

MONEY LAUNDERING & THE ILLEGAL WILDLIFE TRADE

There are at least 7 billion people using products of biodiversity whether it be food, cosmetics or pharmaceuticals. Millions of people, especially indigenous communities, depend on plants and animals for their livelihood. When trade in wildlife is legal and traceable, it can positively contribute to the sustainability of wildlife, however, the Illegal Wildlife Trade (IWT) poses a real threat to the survival of some of the world's most beloved species. The Financial Action Task Force (FATF) has reported that many jurisdictions have not prioritized combating the financial flows relating to IWT. The FATF has therefore made a commitment to provide jurisdictions with the necessary support to combat the IWT and related money laundering threats.

The Illegal Wildlife Trade (IWT)

The IWT refers to any of the below mentioned activities in contravention of national or international laws and regulations in relation to any specimen of a wild protected species within a territory, under the jurisdiction of a given country:

- ◇ Domestic Trade (commercial or non commercial activity);
- ◇ Sales;
- ◇ Delivery;
- ◇ Dispatch;
- ◇ Consignment;
- ◇ Transport;
- ◇ Purchase;
- ◇ Possession;
- ◇ Donation;
- ◇ Exchange;
- ◇ Exhibition; and
- ◇ Employment.

1. Drugs
 2. Counterfeiting
 3. Humans
 4. Oil
 5. **WILDLIFE**

Illegal trade of wildlife is the world's 5th most lucrative criminal industry.

Challenges in Estimating the Global Scale of the IWT



There are several challenges in accurately estimating proceeds from the IWT which are outlined below:

1. The statistics gleaned from wildlife seizures represent a minute segment of total proceeds generated.;
2. A Common Reporting Standard to document the weight and number of seized items, etc. has only been recently established for jurisdictions.;
3. There is a lack of available and accurate data on wildlife trade numbers; and
4. Criminals often commingle the proceeds from the IWT with funds from legal trade.

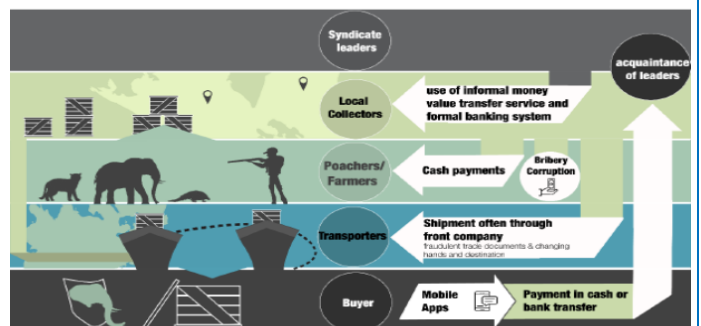
Supply Chains for the IWT

Supply chains for IWT differ across jurisdictions. They usually target countries that are rich in biodiversity with weak law enforcement oversight and criminal justice.

Organizations involved in the IWT typically comprise multiple distinct subnetworks that provide specialized services and skills such as poachers, breeders or farmers.

In terms of transport, the IWT syndicate often rely on a network of complicit officials such as customs, immigration or port personnel which allow them to avoid detection while moving to the destination country.

Third party payments, cash, mobile or social media payments were often used as payment in IWT transactions.



Topics Discussed:

- ⇒ Illegal Wild Life Trade
- ⇒ Challenges in Estimating the Global Scale of the Illegal Wildlife Trade
- ⇒ Supply Chains for the Illegal Wildlife Trade
- ⇒ Methods Used to Launder Proceeds from the Illegal Wildlife Trade
- ⇒ Role of Financial Investigations in Curbing the Risks Associated with IWT.
- ⇒ AML/CFT Measures for fighting the Illegal Wildlife Trade.

The IWT is a major transactional organized crime which generates billions of criminal proceeds annually.

The United Nations Environment Programme (UNEP)- Interpol reported in 2014 that proceeds from the IWT have been estimated at between US\$7—23 billion each year.

IWT fuels corruption, threatens biodiversity and negatively impacts public health and the economy.

Methods used to Launder Proceeds through the IWT

While the movement or transfer of cash is the main method used to conceal proceeds from wildlife crimes, criminals are now using a wide range of mechanisms across the IWT supply chain to move and launder illicit funds.

1) Misuse of the Formal Financial Sector

Criminals involved in IWT layer funds through cash deposits (through loans or payments), electronic banking platforms, licensed money value transfer systems and third party wire transfers. **This underscores the important role financial institutions play in detecting suspicious transactions or activity by implementing robust Know Your Customer and Monitoring procedures.**

2) Use of Front Companies and Co-Mingling of Funds

Criminals use front companies to facilitate the transfer of value between syndicate members, buyers and sellers or to hold assets. Front companies are used to facilitate the movement of wildlife and to co-mingle proceeds disguising the transfer of value.

The front companies used mostly have connections with import-export industries and the legal wildlife trade such as farms, breeding facilities, and zoos.

3) Purchase of Real Estate and Luxury Goods

IWT syndicates purchase high value goods such as real estate, jewelry and artwork to launder proceeds during the integration stage of money laundering. **Designated Non Financial Businesses and Professions (DNFBPs) - lawyers, real estate agents and jewelers come into play for these particular transactions and are integral in the detection of any suspicious activity through screening and monitoring procedures.**

Role of Financial Investigations in curbing the Risks associated with the IWT.

The use of financial investigations is a key component to identify and prosecute money laundering. Financial investigations deprive criminals of their illicit proceeds by helping to determine where those assets originate, how they are moved and how they are used. This is therefore why the FATF standards require jurisdictions to place financial investigations at the centre of their anti-money laundering and countering the financing of terrorism (AML/CFT) regimes.

Recommendation 3 of the FATF Recommendations requires jurisdictions to apply the crime of money laundering to all serious offences with a view to including the widest range of predicate offences. Relevant categories to the IWT are environmental crime, participation in an organized criminal group and racketeering, illicit trafficking in stolen and other goods, forgery, corruption and bribery and lastly, smuggling.

Despite this, the number of financial investigations conducted in relation to wildlife trafficking offences is most times not commensurate with the scale, cross border nature and volume of proceeds associated with the crime.

All Relevant Authorities must adopt and operationalize the following:

- A. Enhance the Capacity of Law Enforcement and Financial Intelligence Units to support investigations in the IWT;
- B. Establish a comprehensive legal framework for addressing money laundering and the IWT ;
- C. Collect, develop and use financial information to initiate and support financial investigations into wildlife crimes; and
- D. Launch parallel financial investigations to identify larger criminal networks and to prevent criminal proceeds from dissipating.

Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Measures for Fighting the IWT



1. Training should be provided for Law Enforcement Agencies tasked with detecting, investigating and prosecuting money laundering from wildlife trafficking. These programs should inform all relevant officials on the importance of the collection and use of financial intelligence.
2. Financial and human resources should be allocated to financial investigators commensurate with the money laundering and IWT risks.
3. Case Reviews of past or closed IWT cases should be undertaken with focus on the unexplored financial elements of each case. These can be helpful in identifying trends and methods used to move funds and conceal the criminal origin. Risk indicators can be developed which could reveal new leads and information for dormant and active cases.
4. Alternative measures should be used to apply dissuasive sanctions against criminal entities in cases where a money laundering conviction is not possible. These include targeted financial sanctions or other financial crime offences (corruption or fraud).



To combat money laundering from the IWT, there is a need for both a high level political commitment and enhanced operational coordination between law enforcement responsible for wildlife crime and the authorities working on anti-money laundering measures

The public sector must work closely with the financial and non financial institutions that play an important role in detecting IWT activity.

Jurisdictions should view the proceeds generated by IWT as a global threat rather than as a problem for only those jurisdictions where wildlife is illegally harvested, transited or sold.

All jurisdictions are therefore encouraged to strengthen their risk understanding, national policies and legislation in respect of the IWT.

References

- Financial Action Task Force International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation.
- Money Laundering and the Illegal Wild Life Trade, FATF Report, June 2020