

How the financial services sector can help tackle human trafficking

As the second largest illicit business in the world (after drug trafficking), human trafficking yields an estimated \$150 billion in illicit profits each year. This is a result of criminal enslavement and exploitation of approximately 21 million people worldwide. It is also among the world's most under-reported crimes.

Given the scale and pervasiveness of human trafficking, businesses can inadvertently expose their firm to risk unless they seek to identify and tackle the issue in their supply chain. However, the financial services sector can increasingly help combat the threat.

Scale of the human trafficking and modern slavery

Human trafficking occurs around the world across urban centres, rural areas, developing and developed nations. The victims, often women, children and at risk young people are lured with false promises of well-paying jobs or manipulated by people they trust. Despite its pervasiveness and the millions of victims already affected, only 418 cases of forced labour were prosecuted globally in 2014. The toll of the inaction is steep; in the sex trafficking trade alone an estimated 30,000 people die each year from abuse, disease, torture and neglect.

To help tackle this global problem, the financial services sector can play a role in helping victims of human trafficking, and supporting law enforcers and businesses. This can be achieved through knowing how to detect suspicious financial activities associated with human trafficking. The financial services sector also has extensive data that it can use to identify human trafficking as well as submit to law enforcement to support them investigate and prosecute the criminals perpetrating these illegal activities.

What motivates traffickers to prey on the most vulnerable members of society?

Like most crimes, it's money. No country, regardless of its socio-economic status, history or political structure, is untouched by the exploitation of people for monetary profit.



Follow the money trail

In an effort to combat this crime, financial institutions are increasingly going beyond their standard anti-money laundering protocols to flush out human trafficking activity. In partnership with IT vendors, they are developing transaction monitoring techniques designed to detect any suspicious activity. Rules and typologies can capture specific patterns and behaviours for suspected human trafficking financial activities, especially in the use of pre-paid cards and virtual currencies.

In Canada, there is a public private partnership to support that. Once suspicious transactions are identified and reported to The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) they are then vetted and released to law enforcement focused on human trafficking on a priority basis.

In the US the Financial Crimes Enforcement Network (FinCEN) issued on September 11, 2014 an advisory titled Guidance on Recognising Activity that may be Associated with Human Smuggling and Human Trafficking – Financial Red Flags . The guidance defines how to recognise human trafficking and the stages of operation for each along with examples of transactional activity and observed customer behaviours that may be associated with it.

One such behaviour that is highlighted by FinCEN is the funnel account which involves a banking customer who opens the account as a front for a criminal organization. Illegal funds are deposited at one geographical location with immediate access from a different geographical location. Generally the transactions are just under the cash transaction reporting (CTR) limit of \$10,000 per banking day.

Financial services providers can also use many of the existing controls they have in place to detect illicit proceeds. Financial services professionals can be a powerful force in helping law enforcement address human trafficking. With the proper training and awareness, they are in a unique position to help identify and monitor unusual transaction activity and to observe unusual customer behaviour.

Helping businesses tackle human slavery in their supply chains

Grant Thornton Canada LLP has produced an [awareness document](#) which includes a list of financial activity indicators or 'red flags' that may assist the financial services sector in identifying instances of human smuggling and human trafficking. For example, a client that gives instructions to send funds accompanied by other individuals who appear to be holding identity documents for them; or a business customer with inflows largely received in cash where substantial cash receipts are inconsistent with the customer's line of business. Obviously, no single red flag is a clear indicator of human trafficking; each must be evaluated in combination with other factors. However, if you have any reason

¹ US Department of State. Trafficking in Persons Report (July 2015), 48. Accessed at <<http://www.state.gov/documents/organization/245365.pdf>> on September 14, 2016.

² <https://www.fincen.gov/resources/advisories/fincen-advisory-fin-2014-a008>



to suspect that a transaction is related to human trafficking or a money laundering offence, appropriate reporting procedures should be activated.

Elsewhere in Europe, [Grant Thornton UK](#) has been helping businesses to comply with the [Modern Slavery Act](#) and increase their levels of transparency. The Act, which was introduced in the country in 2015, enforces an obligation for an annual 'slavery and human trafficking statement' to all companies with a global turnover of £36 million who do business in the UK. However, having a clear idea of the number and location of all suppliers can be a bigger challenge than companies initially expect, especially in complex supply chains and beyond their immediate suppliers. Companies need to develop an understanding of how their business and operations are structured, and allocate more resources in order to produce the detailed statements required by the act and to help tackle modern slavery.

In the United States, Grant Thornton US works with financial institutions to develop transaction monitoring scenarios that, based on the BSA/AML Risk Assessment and known red flag typologies, help identify unusual activity that may be related to human trafficking activity. Some of the recent focus has been on domestic labour, agricultural labour, nail salons, massage parlours and prostitution.

Managing risk, responsibility and reputation has never been more critical than it is today. For more information about how you can tackle human slavery and protect value in your supply chain, please contact our team: [Jennifer Fiddian-Green](#) in Grant Thornton Canada, [Oliver Bridge](#) in Grant Thornton UK or [Erik Liroy](#) in Grant Thornton US.