

Office of the Special Representative and Co-ordinator
for Combating Trafficking in Human Beings

Following the Money

**Compendium of Resources and Step-by-Step
Guide to Financial Investigations Related to
Trafficking in Human Beings**

The Organization for Security and Co-operation in Europe (OSCE) is a pan-European security body whose 57 participating States span the geographical area from Vancouver to Vladivostok. Recognized as a regional arrangement under Chapter VIII of the United Nations Charter, the OSCE is a primary instrument for early warning, conflict prevention, crisis management and post-conflict rehabilitation in its area. Its approach to security is unique in being both comprehensive and co-operative: comprehensive in that it deals with three dimensions of security — the human, the politico-military and the economic/environmental. It therefore addresses a wide range of security-related concerns, including human rights, arms control, confidence- and security-building measures, national minorities, democratization, policing strategies, counter-terrorism and economic and environmental activities.

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Glossary of key terms

Behavioural indicator

These refer to the visual cues which a customer might betray, which can lead to an entity with an obligation to report suspicious activity to a national FIU, to conclude that suspicious activity may be at play.

Cryptocurrency

A virtual or digital currency, also known as a virtual asset, that uses cryptography for its security. Cryptocurrencies are typically decentralized systems making governmental oversight of transactions using the currency more difficult. Bitcoin is one of the most prominent examples.¹

Digital case management and investigation charting systems

Software systems which allow different stakeholders within an investigation to share evidence and map out the investigation in a more coherent fashion.

Exploitation of prostitution and other forms of sexual exploitation

It is generally understood as referring to profiting from the prostitution of another person and the unlawful obtaining of financial or other material benefit from the prostitution of another person

The Financial Action Task Force (FATF)

The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.²

Financial intelligence unit (FIU)

A central unit with a national mandate to analyse reports received from an entity with an obligation to report suspicious activity related to financial transactions which are suspected to be linked to illicit activities such as money laundering. In the event where the FIU finds grounds for the suspicion, they alert the law enforcement authorities.³

Front-line staff

Staff working for an institution, agency or organization who have the closest contact with customers or clients in terms of direct interaction. They should be vigilant for any suspicious activity surrounding the transaction.

1 <https://www.investopedia.com/terms/c/cryptocurrency.asp>

2 <https://www.fatf-gafi.org/about/>

3 https://ec.europa.eu/home-affairs/e-library/glossary/financial-intelligence-unit-fiu-0_en

Hawala

An alternative channel for transactions that exists outside of traditional banking systems. Customers rely on trust and the standing of the hawala brokers who act as an intermediary for the transaction.⁴

Know your customer (KYC) indicator

Similar to the concept of due diligence, these are indicators which arise when an entity with an obligation to report suspicious activity, such as a bank, takes steps to verify the background and reliability of their customers.⁵

Money transmitters or money couriers

Service providers that, for a profit, provide money transfer services or facilitate payment instruments.

Money laundering

The processing of proceeds deriving from a criminal act such as human trafficking with the purpose of disguising their illegal origin. Money laundering often serves to increase the profitability and such criminal acts.⁶ Efforts to counteract this activity are typically grouped under the term Anti-Money Laundering.

Open source intelligence (OSINT)

This refers to all data or information which can be collected from publicly available sources to be used in an intelligence context. The issue with open source intelligence is therefore rarely accessibility but one of scale; software systems can work to address this.

Labour exploitation

All work or service which is exacted from any person under the menace of any penalty and for which the person has not offered themselves voluntarily.

**Law Enforcement/
Law enforcement agency (LEA)**

A government agency that is responsible for the enforcement of the law. Law enforcement agencies have powers, which other government subjects do not, to enable them to fulfill this responsibility.⁷ A national example of a national LEA is the Federal Bureau of Investigation (FBI) while an example of an international LEA is Europol.

The “Palermo Protocol”

The colloquial name for the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children (also referred to as the “Palermo Protocol”), adopted by the United Nations General Assembly in 2000. This Protocol provides the international definition of trafficking in human beings and is at the heart of international efforts to combat this crime.

⁴ <https://www.investopedia.com/terms/h/hawala.asp>

⁵ <https://complyadvantage.com/knowledgebase/kyc/>

⁶ <https://www.fatf-gafi.org/faq/moneylaundering/>

⁷ <https://definitions.uslegal.com/l/law-enforcement-agency/>

| | |
|--|--|
| Predicate offence | For the purposes of money laundering activities a “predicate offence” is an offence whose proceeds may become the subject of a money-laundering offence. Human trafficking or drug trafficking are examples of a predicate offence in the case that their proceeds become involved in money-laundering. ⁸ |
| Red flag indicators/ Operational alert | Up-to-date indicators of suspicious financial transactions and high-risk factors which financial institutions should be alert to, as they may suggest entanglement in criminal activities such as human trafficking. |
| Smuggling of migrants (SOM) | As distinguished from human trafficking, this involves facilitating the illegal entry of a foreign national into a State, and thus it normally constitutes a crime against the State. SOM always involves the movement of an individual across a border. |
| Steering committee | An advisory committee usually made up of high level stakeholders and/or experts. It may be ad-hoc or permanent in nature; its purpose is namely to bring the most important actors together to respond to a grave problem facing the entity. ⁹ |
| Suspicious activity report (SAR) | A report which is submitted by an entity with an obligation to report suspicious activity, such as a bank, normally to the FIU, the purpose of which is to alert them to a suspicious financial activity which a customer using their services attempted to undertake. The report is then analysed by the FIU to determine if further actions needs to be taken. The exact format of the report and, the procedure associated with filing it, often differs according to the national context. |
| THB | Trafficking in Human Beings |
| THB for the purpose of organ removal (THB/OR) | The exploitation of an individual for the purpose of removing kidney, liver, heart, lung, and pancreas. The removal of human cells and tissues is typically not included in this definition as it was found to not be within the scope of the Palermo Protocol. |
| Transactional indicator | Indicators deriving from the very act of processing or executing a transaction through a financial institution. These often relate to the money-spending habits of a customer as detected by the financial institution. |
| UNTOC | United Nations Convention against Transnational Organized Crime |

⁸ https://www.unodc.org/documents/human-trafficking/Toolkit-files/08-58296_tool_3-5.pdf

⁹ <http://www.businessdictionary.com/definition/steering-committee.html>

Foreword

Every day thousands of women, men and children are trafficked worldwide for various exploitative purposes. The crime affects every one of the 57 OSCE participating States, despite many well-intentioned efforts to eradicate it.

Given that the central motivating factor for trafficking in human beings (THB) is financial gain and that it is particularly profitable for criminal actors, enhancing States' capacities in the area of financial investigations has received increasing focus in recent years. Several initiatives to develop innovative partnerships create lists of indicators, and train relevant practitioners have launched. However, these efforts largely remain fragmented, under-utilized or restricted to individual jurisdictions; in short, the promise of robust financial investigations as a tool to combat THB remains unrealized.

Since its establishment in 2003, the Office of the OSCE Special Representative and Co-ordinator for Combating Trafficking in Human Beings (OSR/CTHB) has worked to support action amongst OSCE participating States (pS) and provide policy guidance on how to prevent and tackle THB.

In light of the challenges outlined above, with this publication the OSR/CTHB seeks to advance financial investigations in two ways. First, we catalogue more than 20 disparate publications in a single resource and synthesize hundreds of indicators culled from the different documents into a single comprehensive list of indicators broken down into categories. The compendium of resources can, with a single document, give practitioners guidance on what has been published on this topic and where to go for more guidance. It also ensures that all of various indicators published in dozens of documents around the world can be found in one place.

Second, the publication offers a step-by-step guide to building coordinated financial investigations in an effort to move anti-THB efforts from policy to practical effect on the ground. Thus, whether countries are looking to simply enhance an existing system or build a new one, they have a guide to building financial investigations.

Developed with the assistance of the Secretariat to the Liechtenstein Initiative for a Financial Sector Commission against Modern Slavery and Human Trafficking, which was housed at United Nations University Centre for Policy Research, this publication is designed to be of use to all stakeholders in THB-related financial investigations, including financial institutions, FIUs, and law enforcement.

I hope it contributes to enhanced awareness of the role of financial investigations in combating THB, improved knowledge in how to identify THB, and ultimately more effective investigations and prosecutions.



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The OSR/CTHB would like to express sincere gratitude to Joseph Mari who, as the main drafter of the paper, provided in-depth analysis and expertise in reviewing a large number of resources and synthesizing the data into a single, comprehensive list of indicators and developing of a step-by-step guide for anti-trafficking response systems to coordinate financial investigations.

The Office also extends its thanks to United Nations University Centre for Policy Research and the Financial Sector Commission on Modern Slavery & Human Trafficking for its ongoing support and expertise from the inception of the initiative to the final product.

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Executive Summary

Focus on financial investigations related to trafficking in human beings (THB) has seen an uptick in recent years with attention coming from different sectors of society including policy makers, law enforcement agencies and the financial services industry. This increased attention has yielded several positive outcomes, such as a rise in collaborative information sharing partnerships and enhanced reporting of suspicious financial activity, however results have been unevenly realized with inconsistent and fragmented implementation.

While many of the established investigatory frameworks aimed at eradicating THB through disrupting connected financial activity are built and deployed within disparate regions their applicability may be applicable across much broader context. This is the premise that the OSCE Office of Special Representative and Co-coordinator for Combating Trafficking in Human Beings (OSR/CTHB) has adopted in commissioning and developing the two documents captured within this resource;

1 A compendium of relevant materials and resources relating to financial investigation of trafficking in human beings (THB) from across the globe

and;

2 A step-by-step guide to building framework for financial investigations related to trafficking in human beings (THB).

The first of these two documents, *Compendium of relevant materials and resources relating to financial investigation of trafficking in human beings (THB)*, reviews and synthesizes 23 leading publications and documents related to financial investigations and THB into one standalone resource. Documents captured within the compendium are grouped in three categories; **Intergovernmental Organizations and Agencies; Independent National Financial Intelligence Units (FIUs); and Civil Society, Non-Governmental Organizations (NGOs) and the Private Sector**. This grouping was designed to encourage critical comparison and contrasting of publications issued from sectors or organizations with similar mandates. Additionally, based on this critical contrasting, the Compendium puts forth recommendations to assist in enhancing the effectiveness of future publications based on the strengths identified within the individual documents reviewed.

The second of these two documents, *Step-by-step guide to financial investigations related to trafficking in human beings (THB)*, serves to assist in the establishment of an investigatory framework specifically targeted at dismantling criminal enterprises engaged in THB. The Guide's 11 steps are laid out within three categories — **Foundational, Operational and Communal** — each of which contribute to the collective goal of enhancing actionable intelligence such as that, which is captured within the Compendium, and converting it into successful investigatory outcomes. Furthermore, the guide also incorporates the concept of community on two fronts, first, the notion of fostering public/private partnership, and, second, conducting financial investigations in such a way as to avoid collateral damage including to victims and survivors of THB.

Cumulatively, the intent of the two documents captured within this resource is to leverage off of the strengths and successes of established but disparate anti-THB financial investigatory practices, developed across the OSCE's participating States, to raise awareness of the strategic value of financial investigations and the resources available, and to help create a more harmonised approach that can contribute to mainstreaming of financial investigations across the OSCE region. Additionally, this resource also serves to contribute to the broader initiatives outlined within the Lichtenstein Initiative's *Blueprint for Mobilizing Finance Against Slavery and Trafficking* and the United Nation's Sustainable Development Goals in realizing the end of Modern Slavery by 2030.¹⁰

¹⁰ <https://www.fastinitiative.org/the-blueprint/>

PART I

Compendium of Relevant Materials and Resources Related to Financial Investigation of Trafficking in Human Beings (THB)



Introduction

Trafficking in human beings (THB) is, at its core, a financially-motivated crime.¹¹ The vast majority of THB, regardless of type, is carried out by its perpetrators with financial incentive in mind and annually, it generates an estimated 150 billion USD in profits off the exploitation of people.¹² Its scope and reach are global, impacting every country in the OSCE region and beyond, and virtually every economic sector of society.

In response to the tremendous challenge posed by THB, as well as the opportunities presented by holistic and coordinated responses, the OSCE participating States adopted an Action Plan to Combat Trafficking in Human Beings¹³ in 2003 which established a comprehensive framework for combating THB based on **prosecution, protection, prevention and partnerships**.

Recommendation III.2.5 of the OSCE Action Plan (“Enhancing co-operation between law enforcement investigating bodies in order to establish the possibly criminal, trafficking-related origins of suspicious assets”) marked a new milestone in countering trafficking in human beings (THB) by addressing THB-related money laundering. This recommendation targets both the identification of possible THB cases as a predicate crime and the prosecution of money laundering, thus undermining the “core value” to criminals and the ultimate financial goals of trafficking and exploitation.¹⁴

Investigations into the financial aspects of THB can support each pillar of the OSCE anti-THB framework. First, a corner stone of any effective anti-THB

¹¹ Human trafficking: organized crime and the multibillion dollar sale of people <<https://www.unodc.org/unodc/en/frontpage/2012/July/human-trafficking-organized-crime-and-the-multibillion-dollar-sale-of-people.html>> accessed on 10 October 2019

¹² http://www.ilo.org/rome/risorse-informative/comunicati-stampa/WCMS_243201/lang--en/index.htm

¹³ OSCE Action Plan to Combat Trafficking in Human Beings, PC.DEC/557 adopted on 24 July 2003

¹⁴ Commentary to the OSCE Action Plan to Combat Human Trafficking, to the 2005 and 2013 Addendums <https://www.osce.org/secretariat/210391?download=true>

response is the investigation and prosecution of human traffickers. Prosecutions uphold the rule of law, ensure community safety, protect victims, and help to prevent future crime by convicted offenders. However, numerous challenges to investigating and prosecuting THB can arise, including insufficient evidence to implicate the perpetrators, heavy reliance on victim testimony and co-operation, lack of coordination among law enforcement organizations, inadequate legislation aimed at holding offenders accountable, and absence of robust and reliable intelligence to build strong cases. Thus, in order to counter these challenges and build successful and effective investigations and **prosecutions**, law enforcement and prosecutors should incorporate evidence from the financial sector into their cases. Financial evidence can, for example, assist in identifying victims and alert authorities to THB even before receiving a victim's report; it can corroborate a victim's testimony and provide additional context as to the scope of criminal activity; and it can help to identify associates and institutions that may be complicit in the crime.

Second, robust financial investigations, coupled with thoughtful policies, can support victim **protection** systems. Some jurisdictions in the OSCE mandate that financial seizures from human traffickers be directed to victim support and rehabilitation services, thereby helping to protect victims, repair the damage done by the traffickers, and contribute to the empowerment of victims.

Third, mainstreaming financial investigations into anti-THB response systems can counter the impunity of human traffickers and increase the perception of risk for criminal actors. Human traffickers often assume the crime is low risk — high financial reward. However, incorporating financial investigations and seizures into the criminal justice response on a consistent basis can serve a **preventative** function by undermining the assumed profitability of THB.

Finally, addressing the financial implications of THB can build better **partnerships** across sectors,

including in particular public and private institutions. Because many of the touchpoints between THB and the financial services industry are located in the private sector, public anti-THB response systems must build partnerships with private companies to accomplish the goals outlined above. Likewise, the private sector has strong incentive to identify and eliminate misuse of their businesses for THB and can thus benefit from partnerships with the public sector, including law enforcement.

Despite the clear benefits of including financial investigations into anti-trafficking responses, one of the areas in the trafficking process least explored and understood is the profit generated by THB and the financial investments of traffickers.¹⁵ Thus, addressing the financial implications of THB poses significant opportunities for combating human trafficking.



1.2. Barriers to successful financial investigations

The working relationship between financial institutions and law enforcement is fairly uniform across the OSCE region: once activities with a potential nexus to criminal activity are identified by financial institutions, they are disclosed in the form of reports and submitted to the respective financial intelligence unit (FIU). This reporting is obligatory and enforced through stringent regulation of financial institutions, as well as other possible reporting entities such as casinos, amongst many OSCE participating States.¹⁶ Once reports are received by the FIU, they are documented and analysed for material information to open investigations or to initiate possible proactive action.

¹⁵ Analysing the Business Model of Trafficking in Human Beings to Better Prevent the Crime, OSCE/UN.GIFT, May 2010 available at <<https://www.osce.org/secretarariat/69028?download=true>>, page 66

¹⁶ FATF Recommendation 20: Reporting of suspicious transactions, available at <<https://www.cftf-gafic.org/index.php/documents/fatf-40r/386-fatf-recommendation-20-reporting-of-suspicious-transactions>>

However, there are several current challenges to successful financial investigations for these practitioners. First, institutions must determine what to look for in their efforts to identify illegal activity. The starting point for effective financial investigations is the use of accurate indicators of THB. Relevant indicators tell institutions what to look for, increase the likelihood of effective reporting and assist law enforcement with actionable intelligence. Indicators can help financial institutions take steps to halt the misuse of their systems by traffickers and also develop better information for law enforcement investigations. Thus, development of financial indicators has been a priority over the past several years in various initiatives from government, civil society and the private sector to address the financial service industry's nexus with THB. However, these indicators are sprinkled throughout publications across disparate regions of the world and not mainstreamed or synthesized.

Second, and relatedly, the reports to law enforcement must be relevant: some systems experience very low reporting because practitioners do not know what to look for or perceive low value in reporting; others experience over-submission of suspicious reports that contain no real value to investigating THB cases. These outcomes are the result of a variety of factors such as lack of appropriate investigator training, financial institutions not having the appropriate tools to promptly identify and report suspicious transactions out of the millions of transactions facilitated, and the comingling of funds by traffickers between money transmitters or money couriers and banks.¹⁷ Furthermore, issues also exist with the underutilization of suspicious transaction reports by law enforcement officers (which could be a possible a by-product of their perceived inefficiency by some.)

Third, some practitioners have an abundance of quality intelligence, yet certain access points remain

limited and dissemination of good practices is low. Communication of findings within many documents is still not structured in a way that allows for the most effective impact. Furthermore, in the absence of clear communication across multiple jurisdictions and groups, the fight against THB still largely rests on the shoulder of law enforcement agencies as opposed to civil society or private enterprises such as financial institutions, highlighting once again the need for partnerships where possible. Although some good resources have been created to address these challenges, they are still under-utilized across the OSCE region. They overlap on some topics and neglect others, such as concrete guidance on *how* to conduct the investigation.

In general, despite well-intended initiatives, the field is fragmented, inadequately coordinated and implemented, and under-publicized to practitioners. These challenges contribute to a relatively low rate of effective financial investigations across the OSCE region and thereby support the pervasive notion of THB as being a low punitive risk — high financial reward crime amongst its perpetrators.



1.3

Goal of this Compendium

As outlined above, financial investigations are a tool with great promise to contribute to combating THB. From building effective prosecutions, to assisting in identifying trafficked persons, to contributing to the seizure of assets, to undermining the profit goals of human traffickers, financial investigations can help OSCE participating States turn the tide against human traffickers and build stronger, safer communities.

However, current challenges in the field support the need for a more coordinated and standardized

¹⁷ Leveraging Anti-Money Laundering Regimes to Combat Trafficking in Human Beings, OSCE, 2014 available at <<https://www.osce.org/secretarial/121125?download=true>>

approach to counter-THB measures such as financial investigations. The over-arching goal of this Compendium is to enhance the quality, frequency, scope and effectiveness of financial investigations by synthesizing the research and policy development to date on financial investigations and THB, and provide a single source reference manual for practitioners who are developing financial investigation capacity.

Specifically, the Compendium has the following primary objectives:

-  Create awareness among practitioners and policy makers about the value of financial investigations and the need to incorporate them into anti-THB response systems;
-  Summarize and analyze many of the most prominent publications (reports, studies, etc.) on financial transaction indicators of THB;
-  Synthesize and condense the most common financial transaction indicators into one document for financial investigators and institutions to enhance their efforts in this arena;
-  Provide guidance for financial intelligence units (FIUs), law enforcement agencies (LEAs), financial institutions, as well as public and private entities, which will assist in enhancing their abilities to follow, track and report financial flows related to THB.

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Defining THB



2.1.

THB vs. Smuggling of Migrants (SOM)

The international definition of THB is found within the *Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children* (also referred to as the “Palermo Protocol”), adopted by the United Nations General Assembly in 2000. It reads as follows;

“Trafficking in persons” shall mean the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs.”

In short, the Protocol states that, in order for a scenario to be considered THB, the facts must meet three conditions: an act (e.g., recruitment), a means in which the act was conducted (e.g., through the use of force or deception) and a purpose of exploitation (e.g., for the purpose of sexual exploitation).¹⁸

While there may be variations within the definitions found in respective States’ legislation and policy, the aforementioned protocol is generally the basis for all related policy globally.

¹⁸ Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime, New York 15 November 2000 available at <https://treaties.un.org/doc/Treaties/2000/11/20001115%2011-38%20AM/Ch_XVIII_12_ap.pdf>

THB and the smuggling of migrants (SOM) are often incorrectly conflated with one another given the misperception that trafficking requires movement from one place to another. In actuality, THB involves an offense against a person for an exploitative purpose (e.g., labour exploitation, sexual exploitation, etc.) whereas SOM involves facilitating illegal entry of a foreign national into a State, and is a crime against the State. SOM always involves the movement of an

individual across a border while THB may not require physical movement at all.¹⁹

The Financial Crimes Enforcement Network (FinCEN) of the United States issued an advisory in September of 2014 that highlighted the main differences between THB and SOM, these differences are fairly universal and derivative of wording put forth in the Palermo Protocol.

Difference between THB and SOM

THB

- Involves the use of force or coercion and the exploitation of victims.
- Includes, but is not limited to, involuntary servitude, forced labor, debt bondage, peonage and sexual exploitation.
- Anyone can be a victim regardless of origin, sex, age or legal status.
- There is no need for a person to cross a border to be trafficked; individuals can be trafficked within the borders of a country.

SOM

- Involves persons choosing to immigrate illegally.
- Is limited to illegal migration or the harboring of undocumented aliens.
- Involves foreign nationals.
- The crime involves an illegal border crossing or the harboring of someone that illegally crossed the border

Source—<https://www.fincen.gov/sites/default/files/advisory/FIN-2014-A008.pdf>



2.2.

Major forms of THB addressed in the Compendium

As previously noted, direct evidence and research indicate that THB is a highly profitable illicit venture, with annual profits reaching 150 billion USD globally.²⁰ Most of this profit is estimated to derive from THB for the purpose of sexual exploitation, with THB for labour exploitation being the second most common form of THB. Given the prevalence of these two

forms of trafficking and given the primary touchpoint between financial institutions and traffickers is along monetary lines, this Compendium focuses primarily on financial indicators associated with THB for sexual exploitation and labour exploitation.

Additionally, the Compendium also considers THB for the purpose of organ removal (THB/OR). THB/OR is specifically addressed in both the UN's Palermo Protocol and in the more recent Vilnius Declaration which the OSCE adopted in 2009.²¹ However, even with this focus, THB/OR is often overlooked when discussing trafficking in general. Fortunately, over

¹⁹ <https://www.justice.gc.ca/eng/cj-jp/tp/what-quoi.html>

²⁰ Prevention, Protection, Prosecution Stressed as Security Council Holds Open Debate on Human Trafficking, Modern Slavery, Forced Labour in Conflict Situation, SC/12751, 15 March 2017 available at <<https://www.un.org/press/en/2017/sc12751.doc.htm>>

²¹ Trafficking in Human Beings for the Purpose of Organ Removal in the OSCE Region: Analysis and Findings, Office of the OSCE Special Representative and Co-ordinator for Combating Trafficking in Human Beings, Vienna 2013 available at <<https://www.osce.org/secretariat/103393?download=true>>

the past several years the topic of THB/OR has begun to find its way into the conversation of trafficking in persons particularly from the perspective of money laundering. For example, the Association of Certified Anti-Money Laundering Professionals (ACAMS) published two articles on an initiative co-lead by the Vatican's Pontifical Academy of Science (PAS) and a Canada-based public/private partnership entitled Project Organ, which was designed to raise awareness and increase suspicious transaction reporting on financial activity related to THB/OR.²²

Below are definitions of these three main areas of the Compendium's focus which can supplement the Protocol's general definition of trafficking above:

Labour Exploitation:

All work or service which is exacted from any person under the menace of any penalty and for which the person has not offered themselves voluntarily.²³

Exploitation of Prostitution and Other Forms of Sexual Exploitation:

It is generally understood as referring to profiting from the prostitution of another person and the unlawful obtaining of financial or other material benefit from the prostitution of another person".

THB for the Purpose of Organ Removal (THB/OR)

The exploitation of an individual for the purpose of removing kidney, liver, heart, lung, and pancreas. The removal of human cells and tissues is typically not included in this definition as it was found to not be within the scope of the Palermo Protocol.²⁴

²² <https://www.acamstoday.org/organ-trafficking-the-unseen-form-of-human-trafficking/>

²³ Trafficking in Human Beings for the Purpose of Labour exploitation, July 2011 available at <https://www.osce.org/bih/106977?download=true>

²⁴ Trafficking in Human Beings for the Purpose of Organ Removal, A Comprehensive Literature Review, HoTT Project Combating Trafficking in Persons for the Purpose of Organ Removal, December 2013 available at <https://ec.europa.eu/anti-trafficking/sites/antitrafficking/files/hott_project_deliverable_1_1.pdf>

3.0

Overview of documents related to THB and financial crimes investigations

Research conducted during the compilation of this Compendium identified 23 primary publications with either financial industry-specific, or applicable, indicators, as well as case studies, typologies and investigative techniques.

The resources included in this Compendium are divided into three sections;

- I. **Intergovernmental Organizations and Agencies;**
- II. **Independent National Financial Intelligence Units (FIUs) and;**
- III **Civil Society, Non-Governmental Organizations (NGOs) and the Private Sector.**

The first section, *Intergovernmental Organizations and Agencies*, outlines research conducted by inter-governmental organizations that include the Financial Action Task Force (FATF), its affiliates, such as MONEYVAL, and international law enforcement agencies, such as EUROPOL. This section offers a transnational perspective on the financial connections to THB activity that spans across the OSCE participating States.

The second section, *Independent National Financial Intelligence Units (FIUs)*, groups together publications compiled by FIUs that utilize data from suspicious activity reports (SARs) submitted by entities with a reporting requirement, such as banks, from specific OSCE participating State.

Finally, the third section, *Civil Society, Non-Governmental Organizations (NGOs) and the Private Sector*, offers insights provided by a variety of organizations and groups that range from the Association of Certified Anti-Money Laundering Specialists (ACAMS)'s quarterly magazine *ACAMS Today*²⁵ to non-profit NGO front line service provider, Polaris²⁶.

²⁵ <https://www.acamstoday.org/>

²⁶ <https://polarisproject.org/>

I.

Intergovernmental organizations and agencies

- **Name of Resource:** APG Yearly Typologies Report: Methods and Trends of Money Laundering and Terrorism Financing
- **Type:** Report
- **Country / jurisdiction:** Vienna
- **Jurisdiction(s) of focus:** Asia-Pacific
- **Issuing authority:** Asia/Pacific Group on Money Laundering (APG)
- **Date of publication:** 2018
- **Availability:** <http://www.apgml.org/methods-and-trends/page.aspx?p=8d052c1c-b9b8-45e5-9380-29d5aa129f45>

Description: The Asia/Pacific Group on Money Laundering (APG) report from 2018 covers a variety of topics related to money laundering and terrorist financing with THB and SOM receiving targeted and insightful coverage. Financial indicators are broken down by region with cases reviewed from Fiji, Japan, New Zealand, Pakistan, and Thailand. The subset of countries for which case studies are reviewed is interesting in that it encompasses countries which are known as countries of origin and destination for trafficked victims. Red flag indicators are limited, however, with only handful being extracted from the cases. Specific mention is made of adverse media and classified ads which are common place within the facilitation of THB-related activity.

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- **Name of Resource:** Policy Guide on Following the Money in Trafficking in Persons Cases
 - **Type:** Policy Guide
 - **Country / jurisdiction:** Australia/Indonesia
 - **Jurisdiction(s) of focus:** Asia-Pacific
 - **Issuing authority:** The Bali Process on People Smuggling, Trafficking in Persons and Related Transnational Crime.

- **Date of publication:** July 2018
- **Availability:** <https://www.baliprocess.net/UserFiles/baliprocess/File/Bali%20Process%20Guide%20WEB%20v01.pdf>

Description: This policy guide produced by The Bali Process on People Smuggling, Trafficking in Persons and Related Transnational Crime, finds its roots in the Sixth Bali Process Regional Ministerial Conference which convened in March 2016. It was during this conference that a call to action was made to OSCE participating States to commit to criminalizing the act of money laundering as a way to target the financial incentives for people smuggling and THB. The policy guide itself is a voluntary, non-binding reference tool for law enforcement and justice officials responsible for investigating and prosecuting trafficking in persons cases in Bali Process member States.

The Bali policy guide opens with a base-level understanding of what money laundering is before moving into THB-specific case studies, outlining red flag indicators and providing insights on international co-operation. The guide is developed to have broad applicability to investigators in terms of both the public and private sectors, as it not only explores financial red flags but provides information on how assets can be restrained or forfeited. Additionally, what also makes the document unique is that it balances advanced intelligence on THB financial activity, with relatively introductory knowledge, such as how financial intelligence units (FIUs) generally operate with a country, and at a high-level, how financial investigations are conducted.

All of the information within the policy guide is presented in an easy to read manner that is laid out in an aesthetically pleasing format. This contributes to the ease at which the intelligence within the document can be digested by a reader. Lastly, the presence of “tips” through the policy guide provides helpful hints on how or why certain recommendations should be implemented.

- **Name of Resource:** 22st ESAAMLG Task Force of Senior Officials Meeting And 11th Council of Ministers
- **Type:** Report
- **Country / jurisdiction:** Grand Bay, Mauritius
- Jurisdiction(s) of focus: Eastern and Southern Africa
- **Issuing authority:** Eastern and Southern Africa Laundering Group (ESAAMLG)
- **Date of publication:** September 2011
- **Availability:** <https://esaamlg.org/reports/HUMAN-TRAFFICKING-Report-Mauritius-2011.pdf>

Description: A thorough, albeit dated, document on THB in the regions for which the ESAAMLG, an associate member of the Financial Action Task Force (FATF), has oversight. The purpose of this report was to research connections between money laundering and THB based on data which was obtained via an extensive questionnaire submitted to all 14 ESAAMLG member countries.

Results obtained included several case studies with individual red flag indicators highlighted as well as a summary of indicators at the end of the document that cover general, travel, physical, financial, legal, and brothel red flags. The indicators highlighted within this document are from an interesting vantage when compared to those published in Europe and North America given the fact that the ESAAMLG is host to many countries of origin for trafficked individuals, as opposed to countries of destination.

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- **Name of Resource:** The THB Financial Business Model: Assessing the Current State of Knowledge
 - **Type:** Report
 - **Country / jurisdiction:** Netherlands
 - **Jurisdiction(s) of focus:** Europe
 - **Issuing authority:** Europol
 - **Date of publication:** July 2015

- **Availability:** <https://www.europol.europa.eu/publications-documents/trafficking-in-human-beings-financial-business-model>

Description: This Europol report provides an overview of several factors tied to THB, including organized crime groups (OCGs), criminal markets and geographic dimensions. Additionally, the document takes a deeper dive into flows of funds associated with traffickers including mention of traditional methods of remitting value, such as cash and money transfer businesses, as well as pointing to criminals' use of cryptocurrencies such as bitcoin. Lastly, several high risk business types that can be utilized by labour or sex traffickers are identified.

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- **Name of Resource:** Money Laundering Risks Arising from Trafficking in Human Beings and Smuggling of Migrants
 - **Type:** FATF Report
 - **Country / jurisdiction:** France
 - **Jurisdiction(s) of focus:** Global
 - **Issuing authority:** Financial Action Task Force (FATF)
 - **Date of publication:** July 2011
 - **Availability:** <http://www.fatf-gafi.org/media/fatf/documents/reports/Trafficking%20in%20Human%20Beings%20and%20Smuggling%20of%20Migrants.pdf>

Description: The Financial Action Task Force's (FATF) 2011 report on risks associated to THB and SOM is still very much relevant nearly a decade later. While this report predates many of today's more widely known financial task forces assembled to address the issue of THB, the content of the report — particularly its comprehensive list of financial indicators — is still as important today as it was when it was published.

The report introduces the terms "Trafficking in Human Beings" or THB, and "Smuggling of Migrants" or SOM, and attempts to address the wide

variety of ways these two types of crime intersect with the financial services industry, as well as other entities which would be within the purview of many Financial Intelligence Units (FIU), such as casinos or money service businesses (MSB). The backbone of the report stems from answers obtained from members of the FATF or FAFT-Style Regional Bodies via a thorough questionnaire on cases of money laundering related to trafficking of human beings (and the SOM) and associated criminal networks. Additionally, private and public sector engagement was encouraged when answering the questionnaire which contributes to the report's comprehensive typology and indicator listing.

This report sets forth a lengthy list of indicators that have been validated by dozens of typology or indicator lists that have come after it. Its influence is likely to continue for the foreseeable future given the impact these indicators have across the globe.

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- **Name of Resource:** Financial Flows from Human Trafficking
 - **Type:** Report
 - **Country / jurisdiction:** France
 - **Jurisdiction(s) of focus:** Global
 - **Issuing authority:** Financial Action Task Force (FATF) & Asia/Pacific Group on Money Laundering (APG)
 - **Date of publication:** July 2018
 - **Availability:** <https://www.fatf-gafi.org/media/fatf/content/images/Human-Trafficking-2018.pdf>

Description: The joint 2018 Financial Action Task Force's (FATF) and Asia/Pacific Group on Money Laundering (APG) report on Financial Flows from Human Trafficking is one of the most in-depth and comprehensive documents on specific indicators that can be leveraged to identify THB across its predominant forms, including sex, labour and organ trafficking. This document builds on the data compiled in

FATF's 2011 report *Money Laundering Risks Arising from Trafficking in Human Beings and Smuggling of Migrants*, while adding reference to many of the tech-based indicators that have emerged over the past decade since the 2011 report was written. Specific examples of relatively new identifiers that have resulted from the rapid development of mobile applications include how traffickers leverage mobile ride sharing, accommodation sharing, and even cryptocurrencies.

All indicators are broken down into three main categories of exploitation: sex, labour or a combination of both. Additionally, while not specifically called out in the indicator section of the document, the body of the report also identifies certain typologies associated with organ trafficking.

An important acknowledgement that the authors make prior to listing the indicators is that while the transactions related to organizers or high-level criminals within a THB operation may look similar to those of other underlying offenses associated with money laundering, the transactional activities that occurs at lower ranks within their criminal enterprises — be it via transactions executed through one of their victim's bank accounts or a through a bank account associated to a connected perpetrator — are truly unique.

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- **Name of Resource:** Anti-Trafficking Training for Frontline Law Enforcement Officers
 - **Type:** Training Guide
 - **Country / jurisdiction:** Vienna
 - **Jurisdiction(s) of focus:** EU Member States
 - **Issuing authority:** International Centre for Migration Policy Development (ICMPD)
 - **Date of publication:** 2006
 - **Availability:** https://www.icmpd.org/fileadmin/ICMPD-Website/ICMPD-Website_2011/Capacity_building/THB/Publications/AGIS_POL_Training_Guide.pdf

Description: ICMPD's training guide is designed for police, border guards and customs officials within EU member states, as well as accession and candidate countries. Included are several indicators that can be applied to financial institutions, specifically front-line staff, in identifying visual cues of possible THB such as forged documentation.

- **Name of Resource:** Proceeds from Trafficking in Human Beings and Illegal Migration/ Human Smuggling
- **Type:** Report
- **Country / jurisdiction:** France
- **Jurisdiction(s) of focus:** Global
- **Issuing authority:** MONEYVAL
- **Date of publication:** May 31, 2005
- **Availability:** <https://rm.coe.int/select-committee-of-experts-on-the-evaluation-of-anti-money-laundering/1680714f5a>

Description: This 2005 document from Moneyval on proceeds from trafficked individuals predates many of the more widely referenced typology reports, however, through the analysis of cases related to THB discussed in five workshops involving several nations from across Europe, Asia, Russia, Africa and North America, the report does list several red flag indicators related to THB. The report lays out ten typologies which are then individually supported by specific case studies which is a unique approach compared to many of the more modern red flag advisories.

- **Name of Resource:** Leveraging Anti-Money Laundering Regimes to Combat Trafficking in Human Beings
- **Type:** Study/Report
- **Country / jurisdiction:** Vienna, Austria
- **Jurisdiction(s) of focus:** OSCE region covering 57 participating States and 11 Partners for Cooperation

- **Issuing authority:** Organization for Security and Co-operation in Europe (OSCE)
- **Jurisdiction(s) of focus:** OSCE region covering 57 participating States and 11 Partners for Cooperation
- **Date of publication:** July 11, 2014
- **Availability:** <https://www.osce.org/secretariat/121125?download=true>

Description: This report discusses how organizations created to address THB and/or SOM and traditional anti-money laundering (AML) regimes can combine efforts for a collaborative approach in combating traffickers. The report identifies established effective practices, as well as tools and resources utilized by both sides in an attempt to further advance existing methodologies through analyzing case studies largely from Organization for Security and Co-operation in Europe (OSCE) participating States.

While the report is light on indicators it does highlight several high risk business types susceptible to subversion by traffickers or smugglers, including work agencies and cosmetic clinics. Additionally, the report highlights several legal businesses and their role in the identification of traffickers when utilized in conjunction with other indicators. These business types include accounting services and abortion clinics, particularly for sex trafficking. Lastly, the report does highlight specific financial transactions common within trafficking or smuggling schemes, such as the use of pre-paid credit cards for purchase of online advertising.

- **Name of Resource:** Survey Report 2016 of Efforts to Implement OSCE Commitments and Recommended Actions to Combat Trafficking in Human Beings
- **Type:** Study/Report
- **Country / jurisdiction:** Vienna, Austria

- **Jurisdiction(s) of focus:** OSCE region covering 57 participating States and 11 Partners for Cooperation
- **Issuing authority:** Organization for Security and Co-operation in Europe (OSCE)
- **Date of publication:** December 19, 2016
- **Availability:** <https://www.osce.org/secretariat/289951>

Description: The Organization for Security and Co-operation in Europe's (OSCE) 2016 Survey Report compares data collected from 53 participating pS, as well as 90 Non-Government Organizations (NGO), on efforts to combat THB.

Insights revealed by the survey include the rate at which pS are enacting OSCE commitments and recommended actions to stem THB activity, including addressing demand and targeting profits, which have applicability in combating both labour and sex trafficking. One section of the survey covers the topic of financial investigations.

The financial indicator data collected is sparse; however, the indicators that are provided touch on a variety of different actions that may trigger automated or first-hand alerts of possible THB related activity. These indicators include the recommendation that first line staff be on the lookout for coercive behaviour of potential victims in bank branches, as well as contradictory explanations by a customer on a single, or set, of unusual transactions. Additionally, recommended indicators based on transactional data include activity occurring in commercial accounts after business hours, as well as wire transfers in or out of the account for no apparent reason.

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- **Name of Resource:** Hedging Risk by Combating Human Trafficking: Insights from the Private Sector
 - **Type:** Industry Agenda
 - **Country / jurisdiction:** United Kingdom

- **Jurisdiction(s) of focus:** Global
- **Issuing authority:** World Economic Forum
- **Date of publication:** December 2014
- **Availability:** http://www3.weforum.org/docs/WEF_Human_Trafficking_Report_2015.pdf

Description: Co-authors Louise Shelley, Director of the Terrorism, Transnational Crime and Corruption Center at George Mason University, and Christina Bain, Director of the Initiative on Human Trafficking and Modern Slavery at Babson College, challenge prevailing assumptions when it comes to the financial industry's role and responsibility in combating THB. Shelley and Bain highlight the necessity for a cultural shift within private enterprises such as banks, to recognize downstream activity upfront and mitigate associated risks as soon as possible. This cultural shift requires buy-in from top level executives and first line training.

Labour and sexual exploitation are singled out in this paper as the two predominant forms of THB worldwide. These macro level insights are further broken down by industry type with the financial services, technology, transportation and hospitality industries being singled out for a deeper dive that include typologies for the financial service industry.

Additionally, it is worthwhile to point out that the paper identifies six criteria for establishing a voluntary set of guidelines to prevent child sex tourism and trafficking within the hospitality industry, otherwise known as "the Code." These criteria are: 1) To establish a policy and procedures, 2) Train employees, 3) Include a clause in contracts, 4) Provide information to travelers, 5) Support, collaborate and engage stakeholders, and 6) Report annually. While it was created for the hospitality industry, this approach can be modified slightly and leveraged within other industries, such as financial services, to address THB on a broader scale.

II.

Independent national financial Intelligence units (FIUs)

- **Name of Resource:** AUSTRAC Typologies and Case Studies Report 2014
- **Type:** Report
- **Country / jurisdiction:** Australia
- **Jurisdiction(s) of focus:** Australia
- **Issuing authority:** Australian Transaction Reports and Analysis Centre (AUSTRAC)
- **Date of publication:** 2014
- **Availability:** <http://www.austrac.gov.au/sites/default/files/typologies-report-2014.pdf>

Description: The Australian Transaction Reports and Analysis Centre (AUSTRAC)'s 2014 report on typologies and case studies outlines 20 real-life money laundering cases and extracts noticeable red flags. Case 3 focuses on THB in Australian brothels. Indicators associated to this case are sparse, as are references to trafficking in general through the report.

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- **Name of Resource:** Indicators: The laundering of illicit proceeds from human trafficking for sexual exploitation
 - **Type:** Operational Alert
 - **Country / jurisdiction:** Canada
 - **Jurisdiction(s) of focus:** Canada
 - **Issuing authority:** Financial Transaction and Reports Analysis Centre of Canada
 - **Date of publication:** December 15, 2016
 - **Availability:** <http://www.fintrac-canafe.gc.ca/intel/operation/oai-hts-eng.pdf>

Description: Canada's national Financial Intelligence Unit (FIU), the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), published one of the more extensive lists of financial red flag indicators related to THB for sexual exploitation in 2016. This indicator advisory publication served as

the intelligence backbone of FINTRAC's involvement in the Canadian public/private partnership known as Project Protect in which reporting institutions, law enforcement, NGOs and FINTRAC joined forces to raise awareness and increase suspicious transaction report (STR) reporting to FINTRAC.

Numerous red flags are highlighted in this document and focus on everything from suspected traffickers' use of mediums of travel, to cryptocurrencies such as Bitcoin. Furthermore, indicators are broken down across types of financial transactions, patterns of financial transactions and account activity, contextual indicators, and "know your client".

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- **Name of Resource:** Potential Indicators of Slavery and Human Trafficking
 - **Type:** Red Alert
 - **Country / jurisdiction:** United Kingdom
 - **Jurisdiction(s) of focus:** United Kingdom
 - **Issuing authority:** National Crime Agency (NCA)
 - **Date of publication:** December 2014
 - **Availability:** <http://www.nationalcrimeagency.gov.uk/publications/631-potential-indicators-of-slavery-and-human-trafficking/file>

Description: This Alert, produced by the National Crime Agency (NCA) was published the same year as the Financial Crimes Enforcement Network (FinCEN)'s *Guidance on Recognizing Activity that May be Associated with Human Smuggling and Human Trafficking – Financial Red Flags*. The document covers red flag indicators associated with labour exploitation, child trafficking, illegal adoption, sexual exploitation and criminal exploitation; however, it provides less insight into financial indicators of trafficking than that of its American counterpart.

The Alert was issued following the NCA's consultation with the British Banker's Association (BBA) and a number of its member banks as part of the then newly created Joint Money Laundering Intelligence

Taskforce (JMLIT). Additionally, the document uniquely includes special instructions to the institutions required to report suspicious activity reports (SARs) to the NCA, including specialized coding for suspected cases of THB.

- **Name of Resource:** Guidance on Recognizing Activity that May be Associated with Human Smuggling and Human Trafficking — Financial Red Flags
- **Type:** Advisory
- **Country / jurisdiction:** United States of America
- **Jurisdiction(s) of focus:** United States
- **Issuing authority:** Financial Crimes Enforcement Network (FinCEN)
- **Date of publication:** September 11, 2014
- **Availability:** <https://www.fincen.gov/sites/default/files/shared/FIN-2014-Aoo8.pdf>

Description: The 2014 Financial Crimes Enforcement Network (FinCEN) advisory on *Guidance on Recognizing Activity that May be Associated with Human Smuggling and Human Trafficking* outlines pertinent information relating to THB and SOM, as well as specific red flag indicators associated with both predicate offenses. Additionally, red flag indicators are accompanied by supporting data such as which FinCEN reporting entity would be most likely to see a specific flag.

FinCEN also delineates between three primary stages of THB: 1) Recruitment or Abduction, 2) Transportation and 3) Exploitation. Each of the red flag indicators put forth that are associated with THB have a corresponding stage of THB attributed to them. For example, the red flag “Frequent outbound wire transfers, with no business or apparent lawful purpose, directed to countries at higher risk for THB or to countries that are inconsistent with the customer’s expected activity” has attached to it money transmitters and banks/credit unions as the financial institutions most likely to see the red flag, as

well as all three stages of THB attributed to this particular alert. This breakdown is unique and provides additional context not seen in other FIU indicator advisories.

III.

Civil society, non-governmental organizations (NGOs) and the private sector

- **Name of Resource:** Financial Investigation of Trafficking in Human Beings: Use of the Internet in Relation to its Financial Flows and Profits
- **Type:** Training Document
- **Country / jurisdiction:** Vienna
- **Jurisdiction(s) of focus:** Europe
- **Issuing authority:** The Academy of European Law (ERA)
- **Date of publication:** 14–15 June 2018
- **Availability:** https://www.era-comm.eu/THB/THB_sub/kiosk/pdf/318DT68/318DT68_sc.pdf

Description: A training document that is the third in a series of four co-founded seminars hosted by the Academy of European Law (ERA) and the European Commission on THB. This particular session took part over two days and covered financial investigations, the use of the internet in relation to THB, and recommended actions governmental bodies can undertake to combat trafficking.

ERA's seminars are geared towards judges, prosecutors, lawyers, law enforcement and civil society. While representatives of the financial service industry are not the main focus of this training, there is a section of training with relevant intelligence for those within this respective industry. The section entitled, “Countering Trafficking in Human Beings, Protecting Victims and Enhancing Financial Investigations”, which was presented by Roumen Kirov, Head of Economic Crimes Department, within the National Investigation Service of Bulgaria, addresses financial crime and singles out specific indicators possibly

related to human trafficking. These indicators include common tropes such as traffickers' use of anonymous money remitters, cash, and falsified documentation. However, in addition to these more traditional typologies, it also identifies traffickers' growing reliance on emerging financial technology, such as cryptocurrencies (e.g. Bitcoin), to evade detection.

- **Name of Resource:** Human Trafficking Monies in the Community Banks
- **Type:** Report
- **Country / jurisdiction:** United States of America
- **Jurisdiction(s) of focus:** United States
- **Issuing authority:** Association of Certified Anti-Money Laundering Specialists (ACAMS)
- **Date of publication:** 2015
- **Availability:** <http://www.acams.org/wp-content/uploads/2015/08/Human-Trafficking-Monies-in-the-Community-Banks-N-Lake.pdf>

Description: In this ACAMS article on THB and its nexus with community banks in the United States, the author compares and contrasts THB with smuggling, and lists a substantial number of financial indicators. In outlining two cases studies, one of suspected labour trafficking and the other sex trafficking, the author extracts several red flags relevant across various touchpoints a suspected trafficker may have with a financial institution. These touchpoints include: tellers and branch personnel, account opening personnel, and BSA/AML personnel. Furthermore, the article goes on to list money service business (MSB) specific red flags, as well as visual indicators front line staff may notice when observing the physical appearance or behavior of possible victims of THB.

- **Name of Resource:** Organ Trafficking: The Unseen Form of Human Trafficking
- **Type:** Article
- **Country / jurisdiction:** United States of America
- **Jurisdiction(s) of focus:** North America

- **Issuing authority:** Association of Certified Anti-Money Laundering Specialists (ACAMS)
- **Date of publication:** June 26, 2018
- **Availability:** <https://www.acamstoday.org/organ-trafficking-the-unseen-form-of-human-trafficking/>

Description: ACAMS published one of the world's first articles dedicated to the connection between THB/OR and organ trafficking in general with money laundering. The article's authors assert that THB/OR and organ trafficking is far more prevalent as a global predicate offense of money laundering than it has been given credit for as evidenced by low rates of reported activity. Additionally, the article provides several indicators that can be leveraged to potentially identify related trafficking activity that passes through financial institutions which range from first line staff observations to international wire activity.

- **Name of Resource:** On-Ramps, Intersections, and Exit Routes: A Roadmap for Systems and Industries to Prevent and Disrupt Human Trafficking
- **Type:** Report
- **Country / jurisdiction:** United States
- **Jurisdiction(s) of focus:** United States
- **Issuing authority:** Polaris
- **Date of publication:** July 2018
- **Availability:** <https://polarisproject.org/sites/default/files/A%20Roadmap%20for%20Systems%20and%20Industries%20to%20Prevent%20and%20Disrupt%20Human%20Trafficking.pdf>

Description: The Polaris Roadmap is a comprehensive document which outlines identified business operations of traffickers and their interaction with legitimate services and industries. This report references Polaris' 2017 report entitled *The Typology of Modern Slavery* which identifies 25 distinct business models that traffickers utilize in the United States.

The Roadmap cross-referenced all 25 business models against eight major legitimate systems and industries in the United States, such as Financial Services Industry, Hotels & Motels, Housing & Homelessness Systems, Social Media, Temporary Work Visas, Transportation, Business Regulatory Systems and Health Care, and found that the financial services industry had by far the most recorded touchpoints with the 25 business models leveraged by traffickers. Polaris' study singles out the financial services industry as having a unique position to observe how traffickers behave financially and, in certain cases, physically through behavioural observations by first line financial services professionals.

- **Name of Resource:** On-Ramps, Intersections, and Exit Routes: A Roadmap for Systems and Industries to Prevent and Disrupt Human Trafficking (Health Care Industry Specific Report.)
- **Type:** Report
- **Country / jurisdiction:** United States
- **Jurisdiction(s) of focus:** United States
- **Issuing authority:** Polaris
- **Date of publication:** July 2018
- **Availability:** <https://polarisproject.org/sites/default/files/A%20Roadmap%20for%20Systems%20and%20Industries%20to%20Prevent%20and%20Disrupt%20Human%20Trafficking%20-%20Health%20Care.pdf>

Description: The health care industry specific report under the Polaris Roadmap outlines the intersection between traffickers, both labour and sex traffickers, and healthcare providers. Although not designed with the intention of being applied to the financial services industry, the indicators of trafficking identified in this report do have the potential to identify trafficked victims if deployed to front line staff within the financial services industry.

- **Name of Resource:** Leaning In: Advancing the Role of Finance Against Modern Slavery
- **Type:** Occasional Paper
- **Country / jurisdiction:** United Kingdom
- **Jurisdiction(s) of focus:** Global
- **Issuing authority:** Royal United Service Institute
- **Date of publication:** December 2018
- **Availability:** https://rusi.org/sites/default/files/20181212_leaning_in_web.pdf

Description: The occasional paper from RUSI explores the role of financial institutions within the global effort to combat THB beyond compliance and anti-financial crimes-based responses. Progressive in its approach the paper seeks to explore the framework necessary to support adequate supply chain management to reduce touchpoints with those who deal in goods and services derived from labour exploitation. Additionally, the paper explores the specific role of corporate culture, such as the use of leverage in potential choke points that could serve towards enforcing systemic changes, in mobilizing the financial services industry to enact greater changes to combat THB. RUSI's document differs from the other documents in this Compendium because it envisions a future state beyond using compliance and financial crimes risk mitigation in combating THB. However, the document is important in that it presents insights that do not require having established a solid financial crimes investigatory framework prior to implementing its recommendations. Rather the document lays out a multifaceted approach that can be implemented simultaneously alongside the development of financial crimes risk mitigation programs to create a more robust response to combating THB.

- **Name of Resource:** Toolkit for Tackling Human Trafficking
- **Type:** Toolkit
- **Country / jurisdiction:** Europe
- **Jurisdiction(s) of focus:** European Union

- **Issuing authority:** Thomson Reuters Foundation & European Bankers Alliance
- **Date of publication:** May 2017
- **Availability:** Restricted. For more information on the BA please visit <http://www.trust.org/banks-alliance/>

Description: This is the first in a series of collaborative toolkits that were subsequently launched in the United States and Asia for the purpose of enhancing the ability of the Alliance's founding institutions, (largely financial institutions that differ based on regional implementation of the Alliance) to identify and report suspicious activity through outlining specific red flags related to THB. The indicators presented are tailored to the respective jurisdictions with which the Thomson Reuters Foundation has partnered, in this instance the EU, and adopt several progressive strategies in communicating them. These strategies include delineating indicators along three major categories (transactional, "know your client" (KYC) and behavioural), as well as attributing a ranking to the strength of individual indicators in their ability to identify THB activity. The methodology utilized to create the indicators presented in the toolkit is outlined in a transparent fashion and is the result of collaborative work amongst its participants. Also included in the toolkit are aggravating factors, a high risk jurisdiction overview and detailed case studies making this toolkit one of the more concise and progressive indicator documents available today. It should be noted that while similar in nature, all three Thomson Reuters Foundation toolkits (Europe, US and Asia) do differ subtly in their approaches and presentation.

- **Name of Resource:** Toolkit for Tackling Human Trafficking
- **Type:** Toolkit
- **Country / jurisdiction:** United States
- **Jurisdiction(s) of focus:** United States
- **Issuing authority:** Thomson Reuters Foundation & United States Banks Alliance

- **Date of publication:** July 2018
- **Availability:** Restricted. For more information on the BA please visit <http://www.trust.org/banks-alliance/>

Description: This is the second in a series of collaborative toolkits that were launched in the United States, EU and Asia for the purpose of enhancing the ability of the Alliance's founding institutions, largely financial institutions that differ based on regional implementation of the Alliance, to identify and report suspicious activity through outlining specific red flags related to human trafficking. The indicators presented are tailored to the respective jurisdictions with which the Thomson Reuters Foundation has partnered, in this instance the United States, and incorporate several progressive strategies in communicating them. These strategies include delineating indicators along three major categories (Transactional, Demographic and Behavioural), as well as delineating along three different types of THB (labour, sexual and child exploitation.) The methodology utilized to identify the indicators presented in the toolkit is outlined in a transparent fashion and is the result of a year's worth of collaborative work between operators of money service businesses (MSBs), commercial and correspondent banking, credit and pre-paid cards, and retail banking. Also included in the toolkit are aggravating factors, high risk jurisdiction overview and detailed case studies making this toolkit one of the more concise and progressive indicator documents available today. It should be noted that while similar in nature, all three Thomson Reuters Foundation toolkits (Europe, US and Asia) do differ subtly in their approaches and presentation.

- **Name of Resource:** The Asia Pacific Banks Alliance Against Modern Slavery
- **Type:** Report
- **Country / jurisdiction:** Hong Kong
- **Jurisdiction(s) of focus:** Asia-Pacific

- **Issuing authority:** Thomson Reuters Foundation and Mekong Club
- **Date of publication:** January 2019
- **Availability:** Restricted. For more information on the BA please visit [http://www.trust.org/
banks-alliance/](http://www.trust.org/banks-alliance/)

Description: Thompson Reuters and the Mekong Club teamed up to issue one of the most comprehensive collections of industry specific indicators for financial institutions. Indicators are divided into three sub-groups: Behavioural, Demographic and Transnational. Furthermore, each indicator is given a description, type, explanation and finally categorized along one of the aforementioned sub-groups. This document is focused on the Asia-Pacific region, however, the published indicators demonstrate consistencies with those from Europe and North America.

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Analysis of Compendium documents



4.1 By the numbers

- 23 documents identified as leading publications in combating THB through financial investigations.
- Publishers from five continents.
- Publication dates ranging from 2005 to 2019.
- A total of 600+ indicators and typologies extracted.
- Approximately 68 percent of all indicators identified were deemed to be duplicates.
- Approximately 10 percent of all indicators are behavioural (or in-person red) flags.
- Approximately 10 percent are related to identifying high risk business types.
- Approximately 65 percent of identified indicators were related to banking patterns and typologies of traffickers.
- The majority of indicators focused on sexual exploitation as opposed to any other form of THB.

Note: A synthesized list of indicators identified through the review of the documents captured within this Compendium can be found within the Appendices.



4.2 General observations on the indicators contained within the Compendium documents

An analysis of the indicators captured within the Compendium revealed that nearly all of the respective indicators discussed in the various publications were presented under a general category of THB, as opposed to being further broken down under a specific type of THB, such as labour or sexual exploitation. For example, in the FATF's 2011 report *Money Laundering Risks Arising from Trafficking in Human Beings and Smuggling of Migrants*, there are several case studies profiled that range from THB for the

purpose of labour exploitation, to THB for sexual exploitation; however, when outlining associated red flag indicators the report largely combines them under the heading of THB.²⁷ This approach was noted in many of the documents reviewed, with the only substantive distinctions focusing on conceptual differences between THB and SOM.

Some documents, such as FINTRAC's 2016 Operational Alert and Polaris' 2018 report *On-Ramps, Intersections, and Exit Routes: A Roadmap for Systems and Industries to Prevent and Disrupt Human Trafficking*, acknowledge the need for further development of indicators across the THB spectrum, specifically labour exploitation identification intelligence. The Polaris report in particular notes that the organization would support the replication of the research "to include more diversity in the type of trafficking (including labor.)"²⁸

In total, only five of the documents reviewed highlighted specific indicators related to labour exploitation, apart from sexual exploitation, and of those five only one document had a detailed section dedicated to labour exploitation indicators which was FATF and APG's 2018 joint report entitled, *Financial Flows from Human Trafficking*. Furthermore, this report also listed common indicators across different types of THB in addition to specific indicators as well.

Other documents which listed indicators specifically related to labour exploitation did so mostly by way of individual case-study analysis as opposed to listing all of the indicators together in one section of the document as was done the 2018 FATF & APG report.

²⁷ Money Laundering Risks Arising from Trafficking in Human Beings and Smuggling of Migrants, FATF Report, July 2011 available at <<http://www.fatf-gafi.org/media/fatf/documents/reports/Trafficking%20in%20Human%20Beings%20and%20Smuggling%20of%20Migrants.pdf>>

²⁸ On-Ramps, Intersections, and Exit Routes: A Roadmap for Systems and Industries to Prevent and Disrupt Human Trafficking, Polaris, July 2018 available at <<https://polarisproject.org/sites/default/files/A%20Roadmap%20for%20Systems%20and%20Industries%20to%20Prevent%20and%20Disrupt%20Human%20Trafficking.pdf>>

One important observation is that of the five reports which did focus on labour exploitation, the scope of their research and the distribution of their publication were largely outside of the Europe and North America with an increased focus on Africa and Asia.

In addition to the combining of indicators under the general category of THB, a focus on sexual exploitation was also noticed in the majority of the documents reviewed. However, given the fact that sexual exploitation accounts for a majority of THB's total global dollar amount generated in the black market, it is understandable why this would be the case.²⁹ Also, given the similarities noted between all indicators identified during the research conducted for this Compendium, one could also argue that general THB red flag indicators may have applicability in identifying traffickers across the THB offence spectrum.

While the aforementioned assumptions can be logically made based on the facts currently available, it is still recommended that a refinement of approach — that is conscious of the delineation between THB forms — be implemented in future reports so that enhanced intelligence can be distributed and more robust data compiled, specifically by national FIUs.

Other observations made in reviewing all of the documents included:

- no publication broke down indicators by gender with the exception of case studies that mentioned the sex of the victims involved;
- the majority of publications did not breakdown indicators by geographic region;
- THB/OR was typically singled out or covered entirely on its own as the main focus of the publication reviewed;

²⁹ Factsheet on Human Trafficking, UNODC/United Nations Voluntary Trust Fund for Victims of Human Trafficking available at <https://www.unodc.org/documents/human-trafficking/UNVTF_fs_HT_EN.pdf>

- general indicators of money laundering were often published interchangeably with unique indicators of THB.

It should be noted that documents published after 2015 were much more concise in their research and in their approach to sharing intelligence such as financial indicators and investigative strategies. This observed phenomenon is not surprising given the increasing level of attention THB has received globally over the past decade, as well as the resources from public and private institutions aimed at stopping related criminal acts.



4.3

General categories of the synthesized indicators

Indicators of THB that were identified in the development of this Compendium are broken down into 3 categories, ***Behavioural, Know Your Customer (KYC) and Transactional***, with each category providing unique insight into the financial operations of traffickers. This categorization was first identified in the Banker's Alliance European toolkit but was found to be generally helpful in segmenting indicators outside of specific jurisdictions or borders.³⁰

Behavioural indicators are largely derived from visual cues projected by an individual who may be trapped in a cycle of trafficking or by a trafficker themselves. **KYC indicators** refer to possible red flags derived from collecting required information from a customer such as address and identification. Lastly, **transactional indicators** can trigger at any time after the account is open and, due to the rise in digital banking solutions, may not require face-to-face interaction.

All three of these categories of indicators can trigger

³⁰ <http://www.trust.org/banks-alliance/>

jointly together or in different combinations. They could also trigger independently and to different individuals within an organization, with behavioural indicators being detected by front line staff, KYC red flags by data collection teams, and financial transactions by transaction monitoring teams. Given this potential segregation, it is important to have clear communication and escalation procedures in place for transactions or interactions deemed to be unusual.

It is important to note that some indicators may be innocuous on their own, such as making purchases from pharmacies or drug stores, which is why many indicators of THB have to be viewed in the context of the person executing them and alongside other transactions. As stated in the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)'s 2016 Operational Alert entitled *Indicators: The laundering of illicit proceeds from human trafficking for sexual exploitation*:

*"These indicators and other facts surrounding a financial transaction should be considered as a whole. This is important because a single transaction taken in isolation may lead to a false assumption of normalcy. Considering all indicators may reveal otherwise unknown links that taken together could lead to reasonable grounds to suspect that the transaction consists of proceeds from human trafficking."*³¹

The recommendation put forth by FINTRAC is consistent with the position of the United States' Financial Crimes Enforcement Network (FinCEN) in 2014, which advised financial institutions that *"no single transactional red flag is a clear indicator of human smuggling or trafficking-related activity"* and *"that additional factors, such as a customer's expected financial activity"* should also be considered.

³¹ <https://www.fintrac-canafe.gc.ca/intel/operation/oai-hts-eng>



4.3.1

Analysis of the synthesized indicators by type of exploitation

Although the indicators identified during the development of this Compendium were developed across a number of years, by many different organizations, in five different continents, they were found to share commonalities. For example, almost all of them are relevant beyond their respective jurisdictions of focus. Indeed, of the 600+ indicators, approximately 68 percent were eliminated due to an identified duplication.

Overall, the majority of indicators identified are derived from a THB victim's bank account records while under control by their trafficker. This holds true for nearly all indicators identified with the exception of some of the indicators identified relating to labour exploitation, as they found to operate commercial accounts which covertly profited directly off THB. Conversely, traffickers focusing on sexual exploitation would not typically conduct transactions through their personal accounts nor open commercial banking accounts given the largely illicit nature of the activity involved, i.e. the selling of sex. Furthermore, traffickers are wary of being identified so it makes logical sense to commandeer their victim's accounts to enhance their anonymity.

In focusing on indicators related to sexual exploitation, the most common high risk business type related to this activity was found to be in the food service industry, particularly bars, canteens and restaurants. Behavioural indicators honed in on the appearance of suspected trafficked individuals as well as their demeanor. Individuals who were found to be accompanied by another person, not in possession of their documents and who had someone speak on their behalf were found to be most common attributes associated to victims of THB. In looking at common

red flags related to the opening of accounts, common indicators related to the use of false identification, mailing address related to P.O boxes and the utilization of an address with several seemingly unrelated individuals also living there. Lastly, common transactional activity was connected to accounts with unusually high usage of cash, the purchase and sale of virtual currency, the account being used as a funnel or pass-through account, and the account being connected to online adult advertising services whether by way of email address, name or financial transaction.

Transactions related to labour exploitation were shown to share many similarities with those related to sexual exploitation, particularly in the Behavioural and Know Your Customer (KYC) categories. This is something that is not uncommon when trying to identify transactions related to specific acts of differing predicate offences, such as identifying the selling of specific types of narcotics (e.g. fentanyl vs cocaine.) Determining specificity of a more general criminal act from the vantage of an individual financial institution is challenging given the facts available to an investigator. This is because many financial transactions may not betray in themselves important contextual information, such as their purpose.

A transaction may occur at a particular retailer or between organizations but understanding its purpose, such as the underlying items purchased is, at times, impossible to ascertain. An example of this was encountered during the launch of Project Guardian, a public/private initiative in Canada to address the use of fentanyl across the country by way of identifying associated financial transactions. Initial concerns related to Project Guardian were that project members from reporting agencies would be unable to distinguish between the types of narcotics being dealt

³² Project Guardian – Renewing Public Service through Collaboration, FINTRAC, December 2018 available at <<http://www.fintrac-canafe.gc.ca/emploi/guardian-eng.asp>>

³³ Ibid

when the only vantage was from the perspective of standalone financial transactions.³² These concerns were found to be partially true, however, as the project matured specific identifiers were established and an increase in reporting to FINTRAC was achieved with 317 related disclosures made to law enforcement as a result.³³

The delineation between labour and sexual exploitation starts to become more evident when looking at commercial banking accounts of suspected traffickers related to labour exploitation. The fact that a labour trafficker is more likely to have a bank account than a commercial sexual exploitation trafficker provides some direct insight into the types of transactions one could expect to see. Non-payment of taxes, worker's compensation and other fees to collection authorities; a very low rate of pay or a near identical pay over a long period of time to employees (no changes for overtime, vacation, sick leave, bonus payments, etc.); and payments to employment or student recruitment agencies that are not licensed/registered or that have labour violations, were all found to be common indicators of labour traffickers.

Common financial transaction indicators between labour and sexual exploitation included the unusually high utilization of cash, transactions with unregistered money service businesses (MSBs) or information money service businesses such as hawalas, transactions with unrelated third parties, payments for various forms of travel (such as ride sharing or plane tickets) and the identification of transactional activity occurring in locations outside of the account holder's stated address.

Unique or stand-alone indicators were typically identified to be a result of geographic positioning, as many of the indicators within the publications reviewed in this Compendium were found to have strong commonalities. Geographical differences could result from a difference in laws allowing for a legalized sex

industry, or due to some countries being classified as an originating location of trafficked individuals versus a destination country. Financial institutions in originating countries were found to notice more international activity, such as wires, versus destination countries which tended to focus more on domestic activity.

5.C

Conclusion and Recommendations

There is no shortage of documents that have been published to support the identification, reporting and disrupting stopping financial activity related to THB. These documents have been put forth by civil society, non-governmental organizations (NGOs), government agencies, regulatory bodies and inter-governmental organizations, many of which have leveraged a public/private partnership model to develop their investigative techniques. Notable examples of this approach are highlighted in FINTRAC's 2016 "Operational Alert," which was created in conjunction with the Canadian initiative Project Protect, the 2019 report "The Asia Pacific Banks Alliance Against Modern Slavery" by Thomson Reuters Foundation, Mekong Club and the Banker's Alliance, and the work being done between civil society, academia and the private sector to address trafficking for the purpose of organ removal in Project Organ, which is outlined in the Association of Certified Anti-Money Laundering Specialists quarterly magazine ACAMS Today in an article entitled, *Organ Trafficking: The Unseen Form of Human Trafficking*.

Regardless of the approach or type of THB addressed, the impact of each document, in terms contributions towards the number of suspicious activity reports filed to a respect financial intelligence unit (FIU), arrests made and successful prosecutions realized, is difficult to assess given that full details relating to downstream outcomes have either not been cumulatively assessed or have not been made available to the public, possibly due to legislative restraints or more simply inaction. However, available data suggests that these types of publications can positively impact anti-THB responses systems, including the financial services industry. For example, in November 2017, FINTRAC reported that since the inception of Project Protect in January 2016, 270 disclosures relating to 534 subjects had been made to both internal and foreign law enforcement agencies. This constituted a multi-hundred percent increase in overall STR reporting of activity suspected of being related to human trafficking.³⁴



5.1 Recommendations

Financial investigations connected to THB are an essential tool to detect and dismantle criminal networks, to undermine the profit motive of THB, and to seize assets that can support victim compensation and assistance. To one degree or another, this is a position that many of the OSCE participating States have adopted over the past several years. However, widespread acknowledgment, implementation, and harmonization of investigatory strategies and tactics aimed specifically at the finances of THB is still a work in progress.

The research undertaken by the OSCE, and other likeminded organizations such as the Lichtenstein Initiative³⁵, seeks to establish a foundation for a more consistent approach towards conducting investigations related to finance and THB. This foundation will provide the basis for a framework that will hopefully assist jurisdictions and organizations in overcoming some of the existing challenges encountered when addressing THB and ultimately contribute to the mainstreaming of financial investigations.

The documents reviewed in this Compendium provide a significant amount of intelligence on which future initiatives can be built. Additionally, the collective research conducted to this point can also be leveraged above and beyond the borders of the individual jurisdictions which created them to assist in the international effort to combat THB.

To assist these potential outcomes in becoming a reality, a number of recommendations derive from the individual strengths of the unique documents reviewed, are being put forward. These recommendations are divided into three primary categories;

³⁴ <http://www.fintrac-canafe.gc.ca/emplo/psr-eng.asp>

³⁵ <https://www.fastinitiative.org/the-blueprint/>

contextual information, financial indicator development and operational aspects.

Contextual information refers to enhancing essential background knowledge related to THB, such as definitions, geographic nuances, and identification methods, that are sometimes overlooked in favour of getting to immediate results by way of identifying suspicious financial activity (this is particularly the situation in case-based approaches). This information is important in developing a deeper understanding of THB and will ultimately serve to generate higher quality investigations.

Recommendations related to **financial indicator development** are fairly straightforward in nature as they seek to enhance the creation and use of financial indicators which tend to be the center piece of publications related to THB-focused financial investigations related.

Lastly, **operational aspects** refer to the structure and presentation of investigation focused documents so that the intelligence within them is designed for optimal comprehension and, hopefully, application by its readers.

Recommendations are as follows;

Contextual information

- establish a solid foundational definition of THB based on existing international law;
- outline individual definitions of major forms of trafficking;
- ensure that THB and SOM remain separate and defined topics;
- include gender disaggregated data alongside general intelligence;
- provide geography-specific information when available;
- include investigatory strategies and approaches supporting the conversion of financial

- intelligence to quality SARs;
- incorporate contextual information to support specific red flag indicators or typologies, such as case studies.

Financial indicator development

- outline the methodology utilized to adapt Appendix A to local jurisdictions, including the consistent development of new and refined indicators;
- prioritize focus on unique indicators related specifically to the various forms of THB over general money laundering indicators;
- rate or rank individual indicators on their effectiveness;
- delineate indicators across three general groups; *Behavioural, Know Your Customer (KYC) and Transactional*;
- indicate a standard review cycle for publications that are predominantly indicator-focused to be updated with new intelligence;
- synthesize common information and/or intelligence that relates to more than one type of THB.

Operational aspects

- compile a summary of all indicators or typologies into one section of the document for easy access and review;
- create keywords to be included in SARs for easy identification of THB activity;
- compile specific materials and resources dedicated to the topic of THB rather than simply incorporating THB items alongside other unrelated criminal offences.

Successful implementation of the aforementioned recommendations will contribute to the standardization of an investigation framework that can be contemplated and communicated across affected sectors.



5.2 Looking forward

Looking ahead into the third decade of the 21st century, one can be optimistic that the quality, substance and insight of operational intelligence related to finance and THB will continue to be enhanced. This is exemplified by the comprehensiveness of some of the more contemporary documents reviewed, such as FATF's 2018 report *Financial Flows from Human Trafficking* and the collaborative Toolkit's issued by the Thomson Reuters Foundation and Banker's Alliance in Europe, United States and Asia between 2017 and 2018. These publications evince a deeper understanding of THB in both a general and disciplined sense.

Luckily, the OSCE and individual efforts from participating States are not the only entities tackling the challenge of THB through financial investigations. Partnerships continue to strengthen and form on this topic globally. In 2019 alone, multiple groups mobilized to push the dial on combating THB, highlighted by the conversations led by the Royal United Service Institute (RUSI)'s Future of Financial Intelligence Sharing (FFIS)³⁶ conference series and the Institute of International Finance's (IIFs) ongoing conversation on combating financial crimes, which includes human trafficking.³⁷

Additionally, another entrant into the arena to combat the finances of THB is the Lichtenstein Initiative's Blueprint for Mobilizing Finance Against Slavery and Trafficking, formally launched at the 2019 United Nations General Assembly in New York.³⁸ The

³⁶ <https://www.future-fis.com/>

³⁷ <https://www.iif.com/Press/View/ID/3405/The-IIF-Appauds-The-Thirty-Year-Anniversary-Of-The-FATF-And-Its-Efforts-To-Combat-Financial-Crimes-Worldwide>

³⁸ <https://www.fastinitiative.org/the-blueprint/>

Blueprint lays out a multifaceted approach aimed at ending modern slavery over the next decade which includes leveraging financial investigations. The OSCE is working in conjunction with the Lichtenstein Initiative and has committed to the project through assisting to produce a financial investigation toolkit that outlines good practices in conducting financial investigations into modern slavery and human trafficking, of which this supplements.

The aforementioned initiatives, combined with improvements in the development of financial indicators, as well as the creation of international investigative standards and an increased understanding of the differing types of THB, will inevitably lend themselves to aid in the mainstreaming of financial investigations related to THB. One which will hopefully enhance the rate at which criminal networks engaged in THB activity are dismantled.

PART II

Step-by-Step Guide to Financial Investigations Related to Trafficking in Human Beings (THB)





Purpose

The OSCE Office of Special Representative and Co-coordinator for Combating Trafficking in Human Beings (OSR/CTHB) assists OSCE participating States (pS) in the implementation of recommendations proposed by the OSCE Action Plan to Combat Trafficking in Human Beings and its addenda, as well as commitments contained in accompanying Ministerial Council Decisions.³⁹ The OSR/CTHB also provides advice and technical assistance in the field of legislation and policy development, and ensures co-ordination of OSCE efforts in combating trafficking in human beings (THB) across all three dimensions of the OSCE: the politico-military, the economic and environmental, and the human.⁴⁰

One of the main focus areas of OSR/CTHB activities has been the investigation and prosecution of human trafficking-related crimes, with attention being given to financial investigations as an essential tool to detect and dismantle criminal networks. Additionally, effective financial investigations can contribute toward the seizing of illegal profits for the purpose of reparation and compensation victims of THB.

Across the OSCE's pS there is a growing recognition that examining the financial aspects of THB could be a fruitful strategy for anti-THB response systems. For example, in 2014, The World Economic Forum published an industry agenda entitled, Hedging Risk by Combating Human Trafficking: Insights from the Private Sector, in which Manhattan District Attorney Cyrus Vance Jr. stated *"All sorts of electronic and digital fingerprints are left when a crime is committed to a business enterprise is being run... financial institutions are in a unique position to spot red flags in banking activity and report them to law enforcement."*⁴¹ However, despite the important role that financial investigations can play in combating THB, implementation of this tool has been limited across the OSCE

39 <https://www.osce.org/secretariat/trafficking>

40 <https://www.osce.org/secretariat/trafficking>

41 http://www3.weforum.org/docs/WEF_Human_Trafficking_Report_2015.pdf

region. A variety of challenges persist across the public and private sectors, including the absence of investigative strategy, inadequate resources, and lack of training. An in-depth outline of these challenges is provided within the second chapter of the 2014 OSCE report entitled, Leveraging Anti-Money Laundering Regimes.⁴²

In the context of financial investigations, the OSCE has also noticed a gap between available research material and publication of red flag indicators: many THB research-based initiatives end with the publication of financial indicators without providing insight into how to convert said indicators into successful investigatory outcomes.

In an effort to overcome the aforementioned challenges, and to support the mainstreaming of financial investigations throughout OSCE pS, the following step-by-step guide has been designed to assist public sector agencies, such as law enforcement, as well as private sector organizations with an obligation to report suspicious transactions to their national financial intelligence unit (FIU), such as banks, in conducting successful financial investigations related to THB. The step-by-step guide does not presume the existence of an established investigatory regime but rather walks through suggested steps designed to assist in the creation and operation of an optimal environment to mitigate financial activity associated to THB. Furthermore, it also seeks to set forth a standardized investigative model that can be leveraged for investigations beyond THB.

The guide itself is broken down into 11 individual steps grouped into three categories which vary in applicability to respective agencies and institutions.

The steps are as follows:



Foundational

- Step 1:** Centralize Oversight
- Step 2:** Define Roles and Responsibilities
- Step 3:** Access Appropriate Investigatory Resources



Operational

- Step 4:** Evaluate the Investigation for THB Activity
- Step 5:** Scope the Investigation and Identify Target Subjects
- Step 6:** Identify and Leverage Indicators and Red Flags
- Step 7:** Report Suspicious Behaviour
- Step 8:** De-Risk Relationships
- Step 9:** Extract Intelligence from Completed (and Proven) THB Investigations



Communal

- Step 10:** Coordinate with External Partners (Public/Private Partnerships)
- Step 11:** Financial Access — Banking Survivors of THB

Foundational steps would typically only be visited only once during the creation of the investigatory framework and have broad applicability across both the public and private sectors. Operational steps would be adhered to more frequently given their importance towards individual investigations however the applicability of these steps would vary based on whether the implementing organization was within the public or private sector. For example, steps 7 and 8 would predominately apply to reporting entities within the private sector. Finally, the two communal

⁴² <https://www.osce.org/secretariat/121125>

steps are split in terms of applicability with the public and private sectors sharing an interest in Step 10, while increased responsibility rests on financial service providers in Step 11.

In sum, this guide aims to support an increase in the frequency and quality of financial investigations tied to THB. Each of the aforementioned steps, with the exception of Step 7, Step 8 and Step 11 which pertain almost exclusively to the private sector, is vital in creating an effective, sustainable, replicable and scalable program that can be leveraged to not only increase the quality of THB investigations but mitigate many under-reported, predicate crimes from which illicit funds are derived.

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Overview

Foundational Steps



Step 1: Centralize oversight

The creation of an oversight mechanism is an important first step in trying to ensure that complete and comprehensive responses are delivered to each suspected THB investigation. However, how this oversight manifests can differ depending on the size and mandate of a respective institution. For example, modern municipal law enforcement agencies across a number of OSCE participating States, such as the New York Police Department (NYPD) and London's Metropolitan Police Service (MPS), have incorporated investigation of THB-related activities into specialized teams. Conversely, some police departments have carved out oversight of THB from vice units due to its differences from prostitution. For example, in Canada's most populous city, Toronto, the Toronto Police Service (TPS) have moved the policing of THB outside of more traditional divisional units and into a separate unit referred to as Sex Crimes. This unit was created to investigate serious and serial sexual offences that were beyond the resources and/or expertise of other divisional units.⁴³

Federal law enforcement agencies have also been noted to centralize policing and expertise on THB as demonstrated by the FBI⁴⁴ and Interpol⁴⁵, as have national financial intelligence units (FIUs), although many FIUs have chosen to not be as public about the segmentation of specific investigatory responsibilities as their traditional law enforcement counterparts. Some FIUs have been known to designate specific teams to address unique predicate offences such as those assigned to the development of intelligence

43 <http://www.torontopolice.on.ca/sexcrimes/>

44 <https://www.fbi.gov/investigate/civil-rights/human-trafficking>

45 <https://www.interpol.int/en/Crimes/Human-trafficking>

documents within the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)'s Strategic Intelligence group.⁴⁶

In shifting focus to the anti-money laundering — or more progressively referred to as “anti-financial crimes”⁴⁷ — regimes found within the private sector, such as banks, the separation of duties based on predicate offense is not as clearly defined as that found within the public sector. A possible reason for this is that banks are often faced with facilitating tens of millions of transactions a year while balancing regulatory requirements with limited resources for compliance oversight teams. Additionally, banks are encouraged to employ a risk-based approach to mitigate financial crime risks which differs from the legislative mandate of law enforcement agencies.⁴⁸ However, special investigation units or major investigations teams are not totally uncommon within banks and typically deal with a wide array of unique predicate offenses including THB.

As the aforementioned examples suggest, centralizing efforts can manifest in a variety of different ways, from end-to-end investigation to mere tracking of related cases. However, regardless of approach there are notable benefits of having all investigations that intersect with THB pass through a centralized body, some of which include:

1. Minimizing the chances of duplication of efforts;
2. Increasing investigation efficiency;
3. Enhancing the quality of investigation;
4. Allowing for proven expertise to be developed and shared with members outside of the specialized team;
5. Understanding how THB, in all its forms, intersects with a respective institution or agency through analyzing accumulated data that could include the

⁴⁶ <https://www.fintrac-canafe.gc.ca/intel/sintel-eng>

⁴⁷ <https://www.theglobeandmail.com/business/article-scotiabank-spending-300-million-a-year-in-anti-money-laundering/>

⁴⁸ <https://www.fatf-gafi.org/media/fatf/documents/reports/High%20Level%20Principles%20and%20Procedures.pdf>

number of cases worked, suspicious activity reports filed, and/or number of arrests made.

A few areas of caution should be noted when moving to centralize responsibilities: the potential for knowledge to become unnecessarily limited to a select audience and the possibility of delayed response times in launching investigations. To counteract these two potential pitfalls it is recommended that regular knowledge-sharing activities or mechanisms be built for the purpose of increasing the general investigative IQ of a particular institution and to improve the likeliness of inter-team hiring or resource sharing. Additionally, the sharing of knowledge will also allow for flexibility in who can conduct an investigation which will aid in reducing investigation turnover time. For example, where possible it is advisable that some autonomy be granted to the team tasked with overseeing THB investigations so that unnecessary backlogs are not created for the purpose of fulfilling internal process obligations. Ultimately, as long as an investigation suspected of being related to THB is recorded and provided appropriate guidance, who actually conducts the investigation can at times vary to the benefit of the broader investigatory group as well as external stakeholders.



Step 2: Define roles and responsibilities

Once the appropriate oversight framework for suspected THB-related investigations is created, it is recommended that the individuals assigned to supporting this process have their roles and responsibilities clearly outlined. While this step is common practice in many public and private institutions regardless of mandate, it is still an important step that can at times be overlooked. Defining roles and responsibilities creates a multitude of positive outcomes including some of those mentioned above such as avoiding duplication and operational efficiency, as well as the following:

- expediting the succession of talent into key roles upon a departure;
- streamlining the assessment and triage of investigation referrals;
- prioritization of investigations;
- ensuring consistent and clear messaging outside the immediate team.

Documenting roles and responsibilities should ultimately lead to better investigatory outcomes completed in a shorter amount of time. In essence, the act of defining key roles and responsibilities reverts back to the simplistic antidotal notion of “divide and conquer”: if everyone is aware of what they are assigned to do, they will stay on point and execute. Conversely, if individuals are left to define their role and responsibility while they move from case to case, even the best intentions can ultimately lead to an ineffective regime due to a lack of consistency.



Step 3: Access appropriate investigatory resources

Investigations can be severely hindered by the inability to access appropriate resources required to do the job correctly. Conducting an investigation that is predominantly desk-based and focused on financial transactions requires a different set of tools than those used in the field. Furthermore, resources required by those investigating certain types of predicate offences to money laundering, such as THB, may require different resources than units looking at other criminal offences.

In general, money laundering investigations, regardless of which underlying criminal activity the funds generate from, can be complex and tedious. A single investigation can fragment into tens or sometimes even hundreds of derivative investigations when assessing connected parties. Furthermore, the likelihood of a single financial institution housing all of

the financial activity without a nexus to other institutions is small given the plethora of banking options available and the savviness of those perpetrating the crime. To further complicate the matter, the expertise sometimes required when trying to determine what is to be considered suspicious when it comes to financial transactions may rest outside of a particular investigative body. It is for all of these reasons and more that investigators must have access to resources targeted to their role.

Access to appropriate resources will allow for increased efficiency in tracking, connecting and recalling internal investigation materials. It will also counteract evolutionary tactics of perpetrators as they move from one technique to another. Finally, equipping investigators with the necessary resources will ultimately lead to higher quality investigations that can contribute to an increased chance of arrest and conviction, while reducing impact to victims of THB and those incorrectly suspected of being involved.

Some of the resources required to adequately conduct THB investigations include:

a. Use of a digital case management and investigation charting systems;

Investigative case notes should be stored in a centralized location that is readily accessible. The same goes for accompanying documents or digitized evidence such as flow charts. A centralized database is important for a multitude of reasons that range from increased ability to form an auditable track record to the increased capability to link investigations. Examples of potential solutions commonly found within the anti-financial crimes sector include Oracle’s Financial Services Enterprise Case Management⁴⁹ and IBM i2 Analyst’s Notebook⁵⁰ used for visual analysis of investigations.

⁴⁹ <https://www.oracle.com/industries/financial-services/analytics/enterprise-case-management/>

⁵⁰ <https://www.ibm.com/ca-en/marketplace/analysts-notebook>

b. Unrestricted access to the internet;

Investigator access to websites that may house content that runs contrary to internal policy (e.g. gambling, pornography, etc.) may be necessary for those conducting investigations into THB. It is important to ensure adequate training is given to the investigators who are given expanded access so that privileges are not abused.

c. Adequate open source investigation training;

The internet has become a powerful tool for investigators in both the public and private sectors. However, leveraging the internet to its full potential is still something that few have mastered. It is advisable to consider training material from sources outside your respective institution to help provide a new perspective and specialized expertise. An example of exceptional open source intelligence gathering training (OSINT) is Inteltechniques⁵¹ which was created by former FBI agent Michael Bazzell. Inteltechniques is one example of a tool designed to assist investigators in locating information available on social media platforms that may not be easily accessible. Intelligence and evidence available from “open sources” can provide valuable insight into an investigation, particularly at the early stages when court authorization to conduct private searches may not be available. Furthermore, OSINT training should also reduce the risk of investigators exposing their identity online, or the respective institutions they work for, in the course of conducting investigations.

d. Access to relevant internal data sets;

Direct and immediate access to relevant internal data is vital when conducting successful investigations. Relevant data sets could include such information as the holdings of a particular suspect at a financial institution or previous investigations associated with them. Streamlining internal access to this data and removing internal barriers where possible is important.

Three potential issues that could be encountered when trying to realize an unfettered data access environment are:

- technological limitations;
- legal implications;
- historical ownership.

Enhancing technological capabilities to improve access to data within larger institutions can be costly and require significant resources to implement. Working together with other groups outside of the investigation team who seek similar technological capabilities could be a potential way to mobilize resources. However, if funding is difficult to obtain, it is advisable to take time to understand the challenges that prevent access and seek ways to bridge this access using alternative methods. For example, if data is siloed across different departments of an institution, identify points of contact the investigation team can work with.

Legal hurdles and historical ownership can theoretically be surmounted more easily than technological limitations but still require a dedicated vision and committed internal culture toward mitigating financial crimes. Obtaining a holistic view of where data rests within an institution and the reasons for its separation will help create solutions that can open up access. Unnecessarily requesting information from internal third parties outside of the investigation group will not only slow the investigation process but possibly derail it all together.

e. Access to expert legal opinions on issues such as taxation, securities, and real estate;

The financial aspects to certain crimes can be complex and require input from experts from both within and outside a respective organization. Identifying those who may be able to assist early on in the creation of a THB-focused unit will pay dividends on subsequent investigations. Examples of the types of individuals you may want to engage are experts in

⁵¹ <https://inteltechniques.com/index.html>

taxation, real estate, securities, as well as expert legal opinions. Additionally for those within law enforcement or justice departments, identifying knowledgeable expert witnesses can assist greatly in effectively communicating investigations within a court of law.

Operational Steps



Step 4: Evaluate the investigation for THB activity

One of the common pitfalls of financial investigations, within the context of THB, is the tendency to misidentify indications of another crime as belonging to THB (or the inverse). In some cases this may be due to lack of knowledge about the specific legal elements of THB; in other cases, it is because THB can at times appear to be another type of crime with similar characteristics, such as human smuggling, and labour violations. For example, a common mistake is to misinterpret THB as prostitution which is legal in many jurisdictions and a low-level offense in others. On the other hand, understanding which associated crimes represent a high-risk for THB can be helpful in guiding investigators on where to look (see bullet "d" below for more on this).

Delineating between these different types of crimes on a legal or technical level is an important undertaking. Additionally, for those within private institutions, it is advisable to take the assessment one step further by establishing which types of other predicate offences will be reviewed by the specialized team overseeing THB investigations, since THB-exclusive units are somewhat rare due to resourcing limitations.

Once a base-level understanding of applicable laws is established and the appropriate investigatory team

or unit identified, practitioners can begin to facilitate incoming referrals related to THB. Referrals received by agencies within the public sector relating to THB will most likely be higher due to a number of factors, including the scope of the agency, the population it serves and its legislative mandate. Private sector referrals to internal specialized teams overseeing THB would be less frequent in comparison to their counterparts in the public sector; however, this does come with some added benefits that include the potential for innovative proactive tactics to be adopted in trying to identify suspected traffickers. Examples of these proactive methods include:

a. Retroactive review of previously closed cases

Cases relating to THB may have been worked and closed in the past, however, due to a lack of training or awareness may have been mislabeled as a different predicate offence such as prostitution or human smuggling. A look back at these types of predicate offences and the underlying evidence may reveal previously unidentified connected parties or criminal conduct, and a different conclusion as to scope or gravity of the crime.

b. Historical adverse media (negative news) searches

The easiest way to identify if a suspected trafficker has an account at a financial institution is to leverage media publications that identify individuals arrested or charged with THB offences. In reviewing these types of publications one may be able to detect connected financial activity, as well as connected parties, by simply conducting an internal search for accounts or wire transfer activity associated to those named in the article. Additionally, from an internal perspective, the intelligence gathered from these accounts in terms of typologies or red flags observed will prove extremely valuable. As stated above, although simplistic in approach, this strategy could yield very high quality cases and intelligence given the added benefit of suspected THB being confirmed by a third party, typically law enforcement.

c. Data mining suspicious activity report analytics

Similar to reviewing historical cases, looking at historically filed suspicious activity reports may yield valuable red flags or indicators previously thought to be unrelated to THB. Additionally, if unable to conduct this task due to technological limitations or lack of data, it is recommended to evaluate what would be needed to facilitate this step. Analytics pertaining to suspicious activity reports are valuable for gaining a deeper understanding of all predicate offences and which ones pose the biggest risks.

d. Observing business activity in high risk sectors

Organizations dedicated to ending THB, such as Polaris⁵² in the United States, as well as information on enforcement actions from public agencies, have published information on the types of businesses at increased risk of being utilized as a front or manipulated for THB activity.⁵³ For example, reviewing activity related to businesses involved in the spa, massage, strip club and pornography industry for suspicious activity may be advisable.

Note: A synthesized list of high risk business types susceptible to THB activity, extracted from the documents reviewed in the OSCE's 2019 Compendium of relevant materials and resources relating to financial investigation of THB, can be found within Appendix A of this resource.

The reactive and proactive nature of public and private investigations to financial activity pertaining to THB can be viewed as complementary. However, this investigatory harmony only balances itself out if the quality of suspicious activity reports being submitted is high and law-enforcement agencies receive and act on this intelligence.



Step 5: Scope the investigation and identify target subjects

Properly scoping an investigation and its target subject(s) is paramount so that an investigation does not initially become too large to properly conduct. Additionally, it will assist in preventing innocent individuals being unfairly labelled as associated targets. For example, it is commonly known that traffickers commandeer their victims' accounts for their own personal use.⁵⁴ Given the frequency with which this type of activity occurs, it is recommended that organizational policies and procedures clearly state that investigations into THB shall avoid further victimization of survivors of THB. After the delineation between trafficker and victim is made, further segmentation may be required to address major players before ancillary facilitators. Prioritizing subjects acknowledges resource limitations and embodies a risk-based approach.

In order to accurately identify target subjects, the entirety of an investigation — or as much as possible from the onset — must be scoped out. The 360 Model, as labelled by its creator Peter Warrack, provides consistency of approach to the critical thinking required by anti-money laundering (AML) investigators within private institutions, such as banks, in determining if the transactional activity (or attempted activity) under review is suspicious or not.⁵⁵ The model outlines six steps that are recommended to complete a successful investigation, but more importantly, are required to quickly mitigate potential false positives preventing wasted investigative resources. These 6 steps, which can also be applied to law enforcement agency investigations, include:

⁵² <https://polarisproject.org/>

⁵³ <https://polarisproject.org/typology>

⁵⁴ <https://polarisproject.org/human-trafficking-and-financial-services-industry>

⁵⁵ <https://www.acamstoday.org/introduction-360-degree-aml-investigation-model/>

Step One: Trigger Event

The trigger event can result from various sources depending on whether an organization is within the public or private sector. Private sector triggers can include: a suspicious activity report from a financial institution, automated transaction monitoring alert, adverse media, internal referral or law enforcement. Public sector triggers can include complaints, warrants, or court orders.

Step Two: Understand the Customer

This step provides foundational context about the subject of the inquiry against which the financial activity (or attempted activity) in Step 3 is assessed, evaluated and understood.

Step Three: Understand the Financial Activity (in context of Step 2)

Under this step a holistic and high-level view of the financial activity is undertaken to determine whether the financial activity appears to be in line with the

investigator's understanding of the customer, including factors such as their employment history, expected salary, age, address, etc.

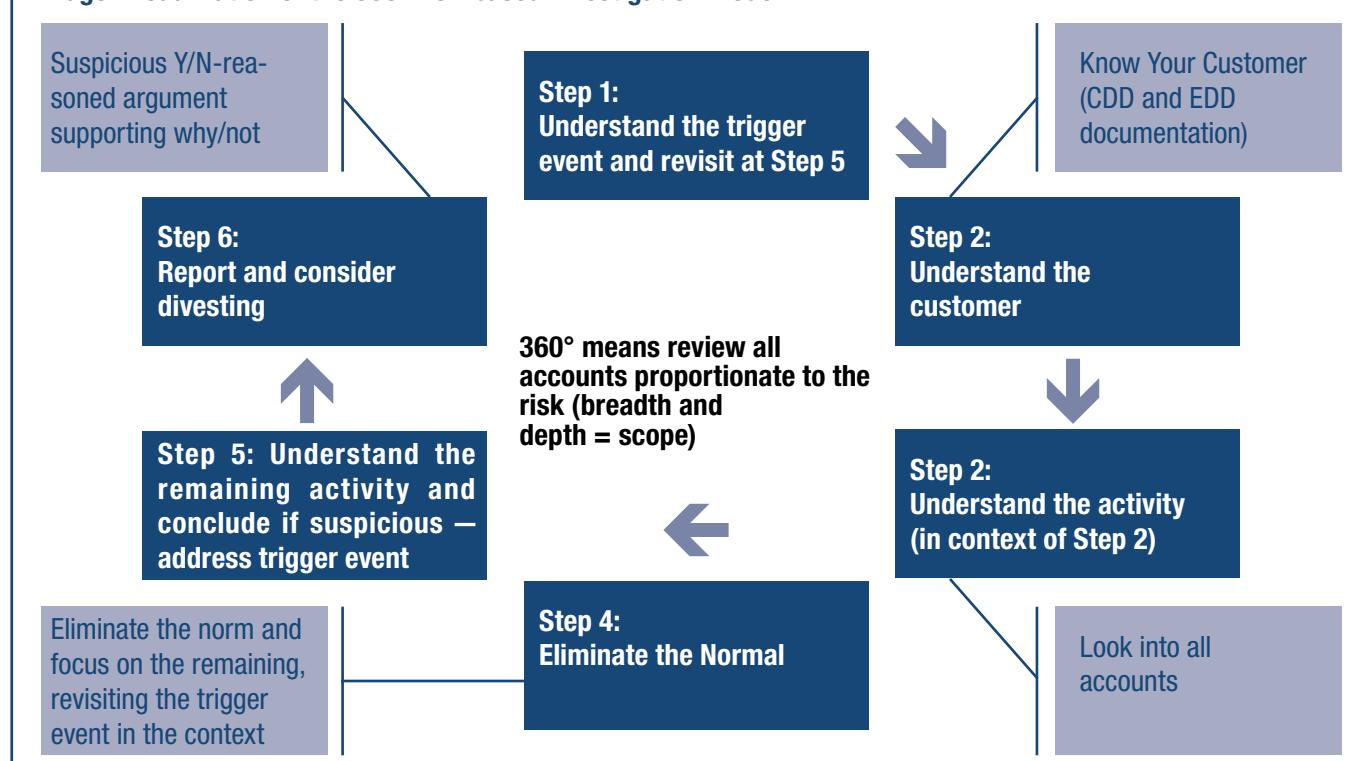
Step Four: Eliminate the Norm

In alignment with the previous steps, the activity under review is evaluated for whether it is commensurate with what would be expected (normal) by the customer, is neither considered unusual or suspicious, and is filtered out to enable the investigator to focus on the remaining activity.

Step Five: Understanding the Remaining Financial Activity and Conclude if Suspicious – Address trigger event

The remaining financial activity now becomes the focus of the financing investigation which should begin at the trigger event of the investigation (e.g. the transaction or occurrence which led to the initial alert of suspicion.)

Image: Visualization of the 360° risk-based investigation model⁵⁶



⁵⁶ <https://www.acamstoday.org/introduction-360-degree-aml-investigation-model/>

Step Six: Report and Consider Divesting

This step simply means submitting the suspicious activity report to the local financial intelligence unit (FIU) and possibly divesting the relationship. On the law enforcement side, a warrant for arrest may be required at this point.



Step 6: Identify and leverage indicators and red flags

Developing an understanding of what is considered to be suspicious within the realm of financial transactions takes a general level of understanding of finance, in particular banking, as well as in-depth knowledge of the methods used by traffickers to facilitate their crimes. A base-level understanding of common banking practices is not difficult to establish, however, obtaining an awareness of what is uncommon typically takes access to significant amounts of data and hands-on experience conducting investigations. Fortunately, given the number of documents published over the past decade on proven typologies and red flags of traffickers, a lack of significant hands-on experience can be addressed with dedicated research from those who have such experience.

On a macro level, indicators of THB can be broken into 3 categories, *Behavioural*, *Know Your Customer (KYC)* and *Transactional*, with each category providing unique insight into the fiscal operations of traffickers. Behavioural indicators refer to the in-person visual cues projected from a situation where an individual may be trapped in a cycle of THB or from a trafficker themselves. KYC indicators refer to possible red flags derived from collecting required information from a customer such as address and identification. Lastly, transactional indicators refer to characteristics of the transaction itself that raise suspicion. They can trigger at any time after the account is open and, due to the rise in digital banking solutions, may not require face-to-face interaction to initiate them.

All three of these categories of indicators can trigger jointly or in various combinations. They could also trigger independently and to different individuals within an organization, with behavioural indicators being detected by front line staff, KYC red flags by data collection teams, and transactional indicators by transaction monitoring teams. Given this potential segregation, it is important to have clear communication and escalation procedures in place for transactions or interactions deemed to be unusual.

The segmentation of indicators within the aforementioned three categories can be largely attributed to the exemplary work done by the Thomas Reuters and the Banks Alliance in Europe, Asia and the United States.⁵⁷ Their toolkits published for each respective region adhere to this segmentation in some form while also adding supplementary information such as indicator strength and connected type of THB (e.g. (labour exploitation.)

It is important to note that some indicators may be innocuous on their own, such as making purchases from pharmacies or drug stores, which is why many indicators of THB have to be viewed in the context of the person executing them and alongside other transactions. As stated in the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)'s 2016 Operational Alert entitled Indicators: *The laundering of illicit proceeds from THB for sexual exploitation:*

"These indicators and other facts surrounding a financial transaction should be considered as a whole. This is important because a single transaction taken in isolation may lead to a false assumption of normalcy. Considering all indicators may reveal otherwise unknown links that taken together could lead to reasonable grounds to suspect that the transaction consists of proceeds from human trafficking."⁵⁸

⁵⁶ <https://www.acamstoday.org/introduction-360-degree-aml-investigation-model/>

⁵⁷ <http://www.trust.org/banks-alliance/>

⁵⁸ <https://www.fintrac-canafe.gc.ca/intel/operation/oai-hts-eng>

The recommendation put forth by FINTRAC is consistent with the position of the United States' Financial Crimes Enforcement Network (FinCEN) in 2014, which advised financial institutions that "*no single transactional red flag is a clear indicator of human smuggling or trafficking-related activity*" and "*that additional factors, such as a customer's expected financial activity*" should also be considered.⁵⁹ Additionally, the advice given by FINTRAC and FinCEN highlights the importance of abiding by an investigatory process similar to Warrack's 360 Model outlined in Step 4: Scoping the Investigation.

Note: A complete list of synthesized indicators, extracted from the documents reviewed in the OSCE's 2019 Compendium of relevant materials and resources relating to financial investigation of THB, can be found at the end of this document within the attached Appendices.



Step 7: Report suspicious behaviour

Suspicious activity reports (SAR) are the cornerstone of many financial investigations within the public and private sector. Traditionally, a SAR is the final step in an investigation completed by a private institution with a reporting obligation to their respective FIU, such as a bank. On the public side, a SAR can be the trigger for an investigation to commence. However, in order to extract as much of their potential as possible, it is recommended that SARs be utilized more broadly than simply as the final stage of a private investigation or as the catalyst for a public investigation. SARs can be valuable at any stage of an investigation, contributing new intelligence to an already-open law enforcement case related to THB or providing contextual information to a newly commissioned internal investigation at a bank that had previous SARs filed

on it. Recommendations for how SARs should be handled on both the public and private side include:

Private sector

- Technical solutions should be leveraged to alleviate in-putting of administrative details (e.g. account numbers, transaction amounts, etc.) so that investigators are able to focus on detailed investigative notes;
- Data from historically filed SARs should be easily retrievable to analyze possible trends, unique predicate offences, and entity names reported on;
- SARs should reference historical SARs filed on the same subject or criminal network to create a consistent narrative and reduce duplicate reporting;
- Awareness should be established for certain SAR naming conventions or terms expected by FIUs related to high profile predicate offences, such as THB. This is important for several reasons that have an impact both inside and outside a private institution with a reporting obligation. Externally, importance rests with adequately demonstrating acknowledgment of the expectations set forth by national FIUs, as well as ensuring that a respective institution's regulatory reporting is recognized and included in national FIU data. Internally, appropriately adding naming conventions to suspicious activity reports associated to certain predicate offences can assist with assessing internal financial crimes trends and recalling historical cases. National FIUs that have established naming conventions for specific predicate offences, including THB, include the Financial Crimes Enforcement Network (FinCEN) in the United States and the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) in Canada. As of 2014, FinCEN outlined that SARs related to THB should be labelled "*Advisory Human Trafficking*" in their Suspicious Activity Report (SAR) Advisory Key Terms guide.⁶⁰

59 <https://www.fincen.gov/sites/default/files/advisory/FIN-2014-A008.pdf>

60 <https://www.fincen.gov/suspicious-activity-report-sar-advisory-key-terms>

Figure 1: Example of adding a THB naming convention to suspicious activity report⁶¹

Figure 1: FINTRAC STR

FINTRAC report number:

Reporting entity:

| |
|--|
| <p>Suspicion</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Please describe clearly and completely the factors or unusual circumstances that led to the suspicion of money laundering or terrorist activity financing. Provide as many details as possible to explain what you found suspicious. If this report is about one or more attempted transactions, describe why each one was not completed.</p> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Internal Reference #</p> <p>This case pertains to Project Protect and the laundering of proceeds of human trafficking. Please note that activity for this client has been previously reported to FINTRAC via Internal Reference #</p> </div> |
|--|

Furthermore, FINTRAC has indicated that SARs, or Suspicious Transaction Reports (STRs) as they are referred to in Canada, be labelled “Project Protect.”

Note: If coding does not exist in your respective jurisdiction consider leveraging a public/private partnership to have it introduced (see Step 10: Coordination with External Partners (Public/Private Partnerships).)

Public sector

- FIU’s SAR databases should be leveraged for all investigations related to THB as the crime is predominantly for financial gain;
- Law enforcement agencies are recommended to leverage production orders, warrants or referrals to encourage banks, or other reporting entities, to file SARs on open investigations.

SARs have been proven to be valuable assets across many of the OSCE participating States, however they have also been subject to criticism given the increasing number of low quality reports. The OSCE’s 2014 report on money laundering highlights a stark example of this point: “In Italy, in 2010, only 23 out of

⁶¹ <https://www.acamstoday.org/project-protect-combat-human-trafficking-in-canada/>

approximately 37,000 STRs that were submitted to the FIU were considered useful to a criminal investigation.”⁶² Additionally, a more recent recommendation from a 2019 UK Commission on legal reform suggested that changes be made to suspicious activity reporting to curb the burgeoning number of low quality reports.⁶³ Implementing some of the recommendations in this section in the private sector, particularly reviewing and referencing historical SARs, can contribute to SARs of enhanced quality.



Step 8: De-risk relationships

Once an investigation has been completed within a private institution such as a bank, a decision will have to be made on whether or not to continue the relationship with the individual being reported on. The act of terminating a relationship with a customer can be referred to in various ways; however for the purpose of this guide it will be referred to as “de-risking.” When considering de-risking a relationship, it is vital

⁶² <https://www.osce.org/secretariat/121125?download=true>

⁶³ <https://www.wsj.com/articles/u-k-commission-recommends-changes-to-suspicious-activity-reporting-11560893619>

to consider the recommendation in Step 5 (Scope the Investigation and Identify Target Subjects) to distinguish between the victim and the perpetrator for the purpose of not unfairly punishing the victim. If an account is thought to belong to a victim of THB, all efforts should be made to determine if the relationship can be salvaged. De-risking victims of THB should be left as a last resort resulting from multiple infractions or complicity. Furthermore, given the myriad options to formally and informally transfer money that exist in today's financial service industry, the general act of de-risking should be something that is leveraged due to heightened concerns above general suspicion as pushing activity into dark markets can complicate investigations for law enforcement. It should be noted that, in many jurisdictions, law enforcement agencies do possess the ability to request that bank accounts for individuals or entities under investigation be left open. This is an important tool to avoid compromising an investigation. An example of this approach is outlined by FinCEN in guidance published in June 2007 entitled *Requests by Law Enforcement for Financial Institutions to Maintain Accounts*.⁶⁴

If de-risking is perceived to be unavoidable, it is recommended that standard messaging be drafted so that individuals are not falsely accused of the underlying predicate offence that the suspected activity is believed to be attributed to. Additionally, it is advisable to record the entities that have been previously de-risked so that they can be evaluated if they try to onboard in the future.



Step 9: Extract intelligence from completed (and proven) THB investigations

Determining actual instances of THB from the sole perspective of financial transactions is challenging given the lack of contextual information.

⁶⁴ <https://www.sec.gov/about/offices/ocie/aml2007/fin-2007-g002.pdf>

Furthermore, whether or not investigators find themselves within a public institution or private organization will undoubtedly affect the likelihood of encountering conclusive cases of THB. Another reason for this is because private organizations, such as financial service providers, are not required to prove beyond a reasonable doubt that a predicate offense has occurred prior to filing a suspicious activity report to their national financial intelligence unit (FIU); the threshold for reporting activity across many FIUs is maintained at a relatively low level given the acknowledgment that financial institutions are limited in their ability to see the larger picture. Lastly, FIUs traditionally do not provide updates on instances where suspicious activity reports were confirmed to be actual instances of a predicate offence which adds to the challenges of the private sector in confirming activity related to THB.

Given that transparency on the final outcome of a financial investigation into THB is not always possible, proven instances are recommended to be leveraged as much as possible towards training and future risk mitigation. Examples of ways in which financial service providers can identify proven instances of THB include:

- reviewing daily adverse media (negative news) updates for a connection to an internal investigation;
- subscribing to email updates from law enforcement agencies or FIUs for announcements on THB enforcement or arrests and cross-referencing them against internal cases;
- setting up a channel for direct law enforcement referrals that may pertain to THB investigations.

The intelligence extracted from proven THB cases should be shared where possible with members of the broader investigation team outside of the specialized THB unit. This adheres to the recommendation put forth in Step 1 (Centralize Oversight) as sharing intelligence related to proven cases will increase morale

of the investigator corps, highlighting a sense of purpose for the work undertaken as well as increasing the chances of resource allocation or succession between respective teams.

Communal Steps



Step 10: Coordinate with external partners (public/private partnerships)

The prevalence and importance of public/private partnerships (PPPs) in combating financial crimes has arguably never been greater than in the past five years. A concerted global effort to eradicate THB has contributed significantly to the rise in PPPs, which has in turn acted as a unifier amongst historical industry rivals who now work together to mitigate financial crimes that plague the industry as a whole. Innovative ways to move money combined with a growing realization amongst anti-financial crimes professionals that traffickers jump from institution to institution, bank to bank, has led them to collaborate.

The Royal United Service Institute (RUSI) profiled some of the leading PPPs, which were designed to combat financial crimes associated with serious predicate offences such as THB, in their 2017 occasional paper *The Role of Financial Information-Sharing Partnerships in the Disruption of Crime*.⁶⁵ The paper highlights the United Kingdom's Joint Money Laundering Intelligence Taskforce (JMLIT), Australia's Fintel Alliance, and Canada's Project Protect as leaders. Special acknowledgement is also made to the United States' US: PATRIOT Act 314(a) Contextual Briefings, which provide a mechanism for information sharing as well.⁶⁶

⁶⁵ https://rusi.org/sites/default/files/201710_rusi_the_role_of_fisps_in_the_disruption_of_crime_maxwell_artingstall_web_2.pdf

⁶⁶ https://rusi.org/sites/default/files/201710_rusi_the_role_of_fisps_in_the_disruption_of_crime_maxwell_artingstall_web_2.pdf

Some of the incentives for participating in PPPs include:

- exposure to different perspectives on how to conduct financial investigations;
- enhanced and expedited development of THB indicators and red flags;
- establishing stronger relationships with industry peers and law enforcement;
- enhanced investigations;
- shared resources and expertise;
- strengthening commitments to the community and social good.

The OSCE is cognizant of the challenges participating States encounter when trying to establish effective co-operation on THB between FIUs, law enforcement agencies, and entities that submit suspicious transaction reports to FIUs.⁶⁷ One such challenge is the excessively one-sided flow of information highlighted in Step 9 (Extract Intelligence from Completed (and Proven) THB Investigations.)

This one-sided flow of information is largely applicable to national financial intelligence units which have strict controls placed upon them in disseminating information outside of their organization. Dissemination of information typically occurs via formal disclosures to law enforcement agencies domestically and abroad. However, reporting agencies would benefit from a feedback loop on high quality STRs from FIUs to enhance training, methods of detection and overall SAR quality.

The lack of substantial FIU feedback, combined with no international databases of persons, organizations or companies that are involved in THB, highlights a need for PPPs. However, setting up a PPP does not necessarily require new legislation to allow for increased information sharing. Some established PPPs, such as Project Protect, have found success early on by working within the existing legal framework

⁶⁷ <https://www.osce.org/secretariat/121125?download=true>

of their national government. In the context of Canada, for example, at the onset of Project Protect it was highlighted amongst their members that no personal or identifying information would be shared amongst the group but rather only general typologies and indicators.⁶⁸ This approach respected the existing reporting framework and privacy legislation while elevating overall intelligence. It is important not to be dissuaded by legal limitations but rather understand what is limited, why it is limited and how to enhance areas of collaboration that are admissible. Then long-term goals for a PPP can be established that look to change legislation based on what has or has not worked within a PPP.

Establishing or participating in a PPP is recommended to be undertaken after an acceptable investigatory process is established, however it does not necessarily have to wait until the very end of the development process. Early collaboration may provide insights valuable to the creation of the investigative process that would have been difficult to integrate after a process has been established. Regardless, it is recommended that PPP participation be undertaken at some point to not only complete but also add to the comprehensiveness of an investigatory approach to THB.



Step 11: Financial Access — Banking Survivors of THB

Investigations into THB, particularly on the banking side, can have adverse effects for survivors of THB. This goes back to the importance of Step 4 (Evaluate the Investigation for THB Activity) in establishing, at a team or, if possible, an institutional level, what activity is considered to be related to THB. Executing Step 4 properly will reduce the amount of work done in Step 11 through avoiding excluding those who are not engaged in criminal activity. However, given that

⁶⁸ <https://www.acamstoday.org/project-protect-combat-human-trafficking-in-canada/>

traffickers are known to manipulate the financial lives of their victims, it is recommended that survivors who have exited a trafficking situation be provided an opportunity to rebuild their financial profiles.

An example of a successful program designed to support survivors of THB was launched in the United Kingdom by HSBC in June 2019. The program aims to assist survivors who have been referred to them by the UK's National Referral Mechanism (NRM) with overcoming challenges associated with providing proof of address and identification documents.⁶⁹ Additionally, the Lichtenstein Initiative's Blueprint for Mobilizing Finance Against Slavery and Trafficking, which was launched in conjunction with the United Nations University and several governments, has rallied together several financial institutions with the aim of taking what HSBC has done and rolling it out across multiple institutions in a variety of jurisdictions.⁷⁰ The Blueprint was the result of a year's worth of work and was officially launched at the 2019 United Nations General Assembly in New York. Scotiabank, in partnership with the Salvation Army's anti-human trafficking program Deborah's Gate⁷¹, was the first of the participating financial institutions to open accounts for survivors under the Blueprint's financial inclusion program, however it is expected that all of the participating financial institutions will also develop programs aimed at onboarding survivors.⁷²

Ultimately, as efforts and focus increase on those who facilitate THB, it is important not to lose sight of the victims. Leveraging public/private partnerships or participation with inter-government groups can yield a multifaceted approach to THB that contributes above and beyond base-level obligations of a respective institution that in many respects have minimal costs to execute.

⁶⁹ <https://uk.reuters.com/article/britain-slavery-bank/britains-hsbc-to-help-modern-slaves-rebuild-lives-with-bank-access-idUKL8N23U0Q8>

⁷⁰ <https://www.fastinitiative.org/>

⁷¹ <https://www.deborahsgate.ca/>

⁷² <https://www.fastinitiative.org/implementation/survivor-inclusion/>

Appendix A: High Risk Business Types

This synthesized list of high risk business types susceptible to THB activity was extracted from the documents reviewed in the OSCE's 2019 *Compendium of relevant materials and resources relating to financial investigation of THB*.

Note: Indicators are applicable to both labour and sexual exploitation unless specifically affixed with a type of THB (e.g. Labour Exploitation). Trafficking in Human Beings for the Purpose of Organ Removal (THB/OR) has also been identified separately.

| Business Types | Predominant Associated Type of THB |
|---|--|
| Entertainment Arts, Sports & Entertainment Carnivals Recreational Facilities Modeling Agencies | Sexual Exploitation Labour Exploitation Sexual Exploitation/ Labour Exploitation Sexual Exploitation |
| Potentially Legal Adult Entertainment Escort Services Pornography Bars, Strip Clubs, & Cantinas Licensed window rental (Netherlands) Massage Businesses | Sexual Exploitation Sexual Exploitation Sexual Exploitation Sexual Exploitation Sexual Exploitation |
| Manual Labour Domestic Work Agriculture & Animal Husbandry Construction Landscaping Commercial Cleaning Services Factories & Manufacturing Forestry & Logging Janitorial Service Production and trade Recruitment Agencies | Sexual Exploitation/ Labour Exploitation Labour Exploitation Labour Exploitation Labour Exploitation Labour Exploitation Labour Exploitation Labour Exploitation Labour Exploitation Labour Exploitation Sexual Exploitation/ Labour Exploitation |

| Business Types | Predominant Associated Type of THB |
|---|--|
| Sales Outdoor Solicitation Traveling Sales Crews | Labour Exploitation Labour Exploitation |
| Food and Service Restaurants Catering Grocery Shops | Labour Exploitation Labour Exploitation Labour Exploitation |
| Health and Beauty Health Care Nail Salons Cosmetic Clinic | Sexual Exploitation/ Labour Exploitation Sexual Exploitation/ Labour Exploitation Sexual Exploitation/ Labour Exploitation |
| Health Care Abortion Clinics Hospitals Transplant centres Laboratories Medical facilities | Sexual Exploitation Organ Trafficking Organ Trafficking Organ Trafficking Organ Trafficking |
| Travel Hospitality Travel agencies Vehicle Rent Airlines (and their staff) | Sexual Exploitation/ Labour Exploitation Sexual Exploitation/ Labour Exploitation Sexual Exploitation/ Labour Exploitation Sexual Exploitation/ Labour Exploitation |
| Retail Non-unionized Stores Retail and small business | Sexual Exploitation/ Labour Exploitation Sexual Exploitation/ Labour Exploitation |
| Financial Accounting Firms Insurance Companies Tax consultancy firm | Sexual Exploitation/ Labour Exploitation Sexual Exploitation/ Labour Exploitation Sexual Exploitation/ Labour Exploitation |
| General Illegal Activities Peddling & Begging Illicit Activities | Labour Exploitation Sexual Exploitation/ Labour Exploitation |

Appendix B: Synthesized financial indicators and red flags list

This list of synthesized financial indicators and red flags was extracted from the documents reviewed in the OSCE's 2019 *Compendium of relevant materials and resources relating to financial investigation of Trafficking in Human Beings* (THB).

Note: Indicators are applicable to both labour and sexual exploitation unless specifically affixed with a type of trafficking (e.g. Labour Exploitation). Trafficking in Human Beings for the Purpose of Organ Removal (THB/OR) has also been identified separately.

Behavioural Indicators

Coercive behaviours by a potential trafficker acting on behalf of a victim

- Speaking on behalf of the individual/using an interpreter
- Insistence on being present for every aspect of engagement
- Possession of documents or money
- 3rd Party attempting to fill out paperwork without consulting individual
- Claims to be related but does not know critical details
- Acts of physical aggression displayed
- Contradictory explanations over a transaction
- Avoidance of face to face contact
- Use of Automated Teller Machine when no one is in line in the branch.
- Forms completed in different handwriting
- Use of a third party ID, who is not present, to open an account
- Attempt to open an account for an unqualified minor

Appearance of potentially trafficked individual

- Poor dress or personal hygiene
- Bruises or other signs of physical abuse
- Fear or depression noticed
- Scantly dressed women
- Branding or tattoos
- Malnourished
- Inability to make eye contact
- Dating much older individual
- Uses terminology common with sex industry
- Confused appearance
- Individual reads their personal details from a script/form
- Individual makes statements alluding to criminal activity
- Repeated difficulty in contacting the individual
- Business premises inaccessible

Know your customer (KYC) indicators

- Individual lacks fixed address
- False identification documents
- Inability to contact client at their reported phone number, or the phone number changes frequently
- PO Box addresses
- Accounts of foreign workers or students where the employer or employment agency serves as a custodian (Labour Exploitation)
- One attorney claiming to represent multiple undocumented immigrants detained at different locations (Labour Exploitation)
- Invalid work contracts, group travel for conferences, seminars and study tours (Labour Exploitation)
- Relations with persons with suspected or known criminal history
- Multiple individuals at the same address — different surnames
- Individual email corresponds to online classified ads known to cater to the sex industry
- Inexplicable lifestyle compared to the client profile
- Registration of assets under different names
- Individuals who have reported identify theft
- A high number of individual accounts opened and closed simultaneously
- Use of alias identities and multiple addresses
- Addition of an unusual number of unrelated individuals as joint account holders, or authorised users of products such as credit cards
- Media coverage of account holder's activities relating to human trafficking in the sex trade and/or prostitution rings
- Accounts in children's names with significant activity
- Use of addresses in known red-light districts or buildings where commercial sex work is known to occur
- Broad corporate goals
- Multiple mobile phones

Transactional indicators

- Commercial account's use of straw persons
- Non-payment of taxes, workman's compensation and other fees to a tax authority (Labour Exploitation)
- Rate of pay for each pay period is identical (no changes for overtime, vacation, sick leave, bonus payments, etc.) in jobs where that would not be expected (Labour Exploitation)
- Recurring payments for wages at unreasonably low amounts (such as much lower than min wage scale) — (Labour Exploitation)
- Significant share of the company's capital in no-term deposits — incommensurate financial turnover
- Loans provided by a shareholder to the related legal person and subsequent transfer back, fictitious loan (Labour Exploitation)
- Structuring via commercial entities and transfer of money using contract for loan
- Excessive ride sharing after midnight
- Lack of living expenses such as food, petrol, utilities and rent
- Email Money Transfers from many males to one female
- Restaurant purchases and room service, no rooms

- Use of multiple individuals to conduct banking
- High and/or frequent expenditure at airports, ports, other transport hubs or overseas, inconsistent with individual's personal use or stated business activity overseas, inconsistent with individual's personal use or stated business
- Cash deposits conducted at different cities across the country
- Transactions with classified advertising services involved in the sex industry or to escort agencies
- Payments to employment or student recruitment agencies that are not licensed/registered or that have labour violations (Labour Exploitation)
- Relatively high expenditures for items inconsistent with stated business purpose
- Transactions that occur outside the time of known business operations
- Cross-border transfers of funds inconsistent with the stated business purpose of the account holder and/or between unexplained patterns of cross-border transactions between known trafficking routes, or areas where there is a higher risk of trafficking
- Wide use of cash, including for purchasing the assets of the businesses
- Domestic transfers from companies active in sectors sensitive to social fraud, the money is withdrawn in cash immediately afterwards
- Parcelling (bundling) of wire transfers when the purpose is sexual exploitation
- Use of institutions not belonging to the financial system (non-traditional)
- Use of cash courier and repeated cash withdrawals
- Purchase of bank drafts payable to a casino immediately after the deposits
- Unexplained/unjustified large profits for a company
- Cash deposits often just under the reporting threshold
- Cash deposits at several branches or ATMs
- Purchase of money orders to pay bills instead of writing personal checks
- Business accounts with apparent deductions in employee wages under various cost types such as housing and food
- Cashed payroll checks where the majority of the funds are either deposited back into the employer's account or kept by the employer
- Credit card charges at certain hours of the night — For instance, \$100 manicures between 23.00 and 04.00
- Remittent or beneficiary with incomplete information
- Credit card transfers or on-line payments when dealing with pornography
- Purchase of bank drafts payable to a casino immediately after the deposits
- Transfers from different regions to the same persons in countries known to be higher risk for trafficking operations.
- Government assistance checks deposited into the account despite the fact that the holder may have substantial amount of money
- Electronic transfers/wires may also be structured
- Co-mingling of cash with legitimate sources of income
- Refining activity (exchanging small denomination bills into larger denomination bills);
- Frequent purchases in multiples of small amounts of Bitcoin or virtual currencies, directly by the client or through exchanges
- Hotel transactions by the same individual for two separate rooms for the same dates
- Funds transfers involving third parties with alternative names provided in brackets
- Account receives wage payments from legitimate, often nationwide staff agencies but the funds then remain untouched for long periods.

- Fast food restaurants: frequent low value purchases in relatively short timelines and inconsistent with expected activity
- Drug stores, clothing stores, beauty stores (e.g. lingerie, make-up): frequent purchases in relatively short timelines and inconsistent with expected activity
- Account appears to function as a funnel account.
- Wire transfers to entities in jurisdictions identified to be of higher risk with payee or beneficiary names that include a variation of medical. For example, “Medicus.” (THB/OR).
- Payments between charities and medical tourism sites (THB/OR).
- Credit card payments by individuals known to first line staff as being very ill to travel agencies, airlines or hotels, prior to movement of money and travel (THB/OR).



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