



FATF REPORT

Financial Flows from Human Trafficking

July 2018





The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

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ACRONYMS

AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorists
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FSRB	FATF-style regional body
HTFL	Human Trafficking for the purpose of forced labour or services, slavery or practices similar to slavery, and servitude
HTRO	Human Trafficking for the purpose of removal of organs
HTSE	Human trafficking for the purpose the exploitation of the prostitution of others or other forms of sexual exploitation
ILO	International Labour Organisation
ISIL	Islamic State of Iraq and the Levant
ML	Money Laundering
NPO	Non-profit organisation
NRA	National Risk Assessment
Reporting entities	Private entities with obligations in a jurisdiction's AML/CFT regime
RTMG	FATF's Risks, Trends and Methods Group
STR	Suspicious Transaction Report
TF	Terrorist Financing
The previous FATF report	FATF's 2011 report, Money Laundering Risks Arising from Trafficking in Human Beings and the Smuggling of Migrants
UNODC	United Nations Office on Drugs and Crime

Executive Summary

1. In addition to its enormous human cost, human trafficking is estimated to be one of the most profitable proceeds generating crime in the world, with the International Labour Organisation estimating that forced labour generates USD 150.2 billion per year. While in the past, many aspects of the crime went ‘unseen’, there is now an increased understanding of the breadth and gravity of human trafficking, particularly with respect to domestic human trafficking and human trafficking for labour exploitation. Human trafficking is also one of the fastest growing forms of international crime. The increased displacement and vulnerability of people in, and around, conflict zones increases instances of human trafficking, including potential involvement by opportunistic terrorist organisations.

2. As we learn more about the way human traffickers operate and exploit vulnerable humans, it is clear that this phenomenon affects nearly every country in the world. The Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG) jointly undertook this study to improve global understanding of the financial flows associated with the crime of human trafficking, both as a money laundering predicate and potential source of terrorist financing. This study updates the FATF’s 2011 report. This study has brought granularity to indicators of suspected money laundering of the proceeds of human trafficking by separating human trafficking into three categories in line with the *Palermo Protocol*: human trafficking for forced labour, sexual exploitation or for the removal of organs.

3. The project team found that the proceeds from each of these types of exploitation are realised in a different manner, and required different laundering mechanisms. In addition, each of these three types of exploitation could be better understood and detected through the financial activities of the various actors and/or roles involved to conduct each of the three types of exploitation. Further segmentation based on roles and actors provided a second opportunity to develop a more detailed understanding of the offence. The report also provides a more precise set of global money laundering indicators for use by reporting entities, financial intelligence units and other national authorities.

4. This study also identifies the challenges national authorities frequently face in detecting, investigating and prosecuting money laundering and terrorist financing from human trafficking. The study identifies good practices, and in particular the two primary good practices, to mitigate some of these challenges:

- **Assess the diverse money laundering risks from human trafficking, share with stakeholders and ensure that they’re understood**
- **Leverage expertise, capabilities and information through partnerships between the public sector, private sector, civil society and NPO communities.**

5. This study updates the FATF Global Network’s understanding of the financial flows from human trafficking, and provides tangible indicators and best practices for national authorities to improve their effectiveness in combatting money laundering and terrorist financing from human trafficking (see Annex B). While our

understanding is improved, it is by no means complete. This study therefore concludes with practical next steps to develop further precision to the financial flows from human trafficking, both at the global level, and at the regional/national level.

Introduction

The previous report and this report

6. In July 2011, FATF published a report titled, *Money Laundering Risks Arising from Trafficking in Human Beings and Smuggling of Migrants*, which studied the nature and scale of the human trafficking and migrant smuggling problem by looking at: countries of origin, transit and destination, operational responsibilities, challenges, and identified trends, typologies and risk indicators.

7. Since the publication of the 2011 report, global awareness of human trafficking has increased and different countries and international organisations have worked to better understand and address human trafficking. Whilst progress has been made in understanding the scale of the problem, the FATF has not updated its research on financial flows related to human trafficking nor money laundering and terrorist financing associated to human trafficking. This study updates the FATF's knowledge on the topic.

Scope

8. This report aims to provide an updated and more precise understanding of the financial flows related to human trafficking, and the various components of human trafficking that this report will identify, building on the wide body of work which has been completed since the last FATF report on the topic. It is designed to be used by FATF members, national authorities, financial institutions, non-government organisations and any other individuals or bodies with an interest in tackling the financial flows related to human trafficking.

9. For the purposes of this report, human trafficking is defined with reference to the types of exploitation set out in the [Palermo Protocol](#).

Box 1. Human Trafficking Definition from the Palermo Protocol

The definition utilised for the term 'human trafficking' is the definition provided in the *The Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children*, supplementing the *United Nations Convention against Transnational Organised Crime*. This protocol entered into force on 25 December 2003 and 173 jurisdictions have ratified or acceded to it as of January 2018.

The Protocol defines human trafficking as:

"the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs".

Source: UN (2003)

10. The report deliberately does not cover migrant smuggling¹ (also known as people smuggling). This is because of the three fundamental differences between human trafficking and migrant smuggling:

- **Consent:** The smuggling of migrants - while often undertaken in dangerous or degrading conditions - involves migrants who have consented to their smuggling. Victims of human trafficking, on the other hand, have either never consented or, if they initially consented, that consent has been rendered meaningless by the coercive, deceptive or abusive actions of the traffickers.
- **Exploitation:** Smuggling ends with the arrival of the migrants at their destination, whereas trafficking involves the ongoing exploitation of the victims in some manner to generate illicit profits for the traffickers.
- **Trans-nationality:** Smuggling is always transnational, whereas trafficking need not be. Trafficking can occur regardless of whether victims are taken to another country or subjected to human trafficking in the same country where they reside, even if no movement has taken place.

11. As a result of these differences, the financial flows for human trafficking and migrant smuggling are different, and are best profiled independent of one another to differentiate the two and develop a view of each of the offences. Thus, this study updates the previous report's findings with respect to human trafficking; however, the previous report's findings on migrant smuggling stand.

Objectives and structure

12. The report is designed to provide practitioners with an updated view of the scope and scale of the human trafficking problem globally, and the estimated proceeds from this offence. In addition, this report provides updated, more granular indicators of financial transactions suspected of laundering the proceeds of human trafficking. The report identifies challenges and good practices in detecting, investigating and prosecuting money laundering from human trafficking. These objectives are delivered through three parts:

- **Part One:** Provides an overview of recent developments in the nature/scope of human trafficking, including the financial flows, proceeds derived from human trafficking and the potential of human trafficking to contribute to the financing of terrorist activity.
- **Part Two:** On the basis of case study and literature analysis, this section provides context to the laundering of the proceeds of human trafficking, and develops and delivers more precise money laundering indicators to aid in the detection of transactions which may be indicative of the laundering of the proceeds of human trafficking. To provide further granularity, the indicators

¹ The definition of "smuggling of migrants" for the purposes of this study is the one enunciated in Article 3 (a) of the Protocol against the smuggling of migrants by land, sea and air, which states: "Smuggling of migrants" shall mean the procurement, in order to obtain, directly or indirectly, a financial or other material benefit, of the illegal entry of a person into a State Party of which the person is not a national or a permanent resident.

are grouped by how the perpetrators benefit, the roles and/or actors required to commit the offence, and the types of the offence.

- **Part Three:** Highlights challenges in detecting, investigating and prosecuting human trafficking, and offers good practices in overcoming some of these challenges.

Methodology

13. The Financial Action Task Force (FATF) and the Asia Pacific Group on Money Laundering (APG) jointly oversaw the project, which was co-led by delegations from Canada, Indonesia and the United Kingdom. Delegations from Australia, Belgium, British West Indies, India, Italy, New Zealand, Norway, Portugal, Somalia, South Africa, Spain, Sweden, Russian Federation, Ukraine, and United States participated in the project. Also participating in the project team were: European Union Agency for Law Enforcement Cooperation (Europol), International Criminal Police Organization (Interpol), Inter Governmental Action Group against Money Laundering in West Africa (GIABA), Liechtenstein FIU, MONEYVAL, Organisation for Economic Co-operation and Development (OECD), the United Nations Office on Drugs and Crime (UNODC), the United Nations Counter-Terrorism Committee Executive Directorate (CTED) and the Egmont Group of FIUs.

14. The methodology consisted of a review and refinement of existing material on human trafficking. This comprised of:

- A literature review conducted by FATF TREIN to identify recent developments in the nature/scope of human trafficking, and the financial flows associated with human trafficking.
- A request to FATF members and associated delegations to provide relevant material to the project team. This included material on risk (e.g. risk indicators, strategic analysis of suspicious transaction reports or other data, relevant information from national risk assessments) and on actions taken to mitigate the risk (partnerships with the private sector, examples of particular law enforcement operations, and access to different data sets). The project team was particularly interested in the use of case studies that highlighted schemes or trends associated with human trafficking.
- Workshops co-chaired by the co-leads on the financial flows related to human trafficking hosted by the APG and FATF TREIN in the Republic of Korea and MENAFATF/ESAAMLG/GABAC/GIABA in Morocco. Thanks to the numerous cases furnished by the jurisdictions and the presentations made by their representatives in the workshop, the project team gathered substantive material for the purpose of this report. Many members of the project team also provided valuable additional contributions at these typologies meetings.
- Working with financial institutions and NGOs to develop a set of updated risk indicators associated with human trafficking. The work of Standard Chartered Bank, Citibank, Barclays Bank, the Bank of Montreal, HSBC, Western Union, Wolfsberg Group, Banks Alliance Against Human Trafficking (convened by the Thomson-Reuters Foundation), Liberty Asia, Stop the

Traffik, RUSI and the Global Initiative on Transnational Organized Crime helped the project team develop such a precise set of indicators.

Part One: Overview of the scale and scope of human trafficking

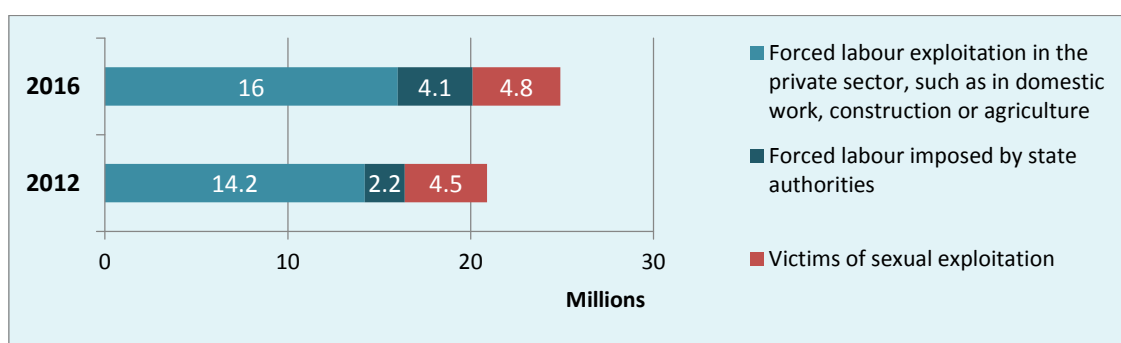
Global estimates

It is challenging to estimate the scale of human trafficking, largely due to the hidden nature of some types of the human trafficking crime and difficulties in identifying victims. There are, however, global estimates on various exploitation types of the internationally recognised definition of human trafficking, which, when aggregated, can provide an estimate of the scale and scope of human trafficking.

15. In September 2017, the International Labour Organisation (ILO) and Walk Free Foundation, in partnership with the International Organisation for Migration, published *The Global Estimates of Modern Slavery*. The report indicates that an estimated **24.9 million**² people were in forced labour and sexual exploitation at any moment in time in 2016. Out of the total estimate of 24.9 million:

- 16 million people (64%) were estimated to be in forced labour exploitation in the private sector such as in domestic work, construction or agriculture (compared with 14.2 million in the 2012 ILO estimate)
- 4.1 million people (17%) were estimated to be in forced labour imposed by state authorities³ (compared with 2.2 million in the 2012 ILO estimate)
- 4.8 million people (19%) were estimated to be subject to sexual exploitation⁴ (compared with 4.5 million in the 2012 ILO estimate).

Figure 1. Number of people victim of forced labour or sexual exploitation (2012-2016)



Source: ILO & Walk Free Foundation, 2017 and ILO, 2012.

² India has expressed concerns with the methodology used to determine, and the accuracy of, the estimates presented in the ILO/IOM/Walk Free Foundation Global Estimates of Modern Slavery report.

³ State-imposed forced labour includes forced labour exacted by the military, compulsory participation in public works, and forced prison labour.

⁴ This includes 3.8 million adults in forced sexual exploitation and 1.0 million children in commercial sexual exploitation. Where the victim is a child, there is no requirement of any of the means of the trafficking in persons' definition to occur for the child being exploited.

16. There is no such estimate for human trafficking for the removal of organs. In 2007, the World Health Organisation estimated that between 5 and 10 percent of all organ transplants conducted worldwide were conducted ‘illegally’, which could comprise human trafficking for the purpose of removal of organs, as well as other crimes.⁵ Accordingly, there is no such estimate for the number of people affected by human trafficking for the purpose of the removal of organs.

Profile of victims

17. The UNODC’s 2016 *Global Report on Trafficking in Persons* study found that in 2014, 28% of detected victims in human trafficking were children and 71% of the detected victims were female. The proportion of men and boys among the detected victims has, however, grown from 16% in 2004 to 29% in 2014. The majority of the male victims (85.7%) were trafficked for forced labour exploitation. For female victims, 72% were trafficked for the purpose of sexual exploitation.

Geographical routes and trafficking flows

18. The geographical human trafficking routes are complex. The previous FATF report considered these routes and found that it affects virtually all countries around the globe. The report considered countries of origin, transit countries and countries of destination.

19. However, the collective understanding of human trafficking has evolved since the time of the previous FATF report. The UNODC *Global Report on Trafficking in Persons 2016* identified more than 500 different trafficking flows, including both domestic and transnational human trafficking. Accordingly, this report takes a modernised approach and considers domestic, regional and trans-regional trafficking flows.

Domestic human trafficking flows

20. Domestic trafficking involves the movement of victims within a country between areas, or within their local area. Where there is movement of victims domestically, this commonly occurs from rural zones to cities or tourist centres, or from villages to industrial or economic hubs⁶

21. Studies show that the majority of forced labourers in economic activities, and almost all those in state-imposed forced labour, have not moved away from their home area. The UNODC found that 43% of victims in the period 2012-2014 were trafficked domestically.⁷ The *2017 Global Estimates of Modern Slavery* found that only one in four victims of forced labour were exploited outside their country of residence.⁸

⁵ Shimazono, Y., 2007.

⁶ UNODC, 2016: p. 40.

⁷ *Ibid.*

⁸ ILO & Walk Free Foundation, 2017: p.29.

Trafficking within regions

22. Transnational trafficking flows are increasingly complex – victims are exploited within and between regions. While many countries are source and destination countries, most countries tend to be either predominantly a source or predominantly a destination of trafficking victims.⁹ The UNODC found most victims detected were trafficked within the same geographical region.¹⁰ For the majority of detected victims of transnational trafficking identified in the UNODC's study, the origin country was in the same geographical region as the destination, which includes domestic trafficking.¹¹

23. Common regional trafficking flows include victims trafficked from South-Eastern Europe to Western Europe, from the Andean countries to the Southern Cone in South America, from East Asia to the Pacific, or victims trafficked across a single international border into neighbouring countries.¹²

Trans-regional trafficking

24. In trans-regional trafficking, countries with developed economies remain key destinations, while victims tend to originate from countries with less developed economies. The UNODC found that the Middle East, as well as most countries in Western and Southern Europe and North America, reported being destinations for trans-regional and long-distance trafficking.¹³ In particular, they found that the wealthier the country of destination, the greater the number of detected victims from outside the immediate region.

25. In Western and Southern Europe, detected victims held 137 different citizenships, particularly from Central and South-Eastern Europe (47%), Sub-Saharan Africa (16%) and East Asia (7%).¹⁴ Similarly, North American countries detected victims from more than 90 countries of origin. The most prominent trans-regional trafficking flow in the study was from East Asia, as 16% of the detected victims in North America are citizens of East-Asian countries.¹⁵ Trafficking victims from countries in Sub-Saharan Africa and East Asia are trafficked to the widest range of destinations. The UNODC found that 69 countries reported to have detected victims from Sub-Saharan Africa between 2012 and 2014.¹⁶

⁹ *Ibid.*

¹⁰ *Ibid.* p. 41

¹¹ *Ibid.*

¹² *Ibid.*

¹³ *Ibid.* p. 42

¹⁴ *Ibid.* p. 43

¹⁵ *Ibid.*

¹⁶ *Ibid.* p. 5

Human trafficking, irregular migration and conflict

26. The number of persons vulnerable to trafficking in recent years has increased due to an unprecedented rise in irregular migration¹⁷ and the number of displaced persons, often caused by armed conflict or terrorist organisations controlling territory, who are predominantly fleeing the events in an outward direction from the location of the conflict zone. Trafficking flows related to armed conflict can include human trafficking within and into conflict-affected areas for the purposes of sexual exploitation and forced labour,¹⁸ as well as transnational trafficking flows linked to migrant smuggling.¹⁹

27. There is evidence that criminal networks involved in trafficking in human beings target the most vulnerable, in particular women and children.²⁰ On irregular migration routes around the globe, migrants who have started out their journeys by willingly placing themselves in the hands of smugglers have become victims of human trafficking along the way.²¹ A report by the International Migration Organisation and UNICEF found that children and youth along irregular migration routes are especially vulnerable to trafficking because of their age and status.²²

28. Once these migrants reach their destination, they remain vulnerable to human trafficking and other forms of exploitation.²³ Migrant workers, in particular irregular migrants, are vulnerable to exploitation due to their economic conditions, language barriers and challenges of social integration.²⁴

29. Irregular migration is a macro factor that has changed human trafficking globally. These links between irregular migration and human trafficking are increasing further, particularly with respect to cases of labour exploitation in the countries of destination of the migrants.²⁵ Moreover, terrorist groups will continue to use human trafficking within and into conflict-affected areas to generate revenue.

Change in the scale and scope of human trafficking

30. The methodologies for determining human trafficking estimates have changed over time, making these figures unsuitable for a direct comparison. They do, however, demonstrate that with our improved understanding of the issue, the estimated scale has increased.

¹⁷ For the purposes of this study, “irregular migration” is meant to denote the movement of people precipitated by events or conditions such as war or drought.

¹⁸ UN University (2016) p. 6

¹⁹ UNODC, 2016: p. 57

²⁰ European Commission (2016) p. 9

²¹ IOM (2017) p. 3

²² IOM & UNICEF (2017) p. 21

²³ IOM (2017) p.3

²⁴ ILO & Walk Free Foundation (2017) p. 30

²⁵ Europol & Interpol (2016) p. 11

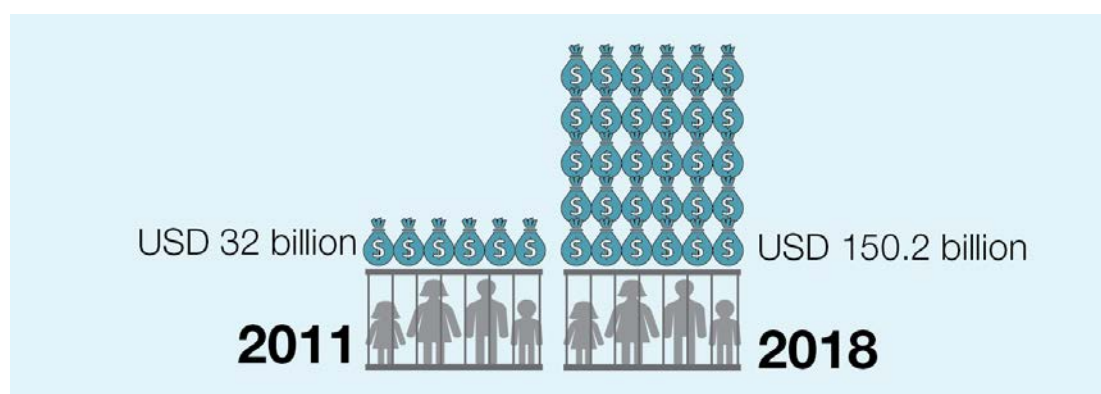
It is unknown how much of this apparent increase is due to a worsening of the issue of human trafficking, or if it is due to an improved awareness in the issue.

31. Since the publication of the previous FATF report, the global community has developed a more precise understanding of human trafficking flows. Demonstrated by findings such as UNODC's identification of 500 different trafficking flows between 2012 and 2014, as well as more information on the profiles of victims and offenders and on the forms of human trafficking. In addition, the international community has further defined and demonstrated the significance of trafficking within jurisdictional borders, and differentiated domestic, regional inter- and intra-trans-regional trafficking.

32. As a result of this apparent increase in the occurrence of human trafficking, the global community's more detailed understanding of the crime, and the macro factor of irregular migration, the global AML/CFT community is, accordingly, responding by updating its understanding of the financial flows from human trafficking, and identifying more granular ways to identify the laundering of these proceeds.

Proceeds derived from human trafficking

Figure 2. Estimated proceeds from Human trafficking



Source: ILO (2014)

33. As a result of the diversity of trafficking and exploitative crimes that produce illicit profits, it is difficult to establish an accurate aggregate figure of the total illicit proceeds from human trafficking. With certain caveats,²⁶ the ILO estimated that the total illicit proceeds obtained from the use of forced labour, which is inclusive of sexual exploitation, amount to USD 150.2 billion per year based on its 2012 forced labour estimates, published in 2014. This number can be broken down as follows:

- Forced sexual exploitation: USD 99 billion

²⁶ ILO (2014) p. 13. The estimate is the aggregation of regional profit figures for three forms of forced labour: forced labour exploitation outside of domestic work, forced domestic work and forced sexual exploitation. The estimate does not take into account the profits generated by the 2012 ILO estimate of 2.2 million victims of forced labour imposed by state authorities, nor does it account for the proceeds generated from human trafficking for the purposes of the removal of organs.

- Forced labour exploitation: USD 51.2 billion, of which USD 43.40 billion was generated by non-domestic labour, and USD 7.9 billion by domestic work
34. ILO's estimates of the global average profit per victim of human trafficking varied significantly based on the type of exploitation, ranging from USD 21 800 annually for sexual exploitation and USD 2 300 annually for domestic work. In 2005, the ILO estimated that the annual profits for each forced labourer were USD 13 000 on average. The 2014 figures do not set out a similar average estimate for all forced labourers.
35. According to the ILO, the annual total profits are highest in Asia (USD 51.8 billion) and developed economies (USD 46.9 billion). This is due to the high number of victims in Asia, and the high profit per victim in developed economies.
36. There is no accepted estimated figure for the amount of proceeds from human trafficking for the removal of organs. Figures for the illicit organ trafficking market combine human trafficking with other crimes. These figures place the financial scale at USD 1.2 billion or less, with Global Financial Integrity's²⁷ estimate of USD 600 million – 1.2 billion being the highest. While these are staggering numbers, even the highest estimate inclusive of other organ-related crimes would represent less than 1% of the combined figure for the other two exploitation groupings. Given that there is no generally accepted estimate, no attribution for the proceeds of human trafficking for the removal of organs will be used for this report; however, even an accepted estimate would not be anticipated to change the final figure in a material way. However, the lack of such an estimate represents a gap in the understanding of the proceeds from human trafficking.
37. The preceding proceeds figures demonstrate that the estimated proceeds from human trafficking in aggregation is approximately USD 150.2 billion, versus the USD 32 billion figure provided in the previous FATF report, which makes it the one of the most significant generators of criminal proceeds in the world. The United Nations' completed *Global Initiative to Fight Human Trafficking*²⁸ project also indicated that human trafficking is the fastest growing form of international crime.

Terrorist financing from the proceeds of crime derived from human trafficking

38. FATF reports, UN Security Council Resolutions²⁹ and Reports of the Secretary-General on the threat posed by ISIL (Da'esh) to International Peace and Security,³⁰ as well as jurisdictions and news media listed below, have highlighted the link between human trafficking and terrorist organisations. Trafficking flows related

²⁷ Haken, J., 2011.

²⁸ United Nations Global Initiative to Fight Human Trafficking is an initiative comprised of the International Labour Organisation, the Office of the United Nations High Commissioner for Human Rights, the United Nations Children's Fund, the United Nations Office on Drugs and Crime, the International Organisation for Migration and the Organisation for Security and Cooperation in Europe.

²⁹ UNSCRs 2331 (2016) and 2388 (2017)

³⁰ S/2016/92, S/2016/501, S/2017/97, S/2017/467 and S/2018/80

to armed conflict can include human trafficking within and into conflict-affected areas for the purposes of domestic servitude, sexual slavery, forced recruitment, forced labour and forced marriage.

39. These reports also indicate that terrorist organisations who have controlled, or partially controlled territory, have used human trafficking as a way to raise funds and support to their organisations and activities:

- **ISIL:** The UN reported that Yazidi women were being bought and sold by ISIL fighters in 'slave auctions', including via the internet.³¹ The 2015 FATF report on ISIL financing noted that the prices paid for ISIL slaves were low (approximately USD 13 each), and have been reported to be transferred between ISIL fighters as commodities. The UN Human Rights Council has stated that some Yazidi women and girls were aware of the amounts paid for them, which ranged between USD 200 and USD 1 500, depending on marital status, age, number of children, and perceived beauty. There were also media reports of payments being made to intermediaries to free Yazidi women from captivity.³² The UN reports that in January 2016, ISIL received USD 850 000 in payments from Yazidi families for the return of 200 kidnapping victims, and that estimates suggested that in 2014 ISIL earned between USD 35 million to USD 45 million in payments from the Yazidi community.³³ The US State Department has found that in Syria, ISIL used displaced children as forced labour in organised begging rings.³⁴
- **Boko Haram:** The UN has noted that Boko Haram uses children as beggars to raise funds.³⁵ It found that Boko Haram has kidnapped thousands of women and girls to date and some of these women have been subjected to domestic servitude, forced labour, and sex slavery through forced marriages to its militants.
- **Al-Shabaab:** Based on interviews with victims, the Somali Financial Intelligence Unit (FIU) suspects that Al-Shabaab members have been involved in the trafficking of Somalis for profit. The accounts of two victims highlighted that this has occurred both from rural to urban areas within Somalia, and from Somalia to other countries. Typically, women have been promised work opportunities but their salaries have been paid directly to the Al-Shabaab. It is not clear if this has occurred in an organised fashion to raise funds for the group or if the trafficking is for the personal benefit of individual terrorists.

40. There have also been many accounts of numerous terrorist organisations profiting from the exploitation of vulnerable persons in their areas of control, including by forcing young men and boys to fight for the terrorist organisation.

³¹ United Nations Human Rights Council, 2016.

³² White, L., 2015 and Paraszczyk, J., 2015.

³³ United Nations University, 2016.

³⁴ US Department of State, 2015.

³⁵ UN University, 2016: p. 8

Fewer reports exist of terrorist organisations profiting off of the facilitation or allowance of human trafficking networks within their territory; however, such a link may be present given the well-reported proclivity of territory-controlling terrorist organisations to tax all activity occurring within their borders.

41. While there are indications that human trafficking may be a source of income for terrorist groups, particularly those that control territory, this appears not to be a key source of revenue for terrorist groups, especially considering the erosion of the territory held by terrorist groups. However, human trafficking is likely used as a tool to exploit and control vulnerable local populations, as a perceived benefit for fighters in conflict, and as an occasion to secure ransom payments. The involvement of terrorists in human trafficking is likely opportunistic and could be for the benefit of individual terrorists or for the terrorist organisation at large.

Links between human trafficking, migrant smuggling and kidnap for ransom

42. Terrorist organisations influence trafficking flows by engaging in armed conflict which causes mass migration and increases the number of displaced persons, thereby increasing the number of persons vulnerable to human trafficking. These individuals may be more susceptible to seeking the services of migrant smuggling networks, or be vulnerable to exploitation through human trafficking networks, which can utilise similar infrastructure or channels.

43. Several jurisdictions have noted that migrant smuggling due to conflict may turn into a human trafficking scenario, particularly if the victim is kept in debt-bondage until the fees for migrant smuggling operation are paid. Similarly, migrant smuggling or human trafficking scenarios can turn into a kidnap for ransom scenario if ransom is demanded from the family members to free the individual. It is not always clear if these payments are for the benefit of terrorist organisations that have territorial control. In one situation, a family member was asked to use a certain money service business provider to make the ransom payment.³⁶ This suggests that terrorist groups have developed ways to hide and transfer ransom payments made from other countries.

AML/CFT risk assessments

44. Of the 28 national anti-money laundering/countering the financing of terrorism (AML/CFT) risk assessments considered for this report³⁷, 14 specifically mention human trafficking as a money laundering risk, while none identified human trafficking as a terrorist financing risk.³⁸ Ten of these 14 countries rated their risk

³⁶ This information was provided a Somali official. The information was based on personal experience rather than on LEA investigations.

³⁷ Armenia, Australia, Austria, Bhutan, Canada, Cook Islands, Denmark, Fiji, Ghana, Ireland, Isle of Man, Jersey, Japan, Lithuania, New Zealand, Palau, Panama, Philippines, Portugal, Serbia, Singapore, Sri Lanka, Sweden, Switzerland, Tunisia, Ukraine, United Kingdom and the United States.

³⁸ It is important to note that there is no standard form for compliance with FATF Recommendation 1: assessing risks and applying a risk-based approach, however, many jurisdictions consider the proceeds of

for money laundering from human trafficking: Four rated it as high, three as medium and three as low. Some of the countries that did not mention human trafficking as a money laundering risk as part of their national AML/CFT risk assessment did have other publications detailing money laundering risks related to human trafficking.

45. National AML/CFT risk assessments that mentioned human trafficking appeared to provide some understanding of trends pertaining to the predicate crime and its links to organised crime; however, they provided little information on the financial flows or the laundering of the proceeds of human trafficking. In addition, many of the national AML/CFT risk assessments acknowledged that there are different money laundering risks for human trafficking for the purpose the exploitation of the prostitution of others or other forms of sexual exploitation (HTSE) or for the purpose of forced labour or services, slavery or practices similar to slavery, and servitude (HTFL), but also recognised that there were gaps in their knowledge related to the latter.

crime derived from specific predicate offences most prevalent in their jurisdiction as a means of understanding their money laundering risk.

Part Two: Analysis of money laundering from human trafficking case studies^{39 40}

46. As a predicate crime to money laundering, the financial flows from human trafficking can differ significantly from one case to another. Some examples of this differentiation are in the direction of fund movement, the amount provided to various individuals along a human trafficking crime organisation, and the methods used to transact the funds. This differentiation is due to two primary factors:

- Diverse organisational and financial infrastructure are required depending on recruitment and transportation mechanisms utilised by the crime group; and,
- The exploitive purpose for which the human trafficking is conducted yields different types of material benefit to perpetrators.

47. Different acts can or may take place to start the human trafficking offence. These acts can range from recruitment to the transport, transfer, harbouring or the receipt of persons. Each of these steps can take place across jurisdictional boundaries. They may begin in a lower-income source country and continue in one or more transit countries, and finally end in a higher income country, or, the preliminary acts may occur entirely within a singular jurisdiction. Depending on the exact mechanism of the acts to initiate the human trafficking activity, and the organisational structure of the criminal organisation, the financial flows for the group may take different forms as the offence is carried out. This report does not classify the case studies by source jurisdictions, transit jurisdictions, destination jurisdictions and singular jurisdiction human trafficking, as the bulk of the associated proceeds would be in the destination jurisdiction where the exploitation of the individual reaps the proceeds of the crime.

48. In addition, perpetrators involved in the various types of human trafficking can benefit from it in a variety of ways. This could range from payments to perpetrators in cash to the enrichment of a corporate entity. This part of the study groups the offence into the following three categories and examines case studies based on these groupings. It also allowed for the creation of indicators of money laundering, some of which are known general money laundering indicators, but also others unique to the laundering of the proceeds of the specific type of human trafficking, which have been listed in Annex B:

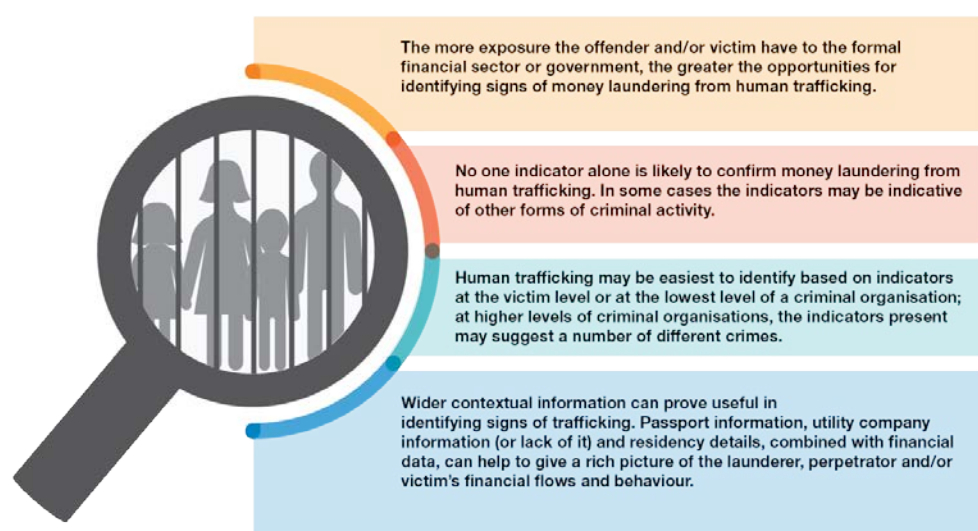
- Human trafficking for the purpose the exploitation of the prostitution of others or other forms of sexual exploitation (HTSE)

³⁹ This section of the report provides a selection of case studies, and associated analysis, provided by national authorities, reporting entities, and other entities involved in identifying or combatting the laundering the proceeds of human trafficking. Delegations should carefully consider this section, and also Annex A, which contains relevant case studies not found in the body of this report.

⁴⁰ Some of the indicators related to these cases are general money laundering indicators, while others are specific to human trafficking. The indicators are aggregated and segmented by whether they are a general indicator, or an indicator related to HTSE, HTFL or HTRO in Annex B.

- Human Trafficking for the purpose of forced labour or services, slavery or practices similar to slavery, and servitude (HTFL)
 - Human Trafficking for the purpose of removal of organs (HTRO)
49. These categories are further segmented, to provide more granularity of the findings based on the roles and/or actors required to commit the offence, and the types of the offence. This will provide a more accurate means of detecting suspicious financial transactions.

Figure 3. Key issues to consider in design efforts to detect financial flows related to human trafficking



50. Additionally, the case studies and indicators highlight four issues which are useful to consider in designing efforts to detect financial flows related to human trafficking:

- **The more exposure the offender and/or victim have to the formal financial sector or government, the greater the opportunities for identifying signs of money laundering from human trafficking.** For example, human trafficking which involves labour via an employment agency or some form of registered business will require some degree of formal interaction with financial institutions, or potentially a government agency. Examples of such formal interaction are opening a bank account, registering for tax purposes or the payment of wages into the victim's account. Conversely, where a victim has no interaction with registered businesses, such as in the case of domestic servitude, it can be much harder to identify the signs of trafficking. In these cases, the physical appearance, such as dress not commensurate with gainful employment, or behaviour, such as deferring to a third party with no apparent relationship for no apparent reason, of the victim may be a greater clue to the likelihood of trafficking.
- **No one indicator alone is likely to confirm money laundering from human trafficking.** In some cases the indicators may be indicative of other forms of criminal activity. But by using a combination of broad primary

indicators, which raise the possibility of money laundering, followed by more specific secondary indicators that may signify money laundering from human trafficking, reporting entities responsible for detecting and combatting this activity can parse out laundering linked to human trafficking and reduce the number of false positives they receive.

- **Wider contextual information can prove useful in identifying signs of trafficking.** Financial institutions may hold passport information, utility company information (or lack of it) and residency details. Combined with financial data, they help to give a rich picture of the launderer, perpetrator and/or victim's financial flows and behaviour.
- **Human trafficking may be easiest to identify based on indicators at the victim level or at the lowest level of a criminal organisation; at higher levels of criminal organisations, the indicators present may suggest a number of different crimes.** This report therefore highlights case studies which demonstrate the financial transactions of victims, and persons at the lower levels of the criminal organisation. These can then be used to 'follow-the-money' to the greater criminal enterprise.

Human trafficking for sexual exploitation

51. This section profiles the two actors involved in human trafficking for sexual exploitation (HTSE) to identify transactions related to this offence:

- Financial transactions of victims; and,
- Financial transactions of perpetrator/lauderer.

52. In general, the victims of human trafficking were identified through continued and excessive accommodation, sustenance and movement of types of expenses (e.g., airline tickets, taxi fares, car hire, train tickets). Incurring a number of these expenses is completely normal in circumstances such as vacationing or traveling for business; however, excessive continued incurrence of these expenses may demonstrate that an individual is a victim of HTSE. As demonstrated in the case studies, the identification of victims' transactions has helped reporting entities identify the individuals laundering the proceeds of this crime given their financial interactions with the suspected victim

Identifying suspicious transactions and money laundering from HTSE victim transactions

53. Victims are generally exploited through a variety of means over an extended period of time (i.e., rarely is a victim subject to one instance of sexual exploitation). Therefore, offenders are required to meet the essential needs of the victims throughout the duration of their, generally long-term, exploitation. This care includes basic housing, personal products and nourishment, as well as logistical items so that they may engage in the sexual exploitation such as transportation around a city or larger area, lodging expenses (a flat or hotel) and maintenance of a location for the purpose of commercial sex. The financial transactions for these

expenditures may be conducted directly by the victim or by the perpetrator or launderer involved in the human trafficking offence.

54. Compared to identifying money laundering from human trafficking, which intentionally appears as normal transactions, it is easier to profile a victim's expenses/financial flows. Profiling these expenses is a good first step in identifying the proceeds from HTSE by first identifying the victims of the crime. Further examining the financial transactions of the victim can help identify the individuals laundering the proceeds from the HTSE offence. These transactions can highlight a pattern of activity that can lead to the larger sexual exploitation trafficking network. The following case studies identify indicators of victim-related financial transactions:

Case Study 1.

A financial institution submitted multiple Suspicious Transaction Reports identifying a group of financially connected individuals suspected to be engaging in and/or deriving profit from HTSE. The suspicious transaction reports identified the account of Victim A, who was using excessive taxi and rider sharing services after midnight in various cities across the country where they appeared to be staying only for a few days or weeks at a time. Victim A appeared to not be paying for any accommodations in these various cities, but did incur room service and eatery bills at various motels/hotels. Victim A was also frequenting pharmacies and fast food eateries daily or multiple times a day in a manner inconsistent with normal account activity. Lastly, Victim A's telephone number was connected to multiple advertisements and Backpage postings for escort services. Further review of account activity of Victim A indicates that she was receiving email money transfers (a service in Canada which allows any holder of a bank account to automatically deposit funds into another bank account via email) from email addresses with all male names and that she was repeatedly sending funds to Subject A.

Subject A's accounts were mainly funded by third party cash deposits and frequent email money transfers from various individuals that are deemed to be excessive and do not appear to be in line with the subject's employment income and level of wealth. Subject A appears to use multiple contact email addresses and names. Funds were often depleted rapidly via cash withdrawals, credit card payments, transfers to other individuals and outgoing email money transfers without apparent economic purpose. Further review of Subject A's accounts revealed that individuals transacting with the subject reside in various geographic locations across Canada.

Subject A also received an out-of-province incoming email money transfer from Subject B. Source of funds for this specific transfer was from an email money transfer immediately remitted by another individual and Subject B appears to have used his account to facilitate the pass-through activity. The financial institution also found that Subject B's account activities demonstrate frequent account transfers between the client's bank accounts and credit card, frequent purchases at online gaming sites, Bitcoin exchanges,

payment processors, sports collectable stores, and email money transfers with various individuals with unknown source and purpose.

Subjects A and B are currently under police investigation for their HTSE of Victim A. This investigation was started based on the suspicious transaction reporting from the Canadian financial institution.

Source: Canada

55. The preceding case demonstrated the consistent pattern of activity exhibited by the victims of HTSE, in addition to a newer developing trend of payment to the perpetrator or launderer via new payment technology such as email money transfers and virtual currency. The following case displays such typical victim transactions, as well as a number of behavioural-type indicators that were used by a financial institution to identify members in a criminal organisation conducting HTSE:

Case Study 2.

A local law enforcement agency provided a bank with information about an alleged organised crime network comprising at least six individuals involved in trafficking women from Eastern Europe for the purposes of sexual exploitation in both the UK and the rest of Europe. The group had been observed spending significant funds on adult websites named by UK local law enforcement as used to advertise trafficked women.

In the initial review, the Bank identified that one of the individuals had previously been a customer who had their relationship exited for financial crime concerns and another was an existing retail customer who held an active account. The previous customer had an internal alert raised by branch staff due to staff witnessing in-branch, coercive behaviours. They noted that a customer was regularly visiting to pay in cash, using the branch automated machines and avoiding the counter, even when there were no queues. The customer was accompanied by the same male on a number of visits during the same week. That male appeared to be exerting control over them and was checking deposits and statements; seemingly controlling her actions. The existing customer was also reviewed and it was apparent that this account was being used to pay for a variety of low cost/high volume transportation and logistics-related bookings across Europe. Direct reviews of transactions also highlighted additional indicators, including: a common telephone number to two other customers; regular low level expenditure at local chemist/pharmacy and supermarket; and no evidence of full-time employment despite significant turnover in the account.

The Bank filed two further suspicious activity reports that linked six customers and their transactional activity to unusual behaviour exhibiting indicators of laundering the proceeds of human trafficking for the purpose of sexual exploitation. This extended the law enforcement intelligence picture for their ongoing investigation and also identified previously unknown subjects. Local law enforcement developed the case and arrested members of

the organised crime network who were subsequently convicted of human trafficking, modern slavery and prostitution offences.

Source: Toolkit for Tackling Human Trafficking – Thomson Reuters Foundation and European Banks Alliance

56. Lastly, the following case demonstrates the prosecution of a major facilitator of HTSE activities. This case demonstrates both the financial flows related to the commission of the HTSE offence, and the subsequent money laundering methodologies used:

Case Study 3.

On April 9, 2018 the US Department of Justice seized Backpage.com, the Internet's leading forum for prostitution ads and a place where sex traffickers frequently advertised children and adults. Backpage earned hundreds of millions of dollars from facilitating prostitution and sex trafficking and served as a platform for human traffickers. In addition, seven Backpage executives were indicted for their role in a conspiracy to facilitate prostitution and were charged with 40 counts of money laundering in various forms.

On April 12, 2018, the Justice Department announced that Backpage's co-founder and CEO, Carl Ferrer, 57, of Frisco, Texas, pleaded guilty to conspiracy to facilitate prostitution using a facility in interstate or foreign commerce and to engage in money laundering. Additionally, several Backpage-related corporate entities, including Backpage.com LLC, have entered guilty pleas to conspiracy to engage in money laundering.

In his plea agreement, Ferrer admitted that he conspired with other Backpage principals to engage in various money laundering offenses. Specifically, Ferrer admitted that since 2004, Backpage has earned hundreds of millions of dollars in revenue from publishing "escort" and "adult" ads. Over time, many banks, credit card companies, and other financial institutions refused to do business with Backpage due to the illegal nature of its business. In response, Ferrer admitted that he worked with his co-conspirators to find ways to fool credit card companies into believing that Backpage-associated charges were being incurred on different websites, to route Backpage-related payments and proceeds through bank accounts held in the name of seemingly unconnected entities, and to use cryptocurrency-processing companies for similar purposes.

Backpage advertisers used the proceeds of crime (money earned from pimping/prostitution) to purchase ads on Backpage; additionally, the fees which Backpage collected for posting prostitutions ads also constituted the proceeds of unlawful activity. The investigation revealed that laundering of criminal proceeds was conducted through numerous US-based financial institutions and banks in ten foreign countries. The indictment unsealed by the US District Court for the District of Arizona further alleged that Backpage pursued an array of sophisticated money laundering strategies, including the

following:

- a) Instructing advertisers to send checks and money orders to anonymous post office boxes, depositing those payments in bank accounts held in the name of entities with no apparent connection to Backpage, and then giving the advertisers a corresponding “credit” on Backpage to purchase new advertisements;
- b) Wiring the proceeds of Backpage’s business to bank accounts in foreign countries and then redistributing the funds to Backpage executives (as compensation) or redepositing the funds in bank accounts held in the United States (to conceal the nature of those funds and promote Backpage’s ongoing operations); and
- c) Converting advertisers’ payments, and the proceeds of Backpage’s business, into and out of cryptocurrency.

Source: United States

Identifying money laundering and STRs from HTSE perpetrator or launderer transactions

57. HTSE can be a major source of income for individual criminals and organised crime networks operating at local, national and international levels. Given the profitability of the offence, individuals perpetrating the HTSE crime, as well as laundering the proceeds of that crime, may be identifiable by observing financial transactions and information obtained by financial institutions in the course of conducting their customer due diligence and the behaviour of offenders. Many of the typologies and indicators in this subgrouping are common to laundering the proceeds of other cash generating crimes and are generally not unique to laundering the proceeds of HTSE as observed in the following cases. For example, hawala-type systems are used to transfer the proceeds of HTSE to another country.

Case Study 4.

Between 2007 and 2010, several Thai women were sexually exploited in Thai massage parlours in Belgium. These women were lured to Belgium under false pretences of a better life in Europe. Upon arrival, they were forced to work in massage parlours where they had to perform sexual services for payment. Victims were debt-bonded to their traffickers for EUR 10 000 - 15 000 and forced to hand over their earnings to repay this debt and to pay for accommodation. Victims were also forced to hand over their passports until they had paid off the whole debt. In some instances, victims’ families in Thailand were threatened to ensure co-operation. Ten defendants were convicted of human smuggling, human trafficking for the purpose of sexual exploitation, criminal organisation, and facilitation of illegal immigration.

A human trafficking for the purpose of sexual exploitation case was opened on the basis of checks and searches in massage parlours by the inspection services. In a Mechelen-based massage parlour, they discovered complete

accounts showing amounts and names. The police noted that the same company managed different massage parlours. Through the analysis of the phone contacts, the main defendant (Defendant 1) and his travel agency were identified. The police also checked advertisements in newspapers and various websites for further information on massage parlours engaging in human trafficking for the purposes of sexual exploitation. These massage parlours were put under surveillance.

The financial investigation revealed three types of transactions:

- money transfers to different recipients in Thailand through the defendants;
- cash payments; and
- the purchase of a house in Thailand.

Various suspicious transfers of funds totalling EUR 48 838 were made through a company to different people in Thailand. Funds totalling approximately EUR 50 000 were also regularly sent through an MS. Defendant 1's wife wired funds totalling EUR 20 598 to beneficiaries in Thailand. The economic justifications for the transfer of funds were not known however, investigators suspected funds were proceeds from human trafficking and/or exploitation of prostitution. The case was prosecuted and the court concluded that the defendants' cash payments and large value transfer of funds to Thailand compared to their income was inconsistent with the commercial turnover usual for a business of that size or type.

Source: Belgium; MYRIA: Trafficking and Smuggling of Human Beings Annual Report 2016

Case Study 5.

A recent major ongoing investigation uncovered tens of millions of dollars in illicit proceeds derived from sex trafficking which were laundered and smuggled by a criminal organisation. Twenty-one members of an international sex trafficking ring were identified as having various roles in the organisation including traffickers, house bosses, money launderers, and facilitators. This sophisticated criminal organisation, which operated for approximately eight years, facilitated the transportation of women from Southeast Asia to cities across the United States and forced them into prostitution. During the coordinated takedown, law enforcement seized hundreds of thousands of dollars in cash, cell phones, and multiple weapons.

This criminal organisation engaged in widespread visa fraud to facilitate the international travel by the victims. Human traffickers assisted the victims in obtaining fraudulent visas and travel documents by funding nominee bank accounts, creating fictitious backgrounds and occupations, and instructing the victims to enter into fraudulent marriages to increase the likelihood that their visa applications would be approved.

Members of the criminal organisation held more than one role, over time or

simultaneously, in order to maximise profits. Some individuals held the bondage debt of a victim until it was fully repaid or, in some instances, a victim's bondage debt was sold from one human trafficker to another. The "house bosses" owned the commercial sex houses and ran the day-to-day operations. The money launderers supported the continued operation of the criminal enterprise by making bank accounts available, coordinating deposits and withdrawals of cash, and moving money to and from Southeast Asia. The organisation's facilitators assisted with the logistics of renting the commercial sex houses, facilitating the transport of victims, assisting with money laundering, and entering into fraudulent marriages with members of the criminal organisation so those criminals could gain immigration status in the United States.

The criminal organisation dealt primarily in cash and engaged in rampant and sophisticated money laundering in order to promote, distribute, and conceal illegal profits. The organisation used funnel accounts to launder and route cash from cities across the United States to the money launderers on the West Coast. Upon entry to the United States, trafficking victims were often escorted by a member of the organisation to a bank and instructed to open an account in their own name; once the account was opened, a member of the organisation took control of it and then provided the account information to other criminal associates to coordinate deposits throughout the United States.

The organisation also engaged in bulk cash smuggling by physically transporting and mailing illegal proceeds from sex trafficking to Southeast Asia. The money launderers recruited money mules to carry large volumes of cash on their persons when traveling overseas as well as to hide cash in items such as clothing and dolls. Finally, the organisation used a hawala system to transfer money to Southeast Asia and elsewhere outside the United States.

Source: United States

Human trafficking for forced labour

58. HTFL involves work that is performed involuntarily and under the menace of a penalty. It refers to trafficking situations in which persons are coerced to work through the use of violence or intimidation or by more subtle means such as manipulated debt, retention of identity papers or threats of denunciation to immigration authorities. Forced labour can take many forms but at its heart is the exploitation of another individual's labour for profit.

59. According to the *ILO Forced Labour Convention, 1930* (No. 29), forced or compulsory labour is "all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily." This definition encompasses the following three elements:

1. Work or service refers to all types of work occurring in any activity, industry or sector including in the informal economy.

2. Menace of a penalty refers to a wide range of penalties used to compel someone to work.
3. Involuntariness: The term “offered voluntarily” refers to the free and informed consent of a worker to take a job and his or her freedom to leave at any time. This is not the case for example when an employer or recruiter makes false promises so that a worker take a job he or she would not otherwise have accepted.

Types and characteristics of forced labour

60. Forced labour can take various guises depending on the method of recruitment, coercion, control and exploitation of the individual involved. Individual cases may often involve a combination of different types of forced labour. Types of forced labour include:

Types and characteristics of forced labour

Type	Characteristics
Exploitation in the workplace	
Victims exploited for multiple purposes in isolated environment	Victims who are often highly vulnerable are exploited for labour in multiple ways in isolated rural locations. Victims live on offenders' property in squalid conditions, are subject to repeated abuse and are very rarely paid.
Victims work for offenders	Victims are forced to work directly for offenders in businesses or sites that they own or control (some offenders may be gangmasters). The main method of exploitation is not paying or illegally underpaying victims.
Victims work for someone other than offenders	Victims are employed in a legitimate and often low-skilled job, with legal working conditions, by an employer unrelated to the offenders. Most or all wages are taken by offenders often through control of the victims' bank accounts.
Exploitation in the home (domestic servitude)	
Exploited by partner	Victims are forced to undertake household chores for their partner and often their partner's relatives. If married, the marriage may have been arranged or forced and the servitude often occurs alongside domestic abuse and sexual exploitation
Exploited by relatives	Victims live with and exploited for household chores and childcare by family members, usually extended family. Many victims are children
Exploiters not related to victims	Victims live with offenders who are often strangers. Victims are forced to undertake household chores and are mostly confined to the house.
Forced gang-related criminality	Victims are forced to undertake gang related criminal activities, most commonly relating to drug networks. Victims are often children who are forced by gangs to transport drugs and money.
Forced labour in illegal activities	Victims are forced to provide labour to offenders for illegal purposes e.g. victims being forced to cultivate cannabis in private residences
Forced acquisitive crime	Victims are forced by offenders to carry out acquisitive crimes such as shoplifting and pickpocketing. Offenders may provide food and accommodation to victims but rarely pay them
Forced begging	Victims are transported by offenders to locations to beg on the streets for money, which is then taken by offenders. Victims are often children vulnerable adults.
Trafficking for forced sham marriage	Traffickers will transport victims to a host country in which the individual has a legal immigration or citizenship status and sell them victims to an exploiter in a one-off transaction. Exploiters then marry victims to gain immigration advantages and often sexually abuse them.

Source: A Typology of Modern Slavery in the UK

Identifying suspicious transactions and money laundering from the types of HTFL

61. As with human trafficking for the purposes of sexual exploitation, HTFL can take many forms, meaning that the proceeds, and associated laundering of the proceeds, are realised in different ways depending on the type of HTFL. Most forms of forced labour involve some form of initial recruitment of the victim. This is often under the pretence of a better job overseas, at a significantly higher wage. In cases where the victim is forced to work in legal employment, the employer (who themselves are often unaware that they are employing trafficked individuals) can make a form of payment into either the traffickers' or victims' bank account. Where financial institutions with reporting obligations observe financial activity such as multiple employees being paid into a single account or where wage receipt is followed by rapid withdrawal or onward transfer into single accounts, they should consider assessing the situation to determine if there is a suspicion of laundering the proceeds of human trafficking.

62. In addition to the financial footprint, the victim or their trafficker will often have to interact with a government agency or reporting entity staff in person, providing further opportunities to pick up on any suspicious behaviour. Where an individual claims to act on behalf of another employee, demonstrating signs of control of the person or their documents, this may be indicative of forced labour. Unusual in-branch behaviour, such as individuals avoiding cashiers, even when there are no queues, may also indicate the presence of trafficking.

63. In the following case, the initial suspicious activity of two occupants at the same address led to the identification of other individuals at the same address working for the same company. Traffickers will often house their victims in substandard accommodation, with many victims sleeping in a single bedroom. Further similarities in the documentation used to open the victims accounts led the bank to conclude that HTFL was involved:

Case Study 6.

The retail team in a major high street bank identified a potential trend which resulted in a referral to the FIU for investigation. Two customers were living at the same address with funds received followed by multiple cash withdrawals. The purpose of the referral was to identify if any additional customers had similar account activity. A review of these two customers raised concerns due to possible Labour Exploitation in the construction sector.

After the initial referral, the investigation identified at the same address three additional customers who were of concern, making five customers in total. A profile review identified four customers showing the same pattern of account activity and one customer with different account activity.

Analysis of the four customers showing the same pattern of activity identified

the following:

- The accounts were receiving Faster Payments Inwards (FPI) from the same entity followed by ATM withdrawals and larger cash withdrawals in branch and in the same locations.
- The accounts were showing a lack of living expenses such as food, petrol, utilities and rent.

Further analysis of these four customers identified the following:

- all of the profiles identified registered the same mobile number
- Two of the 4 profiles identified registered the same email address
- All profiles had the same nationality
- The Passports used to open 4 the accounts were temporary and issued in the same month. The same home town was stated on all passports
- Income was received and immediately withdrawn in cash

Deeper analysis into these four customers identified the fifth customer residing at the address that had introduced the four customers to the Bank when opening the account. Bank records advise this fifth customer was an interpreter as the applicants could not speak English very well. The mobile number and email address registered on the profiles of the four victims linked to the fifth customers at the address.

The bank identified four customers receiving funds from the same employer. Further analysis was completed into other accounts which had received funds from this employer to identify if the network was larger than the 4 customers identified to date. Based on the foregoing indicators, the FIU suspected that the four individuals might be victims of HTFL and the fifth may have been involved in the offences.

The FIU's analysis revealed that there were further customers of concern. The case was referred to law enforcement who, following a subsequent investigation, confirmed that the customers were subject to forced labour exploitation and began enforcement action.

Source: United Kingdom

64. The following case demonstrates some of the manners in which the victims of HTFL can be also forced to be involved with providing the proceeds to perpetrators, and also used in the laundering mechanisms for the proceeds:

Case Study 7.

In 2013, Italian police started an investigation concerning a major informal strike by immigrant workmen, which led them to discover a HTFL scheme involving Bangladeshi and Indian immigrants, trafficked by three gangmasters, one Bangladeshi (Mr A) and two Italian nationals (Mr B and Mr C). The investigation was concerning Alpha, an Italian logistics firm run by

Mr A. This investigation was commenced through suspicious transaction reporting to the financial intelligence unit based on a number of factors:

- News media reports of a major informal strike by immigrant workmen;
- Rumours about unfair business practices/competition by Alpha;
- Anomalous management and ownership structure of logistics companies associated to Alpha (run and owned by foreign workmen only recently immigrated to Italy, also known to work as employees for similar firms);
- Nearly simultaneous ATM cash withdrawals through payment cards belonging to several immigrants working for the same firm at a singular location.

The investigation uncovered that Mr A had selected the workmen in their home countries, offering them temporary jobs at Alpha in exchange for a sum they would pay him through their future work in the cooperative. This arrangement would also grant them temporary work visas to Italy, so that both their residence and employment in Italy would be completely legal.

On such legal ground, once arrived in Italy, Mr A forced each immigrant workman first to address banks through him in order to get current accounts and payment cards (debit cards and reloadable cards), to which Alpha would credit the wages. The immigrant workmen then had to hand the passwords to Mr B, enabling him to take back half the wages through ATM cash withdrawals. The immigrants were forced to provide a portion of their wages to Mr A to pay back their debt, as well as payment for basic goods, such as accommodation and food etc. In spite of the HTFL, Alpha's accounting and financial records appeared compliant with the law, because each workman's weekly working time and wages were formally consistent with legal thresholds, though actually each workman worked for nearly twice as many hours for half the salary.

Alpha's profits were withdrawn through the immigrants' cards, and in some instances sent to shell companies made to look like logistics companies through a false invoicing scheme with the an apparent ownership structure owned and operated by the victims. The actual beneficial owner of the shell companies to which the funds were sent was Mr C, who was found to also be the beneficial owner of other such shell companies during the course of the investigation. These corporate vehicles provided Mr. C with a sort of multi-purpose "money laundering machine" ultimately founded on immigrants' vulnerability to threats about their dismissal from their work, which would have resulted in being sent back to their home countries.

This scheme enabled the laundering of an estimated EUR 2.5 million in two and a half years.

Source: Italy

65. The following case revealed suspicious behaviours around ATM withdrawals. A victim's ATM usage could occur at the same machine at the same time, suggesting that a third party was in control of their cards. Further use of open source tools like Google StreetView revealed inconsistencies between the number of victims living at a particular property, and the actual size of the house:

Case Study 8.

Two brothers trafficked 18 men from Poland to the United Kingdom to work in a major sports clothing warehouse. The brothers employed 'spotters' in Poland to identify vulnerable men and approach them with an offer of work and accommodation overseas. The men received coach tickets to the destination country. Once the victims had arrived, they had to hand in their passports. They were forced to live in an overcrowded house in squalid conditions. The offenders helped the victims to open bank accounts, and then seized their bank cards to control these accounts. The brothers used physical and verbal threats as a means of control. The victims found employment at the warehouse through an employment agency. The offenders took the majority of the victims' GBP 265 weekly wage, leaving each victim with just GBP 90 a week. The offenders reportedly made GBP 35 000 throughout the exploitation period.

Following work with the police the bank analysed the information it held on the address and found that there were up to 15 customers registered at that address.

They reviewed each of these customers and identified the following suspicious activity:

- The property, when looked at on Google StreetView, could only comfortably accommodate 2 or 3 people at the most
- The customers living there received weekly incomes from an agency
- A high percentage of that income was withdrawn quickly after receipt in to the accounts
- Analysis of ATM activity for these customers shows that their ATM usage often occurred at the same machine at the same time suggesting that a third party is in control of their cards.

Following a police raid on the house and arrest of the brothers, both offenders pleaded guilty to human trafficking offences, and were sentenced to six years each.

Source: United Kingdom

66. Lastly, the following case demonstrates some of the methods and techniques which have been commonly used to transfer the proceeds of HTFL to another destination, namely the use of hawala-type systems and physical transportation of cash. Such techniques can be designed to frustrate financial investigation:

Case Study 9.

In September 2016, a jury in the High Court at Auckland found 46-year-old Faroz ALI – also known as Feroz ALI – guilty of 15 counts of trafficking Fijians to New Zealand on false promises of NZD 900 weekly wages for fruit-picking. He charged the workers exorbitant fees and then exploited them upon arrival by forcing them to work illegally and live in overcrowded conditions, underpaying them and threatening them with deportation if they complained. ALI was found to be receiving large payments from legitimate New Zealand companies, for the provision of services by his construction firm, for which the Fijians forcibly worked. With the illicit proceeds of the HTFL offence, ALI was utilising a hawala-type system to return funds to Fiji, as well as the physical transportation of cash for the purposes of personal enrichment in Fiji.

ALI was also found guilty on 16 counts of aiding and abetting people to enter or remain in the country unlawfully. He pleaded guilty to charges of exploitation, including failing to pay workers minimum wage or holiday pay, as well as aiding and abetting workers to breach the conditions of their visas.

Approximately NZD130 000 was calculated to be the total loss of wages, holiday pay and the like for identified victims (noting that the number of victims and period of offending was ring fenced)

ALI, the first person to be convicted of people trafficking in New Zealand, was jailed for nine and a half years.

Source: New Zealand

Human trafficking for the removal of organs

67. Human trafficking for the purpose of the removal of organs renders significant harm to the victim, for potentially little reward, if any. This crime, significant in its impact to the victim, represents the vast minority of human trafficking cases.

This is exemplified in that this study received no viable case studies of HTRO, but did receive a few cases of organ trafficking, which is outside of the scope of this report.

Box 2. Human Trafficking for the Purpose of the Removal of Organs Versus Organ Trafficking⁴¹

Trafficking in organs and trafficking in persons for the removal of organs are different crimes, though frequently confused in public debate and among the

⁴¹ Quoted excerpt from UNODC's Assessment Toolkit for the Trafficking of Persons for Organ Removal, 2015 https://www.unodc.org/documents/human-trafficking/2015/UNODC_Assessment_Toolkit_TIP_for_the_Purpose_of_Organ_Removal.pdf

legal and scientific communities. In the case of trafficking in organs, the object of the crime is the organ, whereas in the case of human trafficking for organ removal, the object of the crime is the person. Trafficking in organs may have its origin in cases of human trafficking for organ removal, but organ trafficking will also frequently occur with no link to a case of human trafficking. The mixing up of these two phenomena could hinder efforts to combat both phenomena and provide comprehensive victim protection and assistance.

68. While this study did not receive any viable cases on HTRO, UNODC's *Assessment Toolkit for the Trafficking in Persons for Organ Removal* provides detailed information on the offence which leads to two potential opportunities to detect the offence via financial flows: 1) financing the infrastructure required to effect the offence, and 2) payment to the various individuals required to effect the offence.

69. Unlike HTSE and HTFL, there is a much shorter period of caring for a victim to profit off their exploitation for HTRO, which takes away one opportunity to detect the crime via its associated financial flows. However, HTRO does require more significant infrastructure in comparison to the other classifications, such as medical facilities and equipment. There may be an ability to detect the HTRO offence through the procurement of medical equipment outside of the context of an official medical care facility.

70. The HTRO offence also provides the perpetrators with a more significant one time financial gain than HTSE and HTFL. The UNODC report provides case studies which indicate that, for example, kidney procedures can cost as high as USD 100 000 – USD 200 000 on the black market. This significant inflow provides the second opportunity to detect HTRO. The payment itself may be provided to one individual coordinating the HTRO, or to a network of individuals each contributing to conducting the offence, in the form of a payment that is not in line with what would be reasonably expected of their employment.

Box 3. Human Trafficking for the Purpose of the Removal of Organs Actors⁴²

Recruiters (other terms used include brokers, organizers, connectors, coordinators, middlemen, kidney hunters, etc.);

Medical professionals (including specialist doctors such as surgeons and nephrologists [medical doctors who specialize in kidney care and treating diseases of the kidneys], as well as nursing staff and other medical staff);

Other private and public sector facilitators (such as hospitals, transplant centres, laboratories and other medical facilities, as well as their staff, insurance companies, travel agencies, airlines and their staff, as well as

⁴² Quoted excerpt from UNODC's *Assessment Toolkit for the Trafficking of Persons for Organ Removal*, 2015 https://www.unodc.org/documents/human-trafficking/2015/UNODC_Assessment_Toolkit_TIP_for_the_Purpose_of_Organ_Removal.pdf

guards, drivers, service providers, law enforcement officials, translators, etc.);

Although **organ recipients** ('patients', 'buyers') have largely not been found to be perpetrators of trafficking in persons for organ removal, they may have been knowingly or unknowingly involved as recipients of organs that come from trafficking victims.

Victims of trafficking in persons for organ removal (also 'donors', 'victim-donors', 'sellers', 'organ suppliers') are not to be considered actors within the trafficking schemes. They may, however, take on active roles, e.g. by approaching brokers, offering their kidney for sale.

71. It should be noted that both opportunities to identify HTRO via financial flows may point to both HTRO and organ trafficking and other means will be required to distinguish the two once the situation is detected.

Indicators of money laundering from human trafficking

72. Indicators of money laundering from human trafficking derived from the above noted cases studies and information from this section, as well as the other cases provided in this report (provided in full in Annex A) are listed, in full, in Annex B. These indicators will assist obliged entities and national authorities in detecting transactions where there is a suspicion of the laundering of the proceeds of human trafficking.

Part Three: Challenges and good practices in combatting ML/TF from human trafficking

Challenges identified in the 2011 FATF Report

73. The previous FATF report identified a number of challenges in detecting, investigating and prosecuting money laundering from the trafficking in human beings and the smuggling of migrants. The top three challenges include:

1. **Limited international co-operation:** The previous FATF report identified international co-operation as the single biggest challenge in combatting ML/TF from human trafficking/smuggling of migrants. More specific challenges mentioned under this theme include, time delays in obtaining information, incomplete responses to information requests, restrictive conditions attached to the sharing of information and ineffectiveness of the mutual legal assistance process.
2. **Lack of awareness or concern from law enforcement/prosecution authorities:** The previous FATF report cited a culture of investigation and prosecution focusing on the predicate offence and not the associated laundering offence, and a lack of effective training of authorities in financial investigations.
3. **The difficulty to detect funds:** The previous FATF report identifies human trafficking and the smuggling of migrants as being crimes where there are high volumes of cash and comingling of funds as primary money laundering methodologies thereby posing problems for financial investigators in 'following the money'.

74. The previous FATF report also identified other challenges, such as the lack of investigative resources, the lack of witness co-operation, corruption, and time delays in national co-operation. The previous FATF report also notes low levels of STR submission by reporting entities on ML/TF from human trafficking and the smuggling of migrants.

Challenges identified in the current study

75. This section summarises the main challenges identified through the course of the study. Some of the challenges enunciated in the previous FATF report remained common themes throughout the project; however, a number of significant, incremental challenges have been identified.

76. **Addressing the challenges of the previous FATF study:** The challenges identified in the previous FATF report, were also identified as challenges in effectively detecting, investigating and prosecuting ML/TF from human trafficking during the current study, seven years later. Some of these challenges were structural, due to the nature of the predicate offence, some due to a lack of granular understanding of the predicate offence and associated financial flows, and some demonstrating effectiveness issues by authorities. While it is impossible to quantify

the difference in the level of effectiveness of authorities in combatting ML/TF from human trafficking between 2011 and 2018, estimated proceeds derived from human trafficking has increased substantially.

77. Money laundering risk from proceeds of human trafficking not adequately detailed in risk assessments and understood: Human trafficking, in many respects, remains a ‘hidden crime’. From victims that do not understand that they are victims, victims who are not incentivised to declare the nature of the crime that they have been the victim of, difficulty in detecting forced labour exploitation, national authorities focusing largely on international human trafficking and human trafficking being hidden within other crimes such as prostitution (in some countries) or illegal immigration. In addition, there are incremental challenges when it comes to understanding the money laundering risk related to human trafficking. For example, assets acquired in HTFL are difficult to identify, and a significant amount of the proceeds are in cash.

78. Due to the unseen nature of some aspects of the predicate offence and the difficulty in identifying the laundering of the proceeds of human trafficking, it is hard for national authorities to gather statistics to properly assess the ML risk from human trafficking in their jurisdiction. The review of available risk assessments demonstrates this. On aggregate, the risk assessments do not identify ML from human trafficking with the gravity commensurate with the estimated aggregate global proceeds derived from the human trafficking; this places human trafficking among the most significant illicit revenue generators in the world. If the ML risks remain under-represented globally, then appropriate risk mitigation measures will not be put into place to curb this crime.

79. Incomplete domestic information sharing: Many stakeholders – including competent authorities, and stakeholders in the private sector, civil society and NPO sector – are working to combat human trafficking, and money laundering from human trafficking. Each of the stakeholders can have information relevant to combating ML/TF from human trafficking. Some of the stakeholders form part of a country’s AML/CFT regime, others are partners of the regime, while others still have limited to no interaction historically with the AML/CFT regimes. This diversity of partnerships, some national authorities’ inability to share with all partners and the associated diversity of information offered by stakeholders combatting human trafficking, and ML/TF from human trafficking, can lead to incomplete and/or misunderstood domestic information sharing which could be better co-ordinated and more complete.

80. Detecting, reporting and analysing suspicious transaction reports: Members of the private sector have reported issues in effectively detecting transactions where there is a suspicion that the proceeds from human trafficking are being laundered or contribute to the financing of terrorist activity. Specifically, the private sector has indicated that national authorities have provided some information on the national threat environment with respect to human trafficking. However, the information is not complete and does not allow the private sector to best identify such transactions. In addition, reporting entities have indicated that they require more precise indicators of money laundering/terrorist financing, which are responsive to the national threat environment of human trafficking. These issues may result in part from the lack of consideration or weight given to human

trafficking in national risk assessment exercises, or inadequate communication of the risk.

81. As a result of the reporting entities' difficulties in identifying transactions where there is a suspicion that the proceeds from human trafficking are being laundered or contribute to the financing of terrorist activities, financial intelligence units have reported difficulty in appropriately prioritising suspicious transaction reports related to human trafficking. In many respects, reporting entities are not equipped with sufficiently granular information to appropriately identify these transactions, or differentiate such transactions from other reported suspicious transactions. In turn, the FIU is not able to attribute the suspicious transaction report to suspected laundering of the proceeds of human trafficking and forward these transactions to the appropriate authority.

82. **Identifying proceeds in forced labour exploitation type human trafficking cases:** Competent authorities indicated significant issues in identifying the proceeds of forced labour exploitation type human trafficking cases. By nature, these types of cases provide material benefit for the individuals/entities for whom the victims are forced to work, but also for the perpetrators who trafficked the victims, who may or may not be the same individual. In some instances, the material benefit can be readily identified as the direct output of an individual over time or when an entire entity's business model is based around forced labour. In other instances, the individuals merely contributed to a gradual enrichment of individuals or entities over time. Such 'balance sheet' improvements are difficult to trace back to the specific predicate crime that have been committed. The following case exemplifies a HTFL situation where the benefit derived from the offence is difficult to quantify and identify:

Case Study 12. Domestic Servitude by a Stranger

A Tanzanian woman scientist living in London trafficked a 21-year-old woman from Tanzania to work as a slave in her home. The offender offered the victim 250 000 Tanzanian shillings (~£120 at the time) a month to work as her housekeeper. The offender's family paid for the victim's visa and arranged her flights from Tanzania to the UK. Once in the UK, the victim was taken to the offender's two-bedroom flat. The offender and her three children all lived in one room and the second bedroom was rented out. The victim was made to share a bed with the offender's 12-year-old son. The victim was forced to work for up to 19 hours a day cooking and cleaning, as well as looking after the three children. She was never paid for her work, but was given £20 on one occasion by the lodger. Her passport was taken from her and she was banned from contacting family or friends. She was regularly verbally, physically and psychologically abused. This exploitation lasted seven months. The victim was encouraged by a friend to report her exploitation to the police, leading to the offender's arrest. The offender was sentenced and ordered to pay £3 000 in compensation to the victim.

This case highlights the difficulty in determining the material benefit gained through certain types of HTFL where the proceeds are indirect, gradual

enrichment, or enrichment of an individual's lifestyle, but are not realised in a singular material good.

Source: United Kingdom

83. **Victims as sources of information and potential witnesses:** Depending on the circumstances, victims of human trafficking may provide useful insight into the financial operations of the individuals who have trafficked them. However, victims of human trafficking are frequently subject to physical and mental horrors as part of their experience in being trafficked. As a result, many victims are reluctant or unable to provide information to authorities for fear that they or their family/friends may be targeted by the perpetrators. In addition, some jurisdictions have reported problems in keeping victims in the country and motivated to providing information/testimony throughout a potentially lengthy investigative proceeding.

84. **Lack of convictions or confirmed intelligence regarding proceeds of human trafficking contributing to terrorist financing:** A number of studies, reports, press reports and victim testimonials have highlighted the link between human trafficking and terrorist financing. These reports indicate that terrorist organisations such as ISIL, Boko Haram and Al Shabaab have used human trafficking as a way to raise funds and to provide material support to their organisations and activities. Such activity has, to date, been generally confined to areas which are controlled, or partially controlled, by terrorist groups.

85. Despite these reports, there have been no specific law enforcement cases studies that confirmed the proceeds of human trafficking contributing to the financing of a terrorist group. There are many reasons why this may be the case:

- Authorities, appropriately, prioritise victim safety above evidence or intelligence gathering; their focus is thus not on gathering evidence to secure a terrorist financing conviction.
- Evidence and intelligence collection in a given geography which is controlled, or partially controlled, by terrorist groups is very challenging, even after the conclusion of a conflict. The admissibility of such information to court proceeds would also be challenging.
- Seeking a conviction for or specific intelligence on the financing of terrorist activities from the proceeds of human trafficking is simply a lower priority for national authorities combatting terrorist groups than other outcomes which could range from kinetic action to victim extraction.
- Prosecutors may opt to pursue other charges – and not terrorism finance-related charges – because the evidence is more readily available and the penalties are similar.

Good practices in combatting ML/TF from human trafficking

86. This section summarises the good practices identified through the course of this study in project team meetings, the case studies, the analysis of the literature and the workshops in Busan in November 2017 and Marrakesh in January 2018.

These good practices are focused on improving the effectiveness of regimes to combat ML/TF from human trafficking.

87. Assess the diverse money laundering risks from human trafficking, share with stakeholders and ensure that they're understood: Countries can benefit from the development of a comprehensive understanding of the risk they face from the laundering of proceeds from human trafficking, which may largely be an 'unseen' crime which has led to problems in assessing its significance. Detailed research and analysis into the predicate crime – and the financial flows associated with the predicate crime – can help to further this understanding. This understanding can benefit from the development and maintenance of national and regional statistics, and other contextual information such as:

- The estimated number of victims of human trafficking, broken down by type of exploitation
- The provenance, facilitation and transit arrangements of the victims for each type of exploitation occurring in the jurisdiction
- The estimated average proceeds earned, and how they are earned, for each victim for each type of exploitation
- The organised crime groups conducting the human trafficking offences
- Prosecutions and charges for perpetrators of both human trafficking and money laundering, as well as aggregated profile information
- Typical financial flows related to each type of human trafficking in the jurisdiction's context
- Methods and indicators of laundering utilised by crime groups, and typical assets (i.e. cash, real estate, cars etc.) utilised to launder
- Whether profits stay in the jurisdiction, or are moved elsewhere

88. A review of the above can benefit from the involvement of all relevant stakeholders combatting human trafficking, as well as money laundering from human trafficking. This group of stakeholders can leverage their varied expertise and data holdings, such as case information, suspicious transaction reports and open-source information, to provide an updated view on the risk posed by human trafficking, and the proceeds of human trafficking to the country. This process can also open channels to enable more effective domestic information sharing on both the strategic and tactical levels.

89. With appropriately identified criticality to the money laundering risks from the proceeds of human trafficking, and granular knowledge of the offense and associated laundering, national authorities will be able to appropriately design mitigation measures for the risks. The below provides an example of such a comprehensive understanding of risk related to human trafficking:

Box 4. Project Tsireledzani!

Tsireledzani! means 'Protect!' in Tshi-Venda (one of the 11 South African official languages) and is the name of the Government's initiative to combat Trafficking in Persons. The programme is headed by the National Prosecuting Authority and involves government departments, international organisations and civil society partners.

This coalition of goodwill has led to the establishment of a National Action Plan on trafficking in persons and to the launch of the *Tsireledzani!* campaign, whose primary aim is to provide a blueprint for all those working to prevent trafficking and protect the people of South Africa and other nations from human trafficking. The program's action plan is based on three pillars: prevention, victim support and response, which provide a multi-pronged response to human trafficking, including (1) research, and (2) capacity building, which provide insight into combatting human trafficking through risk assessment and anti-money laundering measures. Project *Tsireledzani!*:

1. Research provides a stronger knowledge base relating to human trafficking trends and responses in South Africa upon which the Government and other stakeholders can develop national frameworks, structures, policies and processes to address human trafficking.
2. Capacity building provides support in identifying trafficked persons, improving the standard of physical protection and direct assistance offered to victims of trafficking in the country, and increases the number of trafficking cases investigated and prosecuted by law enforcement and justice officials.

Source: South Africa

90. The predicate offence of human trafficking is incredibly diverse in how it is carried out. The acts required to commit each of the types of exploitation, and the methods perpetrators use to transact differ between and within the types of exploitation. In understanding these differences, and translating them into typologies, there could be more specific opportunities to identify the criminal organisation committing these crimes and the associated laundering of the proceeds. This paper provides such a segmentation and specificity, and can act as a foundation for national authorities, reporting entities, civil society and non-profit organisations.

91. **Leverage expertise, capabilities and information through partnerships between the public sector, private sector, civil society and NPO communities:** The community of participants, working to effectively combat human trafficking, and ML/TF from human trafficking, is large and incredibly diverse, and holds significant information. This community includes a variety of stakeholders from the public sector, private sector, civil society and non-profit organisations, If participants are properly coordinated, and information is appropriately shared amongst the community of participants, some of which are not traditional partners

for FIU/law enforcement, such as labour, employment and work safety agencies, then the community's size, diversity and the information it holds offer an ability to improve effectiveness in efforts to combat ML/TF from human trafficking. It is important to consider implementing adequate mechanisms for these participants to report to FIUs, while maintaining the confidentiality of the information provided as is normally the case for reporting entities.

92. The creation of a national co-ordination and information-sharing mechanism for relevant participants working to combat human trafficking and ML/TF from human trafficking may be beneficial. Such venues are successful when they:

- Ensure there is understanding between constituents of each participant's mandate/role and capabilities;
- Understand the information each organisation holds, informational needs, and when such information can be shared;
- Ensure that there is a permanent contact point for each participant to enable information sharing across the group;
- Work collaboratively on developing the national threat and risk environment for ML/TF from human trafficking; and,
- Collaboratively develop precise, suspicious transaction report indicators and risk-based assessment guidance responsive to the national threat and risk environment.

93. Such a mechanism could be part of an existing co-ordination and information-sharing channel such as the national AML/CFT risk assessment or conducted as a continuous stand-alone process. Various 'public/private partnership' models are gaining prominence and showing tangible results worldwide, despite different national AML/CFT frameworks and information-sharing legislation in the countries enacting them. Two such models for consideration, which are operationalised under separate AML/CFT frameworks and information-sharing legislation, are Canada's Project PROTECT, and the United Kingdom's Joint Money Laundering Intelligence Task Force:

Box 5. Project PROTECT

Project PROTECT is a minimal or 'no cost' initiative between several Canadian financial institutions, FINTRAC (FIU Canada), regulators, law enforcement agencies at the municipal, provincial and federal level, as well as non-profit organisations and technology companies. The project has two twin goals: Firstly, to increase the awareness of sexual exploitation-type human trafficking amongst project constituents and secondly, to increase the quantity and quality of suspicious transaction reporting to FINTRAC when there are suspicions of money laundering from human trafficking.

Project partners utilise their unique abilities and information to fulfil the needs of other project participants through ongoing dialogue and the sharing of experience in combatting human trafficking. Tangibly, the *Project Protect* partners collectively developed indicators of suspicious transactions of money laundering from human trafficking involving sexual exploitation.

These indicators were used as sourced material for the Operational Alert to all Canadian reporting entities on human trafficking involving sexual exploitation. This Operational Alert provided granular indicators for use by reporting entities and specific instructions to submit all suspicious transaction reports for the project with the label *Project Protect* for ease of identification. The resulting suspicious transaction reports are being forwarded to project participants in law enforcement, who are then able to appropriately and expeditiously address this potential money laundering.

Since its inception, *Project Protect* has been able to make all participants, individually and jointly, more effective at combatting money laundering from human trafficking through this partnership. This is demonstrated by a nine-fold increase in suspicious transaction reports on human trafficking submitted to FINTRAC, and an eight-fold increase in disclosures sent from FINTRAC to competent law enforcement authorities resulting from the submission of these suspicious transaction reports. In addition, project participants have agreed that such a model of partnership has led to such success that it should be continued in efforts to build capabilities in combatting other serious money laundering risks.

Source: Canada

Box 6. Joint Money Laundering Intelligence Taskforce

The JMLIT model

The Joint Money Laundering Intelligence Taskforce was established in 2015 to enable both tactical and strategic intelligence sharing between law enforcement agencies and leading financial institutions in the UK.

The JMLIT brings together law enforcement, the regulator, and over 30 UK and international financial institutions to exchange and analyse information and intelligence. By using the National Crime Agency's legal gateway, the JMLIT enables private sector institutions to share information with law enforcement partners and other private sector partners on a multilateral basis.

The overall aim is to identify priorities and focus the mutual effort deployed against financial crime by the public and private sectors.

How it works

The taskforce shares information through an Operational Working Group and several Expert Working Groups.

The **Operations Group** is dedicated to assisting ongoing money laundering and terrorist financing investigations. It exchanges live tactical intelligence using the Section 7 gateway of the Crime and Courts Act 2013, strengthened and safeguarded by an information sharing agreement which all members must sign. Vetted members of 17 major financial institutions are briefed every week on UK law enforcement subjects of interest, and requests are

made for specific information to fill intelligence gaps. Information is shared for intelligence purposes only, and so all information must be parallel-evidenced by law enforcement should they wish to use it evidentially. This is an entirely voluntary arrangement which complements the UK's existing Suspicious Activity Report regime.

The bank-led **Expert Working Groups** provide a platform for members to discuss current or emerging threats, and to identify innovative ways of collectively combating these threats. These groups are attended by relevant experts from across the public and private sectors. The Experts groups are aligned to the following JMLIT priority areas:

- Organised Immigration Crime /Human Trafficking
- Bribery and Corruption
- Trade Based Money Laundering
- Money Laundering Through Markets
- Terrorist Financing
- Future Threats

Source: United Kingdom

94. Such co-ordination and information-sharing mechanisms can also be conducted with international stakeholders, including the national authorities of other countries where such co-ordination and information sharing would be beneficial.

95. These venues can also provide for the sharing of best practices through co-ordinated and sustainable, technical-assistance solutions for jurisdictions in need of assistance in improving their effectiveness in combatting money laundering from human trafficking. Some such solutions could include: the provision of assistance in conducting a national risk assessment through workshops and models, assistance in co-ordinating a public/private partnership venue, the development of specialist/generalist training programmes and the facilitation of joint investigative teams. The Bali Process provides a model for such international co-ordination, information sharing and technical assistance coordination mechanism:

Box 7. Bali Process

The Bali Process on People Smuggling, Trafficking in Persons and Related Transnational Crime (Bali Process) was established in 2002 and is a voluntary and non-binding forum for regional dialogue and co-operation on people smuggling and human trafficking. It is co-chaired by the Governments of Australia and Indonesia and comprises 45 member countries from across the Asia Pacific region. Its membership also includes the United Nations High Commissioner for Refugees (UNHCR), the International Organisation for Migration (IOM) and the United Nations Office of Drugs and Crime (UNODC).

Under the Bali Process, the officials-level Working Group on Trafficking in

Persons (TIPWG) aims to promote more effective and co-ordinated law and justice responses to combat human trafficking in Asia Pacific by sharing information and best practices, and delivering capacity-building activities in member countries. In May 2016, the TIPWG held a Bali Process forum, *Following the Money Forum*, followed by its second annual meeting where the TIPWG agreed to progress a suite of work to promote the use of anti-money laundering and asset recovery tools to support prevention, investigation and prosecution of trafficking in persons (TIP). A key priority was the development of a new Bali Process policy guide and training module on following the money in trafficking in persons cases by a Bali Process drafting committee co-chaired by the Indonesian Attorney-General's Office and the Australian Attorney-General's Department (now the Department of Home Affairs). The guide and training module were formally endorsed at the Ad Hoc Group Senior Officials Meeting in October 2017. They will be translated into regional languages, distributed both online and in person to members, and used in training workshops for interested Bali Process countries.

The Australian Attorney-General's Department also commissioned the development of the report *'Financial Footprints: An Analysis of Financial Investigations to Combat Trafficking in Persons in the Asia Pacific Region'* to provide an overview of key global literature on the financial flows associated with trafficking in persons, and recent global experiences in using financial tools in combating trafficking in persons. Together with the Bali Process policy guide and training module on following the money, the report provides an important tool to target capacity-building activities and ensure a comprehensive and harmonised approach to using anti-money laundering and asset recovery tools in TIP cases.

Sources: Australia and Indonesia

96. Appropriately identifying suspicious transactions linked to human trafficking and creating useful STRs: Reporting entities and financial intelligence units may be better able to identify and report transactions where there is a suspicion of laundering the proceeds of human trafficking by considering the following:

- The financial intelligence unit can ensure that reporting entities understand the national money laundering risk associated with human trafficking and receive specific, granular indicators of the laundering of the proceeds of human trafficking
- The financial intelligence unit can guide reporting entities that reporting suspicious transactions on suspected victims are of low value. They can, in these circumstances, instead, identify victims via profiled financial transactions, and submit suspicious transaction reports on those individuals and entities to whom the victims are sending funds/assets.
- FIUs could encourage reporting entities to flag the transaction(s) with possible links to human trafficking with a specific word/phrase, tick box or

other marker when they submit their suspicious transaction report to their financial intelligence unit.

- FIUs and reporting entities could consider ways to mine open source information which provides address, phone numbers and email addresses associated with human trafficking.

97. **Raise awareness of human trafficking as a means to potentially support terrorist organisations:** Convictions for and the use of proceeds of human trafficking to materially support terrorist activity are difficult to secure for the reasons which have been enunciated in the previous section of the report, and information and credible intelligence on the issue may be difficult or impossible to collect. As a result, authorities could raise awareness about this issue to:

- Study how terrorist organisations are realizing the proceeds of human trafficking to materially support their activities. Such an understanding could include number of victims, the nature of their exploitation and the estimated material benefit derived from their exploitation. It may require a victim-based study for each territory controlled by terrorists.
- Study the financial component of human trafficking for the provision of material support to a terrorist organisation, and specifically, how the material benefit from such exploitation is used. At the time of writing this report, it is unknown if such proceeds ever leave the controlled territory of these terrorist groups, and if the proceeds are used for anything more than the sustenance and benefit of the singular terrorist engaging in such activity.

98. This information could help foster the development of appropriate AML/CFT policy and operational responses.

99. **Development of specialist and generalist training:** Authorities may wish to create and deliver training programs for individuals tasked with detecting, investigating and prosecuting ML/TF from human trafficking. Such programs will inform professionals on the use and availability of financial intelligence. Professionals can learn best practices in obtaining evidence from a variety of sources. These sources include the victims' financial documents and online sources. They will learn how to present relevant information in court and strengthen the working relationship between constituents of the regime combatting human trafficking and the ML/TF from human trafficking.

100. In addition, a leaner curriculum on financial intelligence and human trafficking can be delivered to non-specialists to ensure that national authorities can more effectively identify human trafficking and ML/TF from human trafficking, so that they can recommend and conduct appropriate actions.

101. **Other good practices:** Other good practices were identified through the course of the study (but they have also been identified through numerous other global AML/CFT regime studies on other subject matter so are not detailed in depth for the purpose of this report). These include:

- Creation of multi-agency task forces

- Focus relevant investigations on hawala-type systems and their use by facilitators in order to ensure that there is greater traceability of the financial flows of the HT
- Utilising both informal and formal international co-operation mechanisms, such as are available through asset recovery networks
- Ensuring that ML investigations operate in parallel to predicate crime investigations

Conclusion and Potential Next Steps

102. This study aimed to update our understanding of the financial flows from human trafficking. It also aimed to provide actionable ways forward for national authorities in improving their effectiveness in combatting ML/TF from the proceeds of human trafficking. While the goals of this study have been fulfilled, the study has also identified other opportunities for the global network to improve its effectiveness in the future, once time has passed and more information is available, on the following areas of work:

- Developing a better grasp of the proceeds derived from human trafficking for forced labour cases when assets are immediately identifiable;
- Developing a global estimate of proceeds derived from human trafficking for the removal of organs;
- Mapping and profiling the actors/roles involved in human trafficking for the purpose of the removal of organs, and identifying how their unique financial flows can aid in the detection of HTRO; and,
- Identifying cases of the proceeds of human trafficking contributing to terrorist activity financing to determine how proceeds are realized and used.

103. As seen in this paper, human trafficking is an offence with diverse financial flows, and where proceeds are realised differently across the world, and across the various types of human trafficking. Because of these significant differences, the findings of the international community are one aspect of what is required by national authorities to improve their effectiveness in combatting ML/TF from human trafficking. The FATF encourages all jurisdictions to better understand their ML/TF risk, share the results with relevant stakeholders, and consider implementing some the good practices identified in this report, where relevant. In addition, jurisdictions should work to better understand the challenges they have in effectively detecting, investigating and prosecuting ML/TF from human trafficking, and implement practices to overcome these challenges.

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Annex A. Additional Case Studies

Human Trafficking for Sexual Exploitation

Case Study 13.

A financial institution submitted a STR on Subject A regarding financial activity occurring in Subject A's account related to possible HTSE. Subject A received an email money transfer from Subject B, who was previously reported for movement of funds and account activity indicating HTSE. Subject A's account was primarily funded by transfers from linked accounts, direct deposits, and email money transfers. Incoming email money transfers were primarily from men and outgoing email money transfers were to individuals previously unknown to the financial institution. Funds were utilised for point-of-sale transactions and included local transportation purchases and accommodation transactions.

Through the analysis of the transactions by the previously unknown individuals above, it was uncovered that they were withdrawing the funds from their personal accounts and depositing them into the accounts of 3 cash-intensive businesses to launder the proceeds of the HTSE offence.

Source: Canada

Case Study 14.

Person A was the head of a HTSE syndicate which was trafficking female victims from Country X to Country Y, both located in Asia. Person A was from Country X but living in Country Y, and sought and recruited young female victims from Country X and promised them a high salary to work in Country Y. When the girls arrived in Country Y, Person A sold them to traffickers and earned USD 4,376 per Person.

To launder the proceeds of HTSE, Person A sent money to his father's bank account in Country X. To launder the proceeds from HTSE, Person A's father opened and operated a small clothing shop that had a very small customer base.

Source: Financial Footprints: An Analysis of Financial Investigations to Combat Trafficking in Persons in the Asia Pacific Region

Case Study 15.

A criminal group used legitimate business activities such as bars/night club services to cater to the needs of their clientele wanting to engage in adult entertainment. Suspects were arrested and charged after promoting and hosting what was referred to as a 'vice party' for which an entrance fee of TTD 200 (USD 30) per person was requested from patrons to contribute to forced sexual activity. The suspects were also found to be involved in promoting brothels (prostitution), child prostitution and other HT related offences.

The proceeds derived from the predicate of HT were laundered using 'legitimate' cash intensive business entities such as restaurants & bars. In some instances STR's were received indicating high value cash deposits into the accounts of the suspects. In one case an analysis of accounts held by a suspect revealed that there was an increase of cash deposits by as much as 485% over a two-year period. Funds were laundered through the accounts of third parties, payments of credit facilities and for personal expenses.

Source: Trinidad and Tobago

Case Study 16.

Investigators were asked by a local-level government to investigate possible sex trafficking in residential areas. Investigators used account tracking warrants and warrants for search and seizure of property as part of the investigation. The suspects used mobile phones registered under other people's names and changed the phones regularly. The suspects concealed the proceeds of crime by keeping the money in a bank account under a third party's name. The suspects also bought gold bars with the proceeds.

Source: Financial Footprints: An Analysis of Financial Investigations to Combat Trafficking in Persons in the Asia Pacific Region

Case Study 17.

A police investigation was conducted on an organised group profiting from sexual exploitation of foreign women in Spain. The police investigation was focused on a number of members of the organised criminal group. The different roles of the members of the criminal organisation were identified through the law enforcement investigation which acquired evidence that some members were involved in activities centred around controlling the victims, others on ensuring that they obtained money and work as required, and others focused entirely on the proceeds derived from their criminal activity.

The proceeds of HTSE were mainly in cash and operations of this network were detected through money remittance companies, highlighting the

following financial activities:

- Small amounts of money were sent abroad through money remitters by victims to their countries of origin.
- Some of the addresses in the country of destination were identical across multiple conductors.

Small amounts of money were sent at domestic level by the members of the criminal organisation and by the victims, who both reported an identical address.

Source: Spain

Case Study 18.

Young women from rural villages in West Africa are recruited to travel to Europe for a better life and to escape the economic and political hardship in their homeland. Recruiters or ‘madams’ use various coercion and deception tactics to consolidate the exploitative relationships. Once victims arrive at their destination in Europe, they are often bought and sold to criminal groups for sexual exploitation. Victims are also debt bonded to their traffickers for up to EUR 70 000.

Indicators for this typology include:

- Victims and ‘madams’ are known to use intermediaries with legitimate identification documents to facilitate the electronic transferal of funds via a money service business to Nigeria.
- Using intermediaries to allow for smurfing of funds.
- Perpetrators unable to suitably provide evidence of any legitimate income and/or struggle to prove that the money has a legal source.

Source: Nigeria

Case Study 19.

An investigation was initiated into the activities of a Romanian organised crime group who is suspected to be engaged in the trafficking of human beings into Ireland for the purposes of sexual exploitation, property crime and blackmail. Victims initially engaged with the NGO sector who reported it to An Garda Síochána through an established framework.

It is suspected that the group is engaged in using family networks and financial institutions and in some cases the victims of human trafficking for sexual exploitation are being used to traffic proceeds of crime out of the jurisdiction. At an early stage, financial investigations supported the identification and the movement of people and monies associated with this crime.

Source: Ireland

Case Study 20.

An operation was established by the An Garda Síochána to conduct an investigation into trafficking in human beings from Nigeria into Ireland for the purposes of sexual exploitation. The group is comprised of suspected offenders residing in both Ireland and the United Kingdom who engaged in the trafficking of young females from Nigeria into Ireland. Victims initially engaged with the NGO sector who reported it to An Garda Síochána through an established framework.

It is suspected that the group engaged in using family networks, financial institutions in numerous jurisdictions to move proceeds and in some cases the victims of human trafficking for sexual exploitation are being used to traffic proceeds of crime out of the jurisdiction. At an early stage, financial investigations identified and established money flows in a number of jurisdictions by submitting financial enquiries.

Source: Ireland

Case Study 21.

The Spanish police started an investigation into an organised criminal group in Spain trafficking women for sexual exploitation from Eastern Europe and South America.

The criminal organisation owned several nightclubs in the South of Spain and incorporated more than thirteen front companies to launder the proceeds obtained from human trafficking. During the police investigation the FIU received several STRs related to one of the front companies of the organisation. The suspicious transactions were mainly cash deposits below the customer identification threshold in the bank accounts of those companies. The bank accounts of the nightclubs showed mainly credit cards payments in exact amounts and a low volume of cash operations. Afterwards the money was withdrawn in cash in other regions of Spain and the operations were supported with false invoices linked to construction activities.

The exchange of information between the FIU and the investigative police unit fostered collaboration at an early stage. This resulted in the police unit leveraging FIU-disclosed information to uncover new operations and new branches of the organised criminal group conducting HTSE.

Source: Spain

Case Study 22.

In 2015, a federal jury convicted Hortencia Medeles-Arguello (aka “Tencha”) of conspiracy to commit sex trafficking, conspiracy to harbour aliens, aiding and abetting money laundering, and conspiracy to commit money laundering.

The convicted defendants in this sex trafficking scheme owned, controlled, participated in, and operated bar/brothels where they charged entrance fees and sold drinks to customers. However, the conspirators mainly profited by offering young, undocumented Mexican women and girls for commercial sex at these establishments. The typical bar/brothel operated by the defendants would consist of a bar on the first floor and rooms on upper floors for customers to engage in commercial sex with the victims. The amount of money charged for a commercial sex act would vary from USD 65 for fifteen minutes to up to USD 500 per hour for illegal sex acts with minors.

The criminal organisation relied on pimps known as “padrotes” to recruit, smuggle, and supply the young women and girls, coerce them into engaging in commercial sex thereby generating proceeds for their illegal enterprise. Padrotes also rented out the bar/brothels, which generated additional income for Tencha.

The undocumented Mexican nationals “employed” at the defendants’ establishments were compelled into commercial sex acts through the use of force, fraud and coercion. For example, the women and girls were placed in locked rooms to maintain control over them, and the defendants used violence to punish and control them.

Tencha recruited or directed family members, friends, and others to serve as employees at the bar/brothels. There were a number of co-defendants who managed the bars and had a role in moving and disguising the proceeds. Other managers provided false/fraudulent identifications (e.g., social security cards and Texas identification cards) to employees, including the females working at Las Palmas II. The bar managers paid Tencha USD 20 000 each week out of the money received from the operation of the Las Palmas I and kept all the monies received in excess of that amount.

To conceal the illegal proceeds derived from the sex trafficking enterprise, Tencha and others, including her family members, would obtain cashier’s checks in amounts less than USD 10 000 (in order to avoid bank reporting requirements). One of Tencha’s daughters who worked as a bartender assisted in counting the proceeds obtained from Las Palmas II. She also negotiated cashier’s checks. The money used to obtain the cashier’s checks came from the sex trafficking violations occurring at Las Palmas II. Tencha also held the physical property in the name of a nominee (her daughter), in order to conceal the true ownership and nature of the premises.

Tencha was sentenced to life in federal prison on 20 January 2016. A total of 13 additional defendants pleaded guilty to similar offences, including money laundering, for helping Tencha keep track of her profits, including by

investing proceeds in properties purchased by Tencha in the Houston area.

As part of the sentence, 15 real properties and other assets (valued at USD 2.5 million) were forfeited to the United States because they were acquired with the proceeds of sex trafficking. The forfeited assets have been used to make restitution to the victims of this crime. Tencha was also ordered to pay approximately USD 840 000 in restitution. Additional co-defendants were ordered to pay restitution amounts of USD 530 000, USD 570 000, USD 530 000, and USD 160 000, respectively.

Source: United States

Case Study 23.

In May 2015, Eric Omuro was sentenced to 13 months in prison following his conviction for the use of a facility of interstate commerce to facilitate prostitution. Omuro was the operator of the website myredbook.com. According to information available on that website as of the date of its seizure by the FBI, myredbook.com purported to provide “Escort, Massage, and Strip Club Reviews”. Instead, however, the website hosted advertisements for sex workers, complete with explicit photos, lewd physical descriptions, menus of sexual services, hourly and nightly rates, and customer reviews of the sex workers’ services.

Although the website could be accessed for free, myredbook.com charged fees for premier placement of prostitution advertisements and for “VIP Membership,” which purportedly allowed customers access to “private forums” and to search reviews of the prostitution services. According to an affidavit submitted in connection with the sentencing hearing, the FBI identified more than 50 juveniles who were also advertised on myredbook.com for the purpose of prostitution. Co-defendant Annmarie Lanoce pleaded guilty to assisting Omuro with the operation of the myredbook site pursuant to a diversion program that ran into 2016. At sentencing, Omuro was ordered to forfeit more than USD 1.28 million in proceeds from his operation of the site.

Source: United States

Case Study 24.

In April 2016, law enforcement agents from Homeland Security Investigations (HSI) in El Paso, Texas, responded to a call made to local police regarding a woman who was being forcibly held by an individual identified as “Tae” at a motel. Two adult victims were discovered by officers who searched the motel room. Police located and stopped a suspect vehicle in the area and identified the driver as William “Tae” Harris. Police searched Harris and found a semi-automatic firearm. Harris was traveling with an associate, Dean Hall, and police determined that both subjects were

members of the West Side City Crips gang from Phoenix, Arizona.

The subsequent HSI investigation revealed that the victims came from Arizona with Harris and Hall. The victims were forced into prostitution and beaten and suffered threats of violence. HSI determined that at least three other West Side City Crips were operating a prostitution scheme in El Paso on the same weekend that Harris was stopped. During a forensic extraction of Harris' mobile phone, HSI discovered Bitcoin transaction data was able to exploit Harris' Bitcoin wallet information. Evidence revealed that the group's illicit activity revolved around the purchase of Vanilla Visa pre-paid credit cards, which were then used to purchase Bitcoin on the Paxful virtual currency exchange. Those Bitcoin were used to purchase prostitution ads on backpage.com. Furthermore, during Harris' prosecution, HSI uncovered and disrupted an attempted murder-for-hire in which Harris planned to have a key witness and her sister murdered.

In January 2018, Hall and Harris were convicted and sentenced for violating several anti-trafficking statutes, including interstate transportation for prostitution, sex trafficking, felony in possession of a firearm and murder for hire.

Source: United States

Human Trafficking for Labour Exploitation

Case Study 25.

A case concerning Polish and Romanian bogus self-employed workers was opened following the findings of the Belgium's Financial Intelligence Processing Unit concerning a company's suspicious transactions. The main defendant managed a company specialising in building works. He had set up two British companies which, in turn, set up two other companies. Romanians were then employed as limited partners or associates in the structure of these last two companies. They worked mainly as subcontractors for the main company.

The Romanian workers were unaware of their roles as managers-partners of the company and were therefore employed as self-employed workers, earning EUR 8 per hour. Through this wage, the Romanian workers were required to pay social and tax contributions, as well as rent for accommodation.

Investigators used money tracking techniques to identify the perpetrators, criminal organisation elements, and to analyse the network. Over the course of this case's financial investigation, investigators queried banks and money transfer agencies, conducted wiretaps to track the defendants' investment and identify local hawala bankers and analysed the role of construction companies and accountants.

The defendants of the case were prosecuted for human trafficking for the

purpose of labour exploitation (conditions contrary to human dignity), with aggravating circumstances. The defendants were also prosecuted for participation in a criminal organisation, forgery and the use of forgeries, breaches of the income tax code, money laundering and fraud.

Source: Belgium; MYRIA: Trafficking and Smuggling of Human Beings Annual Report 2016

Case Study 26.

Three Romanian nationals, two males and one female, trafficked 22 male Romanian nationals into Europe for labour exploitation. The female offender was the partner of the male primary offender, and sister of the other offender. Economically vulnerable victims were recruited in a rural area in Romania, and were promised EUR 400 per week, to work eight hours a day, with food and accommodation provided. Upon arrival all victims had their passports taken, were required to sign a waiver to the EU working time directive, and sign transfer forms for their wages to be transferred into the primary offender's bank account. Fifteen of the victims were housed in a 3-bedroom property, sharing a single toilet and shower. They slept on mattresses on the floor. The male primary offender provided minimal food (such as a salami and two loaves between 15 people), and told the victims to eat stones if they were still hungry. He controlled them primarily through threats of violence and debt bondage. The primary offender acted as an unlicensed gangmaster, booking agricultural work for the victims at legitimate recruitment agencies for minimum wage, but then forcing them to work for over 12 hours a day for multiple agricultural businesses. These businesses were not aware of any exploitation having taken place. One victim worked for 68 hours a week and another for 18 days in a row. Frequent use of cheques was made to pay offenders and withdrawals were made rapidly after payments had been received, often from the same location. The primary offender made over EUR 1 000 a week in this way. The other male offender lived with the victims and assisted in monitoring and controlling them. As a result, he was allowed to keep his entire wage.

The exploitation was identified when four victims reported it at a police station, and identified the primary offender. The primary male offender was convicted of trafficking people and conspiracy to traffic people, and was sentenced to 2.5 years in prison. The other was convicted of conspiracy to traffic people. The female offender was given a suspended sentence of 2 years for acquiring and converting criminal property in the form of the victims' wages.

Source: United Kingdom

Case Example 27.

This case relates to slavery in Asia-Pacific waters by foreign charter vessels and is a combination of observed typologies which demonstrates the number of potential entities in multiple jurisdictions involved HTFL in the fishing industry.

To fish a particular region, fishing companies must go through a standard process to secure the appropriate licenses, vessels, crew, and quota. If a Northeast Asian based fishery wishes to fish in South Pacific waters, they contact a South Pacific local corporate to help arrange a quota and chartering agreement. In this arrangement, the local South Pacific corporate holds the quota allotment for the country's EEZ. They also own boats locally that are available for charter. In this case, the Northeast Asian based fishery contracts with the local South Pacific corporate for part of its quota and management of its fleets.

The boats and above deck crew are supplied by the local South Pacific corporate, often the same nationality of the true boat owner. However, the Northeast Asian based fishery contracts with a recruitment agency to find the below-deck crew. This agency may be legitimate, but others lie to jobseekers, deceive them, or steal their money. These crew members are often of a different nationality from the boat owner and above deck crew.

While on board, men who have lost their basic freedom suffer a series of indignities and abuse. The fish caught by these men are sent to market; processed at a fish processing factory; sold to food distributors; and moved to restaurants and grocery stores worldwide. Revenue from the sales of the slave-caught fish makes its way back to the Northeast Asian based fishing company, often in USD, processed through the international finance system.

The various parties involved all have been complicit in either directly facilitating or indirectly financially benefiting from this incidence of HTFL.

The following issues were identified:

1. **Direct** - Those financial institutions banking the entities that are directly facilitating HTFL may be at risk from handling and facilitating the proceeds of human trafficking.
2. **Indirect** - Entities indirectly involved i.e. involved in the global supply chain in purchasing/importing/exporting/using/selling goods produced from forced labour.
3. **Correspondent Banking** - Facilitating payments on behalf of financial institutions that may be directly or indirectly involved (payments between 1 and 2).
4. **US Clearing** - Handling USD clearing payments; facilitating trade payments in global supply chain for products from slavery.
5. **Exposed Industries/Players** - Fishing companies, fish processing companies, quota holders, vessel owners, vessel operators, vessel charterers, recruitment agencies, seafood markets, seafood distributors, grocery stores, restaurants.
6. **Trade Based Money Laundering** - Often, in association with incidences of HTFL,

in order to hide the use of slaves, company staff will maintain false ledgers of time sheets, take production logs (in this case catch logs), falsify shipping documents to show compliance with local laws and tariffs. Closer inspection will reveal that often the information on the documents does not match with other sources of information.

Source: Liberty Asia

Case Study 28.

The case started in 2014 after a labour union reported its concern of labour exploitation to the police. The union represents workers with little or no education. They were concerned because they suspected that several companies in the cleaning and transport industries in the Oslo area were using legal corporate structures for criminal activities and labour exploitation.

The Financial Intelligence Unit started a preliminary investigation and found that the companies and people mentioned in the report had a history of bankruptcies, and the FIU had received several reports of suspicious transactions from the bank system regarding a large amount of cash withdrawals from bank accounts. There were also several concerns about possible labour exploitation registered in the police intelligence system. An investigation team was put together with investigators from the National Criminal Investigation Service (NCIS), the National Authority for Investigation and Prosecution of Economic and Environmental Crime (ØKOKRIM) and the tax authorities.

An organised criminal group (OCG) operated businesses in the cleaning and transport industries. They also controlled other companies that they set up in other people's names. These companies were fronts with no actual business operations. They were created to send invoices for fictional services and to have fictional employees. The cash flows through the companies' bank accounts were controlled by the OCG. The people doing the actual work were not registered workers. They were vulnerable people whose labour was exploited, and some of them stayed in Norway only for a short period. They knew very little about how the Norwegian system works and they were followed around and "helped" by the OCG whenever they were in contact with Norwegian authorities and the banks.

Over the course of the investigation, it was revealed that the organised criminal group (OCG) was also involved in obtaining around NOK 30 million in bank loans on false premises. People in a vulnerable situation were exploited to apply for loans and the OCG falsified work contracts and pay slips that made it possible for them to be granted loans. The borrowers were not aware of how many loans were taken in their names. The funds were laundered by transferring the money back and forth between many different bank accounts before they were withdrawn in cash. While there was insufficient evidence found to pursue human trafficking for labour exploitation charge, the members of the OCG were prosecuted for tax fraud,

welfare fraud and bank fraud.

Risk indicators identified include:

- Small companies that go bankrupt within one to two years.
- Large amounts of cash being withdrawn from the companies' bank accounts or being transferred from the companies to private persons. Money received into private bank accounts is then immediately withdrawn in cash.
- Companies registered in the names of EU citizens that live outside of Norway. These EU citizens had origins from outside the EU.
- Employees who work for short periods before becoming ill and receiving welfare.
- Abuse of identities. In some cases we suspect that individuals were forced into signing applications for and taking up bank loans. In other cases people were sent from other European countries to start up a company and open bank accounts; these then sold their identities.

Source: Norway

Case Study 29.

In 2016, a major case involving labour-market crime in grocery stores brought forth charges including aggravated human trafficking, social dumping, money laundering, bank fraud, social welfare fraud, tax evasion and threats. The defendants were investigated for excessive profit from running grocery shops, which normally would not have been as profitable if the business was run legally. Financial investigation revealed that the exploitation of labour in combination with unreported profit to IRS led to considerable illegal profits which were being used to reinvest in businesses.

The prosecutor has submitted confiscation claims totalling NOK 103 million and restraining orders amounting to about NOK 100 million on various properties to secure the confiscation claims against the defendants. As this is a very complex case, a judgement from the district court is expected in 2018.

Source: Norway

Case Study 30.

A male Vietnamese national trafficked at least three other Vietnamese nationals (two adult women and a 16 year-old boy) to work at his nail bar in Europe. The child had been transported to Europe from Vietnam through a long series of different transportation methods which were paid for by the trafficker, and had no idea what country he was in. The victims were housed in the offender's residence in a private housing estate. By opening bank accounts for the victims the trafficker acted as custodian, despite the fact that he was not related to any of the victims. Some of the victims were controlled

through debt bondage, and were paid only small or irregular amounts for their work for the offender in the nail bar; they were also forced to undertake domestic work for him. None of the victims' accounts showed evidence of payment of taxes or of other payments to a regulatory body typically associated with legitimate full-time employment of workers. They relied on the offender for their basic accommodation and food. Some victims had been in this situation for over a year. The child only received 'pocket money' for being a 'trainee' at the bar. As part of a larger operation, the police visited the offender's nail bar, and recovered the child victim, as well as gaining evidence of exploitation. They obtained a search warrant for the nail bar and the offender's residence, recovered the two female adult victims and arrested the offender. The offender was found guilty of Human Trafficking.

Source: United Kingdom

Case Study 31.

A man kept his wife in domestic servitude for two years. The victim was well-educated and from a relatively affluent family. The arranged marriage took place in Pakistan. When the victim arrived in the host country her husband reportedly told her that her only purpose was to look after him and his mother, who had ill health. The victim cooked, cleaned and did household chores for her husband and mother-in-law. She often worked 19 hour days and was unpaid, only being given £10 a month to top up her mobile phone. Her husband controlled her through a combination of fear, mental abuse and repeated physical violence. She was not allowed to leave the house unaccompanied or to make friends. In February 2014, the offender was taken into police custody after he was spotted pulling the victim back into the house by her hair. She was found to have a black eye and a broken nose, requiring surgery. The victim then signed a document asking for the offender's release, stating that she was not acting under pressure. The exploitation continued for 18 months, until the victim attempted suicide by taking an overdose of painkillers. She was taken to her brother-in-law's house for safe-keeping, and there notified the police of her exploitation by calling 999. This led to an 18-month investigation, which culminated in the offender being sentenced to two years.

This case highlights the difficulty in determining the material benefit gained through certain types of HTFL where the proceeds are indirect, gradual enrichment, or enrichment of an individual's lifestyle, but are not realised in a singular material good.

Source: United Kingdom

Case Study 32.

A 13 year-old Romanian girl was trafficked to Western Europe by an organised crime group to undertake forced begging. Her father paid the gang 200 euros for this. She was driven to Spain and then flown to other Western European capitals, accompanied by one male offender. The victim used her own Romanian identity card to travel, but her flights were paid for by the offenders using a stolen USA credit card. The victim was placed with a male and female offender, and was instructed to call them 'aunt' and 'uncle'. The victim was driven by one offender 40 miles to another town, 5 days a week, where she was made to beg and sell unofficial copies of a charity magazine outside the entrance to a Post Office for over 7 hours a day. She was beaten and searched at the end of each day, and was not allowed to keep any of the money she had made. The offenders, who had no legitimate explanation for the repeated low value deposits, wired the money to Romania as soon as it was in their account.

The victim was poorly fed and clothed, and this was noticed by members of the public. She was also exploited for domestic servitude by the offenders, looking after their children. The victim was identified by the police during a raid following a large-scale investigation by the police into the trafficking of Romanian nationals to other European countries by an organised crime group for the purposes of forced criminality. She was placed into social services, and then returned to her mother in Romania. The victim gave evidence against her father and three other offenders who were convicted for trafficking a child for forced criminal exploitation. The father was sentenced to four years, served two, and then returned to his family (including the victim) in Romania.

Source: United Kingdom

Case Study 33.

Between October 2015 and January 2017, two Bulgarian men brought at least nine other Bulgarian individuals to Sweden with promises of construction or other jobs. The organisers' *modus operandi* was to target economically vulnerable individuals in Bulgaria, paying for their transportation to Sweden in order to put them in their debt. However, once the latter had arrived, it became clear that there were no jobs, and they were forced to beg on the streets (in Sweden, begging is not illegal). The two organisers made the nine individuals pay for transportation, food, housing (in dilapidated property) and for the "right" to beg in particular spots, collecting and keeping detailed accounts of the money from each person by the end of each day. The two men were apprehended in January 2017 and were later charged with trafficking and aggravated money laundering offences.

On a typical day, a beggar would earn about SEK 300 (~ EUR 30). The two organisers would collect the money, keeping detailed records of the beggars' earnings and of how much remained of their debt. The organisers would keep half of the earnings for themselves as payment for the "right" to beg in a particular spot, and deduct expenses as well as debt payments from the other half. During 2016 alone, the bank account of one of the organisers received cash deposits of about SEK 135 000. Funds from that account were transferred to other accounts or sent to relatives of the organisers (but not of the beggars) in Bulgaria via money transfer services.

In the prosecutor's estimation, 38 persons in total, over different periods in time, could have been forced to beg. The seized bookkeeping belonging to the two organisers, combined with other forms of evidence, suggest a grand total of about SEK 1 270 000 collected through begging during 2016.

In November 2017, the two men were convicted of the trafficking offence and were sentenced to 4 years and 2 months in prison followed by deportation. Just under SEK 120 000, an amount roughly equivalent to the recorded earnings of the beggars who were parties in this case, was confiscated in order to be returned to the beggars. A further SEK 340 000 SEK was awarded to the beggars in damages. The verdict has been appealed.

Source: Sweden

Case Study 34.

On December 18, 2017, two defendants plead guilty to an alien harbouring scheme involving labour exploitation at a Nebraska motel. According to documents filed in court, the defendants admitted to conspiring to harbour the victim, an Indian national who lacked immigration status, at a Motel in Kimball, Nebraska, between October 2011 and February 2013. During that time, the defendants required the victim to work long hours, seven days a week at the motel, performing manual labour, including cleaning rooms, shovelling snow, and doing laundry. Although the defendants promised to pay the victim, they never did, but rather claimed to apply that amount to a debt the victim owed. The defendants further restricted the victim's movement, isolated him, and verbally abused him.

The defendants face a possible sentence of up to 18 months in prison according to their plea agreements, and they are expected to be removed from the United States at the completion of their sentences. The defendants also paid the victim USD 40 000 in restitution at the change of plea hearing as a condition of their guilty pleas.

Source: United States

Case Study 35.

In 2015, two Ukrainian nationals were found guilty of conspiracy to participate in a racketeering enterprise in connection with a human trafficking scheme. The defendants, who were brothers, operated a human-trafficking organisation, the Botsvynyuk Organisation, for seven years which smuggled young Ukrainians into the United States and then forced them to work for little or no pay. The defendants promised the victims that they would earn USD 500 per month with free room and board by working for their organisation. In reality, they smuggled the migrant workers into the United States and put them to work as cleaners in retail stores, private homes, and office buildings—but did not pay them. The defendants used physical force, threats of force, sexual assault, and debt bondage to keep the victims in involuntary servitude. Even after some of the victims escaped, the defendants continued with their extortionist activities in order to recoup the organization's investment in the workers.

The Botsvynyuk Organisation also engaged in visa fraud by bringing the victims to the United States legally using tourist visas to travel first to Mexico and then coaching the workers on how to enter the United States illegally. While some of the victims successfully gained entry into the United States, others were taken into custody by US immigration officials, where they remained in detention for almost two months. Once the victims were released from US custody, with immigration documents and summonses to appear for immigration hearings, the Botsvynyuk Organisation transported them to Philadelphia, Pennsylvania, either by bus or by plane. The brothers then confiscated the immigration documents and summonses from the workers and put them to work cleaning large chain stores at night. Other members of the organisation would wire money to smugglers in Mexico and the United States to finance the journeys of the victims.

Omelyan Botsvynyuk was sentenced to life in prison plus twenty years and was ordered to pay restitution in the amount of USD 288 272.29; Stepan Botsvynyuk was sentenced to twenty years in prison and was ordered to pay restitution in the amount of USD 288 272.28.

Source: United States

Annex B. Indicators of Laundering the Proceeds of Human Trafficking

There are four considerations to note with respect to the indicators of laundering the proceeds of human trafficking identified in this study:

1. The indicators have been positioned to best identify those who are laundering the proceeds of human trafficking. From the cases that have been identified, the most unique and identifiable indicators of money laundering occur at the level of the victim, or at the lower level of criminality or individual criminals levels of the criminal organisation. The money laundering mechanisms utilised at the higher levels of the criminal organisation are already well identified in other, more general, money laundering typologies documents. This may make the indicators case studies have identified solely 'small time', lower value or local human trafficking networks. However, they are positioned deliberately in this manner to prioritise the ability to identify money laundering uniquely from human trafficking.
2. This study organises the indicators according to the three types of exploitation identified earlier in this study. These three classifications have identified unique indicators, and the granular ability to identify each will be helpful to reporting entities and operational authorities.
3. The identification of victims is one of the most reliable ways, when there is interaction with the financial system, to identify laundering the proceeds of human trafficking. This is particularly prescient for HTSE and HTFL when victims endure an extended period of exploitation under which perpetrators profit, whereas HTRO allows comparatively little opportunity to identify victims given that their exploitation, albeit horrible, is relegated to a singular experience. Reporting entities must take care that when identifying victims, they must either use the transactions of the victims to identify the perpetrators and launderers related to human trafficking, or to clearly identify to national authorities when they are reporting on suspected human trafficking victims.
4. Some indicators identified in the cases submitted to the study, and other material that was used to create this paper, are indicators that can be utilised to detect money laundering specifically from human trafficking. Other indicators demonstrated in the materials, which are indicators of general money laundering, have been identified by the global AML/CFT community previous to this study. These common money laundering indicators have been provided in a separate section below to be used in conjunction with the unique indicators of laundering the proceeds of human trafficking to provide reporting entities with national authorities with an enhanced ability to detect, using them in conjunction with each other.

Indicators of money laundering related to human trafficking

Indicators of money laundering of the proceeds of all types of human trafficking

- Common mobile number, address and employment reference being used to open multiple bank accounts in different names
- Customer makes deposits/withdrawals or otherwise generally operates an account accompanied by an escort, handler or translator (who may hold the customer's ID)
- High and/or frequent expenditure at airports, ports, other transport hubs or overseas, inconsistent with customer's personal use or stated business activity
- Income received and immediately withdrawn in cash
- Newly-opened customer account appears to be controlled by a third party, including forms completed in different handwriting and/or the customer reads their address from a form
- Payments to logistics, airlines, coach companies, car rental or travel agents inconsistent with customer's personal use or stated business activity
- Relatively high or recurrent expenditure on items inconsistent with customer's personal use or stated business activity, such as food, necessities, or accommodation for workers

Indicators of money laundering related to human trafficking for sexual exploitation

Indicators of money laundering unique to human trafficking for sexual exploitation

- Account holder contact information linked via open sources to advertising related to escort services
- Account is funded primarily via cash deposits and funds transfers from other individuals
- Addition of an unusual number of unrelated individuals as joint account holders, or authorised users of products such as credit cards
- Cash deposits conducted at different cities across the country
- Client makes deposits accompanied or watched by a third party who may, on separate occasions, accompany or watch clients who are making deposits: the third party may be handing over to the client what is subsequently confirmed to be the client's identification
- Credit card payments for purchases made after the establishments' normal hours of business (e.g. strip clubs, massage parlours, beauty salons, model agencies)
- Deposits conducted in one city followed by same-day or next-day withdrawal and/or purchases conducted in another city

- Frequent cash deposits made via an ATM rather than with a cashier, sometimes followed by ATM withdrawals in a different location
- Frequent low-value payments to advertisers, classified services involved in the sex industry or to escort agencies
- Frequent purchases in multiples of small amounts of Bitcoin or virtual currencies, directly by the client or through exchanges
- Funds transfers involving third parties with alternative names provided in brackets
- Hotel transactions by the same individual for two separate rooms for the same dates
- Identical address reported by numerous, seemingly unrelated, individuals
- Media coverage of account holder's activities relating to human trafficking in the sex trade and/or prostitution rings
- Multiple accounts making repeated transfers to the same third party, or multiple individuals reporting similar information (i.e. address, phone number etc.)
- Multiple low value remittances to jurisdictions known to be of a higher risk for HTSE
- Outbound international funds transfers directed to countries at higher risk for human trafficking or between two countries/areas on a known trafficking route
- Outbound international wire transfer in an amount commonly associated with a subscription or payment fee (i.e. 9.99 or 29.95) to a jurisdiction of concern for human trafficking, to a company with a name denoting its involvement in the provision of sexual services, or to a company with a name denoting involvement in the video industry between the hours of 10pm – 4am local time
- Payments to hotels, serviced apartments and other accommodation inconsistent with customer's personal use or stated business activity
- Personal account activity inconsistent with expectations involving frequent deposits and payments through an online payment service in small amounts typically under USD 100; account funds may then be used for virtual currency deposits/redemptions, or payment of bills, such as personal or third-party credit cards
- Recurring payment for transportation or logistics services in the late night or early morning
- Significant payment for transportation or logistics (car rental, taxi, and/or ride sharing service transactions)
- The use of cash intensive legitimate businesses (bars, restaurants, guest houses, etc.) for apparent daily sustenance

- Transactions conducted in an area suspected to be a sex trafficking location (possible 'hot spot')
- Transactions with classified advertising services involved in the sex industry or to escort agencies
- Use of a third party to execute transactions (for example, under the pretext of requiring an interpreter)
- Use of addresses where prostitution is reported to occur by media, law enforcement, or classified ads
- Use of aliases for the purpose of opening multiple accounts in different banks, or in different branches of the same bank
- Use of someone else's identification, or opening an account in the name of an unqualified minor

Indicators of money laundering related to human trafficking for forced labour

Indicators of money laundering unique to human trafficking for forced labour

- A high percentage of income withdrawn quickly after receipt in the accounts
- A property, when looked at on Google Street View, could only comfortably accommodate two or three people at the most, but seems to have more people living there
- Analysis of ATM activity shows that their ATM usage often occurred at the same machine at the same time suggesting that a third party is in control of their cards
- Customer displaying a poor standard of dress and personal hygiene
- Lack of living expenses such as food, petrol, utilities and rent (one utility may be set up for the purposes of confirming ID for account opening)
- No evidence of payment of taxes or of other payments to a tax authority or other government or regulatory body typically associated with legitimate full-time employment of workers
- One-way flight purchase from high-risk country by non-family member
- Payment for visa by non-family member
- Payments to labour agencies, recruiters or employment websites, especially if those entities are based overseas
- Personnel numbers and costs, if known through the provision of information by the entity, is not in line with wages paid out, or what you know of the entity
- Repeated (at least weekly) transfers of funds to the same third party (where known), often in round amounts
- Reports or indication of cheap labour or unfair business practices towards an entity

- Signs of bruising or other physical abuse on customer
- The customers receive weekly incomes from an agency
- Use of an interpreter at account opening or for conducting transactions

Indicators of money laundering identified in suspected human trafficking cases which common across different predicate crimes

- Account appears to function as a funnel account
- Cash-intensive business with unclear source of cash or capital
- Commercial entity's capital consists of no-term deposits
- Cross-border transfers of funds to the same individual, financial institution or to an overseas location that are inconsistent with customers' personal profile or stated business activity
- Customer accounts which display unusual withdrawal patterns, such as lump sum withdrawals
- Customer requesting direct payment in a branch, as they have not been receiving their wages
- Customer's accounts display unusual deposit or withdrawal patterns, in other regions and overseas
- Deposits and/or other transactions inconsistent with what could be reasonably expected for the customer's personal profile and/or stated occupation
- Deposits much larger than are usual or reasonably expected for the customer's personal profile and/or stated occupation
- Frequent low-value/below threshold cash deposits in low-denomination bank notes
- Funds transfers received from or to the benefit of unrelated third parties
- Inability to contact client at their reported phone number, or the phone number changes very frequently
- Income received and immediately withdrawn in cash
- Incurring and payment of credit facilities or credit card charges not commensurate with the client's confirmed wealth
- Large cash deposits into an account quickly followed by electronic funds transfers, bank draft purchases and/or the issuance of cheques
- Large cash or cheque deposits followed by domestic wire transfers or cash withdrawals
- Loans provided by a shareholder to the related legal person and subsequent transfer back of funds
- Media or other reliable sources suggest that a client may be linked to criminal activity which could generate proceeds of crime

- Multiple deposits from varying geographies and apparent different individuals, consistent with smurfing
- Numerous personal cheques deposited into business accounts for no apparent purpose
- Numerous transfers into business accounts from personal accounts
- Profits or deposits much larger than are usual or reasonably expected for the customer's size or type of business, or where financial turnover is incommensurate with the commercial turnover usual for a business of that size or type
- Purchase of commodities in manners inconsistent with normal business practice
- Rapid transfers of funds through accounts
- Small irregular payments from the same account
- Source of funds used for transactions is unknown
- Structuring via commercial entities and transfer of money using loan contracts
- Transactions with apparent front, shell or shelf companies
- Use of a third party, with no apparent relationship to client, to conduct financial transactions
- Use of third-party accounts

Annex C. National actions to consider to ensure an effective system in combatting money laundering/terrorist financing from human trafficking

The following is an abridged version of the good practices identified in the FATF's 2018 *Financial Flows from Human Trafficking* report. National authorities may wish to consider adopting some of these practices to improve the effectiveness of their efforts to combat money laundering and terrorist financing from human trafficking.

Develop Understanding of Risks of ML/TF from Human Trafficking	- National regime creates an inclusive partnership with the private sector and civil society to ensure that all threat and risk information is available to those that need it, within the bounds of national privacy laws. - National regime conducts a granular assessment of the risks of ML/TF from human trafficking, reflecting the diverse types of human trafficking exploitation.
National Coordination to Combat ML/TF from Human Trafficking	- A national action plan to combat the identified ML/TF risks from human trafficking sets out responsibilities and commitments of public stakeholders, and private sector/civil society actors (where relevant). - Training is provided to specialists combatting ML/TF from HT – abridged training available for generalists who may be implicated.
Information is Shared Across all Relevant Stakeholders Combatting ML/TF from Human Trafficking	- Strategic perspective of human trafficking in national context and assessment of ML/TF risks shared with all relevant stakeholders. - Country-specific indicators of ML/TF from human trafficking developed and shared among public/private/civil society sectors. - Open source information is used to identify potential cases of ML/TF from human trafficking in a coordinated manner. - National authorities share information across the regime.
Information is Readily Identifiable to Authorities Combatting ML/TF from Human Trafficking	- The private sector submits STRs on those laundering the proceeds of human trafficking, even when the victims of human trafficking may display the financial flows most unique to human trafficking. - Suspicious transaction reports identifying potential ML/TF from human trafficking are appropriately identified via tick box or textual indicator.
Law Enforcement Authorities Working in a Coordinated Manner	- Law enforcement conducts a parallel money laundering investigation to human trafficking investigations. - Multi-agency task forces are used to coordinate enforcement and intelligence resources to combat ML/TF from human trafficking.
Leverage International Information and Good Practices	- Informal assistance channels are used early in investigations, and responses are provided to formal and informal assistance requests with expediency. - Good practices from counterparts and international organisations are considered for implementation into national regime. - Technical assistance is provided in a coordinated and sustainable manner.



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FINANCIAL FLOWS FROM HUMAN TRAFFICKING

Human trafficking is estimated to be one of the most profitable proceeds generating crime in the world, at an estimated USD 150.2 billion per year. The increased displacement and vulnerability of people in conflict zones increases instances of this phenomenon, including by opportunistic terrorist organisations.

This joint FATF/APG report aims to improve global understanding of the associated financial flows both as a money laundering predicate and potential source of terrorist financing.

The study updates the FATF's 2011 report.