

Trade Finance Fraud & Reputational Risk

By Olivia Chan



INTRODUCTION

This introductory course will provide practical ideas to manage operational losses and reputational risk caused by trade finance fraud. Upon completion, you will be familiar with common fraudulent schemes that exist in trade finance, including red flags and triggering events that warrant further investigation. . Participants will learn from case-studies how to mitigate risks in frauds in relation to trade.

COURSE OUTLINE

Risks assessment

Different types of risks in trade finance

- Micro risks
- Transaction Risks

Hidden risk – Fraudulent Trade Based Schemes - Case Study

- Over-Invoicing For Goods
- Claim Under a Performance Bond

Red Flags & Triggering Events – Examples

- Risk indicators

Engaging Key Players

Strong and adequate investigations on contracting parties (carriers, charterers, shipping agents, insurer, trading partners or counterparties of the customer including buyers, sellers, shippers, consignees, notifying parties,

Managing Communication & Reporting regarding (Case study on role of NVOCC)

- beneficial owner, commercial operator and registered owner of the vessel involved in the transaction to trace the history of former ship owners with focus on country of residence
- port of loading, ports-of-call and port of discharge (including whether the goods originate from, or are sold
- trade routes proposed to be used;
- market prices of goods such as commodities to assess if further information should be obtained where the contract price differs significantly from the market price to mitigate financial crime risk.

Prevention

- Transaction Review - Sales Contract and Documentary Credit
 - Relevant information available in a DC transaction
 - Parties involved
 - Matching end buyer's and end seller's terms before concluding deal
 - Documents
 - Complying with terms and conditions of both import and export LC
 - Documents inconsistent among themselves
 - Information contained therein do not conflict
 - Instructions - gript-v-boi-and-ib-2016
 - Unusual payment instruction given by buyer and seller
 - Review names in payment instructions, including names of banks

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Transaction Screening - Banque Nationale de Paris v Credit Agricole Indosuez
[2000]

- Acceptance Letters of Credit issued by buyer
- Lists of names, entities, persons or countries, charterers, carriers
- Training employees for effective screening

Transaction Monitoring

- To review completed or in progress transactions for presence of unusual or potential suspicious features

WHO SHOULD ATTEND?

General practitioners working in banks, corporates, or financial institutions in functions such as Relationship Management, Credit, Compliance, etc.

ABOUT THE TRAINER- OLIVIA CHAN

OLIVIA CHAN, Fellow of the Chartered Institute of Bankers and a MBA graduate in Finance from University of Leeds, is a seasoned documentary credit specialist of over 30 years. She joined Natwest Group in 1977 and was with this Group for about 20 years and her last position was Manager of its Trade Finance Unit. She is a Certified Documentary Credit Specialist, a qualification jointly issued by the Chartered Institute of Bankers (UK) and the International Financial Services Association (USA) and endorsed by the International Chamber of Commerce based in Paris, France. Olivia also served as a Treasury Manager with a Singapore based top research and development organisation from 1997 to 2002.

EDUCATIONAL BACKGROUND

- MBA (Finance) / University of Leeds / Leeds, United Kingdom / 2000
- Fellow of Chartered Institute of Bankers/ London, United Kingdom / 1981
- Certified Documentary Credit Specialist/Chartered Institute of Bankers (UK) and International Financial Services Association (USA) endorsed by the International Chamber of Commerce in Paris in 2000