

# Preventing human trafficking: global issue, calling Canada

Understanding, identifying and ending trade in human lives



# What is human trafficking?

Did you know slavery still occurs in the 21st century? The modern face of slavery is human trafficking. As the second largest illicit business in the world (after drug trafficking), human trafficking yields an estimated \$150 billion in illegal profits each year through criminal enslavement and exploitation of an estimated 21 million people worldwide. It is also among the world's most underreported crimes.<sup>1</sup>

Though the act of exploiting human beings through forced labour is an ancient practice, human trafficking was only recently established as a criminal act. In 2000, the United Nations adopted the Palermo Protocol, marking the first time this form of modern slavery was defined in an international treaty. Since then, 140 countries have criminalized human trafficking.

The UN defines human trafficking as “the recruitment, transportation, transfer, harbouring or receipt of persons, by means of threat or use of force or other forms of coercion... 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.”<sup>2</sup>

What motivates traffickers to prey on the most vulnerable members of society? Like most crimes, it's money. No country, regardless of socio-economic status, history or political structure, is untouched by the exploitation of people for monetary profit.

Human trafficking occurs around the corner and around the world—in urban centres, rural areas, developing countries and first world nations. The victims—often women, children and at-risk youth—are lured with false promises of well-paying jobs or manipulated by people they trust. Despite its pervasiveness and the millions believed to be victims, only 418 cases of forced labour were prosecuted globally in 2014.<sup>3</sup> And the toll of inaction is steep: in the sex trafficking trade alone, an estimated 30,000 people die each year from abuse, disease, torture and neglect.<sup>4</sup>

The financial sector can play a role in helping victims of human trafficking and support the role of law enforcement by knowing how to detect suspicious financial activities that are often associated with this nefarious enterprise.

<sup>1</sup> International Labour Office (ILO). Profits and Poverty: The Economics of Forced Labour (2014), 45. Accessed at [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---declaration/documents/publication/wcms\\_243391.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_243391.pdf) on September 14, 2016.

<sup>2</sup> United Nations. Protocol to Prevent, Suppress and Punish Trafficking in Persons (November 2000), Article 3, paragraph (a). Accessed at <http://www.ohchr.org/EN/ProfessionalInterest/Pages/ProtocolTraffickingInPersons.aspx> on September 14, 2016.

<sup>3</sup> 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.

<sup>4</sup> US Department of Homeland Security. “Using a financial attack strategy to combat human trafficking” (January 29, 2015). Accessed at <https://www.ice.gov/news/releases/using-financial-attack-strategy-combat-human-trafficking> on September 14, 2016.

# Human trafficking and human smuggling:

## What's the difference?

Human trafficking is often confused with human smuggling, but they are not the same. The UN defines the “smuggling of migrants” as the “procurement, in order to obtain, directly or indirectly, a financial or other material benefit, of the illegal entry of a person into a State Party of which the person is not a national or a permanent resident.”<sup>5</sup> In other words, the person illegally enters a state where they are not a national or resident. The smuggled person generally cooperates freely with the smuggler, consenting to the activity and paying large sums of money to their smugglers.

Unlike many of those who are smuggled, trafficked persons are deprived of their liberty and forced to provide free labour or services. Traffickers will often destroy the identification or travel documents of their victims to protect themselves and control the victims, which is not usually the case with smuggling.

However, it's possible for smuggled persons to become unwitting victims of trafficking. Consider this example: A young woman named Bianca was told through family friends that she could find work as a nanny in Canada for \$120 a week. Armed with fraudulent personal documents, Bianca arrived in Canada

weeks later. She knew her immigration was illegal, but she needed the money and was willing to take the risk. Was Bianca smuggled or trafficked?

Bianca was knowingly, illegally smuggled into Canada.

However, upon arrival in Canada, Bianca was forced to stay in the smuggler's basement, isolated and warned she would be turned over to the authorities if she told anyone of her plight. Threatened with deportation and forced to work as an unpaid slave, Bianca had become a victim of human trafficking.

### Differences between human smuggling and human trafficking<sup>6</sup>

Smuggling	Trafficking
<ul style="list-style-type: none"><li>• The person being smuggled is generally cooperating</li><li>• There is no actual or implied coercion, and the person smuggled is complicit in the crime</li><li>• The person is free to leave, change jobs, etc.</li><li>• Smuggling always crosses an international border</li></ul>	<ul style="list-style-type: none"><li>• Always contains an element of force, fraud or coercion</li><li>• Involves either forced labour and/or exploitation</li><li>• Victim is enslaved, isolated and/or documents confiscated</li><li>• May be a local crime; does not necessarily cross an international border</li></ul>

<sup>5</sup> United Nations. Protocol Against The Smuggling Of Migrants (November 2000), Article 3, paragraph (a). Accessed at [https://www.unodc.org/documents/southeastasiaandpacific/2011/04/som-indonesia/convention\\_smug\\_eng.pdf](https://www.unodc.org/documents/southeastasiaandpacific/2011/04/som-indonesia/convention_smug_eng.pdf) on September 14, 2016.

<sup>6</sup> U.S. Department of State. “Fact Sheet: Distinctions Between Human Smuggling and Human Trafficking” (January 1, 2006). Accessed at <http://www.state.gov/m/ds/hstcenter/90434.htm> on September 14, 2016.

# Combatting human trafficking in Canada

## The current landscape

**When it comes to human trafficking, “Canada is primarily a destination country, and domestic human trafficking for sexual exploitation is the most common form of human trafficking in Canada.”**

For the most part, “sex trafficking is perpetrated by criminally inclined individuals who recruit and traffic domestically and, to a lesser extent, [by] OCGs [organized crime groups], some of which only recruit and traffic domestically, while others recruit and traffic domestically and internationally.”<sup>7</sup> Across Canada, there are many victims of commercial sexual exploitation, the majority of which are aboriginal women and at-risk youth.<sup>8</sup>

To address the crimes associated with human trafficking and sexual slavery, Canada launched a unique public-private partnership in January 2016. Led by major banks, Canada’s financial intelligence unit FINTRAC and law enforcement agencies, the partnership strategy focuses on both awareness initiatives and the identification of suspected traffickers through continuous feedback between the partners regarding evolving indicators and red flags.

Previously siloed efforts are now shared among the partners, greatly enhancing law enforcement efforts. This partnership has already made a tremendous impact in combatting human trafficking. In the four-month period between its launch in January 2016 and April 2016, disclosures to law enforcement were equal to all of those in 2015—an increase of 400 percent.<sup>9</sup>

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### Differences between human smuggling and human trafficking

Ontario is a major centre for human trafficking in Canada, accounting for roughly 65 percent of police-reported cases in Canada.<sup>10</sup> In June 2016, the government of Ontario announced a \$72 million strategy to combat human trafficking, focused on increasing public awareness, identifying perpetrators and enhancing access to services across four key action areas:

- Prevention and community supports: Increase awareness of human trafficking, build knowledge of how to intervene safely and improve community services such as housing, counselling and job skills training to meet the immediate and long-term needs of survivors.
- Enhanced justice sector: Make smart investments to improve the identification, investigation and prosecution of human trafficking cases.
- Indigenous-led approaches: Support distinct, culturally-relevant services are designed, developed and delivered jointly with indigenous partners.
- Provincial coordination and leadership: The plan is to establish a Provincial Anti-Human Trafficking Coordination Office to coordinate collaboration and information sharing across sectors such as law enforcement, justice, social, health, education and child welfare.

<sup>7</sup> Department of Finance Canada. “Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada” (July, 2015). Accessed at <http://www.fin.gc.ca/pub/mltf-rpcfai/index-eng.asp> on September 20, 2016.

<sup>8</sup> The Public Safety Canada. “National Action Plan to Combat Human Trafficking.” Accessed at <http://www.publicsafety.gc.ca/cnt/rsrscs/pblctns/ntnl-ctn-pln-cmbt/index-eng.aspx> on September 23, 2016.

<sup>9</sup> ACAMS Today. “Peter Warrack and Constable Lepa Jankovic: Raising Awareness about Human Trafficking” (May 27, 2016). Accessed at <http://www.acamstoday.org/warrack-jankovic-raising-awareness-human-trafficking/> on September 14, 2016.

<sup>10</sup> Government of Ontario. “Ontario Taking Steps to End Human Trafficking” (June 30, 2016). Accessed at <https://news.ontario.ca/owd/en/2016/06/ontario-taking-steps-to-end-human-trafficking.html> on September 14, 2016.

# Human trafficking as a financial crime

## Traffickers exploit the financial sector as well

**Human trafficking is a hugely profitable business, but where does the money go? The fact is, human trafficking activities usually involve money laundering through our legitimate financial system.<sup>11</sup>**

While individual traffickers tend to launder cash “for immediate personal use, leveraging a very limited or non-existent network, and using a limited number of sectors and methods,” criminal groups can be much more sophisticated, “using established money-laundering infrastructure to launder proceeds.” Even lower level groups can be quite effective, as “they may have access to venues to facilitate money laundering (e.g., strip clubs and massage parlours) as well as victims that can be used as nominees for deposits and wire transfers.”<sup>12</sup>

For example, to try and avoid detection, funds are wired through financial institutions, including banks, credit unions and money services businesses and across borders. In recent cases, human trafficking gangs were found to have used money services businesses to pay off transporters, prepaid cards to move funds across borders and individual bank accounts to funnel profits back to gang leaders.<sup>13</sup>

Human traffickers try to move funds quickly, cheaply and anonymously

across large geographic areas through the use of interstate funnel accounts. In this scenario, the straw account holder opens an account at a large financial institution and makes deposits in increments of under \$10,000, which are not normally subject to reporting requirements, and/or under \$3,000, which do not require identification. The cash is immediately withdrawn by a member of the transnational criminal organization in another jurisdiction.

### Following the money trail

In an effort to combat this crime, financial institutions are going beyond their standard anti-money laundering (AML) protocols to flush out human trafficking activity. In partnership with IT vendors, they are developing transaction monitoring techniques designed to detect human trafficking activity.<sup>14</sup> Reliable rules and typologies capture specific patterns and behaviours for suspected human trafficking financial activities, especially in the use of pre-paid cards and virtual currencies.

Financial services providers can also leverage many of the existing controls they have in place to detect illicit proceeds.

Human traffickers often use cash-intensive businesses, hawala (a system of money transfer based on promises and honour, practiced in the Middle East and parts of Asia and Africa), front companies, comingling of proceeds of crime with legitimately earned funds, aliases, straw men and false documents to accomplish their crime.<sup>15</sup>

Financial services professionals can be a powerful force in helping law enforcement detect 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.

<sup>11</sup> Christine Duhaime. “A primer on human trafficking, human smuggling and money laundering” (December 4th, 2010). Accessed at <http://www.antimoneylaunderinglaw.com/2010/12/connection-between-human-trafficking-and-money-laundering.html> on September 14, 2016.

<sup>12</sup> Department of Finance Canada. “Assessment of Inherent Risks of Money Laundering . . .” (July, 2015).

<sup>13</sup> Kyra Gurney for InSight Crime. “Canada Drug Trafficking Groups Expanding Mexico Ties” (September 12, 2014). Accessed at <http://www.insightcrime.org/news-analysis/canada-drug-trafficking-groups-expanding-mexico-ties> on September 14, 2016.

<sup>14</sup> <http://www.acfcs.org/in-global-battle-against-human-trafficking-financial-institutions-lead-the-way>.

<sup>15</sup> <http://www.acfcs.org/in-global-battle-against-human-trafficking-financial-institutions-lead-the-way>.

# Recognizing the financial red flags for human trafficking

Listed below are a number of financial activity indicators or “red flags” that may assist the financial services sector in identifying instances of human smuggling and human trafficking.



## Customer profile red flags

- **A customer establishes an account or visits a branch to conduct transactions while always escorted by a third party.** This third party has possession of the customer’s identification.
- **Common signer(s)/custodian(s) in apparently unrelated business and/or personal accounts.** Similarly, common information (e.g., address, phone number, employment information) is used to open multiple accounts in different names.
- **Accounts of foreign workers or students where the employer or employment agency serves as a custodian.**



## Customer interaction red flags

- **Clients give instructions to send funds accompanied by other individuals who appear to be holding identity documents for them.** Several women/men are accompanied by one or a few individuals who appear to be older than they are.
- **Client defers to a man or older woman to speak for them.**
- **If client speaks, they appear to be coached.** Their answers seem scripted and rehearsed.
- **Clients cannot identify their current locale or give their address unless confirming with another individual.**
- **Client avoids eye contact, especially with a “boyfriend” or individual that is accompanying them.**
- **Clients may exhibit signs of abuse, such as bruises, cuts, burns, scars, poor personal hygiene, or appear malnourished.**
- **Victims show signs of poor hygiene, fatigue and sleep deprivation.**
- **Suspicious tattoos, marks or branding, or two or more individuals share the same tattoo.** On girls this may appear on their hands, neck or lip indicating ownership.





### Transactional red flags: business profile inconsistencies

- **A business customer does not exhibit normal payroll expenditures (e.g., wages, payroll taxes, social security contributions).** Payroll costs can be non-existent or extremely low for the size of the customer's alleged operation, workforce and/or business line/model.
- **Substantial deductions to wages.** A customer with a business may deduct large amounts from the wages of its employees alleging extensive charges (housing and food costs), where the employees only receive a small fraction of their wages. This may occur before or after the payment of wages.
- **Frequent transactions, inconsistent with expected activity and/or line of business, carried out by a business customer in an apparent effort to provide sustenance to individuals** (e.g., payment for housing, lodging, regular vehicle rentals, purchases of large amounts of food).
- **Inflows are largely received in cash where substantial cash receipts are inconsistent with the customer's line of business.** Extensive use of cash to purchase assets and to conduct transactions.



### Transactional red flags: personal profile inconsistencies

- **When payroll checks are cashed, the majority of the funds are kept by the employer or are deposited back into the employer's account.** This activity may be detected by those that have access to pay stubs and payroll records.
- **Transactional activity inconsistent with a customer's alleged employment, business or expected activity,** or where transactions lack a business or apparent lawful purpose.
- **Cash deposits or wire transfers are kept below \$1,000 in apparent efforts to avoid record-keeping requirements.**
- **Structured transactions or higher amount and frequency of transactions to High Risk Country destinations that have higher rates of human trafficking and sexual slavery or that are associated with sexual tourism and prostitution** (e.g., Colombia, Costa Rica, Netherlands, Laos, Thailand, Dominican Republic and Philippines).
- **The customer's account appears to function as a funnel account, where cash deposits occur in cities/states/provinces where the customer does not reside or conduct business.** Funds are frequently withdrawn the same day the deposits are made.
- **Multiple, apparently unrelated, customers send wire transfers to the same beneficiary.** These wire senders may also use similar transactional information, including, but not limited to, a common address and phone number. When questioned to the extent circumstances allow, the wire senders may have no apparent relation to the recipient of the funds or know the purpose of the wire transfers.
- **Transactions conducted by individuals escorted by a third party** (e.g., under the pretext of requiring an interpreter), to transfer funds (that may seem to be their salaries) to other countries.
- **Frequent payments to online escort services for advertising, including small posting fees to companies of online classifieds as well as more expensive, higher-end advertising and website hosting companies.**
- **Payments to employment or student recruitment agencies that are not licensed/registered or that have labour violations.**
- **Unexplained/unjustified lifestyle incommensurate with employment or business line.** Profits/deposits are significantly greater than those of peers in similar professions/business lines.
- **Multiple remittances to the same tour operators located in High Risk Country destinations with higher rates/occurrences of human trafficking and sexual slavery.** (It is important that name scrubbing and enhanced due diligence is performed on these tour operators as many are possibly involved in the sexual tourism industry.)
- **Frequent visits or travel to human trafficking and sexual slavery geographic hub destinations by clients with no clear or apparent purpose and/or with higher than normal frequency and volume of funds.**
- **Remittances to modelling or acting companies located in High Risk Country destinations with higher rates/occurrences of human trafficking and sexual slavery.**

# Report suspicious activity

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 to suspect that a transaction is related to human trafficking or a money laundering offence, a Suspicious Transaction Report (STR) should be sent to FINTRAC.<sup>16</sup>

**Specific details that should be included in Part G of an STR include, but are not limited to, the following:**

- physical descriptions of third parties accompanying the possible victims of human trafficking
  - names and geographic centres of operation of any advertising, modelling and taxi/limousine/tour agencies/operators
  - hotel names, geographic locations and range of purchases
  - descriptions of any signs of physical abuse and any visible tattoos
  - specific activities that are conducive to, or relate to, “human trafficking” for convenient search by FINTRAC
- Dismantling an entire human trafficking operation could start with a single financial services employee who notices and reports odd account activity. By recognizing the red flags, professionals in the financial industry can play an important role in combatting this global scourge.
- If you believe you have identified human trafficking you can contact and report directly to local law enforcement.

<sup>16</sup> Entities regulated by the PCMLTFA in Canada are required to report transactions suspicious of money laundering to FINTRAC.

**For more information on how financial services can recognize suspicious activity, please contact a Grant Thornton advisor:**

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