

# Free-Trade Zone Risk Assessment Tool: At a Glance





As part of its ongoing work on criminal risks and governance standards in free-trade zones, the Royal United Services Institute (RUSI) has released a Free-Trade Zone Risk Assessment Tool at <https://ftz-risk.rusi.org> that will help businesses mitigate their exposure to crime.

## What is a Free-Trade Zone?

The terms ‘free-trade zone’ (FTZ), ‘free zone’, ‘special economic zone’ and ‘freeport’ all refer to a geographic zone where customs duties are not collected. They can also offer liberalised tax, labour or other regulatory regimes, which may render them more vulnerable to crime than the rest of the national territory.

## Criminal Vulnerabilities of Free-Trade Zones

The relaxation of customs and other controls in FTZs can give rise to vulnerabilities that, if left unaddressed, can be exploited by criminals. Common abuses include:

<p><b>Illicit trade</b></p> <p>Such as the manufacturing or movement of counterfeit goods or protected wildlife products</p> 	<p><b>Money laundering</b></p> <p>Including trade-based money laundering and other money-laundering schemes</p> 	<p><b>Customs duties evasions</b></p> <p>Especially through the “leakage” of untaxed products from the FTZ into the country’s economy</p> 	<p><b>Tax evasion</b></p> <p>In the case of FTZs specialised in high-value storage</p> 
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## Objective of the RUSI FTZ Risk Assessment Tool

The RUSI FTZ Risk Assessment Tool helps assess the user’s exposure to the risk of facilitating criminal conduct in an FTZ by:

- **Facilitating a well-informed view of an FTZ’s criminal vulnerabilities and mitigation measures.** The tool identifies risk factors common to most FTZs, provides a framework for their assessment and lists sources of relevant information.
- **Identifying an FTZ’s overall risk level.** The assessment of FTZ risk factors will result in an overall risk score that can be used by compliance professionals as a supplement or alternative to country risk scores.

## Users of the RUSI FTZ Risk Assessment Tool

This tool is intended for businesses who:

- 1 Operate in an FTZ
- 2 Have customers who operate in an FTZ
- 3 Otherwise facilitate trade involving an FTZ



This includes financial institutions, such as banks and insurance companies, and transport intermediaries, such as shipping lines and freight forwarders.

## How to Use the Tool

This tool provides:

- A risk assessment template
- A list of data sources
- Examples of using the assessment template

To use the tool, please refer to the risk assessment template, at <https://ftz-risk.rusi.org/assessment-tool/risk-assessment-template/>, which contains the following categories:

Category	Function
Risk factors	Common factors indicative of the likelihood of an FTZ being used for crime.
Available points	Each of the risk factors is worth three points, which range from 1 (low risk) to 3 (high risk). Most of the risk factors are relevant to the financial and transport sectors. However, some risk factors are not relevant to the transport sector and are therefore worth 0 points.
How to rate	An explanation of how to decide how many points to assign to a risk factor.
Suggested sources	A list of data sources that the user may find helpful in rating risk factors.
Default rating	A suggested default rating in case no relevant information is available.
Comments	A free-text box for any comments you wish to make for your own records as you undertake the risk assessment.

You will be able rate each risk factor based on your organisation's experience and the information provided in the suggested data sources, which form part of the tool.

The tool adds together the ratings assigned to each risk factor to produce an overall rating of high, medium or low risk. This rating will be generated and displayed automatically once you rate all the risk factors.

## Risk Factors

1 Corruption

2 Illicit trade levels

3 Sanctions evasion vulnerabilities

4 Reduced customs scrutiny

5 Reduced taxation

6 Manufacturing and processing activities

7 Transshipment activities

8 Physical security

9 Independent monitoring

10 Due diligence on users

11 Publication of law enforcement statistics

12 AML/CTF regime

13 Beneficial ownership transparency

## Further Resources

- Anton Moseienko, Alexandria Reid and Isabella Chase, 'Improving Governance and Tackling Crime in Free-Trade Zones', *RUSI Occasional Papers* (October 2020).
- Anton Moseienko, Alexandria Reid and Isabella Chase, 'Free Ports, Not Safe Havens: Preventing Crime in the UK's Future Freeports', *RUSI, Briefing Paper*, April 2020.

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