

CIVILIAN SECURITY, DEMOCRACY, AND HUMAN RIGHTS



TRACKING SUSPICIOUS FINANCIAL ACTIVITY TO ADDRESS HUMAN TRAFFICKING

Governments, in partnership with civil society and the private sector, can use forensic accounting strategies that enable financial institutions to identify and flag activity that may be consistent with human trafficking schemes.

There are a number of identifiable stages of a human trafficking scheme during which traffickers may interact with the financial system. Providing financial systems with guidance on red flag indicators to detect suspicious financial activities can greatly assist law enforcement and other authorities in their efforts to identify and prosecute human trafficking.

USING FINANCIAL TRANSACTIONS TO UNCOVER HUMAN TRAFFICKING

In recent years, governments around the world have established financial intelligence units (FIUs) to receive and analyze reports of suspicious financial activity that may be indicative of embezzlement, money laundering, and, increasingly, human trafficking.

FIUs are able to detect transactions, track money flows, and collect evidence tied to human trafficking crimes. They can also work closely with financial institutions to add red flag indicators of human trafficking to the list of suspicious activities warranting further scrutiny. While every context is unique, groups like the Egmont Group – of which more than 155 FIUs are members – serve as a venue for international collaboration to combat crimes with a financial component, and recent advances make it clear human traffickers should be among the targets.

Governments can develop procedures and precedents to use the information from suspicious transactions to hold human traffickers accountable. In 2017, for example, the Government of Thailand convicted a high-ranking government official for his involvement in human trafficking crimes. In this case, the government uncovered his role in the scheme in part due to its tracking of suspicious financial transactions.

In the United States, the U.S. Department of the Treasury uses its authorities, partnerships with law enforcement, and international engagement to combat human trafficking through targeted sanctions. The Treasury Department also protects the U.S. and international financial systems by blocking the property of numerous transnational criminal organizations, including those involved in human trafficking.

TOOLS DEVELOPED BY INTER-GOVERNMENTAL ORGANIZATIONS:

- » *Money Laundering Risks Arising from Trafficking in Human Beings and Smuggling of Migrants* – published by the Financial Action Task Force (FATF) to identify red flag indicators of money laundering from human trafficking operations and foster reporting of suspicious transactions. FATF is in the process of updating this report with a new study focused on the changing nature of the financial flows resulting from human trafficking.
- » *25 Keys to Unlock the Financial Chains of Human Trafficking & Modern Slavery* – a report on a workshop convened by UN University with the support of the Permanent Mission of Liechtenstein to the United Nations in March 2017 on disrupting money laundering associated with human trafficking. The report identifies key actionable items among various stakeholders, including developing strategies for engagement in the financial sector of high-risk industries (palm oil, cocoa, fisheries, hotel industry, mega-spot events construction).
- » *Policy Guide on Following the Money in Trafficking in Persons Cases* – the Bali Process on People Smuggling, Trafficking in Persons and Related Transnational Crime is compiling regional practices and approaches to using anti-money laundering and asset recovery tools to help law enforcement, prosecutors, and financial intelligence units combat human trafficking.
- » *Leveraging Anti-Money Laundering Regimes to Combat Trafficking in Persons Cases* – the Organization for Security and Cooperation in Europe (OSCE) report on participating States' promising practices to identify and prosecute instances of human trafficking through financial techniques, such as tracing, freezing, and confiscating proceeds.



EXAMPLES OF RED FLAG INDICATORS RELATED TO TRAFFICKING IN PERSONS*

- » Use of cash: through couriers and money remitters; repeated cash withdrawals and transfers in small amounts to avoid identification or reporting requirements;
- » Use of multiple bank accounts and credit cards, as well as multiple alias identities and addresses;
- » Use of front companies, straw persons, or false identity documents;
- » Inexplicable lifestyle compared to the client profile;
- » Relations with persons with suspected or known criminal history;
- » Use of cash to invest in real estate/high value goods;
- » Frequent deposits or withdrawals with no apparent business source;
- » Lack of any licit business behind banking operations;
- » Use of ATM and credit cards at times inconsistent with normal operating hours for the business;
- » Frequent money transfer to “risk” countries;
- » Third party cash deposits made at various bank branches and via ATMs;
- » Laundering of cash through casinos, import/export trades, etc.; and
- » Use of the *hawala* or other informal banking systems.

* This is only a notional list of indicators, which is not exhaustive. No one transaction or red flag by itself is a clear indicator of trafficking in persons; accordingly, financial institutions may consider applying red flags in combination with other factors, such as a customer’s profile and expected transaction activity. For a more comprehensive list of red flag indicators See FATF, *Money Laundering Risks Arising from Trafficking in Human Beings and Smuggling of Migrants*, FATF Report (July 2011), Annex B. See also FinCEN Guidance on Recognizing Activity that May be Associated with Human Smuggling and Human Trafficking—Financial Red Flags.

As recently as January 2018, the United States sanctioned the Zhao Wei transnational criminal organization, a Laos-based group involved in numerous criminal activities, including child sex trafficking.

In October 2017, the U.S. Treasury Department’s Financial Crimes Enforcement Network launched a Human Trafficking Project Team through the Egmont Group of FIUs. The major objectives of this project include strengthening knowledge about financial flows related to human trafficking and identifying and disrupting these illicit flows. The Human Trafficking Project Team will work to enhance bilateral information-sharing to produce actionable information to disrupt these illicit financial flows and prosecute human trafficking.

THE IMPORTANCE OF PARTNERSHIPS

Monitoring the daily activity of local and global industries for evidence of illicit activity is a monumental task and governments cannot do it alone. Private financial institutions also play an important role through internal mechanisms to monitor their customers’ transactions for potential red flags. To mitigate risk, financial institutions, brands, and suppliers often turn to internal and third-party risk assessment, due diligence, and compliance firms for data on entities with which they are doing business and on potential perpetrators of financial crimes. These firms provide critical services, often referred to as “Know Your Customer” or “Politically Exposed Persons” services, to assist financial institutions and corporations in screening clients and business partners to avoid complicity in money laundering and a host of other crimes. Law enforcement and government regulatory bodies also rely on these firms and their databases for investigative purposes and to coordinate with other agencies.

Other actors can also be a part of the solution. For example, a small Hong Kong-based NGO collaborates with financial institutions to increase the amount of quality data on potential perpetrators of human trafficking. It operates a media monitoring program that collects media reports and other reliable data (directly and through NGO partners), vets, and then packages the most trustworthy data for further review by these firms. In the last two years, this organization has introduced more than 5,000 names of suspected individuals and companies to these databases, and currently supplies on average more than 300 submissions per month, working with a growing number of global research partners spanning over 20 countries. Expanding the amount of data within this existing and effective institutional framework promises to help disrupt significantly financial flows and supply chains tainted by human trafficking, making

it an effective tool for the prevention of human trafficking and the prosecution of perpetrators of human trafficking.

Collaboration, data gathering, and information sharing within existing institutional frameworks can be used to effectively disrupt financial flows related to trafficking in persons, and thus provide effective tools for both the prevention of human trafficking and the prosecution of human traffickers.