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**European
Commission**
DG HOME, Fight
against organised
crime Unit

**FINANCIAL INVESTIGATION:
A KEY TOOL IN THE FIGHT AGAINST
TRAFFICKING IN HUMAN BEINGS**

Dear special representative and Coordinator for Combating THB,
Dear OSCE Member States representatives, Ladies and Gentlemen,

I am delighted to participate to this conference and wish to thank Maria Grazia for having inviting me to the event.

After hearing previous speakers, I can only emphasize that trafficking is big business and that financial investigation may well be what fingerprints and DNA were to the nineteenth and twentieth centuries, a critical breakthrough in the fight against organized crime.

That is why the European Commission, that I represent today, intends to develop and promote its use at EU level. Why? How? I shall delve into this in a moment after pointing at few key facts concerning trafficking.

I. Trafficking is big business

We heard various facts and figures about trafficking today and I don't intend to repeat them. It is important to underline however that since we are talking about a criminal market, reliable data is deemed rare. The bottom line is, we don't know the true scale of trafficking and its consequences, i.e. the extent of the penetration of the licit economy through the laundering of its proceeds. One should simply say so.



Usually data that is always quoted, copied and pasted from press releases to articles and from articles to books are big and global (for example the famous THB global market value of 32 billion dollars a year), but for the reason expressed above it doesn't mean much.

To really grasp the reality of this criminal market, a bottom-up approach is more telling. And there, I naturally look at the Amsterdam red light district; a legal market, hence, a regulated one, hence with official and reliable data or at least, the most reliable you would ever find.

What do we know? According to unofficial data gathered following a personal trip, roughly 1 000 prostitutes from 58 countries, described as fully independent, notably rent the 280 windows. The usual transaction costs 50 euros and last 15 minutes. The client pays upfront. Each prostitute has an average of 8 to 15 clients a day. Some, depending on the location of the window or the time of the shift (night is more profitable) have from 20 to 30 clients a day. The cost of location of the window varies from 75 to 150 euros a day.

Based on this example, an average Amsterdam window prostitute would make from 400 to 800 euros a day and some from 1 000 to 1 500 euros a day, on which they will pay income tax. For the lower average of 8 clients a day, at the end of the month, working 5 days a week, the income, before tax, is of 8 000 euros.



Obviously, prostitution, legal or not, and the trafficking that stems from the demand is big business. From the illegal side of this market, since there is money to make, in our developed societies, equipped with preventive measures against money laundering, this requires more or less inventive schemes to penetrate the licit economy. ***This is where financial investigation should come into play.***

II. Financial investigation: the Al Capone' approach

What do we know about the current response to THB? Let's speak openly, the law enforcement and criminal justice response remains insufficient as it is far from matching the scale of this criminal market, revealing the importance of the black number i.e. the difference between the real and the known.

Furthermore, classical phenomenon, the final exploiters tend to be the only judicial target, with very limited financial investigation whether in view of seizure and hopefully confiscation of the proceeds, in view of dismantling a whole network and its national, European and possibly international ramifications, or in view of acquiring strategic knowledge about the criminal market, hence build up the resilience of society to fraud penetration.

All this can be achieved through the skilful use of financial investigation and financial criminal analysis, especially taking into



account the difficulty to obtain witness testimony. I will come back to this.

As a consequence, trafficking can still be considered as a low-risk/high profit crime compared to drug trafficking.

And indeed here are some key facts and weaknesses noted at EU level in the underuse of financial investigation.

Key facts and weaknesses:

- Fact # 1: the need to collect, collate, analyze and disseminate economic and financial information is observed in a growing number of criminal investigations;
- Fact # 2: There is a key knowledge gap concerning financial flows at EU level;
- ***Essential weakness, financial investigation are not carried out on a systematic basis in all serious and organized crime cases. When effectively carried out they are often limited:***
 - to sole offences, they are thus only oriented towards the past, hence bear limited disruption effect;
 - When carried out financial investigations are also often limited in their scope, to confiscation purposes, hindering their very potential.
- Other weakness, there is a lack of investment in ***financial***



criminal analysis;

- Next one; our security system is plagued by ***linkage blindness*** (i.e. the inability to link body of evidence, which is a fundamental and recurrent deficiency of complex investigation).

What to do against linkage blindness? This requires practical and timely access to necessary information, its adequate cross-check, exchange and enrichment at domestic and EU and international levels;

- Finally, there is a clear ***lack of adequate resources and trainings in financial investigation and financial criminal analysis*** (which means a sufficient number of financial investigators and financial analysts);

Now my question is this: why such a gap between a growing awareness on the usefulness of financial investigation and such limited use?

Because, to this day, the financial investigation real potential remains underrated, misunderstood. Indeed to truly provide added value, financial investigation is to be considered and used in a three-dimensional manner, allowing competent authorities to investigate and explore the past, present and future:

- the ***PAST***, by reconstituting how a criminal offence was committed in view of providing body of evidence before the



judge including in view of confiscation purposes¹ (***this is what I call the judicial oriented financial investigation***);

- the ***PRESENT***, by identifying new leads, discovering or confirming links between individuals, legal entities, activities, addresses, bank accounts..., thus opening new investigation avenues (***i.e. expanding the case in all its domestic, European and international ramifications – this is what I call the dismantling oriented financial investigation***);
- the ***FUTURE***, by detecting the early signs or warning signals of criminal activities, identifying *modus operandi* and typologies that could be used to achieve a better knowledge of crime or further refine detection tools and preventive measures, (this is what I call ***proactive and strategically oriented financial investigation and financial criminal analysis***).

This three-dimensional approach, notably advocated by the Commission within the FATF, has been recognized within the new interpretative note to the new Recommendation 27, to be formally adopted by the FATF plenary in February 2012.

I know turn to EU action, beyond the 2010 Directive on the fight against THB, as announced in the EU internal Security Strategy, the

¹ Confiscation also concerns civil forfeiture. Used in several MS, it allows the possibility to seize and confiscate criminals assets in disconnection of a criminal offence.



Commission intends to tackle the key weaknesses identified here above through a string of measures among which:

- A EU financial investigation strategy;
- the amending of the 3rd Anti-money laundering directive and its merging with the Council Decision 2000/642/JHA on exchange of information between FIUs where a particular focus on access to necessary information could be better ensured, a key issue for financial investigation;
- A EU police training scheme strategy that would cover financial investigation;
- A Directive proposal recasting the EU legal framework on confiscation;
- or Guidelines on central registers of bank accounts, a key tool for identification of assets.

Conclusion

These measures all combined, and I will conclude there, aim to truly make of financial investigation the key tool of the twenty-first century against criminal markets increasingly merged within the licit economy.



Above and beyond sole confiscation purposes, rooting out the penetration of the licit economy and thus achieving a real disrupting effect is the new frontier of the fight against modern criminal threats.

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