GFTrade™: A Solution for Trade Finance Risk
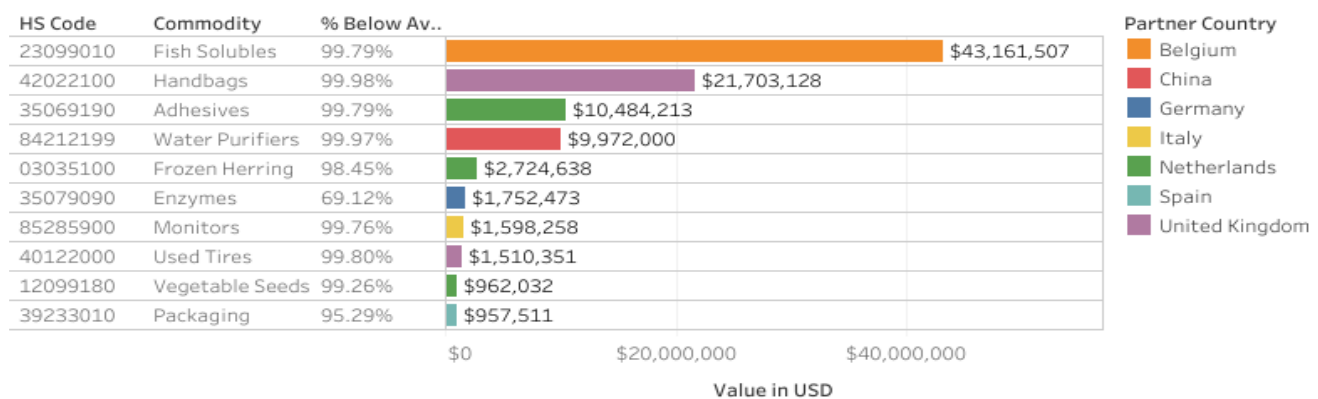
Section 1 – General Overview

GFTrade™ is a proprietary, **cloud-based risk assessment tool** designed by **Global Financial Integrity (GFI)** to help **trade finance institutions** detect international trade transactions that show indications of **trade misinvoicing/potential money laundering.** Trade misinvoicing is the primary means used by both legitimate businesses and illicit actors to **launder illicit proceeds**, **evade customs duties and taxes** and to **illicitly move value/funds across borders via the international trade system**. Financing trade transactions that involve trade misinvoicing can significantly increase financial institutions reputational risk and serious civil and criminal penalties.

According to the Wolfsberg's Group, trade misinvoicing cannot be easily identified by consulting trade documents alone. This is particularly true given the inherent **asymmetry of information in international trade transactions**, which allows illicit actors to quickly shift substantial sums of money across borders.

GFTrade™ can help trade finance institutions counter this problem and minimize their risks of financing fraudulent/illicit trade transactions. The tool uses official government trade data (updated monthly) from 64 of the world's largest trading countries, to compare the information provided by the importer/exporter on the invoice (value, quantity, and commodity) with the average prices for trades of the same products as reported by the trading partner. This ability to check for valuation inaccuracies has revolutionized trade finance institutions' ability to address the **asymmetry of information in international trade that facilitates misinvoicing/money laundering.**

GFTrade™ demonstrated its effectiveness in the real-world by enabling a government client to detect **US$100 million** in trade misinvoicing in just a 90-day period as shown here:

Actual GFTrade usage data from a government showing transactions flagged for potential misinvoicing during a 12-week period

HS Code	Commodity	% Below Av..	Value	Partner Country
23099010	Fish Solubles	99.79%	$43,161,507	Belgium
42022100	Handbags	99.98%	$21,703,128	United Kingdom
35069190	Adhesives	99.79%	$10,484,213	Netherlands
84212199	Water Purifiers	99.97%	$9,972,000	China
03035100	Frozen Herring	98.45%	$2,724,638	Netherlands
35079090	Enzymes	69.12%	$1,752,473	Germany
85285900	Monitors	99.76%	$1,598,258	Italy
40122000	Used Tires	99.80%	$1,510,351	United Kingdom
12099180	Vegetable Seeds	99.26%	$962,032	Netherlands
39233010	Packaging	95.29%	$957,511	Spain

Partner Country: Belgium, China, Germany, Italy, Netherlands, Spain, United Kingdom

Value in USD

Section 2 – Application

In the following example, an American company importing **1,000 Ultrasonic Diagnostic Equipment** from China applies for a trade finance amount of **US$400,000** from their bank. In this hypothetical case, the US bank uses **GFTrade™** to conduct due diligence.

First, the trade finance analyst would enter the information declared on the invoice by the importer into the **GFTrade™** interface, selecting the transaction type (import/export), the partial HS Code (for this example 9018) or name of the commodity on the invoice, the country of origin/destination and click on the search button. Next, they would select from the search results the commodity that most closely matches the information on the invoice:
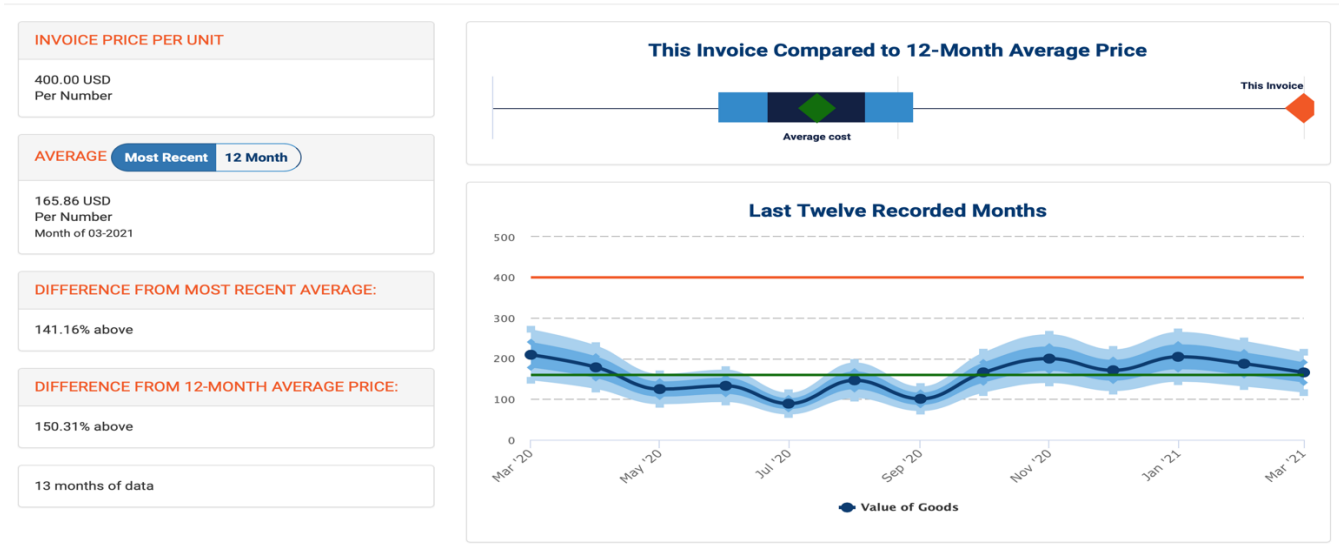

Global Financial Integrity | GFTrade

To compare the range of previous pricing against the price on the invoice, the trade finance analyst would next input the total value (**US$400,000**) and quantity (**1,000**) of the goods on the invoice as shown below.

GFTrade™ immediately provides numerical and visual price comparisons to facilitate analysis:

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INVOICE PRICE PER UNIT

400.00 USD
Per Number

AVERAGE | Most Recent | 12 Month

165.86 USD
Per Number
Month of 03-2021

DIFFERENCE FROM MOST RECENT AVERAGE:

141.16% above

DIFFERENCE FROM 12-MONTH AVERAGE PRICE:

150.31% above

13 months of data

This Invoice Compared to 12-Month Average Price

Average cost

This Invoice

Last Twelve Recorded Months

Value of Goods

In this example, the declared value on the invoice is significantly above recently prevailing prices. As shown on the left, the price declared on the invoice is **141.16 percent above the most recent average price and 150.16 percent above the 12-month average price reported by the trading partners.** This is also visible in the chart on the right, where the orange line (representing the price on the invoice) is well above the green line (depicting the 12-month average price). In addition, the orange line is also well above the dark blue dots on the chart which each represent the average monthly price for the commodity over the last year. Therefore, the trade finance analyst would have to further investigate this transaction before taking a decision on the trade finance application.
Note: GFTrade™ can also be integrated into financial institutions operating systems via an API so that all international trade transactions are automatically checked for trade misinvoicing. This would eliminate the need to manually input data as demonstrated above. In addition to English, the tool is also available in French and Spanish.

Section 3 – Available Data Sets

GFTrade™ uses official government trade data/Harmonized System (HS) codes from 63 key trading countries, comprising **73 percent** of global trade, including: **Australia, Argentina, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Côte d'Ivoire, Dominican Republic, Ecuador, Egypt, El Salvador, EU27, Ghana, Honduras, India, Indonesia, Japan, Malaysia, Morocco, New Zealand, Panama, Peru, Paraguay, Philippines, Russia, South Africa, South Korea, Switzerland, Thailand, Turkey, Uruguay, United States, UK and Venezuela.** The data is updated automatically each month with no technical requirements by the end-user. Trade data is provided at the tariff-level (8-, 9-, and 10-digit codes) to ensure maximum accuracy in average pricing.

For more information, or a demonstration of **GFTrade™** contact:
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