



News

Human Trafficking, the Second Largest Crime in the World, is Aided By Laundering, Says Anti-Corruption Expert

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Email 

Human trafficking profits are estimated to be between 10 and 40 billion dollars annually, but few people are taking the time to root out related money laundering transactions, according to Dr. Louise Shelley.

What's more, the wire transfers and real estate transactions tied to the crime might be detected and blocked with greater attention and knowledge of the regions where human trafficking is most prevalent, said Shelley, director of the Terrorism, Transnational Crime and Corruption Center (TraCCC) at George Mason University, an organization that studies terrorism, transnational crime and corruption issues. But compliance officers mandated to understand the risks of doing business in regions where human trafficking is high are often unequipped with the regional knowledge to do so, she said.

Shelley, who specializes in transnational crime originating from the former Soviet Union, spoke with reporter Larissa Bernardes about human trafficking, as well as the growing nexus between organized crime and terrorism and the high-risk nature of conducting business with Russian clients. What follows is an edited transcript of that conversation.

How closely should financial institutions scrutinize transactions and accounts that originate from Russia?

Doing lectures in Western Europe, I've learned a lot and have spoken to about 50 compliance officers who specialize in clients from the former Soviet Union. What strikes me is that they have almost no background on Russia or the former Soviet Union. Moreover, some large banks are not even paying for trips to Moscow for their compliance officers to learn whether their client's address is a casino. Therefore, when the bank or institution they work for hires a firm to analyze the risk of the client, compliance officers have no ability to assess whether the report that has been prepared for them is good or accurate. They are not capable of assessing the nature of the client that they are taking and, once they have taken him on, there will be nothing to trigger a suspicious transaction report unless there is something plainly egregious.

What would be some examples of high risk Russian clients?

One that owns casinos or owns a restaurant with high-cash turnover rates, someone who is in the transportation business or deeply involved in ports, someone who has had close associations with organized crime. Also, high-level government officials with high-net worth and no previous involvement in the business sector.

Do you believe that the risk with doing business with Russia has recently increased?

It's consistently been a high-risk situation. But when the price of oil went up, Western banks devalued that risk. But now, in this post-Georgia [conflict] climate, there has been more concern.

I don't think the inherent risk has changed, but with the drop in the Russian stock market last week and the fall in oil prices, the risk is now more apparent.

You have a background of studying human trafficking. How often does it occur in connection with money laundering?

The real question is: how often are investigators able to trace human trafficking and money laundering? Human trafficking is the second largest illicit business in the world, after drug trafficking, but there are very few people following the money laundering related to this business, whose profits are estimated at between 10 and 40 billion dollars annually. There are a limited number of cases in which suspicious bank transactions have triggered a human trafficking case, but they have occurred. This was evident in the recent case that led to the resignation of [former New York] governor Elliot Spitzer, where a suspicious transaction report led to the investigation into a high-level prostitution ring.

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What are some common ways human traffickers launder dirty money?

Wire transfers, Western Union transactions, money laundering into real estate and cash businesses. Much of the profits goes through underground banking and not as much through the formal banking sectors, though it does occur.

Are there any red flags that should tip off compliance officers that their clients' proceeds are tied to human trafficking?

It's the similar warning signs for any client that has a cash intensive business.

Other warning signs might include ownership of a nightclub, strip club, or something that might facilitate a sex-oriented business.

Are there particular countries where these two things are especially prevalent?

Human trafficking is most concentrated in Asia. Many profits have not been going through banking institutions. They often go through underground banking and gold shops and are invested in the economy, bribes and sometimes in political campaigns. The profits from human smuggling and trafficking are treated as a form of development capital.

We have lately been seeing an increasing occurrence of Nigerian human trafficking, especially to Europe, but we don't yet know enough of the financial aspect of their human trafficking methods. There is also a significant problem of human trafficking from the former Soviet Union and Eastern Europe as well as from Latin America. Each region has its own business models of trafficking and money laundering.

Many drug businesses are also turning to human trafficking since there is less risk of asset forfeiture.

Shifting our attention a little, how is technology being used to launder money?

Through computers. One thing criminals do to avoid detection is to use instant messaging to help facilitate information exchange on how the money is being moved, as well as where and when. They send messages to each other that law enforcement cannot pick up or have almost no way of finding out about, especially with cash shipments and hawala-type of systems.

Does there need to be additional legislation or more information from law enforcement?

I don't think there's more need for laws. Law enforcement needs to be trained to do investigations on human trafficking with the existing laws and to understand the financial flows of this crime. There needs to be cooperation from the private sector as well. This is occurring in efforts to combat the trade of child pornography.

How often do organized crime and terrorist organizations work together?

Much more often than people think. There is a reason this is occurring more. Members of terrorist organizations are often operating under false documents. Often when they get apprehended, they get apprehended as criminals. Therefore, law enforcement does not know they have a terrorist instead of a criminal. This was the situation with the brainchild of the Madrid bombings. He supported himself through crime and was locked up with ordinary criminals who he was able to recruit while in prison for his future terrorist act.

What type of terrorist financing methods do these groups typically use when they combine forces?

Using the same financing methods as any criminal, using drugs and counterfeit goods. There was a case involving the selling of stolen baby formula and diluting it, cigarette smuggling, and human trafficking. You name it and they do it.

Are there any types of financial institutions that you believe are particularly predisposed to being used as vehicles for money laundering?

Now that there's much more of a crackdown on the banking sector, organizations like Western Union are being used to make wire transfers. We need to think about courier services like DHL and UPS, where cash is being transported through them as an alternative to the postal service.

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