

Large Banks Devoting More Resources to Monitor for Human Trafficking

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[By: Brian Monroe](#)

Some of the country's largest banks are increasingly monitoring account activity for signs of possible human trafficking, according to individuals familiar with the initiatives.

The shift over the past year is a logical one for banks, which have procured advanced transaction monitoring systems to detect money laundering and fraud and are now expanding the use of those tools to better discern other criminal activity, said Robert Rowe, vice president and senior counsel for the Washington, D.C.-based American Bankers Association.

Trafficking in individuals has "become a particular issue, and not just for international banks but for domestic banks as well," he said, adding that many financial institutions have realized that organized crime groups can rely heavily on human slavery profits. "That's why it has jumped to the fore and banks have to worry about this."

In late 2009, JPMorgan Chase tasked some of its compliance staff, and asked volunteers to help examine bank transaction and open source data for links to potential instances of human trafficking, according to William Langford, a senior vice president at the bank and its director of global anti-money laundering.

As part of the initiative, the group cross-referenced the contact information of accounts tied to high-risk industries with the contact details of escort and labor services advertised on Internet classified providers, said Langford, the former associate director for the Regulatory Policy and Programs Division of the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN).

The prostitution services were, at times, linked with nail salons and other, seemingly unrelated companies, said Langford. In some cases, the escort service ads used terms like "young and tender" and "fresh meat," potentially indicating that the advertisers were promoting child prostitution, he said.

Langford said compliance staff examined hundreds of accounts but he declined to say whether any were subsequently closed. Under federal law, he is prohibited from disclosing the filing of suspicious activity reports.

Other banks, including Wells Fargo and Bank of America, have launched similar monitoring efforts, according to compliance officials and other individuals familiar with the matter.

Bank of America "no longer just pays attention to classic money laundering and fraud, but also gathers information from multiple data sources to provide for robust and unique investigative efforts in specific areas, including human trafficking," said William J. Fox., a senior vice-president and global anti-money laundering and economic sanctions executive at the bank.

The bank has identified funnel accounts linked with human trafficking groups and is “working closely” with federal and state officials in ongoing investigations, particularly within border states, said Fox, who previously worked as the director of FinCEN between December 2003 and February 2006.

Human trafficking is a “big problem...that we are taking a deeper look at in terms of patterns,” said a compliance official in a large West Coast bank who asked not to be named. “There are already certain industries we are assigning a higher level of risk” to, the person said.

JPMorgan Chase officials decided to focus more on the issue, which differs from the smuggling of individuals for immigration purposes, after the realization that the profits from human trafficking were second only to narcotics dealing for organized crime groups, said Langford.

Official estimates on the scope of the problem vary widely, though the United Nations and International Labour Organization believe that the global profits for groups forcing individuals into work or prostitution exceed \$31 billion annually. Up to four million people—approximately half of which are female—are trafficked annually, according to U.S. estimates cited in an Aug. 4 Congressional Research Service report.

Nearly 80 percent of the trafficked individuals between 2003 and 2006 were sexually exploited, while 18 percent were forced into labor, according to a study by the United Nations Office on Drugs and Crime. In the United States, the problem is most prevalent in Miami, Portland, OR, Las Vegas, and Toledo, OH, according to Congressional reports.

Considering the scope, banks and law enforcement have had a poor track record of curtailing human trafficking, said Dr. Louise Shelley, director of the Terrorism, Transnational Crime and Corruption Center at George Mason University, an organization that studies terrorism, transnational crime and corruption issues.

It’s frustrating “how little has been done by banks and law enforcement to follow the money trail,” she said.

One sign that an account may be linked to trafficking is the payment of a recurring monthly fee, often as low as \$5, to Internet sites advertising escort services, said Langford. Conversely, a business account that does not have regular withdrawals commensurate with employee wages could indicate that the company’s workers have been forced into labor, he said.

In looking for suspicious activity, the bank distinguished three types of businesses at risk: trafficking intermediaries, including travel agencies; labor intermediaries, such as a labor contractors for janitorial services; and labor users, which could be a farm, textile manufacturer, nail salon, massage parlor or other type of business.

On Monday, the FBI announced the conclusion of a human trafficking investigation that involved the arrest of nearly 900 individuals nationwide for suspected links to a child prostitution ring. The case involved law enforcement action in 40 cities, the bureau said.