

SHIPPING DOCUMENTATION & TRADE FRAUDS

Managing Risks involved in Global Trade & Finance



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Of +US\$ 31 Trillion
of Global Trade,
~85% is
transacted on
'Open Credit' or
'Open Account' or
'Unsecured' Terms.



TOPICS:

1. **Problem statement: 'Banks deal with documents only & not goods, services or performance'**
 - Article 5, UCP 600: Documents v. Goods, Services or Performance
2. **KYC: The start point**
 - Case Study: Dress to Impress ! Chapter 1 - Collapse of large commodities trader in APAC
 - Case Study: Dressed to Kill ! Chapter 2 - Collapse of large oil trader in APAC impacting 80% of World Trade
 - Key Learnings
3. **Overview of important Trade & Shipping Documents**
 - (1) Trade & shipping documentation: pre-shipment, post shipment, value-adds
 - (2) 4 key elements of Trade Finance
 - (3) Parties involved in the execution of a trade
 - (3) 7 Trade Finance Risks for a Bank
 - (4) Key check-points for a trade finance bank
 - (5) Trade Documents: Transaction documentation to evidence 7 key aspects of a trade: Product, Price, Tasks, Shipment, Delivery & Risk Transfer, Payment Terms, & Transfer of Title
 - (6) TASKS, COSTS, RISKS allocation in Trade: INCOTERMS 2020: 11 Rules
 - (7) Common mistakes in using INCOTERMS
 - (8) Why Banks need to understand INCOTERMS ?
4. **Key Trade Documents focused:**
 - (1) Commercial Invoice: Key check-points
 - Case Study: Cellphone distributor in UAE & GCC region
 - Case Study: Oilfield Pipes Trader - Project Cargo
 - Case Study: Agri Commodities Trader - Circular fraudulent trades
 - (2) Packing List
 - Case study: Pharma Trader - Vendor Financing Fraud
 - Case study: API Trader - Factoring Fraud
 - (3) Independent Survey / Inspection Report
 - Case study: US\$ 577 Million Nickel Trade Fraud
 - Case study: Inventory Fraud US\$ 10 Billion
 - Case study: Commodities Trader: Coal stock-loss
 - (4) Bill of Lading
 1. Vessel
 2. What is a Bill of Lading
 3. Functions of a Bill of Lading
 4. Types of Bill of Lading
 5. Frauds involving Bills of Lading
5. **Importance of 'Vessel' verification in Trade Finance:**
 - (1) Specific exclusion under ICC 'A' for Vessel factors: Solvency & Seaworthiness
 - (2) Vessel: 4 key factors of risk assessment
 - (3) Classification : International Association of Classification Societies (IACS)
 - (4) P&I entry (International Group of Protection & Indemnity Clubs)
 - (5) Cargo Insurance & Charterer's Liability Insurance

Commodities Traders make money thru:

- Geographic Arbitrage,
- Time Arbitrage,
- Quality Arbitrage,
- Trade Execution, &
- Speculation.

Managing such **Trade Risks** is a fundamental aspect of *Enterprise Risk Management*.





TOPICS:

6. **Bill of Lading (BL) Issues & Frauds**

- No Cargo
- Bogus Cargo
- Fraudulent Bill of Lading
- Misdescribed Cargo
- Switch Bill of Lading
- Third Port Shipments or Triangular Trade
- Letter of Indemnity (LOI)

7. **Switch Bill of Lading**

- What is 'Switching'
- Concerns with Switching Bills of Lading
- Why Switch a Bill of Lading?
 1. Conceal identity of Original Seller
 2. Change to Discharge Port
 3. Splitting Bills of Lading
 4. Consolidating Bills of Lading
 5. Commingled or Blended Cargo
 6. Carrier's Liability: Commingled or Blended Cargo
 7. Lost Original Bills of Lading
 8. Do 'Dates' really matter on a Switch B/L?
 9. Switching: Minimizing the risk

8. **Letter of Indemnity (LOI) & Trade Finance Frauds**

- What is a Letter of Indemnity?
- Parties to a Letter of Indemnity
- When would LOI be required?
- What should LOI always include?
- Do IGP&I Clubs insurance cover LOI's?
- LOI: Potential concerns and liabilities
- Will a Cargo Insurance Policy respond to protect Bank's interest for LOI based wrongfully discharged cargo?
- LOI: What are the risks?
- Will the LOI be enforceable?
- LOI: Mitigating the risks

9. **Circular Trade Fraud**

- Case study: Global Trade in Phantom Cargoes: US\$ 1.16 Billion trade finance fraud
- Case study: UAE Commodities Trader: USD 200 million trade receivables financing fraud
- Case study: UAE Agri Commodities (mainly, Rice) Trader fraud cir. +US\$ 400 million



An estimated

\$3.1 trillion

in illicit funds flowed
through the global
financial system in 2023,
representing the total
amount associated with
global trade fraud for
that year.

*Nasdaq Global Financial
Crime Report*



TOPICS:

10. **Cargo Insurance**

- Insurance Clause in a Letter of Credit - "One Size Fits All" Approach
- Reality Check
- Misappropriation & Fraud Risk in Inventory Financing
- Is a Trade Finance Bank financially secured by Cargo Insurance arranged by clients?
- Red Sea Transits risk: Is a trade finance bank insured against War & Allied Perils; Confiscation Risk?
- Case Study: MV Rubymar - fertilizer cargo exported by Ma'aden
- Case Study: MSC Aries
- Case Study: Advantage Sweet - Crude Oil Tanker confiscated by Iran; USD 57,000,000 claim
- Key learnings

11. **Factoring or Supply Chain Finance (SCF) Survey & Due Diligence**

- 3 key objectives
- Key check-points to audit
- Disclosures for Trade Credit Insurance
- Case study: Mobile phones trader: Factoring fraud involving fabricated accounting system
- Case study: REI Agro - Ammalaya Commodities JLT

12. **Why Bank's should control Trade Insurance:**

- Why should a Bank control **Cargo Insurance**
- Risks faced by Trade Finance Banks in 'Assigned' Cargo Insurance Policy
- Case Study: Mercury Energy Group Ltd. - Copper fraud & painted rocks USD 36,000,000
- Case Study: USD 57,000,000 oil cargo confiscation claim denial
- Case Study: Engelhart CTP (US) LLC: Fraudulent documents for a non-existent cargo
- Bank Master Cargo Insurance Policy - a brief introduction
- **Trade Credit Insurance:** Risk Mitigant & Credit Enhancement tool
- Scope of Credit Insurance Cover
- How a Credit Insurer underwrites a risk?
- Why should Bank control Trade Credit Insurance?
- Difference between 'Bank-Controlled' TCI Policy vs Client Controlled & Assigned TCI policies
- Assignment of Trade Credit Insurance Policy to Bank: Loss Payee vs Trade Finance Endorsements
- Importance of Trade Transactions Due Diligence
- Credit Insurance Decision: What must a Bank check?
- Non-Payment Insurance (NPI) - a brief introduction
- Bank Master Factoring Policy - a brief introduction
- Case Study: US\$ 10 Billion collapse of Credit Suisse SCF Fund: Greensill Capital



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12

Core Topics

22

Case-studies

Practical
Insights & Dialogue
Exchange

Duration:

3 Hours

Delivered:

On-Line Session

In person dialogue sessions for Corporates Groups & Associations

WHO SHOULD ATTEND

- Executives working in Corporates, Trading, Supply Chain, Shipping & Logistics Industry.
- Banking and Insurance Industry executives providing Corporate & Trade Finance and Business Insurance Solutions.
- Graduate & Master's Level Students pursuing education in Risk Management, Insurance, Supply Chain, Shipping, Logistics, Business, Finance and Economics.

Meet your Faculty



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H.C. Barke

Program Director & Chief Education Officer

WHARTON, University of Pennsylvania-Advanced Management Program (AMP-87)
CORNELL - CXO Leadership Program
HARVARD Business School - Disruptive Strategy
WHARTON - Entrepreneurship Acceleration Program - Scaling Your Business
CPCU(USA), AMIM(USA), AIC(USA), AR(USA),
ACII(London), Chartered Insurer(London), AIRM(London),
FIII, AIII(General), AIII(Marine), B.Com (Finance), LLB
PGDM(Marketing), MIWWHS(USA), MCPCUS(USA),
Dipl. Da Vinci's Vitruvian Man (IBC - Cambridge)
Dipl. King's College (IBC - Cambridge), Dipl. Pi (IBC - Cambridge)
Certificate of Distinction (Insurance & Risk Management), IBC - Cambridge
'2000 Outstanding Intellectuals of 21st Century' - IBC, Cambridge
Emerald Member - Madison International Who's Who, USA
VIP Member - International Who's Who Historical Society, USA
Diplomat Member - The Global Alliance for International Advancement
US American Order of Merit - Insurance & Risk Management, USA
ABI World Laureate - Insurance & Risk Management, USA
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H.C. Barke is a seasoned industry expert with over 30 years of global experience across *Business Insurance & Reinsurance, Supply Chain and Logistics Risk Management (SCRM), Enterprise Risk Management (ERM), Business Strategy, and Global Trade Finance*. His work spans engagements with more than 500 multinational & regional corporations, banks and financial institutions worldwide over the last 30 years.

He continues to advise and support clients across the U.S., U.K., APAC, and MEA regions, helping organizations navigate complex risks while optimizing strategic opportunities for growth. Mr. Barke's expertise extends across a broad spectrum of industries, including Global Commodities, Technology and ICT, Industrial Manufacturing, Mining and Metals, FMCG, Banking and Trade Finance, Energy, Pharmaceuticals, Healthcare, Telecommunications, Construction, Real Estate, Aerospace, Automotive, Chemicals, Media, Hospitality, Business Services, Wealth Management, and Logistics.

Over the past 25 years, Mr. Barke has delivered executive training and advisory services to senior leaders, professionals, and decision-makers across these sectors. He is also actively engaged with several leading industry associations, where he contributes his insights and promotes best practices in corporate risk management, insurance, supply chain logistics, and innovative trade finance. His continued commitment to knowledge-sharing and industry development underscores his role as a key figure in advancing global trade and enterprise resilience.

Executive Positions currently held:

- President & CEO, Prudence Business School LLC, U.S.A.
- President & CEO, Prudence Insurance Brokers LLC, U.S.
- President & CEO, Prudence Brokers (UK) Ltd. - Lloyd's of London Broker
- President & CEO, Prudence Insurance Brokers LLC, U.A.E.
- President & CEO, Barke Capital LLC, U.S.
- President & Roundtable Lead - Supply Chain Finance at Supply Chain Logistics Group (SCLG)



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