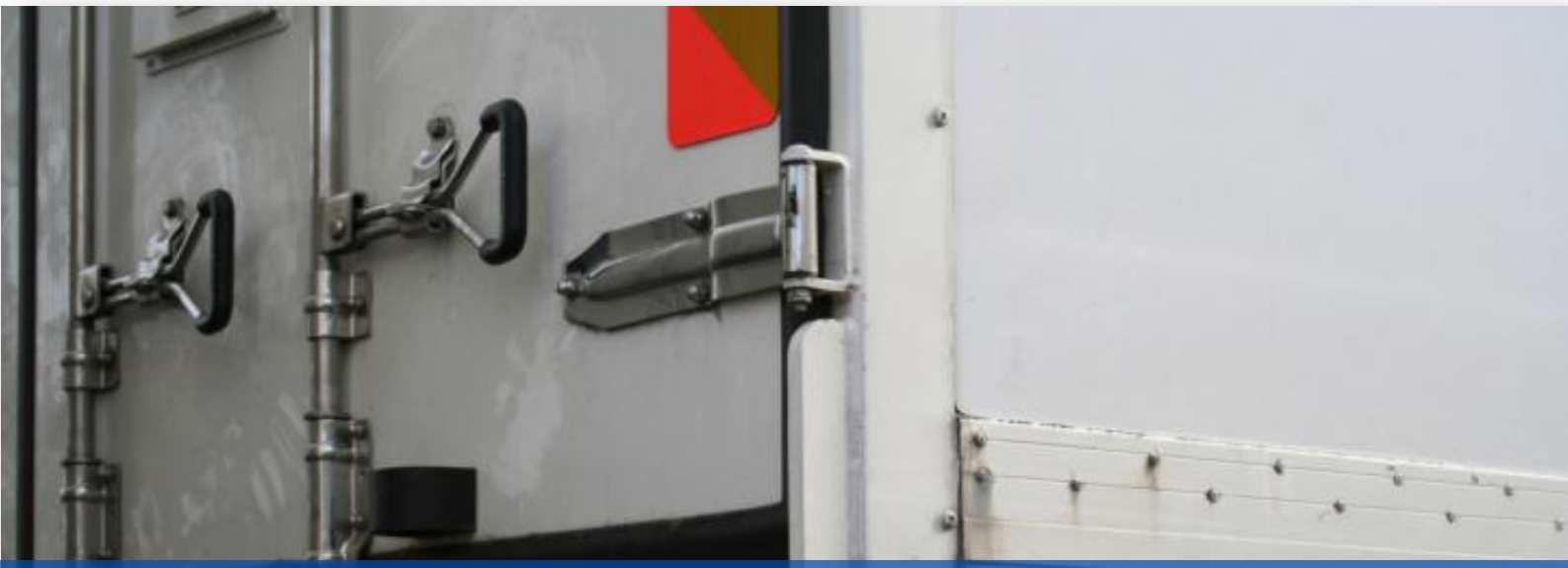
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FATF Report

Money Laundering Risks Arising from **Trafficking in Human Beings** and **Smuggling of Migrants**

July 2011



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LIST OF ABBREVIATIONS

AFP	Australian Federal Police
APG	Asia Pacific Group
ARTIP	Asia Regional Trafficking in Persons project
CoE	Council of Europe
CRS	US Congressional Research Service
Egmont Group	The Egmont Group of Financial Intelligence Units
ESAAMLG	Eastern and South African Anti Money Laundering Group
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
GIABA	Groupe Intergouvernemental d'Action contre le Blanchiment d'Argent (Inter Governmental Action Group against Money Laundering in West Africa)
GIFCS	Group of International Finance Centre Supervisors
GRETA	Group of Experts on Action against Trafficking in Human Beings
HORECA	Hotel/Restaurant/Café
ICE-HIS	Immigration and Customs Enforcement – Homeland Security Investigation
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
ML	money laundering
Moneyval	Council of Europe Committee of Experts on the Evaluation of Anti- Money Laundering Measures and the Financing of Terrorism
MSB	Money Service Business
MTM	Mediterranean Transit Migration
NGO	Non Governmental Organization
OGBS*	Offshore Group of Banking Supervisors
OSCE	Organization for Security and Co-operation in Europe
Project STAMP	Smugglers' and Traffickers' Monies, Assets and Proceeds
SOM	smuggling of migrants
STR	Suspicious Transaction Report
THB	trafficking in human beings
UK	United Kingdom
UN.GIFT	United Nations Global Initiative to Fight Human Trafficking
UNODC	United Nations Office on Drugs and Crime
USA	United States of America

* In March 2011, OGBS was renamed the Group of International Finance Centre Supervisors (GIFCS).

EXECUTIVE SUMMARY

1. There is growing evidence that criminals are turning to trafficking in human beings (THB) and the smuggling of migrants (SOM) to a greater extent as these crimes are seen as highly profitable. The money laundering risks arising from both activities are covered in this report because the distinction between them is not always obvious to the authorities and there can be a link between the two. The objectives of this typology report are to assess the scale of the problem, to identify different trends in THB and SOM, to identify the trends in money laundering (ML) from case studies, to inform law enforcement agencies on the ML aspects, to identify red flag indicators to assist financial institutions in detecting ML and reporting STRs, and to increase the possibility of identifying and confiscating the proceeds from human trafficking or the SOM.

2. From the definitions of the two offences the conclusion can be drawn that the main difference is in the exploitation aspect of trafficking that is absent from the smuggling operation. However, making a profit is the main goal of both traffickers and smugglers. Similarities can also be found in their organisation, ranging from small-scale to large scale businesses. Regions of origin of trafficked people most reported are the Commonwealth of Independent States (former Soviet Republics), Central and South-Eastern Europe, Western Africa and South East Asia. The main destination countries are located in Western Europe, North America and Western Asia. Trafficked victims transit by Western, Central and South-Eastern Europe, and to a lesser extent South-East Asia, Central America and Western Africa.

3. Assessing the scale of the problem is a major challenge, specifically concerning the SOM where statistics are scarce and incomplete. Concerning THB, it is estimated that about 2.45 million persons are currently being exploited in the world. Total illicit profits from human trafficking are estimated to be around USD 32 billion annually[1].

4. A questionnaire was circulated and completed by a number of FATF members and observers. This showed (see *Chapter II*) that competent authorities in investigating ML of THB and SOM are usually the same as the authorities investigating the predicate offences, meaning mainly law enforcement agencies. The Financial Intelligence Units (FIUs) are also often competent when tackling the ML of these offences. Consequently, the main sources of information for detecting ML arising from these offences are law enforcement investigations and suspicious transaction reports. The questionnaires also identified several challenges, in particular in limited international cooperation and the difficulty to detect funds and gather evidence.

5. A number of THB and SOM cases are presented in *Chapter II* and *Annex A:* which reinforce the trends identified from the questionnaire and the analysis of the relevant literature. Indicators for financial institutions and law enforcement agencies that arise from these case studies are included in the list of red flag indicators in the key findings and in *Annex B*.

[1] ILO (2005)

6. From the questionnaires and case studies the main trends detected for laundering, that are similar to those of other offences, include the use of cash-intensive businesses, of money service businesses, of *hawala* (informal banking) systems, of cash couriers, of front companies, commingling of funds, aliases, straw men, and false documents. Investments in real estate, in cars or in supporting a lifestyle are also most frequently reported. Some specific new trends in trafficking arose from the analysis for example the use of bank accounts to gain access to credit.

7. The main findings arising from the questionnaire, the case studies, the analysis of the literature and the workshop in Cape Town in November 2010 can be summarised as follows:

- there is a lack of adequate information about the number of persons being trafficked and smuggled and there is even less information about the income generated by this activity and how it is laundered;
- there is a need to change THB and SOM from "low risk/high reward" to "high risk/low reward, crimes;
- there are region specific trends and distinctions can be drawn among countries of origin, transit and destination;
- the ML techniques are similar to those found with other serious crimes;
- criminals involved in THB and SOM are particularly engaged in the handling of and movement of cash;
- there are links between THB and SOM and other forms of organised crime;
- pursuing ML activity from THB and SOM calls for effective cooperation between all relevant agencies.

8. A number of issues also have been identified that require further consideration, including the need for more data, the need for more focus on ML rather than the predicate crime itself, and the need for more cooperation between all relevant agencies.

INTRODUCTION

9. There is growing evidence that criminals are turning to human trafficking and the smuggling of migrants to a greater extent as these crimes are seen as highly profitable. According to the United Nations Office on Drugs and Crime (UNODC), THB is the third largest source of income for the organised crime groups after drug and arms trafficking[2].

10. While much has been written about human trafficking and smuggling of migrants, little has been written on the money laundering risks. That is why, in 2005, human trafficking was chosen by Moneyval as a subject for a joint FATF/Moneyval typologies exercise because of its importance as a potential source of criminal proceeds.

11. The Asia Pacific Group (APG) also addressed this issue in conducting a scoping study for its region: *People Smuggling, People Trafficking, Money Laundering and Criminal Asset Confiscation*. Their aim was to explore the legal framework and the use of anti-money laundering and asset confiscation systems in countering migrant smuggling and human trafficking amongst their members. Also, the activity of human trafficking, though often perceived as a transnational crime, can be a major activity within a jurisdiction itself (*e.g.*, in the USA).

Scope

12. The scope of the study is the laundering of proceeds arising from trafficking in human beings and the smuggling of migrants. Reasons for extending the topic to SOM is the fact that the distinction between THB and SOM is not always obvious to authorities which are not dealing with criminal investigations of such cases. A global overview may be needed to determine whether a given case is actually one of human trafficking or of migrant smuggling, whereas such an overview may not be available first hand (*e.g.*, a case may be seen as smuggling in the transit country and human trafficking in the country of origin or destination). Additionally, a possible link can emerge between the two offences as migrants whose cost of smuggling has been covered by the smuggler on condition of repayment are extremely vulnerable to exploitation, trafficking or debt bondage[3].

Objectives

13. The key objectives of the report are the following:

- To assess the scale of the problem;
- To identify different trends in trafficking in human beings/ migrant smuggling;
- To identify from case studies where money laundering is occurring and what form it is taking;
- To inform law enforcement agencies on the laundering of funds coming from human trafficking/ migrant smuggling;

[2] UN.GIFT *(n.d.)*
[3] UNODC (2010a)

- To identify red flag indicators to assist financial institutions in their identification of money laundering from human trafficking/ migrant smuggling, and in the reporting of STRs;
- To increase the possibility of the proceeds of human trafficking/migrant smuggling being identified and confiscated, and thereby discouraging the activity of human trafficking or migrant smuggling.

Methodology

14. Chaired by the Offshore Group of Banking Supervisors (OGBS)[4] and the French Financial Intelligence Unit (Tracfin), the project team was made up of delegations from Argentina, Australia, Belgium, Canada, New Zealand, Norway, Russia, Spain, South Africa, the United Kingdom and the United States of America. Also participating in the team were: the Asia Pacific Group, the Egmont Group, the Eastern and South African Money Laundering Group (ESAAMLG), the Financial Action Task Force on Money Laundering in South America (GAFISUD), the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), the International Monetary Fund (IMF), Moneyval and the United Nations Office on Drugs and Crime (UNODC). The project team also received the strong support of the Organization for Security and Co-operation in Europe (OSCE).

15. In preparing this report, the project team has utilised literature and initiatives from the following sources:

- typologies previously undertaken by FATF/Moneyval and APG
- reports produced by international organisations such as UNODC and OSCE
- initiatives undertaken by individual jurisdictions either jointly or separately
- initiatives undertaken by NGOs and the private sector.

16. Relevant information from these sources is included in *Annex E* of this report.

17. The project team also developed a comprehensive questionnaire that was distributed to FATF members and observers with 52 responses received which produced valuable information.

18. During the joint FATF/Egmont experts' meeting on typologies held in Cape Town in November 2010, a workshop on ML arising from THB and from SOM was held. There were nine presentations from delegations during this workshop (Bulgaria, Canada, Spain, South Africa, USA, the Non-Governmental Organization Oasis South Africa, OSCE, GIABA, ESAAMLG). Some first key findings that arose from these case studies were presented by the co-chairs on the last day of the workshop and have been incorporated into the Key Findings chapter.

19. Thanks to the numerous cases furnished by the jurisdictions and the presentations made by their representatives in the workshop, the project team was able to gather useful and substantive material for the purpose of this report. Valuable additional contributions were also received from many members of the project team.

[4] *The Offshore Group of Banking Supervisors (OGBS)* changed name in April 2011 to become the *Group of International Finance Centre Supervisors (GIFCS)*

Structure of the report

20. As the scope of this study includes the laundering of the proceeds of two different issues that are more than often connected, *Chapter I* of this report will seek to define these concepts and to estimate their scale. The numerous answers received to the questionnaire circulated to FATF members and observers and the case studies provided will be analyzed in *Chapter II*. The key findings arising from the study of all the information gathered during this project will be set out in *Chapter III*. The conclusion will outline issues for consideration and policy implications in relation to this subject. Case studies, red flag indicators and a review of literature and initiatives are included in the annexes along with other useful information.

CHAPTER I: SCOPE OF THE STUDY

1. Nature of the problem

a) Definition of trafficking in human beings

21. The Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime, contains the first internationally agreed upon definition of trafficking in persons. The Trafficking in Persons Protocol entered into force on 25 December 2003 and 143 States had ratified or acceded to it as of February 2011.

22. The Trafficking in Persons Protocol defines trafficking in persons 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 » (Article 3).

b) Definition of smuggling of migrants

23. The Protocol against the Smuggling of Migrants by Land, Sea and Air, supplementing the United Nations Convention Against Transnational Organized Crime, entered into force on 28 January 2004 and 127 States had ratified or acceded to it as of February 2011. The Smuggling of Migrants Protocol deals with the growing problem of migrant smuggling, often committed by transnational organised crime groups at high risk to the migrants and at great profit for the offenders. A major achievement of the Smuggling of Migrants Protocol was that, for the first time in a global international instrument, a definition of SOM was developed and agreed upon.

24. The definition of SOM in the Protocol is as follows: "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".

c) Differences and similarities between trafficking in persons and smuggling of migrants

25. Trafficking in persons and smuggling of migrants are two concepts easily confused because of a few similarities and partial overlap often existing between both phenomena. They have common elements but still some differences between both criminal activities exist.

Comparing trafficking in persons with smuggling of migrants (source: UNODC)[5]

	Smuggling of migrants	Trafficking in persons
Consent	Required	Becomes irrelevant
Exploitation	Not required	Required
Transnationality	Required	Not required

Consent: The smuggling of migrants, while often undertaken in dangerous or degrading conditions, involves migrants who have consented to the smuggling. Trafficking victims, 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.

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.

26. From the UN Issue paper on organised crime involvement in trafficking in persons and smuggling of migrants, no major differences exist between the findings on organised criminal involvement in THB on the one hand and SOM on the other. Both in trafficking and in smuggling, the actors are structured along the lines of profit maximisation. It counts for both trafficking and smuggling that larger scale operations are most likely to be organised in a network structure.

27. The business and profit-structured backbone of the whole landscape of the market of THB and SOM cannot be emphasised enough. Organised crime groups will form according to the end-goal of profit-maximisation, they will engage in any sort of activity with their eyes on profit-maximisation, will select their operation territory according to what is most profitable, co-operate with each other just as long as it is profitable, and so on. All this counts for both trafficking in persons and smuggling of migrants.

d) Profiling the traffickers/smugglers

Profile of traffickers

28. According to Europol, as THB is one of the most lucrative of organised crime activities, it attracts all levels of criminal interests from the low level trafficker, the smaller groups operating on a more permanent basis through to the international networks dealing with large numbers of trafficked victims with connections in the source, transit and destination countries[6]. Certain aspects of trafficking in Europe, for example, are largely supported by Russian and Albanian gangs and by the Italian mafia, whereas trafficking in Asia is largely controlled by Chinese criminal groups and the Japanese Yakuza. These international groups increasingly interact with local networks to provide transportation, safe houses, local contacts, and documentation[7]. The traffickers are often also involved in other crimes such as drug smuggling/dealing. They use trafficked human beings as drug couriers or they force them to perpetrate other crimes like theft.

29. Initially involved in the recruitment process, the proportion of **female offenders** involved in trafficking for sexual exploitation, even at other stages, is significant and increasing. The modus operandi of the Nigerian "Madam" is an example of the role that women, predominantly former victims, play in the

[5] UNODC (2010c)
[6] EUROPOL (2006)
[7] US Congressional Research Service (2010)

criminal organisation. The madam supervises, controls and organises girls and women trafficked for sexual exploitation, coordinates their activities and collects income they make.[8]

Several examples of atypical exploiters of trafficked humans are stated in the US Department of State Trafficking in Persons report (2010) [9]:

- Diplomats can be traffickers, being the final exploiters of domestic workers, bringing them to foreign countries and restricting their freedom of movement and subjecting them to various abuses.
- In Uzbekistan, children and adults are routinely compelled as labourers in the country's annual cotton harvest. During the 2009 fall harvest, school children were forced to pick cotton in at least eight of 14 regions in the country.
- Thousands of children attending Koranic schools in Senegal are exploited by their teachers. The children – most under 12 and some as young as 4 – are forced to beg on city streets and are subjected to often brutal physical and psychological abuse.

Profile of smugglers

30. In the SOM activity, there can be a range of different actors performing a range of different roles in the smuggling process. They go from the small-scale smugglers arranging ad hoc services to larger smuggling networks dividing the work among the actors involved. These actors can have different functions: coordinator or organiser, recruiter, transporter or guide, spotter, driver, messenger, enforcer, service provider or supplier (including corrupt officials, taxi drivers or financiers for example)[10].

31. According to the UNODC Global Review on Smuggling of Migrants in 2010[11], there is a consensus that smuggling networks function according to the "enterprise" model and that sophisticated networks have replaced small-scale businesses in regions where anti-smuggling law enforcement strategies are particularly robust.

32. In the US, it is observed that migrant smuggling activities at the US-Mexico border is increasingly supervised by a powerful Mexican drug cartel *Los Zetas* illustrating that smuggling is of interest for organised criminal groups as it is profitable[12].

e) Risk sectors

33. Some industries may be at greater risk than others, for example those that rely on cheap or seasonal labour, or involve difficult and dangerous jobs. Problems can arise over deficient systems of labour recruitment, particularly in industries with complex chains of subcontracting. The risk of forced labour and trafficking doubles when companies have lengthy supply chains, which may involve recruitment agents whose activities may be poorly monitored[13].

34. JP Morgan Chase distinguished three types of businesses at risk: the trafficking intermediaries such as travel agencies, the labour intermediaries like labour contractors for caretaker services, and labour users which can be farms, textile manufacturer, nail salon, etc…

[8] EUROPOL (2009)
[9] *Source* US Department of State (2010)
[10] UNODC (2010d)
[11] UNODC (2010b)
[12] US CRS (2005)
[13] ILO (2008)

35. According to Europol and multiple sources confirming and completing this, the typical areas - apart from the "invisible" sector such as domestic work and entertainment - where victims of trafficking can be found are:

- agriculture,
- service sector,
- HORECA sector (hotel/restaurant/cafés),
- construction industry,
- textile enterprises,
- retail,
- manufacturing sector,
- logging,
- mining,
- fishing,…

36. From the answers to the questionnaire sent for the purpose of this study, **the use of cash-intensive businesses** to launder the money is a major trend. Canada gave the example of car dealerships and convenience stores as well as import/export companies. The use of casinos has also been reported for refining activity as well as purchase of casino chips redeemed following minimal gaming and deposit of cash and bank drafts to the casino front money account. The use of Money Service Businesses is also common due to the main use of cash in the trafficking business. The *hawala* or other informal banking system and the cash couriers are also used. The profits might be laundered by commingling the funds with the legitimate business activity of a front company's account or the company exploiting the victims.

2. Scale of the problem

37. The globalisation of the world economy has increased the movement of people across borders, legally and illegally, especially from poorer to wealthier countries. International organised crime has taken advantage of the increased flow of people, money, goods and services to extend its own international reach[14].

a) Statistics on trafficking in human beings

38. The current estimate on the global dimension of human trafficking comes from the International Labour Organization (ILO). According to the ILO, at least **2.45 million persons are currently being exploited** as victims of human trafficking[15]. OSCE believes that even this figure is incomplete. The crime of trafficking in human beings is extremely lucrative and only a small percentage of victims is identified.

39. The US Department of State gathers statistics on the number of prosecutions and convictions around the world for human trafficking. In 2009, there were **5 606 prosecutions and 4 166 convictions for trafficking in persons**. Considering labour trafficking only, the figures are 432 prosecutions and 335 convictions.

[14]CRS (2010)
[15]ILO (2005)

40. To complete these figures, the UNODC report on Trafficking in Persons[16] for 2009 gathered information on trafficking in persons in 155 countries. Of these countries, 91 stated they prosecuted at least one case of THB, 73 reported at least one conviction and 47 reported making at least 10 convictions per year. These striking figures reflect a huge gap between the estimated number of victims and the number of criminals identified, prosecuted and convicted.

b) Statistics on smuggling of migrants

41. There is **no global statistic** on the number of migrants smuggled. 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. Information currently available is too scattered and too incomplete to be able to show accurately the number of people smuggled each year.

42. In its *Transnational Organized Crime Threat Assessment, 2010*, the UNODC estimates that each year, about 55 000 migrants are smuggled from Africa to Europe and that about 3 million people enter the USA illegally on the southern border with Mexico. These 3 million people are believed to be massively assisted by professional smugglers (*e.g.*, 90% of the Mexican illegal migrants use their services).

43. The International Organization for Migration (IOM) estimates that 214 million people migrate internationally. However, it is difficult to know how many of them are smuggled or if smuggled people are in a position to be part of the census. These migrants sent in 2009 about **USD 414 billion remittances**, of which 76% was to developing countries. Again, it is almost impossible to determine what proportion of these remittances comes from human trafficking/migrant smuggling[17]. The IOM declares that illegal migration suffers from the capacity gap of generating better data[18]; the same issue arises for human trafficking or migrant smuggling data.

44. Considering the **prosecutions** for SOM, **there is no global statistic** but some jurisdictions that answered the questionnaire in preparing this report gave the number of prosecutions relating to this offence. It appears from the answers that there are more prosecutions for migrant smuggling than for human trafficking.

45. For example, answers to the questionnaire contained the following information:

- In 2009, in the United States, 2 268 investigations were initiated on migrant smuggling (566 on human trafficking) and 1 338 convictions were pronounced in 2009 (165 for human trafficking).
- In Ecuador, the convictions for migrant smuggling from 2005 to 2010 were 173 (7 for THB).
- In Australia, from 1999 to 2009, there were 567 prosecutions for SOM (only 20 matters of trafficking in persons from 2004 to 2009), over which 529 resulted in the offences being proven.
- Indonesia undertook 404 prosecutions related to migrant smuggling between 2004 and 2009 (93 prosecutions for human trafficking since 2007).
- For Hong Kong, China there were 18 cases of SOM in 2009 and 2 cases of THB.

[16]UNODC (2009)
[17]World Bank (2010)
[18]IOM (2010)

c) Estimate of the proceeds

Estimate of the profits from human trafficking

46. According to the International Labour Organization (ILO)[19], the annual profits generated by trafficked people in forced economic exploitation can be estimated as approximately USD 4 billion.

47. Annual profits from forced commercial sexual exploitation as a result of trafficking amount to USD 28 billion. According to the ILO, almost half of these profits (USD 13,3 billion) are made within industrial countries, with second highest profits being in Asia (USD 9,5 billion).

48. The total illicit profits of all forced labour resulting from human trafficking is estimated to be about USD 32 billion per year.

49. Still according to the ILO, half of this profit is made in industrialised countries (USD 15,5 billion) and close to one-third in Asia (USD 9,7 billion). Globally, this represents an average of approximately USD13 000 per year for each forced labourer.[20]

50. Considering that the total profits coming from illicit trades (including drugs, people, arms, fake goods and stolen natural resources) are estimated by the UNODC as USD 130 billion, the estimated profits of human trafficking represent a significant proportion of that total.

Estimate of the profits from migrant smuggling

51. According to the UNODC[21], the income of smugglers operating **from Africa to Europe** amounts to USD 150 million annually and smugglers operating **from Latin America to North America** are believed to earn about USD 6,6 billion each year. These two flows are the major illegal migration flows.

52. **The estimated migrant smuggling profits in the US for 2008 was USD 2 157 billion.** This estimation is based on the typical smuggling rates known. For example, the smuggling rate from Mexico ranges between USD 1 000 and USD 3 500 per individual smuggled. From Brazil, it varies from USD 13 000 to USD 18 000 and from China from USD 40 000 to USD 70 000. The source country of Mexico accounts for 75% of this estimated total.

53. ICE-HSI (Immigration and Customs Enforcement – Homeland Security Investigations) seized over USD 14 million in assets during 2009 in migrant smuggling and human trafficking -related cases.

54. Some examples of known smuggling fees might also give an idea of the potential proceeds coming from the SOM. For example, **from Albania to Western European Countries**, the smuggling fees range from 2 500 EUR to 6 000 EUR per individual smuggled[22]. According to the IOM, the smuggling fees **from Central Asia to Europe** range from USD 3 000 to USD 10 000 per individual smuggled[23].

55. The high profits generated are obvious when looking at the amounts at stake in some cases and the sums confiscated or seized by the authorities.

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[19] The ILO methodology to calculate the profits is to estimate the average profits per victim and multiply it by the total number of victims, Belser (2005). These figures were not updated as stated in ILO "Cost of coercion" in 2009 : "A repeat of the first global estimate would be premature".

[20] ILO (2005)

[21] UNODC (2010e)

[22] UNODC (2010b)

[23] IOM (2006)

56. As an example, from 2006 to 2009, Australia had to deal with 4 restraining orders over property worth an estimated USD 3 288 000 and 4 orders forfeiting property worth USD 750 000 relating to THB; and 1 restraining order over property worth an estimated USD 70 000 and 3 orders forfeiting property worth USD 2 154 relating to SOM.

Notion of productivity

57. According to the OSCE[24], profits will vary depending upon the market into which a victim is trafficked. Studies show that prostitution can result in a return on investment ranging from 100 per cent to 1000 per cent and even in less profitable markets (*e.g.*, agricultural labour in India), an enslaved labourer can produce over 50 per cent profit. Each woman in forced sexual servitude was estimated by ILO, as the OSCE refers to, to generate approximately USD 100 000 in profit per year.

58. On the particular issue of child trafficking (for their exploitation in pick-pocketing, organised begging, shoplifting, robbery and sexual exploitation), Europol states that the annual income of a single trafficked child is estimated to be around EUR 160 000[25]. With the 1,2 million children trafficked worldwide for criminal purpose as ILO estimates[26], the profits can be spectacular. The average price paid for a trafficked child in the UK is EUR 20 000[27].

Trend -Trafficking of pregnant women and babies.

1. Between 2004 and 2006, the National Gendarmerie Criminal Investigation Unit of Rennes (Section de Recherches de Rennes) in coordination with the Central Office against Trafficking in Human Beings investigated a case about the trafficking of pregnant women. About 56 persons were prosecuted and convicted in February 2007 for the purchase and sale of babies and trafficking for the purpose of sexual exploitation. Pregnant women had been recruited in Bulgaria and transferred to France to deliver their babies under the identity of the infertile women the babies had been sold to. Each baby had been sold to infertile couples for between 10 000 and 13 000 Euros.

Source: France

d) STRs statistics

59. Based on the answers to the questionnaire gathered for this study, the **number of suspicious transaction reports** (STRs) received relating to THB/SOM **is relatively low in comparison with other serious predicate offences**. The reason for this is that it is usually difficult to determine the underlying offence when seeing potential ML activity which is particularly true for trafficking/smuggling.

60. Some figures from the answers to the questionnaire that can be cited are as follows. The Spanish FIU received in 2009 84 STRs related to THB/SOM out of a total of 2 764 STRs. The Colombian FIU received 8 STRs relating to migrant smuggling between 2007 and 2009 and 14 STRs relating to human trafficking. In 2009-2010, of 579 cases disclosed to law enforcement authorities by the Canadian FIU Fintrac, 8 were with migrant smuggling or trafficking suspected predicate offence.

61. To have an idea of the proportion of THB/SOM files handled by FIUs the following statements can be quoted from the questionnaires:

[24] OSCE (2010)
[25] Europol (2011)
[26] ILO (2002)
[27] source : UK Metropolitan Police (Europol(2011))

- The Belgian FIU transmitted 111 files of SOM to the public prosecutor in 2009 (for a total amount of 30 million EUR), 60 files of THB (for 4,61 million EUR) and 56 files of exploitation of prostitution (for an amount of 5,14 million EUR). All these represented 22,25% of all transmitted files accounting for only 1,86% of the proceeds registered in the total number of transmitted files. These offences represent a high proportion of the FIU's files but not a high amount of proceeds in Belgium.
- Between 2007 and 2009, Peru's FIU received 7 STRs relating to SOM, 10 STRs relating to THB and 6 relating to procurement. It prepared 6 financial intelligence reports on SOM.

3. Countries of origin, transit and destination

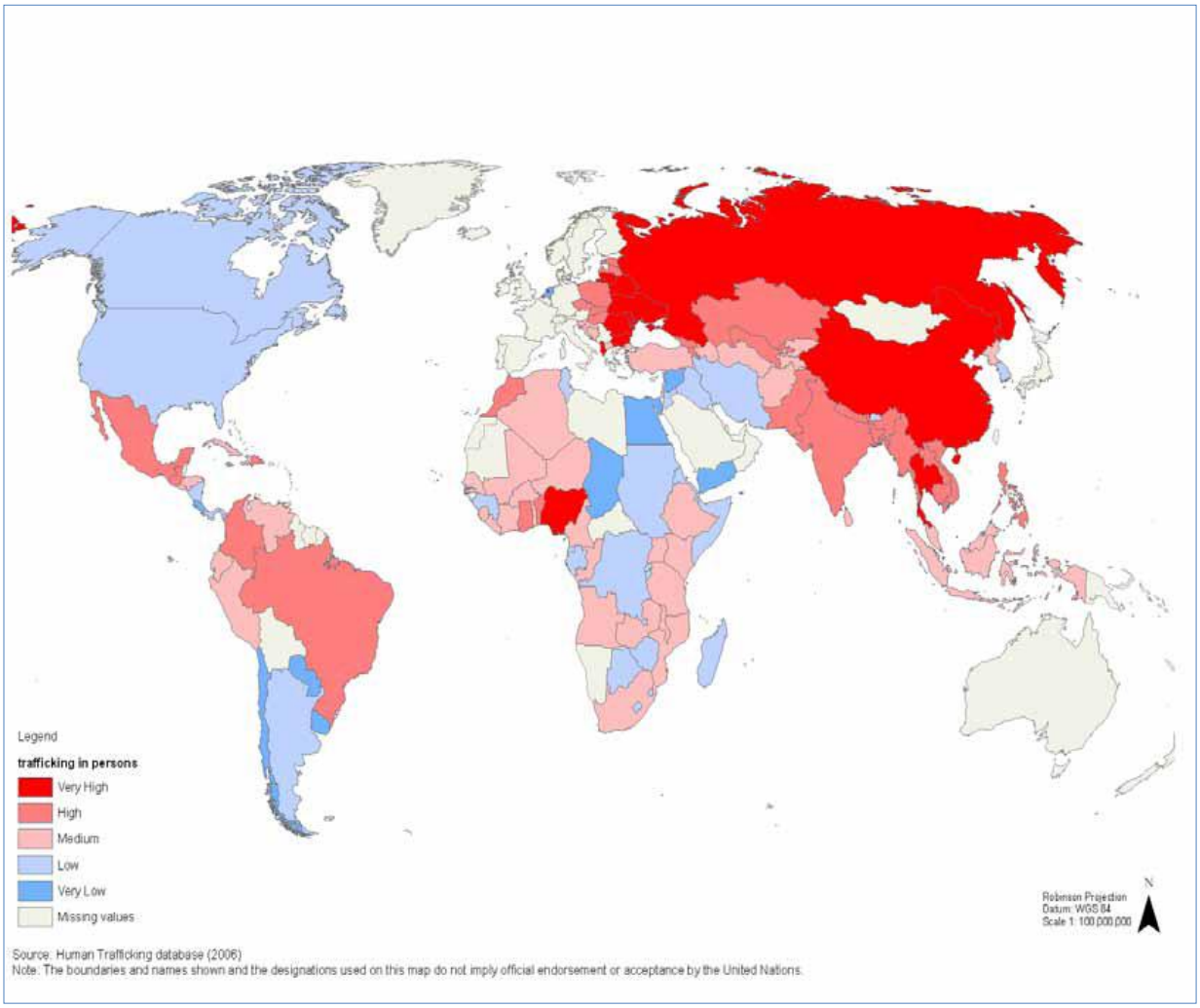
a) General findings on trafficking in human beings:

62. Trafficking in human beings is considered to be one of today's leading criminal enterprises and is believed to affect virtually all countries around the globe. According to the United Nations, **governments reported trafficking in humans originating from 127 countries and exploited in 137 countries worldwide from 1996 to 2003**[28] .

[28] UNODC (2006)

Global map of origin countries of THB

63. Based on the UNODC 2006 report on global patterns of human trafficking[29], the most frequently reported **regions of origin** for human trafficking are the regions of the Commonwealth of Independent States (former Soviet republics), Central and South-Eastern Europe, Western Africa and South-East Asia.

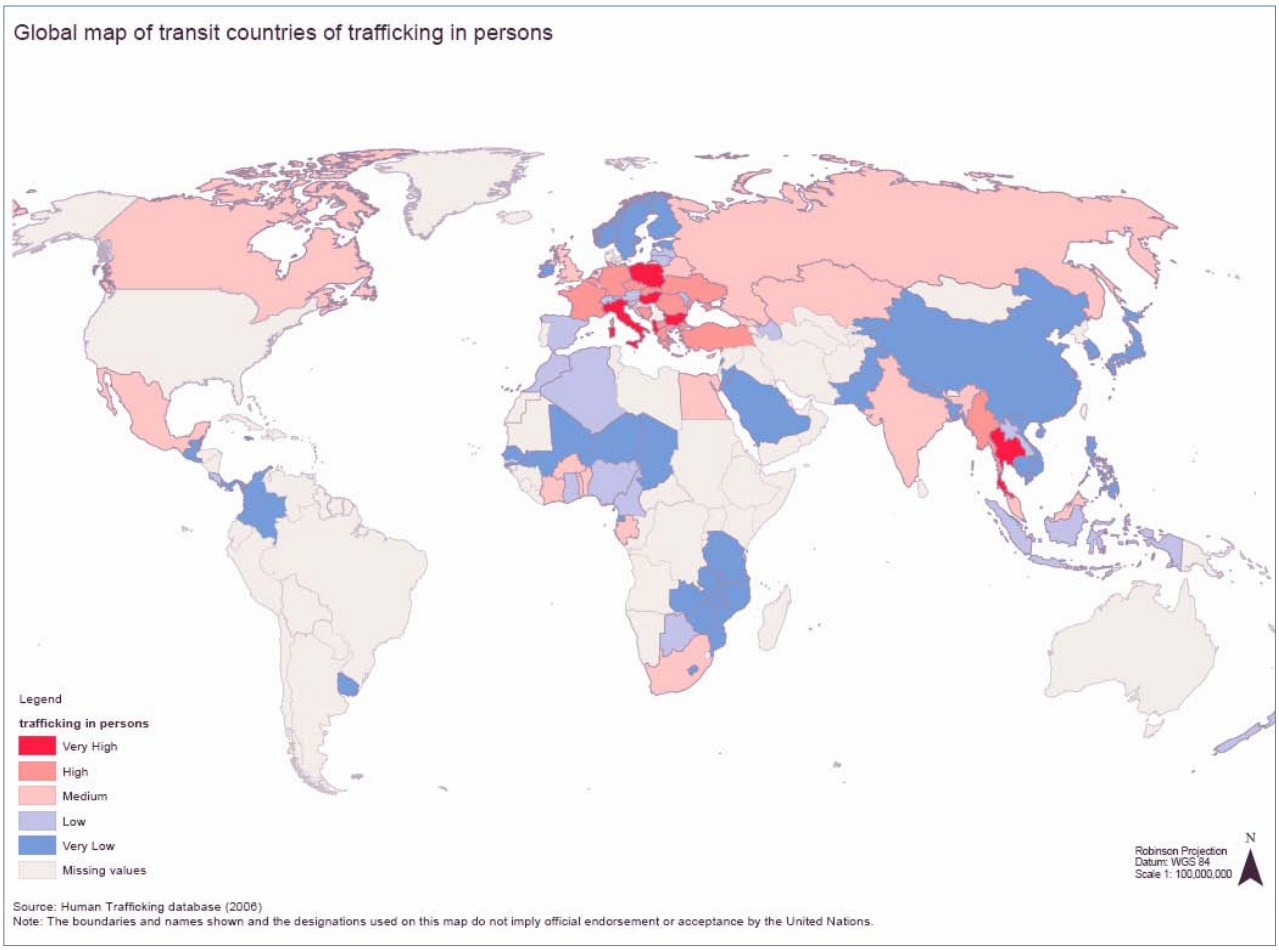


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[29] *Ibid.*

Global map of transit countries of THB

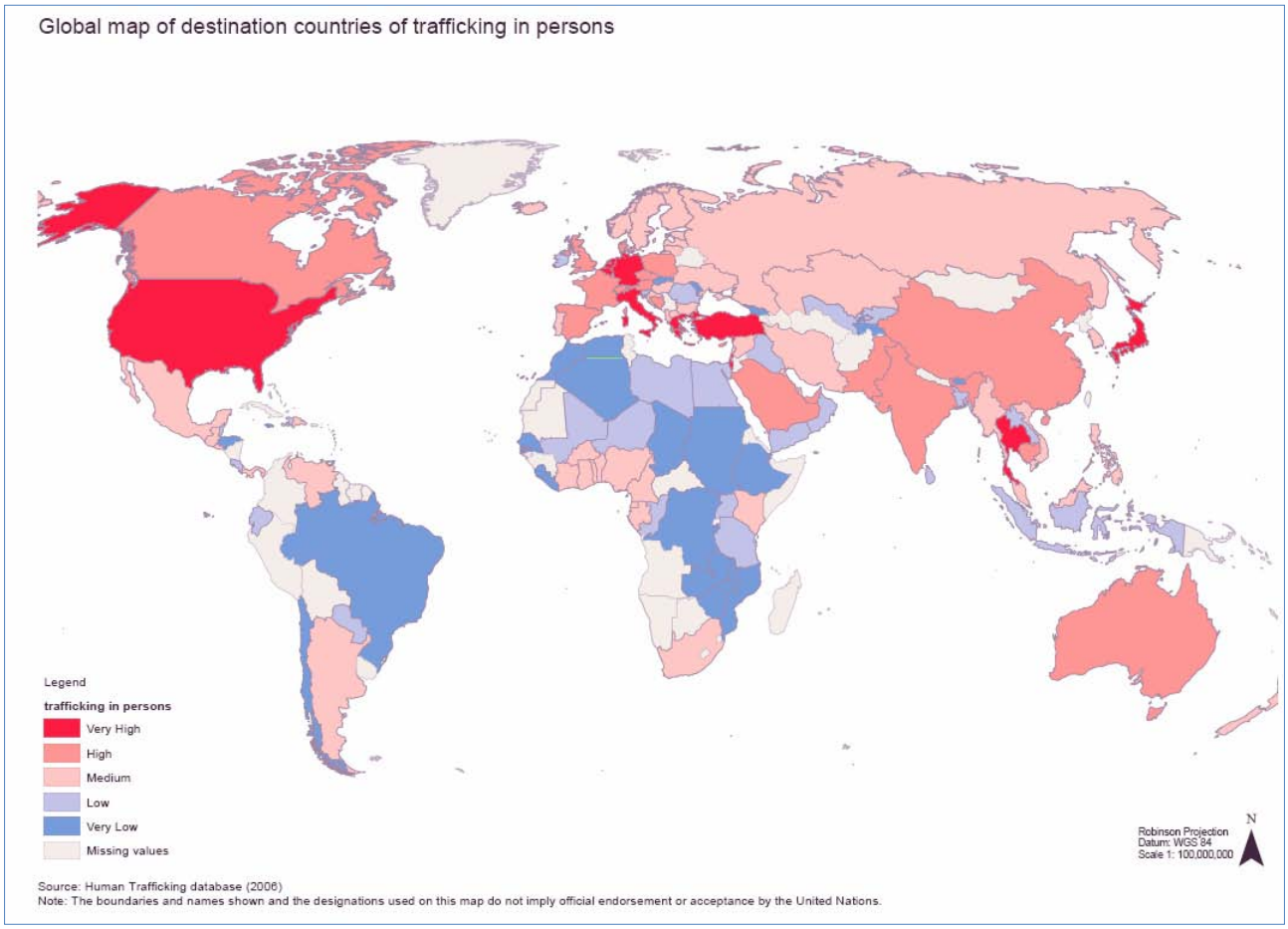
64. Countries of Central and South-Eastern Europe and Western Europe are reported as **transit regions**. Outside of Europe, South-East Asia, Central America and Western Africa are also frequently reported as transit sub-regions.



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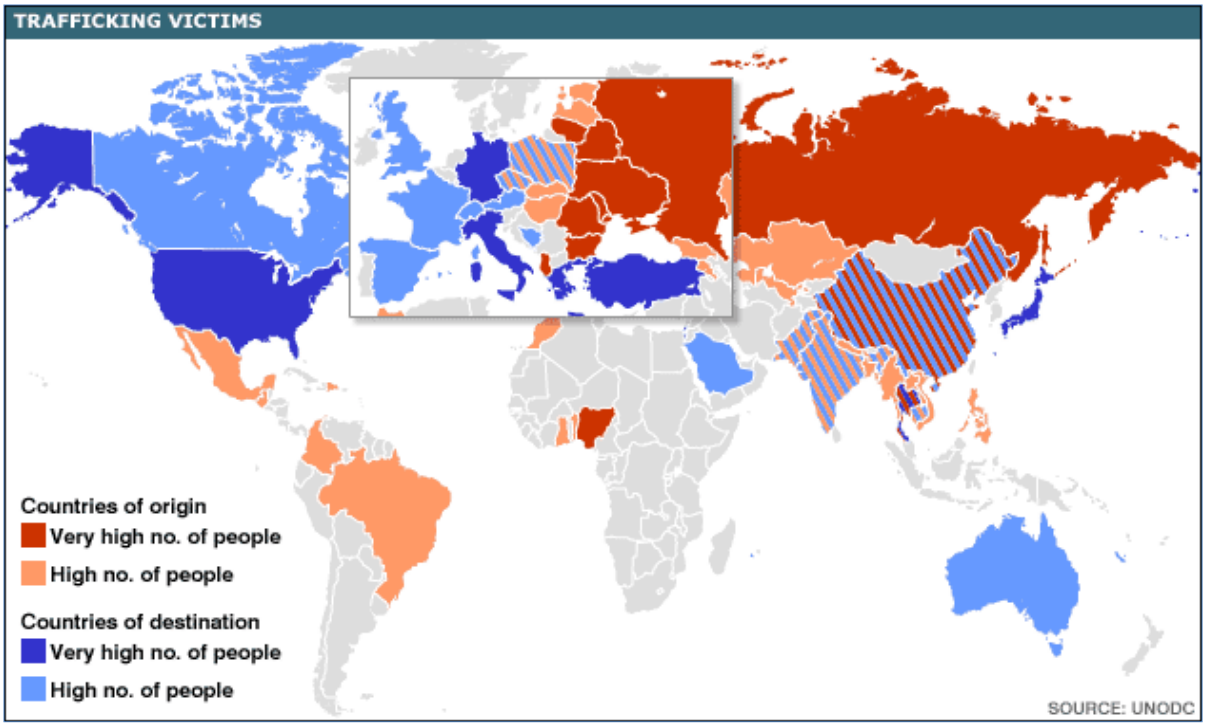
Global map of destination countries of THB

65. **Countries of destination** commonly reported are countries in Western Europe, North America and Asia, in particular in West Asia.



© **United Nations Office on Drugs and Crime, 2011, www.unodc.org.** The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

This map shows in a summarised way the countries of origin and destination for human trafficking:



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The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

66. Globally, the answers provided to the questionnaire distributed for the purpose of this study corroborate these findings.

67. In Asia, the countries with the most developed economies will report that the trafficking victims originate from poorer countries, more often South-East Asian countries. This trend once again illustrates the prevalence of the economic justification for trafficking or smuggling vulnerable people.

68. From a European perspective, the Europol report on *Trafficking of women and children for sexual exploitation in the EU: the involvement of Western Balkans Organised Crime* [30] gives some information. This report states that the most prevalent organised crime groups are from Albania, Bulgaria, Lithuania, Nigeria, Romania and the Former Yugoslavia. They commonly target the following "**source countries"**: Albania, Bulgaria, Moldova, Romania, Russian Federation, Ukraine and Nigeria.

69. Austria, Belgium, France, Germany, Greece, Italy, Netherlands, Spain and the United Kingdom are the main **destination countries** in Europe. The report emphasises the following **routes**: the Balkans Route, the Eastern Route, the Central European Route, the Eastern Mediterranean Route and the North African or Southern Route. One of the main conclusions of Europol's report is that **internal trafficking** within the Western Balkans is increasing because it involves less risk for the trafficker.

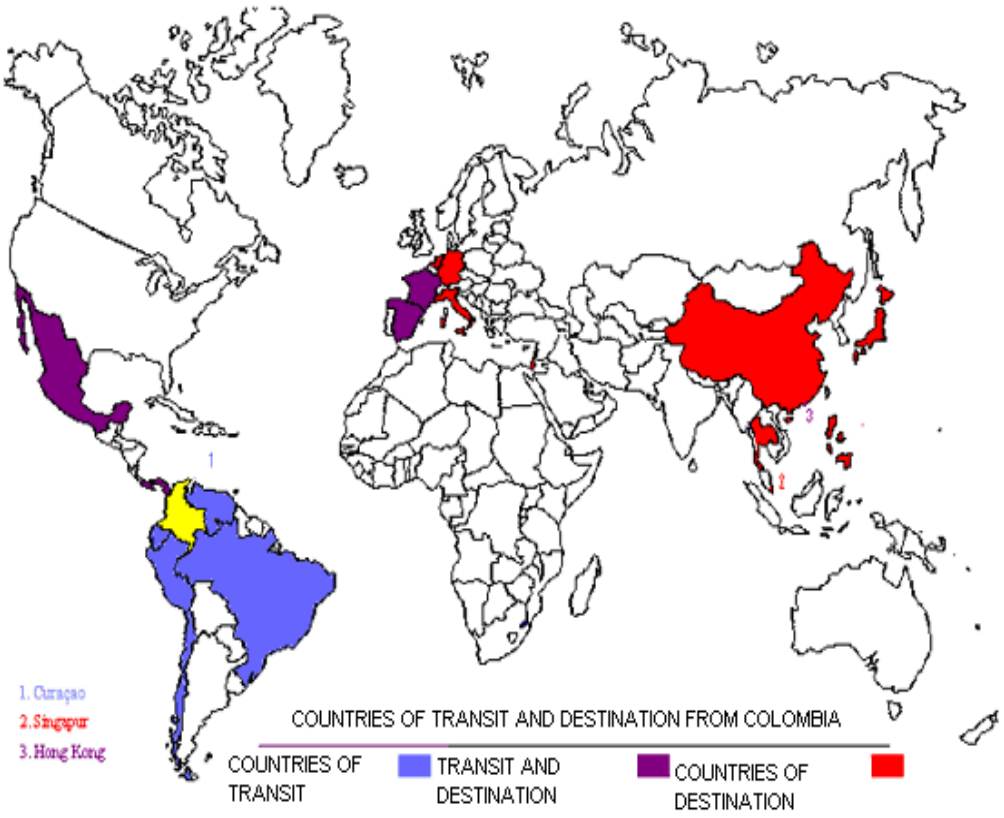
70. The answers to the questionnaire tend to confirm the trends cited by Europol. Additionally, in Belgium, Portugal, and Spain, **South-American countries** are stated as source countries, particularly Brazil.

[30] EUROPOL (2006)

- The specific example of Colombia.

71. Relating to the destination countries of Colombian victims, the International Organisation for Migration and the Administrative Department of Security DAS-Interpol point out that Japan and Spain were the main destination countries for 2006. The Colombian Financial Intelligence Unit's report shows significant transactions to Hong Kong, China; Singapore and the United States. The Traffic Operating Center (COAT) records give the following countries as main destination places: Ecuador, Mexico, Panama, Singapore[31], Trinidad and Tobago, Argentina, and Guatemala.

72. The map below, furnished by Colombia in answer to the questionnaire, shows the countries of transit and destination for Colombian victims.



b) General findings on smuggling of migrants

73. Statistics regarding **smuggling of migrants** are even harder to find. To estimate the number of smuggled migrants, and the profits made by smugglers, we can only rely on incomplete initiatives keeping in mind the need to remain cautious with the estimates made.

74. The UNODC[32] identifies the two major flows of migrants as illustrating the pull the North has upon its southern neighbours: from Latin America to North America and from Africa to Europe. The

[31] It should be noted that the Singapore and Hong Kong, China authorities have not received any information to match that referred to by the Colombian authorities.

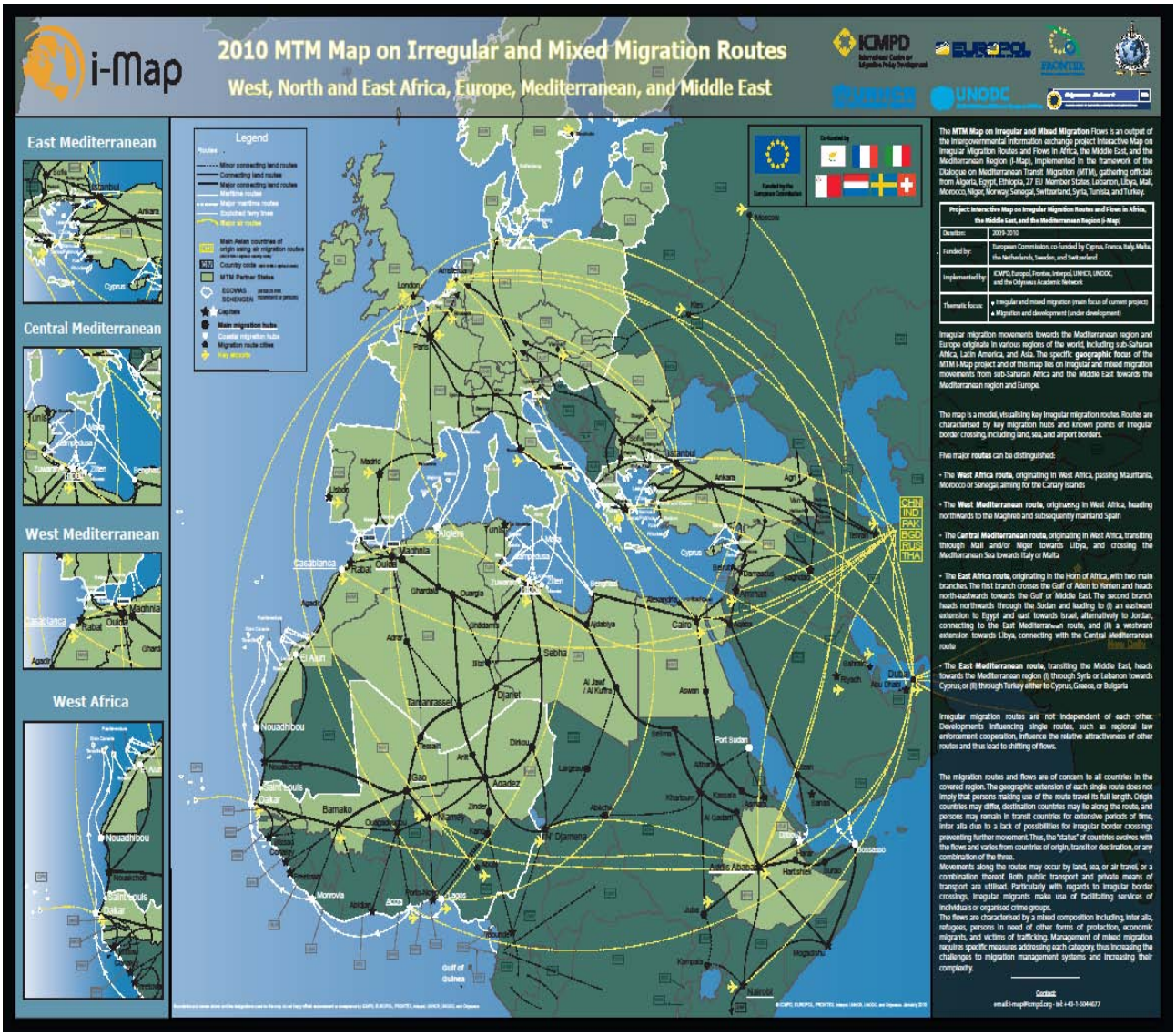
[32] UNODC (2010e)

largest number of migrants apprehension takes place along the southern border of the USA, meaning around 3 million entries each year of Mexicans (for about 90% of illegal migrants apprehended) and other Latin Americans using Mexico as a transit country. It is believed by UNODC that 90% of illegal Mexican migrants are assisted by professional smugglers.

75. The flow from Africa to Europe involves 4 predominant routes departing from the African coast: by sea from West Africa to the Canary Islands (Spain); by sea or land through Morocco and to southern Spain, Ceuta and Melilla; by sea from the Libyan Arab Jamahiriya, Algeria or Egypt to southern Italy and Malta; and by sea or land from Turkey to Greece.

76. Some countries of transit from Africa to Europe reported in the UNODC report are Mali, Niger, Morocco, Algeria, Ethiopia, Sudan, Somalia, Kenya, Uganda, Libyan Arab Jamahiriya and Egypt.

77. On the issue of illegal migration, reference can be made to the existing initiative called "i-map", available at www.imap-migration.org which has a public and secured access. It provides information on the illegal and legal migration routes and flows covering Europe, Africa, the Middle East and the Mediterranean regions. It was created within the framework of the Dialogue on Mediterranean Transit Migration (MTM). The map below is an example of what this project is able to provide on the illegal and mixed migration routes. It is safe to say that migrant smuggling does take place along the same routes.



© International Centre for Migration Policy Development

CHAPTER II: ANALYSIS OF THE QUESTIONNAIRE AND CASE STUDIES

78. In preparing this report, a questionnaire was circulated to all FATF members and observers in order to gather as much material as possible on the subject.

79. This questionnaire (*see Annex D*) went through the issues of the authorities in charge of the fight against THB/SOM and related ML activity, the main sources of detection of the laundering of the proceeds, the ML trends, the investigations led and convictions pronounced, the obstacles met, and the indicators observed.

80. The project team gained a huge amount of information from the 52 contributions (41 answers to the questionnaire). The Asia Pacific Group shared with us the results from the questionnaire used for their own typology project (from 14 jurisdictions of which 5 also responded to our questionnaire). Eurojust and Senegal sent very useful contributions with case studies in lieu of answering the questionnaire. Relevant findings that emerge from the answers are detailed as follows.

1. Competent authorities (questions 1 and 2)

a) In trafficking in human beings/smuggling of migrants

81. The answers to this question (41 answers) distinguish which law enforcement agencies are generally responsible for the investigations in the field of THB/SOM. Most of the time, there is **not only one service competent** on this field, there are several in the same jurisdiction empowered to work on it.

82. The services most frequently mentioned in the answers are:

- Police services (only 3 jurisdictions out of 41 did not mention police)
- Immigration services or border guards (declared 18 times)
- Customs services (declared 11 times)[33]
- Prosecution services (declared 8 times)
- Coast Guards (declared 3 times)

83. Additionally, it can be noted that 5 jurisdictions declared that a National Plan against Trafficking in Human Beings was set up in their country (Colombia, Canada, Ecuador, Norway and Spain).

[33] Jersey and USA have their Customs and Immigration services combined.

b) In money laundering of trafficking in human beings/smuggling of migrants

84. The vast majority of the jurisdictions (38) declared that there was **no specialised unit investigating specifically the laundering** of the proceeds of THB/SOM. It is reported that most frequently, when a specialised unit fighting THB/SOM exists, it is also competent on the ML aspects. If it is not the case, the FIU (18 answers) and police services (20 answers) are the most frequently declared services empowered to work on the ML arising from THB/SOM.

85. In very few instances, the jurisdictions created specific services competent in the ML of THB/SOM, in addition to the existing FIUs or the service in charge of the predicate offence.

- This is the case in Spain where a Group specialised on investigating ML arising from THB/SOM is attached to the National Unit against Human Trafficking, which is linked to the Division of Immigration and Borders of the Home Ministry. This group also deals with the investigations into movements of money from criminal organisations that have, as main purposes, activities of THB/SOM.
- The US Project STAMP (Smugglers' and Traffickers' Assets, Monies & Proceeds) is a new Homeland Security Investigations enforcement initiative. It is aimed at targeting the illicit proceeds earned by migrant smuggling/human trafficking organisations.

2. Sources for detection of money laundering (question 3)

86. Question 3 of the questionnaire was aimed at determining where the information dealing with the ML of THB/SOM comes from. Out of the 39 answers received to this question, 9 jurisdictions declared they had no information available. Half of the 30 other answers contained statistics.

87. The answers reveal that the majority of the information on such cases comes from operational investigations by law enforcement authorities (23 times answered). Financial investigations appear to occur subsequently, when the predicate offence is detected and the information can be exploited and used in a laundering investigation.

88. The suspicious transaction reports received by FIUs and their analysis come in second place in the sources of information stated (19 answers).

89. These are the two main sources for detection of ML that appeared in Moneyval's report in 2005. This confirms the conclusion drawn by Moneyval that THB and SOM remain law enforcement issues.

3. Trends detected (question 4)

90. As expected, the trends seen from the answers to the questionnaire are similar to those exposed in other reports on the subject (the Moneyval typology report of 2005 as well as other international organisations' reports such as UNODC, OSCE or Europol). Of the 41 answers received, 13 jurisdictions declared they had no information available.

91. The detected trends can be presented by each region of the world although many of the trends are applicable to all regions.

92. In Europe for example, trafficking occurs mainly for the purpose of **sexual exploitation and forced labour**. Traffickers seem to commonly use their victims to perpetrate the laundering operations. The use of **cash couriers, money service businesses or informal banking systems** is often mentioned. The use of **front companies and cash-intensive businesses** for the laundering is detected and the transfers

of funds are usually fragmented. Real estate investment and purchase of cars seem to be the favourite ways to invest profits.

A new trend in THB - Use of bank accounts to gain access to credit

UK reported the trend of criminals who facilitated the trafficking of individuals from Eastern Europe, confiscated identity documents from those individuals when they arrived in the country and **opened bank accounts to gain access to credit through overdrafts, loans and credit/debit cards**. In addition the accounts were used to obtain **tax credits and crisis loans**, fraudulently obtained by criminals. Debt accumulated on the accounts and was not paid back to the lender. When the lender tried to contact the account holder to demand payment, the organised criminals sent the trafficked individual back to their home country and the lender lost their money.

93. In the Americas, the situation shows important specificities depending on the country.

94. In Canada, the most common businesses used for ML are car dealerships, convenience stores and import/export companies. Casinos are also suspected to be used for ML.

95. In Mexico, a new trend is the extortion, abduction and exploitation of immigrants. Kidnappers ask the immigrants' families in the USA to deposit between USD 1 000 to USD 5 000 using money service businesses. Ransom money sent via MSBs is detected but not the laundering of the proceeds.

96. Colombia detected **three trends depending on the purpose** of the trafficking:

- the parcelling of wire transfers when the purpose is sexual exploitation,
- credit card transfers or on-line payments when dealing with pornography (mainly victims who are minors),
- postal orders and cash payments with cases of domestic human trafficking for sexual or labour exploitation or begging.

97. In Ecuador, they detected the use of false passport numbers, remittent or beneficiary with incomplete information, amounts always under the threshold and the use of institutions not belonging to the financial system. Those trends tend to be also global trends.

98. Asian countries indicated that the victims usually come from poorer Asian countries.

99. Nepalese trafficking victims are forced to beg in Indian cities. Chinese Taipei referred to **underground remittances** as a major trend. Hong Kong, China referred to a remittance agency involved in migrant smuggling activity and Japan mentioned women forced to borrow money and **repay the debts by prostitution**.

100. Australia, a destination country, refers among others to the possibility of **commingling of funds with legitimate business proceeds** and funds transfers via formal and informal banking systems.

101. In Africa, Sierra Leone gave the example of a specific trend arising from the programs for the resettlement of young people displaced as a result of the Civil War. South Africa points to the purchase of real estate, investments in clubs or restaurants and offshore investments.

The findings concerning the ML techniques did not change so much from the time of Moneyval's report. Still the wire remittance services, the money transfer services, cash couriers, the structuring of transactions, the use of false identification documents, cash being sent by different persons to the same recipient, are the main trends in the laundering techniques seen for these types of offences.

4. Analysis and investigations (Questions 5 and 6)

102. Jurisdictions were asked if they conducted analysis or investigations into the financial aspects of THB/SOM and to provide statistics. Over the 41 questionnaires received, 19 jurisdictions did not answer question 5 because the information was not available. Some of the answers provided to this question were used in *Chapter I* of this report in assessing the scale of the problem. Some other conclusions might be drawn from all the answers gathered.

103. For example, some countries reported offences linked to human trafficking, or entering into its scope like France's Gendarmerie who detected 93 cases of working conditions or accommodation conditions **contrary to human dignity** in 2009 while the French Justice pronounced about a hundred convictions on this offence. This offence can expose the trafficking happening before it.

104. The Gendarmerie detected 1 case of organ payment, one of the possible reasons for trafficking people. The French FIU received also one STR related to **organ trafficking** with transfers sent by a French resident to a woman from country X indicating "donation for transplant".

105. In the field of the investigations conducted, Eurojust registered **352 operational trans-border cases** related to THB since 2004 out of which 22 were dealing with ML, illustrating the necessity of international cooperation to fight THB.

106. Colombia gave figures confirming that human trafficking often **concurs with other crimes**, mainly instrumental to human trafficking. With over 19 human trafficking convictions, the Colombian authorities established that another crime was committed 17 times: kidnapping, unjust enrichment, incitement to prostitution of minors, use of facilitation of media to offer sexual services of minors, conspiracy to commit a crime, incitement to prostitution. This conclusion is also confirmed by many international organisations. The UNODC, the OSCE, Interpol, and others, also believe that there are over 20 related crimes affiliated with human trafficking.

107. Colombia also declares that the 14 reports drafted by the FIU analysed operations amounting to approximately USD 3 million involving mainly international wire transfers where smurfing prevails.

108. Question 6 asked the jurisdictions to give case studies if possible. 18 jurisdictions furnished case studies of which those considered most relevant are included in *Annex A* of this report.

5. Obstacles (question 7)

109. Concerning the challenges faced when tackling the ML of criminal assets coming from THB/SOM, we were able to use the answers to two similar questions of the APG questionnaire (on the difficulties encountered in investigations and prosecutions). 15 jurisdictions did not answer the question and 4 declared they encountered no obstacles.

110. The statements of the jurisdictions corroborate fully the conclusions of the UNODC in its *Human Trafficking, an overview* published in 2008. The UNODC conclusions about the challenges to face to

eradicate human trafficking are often the same when referring to ML. They are "lack of knowledge, lack of national legal framework, lack of policy and capacity to respond, limited protection of and assistance to victims, limited international cooperation."

111. Also pointed out by jurisdictions were: the lack of resources, the lack of skills/training, the lack of awareness and knowledge, the lack of witness cooperation, corruption, time delays (in national or international cooperation). The three most common obstacles were as follows:

a) Limited international cooperation

112. The limited international cooperation, as a major issue concerning the fight against ML, is the **biggest concern** for the jurisdictions who answered to the questionnaire (mentioned 16 times). They point for instance to the time delays, the effectiveness, the special conditions attached to the information provided, or the need for effective mutual legal assistance. The effectiveness of international cooperation is a recurrent and crucial issue in almost all ML typologies studied.

b) Lack of awareness or concern from law enforcement/prosecution authorities

113. An obstacle that has been stated, particular to the ML issue and most probably common to other predicate offences, is the necessity in some jurisdictions to have the predicate offence proven before starting to investigate the laundering of its profits.

114. Also there is a widespread belief within law enforcement authorities that the predicate offence is more important and most of the investigations do not go further to pursue the laundering aspects because of that belief. The **investigative culture focusing on the predicate offence** rather than the laundering is a recurrent obstacle mentioned by the jurisdictions participating in this study.

115. This might also be emphasised by the difficulty inherent in financial investigations led by agents who are not necessarily financial specialists. This highlights the importance of the cooperation between law enforcement, judicial authorities and the financial intelligence units at the national and international level and the **lack of financial awareness and training for investigators/prosecutors** which are also stated in the answers as challenges (about 10 times).

c) The difficulty to detect funds

116. A common problem usually faced by investigative teams in the field of ML is the detection of illegal funds. Due to the **wide use of cash in these types of offences**, activities surrounding for example the prostitution sector (sometimes legal in certain jurisdictions) and the commingling of funds (stated 3 times), tracing illicit money and gathering evidence is a great challenge for financial investigators. As raised by South Africa, systems like *hawala* cause great difficulty in tracing money and assets.

Most of the challenges reported by the participating jurisdictions would be addressed through the strengthening of the implementation of the existing FATF recommendations.

6. Indicators (question 8)

117. The questionnaire was an opportunity to take a census of the indicators observed by the actors in the fight against ML of THB/SOM. These indicators and the ones arising from the case studies are listed in *Annex B*.

7. Case Studies

126. A number of case studies were provided by jurisdictions either by those that completed the questionnaire or separately. The case studies included in this chapter and in *Annex A* are real cases but the real names have been omitted.

127. The case studies in *Annex A* have been split between those that relate to THB and those that relate to SOM. However there are a number of indicators of AML vulnerabilities arising from the case studies that are common to both categories. Such as the extensive use of cash and money remitters.

128. The majority of the case studies for THB relate to sexual exploitation but also included are case studies referring to labour exploitation and the exploitation of children. A key feature of the SOM cases is the involvement with cash-intensive businesses.

118. The following five case studies provide examples of the indicators of the AML vulnerabilities. The first three examples relate to THB and the other two relate to SOM.

Case Study 1. Trafficking women from Eastern European countries for sexual exploitation – Organised criminal group - Use of Money Remitters and Bank accounts - Investments in real estate.

The investigation was focused on a criminal group that operated in different areas of Spain trafficking women from Eastern European Countries. The organised group was detected by two different sources, the police investigation and the FIU information.

The police investigation was focused on a group of people that were members of a criminal organised group dedicated to smuggling and trafficking women. The organised group was the owner of several "night clubs" in different cities of Spain where women were exploited. Part of the money obtained through that illegal activity was **sent abroad through money remittance companies in order to pay the debt of each woman**.

The basic characteristics of the operations carried out through money remitters were the following:

- There were sent small amounts of money.
- The money was sent by some women exploited to their countries.
- Recipients in the countries of destination were the same.
- Some senders and recipients of the transfers were included in FIU databases.

At the same time, the FIU was making the analysis of some information related to suspicious transaction reports referring to members of the same organised group. It was detected that several bank accounts of non-resident persons with different passports were opened in banks in Spain. It was also discovered that the holder of those bank accounts was the same person. The basic movements of those accounts were:

- High number of deposits of cash in small amounts (below identification requirements) is made in different regions of Spain.
- Transfers of those amounts of money to Eastern European countries.
- Some operations had the same recipients.

Also, there was previous information in FIU related to some of the investigated members of the organisation that allegedly bought winning lottery tickets with cash to the real winners. There was information related to money transfers transactions too.

During the police investigation it was detected that front companies were also created, some of them with no real activity. Some properties were bought under the name of those companies and payments were made in cash.

It is also important to mention that cooperation with authorities of the countries of origin of women exploited was very useful and a joint police operation was conducted with those countries. The track of the funds allowed to arrest the members of the organisation in the countries of origin and to confiscate properties and money obtained from that illegal activity.

Indicators detected in Spain, as country of destination of women exploited, were the following:

- Use of cash.
- Transfers through money remitters:
  - Transfers in small amounts.
  - Transfers from different regions to the same persons in other countries (origin country of women involved).
  - Transfers sent to many different people.
  - Some recipients received money from different people.
    - Lack of any licit business behind those operations.
- Operations through banks:
  - Use of false identity documents.
  - Cash deposits in small amounts to avoid identification requirements.
  - Cash deposits made in different regions of Spain.
  - Transfers to the countries of victims.
  - Lack of any commercial activity behind those operations.
- Use of front companies to conceal the illicit origin of the funds.

Buying winning lottery tickets.

Source: Spain

Case Study 2 **Trafficking for sexual exploitation - Use of cash courier – Use of straw men - Organised crime group with other criminal activities**

The protagonists are Mr K., leader of an organised crime group who was killed in Amsterdam and Mr H., his associate, also deceased, who manages the human trafficking branch of the group: the supply of prostitutes to Italy.

He also smuggles counterfeit goods and counterfeit documents.

He supplies a large network of brothels and striptease clubs in Bulgaria.

He involves his relatives in ML operations (wife, step-mother, brother, others).

The FIU received 4 STRs giving initial indications: imports of expensive cars, cash smuggling, placement of cash via third persons, real estate investment.

The persons concerned were Mr and Mrs H and business associates.

Mrs H is a former prostitute in Italy; she is in charge of collecting profits in Italy and owns more than 6 commercial entities in Bulgaria all related to real estate dealings in the region (a mountain resort area in Bulgaria).

- The first STR **– cash courier**

Mr A participates in 2 of the companies owned by Mrs H.

Mr A imported and declared 200 000 EUR, origin unknown. He travels abroad regularly and usually stays some hours before going back to Bulgaria.

- The second and the third STRs – **purchase of expensive cars**

Mr A's wife imports an expensive car from Germany. She is the partner of Mrs H in one of the companies and related to 2 other companies through her husband. The money used to buy the car is from unknown origin.

At least 5 relatives have also imported cars.

- The fourth STR - **placement of cash via third person**

Mrs H's mother is the owner of a retail business. She opened a bank account and deposited 150 000 EUR in cash in large denomination bank notes.

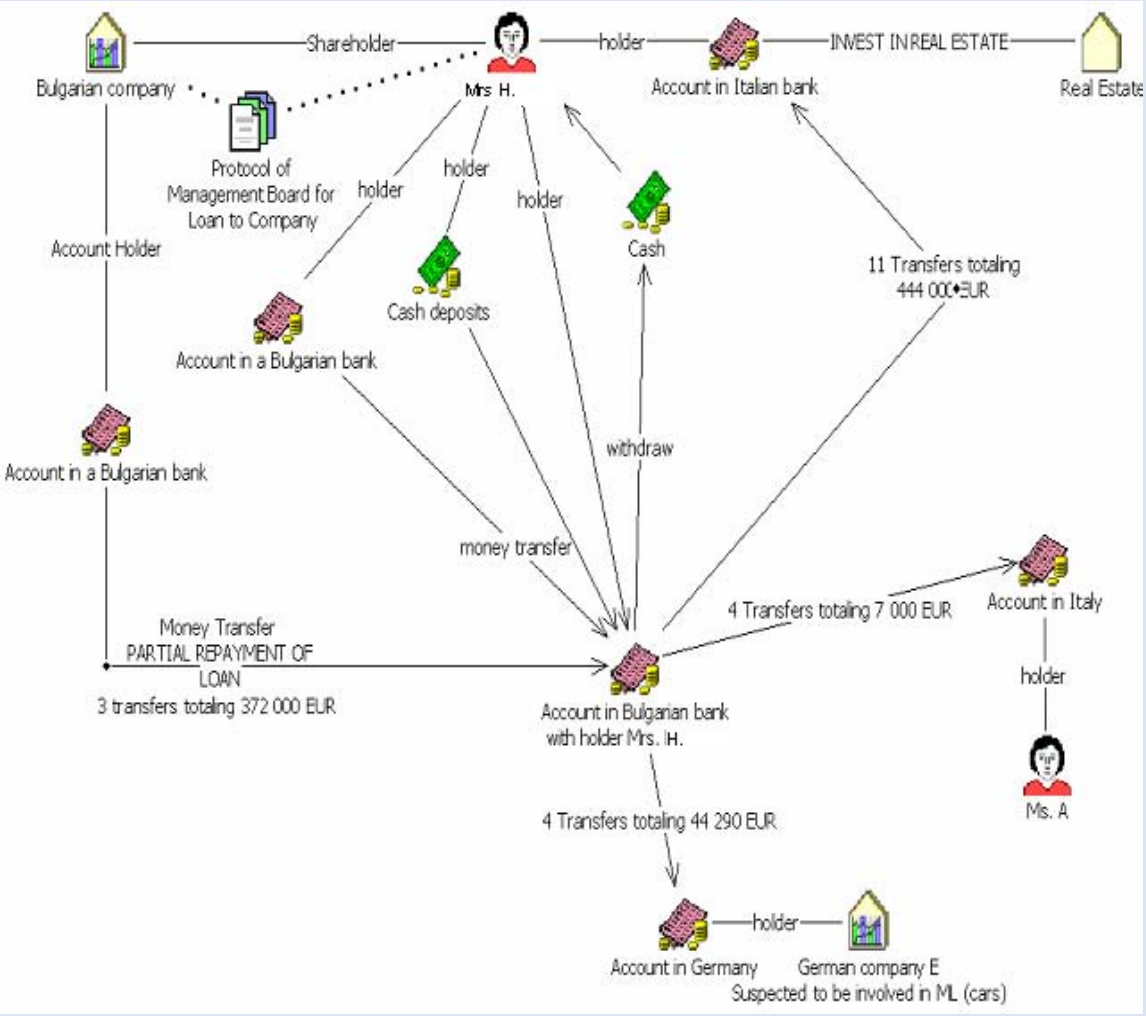
The funds were transferred to the Ministry of Agriculture and Forests under an order for changing the status of forest land into land for other purposes.

Other deposits of large amounts in cash were found. They were suspicious because of large denomination notes.

The information was forwarded to law enforcement authorities due to the organised crime scheme. The activities of Mr H were well-known to law enforcement. Further checks of the transactions on Mrs H's accounts were led. The lifestyle did not correspond to the declared income.

The assets of the commercial entities were seized and the case filed to court for civil confiscation: 5 real estate properties, deposits amounting to 500 000 EUR and motor vehicles.

Information was exchanged with FIUs of the countries involved.



Indicators

- Structuring via commercial entities and transfer of money using contract for loan.
- Loans provided by a shareholder to the related legal person and subsequent transfer back, fictitious loan.
- Significant share of the company's capital in no-term deposits – incommensurate financial turnover.
- Use of cash courier and repeated cash withdrawals.
- Use of straw persons.
- Inexplicable lifestyle compared to the client profile.
- Relations with persons with suspected or known criminal history.

Source: Bulgaria

Case Study 3. Trafficking for labour exploitation – "Brazilian" network - Use of false documents – Use of shell companies

Police information compiled as part of the operational analysis shows that some networks of labour exploitation of irregular migrants are very well-organised, such as the so-called "Brazilian" networks.

Undocumented Brazilians residing in Belgium are recruited by Brazilian bosses to be used on building sites throughout Europe. The workers with no work permit are brought to Portugal where they register with the Portuguese Ministry of Finance, based on a lease for housing in small Portuguese towns and with the help of their boss. As soon as they are registered, the Brazilians obtain a "**fiscal card**" (CPF card) with their real name. With this "fiscal card" the Brazilians are then brought back to Belgium before they are sent to a building site.

In Belgium one or more forgers, in cooperation with the boss, manufacture **false documents** for workers based on their real Brazilian identity. The false document is an *autorização de residência permanente*, a permanent residence permit for foreigners with the real identity and nationality of the person that will be using the document (the same information as on the Brazilian passport). For every undocumented Brazilian an employment contract is drawn up by a Portuguese company (a company used only for this occasion) and sometimes secondment documents are used (real documents obtained from the Portuguese social security or false documents). The workers are then sent all over Europe to work on building sites (a Portuguese company working on a subcontracting basis for a Belgian company that also works as a subcontractor for another company).

Structures are set up to employ undocumented Brazilian workers. Forged documents but with real identities, combined with the use of a real Portuguese fiscal card and secondment documents are used to mislead authorities during checks[34]. **Companies are also used for this fraud and ML scheme**. Brazilians with false documents and false Portuguese nationality often take over existing companies. They work in the construction and cleaning industry using an active VAT number but do not pay any corporate tax nor contribute to social security. Their employees are often undocumented foreign workers that reside in Belgium illegally. This fraud leads to **unfair competition and social dumping** (low wages, misuse, exploitation of employees, dangerous working conditions). When there are increasingly more creditors the companies are left behind. The managers take over other existing companies using a new Portuguese identity so the process can start all over again.

These companies' accounts are mainly **credited by payment of invoices for services**. This money is **withdrawn in cash** so the final destination cannot be determined and the undocumented workers can be paid. They usually use money remittance systems to send the acquired funds to Brazil.

- **Case: Fraudulent use of shell companies – so-called "Brazilian" network**

The Belgian FIU, CTIF-CFI, reported several files to the judicial authorities with respect to 33 companies active in industrial cleaning or in the construction industry and Brazilian or Portuguese nationals. They took over an existing limited company and opened an account with one or more banks in Belgium. Some companies were established by individuals in files reported by CTIF-CFI after they had created front companies.

These accounts only showed **transfers by order of companies in the construction or industrial cleaning industry** (the managers of these companies were mostly Portuguese or Brazilians nationals as well). The money was **then systematically withdrawn in cash**. Various ordering companies were involved in several files.

CTIF-CFI's analysis showed that the modus operandi described above was used in these files. A mailing was sent to the foreign exchange offices and the responses showed that several individuals mainly sent money to Brazil (which could indicate that they were actually Brazilians) but also to Portugal.

A number of individuals were known to the police in Belgium for offences related to labour exploitation.

[34]Belgian Federal Police (2009)

Indicators

- Take-over of an existing company
- In some cases this is a recently established company
- Minimum authorised capital
- Broad corporate goals

- Domestic transfers from companies active in sectors sensitive to social fraud, the money is withdrawn in cash immediately afterwards.

Source: Belgium

Case Study 4 Facilitation of irregular immigration - Use of cash-intensive businesses

A UK Police Force conducted an investigation into the large scale facilitation of illegal immigrants into mainland Europe. The illegal immigrants were predominantly Turkish and were smuggled into the UK by lorry as well as motor vehicle, trains and light aircrafts.

The fee charged per immigrant was believed to be in the region of GBP 3 500 for a channel crossing and up to 14 500 EUR from Turkey across Europe. This money would cover the transport cost, the cost of the documentation, which is needed in the UK, although this documentation was usually false. The money would also cover the cost of accommodation on arrival in the UK. It is estimated that over 20 000 immigrants were smuggled into the UK by this group of individuals.

In 2005, 5 subjects were arrested in the UK and charged with offences of conspiracy to facilitate a breach of immigration law and ML. In 2006, the subjects were sentenced to lengthy prison sentences and they later received confiscation orders totalling over GBP 1 260 000.

In this case, the following ML methodologies were used by the subjects:

Use of legitimate cash generating businesses

Kebab shops, takeaway outlets and a snooker hall were used to launder criminal funds. The money generated through these company accounts was in excess of the funds generated by comparable businesses. These businesses operated under the umbrella of **Limited Companies** that were on paper controlled by family members and associates of the subjects. Every few years a new Limited Company was created and new company officials were appointed giving the impression of a new business, however the core business (kebab shop/takeaway business) would continue to operate as before at the same premises. In the latter part of the operation, properties were purchased in the name of these Limited Companies.

Use of cash

A large proportion of the funds generated by the operation were by way of cash and therefore not traceable. **Assets (particularly the business interest in kebab shops and take away outlets) were also purchased using cash**. This method made it difficult to prove that criminal funds were laundered through the business accounts as the subjects of the criminality appeared not to be directly involved in the businesses. It was also difficult to apportion beneficial interest in company assets.

Use of multiple accounts and credit cards

Use of multiple bank accounts at various financial institutions with the effect that turnover was diluted so as not to draw attention to scale of funds from criminality. In this case, information provided to banks about individual earnings or turnover funds for businesses exaggerated. Funds layered through various personal, business and family/associate accounts to conceal the source.

Use of Money Service Businesses

Funds were regularly transmitted abroad to Europe and Turkey through money service businesses using the subject's names, variations of names, alias identities, family members, associates and multiple addresses.

Funds abroad

Purchase of properties abroad in subject's and family members names. Transfer of funds abroad to family members.

Family and Associates

Use of the extended family (large extended family and associates in Turkish community) and other associates mostly bank accounts through which to launder funds. These individuals also used to transmit funds abroad on behalf of the subjects, to 'front' businesses (Limited and non limited) and to purchase assets.

Alias Identities

Use of alias identities, alias dates of birth and multiple addresses to make linking and tracing of financial accounts more difficult. Nature of offence (migrant smuggling/human trafficking) provided subjects with access to false identity documents, an obvious ML enabler.

Indicators

- Wide use of cash, including for purchasing the assets of the businesses
- Use of multiple bank accounts and credit cards
- Transfers of funds through money service businesses to family members and associates
- Purchase of properties abroad
- Use of alias identities and multiple addresses

Source: United Kingdom

Case Study 5 Use of casino for refining activity

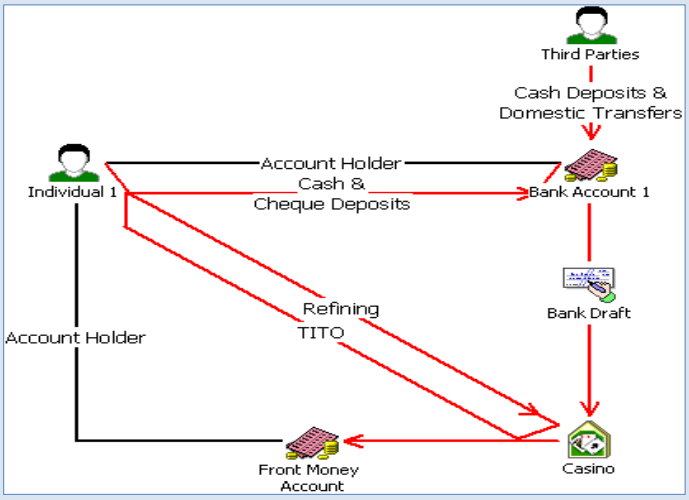
FINTRAC, the Canadian Financial Intelligence Unit, received information from a Canadian law enforcement agency regarding Individual 1, who was suspected of being involved in migrant smuggling.

FINTRAC's analysis revealed that Individual 1 made several cash and cheque deposits to a personal bank account. The financial institution also reported that the account received a large number of **cash deposits from third parties from across the country**, as well as **domestic wire transfers**. Immediately following the deposits to the personal account, Individual 1 **purchased bank drafts payable to a casino**. The financial institution also reported that it suspected that Individual 1 **used an alias to open another account at their institution**.

Reporting from the casino provided insight into suspected ML activity. According to the casino, Individual 1 engaged in **refining activity, converting large amounts of small denomination bills (USD 20s) to large denomination bills**. Funds were often deposited to Individual 1's front money account.

Individual 1 purchased a large amount of casino chips, and on at least a few instances, the casino reported that Individual 1's gaming did not reflect the pay-outs being requested.

The casino also reported that Individual 1 **used the casino's Ticket In Ticket Out (TITO) service**. The TITO service is a type of voucher system for casino slot machines which is designed to replace coins or tokens. Traditionally, slot machine jackpots were paid out by coins or tokens falling into the slot tray, which patrons would collect in buckets. TITO replaces these coins or tokens with a slip of paper, or ticket, with a unique bar code. The ticket can be fed into other slot machines to continue play, scanned at cashier stations for a cheque or cash, or redeemed at an automated redemption machine.



The problem with the TITO service is that it is difficult for casinos to monitor the behaviour of customers using the service; it is also **not possible to verify the identity of customers using the service** in combination with an automated redemption machine.

Considering all of the available information, FINTRAC suspected that Individual 1 used financial institutions and casinos to launder the proceeds of migrant smuggling activity. Specifically, FINTRAC suspects that the financial institution account was used primarily to deposit cheques from other individuals, as well as to allow third parties to deposit cash or provide domestic wires. Following these, deposits bank drafts payable to a casino were purchased. Individual 1 also made cash

deposits at the financial institution, however the bulk of Individual 1's cash transactions appear to have been undertaken at the casino. Based on reporting from the casino, FINTRAC suspects that Individual 1 used the casino to refine any small denomination bills to large denomination bills. Individual 1 purchased casino chips, and following minimal gaming, would redeem them – either immediately requesting a casino cheque, or depositing the proceeds into the front money account. The TITO machines may have been used in the same way, and could have also been used for refining.

Indicators

- Large number if cash deposits from third parties across the country
- Purchase of bank drafts payable to a casino immediately after the deposits
- Use of the TITO machine in the casino while minimal gaming is observed

Source: Canada

130. From an analysis of the five case studies above plus those included in *Annex A* the following are the main indicators to emerge:

- Extensive use of cash;
- Frequent transfers through money remitters to common recipients often in risk countries;
- Use of bank accounts with frequently repeated cash payments in and out of the account;
- Use of front companies;
- Use of straw persons;
- Use of cash to invest in real estate/high value goods;
- Repayments of loans or other debt burdens;
- The laundering of cash through casinos, import/export trades etc;
- Use of the *hawala* or other informal banking systems.

CHAPTER III: KEY FINDINGS

131. Reflecting the objectives set out in the introduction, the main findings of this report are as follows:

1. To assess the scale of the problem

132. In assessing the scale of the problem, the overall picture presented by the responses to the questionnaires, the case studies, the literature and other initiatives concerned with THB and SOM, and the presentations at the Workshop held in Cape Town in November 2010, is that this is an area of crime of growing international concern. One of the attractions for criminals is said to be that human trafficking and the smuggling of migrants are **seen as relatively "low risk – high reward" crimes**. Good 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 for ML.

133. There is a **lack of information** about the number of persons being trafficked and smuggled and there is even less information about the income generated by this activity and how it is laundered. However, what information is available from organisations such as the ILO and the UNODC, and the figures produced in respect of those cases that have been brought before the courts, indicate that human trafficking and the smuggling of migrants are extremely profitable areas of criminal activity, and producing very substantial financial rewards for the criminals engaged in these activities.

2. To identify different trends in trafficking in human beings/migrant smuggling

134. Differences of emphasis can arise due to the extent to which the situations and concerns differ according to whether the focus is on the source, transit or destination jurisdictions. Human trafficking/migrant **smuggling trends seem to be region-specific**. This is the reason why the red flag indicators are presented following this distinction in *Annex B*.

135. As appeared during the workshop held in Cape Town, some source jurisdictions may have a different perception of the 'effect' of human trafficking and of SOM from that of the jurisdictions of destination. The former often view the "trade" in humans as a "benefit" because the burden of supporting those concerned is removed from the jurisdiction, and a return flow of goods, money etc is considered to make a significant contribution to the economy of the jurisdiction in relation to the incomes able to be earned within the jurisdiction itself[35].

3. To identify from case studies where money laundering is occurring and what form it is taking

136. Concerning ML trends, it would appear from the literature, the workshop presentations, the questionnaires and the case studies that there are few if any typologies that can be said to be specific to these activities. No new ML techniques have been detected.

[35] source: GIABA.

137. From the questionnaires and the case studies it is apparent that there are **geographical differences** of emphasis in the ML processes used:

- in European countries, the traffickers/smugglers have great use of cash-intensive businesses, money service businesses, cash couriers, *hawala* (informal banking)systems, front companies, and investments in high value goods such as cars and real estate;
- in American countries, there is a great use of casinos, import/export companies, cash-intensive businesses (such as car dealership), money service businesses, wire transfers, and online payments;
- in 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;
- in 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.

138. Criminals involved in THB and the SOM are **primarily using cash transfers** both directly and through the use of cash to acquire goods and services. From the evidence obtained and also according to the OSCE report "Analysing the Business Model of Trafficking in Human Beings to Better Prevent the Crime" reviewed, three patterns emerge on THB that could be applied to SOM:

- money 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 used both in the country of origin and the country of destination to support a lavish lifestyle for those involved;
- money invested in other criminal or legitimate activities in the destination country.

139. Because of the predominance of cash handling/transactions those involved are **great users of**:

- money service businesses (money remitters);
- cash couriers;
- *hawala* (informal banking system);
- cash based activities (*e.g.*, mobile phone selling);
- cash converter activities (*e.g.*, casinos).

140. Although the information obtained from the private sector was limited in extent, and the NGO Stop the Traffik is working with the sector to raise the profile of THB and SOM, financial activity unusual for the business types has been used to identify human trafficking activity (*e.g.*, multiple ongoing payments to internet classified advertising services).

4. To inform law enforcement agencies on the laundering of funds coming from human trafficking/smuggling

140. Conclusions from the answers to the questionnaire were that information relating to ML arising from human trafficking or migrant smuggling is often **generated from operational investigations**. What is clear however is that to-date the focus has been much more on the crimes themselves and not on the laundering of the proceeds of those crimes.

141. From the literature and the case studies there is evidence of **links between human trafficking, the smuggling of migrants and other forms of organised crime.** Those being trafficked are often used as drug couriers. There are also identified links between the proceeds of THB and SOM with corruption and terrorist financing. Information provided at the Cape Town workshop by GIABA showed that in West Africa, there is often a link between THB/SOM and corruption, and information provided in respect of the activities of terrorist organisations in Ireland linked THB/SOM to terrorist financing.

142. From the evidence gathered, particularly during the Cape Town workshop, some findings are as follows:

- some source 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[36];
- some source 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;
- some transit jurisdictions may not attach the same priority to the allocation of resources to detect THB and SOM as the destination jurisdictions;
- as already noted, in many of the destination jurisdictions the emphasis is more on the crime (*e.g.*, sexual exploitation) than on the ML risks.

5. To identify red flag indicators to assist financial institutions in their identification of money laundering from human trafficking/smuggling and in the reporting of STRs

143. As the ML risks arising from human trafficking and the SOM are those that apply to ML generally, **many of the red flag indicators are those identified by other typologies.** However, there are risk areas common to ML in general. A full list of red flag indicators identified from the questionnaires and case studies is included in *Annex B*. However, some of the key indicators identified are as follows:

a) For Banks

- a common mobile number, address and employment references are used to open multiple accounts in different names;
- frequent money transfer to "risk" countries;
- concentration of "risk" nationalities among the opening of accounts;
- money rapidly withdrawn from accounts, from one ATM, or several ATMs in close proximity;
- frequent deposits or withdrawals with no apparent business source;
- third party cash deposits are made at various bank branches and via ATMs;
- transactions undertaken that appear inconsistent with customer profile;

[36] Source: GIABA.

- unusual withdrawals, deposits or wire activity inconsistent with normal business practices, or dramatic and unexplained change in account activity;
- numerous incoming money transfers or personal cheques deposited into business accounts for no apparent legitimate purpose.

b) For Money Service Businesses

- small amounts sent to different recipients;
- small amounts sent with high frequency to unconnected persons;
- frequent transfers to "risk" countries;
- multiple customers conducting international funds transfers to the same overseas beneficiary.

c) For Dealers in High Value Goods

- transactions funded with cash;
- goods purchased for personal export to "risk" jurisdictions.

d) For Casinos

- purchase of casino chips which may be redeemed following minimum gaming;
- refining activity (exchanging small denomination bills into large denomination bills);
- currency exchange;
- deposit of cash in bank drafts for casino front money account.

6. To increase the possibility of the proceeds of human trafficking/smuggling being identified and confiscated, and thereby discouraging the activity of human trafficking or migrant smuggling

144. From the literature, the questionnaires and the case studies it can be seen that generally THB and the SOM is transnational with the involvement of criminal gangs sometimes inter-related and sometimes operating in different countries engaged either as, in case of human trafficking, recruiters, transporters or exploiters. However, there is also evidence of human trafficking within jurisdictions. ML risks can therefore **be both cross-border and domestic in nature.** The evidence obtained from the literature, the questionnaires and the case studies has pointed to **the importance of effective cooperation**:

- between agencies at national level, particularly in the exchange of information between FIUs and law enforcement authorities;
- between the relevant authorities cross-border; and
- between source, transit, and destination countries.

145. The evidence obtained points to the need for effective cooperation between all relevant agencies in order to follow a chain of money movements which, as the case studies indicate, will frequently involve a mixture of payment methods, and the handling or movement of cash often in relatively small amounts and involving a number of persons. All of this can present difficulties for financial institutions and money remitters in detecting the proceeds of human trafficking or the SOM.

146. Particular difficulties arise where those involved are engaged in legitimate trading activities such as farming, construction, manufacturing and service sectors. These are risk sectors where there can be a blurring of the distinction between the SOM and human trafficking where those involved can start as individuals voluntarily engaging in the process of illegal entry into the destination jurisdictions but who then get exploited by criminal gangs taking advantage of their vulnerability arising from their illegal entry into the country concerned.

CHAPTER IV: CONCLUSION – ISSUES FOR CONSIDERATION

147. This report has highlighted the ML risks of THB and SOM. However, the report has also highlighted a number of significant issues that require further consideration if the ML risks are to be addressed effectively.

1. Statistics

148. While several estimates of the size of problem have been made their accuracy is in doubt because of methodological weaknesses, gaps in data and discrepancies in coverage. Much of the data that is required is not available or if available is unreliable and not comparable. There is a need to secure agreement amongst the various organisations who have or are in the process of attempting to develop data bases on trafficking persons and migrant smuggling on the methodology that should be used to calculate the numbers involved and the profit generated from the activities from which a better indication of the money being laundered can be assessed.

2. Judicial Focus

149. One of the problems in identifying the scale and nature of trafficking in human beings is that it is frequently hidden within other criminality such as prostitution (in some jurisdictions), illegal immigration, etc. This often results in instances of trafficking not being investigated or recorded as trafficking cases. Very often the focus of criminal justice practitioners is on migrants rather than smugglers.

150. One result of the lack of focus on trafficking and smuggling itself is that it has established a reputation for being "low risk – high reward". Another reason for this is the difficulty in securing prosecutions due to the practical challenge of investigating crimes across international borders, or the difficulty in obtaining evidence from trafficking victims. Through cooperation between judicial authorities and enforcement agencies an important issue is how to reverse the position such that, firstly, trafficking in human beings becomes "high risk – low reward" for criminals and, secondly, that there is more prosecution focus on the ML rather than on the predicate crime itself, with due regard to the protection of the rights of the victims, the rights of smuggled migrants and of witnesses[37].

3. Cooperation

151. There is a need for more cooperation between all relevant agencies, and in particular law enforcement and FIUs, both within and between jurisdictions. With human trafficking there are a number of elements that are rewarded including the recruiters in the jurisdictions of origin, the transporters who move the human beings from the country of origin to the country of destination, and the exploiters within the countries of destination. With SOM, there is also a wide range of actors retributed for the smuggling activity. In the pursuit of those involved and the seizure and confiscation of the proceeds there is a need for

[37] See the Norwegian experience in Annex E (page 81) as an example of the steps that can be taken to increase the focus on the ML offence and help achieve the goal of turning THB/SOM into a "high risk- low reward" crime.

all the relevant agencies to engage in more effective cooperation, including in information exchange and data collection.

152. To quote from the address by Dr Maria Grazia Giammarino, OSCE Special Representative and Coordinator for Combating Trafficking in Human Beings, testifying before the US Congress in July 2010 – "As trafficking human beings is a profit driven crime, it is imperative to find, freeze and forfeit the proceeds of crime. This requires the use of financial investigation on a routine basis as well as on a large scale. As opposed to cases related to drug trafficking, so far this investigative tool is underutilised or almost never applied in cases of trafficking in human beings. The use of financial investigation is particularly important to trace the proceeds of crime in a country in which such proceeds are usually reinvested and laundered, most notably in countries of origin. This requires decisive improvements in law enforcement and judicial cooperation, especially between the country in which exploitation takes place and the country where profits are reinvested"

4. Prioritisation and Level of Resourcing

153. There is a need for a greater effort to ensure that in source and destination jurisdictions more importance is attached to combating ML arising from human trafficking and the smuggling of migrants, not least because of its links with other criminal activities. Many source jurisdictions require technical and financial assistance in the ratification of the relevant international conventions, in the drafting of legislation, and in the resourcing of their law enforcement agencies and FIUs. In destination jurisdictions too attention needs to be focused on increasing the resources, and raising the focus of the law enforcement agencies and FIUs in tackling human trafficking and the smuggling of migrants notably through strategic investment in financial investigation (sufficient number of financial investigators and analysts both adequately trained and equipped with relevant IT tools and access to necessary information).

5. FATF Recommendations

154. For human trafficking and the smuggling of migrants it is clear that certain FATF Recommendations are of particular significance. Confirming the conclusion in the report on the MONEYVAL typologies in 2005, **Special Recommendations VI, VII and IX** are of particular importance in that their effective implementation is required for the laundering of the proceeds of human trafficking and the smuggling of migrants to be identified and seized.

155. In other respects the pursuit of the human traffickers and smugglers calls for action similar to that required in respect of other typologies. For example, in the identification of beneficial ownership of companies focusing particularly on **Recommendations 5 and 33**. Also on the important role performed by the FIUs, the need for good quality STRs and the focus on **Recommendation 13 and Recommendations 26 and 27**. Finally, the importance of international cooperation and to focus on R.36-40 and SR.V.

ANNEXES

ANNEX A:

MONEY LAUNDERING TRENDS DETECTED AND CASE STUDIES

The following case studies are real cases provided by the jurisdictions which participated this report. There are no real names in them. The relevant red flag indicators arising are listed at the conclusion of individual case studies.

1. Human Trafficking Cases

Case Study 1 Trend in THB: the so-called "Bulgarian" network

The Belgian FIU explained in its contribution the functioning of the so-called "Bulgarian" networks.

Money is sent using money remittance services in various foreign exchange offices. The principals – women between 20 and 35 years of age – send on average 40 000 EUR in less than a year to different beneficiaries in northeast Bulgaria. Money is also sent to Romania, Albania and Italy. In most cases the destination of the money corresponds to the place of origin, place of birth or nationality of those involved and the reason given is "family support". **The amounts sent are too large to be family support**. These women are not officially registered in Belgium and do not carry out any official professional activity. Most of them are known to the police for prostitution in Brussels or Antwerp or for links to people known for prostitution**. Part of the sent proceeds of prostitution is returned to those setting up or managing these networks abroad**. Given that these amounts are rather small compared to the total estimated proceeds it is estimated this is just part of the proceeds of exploitation of prostitution.

It cannot be ruled out the proceeds from these offences are not sent to Bulgaria through money remittance but transported in cash over land. In Belgium, for the intracommunity transport of cash of over 10 000 EUR, the person transporting the cash is only required to disclose upon request (in case of checks). The findings of these financial files regarding prostitution to some extent confirm general information provided by other bodies such as the Centre for Equal Opportunities and Opposition to Racism about the nature of the prostitution sector in Belgium[38]. Women more and more frequently originate from countries such as Bulgaria and Romania so they can legally stay in Belgium. The pimps remain in the country of origin and indirectly put pressure on the victims' relatives.

The fact that the period of time in which the transactions are carried out is usually limited to one year also corresponds to the finding that in time women shift their activities to another European country.

These elements confirm the assertion that exploitation of prostitution is less visible and has become more subtle, but still very much present.

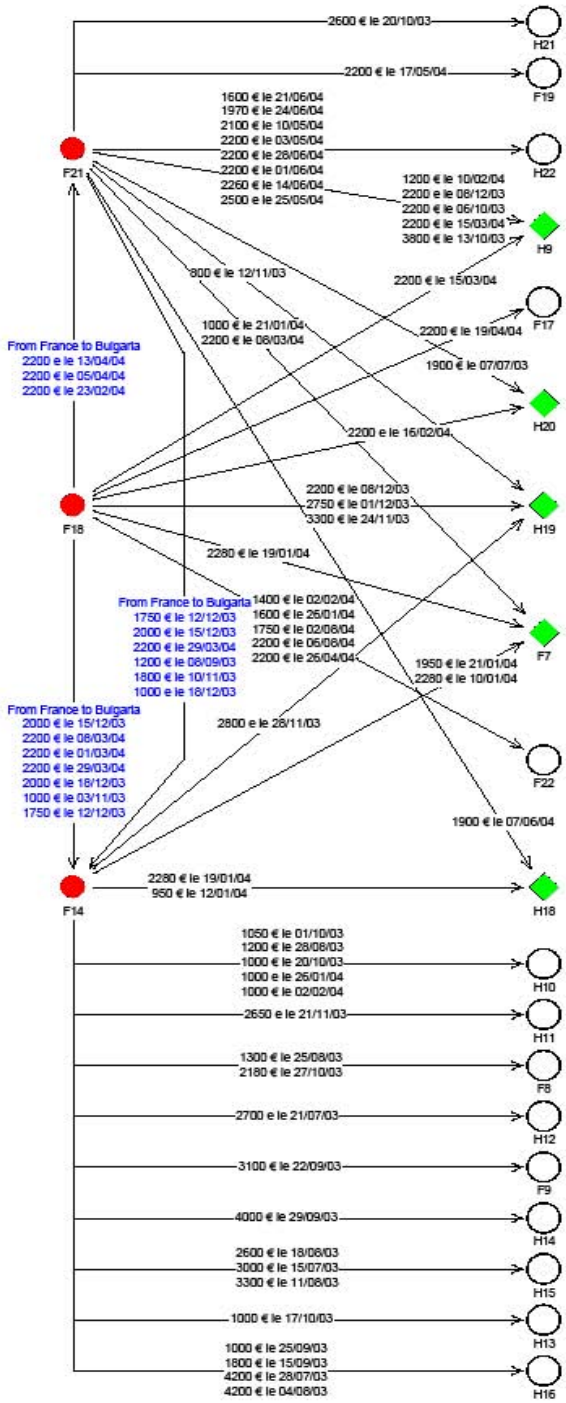
Source: Belgium

[38]Centre for Equal Opportunities and Opposition to Racism, *Jaarverslag mensenhandel 2008* [2008 Annual Report on Human Trafficking.

Case Study 2 Trafficking for sexual exploitation – FIU investigation – Use of money remittances

The FIU received a **first STR** about a hotel bank account receiving only two kinds of credit: cash and city social aid services transfers.

Young bulgarian women sending money
back to Bulgaria through one remittance company.
- Same adress
- Some common beneficiaries (green)
- sender in France may be beneficiary in Bulgaria (transfers to Bulgaria in blue).

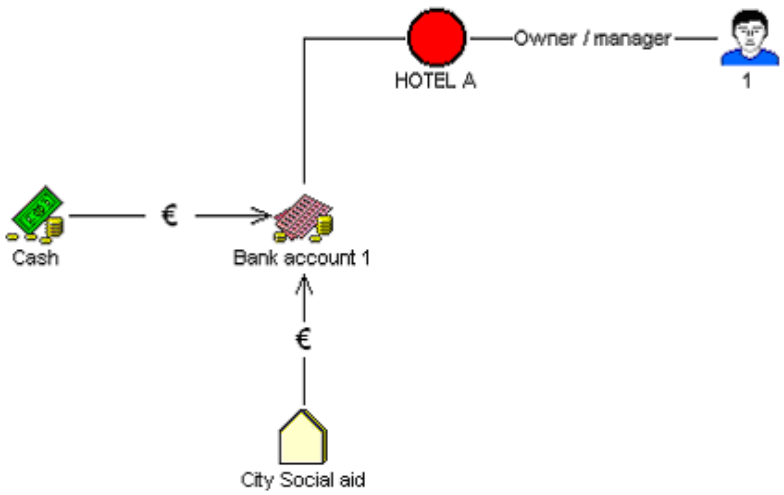


The FIU then received a **second STR** about three young Bulgarian women sending money to Bulgaria through a remittance company. They give the same address and have some common recipients. Sometimes, one of the women goes to Bulgaria and becomes the recipient of the remittance of the others.

Through the information asked from all money remittance services, it was established that several other women were

connected. The addresses given corresponded to hotels. One of the hotels is the one of the first STR received. The hotel manager had criminal record for procuring.

This case was forwarded to the Judicial Authority.



Indicators

- The hotel bank account received only cash and welfare benefits, which is unusual.
- Use of a common address by the women.
- Common beneficiaries of the remittances.

Source: France

Case Study 3 Operation Supersonic – Trafficking for sexual exploitation

Operation Supersonic was a US Immigration and Customs Enforcement Homeland Security Investigations (ICE-HSI) case that was initiated in December 2003 when the mother of a victim in the case went to the American Embassy in Mexico City, Mexico to report her daughter was kidnapped. Based on information provided by the mother of the victim, ICE-HSI special agents in New York were able to locate and rescue the daughter as well as several other victims.

The investigation disclosed that male members of a family had romantically lured the young women to the United States and forced them into prostitution. The scheme, which began approximately in 1991, involved **luring young girls from poor towns** in Mexico to come and live in the traffickers' hometown. The young girls generally stayed with the mothers of the male traffickers, who fathered children with some of the young girls. Once the girls turned 18, they were **smuggled into the US and brought to New York where they were forced to become prostitutes.** They were housed in apartments rented by the traffickers. Those who had children with the traffickers left their children in Mexico with the traffickers' mothers. Once in the US, the traffickers would physically abuse and threaten the victims with harming their children in Mexico if they did not engage in prostitution. The victims were subjected to performing 25 – 30 sex acts per day and often forced to have abortions.

The two lead defendants in this case were each sentenced to 50 years imprisonment for sex trafficking, which is the longest sentence imposed on a human trafficker since the enactment of the *Trafficking Victims Protection Act.* In total, eight defendants were charged in a 27-count indictment, including the lead defendants' mother, who was recently extradited to the United States to stand trial. Six of the eight defendants have already been convicted; one defendant remains a fugitive in Mexico. Approximately 25 victims were identified and rescued. In addition to bilateral cooperation throughout the investigation, the US and Mexican governments also worked together to rescue the children of the victims and reunite them.

The red flag indicators associated with this case primarily surrounded **the use of MSBs to launder illicit proceeds** from the prostitution the girls were forced to engage in.

Financial analysis of money transfer receipts revealed the transfer of approximately USD 200 000 from 1998 to 2004, although there were indications that these transactions dated back to 1991. The **money was primarily sent back to Mexico** to relatives of the traffickers. The traffickers were in the US illegally, had no gainful employment, and had no assets in the United States. They basically lived day by day off the proceeds from the prostitution and rented apartments in New York to house themselves and the victims.

Indicators

- The use of money service businesses
- No assets and no gainful employment to justify the living standard.

Source: United States

Case Study 4. Trafficking for sexual exploitation - International cooperation – Organised crime involvement – Use of the victims – Use of intermediaries

In 2004, the French authorities started an investigation due to an armed robbery reported by three women of Bulgarian nationality. The facts happened in a motel in South-East France.

These women declared to be prostitutes and the investigators found out that they were working for an international ring formed by Bulgarian nationals that was active in several EU member states. Therefore the French inquires focused on this criminal offence since the armed robbery appeared to be linked to this activity.

One of the three plaintiffs turned out to be a woman controlling a number of around 16 Bulgarian prostitutes in the area of Nimes, whilst the top head of the organisation directed the criminal network from Bulgaria. He was incarcerated due to crimes related to prostitution but he still managed to lead the criminal organisation via telephone and fax. The total number of women under this network was around 100.

The organisation was very structured and hierarchical and was **based on family connections**. Two examples of how it was organised:

- The woman that reported the armed robbery was in fact controlling the prostitutes in Nimes and she was controlled in turn by her brother, an **intermediate boss living in Bulgaria, where he received the money generated by this criminal activity**. This man was regularly visiting France in order to monitor the activity in several cities in the south-east.

- This same structure (woman in charge for an area and a number of women, plus a male relative of her monitoring a larger area) was repeated in other EU countries like Austria, Italy, The Netherlands and Spain. Thus, in Italy it was a cousin of the woman controlling Nimes who was responsible for the monitoring of the activities in Rome and Milan.

This criminal organisation had links with others, in particular with ethnic Albanian organised groups for ML purposes. This link was specially remarkable in the case of Rome, Italy: since prostitution in this city is controlled by ethnic Albanian networks the Bulgarian network had to pay “taxes” to these groups in order for their women to be allowed to develop their activities in the area of the capital of Italy.

The organisation regularly used violent methods in order to keep up its business. They frequently resorted to kidnapping, aggressions, threats and even murder in order to prevent women from testifying against the leaders.

The cities in EU member states where the group activity has been detected were: Nimes, Montpellier, Nantes, Toulouse and Nice (France); Vienna (Austria); Rome and Milan (Italy); Amsterdam and Rotterdam (The Netherlands); Barcelona (Spain).

The women did not stay in the same location but were transferred after a certain period of time to other cities and countries. As an example, one of the prostitutes started her activities at the age of 18 years old and since then she has been located in Milan, Montpellier, Lyon, Rotterdam, and then back to Lyon and Montpellier.

The French investigation led to concerted actions carried out by this country together with Bulgarian and Italian authorities in order to disrupt the criminal network.

These actions took place in 2007 and France issued 13 European Arrest Warrants whilst the Bulgarian authorities are expected to follow up with operational activities as a result of their own investigations.

Between 2002 and 2006 the criminal organisation has made an **estimated profit of around 10 million Euros**. The way the illegal profit was channelled was as follows:

- The women's total income was closely controlled by the organisation. If they were sufficiently "productive" they would get back 30% of the money they earned, but in case of misbehaviour they could lose all.
- Therefore, 70% of the profit was taken by the organisation. This **money was transferred to a village in Bulgaria (place of origin of both criminals and women) by the prostitutes** themselves making use of money service businesses: a total of 2.5 million EUR has been detected as channelled through this system.
- The money was **addressed to (male) intermediaries**. As an example, one of them monitoring the activity in Nantes (FR) received via this channel 124 031.72 EUR between 2002 and 2003.

The head of the organisation retained 20% of the transfers for himself.

The money was laundered **making use of business structures in Bulgaria**. The companies were located in the same above-mentioned village in Bulgaria and shared the same telephone numbers. The executives of the companies were the (male) intermediaries and their relatives.

EUROJUST coordinated the investigations/prosecutions and facilitated Mutual Legal Assistance.

Indicators

- Money transferred by the prostitutes themselves
- Money addressed to male intermediaries in the country of origin
- Money laundered in business structures in the country of origin.

Source: Eurojust

Case Study 5 Human trafficking for labour exploitation - Use of trust and import-export companies

Information received from a foreign FIU identified individuals 1 and 2 and Company B as subjects of a law enforcement investigation into human trafficking activities. Individuals from unknown countries were believed to be trafficked into Country X and employed in various facilities. Other individuals from the network were believed to assist in the trafficking activities and/or providing funds to facilitate the illicit activity.

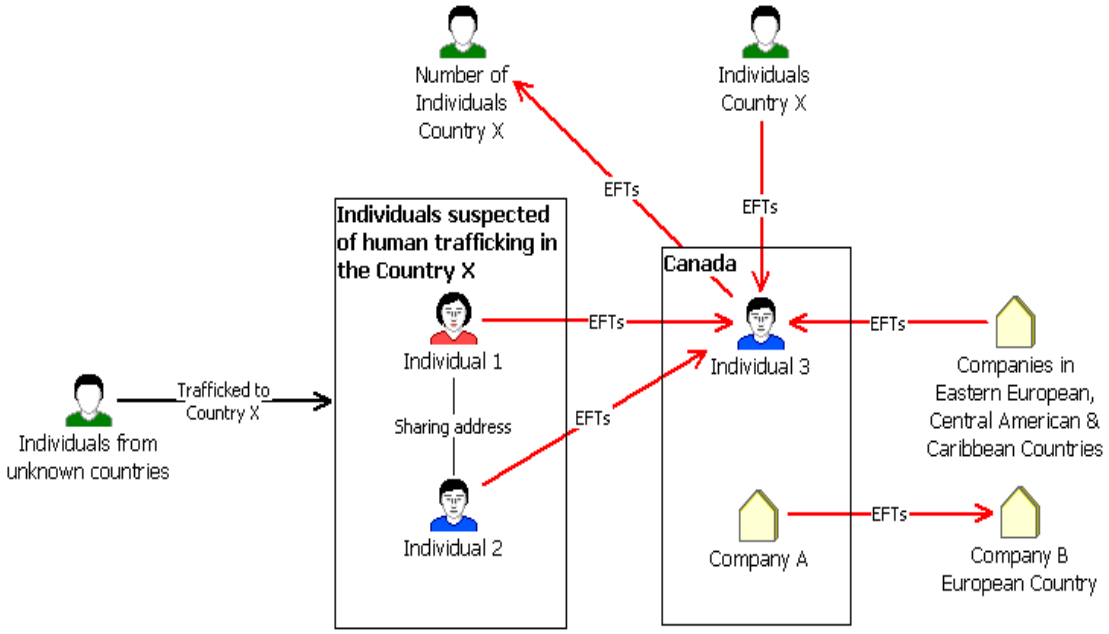
Financial transaction analysis led the Canadian FIU, FINTRAC, to suspect that Individual 3 and Company A were involved in the financial aspects of the human trafficking activity.

Individual 3 received approximately USD 700 000 over a period of 2 years from individuals and entities in Country X, as well as Eastern European, Central American and Caribbean countries. Entities included **trust companies**, but primarily involved **import-export companies**. During the same period, individual 3 sent approximately USD 500 000 to various individuals in Country X.

Company A, apparently involved in home decoration, as well as a few other Canadian companies, sent over USD 2.3 million and over 1.2 million EUR during a period of almost 6 years – all to Company B based in Europe.

Company B was identified in information provided by the foreign FIU as participating in the trafficking operation or providing funds to facilitate this activity.

In this case, it is suspected **that Individual 3, located in Canada, was used to launder funds on behalf of the trafficking network**. The role of Company A, also located in Canada, was unclear.



Indicators

- Bank account used as a flow-through account: entry of large amount of funds over a short period, followed by comparable amount routed to individuals in a third country
- Funds received from risk countries
- Individual receiving funds from companies without apparent reason
- Company sending large amounts of funds to another company without clear business reason.

Source: Canada

Case Study 6 Trafficking for sexual exploitation - use of front companies - use of cash for real estate deals - use of straw persons

Bulgarian persons A and D are suspected to be involved in prostitution and human trafficking network since the beginning of the 2000s.They have criminal records for theft and other crimes. They **traffic human beings to Belgium** since 2003 and own a network of local clubs as a bridge to trafficking.

The Financial Intelligence Unit received a Suspicious Transaction Report on a loan by a Bulgarian bank to person A that was **paid off in full before the term.**

Person Z, a very young woman with no job history or other legitimate income, deposits **cash with the declared origin of real estate sale** to the bank account of related person X.

The attention of the bank was drawn by the large amount in cash, media reports and proceedings in district court.

The mechanism is the following: person Z acquires real estate properties and parts of real estate properties from persons A and D for small amounts. She also receives donations and exchanges real estate properties with equipment like video camera.

Person Z also sells real estate to actual buyers at real value and sells at nominal value to person A, D or related persons. She acquired 6 real estate properties in 2007 in another region.

Person A acquires **real estate property (land) in exchange for a single mobile phone**.

Person A donates real estate to person D.

The loan contracted by person A is a mortgage of one of the previously acquired real estate properties.

Another mortgage is contracted to the benefit of person X on a real estate owned by person A.

Soon after the loan contract, the real estate property was subject to a disaster.

Person D owns a company. The analysis of the company balance reveals high profits but:

- no assets (long or short term);
- few commodities held;
- most of the funds in cash;
- no profits from services or sale of commodities;
- insignificant payment of wages.

Persons A and D did not declare anything to the tax authorities.

They were convicted for human trafficking in 2009. The Commission for Asset Forfeiture seized real estate properties and civil confiscation is pending.

The information was submitted to law enforcement authorities as it is organised crime.

Indicators

- Frequent real estate deals carried out by straw persons.
- Use of cash for real estate deals and payment of mortgages.
- Use of front companies.
- Company balance showing assets in cash and profits with no legitimate trade justification.
- Fictitious loans, proceeds used to guarantee loans, later repaid with the same proceeds.
- Use of fictitious donations.

Source: Bulgaria

Case Study 7 Trafficking for sexual exploitation – *Hawala* system – Nigerian "Madam" – cash courier

Two Nigerian citizens were indicted for money laundering among other things. From 2006 to 2008, they handled 1 263 000 EUR stemmed from the proceeds of criminal acts.

They operated a ***hawala* business**. They received the money in cash from various locations in Oslo. The following day, the money could be picked up in Nigeria. The system was based on advance payment and trust and customers were required to pay a transaction fee of 10%. They used Euros in money transactions.

One of the defendants, living in Denmark, picked up the money in Oslo every four or six weeks (a maximum of 20 000 EUR at a time) and transported it to Nigeria (**cash courier**). Most of the Nigerian prostitution organisation used this system to send money.

A large part of this money represented **repayment of debts**. In addition, money was sent to the families of the prostitutes in contravention of the ban imposed by the "Madam" and the criminals behind.

In court, it was found that all the prostitutes who used this *hawala* network were the victims of trafficking.

The evidence produced consisted in seized lists of money transfers. The convicted people were linked to the accounts through fingerprints and the fact that prostitutes recognised them on photographs.

The principle of the *hawala* system unfortunately means no particular indicator for reporting entities but this ML technique and the issue of the Nigerian "Madames", which is a typical trend in the trafficking for sexual purposes that can be found in several countries, deserved to be illustrated.

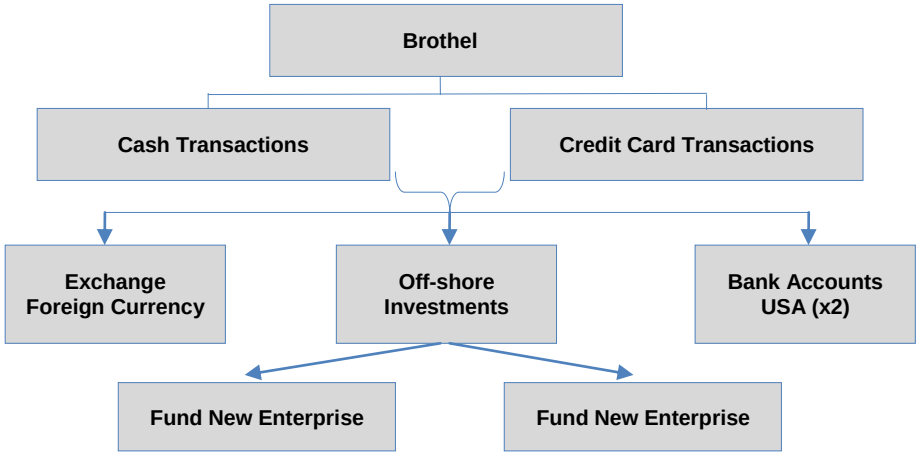
Source: Norway

Case Study 8 Trafficking for sexual exploitation – offshore investments

An investigation regarding the financial affairs of a prominent brothel owner linked to Human Trafficking was conducted. The victims were trafficked from the Ukraine, Romania and Bulgaria to work in a strip club which was used as a front for the brothel.

The following were found:

- The brothel of the accused was largely based on cash transactions but the **cash was never banked**;
- The credit card transactions provided some insights into the amount of profits made;
- There is evidence that the subject would accept and **exchange foreign currency**. The subject was searched at an airport and a fair quantity of foreign currency was confiscated (pounds, dollars and euros);
- Evidence of **off-shore investments**, *i.e.* one anonymous investment set up **under the front of a trust in Guernsey**. The account had more than GBP 40 million in it made from running the brothel;
- The accused also operated two bank accounts in the USA;
- Later the funds in the USA were also transferred to the Guernsey Trust;
- From there the accused transferred funds from Guernsey back to South Africa to set up two new enterprises.



Source: South Africa

Case Study 9 Domestic trafficking for sexual exploitation

The Deputy Special Agent in Charge Office in the San Ysidro, California, *Office of US Immigration and Customs Enforcement Homeland Security Investigations (ICE-HSI)* is leading a joint investigation into a commercial sex/domestic human trafficking ring based in San Diego, California. Multiple subjects with various degrees of documented gang affiliation have been linked to this criminal organisation. Loosely affiliated pimps and gang members are recruiting and promoting the prostitution of adult and minor females.

The Internal Revenue Service – Criminal Investigations and the San Diego Police Department are assisting. ICE-HSI has conducted several undercover operations to collect evidence supporting the investigation. Three subjects acting as pimps have been arrested on state charges.

ICS-HSI has served multiple grand jury subpoenas and executed multiple electronic search warrants to exploit online information, resulting in the identification of:

- bank accounts;
- clients;
- illicit proceeds;
- methods of operations related to illegal commercial sex.

Money laundering activity: an analysis of the financial intelligence that has been reviewed has revealed several indicators of suspicious financial transactions.

Indicators

- **Structuring deposits** to avoid currency transaction reports;
- The use of credit card processing accounts with corresponding business fronts with even number charges credited to the account ranging from USD 300 to USD 5 000;
- Checks written in even amounts deposited into bank accounts with "for a good time" written in the note field;
- Leasing of high-end luxury vehicles and extravagant trips paid by electronic funds transfer from business bank accounts;
- Credit card payments to **online escort services for advertising** (including small posting fees to companies such as *Craigslist* as well as more expensive, higher-end advertising and website hosting companies).

Source: United States

Case Study 10 Domestic trafficking for sexual exploitation

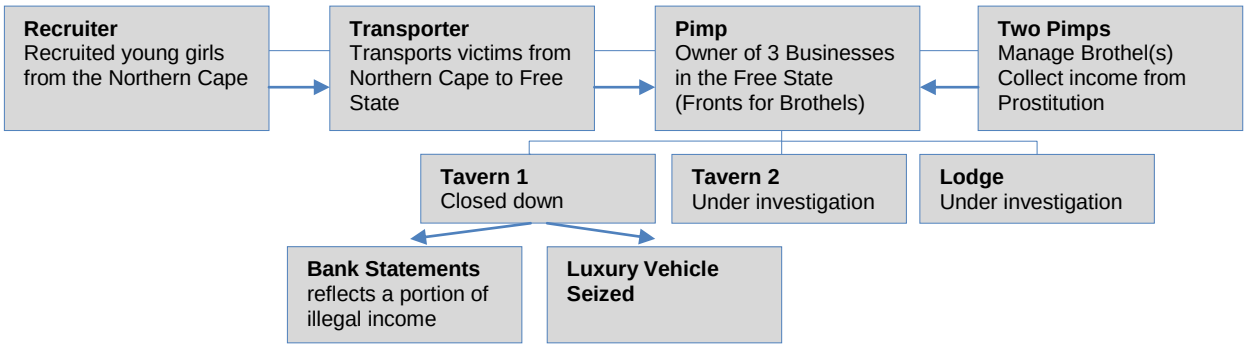
In this case, the South African Police Services received information that minor girls from South Africa were being used for prostitution in one of the Provinces, the Free State. They obtained a search warrant and searched the premises from which the five accused operated, a tavern (an informal pub) which was used as the front. At these premises, seven girls were found and they all corroborated each other in that they were recruited by a certain female from small towns in the province of the Northern Cape with promises of employment in a club.

The tavern was used to house the victims and to carry out acts of prostitution. Apart from the **female recruiter**, there were also three other accused who assisted with the operations, two of them who used to manage the brothel and collected the income and the other one was transporting the victims from the Northern Cape to the Free State. The victims were required to supply sex to various men throughout the day and night at a rate of ZAR 350 per night per client.

The main accused in this case is also the owner of another Tavern as well as a Lodge. The Police found **three receipt books** on the one premise that was searched. The accused had a bank account in the name of the legitimate business, *i.e.* the tavern. Bank Statements reflects deposit to a limited extent. It is clear that the illegal operations (prostitution) were much more profitable since thousands of rands were seized from the premises**, much more than the amount reflected in the bank account**. It is also clear that the business is just a front as no legitimate businesses are carried out at the Taverns and Lodge. Furthermore the books reflect amounts for rental of rooms varying from ZAR 75 per hour to ZAR 300 per night per room. The inference is therefore made that the tavern was in actual fact a **brothel** as rooms was rented out hourly instead of daily. After the accused were released on bail the police received information that they are still continuing with their illegal activities from the other tavern and the lodge. The investigation is still ongoing and the police is planning further search and seizure operations at these two premises.

Amongst other charges, the accused are **charged with Money Laundering** in contravention of section 6 of the *Prevention of Organised Crime Act 121* of 1998.

One luxury vehicle was seized and the State will ask that the tavern be forfeited as it was an instrumentality to the offences that were committed. As soon as investigations into the other two brothels are finalised, the other tavern, the lodge as well as other vehicles and assets will also be confiscated.



Indicators

- Rental of rooms for different amounts (hourly instead of daily)

Source: South Africa

Case Study 11 Involvement of dormant companies established by an accountancy firm for ML – trafficking for labour exploitation

Mr. RED, residing in Belgium, runs an **accountancy firm** and manages some ten companies. All of these companies, active in the **construction business**, were established by Mr. RED in the same period.

The bank noticed suspicious transactions on the accounts of two of these companies. The credit transactions consisted of **transfers by order of companies in the same sector**. Upon receipt the money was consistently **withdrawn in cash** by Mr. RED, who held power of attorney on the accounts.

A large part of these companies has its **head office at the same address**, which is merely a postal address. According to Mr. RED's explanations the recently established companies were intended to be sold to third parties.

In another file reported by the Belgian FIU, the accountancy firm is involved in fraud. The company also established a number of companies in order to be sold to third parties.

The authorised capital of every company involved **was deposited in cash and systematically withdrawn in cash** some days later. Subsequently only transactions on the accounts of two companies took place. Several companies of the same sector and principals of the transfers were known to the police for THB for labour exploitation.

Indicators

- Several companies that were recently and simultaneously established
- Establishing companies to be sold to third parties
- Involvement of an accountancy firm
- Involvement of dormant companies
- Sensitive sector to social fraud
- Depositing the authorised capital in cash consistently followed by cash withdrawals
- Immediate cash withdrawals upon receipt of the money
- Financial flows without clear economic justification
- Unclear destination of the money

Source: Belgium

Case Study 12 Trend in THB – Fraud to the welfare benefits – Use of children

Europol states that there is an increasing number of children being trafficked throughout the EU[39]. Social security, welfare and benefits systems are being targeted by traffickers using trafficked children to support and justify claims linked to family and housing benefits.

This is a new trend in addition to the commission of street crime offences and the involvement of trafficked children in the production, manufacture and supply of controlled drugs.

Additionally, the Council of the European Union launched an initiative for "Targeting newly emerging forms of trafficking in human beings in the EU member states". They used a questionnaire and received 25 replies out of 27 member states. This survey highlighted the new phenomenon of obtaining social benefits on behalf of the trafficked person. Two of the responding member states described cases where persons were recruited from rural or disadvantaged areas with the promise of work abroad. They were transported to the country of destination where they were taken to the relevant authorities to apply for benefits that are supposed to facilitate integration. However, the benefits were transferred to the bank account of the criminals and not to the trafficked person.

Case example:

The investigation on human trafficking revealed that a man and woman were fraudulently receiving **child welfare benefits** for a child in their care. These benefits were paid directly into the subjects' joint bank account and the subjects would then withdraw the payments in cash from an ATM. However, within hours of withdrawing the money one of the subjects would return to deposit same amount back into the account.

[39] EUROPOL (2009) Trafficking in Human Beings in the EU : a Europol perspective

The financial investigation revealed that the money deposited back was the proceeds of human trafficking, and that the subjects were using the financial institution to clean their dirty money. After several weeks, the subjects would withdraw a lump sum and transfer it overseas via a money service business. Both subjects were convicted of human trafficking, child neglect and ML.
Indicators
• Cash withdrawn immediately after the payment of the benefits. • Same amount deposited back into the account within hours.

Source: United Kingdom

2. Smuggling of Migrants Cases

Case Study 1 Smuggling organisation – Use of money orders

One US Immigration and Customs Enforcement Homeland Security Investigations (ICE-HSI) case targeted an organisation that was involved in smuggling undocumented Indian nationals into the United States. In August 2006, individual X solicited another person to assist him in finding a new smuggling contact. This individual introduced X to an undercover ICE-His special agent. The ICE-HIS special agent agreed to smuggle Indian nationals from Bangkok, Thailand to the United States for USD 12 000 per alien. In March 2007, ICE-HIS special agents brought six Indian nationals into the United States on significant benefit paroles on behalf of the smuggling organisation. The aliens believed they were entering the United States on counterfeit Permanent Resident Alien Cards. The aliens were delivered to members of the smuggling organisation in Pennsylvania. The process was repeated in August 2007. The smuggling organisation **paid the undercover agent in money orders sent via a money remitter** from Chicago, IL to Philadelphia, PA.

On 30 June 2008, individual X, principal leader of a migrant smuggling organisation based in the United States, was sentenced in the Middle District of Pennsylvania to 27 months in prison, three years probation, and a USD 1 000 fine for his involvement in an alien smuggling conspiracy. He also waived any interest in the USD 70 963 in aliens smuggling proceeds seized by ICE. In addition, due to the fact that X was involved in alien smuggling while on supervised release, he was sentenced to an additional eight months in prison for violating his supervised release, bringing his total prison term to 35 months. As part of his plea agreement, X provided ICE-HIS special agents with the internal operations of the organisation. X stated that **the relatives of the smuggled aliens would mail cash and money orders** from various areas of the United States to X in Chicago. X would then deposit some of those proceeds into his bank account. Other money was paid to X's associates in India by the smuggled alien's relatives in India.

The red flag indicators associated with this case surrounded the use of money orders. The method used by the smugglers to pay the US "smugglers" was **large amounts of small denomination money orders**. Banking institutions should be cognizant of individuals purchasing or depositing large numbers of money orders, often in USD 500 – USD 1000 denominations.

Deposits of sequentially numbered money orders and/or deposits of large numbers of money orders purchased in wide ranging locations should also be noted as suspicious.

Indicators

- Large amounts of small denomination money orders
- Deposits of sequentially numbered money orders and/or deposits of large numbers of money orders purchased in wide ranging locations.

Source: United States

Case Study 2 Migrant smuggling syndicate – involvement of remittance agency

An operation was mounted between Hong Kong, China; country A (Asia Pacific) and country B (Europe). The operation targeted a **migrant smuggling syndicate** operating between Asia and Europe. Five members of a **family operating a remittance agency** were arrested for transferring an amount of approximately HKD 200 million (about USD 25.7 million), representing the proceeds of migrant smuggling.

The investigation revealed that the monies were a mix of funds remitted (by those people smuggled) to a country D (Asia), to pay off the syndicate.

Prior to the court trial, one of the defendants who was the principal operator of the remittance agency committed suicide. Due to the death of the defendant, the prosecution was unable to prove beyond reasonable doubt that the remaining defendants had the requisite guilty knowledge in respect of the funds remitted.

The defence argued that the funds remitted were payments to support remaining family members of those smuggled, rather than payments to syndicate members for services rendered. It was accepted by court in the absence of evidence of the contrary.

The case illustrated the characteristics of the transnational crime which required timely and effective international co-operation with significant resource and time implications in investigation and prosecution.

Source: Hong Kong, China

Case Study 3 Producing of fraudulent visas

Trafficking in visas is also a tool for facilitating illegal immigration. Through larger amounts exceeding sometimes 10 000 EUR, candidates for emigration are given false documents or visas obtained through fraudulent grounds with the corruption of officials, diplomats in embassies. The following case is illustrating how the SOM or THB can be closely linked with other offences.

The Senegalese Financial Intelligence and Processing Unit dealt with illegal immigration after receiving a suspicious transaction report. Extensive **trafficking in visas** between Senegal and Europe was found after investigations.

Indeed, a citizen of West Africa living in Senegal, Mrs. A, owned two bank accounts in a bank in Senegal in year N. The first was a checking account in her name. The second a savings account opened in the name of her son F, three years old.

In Year N + 1, she married a **European diplomat D** posted in Senegal and opened a third account in the same bank with power of attorney to her husband.

From that moment on, the accounts that were operating normally, began recording transactions that attracted the attention of the banker:

- ***the account was fed almost exclusively in cash;***
- ***in almost daily frequency of deposits;***
- ***and the importance of the deposits was not commensurate with the couple's income*** (wife is unemployed; the husband is a diplomat employee).

These questionable items noted by "knowing your customer" KYC policy, have led the bank to send a suspicion transaction report to the Senegalese FIU.

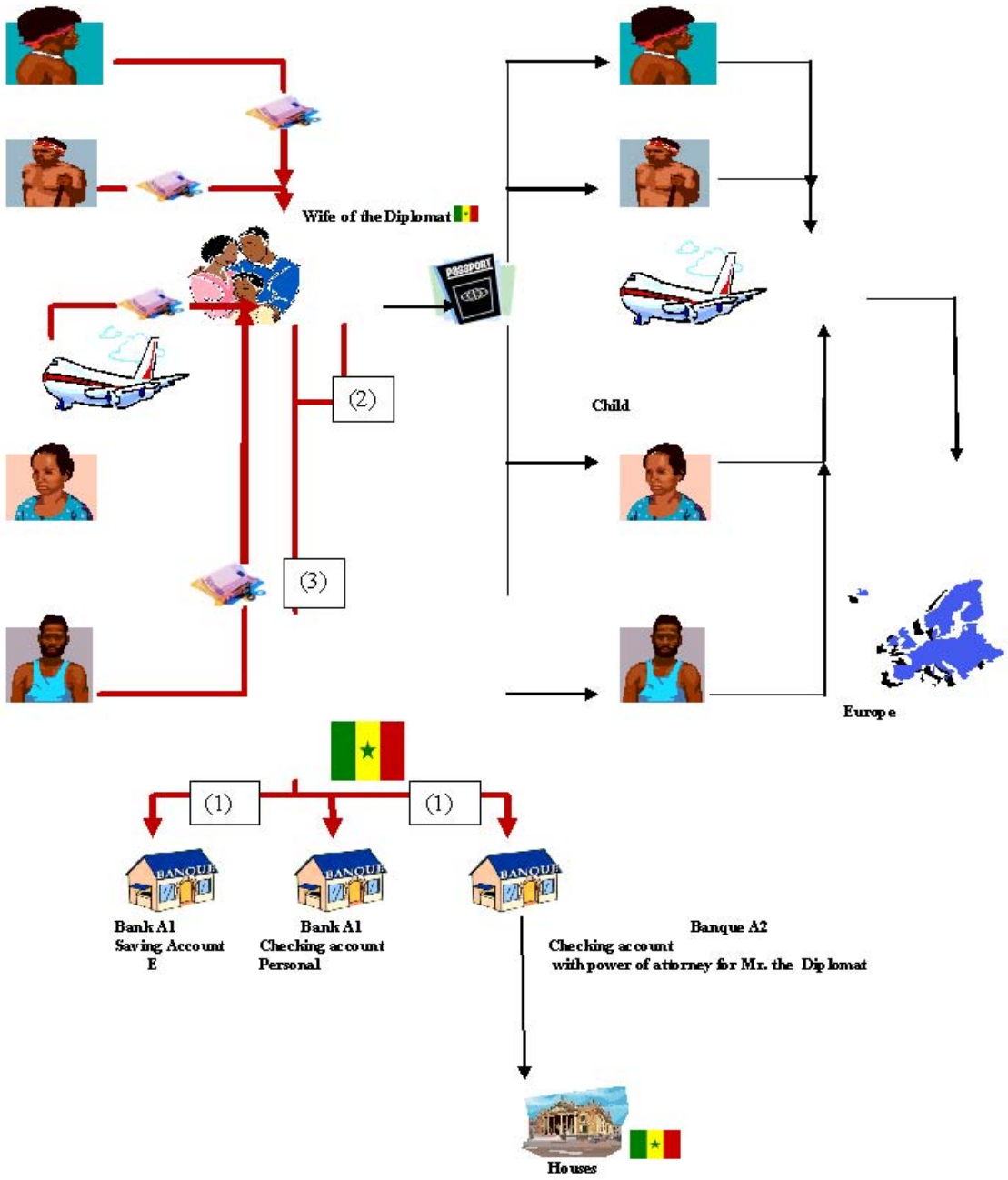
From the investigations conducted by the FIU, it appears that the couple held a vast traffic of visas described below:

- Mrs. A is the agent responsible for the recruitment of nationals from West Africa, and Senegal in general and her country of origin, in particular;
- Each candidate pays an average of 5 000 to 6 000 EUR fees to take possession of the famous sesame;
- Mrs. A puts the funds in the savings account and the two checking accounts;
- The Diplomat issues visas to candidates justified by training in Europe;
- This traffic may help the couple gain, within three years, at least 2.3 million EUR profits;
- The products of such traffic have been laundered in real estate through the acquisition of two luxury homes in residential neighbourhoods in the Senegalese capital, Dakar;
- The money from the rental of these buildings would be reinvested into the economy.

This suspicion of ML has been confirmed by the Justice seized by the FIU.

Indeed, after investigating the case strengthened by evidence gathered through the international judicial cooperation, Mrs. A in the first instance was **sentenced for the offence of money laundering**. It was held against her, a prison sentence of 3 years, the confiscation of the two buildings and the funds deposited in the bank accounts.

A diagram below describes the process that led to launder money derived from visa trafficking.



Indicators

- Money
- Frequency in cash deposits
- Opening account in the name of an unqualified minor
- Mismatch between amounts paid and the occupation of the person
- Status of diplomat

Source: Senegal

Case Study 4 Use of money service businesses to finance the smuggling activity

The French FIU received an STR on a person (Afghan nationality, located in France) **receiving money from different countries** (UK, Afghanistan, Pakistan, Greece) using the money remittance services. The amounts were between EUR 100 and EUR 300.

The investigations led by the FIU **revealed other similar cases** with persons (Afghan or Pakistani nationality) receiving money from UK, Afghanistan, Pakistan and Greece, with similar amounts. Connections were found between some persons of those cases and the major recipients were identified.

The police worked in parallel on individuals related to this case. The analysis of the FIU allowed the police to link some of their targets. **The funds were used for irregular migrants (in Sangatte) to pay for crossing the border** between France, UK and other northern countries.

The case was forwarded to the judicial authority and the sentence was 2 years' imprisonment for assisting the incoming and stay of irregular migrants.

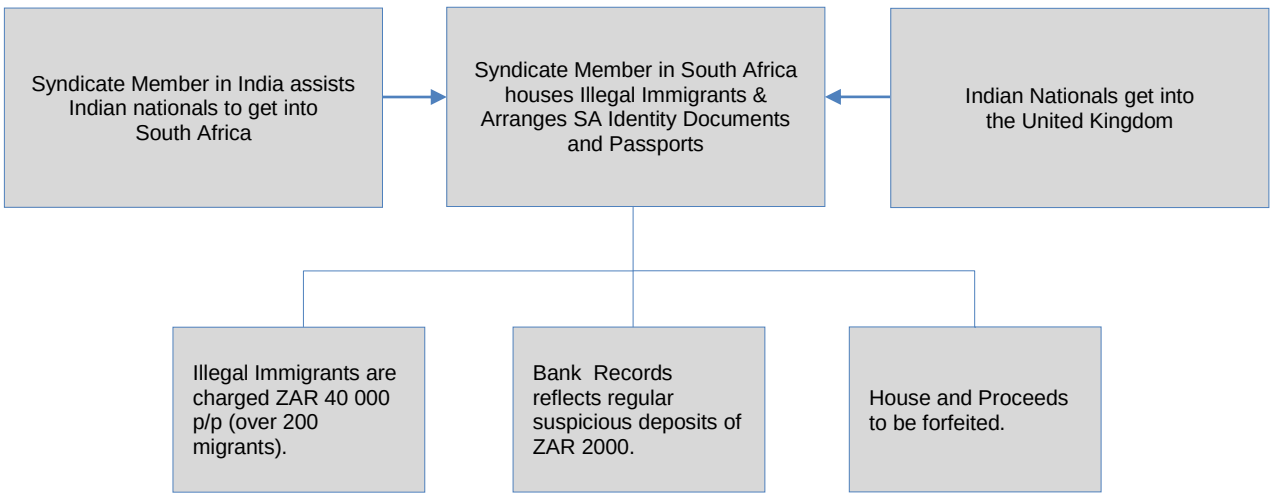
Although this case is not the laundering of the proceeds of the offence, it illustrates how the money service businesses might be used to assist in committing the offence, using **small amounts**. This trend might apply for other offences needing cash financing like for instance terrorism.

Source: France

Case Study 5 Organised smuggling syndicate

This case involves an organised criminal syndicate which operated from India, South Africa and the United Kingdom (UK). They assisted people from India to get into the UK by smuggling them through South Africa. When the people arrived in South Africa another member of the syndicate would arrange Identity Documents and Passports for them by supplying false information to the Department of Home Affairs. Upon obtaining their travel documents they would then leave for the UK. In this manner more than 200 persons were assisted to get to the UK.

The average amount charged was ZAR 40 000 per person and it would either be paid **in cash or in instalments into the bank account of the syndicate member** in South Africa. Bank statements of the South African member was obtained and it reflected scores of deposits of ZAR 2 000 from various persons. The accused also had a Bond Account in his name and since the accused had no other (legitimate) income it is clear that he paid his instalments from the proceeds of the criminal activities. The State applied for civil forfeiture of the house, which was an instrumentality to the offences as well as for all the proceeds from the smuggling activities.



Indicators

- Deposits from various persons
- No legitimate income

Source: South Africa

Case Study 6 Facilitation of illegal immigration – *hawala* banking

Since 2008, the German Federal Police in the town of Halle investigated Iraqi nationals for internationally organised gang-type facilitation of illegal immigration on a gainful and repetitive basis (OP Gordyene). The gang smuggled mostly **Iraqi Kurds from Greece via Italy to Germany or Sweden**.

The main suspect acted from Iraq where he was **Lieutenant of customs service** at a border point. He had accomplices with own offices in different European countries (Belgium, Denmark, Germany, Great Britain, Norway, Sweden, Switzerland) and in Australia, Iraq, Turkey. Between those offices, the **money was transferred by *Hawala*-banking**. The main suspect was the accountant of the taken money; he distributed it to the other members/partners/offices and was the main contact for solving logistical problems.

Due to wiretapping it is known that since 2008 the gang transferred in 70 different cases a total amount of EUR 1 080 000 to persons in different countries (1 to 18% fee, depending on the accomplice). Some of the transactions were connected with different smugglings. Moreover, it is probable that all other transactions are in connection with the facilitation of illegal immigrants as well. A single transaction amounted between hundred and many thousand Euros. An important link for the money transactions was a person residing in Great Britain.

In 2009, the investigation was finished and the suspects are in detention pending trial. This case unfortunately shows no indicators as *hawala* banking involves no financial or non financial institution.

Source: Germany

ANNEX B:

RED FLAG INDICATORS

There is **no specific guidance on money laundering associated with THB/SOM because the channels used, the instruments and the sectors implied are the same as for other criminal activities.** However the emphasis can be different and as those activities in their first steps are mostly cash-based businesses, it is important to pay special attention to cash operations.

A number of red flag indicators have been detected, which are considered to be of particular help to industry to better fight against money laundering arising from THB/SOM. They can apply to both offences. These indicators have been distinguished between origin and destination countries but it will be noted that many are common to both.

Transit countries may refer to either origin or destination countries' indicators due to their specific position where any of those indicators can apply.

Origin countries:

Customer profile:

- Unexplained/unjustified lifestyle
- Mismatch between amounts paid and the occupation of the person
- Unexplained/unjustified large profits for a company
- Forged documents
- Execute transactions on behalf of themselves or with use of others' IDs
- Registration of assets under different names
- Use of MSBs by migrant workers transferring a part of their salaries to their families abroad and illegal migrants paying a debt
- Relations with persons with suspected or known criminal history

Transaction profile:

- For MSBs:
  - transfers of cash in small amounts;
  - structuring funds below threshold;

- repetitive transfers of like nature;
- transfers to sensitive countries of destination;
- transfers from different regions to the same persons;
- same beneficiaries.

- Use of businesses:
  - Incorporating illegal funds in businesses;
  - Financial turnover incommensurate with the commercial turnover;
  - Company balance sheet showing assets in cash and profits with no legitimate trade justification;
  - Structuring via commercial entities and transfer of money using contract for loan;
  - Fictitious loans: loan provided by a shareholder to the related legal person and subsequent transfer back;
  - Significant share of the company's capital in no-term deposits;
  - Companies may be connected in different ways to human trafficking and smuggling of migrants: they can be used as an additional or main means of money laundering; sometimes serve as a cover, not or almost not performing the activity they have registered. They often carry out international activity (travel agencies, tourism-related companies, money transfer agencies, etc.).

- Use of intermediates / third party:
  - Intermediates are used to execute various transactions within a banking system using wire transfer service, a third party participates in a transaction and frequently takes a superior position (money distributing or trading);
  - Use of the 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.

- For financial institutions:
  - Transfers followed by cash withdrawals;
  - Fictitious loans, proceeds used to guarantee loans later repaid with the same proceeds;
  - Use of fictitious donations.

- Investment in real estate:
  - Use of cash for real estate deals and payment of mortgages;
  - Frequent real estate deals carried out by straw persons.

Destination countries:

Customer profile:

- Prostitutes who transfer small sums to relatives and exchange large sums (the transfers represent their own share, while the large sums of money exchanged are sent to the men behind the trafficking in human beings)
- Customer depositing funds under escort
- Customers who give a telephone number that is traceable through open sources (Google) to "hits" in personal ads etc.

- New customers from risk countries and who frequently make major transactions.
- People/companies that can be linked to prostitution and who carry out transactions involving values greater than their own income/revenues.
- Payment of rent etc. for "addresses where prostitution is known to occur", or payment of airline tickets and hotels for a number of different women.
- A foreign national, recently arrived in the country, who may not be present – the account is opened by a third party (*e.g.*, proxy or interpreter assisted by a corrupt banking employee).
- A letter of employment is supplied by an employment agency specialising in supply workers for the agricultural, food processing and manufacturing industries (risk sectors)
- A common mobile number, address and/or employment references are used to open multiple accounts in different names
- Customer undertaking transactions that appear to be inconsistent with their profile and/or transaction history
- Use of multiple bank accounts and credit cards

Transaction profile:

- **For MSBs**:

  - Structuring the transactions: multiple cash transfers just under the threshold;
  - The sender of cash transfers has no bank account in the sender country;
  - Frequent transfers to risk countries;
  - Splitting the remittances (small amounts sent to different recipients);
  - Multiple customers conducting international funds transfers to the same beneficiary;
  - Use of a common address;
  - Small amounts sent with high frequency to unconnected persons;
  - The transaction involves the exchange of currency to Euros, USD, CAD or pounds, for sexual purposes, money is often transferred in small amounts with high frequency from the victims to members of the organised crime group situated abroad or other places in the country.

- **For Financial Institutions:**

  - **Account type:**
  - Sought after account offer overdraft facilities, plus a debit or credit card, and possibly the ability to obtain a loan or multiple loans;
  - The pin number is changed when the account is opened (the code is shared with other accounts with common phone numbers, addresses and/or employment references), money is rapidly withdrawn from accounts from one ATM, or several in close proximity;
  - Business accounts used as flow-through accounts;
  - Frequent deposits or withdrawals with no apparent business source;
  - Lack of references or identification;
  - Common addresses provided for funds transfers conducted by different people;
  - A common mobile number, address and employment references used to open multiple bank accounts in different names;

- New accounts are opened at unusual times of the day (very early and very late), or concentration of nationalities among the opening records within a branch, or for an individual may reveal corruption of an employee.

- **Bank Account Activity:**

- Cash deposits often just under the threshold but deposited at several branches, multiple cash deposits/withdrawals below the threshold;
- Purchase of money orders to pay bills instead of writing personal checks;
- Government assistance checks deposited into the account despite the fact that account holder may have a substantial amount of money in other accounts;
- Accounts are used to obtain a range of benefits or tax credits;
- Large cash as well as cheque deposits may also be followed by domestic wire transfers or further cash withdrawals;
- Bank drafts and cheques are, at times, made payable to casinos or MSBs;
- Third party cash deposits are made at various bank branches and, at times, via ATMs;
- EFTs received from a foreign country may be followed by outgoing EFTs to beneficiaries to another country;
- EFTs may also be structured (*i.e.* below the reporting threshold);
- Large deposits and immediate requests for wire transfer of smaller amounts;
- Large cash deposits followed by low-value international funds transfers below the threshold.
- Pay attention to customers accounts who have reported identity theft – many extortion/ kidnapping rings have stolen identities that they utilise to conduct their criminal activity;
- Co-mingling of funds with legitimate sources of income;
- Credit card payments to online escort services for advertising (including small posting fees to companies of online classifieds as well as more expensive, higher-end advertising and website hosting companies);
- Bank account used as a flow-through account: entry of large amount of funds over a short period, followed by comparable amount routed to individuals in a third country;

- Large cash deposits inconsistent with business type;
- Numerous incoming money transfers or personal cheques deposited into business accounts with no apparent legitimate purpose;
- Wide use of cash including for purchasing the assets of a business;
- A company (like a hotel) bank account receiving only cash and welfare benefits;
- Unusual withdrawal, deposit or wire activity inconsistent with normal business practices, or dramatic and unexplained change in account activity;
- No local employer deposits for activities associated with the business;
- Large payments to foreign companies without clear business reason or that are inconsistent with the amount of product received from these companies;
- Sudden change in customer's normal business practices, *i.e.*, dramatic increase in deposits, withdrawals, or wealth;
- Large cash deposits into personal and business bank accounts followed by electronic funds transfers (EFTs), bank draft purchases and/or the issuance of cheques;

- **For casinos**

- Purchase of casino chips which may be redeemed following minimal gaming;
- Refining activity (exchanging small denomination bills into larger denomination bills);
- Currency exchanges (primarily USD to CAD);

- Deposit of cash in bank drafts to a casino front money account.

- **For Dealers in High Value Goods**
  - Transactions funded with cash
  - Goods purchased for personal export to risk jurisdictions

ANNEX C:

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ANNEX D:

QUESTIONNAIRE

FATF Questionnaire
Typology project on Money Laundering risks arising
from the trafficking of Human Beings

The FATF Working Group on Typologies (WGTYP) agreed at its meeting held in Amsterdam on 21 June 2010 to conduct a typology project on *Money Laundering risks arising from the trafficking of Human Beings* (see concept note FATF/WGTY(2010)17/REV1). This project was put forward by the OGBS and France (Tracfin) and will be carried out during the Mexican presidency up until June 2011, under a combined OGBS/France (Tracfin) chairmanship, with the expected strong support of Australia, Belgium, Norway, Russia, South Africa, Spain, the United Kingdom, the United States, APG, CFATF, GAFISUD, GIABA, Moneyval, the Egmont Group, the IMF and the UNODC.

This project will examine current methods used by criminal organisations to launder illegal proceeds related to trafficking of human beings (THB) and the smuggling of migrants (SOM). One of the challenges is to encourage law enforcement agencies to go further and to investigate money transfers linked to the predicate offence of trafficking of human beings. At the same time, an issue for financial institutions is the need of guidance on what to look for through the identification of red flag indicators.

The UN Trafficking Protocol, supplementing the UN Convention against Transnational Organized Crime, defines trafficking in persons 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"*. This definition may be broadened to illegal migration which may lead to exploitation.

Through the questionnaire, information will be collected on perceived risks, cases of money laundering related to trafficking of human beings (and the smuggling of migrants) and their networks.

Instructions for completing the survey

All FATF and FSRBs members are invited to submit completed questionnaires to support the Trafficking of Human Beings and ML project. Contributions should be submitted by e-mail to the FATF Secretariat (secretariat@fatf-gafi.org) **no later than 8 October 2010**. Information submitted will be posted on the Typologies secure website (in the area dedicated to this project). All questionnaire participants are encouraged to seek input from the private sector and their national authorities. In addition to the responses to the questionnaire, any further information and cases which may be relevant for the project may be submitted along with the response.

Questionnaire

1. Which law enforcement agencies, or other government or regulatory authorities are directly involved in detecting and investigating cases of THB/SOM (police, customs…)?

2. Do you have specialised law enforcement agencies or other government authorities investigating ML arising from THB/SOM?

3. What are the main sources of detecting ML arising from THB/SOM (STRs, investigations by law enforcement agencies on THB/SOM)? Please provide statistical data for each source since 2005.

4. What specific trends in THB/SOM and money laundering of THB/SOM has your jurisdiction detected? Which jurisdictions are mainly involved in the THB/SOM and its ML?

5. Has your jurisdiction conducted analysis or investigations into the financial aspects of THB/SOM? If so, please provide the total number of investigations and convictions for money laundering relating to THB/SOM since 2005.

6. If such analysis or investigations have occurred, please provide case examples with an estimate of the amount of money laundered and the main characteristics of the financial transaction associated in each case. For each case, do you consider it illustrative (common) or exceptional (uncommon) for laundering the proceeds of THB/SOM?

7. What were the obstacles to conduct such money laundering analysis/investigations/ convictions?

8. What indicators have you observed in relation to money laundering associated with THB/SOM? What guidance has been given to financial institutions to help in the identification of the money laundering of the proceeds of the THB/SOM? Are you aware of any other initiative undertaken by the private sector or any other institution in this area?

9. Do you have any other information/input on the subject you wish to be included in the typology report?

ANNEX E:

REVIEW OF LITERATURE AND INITIATIVES

The project team has studied literature and initiatives from a number of sources:

- typologies previously undertaken by FATF/MONEYVAL and APG;
- reports produced by international organisations such as UNODC and OSCE;
- initiatives undertaken by individual jurisdictions either jointly or separately;
- initiatives undertaken by NGOs and the private sector.

1. Previous Typologies

FATF/MONEYVAL

Joint FATF/MONEYVAL typologies on the proceeds from trafficking in human beings and illegal migration/ migrant smuggling – report endorsed by MONEYVAL and by the FATF in early 2005.

The report concluded that while it had not detected any significant differences in typologies and ML in respect of offences of human trafficking and illegal migration, there were differences in the money flows associated with these offences. It was acknowledged that ML in relation to smuggling of migrants and human trafficking was not easy to detect and prosecute. Reasons for this included:

- the fact that payments are almost exclusively made in cash;
- payments are often made outside the countries where the smuggling and trafficking crimes are likely to be detected (transit and destination countries);
- amounts paid are often small (because of individual payments or fragmentation to circumvent the reporting threshold);
- transfers are done through means which are difficult to control: underground banking, money transfer services such as those offered through certain money remittance networks, body carriers etc;
- smugglers and traffickers adapt their working methods to avoid detection.

Because of the emphasis on cash or money transfers the report recommended the urgent implementation of Special Recommendations VI, VII and IX.

APG - Asia Pacific Group

An APG Typologies Working Group report – Preliminary Scoping Study on People Smuggling, People Trafficking, Money Laundering and Criminal Asset Confiscation – was prepared by the Australian Attorney-General's Department in October 2010.

The report noted that migrant smuggling and human trafficking are both profit seeking crimes. Smugglers and traffickers obtain substantial earnings from their illicit activities by exploiting vulnerable persons. However rather than estimate financial flows or provide a list of example ML cases, the report aims to explore the legal frameworks and the use of anti-money laundering and asset confiscation systems in countering migrant smuggling and human trafficking amongst Asia/Pacific Group on Money Laundering Members. Some of the key findings are:

- the transnational nature of migrant smuggling and human trafficking requires multi-jurisdictional responses to the crimes, including "following the money" between jurisdictions;
- legal frameworks could be strengthened and harmonised, which would also allow more effective international cooperation;
- ML investigations into the proceeds of migrant smuggling and human trafficking offences, and subsequent prosecutions, are rare;
- there are a wide range of impediments hindering the investigation of migrant smuggling and human trafficking, associated ML and the confiscation of proceeds of crime;
- the potential for international cooperation by way of mutual assistance is encouraging, however it can be a time consuming process;
- Financial Intelligence Units could be utilised more in detecting the money flows for people trafficking and migrant smuggling offences;
- further research into the amount and typologies for how proceeds of migrant smuggling and human trafficking are laundered (either through formal or informal financial systems) is required.
- there is a need for further research with respect to statistics on people smuggling and people trafficking, and the financial aspects of these crimes.

The report made five detailed recommendations on ways in which the responses to these crimes could be strengthened.

2. International Organisations

In large part the international organisations concerned with THB and the SOM have focused on the physical aspect rather than the ML aspect of these activities. However in the reports produced by the relevant international organisations there are comments made or conclusions reached regarding ML which are relevant to the current typologies.

UNODC- United Nations Office on Drugs and Crime

UNODC within the framework of the United Nations Global Initiative to Fight Human Trafficking (UN.GIFT) in 2009 published a study[40] on the state of the World's response to the crime of human trafficking. From the study it was unclear whether human trafficking enterprises were driven primarily by networks situated in the source countries or the destination countries. Based on the data collected, most of

[40] UNODC (2009)

the offenders were citizens of the country where they were arrested. These suggested local criminal networks acquire the victims and sell them to criminal networks based in destination countries. However, in cases where the arrest took place in a high income destination country, the offenders were more likely to be foreign than when the arrest took place in a source country.

In most of the reported cases victims were moved across international borders. Domestic trafficking that does not involve the crossing of a border in the trafficking process, was reported by 32 countries and is likely under detected due to restrictive definitions of trafficking or the greater visibility of foreign victims.

The study concluded that one of the key unanswered questions remained just how big the human trafficking problem is globally. Without a sense of the magnitude of the problem, it concluded that it was impossible to prioritise human trafficking as an issue relative to other local or transnational threats, and it is difficult to assess whether any particular intervention is having effect.

In a subsequent unpublished concept paper prepared for UNODC/UNGIFT, it was noted that while there are many studies that address the supply and demand factors of human trafficking and effective practices to prevent and combat it, there is little information about the proceeds derived from the crime. It was noted that human trafficking was a relatively low risk and high profit crime. In order to effectively combat it, the paper opined that it was critical to understand what happens to the profit generated from the exploitation of people; how the money is laundered and how to follow a money trail in order to identify, seize and confiscate the financial profits and catch the criminals involved. The statement is made that if the offenders are deprived of financial gain, human trafficking as a business can become less viable. The identification, seizure and confiscation of the proceeds of crimes acts as a disincentive for crime, removes the ability of criminals to finance future criminal operations and usually allows law enforcement to reach the "king pins" of criminal organisations.

The paper refers to the United Nations Convention against Transnational Organized Crime, the Trafficking in Persons Protocol, and the United Nations Convention Against Corruption, as providing the legislative framework for international cooperation for the identification, seizure and confiscation of the proceeds of crime. It is also stated that there are many promising practices. It is said that the Group of 8 (G8) has identified best practices for domestic measures and international cooperation with regard to the tracing, freezing and confiscation of assets. However, it is stated that sharing relevant procedural and substantive information across borders among officials and conducting joint investigations to respond to ML and trafficking in persons remains a challenge.

UNODC Toolkits to Combat Trafficking in Persons and Smuggling of Migrants[41]

Amongst its numerous publications, the UNODC produced toolkits containing very useful information and among other things tools for criminal and financial investigations. For example, in the Toolkit to Combat Smuggling of Migrants, Tool 7, we can read that financial transactions found in financial investigations may include the following:

- Cash received from would-be migrants
- Payments by credit card or similar means for services (such as airline tickets, travel documents and accomodation)
- Payments for travel (such as airfares, payments to captains or boat owners, bus and train tickets)
- Money transfers to or from other parties locally and from abroad

[41] www.unodc.org/documents/human-trafficking/Toolkit-files/07-89375_Ebook + www.unodc.org/unodc/en/human-trafficking/migrant-smuggling/toolkit-to-combat-smuggling-of-migrants.html

- Foreign purchases (for example, a smuggler from Anyland buys a property to be used as a safe house in Anotherland)
- Receipts that are not commensurate with a person's occupation
- Corruption (for example, payment of officials to allow smuggled migrants to cross borders and/or use false documents).

UNODC – Impact programme[42]

This project, funded by the European Union, aims to support states in West and North Africa in implementing the UNODC Migrant Smuggling Protocol and strengthen criminal justice systems by:

- establishing adequate legislative framework,
- building the capacities of law enforcement,
- prosecution and the judiciary,
- strengthening international and regional cooperation, and
- fostering prevention through raising awareness among relevant authorities and the general public.

Council of Europe (CoE) - The Convention n°197 on Action against Trafficking in Human Beings and its monitoring mechanism: the Group of Experts on Action against Trafficking in Human Beings (GRETA).

The Council of Europe (CoE) has set Trafficking in Human Beings as a priority. Consequently, the Council of Europe Convention on Action against Trafficking in Human Beings (hereafter the CoE Convention n°197) which was adopted on 16 May 2005 and entered into force in 2008, has been ratified by 33 out of the 47 member states of the CoE, and has been signed by a further 10 Member States. Furthermore, the CoE Convention is open to ratification by States which are not members of the CoE and by the European Union.

While it has adopted a human rights-based approach to combating trafficking in persons by means being the only international treaty in this area that primarily focuses on the protection of the rights of the victims, it also aims at preventing trafficking and prosecuting traffickers. Concerning criminal assets subjected to ML, article 23§3 of this International Legal Instrument, gives the obligation to the Parties to "adopt such legislative and other measures as may be necessary to enable it to confiscate or otherwise deprive the instrumentalities and proceeds of criminal offences established in accordance with articles 18 and 20, paragraph a, of this Convention, or property the value of which corresponds to such proceeds ».

The CoE Convention has established a monitoring mechanism based on two pillars. On the one hand, the Group of Experts on Action against Trafficking in Human Beings (GRETA), composed of independent experts, and a Committee of the Parties, a political body. GRETA, whose members are elected by the Committee of the Parties and act in their own capacity, is responsible for monitoring the implementation of the CoE Convention by the parties. The first round of evaluation of the implementation of the Convention by the parties (2010-2013) commenced in 2010. Its reports and conclusions are due to be made public and will contain an analysis of the implementation of the Convention by the party concerned as well as suggestions and proposals on how this party may deal with the problems identified. GRETA can receive any information from International Organisations as well as NGOs. On the other hand, the Committee of the Parties which may adopt, on the basis of the report and conclusions of GRETA, recommendations addressed to the party concerned on measures to be taken to implement GRETA conclusions.

OSCE

The Office of the Special Representative and Co-ordinator for Combating Trafficking in Human Beings within the Organization for Security and Cooperation in Europe, also working with UN.GIFT, produced a

[42] www.unodc.org/unodc/en/human-trafficking/2008/impact-programme.html

report on "Analysing the Business Model of Trafficking in Human Beings to Better Prevent the Crime" in May 2010. This report concluded on the basis of data analysis and research findings that the area least explored and understood in the trafficking process is the profit generated by trafficking and the financial instruments of traffickers. It states that it is not clear whether profits are reinvested to increase the trafficking business, whether the profit is spent in maintaining a luxurious lifestyle (the latter was more often reported by the jurisdictions participating to this study) or whether profit is invested in legitimate businesses in the trafficker's home country – or a combination of any of these. The report states that what remains one of the most important aspects in controlling trafficking is the seizure of assets of traffickers and trafficking profits as this will increase the cost for traffickers.

It also states that corrupt government officials and legitimate actors facilitate THB and protect traffickers. The report opines that their role must be examined in terms of their involvement and the degree to which they can be held accountable in trafficking in persons' prosecutions. This it is stated is particularly true in politically sensitive cases involving individuals with ties to high level officials or involving huge profits and ML schemes.

As the title of the report suggests, human trafficking is perceived as a real business activity for organised crime groups that administrate it like they would do for the activities of a company. The report outlines the theory of the trafficking as a supply chain. This theory provides opportunities to disrupt the business of trafficking by using commercial-like means as interrupting the supply and customer links by increasing awareness, or uncovering the manufacturing and retailing links of the chain with intelligence-led investigations by police and labour inspectorates. These are ways to fight human trafficking just like the means of asset seizure and confiscation.

The report also makes the point that trafficking has been linked to other crimes, some of which are instrumental in instances of human trafficking – migrant smuggling, document fraud, corruption, ML and crimes against the victims – kidnapping, assault, illegal detection, theft of documents, rape and murder. Trafficking organisations have been linked to drug trafficking, migrant smuggling, trafficking in illegal arms, stolen vehicles and organised burglary. Traffickers have been known to force their victims to commit crimes which include forced begging, theft and drug smuggling. It states that it is essential that law enforcement investigating these and other crimes are alert to signals indicating the involvement of the same criminals in human trafficking.
However the recommendations in the report focus on trafficking itself rather than on the laundering of the proceeds.

3. Initiatives undertaken by countries either jointly or separately

The European Union

The new European Directive on THB, proposed by the European Commission in 2010, was adopted by the Council on 21 March 2011. This new directive, replacing previous legislation dated 2002, has to be transposed by Member States into their national legislation within two years.
It provides for binding legislation to prevent trafficking, to effectively prosecute criminals and to better protect the victims.
In December 2010, the Commission appointed a European Anti-Trafficking Coordinator and launched a new website: www.ec.europa.eu/anti-trafficking

Australia/Indonesia – Bali Process[43]

Australia and Indonesia co-chair the Bali process on People smuggling, Trafficking in Persons and Related Transnational Crime (Bali Process). Since its inception in 2002, the Bali Process has prompted greater cooperation and coordination across the region, in particular in the implementation of practical measures aimed at addressing the problems of people smuggling and human trafficking. On 30 March 2011 ministers at the Fourth Bali Process Ministerial Conference agreed to establish a regional cooperation framework to address irregular migration and people smuggling. The framework is based on burden-sharing and cooperation between source, transit and destination countries and lays the foundation for the implementation of practical bilateral and multilateral arrangements that will contribute to a sustainable regional response. Ministers also agreed to reinvigorate cooperation on human trafficking.

The UNODC is currently conducting a project to support the Bali process in gathering evidence-based knowledge as pre-requisite to the development of effective policies to address migrant smuggling in a comprehensive way.

Details of the activities of the Australian Federal Police in support of action against the THB and migrant smuggling in conjunction with other jurisdictions in Asia and Africa are included in an annex to this report.

The Australian Federal Police conducted a presentation on Human Trafficking at the International Conference on Financial Crime & Terrorism Financing **in July 2010 in Kuala Lumpur**, Malaysia. The presentation focussed **on ML and red flags** that can be utilised by financial institutions.

In April 2010, the AFP Law Enforcement Co-operation Program (LECP) and the Interpol Trafficking in Human Beings Sub-Directorate jointly hosted **a five day Advanced Trafficking in Human Beings Training Program in Ghana, West Africa**. 34 law enforcement participants attended the program from Cameroon, Gambia, Ghana, Liberia, Nigeria and Sierra Leone.

The programs key objective was to assist countries in Africa develop an integrated approach against human trafficking by developing operational capacities for policing at both the national and regional level.
The course was delivered by specialists from the INTERPOL Expert Working Group on Trafficking in Human Beings as well as by experts from Ghana and from the Royal Canadian Mounted Police.

The training represents the latest phase of police capacity building in Africa against human trafficking, following on from the previous **West African Trafficking in Human Beings Training Program delivered for nine countries in December 2009 in Dakar**, Senegal.

December 2009**: Inter-Regional People Smuggling and Human Trafficking Conference, Semarang**. AFP and Indonesia National Police co-chaired the meeting. Participants from 16 countries attended: Afghanistan, Pakistan, Iran, Vietnam, Sri Lanka, Indonesia, South Korea, China, Thailand, Malaysia, India, Singapore, Maldives, Bangladesh, Canada and Nepal.

In June 2009, the AFP hosted its first **Trafficking in Persons International Conference in Sydney**. The conference was the first time AFP international liaison officers and Australian-based TSETT members had jointly met with their law enforcement counterparts in Australia to consider the current nature and extent of human trafficking in the ASEAN region. The conference was attended by international law enforcement agency counterparts from source and destination countries including China, Vietnam, Indonesia, Korea,

[43] www.baliprocess.net

Thailand and Malaysia. The conference cemented **training, provided by the AFP in 2009, in Brunei and Cambodia**.

Discussions focused on proactive strategies to combat trafficking in each country as well as barriers to and opportunities for more effective international cooperation and information exchange.
The '**Asia Region Law Enforcement Management Program' (ARLEMP**), is sponsored by the AFP through its LECP and is a partnership between the Vietnamese Police General Department for Crime Prevention and Suppression (PGD) and the training provider the Royal Melbourne Institute of Technology (RMIT) Hanoi. **Since 2005, three (month long) courses have been delivered each year (19 to date).**
ARLEMP provides contemporary management and cross-cultural leadership within a transnational crime context to the AFP's law enforcement partners in the Asia Region including Bangladesh, Burma, Brunei, Cambodia, China, Hong Kong, China; Laos; Maldives; Malaysia; Nepal; Laos; Philippines; Sri Lanka; Singapore; Thailand; Timor Leste; Vietnam and Australia.
Transnational Crime issues are explored in detail on ARLEMP with regional experts presenting on keys issues including counter terrorism, narcotic trafficking, child sex offences, ML, high-tech crime and human trafficking.

2005 and earlier:

- October 2005: Joint Bali-Budapest Process workshop on harmonising anti-people trafficking legislation, Vienna. To build on the Bali process model legislation on migrant smuggling and human trafficking.

- September 2004: Coordinator (Thailand) Best Practices in Operational Cooperation workshop, Macau SAR. The workshop was part of a programme of ongoing practical activities to advance operational cooperation among law enforcement agencies.

- May 2004: AHEG II targeting workshop, Bangkok. This workshop focused on cooperation between law enforcement agencies in targeting key migrant smugglers and traffickers in the region.

- November 2003: AHEG II legislation workshop, Port Dickson. This showed: 17 regional countries had made use of the model legislation; 17 already had legislation in place; and nine were considering or in the process of doing so. Strong representation from and participation by regional immigration, police and justice ministries.

- November 2002: AHEG II law enforcement and travel document fraud workshop, Shenzhen, including training program run by Bangkok-based Immigration Control Experts (ICE) team, represented by Australia and the US, and development of agreed elements to take forward cooperation in preventing, intercepting and disrupting smuggling and trafficking.

- September 2002: Ad Hoc Expert's Group (AHEG) II legislation workshop, Port Dickson, resulting in development after that by Australia and China of model legislation to criminalise migrant smuggling and human trafficking (to enable police investigations, prosecutions and extraditions).

Australia- ARTIP[44]

The Australian Agency for International Development (AusAID) funds the Asia Regional Trafficking in Persons project (ARTIP). Starting in August 2006, its purpose is to contribute to the prevention of trafficking in persons in the Asia region by facilitating a more effective and coordinated approach to trafficking by the criminal justice systems of the participating governments (Cambodia, Indonesia, Lao PDR, Myanmar, the Philippines, Thailand and Vietnam).

One of the achievements of this project is the "ASEAN Handbook on International Legal Cooperation in Trafficking in Persons Cases" issued in October 2010 to help improve cooperation between criminal justice officials.

Canada- report on Human Trafficking in Canada[45]

A report was produced by the Royal Canadian Mounted Police in March, 2010. Some of the key findings were:

- many human trafficking suspects have been linked to other organised criminal activities, such as conspiracy to commit murder, credit card fraud, mortgage fraud, immigration fraud and organised prostitution in Canada or abroad;
- organised crime networks with Eastern European links have been involved in the organised entry of women from former Soviet states into Canada for employment in escort services and possibly in massage. These groups have demonstrated transnational capabilities and significant associations with convicted human traffickers in the Czech Republic, Germany, Belarus and Israel;
- criminal networks suspected of trafficking Eastern European nationals would likely have access to high quality fraudulent identification and travel documents, allowing migrants to travel undetected across multiple borders;
- many of those that were involved entered Canada with visitor or student visas, many of whom overstayed their visas.

USA- Project STAMP (Smugglers' and Traffickers' Assets, Monies & Proceeds)[46]

Project STAMP, under the auspices of the US Department of Homeland Security Department has identified a number of red flag indicators of suspicious financial transactions relating to migrant smuggling/human trafficking/ML:

- bank account activity that a financial institution or law enforcement agency may observe;
- cash deposits often just under the USD 10 000 threshold but deposited at several branches;
- no local employer deposits for activities associated with the business;
- purchase of money orders to pay bills instead of writing personal cheques;
- government assisted cheques deposited into the account despite the fact that the account holder may have a substantial amount of money in other accounts;
- large cash deposits inconsistent with business type;

[44] www.artipproject.org

[45] www.rcmp-grc.gc.ca/pubs/ht-tp/htta-tpem-eng.htm

[46] www.dhs.gov/files/programs/gc_1297182316667.shtm

- large payments to foreign companies that are inconsistent with the amount of product received from these companies;
- unusual withdrawal deposit or wire activity inconsistent with normal business practices, or dramatic and unexplained change in account activity;
- sudden change in customer's normal business practices (*i.e.* dramatic increase in deposits, withdrawals or wealth);
- structuring financial transactions at money service businesses – multiple financial transactions structured under the USD 3 000 MSBs reporting limit on the same day;
- numerous incoming wire transfers or personal cheques deposited into business accounts with no apparent legitimate purpose;

While many of the above red flag indicators apply to many different types of criminal schemes to launder illicit proceeds, through Project STAMP, US Immigration and Customs Enforcement has identified some red flag indicators that are specific to both migrant smuggling and human trafficking criminal organisations. The case examples related in *Annex A* illustrate these red flags.

Additionally, at the time of this report, ICE is leading a joint investigation into a commercial sex/domestic trafficking ring based in San Diego, California. Corroborating information has identified multiple subjects with various degrees of documented gang affiliation conducting illegal commercial sex/trafficking activity, affecting various aspects of interstate commerce. ICE has coordinated the investigation with participation from the Internal Revenue Service – Criminal Investigations, and the San Diego Police Department. The investigation has revealed numerous loosely affiliated pimps and many documented gang members or associates recruiting and promoting prostitution of adult and minor females. To date, three pimps have been arrested on related state charges and have identified bank accounts, clients, proceeds, and methods of operation related to illegal commercial sex operations.

The red flag indicators associated with this case were identified through a review of credit card charges and emails, which discovered payments to online escort services for advertising; these included the small posting fees to companies such as craigslist.com or backpage.com (although there are hundreds of others) as well as more expensive, higher-end advertising and website hosting companies. These nominal fees, usually around USD 5 each, pay for a single advertisement on a website and will normally have a corresponding email receipt to the email used to register for the account with each website.

Banks should also be cognizant of the use of credit card processing accounts with corresponding business fronts with even number charges credited to the account ranging from USD 300 to USD 5 000 dollars. These charges will often occur between 10:00 PM and 4:00 AM and correspond with sex acts that victims are forced to perform.

UIAF Colombia – Report on typologies of Money Laundering to the Trafficking of Human Beings Crime in Colombia - in process of publication

The Information and Financial Analysis Unit of the Ministry of Economy and Public Credit of Colombia prepared the mentioned report including **five typologies**:

- The first typology portrays a sexual exploitation situation through domestic THB with postal orders and the use of cash prevail.
- The second typology describes a transnational women trafficking operation for the purposes of sexual exploitation in which traditional ingredients associated with this crime mix up with a local exploitation circuit that provides the victims; this circuit is remunerated by means of international wire parcelling networks involving the victims and their families.

- The third typology refers to the domestic THB for labour exploitation and begging, in cases where disabled men constitute the main exploited persons.
- The fourth typology describes the distribution and sale of internet pornography containing children and teenagers' material. This typology presents alternative channels of exploitation as well as integration of the crimes' proceeds.
- Finally, the fifth typology describes the migrants'[47] process of illegal entry and their vulnerabilities to become victims of trafficking in persons.

Law enforcement initiatives

- *Parallel financial Investigations*

Financial investigation (targeting proceeds) plays a crucial role in successful investigation of trafficking in persons. As noted in the FATF / Moneyval typology, financial investigation needs to be conducted in parallel with the main investigation of the predicate offence in order to:
- Trace the monies with a view to seizure and confiscation;
- Help identify the criminal networks and the kingpins so that not only those lower down the command structures of such networks are targeted; and most importantly
- Help substantiate a case of human trafficking and smuggling of immigrants since the evidence of payments / financial benefits is a prerequisite for obtaining a conviction in such cases.

In some countries, law enforcement agencies are able to routinely conduct parallel financial investigations when investigating organised human trafficking and illegal migration. For example, the UK's the Proceeds of Crime Act 2002 (POCA) contains the powers for use in criminal confiscation, money laundering, detained cash and civil recovery investigations. The use of the POCA provisions are considered in every investigation undertaken by enforcement authorities as almost all crime is acquisitive and these crimes are no different.

- *Stand alone money laundering prosecutions*

Money laundering and the underlying criminality are separate offences. Whilst stand alone money laundering offences can be prosecuted it is normally the case that the underlying offence, if identified, will normally be proceeded with, as it represents the conduct which gave rise to the criminal proceedings. However, in some countries legislation allows for 'stand-alone' money laundering proceedings, where it is not necessary to wait for a conviction in relation to the underlying predicate offence.
Prosecutors are not required to prove that the property in question is the benefit of a particular or a specific act of criminal conduct; as such an interpretation would restrict the operation of the legislation. The prosecution need to be in a position, at a minimum, to be able to produce sufficient circumstantial evidence or other evidence from which interferences can be drawn to the required criminal standard that the property in question has a criminal origin.
In Hong Kong, China for instance, there is no requirement for conviction of the predicate crime in securing a ML conviction. The ML offence and related case law is sufficiently wide ranging/robust to mount prosecutions without evidence of the predicate crime, which for THB/SOM might be considered problematic in terms of witnesses.

[47]Cundinamarca was included in compliance with Directive 3 of the "Principles and Directives recommended on human rights and Trafficking of Human Beings" as regards investigation, analysis, evaluation and diffusion. The Directive recommends the "systematization of the collection of statistic information on Trafficking of Human Beings and related displacements (such as smuggling of migrants) that may share a component of Trafficking of Human Beings". – source : Colombia's answer to the questionnaire.

- *Taxation*

Tax powers are also used by law enforcement to combat trafficking. For example, in the UK, Her Majesty's Revenue and Customs (HMRC) Criminal Taxes Unit works to tax the income, profits, and gains from illegal activities such as human trafficking. This Unit also works to identify civil and criminal tax intervention opportunities against criminals, their businesses and associates, in criminal investigations with other law enforcement agencies. This includes organised criminal attacks on the benefits and payments systems. HMRC continue to assist in disrupting criminal businesses financially, including those of human traffickers. HMRC has had excellent results with this approach and has not only disrupted those who are trafficking for benefit fraud but identified trafficked individuals in the course of their duties. An HMRC Adult Entertainment campaign resulted in the identification of three trafficked women and at conclusion was on track to deliver its target yield of GBP 26 million.

- *Norway's experience*

The Norwegian legal system does not require any knowledge of the predicate offence in order to convict criminals for money laundering. The police and the prosecuting authority are not required to provide evidence of which underlying offence the proceeds may stem from. Based on an assessment of the environment, the nature and character of the case, as well as circumstances concerning the suspect, the police will often have formed an opinion about which primary offences the proceeds stem from. In order to achieve a conviction, it is not necessary for the investigation and submission of evidence in court to include the fact that the perpetrator's intent (subjective guilt) covers specific offences, for example trafficking, drugs, fraud, theft etc.

In order to prove that a given transaction or seized cash actually *are* the proceeds of a criminal offence, another approach is used. The prosecuting authority must prove that the proceeds do not stem from a legal source. The focus of the evidence is thus to *rule out any legal source of the proceeds.*
If the criminal doesn't explain the legal source of a given assets, the assets are considered proceeds and are forbidden to deal with in any way. This handling is used as an indictment by it self. This rule of law is not the same as the *confiscating regulations* with the opposite burden of proof that some countries have implemented.

4. Initiatives undertaken by NGO's and the Private Sector

NGOs

The NGO Stop the Traffik[48] has set up a Financial Action Steering Group, the purpose of which is to help make trafficking worthless. The purpose of the project is to engage with the finance sector to develop an integrated framework for the sector to use to combat trafficking combining regulation, disclosure and implementation tools that:

- prevent organisations and individuals from benefiting from trafficking activities with the finance sector – using international, national and local regulation;
- promote best practice in relation to stakeholder and supply chain relationships within the finance sector – using corporate disclosure principles.

[48] www.stopthetraffik.org

JP Morgan Chase and Co

The results of the JP Morgan Chase human trafficking project were presented at the Wolfsberg Forum, May 2010. The project is designed to help safeguard JPMC from being used by human traffickers by determining whether sustainable AML program enhancements can be designed to identify, investigate and ensure appropriate reporting of customers or transactions essentially relating to human traffickers through the firm, and produced the following results:

- human trafficking generally lacks distinct transaction characteristics/traits that would facilitate the proactive identification of human trafficking through traditional surveillance and monitoring, although certain typologies may identify suspicious activity that may be linked to human trafficking, especially when applied to customer populations posing a heightened risk for human trafficking activity (*e.g.*, massage parlours);
- a significant gain of performing this type of targeted review is the enhancement of staff capacity to develop, test and implement targeted reporting and surveillance models;
- for business segments found to pose a heightened risk for human trafficking activity, reviews identified specific types of financial activity (*e.g.*, international wires, significant cash deposits) unusual for such business types;
- using financial activity to model customer business activity potentially indicative of human trafficking activity (*e.g.*, multiple, ongoing payments to internet classified advertising services).



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