

Price Verification in International Trade: Regulators' Expectations and Commercial Reality

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Foreword

As a part of the ongoing dissemination of BIBM research output, the present research monograph contains the findings of the Roundtable: “Price Verification in International Trade: Regulator's Expectation and Commercial Reality”

BIBM publishes all of its research outcome in different titles depending on the nature of the report. The present paper contains the finding of the round table: “Price Verification in International Trade: Regulator's Expectation and Commercial Reality”. The research team explores the critical role of price verification in ensuring transparency and compliance within international trade, particularly in the context of combating Trade-based Money Laundering (TBML).

The paper offers an in-depth analysis of the challenges faced by banks, especially in developing economies, in reconciling regulatory requirements with commercial realities. It employs a mixed-methods approach—combining primary data from surveys, key informant interviews, and focus group discussions with a thorough review of secondary sources—to identify operational gaps and provide actionable recommendations.

An evaluation of current price verification methodologies and the identification of significant discrepancies in practices across different sectors, a detailed risk assessment framework that quantifies the challenges associated with mis-invoicing and price deviations and some strategic recommendations for enhancing technological capabilities, standardizing verification processes, and improving inter-agency coordination to strengthen compliance measures are the key highlights of the paper.

We look forward insights and guidance from our esteemed readers on this issue which certainly would help us improving upon our research activities in future and will be invaluable as we consider the implementation of these recommendations to further fortify our regulatory framework.

Md. Akhtaruzzaman, Ph.D.
Director General, BIBM

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Abbreviations

ABS	Automated Business System
ADB	Asian Development Bank
ADs	Authorized Dealers
AML	Anti-Money Laundering
AML/CFT	Anti-Money Laundering/Counter Financing of Terrorism
APIs	Active Pharmaceutical Ingredients
BAFT	Bankers Association for Finance and Trade
BB	Bangladesh Bank
BCBS	Basel Committee on Banking Supervision
BFIU	Bangladesh Financial Intelligence Unit
BFTF	Bangladesh Financial Telecommunication and Fund Transfer System
BMPE	Black Market Peso Exchange
CBN	Central Bank of Nigeria
CISG	Convention on Contract of Sale
DGDA	Directorate General of Drug Administration
EFRIS	Electronic Fiscal Receipting and Invoicing Solution
FATF	Financial Action Task Force
FCBs	Foreign Commercial Banks
FEOD	Foreign Exchange Operations Department
FEOD	Foreign Exchange Operation Department
FEPD	Foreign Exchange Policy Department
FEPD	Foreign Exchange Policy Department
FGDs	Focus Group Discussions
FX	Foreign Exchange
GFET	Guidelines on Foreign Exchange Transactions
GFI	Global Financial Integrity
ICC	International Chamber of Commerce
ICE	Immigration and Customs Enforcement
IFF	Illicit Financial Flow
IPO	Import Policy Order
IPPS	International Price Profiling System
KIIs	Key Informant Interviews

KYC	Know Your Customer
LC	Letter of Credit
LDC	Least Developed Country
MAS	Monetary Authority of Singapore
MoC	Ministry of Commerce
NBR	National Board of Revenue
OECD	Organization for Economic Co-operation and Development
PCBs	Private Commercial Banks
PCM	Partner Country Method
PFM	Price Filter Method
PVS	Price Verification System
SOCBs	State-Owned Commercial Banks
SRO	Statutory Regulatory Order
TBML	Trade-Based Money Laundering
TTU	Trade Transparency Unit
URA	Uganda Revenue Authority
VAR	Valuation Analysis Report
WTO	World Trade Organization's

Executive Summary

The paper examines the process of price verification in international trade, highlighting the critical role it plays in ensuring fair market value and compliance with regulations. It discusses how discrepancies in reported prices can lead to issues such as Trade-based Money Laundering (TBML) and mis-invoicing, thereby impacting tax collection and overall market transparency.

The study adopts a mixed-methods approach to bridge the gap between regulatory expectations and commercial realities. Specifically, it includes primary data collection and secondary data collection. A questionnaire survey administered across 30 banks (including both state-owned and private commercial banks) to capture first hand insights on price verification practices. Focus Group Discussions (FGDs) aimed at deepening understanding of operational practices and gathering nuanced perspectives on challenges in price verification. And for collecting secondary data a comprehensive literature review of reports, regulatory guidelines (from institutions such as the ICC, FATF, OECD, and central banks), and previous studies on price verification and trade-based money laundering are considered.

The paper utilizes various price verification models (e.g., Price Filter Method, Partner Country Method, and the International Price Profiling System) to compare and analyse reported prices. It develops an indicative risk matrix based on factors such as trade volume, difficulty in price verification, and mis-invoicing perceptions.

The literature review highlights diverse approaches globally—from statistical distribution methods to risk-based systems like the IPPS. A case study approach is used to contrast international practices with those in Bangladesh, where factors such as data reliability and technological limitations present unique challenges.

The analysis examines both internal (e.g., banks' proprietary databases, historical transaction data) and external sources (e.g., market price websites and trade data from international exchanges) used by banks. It also assesses the organizational structures within banks (centralized versus decentralized units) and the impact these have on the effectiveness of price verification.

Through surveys, the paper presents data on the frequency of mis-invoicing, permissible price deviations, and the challenges associated with verifying prices across different product categories. Tables and figures are used to illustrate the extent of mis-invoicing, variations in practices across product types (such as pharmaceuticals, capital machinery, etc.), and the risk scoring associated with price verification.

Key findings of the study include: significant gaps which is there is a notable divergence between regulatory expectations and the actual practices employed by banks, particularly in developing countries like Bangladesh. Operational challenges such as Banks struggle with verifying prices due to limited access to reliable market data, complex pricing structures, and technological constraints. A large proportion of banks lack formalized price verification units or comprehensive policies, leading to inconsistent practices and the risk of mis-invoicing and TBML which reveals that mis-invoicing, whether under- or over-invoicing, is prevalent and often exploited due to inadequate price verification measures. Specific sectors, such as pharmaceuticals and capital goods, present higher levels of difficulty and risk.

The paper advocates for improved inter-agency coordination (among central banks, customs, and regulatory bodies), enhanced technological investments, and regular training for bank personnel. It also suggests the creation of a centralized, publicly accessible database for trade prices to standardize and improve the price verification process.

The paper concludes that while price verification is a critical control mechanism in preventing financial crime and ensuring fair trade, current practices fall short of regulatory expectations. A more integrated approach—combining technological upgrades, standardized processes, and enhanced regulatory coordination—is essential to address the shortcomings and mitigate risks associated with trade mis-invoicing and TBML.

Price Verification in International Trade: Regulators' Expectations and Commercial Reality

1. Background Note

International trade is a crucial driver of global economic integration, and the accuracy of reported prices is essential for ensuring equitable transactions. Regulatory bodies, such as customs authorities and trade enforcement agencies, rely on declared prices to monitor compliance with tax laws, anti-dumping regulations, and trade agreements. Price verification is thus an essential component of trade compliance, as discrepancies can indicate illegal practices such as under-invoicing, over-invoicing, or misclassification of goods. Price verification is connected with fairness, transparency, and the prevention of anti-competitive practices, and it is considered a critical tool in detecting Trade-Based Money Laundering (TBML) by the regulators and the banking and financial institutions (Choi, 2023). Price verification is also conducted as part of mitigating credit risks in trade financing. However, the process of price verification is complex and often influenced by a wide array of factors beyond regulatory control.

The challenges for banks and financial institutions in identifying such price misrepresentation have been well documented (ICC, 2023). The misuse of trade finance to disguise the transfer of funds or value through the misrepresentation of prices of goods and services is a recognised money laundering typology, and regulatory bodies worldwide have outlined expectations for price verification as part of Anti-money Laundering (AML) efforts (ICC, 2023). However, there is often a blunt contrast between these regulatory expectations and the reality faced by banks operating in developing countries; more specifically, banks and financial institutions commonly struggle to meet these expectations (FATF and Egmont, 2020). Due to differential infrastructure and systems for price-verification, resources, and regulatory framework, the extent of struggles

and challenges are not same; in many developing countries several limitations make it difficult for banks to reliably detect price manipulation.

While regulators expect that the prices reported in trade transactions reflect fair market value, commercial realities often complicate this expectation. Commercial realities-such as fluctuating market conditions, the use of complex pricing mechanisms like transfer pricing, barter, and countertrade and the deliberate manipulation of invoicing practices challenge the ability of regulators to verify prices accurately (OECD, 2017). The gap between regulatory expectations and the complexities of international pricing and their differential perspectives are well recognised, and there are huge scopes and efforts to explore the methods used by regulators to assess price accuracy, the commercial strategies that traders employ, and the challenges involved in reconciling these two perspectives.

Difficulties in price verification by banks in developing countries including limited access to reliable data, technological limitations, and the widespread informal nature of trade lead to significant risks for the financial system. Differential price verification goals of the central banks and customers authorities create further complications. Complexities, challenges, and risks associated with price verification efforts in the trade financing fronts do not seem to be very different in Bangladesh to that of the developing countries of the globe. Especially, TBML concern is getting increasing attention of the policymakers. Global Financial Integrity (GFI), US based think-tank, identified that more than 80% of illicit financial flow (IFF) from 134 developing countries to 36 developed countries is conducted through trade miss invoicing. Particularly, 86.44% IFF conducted through trade miss invoicing from Bangladesh which is 17% of its total trade. Considering the magnitude and severity of this problem Bangladesh obliged respective stakeholders specially banks to verify the price of tradable items through different legally enforceable instruments including Trade Based Money Laundering Guidelines issued by BFIU, Import Policy Order and Export Policy issued by Ministry of Commerce and GFET issued by Bangladesh

Bank. This round table paper seeks to explore these challenges and complications in depth, evaluate existing practices of price detection, and propose solutions to improve price verification and prevent price manipulations and TBML concerns. The gap between the two perspectives-regulatory expectations and commercial realities is amongst the core issue of the paper's inquiry.

Specific objectives of the paper are: **one**, to explore the issues and challenges associated with verifying trade prices in the global context; **two**, to understand and examine the gap between regulatory expectations for price verification and commercial reality in handling price verifications issues by banks in Bangladesh; and **three**, to search avenues for improving price verification practices and regulatory compliance by examining the effectiveness of current practices of price verification by banks in Bangladesh.

The paper is based on both primary and secondary information. Publications and reports on price verification and Trade Based Money Laundering through misinvoicing are the secondary sources. ICC documents, global trade-related reports on compliance in international trade were the major secondary data sources. A questionnaire survey was conducted to collect primary data that incorporated both open-ended and close-ended questions. The survey was administered in thirty banks. Sample banks include four SCBs, and twenty-seven PCBs of different generations. Key Informant Interviews (KIIs) have been conducted with selected bankers of different banks, regulators, and traders for data validation and drawing opinions on challenges and future course of actions. Both central bank and customs authority are prime stakeholders/policymaker of the price verification. The paper however focuses mainly on the regulatory concerns of mainly Bangladesh Bank and Bangladesh Financial Intelligence Unit (BFIU). Two Focus Group Discussions (FGDs) are conducted to validate the data and more insights about practices and challenges in price verification. An indicative risk matrix is developed considering market share of traded

goods, the degree of difficulty in verifying prices for individual products, and mis-invoicing.

2. Price Verification Issues and Challenges in the Global Context- Literature Review

As noted in the Monetary Authority of Singapore or MAS (2015) guidelines, price verification is a crucial control mechanism in trade financing that serves dual purposes - mitigating both credit risks and detecting potential fraud and money laundering/terrorist financing activities that may occur through over/under-invoicing of transactions. Operative price verification mechanisms and approaches are associated with effective handling of TBML. Transparency International Russia (2023) notes that verifying prices remains challenging, however, improved methods for price verification in trade financing could help address these money laundering risks. Identifying several cases and instances, ABS (2018) underscores the importance of thorough price verification in detecting potential money laundering activities in trade finance transactions.

2.1. Price Verification Tools and Regulatory Expectations

Despite lack of recognised standard systems, some studies/published literature identified several models and tools for price verification. Chao (2023) identified two main approaches to verify pricing in the process of handling mis-pricing. The first one is 'Price Filter Method (PFM)' that analyses transaction-level import data; groups products into homogeneous categories by HS codes; identifies abnormal unit prices using statistical distribution (interquartile methodology); and flags transactions outside the normal price range as potentially suspicious. The second one is 'Partner Country Method (PCM)' that compares import/export data between trading partners; analyses discrepancies in reported values between countries; and identifies significant gaps that might indicate mis-invoicing. The effectiveness of this methodology was demonstrated through testing, where 18% of imports flagged as suspicious were actually found to be illicit -

significantly higher than the average detection rate of 4.5%. When combined with existing risk management tools, the accuracy increased to 36% for under-valued transactions (Chao, 2023).

Central Bank's role as guide and prescription are generally expected and appreciated, however, there are debates on the extend of engagement and expectations. Zdanowicz (2019) describes the International Price Profiling System (IPPS), a risk-based analysis system used to evaluate the pricing of goods in international trade. The IPPS uses statistical analysis of the USA Merchandise Trade Database to establish normal price ranges for products traded between countries. The system produces a 'Risk Index' ranging from -4 to +4, with negative values indicating potential money movement out of the USA and positive values indicating potential money movement into the USA. The document emphasizes that financial institutions engaged in trade financing should conduct both character-based analysis (evaluating non-price factors like country risk and product risk) and transaction-based analysis (evaluating actual prices). The IPPS is presented as a tool to assist financial institutions in detecting abnormal pricing that may indicate money laundering, terrorist financing, tax evasion, or customs fraud. However, it is noted that the system may generate false positives, and further investigation is required to determine if suspicious transactions are actually related to illegal activities (Zdanowicz, 2019).

For price verification, MAS (2015) required commercial banks to follow given approach: one, banks should conduct price checks to verify the reasonableness of invoice prices against prevailing market prices, at minimum on a sampling basis. This is particularly important when market prices are readily available. Two, banks need clear policies and procedures that guide staff in performing price checks; establish acceptable price variance levels; detail escalation procedures when significant price differences are identified; set different thresholds for different types of goods/commodities; include guidelines for selecting reference prices. Three, the process should include periodic assessments to ensure price

thresholds remain reasonable based on current market conditions. Four, to maintain effectiveness and minimize conflicts of interest, price checks should be performed by functions independent of the front office. And five, special attention should be given to transactions between related parties as these carry inherently higher risks of fraud and financial crime (MAS, 2015).

In another instance, direct engagement of the central bank did not work. In a recent development, Central Bank of Nigeria (CBN) has officially discontinued its Price Verification System (PVS) portal just ten months after its launch. The announcement, made through a circular dated June 26, 2024, indicated that recent developments in the Nigerian Foreign Exchange Market necessitated this decision (Box-2.1).

Box 2.1: Central Bank's Initiative to Give a Price Range for Price Verification Failed

The PVS was introduced in August 2023 as criteria for importers to access foreign exchange. Hence the price verification report was mandatory for all Form M requests. The Form 'M' is a declaration of intention to import physical goods into Nigeria and it is used to apply for forex purchase in the official forex market.

The Price Verification System (PVS) is an initiative by the Central Bank of Nigeria to benchmark the price of imported items in line with global standards. The objective is to control Foreign Exchange (FX) remittance in the foreign exchange market in Nigeria. The Price Verification System had a pricing threshold between - 2.5% to +2.5% (which was later expanded to -15% and +15%) The price of import item within this range was acceptable for import, otherwise it would be rejected. But the introduction of the PVS was greeted with criticism from importers and the private sector groups including Manufacturing Association of Nigeria, MAN, and the National Council of Managing Directors of Licensed Customs Agents, NCMDLCA.

Sources: <https://nairametrics.com>; <https://www.vanguardngr.com>

In the USA context, Immigration and Customs Enforcement (ICE) established the Trade Transparency Unit to identify global TBML trends and conduct ongoing analysis of trade data provided through partnerships with other countries' trade transparency units. In the Bangladesh perspective, country's apparel exports to the United States -- its largest single market -- in the first half of 2024, reaching \$3.40 billion. Moreover,

in the context of import, USA also our major trade partners. As a major trading partner with USA, Bangladesh can also join TTU. Moreover Colombia, ICE formed the first TTU with the Government of Colombia. In furtherance of this trade transparency initiative, ICE is actively working with the Colombian TTU on several Black Market Peso Exchange (BMPE) investigations Bangladesh will be benefitted by gathering trade data from various sources, including customs declarations, shipping records, financial transactions, and trade databases. Comparing trade data from different countries to identify discrepancies in the reported value, quantity, and type of goods. Conducting risk assessments to identify high-risk transactions, goods, and trade routes. Using advanced analytics and algorithms to detect anomalies and patterns indicative of TBML and customs fraud. Sharing findings with relevant authorities, including customs, financial intelligence units (FIUs), and law enforcement agencies, to coordinate investigations and enforcement actions (<https://www.dhs.gov/trade-transparency>).

The suggested framework by KPMG (2020) requires banks to establish comprehensive policies and procedures for price verification and suspicious transaction reporting mechanisms primarily to combat TBML. For effective price verification, banks need to develop and implement a price verification policy that includes acceptable levels of price variance; maintain a database of unit prices of goods along with their HS Codes; pay special attention to goods that are either exempted from import duties or subject to over 25% import duties, as well as goods eligible for export rebates; verify prices when dealing with advance payments, requiring exporters to submit copies of underlying sale contracts; implement technology-based solutions specifically for price verification of goods. KPMG (2020) suggested this comprehensive approach to price verification is part of the broader risk management framework aimed at preventing trade-based money laundering and terrorist financing (KPMG, 2020).

Differential regulatory expectations creates complications in adopting price verification approaches. Alongside central bank, customs authority is a key

stakeholder of the price verification system in international trade transactions. Central banks enforce banking regulations and ensure that trade financing is transparent. The central bank, through coordination with other authorities, is responsible for enforcing anti-money laundering regulations and may require banks to verify the accuracy of transaction prices to prevent TBML and ensure proper financial reporting. Central banks often issue guidelines and works with financial institutions to monitor transactions to detect suspicious trade-based activity, including inflated or deflated prices that could facilitate illicit money flows. Customs ensures that the proper duties are paid on tradable, and any under- or over-invoicing could result in revenue loss for the government. Customs authorities may scrutinize invoices and prices declared by importers to prevent TBML activities. Despite similarities in their goal, differences in their targets and purposes, price verifications confront complications and need regulatory balance (Box 2.2).

Box 2.2: Price Verification Goals and Approaches: Central Bank Versus Customs

Customs and the central bank have a common interest in preventing TBML. However, the methods used to prevent TBML may contradict the goal of facilitating trade financing. Customs authorities may focus on enforcing strict price valuations to combat TBML and ensure accurate duty collection, which can sometimes clash with the central bank's broader financial stability and trade facilitation goals. For example, overenthusiastic customs enforcement of price checks might inadvertently hinder legitimate trade transactions, creating friction with the central bank's goal of promoting smooth financial flows in the trade sector.

While both the Central Bank and Customs Authorities aim to ensure a stable economy and prevent illicit financial activities like TBML, their goals can sometimes clash. The central bank seeks to facilitate trade financing and promote economic stability, which could involve relaxing price scrutiny or easing the trade financing process. In contrast, customs authorities focus on verifying prices for accurate duty collection and preventing fraudulent practices, including TBML. This tension between facilitating trade and enforcing strict price verification creates a complex regulatory environment where the two bodies may need to strike a balance between financial stability, revenue collection, and trade facilitation.

Note: Based on Commission on Choi, 2023; Security & Cooperation in Europe, 2019; and FATF, 2021.

Although, regulatory guidance globally suggests that price checking is an appropriate measure for financial crime prevention, they also acknowledged that verification of price of goods to prevent financial crime can be challenging task for banks as elaborated by the UK Joint Money Laundering Steering Group, that determining potential misrepresentation of value and cannot usually be based solely on the trade documentation itself. Nor can the use of external data bases alone be relied upon as most products are not traded in public markets and have no publicly available prices. Even where such prices are available, such as those for commodities, firms will not be aware of the terms of trade, discounts involved or quality of the goods etc, so making a determination of the unit pricing will always be difficult.”

Awareness and capacity of bank employees, awareness and information level of customers/traders, and legal enforceability of sales contracts are other factors that have implications for the effectiveness of the price verification systems in banks in a specific jurisdiction (Habib et al. 2024).

2.2. Price Verification Practices by Banks, Associated Challenges and Incentives

ICC (2023) acknowledges that while price checking is recommended by regulators, it is difficult to implement effectively due to several factors. These include the lack of reliable price reference points for many goods, legitimate reasons for price variations (such as timing, trade terms, quality differences, and market dynamics), and the sheer variety of products involved in global trade. A publication by ICC (2019) argues that it is not feasible for financial institutions to develop a binary financial crime control for price checking, and automated systems have not proven effective to date. Even for commodities with publicly available pricing information, price checking remains challenging due to multiple factors that influence the final price of goods in a transaction. These factors include contract dates, Incoterms, product quality, freight costs, market conditions, and the relationship between buyer and seller. ICC (2023) outlines various approaches to price checking, including manual review by processing staff,

the use of specialist teams, automated identification of collusion risk, and emerging technological solutions. The report adds that each approach has limitations, and emphasized that price checking alone is not sufficient to identify trade-based money laundering and should be part of a broader, holistic approach to assessing transaction validity and customer activities. ICC (2019) suggests that instead of relying solely on price checking, financial institutions should implement a broader control framework, and concludes that this framework should include manual escalation procedures, post-transaction analysis, and robust policies and procedures where the investment required would be significant.

The guidance paper by the Wolfsberg Group, ICC and BAFT (2019) outlines lack of relevant business information, such as the terms of a business relationship, volume discounting or the specific quality of the goods involved. It adds, many products are not traded in public markets and there are no publicly available market prices. Even where goods are publicly traded, the current prices may not reflect the agreed price used in any contract of sale or purchase, and these details will not usually be available to the banks involved due to the competitive sensitivity of such information (Wolfsberg Group, ICC and BAFT, 2019).

FATF and Egmont (2020) found, financial institutions face particular difficulty in estimating the ‘fair price’ of traded commodities; and banks often receive only vague descriptions of traded goods, making it hard to determine appropriate market prices. Establishing ‘fair prices’ requires may rely solely on open-source information; and many commodities used in TBML schemes are not traded in public markets, so there are no benchmark prices available. Smaller entities with limited compliance budgets face even greater challenges in conducting thorough price verification. This is one reason why money launderers may prefer open account trading, where banks have more limited oversight compared to other payment methods like letters of credit that require more detailed documentation (FATF and Egmont, 2020).

Commission on Security & Cooperation in Europe (2019) noted, customs officials and banks often lack proper tools and databases to verify the true value of goods being traded. Many rely on inadequate methods like checking retail prices on Amazon, which do not reflect accurate bulk commercial values. There is a need for better world market price databases that allow customs agents to compare declared values against historical trade data for similar goods. This would help identify suspicious under- or over-invoicing. The study adds, there is a lack of coordination between anti-money laundering efforts and traditional trade/customs agencies on the issue of price verification. More collaboration is needed between these sectors. Seven, improving price verification capabilities requires better tools, training, and cooperation between customs, financial institutions, and other relevant agencies (Commission, 2019).

BFTF (2017) found that bank personnel typically lack the expertise to assess the actual cost of items, especially when factors like technical specifications, location, and brand can greatly affect pricing, and suggested that a more effective approach would involve collaboration between various stakeholders, including customs officials, shipping companies, and financial institutions, to aggregate data and use advanced analytics for detecting price anomalies across all shipments. The success of the USA Trade Transparency Unit in using customs data for price valuation analytics is cited as an example of a more comprehensive and reliable method for identifying potential TBML through price manipulation (BFTF, 2017).

ICC (2019) identified several factors responsible associated with the challenges of price verification by banks and financial institutions that include limited visibility into trade transactions, being involved in only about 20% of global trade through documentary trade finance (like letters of credit), while 80% occurs through open account transactions with minimal bank oversight. The study emphasized that price verification alone is insufficient and must be part of a holistic approach combining multiple

data sources, risk indicators, and cooperation between banks, customs authorities, and other stakeholders.

A recent ADB (2024) highlights that mispricing of goods for the purpose of laundering funds remains a significant challenge in combating TBML. Throughout the pilot study described in the document, various countries identified mispricing as a common typology or red flag for TBML. For example, Bangladesh noted ‘Mispricing (over/under invoicing)’ as one of the typologies observed; Nepal identified ‘Pricing mismatch’ as a red flag; Pakistan observed that criminals often resort to ‘under invoicing’ to evade customs duties and taxes; Sri Lanka listed "Over/under/split invoicing" as one of the typologies detected. The ADB study emphasized the importance of analysing trade-related data, improving training, and enhancing collaboration between financial intelligence units, customs, and law enforcement agencies to better detect and investigate TBML, including issues related to price manipulation in trade transactions.

Global Financial Integrity and Transparency International Kenya (2023) identified some specific measures for price verification in different countries like Uganda has set up revenue points in countries like Kenya, UAE, and China where it exports commodities like coffee, to help curb trade mis invoicing; Uganda Revenue Authority (URA) has established a science laboratory to assess imported goods as a quick determinant of their value before levying tax; Colombia has implemented an Integrated Electronic Invoicing System, which prevents alteration of invoice values or contents; Uganda has implemented the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) linked to the Customs System to reduce forgery.

As the risk management, the guidance paper by FATF (2021) states that some of the price verification related risk management require the cross-comparison of various data elements (e.g., financial transactions, customs data and open market prices) often held in external sources. For some of the

risk indicators, the private sector needs additional contextual information from competent authorities, e.g., via engagement with law enforcement authorities or financial intelligence units. In using these indicators, private sector entities should also take into consideration the totality of the customer profile, including information obtained from the customer during the due diligence process, trade financing methods involved in the transactions and other relevant contextual risk factors (FATF, 2021).

Banks often rely on a combination of internal procedures and external resources to verify trade prices. Banks need to compare the prices declared in trade invoices with market prices or historical transaction data. However, this is difficult to do without access to reliable and consistent market data. In some cases, banks work with customs authorities to verify the prices of imported or exported goods. However, the effectiveness of this collaboration is limited by the lack of data sharing and coordination. Emerging technologies such as big data analytics and artificial intelligence have the potential to improve the accuracy of price verification. ICC (2023) suggested several steps to improve price verification arrangement (Box 2.3).

Box 2.3: Suggestion for Improving Price Verification Arrangement in Banks by ICC

- Banks need to effectively require the creation of a specialist team dedicated to the task of ratifying fair market price.
- Collusion is seen as instrumental for price misrepresentation and consideration may be given to the development of post transaction automated monitoring solutions using social network analytics and big data techniques to identify such common ownership structures.
- A typical technology solution incorporates automation relative to the extraction of goods description from documents. Any such solution would aim to isolate specific higher risk cases requiring in-depth review.
- Notwithstanding the challenges and limitations, banks may adopt a manual review of trade finance transactions (where the relevant documents are present) to assess the validity of the transaction which could include price checking.

Source: ICC, 2023

3. Regulatory Expectations for Price Verification and Compliance Concerns- Bangladesh Status

Regulators, including central banks, expect banks to adhere to effective price verification processes for various financial transactions and products. These expectations are shaped by the need to maintain market integrity, safeguard against systemic risks, and ensure fair treatment of consumers. Price verification, in this context, refers to the process by which banks ensure that the prices at which they transact in financial markets are accurate, reliable, and in line with market conditions. The Basel III framework emphasizes the importance of transparency in pricing, especially when setting valuations in illiquid or complex markets (Basel Committee on Banking Supervision, 2011).

Central bank and customs authority are the prime associated stakeholders in this context. Customs authorities, for example, often require importers and exporters to submit a transaction value (the price actually paid or payable for goods) for customs duties assessment, as outlined under the World Trade Organization's (WTO) Agreement on Customs Valuation. Central banks expect banks to establish strong governance and oversight functions that oversee the price verification process. This includes establishing clear roles and responsibilities for those involved in price verification, conducting regular audits, and ensuring compliance with regulatory requirements. Regulatory expectations call for the effective verification of trade prices, which is key to identifying discrepancies that may indicate TBML.

In the context of Bangladesh, Bangladesh Bank, Bangladesh Financial Intelligence Unit (BFIU), and the customs authority are the prime regulatory and policy agency associated with price verification. Of the Bangladesh Bank, Foreign Exchange Policy Department (FEPD), and Foreign Exchange Operations Department (FEOD) issues regulatory governance and prudential behavioural requirements and circulars on price verification compliances by the authorised dealer bank branches. Banks are

required to comply with regulations and rules issued by the Bangladesh Financial Intelligence Unit (BFIU) as measures to control financial crime especially Trade Based Money Laundering (TBML). Price verifications issues also found place in the trade policy documents issued by the Ministry of Commerce of Bangladesh.

Guidelines on Foreign Exchange Transactions (GFET) of the Bangladesh Bank (Chapter 7, Section 2 Sub-section 20), a few Foreign Exchange (FE) circulars, TBML Guidelines issued by the BFIU, and Import Policy Order specifically mentioned price verification requirements by banks (Box 3.1).

Box 3.1: Regulatory Requirements for Price Verification by Banks	
GFET, Ch 7 Section 2 Sub-section 20	Prior to the establishment of a Letter of Credit (LC) or the initiation of an import, the Authorized Dealer (AD) must exercise standard and prudent cautionary measures to confirm that both the exporter and importer are legitimate business entities engaged in the relevant goods. It is essential to ascertain that the exporting country is a recognized supplier of the goods in question and that the pricing of these goods is competitive relative to the prevailing international market rates at the time of the contract and/or similar imports during the same period. Authorized Dealers are encouraged to validate this information, if necessary, with assistance from the appropriate Bangladesh Mission overseas.

FE Circular No. 24 (Dated 24/10/24)	Authorized Dealers (ADs) are permitted to enable qualified importers to bring in permissible items via contracts based on usance terms under supplier's or buyer's credit. (a) The relevant purchase or sales contracts for imports must be presented to the designated ADs, who will then forward them to the Bangladesh Bank's online reporting portal. Prior to submitting import information on the Bangladesh Bank online reporting platform, (i) ADs must ensure they are satisfied with the importers' past performance; (ii) ADs are required to obtain a credit report from foreign suppliers in accordance with current regulations; (iii) An undertaking must be secured from the respective importer confirming that they possess the necessary financing arrangements or adequate cash flows to settle import liabilities upon maturity; (iv) ADs are prohibited from facilitating imports through purchase or sales contracts if there are any outstanding payments from previous imports that remain unsettled past their maturity date.
FEPD Circular Letter No. 10 (Dated 18/09/23)	Comprehensive product descriptions, including quality, brand, date of manufacture, packaging information, and any applicable product grade that allows for the product's quality to be distinguished, along with price and quantity per unit. In cases of importing multiple products under the same PI, each product should be described separately, including value, brand, date of manufacture, packaging information, and any distinguishing characteristics, such as tags, that relate to the product's quality, price, and quantity per unit. For multiple goods imported under a single PI, present all the goods based on their natural units without the need for specific unit measurements like kilograms, liters, or pieces. Compliance with International Chamber of Commerce (ICC) approved incoterms and accurate documentation of transport charges when applicable. Precise specification of the first two digits (a total of 8 digits in full) of the HS code for the specific identification of the imported goods.
FEPD Circular Letter No. 36 (Dated 10/10/2022)	Before commencing import transactions, Authorized Dealers (ADs) are mandated to assess the prices of comparable goods based on the current international market rates on the contract date and/or similar imports during the relevant period. In light of the existing trends in the global commodity market, ADs are encouraged to follow regulatory guidelines for the verification of import prices and their competitiveness. As is customary, ADs must exercise comprehensive due diligence in import transactions and adhere to applicable regulations, which include but are not limited to the provisions of the

	active Import Policy Order, supplier credit assessments, Know Your Customer (KYC) protocols, and Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) standards across all AD branches, offshore banking activities, and central trade processing facilities.
BFIU(Policy)-3/2022-18	Banks should develop their own database and procedures to guide trade processing staff in performing price checks. BFIU also provides a templates in this regard.
Guidelines for Prevention of Trade Based Money Laundering, 2019	The TBML 2019 emphasizes the critical role of price verification in the context of financial crime control. Banks should establish acceptable price variance thresholds and escalation procedures for when significant price differences are identified; different thresholds may be set for different types of goods and services based on periodic market price assessments; price verification process should be centralized or automated where possible to enhance effectiveness and avoid conflicts of interest; banks are advised to take reasonable measures to identify any blatant or obvious pricing irregularities that may indicate inconsistencies in the pricing of shipped goods; while banks may find it difficult to ascertain market prices for all components of a product's price, they should exercise due diligence in trying to identify suspicious pricing; factors like quality, packaging, freight, customs duties, and other costs should be considered when assessing prices; banks are encouraged to verify prices, if needed, with the help of relevant Bangladesh Missions abroad. The document notes that price verification can be challenging due to lack of relevant business information, volume discounts, specific quality features, and the fact that many products are not publicly traded; and a central database or uniform price list for various commodities is suggested as a tool to help prevent under invoicing and over-invoicing. Overall, the document stresses the importance of price verification as part of a risk-based approach to combating trade-based money laundering, while acknowledging the practical challenges banks face in this area.
Import Policy Order 2021-2024 CHP 2 Subsection 5(4)	Importation must occur at the most competitive rates, and it is mandatory for importers to provide documentation to the Import Control Authority concerning the prices they have paid or will pay at any time. In instances of imports under Untied Commodity Aid within the private sector, goods must be procured at the most competitive rates by soliciting quotations from a minimum of three suppliers or indentors from at least two different source countries. However, this requirement does not apply to letters of credit opened for amounts up to USD 15,000. For public sector importers, it is essential to invite

	quotations prior to the opening of a letter of credit, ensuring that goods are imported at the most competitive prices.
Import Policy Order 2021-2024 Sub-section 21 5(ka) & (Gha)	Government-sanctioned and acknowledged pharmaceutical companies will receive a Block List that has been formally approved by the Director of Drug Administration. This list will detail the specifications of raw and packaging materials, including their value and quantity, in accordance with the companies' annual production plans. Imported raw and packaging materials will be cleared by the Customs Authority based on the import invoice and an analysis report of the raw materials. This report must be certified by the Director of Drug Administration or by a government-approved, internationally recognized Pre-shipment Inspection Agent, confirming the quantity, value, and quality of each item.
Import Policy Order 2021-2024 Sub-section 21 5(ka) & (Gha)	All medicines and related products, including antibiotics categorized under H.S. Heading No. 29.41, products listed under H.S. Heading No. 30.01, live vaccines and other items classified under H.S. Heading No. 30.02, as well as goods under H.S. Headings 30.03 and 30.04, are subject to import regulations as specified in the government gazette notification issued by the Directorate of Drug Administration. Importation of these items requires prior approval from the Directorate of Drug Administration. The approval letter must include details such as the quantity of medicine, trade name, generic name, value, registration number assigned by the Directorate of Drug Administration, as well as the manufacturing and expiry dates, in accordance with the Import Policy Order 2021-2024.
Note: Based on GFET, FE Circulars, BFIU TBML Guidelines, and IPO (2021-24).	

Bangladesh Bank has taken several initiatives to supervise the price verification and set up a dedicated desk to oversee effectiveness of price verification process followed by ADs while doing their trade transactions (Box 3.2). In the process, they guide banks (generally verbal instructions) in determining price verification of trade transactions.

Box 3.2: Recent Dynamic Development in Price Verification Enforced by the Bangladesh Bank

- Price verification for import transaction becomes mandatory via FEPD circular letter 36 dated October 10, 2022.
- Bangladesh Bank has also provided directive to upload any import transaction value of USD 3.00 million or above to dashboard and wait for 24 hours for any specific requirement from BB regarding price verification.
- Furthermore, BB also randomly checks daily transactions, sends email to respective ADs to submit price verification as due diligence process for a particular transaction. For any amount, even for USD 2000
- With the above price verification due diligence practices, BB also took several initiatives to enhance price verification process awareness through conduction of training sessions for trade officials.

Despite expectations, difficulties of price verifications are well recognised and accepted. BFIU guidelines for the prevention of trade-based money laundering has also acknowledged this challenge in paragraph 2.7, point (a) that “Due to lack of relevant business information, such as the terms of business relationship, volume discounting or specific quality, or feature, specifications of goods involved, bankers have to be cautious in making meaningful determinations about the appropriateness of the unit price. Moreover, many products are not traded in public markets and their market prices are also not publicly available. Even where goods are publicly traded, the current prices may not reflect the agreed price used in any contract of sale or purchase and these details will not usually be available to the banks involved due to competitive sensitivity of such information” Therefore, the general expectation of the regulators that banks should make reasonable effort to assess whether the price of goods in a transaction is not (1) false, (2) misleading or (3) there is an obvious misstatement in price. If Banks deem any pricing of underlying goods or services are either false or misleading or obvious misstated, they should make further enquiries i.e. enhance due diligence to satisfy following the escalation protocol of their respective guidelines for prevention of trade-based money laundering.

As expected, the implementation of those measures differs across the sector. Recent stress in foreign exchange market draw attention of Bangladesh Bank, primary regulator of international payment system, about the compliance of banks though banks were reporting all the FX transactions in the FX Monitoring Dashboard long before. Bangladesh Bank is using open source information and subscribed one commercial vendor to verify the large LC issued by banks, BFIU developed and disseminated Uniform Template to collect and maintain own database of price of tradable items. With these enforcement statuses of compliance by banks price verification has improved recently. Survey data identified certain areas of expectations from regulators or regulatory provisions that incentivize price manipulations (Box 3.3 to 3.6).

Box 3.3: Regulators' Expectation and Practices by Banks
<p>Statutory Regulatory Order (No. 134-AIN/2023/178/Customs, dated: 21/05/ 2023) was issued by customs to determine fair market price of around 400 importable items. The SRO is an indicative minimum price per unit of about 400 commercial and assorted items. Banks are to follow this SRO before issuance of LC or contract for the above items. However, some recent investigations have unearthed violations of the SRO. For instance, a letter of credit was issued to import orange fruits from abroad where the imported price was USD 0.17 per kg, resulting in huge under-invoicing. However, the SRO has set minimum value USD 0.70 per kg irrespective of country of origin. In another case, it was found that a letter of credit was issued to import facewash from abroad where the imported price was USD 1.5 per kg, resulting in huge under-invoicing. However, the SRO has set minimum value USD 6.5 per kg irrespective of country of origin.</p> <p>Bank officials are hardly informed about the SRO, as the bank does not have centralized or decentralized price verification units. It has been observed that the traders deliberately made pro-forma invoice to avoid high amount of duty and tax on imported items.</p>
Note: Customs' SRO and Survey Findings.

Box3.4: Tariff Schedule Hinders Fair Market Price

In some cases, it was found that banks issued letter of credit for USD 9000 to import car from abroad, however the market price was about USD 12000 to USD 13000. Though bank identified clear sign of under-invoicing, bank could not take any action as the imported price matches with tariff schedule. It is a case of under-invoicing but the bank did not have anything to do with compliance as customers' PI matches with tariff schedule, which lacks market-oriented approach. This process also affects banker-customer relationship in international trade. The traders arrange extra amount of the imported items by hundi which is another means of illegal financial flows.

Note: Based on FGD and Survey

Box 3.5: BB's Reporting Threshold Incentivizes Under-Invoicing

Bangladesh Bank provided directive to upload any import transaction value USD 3.00 million or above to Dashboard and wait for 24 hours for any specific requirement from BB regarding price verification. The above ceiling has created an interesting trend in the market. Customers are commonly interested to keep the value of the transactions below USD 3.00 million to keep the transaction out of the Dashboard monitoring system. In this process, sometimes prices are kept deliberately low to keep the transaction volume below USD 3.00.

Source: Survey

Box 3.6: Restrictions in Advance Payment Incentivizes Under-Invoicing

In importing goods and services via advance payment, ADs are allowed to make outward remittances for a maximum of USD 10000 per instance and USD 25000 from ERQ. If a client wants to import for USD 40000 (for example), a payment undertaking is to be obtained from bank abroad, otherwise permission of Bangladesh Bank is required. The process of obtaining bank guarantee from abroad and permission from Bangladesh Bank is time consuming and not possible to some extent. However, in many instances, it is observed that clients made advance payment exceeding the limit of USD 10000 via hundi or informal channel and banking channel is used for USD 10000.

4. Price Verification Practices in Banks and Commercial Reality-Bangladesh Context

Regulatory expectations and commercial reality may vary because of the differential perspectives, goals, and regulatory and market incentives. Compliance concerns of the regulators and compliance officers of banks, and business concerns of trade finance department/wing have implications for the gap between regulatory expectations and business/commercial reality.

4.1 Sources of Price Verification: Table-4.1 is the summary of internal sources of price verification, not on exhaustive list. As stated, BB, BFIU and customs authorities have some directives in determining price verification. The percentage varies due to lack of information about the availability of the sources. For example, our survey revealed that many bank employees are not aware of Customs SRO.

Table 4.1: Internal Sources of Price Verification	
Banks' Own Data Base	90%
Assessment Value of Previous Bill of Entry/Bill of Export	100%
Customs SRO	70%
Local Market Price, Information from other Clients with same line of business	100%
Bangladesh Bank/ BFIU Verbal Directives	70%

Table-4.2 is the summary of external sources of price verification, not on exhaustive list. The percentage varies due to lack of information about the availability of the sources. Banks also use auction sheet for importing car or any vehicles, Demolition Market Data for scrap vessels, Argus Media for coal, pink sheet of World Bank Commodities Price Data for soft commodity. For importing capital machinery, banks obtain quotations from other exporters or communications with the exporters of respective contracts regarding price negotiation.

Table 4.2: External Sources of Price Verification	
Alibaba.com	100%
Priceline.com	90%
Bloomberg	40%
India Mart	90%
Made in China and SBT	90%
Suppliers' Website and Communication with the Suppliers Directly	70%
London Metal Exchange/Chicago Mercantile Exchange	70%
Globalsource.com	50%

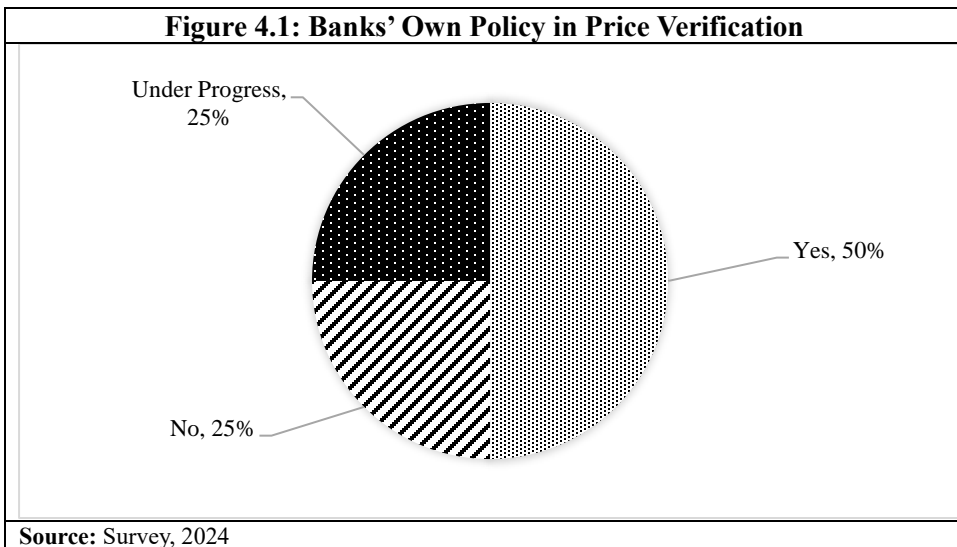


Figure-4.1 shows banks' own policy in price verification where 50% of the banks responded that they have price verification policy. However, with more insights from industry experts, it is observed that banks usually maintain a price verification checklist, not a comprehensive price verification policy. Some banks follow a template regarding risk parameters analysis of the pro-forma invoice or sales contract. One of the bank's templates is presented in Appendix-1.

4.2 Nature of Price Verification Units: Survey data indicate that in a centralized price verification unit, AD or Non-AD branch follow a uniform process for price verification, while decentralization trade environment does not follow the uniform process. In no formal price verification unit, banks do not provide any price verification tools/solutions to their officials in trade transactions, banks' officials apply their own judgment and experience in dealing their customers regarding price verification.

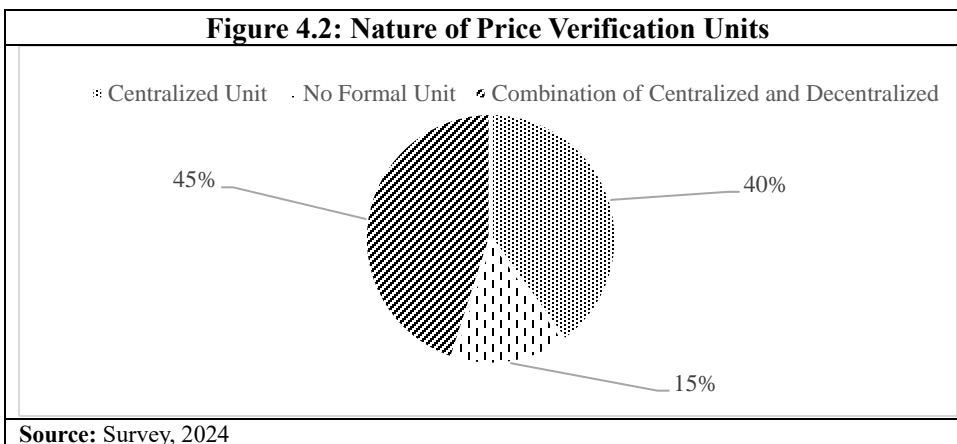


Figure-4.2 is the summary of infrastructure relating to price verification units of banks. 40% banks have a centralized price verification unit- a central unit or a group of officials who clears the trade transactions only after fair price of goods or services. In different bank groups, almost all FCBs follows this form of unit. Very few banks of PCBs have this mechanism. Moreover, 15% banks have no formal price verification unit. In this category, SOCBs hold the major share due to decentralization of trade transactions. Banks do price verification while at the time of issuance of LC, facilitating trade transactions and doing lien on export contracts or LC.

Box 4.1: Central Mechanism for Price Verification

Some banks establish their own databases and formulate explicit policies and procedures to assist trade processing personnel in conducting price verifications. The sources of this data are proforma invoice/ sales purchase contract. Banks develop data base of the price of the export and import. The database sets at a minimum, mention the level of acceptable price variance. If the variation is beyond their stipulated limit, they depend on open source. Moreover, if they don't get any solution they escalate the procedures to another dedicated team. For ensuring smooth trade transaction and ensuring transparency, different threshold for different types of underlying goods and services are allowed on the basis of periodic market price assessment. To enhance the effectiveness of the price checks, the process is not only centralized but also automated. But it is time consuming and for further betterment they suggest that there should be strong co-ordination between Bangladesh Bank (FEOD), Customs and BFIU.

Source: Survey, 2024.

4.3 Use of Purchase/Sale Contract in Bangladesh: ‘Firm Contract’ appears to be a requirement for trade services by banks in Bangladesh. There is specific mention of the term ‘firm contract’ in Bangladesh Bank Guidelines on Foreign Exchange Transactions (GFET) and Export Policy of Bangladesh. For example, “LC to be opened only against ‘Firm Contract’”, AD should, before opening an LC, see documentary evidence that a firm order for the goods to be imported has been placed and accepted” according to the Chapter-7, GFET, 2018; Despite differential interpretations, the term ‘Firm Contract’ might indicate the binding nature of the agreement that cannot be amended or cancelled unilaterally. The term ‘Confirmed Contract’ may be associated with the credibility and genuineness of the counterparty. GFET and Trade Policy documents of the country do not specifically mention using or verifying any special clause to make a contract a binding agreement or legally enforceable, however, there are cautions or suggestions on the trade service facilitation or financing facilities against contract alone. Guideline on Prevention of Trade Based Money Laundering (issued in 2019 by BFIU) also puts forward cautionary note regarding the potential vulnerability of the contract documents.

Table 4.3: Presence of Key Relevant Contract Clauses for Legal Enforceability in Bangladesh	
Sales-Purchase Contract Clauses	Availability
Resolution of Disputes Clause	15%; available for contract of mainly scrap vessel import, and reputed buyers.
Arbitration Clause	13%; available for contract of scrap vessel import, and reputed buyers.
Force majeure Clause	Very Insignificant
Limitation of Liability Clause	Very Insignificant
Applicable Law and Guiding Principles	Very Insignificant
Note: Based on Collected Contract Documents	

4.4 Banks’ Subscription for Price Verification and Human Capacity in Price Verification Unit: Figure-4.3 indicates not all the banks have sufficient infrastructure in place. 40% banks have subscribed for price verification tools, but a large population has not yet. While subscription of

price verification tools does not guarantee that the solution will provide data for all types of goods (about 60% of the goods covered in the solutions). However, the subscription cost is one of the key reasons for fewer number of banks in this infrastructure. As opined by the bank officials, banks are to subscribe to solution providers from USD 8000 to USD 12000 for price verification.

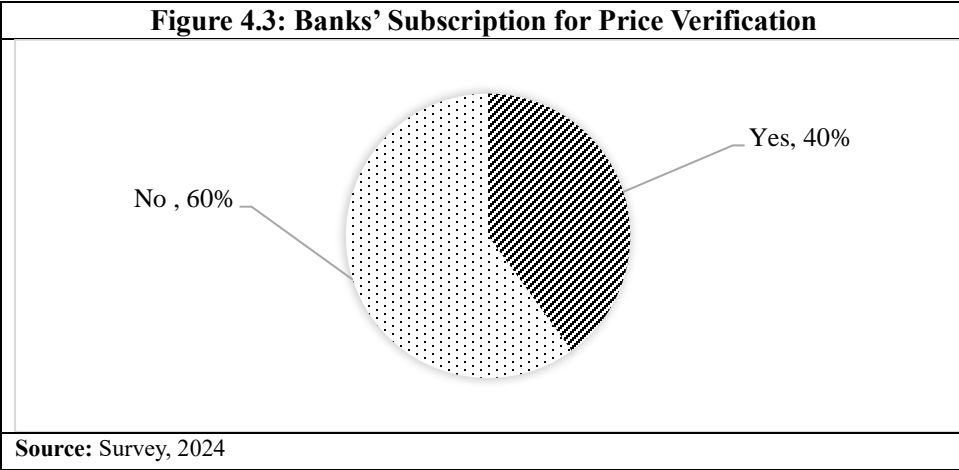
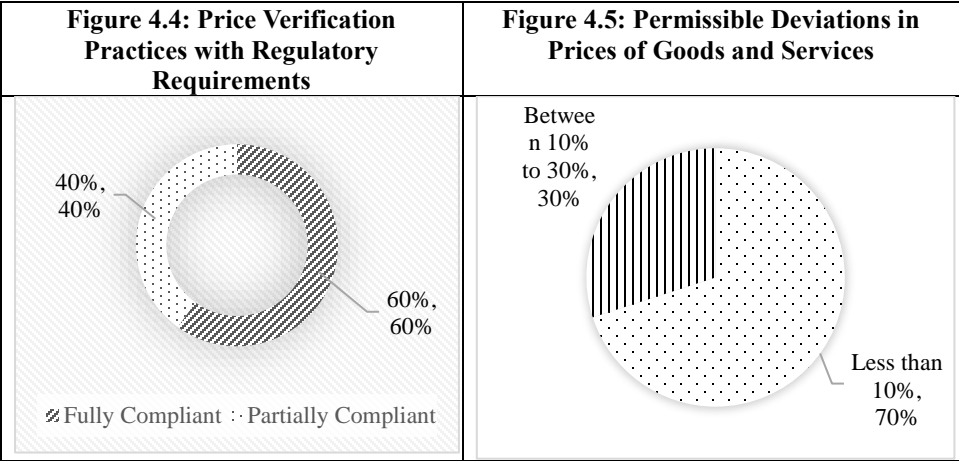


Table 4.4: Human Capacity in Price Verification Unit	
Employees in Price Verification Unit	5 to 15 employees depending on the business volume and compliance requirements
Raising STR/SAR	100% banks responded that they raise STR/SAR in unusual deviations of prices
Source: Survey, 2024	

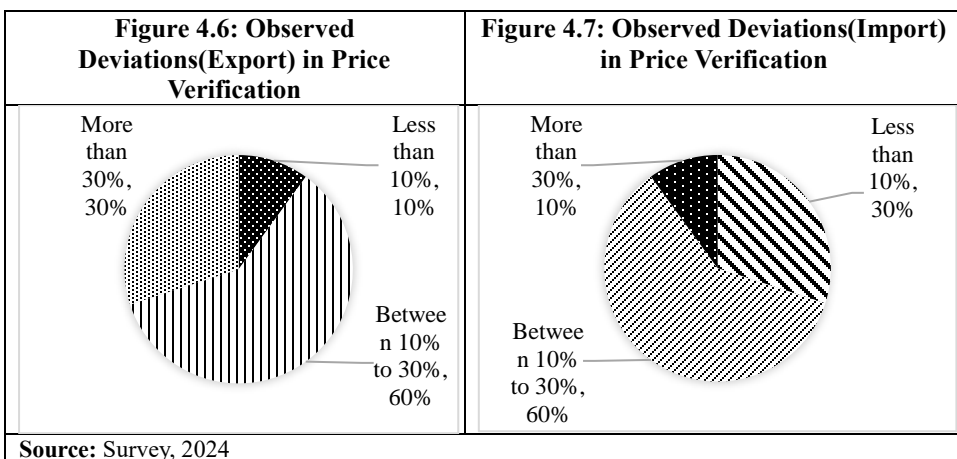
Table-4.4 demonstrates the number of employees involved in price verification in a centralized unit. The number of employees ranges from 5 to 15 employees depending on the business volume and compliance requirements. In many cases, it has been found that many banks' officials are not aware about domestic and international available sources of price verification. So, this table has a significant meaning to take initiative in conducting training program for relevant employees, policy advocacy for customer awareness. Banks' official also reported that customer awareness

is one of the most important aspects for effective price verification due diligence practice. Bank should conduct regular sessions for their own customer make them aware about importance of price verification and consequences of over or under invoicing.

4.5 Deviations in Prices of Goods and Services: Banks’ official mentioned that BB or BFIU or customs authorities do not prescribe any permissible deviation in determining fair market prices, however in some cases, regulatory authorities, particularly officials of FEPD sometimes give some verbal instructions for reasonable deviations in determining fair market prices. For example, in some cases, banks are advised to apply previous Bill of Entry or Custom Valuation Analysis Report (VAR¹). For commercial import, the price of the goods should be at least 80% of immediate bill of Entry as per HS code, banks may also consider 75% after enhanced due diligence. For industrial import, the price of the goods should be at least 75% of the immediate previous bill of entry as per HS code.



¹ VAR is an indication of average price of a particular HS code through the customs records



The above Figure-4.4 indicates that most of the banks allow 10% deviations of market prices depending on the volume, quantity, nature of the goods or services etc. For example, 10% deviation in fuel prices are allowed as it is more aligned with metal exchanges, however, banks do not allow excessive deviation for RMG items in export or import. Survey data indicate that banks observe deviation of 10% to 30% in export and import. Notably, 60% banks respondent that they are fully compliant with regulators’ expectations in price verification.

4.6 Level of Difficulty in Price Verification: As pharmaceutical products vary depending on the complex configuration of items, banks face high levels of difficulty. Pharmaceutical products’ price verification is challenging due to its generic and scientific name and complex product mix (Table-4.5 and Box-4.2)

Table 4.5: Product Wise (Export) Level of Difficulty in Price Verification			
Products	High Level of Difficulty	Moderate Level of Difficulty	Low Level of Difficulty
RMG	25%	60%	15%
Jute Products	30%	65%	5%
Fish	30%	60%	10%
Leather	25%	70%	5%
Agro Product	25%	25%	50%
Pharmaceutical Product	40%	40%	20%
Source: Survey, 2024			

Box 4.2: Challenges Faced by the Bankers to Verify Import Price of Pharmaceutical Product

Banks in Bangladesh encounter considerable difficulties in managing Letters of Credit (LCs) for pharmaceutical imports, primarily due to the intricate and ever-evolving characteristics of the industry. The country is home to approximately 34,000 registered pharmaceutical products and around 220 pharmaceutical companies, as reported by the Directorate General of Drug Administration (DGDA). The pricing of raw materials, especially active pharmaceutical ingredients (APIs), exhibits significant variability. As a Least Developed Country (LDC), Bangladesh enjoys the advantage of no patent restrictions, enabling local firms to manufacture newly developed drugs without incurring royalty fees. Initially, the costs associated with APIs for these drugs tend to be elevated; however, they typically decline as production increases and sales volumes rise. This price fluctuation, combined with the varying quality standards and specialized nature of pharmaceutical raw materials, complicates the banks' ability to authenticate the prices stated in LCs. Additionally, the potential for over-invoicing (to facilitate fund transfers abroad) and under-invoicing (to avoid taxes or duties) further complicates the process, rendering the management of LCs a formidable challenge for banks.

Note: Bank Source

4.7 Mis-invoicing in Traded Products: In importing goods and services, the highest level of difficulty is observed in importing capital machinery, motor parts or assorted items and service import. All the banks are facing a critical challenge in determining fair market price in these products (From Tables-4.6 to 4.7).

Table 4.6: Mis-invoicing of Exportable Items

Products	Over-invoicing	Under-Invoicing
RMG	40%	60%
Jute Products	20%	80%
Fish	20%	75%
Leather	60%	40%
Agro Product	50%	50%
Pharmaceutical Product	20%	80%
Source: Survey, 2024		

Box 4.3: Under Invoicing through Importation of Mobile Accessories

A Bangladeshi importer opened a LC for USD9,800.00 for importation of Mobile Accessories –LCD from China. The total quantity was 4900 KG and corresponding unit price was USD2.00/KG. It is noted that, importer was new in the business and the exporter was a freight forwarder company. Moreover, LC opening branch was Non-AD. As per Customs Assessment the Unit Price: USD 80.00/ KG. Duty paid for Total LC value: US\$ 9800 was Tk.285.00 lac (Approx.) Whereas goods valued as per LC was only for Tk. 10.00 lac which was almost 30 time higher than product price. Later it was found that goods value (LC value) supposed to be US\$ 400,000/- (approx.) instead of US\$ 9,800.00 Goods imported by this LC for other importers. Clearly, this was a case of under-invoicing. LC opening branch was a non-AD branch, so they didn't maintain the compliance regarding price verification in this regard. Proper due diligence was not done of the exporter and the importer.

Box 4.4: Currency Shortage Facilitated Price Manipulation

Recent times, shortage of currency has been impacting businesses in almost every sector, resulting under-invoicing in international trade. For instance, ABC Traders of a private commercial bank approached bank to open letters of credit for USD50000 to import commercial items. However, bank did not show willingness to open the LCs due to shortage of currency. However, the client submitted PI with huge under-invoicing against each quantity. The mismanagement of currency crisis is being exploited by businesses.

Table 4.7: Product Wise (Import) Level of Difficulty in Price Verification

Products	High Level of Difficulty	Moderate Level of Difficulty	Low Level of Difficulty
Crude Petroleum	5%	25%	70%
Chemical	25%	50%	25%
Fertilizer	5%	40%	55%
Raw cotton/Yarn	15%	50%	35%
Sugar	5%	20%	75%
Cinder	10%	60%	30%
Pharmaceutical Product	45%	45%	10%
Capital Machinery	100%		
Motor parts/ Assorted Items	100%		
Service Import (Software)	100%		
Source: Survey, 2024			

Difficulty level in determining reasonable price varies according to the nature of importers and imported products. For example, government approved products are not required to verify as prices are already approved by the government. Moreover, Bonded warehouses goods need not require enhanced due diligence as it requires value addition requirements, and it is very often audited by the customs.

Table 4.8: Perception about Mis-invoicing from Customs Officials, Port Authority Personnel, Importers and Customs Brokers			
Import Items	Under-invoicing (%)	Over-invoicing (%)	Misdeclaration (%)
Capital machinery	80	65	95
Chemicals	82	13	82
Food items	90	0	78
Garments	98	0	79
Source: Milon & Zafarullah (2024)			

Capital Machinery: 80% of all interviewees expressed capital machinery creates an opportunity for ML through under-invoicing due a low import duty rate (1%) for.

Chemical Items: According to 82% of interviewees, under-invoicing and misdeclaration can be used to evade taxes and duties and illegally import chemicals into Bangladesh. According to 82% of interviewees, under-invoicing and misdeclaration can be used to evade taxes and duties and illegally import chemicals into Bangladesh. Falsely declaring a chemical item’s nature, quantity or value on customs documents lowers taxes or avoids detection. Chemicals are used in various industries, from pharmaceuticals and textiles to agriculture and construction. Customs officials may not always have the expertise or equipment to detect the nature or composition of imported chemical items accurately.

Food Items: The vast majority of interviewees (about 90%) cited under-invoicing, or declaring a lower value for their goods than their actual market value, to pay lower customs duties

Garments: In Bangladesh’s imported garment and fabric sector, under-invoicing as a common problem, as alleged by NBR. The difference between the declared and actual values is significantly high. Almost all the interviewees (98%) shared the same opinion that during the import of finished garments and fabrics, the invoice value is lower than the bonded declaration, which indicates under-invoicing.

4.8 Challenges and Suggestive Measures in Price Verification: Figure 4.8 points out the challenges faced by banks in determining price verification. Limited number of Price Verification Solutions is offering price verification for all types of goods and from all countries of the globe. Price Verification Solution providers allow limited access (limited user and limited countries), within a certain price range, which is very high.

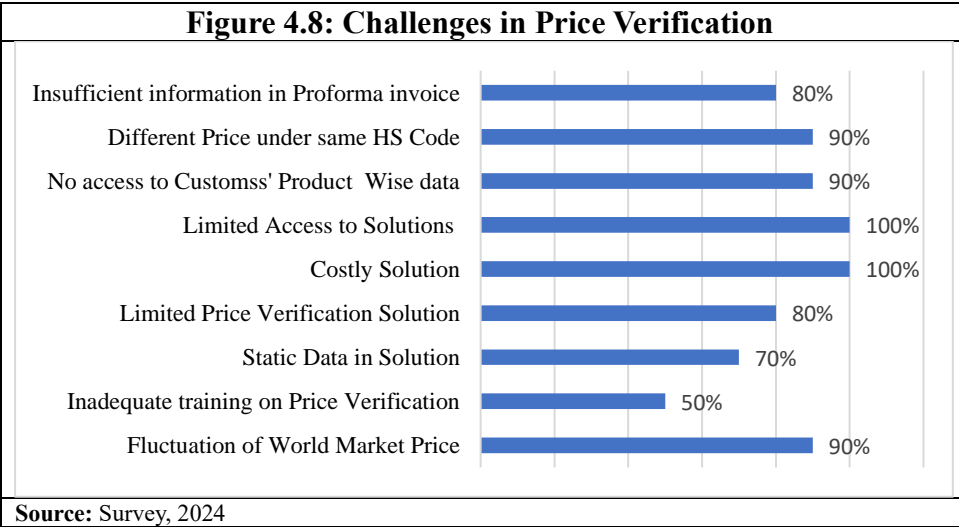
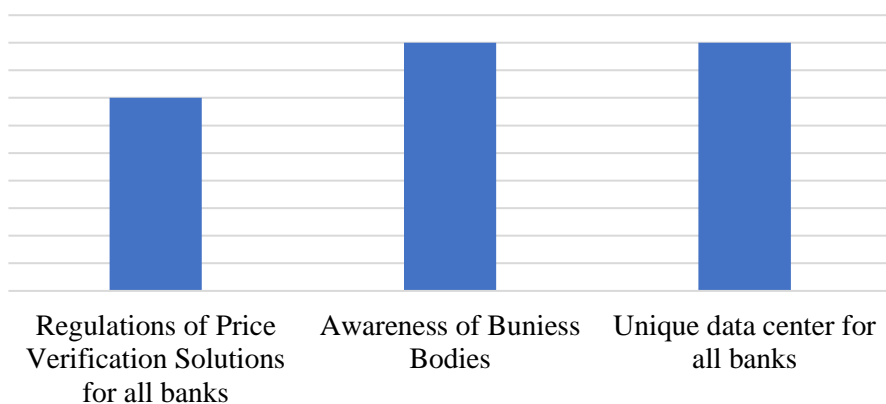


Figure 4.9: Suggestive Measures to Overcome Challenges in Price Verification Units



Source: Survey, 2024

Box 4.5: Expectations from Regulators by Banks

-Bankers are not product experts, and each year thousands of products are imported through banking channels. Without a defined set of guidelines, it is challenging to mitigate Trade-Based Money Laundering (TBML) risks effectively. A viable solution could be making customs assessment prices in public, providing greater transparency and consistency for all stakeholders involved.

-There is a need for clear guidelines on price verification sources, especially for general commodity items, capital machinery, spare parts, commercial LCs; Software. Having a standardized framework would help ensure consistency and accuracy in price validation processes.

-It has been observed that customs assess capital machinery prices by weight (in kg) rather than by unit (set/pc), even when importers declare items as sets or pieces. This method frequently results in discrepancies, with over-shipments noted in the bill of entry. Such discrepancies present significant risks to banks, as Bangladesh Bank audits often flag these issues and direct bank management to take corrective action against responsible officers. Additionally, various items commonly imported in units (such as shoes and sandals) are still assessed in kg by customs. Customs assesses price irrespective of countries. It would be beneficial for customs to review and update their item-specific assessment criteria to reduce these issues.

Source: Survey Data

4.9 Indicative Risk Matrix for Price Verification: The following table is an indicative risk score matrix for a few important imported and exported items. The market share of traded goods, the degree of difficulty in verifying prices for individual products, and mis-invoicing are all considered when creating the score matrix. This matrix's goal is to provide information on how resources should be allocated for product-wise price verification.

Table 4.9: Risk Matrix				
Tradable	Volume of Trade [% of Export/Import] [weight 0.5]	Difficulty Level in Price Verification [Weight 0.25]	Perception of Mis-Invoicing [Weight 0.25]	Total Risk Score
RMG (Export)	0.41	0.11	0.15	0.67
Raw Cotton & Yarn (Import)	0.05	0.08	0.20	0.33
Textile and its Related Articles (Import)	0.04	0.13	0.15	0.32
Iron, Steel and Other Base Metals (Import)	0.04	0.13	0.13	0.31
Chemicals (Import)	0.03	0.09	0.21	0.33
Capital machinery (Import)	0.02	0.13	0.20	0.35
Agriculture Products (Import)	0.01	0.06	0.13	0.20
Leather & Leather Products (Export)	0.01	0.12	0.15	0.28
Jute & Jute goods (Export)	0.01	0.12	0.20	0.33
Home Textile (Export)	0.01	0.12	0.18	0.31
Pharmaceuticals Products (Import)	0.01	0.11	0.20	0.32
Source: Authors' Calculation				

5. Issues and Recommendations for Improving Price Verification

Uniform Price Verification Template and Infrastructural Investment for Price Verification: Trade policies and other related circulars have directives to ensure the competitiveness of price for import and export, it had never gotten momentum before the guideline from the BFIU for the Prevention of Trade-Based Money Laundering in 2019. On price verification, the guideline recommends commercial banks to subscribe for publicly available online commodity pricing website, and (b) bank specific uniform price template. It has been observed that not all banks have fully implemented uniform template as directed by BFIU. In this regard, a separate unit for trade compliance independent from trade operation might be effective to combat mis-invoicing.

Central Price Verification Module: Banking community and business bodies very often demand central bank's initiative to give a price range or central price verification system. The key objective of their demand is to bring uniformity, transparency and accountability in price verification for all stake holders. However, because of numerous regulatory complications, the results of country experiences, like the Central Bank of Nigeria, were not effective for customs and business bodies. Given this evidence, banks' pricing verification obligations and the joint efforts of BB, BFIU, and customs should be expanded.

Circulation of Development of Regulators in Price Verification: Although BB directives for price verification should be followed by all ADs regardless of centralized or decentralized trade environment, each bank has different approach to follow the BB directives. Furthermore, BB also get new challenges on their own analysis on price verification. However, all the experience that respective ADs, and BB have been gaining, those experience are ends along with the transaction. In this regard, a periodical publications or white papers might be helpful for both the bank and BB to achieve regulators' expectations. Moreover, many of regulatory instructions

regarding price verification are verbal. Moreover, Statutory Regulatory Order of Customs plays significant role for bankers in determining price verification of around 400 importable items. However, the SRO is not updated annually on time and only covers limited number of items. Customs authority might think of publishing SRO half yearly more coverage of quantity, particularly capital machinery and assorted items.

Coordination among Regulatory Departments: It is obvious that current price verification efforts are targeted at bank level dealing with documents. However, Custom (NBR), are dealing with goods besides law enforcement agencies investigate cases related to trade-based money laundering, mainly focusing on tax evasion or avoidance and mis-declaration. All customs agencies, law enforcement agencies, financial intelligence units, tax authorities and banking supervisors are currently working with the unique objective to prevent trade-based money laundering via mis-invoicing. Without effective implementation of coordinated framework with effective inter-communication among the actors, the effort toward effective price verification might not be fully gained. A policy might be formed, so that Bangladesh Customs Shares product wise import and export price with Bangladesh Bank in certain interval, with will be centrally preserved by Bangladesh Bank and Bangladesh Bank might allow access to commercial banks in that database, to conduct price verification Import/Export from Bangladesh Customs data.

Structured Co-ordination among Stakeholders for Sharing of Price: Bangladesh Bank could initiate the creation of a publicly accessible database that catalogues the average prices of frequently traded goods. This resource would be available to businesses, regulatory authorities, and the general public, thereby promoting price comparisons and improving market transparency. Furthermore, Bangladesh should consider integrating its customs systems with international trade databases, such as those operated by the WTO or other regional trade organizations. This integration would enable the cross-referencing of prices and trends within the global market.

Additionally, Bangladesh might pursue agreements with neighbouring nations and international entities to establish mutual recognition of pricing standards and facilitate the exchange of pricing information. Lastly, it is advisable to implement a regulatory framework mandating that importers and exporters provide evidence of price verification from an independent third party, such as a certified valuation expert, who can supply verified transaction data for the purpose of price validation.

Awareness and Training for Bank Employees and Customers: Awareness on price verification is important for both levels, bank employees and traders. International trade involves multiparty transactions with different objectives in a complex trade ecosystem. For price verification to meet regulators' expectation, a number of internal and external sources are available in the market, some are open sources and others are paid sources, banks' employees must be well informed about those updated sources. In this regard, customs, BB, BIBM and banks' training institute might organize regular trainings to be designed for bank employees and traders.

Legally Enforceable Sales Purchase Contract: As repeated in several other earlier reviews and BIBM research, legally enforceable purchase/sale contract is a crucial need. It is an important risk management tool for all methods of payments. Further, it would offer protection to the fair parties associated with the Back-to- Back LCs issued against purchase/sale contracts. Alongside ratifying the UN Vienna Convention on Contract of Sale (CISG), there should be clear instructions regarding transactions with other non-ratifying countries by domestic traders. Moreover, UNIDROIT principles should be ratified as the soft law to handle trade finance-related disputes. It is to be mentioned here that most of the trading partners of Bangladesh are signatories of CISG and UNIDROIT principles.

This paper focuses on the global and local practices and challenges with the implementation of price verification in trade and service. However, this is

only one consideration as to the validity of a transaction and whether other risks occur needs to be assessed. Price checking in isolation is not currently an effective control to identify trade-based money laundering through price manipulation and firms should take a broader holistic approach to understanding customers' activities.

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Summary

Appendices

Appendix 1: Pro-forma Invoice/Sales Contract Analysis

Docudex Tracking No			
Applicant Name			
Amount			
Sl.	Risk Parameter	Yes/ No	Comments/ Justifications
1	Goods consistent with regulatory approval/CRM approval conditions.		
2	Country of Origin of Goods Acceptable.		
3	High risk country/product screening.		
4	Justification Is Acceptable If the Beneficiary Country, Country of Origin and Port of Shipment Is Different.		
5	Quantity of Consignment is Consistent with Importer Nature of Business.		
6	Price found competitive in GTT Software		
7	If Deviation of price is more than 20% from GTT Software than EDD is done on the basis of following:		
	a) Customer Clarification		
	b) Previously Open Bill of entry copy		
	c) Other /Same customer Price Checked of the same item from own database (Pricing Database)		
	d) Other customer Price Checked of the same item (Custom Assessment Sheet)		
	e) World Bank Commodity Price Checked		
	f) Price Checked from Different website		
Signed by Maker:		Signed by Checker (Based on above checking of the maker):	
Comments (if Any):		Comments (if Any):	

Appendix 2: Price Verification Tools Adapted by “India” for International Trade

Tools Name	Process
1. Customs Valuation Methods (Under Customs Act, 1962)	<p>India follows the customs valuation rules outlined by the World Trade Organization's (WTO) & Agreement on Customs Valuation (ACV). There are several methods to verify the price of goods for customs purposes:</p> <p>Method 1- Transaction Value Method: This is the most commonly used method. The customs authorities check the invoice value of the goods declared by the importer. The price paid or payable for the goods is generally considered, provided there are no indications of undervaluation or fraud.</p> <p>Method 2- Transaction Value of Identical Goods: If the transaction value method is not applicable, India's customs authorities may verify the value based on identical goods (goods that are the same in all respects, including physical characteristics, quality, and reputation).</p> <p>Method 3- Transaction Value of Similar Goods: If identical goods cannot be found, customs authorities may use the price of similar goods that have the same commercial value and are traded in similar conditions.</p> <p>Method 4- Deductive Value Method: If the transaction value cannot be established, customs may use the price at which the imported goods are sold in India (or in other countries) after importation. The price is then adjusted for various costs such as transportation, commissions, and taxes.</p> <p>Method 5- Computed Value Method: If other methods are not applicable, the value can be based on the cost of production (e.g., materials, labor, overhead, and profit) in the country of export.</p> <p>Method 6- Fallback Method: As a last resort, customs may use reasonable means to arrive at the value, based on the available data and previous methods. This may involve a combination of methods or external databases.</p> <p>[Go to Google Scholar & Search Query for Google Scholar: 1. "Customs Valuation Methods under WTO India" 2. "Customs Act 1962 India WTO agreement customs valuation"]</p>

Tools Name	Process
2. Customs Tariff Information System (TARIC) and Customs Duty Classification	<p>❖ HS Codes: Customs officers check the HS code under which goods are classified. If the price of goods under a particular HS code seems abnormally low or high compared to historical import prices, it can trigger a review.</p> <p>❖ Customs Duty Rates: Customs verifies that the declared price is consistent with the expected import duty based on the Customs Tariff for the specific HS code.</p> <p>India's Central Board of Indirect Taxes and Customs (CBIC) maintains a detailed tariff database, and officers can check the correct duty classification to verify price consistency.</p> <p>[Go to Google Scholar & Search Query for Google Scholar: 1. "Customs Tariff Information System India" 2. "HS Code classification India customs duty verification"]</p>
3. Risk Management System (RMS)	<p>India's Risk Management System (RMS) is an automated system used to facilitate the clearance of goods through customs. It helps in verifying the price of goods by evaluating the risk associated with the declared value.</p> <p>❖ Automated Risk Profiling: RMS profiles consignments based on risk factors such as value discrepancies, HS code classifications, and country of origin. Goods with suspiciously low prices may be flagged for manual inspection.</p> <p>❖ Risk-Based Targeting: RMS ensures that resources are directed to shipments that pose the highest risk, including incorrect price declarations.</p> <p>[Go to Google Scholar & Search Query for Google Scholar: 1. "Risk Management System RMS India customs" 2. "Automated risk profiling in Indian customs"]</p>
4. Pre-Arrival Assessment Report (PAAR)	<p>India introduced the Pre-Arrival Assessment Report (PAAR) system, which allows importers to get advance rulings regarding the customs duty and the classification of goods before the goods arrive at the port. Under PAAR, the customs authorities assess the declared price and classify the goods correctly based on the information submitted by the importer. The tool helps verify whether the price is in line with the customs tariff and international pricing standards.</p> <p>[Go to Google Scholar & Search Query for Google Scholar: 1. "Pre-Arrival Assessment Report PAAR India customs" 2. "Advance ruling PAAR system India"]</p>

Tools Name	Process
5.Valuation Advance Ruling	<p>Importers can seek a valuation advance ruling under Section 28H of the Customs Act to get an official decision from Indian Customs about the correct value of goods. This ruling is particularly useful for importers to ensure that their pricing is in compliance with the Customs Act and the WTO's Customs Valuation Agreement.</p> <p>❖ Ruling Mechanism: If an importer has doubts about the customs valuation or price verification process, they can approach the Authority for Advance Rulings (AAR) for a binding decision regarding the value of goods being imported.</p> <p>[Go to Google Scholar & Search Query for Google Scholar: 1."Valuation advance ruling Section 28H Customs India" 2."India customs advance ruling mechanism"]</p>
6. Customs Post-Clearance Audits (PCA)	<p>India uses Post-Clearance Audits (PCA) to verify the correctness of price declarations after goods have been cleared by customs. PCA involves checking financial and accounting records to ensure that the prices declared on invoices align with the actual transaction prices.</p> <p>❖ Verification of Invoices: Customs officers may request importers to provide original invoices, payment records, and shipping documents for inspection to ensure the price matches the value declared at the time of import.</p> <p>❖ Audit of Payment Terms: The PCA may also involve reviewing the terms of payment (e.g., discounts, commissions, or other considerations) to verify whether they align with the declared customs value.</p> <p>[Go to Google Scholar & Search Query for Google Scholar: 1."Post-Clearance Audits PCA India customs" 2."Customs post-clearance audit verification India"]</p>
7. Third-Party Verification (Pre-Shipment Inspection)	<p>India uses third-party inspection agencies, especially for high-risk or complex goods, through the Pre-Shipment Inspection (PSI) mechanism.</p> <p>❖ Inspection Agencies: Independent agencies like SGS and Bureau Veritas are often contracted to verify the price and quality of goods before shipment. These agencies inspect invoices and ensure that prices match market norms.</p> <p>❖ Import Data Validation: PSI agents cross-check the price of the goods with global market prices to verify that the declared price is not artificially low or high.</p> <p>[Go to Google Scholar & Search Query for Google Scholar: 1."Pre-shipment inspection agencies India SGS Bureau Veritas" 2."Third-party inspection customs India"]</p>

Tools Name	Process
8. E-Commerce and Digital Platforms	<p>With the rise of e-commerce, India has started to focus more on digital tools for price verification, especially for cross-border e-commerce transactions.</p> <p>❖ GST Invoices and Data Matching: Indian customs may match the GST invoices (Goods and Services Tax invoices) submitted by e-commerce sellers with the declared customs value. Discrepancies in declared values can lead to additional scrutiny.</p> <p>E-Commerce Guidelines: The Indian government has introduced specific rules to monitor and regulate e-commerce imports.</p> <p>[Go to Google Scholar & Search Query for Google Scholar: 1."E-commerce customs India GST verification" 2."Digital platforms cross-border trade India customs"]</p>
9. Anti-Dumping and Countervailing Duty Investigations	<p>India also uses price verification in the context of anti-dumping and countervailing duty investigations to check whether goods are being sold at artificially low prices (dumping). If goods are found to be underpriced, duties are imposed.</p> <p>❖ Price Comparisons: In anti-dumping investigations, customs authorities compare the declared price with the normal value in the exporting country, adjusted for transportation costs, tariffs, and other factors.</p> <p>WTO Compliance: The Directorate General of Trade Remedies (DGTR) carries out investigations to ensure that goods are not being dumped into the Indian market at unfair prices.</p> <p>[Go to Google Scholar & Search Query for Google Scholar: 1."Anti-dumping investigations India customs" 2."Countervailing duties price verification India"]</p>
10. Trade Data and Market Intelligence Tools	<p>India also relies on market intelligence tools and trade data to verify the price of imported goods:</p> <p>❖ DGFT (Directorate General of Foreign Trade) Database: Customs may use DGFT data to monitor trade trends and identify irregularities in pricing patterns for specific goods.</p> <p>Import and Export Price Indexes: Customs officers and other government agencies may use import/export price indexes and trade data reports from sources like DGCI&S (Directorate General of Commercial Intelligence and Statistics) to detect abnormal pricing.</p> <p>[Go to Google Scholar & Search Query for Google Scholar: 1."Trade data verification India DGFT" 2."India market intelligence customs verification"]</p>

Appendix 3: Some Developing Countries Price Verification Tools for International Trade

Country Name	Tools
China	<ol style="list-style-type: none"> 1. Customs Valuation Methods (Customs Law and WTO Valuation Agreement) 2. Customs Declaration and Risk Management System (RMS) 3. Customs Post-Clearance Audits (PCA): China's Customs Post-Clearance Audit (PCA) system reviews the price declarations made at the time of import or export. After goods are cleared through customs, authorities may perform audits on companies' books and records to verify that the transaction prices declared to customs match the actual prices paid or payable for the goods. 4. Advance Ruling System 5. Third-Party Verification (Pre-Shipment Inspection): These inspection agencies, such as SGS, Bureau Veritas, and Intertek, verify the value, quality, and quantity of goods being exported to China. 6. Price Indexing and Market Intelligence Tools: Chinese customs use a variety of market intelligence tools to monitor trade prices. This includes the use of price indexes, trade data, and databases from sources like the China Customs Statistical Yearbook and industry reports. Customs authorities use this data to detect inconsistencies or unusual pricing patterns. 7. Anti-Dumping and Countervailing Duties 8. Electronic Data Matching (Cross-Border E-commerce): With the rise of cross-border e-commerce, China has implemented digital tools to verify prices on online platforms. Chinese authorities match electronic data from e-commerce platforms (e.g., Alibaba, JD.com) with customs declarations to ensure prices are accurate and reflect the true market value. 9. Harmonized System (HS) Codes and Tariff Classification: Tariff Database: China's General Administration of Customs (GAC) maintains a comprehensive tariff database. Customs officers use this to cross-

	<p>check the correct duty rate for the declared price of the goods.</p> <p>[Go to Google Scholar & Search Query for Google Scholar:</p> <ol style="list-style-type: none"> 1."China Customs Valuation System" 2."Customs Valuation Methods in China" 3."Risk Management System China Customs" 4."Post-Clearance Audit China Customs" 5."Anti-Dumping Investigations China" 6."Price Verification in International Trade China" 7."Cross-Border E-commerce China Customs"]
Vietnam	<ol style="list-style-type: none"> 1. Customs Valuation Methods (Under the Customs Law and WTO Guidelines): Vietnam follows the customs valuation rules prescribed by the WTO's Customs Valuation Agreement and its own Customs Law (2014), which includes six primary methods for determining the correct customs value of goods. 2. Vietnam Customs Information System (VNACCS/VCIS) 3. Risk Management System (RMS) 4. Post-Clearance Audit (PCA) 5. Pre-Shipment Inspection (PSI): Third-party agencies like SGS and Bureau Veritas are commonly involved in pre-shipment inspection. These agencies provide an independent assessment of the goods' value and ensure that the price declared by the exporter aligns with the prevailing market prices. 6. Harmonized System (HS) Codes and Customs Tariff Database: Vietnam's General Department of Customs (GDC) uses HS codes to check whether the declared price is consistent with market norms for goods under the same classification. <p>Customs authorities verify that goods are correctly classified according to the Vietnam Customs Tariff. If goods are misclassified, it can lead to discrepancies in the declared value and potential undervaluation.</p> <ol style="list-style-type: none"> 7. Anti-Dumping and Countervailing Duty Investigations: Vietnam, like many other WTO member states, applies anti-dumping and countervailing duties to imports that are deemed to be unfairly priced (i.e., dumped or subsidized). Price verification plays a critical role in such investigations, particularly when prices are suspected to be artificially low.

	<p>8. E-Commerce and Digital Platforms: GST Invoices and E-Commerce Guidelines: Customs authorities verify Value-Added Tax (VAT) and Goods and Services Tax (GST) invoices submitted by e-commerce sellers to ensure consistency with the declared customs value.</p> <p>[Go to Google Scholar & Search Query for Google Scholar: 1."Vietnam customs valuation methods" 2."Vietnam Risk Management System VNACCS" 3."Customs valuation WTO Vietnam" 4."post-clearance audit Vietnam customs" 5."Pre-shipment inspection Vietnam customs"]</p>
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Appendix 4: Some Developed Countries Price Verification Tools for International Trade

Country Name	Tools
Japan	<p>1. Customs Valuation Methods (Under the Customs Act and WTO Guidelines): Japan adheres to the WTO Customs Valuation Agreement and the Customs Act of Japan (Act No. 61 of 1954), which provides guidelines for determining the customs value of imported goods.</p> <p>2. Customs Valuation Database (Japan's Customs Data and Tariffs)</p> <p>3. Risk Management System (RMS): Japan's Risk Management System (RMS) is an automated system that helps in detecting discrepancies in declared prices and targeting high-risk shipments for detailed inspection.</p> <p>4. Post-Clearance Audit (PCA): Japan's Post-Clearance Audit (PCA) system plays a crucial role in verifying the accuracy of customs declarations after goods have been cleared through customs.</p> <p>5. Pre-Shipment Inspection (PSI): Japan has a Pre-Shipment Inspection (PSI) program for certain high-risk goods. Third-party inspection agencies, such as SGS and Bureau Veritas, are often contracted to verify the quality, quantity, and price of goods before they are shipped.</p> <p>6. Harmonized System (HS) Codes and Customs Tariff Database.</p> <p>7. Anti-Dumping and Countervailing Duty Investigations: Japan uses price verification tools during anti-dumping and</p>

	<p>countervailing duty investigations. These investigations are designed to prevent unfair trade practices, such as the import of goods at artificially low prices (dumping).</p> <p>8. Trade Data and Market Intelligence: Japan also uses trade data and market intelligence tools to verify the price of imported goods.</p> <p>9. Advance Ruling System: Japan's Advance Ruling System allows importers to obtain binding rulings on the valuation, classification, and origin of goods before they are imported.</p> <p>10.E-Commerce and Digital Platforms: With the rise of cross-border e-commerce, Japan has been focusing on ensuring that e-commerce imports are properly valued and that declared prices align with actual market prices. [Go to Google Scholar & Search Query for Google Scholar: 1."Japan customs valuation" 2."WTO customs valuation agreement Japan" 3."Japan price verification international trade" 4."Risk management system Japan customs" 5."Pre-shipment inspection Japan trade" 6."Japan anti-dumping duties and trade" 7."Customs tariff database Japan" 8."Harmonized system Japan customs" 9."post-clearance audit Japan"]</p>
United Arab Emirates (UAE)	<p>1. Customs Valuation Methods (Under the UAE Customs Law and WTO Guidelines): The UAE follows the World Trade Organization's (WTO) Customs Valuation Agreement, and the valuation rules prescribed under Federal Law No. 20 of 1992 (UAE Customs Law).</p> <p>2. UAE Customs Electronic Systems (Automated Systems for Valuation and Inspection): The UAE has implemented several electronic systems that help automate and streamline customs processes.</p> <p>3. Risk Management System (RMS): The Risk Management System (RMS) in the UAE is a crucial tool used to detect inconsistencies in declared prices. It helps flag high-risk shipments for further inspection.</p> <p>4. Post-Clearance Audit (PCA): Post-Clearance Audits (PCA) are conducted by UAE Customs to verify the accuracy of price declarations after goods have been cleared and</p>

	<p>imported.</p> <p>5. Pre-Shipment Inspection (PSI): The UAE has a Pre-Shipment Inspection (PSI) program in place for certain categories of goods. Under this system, independent third-party inspection agencies verify the quality, quantity, and price of goods before shipment.</p> <p>6. Harmonized System (HS) Codes and Tariff Database: UAE Customs uses the Harmonized System (HS) Codes to classify goods and determine applicable customs duties. This system helps customs verify that goods are classified correctly and that the price declared aligns with the expected value for goods under that classification.</p> <p>7. Anti-Dumping and Countervailing Duty Investigations: The UAE is a member of the World Trade Organization (WTO) and has established mechanisms to investigate and apply anti-dumping and countervailing duties. These duties are imposed when goods are found to be sold at artificially low prices (dumping) or are subsidized by foreign governments.</p> <p>8. Advance Ruling Mechanism: The UAE has an advance ruling mechanism where importers can request a binding decision from customs regarding the classification, valuation, and origin of goods before shipment.</p> <p>9. E-Commerce and Digital Platforms: With the rise of e-commerce, UAE has focused on regulating cross-border e-commerce transactions to ensure proper valuation and prevent mis-invoicing in low-value shipments. [Go to Google Scholar & Search Query for Google Scholar: 1."UAE customs price verification" 2."UAE customs valuation tools" 3."Over-invoicing under-invoicing customs UAE" 4."Risk management system UAE customs" 5."Pre-shipment inspection UAE trade" 6."Customs law UAE WTO valuation"]</p>
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Appendix 5: Global Price Verification Software Name

SL no.	Software	Uses	Key Features
1	Thomson Reuters ONESOURCE	<ul style="list-style-type: none"> • Transfers pricing and tax compliance • Helps companies manage pricing in cross-border transactions • Benchmarking analysis, regulatory reporting, and price validation tools for various regions 	<ul style="list-style-type: none"> • Automated transfer pricing documentation, • Audit defence • Real-time data integration • Regulatory updates
2	SAP Global Trade Services (SAP GTS)	<ul style="list-style-type: none"> • Automates global trade processes • Helps businesses manage import/export compliance • Ensures proper customs valuation, • Verifies price align with market conditions 	<ul style="list-style-type: none"> • Trade compliance management • Customs and tax processing • Real-time tracking of trade transactions • Trade agreement management
3	Amber Road (now E2open Global Trade Management)	<ul style="list-style-type: none"> • Automates trade compliance, including customs valuation and ensuring proper pricing in trade transactions 	<ul style="list-style-type: none"> • Customs documentation • Product classification • Screening for trade restrictions • Ensuring competitive and accurate pricing
4	Oracle Global Trade Management (GTM)	<ul style="list-style-type: none"> • Trade compliance and customs management, including the verification of trade transaction prices against regulatory standards. 	<ul style="list-style-type: none"> • Trade transaction monitoring, • Customs documentation, and pricing compliance.
5	Mitrastech's INSZoom	<ul style="list-style-type: none"> • Offers solutions for managing customs requirements, including price verification, in trade transactions. 	<ul style="list-style-type: none"> • Compliance reporting • Pricing documentation • Trade activity monitoring.
6	Pricefx	<ul style="list-style-type: none"> • Optimizes pricing strategies 	<ul style="list-style-type: none"> • Pricing optimization,

		<ul style="list-style-type: none"> • Ensures price align with global market benchmarks and trade regulations • Helps companies in developing countries maintain competitiveness 	<ul style="list-style-type: none"> • Market benchmarking, • Real-time price monitoring.
7	Informatica MDM – Product 360	<ul style="list-style-type: none"> • Helps companies manage product and pricing data across global markets • Includes functionality for price verification, • Ensuring that pricing aligns with customs and regulatory requirements in international trade 	<ul style="list-style-type: none"> • Product and price data management, validation, and integration with global trade systems.
8	Descartes CustomsInfo	<ul style="list-style-type: none"> • Provides trade compliance and pricing tools to manage customs processes • Ensures accurate customs valuation and compliance with pricing regulations for international trade. 	<ul style="list-style-type: none"> • Automated classification, • Tariff calculations, • Pricing validation for trade transactions.
9	Avalara for Cross-Border Compliance	<ul style="list-style-type: none"> • Provides automated solutions for tax compliance and customs • Helps businesses ensure that prices for imported/exported goods are compliant with local tax laws and customs regulations 	<ul style="list-style-type: none"> • Customs documentation, • Tax compliance • Real-time price verification, and reporting.
10	Trax	<ul style="list-style-type: none"> • Offers solutions for trade finance and pricing validation in logistics and supply chain management • Includes tools to verify and ensure accurate pricing in global trade and supply chain operations 	<ul style="list-style-type: none"> • Trade finance pricing validation • Shipment cost verification • Supply chain price analysis.

Appendix 6: The Countries and Banks/Companies Using the Global Price Verification Software

SL no.	Software	Used by countries	Name of Banks/Companies
1	Thomson Reuters ONESOURCE	United States, United Kingdom, Canada, Australia, and New Zealand.	HSBC, Barclays, Deloitte and PwC
2	SAP Global Trade Services (SAP GTS)	Germany, France, Brazil, China, and Japan	Deutsche Bank, Standard Chartered, Siemens
3	Amber Road (now E2open Global Trade Management)	United States, India, China, South Africa, Mexico	Citi (Global), DBS Bank, Toyota
4	Oracle Global Trade Management (GTM)	United States, Japan, Brazil, and European countries	Bank of America, BNP Paribas, GE (General Electric)
5	Mitratesh's INSZoom	United States, India, and the Philippines.	Bank of America, Wells Fargo, Infosys
6	Pricefx	European Union countries, Australia, the United States, and South Korea.	Vodafone, Hilti
7	Informatica MDM-Product 360	United States, Canada, Germany, Japan, and Australia.	ING Bank, Citigroup
8	Descartes CustomsInfo	The United States, UK, China, India, and Brazil	HSBC, JP Morgan, FedEx
9	Avalara for Cross-Border Compliance	United States, Canada, Mexico, Brazil, and the UK	Shopify, Etsy, Square (USA)
10	Trax	United States, India, Singapore, Brazil, and South Africa	DBS Bank, Maersk, Unilever

Appendix 7: Price Verification Tools or Software Used by Neighbouring Countries or Banks of Bangladesh

Sl.	Software Name	Used by Neighboring Countries	Name of Banks
1	SAP Global Trade Services (SAP GTS)	India, Sri Lanka, Nepal.	<ul style="list-style-type: none"> • State Bank of India (SBI) • HDFC Bank (India) • Commercial Bank of Ceylon (Sri Lanka)
2	Amber Road (now E2open Global Trade Management)	India, Sri Lanka, Pakistan.	<ul style="list-style-type: none"> • ICICI Bank (India) • National Bank of Pakistan (NBP) • Tata Consultancy Services (TCS) (India)
3	Oracle Global Trade Management (GTM)	India, Pakistan, Sri Lanka	<ul style="list-style-type: none"> • Bank of India (India) • Bank of Ceylon (Sri Lanka) • Reliance Industries (India)
4	Thomson Reuters ONESOURCE	India, Pakistan	<ul style="list-style-type: none"> • Axis Bank (India) • Reserve Bank of India (RBI) • Habib Bank Limited (HBL) (Pakistan)
5	Descartes Customs Info	India, Pakistan	<ul style="list-style-type: none"> • IndusInd Bank (India) • HDFC Bank (India)
6	Avalara for Cross-Border Compliance	India, Sri Lanka	<ul style="list-style-type: none"> • Standard Chartered Bank (Sri Lanka) • Flipkart (India)
7	Tally Solutions (Used Regionally)	India, Bangladesh, Nepal	<ul style="list-style-type: none"> • Bangladeshi small and medium enterprises (SMEs) • Indian SMEs and businesses
8	Pricefx	India	<ul style="list-style-type: none"> • Mahindra & Mahindra (India)
9	TradeStone Solutions	India, Bangladesh, Sri Lanka	<ul style="list-style-type: none"> • Aditya Birla Group (India)

Appendix 8: Central Bank Guidelines on Software Solutions for Price Verification in Combatting Trade-Based Money Laundering in South Asia

Country Name	Central Bank Name	Guidelines on Software Solutions
India	Reserve Bank of India (RBI)	RBI has not prescribed specific software for price verification but recommends the adoption of advanced AML solutions and trade monitoring systems.
Pakistan	State Bank of Pakistan (SBP)	SBP does not recommend a specific software for TBML detection but emphasizes the importance of using automated AML/CFT compliance systems.
Sri Lanka	Central Bank of Sri Lanka (CBSL)	CBSL supports the use of automated trade surveillance systems, although it does not recommend specific software.
Nepal	Nepal Rastra Bank (NRB)	While NRB does not directly endorse specific software, it encourages the use of automated AML monitoring systems to prevent TBML many Nepalese banks use systems like AMLOCK for compliance.

Appendix 9: Approaches to Price Verification in Trade Finance

Provide by “ICC”

1. Manual Review by Processing Staff:

A common method of price verification relies on transaction processing staff who use their judgment to flag unusual pricing. This approach leans on knowledge gained over time by staff, making it suitable for commonly traded items like footwear or household goods. However, complex goods, such as specialized machinery, often require more advanced evaluation methods beyond typical trade finance capabilities. Assessing service prices is also challenging, as they vary widely in quality, making manual verification difficult.

2. Market-Linked Price Checks:

For certain commodities with established market prices, such as energy and select non-energy goods, staff can verify pricing against market standards. Commodities are divided into categories like energy (e.g., coal, crude oil) and non-energy (e.g., agriculture, metals). However, with over 17,000 categories in global tariff schedules, price verification remains feasible for only a limited range of goods.

3. Historical Transaction Data:

Using historical data to set price ranges is limited by the level of detail recorded in trade transactions, such as descriptions, quantities, and associated costs. Additionally, data accuracy depends on the FI's previous transaction records and may be limited if data quality is inconsistent. Historical data may, however, provide insight into customer trading patterns.

4. Enhanced Due Diligence (EDD):

For high-risk transactions involving certain countries, customers, or goods with high manipulation risks or dual-use potential, Financial Institutions (FIs) may employ enhanced due diligence. This might involve further customer due diligence (CDD) to verify if the customer frequently trades in high-risk goods and may require ongoing monitoring.

In summary, manual checks, market prices, historical data, and enhanced due diligence are key approaches to price verification, though each has limitations based on data quality, product complexity, and risk factors in trade finance.

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