Detecting Human Trafficking in Financial Institutions
RARE WINDOW

KYC + 314(b) = Information Arsenal
VIGILANCE = SAVING LIVES

An FI employee can bring down an entire criminal organization or network by reporting an observation.
AML: A REVIEW

Placement:
AML: A REVIEW

Layering:
Separating illegal funds from its source
AML: A REVIEW

Integration:
AML: A REVIEW

Funnel Account:
AML: A REVIEW

Structuring occurs in the placement and layering phases:
HUMAN TRAFFICKING RED FLAGS

Visible Signs that Raise Suspicion:

• Young person with co-signor who is not family member.
• The co-signor/custodian has multiple accounts with other people (i.e. students or foreign workers, stated employer is also custodian).
• An indication that the person is being forced to open the account.
• One co-signor is speaking for the other (doesn’t let the co-signee speak).
• Customer is always escorted by third party.
• Third party may maintain custody of ID and other important documents.
• Account balance or lifestyle is not commensurate with age, business line or employment status of customer.
• Signs of physical or emotional abuse.
• Well-manicured appearance.
• Visible tattoo that looks like branding.
FINANCIAL RED FLAGS

1. Same CIP on multiple accounts
2. Employer is also custodian (may be multiple accounts)

2. [Images: hotel, fast food, bus, gas pump]

3. [Images: Craigslist logo]
FINANCIAL RED FLAGS

During periodic account reviews and updates, take notice of:

- Wires sent from multiple locations to a common beneficiary account on SW border.
- Cash deposits occur in cities/states in which the customer does not reside or do business.
- Account balance or activity is not commensurate with age or stated income of account holder.
- Rapid cash withdrawals in a similar amount and at a similar time that deposits were made (possible funnel account)
- Multiple deposits or wires to the same account by unrelated customers. When questioned, the sender has no apparent relation to recipient or know the purpose of the wire/deposit.
FINANCIAL RED FLAGS

- Money flows contrary to common remittance patterns: Wires originating from countries with high migrant populations are sent to accounts in US or Mexican city along SW border. –OR- US beneficiaries receiving funds from countries with high migrant populations who are not nationals of those countries.

- Checks appear to be pre-signed: Signature and Payee Field are different handwriting.

- Extensive use of cash to purchase assets or to conduct transactions.

- Transactions occurring from 11 pm to 6 am (gas stations, food, business charges in corp account)

- Payments to overseas staffing agencies in high risk countries.

- High risk business types: strip clubs, employers of domestic workers, travel agents, nail salons, massage parlors, food service, labor intermediary businesses.
CASE STUDY 1

Strip Club (Brothel)

Cash Transactions
- Accept & Exchange Foreign Currency
- Off-Shore Investments incl. trust with £40 million
  - Fund Enterprise in S. Africa

Credit Cards
- 2 Bank Accounts - USA
  - Fund Enterprise in S. Africa
CASE STUDY 1

Financial Indicators:

• Unusually high foreign currency deposits— the brothel was accepting and exchanging foreign currency although it was not an authorized foreign currency dealer.

• Credit card transactions unusual for business sector.

• Credit cards were paid using various foreign bank accounts.

• Trust was funded with one anonymous £40 million deposit which was later used to fund two businesses in S. Africa.
CASE STUDY 2

“BMS” organization of gang members in San Diego were prosecuted in 2014 following a joint investigation by FBI, HSI, and local police. 60 victims including 11 minors as young as 15 yrs.

Financial Indicators:

- Structuring deposits to avoid CTRs
- “Clients” used credit cards with even number charges (i.e. $300, $500, $1,000)
- Checks deposited into accounts in even dollar amounts with “for a good time” written in memo field.
- Frequent electronic fund transfers via MoneyGram and Western Union in even dollar amounts.
- Leasing of luxury vehicles.
- Several credit card payments to online escort service Backpage.com for advertising.
TAKE ACTION!

✓ Report the suspicion to your AMLCO
✓ Utilize 314(b)
✓ Contact local DHS 1-866-347-2423
✓ Report to Polaris 1-888-3737-888
✓ Tailor SAR report to include “human trafficking” in subject line for easy search in federal database.
SAVE A LIFE

✓ Reputational risks associated with FinCEN sanctions
✓ Reputational advantages to being vigilant against human trafficking in South Florida
✓ Appoint a branch contact for human trafficking initiatives
✓ Advertise your commitment to customers
✓ Be a foot soldier in the fight to end human trafficking
LET’S COLLABORATE

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