involved in the process. Even the parties involved in import are slightly different from those in export. The major players in import and export business are as follows:

1.9.1 Major Parties and their Role in Import

The importer is the primary player in the import market and other participants have their respective roles. Roles are as under:

a) Buyer and seller furnishes sale/purchase contract.

b) Exporter supplies the goods/services as per the terms agreed in the LC/Contract.

c) Shipping Lines/Airlines/Transport Agency transports the goods from exporter's end to the importer's end.

d) Port Authority is the custodian of the goods till those are released properly.

e) Customs Authority is responsible to assess collect duties-taxes, issue release order for the imported goods and combat trade based money laundering.

f) Clearing Agent acts as the agent of importer to release the goods from the customs.

g) Indenter is the agent of exporter.

1.9.2 Major Parties and their Role in Export

Though the process of export is literally the reverse to the import, some participants change their roles in the process. However, the exporter is obviously the primary player in the market and the other players in the process support export surrounding the primary player. The roles of the parties are as follows:

a. Buyer and seller furnishes sale/purchase contract.

b. LC issuing Bank issues the LC.

c. LC Advising Bank advises the LC to the exporter/supplier.

d. Exporter ships the goods to the importer/buyer or named destination.

e. Forwarding Agent acts as the agent of exporter to arrange shipment of the goods.

f. Shipping Lines/Airlines/Transport Agency transports the goods from supplier's end to the buyer's end.

g. Exporter prepares, collects and submits docs to bank.

h. LC issuing bank makes payment to the exporter as per the terms agreed in the LC.

i. Port Authority is the custodian of the goods.

j. Customs Authority is responsible to assess, collect duties-taxes and allow goods to export from exporting country and permits goods to release.

k. LC Nominated Bank honors/negotiates/prepays/purchases/discounts the documents.

l. Indenter is here the agent of buyer.

1.9.3 Instructing Parties

In a trade finance transaction, banks are not always involved into transactions at the request or instruction from its own customer. In addition to bank's own customer, the instructing party may be, for example, but not limited to:

For	Instructing party	Commercial Bank's role as instructed party
Documentary Credit	Issuing Bank	Advising Bank, Nominated Bank, Confirming Bank, Transferring Bank
	Advising Bank	2nd Advising Bank
Documentary Collection	Remitting Bank	Collecting and/or presenting bank [if collecting bank and presenting bank are the same]
	Collecting Bank	Presenting Bank, [if collecting bank and presenting bank are not the same]
Cash in Advance	Ordering Customer/ institution	Inward remittance receiving bank
Guarantee backed by counter guarantee including standby LC	Counter guarantor/ Issuer/ Guarantor	Guarantor, Advisor, Confirmer, Nominated person etc.

1.9.4 Counter Parties

There must be at least one counter party in a trade finance transaction. Counter party may be for instances but not limited to as under:

For	Counter Parties
Documentary Credit	Issuing Bank, Nominated Bank, Confirming Bank, Advising Bank, 2nd Advising Bank, Beneficiary, and Applicant etc.
Documentary Collection	Principal, Remitting bank, Collecting bank, Presenting bank, Drawee etc.
Cash in Advance	Ordering Institution, Customer, Exporter etc.
Guarantee/Standby LC	Issuer, Counter guarantor, confirmer, guarantor etc. Counter parties in trade finance transaction can be broadly categorizes in two forms: • Banks or financial institutions • Any party other than banks or financial institutions

Depending on the risk and vulnerabilities of the instructing and counter parties mentioned above, banks shall frame their detailed due diligence measures in line with this guidelines, relevant BFIU circulars, local regulations and international best practices.

1.9.5 Related Parties to Trade

In order to execute a trade transaction, there are inherently more parties involved other than buyer and seller. For the purpose of this guideline, those parties are called "related parties to trade". "Related parties to trade" include traders, brokers, shipper/consignor, notify parties, shipping lines, freight forwarders etc. Reasonable due diligence measures (i.e. sanction screening/adverse media screening etc.), at least on TBML alerted transactions in a risk based approach, should be conducted on "related party to trade" as well.

1.10 Trade of Services

Lion share of trade is backed by underlying goods, however, trade of service items such as software, data entry, repair/renovation/refilled/overhauling, transporting, carrying, delivering etc. is also on the rise. Service import and export therefore should be dealt with adequate due diligence as scope and vulnerability of service items to TBML is increasing day by day. All the documents and invoices should be verified and checked whether the competitive price of the service has been quoted or not. In software and service trade, certificate issued by BASIS and documents evidencing customs assessment and payment of duties and taxes will not be enough. Genuineness and reliability of the importer and supplier should be ensured so that transactions arising out of such arrangement may not pose ML, TF and PF threats.

Chapter 02

LANDSCAPE OF TRADE BASED MONEY LAUNDERING IN BANGLADESH

2.1 Introduction

This chapter provides an overview of trade based money laundering in Bangladesh. In particular, the chapter highlights on regulatory framework as well as the scope and vulnerabilities of Bangladesh trade. As this global offence of trade based money laundering differs in extent and mechanism from country to country, this chapter will guide PBL Trade Services Division(TSD) along with other related divisions towards adopting proper mitigation measures based on Bangladesh's experience in trade based money laundering.

2.2 Regulatory Framework Governing Bangladesh Trade

Several Acts, regulations and instructions from competent authorities form the regulatory framework of trade services in Bangladesh. The Foreign Exchange Regulation Act, 1947 lays the foundation of regulatory framework by which the Bangladesh trade is mostly governed. The Import and Export Control Act, 1950 controls the import and export of goods to and from Bangladesh, while the Customs Act, 1969 defines the operational customs procedures of import and export in Bangladesh. The Bangladesh Bank Order, 1972 empowers Bangladesh Bank (BB) as the Central Bank of the country to formulate and implement intervention policies in the foreign exchange market and to hold and manage the official foreign reserves of Bangladesh. The Importers, Exporters and Indentors (Registration) Order, 1981 empowers the Chief Controller of Import and Export (CCI&E) to issue license as Import Registration Certificate (IRC), Export Registration Certificate (ERC), Import Permit (IP) and Export Permit (EP) to importer and exporter of Bangladesh to perform trade. The Government of Bangladesh formulates import and export policy for the country namely the Import Policy Order (IPO) and the Export Policy for a three year period. BEPZA, BEZA, EZ and PEZ regulations regulate the import and export of Special Economic Zones. Various Ministries, Departments and Divisions of Govt. import against permission of these authorities. Apart from these, BB issues instructions under FERA in the form of FE circulars and FE circular letters from time to time to regulate foreign exchange market of the country. Guidelines for Foreign Exchange Transactions (GFET) summarizes all the instructions issued for authorized dealers (ADs) and money changers. These local regulations primarily construct the regulatory framework of Bangladesh.

Since trade involves extra-territorial parties, some international rules, regulations and practices are also part of the broader regulatory framework. Notable of them are regulations designed by the General Agreement on Tariffs and Trade (GATT), Uniform Customs and Practice for Documentary Credits (UCPDC-600), Uniform Rules for Bank-to-Bank Reimbursements under Documentary Credits (URR- 725), Uniform Rules for Collections (URC-522), International Standard Banking Practices (ISBP-745), (ISBP-821), International Standard Practices (ISP-98), Uniform Rules for Documentary Guarantee (URDG-758), Guarantees issued under applicable law and Incoterms-2020. It is to be noted that the local regulations generally prevail over the international ones.

2.3 Regulatory Framework in Combating TBML in Bangladesh

Money Laundering Prevention Act, 2012: As per section 2 (v) (ii) of Money Laundering Prevention Act, 2012 smuggling of money or property is money laundering while section 2 (a) of the Act defines "smuggling of money or property" as-

i) transfer or holding money or property outside the country in breach of the existing laws in the country; or

ii) refrain from repatriating money or property from abroad in which Bangladesh has an interest and was due to be repatriated; or

iii) not bringing into the country the actual dues from a foreign country, or paying to foreign country in excess of the actual dues;

It can be easily comprehended that in Bangladesh context, international trade is one of the avenues abusing which smuggling of money or property and illicit outflow can take place.

As per the Act, however, any person who commits or abets or conspires to commit the offense of money laundering is liable to be punished for minimum 4 years and maximum 12 years of imprisonment, in addition to that a fine equivalent to twice the value of the property involved in the offence or BDT 1 million whichever is higher shall be imposed. The punishment for an entity in this regard is a fine of not less than twice the value of the property or BDT 2 million whichever is higher; in addition to that license is also liable to be cancelled.

The law of the land, therefore, prohibits smuggling of money or property in the strictest term and provides stringent punishment for the offence. Despite such stringent legal provisions Banks may willingly or inadvertently become vulnerable to this offence.

Furthermore, Guidelines for Foreign Exchange Transactions (GFET) and Import Policy Order have made specific mandatory requirement for ensuring pricing competiveness prior to any international trade transactions:

Import Policy Order 2021-2024: Chapter 2 "General Provisions for Import", Section 5(4) "Import at competitive rate":

- Import shall be made at the most competitive rate and it is obligatory for the importers, at any time, to submit documents to Import Control Authority regarding the price paid or to be paid by them;
- In case of import under Untied Commodity Aid in the private sector, goods shall be imported at the most competitive rate by obtaining quotations from at least three suppliers or indentors representing at least two source countries.
- For import at the most competitive rate by the public sector importers, quotations have to be invited before opening letter of credit, and goods shall be imported at the most competitive price.

Guidelines for foreign Exchange transactions (GFET), 2018: volume-1

Chapter 7, Para 20: "Verification of import price etc."

"Before opening of LC, the AD shall have to take usual and reasonable cautionary measures to ensure that both the exporter and importer are bonafide business person of the goods concerned, the exporting country is the usual exporter of the goods concerned and the price of the goods concerned is competitive in terms of prevailing price in the international market on the date of contract and/or similar imports in contemporary period. ADs are advised to verify the above, if needed, with the help of concerned Bangladesh Mission abroad."

Chapter 8, Para 7 "Certification of EXP forms by ADs":

(b) In order to avoid any loss of foreign exchange to the country, ADs shall not certify any EXP form unless they have satisfied themselves with regard to the followings: (iv) Bonafides of the buyers/consignees abroad and their credentials etc. where necessary, ADs should make discreet enquiries in this regard through their correspondents abroad etc., greater care should be taken particularly in cases of shipments against contract alone and shipments on CAD/DA basis. Where ADs doubt the bonafides and standing of the buyers/consignees abroad or where owing to common interest or otherwise they suspect collusion with the intent of' delaying or avoiding repatriation of export proceeds ADs should report such cases promptly to Bangladesh Bank. Similarly, ADs should report to Bangladesh Bank cases where it comes to their knowledge that the exporters are directly or indirectly connected with or have any financial or other interest in the buyer/consignee abroad. Where felt necessary, discreet enquiry about the bonafides and credentials of the charter party should also be made in case the shipment is to be against a charter party Bill of Lading so as to avoid loss of cargo/foreign exchange. These are only few examples of regulatory instructions. In fact, there are many other regulatory instructions relevant to combating TBML.

2.4 Scope of TBML in International Trade

Generally, criminals use trade finance to obscure the illegal movement of funds through misrepresentation of price, quality and/or quantity of goods and services. And to do this, in most cases, there might be collusion between the seller and the buyer. The collusion may well arise as both parties could be controlled by the same person/entity. The transfer of value in this way may be executed in a number of ways such as Over Invoicing, Under Invoicing, Multiple Invoicing, Short shipment, Over Shipment, Phantom Shipment, and Complicated Payment Structure, discount, price changes, freight charges or without making any payment at all etc. Bangladesh is not an exception in this regard. However, some of the vulnerabilities are given below.

2.4.1 Import Procedure and Some Avenues for TBML in Bangladesh

1. Import procedure in Bangladesh generally begins by obtaining an Importer Registration Certificate (IRC) from the Office of the Chief Controller of Import and Export (CCI&E) under the Importers, Exporters and Indentors (registration) Order, 1981. According to this Order, an importer can get one IRC for commercial and one for Industrial import. Importers may take the opportunity to have more than one IRC to use one in TBML as throughout the import procedure and reporting of the transactions importers are identified through IRCs not through their names. Moreover, family members of a trader having same business address may obtain IRCs and abuse them to commit TBML.

2. Valid Proforma invoice/ sales contract/ indent along with proper description of goods, individual HS codes, unit price, trade terms therein are mandatory for importation. After submission of Primary Import Information (PII) as circulated by FE Circular Letter no. 10 Dated 18 Sep 2023, importers are allowed to open/issue LC/Import without LC by the ADs. On the basis of the LC/Import without LC declaring on IMP by the importers ADs can sale/make payment of LC/Import without LC. Though importers are strictly prohibited from making payment in excess of PII value, sometimes abusing FC/ ERQ accounts or other means, they pay more than the value of the PII or of Expired value and thus facilitate TBML.

3. Major portion of imported goods are imported on CFR basis in Bangladesh where freight charges are invoiced to the importer. In some cases it has been found that freight charges reached several times of the FOB value. In fact, freight and other charges can also be a medium of TBML.

4. Value of goods to be imported can be medium of TBML as value can be quoted less than the actual price (Under invoicing) of the goods with a deliberate intention to evade import duties and taxes. Generally, most of the amount of under invoiced import is paid through hundi or hawala. Evasion of taxes and duties i.e. custom related offenses is the predicate offence of ML in Bangladesh according to MLPA, 2012. On the other hand, capital machinery and raw materials (of which import duties are lower) can be imported quoting more than the actual price (Over invoicing) of goods as a medium of TBML.

5. Banks are responsible to make payment against the import documents if found in order and no discrepancy arises. Yet, documents can be received directly by the importer and the goods can be released from the customs. In that case, banks may make payment based on the customs certified bill of entry (BE) submitted by the importer. This practice takes place while releasing goods with copy documents. TBML can occur in these situations as there are opportunities to fabricate the import documents and related BE by the malafide importer.

6. Banks are permitted to make advance payment against import without prior approval of BB based on a repayment guarantee from a bank abroad. This guarantee is not needed for remittance up to USD 10,000 (and USD 25,000 from ERQ accounts). Moreover, fabricated/fake/false bank guarantee can create a scope of TBML through payment of advance remittance against import.

7. After making payment against the goods to be imported, importers are liable either to import the goods or to bring back the amount remitted in proper banking channel (Article 4(3), FERA, 1947). BB marks out the duration of the process 4 months after the date of making payment. Failure to transport the goods within the prescribed duration makes the related Bill of Entry (BE) overdue and no importer can get any import facility (opening LC/making advance payment, or enhancement of existing LC/ Contract value) from any bank in Bangladesh having overdue BE against any of its previous import without the prior approval of BB. Importers may take the opportunity to surrender the IRC (intended to avoid the import liability and also to be involved in TBML) against which BE is being overdue and get another IRC for a fresh start.

8. The incidence of loss or damage of the goods-in-transit or before release as well as cancellation of shipment may be used as a medium of TBML. Compensation against the damaged goods or return of the remittance against cancelled shipment can be received from sources/third parties directly not related to the exporter of the goods. Again, loss of goods before release from the customs can be concocted (intended to evade tax and commit capital flight) to get the insurance claim and get waiver from submission of the BE.

9. The ADs are allowed to open back-to-back (BTB) import LCs against export LCs operating under the bonded warehouse system, subject to observance of domestic value addition requirement. Misuse of the bonded warehouse facility (intended to evade tax) by selling the imported goods to the local market can also be an example of TBML in import. Again, BTB LCs opened against arranged/fake master LCs can also be used in TBML where no export occurs showing some 'valid' reasons though raw materials imported duly against the BTB LCs.

10. ADs are allowed to open deferred (Under Chapter 7, Para 33(a) of GFET, 2018), or usance basis L/C. As there are instances and vulnerabilities of abuse of suppliers' and buyers' credit, utmost care should be given to those payments where payments are settled through buyers' credit or suppliers' credit.

11. Exporters are allowed to export on CMT (Cutting, Making and Trimming) basis as well as to import the raw materials on Free of Cost (FOC) basis. Since this FOC import does not require any bank endorsement and there is no matching of bill of entry with the value, customers can manipulate the FOC items.

12. Import of non-physical goods (software and others) can be a medium of TBML as keeping track of import process of such non-physical goods is difficult for any reporting/regulatory agency.

13. Import Policy Order allows actual users to import up to a certain limit (USD 7,000.00 per year) for their personal consumption. As AD banks have no control to monitor this limit through any system individuals might import through different ADs exceeding the limit and sell them commercially to the market illegally.

14. Consumers can purchase goods online by making payment through international credit or debit cards or unused portion of Travel Quota and later receive goods through courier. Criminal proceeds might be transferred through this online payment.

2.4.2 Export Procedure and Some Avenues for TBML in Bangladesh

1. Export procedure in Bangladesh generally starts with obtaining Exporter Registration Certificate (ERC) from the CCI&E under the Importers, Exporters and Indentors (registration) Order, 1981. According to the order, an exporter can get only one ERC for export. Exporters may take the opportunity to have more than one ERC to use one in TBML, as throughout the export procedure and reporting of the transactions, exporters are identified through ERCs not through their names.

2. Value of goods to be exported can be a medium of TBML as value can be quoted less than the actual price (under invoicing) of the goods intended to siphon money abroad.

3. After shipment of the goods for export, exporters are liable to repatriate export proceeds in full (Section 12 of FERA, 1947). BB marks out the duration of the repatriation of export proceeds within 4 months after the date of shipment. Failure to receive the full export proceeds within the prescribed duration makes the related Export Bill overdue. Exporter can be out of track having huge amount of overdue export bills intended to commit money laundering through export.

4. Commission, brokerage fee or other trade charges to be paid to foreign importers/agents (of which up to 5% ADs can allow) may also sometimes be abused for TBML.

5. Payments in Foreign Exchange may be made through international cards (debit/credit/prepaid etc.) which are categorically mentioned in Chapter 19 of GFET, 2018. ADs should meticulously monitor the issuance and end-use of those cards.

6. Partial drawing of export bill/Advance Receipt against export can be abused for TBML. It is the responsibility of the ADs to follow up each such case and to ensure that the balance amount is also realized within the prescribed period.

7. Shutting out of a shipment by a particular vessel and re-shipment in another vessel should be checked. This is because there are opportunities of TBML as transshipment through one or more jurisdictions for no apparent economic reason is suspicious.

8. The incidence of loss or damage of the exported goods in-transit or before release as well as cancellation of shipment (for which payment has not already been received) may be used as a medium of TBML. Compensation against the damaged goods can be received from other sources/third parties directly not related to the importer of the goods.

9. Export of non-physical goods (software and others) can be a medium of TBML as keeping track of the export process of the non-physical goods is difficult for any reporting/regulatory agency.

10. Buying House Arrangement/Buyer Nominated Supplier Arrangement can be a medium of TBML. Shipment of goods can illicitly be delayed by the buying houses through 'arranged game' for getting discount on the exported value. Again, buyer nominated supplier can quote higher price for the raw materials and thus money laundering can take place.

11. Transaction in large volume through other than banking channel such as exchange house etc. is vulnerable to TBML.

12. In the name of export proceeds wage earners' remittance may be brought into Bangladesh to claim cash incentives.

13. Inward remittance may be brought from the countries where Bangladeshis have direct/indirect business and cash incentive may be claimed.

14. ADs are allowed to discount the usance bill (para 25, chapter 8). ADs should take utmost care while discounting or purchasing foreign documentary export bills.

2.5 Remittance of Royalty, Technical Assistance Fees etc.

Under Section 18 of Bangladesh Investment Development Authority Act, 2016, approved industrial enterprises shall have to take approval from Bangladesh Investment Development Authority (BIDA) and other competent authorities for payment of royalty, technical knowhow, operational service fees, management fees, and technical assistance and franchise fees.

Vulnerabilities:

While making remittance of royalty and other technical fees, banks may expose them to money laundering by not conducting due diligence under the following conditions:

a) Ambiguous agreement/contract between local company and technical service provider;

b) Auditor's certificates regarding net remittable amount;

c) Suspicion remains about the genuineness of the papers (copies of the royalty/technical assistance agreements, documentary evidences); and

d) Lack of adequate due diligence on the underlying trade.

Adequate measures should be taken to combat TBML in this case and instructions contained in para 26, 27 & 28 of chapter 10 of GFET, 2018 should be followed meticulously when such remittances are executed.

2.6 Some Avenues for TBML through OBUs, EPZs, EZs and PEZs in Bangladesh

Trade finance through OBUs and different mode of international trade practised in the EPZs, EZs, PEZs are sometimes abused for TBML. As OBUs can borrow funds from banks and FIs from both home and abroad they are more vulnerable to TBML. It can provide finance facilities against purchase/supply order, corporate guarantee, personal guarantee of the directors of company etc with borrowed fund. However, recovery of the fund may not be possible due to lack of verification of the authenticity of the documents, willful default of the borrowers and poor or biased customer risk assessment. In such cases Bangladeshi nationals can also siphon money if they have beneficial ownership or control on the company in whose favor the financing facilities are provided.

In case of companies in Special Economic Zones, directors' liabilities are limited by shares. When the company falls into trouble due to taking more exposure through more foreign/local loan or trade gap, they may transfer, sell or even wind up the company keeping the outstanding liabilities in Bangladesh. The situation arises sometimes that the company makes payment for import without entry of the goods, or export is done but the proceeds are not realized. Keeping these liabilities pending owners/directors transfer, sell or wind up the company and leave the country. Bankers should provide proper information to regulators in time before winding up of these companies. Bankers should apply enhanced due diligence while providing trade and other services to these companies of Economic Zones.

In Bangladesh context letter of credit is safe compared to other mode of trade (such as Open Account, Cash in Advance etc) in TBML perspective. However, it is also undeniable that TBML risk may arise under LC if the LC is between parent and affiliates or if the trade is just an arranged game.

Because of this, TBML risk mitigation measures here need to be stringent, otherwise trade should be facilitated by banks through LC applying adequate due diligence only.

As banking sector of the country is more vulnerable to TBML, Trade Officers should remain familiar with the different methods that may be abused for TBML. To get further insight, some case studies in Bangladesh context are discussed in Appendix A.

2.7 Key Challenges and Difficulties in Preventing Trade Based Money Laundering in Bangladesh

a) Price Verification for Financial Crime Control

As discussed in 2.3 according to Import Policy Order, importers are obligated to import goods at competitive prices. TSD and TBD/Business RM are also advised in the GFET, 2018 to take usual and reasonable cautionary measures to ensure that the price of the goods concerned is competitive in terms of prevailing price in the international market on the date of contract and/or similar imports in contemporary period. They are also advised to verify the above, if needed, with the help of concerned Bangladesh Mission abroad. Due to lack of relevant business information, such as the terms of business relationship, volume, discounting or specific quality, or feature, specifications of goods involved, Trade Officials/TBD/Business RM have to be cautious in making meaningful determinations about the appropriateness of the unit price. Moreover, many products are not traded in public markets and their market prices are also not publicly available. Even where goods are publicly traded, the current prices may not reflect the agreed price used in any contract of sale or purchase and these details will not usually be available to the banks involved due to competitive sensitivity of such information.

b) Transfer Pricing

Transfer pricing is a related party transaction commonly used by transnational corporation as part of their financial and tax planning strategy. Multinational organizations use transfer pricing to shift taxable income from jurisdictions with relatively high tax rates to jurisdictions with relatively low tax rates to minimize income tax. Similar strategies are also employed in relation to import duties and value added tax. TBML can occur when international trade is abused for transfer pricing. This poses a significant challenge which needs to be overcome.

c) Limited Skilled Manpower

Performing the foreign exchange activities involves proper communication with the client, various banks of the country as well as abroad. A single error may cost thousands of dollars. In Bangladesh there are limited skilled manpower who are able to understand and handle the foreign exchange dealings very well. As such, skill development through proper training is a must to address TBML risk.

d) Extreme Competition:

Unhealthy competition is driving bankers to constantly hunt for aggressive business and profit target. Thus, working under pressure of such target combined with the fear of losing customers and presence of other competitor banks officials sometimes ignore minor trade related due diligence which makes the bank a victim to TBML. Unhealthy competition poses a challenge to combating TBML.

e) Absence of Co-ordination

Absence of coordination is also one of the major challenges in combating TBML. A coordinated Risk Management Unit/Division in combination of all concerned agencies may be formed to ensure co-ordination & concerted efforts. Besides, National Board of Revenue (specially the Valuations and Audit unit)/, Customs and Bangladesh Banks may also work to assess the value of the imported or exported goods/commodities/services. Arrangements may be in place so that customs authority and banks may be aware through mutual information sharing mechanism when there is abnormal increase in the number and value of LC of a particular company/firm etc., risky import of goods such as Reconditioned Capital Machinery, Software, Chemicals where complexity exists in determining price and description of the products, cases where importer and exporter are related, when import and export goods are inconsistent with the nature of trade of the customer, inconsistency in price exists, when an LC is frequently amended, where beneficiary desires payment in third country or party, when Bill of Lading does not mention container number, does not bear invoice number, where miscellaneous charges such as freight, lading charge etc. are abnormal etc.

f) Absence of Management Information Systems (MIS) and a Central Data Base

Lack of MIS and a central data base or uniform price list of various commodities is also a hindrance to preventing under invoicing and over-invoicing by those engaged in trade operations.

g) Duty/Tax structure

At times, bankers disagree with the quoted price in the Proforma Invoice (PI), because they fail to match the given price which is sometimes far away from the actual price of the commodity in the international market. In some items of imports importers may quote higher price in line with customs' rate of duty even though the price may be less than the price mentioned in NBR's minimum price list1. Though there is no scope of tax/VAT evasion against such imports, it may be abused for TBML.

The Challenges and difficulties faced by the sector and the specific trend of trade based money laundering in Bangladesh indicates the challenging task the banks have to accomplish to protect themselves from this financial crime. The next chapters, therefore, highlight the risk based framework and trade controls that PBL should establish to combat trade based money laundering effectively.

Chapter 03

RISK BASED APPROACH AND TBML CONTROL MECHANISM OF PRIME BANK PLC.

3.1 Introduction

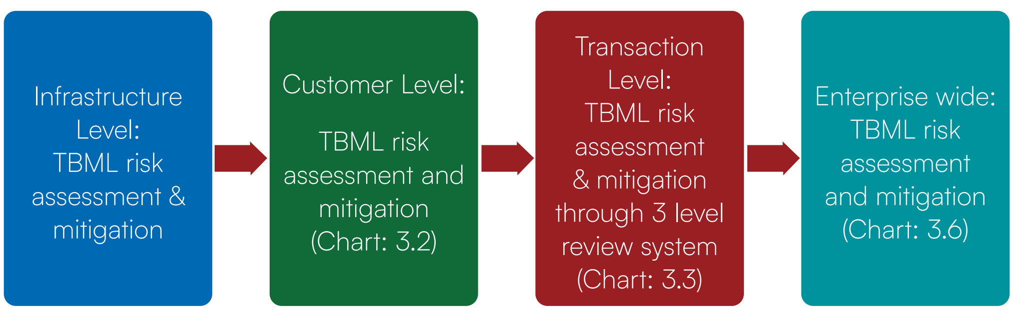
Chapter 1 introduces customers, products, parties, instructing parties, counter parties etc. related to international trade. Chapter 2 presents legal framework, trend, typology, key challenges and difficulties in preventing TBML risk in Bangladesh. However, adequate risk based controls are essential to address trade based money laundering risks. The entire trade services and trade operations of Bank are being controlled and functioned centrally. The Trade Services Division (TSD) is designed and fully authorized to deal with all the trade operations of the Bank. TSD will introduce SOP approved by the senior Management of the Bank depicting all the procedure of dealing Trade (Import and Export) and disseminating the role and responsibilities of the Trade officials. To facilitate smooth operations and to ensure best services to all the trade customers countrywide, there are Two TSD-hubs in different locations of the country under uniform Standard operating procedure (SOP). One in Dhaka (Dhaka-Hub) and the other in Chattogram (Ctg. Hub).

In this chapter, the policies and procedures to assess and mitigate trade based money laundering /terrorist financing risks arising from the trade related customers and activities will be discussed.

3.2 Prime Bank Risk Assessment & Mitigation Mechanism on TBML

Trade based Money Laundering risk may arise and affect due to inadequate infrastructure of the bank, inaccurate assessment of the customer before on board, poor identification and handling of TBML alert while conducting trade transaction by the officials concerned and; overall failure of the bank to address the risk at the enterprise or institute level. To mitigate such risks Prime Bank has established TBML risk assessment and mitigation at infrastructure level, customer level, transaction level and at enterprise level as shown in the flowchart below.

Chart 3.1: TBML Risk Assessment & Mitigation Mechanism



3.2.1 Infrastructure Level Risk Assessment

The followings are indicative that PBL should establish to combat TBML:

- Standard Sanction screening process: To mitigate risk arising out of flouting International Sanctions and implementing Global best practices on sanction screening, PBL has made an agreement with Dow Jones to collect Global Sanction List, data of Politically Exposed Persons (PEPs) & Other Official list and online User subscription as well.

DOW JONES data in Prime Bank's existing automated Sanction Screening tool (AST) has already been implemented. All the customers are screened through sanctions screening solution during on-boarding and periodically (monthly). In addition, all the inward & outward cross border transactions made through SWIFT are being screened in real time automatically while transmitting. TSD officials are advised to check in the system manually all the parties including Vessel and port involved in trade before initiating any transaction. Following screening will be executed in a regular manner :

- Name screening
- Payment screening
- Trade activity screening
- IP Screening
- Adverse media screening
- PEPS Screening

⇨ Own database based on transactions: The fair price analysis tools for trade operations based on the existing trade data of TEMENOS T24/MIS dashboard has been developed (import data) with the assistance of IT I & P, TSD, and other trade related divisions of the bank. Export data will be checked from OEMS (Online Export Monitoring System) of Bangladesh Bank Reporting dashboard. TSD officials will search the price of goods or services which has already been traded (preferably 01-02 years' data) by other customers of the Bank from this tools to analyze the price in addition to other external sources for cross checking.

⇨ Global Trade Tracker (GTT) and other external sources: GTT provides worldwide customs data for commodity based on incoterm and HS code for specific importing country/ exporting country. The price provides on an average basis. It can be based on Month wise/ year wise data of that particular HS code for the country. Database is as recent as last month data for the pricing. Prime Bank have already subscribed to the service.

⇨ Subscribe for publicly available online commodity pricing website: TSD may take further initiatives to subscribe more website of publicly available online commodity pricing.

⇨ Vessel tracking system: Bank has already introduced Lloyd's Shipping Intelligence online portal as subscriber to track the ongoing ship vessel. TSD should take initiatives to subscribe online portal enable to track container in addition to vessel.

3.2.2 Customer level TBML Risk Assessment and Mitigation Mechanism

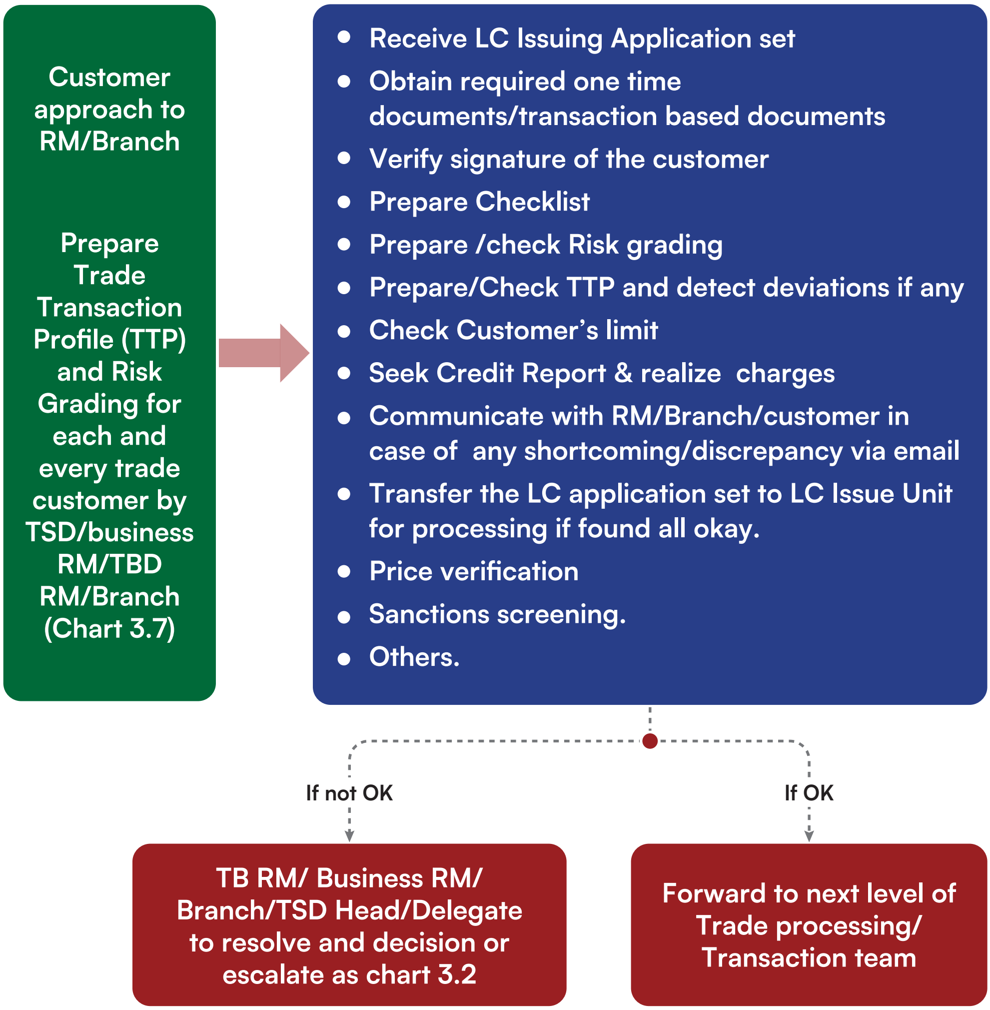
3.2.2.1 General ML/TF Risk Assessment and Mitigation: The customer level risk assessment starts with the establishment of customer relationship. While establishing business relationship/account opening with the trade customer, general ML/TF risk assessment and mitigation measures as outlined in relevant BFIU circular and ML & TF risk management guidelines for banks by BFIU should be followed. In this context PBL has revised "PBL Money Laundering & Terrorist Financing Risk Management Guideline" effective from November -2022. In the guidelines chapter 04, 05 and 06, all the instructions of ensuring general CDD, EDD for New and existing customers have been discussed.

In compliance with Bank's KYC and credit policy, branch / Relationship Manager should know their customer and documentation of customer's information with face-to-face contact, factory/office visits, verify stock/inventory and financial data checking. The branch/ RM reviews the customer due diligence and follow up/ monitor the credit portfolio and clean CIB of customer, Interest / Commission Rate, Limit, any waiver /deferral regarding approved sanction, etc as and when required.

3.2.2.2 Risk Assessment related to Trade: As in most cases there are some products and commodities, various delivery channels and jurisdictions through which TBML occurs, it is quite convenient to have a risk-based approach in dealing with trade services. Risk Assessment should be done as per sample Risk based Model for Trade Customers (chart 3.8) depending our risk exposure and experience. The Trade Transaction Profile (TTP) (Chart3.7) to collect and monitor required trade related information should be followed. For fresh/new customers the assessment should be done on the projection submitted in the format by the customers and for the existing and old customer's historical data (last 12 months performance) may be chosen. TTP and TRG for newly on boarded and existing trade customer is to be done before initiation of trade transactions. For existing trade customers, it should be reviewed before transactions and any deviation should be escalated to the next level.

TTP and TRG will be initiated by respective RM of TBD or Business RM (CBD/C&IB/MSME) (where applicable) and should be signed by TBD RM/Business RM (where applicable). TSD will check/monitor the TTP/TRG and any changes/amendment/up gradation required in TTP or TRG should be raised by TSD before transaction to respective RM of TBD/Business. Respective RM of TBD/Business will change the TTP and TRG communicating with the customer and mentioning proper justification.

3.2.2.3 Trade Related CDD/EDD: Trade Services Division and respective Business RM should follow the trade related CDD/EDD before trade transactions as follows:



For trade customers (both new and existing) approaching trade services, Trade related CDD/EDD should be done jointly by TSD and Transaction Banking Division (TBD)/Business RM (CBD/C&IB/MSME) (where applicable) before initiation of trade as follows.

The required documents (not exhaustive rather indicative) should collect related with CDD/ EDD.

3.2.2.4 Regulatory documents/license to collect: (Customer's Trade Transaction Profile (TTP) will be collected for one time and if any deviation/changes found by TSD, convey and request to TBD RM/Business RM for necessary update)

1) Valid Import Registration Certificate (IRC)/Export Registration Certificate(ERC) with evidence of payment of renewal fees for the current financial year (To be renewed each year)

2) Valid Trade License

3) Valid TIN Certificate

4) Valid VAT/BIN Registration Certificate

5) A declaration that the importer has paid income tax/ submitted income tax return for the preceding year. (To be submitted each year).

6) Valid Membership Certificate from a registered local Chamber of Commerce and Industries or any reputed business/trade association.

7) No objection certificate from the AD through which the applicant imported earlier to the effect that no bill of entry overdue for submission by the importer.

8) Permission from Bangladesh Investment Development Authority (BIDA) for Industrial/ Manufacturing unit.

9) Approved Credit Limit with PBL.

10) Valid & clean CIB report (to be obtained and monitored by RM/ Branch).

11) Valid Indenting Registration Certificate.

12) Nature of business including major goods, services and jurisdictions the customer deals with.

13) Usual delivery/transportation mode for goods or services

14) Major suppliers and buyers

15) Products and services to be utilized from the bank

16) Existing/anticipated account activities

17) Usual methods and terms of payment and settlement

18) Any observations/ratings on the customer by concerned departments of the bank

19) Any previous suspicious transaction/activity reports to BFIU

20) Other information from the relevant staff and

21) Trade transaction profile (TTP).

3.2.2.5 General CDD and EDD responsibilities:

- Verification of the documents & information mentioned above through reliable and independent sources.
- Ascertaining and verifying the identity of the beneficial owners of the trade customers
- Conducting enhance due diligence if required
- Record keeping

- Understand business, production capacity, end-use of goods, the principal counterparties, and the countries where the counterparties are located and the goods or services that are exchanged, as well as the expected annual transaction volumes and flows to conduct CDD for trade customers.

- Updating CDD information in accordance with BFIU Circulars and PBL Money Laundering & Terrorist Financing Risk Management Guideline-2022 or latest.

- Maintaining customer wise trade transaction profile (TTP) including items of goods, value, volume, nature of business, and principal counterparty country etc. A sample is given at chart 3.8

- The CDD process are expected to include "feed-back loops" where a trigger event in a transaction or normal review process leads to new information or questions about a relationship. Objective behind updating of the CDD profile is to ensure that the information in the CDD profile is current. The reviews may also lead to the status of the relationship with the customer being escalated for decisions related to additional controls being applied or the exit of the customer.

3.2.2.6 Customer level risk assessment: 3 Level Risk Mitigation for Trade Related CDD/EDD

Level 1: If a customer's risk level is found low or medium, CDD is to be done for the trade customers before trade transaction takes place by Level 1. Level 1 primarily consists of TSD (Unit Head of Import/Export maker/checker and authorizer if any).

In this regard if any documents/license required for assessment or any clarification needed they may communicate with SRM/Team Head of TBD/CBD/C&IB/MSME/Branch/EM/ customer onboarding official including forwarding Branch official (where applicable and all are treated as Level 1) to resolve the issues Level 2:

If a customer is assessed as high risk or there are lapses in CDD, this should be escalated to Level 2 for further analysis and resolve. Level 2 may contact to Segment Head of Business (CBD/C&IB/MSME/Branch/EM, where applicable).

Level 2 consists of DAMLCO (Trade) and HoTSD/Delegate of HoTSD.

if a customer risk factor found to be low or medium still level 1 need some advice, counsel or clarification they may seek assistance and decision from Level 2. However for assessing level 1 escalated issues and to complete CDD measure and determining risk category of customer, for additional documents and clarification level 2 may contact customer onboarding official(Contact point) and Segment Head of Business (Related RM of CBD/C&IB/MSME/Branch/EM, where applicable to resolve the issue at level 2). After risk assessment if the risk seems acceptable, level 2 will proceed with proper documented rationale and clarify level 1.

Level 3: For all high-risk customer and If Level 2 is not satisfied considering the magnitude of risk, bank's risk appetite and internal policy, it may be escalated to Level 3. Level 3 may reject the customer or after completion of CDD/EDD, the customer may be allowed for trade transaction.

Level 3 consists of DCAMLCO or official assigned by CAMLCO

If a customer assessed as a high risk, this should be escalated to level 3 for further scrutiny and verification. If level 3 is satisfied, they may approve the customer for transaction after conducting EDD. If Level 3 is not satisfied considering the magnitude of risk, bank's risk appetite and internal policy they may reject the customer for trade transaction, based on the severity of the violation level 3 will submit STR/SAR. In customer level risk assessment escalation from level 1 to level 3 will be documented. Customer CDD will be assessed and reviewed periodically unless any derogatory event triggered.

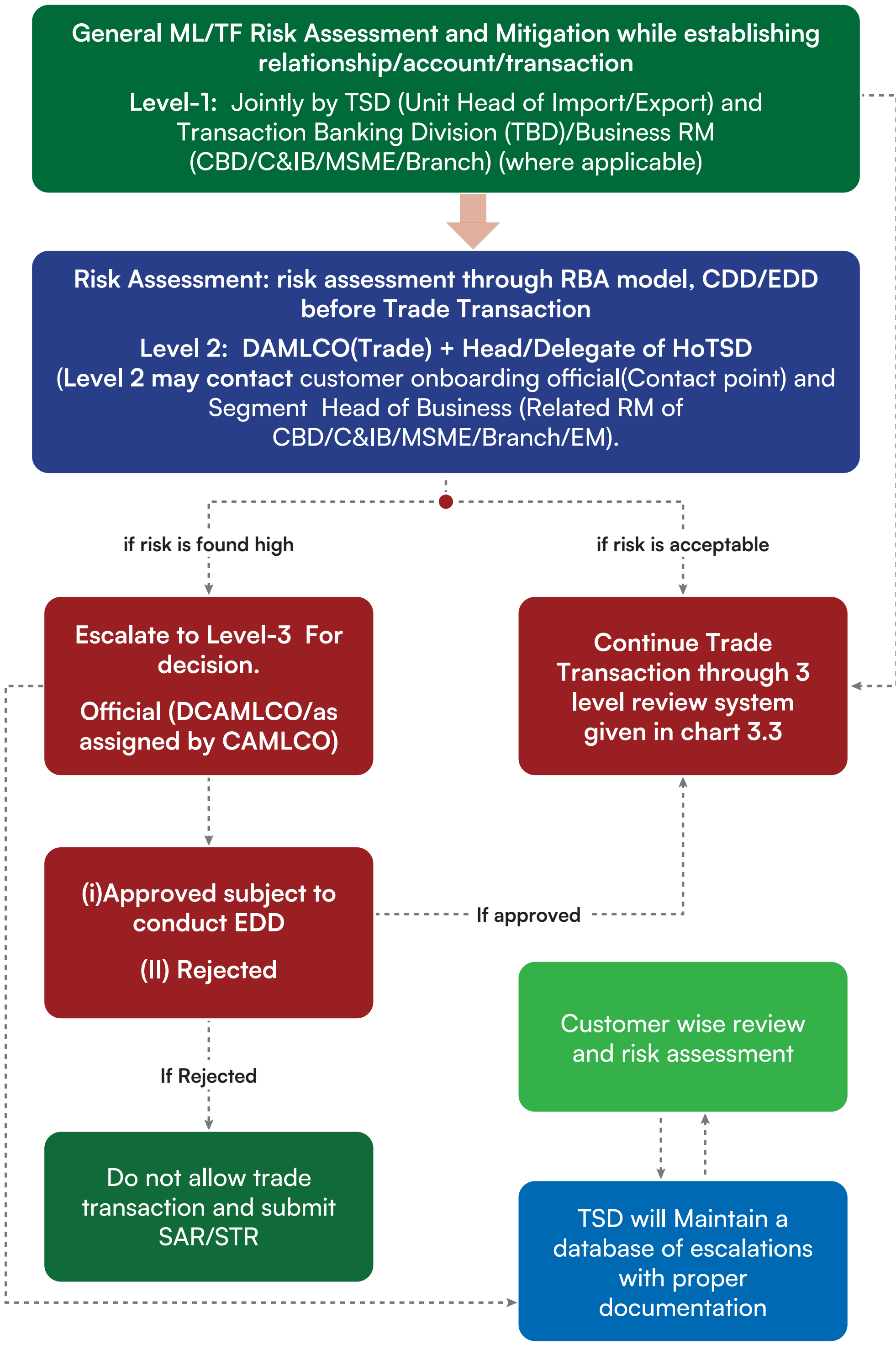
a) **Trade Transaction through 3 level Review Systems:** When a customer is allowed for trade transaction, trade transaction will take place following three Level Review System as mentioned in section 3.2.3

b) **Maintaining a database of escalations with proper documentation:** TSD will establish a database with customers assessed as high risk to facilitate yearly customer wise review and assessment.

c) **Customer Wise Review and Assessment:** For high-risk customers review and assessment frequency shall be one year, for medium risk customers this frequency shall be every 03 years and for low risk customers it shall be 5 years.

- Risk profile for each customer will prepared in automated solution/Manually
- Risk grading of customer will be low, medium and high risk
- High Risk rating customer risk profile will be approved after third level review
- Based on risk rating TTP will be review as par above described frequency
- Trade customer risk profile will be created on Four inherent risk like Customer, Product, Geography and Trade transaction trend/history
- Single risk parameter which is impermissible can be adjusted a low risk customer to prohibited customer.
- Standard deviation from expected activity to actual activity will be monitored by TSD and raised and modify risk category through chart 3.2

Chart 3.2: Customer level TBML Risk Assessment and Mitigation Framework



3.2.2.7 Understanding of customer Geolocation compliance landscape

3.2.2.7(a) Cross border Transaction and Jurisdictional risk assessment

Country risk can seem complex to assess. For example, in the case of North Korea, the country itself is likely to be a red flag. But many countries have political and/or economic relationships with sanctioned countries. Japan, which is not highly sanctioned, buys Iranian oil, but does not share a border or a deep cultural relationship with Iran. Certain provinces of China that border North Korea are high risk for smuggled money and goods from North Korea. The United Arab Emirates is a short boat trip from Iran and a known transshipment point for goods heading to Iran. Therefore, the country risk area requires careful consideration beyond whether a country is the subject of sanctions restrictions and beyond the country's AML risk, which often is factored in as a component of AML/ Sanctions risk. In the context of country risk, it is important to understand any indirect risks that could emerge as a result of further transactions into sanctioned countries/ high risk countries, for example, while products move down the supply chain, and to assess what the risk exposure would be in this regard. to understand the country indirect risk following parameters furnished below:

- **Offshore Jurisdictions / Tax Havens** — Countries or territories known for secrecy laws, low or no taxation, and limited regulatory transparency (for instance British Virgin Islands, Cayman Islands, Panama).
- **Sanctioned Countries** — Jurisdictions subject to UN, U.S, EU, or UK sanctions regimes, either comprehensively or sectoral (e.g., Iran, North Korea, Syria, Russia, Belarus).
- **Neighboring or Transit Countries of Sanctioned States** — Countries that share borders or act as trading hubs for sanctioned jurisdictions, which may pose indirect exposure risks (e.g., Turkey, UAE, Armenia, Kazakhstan and all central Asian landlocked countries, Georgia, Oman).
- **High-Risk or Non-Cooperative Jurisdictions** — Countries identified by FATF or national regulators as having strategic AML/CFT deficiencies. Business relation with FATF black listed countries should be followed instructions BFIU Circular 26 section 3.13(5), FATF Recommendation 19 & MLPR section 17
- **High-Intensity Drug Trafficking or Crime Areas** — Jurisdictions identified for narco-trafficking, organized crime, or smuggling networks that may facilitate TBML or sanctions evasion (e.g., Venezuela, Mexico, Colombia, West African coastal states).
- **Conflict Zones and Terror-Financing Sensitive Areas** — Regions with unstable governance or known presence of terrorist organizations (e.g., Afghanistan, Somalia, Yemen, Sudan).
- **Secrecy or Corporate-Opacity Jurisdictions** — Countries that permit anonymous ownership structures or inadequate beneficial ownership transparency, increasing the risk of trade mis invoicing and sanctions evasion.

The Bank recognizes that certain jurisdictions pose elevated risks of sanctions exposure, financial crime, and trade-based money laundering. In assessing jurisdiction risk, the following country categories shall be considered high or heightened risk and the bank mostly applied restrictive approach for any business relation and apply additional due diligence if approved any transaction: High risk countries including the countries which are not the member of EGMONT Group of FIU, defined by FATF listing or other countries defined by any regulator that Prime Bank PLC comply with, In addition to Customer Due Diligence.

3.2.2.7(b) Jurisdiction risk assessment: EDD (Enhance Due Diligence) measure in purview of FATF Recommendation 19/MLPR 2019 section 17 & BFIU Circular 26 sect 3.13(5) and Prime Bank PLC policy shall cover the following areas:

- Determine whether the company owned by another a corporate structure
- Find the ultimate natural person who owns or control the complex corporate structure with the motive to identify common interest or connection.
- Identify the natural person who control the transaction or company to apply measure on sanctioned individual, entities.
- Transparency of beneficial ownership will be established as FATF Recommendation 24 & 25
- Determine whether anyone in the ownership structure is designated in any sanctions list which are followed by PB PLC.
- Ensure the brick-and-mortar existence of the company that has valid license and registered.
- Determine the owner citizenship
- Establish that there is no common interest and connection between applicant and beneficiary
- When the beneficiary company owner is Bangladeshi, BB approval for start business overseas be collected prior to start business relation.
- Ensure that the company is not a shelf company which may use for criminal purpose.
- Determine the company has consistent line of business, history of trade transaction for the concerned goods.
- The company is regular operation of business, significant assets, and not disguise/ complex ownership structure.

3.2.2.7(c) AML & Sanctions Compliance Risk of Cross-Border Trade with Landlocked countries

1. Transit and Transshipment Risk

Description: Landlocked countries depend on neighboring/other countries coastal states for seaport access. Usually shipments transit through third countries, creating extra layers in the supply chain.

Risk: Increased exposure to mis-declaration of goods, origin masking, or diversion while passing through intermediary ports or customs points.

Example: Goods destined for a sanctioned country or FATF Black listed countries might be routed through a neighboring landlocked or coastal country to conceal the true end destination.

2. Concealment of End-User or Destination

Description: Importers in landlocked countries can be used as front or intermediary entities.

Risk: Difficulty verifying the true end-user, end-use, and final delivery location.

Example: Dual-use or sensitive items exported to a landlocked country may be re-exported or trucked into a sanctioned territory (e.g., via porous borders).

3. Dual-Use Goods and Export-Control Risk

Description: Landlocked countries in high-risk regions sometimes serve as transit points for controlled or dual-use items.

Risk: Violation of export-control laws (e.g., EU Dual-Use Regulation, US EAR) if items are re-exported to prohibited end-users.

Example: Machinery or chemicals shipped to a landlocked intermediary country and then forwarded to a sanctioned state.

4. Sanctions Evasion and Proximity to Sanctioned Jurisdictions

Description: Many landlocked states border high-risk or sanctioned countries.

Risk: Goods can easily cross borders by road or rail, bypassing customs checks.

Example: Central Asian countries bordering Russia or Afghanistan; African states bordering Sudan or Mali

5. Limited Oversight and Weak Customs Infrastructure

Description: Some landlocked developing countries lack robust customs, AML/CFT, and export-control systems.

Risk: Increased potential for false documentation, trade-based money laundering (TBML), and sanctions evasion schemes.

6. Payment and Correspondent Banking Risk

Description: Many landlocked countries rely on regional correspondent banking (often through high-risk jurisdictions).

Risk: Indirect exposure to sanctioned financial institutions or funds flows through non-transparent routing.

Example: Payment chains routed through intermediary banks in sanctioned or weakly regulated countries.

7. Red-Flag Indicators for Compliance Teams

- Mismatch between shipping route and logical geography (e.g., port of loading far from Exporter).
- Unusual transshipment hubs or unnecessary cross-border trucking.
- Counterparties in landlocked countries importing items inconsistent with local demand.
- End-use certificates that cannot be independently verified.
- Repeated use of freight forwarders or trading companies in high-risk transit countries.

8. Recommended Mitigation Steps

Conduct Enhanced Due Diligence (EDD) on counterparties in landlocked countries.

Verify transport routes, ports of discharge, and border crossings for instance Central Asian landlocked countries exporting raw cotton through Iranian port, road. Request end-user certificates and cross-check with known sanction lists (US, EU, UK, UN, BIS). Use trade data tools (e.g., Kpler, ImportGenius, Lloyds list intelligent) to validate cargo movements.

9. Trade networks

Trade network pose another specific sanctions risk in trade-related activities. Trade networks are an efficient way of conducting trade because they use a variety of transport means. For example, train connections between Iran and eastern China could facilitate a rise in transshipment through Iran. This connection might become more prominent in the context of the One Belt, One Road initiative. Trade network through road transport and land locked countries exposed sanctions risk.

3.2.2.7(d) Risk of Cross-Border Trade in Dual-Use Goods

Dual-use goods are products, materials, and technologies that can be used for both civilian and military purposes. Dual-use goods are usually subject to restrictions under global control regimes. They include the Wassenaar Arrangement (WA), the Nuclear Suppliers Group, and the Missile Technology Control Regime, US Department of Commerce, BIS Commerce Control List (CCL) and so on. These regimes promote transparency and responsibility to control arms exports and prevent arms from being acquired by terrorist groups. Dual used goods examples include lasers, sensors, navigation equipment, chemicals, radar, microorganisms, Computer, toxins, and even building materials.

i. Diversion and Misuse Risk

Description: Dual-use items may be diverted from legitimate buyers to sanctioned end-users or proliferation programs. Example: A machine tool exported to a civilian factory in one country may be re-routed to a military or missile program elsewhere. Risk Indicators:

- Transshipment through high-risk or sanctioned jurisdictions.
- Importers not matching the product's technical profile or lacking relevant business operations.
- End-user certificates that are falsified or unverifiable.

ii. Regulatory and Legal Risk

Description: Dual-use goods are items that have both civilian and military or WMD applications (e.g., high-precision tools, chemicals, and electronics).

Risk: Unauthorized export, financing, or facilitation can breach export control or sanctions laws (e.g., USA, EU, UK, UN regimes).

Impact: (a) Severe penalties (b) Regulatory action, (c) Reputational damage for banks or traders involved.

iii. Trade-Based Money Laundering & Sanctions Evasion

Dual-use goods are often used in complex trade schemes to obscure the ultimate buyer or origin, enabling sanctions evasion or TBML.

- Risk is heightened when payments or shipping routes involve landlocked or third-party countries.

3.2.2.7 (e) Prime Bank PLC acceptable practices of Dual Use Goods

- Attempting to identify dual-use goods in transactions wherever possible
- Staff are aware of dual-use goods issues, as well as common types of goods that have dual uses
- Confirming with the exporter/Importer in high-risk situations whether a government license is required for the transaction and requesting a copy of the license when required

3.2.2.7 (f) List of Dual use goods related Red flags for Trade officers to assess:

- The customer details are similar to those found on the US BIS List of Denied Persons.
- The customer is reluctant to provide information about the end use of the goods.
- The customer is evasive or unclear about the intended use of the goods or whether they will be re-exported by the buyer.
- The shipping route is abnormal for the product and destination.
- Packing is inconsistent with the stated method of shipment or destination.
- Delivery dates are vague, or deliveries are planned for unusual destinations.
- The product's final destination is a freight-forwarding firm.

- Dual use goods repackaged to conceal the intended use
- Have unusual pricing regarding the goods listed.
- Include goods that are on the packing list but not declared on customs forms
- Have altered labels, such as vague point of origin or description of the goods.
- Weigh more or less than the intended shipment

3.2.2.7 (g) Product Risk Assessment:

Increased Scrutiny for High risk and High value Goods The below product list is not an exhaustive list and sample only however it's an indication to create enhance awareness for the TSD official to conduct additional due diligence for High risk, bulk commodity, chartered vessel and High value products. Meticulously Assess credit report for the high value product to identify natural person who control the trade transaction and the line of business of the beneficiary. Ownership structure identify with the aim to detect common interest and sanctions nexus, line of business to assess the reputation and commitment of the supplier.

Product	AML Risks	Sanctions Risks	LC Documents Checks
1. LPG Mixture	• High-value product prone to over/under-invoicing • Multiple intermediaries used to disguise beneficial owner • Blending with other-origin goods to mask origin	• Risk of Russian/Iranian LPG rerouted via UAE, Oman, Sri Lanka, other dark-fleet hubs • Falsified origin declarations • AIS gaps, STS transfers near sanctioned ports	Trade officer should assess Origin, voyage plan, vessel IMO, Intermediaries, sanctions screening.
2. Coal	• Usually high value transaction. Quality/grade manipulation for distorting price • Multi-jurisdiction supply chain used.	• Sanctioned country coal rerouted unsanctioned and low risk port • Risk of sanctioned ports/vessels	Mine origin, quality certificate, routing, vessel/insurer check. Collect and check the price index to verify. (Argus, Platts)
3. Scrap Vessel	• Extreme TBML risk: value manipulation, shell/shelf companies, opaque ownership • Cash-intensive transactions	• Iran/Russia/North Korea—origin vessels often scrapped • Frequent IMO/name changes, AIS gaps	Full vessel history (Equasis), ownership, P&I insurance validity, presence of Offshore Jurisdiction.

Product	AML Risks	Sanctions Risks	LC Documents Checks
4. Live Vessel / Livestock Carrier	• Many brokers, complex payment chains • Short-term charters, Protocol of delivery, Local regulatory documents lapses.	• High-risk routes (Gulf—Iran, Libya) • AIS irregularities common. Flag of convenience to disguise ownership and tax evasion.	Routing, vessel operator KYC, exporter certifications, ISM. Monitor to timely collect Bill of entry.
5. Raw Cotton (Central Asia)	• Weight/grade manipulation, TBM • Middlemen in UAE/ Singapore layering • Cash-intensive supply chains.	• Possible Russian re-export disguised as Central Asia origin • Export through sanctioned port and jurisdiction • Payments routed through higher-risk banks	Mill certificates, weight/quality documents, bank reputation check
6. Wheat (Bulk Commodity)	• Very high TBML risk: over/Under invoicing, quality/grade manipulation (protein, moisture) • Bulk shipments: quantity hard to verify • Multiple traders ,layering risk • State-buyer financing: corruption/ bribery exposure	• Russian wheat consolidate with Ukrain smuggled wheat and exported via intermediaries • Mis declared origin to bypass Western restrictions • Vessels with sanctioned port calls(Crimea/ Sevastopol, Novorossiysk) • AIS gaps, STS transfers in Black Sea	• COO verification, SGS inspection, vessel AIS history, sanctions screening on traders • Compare price with benchmark markets (USDA/FAO/ Black Sea)

3.2.3 Transaction Level TBML Risk Assessment & Mitigation through 3 Level Review System

Depending on TBML risks, trade transactions shall be disambiguated at level 1 or shall require escalations to different level 2&3 before executed or rejected and reported to BFIU as STR/SAR. All three levels, their roles and responsibilities, escalation, review and disambiguation systems have been described below:

3.2.3.1 Level 1

Defining Level 1

Level 1 consists of Desk level officials of Trade and generally includes the transaction processors, i.e. maker, checker, authorizer, reviewer, verifier, designated officials of TSD (Unit Head of Import/Export) officials and line of business.

Roles and Responsibilities at Level 1

i. Ensure that the customer has a current, approved KYC record and TTP in place before processing transactions.

ii. Price Verification (details in section 3.2.5)

iii. Perform TBML Alert analysis and Sanction screening and execute transaction.

iv. Escalate TBML Alerts/Potential hits of the transactions to Level 2, where required.

v. Escalate Suspicious Transactions/Activities to Level 2.

vi. Keep record properly.

vii. Will prepare a signed price verification report for every transaction and documented properly

Level 1 Review, Disposition and Escalation Guidance

Every trade transaction should undergo TBML Alerts analysis and sanction screening. Initial TBML Alert analysis and screening should be completed at Level 1. The required elements of TBML Alert analysis and screening are set forth as below.

Maker or processor will review the transactions and identify relevant ML, TF, Sanctions, Over/under invoicing, credit report and other TBML Alert and raise them to checker, reviewer, verifier, authorizer or designated officials who will further review the transactions and TBML Alerts. IF needed, reviewer will examine through different channels i.e letter, Internet, telephone, email etc. to get more information related to the transaction for the disposition of those TBML Alerts with proper rationales and the mitigating factors. This TBML Alert analysis represents the minimum amount of due diligence required for each trade transaction before it may be executed. In addition, Level 1 officials should use their expertise and experience to evaluate each transaction. in level 1 for any insufficiency of document, data or license level 1 will contact with other level 1 official like RM and onboarding official, customer related contact point to collect and clarification of his ambiguity. On its merits and escalate any potential concerns to Level 2. If checker, authorizer, or designated officials cannot disambiguate or resolve the TBML Alert at level 1, he/she will escalate those TBML Alerts to Level 2. Level 1 disposition should be documented for periodic review.

3.2.3.2 Level 2: Defining Level 2

For risk assessment and mitigation level 2 official for clarification and additional documents will communicate with level 1 official and line of business like customer onboarding official (Contact point) and Segment and Head of Business (Related RM of CBD/C&IB/MSME/Branch/EM) .They are the officials with adequate expertise able to further analyze the merits of an escalation from Level 1 processor and the relevant suspicion itself. They are likely to require extensive knowledge of trade-based money laundering risk and make appropriate use of third-party data sources (Third party data sources reliability of which is standard in practice) to verify key information. in fact, level 2 will deeply analyze the escalated alerts to make a discreet decision whether to approve, rejected (STR/SAR) or require additional scrutiny from level 3.

Roles and Responsibilities at Level 2

i. Independently Review and examine the TBML Alerts raised by level 1.

ii. Review TTP on certain Alerts.

iii. Disambiguate with proper rationale and justification.

iv. Assess the submitted price verification report to ensure the genuineness of the price and transaction.

v. Escalate TBML Alerts/Potential hits of the transactions to Level 3, where required.

vi. In case of escalation to level 3 will clarify their analysis and quote reason for inability to mitigate

vii. Escalate Suspicious Transactions/Activities to Level 3.

viii. Document properly.

Level 2 Review, Disposition and Escalation Guidance

All transactions that contain potential TBML Alerts and sanction hits and that cannot be resolved by Level 1 processor should be escalated to Level 2.

Level 2 shall deeply analyze the alerts escalated to them and determine their merit. If they can easily resolve them with adequate justification they shall do so with documents and instruct Level 1 to allow the transaction, otherwise escalate to Level 3. However, if TBML risk appears very low to Level 2, yet for certain reasons they cannot resolve TBML Alerts, they may allow transactions escalating the Alert(s) to Level 3. If level 2 rejects any transaction which has not escalated to level 3 based on the magnitude of risk may initiate for STR/SAR

3.2.3.4 Level 3: Defining Level 3

Level 3 consists of DCAMLCO/ or official assigned by CAMLCO.

Roles and Responsibilities at Level 3

i. Conduct comprehensive review and examine the TBML Alerts raised by Level 2 and level 3.

ii. Analyze the reason behind the escalation.

iii. Disambiguate with proper rationale and justification.

iv. File STR/SAR where required.

v. Document properly

Level 3 Review and Disposition Guidance

Level 3 shall complete a comprehensive review and determine if there are facts that reasonably mitigate the TBML Alerts associated with the transaction or if the transaction appears to be suspicious. If Level 3 identifies facts that reasonably mitigate each of the TBML Alerts associated with the transaction, then Level 3 shall explain and document the mitigating factors for each alert and allow the transaction to proceed.

If the TBML Alerts are not resolved and the activity or transaction remains suspicious, it will be escalated to Level 3 and shall prepare a Suspicious Activity/Transaction Report.

Level 3 shall determine whether the activity or transaction in question should be permitted or rejected and whether the activity or transaction warrants a Suspicious Activity Report. If Level 3 is apparently satisfied with the available information, he/she may approve the transaction with a remark for further scrutiny or more information for complete satisfaction on post facto basis and may raise STR/SAR even after allowing the transactions. Before submission of STR/SAR to BFIU, CAMLCO shall ensure compliance with due procedure, required data documents.

All Level escalation dispositions of TBML Alerts or screening hits should be properly documented.

Illustration 1: From level 1 to level 2

Subject: AML concern ref. 123abc…., against an import LC for importing 10 (ten) 1500cc Toyota Cars. Applicant: XYZ Automobile Co., Bangladesh, Beneficiary: ABC Co. Ltd, in Hong Kong. Issuing Bank: XY Bank Ltd, Value: USD 60,000.00

While scrutinizing the documents, TBML Alerts mentioned below are identified by Level 1 processors and escalated to Level 2:

1. Current market price of these 10 cars are $100,000.00 whereas the invoice shows it as $60,000.00 (price variance identified is $40,000.00)
2. Applicant and beneficiary are related parties.
3. High risk product is involved.

Further Examination and escalation by Level 2 to Level 3:

Designated Level 2 officers have further examined these TBML Alerts and they could not disambiguate these alerts. As such they further escalated to Level 3 with same rationales:

Level 3 designated official also examined the TBML Alerts and found that the alerts are valid and rejected the transaction with rationale given below:

- Under-invoicing is attempted through this LC application since the invoice price is quoted much below the fair or competitive market price. So it is recommended to reject the transaction.

Level 3 official filed an STR against this money laundering attempt by the importer in Bangladesh.

Illustration 2: Subject: ML/TF concern ref. 123abc…., against an inward remittance to be processed as advance receipt against export through Advance Receipt Voucher (ARV) at the request of exporter ABC Co. Ltd, in Bangladesh. For Value: USD 15,000.00 buyer, XYZ Co. in China.

TBML Alerts identified and escalated from Level 1 to Level 2 are described below:

1. Swift message does not mention purpose and there is no reference in the message to connect this remittance with the advance payment. Only customer's instruction mentions that this is advance receipt for export.
2. The bonafides of buyer is not ensured.
3. Shipment date is unusually longer i.e. 9 (nine) months, whereas goods are ready made garments that need maximum 4 months for shipment.
4. This exporter has also received more advance payments earlier against which shipment has not yet been made.

Further examination and escalation by Level 2 to Level 3:

Designated Level 2 officers have reviewed these TBML Alerts and they further escalated these alerts to Level 3 with the same rationales as stated by Level 1 officials.

Level 3 designated official also reviewed and examined the TBML Alerts and disambiguated these alerts with the rationales below:

Level 3 Disambiguation with rationales:

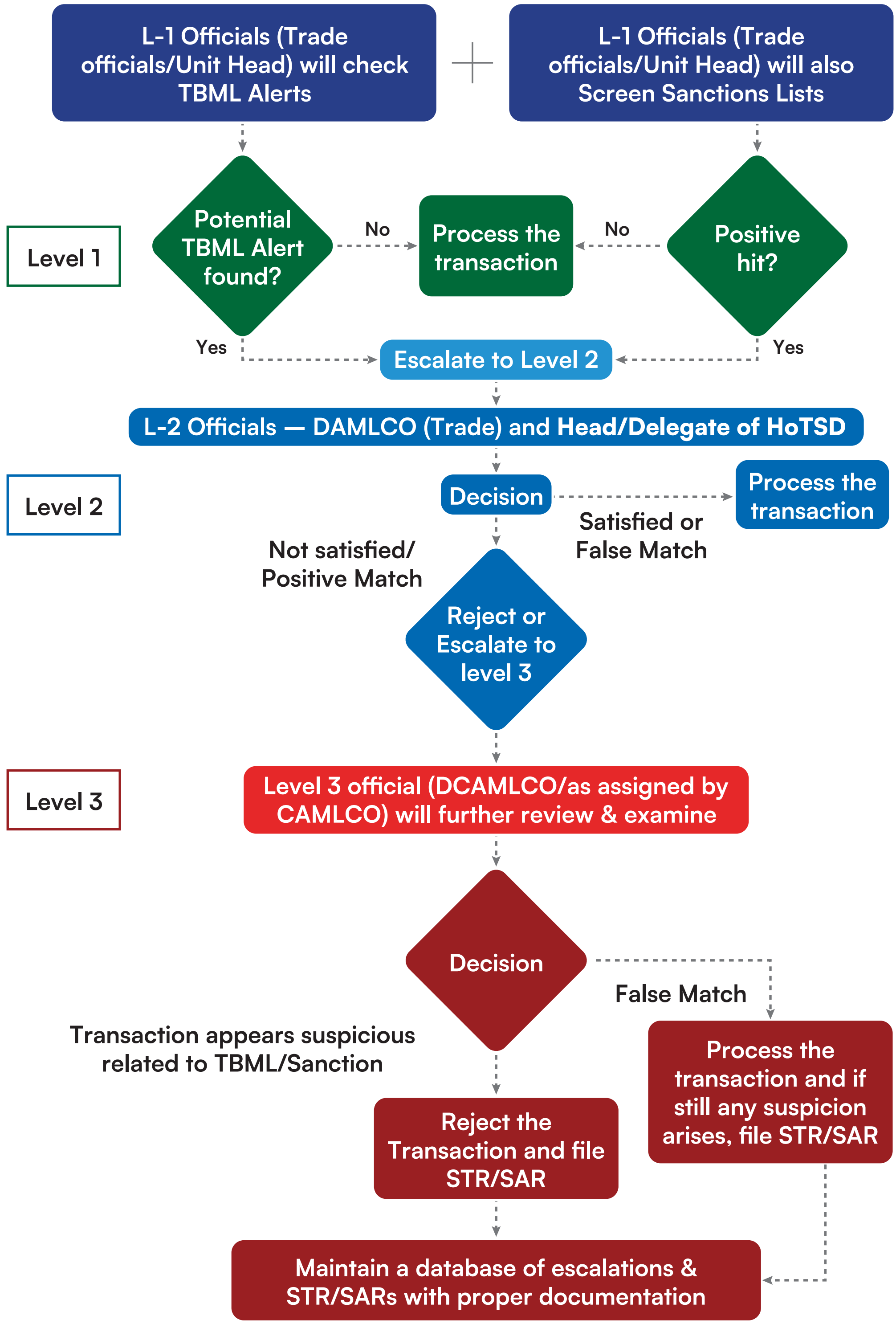
1. Though swift message does not mention the purpose or reference, buyer is mentioned as same. Moreover, export contract shows the payment term as advance payment. Besides, exporter has declared the purpose as advance payment against export in the request letter. He also submitted the ARV and copy of the contract against this transaction.
2. Further examination shows that buyer is a trading company who also trades readymade garments.
3. Some shipments may take longer period.

It is ok to go ahead with this transaction as the exporter has track record of shipment default after receiving advance payment. In this case advance payment of the customer should be released.

However, if shipment is not done after reasonable time period and bank is not satisfied, bank should report to regulators.

The sample review process as described above is not intended to be prescriptive. Banks should tailor their own review process to their particular needs.

Chart 3.3: Flow Chart of 3(Three) Level Transaction Review System



3.2.4 Screening System

1) Sanction screening should be conducted on individual, entity, banks, insurer, NGO/NPO, country, port, flag, vessel etc. The screening should also be conducted on all the parties involved in the transaction and geographic location to the transaction, such as seller of the goods, the shipping company, any agents or third parties, countries or ports etc. that appear in the transactions.

2) For sanction screening it is important to ensure that there is no “risk based approach” —i.e. only screening certain transaction or parties. All parties (known to the bank) related to the transactions at the time and additional parties that come into the picture as the transaction progresses are required to be screened.

3.2.4.1 (a) Prime Bank PLC trade activity screening ‘Sanctions Compliance Program’:

Sanctions screening is one of the key control of sanctions compliance, Prime Bank PLC has its own sanctions compliance policy and maintain Sanctions Compliance Program as par OFAC issued “A Framework for OFAC Compliance Commitments” Prime bank PLC sanctions compliance program consist of the following five essential components:

1. Management commitment
2. Risk assessment
3. Internal controls
4. Testing and auditing, and
5. Training

The board and senior management of Prime Bank PLC communicate the commitment of sanctions compliance quarterly:

- Openly voicing and demonstrating their commitment to ethical values and integrity
- Ensuring that their employees also embrace these values
- Ensuring that their commitment flows through all service areas and lines of business
- Holding responsible connected staff/official who are accountable for compliance—both full-time employees in compliance and those employees engaged in business.

3.2.4.1 (b) Sanctions Lists :

Sanctions lists are one of the tools Prime Bank PLC use as part of its sanctions due diligence (SDD) process to ensure sanctions compliance. There are many different sanctions lists, so it is important for organizations to Identify what information they contain and how it relates to customers, including the customers owners, controllers, and counterparties, as well as how the lists relate to the jurisdiction/geography of the Prime Bank PLC business.

Prime Bank PLC. always uses a combination of a prescriptive and a risk-based approach when selecting relevant sanctions lists. For sanctions screening Prime Bank PLC select sanctions list in approach of (1) Mandatory (i.e., prescribed by law) (2) Good to have and (3) Not relevant to the organization.

The sanctions compliance program will be a 3 level review program for sanctions screening through automated screening tool (AST) Software systems used to facilitate the screening process, as opposed to manual screening. In general, ASTs are designed to screen against sanctions lists. ASTs generate hits against sanctions lists that may be consolidated into alerts based on, for example, a customer record. For one customer record there may be multiple hits against sanctions lists that are consolidated under one alert if the alert seems to be true hit or target match level 1 officer can be escalated to different level for mitigation and disposal, the overall escalation process is automated. The disposal decision from different level are automated and recorded.

Obligations under BFIU Circular-26 dated 16/06/2020, PBL has "PBL automated Sanction Screening Solutions" incorporated with DOW JONES Risk & Compliance data. The solution covers the international sanction list (UN, U.S, EU, HKMA, MAS, HMT and Bangladesh), PEPs data, Local adverse news, Prime Bank Negative List. Bank will follow the sanctions list of the respective country while making any transactions in their currency.

3.2.4.1 (c) Prime Bank PLC Mandatory List Screening :

Mandatory sanctions lists generally are supranational lists—such as those including targets designated by the United Nations Security Council Resolutions (UNSCR) and local sanctions regimes required included within the Prime bank PLC sanctions compliance program.

Other mandatory lists include:

- US lists, due to the breadth and scope of the US sanctions jurisdiction
- Home country list (BFIU & Other regulatory/legal instruction)
- Prime Bank PLC has a branch or subsidiary organization in HONG KONG and Singapore (both home and host country list for subsidiary)
- Lists of major jurisdictions with which the organization trades
- UN Security Council Consolidated Sanctions List • EU Consolidated Financial Sanctions List • US Office of Foreign Assets Control (OFAC) Specially Designated Nationals and Blocked Persons List (SDN list) – OFAC Non—SDN List • Bureau of Industry and Security (BIS) List of Denied Persons & BIS Entity list • Financial Action Task Force (FATF) List of High-Risk and Other Monitored Jurisdictions • UK Her Majesty's (HM) Treasury Consolidated List of Financial Sanctions Targets • Other countries' lists

TSD/Business RM/ TBD/FI/NRB/CMO/ Branch officials will screen the followings message:

- Name Screening (New customers)
- Existing customers (Batch Screening)

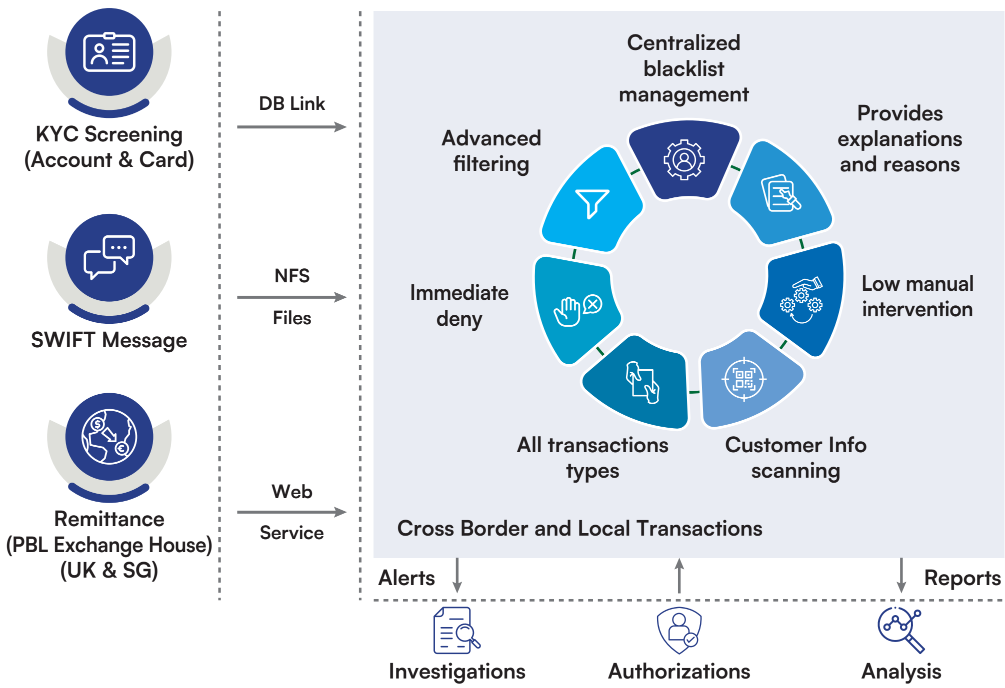
- SWIFT Messages / all Cross Border Transactions related SWIFT Text message including free text field.
- Inward NRB Remittances — Online, Foreign branches, Exchange House and other such partners Exchange House and other such partners
- After presentation risk based trade Documents (i.e. Vessel Screening, involved third party screening)
- Ex-ante-payment screening

3.2.4.1 (d) Monitoring through Watch list & Blacklisting:

Prime Bank PLC manually maintain supplementary lists of people, vessel, entity known to have evaded or attempted to evade sanctions and Trade compliance restrictions. In order to minimize sanctions risk exposure, Prime Bank PLC consider screening against names found in advisories and other reliable sources, such as negative news, in an effort to get ahead of potential sanctions risk & TBML Risk. For example, the OFAC Advisory to the Maritime Petroleum Shipping Community is a list of vessels and joint ventures that may merit screening against. The source of watch list from media reporting of reported sanctions evasion and reports issued by bodies such as the United Nations. Prime Bank PLC maintain warning notice issued by financial authorities and supervisors (e.g., BaFin, Financial Conduct Authority [FCA], and the Swiss Financial Market Supervisory Authority [FINMA]) and can include:

- List and advisory from FINCEN and OFAC, BIS OAC, and Drug Enforcement Administration [DEA])
- Lists from international tribunals
- Enforcement actions
- Disqualified directors and debarred companies from governmental and international agencies
- FATF's list of high-risk and monitored jurisdictions
- The EU's list of tax havens and high-risk countries

Technical Flow-chart for Sanction Screening by Prime Bank PLC.



Sources of Sanction List (Third party like : DOW JONES or Open Source)

(a) UN Security council website (http://www.un.org/sc/committees/list_compend.shtml)
(b) BFIU website (https://www.bb.org.bd/bfiu/index.php)
(c) Domestic sanction list from BFIU website
(d) Unilateral or Regional sanction list forwarded by BFIU
(e) OFAC SDN & Non-SDN Sanction List (https://sdnsearch.ofac.treas.gov)

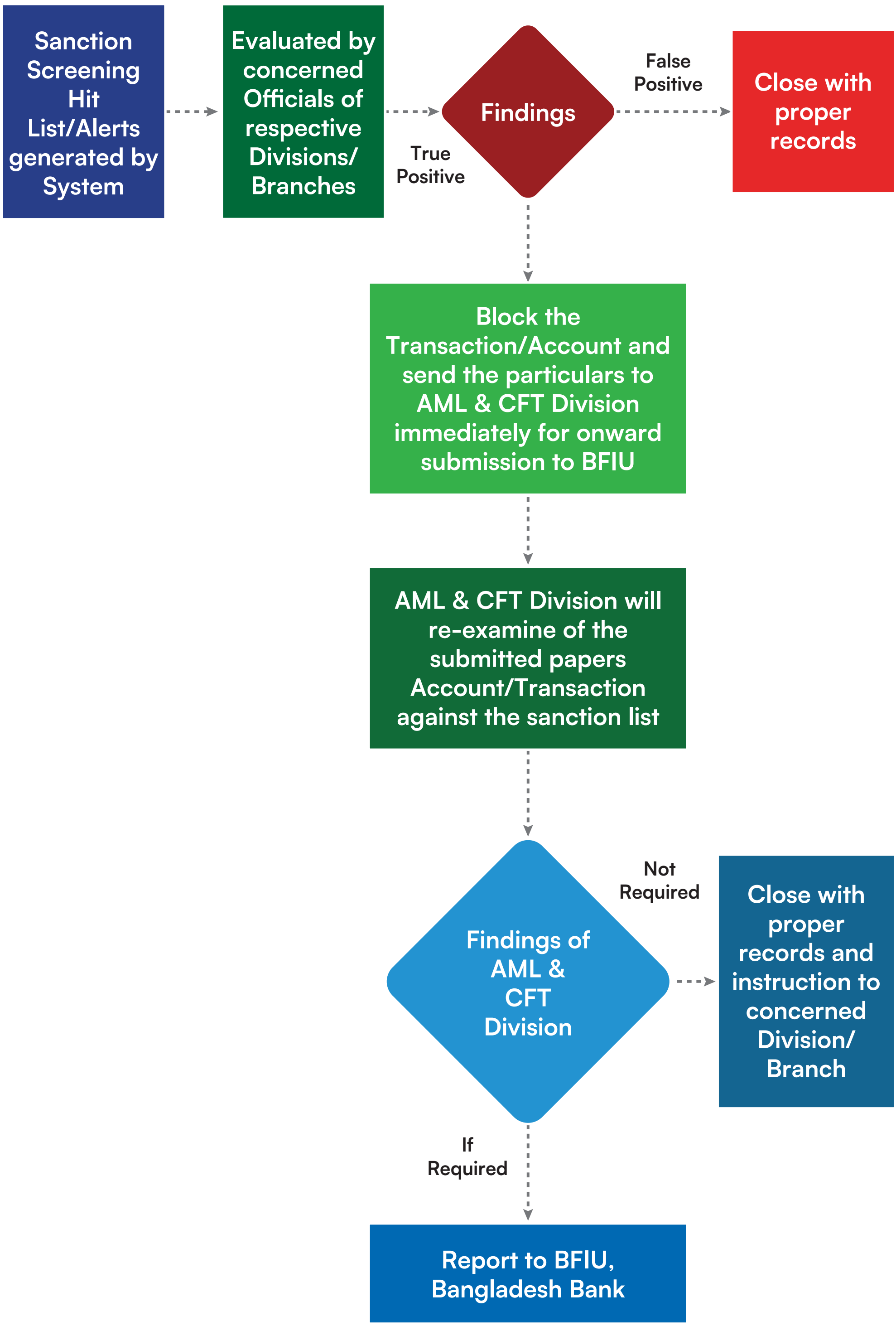
Run a regular check including transactional review-

- before establish any relationship/ opening of any account
- check the existing accounts/customer
- before any foreign transaction through SWIFT
- before providing remittance service to the walk-in customer or over the counter
- screening on identified risk

If any match (True positive)

Report to BFIU (through PBL AML&CFT Division)

Chart 3.5: Screening Process business flow chart & action parties [SOP].



3.2.4.2 Sanction Screen Process for existing Customers

PBL will conduct periodic re-screening of its entire customer base in a regular frequency to be determined by the Management from time to time. It's an auto process run by Head Office based on the update UNSCR & U.S sanction Data. Branch Officials will check & verify the Alerts as well as preserve the False Positive Statement of existing Accounts list. The process of handling alerts is described in brief in the chapter 9 of "PBL Money Laundering & Terrorist Financing Risk Management Guideline-2022"

Screening Process of Entities

TSD/CMO/ID/Branch/Concerned Divisions need to check the entities name like: Correspondent/Advising/negotiating Bank, LC Beneficiary/Importer/Exporter Company, Agent, Vessels & etc. before establish any relationship/transaction. UN/U.S/EU/MAS/HKMA/HMT and Bangladesh sanctions list and other sanctions list for dealing with their currency need to follow on cross-border transaction.

Remittance Screening Process

In the remittance where funds received from a person or company in a foreign jurisdiction are immediately remitted to another person or company in the same foreign jurisdiction, or to the sender's account in another jurisdiction. Remittance screening process will identify the receiver and sender of the Remittance who are in the published UNSCR & other international sanctions list.

SWIFT Outgoing & Incoming Message Screening Process

Our bank has controls and procedures in place to address the risk of dealing with sanctioned parties for trade finance or any cross border transactions through SWIFT. Both MT SWIFT messages (outgoing & incoming) are being screened centrally at Financial Institutions/Trade Service Division/CMO/NRB Operations.

Outgoing/Sending SWIFT Message

Messages are being generated automatically from our core banking solution TEMENOS T24 and then messages are transferred to Screening Server. Alerts (Hit List) generated by the system automatically. The Sanction Screening Users of respective Division (TSD/CMO/NRB Operations) will review the Alerts.

Incoming/Receiving SWIFT Message

Bulk SWIFT Messages are being downloaded from our SWIFT system through AFT module. And Hit list generated by the system automatically. The Sanction Screening Users of respective Division will review the Alerts.

3.2.4.3 Vessel Tracking

Vessel tracking (origin port, transshipment, destination port) and its voyage history should be tracked to determine whether it has docked at embargoed countries during its previous voyage and dealt with sanctioned entities or embargoed goods. It should be borne in mind that vessels may change their names but cannot change their IMO number; hence cross-checking IMO number through a reliable source is recommended. Few Sanctioned Vessels & Shipping lines that have changed their names and a list of Landlocked Countries have been given in Appendix-C.

PBL has an agreement with Lloyd's List Intelligence: Shipping and maritime intelligence to get data related to vessel, port, vessel movement & etc.

TSD/Business RM/ TBD/ID/NRB/CMO/ Branch officials are advised to follow Lloyd's List Intelligence: Shipping and maritime intelligence to get data related to vessel, port, vessel movement & etc.

The following shall be reviewed by TSD:

- Customers' trading partners;
- Nature of the goods and their potential dual-use (military and civilian);
- Country of origin;
- Vessel name, identify Dark fleet, shadow fleet, Analyze remarkable AIS Gap
- Details of vessels — such as flag, journey history, name history;
- Beneficial ownership of the vessel and checks on the shipping company;
- Port of loading and discharge of the vessel;
- Agents or third parties involved in the transaction;
- Ports of call of the vessel for the particular transaction flow (origin port, destination port);
- Recent voyage history of the vessel and whether it has docked at any embargoed countries during previous voyages.

TSD/Business RM/ TBD/ID/Branch officials are advised to follow the procedures in vessel tracking discussed in detail in "PBL Money Laundering & Terrorist Financing Risk Management Guideline-2022"

Care should also be taken to PEPs/IPs screening, adverse media screening, FATF High Risk Country screening. A combination of automated and manual controls will be relevant in the context of AML and counter-terrorist financing (CTF) efforts.

Typically, the following elements are, but not limited to, checked via automated /manual procedure:

i. Unit prices ii. Number of items shipped iii. Shipping marks iv. Trade term — often an Incoterms rule followed by a place v. Commercial contract vi. The documentary credit applications vii. The guarantee applications viii. The documents presented under import documentary credits ix. The documents presented under export documentary credits

x. The documents presented under import documentary collections xi. The documents presented under export documentary collections xii. Guarantee demands xiii. All incoming and outgoing non-SWIFT messages etc.

3.2.5 Price Verification

3.2.5.1 Price verification sources before LC opening (Both Cash and BTB):

The sources of price verification for TSD for the commodities traded both for import and export are as follows:

- LSEG Data & Analytics, formerly Refinitiv/ Reuters: For commodity items like raw cotton, HSFO etc. pricing which are traded globally in online market.
- Global Trade Tracker (GTT): GTT provides, worldwide customs data for commodity based on incoterm and HS code for specific importing country/ exporting country. The price provides on an average basis. It can be based on Month wise/ year wise data of that particular HS code for the country. Database is as recent as last month data for the pricing. Prime Bank have already subscribed to the service.
- Prime Bank Trade Transaction database as advised by BFIU, Bangladesh Bank
- Similar Commodity imported/exported by Other customers from similar country/ specification/ incoterm
- Other available online/ offline sources

3.2.5.2 Legal source of determine fair price of the goods in cross border trade transaction:

Source:

1. **Import Policy Order 2021-2024** Chapter # 2
    - Import through most Competitive Price
2. **GFET-2018 (Chapter 7 Section 20)**
    - Ensure exporter/importer both are bonafide businessperson of goods concerned
    - Exporting/importing country is the usual exporter/importer of the goods concerned
    - AD shell ensure the price is competitive in the international market on the date of contract/or similar import in contemporary period.
    - AD may verify price through Bangladesh mission abroad.
3. **BFIU issued Guidelines for prevention of TBML Chapter#3 Section 3.2.3.5**
    - Bank will develop - clear policies, own database & guide trade staff how to price check.

- Policy should define the acceptable level of price variance.
- The escalation procedure if significant price variance identified
- Different threshold may be applied for different product & services based on periodic market price assessment.
- To ensure effectiveness of the price check the above procedure may be centralized or automated.

4. **FE Circular letter no.36 Dated : October 10, 2022, 'Price verification of Import transaction'**
    - Refer para 20 of chapter 7 , GFET
    - ADs are advised to adhere to regulatory parameters for price verification/ competitiveness
    - 'AD shall comply with extended due diligence in import transactions and relevant regulations without limiting to provisions of Import Policy Order in force, credit reports of suppliers, KYC and AML/CFT standards, and so on''

5. **FE Circular letter no. 10 date-18th Sep 2023 ''Inclusion of information on Proforma Invoice/Indent regarding Description of goods, quality, unit price and quantity''**

Emphasis on verification of prices before LC opening

To facile the price verification of the goods intended to import the PI/Indent should contain the following information:

(a) Full description/specification of goods, standard, brand, date of manufacture, packaging information, Grade use to classify goods based on quality, unit price and quantity .

(b) If a PI/Indent contain different types of product option(a) will apply for each of the product

(c) If a PI contain different types of product specific measurement unit applicable for each goods should be mentioned for e.g Kg, liter, pcs regardless of categorization all product for same measurement unit.

(d) PI/Indent must mentioned ICC Approved Incoterms & freight in applicable cases.

(e) PI/Indent must mentioned 8 digit H.S code

6. **Import minimum value SRO**

- Minimum value SRO will be basis a for apply duty on any product
- Based on Product origin, model, brand or other specification higher price (compare to minimum value SRO) may fix for applying duty.

- For importing copper, aluminum, steel, plastic, nonferrous, ferrous metal and aluminum alloy internationally recognized source will be use for price verification for eg. Platts, London Metal Exchange (LME),
- Price lower than LME etc quoted price will not be allowed for assessment.
- Price in the PI must be consistent with the price in the LME market exchange in identical date.

3.2.5.3 Methodology followed for price verification for cross border transaction:

Guidelines for prevention of Trade based Money Laundering' section 3.2.3.5 instructed to implement clear policies and procedure to guide trade processing staff in performing price check. Prime Bank PLC apply Risk based Approach in applying control measure to prevent the TBML risk and to stay abreast of regulatory guidance Prime Bank PLC, TSD introduced following policies to verify price of the commodity involved in cross border trade transaction:

In an effort to get ahead of potential TBML risk the price assessment process followed in the following order and Prime Bank PLC may picked any of the following alternative based on the circumstances:

1. Recent Bill of entry assessment unit price
2. SRO Quoted Price
3. Historical Transaction Data (Based on Own database)
4. OSINT (Subscribed public/private Database)
5. Third-Party Valuation or Inspection
6. Periodic Market price & Landed cost assessment

(1) Recent Bill of entry assessment unit price:

1. Every commodity entry in the country evidence by a customs Bill of Entry.
2. Customs determine assessment unit price of the commodity to apply duty, tax vat and other levies.
3. Prime Bank PLC thus first and foremost consideration for price verification is to compare with the bill of entry mentioned assessment unit price.

(2) SRO Quoted Price:

As per Customs act 1969, Ministry of Finance, Internal Revenue Division each year publish minimum value SRO (Statutory Regulatory Order) in USD for goods import. Thus, the SRO Quoted price is another benchmark for price verification in cross border trade transaction. If recent bill of entry not found for any commodity Prime Bank PLC exercise comparison with SRO Quoted Price for price verification as second alternative.

- Limitation : limited number of commodity covered in customs minimum value SRO

(3) Own database based on Transaction (Historical Data)

Another acceptable and regulator recommended process for price verification is to compare the price of the intended trade (PI price) with the own database (which is established based on the recorded data of historical transaction). Currently it maintained and manage through centralized repository.

Prime Bank PLC compare the intended trade transaction with:

- Past transactions of the same customer.
- Similar transactions from similar clients.

(4) Third-Party Valuation or Inspection

Price verification is very challenging because the price dependent on so many diverse factor, due to its high volatility for large -value or unusual items, Prime Bank PLC prioritize independent third party inspection by reputed company. For instance SGS, Intertek , bureau veritas, Cotecna, TUV Rheinland . Prime Bank PLC used Independent third party Inspection as fourth alternative to determine fair price of the trade transaction.

(5) OSINT/ Subscribed public/private Data base/Market Index

- Throughout the world there are several private company (GTT, Global trade tracker, Bloomberg for oil, metal and grain) maintain private database for price verification.
- They usually work with customs authorities, exporters/importers, collect data from the ASYCUDA world (where accessible) and other stakeholders and means to combat under-over invoicing, fraud and ensure compliance with local laws and international standard.
- In addition to subscription of private database accessing/search open-source intelligence and company legitimate website, Alibaba.com, India mart, based on the verification of credibility of the site also taken in to account.
- Market Price Index (Argus for Coal price), IDWAL for live vessel, Go shipping site for scrapped vessel price verification.
- Subscription of private database and searching in open source used as fifth alternative for price verification

(6) Periodic Market price and Landed cost assessment

- The last resort for price verification process is to determine the landed cost of the product and compare this landed cost with the current market price.
- Apply subjective judgement to determine whether the landed cost of the product is fair and consistent with the local market.
- If the Landed cost (CFR value + duty/tax + local freight and other operational cost + profit margin) seems logical with the local market then it will also play a role for determining fair price of the item.

(7) Brand new and Recondition vehicle price evaluation(Customs: Assessment unit ref: 14/279 dt 16.11.2020)

Recondition Vehicle Price evaluation

- Yellow book, true report and auction report will taken account to determine price of Japanese recondition vehicle.
- For recondition vehicle other than Japan price may be checked through Glass's guide, Magazine automobile or any other international Journal.
- As par GFET Chapter 7 section 20 and Customs duty assessment rules 2000 'Certificate issued by commercial councilor of Bangladeshi mission abroad ' regarding the price will be acceptable

Brand new car

- Manufacturers invoice need to submitted
- Buy from other than the manufacturer --- Certificate issued by commercial councilor of Bangladeshi mission abroad will be acceptable
- Glass's guide, Magazine automobile or any other international Journal may use for price evaluation.

In exceptional cases TSD open LC but not able to determine the fair price of the goods for some reason in that case, TSD/level 1 official may take a client undertaking regarding price of the goods though its not provide comfort on regulatory investigation, in case of prosecution it may produce in court to accused the client for fraudulent declaration.

TSD Official (Level 1) will check the price from different sources as stated above and others as available as per Bangladesh Bank GFET and Import/Export Policy Order. If any suspicion is observed, they should check for necessary justification if any and escalate to Level 2. The further escalation if required will be as per chart 3.3.

Based on the above methodology level 1 will prepare price verification report for every transaction/LC and verifier of the trade transaction will evaluate the price verification report to ensure authenticity genuineness of the data. The price verification report furnished rationale against competitiveness of price of concerned goods. in case of suspicion or ambiguity level 1/ verifier of transaction/checker may consult with Level 2. The price verification report format annexed with the policy at appendix C.

3.2.6 Credit Report

According to Foreign Exchange Regulations Act-1947 (amended in 2015), and the Guidelines for Foreign Exchange Transactions-2018, Chapter 7, Para-23(b)

- TSD will obtain confidential report on the exporters/Importers from the independent international credit rating agencies(ex. D&B) or their branches or correspondents abroad or in their discretion,

- Credit report may also be collected from other AD through proper banking channel
- In any cases if TSD feel suspicion on the credibility of supplier may collect additional credit report from other acceptable agencies.
- When overly complex ownership structure found all the concerned companies credit report may be collected for clarification on Sanctions/AML and common interest clearance.
- Credit report should be valid
- AD/TSD will not allowed to accept/receive credit report from the applicant
- Credit report will be valid for maximum of 12 months unless any adverse report notified.
- Credit report collected for one party may be used for another party applying charges as par schedule of charge

Satisfy themselves as to the standing of the exporter by consulting standard books of reference issued by international credit rating agencies acceptable in all cases where the amount of LC/contract exceeds USD30,000(Thirty Thousand) against Proforma invoices issued directly by foreign suppliers and USD40,000 (forty Thousand) against indents issued by local agents of the foreign suppliers.

The credit report of Applicant/beneficiary/supplier/manufacturer should be collected before establishing import LC and execution of export. The supplier line of business and ownership structure will be assessed in a rigorous manner. TSD should take decisions of opening LC based on the merit of the credit, not only to comply with the regulator's instruction.

Some example of negative characteristics (which are not exhaustive rather indicatives) while analyzing the credit report, may be considered by concerned officials as the risks and possible TBML.

- The subject company not registered in the beneficiary country and does not hold physical/operational office at the country of registration.
- Any credit report showing "unable to locate ".
- The subject company registered in a Tax haven zone like British Virgin Island, Panama, Saint Kits and Nevis, Bermuda, Cayman Islands, Mauritius, Marshal Island, Saint Lucia, Luxembourg etc. and located at the address managed by any legal firm or trust company.
- The subject company is an offshore company and is used for tax purpose only.
- Any report mentioning the opinion "we are of the opinion that normal business engagement with Subject is advised to be made with due caution.
- The line of business is not matched with the goods/services to be traded.
- Poor financial strength/ very nominal paid up capital and huge debt and liability
- The subject company is located and conducts business in jurisdictions that are at higher risk for ML, TF or other financial crimes.
- Transacting parties appear to be affiliated, conduct business out of a residential address, or provide only a registered agent's address.

- Others which seems suspicious and generate alert of making any transaction.

Any negative comments or ambiguity containing in credit report will be escalated by TSD to Level 2 (Head/delegate of TSD) seeking approval/rejection. If Level 2 is not satisfied with the credit report they can reject the Transaction or they can escalate to Level 3 (DCAMLCO/official assigned by CAMLCO) Level 3 may reject the customer or after completion of CDD/EDD, the customer may be allowed for trade transaction.

3.2.7 TBML Alerts

KYC process is the foundation on which the individual transaction should be evaluated/examined for TBML Alerts. However, compliance checks carried out on the trade finance transactions are, to a large degree, Manual. This requires a structured risk-based approach to identify, escalate and examine unusual/suspicious activities. One such approach is to work with "TBML Alerts." A non-exhaustive list of "TBML Alerts" indicators is provided in the Appendix B & C.

3.2.8 Enterprise/Institute Wide TBML Risk Assessment and Mitigation process of Prime Bank

PBL shall assess its TBML risk exposure using holistic approach. In assessing enterprise level risk assessment, it shall obtain and use input from internal source, external sources and from review of international regulatory changes.

The following Table shows the responsibility and authority of assessing Bank's TBML risk and formulate the mitigation process.

Content	Stakeholders/ concerned divisions
Ensure Enterprise wide TBML risk assessment.	TSD, AML & CFT Division
Review/up gradation of Policy Strategy depending on TBML risk assessment.	TSD, AML & CFT Division to be placed to Senior Management/CCC of the Bank.
Take into account gaps found through annual review as shown in chart 3.6	TSD, AML & CFT Division
Review new trend and typology related to TBML and include relevant ones for guidance.	TSD, AML & CFT Division to be placed to Senior Management of the Bank.
Revisit TBML Alerts to mitigate the risks.	AML & CFT Division

3.3 Suspicious Transaction/Activity Reporting

a) STR/SAR reporting should be done by TSD/other related divisions/branches in accordance with the procedure shown in the Chart 3.3. In this case the risk of tipping-off should be managed.

b) TSD/other related divisions/branches should always file an STR/SAR when required to do so under MLPA, ATA and relevant BFIU circulars and submit to AML & CFT Division. AML & CFT Division will analyze and justify the merit of the STR/SAR and finally submit to BFIU. In complex situations AML & CFT Division may seek opinion from BFIU.

3.4 Training on Trade Based Money Laundering

- According to the BFIU Circular 26 and ML & TF Risk Management Guidelines provide guidance on AML & CFT training, TSD/AML & CFT Division should ensure that concerned officials understand the trade based money laundering in both national and international context, bank's exposure to TBML and its own Trade Controls

- AML & CFT Division will arrange training with the collaboration of HRTDC (HR Training and Development Centre) throughout the year. TSD will ensure the training of all the employees, especially the day to day operation level officials and provide the name of the officials to AML & CFT Division.

- Training schedules and materials will be designed jointly by TSD and AML & CFT division in such a way that the trainees are able to provide, or contribute to, training depending on their background, role and experience.

- AML & CFT division will ensure with the help of HRTDC to make TBML training as a core part of a bank's training calendar or training plan. Training records should also be retained properly by HRTDC and AML & CFT Division.

3.5 Few More Notes on Trade Controls

All relevant staff and officials of TSD/Business RM/ TBD/ID/NRB/CMO/ Branch officials should be made aware and remain updated of trade controls. Dissemination through regular correspondence should also be emphasized.

1. To assess the effectiveness and adequacy of the trade controls, independent review (Independent review means reviews done by officials other than Level 1, 2, 3 officials as designated by the bank) should be done from time to time. Frequency of review should be based on ML/TF risks faced by the bank, emergence of any particular or special need arising out of changes in regulatory instructions etc.

2. Trade Controls should address all possible difficulties by TSD so that relevant officials may face in combating TBML.

3. TSD should make use of rule based alert/exception reports or detection scenarios to the extent reasonably practicable. Some examples of detection scenarios based on TBML Alerts have been given at Appendix C.

4. Trade Controls by TSD should ensure clear division of roles and responsibilities and ownership of risks relating to critical functions.

5. Trade Controls by TSD should require decisions relating to trade transactions, work flow procedures and TBML Alerts to be documented appropriately for audit trail purposes, having regard to the record keeping standards as mentioned in MLPA, 2012, GFET, 2018 and ML & TF Risk Management Guidelines. They should also include mechanism to ensure that customer information including applicable trade processes and relevant updates is captured in the relevant bank's customer database, in order to facilitate the assessment and ongoing monitoring of customer activities.

6. Apart from the yearly review of strategy and policy by senior management as mentioned in Chart 3.6 TSD should involve senior management in planning and implementation of Trade Controls. Considering size and exposure to TBML risks, TSD may decide the period of such review.

7. The trade transactions conducted through any IT or Technological Platform of a bank will be governed under the directives of Bangladesh Bank issued from time to time.

8. Relevant senior officials having awareness of contemporary intelligence & knowledge on geopolitics and other cross border regulatory restrictions which are not as much stringent as that of Sanction but may lead to regulatory and legal hassle should guide the transaction level officials on due diligence measures to be exercised in such situations.

Chart 3.6 Institutional/Enterprise-level TBML Risk Management Framework

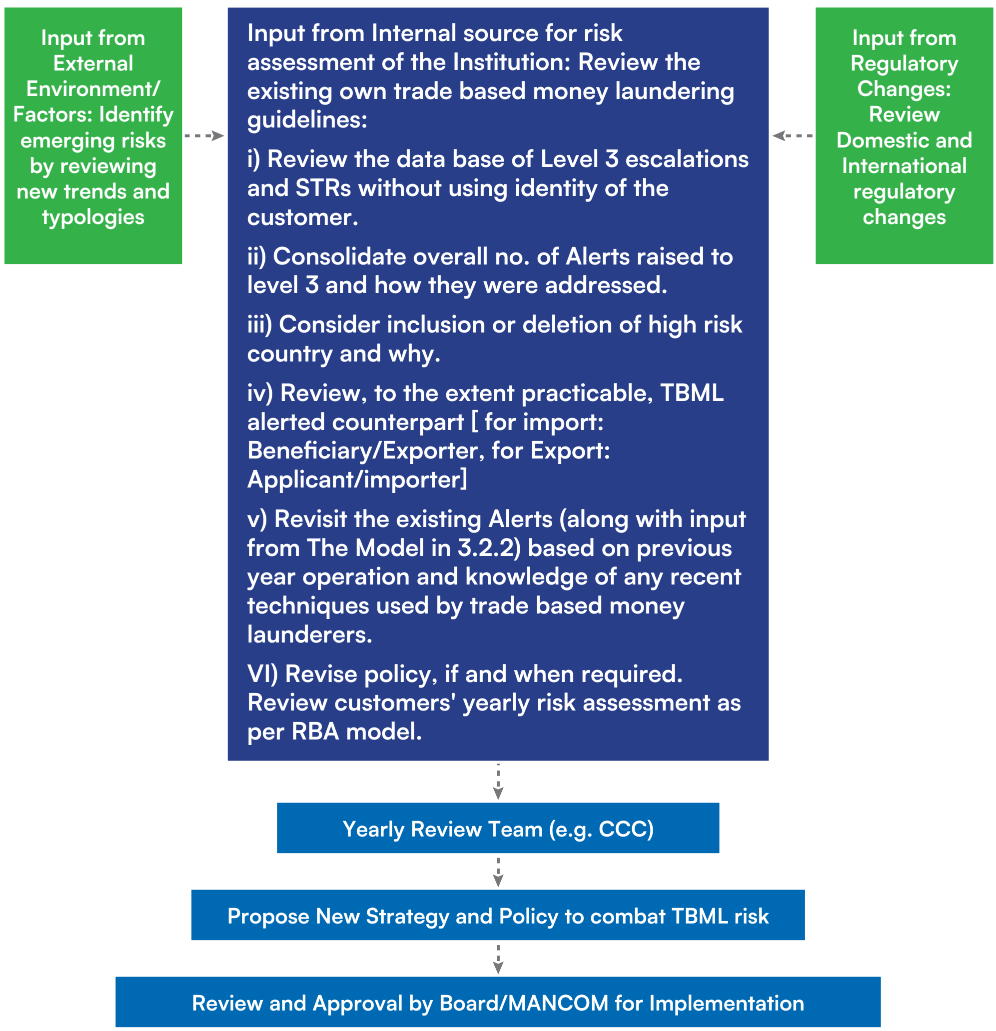


Table 1 : Sample Trade Transaction Profile(TTP)

General Information:

Customer Name & Address: ABC Company Limited IRC number: EA 05201023 ERC number: BB 589235 BEPZA/EZ permission no: BIN No.: 124568782 Vat reg. No.: 5500003265890 TIN No.:1421187593	
Particulars of Business	**Details**
Type of Business (Commercial/Industrial/ Others)	Industrial
Nature of Business (RMG/Textile/ Pharmaceuticals/Trading/Agro etc.)	RMG
Import items [including service/performance]	Industrial Raw materials, Capital Machinery
Export items [including service/performance]	RMG
Types of Trade Loan from bank and other FIs	LTR, Lease Finance, Hire Purchase,
Types of Guarantee/Standby LC	
Importing Countries	China, Europe, Indonesia, India, Russia
Exporting Countries	North America

Transaction Information:

Details of Transactions	Monthly Average Volume of Transactions		Monthly Average Value of transactions in Million USD	
Details	**Minimum**	**Maximum**	**Minimum**	**Maximum**
Import LC Issuance	04	10	80,000.00	150,000.00
Import through Collection/ Contract	04	10	50,000.00	150,000.00
Import payments	03	06	60,000.00	100,000.00
Export LC/Contract	05	10	75,000.00	200,000.00
Export Proceeds realization	05	12	55,000.00	185000.00
Other invisible receipt (inward remittances)				
Other invisible payment (outward remittance)				
Guarantee/Standby LC				
Import Loan (EDF/UPAS/LATR / MPI/MIB/Bai Muazzal/etc.)	08	12	80000.00	150,000.00

Details of Transactions	Monthly Average Volume of Transactions		Monthly Average Value of transactions in Million USD	
Details	**Minimum**	**Maximum**	**Minimum**	**Maximum**
Import Under Aid/Barter/or any other special arrangements				
Import payment through FC account	02	05	50000.00	100,000.00
Term Loan for Machinery Import				
Export Loan foreign (Discounting/ Purchase/Bai As sarf/				
Local Export Loan (Discounting/ Purchase/Musharaka Documentary Bills etc.)	05	10	55000.00	150,000.00
Others				

I/We the undersigned hereby confirm that the anticipated transaction amount and frequency are my/company's normal transactions. I/We further confirm that if necessary, I/we will revise our transaction profile from time to time.

Signature: .... Signature:

....

Name: .... Name:

....

Designation: .... Designation:

....

Date: .... Date:

....

For Bank's Use Only

The Trade Transaction Profile (TTP) of the client has been reviewed in accordance with the instructions of Bangladesh Financial Intelligence Unit (BFIU).

____

Designated bank official's name (with seal), signature and date

Table 2: Sample Risk Based Model (Trade Risk Grading - TRG) for Trade Customers

Sl	Risk Components	Sl	Risk Parameters	Risk Scores (0-3)[3]		Composite Risk Level
				Obtained score	Max score	(ΣObt.score) *100 ΣMax. score
1	Trade Customer Demographic	1	Business History 4	2	3	
		2	Payment Behavior 5	1	3	
		3	Adverse Media Report6	0	3	
		4	Law Suit Filed7	0	3	
		5	Others if any			
			Sub Total=	**3**	**12**	
2	Geographic locations of trade transactions	6	Jurisdiction 8 south/east Asia	2	2	
		7	Jurisdiction- Europe	1	1	
		8	Jurisdiction -China	2	2	
		9	Jurisdiction —south/North America	2	2	
		10	Jurisdiction-FATF High risk	0	3	
		11	Other Jurisdictions Middle east	0	2	
		12	Complexity (Multiple Jurisdiction)	0	3	
			Sub Total=	**7**	**15**	
3	Products/ services	13	Food Grain and Industrial Raw	0	2	
		14	Materials	2	2	
		15	Capital Machinery	3	3	
		16	Trading Goods	0	3	
		17	Service Import or Service Export	0	2	
		18	Defense Goods	0	3	
		19	Dual-use goods	0	3	
		20	Other goods if any	0		
			Sub Total=	**5**	**18**	
4	Transactions Trend / History	21	Value of trade transactions	3	3	
		22	Number of trade transactions	3	3	
		23	Number of escalated TBML Alerts	0	3	
		24	Number of STR	0	3	36.84
			Sub Total=	**6**	**12**	
			Grand Total=	**21**	**57**	

	Comprehensive Risk Level	Threshold in %	Actual Risk Level
	High Risk	75% and above	
	Medium Risk	50% and above but below 75%	
√	Low Risk	Below 50%	37%

3- 0 represents no risk, 1 represents low risk, 2 represents medium risk and 3 high risk.

4 Business history of the customer, frequency of his/her trade default, his/her/its reputation in running business etc. within the period.

5 Payment behavior of the customer.

6 Adverse media report on the customer and/or the products he deals with and its impact or sensitivity.

7 Law suit filed against the customer related to his/her trade.

8 Jurisdiction with which the customer conducts import and export business, AML/CFT risk associated with the jurisdiction, FATF public document and other relevant lists etc.

APPENDIX

APPENDIX A:
SOME INSTANCES OF ABUSE OF TRADE IN BANGLADESH CONTEXT

(Lessons should be learnt from related large scams published in various media, the case studies published in the BFIU annual reports and other relevant sources as well)

Case 1: TBML through bill of entry fabrication

Mr. 'P', an importer, opens an LC amounting USD 7, 58,710.30 for import of edible oil. Bank made payment of the full amount (USD 7,58,710.30) based on shipping documents and endorsed the same in favor of the importer for the purpose of releasing the goods. Instead of those documents, a set of fabricated documents were submitted to the customs as the value of goods arrived under that LC was only USD 54,150.00. However, goods could not be released from customs due to failure in quality inspection. Meanwhile, a fabricated copy of bill of entry valuing USD 7,58,710.30 was submitted to the bank evidencing the proper release of the goods. When the fabrication was revealed by Bangladesh Bank, explanation was called and subsequently the remitted amount (USD 7, 58,710.30) was returned from two different countries other than the beneficiary's country and no evident relation was found with the beneficiary regarding this refund.

TBML Alerts:

1. Inadequate assessment of trade customer.

2. Refund from third countries not related to beneficiary.

3. Supplier country was not the producer of the goods.

4. Shipping documents not verified.

5. Bill of Entry not verified by the bank.

6. Though large amount, adequate cautionary measures were not taken.

Case 2: TBML through releasing high value goods using copy documents

Mr. 'M', an importer of trading goods, opened two LCs worth USD 12,180 and 5,240 during August 2016 at a Bangladeshi commercial bank for importing Tyres and released the goods from Customs against the second LC using copy documents. Bank was informed by the importer that goods against the other LC were under process of release. No import payments were made due to non-receipt of original shipping documents. Due to non-receipt of the payment, complaint was lodged by the beneficiary with necessary documents. The LCs as referred to by the complaint of non-payment was for USD 6, 39, 478 and was not issued by any Bangladeshi bank, rather it was issued by a finance company of a western country during June 2016. However, analysis reveals that in addition to the LC opened at the western country the two commercial invoices also refer LCs issued by the Bangladeshi bank; and the name, address, IRC and BIN mentioned in the two invoices completely match with the information in OIMS. Moreover, name and quantity of the goods as mentioned in the invoices also bear similarity with the ones mentioned in the Bill of Entry.

Therefore, it appears that the LC issued in the western country has connection with the LCs issued by the Bangladeshi commercial bank. In collusion with the exporter, the importer perhaps wanted to avoid tax opening LCs of lower value and releasing goods through copy documents. As the breach of trust between importer and exporter occurred and the exporter didn't receive payment, complaint was lodged and the incidence came to light.

TBML Alerts:

1. Inadequate assessment of trade customer.
2. Probable collusion between importer and exporter.
3. Issuance of LC by a finance company from third country.
4. Proper due diligence in value and unit price verification of the goods was not conducted.

Case-3: TBML through phantom shipment

Mr. 'F', an importer of fruits, usually operates with 'P Bank' with small scale LCs. All on a sudden, he opened account with three other banks and at a time opened 21 LCs with the four banks worth USD 9,106,842.50. Banks made import payments based on shipping documents. No single shipment was made against the LCs and the amounts remitted were not refunded.

TBML Alerts:

1. Lack of proper due diligence for the customer by the three banks.
2. Vessel container was not tracked.
3. Number and value of LC inconsistent with customer's business pattern.

Case-4: TBML through import of old/used capital machinery

Mr. 'M' opened a usance LC to import old/used capital machinery for around USD 16,000.00 in 2016. Within one month and a half shipment was made and documents were received by the bank. Though initially discrepancy was established under UCP 600, payment was made by the bank. While releasing machine from Customs, it was found that the minimum economic life exceeds the limit permitted in current IPO and the certifying authority was not nominated by NBR. Goods were confiscated by Customs. Meanwhile, import payments were made and the machineries were placed for public auction by the Customs.

TBML Alerts:

1. Import involved high risk goods.
2. Certifying authority was not nominated by NBR.

3. Importer and exporter were somehow related parties.

4. Old/used machinery import rules and regulations were violated by the bank and the importer.

Case-5: TBML through importing different goods

Mr. 'Z', a new importer opened an LC for importing malt beverage (lower duties and taxes) from Singapore worth USD 5,460. Goods were shipped and shipping documents were received by the bank. Upon instigation of the importer, bank official raised a minor discrepancy and held the documents. Meanwhile, Customs imposed higher taxes and duties on the goods while releasing those as it was revealed that the goods were light-alcoholic beer. Consequently, customer refused to take the goods. Goods were confiscated and placed for public auction by Customs. The highest bidder who got the auctioned goods was the agent of the importer. Thus, importer released the goods, sold it in the market and then informed the bank of his readiness to accept the discrepant documents. Therefore, bank made the import payments. In this way, Customs lost the applicable taxes and probably the rest of the prices of the light-alcoholic beer was suspected to be paid through informal channel.

TBML Alerts:

1. Misrepresentation of goods for duty and tax evasion purpose.

2. Importer behavior to raise discrepancy in the beginning and afterwards his readiness to receive discrepant documents.

Case 6: TBML attempted at first through sea port then through land port

An attempt was made to remit more than USD 4,27,500 submitting forged documents such as No Objection Certificate of a commercial bank in Bangladesh and that of a western country at a land custom house. A transferrable LC opened in January, 2018 at the bank of a western country mentions import of 500 MT of onion at the rate of 855 USD (per MT). The Bangladeshi commercial bank's NOC showed a signature of branch manager and another signature of President & CEO & CFO while foreign bank's NOC showed one signature of CFO and another signature of President & CEO & CFO. However, Bangladeshi commercial bank branch didn't have official of such rank. When the Customs official took step to verify, this illegal attempt ended in vain. Matter of concern is that the consignee of the goods was a customer of that commercial bank in Bangladesh.

TBML Alerts:

1. Lack of adequate KYC and verification of trade customers by the bank in such situations.

2. Immediate steps have to be taken after getting the verification notices in such circumstances.

3. All ADs, Customs and relevant agencies should be informed immediately after such incidences.

Case 7: SWIFT password was hacked from back office and used to make fraudulent payment

SWIFT password was hacked and payment instruction was made to the Nostro A/C to pay USD for the payment against import. Consequently, payment was made and statement was sent to back office accordingly. But back office did not scrutinize and the middle office also didn't reconcile with the requisition from the branch to pay USD against import payment.Next day another instruction was made to pay GBP but GBP was not available in the Nostro A/C. Treasury Management Department (TMD) was asked to place GBP to the nostro account of GBP but TMD had no requisition in support with the instruction. TMD asked the Nostro A/C to stop the payment. USD payment had already been executed and it was not possible to recover the amount.

TBML Alerts:

1) SWIFT message did not mention underlying transaction reference.

2) Lack of checking by back office and no reconciliation by middle office.

3) Rationale behind payment instruction was not verified.

Case 8: Guarantees converted into funded liabilities

Exporter received contract from a European country for export of vessel and received advances in various installments from the importer. Advance payment guarantee and performance guarantee were issued by the exporter's bank. Counter guarantees were issued by another foreign bank. Exports were not executed within the stipulated time and contracts were cancelled. Consequently, guarantees were encashed by the foreign bank. Local bank created forced loan to pay guarantee amount with interest. The client i.e. the exporter failed to pay the amount and the loan converted to term loan and finally turned into Non Performing Loans.

TBML Alerts:

1) End use of advanced receipt against prospective Export was not monitored and confirmed by the bank. 2) Performance of the exporter was not assessed accurately.

Case 9: TBML through import & export using related parties

Company 'X' in Bangladesh is owned by an Influential Person (IP). This company has been awarded a government project to install a power plant for which they opened LC favoring a beneficiary company 'Y' located in Singapore to import capital machineries, spare parts and accessories of BDT 2 billion. Accordingly, the Company 'X' made payment against the said LC

Another company 'Z' in Bangladesh has a sale contract with company 'Y' in Singapore to export agro product to India for BDT 1 billion. Export proceeds are received by company 'Z' from company 'Y' in Singapore through another bank in Bangladesh though goods are shipped to India. This company 'Z' has received cash incentive of BDT 0.2 billion (@20%) from the Government against export of the agro-products. Company 'Z' is newly registered as an exporter and obtained ERC from the CCI&E. Finings show that Company 'Y' in Singapore is an affiliate company of company 'X' and the owner of company 'X' is also a partner of company 'Z'. Export price of agro product in documents is unusually high and the quantity exported is under-shipped. Thus the government money is embezzled through trade transactions

TBML Alerts:

1) Transaction is not in line with customer's Trade Transaction Profile (TTP) or line of business.

2) Importer and exporter are related parties and there is common interest.

3) Over Invoicing and Under Shipment against agro product export to India.

4) Goods shipped from Bangladesh to India but importer is located in Singapore.

Case 10: TBML through trade fraud by supplier

Company 'ABC' in Bangladesh availed an LC to import capital machinery from Switzerland for USD 50,000.00. LC was confirmed by a foreign bank in Bangladesh. Presenting documents beneficiary claimed payment from confirming bank (CB). CB honored the claim of beneficiary and placed claim to issuing bank in Bangladesh. Issuing bank paid by creating a Loan against Trust Receipt. After few days of payment importer lodged a claim to the issuing bank that goods received by them is not the desired goods, rather they are old spoiled machineries. Meanwhile, after receiving the money beneficiary closed their account in the Swiss bank. Applicant filed a case in the court in Bangladesh. An analysis showed that though it was regulatory obligations to obtain supplier's credit report, issuing bank as well as the confirming bank did not obtain it before opening and confirming LC. Applicant complained against the bank that the loss incurred due to banks' failure to obtain supplier's credit report before opening LC. As such they claimed that banks should bear the loss since they would not be able to repay the import loan.

TBML Alerts:

1) Supplier's credit report was not obtained.

2) Supplier's line of business was unknown.

3) Payment term was favorable to beneficiary with less protection to applicant.

4) Importer and exporter may be related parties with common interest.

Case 11: TBML by sending fund to importing country through hundi and repatriating as export proceeds while transferring original export proceeds to a third country

'ABC' is a pharmaceutical finished goods exporter of Bangladesh. This company mainly generates its revenue from domestic sale and hardly exports in countries like India, Pakistan and UAE. Most of its export is based on sales contract and mode of payment is 90 days deferred from shipment date. It uses multiple banks as nominated bank but the transaction volume is low. 3 different banks issued EXPs favoring this exporter for exporting finished products to India, Pakistan and UAE against different contracts. After shipment to 3 different countries, exporter submits export bill in 3 different EXP issuing banks. After ninety 90 days' payment is received from Pakistan only but the other EXPs become overdue after 120 days from shipment. It is revealed afterwards that exporter contacts with Hundi businessmen to send money from Bangladesh to India. Indian Hundi counterpart deposits fund into banking channel using dishonest businessmen. Indian importer sends export proceeds from their banking channel to ABC co.'s exporting bank. Export proceeds are received through MT103 instead of MT202 message in the name of exporter without mentioning export bill reference. Exporter submits the request letter to realize the proceeds against the overdue export bill and thus EXP overdue becomes regular. This fund is also used to convert it as export proceeds for shipment to UAE. Goods shipped to India and UAE are sold to that local market and sales proceeds are transferred to an offshore hub.

TBML Alerts:

1) Export proceeds received through MT103 instead of MT202.

2) Swift message does not mention the underlying transaction reference number.

3) Payment received from third country.

Case 12: TBML through import LC issuance and import payment

'ABC' is a very reputed and leading company in Bangladesh in computer and accessories. This company has multiple joint ventures in countries like Singapore, Malaysia, Hong Kong, China, and India. They are also involved in providing financial services and have some trust operations in Cayman Island. This company (non EPZ in nature) is also dominant in Bangladesh with good reputation as conglomerate and their business slogan is 'Customer is first'. They are willing to pay higher fees if same day payment is guaranteed. The company imports different types of computers, parts and accessories from different countries of the world. They have both industrial and commercial IRCs. 'ABC' company requested their bank 'X' to issue one import LC favoring beneficiary in Singapore. PI indicates import LC value is $1,000,000.00 consisting of import of computor monitor, keyboard and other accessories. They prefer 'X' bank as it makes payment very quickly after receiving import documents and customer always likes to pre accept the discrepancy. Customer also wants to avail UPAS benefit as this import is industrial in nature. Though customer opens LC under industrial IRC, their underlying purpose is to sell the imported items commercially. Conducting due diligence, bank issues import LC and receives import bill later on. While lodging import bill, bank official finds that some of the items are not available in PI but these are included in CI. When asked by bank, importer confirms that they import product on demand and schedule is very tight. In addition, computer technology is ever changing element. Hence during shipment, they changed some of the items with change in unit price. When bank official wants to take more time for scrutiny, customer becomes unhappy about the service and threatens to move business to other banks. Customer also confirmed that their counterpart in Singapore wants payment copy by the same day. Considering charges, commission and other incomes, the size of business and customer pressure, bank processes the bill and makes payment. Thus importing inferior quality goods and over invoicing leads to TBML.

TBML Alerts:

1) Customer is very keen to waive discrepancy and make quick payment.

2) Customer is not concerned about charges.

3) Customer always expresses his acceptance on import documents before receiving import bill.

4) Avails UPAS benefit under industrial LC for commercial purpose.

5) Trust in Cayman Island may be owned by both importer and exporter.

Case 13: Involvement of third party (unrelated party) for layering and integration via buying house commission

'X' is a very reputed and leading company in Bangladesh for garments manufacturing items and accessories. This non EPZ Company has multiple joint ventures in countries like Singapore, Malaysia, Hong Kong, China and India. They are also involved in financial business and have some trust operations in British Virgin Islands. They conduct banking with couple of prominent banks in Bangladesh. Company 'X' imports different raw materials from different countries and exports finished goods to prominent market like US, EU etc. and enjoys bonded warehouse facility for import for industrial consumption. On one occasion 'X' imports cotton from Uzbekistan, Zimbabwe through Singapore for USD 75,000.00 keeping master export LC of USD 100,000.00 as lien. 3 months later, exporter submits export bill for USD 100,000.00 with the additional instruction to the negotiating bank that 40% export payment will be paid to the buying house/commission locally as commission which is transferrable from ERQ account. When asked about the excessive commission, exporter replies to the negotiating bank that the quality of goods is inferior in nature and outdated. Convinced with the response, negotiating bank processes the export bill. Buying house receives the fund with legitimacy and thus underlying commission is used to perpetrate money laundering.

TBML Alerts:

1) Imports from landlocked countries which are risky for terrorism and sanctions.

2) Use of bonded warehouse facility for tax evasion.

3) Lack of verification and understanding of the quality of the goods.

4) Excessive commission.

Case 14: TBML through over invoicing

M/s. 'R' Enterprise, a client of 'X' Bank branch, located in border area, deals in import and export business. Besides, the client also deals with the cattle business from India to Bangladesh. The client usually imports onion from India. M/s. 'R' Enterprise approaches 'X' branch to avail an LC valued USD 60,000 for importing 100 Metric Ton onion from India favoring M/s. 'D' Enterprise. 'X' branch issues the LC in favor of M/s. 'D' Enterprise, India. M/s. 'R' Enterprise receives the goods and sells in the market duly and payment is made accordingly. But it is observed that it sells TK. 25000/- per Metric Ton in the open market while the total import cost per Metric Ton onion is of BDT. 50,000/-. Later M/s. 'D' Enterprise makes cross border smuggling of 30 cattle from India to Bangladesh. M/s. 'R' Enterprise receives the cattle, sells them in the market and gets illicit proceeds.

TBML Alerts:

1) Over invoicing.

2) Illegal cross border

Case 15: TBML by two brothers through different methods

Mr. 'X', an expatriate from Chapainawabganj District lives in Dubai, UAE with free visa. He operates a grocery shop in Dubai. His younger brother 'Y', credit client of branch 'A' deals in paddy, rice and cattle business and works as an agent of his elder brother. 'X' convinces the Bangladeshi expatriates visiting his shop to send their money to Bangladesh through him providing 1 or 2 percent higher rate than banking channel with the surety of making payment to him after confirmation of receiving money by their beneficiaries in Bangladesh either in account or in cash. When the expatriates agree, he directs his younger brother 'Y' to deliver money to the respective beneficiaries' bank accounts or in cash. Upon confirmation of receiving money by their beneficiaries, the expatriates pay money to 'X'. In the meantime, 'Y' gets bank's credit showing different purposes or earns money from illicit sources and with that money he pays to the beneficiaries in Bangladesh. 'X' with that money buys gold and diamond ornament, gold bar having great demand in Bangladesh for the belief of their purity. Usually he sends gold and diamond ornament through the agent under Bangladesh Customs baggage rules. 'Y' receives such gold and diamond ornament, gold bar and sells them in the open market. With that money, he adjusts bank dues against credit and buys real estate in his own and his brother's name.

TBML Alerts:

1) The remittance is coming from UAE through Alternative Remittance System and the perpetrator takes credit from a local bank to disburse the money to the local beneficiary.

2) The colluder partners engaged in a valid trade cycle under Customs baggage rules.

Case study 16: TBML through Offshore Banking Unit

A Singapore based fund-raising and investment company named 'A' approaches a reputed bank in Bangladesh named 'X' seeking loan of USD 20.00 million. The company 'A' is registered in Singapore to conduct its operations as a financial organization. But the license is cancelled, thereby turning the fake company fully invalid.

‘A’ submits an ordinary application to borrow fund from ‘X’ Bank in Bangladesh in collusion with Bank’s high officials and Board members. ‘A’ does not submit any Articles of Association, Business Profile, Registration Certificate and Memorandum of Article of Association along with its application. Mr. ‘B’, a Canadian citizen, is a director of company ‘A’ and signs the loan application on behalf of ‘A’.

The ‘X’ Bank signs the deal with ‘A’ to invest USD 20 million on condition that ‘A’ would give return of 8% interest on the loan. ‘A’ also promises of investing USD 80 million with the Bank within 95 days of getting loan USD 20 million.

‘A’ creates a subsidiary company named ‘C’ in Dubai to act as Special Purpose Vehicle (SPV) to transfer the borrowed fund. To work as SPV, it is obligatory to be a financial Institution or an investment company but ‘C’ is a trading company. ‘C’ opens an account in UAE based ‘Y’ Bank. The account with ‘Y’ Bank is supposed to be jointly controlled by ‘A’ and ‘X’ Bank as per loan agreement. But actually this does not happen.

Later, it is found that the Chairman of ‘X’ Bank is the nominee of Bank’s fund e.g., USD 20 million and a joint signatory of the account maintained with ‘Y’ bank in Dubai.

‘X’ Bank finally remits the USD 20 million funds to ‘Y’ Bank. Later on fund cannot be traced. It is noted that since ‘X’ Bank does not have foreign currency; it buys USD with BDT from interbank money market in Dhaka with higher price. Just after remitting the fund ‘C’ withdraws the total fund and closes the account maintained with ‘Y’ Bank.

TBML Alerts:

1. Investment abroad manipulating OBU loans and ultimately leading to money laundering.

2. Failure of OBU to take legal advice from both local and foreign law firm before investing abroad.

3. Failure to comply with regulatory rules in OBU fund management.

Case study 17: TBML through fake documents

Mr ‘X’, proprietor of ‘A Food Products’ opened 3 current accounts in 3 branches of 3 different banks. The account opening form used the official address in Banani, Dhaka and factory address in Salna, Gazipur. The customer was willing to export turmeric, pepper powder spices but no proof regarding the export capacity or previous business experience of the customer was preserved.

A foreign buyer located in Dubai named ‘M/s. B Trading LLC’, Dubai, remitted USD 15,98,545.00 favoring the account of ‘A Food Products’ through an exchange house named ‘Y Exchange Center LLC’, Dubai, UAE using 26 Advanced FTTs. Out of this 26 Advanced FTTs, 10 FTTs amounting USD 6,08,035.00 were shown as export proceeds of turmeric, pepper powder spices. 20% cash incentive was claimed by the exporter and bank authorities reclaiming the same amount from Bangladesh Bank credited BDT 98, 15, 689.00 to the party account. Rest of the 16 FTTs had no export documents preserved in the branches. These remittances were not reported to Bangladesh Bank by the AD branches. The entire amount was encashed through the current accounts of the customer. During inspection it was found that all the export documents were fake. Forged bills of lading were prepared using the letter head pad of a foreign shipping company and seal and signature of its local shipping agent. All these were used to prepare forged export documents and claim cash incentive by the customer. The inspection team communicated with the local agent of the bill of lading issuer. The shipping agent by a letter informed the Bangladesh Bank as well as the commercial banks that the exported goods against which cash incentive was claimed were not shipped by them, rather the exporter used fake seal and name of the shipping agent. Upon receiving such letter from the said shipping agent, Bangladesh Bank directed the banks to realize the said cash incentive amount from the customer.

TBML Alerts:

1) The customer engages in transactions that are inconsistent with his business strategy or profile.

2) Amount of foreign currency transacted through exchange house is abnormal and doesn't match with the reality.

3) Essential documents not presented/obtained and verified properly.

Case study 18: TBML through back-to-back LC

A UK based buyer, 'XYZ Ltd'. placed export order through sales contract by two local garment buying houses named 'A' and 'B' Apparels Ltd. The foreign buyer lured the Bangladeshi exporters invoicing higher price per unit of export goods. In exchange the buyer put conditions to procure high priced raw materials from its nominated suppliers based in China.

Receiving the sales contract, Bangladeshi exporters opened back to back letter of credit (BTB LC) in order to procure raw materials. After the shipment of several consignments these exporters came to know that the foreign buyer 'XYZ Ltd'. did not receive the exported garments. The exported goods were left unattended in the Manchester port and exporters were bearing higher rental cost for the containers. At that time Bangladeshi garment exporters could understand that they had fallen victim to fraudulence. In the name of BTB LC money was siphoned off from the country, but export proceeds could not be repatriated. During BB inspection it was observed that banks did not take ratings and information of the credit reports of the foreign buyer and supplier into consideration. It was also revealed that one director of 'XYZ Ltd.' was Chinese. This director may have linkage with or may be one of the suppliers in China. Banks also did not justify the market price of raw materials though unit price of raw materials was very high. In the meantime, the Chinese suppliers started knocking Bangladesh Bank for settlement of BTB LCs. Some banks already paid and some held the documents as discrepant.

TBML Alerts:

1) Buyer nominated supplier.

2) Credit Report of buyer and the supplier was not taken, and in some cases report was taken but was not analyzed properly.

3) The price is unusual.

4) Probable collusion between buyer and supplier of raw materials.

Case study 19: TBML through fraud

During an inspection by Bangladesh Bank on a private commercial bank branch, it was observed that the bank branch was intentionally hiding the overdue export bill as well as overdue EXPs. As a result the customer could continue to avail the facilities like cash incentive, EDF loan, BIDA approved low cost foreign loan. It is challenging to find out those hidden overdue export bills among thousands of EXPs. But during inspection it was found that five customers were given cash incentive even though they had overdue export bills. The amount of cash incentive disbursed through this malpractice was more than BDT 300 million. The bank was instructed to immediately return the cash incentive amount disbursed violating Bangladesh Bank regulations and take necessary action against the responsible officials.

TBML Alerts:

1) Willful non-reporting of overdue export bills.

2) Cash incentives allowed to customer not eligible as per regulations.

3) Advanced cash incentives allowed.

Case 20: TBML through purchase of foreign documentary bills

During inspection by Bangladesh Bank on a commercial bank branch it was observed that several customers were exporting leather goods to foreign countries. The largest portion of the loan portfolio of the bank branch was composed of Foreign Documentary Bill Purchase (FDBP). Most of the export bills of leather goods were of 90 days deferred LC term. But the branch was found to provide 120 days tenor to hide the number of overdue export bill. The branch not only exaggerated the tenor of the export bill but also purchased those bills without receiving the acceptance from the LC issuing bank. The branch was already exposed to greater risks by purchasing export bills without acceptance. Moreover, it continued purchasing the bills of the customer who already had overdue export bill. During further analysis it was found that four of the export companies had the same owner. The motive was to simplify the process of purchasing more bills on account of a customer if others fall overdue.

TBML Alerts:

1. Willful non-reporting of overdue export bills.

2. Allowing longer term trade financing.

3. Purchasing bills without acceptance from the LC issuing bank.

4. Purchasing bills of the customer who already had overdue export bill.

APPENDIX B:
TBML ALERTS

TBML Alert, a warning sign, is not in itself an indication that something is wrong but that given the nature of the client's business and the nature of the underlying transaction, the TBML Alert merits further review.

The TBML Alerts may be sub-divided into the following categories, i.e.

a. The transactions
b. The goods and size of shipment
c. Transport
d. Payment
e. Country
f. Party/parties
g. Discrepancies
h. Unusual documentation

Banks should take into consideration the TBML Alerts described below while conducting trade operations:

TBML Alert No.	TBML Alerts	Purpose/Rationale with example
Applicant/Beneficiary		
Alert# 1	Importer and exporter are related parties and there is common interest.	In most cases of illegally transferred fund, applicant and beneficiary are related or connected parties or there are some common interests between them. So bank needs to be aware of whether the applicant and beneficiary of a trade transaction are in any way related to some common interests. In this context, bank should also follow instructions contained in para 2 of Chapter 7 and para 7(b)(iv) & para 7(c) of Chapter 8 of GFET, 2018.
Alert# 2	Transacting parties appear to be affiliated, conduct business out of a residential address or provide only a registered agent's address.	Party 'A' enters into a contract with party 'B' for import of goods through documentary credit. The contact address of party 'B' appears C/O: legal representative name and its address details, or prior to opening of LC, credit report of party 'B' reveals that party B's line of business is not consistent with underlying goods. In both instances, the exporter may try to hide the true beneficial owner of the transaction.

TBML Alert No.	TBML Alerts	Purpose/Rationale with example
Alert# 3	Customer behaviour	The behaviour of the customer may give rise to TBML alerts. For example, the customer suddenly becomes anxious and puts pressure on the bank, or offers bribery, threatens to terminate business relationship to execute the transaction.
Alert# 4	Any of LC/Contract/ Guarantee parties are known to be owned or controlled by Politically Exposed Persons (PEPs) or Influential Persons (IPs).	PEPs & IPs may exert undue influence to conduct trade transaction in their favour. As such banks need to have an effective mechanism to identify PEPs' involvement in the trade transactions as applicant or beneficiary or any other party.
3rd Parties		
Alert # 5	Involvement of the parties in the trade transaction cannot be explained.	It has been seen that applicant and beneficiary are not willing to explain the rationale of involvement of intermediaries in the transaction. At this backdrop, though banks may not be able to know all the parties involved in the transaction, they should understand why they are involved, and involved parties with no apparent logical role in the transaction should be examined further.
Illustration	Party 'A' approaches Bank 'B' to open an LC favouring beneficiary of country 'C'. Party 'A' requests bank to advise the LC in any bank in Country 'D' instead of country 'C'. However, there is no information in proforma invoice on the basis of which the reason of such demand by the beneficiary can be ascertained. In addition to that the beneficiary further demands credit available in another country not related to beneficiary's country. This type of scenario needs further analysis in order to understand different parties' involvement in the transaction.	
Alert # 6	Too many intermediaries making transaction overly complex.	An applicant or beneficiary may approach a bank for a trade transaction with too many intermediaries involved in the transaction with an ill motive of executing transaction through creating complexity. As part of due diligence bank should understand the justification of involvement of intermediaries within the trade cycle. Contact from unexplained parties may be an indicator of a transaction that is more complex than it appears or an indication of unusual activity.

<table>
<tr><th>TBML Alert No.</th><th>TBML Alerts</th><th>Purpose/Rationale with example</th></tr>
<tr><td colspan="3">The transactions</td></tr>
<tr><td>Alert# 7</td><td>Transaction structure appears unnecessarily complex or unusual and designed to obscure the true nature of the transaction.</td><td>Though financially solvent, the applicant may avail trade finance facility from the bank in order to disguise the true nature of the transaction. He may use unusual trade term, involve many countries & intermediaries in the transactions.

Hence, as part of process banks should review the structure and complexity of an LC/Contract.

Banks should analyse financial products and transaction structures and determine if they are intended to obscure the true nature of the transaction. For example; it is clear from the transaction structure that giving an undertaking to the beneficiary was not the purpose behind issuing the documentary credit.</td></tr>
<tr><td>Illustration</td><td colspan="2">Transaction structure appears unnecessarily complex:

Party 'A' enters into the contract with party 'B' for import of goods through documentary credit. The underlying agreement is that Party 'B' (the beneficiary) will send some regulatory documents directly to the applicant. Documentary credit only requires that all regulatory documents like: fumigation certificate, phyto-sanitary certificate, quarantine certificate etc. be directly sent to the applicant by the beneficiary. The credit also requires being transferable.

Bank 'X' opens a transferable LC with the above condition, which is subsequently transferred to 2nd beneficiary. The issuing bank has received presentation from the transferring bank which indicates that 2nd beneficiary assigned its proceeds to the third parties and requests the issuing bank to pay directly to the third party.

Considering the above case, there are few elements that may be considered as alerts, i.e.

1. The beneficiary sends few regulatory documents directly to the applicant: By doing this, the beneficiary is able to keep the required regulatory documents outside the bank's operational purview.

2. The LC is transferable: Under general circumstance, there is no harm in making the LC transferable. But the issuing bank should understand the reasonable ground for transfer. In some situations, the beneficiary sometimes insists on the condition to gain tax benefit and to create gateway to transfer fund from one country to another.</td></tr>
</table>

TBML Alert No.	TBML Alerts	Purpose/Rationale with example
		Moreover, the issuing bank should have prior knowledge of the prospective 2nd beneficiaries and if possible restrict transfer within the beneficiaries. By doing this issuing bank has prior knowledge of those with whom they are dealing. Furthermore, the issuing bank should also understand whether it will restrict the transfer within the first beneficiary country or give authority to the transferring bank to make the transferred credit available in 2nd beneficiary's country. The issuing bank should have prior knowledge about 2nd beneficiary's country with whom the issuing bank intends to deal. 3. Assignment of proceeds: Even though it is not possible to have prior knowledge about request for assignment of proceeds until receipt of notice of assignment or indication in covering schedule, it is quite unusual to receive assignment of proceeds notice under transferable LC. Even in regular irrevocable LC, if the issuing banks receive assignment of proceeds notice, it indicates that the issuing bank is requested to deal with third parties other than the beneficiary. Assignment of proceeds under UCP 600 is always subject to applicable law and it will not be enforceable to the issuing bank until it acknowledges the assignment of proceeds. The issuing bank should conduct proper due diligence before crediting the documentary credit to third parties. The above is only one example of how a documentary credit can become unnecessarily complex. The Bank should consider every unusual request beyond its regular standard practice under the purview of trade based money laundering perspective. In fact opening Transferable LCs should be restricted to 2nd or 3rd.
Alert # 8	The customer engages in transactions that are inconsistent with the customer's business strategy or profile. (Transaction is not in line with the customer's line of business or with his/ her TTP)	Any trade transaction that deviates from the customer's existing line of business may have ill-motive to transact against criminal proceeds or may simply move money rather than goods through accommodation of bill etc. Hence, as part of trade specific due diligence measures, banks should take adequate measures to understand the current trading profile of the customer and its future plans on an ongoing basis. Ensuring these, banks may identify which trade products are suitable and which trade products are vulnerable for a particular trade customer at the outset of a trade relationship. The measures will also help them identify the extent of deviation of a particular trade transaction from the customer's strategy and future plans.

<table>
<tr><th>TBML Alert No.</th><th>TBML Alerts</th><th>Purpose/Rationale with example</th></tr>
<tr><td>Illustration</td><td colspan="2">Company ‘X’ imports garlic, cardamom etc. through Bank ‘A’ regularly. Suddenly he approaches bank to import 10,000 MT of rice, inconsistent with his regular import items. The underlying purpose may be to facilitate hiding the true beneficial owner of the transaction. This may also be applicable where the customer approaches bank to open LC for larger quantity than his regular import volume without having any reasonable ground or any business expansion.

Company ‘Y’ generally imports metals but suddenly opened an LC to import some electronics which are unusual and prices are unknown to the market. In this way value can be transferred using such new items of goods. It may be that both the importer and the exporter are sister concern managed by the shareholders. As there may not be any physical movement of the goods, the respective transaction has no economic value other than transfer of money from the importer to exporter in the guise of trade.</td></tr>
<tr><td>Alert # 9</td><td colspan="2">The Trade Finance transaction contains non-standard terminology and/or non-standard clauses.</td></tr>
<tr><td></td><td colspan="2">Documentary credits often stipulate very standard clauses as documents requirement, which is by its nature very traditional. If a bank receives an export LC or the customer approaches bank to open an import LC with non-standard terminology or clauses, it may be an indication that the counterpart is trying to convince bank of the creditworthiness of the party and legitimacy of the underlying transaction.

Examples:

Non Standard Terminologies in documentary credit:
• Assignable
• Divisible
• Unconditional
• Unconditional revolving etc.</td></tr>
</table>

TBML Alert No.	TBML Alerts	Purpose/Rationale with example
		Non Standard Clauses in documentary credit: • Ready, willing and able" • "Letter of interest" • "Proof of product" • "The funds are "good, clean and cleared, of non- criminal origin" • "This is a bearer instrument letter of credit" • "To be advised between applicant and beneficiary" • "A prime bank guarantee issued by one of the top 50 or 100 world banks or a cash wire transfer" etc. The above mentioned indications on a documentary credit are very unusual. In such cases banks should further scrutiny.
Alert # 10	Frequent amendment/ extension / cancellation pattern.	An LC that has been repeatedly amended should be treated carefully. After an excessive number of amendments, the parties should be required to have a new LC issued. Correction of a slight misspelling of a beneficiary name or of the company designation (i.e. "LLP" vs. "Corp."), should be handled as a transfer rather than as an amendment.
Alert # 11	The transaction appears to involve the use of front or shell companies for the purpose of hiding the true parties involved.	Banks should look at the geographic location and addresses of the parties to a transaction paying special attention to those countries or areas where front or shell companies are known to operate. If a bank suspects that a party could be a front or shell company, it should take adequate steps to determine the identity of the suspect entity and whether the entity is designed to hide the true nature of the participants to the transaction.

TBML Alert No.	TBML Alerts	Purpose/Rationale with example
Alert # 12	Guarantee/Standby LC fails to reference underlying project or contract.	When a bank issues guarantee, or receives counter guarantee ultimately to issue guarantee, it may fail to incorporate all the required information including reference of underlying projects. Hence, banks need to ensure the apparent authenticity of the underlying contract, bid etc. based on which the guarantee is being issued. If beneficiary of the guarantee is a government entity, then it could be easily verified via their website. In case of private beneficiary extra due diligence should be applied for the underlying contract. e.g copy of the contract, copy of paper announcement etc.
Alert # 13	Fake underlying transactions against a guarantee/SBLC/ LC.	Banks need to ensure the identity of the applicant, beneficiary and the underlying documents in order to avoid conflict of interest. Guarantee might be fake if both applicant and beneficiary are related entities and there is no such underlying transactions/ performance. It can be executed through KYC for the parties in order to confirm that no same parties or related/common interest parties are involved in them.
Value/Price		
Alert # 14	The price is unusual, e.g. very high or very low.	Buyer and seller negotiate price and the pricing is based on quality and costs of the goods, packaging, freight, customs duties, documentation preparation fees, inspection fees, insurance and many other factors. Therefore, it may not be easy for banks to ascertain the market price for all the components and circumstances that go into the price of a product. Bank officials should take adequate measures to try to identify any blatant or obvious pricing irregularities that may indicate the inconsistencies of pricing of the goods being shipped. Also note para 20 of Chapter 7 of GFET, 2018.

TBML Alert No.	TBML Alerts	Purpose/Rationale with example
Illustration	**Typology: 1** Company 'X' approaches Bank 'B' to open LC to import mobile phone or car. The price that as revealed in the proforma invoice is very low as compared to local market price. Moreover, the customs authority fixes certain amount or percentage of duty based on per piece etc. to prevent duty or tax evasion. The reason for quoting unit price very low may be for adjustment of debt which arises out of conducting transaction through informal or alternate remittance system. **Typology: 2** Company 'X' approaches Bank 'C' to open LC to import certain goods. Bank 'B' faces difficulties in knowing the exact unit price due to the nature of goods like capital machinery or chemical mixture etc. In some cases, local duty or tax is very nominal as the underlying goods have correlation with the economic development of the country. **Typology: 3** Company 'X' approaches Bank 'D' to open LC for import of rice or onion. The importer made certain percentage of advance payment through informal channel and opened LC up to the value where customs authority has reference value for custom valuation. But the actual price is higher than that of reference value. By doing so, the importer is able to avoid custom duty and taxes for the advance payment made. Similarly, excess amount of freight and other charges may also be taken into consideration.	
Alert # 15	Under Invoicing (against market price)	Invoicing goods at a price below the fair market price, the exporter can transfer value to the importer. Here the importer receives high value goods at a lower price. After re-selling the goods importer receives full value and thus additional value is received by the importer from exporter through under-invoicing. Importer is also able to pay less customs duty/tax by under-invoicing. Trade processors should follow the mechanism and guidelines to be established by their own bank in pursuance with these guidelines.
Alert # 16	Over Invoicing (against market price)	Invoicing goods at a price above the fair market price value can be transferred from importer to exporter. Bank should frame appropriate policy in this regard and trade processors should follow the same.

TBML Alert No.	TBML Alerts	Purpose/Rationale with example
Alert # 17	Invoice showing significant amount of misc. charges e.g. handling charges.	Money can also be transferred from one country/party to other country/party showing significant amount of misc. charges/handling charges/unidentified charges/in the invoices of goods/services for laundering purpose. Bank should know the justification behind such unusual charges and act accordingly to prevent TBML.
Alert # 18	There are indications of double invoicing / Multiple Invoicing.	Double Invoicing: This is very much relevant for local trade transaction. Double invoicing is where a subsidiary purchases goods from a parent at too high a price, or a parent purchases from a subsidiary at too low a price. Multiple Invoicing: This is also very much relevant for local trade transaction. More than one invoice for the same international trade transaction, which enables a money launderer or terrorist financier to justify multiple payments for the same shipment. Though with the establishment of FX Dashboard, multiple invoicing is very hard to do onshore, reasonable care should be taken in case of off shore.
Payment		
Alert # 19	The payment terms appear inconsistent with the transaction.	An importer or exporter may default willfully and launder money if payment terms of the financing is made without due consideration to the nature and/or conversion cycle of the underlying goods. For example, if an importer is financed for 365 days to import perishable goods like onin etc., when his business is to sell fish, he may abuse the facility and launder money through different ways (send money abroad through over invoicing with bank's finance, or may go willful default and use the money to launder or finance terrorism etc.). Hence, taking into consideration the market practice and business of the buyer and seller banks should determine whether payment terms are consistent with the nature and asset conversion cycle of the goods being shipped and act accordingly.

TBML Alert No.	TBML Alerts	Purpose/Rationale with example
Alert # 20	The transaction involves the receipt of payments from third- party entities that have no apparent connection with the transaction.	As third party payment arrangements can be used to disguise the identity of the true payor and true source of funds, they may expose to the risk of money laundering and/or unwanted sanctions evasions. Banks need to know and be satisfied with the underlying arrangement with the 3rd party who pay or receive the payments of the trade transaction.
Illustration	Bank 'I' issues an LC for raw cotton from Uzbekistan and LC available with any bank in UAE with an advising bank in UAE. After making shipment, while the beneficiary is trying to make presentation, UAE bank refuses to handle the transaction. Later on the beneficiary makes direct presentation to the issuing bank. Bank 'I' makes an attempt to make the payment through MT103, which its foreign correspondent bank refuses to process. Much later, the beneficiary makes the presentation through his bank in Latvia where the beneficiary maintains business account and Bank 'I' effects payment accordingly.	
Alert # 21	Changing the place of payment i.e. payment is to be made to beneficiary's account held in another country other than beneficiary's stated location.	Banks should take into account that in some instances, beneficiary under an LC directly sends documents to the issuing bank within instruction to effect payment to a third country. This situation may arise either the beneficiary is not able to route trade document through banking channel due to possible sanction hits or trying to park the proceeds in relatively lax jurisdiction.
Alert # 22	Payment instruction changes in the last minute without any reason.	It should be borne in mind that last minute changes to payment instructions, inconsistent with the terms of the trade instrument, or instructions to effect payment to a third party or account unrelated to the trade instrument could indicate unusual activity.
Alert # 23	Applicant (customer) controls the payment.	The trade finance transaction includes a feature by which the buyer effectively controls the payment. This could indicate that the seller and buyer are colluding in a non-competitive manner and that they have an underlying relationship outside an expected trading relationship which is not known to the banks.

<table>
<tr><th>TBML Alert No.</th><th>TBML Alerts</th><th>Purpose/Rationale with example</th></tr>
<tr><td></td><td colspan="2">Applicant (customer) controls the payment:

Bank 'X' issues sight LC with a condition that payment will be effected upon receipt of applicant's acceptance regarding receipt of goods in good order. This type of clause enables applicant to control payment. Providing such condition, the applicant can actually delay the payment though inconsistent with its nature of goods or local regulations. In other word, there might be collaboration between the buyer and seller beyond the knowledge of the bank.

Bank that issues LC with applicant control documents should be aware about requirement of applicant control and underlying transaction. Such as: import of capital machinery may be done with provision of split presentation as under:
- 15% advance payment
- 70% upon presentation and
- The rest 15% after proper installation of the capital machinery supported by applicant certificate

For import of capital machinery, the above split payment is customary. But split presentation or shifting payment obligation from beneficiary's presentation to applicant control document for trading items or industrial raw materials import, may need further analysis.</td></tr>
<tr><td>Alert # 24</td><td>Claimed/lodged shortly while guaranty validity is a long tenor.</td><td>Long tenor guarantee is normally issued against a long term contract/ project/performance (i.e 24 months period). The guarantee claim is supposed to be placed after a reasonable long period of time when applicant fails to execute that long term project/contract. If situation arises that a claim is lodged within a short time after the guarantee is issued, e.g. one month, the guarantee issuing bank should take it as an alert and should perform proper due diligence by confirming the genuineness of the claim from the beneficiary office.</td></tr>
<tr><td>Alert # 25</td><td>Issuance of fraudulent Letter of Undertaking (LoU).</td><td>Bank should have independent policy in place to operate SWIFT system which includes checker and maker system and periodic auditing, both by internal and external auditors.

In addition, SWIFT system should be integrated with their core banking system (CBS).</td></tr>
</table>

TBML Alert No.	TBML Alerts	Purpose/Rationale with example
Illustration	Two employees of 'XYZ Bank' send unauthorized Letters of Undertakings (LoUs), essentially bank guarantees, to foreign banks, on behalf of their customer M/s. 'ABC Gems Ltd'. owned by "Mr. X". The LoUs were undertaken to make payment in favor of foreign beneficiary for imports if on maturity, importer fails to pay, 'XYZ Bank' would make the payment. On receipt of guarantee foreign bank provides loan to the importer. The tenure of this loan varies from ninety days up to even five years for capital goods. The money gets used to settle the payment for imports. The money raised through this guarantees is not used to make payments for imports rather used to settle loans taken earlier. In fact, every time a firm related to Mr. 'X' asks for a bank guarantee, it is to settle an older loan taken through a previous bank guarantee. Thus, the amounts go up to around BDT 11,4000 million. LOUs were issued without any collateral or any usual process of the bank through colluding two bank officials of 'XYZ Bank' and the 'XYZ Bank employee sends these guarantees in the absence of credit limits and collateral security. Secondly, he does not make an entry in the bank's Core Banking Software (CBS). In some cases, a corresponding entry is made in the core banking system, but for lower amounts. Even regular audits may not find it. Bank's reconciliation department also could not find out the mismatch. It is revealed that in the said Bank, there is no SWIFT operating procedure in place, SWIFT is not integrated with the Bank's CBS and the SWIFT operation of that is not centralized and absence of proper auditing system i.e. IT audits did not take place. On this pretext, the ill motive customer was able to complete the evil scheme with the support of colluding employees of the Bank. Using such valid tools, dishonest officials of the bank in collusion can launder money.	
The goods and size of shipment		
Alert # 26	There are no goods (Phantom Shipment)	Banks should be aware that under these circumstances the beneficiary or applicant refuses to provide documents to prove shipment of goods (possible phantom shipping or multiple invoicing). For Example: LC or bank guarantee purportedly covers the movement of goods but fails to call for presentation of transport documents. LC covers steel shipment but allows a forwarders cargo receipt (FCR).

TBML Alert No.	TBML Alerts	Purpose/Rationale with example
Alert # 27	No goods description mentioned in documents/ Descriptions of the goods/services are not clear or are coded or disguised.	Not having goods' description is itself an alert. Bank should know the goods or services of underlying transaction from the related trade documents, such as LC, BL, invoice etc.
Illustration for Alerts 26 & 27	As we know from documentary credit operation that Banks deal with documents not with underlying goods, service or performance, issuance of LC without asking for transport document or allowing copy of transport document to be presented may facilitate phantom shipment. In addition to that documentary credit containing a condition "document acceptable as presented" or "all discrepancy accepted except value and quantity" may also have similar implication. Client may approach for issuance of local LC with above clause or without mentioning description of the goods. The inherent agenda in such cases may be to avail loan from the bank under the banner of trade finance.	
Alert # 28	The customer deviates significantly from its historical pattern of trade activity (in terms of markets, monetary value, frequency of transactions, volume, or merchandise).	Banks need to understand the customer's traditional business patterns as part of the trade specific customer due diligence process that reviews and examines the customer's business activity, such as the frequency of shipments, the value, volume, types of products and/or services in which the customer typically deals. Banks should have processes that will identify significant variations in these trading patterns.
Alert # 29	Transaction involves obvious dual use goods.	Dual use items are goods, software, technology, documents and diagrams, which may have both civil and military applications. Identification of dual use goods is difficult given their possible complex and technical nature. While banks may be in a position to identify obvious dual use of goods, corporate clients should be best suited for making this determination. Each bank should refer to its own policies and procedures on how to appropriately identify and address the identification and handling of such goods.

TBML Alert No.	TBML Alerts	Purpose/Rationale with example
Illustration	Though most of the banks are aware of obvious sanctioned country under UNSCR lists and generally do not open LCs where shipment is made from sanctioned port, company 'X' opened LC for import of bitumen from UAE mentioning any port of UAE and the respective transport document i.e. Bill of lading also mentions shipment from Jebel Ali, a UAE port inconsistent with the LC terms. But later on upon analysis of shipment routing, it is revealed that the ship indeed started its journey from the Jebel Ali but instead of moving toward Chittagong, it went to Bandar Abbas (an Iranian port) then came back to Jebel Ali and then started journey towards Chittagong. Moreover, Bank should also be careful in importing goods from certain country where underlying goods is not within the exportable basket of the exporting country.	
Alert # 30	Different HS Code is used.	In trade documents (i.e. LC, Invoice, EXP etc.) different HS code may be used to avoid high rate of customs duty. Bank should identify the goods description with appropriate HS Code as per Customs First Schedule of Bangladesh.
Alert # 31	Quantity of goods exceeds the known capacity of the shipping containers or tanker capacity or abnormal weights for goods are suspected.	Under shipment, over shipment, no shipment might occur when quantity of mentioned goods exceeds the capacity of the shipping containers/ tanker. Bank should try to know apparent capacity of the container, tanker etc.
Alert # 32	High risk goods/services are involved.	Goods/Services are assigned as high risk when those particular items of goods/services are used for illicit purposes. Bank management should make relevant officials aware of the high risk goods and services from time to time.
Transport		
Alert# 33	Transportation route/ information is inconsistent with underlying transaction.	Commercial banks should take into consideration whether the transport route appearing in documents is unusual or inconsistent. It may be that the transport route does not make sense for the purpose of the customer/goods shipped. It may also be that the actual transport route is inconsistent with the expected and documented transport route.

TBML Alert No.	TBML Alerts	Purpose/Rationale with example
Alert# 34	Transshipment through a country for no apparent reason.	Nature of goods, applicant & beneficiary country distance/location does not justify transshipment or transshipment from a country which is geographically absurd. For example: Shipment of raw cotton from Singapore, which is unusual.
Alert # 35	The mode or method of shipping is unclear or the shipping route is unclear.	If the mode of shipment and shipping route is not clear or kept hidden, there might be involvement of some sanctioned /embargoed country/port/ location/entities Banks should perform due diligence to identify the mode and route of the shipment.
Alert # 36	Goods to be shipped from one country/place but supplier/ beneficiary is located in another country/place.	Bank should check the valid reason for the shipment from a third country where beneficiary is not located. There might be underlying illicit arrangement between the beneficiary and the party in third country from where shipment is made.
Alert # 37	Vessel/Container number cannot be tracked through web search.	Container number consists of an internationally standard format. The number includes four letters and seven digits, with the last digit referred to as the check digit. (i.e. XXXU1234567). It is used for documentation purposes, including invoice, consular statement, bill of lading and others. Vessels can also be tracked through web link. Banks should check the vessel tracking /container tracking through web link to ensure that the vessel/ container number appearing in the documents is valid.
Alert # 38	The bill of lading describes containerized cargo but without container numbers or with sequential container numbers.	If bill of lading/shipping document does not contain the container number while the goods are shipped through containerized cargo, banks need to further scrutinize and ensure that the shipments appearing in the document is valid.

<table>
<tr><th>TBML Alert No.</th><th>TBML Alerts</th><th>Purpose/Rationale with example</th></tr>
<tr><td colspan="3">Country/Jurisdiction/Geographical Location/Sanction</td></tr>
<tr><td>Alert # 39</td><td>Customer shipping items to, through, or from higher money laundering risk jurisdictions including countries identified by FATF as stated in FATF Public document.</td><td rowspan="3">Banks should understand where the customer undertakes business and on what basis as part of trade specific customer due diligence activities. As some countries, entities and individuals present heightened risk for financial crimes, care should be exercised to understand the rationale for the customer conducting business in higher risk jurisdictions. To the extent possible, banks should determine if there is a valid reason, and if the business is within their risk parameters.

Banks should maintain a list of jurisdictions identified by relevant bodies (e.g. FATF) that present high risk in terms of money laundering, terrorist financing or other financial crimes. Transaction with UN sanctioned countries, individuals and entities should be avoided. Transaction or relationship with local sanctioned individuals and entities should also be avoided. All the lists should be made available to the trade operations area and updated as necessary.</td></tr>
<tr><td>Alert# 40</td><td>Transaction involves high risk jurisdiction/ country.</td></tr>
<tr><td>Alert# 41</td><td>Transaction involves sanctioned entities /countries / individuals.</td></tr>
<tr><td colspan="3">Discrepancies</td></tr>
<tr><td>Alert # 42</td><td>Goods' description in the documentary credit.</td><td>Examples:

There are significant discrepancies between the description of the goods on the bill of lading (or invoice) and the documentary credit, i.e. it is apparent that they are not the same type of goods.</td></tr>
<tr><td>Alert# 43</td><td>Clauses in the documentary credit.</td><td>If clauses in the documentary credit are not examined and addressed carefully by the bank, colluding parties may abuse trade and perpetrate TBML.</td></tr>
<tr><td>Illustration</td><td colspan="2">Clauses in the documentary credit:
Bank 'I' issued LC for or on behalf of the customer 'X' in favour of the beneficiary 'Y' for import of raisin. After issuance of LC, the customer remitted 15% of actual goods value through informal channel. As soon as the beneficiary 'Y' received fund, the beneficiary 'Y' demanded an amendment for addition of clause "document acceptable as presented" or "all discrepancy acceptable except value and quantity". Bank 'I' issued the amendment reluctantly. Later on, the beneficiary made presentation except pre-shipment inspection certificate and phytosanitary certificate. Upon analysis, it was revealed that quality of the shipped goods was inferior and not fit for human consumption but the fact is that the presentation was complying due to the amendment.</td></tr>
</table>

TBML Alert No.	TBML Alerts	Purpose/Rationale with example
Alert # 44	Essential documents presented in copy form or not presented.	Essential documents such as invoices or transport documents are missing or presented in copy form.
Alert # 45	Waivers: Amount significantly overdrawn, Advance waivers provided etc.	The documentary credit / guarantee is significantly overdrawn; i.e. the drawing under the documentary credit/ guarantee is significantly above the outstanding amount of the documentary credit / guarantee.
Illustration 44 & 45	**Essential documents presented in copy form or not presented:** **Waivers: Amount significantly overdrawn, Advance waivers provided etc:** Bank 'I' issued LC favoring the beneficiary 'Y' for its new customer 'X' under 50% margin. The beneficiary made presentation of copy of bill of lading instead of original. The customer approached banks to waive the discrepancies, which later on agreed after depositing 100% margin. Bank 'I' effected payment accordingly. After a few days, the bank received another presentation under documentary collection with payment instruction to deliver documents against payment for different customers of the Bank 'I'. After checking documents, it was found that the original bill of lading of the earlier LC related documents had been presented. Moreover, the beneficiary was also different from the LC. In the meantime, the new customer also disappeared. Bank should take into consideration the type of discrepancy they are given waiver and should have an understanding of its after effect. Sometimes, it is also seen in local documentary credit practice that bankers generally allow 10% excess payment on the plea of 10% tolerance level with or without LC conditions. While affecting such type of payment, bank should take due care of nature of goods, applicability of tolerance and change in unit price etc.	

TBML Alert No.	TBML Alerts	Purpose/Rationale with example
Alert # 46	The customer is overly keen to waive discrepancies.	Banks need to understand the motive behind the customer's keenness to accept the discrepancies and the gravity of the discrepancies. Although this is not related to trade rules, additional responsibility in respect of KYC (Know Your Customer), DD (Due Diligence) and EDD (Enhanced Due Diligence) have been vested on the bankers. When acceptance is provided by the importer to the discrepant documents, the banker should verify the kind of discrepancy accepted and whether this may pose money laundering risk.
Unusual Documentation		
Alert # 47	Documents required or presented is unusual to related trade transaction.	Banks should be cautious if documents appear to have been altered, fraudulent, are inconsistent or illogical, or when documentary presentations do not include required transport documents, as this could be an indication of unusual activity. Although the failure of documents to appear on their face to comply with the terms and conditions of an LC may be routine discrepancies, certain unusual discrepancies may require additional due diligence.
Alert# 48	There are indications that documents have been reused.	Examples include the presentation of documents showing a place of origin, loading, transshipment or destination entirely inconsistent with what is expected, the presentation of documents showing goods description entirely inconsistent with the expected goods, and the presentation of documents showing much higher or lower values or costs than expected.

APPENDIX C:
PRODUCT WISE TBML ALERTS, SOME RELEVANT LISTS AND EXAMPLES

Some of the important Products specific TBML alerts are given below. They do not eliminate the alerts mentioned in Appendix B.

TBML Alerts common to almost all the products below and therefore should be guarded against are:

i. Under Invoicing (against market price)

ii. Over Invoicing (against market price)

iii. Underlying goods is not in line with the customer's line of business.

iv. Descriptions of the goods are not clear or are coded or disguised.

v. The method of payment appears inconsistent with the risk characteristics of the transaction.

vi. The transaction involves sanctioned entities.

Issuance of LC

Price, Quantity and descriptions of Goods:

a. High risk goods or high risk jurisdiction/country is involved.

b. Transaction involves restricted or banned items of goods.

c. Different HS Code is used

Mode and Location of Shipment:

- Goods to be shipped from one country/place but supplier/beneficiary are located in another country/place and payment to be made to a different 3rd country/place.
- The mode or method of shipping is unclear or the shipping route is unclear.

Payment Method:

a. Changing the LC beneficiary or collection payee name and address just before payment is to be made. Including requests for assignment of proceeds or transfer at the time documents are presented.

b. LC transfer or assignment of proceeds request names a transferee or assignee in an offshore financial haven. Request for transfer, assignment or other financing under an LC which has expired or not in effect.

c. The customer offers to pay unusually high fees to the Bank.

Applicant, Beneficiary and Other Parties/Entities Involved:

a. Supplier's credit report is not available.

b. Supplier's line of business is not in congruence with the goods imported.

c. Transaction is not in line with the customer's TTP (Trade Transaction Profile) or when an exporter steps outside normal business activities.

d. Any of LC parties are known to be owned or controlled by senior public figure. Transaction involves an unusual intermediary (e.g. middleman is travel agency handling shipment of machine parts) or too many intermediaries making transaction overly complex.

LC Clauses and Required Documents:

i. Unusual/non-standard clause is inserted in the LC.

ii. LC without regulatory required documents.

iii. Significantly amended letters of credit without reasonable justification or changes to the beneficiary or location of payment.

Import Bill (Scrutiny/Acceptance/Payment/Financing) & Export Bill (Scrutiny/ Financing/ Payment)

Price, Quantity and Descriptions of Goods:

- Under Shipment (in terms of quantity)
- Over shipment (in terms of quantity)
- Discrepancies in Goods description, quantity and shipment locations.
- Where the quantity of goods exceeds the known capacity of the shipping containers or tanker capacity. Or where abnormal weights for goods are suspected.

Invoice:

- There are indications of double invoicing.
- Invoice showing significant amount of misc. charges e.g. handling charges.
- The documentation appears illogical, fraudulent and/or improperly modified from its original content, or certain documentation is absent that would be expected given the nature of the transaction.

Transport & other Documents:

a) The bill of lading describes containerized cargo but without container numbers or with sequential container numbers.

b) Phantom shipment - where no goods are shipped at all and the documentation is completely falsified

c) The mode or method of shipment is unclear or the shipping route is unclear.

d) Vessel / Container number cannot be tracked through web search.

e) There are indications that documents have been re-used.

f) There are dubious unauthorized alterations or amendments to the documents.

Payment Methods:

a) Payment is to be made to beneficiary's account held in another country other than the Beneficiary's stated location.

b) Payment is to be made to personal A/C of beneficiary instead of company A/C.

Others:

- The customer is overly keen to waive discrepancies.
- Transaction involves an unusual intermediary (e.g. middleman is travel agency handling shipment of machine parts) or too many intermediaries making transaction overly complex.

Annexure — additional items (TBML Red flag)

- Price verification : Customer seeks trade financing on the export or import of commodities whose stated prices are substantially more or less than those in a similar market situation or environment.
- Credit Report : Pressure for opening LC with invalid/dissatisfied/ uncollected credit report.
- Importer and exporter are related parties and there is common interest.
- Significantly amended letters of credit without reasonable justification
- Amendment of LC after expiry.
- Regulatory documents are not update as per law of the land or the client has overdue bill of entry.
- Pressure to open LC without competent authority permission (for e.g BIDA ,BERC, BTMC, Import permit)
- The applicant has no membership in the relevant business community.
- Different HS Code is used.
- Letter of Credit is inconsistent with customer's line of business.
- Letter of Credit covers goods that have little demand in importer's country.
- Letter of Credit covers goods that are rarely if ever produced in the exporter's country.

- Obvious over-or under- pricing of goods and services.
- There are no goods (Phantom Shipment).
- Size of the shipment appears inconsistent with the regular volume of business of the importer or of the exporter.
- A payment not processed and returned by a financial institution may be an indication of a sanctions nexus requiring investigation.
- Importer wants re-advise the LC now in different country.
- No apparent business relationship between the parties and transactions.
- Offering frequent/large discount without request
- Significant geographical distance between the business address of the applicant and AD

Export LC Advising

High risk goods or high risk jurisdiction/country is involved as per Appendix B.

- Transaction involves restricted or banned items of goods.

Export LC/Contract Lien and Pre-shipment financing (B2B facility/Packing Credit/ Working Capital Loan):

Price, Quantity and descriptions of Goods:

- High risk goods or high risk jurisdiction/country is involved.
- Transaction involves restricted or banned items of goods.

Mode and Location of Shipment:

- Goods to be shipped from one country/place but supplier/beneficiary are located in another country/place and payment to be made to a different 3rd country/place.
- The mode or method of shipment is unclear or the shipping route is unclear.

Payment Method:

Applicant, Beneficiary and Other Parties/Entities Involved:

- Bonafede's of buyer is not known.
- Buyer's line of business is not in congruence with the underlying goods.
- Transaction is not in line with the customer's TTP (Trade Transaction Profile) or when an exporter steps outside normal business activities.
- Any of LC parties are known to be owned or controlled by senior public figure.

- Transaction involves an unusual intermediary (e.g. middleman is travel agency handling shipment of machine parts) or too many intermediaries making transaction overly complex.

LC Clauses and Required Documents:

- Unusual/non-standard clause is inserted in the LC.
- LC without regulatory required documents.
- Significantly amended letters of credit without reasonable justification or changes to the beneficiary or location of payment

Shipping Guarantee

IDO/Shipping Guarantee is just copy document endorsement by bank and in addition bank issues a shipping guarantee favoring shipping company. While issuing IDO/Shipping Guarantee, TBML alerts relevant to IDO/Shipping guarantee mentioned below should be taken into consideration:

Price, Quantity and Descriptions of Goods:

i. Under Shipment (in terms of quantity)

ii. Over shipment (in terms of quantity)

iii. Discrepancies in Goods' description, quantity and shipment locations.

iv. where the quantity of goods exceeds the known capacity of the shipping containers or tanker capacity. Or where abnormal weights for goods are suspected.

Invoice:

i. There are indications of double invoicing.

ii. Invoice showing significant amount of misc. charges e.g. handling charges.

iii. The documentation appears illogical, fraudulent and/or improperly modified from its original content, or certain documentation is absent that would be expected given the nature of the transaction.

Transport & other Documents:

i. Original import documents against the LC are already in the bank.

ii. There are indications that documents have been re-used.

iii. Transport document is not endorsed to the order of the bank as per LC terms.

Guarantee/Standby Letter of Credit (SBLC)

i. Guarantee/ Standby LC fails to reference underlying project or contract (except for insurance related LCs, where the LC calls for a draft only. This is an acceptable practice).

ii. Applicant and beneficiary are related party and there is common interest.

iii. Claimed/lodged shortly whilst guaranty validity is a long tenor.

iv. Fake underlying transactions.

v. In case of transfer, there is a possibility to effect payment to a sanctioned or AML related party.

Service Export

a) Swift message does not mention any purpose of the transaction.

b) The reference number of underlying service contract/LC/Invoice is not mentioned in the Swift payment message.

c) Importer and exporter are related parties.

d) Description of service is not clear.

e) Exporter and importer line of business do not support the services.

f) Exporter is not capable of providing those underlying services.

g) Payment received from a third party not mentioned in underlying contract.

h) Price of service unusually high or low.

NOTE: *All the TBML alerts stated above are subject to change based on change in the nature and magnitude of trade based ML/TF.*

1. Sample Trade Transaction Profile (TTP)

General Information:

Customer Name & Address: IRC number: ERC number: BEPZA/EZ permission no: BIN No.: Vat reg. No.: TIN No.:	
Particulars of Business	**Details**
Type of Business (Commercial/Industrial/ Others)	
Nature of Business (RMG/Textile/	
Pharmaceuticals/Trading/Agro etc.)	
Import items [including service/performance]	
Export items [including service/performance]	
Types of Trade Loan from bank and other FIs	
Types of Guarantee/Standby LC	
Importing Countries	
Exporting Countries	

Transaction Information:

Details of Transactions	Monthly Average Volume of Transactions		Monthly Average Value of transactions in Million USD	
Details	**Minimum**	**Maximum**	**Minimum**	**Maximum**
Import LC Issuance				
Import through Collection/ Contract				
Import payments				
Export LC/Contract				
Export Proceeds realization				
Other invisible receipt (inward remittances)				
Other invisible payment (outward remittance)				
Guarantee/Standby LC				
Import Loan (EDF/UPAS/LATR /MPI/MIB/Bai Muazzal/etc)				

Details of Transactions	Monthly Average Volume of Transactions		Monthly Average Value of transactions in Million USD	
Details				
Import Under Aid/Barter/or any				
other special arrangements				
Import payment through FC				
account				
Term Loan for Machinery Import				
Export Loan foreign (Discounting/				
Purchase/Bai As sarf/)				
Local Export Loan (Discounting/ Purchase/ Musharaka Documentary				
Bills etc.)				
Others				

I/We the undersigned hereby confirm that the anticipated transaction amount and frequency are my/company's normal transactions. I/We further confirm that if necessary, I/we will revise our transaction profile from time to time.

Signature: ....   Signature: ....

Name: ....   Name: ....

Designation: ....   Designation: ....

Date: ....   Date: ....

For Bank's Use Only

The Trade Transaction Profile (TTP) of the client has been reviewed in accordance with the instructions of Bangladesh Financial Intelligence Unit (BFIU).

____

Designated bank official's name (with seal), signature and date

2. Some Examples of Detection Scenarios based on TBML Alerts

Detection Scenarios	Probable Rules
• Transactions through Land lock countries	• Should be a Pre-transaction & Automated detection; otherwise relevant officials should check against list of land lock countries.
• Unauthenticated Letter of Credits (LCs)/ Fake LCs	• Should be a Pre-transaction & Partly Automated detection; Rest of physical inconsistencies should be checked against a trade-check-list by knowledgeable officials.
• Round figure relatively big-bill-amounts submission/ payment	• Should be a Post-transaction & Automated detection alert/ report.
• Parties in Sanctions List/ High Risk Jurisdiction list	• Should be a Pre-transaction & Automated detection; otherwise officials should check manually at-least against the key list of comprehensive —Sanctioned-country list (UN, US , EU, HMT(BoE)
• Letter of Credit (LC) Overdrawn by large value	• Should be a Pre-transaction & Automated detection; otherwise officials to check manually.
• Future dated bill of lading/ Pre dated bill of lading	• Should be a Pre-transaction & Automated detection; otherwise officials to check manually.
• Trend to high risk countries	• Should be a Post-transaction & Automated detection alert/ report.
• Inconsistency with customer business i.e. not in line with customer's regular activities	• Should be a Post-transaction & Automated detection alert/ report, however pre-checking by knowledgeable officials is also highly recommended.
• Fraudulent documents/ Tampered documents/ Phantom shipping	• Should be a Post-transaction & Automated detection alert/ report, however pre-checking by knowledgeable officials is also highly recommended.
• Payment to a third party or to unrelated party	• Should be a Post-transaction & Automated detection alert/ report, however pre-checking by knowledgeable officials is recommended.

Detection Scenarios	Probable Rules
• Same address of Beneficiary/ Applicant, Drawer/ Drawee, Related parties /other address inconsistencies	• Should be a Post-transaction & Automated detection alert/ report, however pre-checking by knowledgeable officials is recommended.
• Discrepancies-that are Material in trade documents	• Should be a Pre-transaction & Partial Automated detection alert/ report, however pre-checking by knowledgeable officials is highly recommended.
• Trade Transaction related or involving parties in tax havens e.g. Bermuda, Bahamas, Monaco, Jersey, Isle of Man, Luxembourg, Ireland, Mauritius, Panama British Virgin Islands, Cayman Island etc.	• Should be a Post-transaction & Automated detection alert/ report, however pre-checking by knowledgeable officials is recommended.

Note: *The Frequency of Report (Real-time/Daily/ Monthly) and the risk priority (High/ Medium/ Low) of the Alert can be assigned by respective Bank based on their Risk-Appetite, system & resource capacity. However, no need to mention that, High risk alerts like Sanction-violation — should be detected & worked upon preferably on real-time basis or at-least on daily basis with top priority.*

3. Sample Price verification Report for Cross border trade Transaction

Prime Bank PLC.

....Division/ Branch

Risk Based Import/Export Item Price Evaluation Report

M/s .... a client of our branch places an application along with PI/Indent to open a LC, brief information regarding this application is presented below:

H.S Code	:
PI no. Date	:
Quantity & unit Price	:
L/C value	:
Customer Transaction/Payment pattern	:
Importer Line of Business	:
IRC Type	:

To ensure the competitiveness of unit price of product intended to import we have assessed the price in the following manner:

Sl No	Name of Item	Unit Code	Bill of Entry/ benchmark parameter Date	PI/Indent Unit Price	BOE Assessment Unit Price/ benchmark parameter	Deviation in %
1						
2						

Option 1 : Decision regarding the competitiveness of unit price of this Import Transaction is reached through the analysis of recent bill of entry of this product/H.S code (conjunction with own import item price database based on transaction) and found the assessment unit price in Bill of entry and the PI quoted price deviation is insignificant, thus we decide to proceed the LC.(Bill of entry attached)

Option 2 : We have verified the unit price of this Import Transaction through comparing the PI/Indent quoted price with minimum value of SRO, and found the PI quoted price is not below the Minimum value SRO and the deviation is reasonable , thus we decide to proceed the LC.(Minimum value SRO/Customs data valuation sheet is attached)

Option 3 : We have verified the price through OSINT/Third party inspection/GTT/Market price index (Open Source Intelligence)/Subscribed price database from …………… and found that PI unit price is competitive with open source/ Subscribed price database (the assessment report of open source is attached). We assume that the specification of goods, between PI/Indent and said open source is similar and found PI/Indent quoted unit price is rational.

Option 4 : To verify the genuineness of the unit prices quoted in the PI/Indent, we have been surveyed the local market (selling price in the local market) and the Division/ branch has calculated per unit landed cost (CFR value + duty/tax + local freight and other operational cost + profit margin)) of this particular product. After this categorical assessment we have found that Local market price and the per unit landed cost of the product seems reasonable and we decide to open the LC.

Therefore, we understood and confirm that the unit price mentioned in the PI/Indent is competitive and the transaction has genuine and bonafide commercial purpose only.

Trade Officer Level 1	DAMLCO	Head of TSD

* If any other methodology used prepare price verification report accordingly.

* It's a sample only. TSD may use this Price verification report format

4. List of Landlocked Countries:

- Afghanistan
- Angora
- Armenia
- Austria
- Azerbaijan
- Belarus
- Bhutan
- Bolivia
- Botswana
- Burkina Faso
- Burundi
- Central African Republic
- Chad
- Czech Republic
- Ethiopia
- Hungary
- Kazakhstan
- Kosovo
- Kyrgyzstan
- Laos
- Liechtenstein
- Luxemburg
- Malawi
- Mali
- Moldova
- Mongolia Artsakh
- Nepal
- Niger
- Paraguay
- Rwanda
- San Marino
- Serbia
- Slovakia
- South Ossetia
- South Sudan
- Swaziland
- Switzerland
- Tajikistan
- Turkmenistan
- Uganda
- Uzbekistan
- Vatican City
- West Bank
- Zambia
- Zimbabwe
- Macedonia

5. Example of Few Sanctioned Vessels/Shipping Lines that changed names Vessels:

- Abila - IMO 9213399
- Alvan - IMO 9165798
- Amina - IMO 9305192
- Arezoo - IMO 9165786
- Artin - IMO 9305221
- Aysan - IMO 9165803
- Baseej-1 - IMO 8746301
- Basht - IMO 9346536
- Behnavaz - IMO 9346548
- Behta - IMO 9349590
- Dadgar - IMO 9357729
- Deniz - IMO 9569700
- Dew Drop - IMO 9569695
- Dusk - IMO 9569712
- Genco - IMO 9387798
- Golsan - IMO 9165815
- Iran Noor - IMO 9079066
- Klos C - IMO 8918710
- Lotus - IMO 9165827
- Manlai - IMO 9465851
- Orang - IMO 9051650
- Oura - IMO 9387815
- Pendar - IMO 9209324
- Perarin - IMO 9209350
- Rosemary - IMO 9209336
- Sana - IMO 9209336
- Sarvin - IMO 9209348
- Shabdis - IMO 9349588
- Shahraz - IMO 9349576
- Touska - IMO 9328900
- Zardis - IMO 9349679
- Ka Rim Chon - IMO 8314811
- Sadaf Poshtiban - IMO 8422084

Shipping Lines:

- Aran Asman
- Arash Mehr International Transport Co
- Caribbean Navigation Company
- Hafez Darya Arya Shipping Line
- IRISL
- Payam Marand Tarabar
- RAHVAND
- SOUTH SHIPPING LINE IRAN
- SEIBOW LOGISTICS LIMITED
- NITC

The lists and examples mentioned above are not exhaustive. These are indicatives only.

ANNEXURE

ANNEXURE:
TRADE DATA AND BRIEF ANALYSIS

Top 100 items Import LC/Contract opened during 2013-2017 in Bangladesh has been given below for Guidance only. How tax structure impacted import into Bangladesh can be inferred from the table.

SL No.	HS CODE	Commodity Name	LC Value (USD in Millions)	TTI
1	52010000	Cotton, not carded or combed	12,250.44	0%
2	99000000	Services	12,134.40	
3	10011990	Wheat and Meslin-> Other	4,655.32	0%
4	15119090	Palm Oil (Excl. Cude) & Its Fractns. Nes. Incld. Refiend Palm Oil	4,581.69	20.07%
5	89080000	Vessels and other floating structures for breaking	4,258.56	1,500 BDT/MT + 800 BDT/MT 4%
6	17011400	Other cane sugar	4,010.88	Specific Customs taxes and duties based on SRO
7	27101262	High speed diesel oils,	3,651.20	34.07%
8	52094200	Denim, With >=85% Cotton, >=200g/M2	3,458.05	89.42%
9	25231020	Cement Clinkers, Imported by Vat Registered Manufacturers of cement	3,055.80	625.40%
10	27101911	Other Fuel Oils, Furnace Oils, TV	2,982.42	34.07%
11	85171210	Cellular (Mobile/fixed wireless) te lephone set	2,814.81	28.50%
12	27101150	Petroleum Oils And Oils Obtained From Bituminous Minerals,Other Than Crude; Preparations Not Elsewhere Specified Or Included,Containing By Weight 70% Or More Of Petroleum Oils Or Of Oils Obtained From Bituminous Minerals,These Oils Being The Basic Constituents Of The Preparation;Waste Oils --> Other Medium Oils And Preparations	2,793.63	34.07%
13	15071000	Crude Oil, whether or not degummed	2,670.27	20.07%
14	62171000	Clothing Accessories, Nes	2,305.62	127.84%
15	72083920	F./hot-rolled ....Imp. by VAT regdT Former & pre-fab. buildingmanufacind.	2,077.77	37.07%

SL No.	HS CODE	Commodity Name	LC Value (USD in Millions)	TTI
16	12019090	Soya beans, whether or not broken other than Seed, EXCL. Wrapped/ canned up to2.5 Kg	1,844.28	0%
17	27090000	Petroleum Oils And Oils Obtained From Bituminous Minerals, Crude TV	1,755.46	31.07%
18	72044900	Ferrous waste and scrap, nes	1,647.71	1,500 BDT/MT +800 BDT/MT 4%
19	39021000	Polypropylene, In Primary Forms	1,597.70	31.07%
20	72071100	Semi-Products Of Iron/Steel, <0.25% Carbon, Of Squarish Section	1,597.01	844.08%
21	31021000	Urea, Whether Or Not In Aqueous Solution	1,524.80	0%
22	31053000	Diammonium Hydrogenorthophosphate (Diammonium Phosphate)	1,471.73	0%
23	10063000	Rice --> Semimilled Or Whollymilled Rice, Whether Or Not Polished Or Glazed	1,468.61	Variable (10%-28%)
24	23040000	Oil-Cake And Other Solid Residues, Of Soya- Bean Oil	1,265.00	15.57%
25	27011900	Other Coal, Not Agglomerated, Nes	1,184.27	25.07%
26	31031020	Mineral Or Chemical Fertilisers, Phosphatic --> TripleSuperphosphates	1,177.73	0 %
27	27101269	Other gas oils (EXCL. Lithg diesel oil &high speed disel oils)	1,166.35	86.42%
28	10011090	Wheat And Meslin --> Wheat/Mealing Wheat	1,163.21	0%
29	10063090	Semi-Milled Or Wholly Milled Rice	1,117.10	10%
30	23099010	Preparations Of A Kind Used In Animal Feeding --> Poultry/Dairy/fish feed	1,115.87	10.32%
31	27101169	Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparation; waste oils --> other	1,084.21	86.42%
32	32041600	Reactive Dyes And Preparations Based Thereon	1,079.40	31.07%
33	39011000	Polyethylene having a specific gravity of less than 0.94	1,073.70	31.07%

SL No.	HS CODE	Commodity Name	LC Value (USD in Millions)	TTI
34	7031019	Onions, Fresh Or Chilled, Nes	1,072.91	0%
35	52052100	Combed Single Cotton Yarn, With >=85% Cotton, Nprs, >=714.29 Decitex(<=14mn	1,048.67	37.07%
36	84472000	Flat Knitting Machines; Stitch-Bonding Machines	1,040.97	11.12%
37	52081100	Unbleached Plain Woven Fabrics Of Cotton With>=85%Cotton, =<100g/M2	1,026.36	89.42%
38	39041000	Polyvinyl Chloride, Not Mixed With Other Substances, In Primary Forms	954.88	31.07%
39	7134090	Dried Lentils, Shelled, Nes	938.05	0%
40	52114200	Coloured Denim, With <85% Cotton, >200g/M2	874.12	89.42%
41	7132090	Dried Chickpeas (Garbanzos) Shelled, Nes	826.24	0%
42	31042000	Potassium Chloride	825.21	0%
43	60011000	Long Pile Fabrics, Knitted Or Crocheted	825.21	89.42%
44	52084200	Coloured Plain Cotton Woven Fabrics With >=85% Cotton, >100g/M2	806.50	89.42%
45	10059090	Other Maize, Excluding wrapped/ canned upto 2.5 kg	802.35	5%
46	87112021	Piston Engine,Capacity>50cc not >250cc,Motorcycle, In CKD with four stroke engine	781.91	89.42%
47	52093900	Dyed Woven Cotton Fabrics, With >=85% Cotton, >=200g/M2, Nes	779.32	89.42%
48	85021300	Generating Sets With Compression-Ignition Engines, >375 Kva	770.07	26.27%
49	55093200	Multiple Or Cabled Yarn, >=85% Acrylic Or Modacrylic Staple Fibres, Nprs	745.21	37.07%
50	87032211	Recond. Motor Cars &oth. Vehicles, incl. stn. wagons, CBU, cap.>1000cc,but=<1500cc	732.17	127.84%
51	79011190	Zinc, Not Alloyed, >=99.99% Pure, Nes	723.53	31.07%
52	54023300	Textured Yarn of Polyezster	721.07	58.69%

SL No.	HS CODE	Commodity Name	LC Value (USD in Millions)	TTI
53	4022191	Milk & cream in powd,gran or oth. solid form fat..exceed1.5% imp by VAT reg. Milk & pr	717.65	37.07%
54	52093200	Dyed 3 Or 4-Thread Twill (Incl. Cross Twill), With >=85% Cotton	710.33	89.42%
55	52052400	Com.Sin.Cot. Yarn,With>=85%Cot.,Nprs, <192.31de. But>=125de>52mn But<=80mn	709.19	37.07%
56	54011000	Sewing Thread Of Synthetic Filaments	701.87	37.07%
57	84522100	Automatic Sewing Machines	677.77	26.27%
58	48109200	Other Paper & P.Board,Multiply Paper & Paperboard	673.83	58.69%
59	52051100	Uncombed Sin.Cot. Yarn, With>=85% Cot.,Nprs,=>714.29 Decitex (<=14mn).	669.69	37.07%
60	27111300	Butanes, Liquefied	652.45	7.07%
61	47032900	Semi- Or Bleached Non-Coniferous Chemical Wood Pulp, Soda..., Nes	650.06	5.07%
62	38099100	Finishing Agents Etc. Of A Kind Used In The Textile Or Like Industries Nes	647.41	31.07%
63	7131090	Dried Peas Shelled, Nes	643.60	0%
64	76011000	Unwrought Aluminium, Not Alloyed	607.45	31.07%
65	55032000	Synthetic Staple Fibres, Of Polyesters, Not Carded, Combed Or Processed	596.96	10.32%
66	74031100	Cathodes And Sections Of Cathodes Of Refined Copper	571.05	31.07%
67	84118200	Gas Turbines, Of A Power >5000kw	567.90	26.27%
68	52052300	Com.Sin.Cot. Yarn, With>= 85%Cot., Nprs, <232.56deci (>43mm) But>=192.31de (<=5 2mn	566.94	37.07%
69	52083100	Dyed Plain Cotton Woven Fabrics With >=85% Cotton, =<100g/M2	561.76	89.42%
70	84514000	Washing, Bleaching Or Dyeing Machines, Nes	554.40	26.27%
71	8081090	Apples, Fresh, Nes	539.49	89.42%
72	72072000	Semi-Products Of Iron Or Non-Alloy Steel, >=0.25% Carbon	512.69	844.08%
73	85176290	Other reception, transmission app. (excl. modem, telephonic/telegraphic switch.	481.26	58.69%
74	88039000	Parts Of Aircraft (Excl. Aeroplanes/ Helicopters)	462.54	5.07%
75	55096200	Yarn, <85% Acrylic Or Modacrylic Staple Fibres, Mixed With Cotton, Nprs	456.73	37.07%

SL No.	HS CODE	Commodity Name	LC Value (USD in Millions)	TTI
76	27101921	Lubricationg oil,that is oil such as is not ordinarly used..below 220 f.., tv	454.88	49.08%
77	39076090 39076990	polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallylesters and other polyesters, in primary forms --> other	454.71	24.99% 26.07%
78	87042219	Motor Vehicles for the transport of goods- > Other, CBU	453.79	N/A, (87042217-37.06%, 87042216-58.69%)
79	84463000	Weaving Machines For Weaving Fabrics, >30cm Wide, Shuttleless Type	447.83	11.12%
80	84798900	Machines, having individual functions, nes	444.88	26.27%
81	72031000	Ferrous Products Obtained By Direct Reduction Of Iron Ore, In Lumps...	442.55	1,000 BDT/MT + 800 BDT/MT 4%
82	15111010	Crude palm oil imported by VAT registered edible oil refinery industries	431.30	32.07%
83	84713000	Portable Digital Adp Machines, Wt<=10 Kg,Comp. At Least Cpu, Keyboard & Display	427.19	5%
84	84518000	Machines For Wringing, Dressing, Finishing... Textile Yarns, Fabrics...	424.54	26.27%
85	84223000	Machinery For Filling,Closing...Etc. Bottles,CansEtc, & Aerating Drinks	417.23	26.27%
86	52083900	Dyed Woven Cotton Fabrics, With >=85% Cotton, Nes	409.51	89.42%
87	4021091	Milk And Cream In Solid Forms Of =<1.5% FAT imported by vat reg. Milk	400.77	37.07%
88	89061000	Warships	397.42	31.07%
89	84452000	Textile Spinning Machines	380.29	11.12%
90	25210000	Limestone flux; Limestone and other calcareous stones, of a kind used for the manufacture of lime or cement --> limestone flux; limestone and other calcareous stones, of a kind used for the manufacture of lime or cement	370.75	68.89%
91	85022000	Generating sets with spark-ignition internal combustion piston engines	370.36	26.27%
92	28362000	Disodium Carbonate	355.03	31.07%

SL No.	HS CODE	Commodity Name	LC Value (USD in Millions)	TTI
93	55041000	Artificial Staple Fibres, Of Viscose Rayon, NotCarded, Combed Or Processed	351.16	10.32%
94	38089110	Insecticides For Dairy, Poultry and Agricultural purposes	349.92	10%
95	72071900	Semi-Products Of Iron Or Non-Alloy Steel, <0.25% Carbon, Nes	349.60	844.08%
96	10011190	Durum wheat Seed, EXCL. Wrapped/ canned up to 2.5 Kg	348.29	0%
97	27101200 27101239	Petroleum Oils And Oils Obtained From Bituminous Minerals, Other Than Crude; Preparations Not Elsewhere Specified Or Included, Containing By Weight 70% Or More Of Petroleum Oils Or Of Oils Obtained From Bituminous Minerals, These Oils Being The Basic Constituents Of The Preparation; Waste Oils --> Light oils & preparations.	347.90	86.42%
98	60012100	Looped Pile Fabrics Of Cotton, Knitted Or Crocheted	345.69	89.42%
99	52030000	Cotton, Carded Or Combed	336.91	26.07%
100	48041100	Unbleached Kraftliner, Uncoated Paper & Paperboard In Rolls Or Sheets	334.92	37.07%
	Total:		**132,110.16**	

Source: Bangladesh Bank Dashboard

The table is an indication that zero tax, low tax and high tax goods are vulnerable to be abused for TBML. Goods imported in huge/bulk amounts are also vulnerable in this context.

a) In the table above we can see that the duty of the cane sugar (H.S Code 1701.14.00) imported during 2013-2017 was BDT 2000, whereas the same type of cane sugar (H.S Code 1701.99.00, 1701.91.00) in which import/customs duty was BDT 4500 was either not imported or was reported as the H.S Code bearing low import duty.

b) Instances are there where even though HS Code was reported correctly price was quoted so low (e.g. USD 1.00 for hair drier) that market never justifies and the motive of which was obviously to evade tax.

c) In some cases it has been found that price of the goods like Maize (H.S Code 10059090) imported from China during 2017 ranged from USD 186 to 218 Per MT; the same goods imported from Brazil also ranged from $184 to $222, and the ones imported from India ranged from $210 (March 2018) to $252 (Jan 2018). There are also examples where we can see that a customer imported same goods (H.S Code 1302.32.00 for example) from the same country at a price of \$3.79/kg in January, 2018 and at a price of \$37.55/kg in February, 2018. Though in the later case the import was made through air the price was significantly higher. On 1st January, 2017 while importing Onions (HS Code 0703.10.19) from India price ranged from \$130 to \$350 and the import duty was 0%. In importing Looped Pile Fabrics of Cotton, Knitted or Crocheted (HS Code 60012100,) from same country and during the same week price fluctuated tremendously though TTI was 89.42%. There are ample evidences that price fluctuated significantly while importing goods bearing no duty, less duty and high duty (where importer doesn't bother for tax and his motive is to siphon money). Therefore, even before access to a combined database by the banks, they should conduct due diligence establishing and analyzing their own database.

d) During 2016-2017 in some cases it was found that freight charges in the import of fruits like apple ranged from around 26% to 55% of FOB Value. This sort of abnormality should trigger TBML Alert and entails due diligence on the part of the bankers.

e) There are huge number of low value cases where under no commercial value goods are imported which should trigger alerts and entail due diligence on the part of the customs officials. Before endorsing these type of documents bankers should conduct CDD. As import is conducted though LCAF without opening LC, caution should be taken in these sorts of cases by bank officials through proper KYC.

f) In some cases it has been seen that some EPZ companies were importing goods (industrial salt etc. for example) from local suppliers and were again exporting to local traders, lack of justification of which triggers alert.

Some of the factors derived from analysis of export data of several years:

a) Higher percentage of cash incentive contributes to boosting certain export goods. These goods are vulnerable to be over invoiced as more proceeds ensure more cash incentive to the exporters.

b) To ensure a stable forex reserve, exporter is not barred by the regulators to export even for failure to repatriate export proceeds in time (within 4 months). Some exporters have been seen to take advantage of this and continue exporting to same country/ beneficiary for a few years even though most of the proceeds were not realized. Non-repatriation or even long delay in repatriation may increase vulnerability to TBML.

c) Sometimes it has been seen that during the same period and within the same market products with same features and quality have significant differences in price.

d) Use and import of old machineries by the exporters to produce export goods triggers TBML alert.

e) Irregular products or commodities prices of which are not easily available are vulnerable to TBML.

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