

Duplicate financing

What is it, how can we resolve it, and how does it contribute to the trade finance gap?

Duplicate financing is a significant fraud challenge for financing institutions, one that they find difficult to detect and prevent, mainly due to the fact that they operate in information silos.

Overview

This briefing paper examines the issue of duplicate financing fraud in trade finance. It discusses the concept of duplicate financing, along with its implications for the real economy and its role in widening the trade finance gap. Potential approaches or solutions to address duplicate financing fraud are outlined, while highlighting the digitalisation of trade finance as a key strategy to help manage other financial crime threats in trade finance.

Key findings

- 1.** Partly as a result of fraud concerns associated with trade finance, including duplicate financing, the trade finance gap reached an all-time high of \$1.7 trillion in 2020, which has restricted the size of the financial market. To reduce the risk of loss due to trade finance fraud and to minimise operational costs, financiers around the world have been either off-boarding clients or providing funding at unfavourable terms, resulting in trade finance needs not being met.
- 2.** Duplicate financing is a significant fraud challenge for financing institutions, one that they find difficult to detect and prevent, mainly due to the fact that they operate in information silos.
- 3.** Establishing a single global trade finance platform using new technologies, whether blockchain or cloud computing, is an effective way forward to combat the issue of duplicate financing, to increase the trust of financial institutions and traders, and to make trade finance more accessible to legitimate borrowers and users. Such a platform should ensure that the authenticity of trade transactions can be verified while maintaining client and commercial confidentiality.
- 4.** The traditional paper-intensive nature of the trade finance industry has led to vulnerabilities to many financial crimes, including fraud, money laundering and terrorist financing. The paper emphasises the importance of digitalisation, and the establishment of appropriate mechanisms to ensure the effective exchange of information across financial institutions within an industry-wide collaborative approach to achieve this goal.

[Read the full briefing paper](#)

