

# Trade Fraud Tip Sheet

How Private Industry Can Avoid Falling Victim to Trade Violations

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## *Red Flags for Potential Trade Violations*

### **Know your Customer**

- ✦ *Business exists only for a short time and then is replaced by another company at the same address*
- ✦ *Goods being shipped from high-risk production areas*
- ✦ *Shipped from fictitious or anonymous return address*
- ✦ *Same name used for both sender and recipient*

### **Negotiation Phase**

- ✦ **Unusual payment terms**
  - ✦ *Cash*
  - ✦ *Roundabout wire transfers*
  - ✦ *Most international transactions use pro-forma invoices or letters of credit*
  - ✦ *Dealing with unknown intermediaries, e.g. foreign selling personnel, freight forwarders*

### **Contracting & Sales Phase**

- ✦ *Late change in deal terms and/or source payment*
- ✦ *Request drop shipment*
- ✦ *Landed duty paid*

### ✦ **Packing inconsistent w/ shipping**

- ✦ *Packaged to deter examination*
- ✦ *Cover loads*
- ✦ *Drop shipment to holding company or Third country freight forwarder*
- ✦ *Inconsistencies across various documents*
- ✦ *Inconsistent shipping documents*
- ✦ *Inconsistent packing or marking request*

### **Potential Problems**

- ✦ **Products inconsistent with business portfolio**
  - ✦ *Anomaly of consumption*
  - ✦ *Why is this business ordering this type of material; may be misclassified to avoid restrictions or additional duties*
- ✦ **Unusual delivery routes**
  - ✦ *Avoiding certain ports*
  - ✦ *Port shopping*
- ✦ **Shipments with circuitous routes**
  - ✦ *Diversion points*
  - ✦ *Avoid embargo*
  - ✦ *Transshipment*

***See Something, Say Something...***

***Report Suspicious Activity at either  
of the reporting websites below:***



<https://eallegations.cbp.gov/Home/Index2>

<http://www.iprcenter.gov/referral>