



# **TYPOLGY REPORT:**

## **THE USE OF TRAVEL AGENTS FOR FRAUD & MONEY LAUNDERING**

**FASU Reference:** TYP/001/2025  
**Period of Issue:** May 2025

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### ***Disclaimer***

The production and distribution of this report is authorized by the Director, FASU, and is intended for informational purposes only.

### **Legal Mandate**

The Financial Analysis and Supervision Unit (FASU) has developed this typology report in accordance with Section 72(2)(b) of the *Anti-Money Laundering and Counter Terrorist Financing Act 2015* (AML/CTF Act).

# TRAVEL AGENT

## WHAT IS IT?

A travel agent (TA) is a professional service provider that offers travel products and services on behalf of the travel service provider. The TA acts as an intermediary between travellers and suppliers and earns its revenue from the commissions paid by the suppliers and the planning fees it charges to the travellers.

The travel products and services include but are not limited to the following:

- Flight Bookings
- Accommodation Bookings
- Transportation
- Vacation and Tour Packages
- Other Travel Advice and Consultancy Services
  - Travel Insurance
  - Visa and Passports

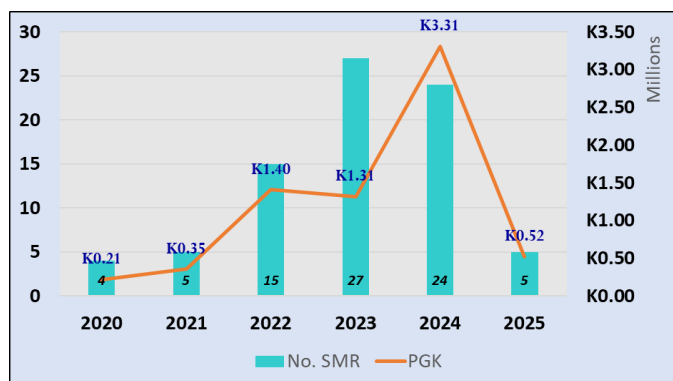
All TAs must be accredited by the International Air Transport Association (IATA)<sup>1</sup> to gain credibility, access to global booking systems, and simplify ticketing processes. With this accreditation, TAs become eligible participants of the Billing and Settlement Plan (BSP) which is an IATA-designed global electronic billing system that streamlines transactions and data exchange between travel agencies and airlines. The BSP payments are made on a weekly basis allowing TAs to settle accounts with airlines through IATA in a timely manner.

## THE USE OF TRAVEL AGENTS FOR FRAUD AND MONEY LAUNDERING

As new money laundering (ML) trends emerge and patterns change to avoid detection by law enforcement agencies and authorities, there is evidence that suggests that TAs are being used as a vehicle for money laundering within Papua New Guinea (PNG). Information held in FASU's data holdings reveals that individuals and business entities are facilitating questionable transactions through the bank accounts of TAs.

### Suspicious Matter Reports

Between August 2020 and January 2025, 79 SMRs, regarding the use of TAs, were reported to FASU with an aggregate value of K7.1 million.



**Pic 1:** Reported SMRs between January 2020 and April 2025

## Indicators that Travel Agents are being used for Money Laundering

The following scenarios are indicators that reveal the intention of perpetrators using TAs as an avenue to launder illicit funds. The use of TAs through its owners or employees in these scenarios may be perceived either as collusion with the perpetrators intentionally or being exploited unsuspectingly.

### Scenario 1

An officer from a government entity, in HR or Finance, facilitates staff leave entitlements to a TA as a lump sum payment. Thereafter, the officer receives random payments into his/her personal bank account from the TA. The officer is then seen to be conducting immediate ATM withdrawals, loan repayments and other personal transactions.

### Scenario 2

A lump sum payment for leave entitlements is paid by a government entity to a TA owned by an officer of the government entity. A case of conflict of interest and a possibility that the payment may be inflated to cater for possible kickbacks and benefit of the officers and others who are part of the scheme.

### Scenario 3

A government officer colludes with the TA to raise inflated invoices. Upon payment, the correct portion is facilitated for the entitled officer while the difference is paid as kickback, bribe or service fee for the facilitating officer.

### Scenario 4

A business entity that is associated to a TA as a related entity:

<sup>1</sup> The International Air Transport Association (IATA) is the trade association for the world's airlines, representing some 340 airlines over 80% of global air traffic.

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| <ul style="list-style-type: none"> <li>a) Uses the TA to structure funds in small portions through its employees with immediate ATM withdrawals thereafter.</li> <li>b) Uses TA to facilitate other business proceeds possibly through false invoicing and receives payments.</li> </ul>   |
| <b>Scenario 5</b>  |
| An individual deposits significant volume of funds into a TA's account as payment for charter of an aircraft as opposed to a direct payment to the airline company providing charter services.   |
| <b>Scenario 6</b>  |
| A certain provincial government office pays a significant lump sum on behalf of its local MP (MP A) to a TA for cost of repatriation of a deceased relative of MP A who had passed on offshore. The TA is owned by another current politician (MP B) - both are political associates. A portion of the lump sum was further paid by the TA to the TA's related entity, also belonging to MP B. |
| <b>Scenario 7</b>  |
| Payments facilitated by TAs owned by persons of interest (POIs) related to drug smuggling.   |
| <b>Scenario 8</b>  |
| There is no evidence of the IATA BSP transactions by most TAs to demonstrate its accreditation status and the legitimacy of its business.  |

## Risk Patterns Identified

The following risk patterns were identified:

### 1. Lack of legislative oversight

The scope and coverage of the AML/CTF Act does not clearly cover the business activity of the TA industry. Thus, FASU's oversight of the TA industry is limited to DNFBPs whose business activities have been clearly specified under the AML/CTF Act, which does not include the business activities of TAs, unless prescribed by regulations. Therein exists a legislative gap that requires an appropriate guidance or future legislative amendments to allow proper oversight of the TA industry

This gap creates the perception that TAs are not obligated by law to comply with the AML/CTF Act thereby, making it an attractive channel for money laundering and/or possible terrorist networks.

### 2. Lack of awareness of ML/TF risks

The lack of AML/CTF oversight in the TA industry is evident in that there is a lack or limited understanding and awareness of the AML/CTF risks by the owners and employees within the TA industry in PNG. Hence, there is a need for training and awareness regarding ML/TF to enable owners and employees of TA to adequately apply control measures to mitigate the risks that their entity or industry is being exposed to. The above scenarios are symptoms of these risks present in the TA sector.

### 3. TAs owned by POIs

TAs owned by POIs such, as drug dealers and corrupt individuals and entities and their cohorts are likely to exploit this avenue to facilitate their illicit transactions, knowing that this industry is unregulated, in terms of AML/CTF, and provides a perfect avenue to launder proceeds of crime without being detected.

### 4. Structuring of funds to avoid reporting obligations

Some TAs can be deliberately established for purposes of layering funds to avoid reporting obligations and detection by competent authorities and law enforcement agencies.

### 5. Intensive use of cash

A large portion of TA customers use cash to pay for the travel products and services. Unlike the reporting entities, cash is not subjected to threshold transaction reports for the TAs thus lack of appropriate customer due diligence is applied. These customers can be money mules or conduits for money laundering and terrorist financing.

## References

<https://www.iata.org/>