

# TRADE-BASED MONEY LAUNDERING (TBML): ASSESSING RISKS AND COMPLIANCE FOR THE HALAL AGRICULTURAL AND FOOD SUPPLY CHAIN

## 1. INTRODUCTION

### • Trade-based money laundering (TBML)

- TBML is "the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimise their illicit origins."

### • Vulnerability of agricultural and food supply chain

- Global market risk creates opportunities for illicit crimes.
- Counterfeit of halal certification



### Financial Action Task Force (FATF)

- TBML remains a significant money laundering (ML) risk due to its exploitation of illicit trade transactions that can affect the global agricultural and food supply chain, including the Halal sector.

## 2. OBJECTIVES

Examine the risks of money laundering with a specific focus on the Halal agricultural and food supply chain, due to its factors that often attract launderers, given the nature of market saturation and perishable items.

Analyses anti-money laundering (AML) compliance requirements in ensuring the integrity of the Halal agricultural and food supply chain from being a conduit for illicit funds.



## 3. METHODOLOGY

### Qualitative Framework

- to analyse international standards and Malaysia's domestic laws and regulations related to AML compliance, with a special focus on the Halal agricultural and food supply chain.



## 4. RESULTS AND DISCUSSIONS

### 1 Typologies (techniques) of TBML

- Over-invoicing or under-invoicing goods
- Misrepresentation of quantity or quality;
- Falsification of documents

### 2 Process of TBML

- **Placement** - Criminal proceeds enter the trade system through cash-intensive agricultural businesses or shell companies
- **Layering** - Multiple invoices, shipments, and intermediaries obscure the money trail across international borders
- **Integration** - Funds re-enter the economy as apparently legitimate profits from food trade activities

### 3 International Standards on TBML

- United Nations - Significant UN Convention on TBML - Vienna Convention 1988; Palermo Convention 2000
- FATF 40 Recommendations
- World Customs Organisation (WCO) for cargo inspection and documentation verification protocols.

### 4 Malaysian Laws

- Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001
- Penal Code
- Strategic Trade Act 2010
- Customs Act 1967 administered by the Royal Malaysian Customs Department (RMCD)
- Standards and Certification by Department of Islamic Development Malaysia (JAKIM)

### 5 Significant Gaps

- FATF Report 2025
  - Regulatory gap - insufficient information sharing/data between the Financial Intelligence and Enforcement Department (FIED), customs and Halal certification bodies
  - Enforcement challenges in identifying ultimate beneficial owners of trading companies allow criminals to use shell corporations and nominee directors to obscure control.

### 6 Recommendations

- TBML Compliance - due diligence; suspicious transactions; record keeping
- Strengthening inter-agency cooperation by strengthening identification and verification process

## 5. CONCLUSION

- The integrity of the halal agricultural and food supply chain depends on robust TBML compliance to deter any threat or exploitation to disguise illicit proceeds.
- TBML compliance extends beyond financial crime prevention in order to ensure food security, consumer protection, and the global reputation of Halal certification itself.

## PRESENTER



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