Chapter 15

Banks' control of financial crime risks in trade finance (2013)

15.1 Introduction

15.1.1 **Who should read this chapter?** This chapter is relevant, and its statements of good and poor practice apply, **to banks carrying out trade finance business**.

15.1.2 In July 2013, the *FCA* published the findings of our review of banks' control of financial crime risks in trade finance. We visited 17 commercial banks to assess the systems and controls they had in place to contain the risks of money laundering, terrorist financing and sanctions breaches in trade finance operations. Our review only considered Documentary Letters of Credit (LCs) and Documentary Bills for Collection (BCs).

15.1.3 We found that banks generally had effective controls to ensure they were not dealing with sanctioned individuals or entities. But most banks had inadequate systems and controls over dual-use goods and their anti-money laundering policies and procedures were often weak.

15.1.4 The following examples of good and poor practice should be read in conjunction with *FCG*. *FCG* provides more general guidance, including on AML and sanctions systems and controls, that can be relevant in the context of banks' trade finance business. Not all examples of good and poor practice will be relevant to all banks that carry out trade finance business and banks should consider them in a risk-based and proportionate way.