



Section 1 – General Overview

GFTrade™ is a cloud-based risk assessment application developed by Global Financial Integrity to detect trade fraud. The system enables trade finance and compliance teams to determine if the declared value on trade finance applications is outside typical ranges for the same product between two trading partners, thus significantly reducing a financial institution's risk of reputational damage and serious civil and criminal penalties. **GFTrade™** is an essential tool to assist financial institutions in conducting due diligence investigations and minimizing exposure to potential illicit activity, particularly as a first line of defense.

Trade misinvoicing involves the deliberate manipulation of the value of a trade transaction by falsifying, among others, the price, quantity, quality, and/or country of origin of a good or service by at least one party to the transaction. According to the Wolfsberg's Group Trade Finance Principles, identifying instances of over- or under-invoicing (or any other misrepresentation of value) cannot easily be identified by consulting trade documents alone. This is particularly true given the inherent asymmetry of information in international trade transactions, which allows illicit actors to quickly shift substantial sums of money across borders.

Section 2 – Application

Using an API, **GFTrade™** is integrated into a bank's operating systems to ensure all trade finance applications received by the bank are automatically checked by the tool, so no misinvoicing escapes detection. This helps to improve efficiency in the processing of trade finance applications as more focus and scrutiny will be placed on applications or commodities identified as likely posing a high risk of misinvoicing, whereas low-risk applications or commodities will be quickly approved, saving time and energy.

For example, let's assume an American businessman importing 5,000 liters of wine from France applies for a trade finance amount of US\$525,000 from his bank. In this hypothetical case, the US bank uses **GFTrade™** to conduct due diligence.

Since **GFTrade™** is already integrated into the bank's operating system, as soon as the customer submits his application to the bank, the application is automatically checked for misinvoicing by **GFTrade™**. **GFTrade™** immediately provides a visual comparison between the unit price of the commodity declared on the trade finance application, against the average unit price and the most recent average price reported by the partner country over the past 12 months as shown below. This enables the trade finance analyst to take a quick and accurate decision:

<p>INVOICE PRICE PER UNIT</p> <p>105.00 USD Per Liters</p>
<p>AVERAGE Most Recent 12 Month</p> <p>30.12 USD Per Liters Month of 07-2020</p>
<p>DIFFERENCE FROM MOST RECENT AVERAGE:</p> <p>248.55% above</p>
<p>WITHIN 1 Std Dev 2 Std Dev</p> <p>No, too high</p>
<p>13 months of data</p>



In this example, the declared value of the wine is clearly out of synch with recently prevailing prices. Notably, the price declared on the trade finance application is 248.55 percent above the most recent average price, as shown in the table on the left of the graphic. This is also visible in the chart, where the orange line, representing the price declared on the trade finance application, is well above the green line depicting the 12-month average price. This suggests the transaction has been over-invoiced. Therefore, the analyst has to further investigate this before taking a decision on the trade finance application.

Section 4 – Available Data Sets

GFTrade™ incorporates official data from 43 countries, comprising 70 percent of global trade: Brazil, China, Côte d'Ivoire, Egypt, EU27, Ghana, India, Indonesia, Japan, Malaysia, Morocco, Russia, South Africa, Thailand, Turkey, the United Kingdom and the United States. These updates occur automatically with no technical requirements by the end-user. Trade data is provided at the tariff-level (8-, 9-, and 10-digit codes) to ensure maximum accuracy in average pricing. Additional country data available upon request.

Section 5 – Benefits

GFTrade™ provides the following benefits to users:

- **Accuracy:** Real-time pricing on thousands of products from 43 of the world's top trading nations.
- **Efficiency:** Through an API the system enables compliance officers to quickly approve low-risk transactions and place greater focus on commodities presenting an indication of misinvoicing.
- **Intelligence gathering:** Allows financial institutions to tailor risk-based approach and analyze information on high risk commodities and trading routes.
- **Speed:** Results provided instantaneously - won't delay process of trade finance applications.
- **Consistency:** Product pricing information updated automatically each month.
- **Security:** Password protection and server firewalls prevent data leakages.

For more information, or a demonstration of **GFTrade™** contact **Lionel Bassega**: lbassega@gfintegrity.org