

TRADE MISINVOICING: DETECTION AND SOLUTIONS

Daniel Neale
GFTrade® Specialist
Global Financial Integrity

36th ABA General Meeting and Conference
Makati Shangri-la Hotel, Makati City
14 November 2019



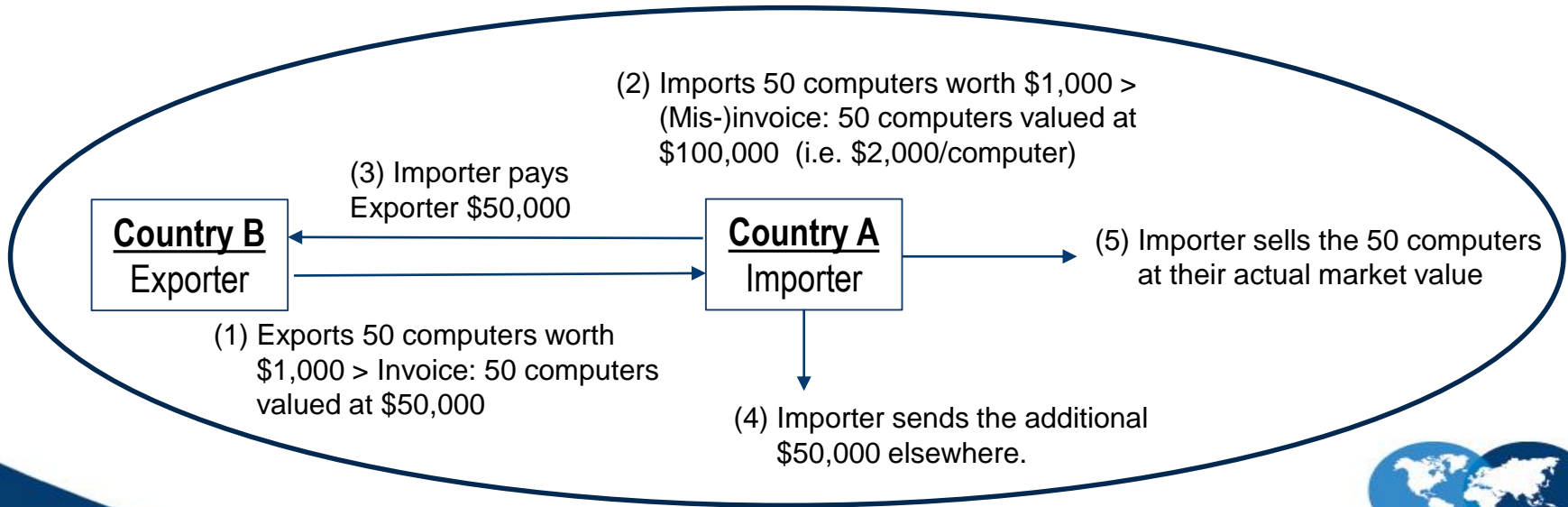
TRADE MISINVOICING

- Involves the **deliberate falsification** of the price, quantity, or commodity of an international trade transaction.
- Largest component of trade-related illicit financial flows measured by Global Financial Integrity, which was **close to US\$1 trillion for developing countries** in 2015.
- On average, trade misinvoicing is equivalent to **18 percent of developing countries' total trade** with advanced economies among all developing countries.
- Weakest link in the fight against financial crime. **Occurs in all countries and for various reasons** including to evade tax and/or customs duties, launder the proceeds of crime, circumvent currency controls, and hide profits offshore, among others



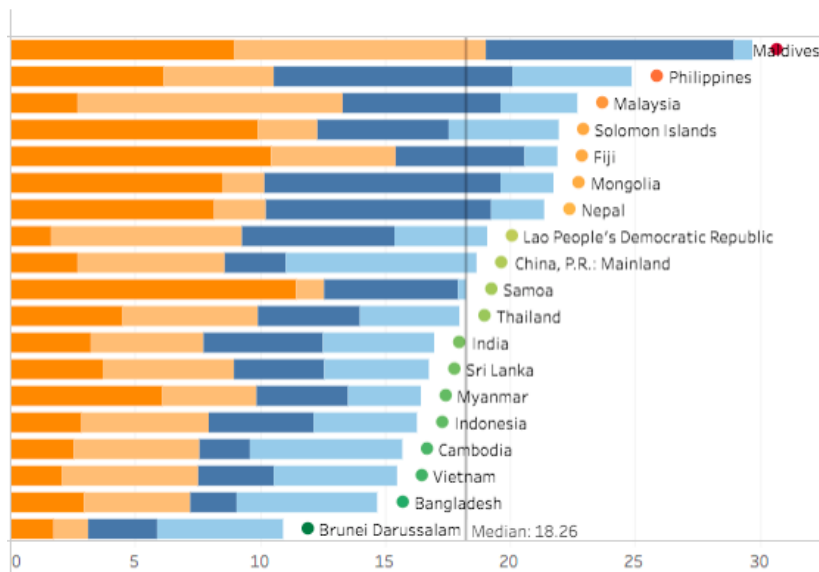
HOW DOES IT WORK?

- Broadly **Four types** of trade misinvoicing that include:
 - Two ways of moving money/value into a country (import under invoicing and export over-invoicing).
 - Two ways of moving money/value out of a country (import over-invoicing and export under-invoicing).



TRADE MISINVOICING IN ASIA

Estimated Potential Trade Trade Misinvoicing (Comtrade-Based) in Developing Economies, 2015 (Percentage of Total Trade of Developing Countries with Advanced Economies)



TRADE FINANCE AND THE COMPLIANCE CHALLENGE

- 10th Global Survey on Trade Finance by the International Chamber of Commerce (ICC) reveals **Asia-Pacific to be the world's largest trade finance provider.**
- With continued growth in world trade, **heightened risks and challenges** have emerged from a financial crime perspective.
- Noncompliance can **tarnish reputations beyond repair.**



GFTrade

LOGIN

EMAIL

PASSWORD

Remember me

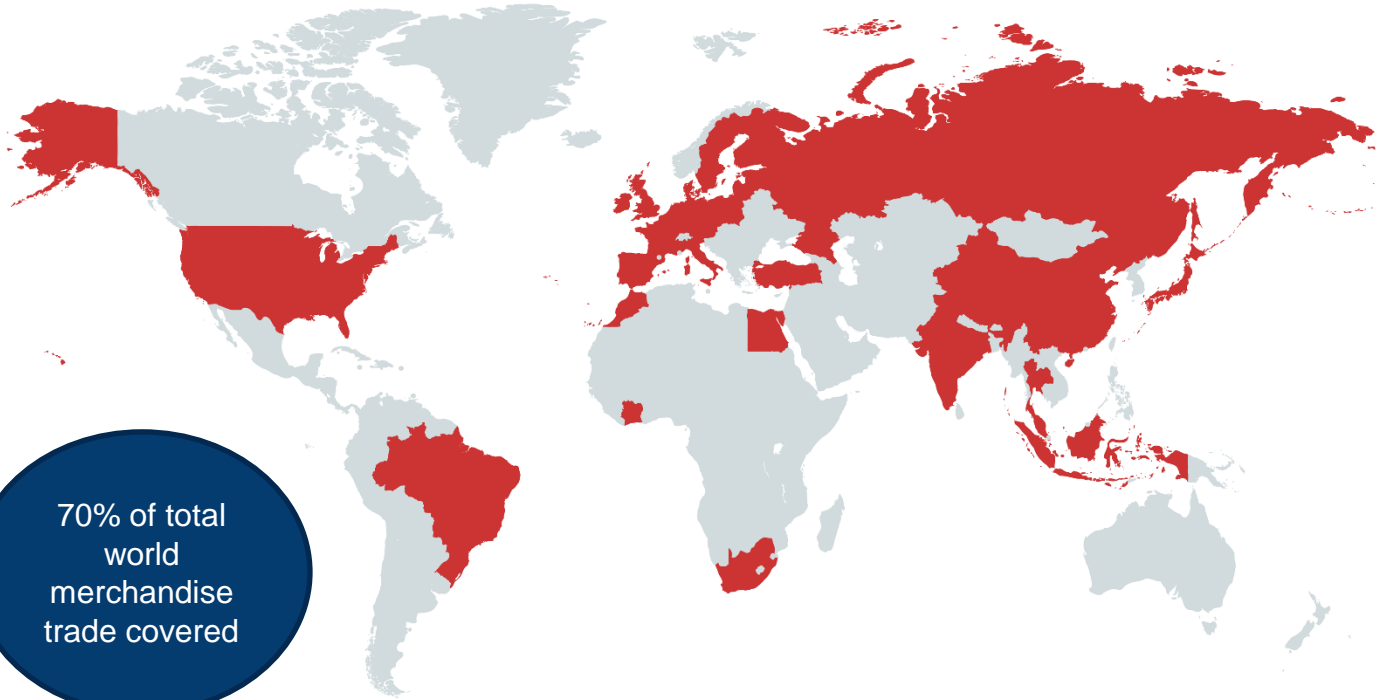
[Forgot password?](#)

For user support, contact info@gftrade.org

LOGIN

43 countries =

70% of total
world
merchandise
trade covered



TRANSACTION:

Import

Export

CODE OR DESCRIPTION

854231

COUNTRY OF ORIGIN

Japan

COUNTRY OF DESTINATION

Philippines

SEARCH

SEARCH RESULTS:

"854231"

Data Available (3 or more months of recent activity)

HS Code	Good Description
854231100	Processors and controllers, uncased

HS Code	Good Description
854231910	Processors and controllers of hybrid integrated circuits, other than cased

HS Code	Good Description
854231991	MPU (Microprocessor unit), cased

HS Code	Good Description
854231992	MCU (Microcontroller unit), cased

HS Code	Good Description
854231993	DSP (Digital signal processor), cased

HS Code	Good Description
854231999	Other processors and controllers, cased

INVOICE DETAILS

CANCEL

31-10-2019 16:05:12 +0000

QUANTITY OF GOODS

100000

UNIT OF MEASURE

Number

VALUE OF GOODS

500000

CURRENCY

American Dollar (USD)

VALUE OF GOODS IS "PER UNIT"

INVOICE/REFERENCE NUMBER

TEST MPU

Compare

HS Code	Good Description
854231993	DSP (Digital signal processor), cased

HS Code	Good Description
854231999	Other processors and controllers, cased

Insufficient Data (Fewer than 3 months of recent activity)

None

< BACK

INVOICE DETAILS

CANCEL

31-10-2019 16:05:12 +0000

CURRENCY
American Dollar (USD)

INVOICE PRICE PER UNIT
5.00 USD
Per Number

AVERAGE **Most Recent** 12 Month

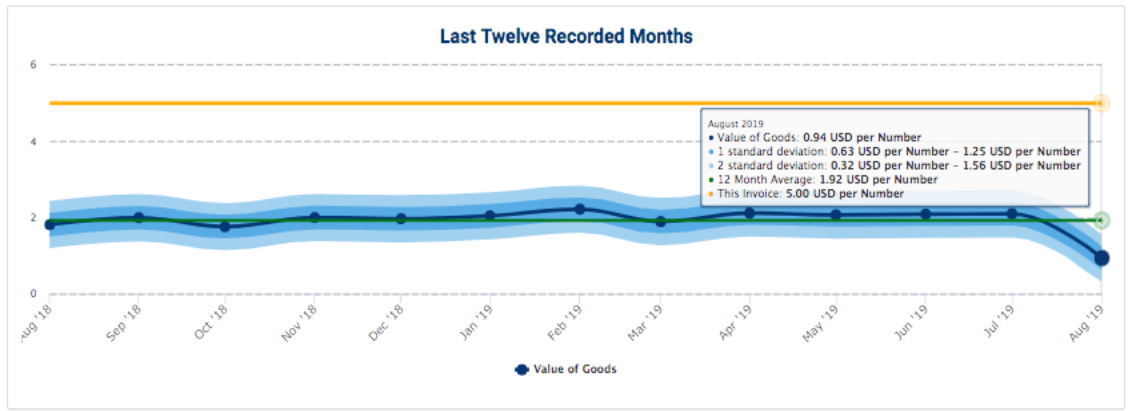
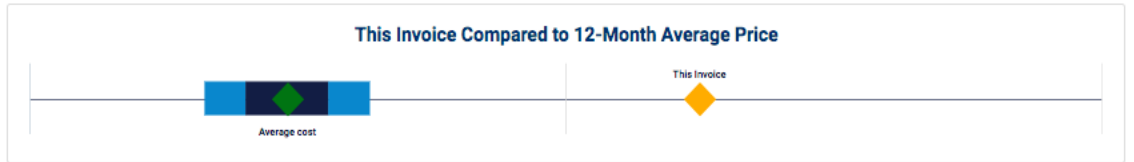
0.94 USD
Per Number
Month of 08-2019

DIFFERENCE FROM MOST RECENT AVERAGE:
432.49% above

WITHIN **1 Std Dev** 2 Std Dev

No, too high

13 months of data



NOTES

CUSTOMS DUTY RATE
Customs Duty Rate %

Investigate Clear

CASE STUDY

\$100+ million in under-invoicing detected over a 12-week period

(Actual GFTrade usage from a government showing transactions flagged for potential misinvoicing)

HS Code	Name	% Below Avg	Partner Country	Value
23099010	Fish Solubles	99.79%	Belgium	\$43,161,507
42022100	Handbags	99.98%	United Kingdom	\$21,703,128
35069190	Adhesives	99.79%	Netherlands	\$10,484,213
84212199	Water Purifiers	99.97%	China	\$9,972,000
03035100	Frozen Herrings	98.45%	Netherlands	\$2,724,638
35079090	Enzymes	69.12%	Germany	\$1,752,473
85285900	Monitors	99.76%	Italy	\$1,598,258
40122000	Used Tyres	99.80%	United Kingdom	\$1,510,351
12099180	Vegetable Seeds	99.26%	Netherlands	\$962,032
39233010	Packaging	95.29%	Spain	\$957,511

Difference between GFTrade Total Avg. Value and Total Value Declared by Importer



THANK YOU

Daniel Neale
GFTrade® Specialist
Global Financial Integrity

For more information or a demonstration of
GFTrade® please contact:
dneale@gfintegrity | info@gftrade.org

