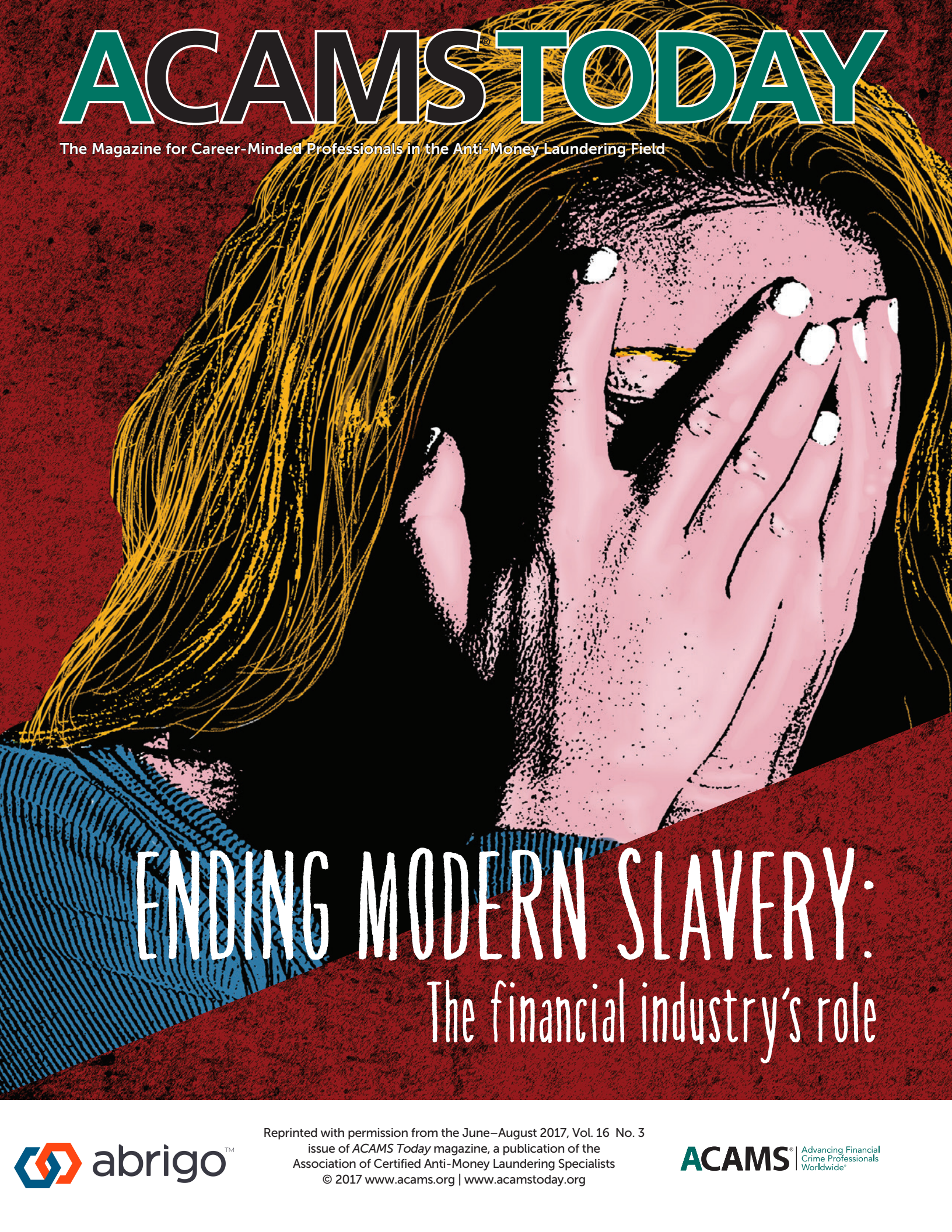


ACAMS TODAY

The Magazine for Career-Minded Professionals in the Anti-Money Laundering Field



ENDING MODERN SLAVERY: The financial industry's role



Reprinted with permission from the June–August 2017, Vol. 16 No. 3
issue of *ACAMS Today* magazine, a publication of the
Association of Certified Anti-Money Laundering Specialists
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Human trafficking—a form of modern slavery—is one of the fastest growing criminal activities in the world. It exploits an estimated 45 million people a year¹ and generates approximately \$150 billion in profits.² Though the concept of human slavery is certainly not new, some are unaware of the impact and extent of human trafficking in the 21st century, both at home and abroad.

The good news is that the financial industry can play a part in disrupting this heinous crime. With proper education, knowledge of red flags and victim indicators, and by building strong relationships with law enforcement, the financial industry can help disrupt the problem of modern slavery.

Hidden in plain sight

According to the Foundation for a Slavery Free World,³ there are 20 to 30 million slaves in the world today. The Global Slavery Index⁴ estimates upwards of 40 million. In the U.S., the statistics are equally jarring. The National Coalition Against Domestic Violence reported that approximately 80 percent of trafficking involves sexual exploitation and 19 percent involves labor exploitation.⁵ According to the U.S. State Department, 600,000 to 800,000 people are trafficked

across international borders every year, of which 80 percent are female and half are children.⁶

The Action Means Purpose (A-M-P) model⁷ (as shown in Figure 1) is helpful in understanding the definition of human trafficking. Yet the extent of the problem remains a bit more difficult to define. “Hidden in plain sight” is a term used in the Department of Homeland Security’s Blue Campaign, an effort that aims to combat human trafficking. This phrase represents the difficulty of spotting human trafficking on the surface.

In a 2015 edition of *Frontline*, the Public Broadcasting Service illustrated the divergence between reported instances of human trafficking and actual arrests in the U.S.⁸ The article noted that in 2014, a federally funded hotline for U.S. trafficking victims received more than 21,000 calls. During that same period, the Department of Justice made only

184 convictions for trafficking, which shows the disparity between reports and arrests.⁹

As former Secretary of State John Kerry said in the *2015 Trafficking In Persons Report*, “Whether we are talking about the sale of women and children by terrorists in the Middle East, the sex trafficking of girls lured from their homes in Central Europe, the exploitation of farm workers in North America, or the enslavement of fishermen in Southeast Asia, the victims of this crime each have a name.”¹⁰

Each victim has a name

Tenancingo, Mexico is widely considered the sex trafficking capital of the world. It is the single largest source of sex slaves to the U.S.¹¹ Men who are masters of manipulation kidnap boys and girls as young as 14 years old from Tenancingo’s surrounding villages. They trick, threaten or seduce them into working for the sex trade. Many times these pimps capitalize on the residents’ values by pretending to start a relationship with them, telling them they love them and tricking them into a life of slavery.

Ultimately, the victims find out that they have been lured away from home in a prostitution or labor scheme, getting paid very little for very poor working conditions against their will. “He said the money was to buy land so we could build a little house, but it was all false, even the name he’d given me was false. He made me live a very sad, ugly, desperate life,” one victim told *The Guardian* in 2015.¹²

¹ The Global Slavery Index, 2017, <http://www.globalslaveryindex.org/findings/>

² International Labour Organization, 2014, <http://www.ilo.org/global/topics/forced-labour/lang--en/index.htm>

³ Foundation for a Slavery Free World, 2015, <https://www.slaveryfreeworld.org/>

⁴ The Global Slavery Index, 2017, <http://www.globalslaveryindex.org/findings/>

⁵ The CNN Freedom Project, *CNN*, October 18, 2013, <http://thecnnfreedomproject.blogs.cnn.com/category/the-facts/the-number/>

⁶ Trafficking In Persons Report, United States Department, 2004, <https://www.state.gov/documents/organization/34158.pdf>

⁷ National Human Trafficking Resource Center (NHTRC), 2017, <https://humantraffickinghotline.org/resources/actions-means-purpose-amp-model>

⁸ Caroline Reilly, “Human Trafficking: A Crime Hard to Track Proves Harder to Fight,” *Frontline*, July 29, 2015, <http://www.pbs.org/wgbh/frontline/article/what-is-human-trafficking-and-why-is-it-so-hard-to-combat/>

⁹ “Trafficking In Persons Report,” U.S. Department of State, July 2015, <https://www.state.gov/documents/organization/245365.pdf>

¹⁰ *Ibid.*

¹¹ Natasha Bertrand, “This Mexican Town is the Sex Trafficking Capital of the World,” *Business Insider*, February 10, 2015, <http://www.businessinsider.com/this-mexican-town-is-the-sex-trafficking-capital-of-the-world-2015-2>

¹² Nina Lakhani, “Tenancingo: The Small Town at the Dark Heart of Mexico’s Sex-Slave Trade,” *The Guardian*, April 4, 2015, <https://www.theguardian.com/world/2015/apr/05/tenancingo-mexico-sex-slave-trade-america>

However, trafficking is not just contained to communities like these. The problem is happening in our own backyards and even in wealthy neighborhoods and non-border states. Human trafficking affects people of all genders, ages and nationalities—even domestically.

A close-to-home example is Backpage.com. Backpage is the world's largest classified ad company. According to Dawn Hawkins, executive director of the National Center on Sexual Exploitation, Backpage posts 1 million prostitution ads a day.¹³ Earlier this year, a Senate subcommittee published a report, after a 21-month investigation, finding that Backpage knowingly facilitated online child sex trafficking on the “adult” section of its website.¹⁴ Many of the girls advertised were victims of trafficking. The adult section was taken down, but according to *CNN*, sex advertisements began to appear on a different section of the website.¹⁵

The first step in being able to identify and disrupt human trafficking—from a financial institution's perspective—is awareness

“It's not just a border issue,” said Harry Jimenez, deputy chief of Bexar County Sheriff's Office in San Antonio. “More and more human trafficking victims are found in the interior of the United States. They are trafficked through the major highways of the United States, and the traffickers are looking for smaller communities with smaller banking communities,” said Jimenez. “They believe the bankers have fewer resources than a big

bank would, and they know that the law enforcement is more limited and they're not going to be conducting sting operations, for example,” said Jimenez. These examples illustrate that sex trafficking and labor trafficking are happening in the U.S., in large cities and in small towns, and even in our own backyards.

How can the financial industry make an impact?

Law enforcement is not the only group that is challenged by the “hidden in plain sight” problem. The financial industry can often find it difficult to identify signs of human trafficking. The money is moved quickly and quietly, and the transactions may not always appear suspicious on the surface. However, anti-money laundering (AML) professionals can make an impact to identify and prevent human trafficking if they are armed with the proper knowledge.

The first step in being able to identify and disrupt human trafficking—from a financial institution's perspective—is awareness. It is important not only for compliance professionals to be educated and keep up-to-date with the issue, but also to train other staff on it. AML professionals can incorporate information about human trafficking into their required training—what it is, red flags to look for on the front end and more.

Counter-human trafficking activities should also be built into an institution's customer due diligence policies and procedures. Asking the right questions, knowing what to look for, and thinking holistically about known patterns and indicators of human trafficking all play a part in customer due diligence. Bank Secrecy Act/anti-money laundering software automation can also be a significant factor in the ability to flag potentially suspicious transactions based on rules, behaviors and/or typologies related to human trafficking.

Financial red flags for human trafficking

There are hundreds of red flags that may indicate human trafficking, from victim indicators to transaction traits. Sometimes this requires thinking outside the box, beyond just the cash intensive businesses. Jimenez used business customers in the service industry as an example. “It goes back to know your customer,” he said. For example, in doing due diligence on how many employees a company has, AML staff would look at whether the business has a payroll account. “You'd be surprised how many massage parlors and nail salons that are being involved in sexual exploitation don't have a payroll account, because nobody's getting paid,” he said.

In addition, there are certain victim indicators of trafficking, which can indicate coercion, brainwashing and so on. For instance, a trafficking victim may be accompanied by a controlling person or boss and will not speak on his or her own behalf. Individuals may have a lack of control over their personal schedule, money, ID or travel documents. They may be transported to or from work, or living and working in the same place. “Many of these victims of sexual exploitation and human trafficking... [are] unable to identify themselves as victims,” said Jimenez. “These individuals are unable to go to a police officer and say, ‘I need help.’”

Customers' profiles can also contain red flags. Customers with excessive numbers of accounts, consumers with discrepancies between account funding and known customer profile, and businesses or industries easily exploitable by traffickers (immigration attorneys or labor intermediaries) can all require further investigation.

¹³ Dawn Hawkins, “Statement: Backpage.com Block Prostitution Ads in U.S. Under Pressure for Sex Trafficking,” National Center on Sexual Exploitation, January 10, 2017, National Center on Sexual Exploitation. <http://endsexualexploitation.org/articles/statement-backpage-com-blocks-prostitution-ads-u-s-pressure-sex-trafficking/>

¹⁴ *Ibid.*

¹⁵ Andrea Powell, “The Fight Against Sex Trafficking is Bigger than Backpage,” *CNN*, January 19, 2017, <http://www.cnn.com/2017/01/18/opinions/backpage-sex-trafficking/>

There are also several transaction traits that can be red flags, many of which are detectable using a suspicious activity detection engine. One example is a high volume of round-dollar deposits via wires, ACH, or cash in the range of \$2,000 to \$3,000, which could indicate payment to the trafficker. The person is moved to a large city like New York, for example. The money is transferred to the trafficker in another location, possibly a border town. The dollar amounts are low, as a human commodity continues to generate profits.

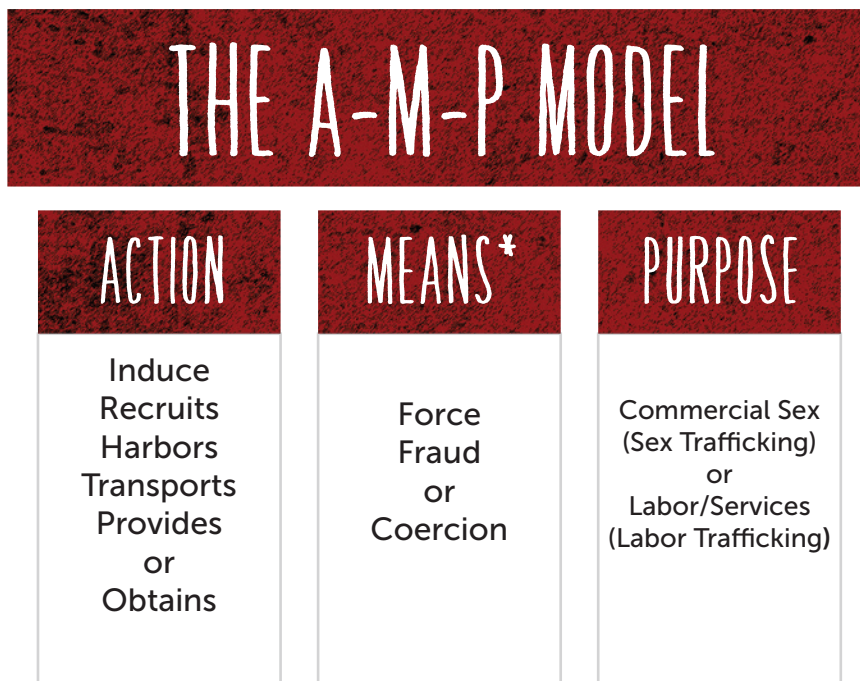
Other indicators include excessive interstate or intrastate cash deposits less than \$1,000 at multiple branches daily, as well as cash deposits just below the currency transaction reporting threshold but deposited at several branches. A high volume of debit or credit card transactions using specific merchant codes, airline/rental car/bus/taxi charges in multiple cities and states, and excessive hotel charges with high percentages or purchases made at high-end merchants and casinos, can also be red flags. Extensive payments to web advertisers that cater to the sex industry, extensive purchases of money orders to pay bills, wire transfer activity inconsistent with the customer's business, and wires to or from origin or staging countries that are inconsistent with the customer's known profile can be indicators as well, just to name a few.

The problem with human trafficking may never be visible in plain sight. However, there are certain indicators for which AML professionals can monitor. When red flags are identified or suspected, the next step is reporting it.

Working with law enforcement to bridge the gap

AML professionals know the importance of working with law enforcement to prevent financial crime, and this is particularly relevant to counter-human trafficking efforts. Strong partnerships and relationships with law enforcement, nongovernmental organizations, consortiums and anti-trafficking coalitions can be critical in disrupting the issue.

Figure 1



* Minors induced into commercial sex are human trafficking victims—regardless if force, fraud or coercion is present.

Source: National Human Trafficking Resource Center (NHTRC), 2017.
<https://humantraffickinghotline.org/resources/actions-means-purpose-amp-model>

“What we recommend as law enforcement,” said Jimenez, “is to develop this relationship with your law enforcement community. State and local law enforcement will have someone working in human trafficking or organized crime. Look for those individuals.”

On the federal side, Homeland Security Investigations is a resource. “There will be a Homeland Security Investigations close to you,” said Jimenez. He pointed out that Homeland Security offers free training. They will provide the latest red flags for communities and financial institutions. “These are the same individuals that will come and respond to your SARs,” he said.

When in doubt, file the suspicious activity report (SAR). Even if it is just a suspicion that human trafficking may be present, include the following in the SAR narrative: “It appears like possible human trafficking.” Trust your gut instinct as a professional. If it looks suspicious, it probably is. “You may not know it’s human trafficking, but the fact that you’re writing the SAR is the first step,” said Jimenez.

Human trafficking is a billion dollar industry and it is impacting the entire globe. Even in the U.S. people are being sold as sex and labor slaves, confined to working in illegal and dangerous conditions against their will. Many of them are children, and many of them will die in servitude. However, financial institutions have the power to identify, prevent and disrupt human trafficking activity. As a society, we still have a long way to go. Yet as AML professionals, our work truly makes a difference in bringing justice to victims and ending modern slavery for good. 🚩

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