



**Financial Action Task Force**  
Groupe d'action financière

**MONEY LAUNDERING &  
TERRORIST FINANCING TYPOLOGIES  
2004–2005**

10 June 2005

## **Annex A Questionnaires**

*The following jurisdictions responded to the first questionnaire circulated in relation to this project:*

- |                           |                    |
|---------------------------|--------------------|
| 1. Argentina              | 24. Luxembourg     |
| 2. Austria                | 25. Malaysia       |
| 3. Belgium                | 26. Malta          |
| 4. Belize                 | 27. Mexico         |
| 5. Bermuda                | 28. Netherlands    |
| 6. British Virgin Islands | 29. New Zealand    |
| 7. Canada                 | 30. Norway         |
| 8. Czech Republic         | 31. Portugal       |
| 9. Denmark                | 32. Italy          |
| 10. Finland               | 33. Romania        |
| 11. France                | 34. Russia         |
| 12. Germany               | 35. Singapore      |
| 13. Gibraltar             | 36. Slovenia       |
| 14. Guatemala             | 37. Spain          |
| 15. Guernsey              | 38. Sri Lanka      |
| 16. Hong Kong             | 39. Switzerland    |
| 17. Iceland               | 40. Thailand       |
| 18. Isle of Man           | 41. Turkey         |
| 19. Israel                | 42. UAE            |
| 20. Jamaica               | 43. Uganda         |
| 21. Japan                 | 44. United Kingdom |
| 22. Latvia                | 45. Ukraine        |
| 23. Lithuania             | 46. United States  |

*The following jurisdictions responded to the second questionnaire circulated as part of this project:*

- | <b>FATF Members</b>     | <b>MONEYVAL Members</b> |
|-------------------------|-------------------------|
| 1. Austria              | 14. Armenia             |
| 2. Belgium              | 15. Cyprus              |
| 3. Canada               | 16. Czech Republic      |
| 4. Germany              | 17. Georgia             |
| 5. Hong Kong, China     | 18. Liechtenstein       |
| 6. Italy                | 19. Lithuania           |
| 7. Japan                | 20. Monaco              |
| 8. Netherlands          | 21. Macedonia           |
| 9. Netherlands Antilles | 22. Moldova             |
| 10. Norway              | 23. Malta               |
| 11. Singapore           | 24. Romania             |
| 12. United Kingdom      | 25. Serbia              |
| <b>APG Member</b>       |                         |
| 13. South Korea         |                         |

*Responses were also received from 6 insurance companies: Aviva, CNP Assurances, Munich RE, Prudential Insurance, SCOR and Swiss RE.*

## CHAPTER III

### PROCEEDS FROM TRAFFICKING IN HUMAN BEINGS AND ILLEGAL MIGRATION/HUMAN SMUGGLING

Human trafficking and illegal migration/human smuggling represent a core business of international criminal organisations. They are now thought to be among the most lucrative of their world-wide activities. Together they are now believed to represent a global challenge of the same proportions as the illegal trafficking of drugs and firearms.

Therefore, devoting a research project to the laundering of proceeds from human trafficking and illegal migration appeared to be timely.

As set out in the initial work plan, the aims and objectives of this project were:

- To obtain case examples of how money is laundered by criminals or criminal organisations involved in the facilitation of human trafficking or illegal immigration.
- To make an assessment of the characteristics of money laundering associated with human being trafficking and illegal migration, and to assess whether these are distinct from other types of money laundering activity.
- To see if significant regional differences exist in money laundering related to human trafficking or illegal immigration.
- To examine best practices and obstacles to successful preventive and repressive policies in this area both domestically within jurisdictions and internationally, given its transnational dimension.
- To identify relevant issues for consideration as to policy and practice in this area domestically and internationally.

Human trafficking was chosen by MONEYVAL as a subject for the joint FATF / MONEYVAL typologies exercise because of the importance of such trafficking as a potential source of proceeds. According to the UNODC, it is the fastest growing criminal business in the world. It was also assumed that many MONEYVAL countries would have significant experience to share in this field.

The *cross-border nature* of human trafficking (and, most likely, of its financial aspects) was another major reason for deciding to work on this topic in an international forum.

Then, it soon appeared necessary to extend the topic to include illegal (organised) migration, which also has some similar implications for countries of origin, transit and destination.

Among the reasons for extending the topic to illegal migration were:

- The need to avoid, for the purposes of our money laundering typologies work, any unnecessary methodological complications arising from the UN definition of human trafficking (see the two protocols to the UN Convention on Transnational Organised Crime)<sup>19</sup>,

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<sup>19</sup>As indicated in the UN website, “In some respects, trafficking in persons resembles the smuggling of migrants, which is the subject of a further Protocol (Protocol against the Smuggling of Migrants by Land, Sea and Air), but there are several important differences.

- The fact that the distinction between human trafficking and illegal migration is not always obvious to authorities which are not dealing with criminal investigations of such cases, and
- That a global overview may be needed to determine whether a given case is actually one of human trafficking or of illegal migration, whereas such an overview may not be available first hand (e.g., a case can be seen as illegal migration in the transit country and human trafficking in the country of origin or destination).

Indeed, it is noted that in some jurisdictions, the elements of the criminal offences themselves can significantly overlap. Migrant smuggling has also been described as “facilitated illegal immigration”. Countries reporting describe how significant percentages of illegal immigration are now facilitated. Hungary reported that, while in the mid 1990s, 20 to 25% of persons who were helped to leave their home countries were assisted by facilitators, today this proportion exceeds 70%. It is also noted that smuggling fees charged are substantial and increasing. Few clients can raise the entire smuggling fee from their personal assets and fewer still appear to be willing to put that much money at risk by paying in full before obtaining their objective. In these cases, migrants may have to work off debts through servitude in a transit or destination country.

The underlying (“push and pull”) factors are well known. On the one hand, there is a perceived need for cheap labour in certain developed states. On the other hand, many persons in less developed countries, where living standards are poor, wish for a better life in more developed countries. Sometimes, other political considerations in their own countries encourage prospective migrants to pay to leave. They frequently resort to individuals or criminal organisations for assistance in illicitly crossing international borders. Such movements of persons often involve long journeys from the source country, sometimes across several land borders, through transit countries to the ultimate destination, often using vehicles. Equally, illegal immigration may simply involve the purchase of air or sea tickets. Whatever the means of transport, in the majority of cases, most facilitated illegal immigration involves the obtaining of sophisticated forged travel and identification documentation - which can be part of the “service” offered to the candidate migrant. Forged travel documents often will be difficult to detect, especially if the “service” is provided by well organised and professional smugglers.

At the destination the business relationship in facilitated illegal immigration usually ends, and the balance of fees is paid, or has to be worked off as a debt. It is here perhaps that there is a possible overlap with human trafficking: where illegal migrants who seek facilitated passage across international frontiers cannot pay off their debts they can themselves become victims in the same way as those smuggled with a view to prostitution etc.

Human trafficking, as also noted in footnote 1, usually entails the illicit recruitment and transportation of men, women and children across borders with a view to “enslavement” – e.g., sexual servitude in brothels, or other forms of cheap labour. Sophisticated international networks (often spanning

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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.

Another major difference is that 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. From a practical standpoint, victims of trafficking also tend to be more severely affected and in greater need of protection from re-victimization and other forms of further abuse than are smuggled migrants.

Finally, smuggling is always transnational, whereas trafficking may 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.”

countries of recruitment/origin, transit and destination) are required to ensure a constant turnover of people to service the demand. Classically there are clearly identified “victims” in human trafficking, and often force or other elements of coercion are used. Victims in the destination countries are often “owned”. In many cases, the level of physical and psychological damage inflicted upon the victims is so severe and enduring that it can be impossible to restore them to complete health.

### **Brief History of the Work Carried Out**

Trafficking in human beings and smuggling of migrants is on top of the agendas of a number of international organisations and individual countries. Thus, research is conducted on a regular basis at these levels. At national level, research work is particularly visible in destination and transit countries. Some examples of those publicly available reports dealing with these issues are:

- Annual threat assessments on serious and organised crime of the National Criminal Investigation Services - NCIS (UK) at: [www.ncis.gov.uk](http://www.ncis.gov.uk)
- Annual reports on organised crime and on trafficking in human beings of the *Bundeskriminalamt* (Germany) at: [www.bka.de](http://www.bka.de) (German only)
- The 2002 reports of the Centre for the Study of Democracy (Bulgaria) on Smuggling in Southeast Europe and on Corruption, trafficking and institutional reform at: [www.csd.bg/publications](http://www.csd.bg/publications)
- The 2002 report on Trafficking in Human Beings, Illegal Immigration and Finland of HEUNI at: [www.heuni.fi](http://www.heuni.fi)
- The 2002 report on Trafficking in Human Beings in Southeast Europe produced jointly by UNICEF, UNOHCHR and OSCE/ODHR at <http://www.unhchr.ch/women/trafficking.pdf>
- Annual reports on organised crime of the Council of Europe at [www.coe.int/economiccrime](http://www.coe.int/economiccrime) ; see also the Council of Europe website on trafficking in human beings and the current work on the drafting of a Convention on trafficking in human beings at [www.coe.int/trafficking](http://www.coe.int/trafficking)
- Annual reports on organised crime of EUROPOL at [www.europol.eu.int](http://www.europol.eu.int) , as well as the serious crime overviews: 2003 and 2004 reports on “Trafficking in Human Beings”, on “Trafficking of Human beings: child abuse”, on “Illegal Migration” (extensive versions of the reports are sometimes available to EU member State officials only but abridged versions can be found on the website).
- At the level of the UNDP in Vienna, a (non public) database was set up. It contains data from multiple sources on global trends, cross national routes and the volume of trafficking in persons and smuggling of migrants, as well as data on victims and offenders of trafficking and responses of criminal justice systems to this criminal activity. The analysed data will result in regular reports including results at national, regional and global levels. A first preliminary findings paper has been published at [www.unodc.org/pdf/crime/forum/forum3\\_note1.pdf](http://www.unodc.org/pdf/crime/forum/forum3_note1.pdf). The "Global Crime and Corruption Trends" report, currently under preparation, will also address human trafficking and its links to organised crime, drawing on results from the data collected.

It is estimated that USD 10 billion a year is generated by the facilitation of human trafficking and illegal migration.

However, unlike other serious and organised crime topics, there is very limited knowledge about the methods being used by criminal organisations to launder illegal proceeds related to human trafficking and illegal migration.

## Methodology

The present report is the end result of work carried out by one of the five workshops of the joint FATF / MONEYVAL typologies meeting held in Moscow from 6 to 8 December 2004.

This workshop involved representatives from the following countries: Belgium, Bulgaria, Cyprus, Hong Kong China, Croatia, Denmark, "The Former Yugoslav Republic of Macedonia", Hungary, Italy, Lithuania, Luxembourg, Malta, Slovak Republic, Slovenia, South Africa, Spain, United Kingdom, United States of America.

The discussions were facilitated by the Slovenian project leader, who also was responsible for preparing a work plan and a questionnaire (see appendix) to guide the workshop discussions. He was assisted in this by a steering group comprising some of the above countries, as well as the MONEYVAL Secretariat. A discussion paper, based on the responses to the questionnaire, was also prepared to guide the workshop discussions. Replies to the questionnaire were provided by 25 FATF and MONEYVAL countries altogether, prior to the typologies meeting.

During the workshop, presentations with concrete cases were made by several countries. At a later stage, the workshop was split in two groups to discuss money laundering aspects in connection with trafficking in human beings on the one hand, and illegal migration/human smuggling on the other. The findings of the workshop were then presented to the typologies meeting plenary on the last day by the project leader.

## FINDINGS

***Finding 1: Investigation: the predicate crimes and associated money laundering are being detected through both the preventive anti-money laundering systems and by law enforcement independently. The reports through the preventive system are usually confined to traditional obliged institutions. The most successful countries target the proceeds in parallel financial investigations, and follow the financial flows.***

Investigations of the predicate offences and associated money laundering can be triggered through both the preventive and the repressive systems. Thus, there are many possible players in the detection of these offences. As for the preventive system, they include: the entities obligated to report suspicions to the FIU and the FIU itself, and the Customs (where a reporting duty for certain amounts of cross border movements of funds exists). The main law enforcement authorities which generate investigations independently are: the border guards, Customs services, Immigration services, Intelligence services domestically and internationally, domestic police units investigating the predicate offences and units of the police responsible for financial investigations. Sometimes, joint teams are created in individual domestic cases.

Partly because of the variety of agencies involved in preventing and combating human trafficking and smuggling of migrants, information sharing between the various authorities which may be involved is an important issue. The creation of information focal points in certain jurisdictions has proved helpful. Belgium and the United States reported the development of centres for information and analysis for human trafficking. In the Belgian example, all parties involved are connected to a secure website, enabling them to feed the site with information and to access all data on it. This was found to enhance domestic cooperation. From the replies to the questionnaire, it was not always clear how the investigations of human trafficking and smuggling are triggered. In some cases it was suspicious transaction reports arising from remittances from individual persons, which attracted the attention of banks and which were reported to the FIU. Belgium indicated that, on 31 December 2003, the number of such files transmitted by the FIU to law enforcement was 262, representing nearly 5% of the total number of files transmitted by them since their establishment in 1993. A rising trend in the number of

these files has been noted over the last few years. In 2003, more than 11% of the files transmitted by the FIU to law enforcement related to this type of crime.

Other cases appear to have been generated by law enforcement domestically or in an international context (by international intelligence networks, on the occasion of a bilateral investigation – see typology 6, for instance). The police and the immigration services especially play an important role in the uncovering of human trafficking and smuggling, and the financial schemes that accompany them.

Special investigative means, in particular interceptions of communications, undercover operations – including the use of “front” shops/businesses – have been found to be useful tools to obtain evidence and information, including evidence and information about the proceeds generated by the criminal activities. Parallel financial investigations targeting proceeds (with the application of temporary measures) are leading to successful money laundering prosecutions and confiscation of proceeds in some jurisdictions, but, as noted below, this is far from universal.

As far as cross-border movements are concerned, the Italian experience has shown that analyses of the origin of funds declared at the border (where such a reporting duty exists) can provide a useful geo-strategic overview. Such analyses have shown unexpectedly large amounts being carried by people from distant countries, compared to Italy’s immediate neighbours. Random checks can then focus on perceived risk groups and facilitate the detection of undeclared monies (e.g., for the period December 1999 to June 2002: Euro 14,5 million was detected in connection with travellers from Hong Kong and from China). Recent cases have shown that Chinese criminal organisations present in Italy are involved in human trafficking.

It is interesting to note that social security and labour administrations (and inspectorates) – although they can be directly involved - have seldom been mentioned as sources of reports or information useful for human trafficking and illegal migration cases. Occasionally, the labour administrations have been useful to cross check data, for instance to confirm suspicions as to the real number of employees working for a business suspected of being directly involved in smuggling of workers/immigrants.

The limited role of the tax administrations was also observed, although they too have been mentioned occasionally as a source of information to cross check data. This was, perhaps, surprising because prostitution and shadow economy labour are areas of concern for these agencies in a number of countries. Health care systems, social workers and humanitarian organisations – likely to be confronted with the kind of distress generated by the exploitation of human beings – have almost never been mentioned in our research as sources of reports and intelligence.

During the discussions, some members pointed to the Brussels Declaration on Preventing and Combating Trafficking in Human Beings, adopted by the European Council in June 2003, which provides a useful starting point for European countries tackling these problems. It addresses issues such as the need for involvement of the civil society and the private sector in the fight against human trafficking, as well as the need to improve cooperation between origin, transit and destination countries. This illustrates, once again, the importance of international cooperation (notably between law enforcement agencies), considering the *cross-border nature* of the crimes.

### ***Finding 2: Profits and prices: information is fragmented***

It remains a challenge to estimate the overall profitability of human trafficking and illegal immigration globally. Indeed such an exercise could only be speculative, and would add little to estimates given in other published documentation.

To establish real figures from which possible extrapolations could be made would involve gathering a whole range of data. As noted above there are numerous factors which determine prices paid. Assessments of profitability derived from detected and documented cases in Slovakia indicated

variations from hundreds of Euros to several hundreds of thousand Euros. In order to assess the overall amount of moneys generated by a single transporting operation, one would need to assemble all the known costs incurred in the origin, transit and destination countries. For example, the only figures which appeared available to the Serbian authorities related to the costs for the transit of Chinese migrants through Serbia, for destination elsewhere.

Both offences generate much of their direct proceeds in cash and most of the direct proceeds are made, one way or another, by “working”.

Information about prices charged is usually gathered by law enforcement intelligence. In some countries, it is believed that costs account for up to 50% of the prices paid. Costs include: bribes paid to facilitate the operation, payments for travel/transit, payments for accommodation/hiding in safe houses en route, special services (e.g., special security cross-border transfers).

**Prices for human smuggling/assistance to illegal migration**

The figures available are the *prices* charged in individual countries. They range from about Euro 250 to USD 100,000, the most expensive country to enter being apparently the US, followed by Canada<sup>20</sup> and the Scandinavian<sup>21</sup> countries. The table beneath provides some examples:

| Route/country of destination   | Average cost                             |
|--|--|
| To the USA, depending on route and origin  | USD 1,000 – 100,000                      |
| From China to Italy  | USD 13,000                               |
| From South Asia to Spain   | Euro 6,000 (12,000 if false ID provided) |
| From North Africa to Spain   | Euro 4,000 (6,000 if false ID provided)  |
| Through Hungary (from Russia to Western Europe)                                  | Euro 800 – 10,000                        |
| To / through Cyprus  | USD 3,000 – 5,000                        |
| From Slovakia to Italy   | USD 3,000 – 4,000                        |
| For transit through “the Former Yugoslav Republic of Macedonia”                  | Euro 1,000-1,500                         |
| For transit through Serbia and Montenegro  | USD 1,000                                |
| Through Malta (from Africa to mainland Europe)                                   | USD 800 to 1000                          |
| To/through Croatia   | Euro 500                                 |
| From Hungary to Italy  | Euro 500                                 |
| To enter “the Former Yugoslav Republic of Macedonia” from a neighbouring country | Euro 250-300                             |

The factors determining the prices include:

- The nationality and wealth of the prospective migrant.

<sup>20</sup> The Canadian authorities, in a later comment, confirmed that “Smuggling fees charged to reach Canada vary by mode of transportation and by particular market. Anecdotal evidence obtained from smuggled persons suggests that these fees range from USD 20,00 to USD 60,000”

<sup>21</sup> Prices of trafficking services for the route Sofia to Denmark or Norway are about 5,000 to 6,000 USD (source: CSD 2002 report on Corruption, trafficking and institutional reform)

- The risks involved in the journeys. The more secure borders appear to be, the more difficult (and therefore expensive) they will be to penetrate.
- The degree of professionalism of the “service provider”: the Slovakian authorities, for instance, pointed out that, as a rule, well established and well organised criminal groups (usually top organised groups within the criminal hierarchy), with strong internal structures and wide sharing of responsibilities for the migrants, demand higher prices.
- The degree of comfort expected on the journey also had an impact on price, in the Slovakian experience.
- The attractiveness of the country of destination.

### ***Prices for trafficking in human beings***

These prices are more difficult to assess. One of the possible reasons for this could be that this activity is conducted under an even greater “law of silence” (because of the use of threat and violence) than the activities involved in assistance to illegal migration. The price can also depend on the cost of the journey and the perceived “value” to the criminal groups of the victims.

Some countries have, nonetheless, been able to provide some overall figures. For example, Serbia and Montenegro reported that, according to earlier estimates, principal organisers of trafficking in women in their country could earn DEM 500,000 per year. Currently, it is estimated that profits from prostitution in Serbia alone amount to Euro 40 million annually, not including high class prostitution and proceeds from trafficking in women, which are considered to be significantly larger. Cases have also been reported where prostitutes were bought for 2,000 USD and sold after some time to another exploiter/pimp for the same or a higher amount.

Another phenomenon, reported by Italy, is the kidnapping of migrants. This illustrates how an illegal migrant case can turn into a human trafficking case. By relying on connections with Far East criminal organisations, a “batch” of Chinese migrants is “purchased” at an average price of Euro 5,000-6,000 per person. The transfer to Italy usually involves a stop-over in an eastern European country. The group is then handed over to the organisation which is responsible for smuggling the migrants across the Italian borders. Once in Italy, they are (unexpectedly) held captive until someone, either the relatives or their final employers, deposit a ransom for their release. The ransom amounts to over Euro 13,000. Should no one pay, the migrants are sold to another organisation or are enslaved in illegal manufacturing activities.

***Finding 3: There are some parallels between the flows of persons in these cases and the money flows, although the payments for transportation in illegal migration can be split between the countries of origin, transit and destination; the profits from human trafficking are generally invested in the country of destination or origin***

Information provided by the countries indicate that the problem of human trafficking and smuggling translates geographically mainly into a south to north and east to west flow of persons. In Europe we have seen networks trafficking women from some non European Union countries into the European Union, notably the destinations being the larger developed countries in Western Europe. The newer members of the European Union currently remain largely transit countries. Outside Europe, Canada has become a destination and transit country for women trafficked for the purposes of sexual exploitation from China, South Korea, Thailand, Cambodia, the Philippines, Latin America, Russia, and Eastern Europe. Most transiting victims are bound for lucrative markets such as the United States. The money routes are often similar to the human ones.

There are some specificities, depending on the proceeds-generating (predicate) offences being considered.

For *illegal migration/human smuggling*, there is a payment made by the migrant to the criminals. The payment can take place at different moments:

- In advance, in the country of origin (sometimes as a contract on transfer, which can imply a multiplicity of attempts until the transfer succeeds).
- After the transfer, in the destination country.
- Partly in advance and completed at the end (the illegal migrants who cannot pay the whole amount will pay the balance afterwards).
- Step-by-step, notably when payments are also made in the transit countries or for certain services.

The moment of payment can sometimes depend on the ethnic origin of migrants: for instance, it appears that Asian migrants tend to pay at the end, whereas North African migrants pay in advance. It may also happen that a group of migrants has been “stolen” by criminal organisations other than the one which was to receive the shipment. In this event, the migrants are required to pay a second transfer fee before being released.

The experience of various countries shows that there can be a variety of actors with different tasks involved in such criminal activities. The Hungarian authorities, for instance, have identified no less than 7 different functions: recruiters, organisers, consignors, guides, transporters, falsifiers, hosts and hiders, watchers or guards etc. Occasionally, accomplices within law enforcement agencies (police, border guards etc.) would provide information on the best crossing points and periods for operations, or other forms of support. Various countries agree that many criminal organisations involved in human smuggling/illegal migration tend to have looser, horizontal structures - rather than hierarchical, more organised vertical structures. The consignor does not directly take part in the operations; he/she is in charge of the money movements and it is with him/her that the migrant is in closest contact, even when sums have been paid for different parts of the service (e.g., to the transporter).

For *human trafficking*, and leaving aside those cases which overlap with illegal migration/human smuggling, cash flows mainly take place between criminals (recruiters, transporters, exploiters etc.). The payments can be made in exchange for services similar to those set out above in relation to human smuggling/illegal migration, or for the sale of people from one exploiter to another. Australia underlined that, for the purpose of sexual servitude, in South East Asia girls are usually recruited through more informal and personal networks of extended family, friends and acquaintances, rather than institutional and sophisticated organised crime networks. Passports, visas and travel requirements tend to be paid by the recruiters, who are then remunerated by the “contract owner” based in Australia once the girls have arrived at their place of servitude. Law enforcement information indicates that there are instances of multiple “contract owners” for one person. The brothel owners jointly pay for one person.

The main goal and criminal profit of trafficking, however, remains slave labour (industry, services, prostitution). The criminal proceeds are thus generated throughout a continuous process where the victims are located. These profits are huge and need to be laundered. The direct proceeds of illegal migration offences are usually the payments for the whole trip. By contrast, in human trafficking, the direct proceeds can include not only the payment for the trip but the profits from servitude, which can be difficult to quantify. Ways to evaluate the real criminal profit derived from certain forms of slave labour in the industry (which would incorporate unpaid salaries which otherwise would have been necessary, social contributions, taxes etc.) were not discussed in detail.

Proceeds may or may not need to be transferred abroad. It appeared from the cases discussed that proceeds are either sent back to the country of origin of the victims/criminals, or were invested locally,

where the exploitation takes place. It further appeared that monies are not usually transferred to “safe” countries for the purpose of dissimulation (as with some major proceeds generating offences).

***Finding 4: There are many types of money transfers connected with these cases. They need to be carefully analysed to determine whether they represent evidence of the predicate offences or the laundering of criminal proceeds. Sometimes money transfers can be both. The sums may be capable of confiscation either as proceeds or instrumentalities.***

Because both offences generate much of their direct proceeds in cash and because cash proceeds often need to be sent abroad (where for example the criminal organisation has a recruiter in the country of origin and accomplices in the country of destination), the money transfers can play a crucial role in the hiding of proceeds. It, however, is often difficult to distinguish between those movements of money which, for example, represent simple payments to couriers (and can be evidence of the predicate offence), and the laundering of criminal proceeds through the various stages of classical money laundering (placement, layering, integration).

There are the patterns of particular money transfers or payment methods to persons facilitating human trafficking and illegal immigration, as well as the remittances, described in some of the replies, which are often sent back home to the source countries by or on behalf of persons who have been trafficked for prostitution. All such transfers, if identified, may be indicators of these offences, and evidence of the predicate offences. In some, but not all cases, they may also represent the direct proceeds of criminal offences. In some human trafficking cases, the victims themselves were reported as having been “used” in order to facilitate the movements of profit back to other members of the trafficking network in the country of origin. If not the victim, other intermediaries may be used, for instance to open a bank account for such purposes (see typology 2 below).

Reported cases in Europe show that human trafficking organisations extensively utilise the services of two wire remitters in particular to pay couriers and sometimes to collect fees from source and destination countries, and that identification of the wire remitters can be problematic.

Money remitters were also identified as being used for the laundering of criminal proceeds in both types of predicate offence.

Another money transfer, which, if identified, might lead to the detection of an offence of illegal migration, concerns the monies borrowed by candidate immigrants to demonstrate sufficient funds to support their residence in certain countries. Once the immigrant has been accepted, the money is paid back, often using money remittance services. Such transfers might constitute evidence in an illegal migration case and might be confiscatable as an instrumentality rather than as proceeds. It is noted that the potential importance of such remittances as indicators of crime also could easily be overlooked by law enforcement/obliged entities/supervisory authorities, given that money remittance services were developed to assist migrant workers to send part of their earnings home to relatives.

***Finding 5: Some vehicles – in particular money remittance services - are more frequently used than others, though no new money laundering techniques were identified***

No novel money laundering techniques have been identified which can be uniquely associated with these offences.

From the replies provided, it appears that the criminal profits in these cases also include proceeds which are used immediately for daily living and for the acquisition of consumer goods (including vehicles), while other amounts are ultimately integrated through investment in real estate and businesses.

As with other cash generating criminal offences, a practical question for investigators and prosecutors is when can laundering be charged. It was noted by some countries that reported in this project, that

the legal structure and/or practice in these jurisdictions allowed for the possession, acquisition or use of consumer goods to be considered as laundering offences, while in others, only the accumulation of proceeds and the various movements (layering) and their subsequent introduction into the legitimate economy (integration) constitutes laundering.

It appears that there are some region-specific patterns. Reported cases, mainly in Europe, appear to show profits at the final stage of the laundering process being invested in banking and insurance products and in real estate or businesses. In other areas (e.g., Asia), underground banking systems (Hawala and Hundi) are being used to retain criminal proceeds.

It appeared from the cases presented and the information submitted by our respondents that some techniques are used more often than others.

*Frequently used money laundering techniques (bearing in mind finding 4)*

- Wire remittance services appear to be a very common means for transferring/laundrying proceeds from illegal migration and human trafficking. These services were involved in one way or another in the vast majority of cases described. The following patterns were observed:
  - Smurfing/structuring - sometimes the same persons perform a number of transactions with the same or different service providers over a short period of time.
  - Use of false identification documents or those of illegal migrants or victims of trafficking.
  - A remittance service being used together with an associated economic entity (e.g., travel agencies. In the United States, these are sometimes reported as being used as fronts for migrant smuggling and trafficking, with the proceeds being reinvested as an income of the travel agency - see typology 8 case C below).
  - Clients being accompanied by other persons (the real client).
  - Cash being sent by different senders to the same person abroad.
- Use of other money transfer services (e.g., telegraphic transfers or postal money orders).
- Use of cash/body couriers (often for large sums).
- Use of underground banking structures (including unlicensed money remittance businesses).
- Purchase of real estate, vehicles and other tangible objects, mostly registered under different names.
- Investments in legal cash based business activities (bars, restaurants and the like); in several cases the businesses were of the same ethnicity as the victims of the human trafficking; in a number of cases, victims of human trafficking/migrants were “employed” in these businesses.

*Less frequently used money laundering techniques*

- Use of non-resident bank accounts.
- Purchase of gambling chips in casinos.
- Use of “back to back” loans (the proceeds are used to guarantee a loan and once the latter is granted, it is repaid with the proceeds – see typology 10).
- Loans given to legal persons in cash.

- Monies being sent by different senders to one person of standing in the same ethnic community and he / she then sends large payments abroad.

Indicators related to money laundering associated with human trafficking and illegal migration have not yet been identified in a number of countries and information and experience is still lacking in respect of the proceeds generated by these offences.

The following indicators were, however, noted in the cases reported by some other countries:

*a) Where the financial system is used:*

- Structuring of funds below cash reporting limits, often using international money transmitters, and exchange offices which carry out such functions (remittances often being sent to sensitive jurisdictions). It is pointed out that repetition of such transactions (with the same people as receivers) and the sensitive nature of the countries of destination are often more important than the amounts.
- Use of the same financial institutions and the designation of the same beneficiaries.
- Atypical or uneconomic or unjustified fund transfers to and from jurisdictions.
- Depositing money in small amounts but where the totals are large in a short time.
- Important transfers on accounts, followed immediately (the same day) by important and repeated cash withdrawals.
- The involvement of high risk countries.
- The existence of unrealistic wealth compared to the client's profile.
- The presence of an accompanying person whose role is unclear.
- Use of fictitious documents, and sometimes fictitious companies.

*b) Where the criminal funds have been incorporated into the activity of a legitimate business, the non- or under-reporting of income/non-submission of tax declaration for the entrepreneurial activity is quite a common pattern.*

In certain countries, the analysis of the laundering of proceeds from human trafficking and smuggling of migrants is currently under way and although some patterns have already been identified, it could be that further, important connections might be established between these predicate crimes and certain business activities already identified as vulnerable to, and responsible for money laundering (e.g., in Italy: textile import, leather manufacturing and trading, and restaurants run by Chinese nationals – see under typologies). The money laundering indicators already identified with regard to these businesses are the following:

- Financial turnover of the company which is overlarge compared to the commercial turnover (unprofitable firms).
- Overlarge profit compared to the commercial structure (little staffing, low real commercial activity, no adequate facilities etc.).
- Use of locals to manage an ethnically-based business (Italy pointed to Italians running Chinese businesses to facilitate relations with financial intermediaries).

*c) Indicators identified in the framework of other schemes include:*

- The non reporting of transborder cash movements.
- The registration of goods, purchased with criminal funds, under other names (relatives etc.).

***Finding 6: In many human trafficking/illegal migration cases, criminals launder their own dirty money***

While the use of professional launderers is reported in the United States, Italy and Russia, in many cases it was observed that criminals launder their own proceeds. It was noted that this has implications for those countries which do not recognise “own proceeds” laundering as a category of the money laundering offence (see below).

## **TYPOLOGIES**

***Typology 1: Money Remittances (two money remittance networks in particular and foreign exchange offices providing similar services etc.)***

As noted, the use of money remittance services is a recurring theme so far as the financial aspects of human trafficking and smuggling of migrants is concerned. It appears that these services, which are used by migrant workers to transfer part of their earnings to their families abroad, and are also used by illegal migrants to pay their fee/debt and also for the criminals involved to launder proceeds. Various reasons for the use of these services were given. The most common ones were: the simple fact that remittance networks around the world are very developed and provide fast and less expensive transfers; the ease with which insufficient or, in some cases counterfeit identification can be used; the lack of limitation on the number of times such services can be used in any one day; and the lack of proper oversight of many such agencies, including in some countries the lack of clear data or information as to the number and types of entities providing these types of services.

### **Case Example 1**

In all cases dealt with by the Slovenian FIU, the suspects used a particular money remittance service network for their money transfers. The fact that the suspects were the recipients and at the same time the remitters of money in the transactions concerned caused problems for law enforcement. It was not clear whether these transactions were part of the perpetration of the predicate criminal offence of illegal migration, or whether they were to be considered as money laundering. Notwithstanding, the FIU found out that the money, which the citizens (refugees) and Slovene citizens (organisers) received from abroad, did not derive from payments for legally performed business activities, because there were no such businesses registered, which could result in legitimate earnings. In addition to the exchange of the amounts from foreign currency into Slovene *tolars*, which is a characteristic of the first stage of money laundering, and immediate remittance of the dirty money abroad, it was possible to infer that a criminal offence of money laundering was committed. This was based on the fact that the suspects used one of the most expensive systems for their remittance abroad. The organisers had to pay very high fees to the banks for the executed money orders through a particular money remittance network, which for asylum holders are considered to be economically illogical transactions. Another fact which raised suspicion was that the Slovene citizens (the organisers) though receiving the money through the particular money remittance network had not submitted their income tax statements to the Tax Authority.

### Case Example 2

During the period of July 2001 – September 2003, two sisters received remittances for a total amount of Euro 950,000 on accounts held in Bulgarian banks, and also through agencies affiliated to a particular money remittance network. These remittances were made by different persons based in Syria, Lebanon and France. Some of these remittances were ordered by Bulgarians. Information provided to the FIU by the Bulgarian law enforcement bodies revealed that these sisters were engaged in organising prostitution, and human trafficking and that they possessed large amounts of money, several cars and drivers. The problems for law enforcement were the lack of full identification of the ordering customers, and the fact that the sums were structured in small amounts, ranging from Euro 500 to Euro 6,000. Once the funds arrived on the accounts, they were drawn off immediately in cash with the justification that they were destined to relatives of the ordering customers. The case continues to be under investigation.

A typology involving exchange offices is set out under typology 3.

#### ***Typology 2: The Use of Intermediaries (or “straw men”)***

Intermediaries (or “straw men”) are used to perform different kinds of transactions, whether in the banking system or in relation to transfers using wire remittance services. They appear to be used typically as a screen between criminals and financial operators, or for smurfing in order to avoid the reporting threshold.

### Case Example 3

One of the reported files concerned an Asian student residing in Belgium who had opened an account with a Belgian bank. Shortly afterwards a Belgian restaurant owner of Asian origin was given power of attorney on the account. During one year the account exclusively showed international payments from Central Asia featuring the same clients. The funds were first withdrawn in cash, first by the Asian student and later by the restaurant owner. According to information obtained by the Belgian FIU, the student had a temporary student visa so he was not allowed to perform any professional activity in Belgium. Police intelligence revealed that the restaurant owner was known for accommodating Asian nationals residing illegally in Belgium. The student, who did not have any official income, clearly acted as an intermediary to open the bank account for the restaurant owner, who also performed cash withdrawals as he had the power of attorney for the account. The international transfers were apparently destined to him. The file is currently under police investigation.

#### ***Typology 3: Cash Couriers***

Cash couriers are often used for facilitating payments and moving money back to source countries in these types of offences. In general, they seem to be used for the movement of larger amounts. The role of the courier may be limited to a short period (for instance the time needed to perform a transaction – see case below involving exchange offices). The courier may also be closely connected with the criminal group. The use of body couriers is referred to in typology 8, case A.

### Case Example 4

In several files Ecuadorian and Dominican individuals performed transfers through international payment systems in Belgium. For some months they repeatedly went to the same exchange offices, sometimes several times a day. The beneficiaries of these payments, on average some 500 EUR, were individuals in Ecuador and Dominican Republic. Given that the individuals involved did not have any professional activity in Belgium or abroad these transactions did not have an economic justification. Moreover, the individuals were not domiciled at the address that they had stated and this address also featured in another file that had been transmitted by the FIU to law enforcement for exploitation of prostitution and/or trafficking in human beings. The Belgian FIU already knew various Ecuadorian individuals from other reported files dealing with this type of offence, as did the police. These files are currently under police investigation.

#### ***Typology 4: Use of Victims to Perform Transactions***

In the case of trafficking in human beings, it is not uncommon that the victims themselves are used to perform transactions under their own names or using other ID documents. The technique is used for the purpose of smurfing or to hide the real purpose of the transaction/the identity of the criminals.

##### **Case Example 5**

A person performed several times in the same week telegraphic transfers to country A. This person signed the transfers even when they were made under different names, since women were brought in by the person to open accounts using passports and identification documents from country A. The listed occupation of the customers was "receptionist", all in the same location.

#### ***Typology 5: Participation of a Second Person***

Several cases have been described, where a second person is involved in the performance of the transaction, mostly at the same time. The role of the second person is usually unclear but often, he or she seems to be in some kind of supervisory position (handing over money, giving instructions etc.). Below are three cases, which have been reported by Australia as possibly connected to human trafficking for sexual servitude, but not with a structuring scheme.

##### **Case Example 6**

A woman performed regular and multiple transactions at the same location, although not a customer of the banking institution. Telegraphic transfers for amounts around AUD 9,000 were obtained, and a second woman was used to authorise the transfer (by signature). The second woman appeared to be heavily reliant on advice and followed the instructions of the first woman

##### **Case Example 7**

A person conducting transactions queried requirements for completion of documents, and obtaining of relevant information (including identification documents and contact details). A woman not conducting the transaction actually handed over money and left before the transaction was completed.

##### **Case Example 8**

A customer purchased telegraphic transfers to country A at a rate of 10 to 15 per month. A second person actually completed the transactions on behalf of the customer. In the majority of instances, the funds were described as "gifts".

#### ***Typology 6: Atypical Fund Transfers***

Below is an example of a major case which was identified in one country on the basis of suspicious transactions reported to the FIU. At the same time, the suspect was under investigation by another law enforcement agency in a second country. The size of the proceeds identified and ultimately confiscated appears to be the result of concentrated investigative work performed by agencies in different jurisdictions, good international cooperation on evidence gathering and asset tracing, and by painstaking monitoring of the suspect's activities.

### **Case Example 9**

A major alien smuggling and money laundering case in the Netherlands began with suspicious transaction reports concerning transactions at a local Hong Kong, China bank in which large amounts of money were deposited into accounts and immediately followed by outward remittances into a personal account in the Netherlands. Following the STRs (in 1999), the FIU launched an investigation into the account of Z., from which an address in the Netherlands was established. The Hong Kong, China FIU contacted the Netherlands National Police Agency for background enquiries and was told that the Agency had already started an investigation into Z.'s syndicate involving the smuggling of aliens. Z. was a kingpin in a dismantled alien smuggling organisation in the Netherlands. She coordinated with her accomplices for the purpose of smuggling mainland Chinese through Russia, Ukraine, Turkey and Slovakia into Western Europe. The final destinations were Canada, USA and Mexico.

The Hong Kong, China FIU identified five accounts held by Z., with a total amount of USD 283,000. The information was passed to overseas counterpart agencies. Throughout the period, the FIU continued to monitor the cash flows and the updated balance amounted to over 2 million Euro. To avoid suspicions, Z. appeared to use several bank accounts in various countries in her own name or in the name of facilitators to hide and launder the illegal proceeds. Funds were wire transferred to foreign accounts. The investigation by the Hong Kong, China FIU also revealed that Z. had also triggered 8 STRs for purchasing casino chips with both Dutch and foreign currencies (cash) in a state run casino. Z. was arrested in the Netherlands in June 2000 and convicted in October 2003. She was sentenced to 3 years and 6 months imprisonment. In January 2004, a Dutch court made a confiscation order for 8.7 million Euro, representing unlawful gains. Overseas police agencies also arrested several persons abroad and restrained assets, including real estate and accounts situated in foreign countries.

### ***Typology 7: Use of Underground Banking***

As is well known, underground banking operations are difficult to detect and trace because of their nature. The system implies the existence of a well organised network of correspondents and a high level of internal discipline and trust. The system is often found to be used by particular ethnic communities.

### **Case Example 10**

Immigration and Customs Enforcement (ICE) agents found that by posing as a smuggling organisation, they would have been able to charge a USD 35,000 transportation fee to smuggle each National from the People's Republic of China, located in Thailand, to New York. The criminal organisation often charges these individuals upwards of USD 85,000. The criminal organisation would receive payment for the smuggling before arrival of the Chinese nationals and pay the agents posing as the smuggling organisation. The remaining profit would then be kept in a system of underground banks, thus making the tracing of the profits extremely difficult. The profits would then be sent via wire transfer to Bangkok, Thailand or Hong Kong, China under a false name.

### ***Typology 8: Use of Businesses***

Businesses are associated in various ways with human trafficking and smuggling of migrant schemes. They can be used as facilitating or as money laundering devices, and sometimes as both. In other cases, they are fronts, with no or little activity corresponding to the one for which they are officially registered.

Well-documented cases on the use of businesses often reveal a variety of patterns concerning the transfer of funds, their accumulation, their conversion and investment.

It is difficult to identify common denominator as to the types of businesses used in these types of case. Often, the businesses are directly involved in cross border activity (travel agencies, money remitters etc.). But this is not always the case, and cash intensive business concerns regularly feature in the reported cases. It is thought that some of the profits from these offences is ploughed back into these businesses.

### **Case Example 11 – A restaurant**

Through investigative efforts it was revealed that a Chinese restaurant and two other Asian restaurants located in New Mexico were engaged in multiple violations of federal and state law. The violations included money laundering, harbouring illegal aliens, inducing illegal aliens to come to the United States, conspiracy, and multiple state charges related to labour law.

This investigation showed that, after being smuggled into the United States, the undocumented migrants would all live in the same house provided by their employers and work at their employers' restaurant six days a week for twelve hours a day, earning a substandard wage. This wage was used to repay smuggling debts that were incurred in both China and the United States. Some of the smuggled aliens borrowed money from a loan shark in China and would send their wages, via wire transfer, to China in order to repay the loan. The other smuggled aliens would use their wages to repay the owner of the restaurant, since he had paid the smuggling fees for the aliens. These fees ranged from USD 40,000 - 60,000. The US Immigration and Customs Enforcement (ICE) agents conducted surveillance and notified the Department of Labour of the investigation. By comparing the reports filed with the Department of Labour and the notes taken during surveillance ICE agents noticed that the businesses were only reporting 40% of their employees.

ICE executed 10 simultaneous search warrants. During the execution of the warrants ICE agents found 28 undocumented aliens. Additionally ICE discovered accounting ledgers, which identified approximately USD 2,000,000 in unreported proceeds. ICE agents found that the proceeds were being sent to China via money wire, mail, and body couriers. ICE seized two bank accounts worth USD 50,000 and 28,000 respectively. The Asset Identification and Removal Group is attempting to identify other real properties and assets owned by the group.

### **Case Example 12 – A money transmitting business**

The US Immigration and Customs Enforcement (ICE) offices within the Arizona corridor are investigating a criminal enterprise responsible for smuggling undocumented aliens (UDA's) into the United States and transferring of the illegal proceeds from the smuggling operation via money transmitters. A common practice that alien smuggling groups utilize in the Arizona corridor is to secure a small down payment from the smuggled migrants before they leave Mexico. Prior to crossing the border, the migrants must provide the smuggler a name and contact number for a relative or prospective employer in the United States who will guarantee the remainder of the smuggling fee and air fare to their final destination in the United States. After crossing the border the smuggled migrants are temporally staged in Phoenix or Tucson. From there the smugglers contact the guarantor who then sends, by wire, the remaining smuggling fee.

In this particular conspiracy, ICE agents learned that the alien smuggling family operated their own unlicensed money transmitting business to further conceal their illegal activities. The investigation is focusing on violations of alien smuggling, conspiracy to commit alien smuggling, and money laundering.

On April 19, 2003, special agents assigned to an Asset Identification and Removal Group seized an un-liquidated investment account belonging to the family. The un-liquidated investment account was valued at USD 219,000.

### **Case Example 13 – Travel agencies**

The investigation was initiated as part of a wide ranging initiative targeting human smuggling organisations operating in and around the Los Angeles International Airport. Through intelligence acquired during this initiative and extensive financial research, Immigration and Customs Enforcement (ICE) agents initiated a human smuggling/financial investigation into criminal smuggling organisations. These organisations own and operate travel agencies which are used as fronts to facilitate the movement of smuggled migrants from the southwest border to Los Angeles, California and on to various locations throughout the United States. These travel agencies provide staging areas, plane tickets and fraudulent identification for migrants being smuggled by the organisation.

The criminal organisations generate huge profits from their smuggling operations, which are laundered (including investment in the travel agency). For the period January 2003 through July 2004, ICE has identified 13,857 transactions through a particular money remittance network , totalling more than USD 27,000,000.

On November 4, 2004, ICE agents and CBP/Border Patrol executed six Federal search warrants within the Los Angeles area. Five of the search warrants were executed at travel agencies identified as having facilitated human smuggling and money laundering activities. A sixth warrant was served at a residence belonging to a targeted individual who has been linked to the criminal organisation. In addition to the search warrants, twenty-six bank accounts belonging to the targets of the investigation were frozen.

### **Case Example 14 – Landscaping companies**

A human smuggling and trafficking investigation revealed that a criminal organisation was responsible for smuggling Ecuadorian nationals into the United States. Once in the United States the undocumented aliens were forced to live in communal housing supplied by the smugglers. The aliens were also forced to work for landscaping companies chosen by the smugglers. As the aliens were paid for their work the smuggling organisation would take their checks and deposit them into an account owned by the smuggling organisation.

The organisation would then subtract money due to the aliens from their checks for housing, at an overpriced rate, and smuggling fees. The organisation would only return approximately 20% of the money to the aliens. The organisation then used the money to buy real estate in the United States and in Mexico. On occasion the smuggling organisation would send money to Mexico via one money remittance network in particular. The organisation also deposited checks directly into legitimate bank accounts set up in Mexico.

### **Case Example 15 – A law firm and fraudulent asylum requests**

In the New York area a legitimate law firm aided Chinese smugglers by using their law firm to fraudulently create asylum requests for use at CIS. In a period of time, over 1,000 Nationals of the People's Republic of China were smuggled into the United States. The law firm would charge between USD 40,000 and 50,000 per asylum request. Further, the law firm also filed false income tax returns and paid their employees in cash thereby avoiding all withholdings. Approximately USD 5 million was seized constituting the proceeds of the smuggling scheme. The proceeds were represented in both real property and currency.

### ***Typology 9: Investment in Real Estate***

Investment in real estate is another frequently reported method of converting proceeds from human trafficking and smuggling of migrants. Although the case beneath does not constitute an example of money laundering detected on the occasion of the purchase of real estate (the investigation was triggered by the reporting of transactions by financial institutions), it shows how relatives can be used in such a context, as intermediaries.

### Case Example 16

The Slovenian FIU has worked on a case which involved a Slovenian citizen, who was the leading member of an organised criminal association dealing with smuggling of illegal refugees, mostly Turkish, Albanian, Macedonian and Iranian citizens, to the West. In the years 1998 to 2003, this Slovenian citizen received 81 money orders from 14 different individuals from the USA, "the former Yugoslav Republic of Macedonia", Italy and Germany for a total amount of 40,000,000 Slovene *tolars*. In connection with this transaction, the FIU had reason to believe that the money derived from the organisation of illegal migration or from the participation of the suspect in the group for the organisation of illegal migration. The biggest share of money was remitted to Slovenia from the USA in the amount of 31,000,000 Slovene *tolars* or 77% of all money orders in the amount of 40,000,000 Slovene *tolars*. The main portion of this money remained in Slovenia and was thought to be used for investment into real estate and was also distributed among other members of the criminal association. In the year 2000 the suspect's wife, who has not filed an income tax statement for that year, used 14,000,000 Slovene *tolars* to buy real estate. The FIU also found out that both the suspect and his wife had made transactions representing several times their official income (as filed in their income tax statements during the years 1998 to 2003). The suspect was finally convicted in 2003, in connection with the amount of 40,000,000 Slovene *tolars*, for organisation of illegal migration. The case has shown the following patterns:

- very high fees were paid for the money transfers which could have been executed at much lower costs; such economically illogical transactions are - as a rule, thought to be connected with money laundering;
- the monies spent by the suspect's wife to buy real estate in the amount of 14,000,000 Slovene *tolars*, did not originate from her own income, but was handed to her by her husband, who received it for organising illegal migration. In the real estate purchase contract, the buyer is the suspect's wife, with the purpose of concealing the source and the real beneficiary of the dirty money.

### **Typology 10: "Back-to-back" Loans**

So-called "back to back" loans are not, so far as has been established in this research, a frequently used money laundering technique in relation to the offences studied. The case below, which is an illustration of this technique, is reported here for the sake of completeness and for its comparative novelty as a money laundering technique.

### Case Example 17

In the year 2000, the Slovenian FIU forwarded to the Criminal Police Directorate a suspicious transaction report connected with the organised perpetration of illegal migration. The FIU had found that the main organiser laundered his proceeds by using the banking system. Even though the suspect had not filed any income tax statements to the Tax Authority since 1995, the FIU found more than DEM 1,400,000 of money orders received in different currencies and from which a suspicion was raised that they derived from the smuggling of immigrants.

To hide the source of the money, the suspect used a money laundering technique known as a "back to back loan". In the year 1999, the suspect took a loan from a Slovene bank, for an amount of DEM 200,000 with a repayment term of one year. The loan was secured in a way that he restricted the use of his illegally gained money for a year in the form of a term deposit<sup>22</sup> in the amount of DEM 215,000 at the same bank. The suspect concluded his loan agreement without any real sound economic reasons; his term deposit was much bigger than the actual loan; the interest rate for the term deposit was 2.94%, and the interest for the loan was 5.8%, which caused additional loss to the suspect. In the early stage of his loan arrangement the suspect regularly repaid the loan, but at the end of one year when his term deposit became a normal demand deposit, he repaid the main part of his outstanding loan liabilities. Even though some interest accrued on his term deposit, he still suffered a loss in the amount of 1,200,000 Slovene *tolars*. With an economically illogical transaction, the suspect managed to launder DEM 200,000 of dirty money.

<sup>22</sup>A "term deposit" is a deposit where the money cannot be used by the customer for a certain period of time, for which the customer usually receives a higher interest rate than for a normal demand deposit.

## CONCLUSIONS

We are conscious that in the time available, our research has only begun to scratch the surface of these issues. Nonetheless, we can draw some tentative conclusions:

While we have not detected any very significant differences in the typologies of money laundering in respect of offences of human trafficking and illegal migration, there are differences in the money flows associated with these offences. These need careful analysis and investigation back to the country of origin if the laundering offences are always to be successfully detected in respect of these predicates. In the course of analysing these money flows, it is necessary to identify and separate out which are payments/fees or other sums which may be evidence of the substantive offences, as opposed to money flows which represent the laundering of criminal proceeds. As noted earlier, both sums may be confiscatable in due course either as instrumentalities or as proceeds.

Though the STR reporting system generates some inquiries, trafficking in human beings and illegal migration remains primarily a law enforcement issue. The background of those country experts who participated in the workshop supports this.

It was underlined that the exchange of information and cooperation between authorities (including trans-/internationally due to the *cross border nature* of the crimes considered) is very important to ascertain the complex nature of trafficking and smuggling schemes. Likewise, raising awareness of the importance of financial investigation as part of the investigation of the crime remains crucial. As indicated earlier, not all countries have as yet information on the laundering techniques used in this field, although our research shows that, to a large extent, they are similar to those used in relation to other cash generating predicate offences, for instance drug trafficking.

It was clear from our discussions that there is a general need to enhance awareness – at least at local level - about the nature of trafficking in human beings and smuggling of migrants. Local police may not always realise the implications of cases they are handling. It was noted that local police sometimes process cases of prostitution or living off immoral earnings without considering whether the offences they are dealing with are also part of a larger human trafficking organisation.

It was also underlined that the investigation of these serious crimes needs to be supported by the use of special investigative means. Further, it was noted, as indicated earlier, that the financial investigation (targeting proceeds) 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 migrants since the evidence of payments/financial benefits is a prerequisite for obtaining a conviction in such cases.

Unfortunately, the importance of such investigations is not yet universally acknowledged. In some countries, law enforcement agencies routinely conduct financial investigations into the financial aspects of organised human trafficking and illegal migration. However, in some Central and Eastern European countries, where confiscation of proceeds, as widely interpreted in the international instruments, is still not in place traffickers appear able to retain most of their profits with impunity. The time available did not allow our project to investigate whether, when there are convictions for human trafficking/illegal migration, reverse onus provisions are being applied regarding the lawful origin of alleged proceeds. Neither was there time to explore other successful non-criminal repressive strategies – e.g., taxation, non-criminal asset forfeiture. Another important issue that might be discussed further in the future concerns what exactly can be forfeited/confiscated as instrumentalities,

bearing in mind the particularities of the crimes considered (e.g., parts of a legal business which has been used to facilitate the entry/stay of illegal immigrants, means of transport used, etc.).

Turning to actual investigations and prosecutions, we noted that money laundering cases can actually be prosecuted where illegal migration or human trafficking are underlying predicate offences to money laundering. A round table of the participants revealed, encouragingly, that money laundering cases, on the basis of these predicates, had either been successfully prosecuted or were being brought in the following jurisdictions: Belgium; Bulgaria; Hungary; Luxemburg; Slovakia; Slovenia; Italy; United Kingdom; United States; Hong Kong, China; and Russia. That said, it is acknowledged that money laundering in relation to smuggling of migrants and human trafficking is not easy to detect and prosecute. Reasons for this include:

- 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.
- Lack of criminalisation of self-laundering. Among the countries represented in the workshop, there was only one state where this applied and legislation was being amended to cover this.
- Smugglers and traffickers adapt their working methods to avoid detection.

The issue of the cooperation of victims with investigations and prosecutions in these cases was not discussed in depth. However, it was noted that some investigations were triggered by “escaped” victims. Most countries treat victims as valuable intelligence rather than as potential witnesses. In most countries, it is considered that victims of trafficking are usually unwilling to testify or provide information because of fears of retaliation against them or their relatives. Most countries also appear to lack adequate incentives, protection and psychological support measures for victims such as to encourage their active use in actual cases.

The issue of money transfer services (such as those offered by certain money remittance networks) appears to be particularly crucial in the context of combating money laundering of proceeds from human trafficking and (organised) illegal migration. Tighter regulations of these services need to be seriously considered by those countries particularly affected by these offences. It is especially important that the authorities have an overview of who can or does provide such services and who supervises the sectors concerned. The United States in particular had taken successful defensive measures in connection with money transmission services<sup>23</sup>.

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<sup>23</sup> According to the experience of the United States, damming warrants are a useful tool. Damming warrants allow for the blocking of funds wired to an individual described in the warrant for a specific period of time. When the smuggler targeted in the warrant attempts to collect the funds, the Non-Bank Money Transmitters (NBMT) refers the smuggler to a customer service number, which is monitored and staffed by ICE Agents. Those agents will then determine if the funds are criminal or legitimate proceeds. If the funds are determined to be criminal proceeds, the recipient is notified that the funds were seized by law enforcement. If the transaction is found to be legitimate, the funds will be released. The subjects of damming warrants are members of criminal organisations. The parameters include inbound amounts in the range and increments of USD 1,500, correlating to fees associated with smuggling an alien from Mexico into the United States. By filtering and analyzing

The immediate implementation of FATF Special Recommendation VI on alternative remittance and Special Recommendation VII on wire transfers, both of which also cover money laundering, needs to be addressed by countries implicated in human trafficking and illegal migration. The major issues in this context are:

- The variable identification requirements ranging from a customer's ID check to the absence of identification (in some cases, only the code was used to ascertain the legitimate recipient).
- A number of them operate illegally, and are not subject to adequate supervision, or no supervision at all (this could be the case of money remittance services offered by businesses which are not traditionally obligated entities under money laundering legislation – e.g., travel agencies).
- When the service is connected with another form of legal business, it offers a powerful tool for both transferring and laundering proceeds via integration in the business' activity.
- The introduction of the single currency in Europe has resulted in foreign exchange operators diversifying their services and providing money transfer services leading to a proliferation of operators in this area; the multiplication of such services appears to have led to increased competition among them and to some greater laxity as regards customer identification.

It appeared from our work, that the use of cash couriers (particularly bulk carriers) is another crucial issue to be addressed in coherent national policies aimed at combating these crimes. In this context, the immediate implementation of special recommendation IX on cash couriers (which also applies to money laundering) should be urgently considered by those countries which are affected by these offences.

If countries are to make real progress against human trafficking and illegal migration, the removal of the profit from these crimes, through dissuasive confiscation orders, appears to be important in the development of national strategies. This supposes, to a large extent, that the proceeds are secured at an early stage of the (financial) investigation through temporary measures. In most jurisdictions, dissuasive confiscation orders turn on the recognition of the relevant offence as especially serious.

In this context, it is considered that jurisdictions should recognise that human trafficking and smuggling of migrants are serious offences which should be capable of attracting significant confiscation orders after conviction. Because of the difficulties in assessing the amount of proceeds generated by the offences being considered – this is particularly true for human trafficking and the forced labour which goes with it – measures could be considered at the national level, to the extent that they are consistent with the principles of domestic law, to require that in respect of these serious offences, after conviction, an offender demonstrates the origin of proceeds or property said to be liable to confiscation.

#### **ISSUES FOR CONSIDERATION**

Though there is clearly much more research that could be undertaken on the subject, on a number of the issues raised in the discussions (and touched on in this report), the working group felt that no further studies needed to be undertaken by it, at this stage, in the specific context of typologies.

The issues for consideration formulated by the working group therefore flow from the conclusions set out above. They apply to countries generally, but are of particular relevance to those (origin, transit and destination) countries which are known to be affected by these crimes in all their different stages.

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transactions, ICE has been able to associate transactions correlating to "buy-out" fees from sponsors, destined for California-based money couriers representing several human smuggling organisations.

The first two considerations relate to the urgent need for implementation of Special Recommendations VI, VII and IX. Though they were introduced in the context of terrorist financing, they also explicitly cover money laundering, and the working group considered that greater awareness-raising on these aspects in all countries was required, especially in respect of financial aspects of human trafficking and illegal migration.

- **Rapid implementation of Special Recommendation VI on alternative remittance and Special Recommendation VII on wire transfers in the context of money laundering (and in particular the predicate offences of human trafficking and illegal migration).** Given the importance of money remittance services in these offences, and the risks involved for countries affected by these crimes, states should consider ways in which controls over money remitters could be tightened. In particular, countries should have a clear overview of all agencies offering these services and consider the feasibility of closer direct supervision of them in order to ensure that Special Recommendations VI and VII are fully observed.
- **Rapid implementation of the new Special Recommendation IX on cash couriers in the context of money laundering. Special attention should be given to this by countries affected by trafficking in human beings and illegal migration.**

The following two considerations are identified in the light of other concerns raised within the project team:

- **As many criminals launder their own proceeds in these offences, the incrimination of self laundering in those countries involved in trafficking in human beings and illegal migration (where self laundering is not currently criminalised) should be actively considered.**
- **In order better to target kingpins in human trafficking and illegal migration in those countries particularly involved in these offences, consideration could be given to measures which require offenders, upon conviction for these offences, to demonstrate the origin of alleged proceeds or other property liable to confiscation to the extent that such a requirement is consistent with the principles of its domestic law.**

**Questionnaire Used for the Preparation of  
Workshop on Money Laundering Methods Associated with  
Human Being Trafficking and Illegal Migration**

1. Has your jurisdiction detected instances of organised trafficking in human beings / illegal migration? If so, what were the main characteristics of *financial operations* associated with such cases (for example, jurisdictions involved, funds paid by migrants, profits derived by traffickers, etc.)? Please provide case examples if possible.
2. To what extent has your jurisdiction conducted investigations into the *financial aspects* of organised human being trafficking and illegal immigration? If such investigations have occurred, what money laundering techniques were detected? What were the obstacles to conducting such investigations? Was it possible to confiscate the proceeds involved? If confiscation was not possible, what were the impediments to taking such action?
3. What patterns have you identified in the use of particular money transfer or payment methods as related to facilitating human being trafficking or providing illegal immigration “services”?
4. What indicators have you observed in relation to money laundering associated with human being trafficking and illegal migration?

What law enforcement agencies or other government authorities are directly involved in detecting and investigating cases of human being trafficking and illegal immigration? What obstacles exist to sharing intelligence or information among these authorities?