

Guidelines for Prevention of Trade Based Money Laundering (TBML) 2026

**Bank Asia PLC
AML & CFT Division**



Item No. 20

Memorandum to the Board of Directors

Memo No. 17983/2026

Date: 20/4/2026

Subject : Approval of "Guidelines for Prevention of Trade Based Money Laundering (TBML) 2026."

Recent various publications of Financial Action Task Force (FATF), Asia Pacific Group on Money Laundering (APG) and Global Financial Integrity (GFI) have drawn attention to the fact that international trade system is being heavily abused for money laundering and terrorist financing purpose. Developing nations are mostly vulnerable to that risk, a significant threat to their growth and sustainable development. Against this backdrop and considering the fact that international trade transactions are primarily conducted through country's banking system, Bank Asia PLC is issuing the Guidelines to help branches, divisions, business units and central trade processing centers implement effective measures and techniques to combat Trade Based Money Laundering (TBML) and Terrorist Financing (TF).

The guidelines has been updated in line with latest circulars, guidelines, laws and regulations i.e BB Money Laundering and Terrorist Financing Risk Management Guidelines 2015, Guideline for prevention of Trade Based Money Laundering 2019, Money Laundering Prevention Act 2012 (Amendment 2015), Anti-Terrorism Act 2009 (Amendment 2012 & 2013) Money Laundering Prevention Rules 2019 and BFIU circular no.26 dated 16.06.2020. Salient features, Changes and Industry best practices are discussed in the SMT meeting and also approved by the Honorable Risk Management Committee (RMC) of the Board in its 72nd meeting held on February 08, 2026.

Regulatory bodies and international correspondent banks continue to expect that such policies be regularly reviewed and updated to ensure compliance with evolving standards and requirements. Considering the regulatory requirement, it is recommended for approval of "Guidelines for Prevention of Trade Based Money Laundering 2026".

The Guidelines are placed before the honorable members of the Board for kind approval.

"RESOLVED that the proposal for approval of "Guidelines for Prevention of Trade Based Money Laundering 2026" is annexed with the Memo No. 17983/26 dated 20/4/26 & is hereby approved.

Mohammad Ziaul Hasan Molla
DMD & CAMLCO

The Board/EC in its 585th meeting held on 12/5/2026 approved the memo no. 17983/2026 dated 20/4/2026 subject to minutes confirmation.

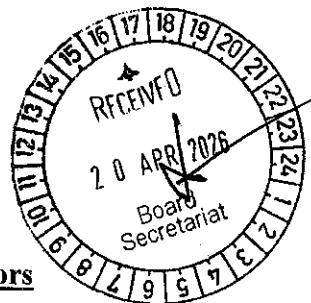
Sohail R K Hussain
Managing Director

Gurpreet Singh (Acting)
Deputy Secretary / Company Secretary

Enclosure: Copy of updated "Guidelines for Prevention of Trade Based Money Laundering 2026"



AML & CFT Division
Corporate Office



o/c

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"RESOLVED that the proposal for approval of "Guidelines for Prevention of Trade Based Money Laundering 2026" is annexed with the Memo No. _____ dated _____ & is hereby approved.


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DMD & CAMLCO


Sohail R K Hussain
Managing Director

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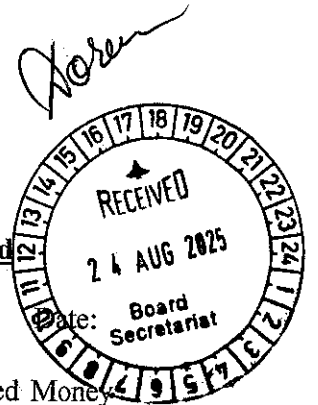
The Guidelines are placed before the honorable members of the Board for kind approval.

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Mohammad Ziaul Hasan Molla
DMD & CAMLCO


Sohail R K Hussain
Managing Director

Enclosure: Copy of updated “Guidelines for Prevention of Trade Based Money Laundering 2026”



Item No.

Memorandum to the Risk Management Committee of the Board

Memo No.

Subject : Proposal for review of "Guidelines for Prevention of Trade Based Money Laundering (TBML) 2025."

Recent various publications of Financial Action Task Force (FATF), Asia Pacific Group on Money Laundering (APG) and Global Financial Integrity (GFI) have drawn attention to the fact that international trade system is being heavily abused for money laundering and terrorist financing purpose. Developing nations are mostly vulnerable to that risk, a significant threat to their growth and sustainable development. Against this backdrop and considering the fact that international trade transactions are primarily conducted through country's banking system, Bank Asia PLC is issuing the Guidelines to help branches, divisions, business units and central trade processing centers implement effective measures and techniques to combat Trade Based Money Laundering (TBML) and Terrorist Financing (TF).


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Regulatory bodies and international correspondent banks continue to expect that such policies be regularly reviewed and updated to ensure compliance with evolving standards and requirements. Considering the regulatory requirement the guidelines are placed before the Risk Management Committee of the Board for kind review.

If reviewed the following resolution may be passed:

"RESOLVED THAT the proposal for the review of the 'Guideline for Prevention of Trade Based Money Laundering 2025', as annexed with Memo No. _____ dated _____, be and is hereby reviewed, and it is advised that the same be submitted to the Honorable Board of Directors for their kind approval."


Mohammad Ziaul Hasan Molla
DMD & CAMLCO


Sohail R K Hussain
Managing Director

Enclosure: Copy of the updated "Guidelines for the Prevention of Trade Based Money Laundering -2025, along with a summary of changes"

March 11, 2026

Extract from the Minutes of the 72nd Meeting of Risk Management Committee of the Board of Directors of Bank Asia PLC. (RMC) held on Sunday, the 8th February, 2026 for information and taking necessary action.

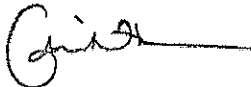
Item # 04: Proposal for review of "Guidelines for Prevention of Trade Based Money Laundering (TBML) 2025."

The Memo # RMC/318/2026 dated 05.02.2026 on the subject matter was placed at the meeting.

The members of RMC perused and noted the contents of the memo. After detailed discussion, the following decision evolved accordingly.

"RESOLVED

that the proposal for the review of the 'Guideline for Prevention of Trade Based Money Laundering 2025', as annexed with Memo No. RMC/318/2026 dated 05.02.2026 be and is hereby reviewed, and it is advised that the same be submitted to the Honorable Board of Directors for their kind approval."



Zahid Hasan
Company Secretary (Acting)

Concern Head(s):

1. **DMD & CAMLCO**

For Information and Necessary Action:

1. **AMD & Chief Business Officer**
2. **VP & Chief Risk Officer (Acting)**
3. **MD's Secretariat**

Guidelines for Prevention of Trade Based Money Laundering (TBML) 2026

Bank Asia PLC
AML & CFT Division

Preface

Bangladesh is one of the emerging countries in South Asia. The economy of the country is now diversified and connected with rest of the world. Over the decades, the industrial sector in the country has flourished and accounts for 30% of its GDP. Specially, significant contribution of GDP comes from export of RMG which requires import of machinery and inputs from abroad. As financial markets and practices continue to evolve, so do the potential threats to the system. Trade-Based Money Laundering (TBML) is one such threat, growing in sophistication and gaining increasing attention from the Banks impacted by it.

Bank Asia PLC, in line with the directives and guidelines of Bangladesh Financial Intelligence Unit (BFIU), is firmly committed to lower the level and impact of TBML in the trade businesses. Joint efforts and partnership between these two groups are essential to help reduce the instances of crime and fraud. Luckily, these efforts to diminish TBML activities are producing several avenues for learning and receiving guidance on combating the risks. BFIU issued a guideline on Prevention of TBML on December 10, 2019. All contents of the TBML guideline have been incorporated as policy in this manual and all concerned divisions and branches are instructed to follow the manual to mitigate TBML risks.

Here, the global and regional trends of TBML and the potential impacts of these trends have been presented, including illustrative TBML instances and the ridding process of it. Additionally, types of actions being practiced by global industry participants to identify, mitigate, and fight trade based money laundering are also incorporated in this policy. This manual on TBML also examines the benefits which can be achieved by implementing customer due diligence such as 'know your customer' procedures and 'transaction monitoring processes'.

We must follow this guideline meticulously in doing trade based transactions at Bank Asia PLC. It is expected that this guideline will help our colleagues to increase their knowledge and understanding and thereby help them to discharge their job responsibilities efficiently.

We acknowledge the contribution of our executives in preparation of this Guideline and express our heartiest thanks to all of them.

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 Export 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
MLPR	Money Laundering Prevention Rules
NBR	National Board of Revenue
NPL	Nonperforming 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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Chapter 1: Introduction

1.1 Background

Criminals change their strategy off and on to divert attention of law enforcement agencies. Unless and until society gets affected intensely, it rarely responds. Likewise trade based money laundering drew attention of global bodies not long ago. Only in 2006 the Financial Action Task Force (FATF) recognized trade based money laundering as one of the major methods by which criminal organizations and terrorist financiers move money for the purpose of disguising its origins and integrating it back into the formal economy. And in 2008 FATF, in its best practice paper, states “The term trade-based money laundering and terrorist financing (TBML/TF) 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”. Like many countries Bangladesh is also affected by trade based money laundering and ensuing illicit outflow. Concerns in this area are almost unanimously agreed by all relevant agencies and authorities.

Against such backdrop, to combat TBML/TF BFIU has formulated a complete guideline on preventing Trade Based Money Laundering and made some recommendations to guide effective control measures; however, they do not modify or supersede any applicable laws, regulations and requirements applicable to all banks operating in Bangladesh. Bank Asia has introduced its own guidelines for conducting import and export business, operation of International Division, Operation of Offshore Banking Unit (OBU) under the regulatory guidelines and instructions which are being updated time to time in compliance with the amendment of such regulatory guidelines and instructions. Consequently, Bank Asia PLC prepared the policy on preventing TBML in the line with the guideline and covered the each and every content and instruction of the guideline. This policy on preventing TBML 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.



1.2 Scope, Area and Applicability of the Policy

- a) The policies are meant for mitigation of money laundering, terrorist financing and proliferation financing of weapons of mass destruction risks.
- b) Though recommendations of the policies are mainly on the trade related activities of Bank Asia PLC with its customers and relevant third parties, trade based money laundering risks of bank-to-bank relationships should also be taken adequate care of.
- c) Instructions given in these policies are applicable to all the authorized dealer branches (ADs), Off-shore Banking Units (OBUs) and any other branches, units or divisions engaged in trade related activities.

1.3 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 policy are:

- a) All types of Commercial Documentary Credits/LCs
- 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.)
- j) Borrowing from International market /overseas correspondents for OBU
- k) RMA Management etc.

1.4 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 but each parties must have active participation in the particular deals.

1.4.1 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:



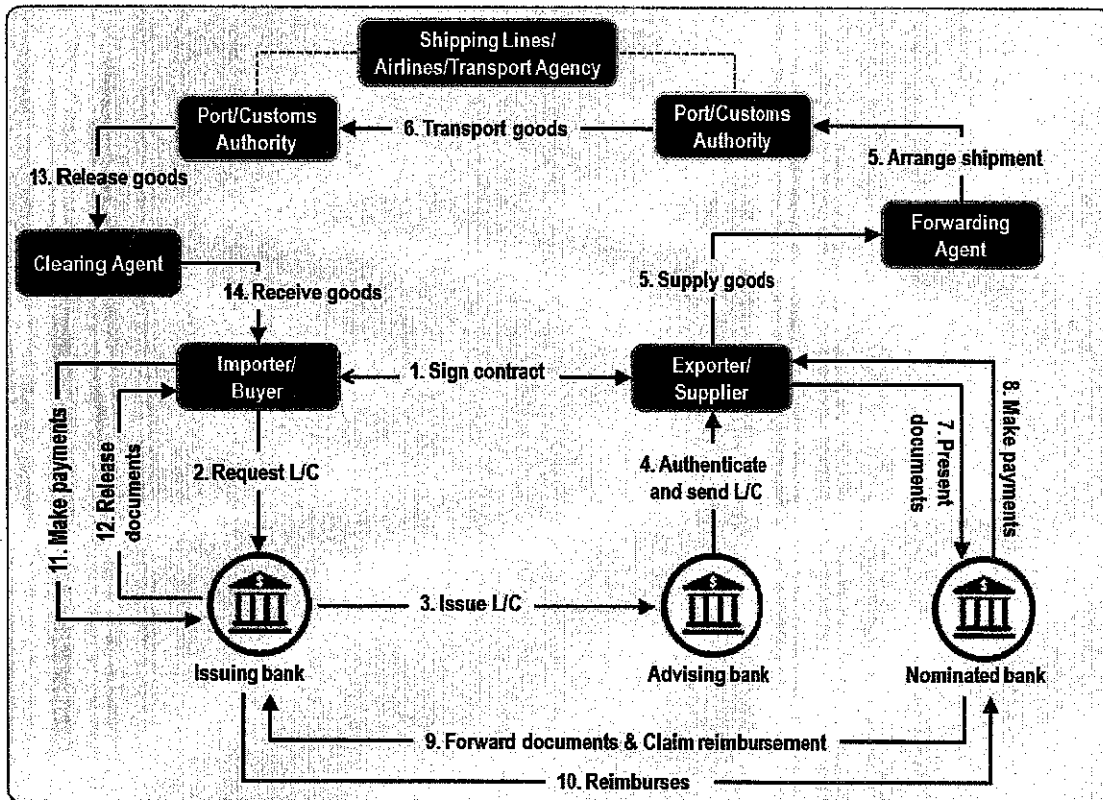
1.4.1.1 Major Parties and their Role in Import

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.
- h. Pre P shipment/post P shipment Inspection Company.
- i. Freight Forwarders/ clearing agent.
- j. Insurance Companies etc.

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:



[Handwritten signatures and initials]

- 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) which whom it has RMA. If the issuing bank has no RMA with the beneficiary/exporter bank then it may seek the service of third Advising Bank.
- 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-imburement 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 through its Nostro correspondents.
- h. The applicant take documents from the issuing bank as per pre-arranged retirement arrangement.
- i. The applicant clears the goods from the customs through his appointed clearing agent.
- j. The issuing Bank collects bill of entry and matches with the payment.

1.4.1.2 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 the nominated 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.

The process flow in a documentary collection

Under documentary collection, we, Bank Asia PLC, 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 valid as under compliance of the contract act.
- 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.

1.4.1.3 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	2 nd 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.

1.4.1.4 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, 2 nd Advising Bank, Beneficiary, and Applicant etc.
Documentary Collection	Principal, Remitting bank, Collecting bank, Presenting bank, Drawee etc.
Cash in Advance	Ordering Institution, Customer, Exporter, Beneficiary institution etc.
Guarantee/Standby LC	Issuer, Counter guarantor, confirmer, guarantor, applicant, beneficiary etc. Counter parties in trade finance transaction can be broadly categorizes in two forms: <ul style="list-style-type: none"> ✓ 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, concern trade division to frame their detailed due diligence measures in line with this policy, relevant BFIU circulars and AML & CFT circulars of our bank, local regulations and international best practices.

1.4.1.5 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.

1.4.2 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. Banks should guide trade processing staff on how to ensure them. In case of Service import, the invoice must be certified by Bangladesh Customs and that will be matched with payment for such service import.





1.4.3 Common Trade-Based Money Laundering Techniques

1. Over-invoicing or Under-invoicing:

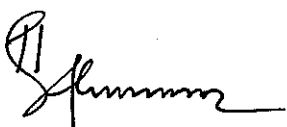
- **Over-invoicing:** By invoicing the goods or service at a price above the fair market price, the seller is able to receive value from the buyer (i.e., the payment for the goods or service will be higher than the value that the buyer receives when it is sold on the open market).
- **Under-invoicing:** By invoicing the goods or service at a price below the fair market price, the seller is able to transfer value to the buyer (i.e., the payment for the goods or service is lower than the value that the buyer will receive when it is sold on the open market).

2. Over-shipping or Short-shipping: The difference in the invoiced quantity of goods and the quantity of goods that are actually shipped through declaration in EXP/Bill of Entry/Bill of Export etc. whereby the buyer or seller gains excess value based on the payment made (from whereby should be deleted because the buyer or seller does not get excess value formally rather they want to fly the proceeds).

3. Ghost-shipping: Fictitious trades where a buyer and seller collude to prepare all the documentation indicating goods were sold, shipped and payments were made, but no goods were actually shipped.

4. Shell companies: A company that does not itself do or own anything, but is used to hide a person's or another company's activities, sometimes illegal ones. The company who has no physical existence and used to reduce the transparency of ownership in the transaction.

5. Multiple Invoicing: Numerous invoices are issued for the same shipment of goods, thus allowing the money launderer the opportunity to make numerous payments and justify them with the invoices.



Chapter 2: Landscape of Trade Based Money Laundering in Bangladesh


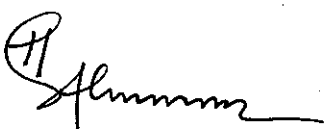
2.1 Introduction

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, Bangladesh's experience in trade based money laundering has been depicted here to guide banks and financial institutions towards adopting proper mitigation measures.

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), Indentor's Registration Certificate, 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 years period. BEPZA, BEZA, EZ, PEZ and High Tech Park 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. In addition to this, Bangladesh Investment Development Authority (BIDA) plays in vital role by enlisting Industrial Sectors especially in set up of their manufacturing plant by giving their approval.

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 (UCP-600), Uniform Rules for Bank-to-Bank Reimbursements under



Documentary Credits (URR-725), Uniform Rules for Collections(URC-522), International Standard Banking Practices (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.

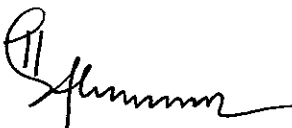
As per the Act, however, any person who commits or abets or conspires to commit the offense of money laundering is liable to be punished for minimum 4 years and maximum 12 years of imprisonment, in addition to that a fine equivalent to twice the value of the property involved in the offence or BDT 1 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 competitiveness prior to any international trade transactions:

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

- a) 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;
- b) 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: Provided that this condition shall not apply for opening LC up to USD 15,000.00; and



c) 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 or issuing LCAF, 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.

(c) Chapter 7, Para 23 (a) LCs to be opened only against firm contract.

(d) Chapter 7, Para 23 (b) : The ADs should obtain confidential report on the exporter from their branches or correspondents abroad or in their discretion, satisfy themselves as to the standing of the exporter by consulting standard books of reference issued by international credit rating agencies acceptable to the ADs in all cases where the amount of the LC/contract exceeds UDS 10,000.00 (ten thousand) against proforma invoices issued by foreign suppliers and USD 20,000.00 (twenty thousand) against indent issued by local agents of the foreign suppliers.

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 Bangladesh

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

- i. 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.
- ii. Commercial and industrial importers have valid Trade License, Up to Date TIN Certificate, VAT Registration Certificate, Membership Certificate of Related Association, BIDA Enlistment where needed to identify genuine purpose of import.
- iii. a) Before establishment of letters of credit (LCs) or initiation of permissible imports, ADs shall obtain underlying indents, proforma invoices, purchase or sales contracts from relevant importers. (b) For imports on FOB or similar other terms, ADs shall obtain applicable transport charges against the shipments to facilitate issuance of certificate as per paragraph 16, chapter 7 of GFET. (c) ADs shall provide primary import information based on (a) above to online import monitoring system of Bangladesh Bank. (d) In case of permissible imports without LCs by industrial imports, and commercial imports within authorized limits, ADs shall report to Bangladesh Bank as per (c) above with indication of imports without LCs. (e) Payments for relative imports shall not exceed the amount of LCs or other underlying arrangements, as the case may be. f. ADs shall also ensure the import payments on maturity against permissible usance imports without LCs in terms of IPO. g. As usual, ADs shall observe due diligence of import transactions and adhere to relevant regulations without limiting to requirement of advance payments, admissible imports under usance terms, credit reports of suppliers, matching of import payments with bill of entry, provisions of IPO and so on.
- iv. 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.
- v. 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.

- vi. 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.
- vii. 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 upto 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.
- viii. 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.
- ix. 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.
- x. 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 as per import policy in order. 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. Sometimes, the exporter uses their subsidiary to procure input materials to execute the export, which may be false, and with intension of fund diversion, Bank Asia tries to verify the genuineness of the requirement to comply with the rules of AML.
- xi. 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.

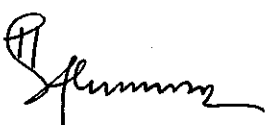
- xii. Exporters are allowed to export on CMT (Cutting, Making and Trimming) basis as well as to import the raw materials on Free of Cost (FOC) basis. Since this FOC import does not require any bank endorsement and there is no matching of bill of entry with the value, customers can manipulate the FOC items.
- xiii. 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.
- xiv. Import Policy Order allows actual users to import up to a certain limit (USD 10,000.00 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.
- xv. 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

- i. 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.
- ii. 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.
- iii. 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.
- iv. Commission, brokerage fee or other trade charges to be paid to foreign importers/agents (of which upto 5% ADs can allow) may also sometimes be abused for TBML which should be monitored by the ADs.
- v. 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.
- vi. 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.



- vii. 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.
- viii. 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.
- ix. 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.
- x. 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.
- xi. Transaction in large volume through other than banking channel such as exchange house etc. is vulnerable to TBML.
- xii. In the name of export proceeds wage earners' remittance may be brought into Bangladesh to claim cash incentives.
- xiii. Inward remittance may be brought from the countries where Bangladeshis have direct/indirect business and cash incentive may be claimed.
- xiv. 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.
- xv. While lien of export LC, ADs should meticulously check every clause of the LC especially the port of shipment, expiry and shipment date, payment clause etc.
- xvi. In case of import, the ADs should check the country of origin of good, beneficiary location, price verification etc. meticulously.
- xvii. Lien of Export LC/Purchase or Sales contract, ADs of Bank Asia PLC need to be satisfied themselves with regards to the followings :
 - a) Arrangements been made for realization of export proceeds within the prescribed period of 04 (four) months from the date of shipment.
 - b) Arrangements have been made for receipt of title of goods like Bill of Entry, Airway Bill etc. by the AD on shipment of the underlying goods. This condition will not be applicable for the Advance Receipt of 100 % value against export.
 - c) The EXP form signed and/or posted in Bangladesh Bank Online Dash Board either by the exporter or one holding legal power of attorney from the export and the terms of power of attorney are such both the exporter and the attorney may be held responsible jointly and severally for repatriation of export proceeds.



d) ADs of Bank Asia PLC should check the bonafides of the buyers/consignees abroad and their credentials through third party credit report.

xviii) Where ADs of Bank Asia PLC doubt the bonafides and standing of the buyers /consignees abroad and wowing to common interest or otherwise they suspect collusion with the intent of delaying or avoiding repatriation of export proceeds, ADs should report to Bangladesh Bank cases immediately 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.

xix) ADs must check as to whether any under-invoice, over invoice, multi-invoice, over shipment, under shipment, multi-shipment, ghost-shipment happened and detected at the time of duplicate/triplicate reporting of EXPs under proper cross matching with bill of export and tracking from vessel and containers. If found anything of the aforesaid items, ADs must report to Bangladesh Bank immediately as STR through the bank's AML & CFT Division.

2.5 Remittance of Royalty, Technical Assistance Fees etc.

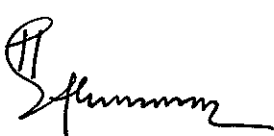
Under Section 18 of Bangladesh Investment Development Authority Act, 2016, approved industrial enterprises shall have to take approval from Bangladesh Investment Development Authority (BIDA) and other competent authorities for payment of royalty, technical know-how, operational service fees, management fees, 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 practiced 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 favour the financing facilities are provided. In such situation, ADs should avoid borrowing from any agent because their basket of lending is conglomerated and unidentified rather they should procure funds from the correspondents with whom they have RMA (followed by International AML formalities) and sector of investment should be genuine.

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, bankers 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. Banks 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 bankers 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 banks should establish to combat trade based Money laundering effectively.

¹Minimum price list can be found in SRO 202-AIN/2024/54/Customs dated 06/06/2024.



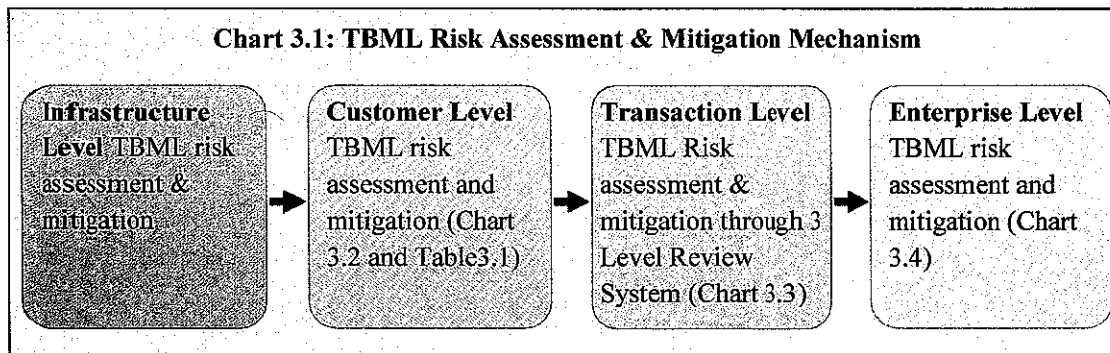
Chapter 3: Risk Based Approach and Trade Based Money Laundering Controls

3.1 Introduction

Previous chapters of this policy introduced customers, products, parties, instructing parties, counter parties etc. related to international trade and 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. To that end, concern divisions and branches shall assess their TBML risks and carry out trade control mechanism. The risk assessment should be documented, reviewed from time to time and updated accordingly.

3.2 TBML Risk Assessment & Mitigation Mechanism

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 for failure of the bank to address the risk at the enterprise or institute level. All branches and concerned divisions are instructed to establish TBML risk assessment and mitigation at infrastructure level, customer level, transaction level and at enterprise level as shown in the flowchart below.



First comes infrastructure risk assessment and mitigation as it is impossible to implement mitigation measures without adequate infrastructure.

Secondly, high risk customers with dubious trade transaction give birth to trade fraud. Hence knowing and assessing customer before on board for trade transaction shall be of great use to combating TBML.

Thirdly, TBML risk assessment and mitigation at the transaction level is the most important and vital to combating this offense as it is at this level that the TBML takes place. And finally a holistic approach by the entire institution can be effectively implemented through senior management engagement in TBML risk assessment and mitigation at enterprise level. Details are described below.

3.2.1 Infrastructure Level Risk Assessment

Bank Asia PLC developed own infrastructure for price verification, transaction monitoring and screening in line with their exposure to international trade. Followings must be established to combat trade based money laundering:

- ✓ Standard Sanction screening
- ✓ Standard for manual screening
- ✓ Own data base based on transactions
- ✓ Subscribe for publically available online commodity pricing website
- ✓ Vessel tracking system.²
- ✓ Payment Control Mechanism, either automated or manual.

All concern divisions and branches are instructed to follow and implement the processes.

3.2.2 Customer Level TBML Risk Assessment and Mitigation Mechanism

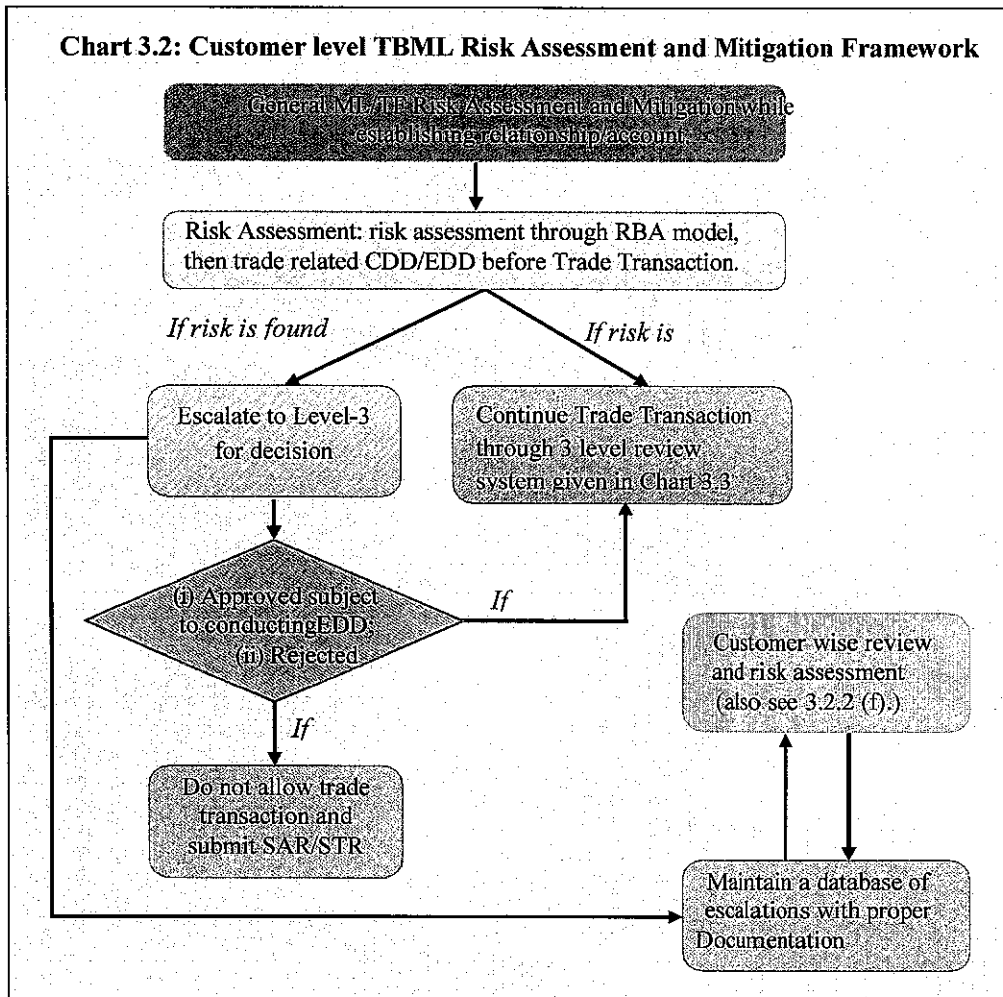
(a) **General ML/TF Risk Assessment and Mitigation:** The customer level risk assessment starts with the establishment of customer relationship. While establishing business relationship/account opening with the trade customer, general ML/TF risk assessment and mitigation measures as outlined in relevant BFIU circular and ML & TF risk management Guidelines issued for banks by BFIU and Manual for Preventing Money Laundering and Terrorist Financing issued by our Bank Asia PLC should be followed.

(b) **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. Risk assessment should be done following the sample model given in Table 3.1 depending on their respective risk exposure and experience. Branches shall collect the required information for this model. For fresh/new customers the assessment may be done on the projection submitted in the format by the customers and for the existing and old customers historical data may be chosen. It is also recommended that banks ensure independent evaluation/assessment of importers and exporters by their own staff and ensure/examine, to the extent practicable, the relationship between importers and exporters through third parties. Customer level risk assessment for newly on boarded trade customer is to be done before initiation of trade transactions. For existing trade customers, customer level risk assessment should be done as early as possible but should not be later than next periodic review of KYC in pursuance with BFIU circular.

²System reliability of which is standard in practice.



Chart 3.2: Customer level TBML Risk Assessment and Mitigation Framework



- (c) **Trade related CDD/EDD:** If a customer's risk level is found low or medium, branch will conduct CDD for the trade customers before trade transaction takes place. However, if a customer is assessed as 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. After completion of CDD/EDD, the customer will be allowed to go for trade transaction. Details of requirements to conduct CDD/EDD has been described in section 3.2.2.2, which are not exhaustive rather indicatives.
- (d) **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
- (e) **Maintaining a database of escalations with proper documentation:** Branch shall preserve the database of the customers assessed as high risk and implement yearly review and assessment system.





(f) **Review and Assessment of Customers:** For high risk customers review and assessment frequency shall be one year, for medium risk customers this frequency shall be every three years and for low risk customers it shall be 5 years. The review system mentioned above in the Chart 3.2. will facilitate input for the enterprise wide risk assessment and assist banks to update TBML trend and typology and devise appropriate policy and strategy at the enterprise level.

3.2.2.1 Customer Level Risk Assessment

The framework as detailed below is a risk based model for trade customer. Branches and concern divisions are instructed to follow the model while assessing risk of trade customer.

Table 3.1: Risk Based Model for Trade Customers

SL	Risk Components	SL	Risk Parameters	Risk Score (0-3) ³		Composite Risk Level
				Obtained score	Max score	$\frac{\sum Obt. score}{\sum Max. score} * 100$
1	Trade Customer Demographic	1	Business History ⁴			
		2	Payment Behavior ⁵			
		3	Adverse Media Report ⁶			
		4	Law Suit Filed ⁷			
		5	Others (if any)			
Sub Total=						
2	Geographic locations of trade transactions	6	Jurisdiction ⁸ 1			
		7	Jurisdiction 2			
		8	Jurisdiction 3			
		9	Jurisdiction 4			
		10	Jurisdiction 5			
		11	Other Jurisdictions (if any)			
		12	Complexity			
Sub Total=						

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

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

⁵Payment behavior of the customer.

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

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

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

SL	Risk Components	SL	Risk Parameters	Risk Score (0-3) ³		Composite Risk Level $\frac{\sum Obt_score}{\sum Max_score} * 100$
				Obtained score	Max score	
3	Products/ services	13	Food Grain			
		14	Industrial Raw Materials			
		15	Capital Machinery			
		16	Trading Goods			
		17	Service Import or Service Export			
		18	Defense-Goods ⁹			
		19	Dual-Use Goods ¹⁰			
		20	Other products (if any)			
		21	Multiple Products			
Sub Total=						
4	Transactions Trend / History	22	Value of trade transactions			
		23	Number of trade transactions			
		24	Number of escalated TBML alerts			
		25	Number of STR			
Sub Total=						
Grand Total=						
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%				

Relevant data such as on jurisdiction, products, services, value & number of trade transactions can be obtained from TTP. In assigning score branches should also take into account the factors described in section 2.3-2.5.

3.2.2.2 Trade Related CDD Requirements

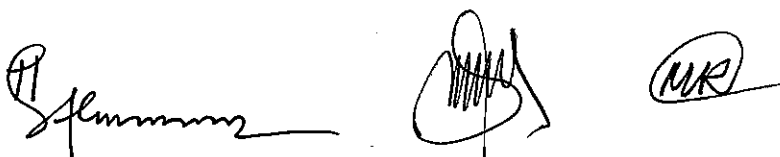
Branches shall conduct CDD in line with risk based framework and consider the following requirements as suggested below. Branches shall perform CDD while establishing relationship/opening account of the trade customer along with general CDD before starting trade transaction.

1. Collection of required documents & information such as:
 - a Nature of business including major goods, services and jurisdictions the customer deals with;
 - b Usual delivery / transportation mode for goods or services;
 - c Major suppliers and buyers;
 - d Products and services to be utilized from the bank;
 - e Existing/anticipated account activities;
 - f Usual methods and terms of payment and settlement;

⁹Consult Import Policy Order, website of World Customs Organizations and other reliable sources.

¹⁰Consult Import Policy Order, website of World Customs Organizations and other reliable sources.

- g* Any observations/ratings on the customer by concerned departments of the bank;
 - h* Any previous suspicious transaction/activity reports to BFIU;
 - i* Other information from the relevant staff; and
 - j* Trade Transaction Profile.
2. Verification of the documents & information mentioned in 1 above through reliable and independent sources.
 3. Ascertaining and verifying the identity of the beneficial owners of the trade customer.
 4. Conducting enhance due diligence if required.
 5. Recordkeeping.
 6. Understanding business, production capacity, end-use of goods, the principal counterparties, 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 Customer Due Diligence (CDD) for trade customers.
 7. Updating CDD information in accordance with BFIU Circulars and ML&TF Risk Management Guidelines.
 8. 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 Appendix- C. TTP should be made available to Level 1, 2 & 3 so that they can easily check that a transaction is within the agreed profile of the customer. Since, yet TTP is not integrated within core banking system, it may remain offline outside of the core banking system. Level 2 shall conduct TTP review and decide on certain transactions escalated by Level 1. If necessary Level 3 may also consult TTP while taking ultimate decision on transactions escalated by Level 2. Post facto review of TTP against trade transactions will be conducted at least annually to identify TBML Alerts.
 9. The CDD processes 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.
 10. Branches shall follow the manual on prevention of money laundering and terrorist financing and risk management guidelines of Bank Asia PLC for transaction level risk assessment.



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 level 2 or level 3 before they are 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

3.2.3.1.1 Defining Level 1

Level 1 generally includes the transaction processors, i.e. **maker, checker, authorizer, reviewer, verifier, designated officials.**

3.2.3.1.2 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. Perform TBML Alert analysis and Sanction screening and execute transaction.
- iii. Escalate TBML Alerts/Potential hits of the transactions to Level 2, where required.
- iv. Escalate Suspicious Transactions/Activities to Level 2.
- v. Keep record properly.

3.2.3.1.3 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, Sanction and TBML Alert and raise them to checker, reviewer, verifier, authorizer or designated officials who will further review the transactions and TBML Alerts. When needed, reviewer will examine through different channels i.e. 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 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.

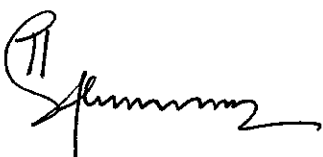
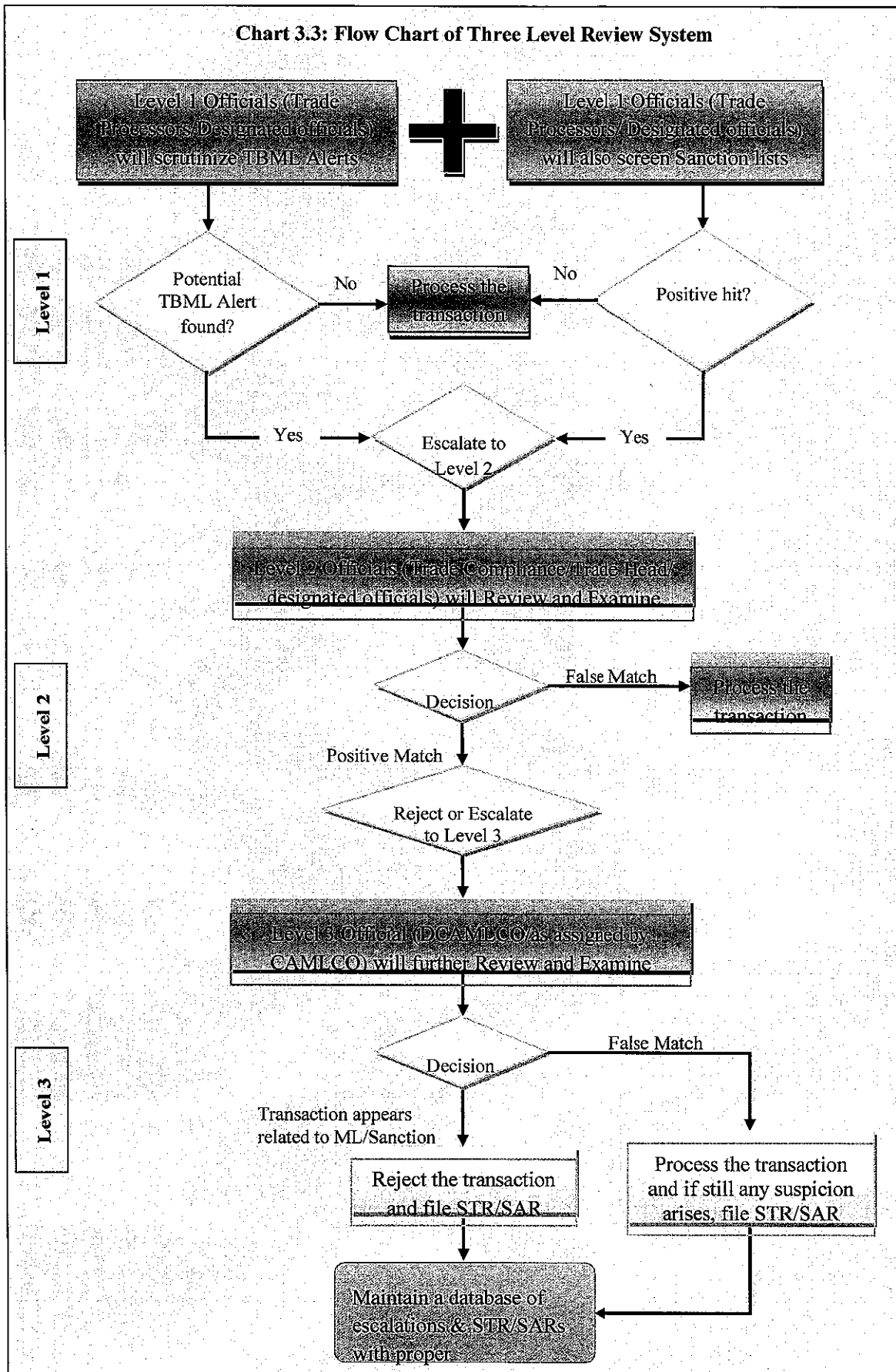


Chart 3.3: Flow Chart of Three Level Review System



Handwritten signatures and initials:
 A. Hummer
 [Signature]
 MR

Action Plan for alert /red flag transaction:

- Trade Operation Officials of the Branches will discharge their regular jobs and will scrutinize TBML Alerts.
- Trade Operation Officials of the Branches will also screen Sanction lists through the automated/manual sanction screen fully controlled and monitored of Anti Money Laundering Department of Bank Asia PLC.
- For work on any alert / red flag transaction, the branch operation officials will refer the case to International Division and International Division will seek approval of CAMLCO of the bank whether the transaction can be processed or not.

Illustration 1:

Subject: AML concern ref. 123abc..., Applicant or Buyer: XYZ, Singapore, Consignee: PQR, Columbia, Goods shipped to: Columbia, Beneficiary: ABC Co. Ltd, Bangladesh, Applicant Bank: ABC Bank Ltd, Singapore, Value: USD 50,000.00 Goods: Handicrafts

This is an Export Bill in which the goods, "Handicrafts" is being shipped to Columbia.

The following TBML Alerts are identified:

1. Buyer is from Singapore; goods are consigned and shipped to Columbia.
2. High Risk Country: Columbia. (as referred to in www.fatgafi.org/countries/#high-risk, for high-risk countries)
3. High Risk Goods: Handicrafts.

Resolution by Level-1:

1. Ok to process since Goods are shipped as per export contract.
2. Ok to process since Buyer has an agent in Columbia to sell the goods.
3. Ok to process since Bangladeshi exporter's line of business is to export handicrafts.

Illustration 2: From: Level 1 to: Level 2

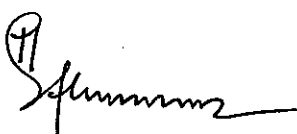
Subject: AML concern ref. 123abc..., Applicant: XYZ Trading Co., Lagos, Nigeria, Beneficiary: ABC Co. Ltd, Bangladesh; Issuing Bank: ABC Bank Ltd, Nigeria, Value: USD 50,000.00

This is an export LC in which goods, "Sugarcane" is being shipped to Nigeria.

The followings are the TBML Alerts observed:

- a. Goods are inconsistent with beneficiary's business line.
- b. Port of loading not provided in the LC.
- c. Price per unit of the sugarcane appears to be high.
- d. High risk country: Nigeria.

After getting resolution/decision from Level 2, Level 1 will act accordingly.



3.2.3.2 Level 2

3.2.3.2.1 Defining Level 2

Level 2 generally includes 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 sources¹¹ to verify key information. Level 2 officials may be **trade**

Compliance officer/Head of trade or designated officials. In any case, they should have adequate seniority and skill to conduct the role of level 2.

3.2.3.2.2 Roles and Responsibilities at Level 2

- i. Review and examine the TBML Alerts raised by level 1.
- ii. Review TTP on certain Alerts.
- iii. Disambiguate with proper rationale and justification.
- iv. Document properly.

3.2.3.2.3 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, after the transaction Level 3 finds the transaction suspicious, STR shall be submitted.

Illustration 1: From: Level 1 to: Level 2

Subject: AML concern ref. 123abc..., Applicant: XYZ Trading Co., Lagos, Nigeria, Beneficiary: ABC Co. Ltd, Bangladesh, Issuing Bank: ABC Bank Ltd in Nigeria, Value: USD 50,000.00

This is an export LC in which the goods, "Sugarcane" is being shipped to Nigeria.

The following are the TBML Alerts observed:

- a. Goods are inconsistent with beneficiary's business line.
- b. Port of loading is not provided in the LC.
- c. Price per unit of the Sugarcane appears to be high.
- d. High risk country: Nigeria.

¹¹Third party data sources reliability of which is standard in practice



Resolution by Level 2:

- a. D&B search on the beneficiary confirms that it is involved in the export and import of sugarcane and sugar products.
- b. The amendment received from the issuing bank confirmed that the port of loading is Chattogram, Bangladesh.
- c. Unit price provided is consistent with the current market price available online.
- d. High risk country: Nigeria.

Since applicant is registered in Nigeria and shipment is also made to Nigeria, it is ok to process the transaction. Level 2 shall instruct Level 1 to conduct the transaction.

Illustration 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 have been 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.

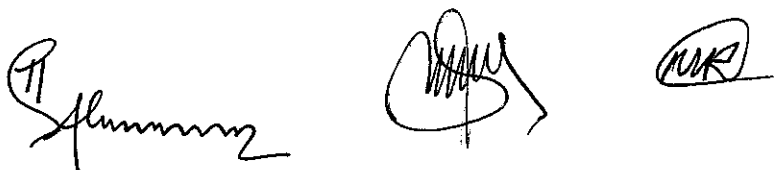
Further analysis and escalation by Level 2 to Level 3:

Designated Level 2 officers have further scrutinized these TBML Alerts and they could not disambiguate these TBML Alerts. As such they further escalated to Level 3 stating same alerts as mentioned by Level 1.

After getting resolution/decision from Level 3 they will inform Level 1 accordingly.

3.2.3.2.3 : RMA Policy of our Bank : In establishment of RMA with our foreign correspondents and financial institutions, we complete the following procedures :

- i) Completion of KYC formalities as per BFIU/Wolfsberg Group questionnaire.
- ii) Checking the status of the bank through Bank Almanac and other authenticated sources.
- iii) Following all sanction lists (US/EU/OFAC)
- iv) Credit Report and financials, Management Structure of the proposed Banks.
- v) RMA Agreement.
- vi) Bank Asia PLC reviews the RMA at regular interval.
- vii) Provide information as per Standard Operating Procedure (SOP) with all supporting documents.



3.2.3.3 Level 3

3.2.3.3.1 Defining Level 3

Level 3 generally includes officials with vast experience and expertise on trade based money laundering process. Level 3 should be able to further assess the merits of an escalation from Level 2 officials. Level 3 generally includes **DCAMLCO/officials as assigned by CAMLCO**.

3.2.3.3.2 Roles and Responsibilities at Level 3

- i. Conduct comprehensive review and examine the TBML Alerts raised by Level 2.
- ii. Consult TTP if necessary.
- iii. Disambiguate with proper rationale and justification.
- iv. File STR/SAR where required.
- v. Document properly.

3.2.3.3.3 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, then Level 3 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. Before submission of STR/SAR to BFIU, CAMLCO shall ensure compliance with due procedure, required data and documents in line with the instructions given in relevant BFIU circular.

All Level 2 and Level 3 escalation dispositions of TBML Alerts or screening hits should be properly documented.

Illustration 1:

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.

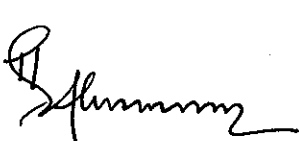
Further examination and escalation by Level 2 to Level 3:

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 ready-made 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, branch should inform head office and head office 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.

3.2.3.3.4: Source of Funds / Borrowing from International market /overseas correspondents for OBU:

In borrowing for OBU, we comply with the followings,

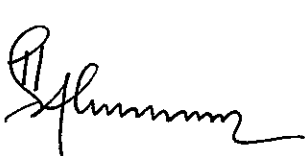
- i) Funds borrowing from our correspondent banks/FIs who have active RMA with our Bank.
- ii) Bank Asia enter into agreement with the lending banks/FIs.
- iii) For borrowing from Financial Agent, Bank Asia will comply with the following
 - a) Verification of Source of their lending.
 - b) Funds must be channeled through our correspondent banking.
 - c) Complete all procedures of correspondent relationship.
 - d) Signing agreement with such agent.

3.2.3.3.5: Transfer Pricing: Transfer pricing refers to the prices of goods and services that are exchanged between companies under common control. For example, if a subsidiary company sells goods or renders services to its holding company or a sister company, the price charged is referred to as the transfer price.

In international trade transfer pricing is very common now a days wherein the International fund providers make gambling in transfer of their spread / interest income to different shareholders in different regimes of the world. In international trade and builds analytic models to measure the contribution of transfer prices to international money laundering. Money laundry-related transfer pricing and transfer price-based money laundering should be monitored properly. It argues that transfer price-based capital flight and tax evasion are variants of money laundering in nature to the extent that they all enable the apparently legal ownership of the property shifted illegally. Integrating capital flight and tax evasion into the models to estimate its contribution to global money laundering pool, helping anti-money laundering (AML) policy-makers better understand the nature of transfer pricing and its negative impact upon the economy. It concludes that effective audit and inspection systems should be established in order to better detect suspicious money laundering transactions and prevent money laundering crimes (MLCs)

For processing such transaction, Bank Asia will follow instructions provided in the guidelines of Foreign Exchange Transactions, Volume -1 and will cover the following checking procedures while executing such transactions :


1. Genuineness of requirements of the transactions.



2. Involvement of any Shell Banking /Shell Corporation.
3. Sources of Fund and its utilizations.
4. Authenticity of the underlying transaction.
5. The parties involved have any AML/CFT Restrictions.
6. The Transactions must pass through our bank's automated sanction screen.

Responsibility of Bank Asia PLC in risk assessment:

1. Ensure that the customer has a current, approved KYC record and TTP in place before processing transactions.
2. Discharge the trade function under compliance with all domestic and international standard rules, regulations, publications and AML Compliances.
3. Perform TBML Alert analysis and Sanction screening and execute transaction.
4. Escalate TBML Alerts/Potential hits of the transactions to Level 2, where required.
5. Escalate Suspicious Transactions/Activities to Level 2.
6. Keep record properly.

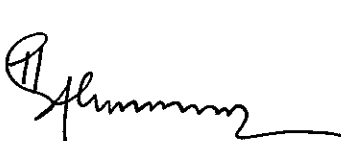
Three handwritten signatures in black ink are located at the bottom of the page. The first signature on the left is a cursive name that appears to be 'S. Phumman'. The middle signature is a stylized, circular mark with vertical lines inside. The signature on the right is a cursive 'MR'.

3.2.3.4 Screening System

- 1) Sanction screening shall be conducted on individual, entity, banks, insurer, NGO/NPO, country, port, flag, vessel etc. The screening shall 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) Vessel tracking (origin port, transshipment, destination port) and its voyage history shall 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**.
- 4) Care should also be taken to PEPs/IPs screening, adverse media screening, High Risk Country screening.
- 5) 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 Inco terms rule followed by palace
- 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.



3.2.3.5 Price Verification

Bank Asia PLC developed own database for price verification and instructed trade processing staff in performing price checks. Additionally, they may verify from different sources, and apply their common sense with the local market price. The policies are, at a minimum, mention the level of acceptable price variance and escalation procedures when significant price difference is identified. Provision of different threshold for different types of underlying goods and services may be allowed on the basis of periodic market price assessment. To enhance the effectiveness of the price checks, the process may be centralized or automated; otherwise care should be taken to ensure avoidance of any conflict of interest.

AD Branches, CTSU's and CTPCs are instructed to adhere to regulatory parameters for verification of import prices and price competitiveness. As usual, AD Branches, CTSU's and CTPCs 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.

3.2.3.6 TBML Alerts

KYC process is the foundation on which the individual transaction shall 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**. However, our bank has been regularly updating the TBML Alerts and making them easily accessible to all of the staff of the bank.

3.2.4 Enterprise/Institute Wide TBML Risk Assessment and Mitigation

- i. Ensure Enterprise wide TBML risk assessment.
- ii. Review Policy Strategy depending on TBML risk assessment.
- iii. Take into account gaps found through annual review as shown in 3.2.4.1
- iv. Review new trend and typology related to TBML and include relevant ones for guidance.
- v. Revisit TBML Alerts to mitigate the risks.

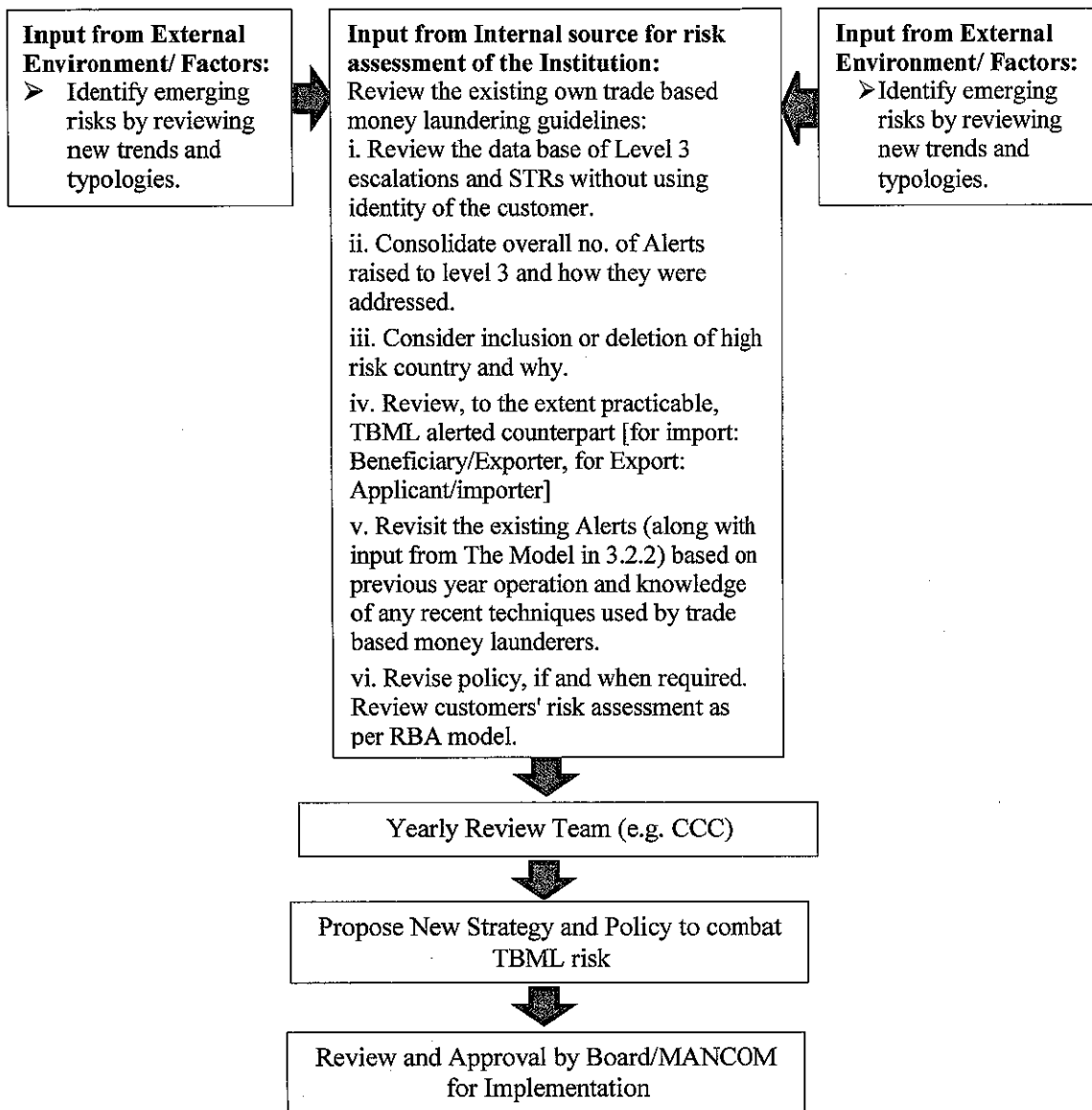
3.2.4.1 Enterprise/ Institutional Level Risk Management of Trade Based Money Laundering Framework

As an enterprise Bank 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 diagram is a sample how, on the basis of assessment, institutional/enterprise-level risk management of trade based money laundering and terrorist financing may work in a bank:



Chart 3.4: Institutional/Enterprise-level TBML Risk Management Framework



3.5 Few More Notes on Trade Controls

- a) All relevant staff and officials of the bank shall be aware and remain updated of trade controls. Dissemination through regular correspondence shall also be emphasized.
- b) To assess the effectiveness and adequacy of the trade controls, independent review¹² shall be done from time to time. Frequency of review shall 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.
- c) Branches and concern divisions shall follow the examples of detection scenarios based on TBML Alerts have been given at Appendix C.
- d) Trade Controls should ensure clear division of roles and responsibilities and ownership of risks relating to critical functions.

¹²Independent review means reviews done by officials other than Level 1, 2, 3 officials as designated by the bank.

- e) Trade Controls 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.
- f) Apart from the yearly review of strategy and policy by senior management as mentioned in Chart 3.4 banks should involve senior management in planning and implementation of Trade Controls. Considering size and exposure to TBML risks, banks may decide the period of such review.
- g) The trade transactions conducted through any IT or Technological Platform will be governed under the directives of Bangladesh Bank issued from time to time.
- h) 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.
- i) Trade Controls should be readily identifiable by and made known to all relevant officials engaged in trade related activities.
- j) To avoid regulatory and legal hassle all relevant senior officials of Bank Asia PLC shall have awareness and knowledge on geopolitics and cross border restriction as well as sanctions and guide the transaction level officials to ensure proper due diligence.

3.6 Suspicious Transaction/Activity Reporting

- a) STR/SAR reporting should be done in accordance with the procedure shown in the Chart 3.3. Before submission of STR/SAR, DCAMLCO (if not level 3) and CAMLCO shall only ensure compliance with instructions of relevant BFIU circular. Risk of tipping off shall also be managed by the concerned divisions and branches.
- b) Branches and concern divisions shall always file an STR/SAR when required to do so under MLPA, ATA, relevant BFIU circulars and Bank Asia PLC, AML & CFT Circulars and policies. In complex situations banks may seek opinion from BFIU through proper channel.

3.7 Training on Trade Based Money Laundering

- a) BFIU Circular 26 and ML & TF Risk Management Guidelines provide guidance on AML & CFT training. Banks 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.
- b) Bank Asia conduct training need assessment on preventing TBML. For level 1, 2, 3 officials training is essential. Training is designed in such a way that the trainees are able to provide, or contribute to, training depending on their background, role and experience.
- c) For officials involved in day to day trade processes role based training also be included. Objective behind such training should be to impart training to them on TBML specific risks and responsibilities.
- d) Trade based money laundering training should form a core part of a bank's training calendar or training plan. Training records should also be retained properly.

Appendices

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 BFTU 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.

The image shows three handwritten signatures or initials at the bottom of the page. The first is a long, flowing signature starting with a circled 'A'. The second is a more compact signature with a large loop. The third is a simple, bold signature that appears to be 'MR'.

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. Findings 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, 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 computer 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, 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

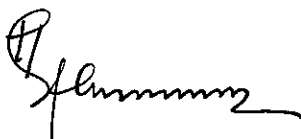
M/s. 'R' Enterprise, a client of 'X' Bank branch, located in border area, deals in import and export business. Besides, the client also deals with the cattle business from India to Bangladesh. The client usually imports onion from India. M/s. 'R' Enterprise approaches 'X' branch to avail an LC valued 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 20million.

'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:

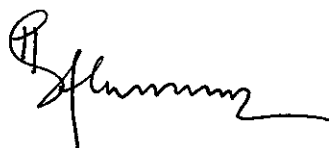
- 1) Willful non-reporting of overdue export bills.
- 2) Cash incentives allowed to customer not eligible as per regulations.
- 3) Advanced cash incentives allowed.

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. Wilful 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.
Alert# 3	Customer behavior.	The behavior 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 favoring 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.
The transactions		
Alert# 7	Transaction structure appears unnecessarily complex or unusual and designed to obscure the true nature of the transaction.	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 analyze 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.

Illustration**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, phytosanitary 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.

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	<p>The customer engages in transactions that are inconsistent with the customer's business strategy or profile.</p> <p>(Transaction is not in line with the customer's line of business or with his/her TTP)</p>	<p>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.</p> <p>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.</p>
Illustration	<p>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 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.</p> <p>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.</p>	
Alert # 9	<p>The Trade Finance transaction contains non-standard terminology and/or non-standard clauses.</p> <p>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.</p> <p>Examples:</p> <p>Non Standard Terminologies in documentary credit:</p> <ul style="list-style-type: none"> ✓ Assignable ✓ Divisible ✓ Unconditional ✓ Unconditional revolving etc. <p>Non Standard Clauses in documentary credit:</p> <ul style="list-style-type: none"> ✓ 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. <p>The above mentioned indications on a documentary credit are very unusual. In such cases banks should further scrutiny.</p>	

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.
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

		<p>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.</p> <p>Also note para 20 of Chapter 7 of GFET, 2018.</p>
Illustration	<p>Typology: 1</p> <p>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.</p> <p>Typology: 2</p> <p>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.</p> <p>Typology: 3</p> <p>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.</p>	
Alert # 15	<p>Under Invoicing (against market price).</p>	<p>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.</p> <p>Trade processors should follow the mechanism and guidelines to be established by their own bank in pursuance with these guidelines.</p>

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.
Alert # 17	Invoice showing significant amount of misc. charges e.g. handling charges.	<p>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.</p> <p>Bank should know the justification behind such unusual charges and act accordingly to prevent TBML.</p>
Alert # 18	There are indications of double invoicing / Multiple Invoicing.	<p>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.</p> <p>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.</p> <p>Though with the establishment of FX Dashboard, multiple invoicing is very hard to do onshore, reasonable care should be taken in case of offshore.</p>

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 onion 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.
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 payer 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 3 rd 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 low tax 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.
<p>Applicant (customer) controls the payment:</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> - 15% advance payment - 70% upon presentation and - The rest 15% after proper installation of the capital machinery supported by applicant certificate <p>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.</p>		



Alert # 24	Claimed/lodged shortly while guaranty validity is a long tenor.	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.
Alert # 25	Issuance of fraudulent Letter of Undertaking (LoU).	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).
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).
Alert # 27	No goods description mentioned in documents/	Not having goods' description is itself an alert. Bank should know the goods or

	Descriptions of the goods/services are not clear or are coded or disguised.	services of underlying transaction from the related trade documents, such as LC, BL, invoice etc.
Illustration for Alerts 26 & 27	<p>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.</p> <p>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.</p>	
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.

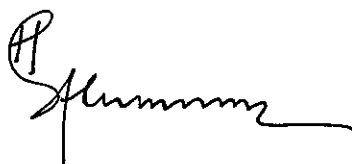

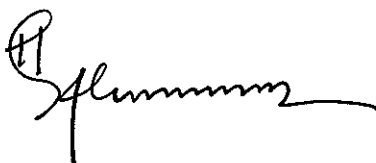




Illustration	<p>Though most of the banks are aware of obvious sanctioned country under UNSCR lists and generally do not open LCs where shipment is made from sanctioned port, company 'X' opened LC for import of bitumen from UAE mentioning any port of UAE and the respective transport document i.e. Bill 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.</p> <p>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.</p>	
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.
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.
Country/Jurisdiction/Geographical Location/Sanction		
Alert # 39	Customer shipping items to, through, or from higher money laundering risk jurisdictions including countries identified by FATF as stated in FATF Public document.	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.
Alert# 40	Transaction involves high risk jurisdiction/country.	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.
Alert# 41	Transaction involves sanctioned entities /countries /individuals.	
Discrepancies		
Alert # 42	Goods' description in the documentary credit.	Examples: There are significant discrepancies between the description of the goods on the bill of lading (or invoice) and

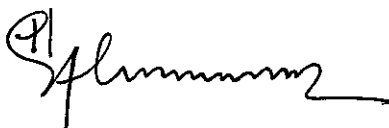
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		the documentary credit, i.e. it is apparent that they are not the same type of goods.
Alert# 43	Clauses in the documentary credit.	If clauses in the documentary credit are not examined and addressed carefully by the bank, colluding parties may abuse trade and perpetrate TBML.
Illustration	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.	
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	







	<p>different customer of the Bank 'T'. 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 aftereffect.</p> <p>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.</p>
Alert # 46	<p>The customer is overly keen to waive discrepancies.</p> <p>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.</p>
Unusual Documentation	
Alert # 47	<p>Documents required or presented is unusual to related trade transaction.</p> <p>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.</p>
Alert# 48	<p>There are indications that documents have been reused.</p> <p>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.</p> <p>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.</p>

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.
- vii. The supplier credit report is inconsistent with his quotation.
- viii. If there any common stakeholder between export and import.
- ix. Multiple transshipment is used and irregular vessel.
- x. Assignment of proceeds to any high-risk destination etc.

Issuance of LC

Price, Quantity and descriptions of Goods:

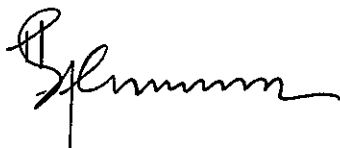
- a. High risk goods or high risk jurisdiction/country is involved.
- b. Transaction involves restricted or banned items of goods.
- c. Different HS Code issued

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:

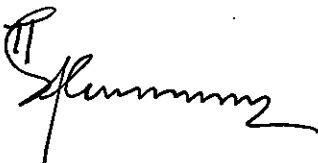
- ✓ Under Shipment (in terms of quantity)
- ✓ Over shipment (in terms of quantity)
- ✓ Discrepancies in Goods description, quantity and shipment locations.
- ✓ Where the quantity of goods exceeds the known capacity of the shipping containers or tanker capacity. Or where abnormal weights for goods are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

- i. The bill of lading describes containerized cargo but without container numbers or with sequential container numbers.
- ii. Phantom shipment - where no goods are shipped at all and the documentation is completely falsified
- iii. The mode or method of shipment is unclear or the shipping route is unclear.



- iv. Vessel / Container number cannot be tracked through web search.
- v. There are indications that documents have been re-used.
- vi. 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.

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.

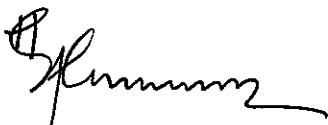
Mode and Location of Shipment:

- 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 3rdcountry/place.
- The mode or method of shipment is unclear or the shipping route is unclear.

Payment Method:

Applicant, Beneficiary and Other Parties/Entities Involved:

- Bonafides 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 favouring 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:

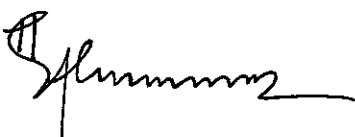
- i. Under Shipment (in terms of quantity)
- ii. Over shipment (in terms of quantity)
- iii. Discrepancies in Goods' description, quantity and shipment locations.
- iv. where the quantity of goods exceeds the known capacity of the shipping containers or tanker capacity. Or where abnormal weights for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



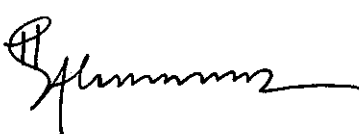
Guarantee/Standby Letter of Credit (SBLC)

- 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.



Appendix D:
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		Monthly Average Value of transactions in Million USD	
	Volume of Transactions		Minimum	Maximum
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	
	Minimum	Maximum	Minimum	Maximum
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				

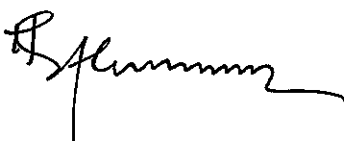


I/We the undersigned hereby confirm that the anticipated transaction amount and frequency are my/company's normal transactions. I/We further confirm that if necessary, I/we will revise our transaction profile from time to time.

Signature: Signature:
Name: Name:
Designation: Designation:
Date: Date:

For Bank's Use Only

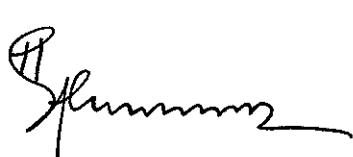
The Trade Transaction Profile (TTP) of the client has been reviewed in accordance with the instructions of Bangladesh Financial Intelligence Unit (BFIU).

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

1. Some Examples of Detection Scenarios based on TBML Alerts

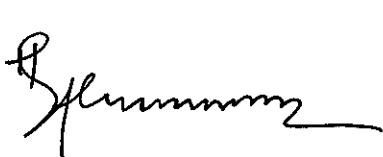
Detection Scenarios	Probable Rules
❖ Transactions through Land lock countries	❖ Should be a Pre-transaction & Automated detection; otherwise relevant officials should check against list of land lock countries.
❖ Unauthenticated Letter of Credits (LCs)/ FakeLCs	❖ Should be a Pre-transaction & Partly Automated 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, OFAC, 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/ Predated 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.
❖ 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





Detection Scenarios	Probable Rules
	pre-checking by knowledgeable officials is highly recommended.
❖ Trade Transaction related or involving parties in tax havens e.g. Bermuda, Bahams, 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.

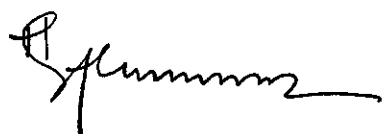
Note: The Frequency of Report (Real-time/Daily/ Monthly) and the risk priority (High/ Medium/ Low) of the Alert can be assigned by respective Bank based on their Risk-Appetite, system & resource capacity. However, no need to mention that, High risk alerts like Sanction-violation – should be detected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





2. List of Land locked Countries:

<ul style="list-style-type: none">• 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• Macedonia• Malawi	<ul style="list-style-type: none">• 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
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**Example of Few Sanctioned Vessels/Shipping Lines that
changed names**

Vesels:

Abila -IMO9213399	* Alvan -IMO 9165798	* Amina - IMO 9305192
Arezoo - IMO 9165786	* Artin -IMO9305221	* Aysan - IMO 9165803
Baseej-1 -IMO8746301	* Basht -IMO 9346536	* Behnavaz -IMO 9346548
Behta -IMO9349590	* Dadgar -IMO 9357729	* Deniz - IMO9569700
Dew Drop -IMO9569695	* Dusk -IMO9569712	* Genco - IMO9387798
Golsan - IMO 9165815	* Iran Noor - IMO 9079066	* Klos C - IMO 8918710
▪ Lotus - IMO9165827	* Manlai - IMO 9465851	* Orang - IMO 9051650
▪ Oura - IMO9387815	* Pendar - IMO 9209324	* Perarin - IMO 9209350
Rosemary -IMO9209336	* Sana -IMO9209336	* Sarvin - IMO9209348
Shabdis - IMO 9349588	* Shahraz - IMO 9349576	* Touska - IMO 9328900
Zardis - IMO 9349679	* Ka Rim Chon -IMO8314811	*
Sadaf Poshtiban - IMO 8422084		

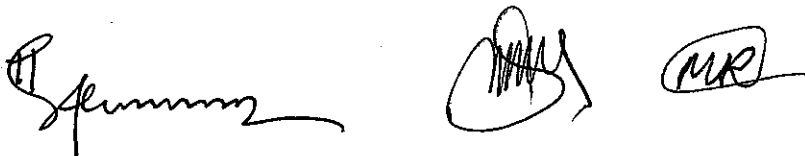
<u>Shipping Lines:</u>	
▪ Aran Asman	* Arash Mehr International Transport Co
▪ Caribbean Navigation Company	* Hafez Darya Arya Shipping Line
▪ IRISL	* Payam Marand Tarabar
▪ RAHVAND	* SOUTH SHIPPING LINEIRAN
▪ SEIBOWLOGISTICSLIMITED	* NITC
The lists and examples mentioned above are not exhaustive. These are indicatives only.	





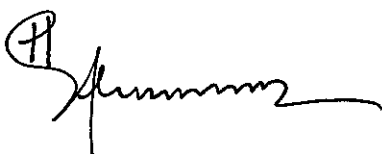
Appendix E:
Export Customer Onboard Checklist

1. Certificate of incorporation.
2. Valid/Renewed Trade License
3. Valid/Renewed Export Registration Certificate (ERC) for the concerned financial year.
4. EPB Enrollment Certificate (up to date).
5. Bonded Ware House License where needed. And Lien Bank formalities.
6. Membership of BIDA/ EPZ, EZ etc where applicable.
7. Memorandum of Association (MoA) and Articles of Association (AoA).
8. Board Resolution (BR).
9. Updated list of directors.
10. Communication address proof of the entity, if it is different with the address mentioned on Certificate of registration.
11. Current landline/ mobile number and e-mail ID of the entity.
12. Permanent Account Number (PAN) of the entity.
13. Latest passport-size colour photograph of each of the authorized signatories along with NID/Smart Card.
14. A copy of one valid photo identification and address proof of each of the authorized signatories.
15. Shareholding pattern/ list of beneficial owners holding more than 25% in the company either directly or indirectly (on letterhead).
16. Address proof of such beneficial owners as identified above.
17. Identity and address proof of the Senior Managing Official in case the ultimate natural person is not identified as the beneficial owner.
18. NOC from Earlier Bank (mentioned in the ERC) where applicable.
19. Check overdue export bills with other Bank
20. Previous export performance with other Banks
21. Justify Reasons for shifting the Bank
22. Latest Financials of the Company
23. Check Company Name & Address in line with other documents/approvals
24. Any special documents required for run the business such as:
 - a) NOC from Department of Environment
 - b) EPB Enrollment Certificate
 - c) Factory License from Department of Inspection for Factories and Establishment
 - d) Insurance Policy for Factories
 - e) Fire License from Fire Service & Civil Defense Authority
 - f) Approval of Electricity Connection
 - g) Boiler License (if used) from Office of the Chief Inspector of Boiler
 - h) Proof of having Tax Identification Number (TIN) in all cases of imports
 - i) Public sector importers shall submit the attested photocopy of sanction letter from the administrative Ministry or Division or Authority, wherever applicable
 - j) Valid Membership certificate from the registered local Chamber of Commerce and Industry or any Trade Association established on all Bangladesh
 - k) Any such document as may be required as per Public Notice, or Order issued by Chief Controller, from time to time under this Order
 - l) Certificate of Inspection of the factory.
25. Checking buyer's credit report if needed whether they have same line of business, production capacity, out of sanction list, financial strength etc.
26. Shell banking/Shell corporation etc.
27. Price verification for mitigate the risk of under invoice and over invoice.
28. Verification of LC Issuing Bank's Standings where export will be executed under Letter of



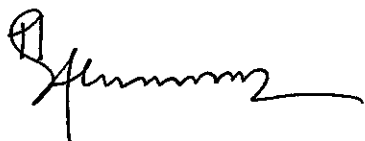
Credit.

29. Complying all local and international standard policy, rules, regulations for on-boarding export truncations.
30. Complying all AML & CFT Guidelines for on-boarding export transactions.



Appendix F: Import Customer Onboard Checklist

1. Certificate of incorporation.
2. Valid/Renewed Trade License
3. Valid/Renewed Import Registration Certificate (IRC) for the concerned financial year
4. Memorandum of Association (MoA) and Articles of Association (AoA).
5. Board Resolution (BR).
6. Updated list of directors.
7. Communication address proof of the entity, if it is different with the address mentioned on Certificate of registration.
8. Current landline/ mobile number and e-mail ID of the entity.
9. Permanent Account Number (PAN) of the entity.
10. Latest passport-size colour photograph of each of the authorized signatories along with NID/Smart Card.
11. A copy of one valid photo identification and address proof of each of the authorized signatories.
12. Shareholding pattern/ list of beneficial owners holding more than 25% in the company either directly or indirectly (on letterhead).
13. Address proof of such beneficial owners as identified above.
14. Identity and address proof of the Senior Managing Official in case the ultimate natural person is not identified as the beneficial owner.
15. NOC from Earlier Bank (mentioned in the IRC)
16. Check overdue bills/Bill of entries with other Bank
17. Previous import performance with other Banks
18. Items to be imported in line with IRC/Business/Trade License
19. Import performance with other Banks
20. Justify Reasons for shifting the Bank
21. Latest Financials of the Company
22. Check Company Name & Address in line with other documents/approvals
23. Source of fund to settle import obligation
24. Transaction profile of Import/Export such as No. of LC to be opened in a month and amount of maximum import
25. Any special documents required for run the business such as:
 - a. License from Drug Control Authority
 - b. License from Directorate General of Food
 - c. NOC from Department of Environment
 - d. Factory License from Department of Inspection for Factories and Establishment
 - e. Insurance Policy for Factories
 - f. Fire License from Fire Service & Civil Defense Authority
 - g. Approval of Electricity Connection
 - h. Boiler License (if used) from Office of the Chief Inspector of Boiler
 - i. Proof of having Tax Identification Number (TIN) in all cases of imports
 - j. Public sector importers shall submit the attested photocopy of sanction letter from the administrative Ministry or Division or Authority, wherever applicable
 - k. Valid Membership certificate from the registered local Chamber of Commerce and Industry or any Trade Association established on all Bangladesh
 - l. Any such document as may be required as per Public Notice, or Order issued by Chief Controller, from time to time under this Order
26. Checking supplier's credit report whether they have same line of business, production capacity, out of sanction list, financial strength etc.
27. Shell banking/Shell corporation etc.
28. Price verification as per Bangladesh Bank's Guidelines for Foreign Exchange Transaction, Volume-1, Chapter 7, Para 23 (b).
29. Complying all local and international standard policy, rules, regulations for on-boarding import truncations.
30. Complying all AML & CFT Guidelines for on-boarding Import transactions.



Appendix G: RMA Setup Check List

Correspondent banking is the provision of banking services by one bank (correspondent bank) to another bank (the respondent bank). By establishing multiple correspondent relationships globally, banks can undertake international financial transactions for themselves and for their customers in jurisdictions where they have no physical presence. Large international banks typically act as correspondents for thousands of other banks around the world.

The concept of foreign correspondent banking is an accepted practice that can be very beneficial to financial institutions and their customers. Correspondent banks essentially act as a domestic bank's agent abroad in order to service transactions originating in foreign countries.

Objectives: The objectives of establishment of Correspondent Banking Relationship is to transact International Business e.g., Import Trade, Export Trade, Guarantees etc. Without having arrangement with foreign banks L/Cs issued by Bank Asia could not be advised to the beneficiaries around the world. This has necessitated the establishment of Correspondent Banking Relationship with overseas banks.

Bangladeshi banks mostly act as respondent banks because they have to rely on the big global banks like Standard Chartered Bank, Commerzbank AG, Germany; Mashreq Bank, UAE; JP Morgan Chase Bank, NY and Wells Fargo Bank, NY to conduct their international business. As a respondent bank, we usually obtain the following array of services through various correspondent banks:

- Issuing import letter of credit (LC) and receiving Export LC from abroad
- Maintaining Nostro Account in a variety of currencies (USD, Euro, GBP etc.) to make wire transfers for payment against import, receipt of export proceeds and inward remittance, fund transfer, paying tuition fees abroad, treasury fund management etc.
- Availing Credit Line to confirm and discount our LCs abroad as foreign supplier often seeks confirmation of LCs for payment guarantee.

Correspondent banking unit is responsible to oversee all the correspondence related activities with both local and foreign banks on the above services. This unit may be called the core unit of International division. Because strong correspondent banking relationship plays a vital role to enhance business of the bank.

Features of Correspondent Banking:

- A correspondent bank act as an agent of the respondent bank.
- Correspondent banks offer the following services, such as Treasury, clearance of cheques, drawing of demand drafts, process documentation, foreign exchange, financing, managing international investments, and more.
- The correspondent bank charges a specific fee for its services to the respondent bank.
- Services of a correspondent bank are usually needed for international financial transactions that require foreign currency exchange.

Factors to be considered prior to establish for Correspondent Banking Relationship:

- a) Selection of Bank from Different Publication/Bankers Almanac/Information/List/ Referrals etc.
- b) Rank & Status of the Bank: (a) World rating (b) Country rating.
- c) Financials-Balance Sheet.
- d) Ownership structure of the foreign correspondents.
- e) Observation of AML Guidelines
- f) Country of jurisdiction



- g) No Shell Bank
- h) Sanction lists (UN, US, OFAC & EU) & FATF guidelines
- i) Credit Report.

Salient phases for maintaining correspondent banking relationship with the counterpart banks:

- Setting Relationship Management Application (RMA).
- Opening of Nostro/Vostro accounts.
- Credit Line.

RMA: SWIFT's Relationship Management Application (RMA) is the key to establish the correspondent banking relationship. RMA allows message authentication between 2(two) banks. SWIFT's RMA plays an important part in supporting communication between different financial institutions. It enables financial institutions to define which counterparties can send them FIN messages and blocks unwanted message traffic at the sender point, providing a first line of defense against fraudulent transactions.

Indeed, banks to do full due diligence on their correspondents whenever an RMA have to be established, regardless of whether a business relationship is actually in place. Financial institutions should incorporate RMA due diligence standards as per following documentation:

1. Certificate of Incorporation
2. Banking license
3. Shareholdings & List of Directors
4. Ownership Structure with full name and % of shares hold (Must be dated)
5. AML Policy
6. Wolfsberg Group Questionnaire
7. Us patriot Act certificate
8. AML & CFT Questionnaire
9. Latest credit ratings
10. Latest Annual report
11. Another documents, if any

Country Sovereign Ratings:

Sovereign ratings have become increasingly important as countries around the world tap the international markets. These credit ratings - issued to sovereign entities like national governments - take into account political risk, regulatory risk and other unique factors to determine the likelihood of a default. The three most popular issuers of sovereign ratings are S&P, Moody's and Fitch. Better sovereign ratings can reduce inflation risk, ensure political stability, and make it cheaper to borrow money when needed.

Concentration Risk

Since Correspondent Banking market of Bangladesh is mostly controlled by few large foreign banks, Bangladeshi banks are therefore facing 'Concentration Risk' in terms of availing correspondent banking services.

De-risking:

One of the key challenges of Correspondent Banking Relationship (CBR) being faced by Bangladeshi banks currently is de-risking. It refers to the termination or restriction of CBR by Global correspondent banks with our banks. Since the global financial crisis of 2008, global banks have been reviewing their CBRs and many have decided to de-risk some of their correspondent banking services to different regions, jurisdictions including ours. Cut off of all clearing services in USD by HSBC in the year 2016 is the latest example of de-risking faced by Bangladeshi banks.

The World Bank Group's paper on 'The decline in Access to Correspondent Banking Services in Emerging Market, Trends, Impacts and Solution' published in the year 2018 found following reasons for de-risking:

- a) Profitability/low business volume
- b) Overall risk appetite of correspondent bank
- c) Inability of respondent bank to undertake Customer Due Diligence

- d) Changes to supervisory requirements in correspondent bank's jurisdictions
- e) Money laundering/terrorist financing risks in respondent bank's country
- f) Respondent bank's high-risk customer base
- g) Sovereign credit risk rating of respondent bank etc.

Financial performance of respondent bank

Financial performance of the respondent bank, especially in respect of liquidity, capital adequacy, asset quality and profitability are always causing of concern for correspondent banks.

Adverse media news

Adverse media news regarding the economy, banking industry or a particular bank dents the confidence of foreign correspondent banks to take exposure on Bangladeshi banks.

Way out to overcome the challenges:

The following may help strengthen the respondent banks' position while maintaining relationship with overseas correspondent banks:

- * To ensure stricter Anti Money Laundering and Combating Financing of Terrorism related laws from the regulator and meticulous implementation of the same by the banks
- * To show zero tolerance to delay in payment from bank's policy making level
- * Diversifying correspondent relationship to overcome concentration risk
- * To pursue International Best Practice in terms of corporate governance
- * Dialogue with correspondent bank from the policy making level in case of de-risking
- * To increase Knowledge and responsibility of correspondent banker

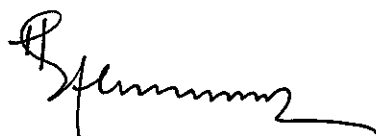
Finally, it can be said that correspondent banking relationship is a win-win case for both the larger correspondent banks and small respondent banks like ours. But to avail smooth correspondent banking services by the way of navigating the risk of de-risking and concentration risk, we must have to ensure corporate governance, zero tolerance to delayed payment and stricter compliance culture in the banking industry.

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. Includ. Refind 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/MT4%
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) telephone 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%





SL No.	HS CODE	Commodity Name	LC Value (USD in Millions)	TTI
14	62171000	Clothing Accessories, Nes	2,305.62	127.84%
15	72083920	F./hot-rolledImp. by VAT regdT. Former& pre-fab. building manufacind.	2,077.77	37.07%
16	12019090	Soya beans, whether or not broken other than Seed, EXCL. Wrapped/canned upto 2.5 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/MT4%
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 --> Triple Superphosphates	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%

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Sl No.	HS CODE	Commodity Name	LC Value (USD in Millions)	TTI
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%
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%

SL No.	HS CODE	Commodity Name	LC Value (USD in Millions)	TTI
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, >375Kva	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%
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%

SL No.	HS CODE	Commodity Name	LC Value (USD in Millions)	TTI
58	48109200	Other Paper & P.Board, Multiply Paper & Paperboard	673.83	58.69%
59	52051100	Uncombed Sin.Cot.Yarn, With \geq 85%Cot.,Nprs, \Rightarrow 714.29 Decitex (\leq 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 \geq 85%Cot.,Nprs, $<$ 232.56deci($>$ 43mm)But \geq 192.31de(\leq 52mn	566.94	37.07%
69	52083100	Dyed Plain Cotton Woven Fabrics With \geq 85% Cotton, \leq 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, \geq 0.25%Carbon	512.69	844.08%
73	85176290	Other reception, transmission app.(excl. modem, telephonic/telegraphic switch.	481.26	58.69%

SL No.	HS CODE	Commodity Name	LC Value (USD in Millions)	TTI
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%
76	27101921	Lubrication oil, that is oil such as is not ordinarily 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/MT4%
82	15111010	Crude palm oil imported by VAT registered edible oil refinery industries	431.30	32.07%
83	84713000	Portable Digital AdpMachines, 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, Cans Etc, & 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 and	400.77	37.07%

SL No.	HS CODE	Commodity Name	LC Value (USD in Millions)	TTI
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%
93	55041000	Artificial Staple Fibres, Of Viscose Rayon, Not Carded, 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 upto 2.5Kg	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%

SL No.	HS CODE	Commodity Name	LC Value (USD in Millions)	TTI
100	48041100	Unbleached Kraftliner, Uncoated Paper & Paperboard In Rolls Or Sheets	334.92	37.07%
	Total:		132,110.16	

Source: Bangladesh Bank Dashboard

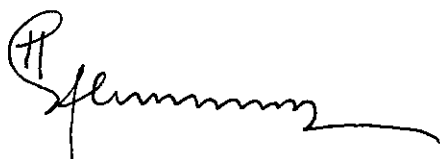
The table is an indication that zero tax, low tax and high tax goods are vulnerable to be abused for TBML. Goods imported in huge/bulk amounts are also vulnerable in this context.

- 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 through 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.





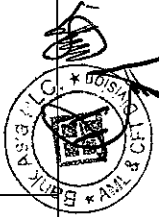


Executive Summary of Customer Acceptance Policy, 2025

The “Money Laundering & Terrorist Financing Risk Management Guidelines 2015” Para 4.7 clearly states “Every bank should develop a clear Customer Acceptance Policy laying down explicit criteria for acceptance of customers. The Customer Acceptance Policy must ensure that explicit guidelines are in place to set-up any kind of business relationship with the bank. A concrete Customer Acceptance Policy is very important so that inadequate understanding of a customer’s background and purpose for utilizing a bank account or any other banking product/service may not expose the Bank to a number of risks.”

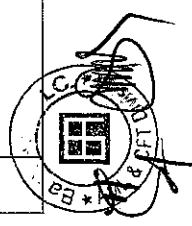
In accordance with the above regulatory directive, Bank Asia PLC developed its Customer Acceptance Policy. Regulatory bodies and international correspondent banks expect the policy to be regularly reviewed and updated to meet evolving standards and requirements. Considering the above requirement, AML & CFT Division has reviewed & updated the existing policy.

S L	Particulars	Existing Policy	Changes in the Proposed Policy New Inclusion/Replaced by	Remarks
01	Objective/Purpose 2.0	i) To prevent illegal or criminal elements from using the Bank for money laundering activities ii) To enable the Bank to know/understand the customers and their financial dealings better which, in turn, would help the Bank to manage risks prudently iii) To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws or laid down procedures. iv) To comply with applicable laws and regulatory guidelines. v) To ensure that the concerned staffs are adequately trained in KYC, AML & CFT procedures	<p>The primary objectives of a Customer Acceptance Policy are –</p> <ol style="list-style-type: none"> To manage any risk that the services provided by the Bank may be exposed to; To prevent the Bank from being used, intentionally or unintentionally, for ML/TF purposes; and To identify customers who are likely to pose a higher than average risk. <p>Policies are appended as under:</p> <ul style="list-style-type: none"> To establish explicit customer acceptance criteria; To establish procedures to determine and verify the identity of natural persons, legal entities or other entities for opening an account and entering into business To enable the Bank to know/understand the customers and their financial dealings better which, in turn, would help the Bank to manage risks prudently To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws or laid down procedures. 	<p>As per BB Risk Management Guideline 2015, 4.7</p> <p>Industry best practices.</p>



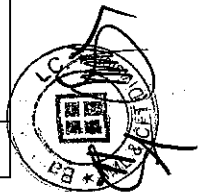
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	<p>• To comply with applicable laws and regulatory guidelines and to reduce legal, reputational or ML/TF risks faced by the Bank</p>	<p>As per BB Risk Management Guideline 2015, 4.7</p> <p>Industry best practices</p>
<p>02</p> <p>4.0 Customer Acceptance Policy (CAP):</p>	<p>1. No account should be opened in anonymous or fictitious name. Branch will collect accurate & full name of clients and preserve documents in conformity with it. Branch will prepare proper KYC of the clients.</p> <p>2. Parameters of risk perception should be clearly defined in terms of the source of fund, the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, service offered, social and financial status etc. to categorize customers into different risk grades.</p> <p>3. Documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk.</p> <p>4. Not to open an account or close an account where the financial institution is unable to apply appropriate customer due diligence measures i.e. financial institution is unable to verify the identity and/or obtain documents required as per the risk categorization due to noncooperation of the customer or non-reliability of the data/information furnished to the financial institution. Decision by a financial institution to close an account should be taken at a reasonably high level after giving due notice to the customer explaining the</p>	<p>1. No numbered account shall be opened;</p> <p>2. No banking relationship shall be established with a Shell Bank;</p> <p>3. Bank will categorize the customers in High and Low risk criteria.</p> <p>4. Bank will ensure not to open/operated an account in the name of any person/organization/NGO/Company which are prohibited by the People's Republic of Bangladesh or listed under United Nations Security Council Resolutions (UNSCRs) or their close alliance adopted under Chapter VII of the Charter of UN 1267 sanction committee or any other country of the world on suspicion of involvement in terrorism or terrorist financing activities.</p> <p>5. Branch will accept only those customers whose appropriate identity is established by conducting due diligence to the risk profile of the client. Parameters of risk perception should be clearly defined in terms of the source of fund, the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, service offered, social and financial status etc. to categorize customers into different risk grades.</p> <p>6. Documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk. Branches/SME Service Centers/Islamic Windows/Agent banking are advised to seek only such information which is relevant and intrusive.</p> <p>7. A letter of thanks will be sent by the bank by registered post at the recorded address to all customers and introduces (where valid NID not exist) with dual purpose. Thanking</p>



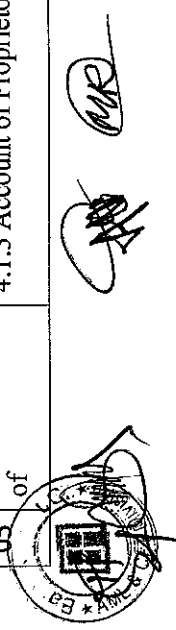
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<p>reasons for such a decision.</p>	<p>5. Circumstances, in which a customer is permitted to act on behalf of another person/entity, should be clearly spelt out in conformity with the established law and practices of financial service as there could be occasions when an account is operated by a mandate holder or where an account is opened by an intermediary in fiduciary capacity.</p> <p>6. Necessary checks before opening a new account to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc.</p> <p>7. The status of a customer may change as relation with a customer progresses. The transaction pattern, volume of a customer's account may also change. With times an ordinary customer can turn into a risky one. To address this issue, customer acceptance policy should include measures to monitor customer's activities throughout the business relation</p>	<p>them for opening the account with the bank and verification of genuineness of address furnished by the account holder. However, bank will conduct contact point verification as per the banks own policy to verify customers address.</p> <p>8. Uniform A/C Opening Forms, KYC Profile Form and Transaction Profile Form developed in line with the guidelines of Bangladesh Bank should be properly filled and duly signed in;</p> <p>9. In case of opening a Politically Exposed Person (PEP) / Influential Person (IP) / Chief Executives or Top Level Officials of any International Organization account, the branch shall comply the instructions contained in BFIU Circular No. 26 dated 16.06.2020 issued by Bangladesh Bank and amendments issued from time to time. Such types of account will be classified as high risk and will be required very high level monitoring;</p> <p>10. Source of funds, income or wealth and complete information on the actual or beneficial owners of the accounts holding 20% or more share of the account must be obtained at the time of opening of any account;</p> <p>11. In case of establishing correspondent banking relationship, the branch /concerned division /department shall follow the guidelines as contained in BFIU Circular No. 26 dated June 16,2020 issued by Bangladesh Bank and amendments issued from time to time meticulously;</p> <p>12. In case of opening an account of Non Residents Bangladeshi (NRB), RFCD, NFCD account the rules of Foreign Exchange Regulation Act, 1947 and the instructions laid down in Guidelines for Foreign Exchange Transactions must be followed along with subsequent circulars and amendments.</p>	



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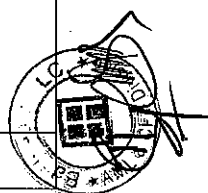
	<p>13. The branches where the locker service exist will also follow the identification procedure of the customers as per BRPD circular no. 2 dated 31/01/2008.</p> <p>14. In case of opening Convertible and non-convertible taka accounts Guidelines for Foreign Exchange Transactions volume 1 must be followed along with subsequent circulars and amendments.</p>			
03	<p>4.1 Customer Identification</p>	<p>Personal customers For personal customers, banks need to obtain the following information:</p> <ul style="list-style-type: none"> • name and/or names used, • permanent residential address, • date and place of birth, • name of employer or nature of self-employment/business • specimen signature, and • Source of funds. <p>Corporate and other business customers For corporate and other business customers, banks should obtain evidence of their legal Status, such as an</p> <ul style="list-style-type: none"> • Incorporation document, • Partnership agreement, • Association documents or a business license. For large corporate accounts, • A financial statement of the business or • A description of the customer's principal line of business should also be obtained 		As per BB Risk Management Guideline 2015, 6.8
04	<p>4.1.2 Account of Individual Customers:</p>			Deleted due to duplication with BOD manual 2.3.1
05	<p>4.1.3 Account of Proprietorship Concern:</p>			Deleted due to duplication with BOD



The bottom right corner of the page features an official circular stamp of Bangladesh Bank. The stamp contains the text 'BANGLADESH BANK' and 'Dhaka'. Overlaid on the stamp are several handwritten signatures and initials, including one that appears to be 'MR' and another that is more stylized.

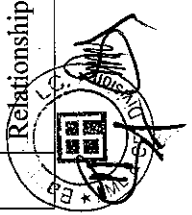
	Proprietorship Concern:			manual 2.3.3
06	4.1.4 Account of Limited Company	4.1.4 Account of Limited Company		Deleted due to duplication with BOD manual 2.3.5
07	4.1.5 Account of Partnership Firms	4.1.5 Account of Partnership Firms		Deleted due to duplication with BOD manual 2.3.4
08	4.1.6 Accounts of Societies, Associations, NGOs, Clubs, Trust and other organizations:	4.1.6 Accounts of Societies, Associations, NGOs, Clubs, Trust and other organizations:		Deleted due to duplication with BOD manual 2.3.6
09	4.1.7 Joint Accounts:	4.1.7 Joint Accounts:		Deleted due to duplication with BOD manual 2.3.1

10	4.1.1 What Constitutes a Customer's Identity?	Normally the banks have to deal with the following types of deposit customers: 1. Individual / Joint 2. Minor's Account 3. Illiterate person 4. Proprietorship Firms 5. Partnership Firms 6. Limited Companies 7. Trusts 8. Clubs and Associations 9. Educational Institutions 10. Government, Corporations and Autonomous Institutions 11. Executors and Administrators		Newly Added
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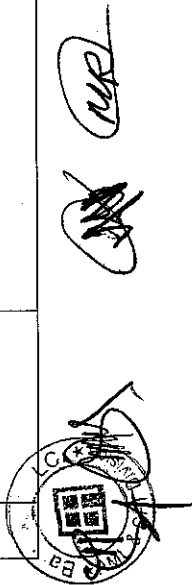
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	<p>12. Cooperative Societies etc.</p>	<p>As per BB Risk Management Guideline 2015 (Annexure B) KYC Documentation</p>
	<p>The Branch should verify the address of the person at the time of establishing any business relationship or while conducting CDD. This could be done through the following steps to verify addresses:</p> <ul style="list-style-type: none"> • Physical verification report by the bank Official • Third party verification report • Provision of a recent utility bill (Gas, Electricity, Wasa Bill, Telephone Bill) (not beyond 3 months old) • E-Tin/BIN Certificates/Tax certificate/ tax assessment Copy etc. • Checking the telephone directory; • Visiting home/office; • Sending thanks letter to account holder. • Copy of Life Insurance Policy. • Credit card of Bank statement containing details of the address (to guard against forged copies it is strongly recommended that original documents are examined); • Residential address appearing on an official document prepared by a Government Agency • The information obtained should demonstrate that a person of that name exists at the address given, and that the applicant is that person. 	
<p>11</p> <p>4.1.2 Verification of Address:</p>		
<p>12</p> <p>4.1.3 Purpose and Nature of account Relationship</p>	<p>Clearly understand the intended purpose of the customer's account, including: i) Expected transaction volumes, ii) Source of funds and iii) Nature of the business relationship.</p>	<p>BFIU Circular 26 Dated June 16,2020,3.4(2)</p>

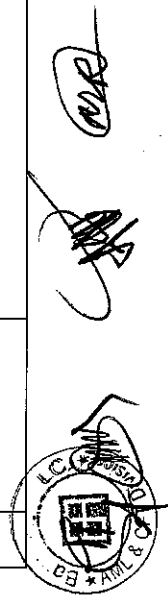


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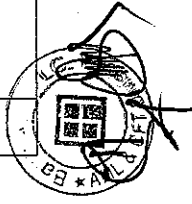
13	4.1.4 Non face-to-face customers:	--	<p>'Non face to face customer' refers to "the customer who opening and operates his account by agent of the bank or by his own professional representative without having physical presence at the bank branch".</p>	As per BB Risk Management Guideline 2015,6.13																		
14	4.1.5 Customer Unique Identification Code:	--	<p>Bank should use unique identification code for any customer maintaining more than one accounts or availing more than one facilities. Such unique identification system could facilitate bank to avoid redundancy, and saves time and resources. This mechanism also enables bank to monitor customer transactions effectively.</p>	As per BB Risk Management Guideline 2015,6.14																		
15	4.1.8 Level of Due Diligence Required:		<p>Thus include the following situations where AML law requires Enhance Due Diligence (EDD)</p> <table border="1" data-bbox="703 987 940 1319"> <thead> <tr> <th colspan="3">Onboarding</th> </tr> <tr> <th>Category</th> <th>Level of Due Diligence</th> <th>Minimum Review</th> </tr> </thead> <tbody> <tr> <td>Influential Person (IP)</td> <td>Enhanced</td> <td>Every Year</td> </tr> <tr> <td>Entity with IP & UBO</td> <td>Enhanced</td> <td>Every Year</td> </tr> <tr> <td>High Risk Customers</td> <td>Enhanced</td> <td>Every Year</td> </tr> <tr> <td>Low Risk Customers</td> <td>Standard</td> <td>Every Five Year</td> </tr> </tbody> </table>	Onboarding			Category	Level of Due Diligence	Minimum Review	Influential Person (IP)	Enhanced	Every Year	Entity with IP & UBO	Enhanced	Every Year	High Risk Customers	Enhanced	Every Year	Low Risk Customers	Standard	Every Five Year	BFIU Circular 16 Dated June 16,2020 ,3,6,3,8
Onboarding																						
Category	Level of Due Diligence	Minimum Review																				
Influential Person (IP)	Enhanced	Every Year																				
Entity with IP & UBO	Enhanced	Every Year																				
High Risk Customers	Enhanced	Every Year																				
Low Risk Customers	Standard	Every Five Year																				
16	Monitoring of Customer Behavior:	--	<ul style="list-style-type: none"> • Perform ongoing monitoring of customer transactions to ensure consistency with their declared profile. • Flag and report any suspicious transactions to BFIU through AML & CFT Division. 	BFIU Guideline on STR																		



17	4.4 Closing of a Bank Account	<p>The relationship between banker and customer is a contractual relationship. Like any other contract, therefore, it may be terminated as and when the parties so desire. Moreover, the banker is under certain legislative provisions. The position of banker regarding closing of customer's account may be summed-up as follows:</p> <ul style="list-style-type: none"> • Customer's Request • Unclaimed Deposit Account • Death of customer • Insanity of the customer • Insolvency of the customer • Undesirable customer • Attachment order issued by the income Tax authorities • On receipt of Garnishee Order <p>The Bank reserves the right to close any account, which in its opinion has contravened the laws of the country, and indicated a reasonable degree of suspicious to be involved in illegitimate business</p>	Newly added
18	4.5 At A Glance Of The Policy:	At a glance of the policy:	Deleted due to duplication with Chap 4.0
19	4.8 Training and Awareness:	--	As per BB Risk Management Guideline 2015,9,4
20	Corresponding Banking	--	As per BB Risk Management Guideline 2015,6.15



21	IP/PEPs	<p>Politically exposed persons (peps), influential persons and chief executives or top level officials of any international organization:</p> <ul style="list-style-type: none"> • Definition of Peps • Chief or similar high-ranking positions in an international organization: • Who should be considered a family member of a PEP? • Close associates' of a PEP • Due Diligence Measures for PEPs/IPs/Close Associates/ Chief or similar high-ranking positions of an International Organization 	As per BB Risk Management Guideline 2015,6.16
22	8. Beneficial Owner	<p>CDD Measures For Beneficial Owner :</p> <p>Obtain and Verify Beneficial Ownership Information:</p> <ul style="list-style-type: none"> • Information Collection: <ul style="list-style-type: none"> ◦ Names, addresses, and dates of birth and other related data of beneficial owners. ◦ Documentation showing ownership structure (e.g., shareholder registers, partnership agreements). • Verification: <ul style="list-style-type: none"> ◦ Government-issued IDs for individual beneficial owners. ◦ Corporate registries, public databases, or third-party verification systems. ◦ Documentation proving control or ownership, such as shareholding records or contracts. 	As per BB Risk Management Guideline 2015,6.18
23	9. Reliance on Third Party:	<p>Banks could rely on the third parties to perform the CDD measures with the prior permission of Bangladesh Bank which may include</p> <ul style="list-style-type: none"> i) identify and verify customer identity; ii) identify the beneficial ownership and control structure; and iii) identify the purpose and nature of the business relationship 	As per BB Risk Management Guideline 2015,6.19
24	10. Management of Legacy accounts:	<p>Legacy accounts refers those accounts opened before 30 April, 2002 and yet to update KYC procedures. These legacy accounts should be treated as "Dormant". No withdrawal should be permitted in those accounts; however, deposit can be permitted. These accounts will be fully functional only after conducting proper CDD measures. Central Compliance Unit should preserve data of such accounts at their end.</p>	As per BB Risk Management Guideline 2015,6.20



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Executive Summary of Guideline for Trade Based Money Laundering -2025


Recent various publications of Financial Action Task Force (FATF), Asia Pacific Group on Money Laundering (APG) and Global Financial Integrity (GFI) have drawn attention to the fact that international trade system is being heavily abused for money laundering and terrorist financing purpose. Developing nations are mostly vulnerable to that risk, a significant threat to their growth and sustainable development. Recognizing these developments Bangladesh is fully committed to remain at the forefront of global efforts to fight against Trade Based Money Laundering and Terrorist Financing (TBML/TF) risk.

In line with Bangladesh Financial Intelligence Unit (BFIU) directives, Bank Asia PLC developed its Guideline for Trade Based Money Laundering. Regulatory bodies and international correspondent banks continue to expect that such policies be regularly reviewed and updated to ensure compliance with evolving standards and requirements. Considering the above requirement AML & CFT Division has reviewed and updated the existing TBML guideline.

SL	Chapter, Page & Serial of Existing Policy	Title	Policy Particulars in the existing	Changes in the Proposed Policy			Remarks
				Addition	Deletion	New Inclusion	
01	Chapter-01, Point-1.4.3, Page-7	Common Trade-Based Money Laundering Techniques			<p>1. Over-invoicing or Under-invoicing:</p> <ul style="list-style-type: none"> Over-invoicing: By invoicing the goods or service at a price above the fair market price, the seller is able to receive value from the buyer (i.e., the payment for the goods or service will be higher than the value that the buyer receives when it is sold on the open market). Under-invoicing: By invoicing the goods or service at a price below the fair market price, the seller is able to transfer value to the buyer (i.e., the payment for the goods or service is lower than the value that the buyer will receive when it is sold on the open market). <p>2. Over-shipping or Short-shipping: The difference in the invoiced quantity of goods and the quantity of goods that are actually shipped through declaration in EXP/Bill of Entry/Bill of Export etc. whereby the buyer or seller gains excess value based on the payment made (from whereby should be deleted</p>		

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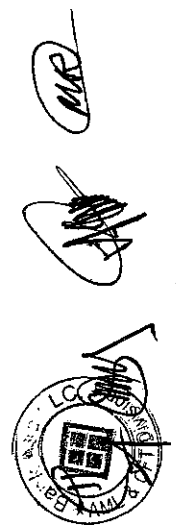
						<p>because the buyer or seller does not get excess value formally rather they want to fly the proceeds).</p> <p>3. Ghost-shipping: Fictitious trades where a buyer and seller collude to prepare all the documentation indicating goods were sold, shipped and payments were made, but no goods were actually shipped.</p> <p>4. Shell companies: A company that does not itself do or own anything, but is used to hide a person's or another company's activities, sometimes illegal ones. The company who has no physical existence and used to reduce the transparency of ownership in the transaction.</p> <p>5. Multiple Invoicing: Numerous invoices are issued for the same shipment of goods, thus allowing the money launderer the opportunity to make numerous payments and justify them with the invoices.</p>
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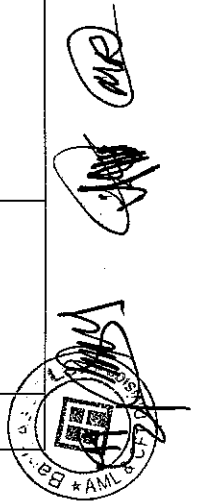
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Changes in the Proposed Policy						
SL	Chapter, Page & Serial of Existing Policy	Title	Policy Particulars in the existing	Changes in the Proposed Policy		Remarks
				Addition	Deletion	
02	Chapter-01, Point-1.4.2, Page-7	Trade of Services			<p>Transfer Pricing: In international trade transfer pricing is very common now a days wherein the International fund providers make gambling in transfer of their spread / interest income to different shareholders in different regimes of the world. In international trade and builds analytic models to measure the contribution of transfer prices to international money laundering. Money laundry-related transfer pricing and transfer price-based money laundering should be monitored properly. It argues that transfer price-based capital flight and tax evasion are variants of money laundering in nature to the extent that they all enable the apparently legal ownership of the property shifted illegally. Integrating capital flight and tax evasion into the models to estimate its contribution to global money laundering pool, helping anti-money laundering (AML) policy-makers better understand the nature of transfer pricing and its negative impact upon the economy. It concludes that effective audit and inspection systems should be established in order to better detect suspicious money laundering transactions and prevent money laundering crimes (MLCs)</p>	Deleted due to duplication of the para at page no. 29, Point: 3.3.3.2.5

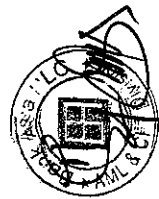


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SL	Chapter, Page & Serial of Existing Policy	Title	Policy Particulars in the existing	Changes in the Proposed Policy			Remarks
				Addition	Deletion	New Inclusion	
03	Chapter-2, Point-2.2, page-9	Regulatory Framework Governing Bangladesh Trade	UCPDC-600, ISBP-745	UCP-600, ISBP-821			
04	Chapter-2, Point-2.3, page-9		Import Policy Order 2015-2018: Chapter 2 "General Provisions for Import", Section 5(4) "Import at competitive rate":	Import Policy Order 2021-2024: Chapter 2 "General Provisions for Import", Section 5(4) "Import at competitive rate":			
05	Chapter-2, Point-2.3, page-10	Regulatory Framework in Combating TBML in Bangladesh	b. 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: Provided that this condition shall not apply for opening LC up to Tk. one lac; and	b. 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: Provided that this condition shall not apply for opening LC up to USD 15,000.00; and			
06	Chapter-2, Point-2.4.1, page-11	Import Procedure and Some Avenues for TBML in Bangladesh	iii. Letter of Credit Authorization Form (LCAF) is mandatory for importer as it is the declaration of amount, value, HS code and the description of the goods as per Customs First Schedule and terms of import. After declaration of LCAF, importers are allowed to open/issue	a) Before establishment of letters of credit (LCs) or initiation of permissible imports, ADs shall obtain underlying indents, proforma invoices, purchase or sales contracts from relevant importers. (b) For imports on FOB or similar other terms, ADs shall obtain applicable transport charges against the shipments to facilitate issuance of			



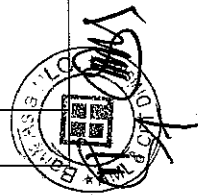
			<p>LC/Contract by the ADs. On the basis of the LC/Contract declaring on IMP by the importers ADs can sale/make payment of LC/Contract documents. Though importers are strictly prohibited from making payment in excess of LCAF value, sometimes abusing FC/ERQ accounts or other means, they pay more than the value of the LCAF or of Expired value and thus facilitate TBML.</p>	<p>certificate as per paragraph 16, chapter 7 of GFET. (c) ADs shall provide primary import information based on (a) above to online import monitoring system of Bangladesh Bank. (d) In case of permissible imports without LCs by industrial imports, and commercial imports within authorized limits, ADs shall report to Bangladesh Bank as per (c) above with indication of imports without LCs. (e) Payments for relative imports shall not exceed the amount of LCs or other underlying arrangements, as the case may be. f. ADs shall also ensure the import payments on maturity against permissible usance imports without LCs in terms of IPO. As usual, g. ADs shall observe due diligence of import transactions and adhere to relevant regulations without limiting to requirement of advance payments, admissible imports under usance terms, credit reports of suppliers, matching of import payments with bill of entry, provisions of IPO and so on.</p>		
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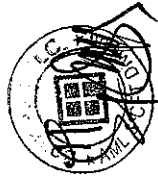
SL	Chapter, Page & Serial of Existing Policy	Title	Policy Particulars in the existing	Changes in the Proposed Policy			Remarks
				Addition	Deletion	New Inclusion	
07	Chapter-2, Point-2.4.1, page-13	Import Procedure and Some Avenues for TBML in Bangladesh	Import Policy Order allows actual users to import up to a certain limit (USD 7,000.00 per year) for their personal consumption.	Import Policy Order allows actual users to import up to a certain limit (USD 10,000.00 per year) for their personal consumption.			

SL	Chapter, Page & Serial of Existing Policy	Title	Policy Particulars in the existing	Changes in the Proposed Policy			Remarks
				Addition	Deletion	New Inclusion	
08	Chapter-2, Point-2.4.2, page-14	Export Procedure and Some Avenues for TBML in Bangladesh			<p>xvii. Lien of Export LC/Purchase or Sales contract, ADs of Bank Asia PLC need to be satisfied themselves with regards to the followings :</p> <p>a) Arrangements been made for realization of export proceeds within the prescribed period of 04 (four) months from the date of shipment.</p> <p>b) Arrangements have been made for receipt of title of goods like Bill of Entry, Airway Bill etc. by the AD on shipment of the underlying goods. This condition will not be applicable for the Advance Receipt of 100 % value against export.</p> <p>c) The EXP form signed and/or posted in Bangladesh Bank Online Dash Board either by the exporter or one holding legal power of attorney from the exporter and the terms of power of attorney are such both the exporter and the attorney may be held responsible jointly and severally for repatriation of export proceeds.</p> <p>d) ADs of Bank Asia PLC should check the bonafides of the buyers/consignees abroad and their credentials through third party credit report.</p> <p>xviii) Where ADs of Bank Asia PLC doubt the bonafides and</p>		



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						<p>standing of the buyers /consignees abroad and wowing to common interest or otherwise they suspect collusion with the intent of delaying or avoiding repatriation of export proceeds, ADs should report to Bangladesh Bank cases immediately 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. xix) ADs must check as to whether any under-invoice, over invoice, multi-invoice, over shipment, under shipment, multi-shipment, ghost-shipment happened and detected at the time of duplicate/triplicate reporting of EXPs under proper cross matching with bill of export and tracking from vessel and containers. If found anything of the aforesaid items, ADs must report to Bangladesh Bank immediately as STR through the bank's AML & CFT Division.</p>
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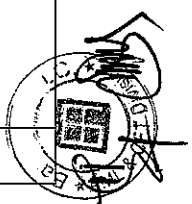
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SL	Chapter, Page & Serial of Existing Policy	Title	Policy Particulars in the existing	Changes in the Proposed Policy			Remarks
				Addition	Deletion	New Inclusion	
09	Chapter-2, footnote, page-16		¹ Minimum price list can be found in SRO 142-AIN/2017/28/Customs dated 01/06/2017.	¹ Minimum price list can be found in SRO 202-AIN/2024/54/Customs dated 06/06/2024.			
10	Chapter-3, point-3.2, Page-18	TBML Risk Assessment & Mitigation Mechanism	All branches and concerned divisions are instructed to establish TBML risk assessment and mitigation at infrastructure level, customer level, transaction level and at enterprise level as shown in the flowchart below.	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 for failure of the bank to address the risk at the enterprise or institute level. First comes infrastructure risk assessment and mitigation as it is impossible to implement mitigation measures without adequate infrastructure. Secondly, high risk customers with dubious trade transaction give birth to trade fraud. Hence knowing and assessing customer before on board for trade transaction shall be of great use to combating TBML. Thirdly, TBML risk assessment and mitigation at the transaction level is the most important and vital to combating this offense as it is at this level that the TBML takes place. And finally a holistic approach by the entire institution can be effectively implemented through senior management engagement in TBML risk assessment and mitigation at enterprise level. Details are described below.			



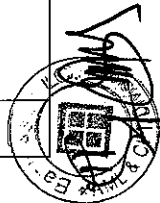
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				Addition	Deletion	New Inclusion	
11	Chapter-3, point-3.2.1, Page-19	Infrastructure Level Risk Assessment	Followings must be established to combat trade based money laundering: For high risk customers review and assessment frequency shall be one year, for medium risk customers this frequency shall be every three years and for low risk customers it shall be 5 years.	Bank Asia developed own infrastructure for price verification, transaction monitoring and screening in line with their exposure to international trade. Followings infrastructure established to combat trade based money laundering: The review system mentioned above in the Chart 3.2.2 will facilitate input for the enterprise wide risk assessment and assist banks to update TBML trend and typology and devise appropriate policy and strategy at the enterprise level.			
12	Chapter-3, point-3.2.2f, Page-21	Review and Assessment of Customers	Branches shall follow the manual on prevention of money laundering and terrorist financing and risk management guidelines of Bank Asia PLC for transaction level risk assessment.				
13	Chapter-3, point-3.2.2.2, Page-23	Trade Related CDD Requirements		The CDD processes 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.			



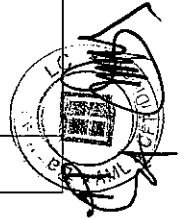
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SL	Chapter, Page & Serial of Existing Policy	Title	Policy Particulars in the existing	Changes in the Proposed Policy			Remarks
				Addition	Deletion	New Inclusion	
14	Chapter-3, point-3.2.3.2, Page-28	RMA Policy of our Bank	i. Completion of KYC formalities as per Wolfsburg group questionnaire. vi. Bank Asia revises the RMA each every after 06 (six) months	i. Completion of KYC formalities as per BFIU/Wolfsberg group questionnaire. vi. Bank Asia reviews the RMA at regular interval. vii. Provide information as per Standard Operating Procedure (SOP) with all supporting documents.			
15	Chapter-3, point-3.2.2.5, Page-30	Transfer Pricing		Transfer pricing refers to the prices of goods and services that are exchanged between companies under common control. For example, if a subsidiary company sells goods or renders services to its holding company or a sister company, the price charged is referred to as the transfer price.			
16	Chapter-3, point-3.2.3.5, Page-33	Price Verification	Branches shall take proper steps check prices of imported and exported goods and services from open source and foreign trade guideline our bank. Minimum level of acceptable price variation shall be as per foreign exchange guideline of the bank. Threshold of different types of goods and services shall be aligning with the periodic market price assessment.	Bank Asia developed own database for price verification and instructed trade processing staff in performing price checks. Additionally, they may verify from different sources, and apply their common sense with the local market price. The policies are, at a minimum, mention the level of acceptable price variance and escalation procedures when significant price difference is identified. Provision of different threshold for different types of underlying goods and services may be allowed on the basis of periodic market price assessment. To enhance the effectiveness of the price checks, the process may be centralized or automated; otherwise care should be taken to ensure avoidance of any conflict of interest.			



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SL	Chapter, Page & Serial of Existing Policy	Title	Policy Particulars in the existing	Changes in the Proposed Policy			Remarks
				Addition	Deletion	New Inclusion	
17	Chapter-3, point-3.5, Page-34	Few More Notes on Trade Controls				<p>i. Trade Controls should ensure clear division of roles and responsibilities and ownership of risks relating to critical functions.</p> <p>ii. Trade Controls 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.</p> <p>iii. Apart from the yearly review of strategy and policy by senior management as mentioned in Chart 3.4 bank should involve senior management in planning and implementation of Trade Controls. Considering size and exposure to TBML risks, banks may decide the period of such review.</p> <p>iv. 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.</p> <p>v. Trade Controls should be readily identifiable by and made known to all relevant officials engaged in trade related activities.</p>	



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SL	Chapter, Page & Serial of Existing Policy	Title	Policy Particulars in the existing	Changes in the Proposed Policy			Remarks
				Addition	Deletion	New Inclusion	
18	Chapter-3, point-3.7, Page-35	Training on Trade Based Money Laundering	<p>BFIU Circular 19 and ML & TF Risk Management Guidelines provide guidance on AML & CFT training. In line with that Training Institute and AML & CFT Division of Bank Asia Limited used to arrange training on AML & CFT issues, especially on TBML, every month. All concerned divisions and branches are instructed to take steps to ensure adequate training on TBML of the officials, so that they may have clear knowledge on and understand the trade based money laundering in both national and international context, bank's exposure to TBML and trade control. Bank Asia Limited, AML Division with the assistance of International Division will conduct training for its employees after every 06 (six) months.</p>	<p>a) BFIU Circular 26 and ML & TF Risk Management Guidelines provide guidance on AML & CFT training. Bank Asia 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.</p> <p>b) Bank Asia conduct training need assessment on preventing TBML. For level 1, 2, 3 officials training is essential. Training designed in such a way that the trainees are able to provide, or contribute to, training depending on their background, role and experience.</p> <p>c) For officials involved in day to day trade processes role based training also be included. Objective behind such training to impart training to them on TBML specific risks and responsibilities.</p> <p>d) Trade based money laundering training form a core part of a bank's training calendar or training plan. Training records also be retained properly.</p>			
19	Appendix C		Issuance of LC/LCAF		LCAF		

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