

# MONEY LAUNDERING BASED ON FOREIGN TRADE -TYPOLOGIES-

SUB-WORKING GROUP ON FINANCIAL INTELLIGENCE UNITS AND  
CRIMINAL INVESTIGATION ORGANIZATIONS- GELAVEX



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**LIII Meeting of the Group of Experts for the  
Control of Money Laundering  
–GELAVEX- Virtual Format  
Department Against Transnational Organized  
Crime – DTOC**

**STUDY OF TYPOLOGIES IN THE FIELD OF  
MONEY LAUNDERING BASED ON  
FOREIGN TRADE**



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# BACKGROUND

The *Study of Typologies in the Field of Money Laundering based on Foreign Trade* is a document prepared within the framework of the 2021-2023 work plan, approved by the plenary of the GELAVEX in 2021, whose mandate was commissioned by the Sub-Working Group in Financial Intelligence Units [FIU] and Criminal Investigation Organizations [CIO].

The study contains relevant information for financial and business transactional analysis, the contextualization of foreign trade and compilation of typologies issued by international organizations, as well as other relevant aspects of the OAS member states; that as part of international cooperation, the identification, analysis and compilation present in the report, constitutes a tool and method for combating money laundering based on foreign trade.



# OBJECTIVES

## General Objective

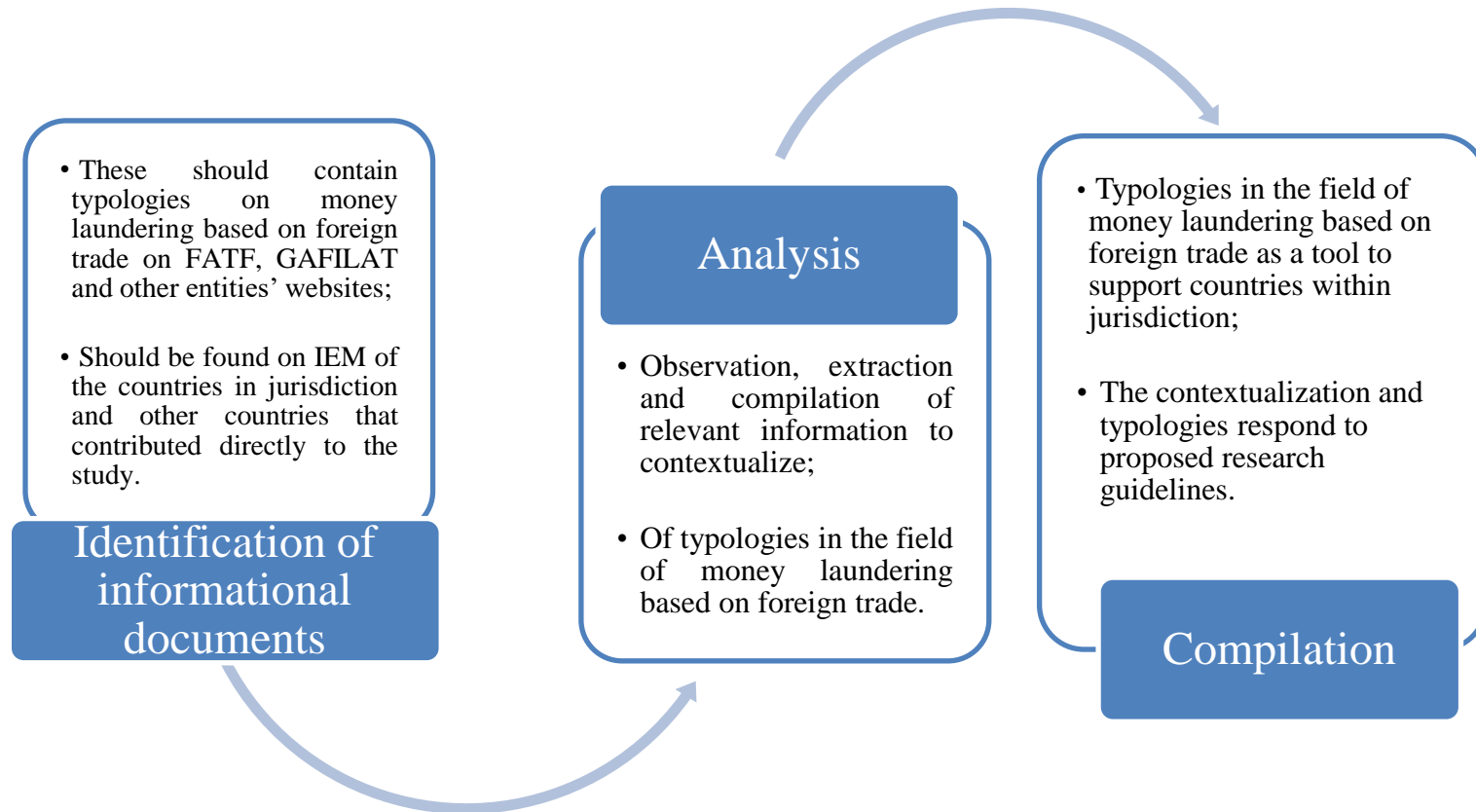
Conduct a study of typologies in the field of Money Laundering based on Foreign Trade.

## Specific Objectives

- a. Identify, through studies carried out by the FATF, GAFILAT and other organizations, the dissemination of typologies regarding money laundering based on foreign trade and compile them in this document;
- b. Identify relevant information and typologies in IEM of the countries within jurisdiction;
- c. Analysis of relevant information on related matters, of contextualization and binding legislation pertaining to foreign trade.

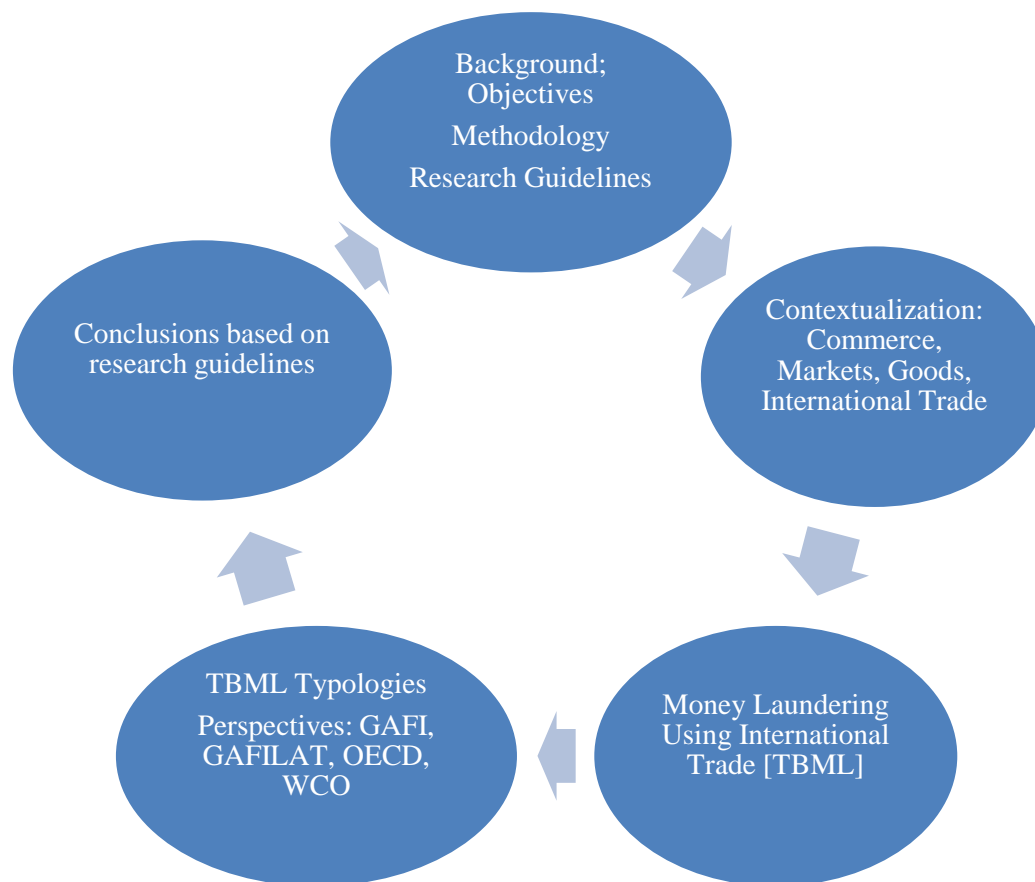


# METHODOLOGY





# STRUCTURE OF THE REPORT





# TBML TYPOLOGIES

Alteration of the value of a business transaction on an invoice;

- Overbilling or underbilling, which may derive from fraudulent information from the quantity, quality, price per unit and/or description of a good;

The repeated billing for the same goods and the same people who have arrived, which would generate double, triple, or quadruple billing, etc.;

- It is related to capital flight;

Tax evasion;

- Incentive for fraud when exporting;

Value Added Tax [VAT] fraud;

- Shipments in greater or lesser volume of goods and services, as well as the false description of goods and services;



# TBML Typologies

TBML and the global effect;

- Triangulation of commercial products with inconsistent payments;

Growth of TBML due to the commercialization of gold, palm oil and scrap, with anomalous behavior emanating from trade in A.L.;

- Inconsistencies in certain commercial behaviors such as the use of goods in land borders that are tax-free zones without an influx of tourism (or other developments) necessary for it;

Multiple billing of goods and services, with modified billing with late or administrative collection, or credit supply for refunds and non-existent returns;

- Transportation of money of illicit origin to another country to acquire goods that enter the local country through technical smuggling by underbilling;

Modification of transport document information during transit; or alteration of information regarding the merchandise's origin or in the supply chain, using network companies, transactions and movements of real or fictitious goods, among others.

- Illicit trafficking in narcotics; of persons; wildlife; and, of consumer goods, without fulfilling import or export requirements and their counterfeits, and others, according to OECD.





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# RESULTS (1)

According to the results of the study, it can be concluded:

- I. Have predicate crimes of money laundering linked to foreign trade been identified? Yes, and as a result, identification, compilation, analysis and compilation of their respective links have been documented in a study that constitutes a research tool in the fight against money laundering traced to international trade activities.

Complex schemes and application of specialized techniques were found, demonstrating:

1. Alteration of the value on a business transaction on an invoice;
2. Overbilling or underbilling, which may derive from fraudulent information as seen in the quantity, quality, price per unit and/or description of a good;



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## RESULTS (2)

3. The repeated billing for the same goods and the same people who have arrived, which would generate double, triple, or quadruple billing, etc.;
4. It is related to capital flight;
5. Tax evasion;
6. Incentive for fraud when exporting;
7. Value Added Tax [VAT] fraud; among others.



## RESULTS (3)

II. What are the characteristics of these purchases? Real, simulated.

Actual trade characteristics were found that evade paying taxes or disguise overbilling or underbilling, evasion and others.

Simulations through front companies or alleged acts of foreign trade that simulate fictitious exports or either mix trafficking with prohibited goods to create a justification of financial transactions for foreign trade.

Different typologies were identified, analyzed, compiled and collected, finding characteristics such as:

1. An importing user who is not a taxpayer but carries out illegal activities;
2. The transit of goods with dubious origins in a region;
3. Change of value or any inconsistency in the goods, such as alteration of the tariff code, description of the type of the product, among others.



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## RESULTS (4)

III. If they are simulated, are there indications of how the money is returned or how the return is actualized by the launderer?

Foreign trade simulations or illicit trafficking in prohibited goods engender challenges in the control of financial transactions due to alleged illicit exports, imports or trafficked goods, in exaggerated amounts of payments or in evasions, overbilling or underbilling; or, through alterations in the values or in the documents of land carriage or in those of maritime or air cargo, or misuse of zero percent tariff codes when they must have other codes in which tariffs are paid, or the declaration of false information but that in reality are other goods that should have been declared; simulation of import or export of goods.

Also, there are characteristics of disguising proceeds of a crime, and moving its value through commercial transactions in order to legitimize its illegal origin or finance other criminal activities – involving cross-border smuggling, evasion of cross-border security and customs control authorities, and generation of illicit trafficking, fraud or smuggling.



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## RESULTS (5)

IV. How does it fare among different legislative bodies in the region?

Pertaining to the contextualization of foreign trade, the organizations that intervene in the management of international trade were mentioned, as well as the alignment that this generates at the global, regional, subregional, multilateral or bilateral level, generating specific agreements or protocols.

Tabular information on customs legislation was presented that shows the different laws of OAS countries, as a reference for international cooperation on money laundering concerns linked to foreign trade.

It was determined that customs institutions, customs agencies, customs clearance, investigative agencies, FIUs, tax authorities and banking regulators should be strengthened. Also, TBML can be exploited by organized crime to transfer or traffic drugs, money, weapons, wildlife, as well as take advantage of conditions for terrorism, for which, is a threat to countries in the prevention of foreign trade channels being used for illicit activities and to destabilize the economies and financial systems of the region.

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