

## Indicators Related to Businesses

## Preface

Businesses are one of the means exploited by professional money launderers and organized terrorist groups for the purpose of financing terrorism or laundering illegal funds and concealing their source by using domestic or international commercial transactions, in an attempt to legitimize them.

Criminals use multiple commercial methods to achieve their goals, such as manipulating documents for goods or services (manipulating prices, quantities and specifications), or use fake (front) companies or trade, in addition to exploiting commercial services because of their intangible characteristics that open up a wider field for manipulation.

## Indicators Related to Customer:

1. Commercial entity's name is vague or inappropriate, has several unrelated names or it looks remarkably similar to another known commercial entity and attempts to appear as a part thereof.
2. Commercial entity's organizational structure is complex and illogical, which may indicate the existence of a front company.
3. Commercial entity does not have a clear business model that reflects the nature of its activity.
4. Commercial entity's managers and owners are responsible for several tasks therein and lack expertise in performing operations, with the aim of concealing the actual beneficiary (e.g., Employee is responsible for all tasks).
5. Commercial entity or owners have a previous record of money laundering, fraud or criminal activities or previous judgments were issued against them.
6. Customer owns several commercial entities with the same commercial activity related to trading in gold and precious metals.
7. Commercial entities associated with the trade in gold and precious metals constantly change their trade name.

### Indicators Related to Transaction:

1. Commercial entity lacks operational activities, such as (operational costs, salaries and tax transfers).
2. Commercial deals among transacting parties are complex and disproportionate to the activity of the commercial entity.
3. The number of employees is disproportionate to the activity of the commercial entity.
4. Using letters of guarantee and other means of commercial financing to transfer funds between states, where transactions do not correspond to the activity of the commercial entity.
5. Commercial entity frequently renews or extends letters of credit.
6. Unjustified periods of recession for the commercial entity or the volume of commercial transactions activity increases dramatically, causing recession recurrence within a short period of time.
7. Funds received from a third party unrelated to the transaction.
8. Payment for the imported goods is unjustifiably made by an entity other than the entity mentioned in the contract and authorized to receive them, e.g., (receipt is made by a front company or a company not involved in the commercial transaction).
9. Making changes that are too late to the transaction payment arrangements, e.g., (forwarding the payment to an entity that is not known in advance and too late in terms of payment arrangements or making changes to the date or amount).
10. Sent and received payments exist in large amounts that are deemed unusual in relation to the activities of some sectors.
11. Payments are recycled by sending money directed to several states and then returning it again to the same state.
12. Receipt of financial flows inconsistent with financial payments for goods.
13. Receipt of financial flows that greatly exceed the volume of sales.
14. Purchase of goods that exceed the economic capacity of the commercial entity through cash deposits or transfers by a third party whose economic relationship to the entity is vague or without an obvious reason for financing the transactions.
15. Value of registered imports and exports is not commensurate with the volume of foreign bank transfers.

## Indicators Related to Products, Services and Channels Used:

1. Commercial entity does not have a webpage or the data displayed on the webpage does not match its commercial activity or represents data of other webpages.
2. Newly established or recently reactivated commercial entity participates in large and high-value commercial activities.
3. All documents are submitted in a foreign language or cannot be verified for some reason.
4. Commercial documents are continuously amended.
5. Official papers related to exports/imports are tampered with, e.g., changing prices, quantity or quality.
6. Absence of commercial or customs documents supporting the transactions or continuous submission of amended or forged documents that were previously rejected.
7. Discrepancies exist between contracts, invoices or other commercial documents, for example:
  - Difference in names: between the name of the source entity and the name of the recipient.
  - Difference in prices: between the amounts recorded in the invoices and in the basic contracts.
  - Differences in actual goods and their descriptions: value, quantity, quality, size, etc.
8. Submitting very simple contracts (such as using contract forms available on the Internet) compared to complex commercial transactions or actual transactions.
9. Prices or fees displayed in the contracts, invoices or commercial documents may be volatile, inconsistent with the market value or not in line with the general situation recognized in the commercial market.

10. Descriptions of the traded commodities mentioned in the contracts or invoices are vague and unclear, e.g., (description of the contract subject matter is general and unspecified).
11. Unjustifiably excessive and unconventional use of financial products for long periods, e.g., letters of credit.
12. Commercial entity constantly offers low profit margins in its commercial transactions, depends on (commodities fair price), e.g., (importing wholesale commodities at the same retail value or above or reselling them at the same purchase price or less).
13. Exporting shipments of goods to several states without a clear economic reason.
14. Upon shipments stopping in the temporary import state, imported goods' documents are forged and transported to the final destination.

#### **Indicators Related to Geographical Location:**

1. Commercial entity is registered in states that do not apply AML/CFT laws and regulations.
2. Registered address of the company represents the address of (residential building, postal box, commercial building or industrial building), where the commercial activity is not commensurate with the aforementioned address, e.g., (practicing commercial or industrial business (garage) in a residential building) or there is no actual reference to the registered address, which could indicate the existence of a front company.