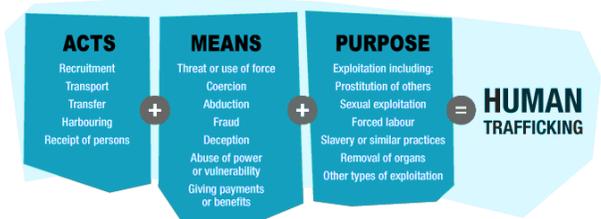


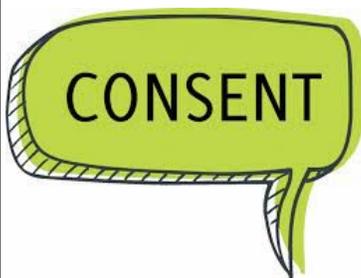
MONEY LAUNDERING RISKS Arising from Human Trafficking and the Smuggling of Migrants

The Trafficking in Persons Protocol defines trafficking in persons as “the recruitment, transportation, transfer, harboring 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 consent of a person having control over another person, for the purpose of exploitation. Exploitation includes forced labor, slavery or practices similar to slavery, servitude or the removal of organs and the exploitation or the prostitution of others or other forms of sexual exploitation.”

Smuggling of Migrants is 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.” This is often committed by transnational organized crime groups at high risk to the migrants and at great profit to the offenders.



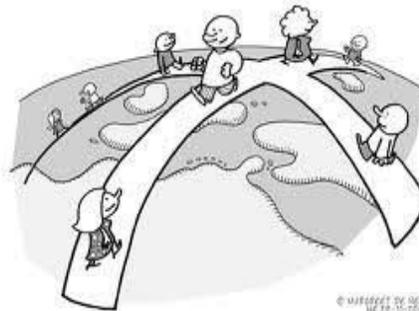
Difference and Similarities between the Trafficking of Humans and the Smuggling of Migrants



Consent: The smuggling of migrants which is often done in dangerous or degrading conditions involves migrants who have consented to the smuggling. While Trafficking victims have either never consented or if they initially consented, that consent has been rendered meaningless by coercive, deceptive or abusive actions of the traffickers.

Transnationality: Smuggling is always transnational, whereas trafficking need not be. Trafficking can occur regardless of whether victims are taken to another country or only moved from one place to another within the same country.

TRANSNATIONALITY



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.

One of the attractions for criminals is that human trafficking and the smuggling of migrants are seen as relatively “low risk-high reward” crimes. Profits can be made with the prospect of limited penalties if caught, in large part because the prosecution is for the predicate offence and not Money Laundering. There is generally a lack of information about the number of persons being trafficked and smuggled. There is even less information about the income generated by human trafficking and smuggling and how it is laundered.

Examples of Countries where Money Laundering is occurring and the form it is taking:

- European countries- the traffickers/smugglers have great use of cash-intensive businesses, money services businesses, cash couriers, Hawala (informal banking) systems, front companies and investments in high value goods such as cars and real estate.
- American countries – there is great use of casinos, import/export companies, cash-intensive businesses (such as car dealership), money services businesses, wire transfers and online payment.
- Asian countries- there is considerable commingling of funds with legitimate business proceeds and funds are more likely to be transferred via formal and informal banking systems.
- African countries- there is likely to be purchase of real estate, investment in clubs or restaurants, offshore investments, informal banking systems and use of agents/runners to carry cash.

Three patterns emerge on the trafficking of human beings that could also be applied to the smuggling of migrants. These involve the following:

- Money is sent back to the country of origin of the traffickers where it is often invested in legal businesses such as restaurants, bars, or properties such as apartments or houses.
- Money is used both in the country of origin and the country of destination to support a lavish lifestyle for those involved.
- Money is invested in other criminal or legitimate activities in the destination country.

Because of the predominance of cash handling/ transactions, those involved in human trafficking and smuggling of migrants are great users of:

- Money Services Businesses (MSBs);
- Cash couriers;
- Hawala;
- Cash based activities (e.g. mobile phone selling);
- Cash converter activities (e.g. casinos).

Did You Know?



Human Trafficking is the third largest source of income for the organized crime groups after drugs and arms trafficking.

- * There are no global statistics on the number of migrants smuggled. The United Nations Office on Drugs and Crime (UNODC) stipulates that it is difficult to assess the real size of migrant smuggling because this crime takes place underground and is often not identified or is misidentified.
- * Approximately 2.45 Million persons are currently being exploited as victims of human trafficking.

Links to Other Crimes

There is evidence of links between human trafficking, the smuggling of migrants and other forms of organized crime. Those being trafficked are often used as drug couriers. There are also identified links between the proceeds of the trafficking of human beings and the smuggling of migrants with corruption and terrorist financing.

- Some jurisdictions have not implemented the necessary legislation to ensure any control over the “trade” in humans and those responsible for producing the legislation are often benefiting from the criminal activity, either directly or through corruption money and are therefore reluctant to implement the legislation required.
- Some jurisdictions, even if willing to take action, do not have the resource capacity to engage in the necessary enforcement action required to prosecute and seize/confiscate the proceeds of human trafficking/smuggling of migrants;
- For many destination jurisdictions, the emphasis is more on the crime (e.g., sexual exploitation) than on the money laundering risks posed by these crimes.

RED FLAGS

Monitoring of unusual financial activity is a mechanism which can be used to identify human trafficking activity (e.g. multiple ongoing payments to internet classified advertising services). There is no specific guidance on money laundering risks associated with the trafficking of human beings and the smuggling of migrants. In some instances, the channels used, the instruments and the sectors implied are the same for other criminal activities however, the emphasis can be different and as human trafficking and smuggling in their initial stages are most likely cash-based businesses.

A number of **RED** flag indicators has been detected, which is considered to be of particular help to the financial services industry to better fight against money laundering threats arising from trafficking of human beings and smuggling of migrants. These indicators have been distinguished between the origin and destination countries but it will be noted that many are common for both.

ORIGIN COUNTRIES:

Customer Profile:

- Mismatch between amounts paid and the occupation of the person
- Forged documents
- Use of MSB by migrant workers transferring a part of their salaries to their families abroad and illegal migrant paying a debt

Transaction profile:

For MSBs:

- Transfer of cash in small amounts
- Repetitive transfer of like nature
- Transfers to sensitive countries of destination;
- Transfer from different regions to the same person

Use of businesses:

- Incorporating illegal funds in businesses
- Companies may be connected in different ways to human trafficking and smuggling of migrants. They can be used as additional or main means of money laundering. Companies sometimes serve as a cover, where its activities are inconsistent with the nature of business. They often carry out international activity (travel agencies, tourism-related companies, money transfer agencies, etc)

Use of third party/intermediaries

- Use of victims to execute transactions
- Opening an account in the name of an unqualified minor
- Use of cash courier to make payments or to bring the money back to the country of origin

Investment in real estate:

- Use of cash for real estate deals and payment of mortgages;

DESTINATION COUNTRIES:

Customer profile:

- Customer deposit funds under escort
- Prostitutes who transfer small sums to relatives and exchange large sums (the transfers represent their own shares, while the large sums of money exchanged are sent to the men behind the trafficking in human beings)
- Payment for rent etc. for “addresses where prostitution is known to occur”, or payment of airline tickets and hotels for a number of different women
- People/companies that can be linked to prostitution and who carry out transactions involving values greater than their own income/revenues.

Transaction profile:

For MSBs:

- Frequent transfer to high-risk countries;
- The transaction involves the exchange of currency for sexual purposes, money is often transferred in small amounts with high frequency from the victims to members of the organized crime group situated abroad or other places in the country.

Financial Institutions:

Account type

- Lack of references or identifications
- Common addresses provided for funds transfers conducted by different people

Bank Account activity

- large cash deposits inconsistent with business type
- customers account who have reported identify theft (many extortion/kidnapping rings have stolen identities that they utilize to conduct their criminal activity
- credit card payments to online escort services for advertising

For Dealers in High value goods

- Transaction funded with cash
- Good purchased for personal export to jurisdiction of risk.

For Casinos

- Purchase the casino chips which may be redeemed following minimal gaming
- Currency Exchange.

REFERENCES

FATF Report - Money Laundering Risks Arising from Trafficking in Human Beings and Smuggling of Migrants (July 2011)

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