International Sales and Credit Mistakes to Avoid… Or Draw Regulators' Ire

With the amount of fraud and terrorist group activity, US government regulators as well as those from other established economies are watching more closely than ever for illegal activity. Businesses involved in global trade can easily get wrapped up in such activity, and it's often by accident or for not taking that extra step of due diligence when a red flag arises. Most familiar with government agencies and regulators strongly believe that perfection is not the expectation, but honest and intentional effort and due diligence is. Perhaps the most profitable action is avoiding the mistake and the regulatory ire that comes with the wrong business dealings. In short, know what not to do. The following are some mistakes to avoid:

Failure to Know Popular Transshipping Countries
Businesses or individuals in virtually any country can do transshipping, or reshipping, by posing as an end user who will then flip the goods, especially those with security sensitivity or with a military use, to buyers in nations where such exporting activities are banned. Among the most notable are the United Arab Emirates, Cyprus, Jordan, Malta, Yemen, Thailand and Sudan.

If It's Too Good to Be True...
If a buyer is willing to pay more than the value of a product or decline a warranty or maintenance plan that is highly recommended and usually taken by the vast majority of customers, it's a red flag. The buyer might be willing to do this because the intended end use.

Doesn't Add Up
Inconsistency in documents can be and often is an honest mistake, but that can also mean something is awry and should be investigated. Also, if the buyer seems to have little working knowledge of, or a complete misunderstanding of the use or purpose of the product they want to buy, it is likely someone else is asking them to make the purchase. The credit manager should question why the person isn't more knowledgeable about making such a purchase. Not taking the extra step to investigate why things don't add up could be a costly error.

Changes
Flexibility for customers can be important. There's nothing wrong or illegal about a buyer, even a new one, changing their mind or needing to make a change, but it can be a reason to do a little extra research and perhaps even slow down the process a bit, especially if a newer customer or one not eager to grow the business relationship is trying to rush things along. Examples that fit into this category include a last minute request to change the credit card numbers use, a change in shipment address and roundabout shipping and transfer demands.

Lack of Cooperation
If a mistake is made and your company/credit department made a compliance violation, trying to hide it is not recommended. Seek to make it right. Most experts in the field believe the punishment will always be worse if the government discovers it. Additionally, don't try to skirt trade regulation and compliance laws. It's increasingly hard to keep a secret from investigators, especially with the existence of anonymous tip lines (phone numbers your competitors could call to make life harder on you upon catching wind of illegal activity). Even if a buyer tries to make an illegal or fraudulent transaction and your credit department spots it ahead of time, don't just ignore that it happened. Agencies like US Homeland Security Investigation want law-abiding professionals want to know what happened so they can investigate the incident and try to prevent future attempts by international criminals.

Source: NACM-National