LC Annual Survey
15th July 2019

Critical Issues
Case Study
Day 46 (15 Feb 18) issues Sight LC
[BL – to order of shipper, blank endorsed]
Latest ship date: 1 Mar 18 (Day 60)
LC expiry: 31 Mar 18 (Day 90)
Late presentation acceptable within LC expiry
Day 210 (29 Jul 18)
Presents Docs under Sight LC

Day 211 (30 Jul 18): couriers docs
Day 214 (3 Aug 18): received docs

Day 217 (6 Aug 18)
Informs & told To give TR 90 days
Due Day 307 (4 Nov 18)

Day 218 (7 Aug 18) – pays

Day 297 (25 Oct 18)
Day 1
(1 Jan 18)
ships
goods

Day 30
(30 Jan 18)
Ship
reaches
POD

Day 31
(31 Jan 18)
Discharge against
Shipper’s LOI
Challenge No. 1

Is It Sign Of Red Flag?

Tell me

Day 60:
(1 Mar 18)
APPLY
LC Amd 1
EXTEND

Latest ship date to Day 90
(31 Mar 18)

LC expiry date to Day 120
(30 Apr 18)

Day 90:
(31 Mar 18)
APPLY
LC Amd 2
EXTEND

Latest ship date to Day 120
(30 Apr 18)

LC expiry date to Day 150
(30 May 18)

Day 120:
(30 Apr 18)
APPLY
LC Amd 3
EXTEND

Latest ship date to Day 150
(30 May 18)

LC expiry date to Day 180
(30 Jun 18)

Day 150:
(30 May 18)
APPLY
LC Amd 4
EXTEND

Latest ship date to Day 180
(30 Jun 18)

LC expiry date to Day 210
(29 Jul 18)

Day 180:
(30 Jun 18)
APPLY
LC Amd 5
EXTEND

Latest ship date to Day 210
(29 Jul 18)

LC expiry date to Day 240
(28 Aug 18)
Day 217
(6 Aug 18)
Informs
& told
To give
TR 90 days
Due Day 307
(4 Nov 18)

Are there still goods?
Challenge No. 3

Is It Sign of Red Flag?

Tell me

Documents presented
BL dated Day 1
Presented Day 214

Difference: Day 213
TRUST RECEIPTS

How short is Short?

a type of Short Term Import Loan to provide the buyer with financing to settle goods imported under LC where title of goods is HELD by the bank.
Challenge No. 4

Tell me

How good or EFFECTIVE

PLEDGE

TRUST RECEIPT
Challenge No. 5

TRUST RECEIPTS

Is it Necessary

IMB Check

LLI Check

Goods DISCHARGED already
Challenge No. 6

Do

TRUST RECEIPTS
make your bank

A Secured Creditor?

YES  NO
Query
Does the payment or the financing appear to be consistent with the transaction?

M A S Information Paper (Oct 2015)
AML/CFT CONTROLS IN TRADE FINANCE AND CORRESPONDENT BANKING

G Potential Red Flags
Inconsistencies and Transactions Which Do Not Make Economic Sense

- The method of payment\textsuperscript{\textsuperscript{11}} or financing\textsuperscript{\textsuperscript{12}} appears inconsistent with the risk characteristics of the transaction
Query
Does the TRANSACTION make ECONOMIC Sense?

MAS Information Paper (Oct 2015)
AML/CFT CONTROLS IN TRADE FINANCE AND CORRESPONDENT BANKING

G Potential Red Flags
Inconsistencies and Transactions Which Do Not Make Economic Sense

• Transaction does not make economic sense
A document may be dated prior to the issuance date of the credit, but must not be dated later than its date of presentation.
Challenge No. 10

What is the PURPOSE of granting Import LC?
Challenge No. 11

If the applicant settled the TR on maturity date ... consult

COMPLIANCE

or

will you file a Suspicious Transaction Report

or

Unusual Activity Escalation Report?
Challenge No. 12

Is it possible to FRAUD