

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 Halal 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

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)

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

5 Significant Gaps

- FATF Report 2025
 - Regulatory gap - insufficient information sharing/data between the Financial Intelligence and Enforcement Department (FIED), customs authorities, 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.

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.

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



Dr. Raja Madihah Raja Alias
(Faculty of Law and International Relations,
Universiti Sultan Zainal Abidin,
Terengganu, Malaysia)