

## Why GAO Did This Study

TBML involves the exploitation of international trade transactions to transfer value and obscure the origins of illicit funds. Various observers have noted that although TBML is a common form of international money laundering, it is one of the most difficult to detect due to the complexities of trade transactions and the sheer volume of international trade, among other things.

This report examines (1) what the available evidence indicates about the types and extent of international TBML activities, (2) the practices international bodies, selected countries, and knowledgeable sources have recommended for detecting and combating TBML, and (3) the extent to which ICE has effectively implemented the TTU program and steps the U.S. government has taken to collaborate with international partners to combat TBML. GAO analyzed U.S. agency and international body data and documentation, conducted a literature review, and interviewed U.S. officials and selected knowledgeable sources.

## What GAO Recommends

GAO recommends that DHS develop (1) a strategy to maximize TTU program effectiveness and (2) a performance monitoring framework for the TTU program. DHS concurred with the first, but did not concur with the second recommendation, citing data it already collects and challenges it faces. GAO continues to believe the recommendation is valid, as discussed in the report.

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# TRADE-BASED MONEY LAUNDERING

## U.S. Government Has Worked with Partners to Combat the Threat, but Could Strengthen Its Efforts

### What GAO Found

Different types of criminal and terrorist organizations use trade-based money laundering (TBML) to disguise the origins of their illicit proceeds and fund their operations. TBML schemes can rely on misrepresenting the price, quantity, or type of goods in trade transactions, but other methods are also used. For example, some drug trafficking organizations from Latin America have used a type of TBML scheme known as the Black Market Peso Exchange (BMPE) to launder funds. BMPE schemes involve merchants who—wittingly or not—accept payment in illicitly derived funds, often from third parties to a trade transaction, for exports of goods. In carrying out TBML schemes, criminal and terrorist organizations use various goods, including precious metals and automobiles (see fig.). U.S. officials and other sources have identified a number of countries as being at particular risk for TBML schemes. Available evidence indicates that the amount of TBML occurring globally is likely substantial. However, specific estimates of the amount of TBML occurring around the world are not available.

#### Examples of Goods Commonly Used in Trade-Based Money Laundering Schemes



Source: GAO. | GAO-20-333

Officials and reporting from relevant international bodies and selected partner countries, and knowledgeable sources recommended various practices for countries to consider to combat TBML, which GAO grouped into five categories: (1) partnerships between governments and the private sector, (2) training, (3) sharing information through domestic interagency collaboration, (4) international cooperation, and (5) further research on challenges to combating TBML.

The U.S. government's key international effort to counter TBML is the Trade Transparency Unit (TTU) program under the Department of Homeland Security's (DHS) Immigration and Customs Enforcement (ICE). ICE set up TTUs in 17 partner countries with the goal of exchanging and analyzing trade data to identify potential cases of TBML. While TTUs have played a role in some TBML investigations, the TTU program has experienced various challenges, including lapses in information sharing between ICE and the partner TTUs, differing priorities between ICE and partner TTUs in pursuing TBML investigations, and limitations in the data system that ICE and the TTUs use. However, ICE has not developed a strategy to increase the effectiveness of the TTU program or a performance monitoring framework to assess the results of its work with partner TTUs. As a result, ICE does not have a clear guide on how best to operate the TTU program and cannot make management decisions based on program results. In addition to the TTU program, the U.S. government collaborates with partner countries and international bodies through a range of other activities, such as developing international anti-money laundering standards, providing training and technical assistance, establishing information-sharing methods, and providing ongoing law enforcement cooperation.