

A photograph showing a group of people, likely migrants, peering out from a narrow opening in a metal structure, possibly a container or a ship's hull. The scene is dimly lit, with the people's faces illuminated by a light source from the side. The structure is made of dark, weathered metal with some yellow and blue markings.

MONEY LAUNDERING AND TERRORIST FINANCING RISKS ARISING FROM MIGRANT SMUGGLING

The role of the private sector in detection and prevention

Every year, natural disasters, conflict, persecution or poverty, drive millions of individuals to illegally enter a different country, with the hope of building a better future there. To do so, many put their lives in the hands of migrant smugglers who provide transport during often-perilous journeys, for a considerable fee. The exact amount of the proceeds generated by migrant smuggling is unknown, but current estimates exceed USD10 billion per year.

As with any other proceeds-generating crime, the financial footsteps of the transactions involved in migrant smuggling can provide crucial information to help identify those that profit from the suffering, desperation and hopes of others.

FATF's report on **money laundering and terrorist financing risks arising from migrant smuggling** raises awareness about the most common methods to transfer and launder the proceeds of migrant smuggling.

Financial institutions, money transfer service and other private sector businesses play an important role in identifying and reporting suspicious transactions. Their input will help develop the characteristics of migrant smuggler's financial behaviour, which can provide a valuable contribution to migrant smuggling investigations.

The report provides several recommendations and good practices to trace criminal proceeds and enhance the effectiveness of money laundering investigations. The report highlights the need for countries to understand the money laundering risks they face from migrant smuggling and to proactively follow the money linked to this criminal activity. This includes through increased collaboration with the private sector and providing them guidance and information on the specific methods that the smugglers are using to transfer and conceal proceeds.

SMUGGLING OF MIGRANTS:

“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, with illegal entry referring to crossing borders without complying with the necessary requirements for legal entry into the receiving State.”

Source: the Protocol against the Smuggling of Migrants by Land, Sea and Air, supplementing the United Nations Convention against Transnational Organized Crime (UNTOC), article 3

How do migrant smugglers operate?

There are several “business models”, from the ‘travel agency’ a loosely organized network of smugglers that offer travel and related services, to ‘Hop on - hop off’ services along the smuggling route to the expensive comprehensive package.

Smuggling networks function as an “enterprise” model with large numbers of smaller, flexible crime groups or individual criminals that interact when necessary. In regions where anti-smuggling law enforcement strategies are particularly robust, the smuggling networks tend to be more sophisticated.

How do migrant smugglers launder their money?

CASH. Cash is king for the migrant smugglers, they receive the majority of their payments in cash and will sometimes avoid depositing their proceeds into a bank account. Instead, they use the cash to finance their living costs or in some cases to support drug or gambling habits.

HAWALA. When money needs to be transferred between jurisdictions, it is usually through an informal money transfer system, known as hawala, that often operate out of small businesses such as local supermarkets or telephone stores.

TRADE-BASED MONEY LAUNDERING. FATF research indicates that migrant smugglers frequently use legal businesses such as retail (e.g. food, grocery, hardware shops), wholesale, car dealerships, financial intermediation services, food premises (restaurants, diners etc.), travel agencies, telephony services, internet points and/or internet cafés, transport companies. They sometimes also recruit straw men and third parties, mainly relatives, to run or work in these businesses.

SMURFING. Smugglers make a large number of deposits of small amounts into bank accounts to avoid suspicion.

PROFESSIONAL LAUNDERING NETWORKS. Migrant smuggling groups also appear to increasingly outsource their money laundering activities.

INVESTMENTS. Migrant smugglers may also invest their profits in real estate, high value goods, and legal businesses in both the countries of origin and the country of destination.

Depending on the level of sophistication of the networks, several money laundering methods are used to place, layer and integrate the money into the legitimate economy.





Detecting migrant smuggling financial flows

Financial flows from migrant smuggling are generally difficult to detect because of the extensive use of cash or unofficial banking methods such as hawala, while well-regulated banks or money transfer services are often avoided.

The FATF report highlights key indicators that could suggest suspicious activity and can help banks, money remitters or other businesses detect and report suspicious transactions.

As with all indicators, a single indicator in relation to a customer or transaction may not alone warrant suspicion of migrants smuggling, but it could prompt further monitoring and examination, as appropriate.

MONEY LAUNDERING

- Numerous transactions with money remittance companies and online payment services companies, sometimes without logical reason.
- Foreign/Migrants using the same IP or machine ID to perform transactions.
- Transfer remittance through third parties “money mules”.
- Remittances to a different province or country of prior residence or citizenship.
- Immediate liquidation of money.
- Use of Hawala/Hundi transaction system.
- Repeated receipts or fund transfers of relevant overall amount from/to several counterparties abroad.
- Money flows of relevant amount within a short time period.
- Transactions through prepaid cards in areas far from the ordinary place of residence/domicile of their holders.
- Recharging transactions between prepaid cards held by foreign nationals, living or operating in places close to reception centres for immigrants or to border crossing points.
- Transactions involved persons with criminal records for migrant smuggling and human trafficking.
- Deposit of money in foreign currency accounts.
- Regular gambling activity interspersed with remittance and deposit activity.



SUSPICIOUS MATTER REPORTING INDICATING REGULAR CASH WITHDRAWALS AT OR OUTSIDE OF CASINOS

- Use of front cash intensive legitimate businesses.
- Abnormal payments to hotels, apartments and other accommodation services that are located on or close to migrant smuggling routes.
- Generic indicators of money laundering that can also be related to migrant smuggling
- Cash withdrawals and money transfers through payment institutions.
- High number of deposits of cash in accounts.
- Money transactions to various accounts and banks (spread of the proceeds).
- Investments in real estate/high value goods.
- Cross border transport of money the intended use of which cannot be explained.
- No explanation about the origin of the funds.

TERRORIST FINANCING

- Foreign nationals, recently immigrated [into the jurisdiction], who:
 - live or work in places close to reception centres for immigrants, or border crossings or logistic hubs along migration routes;
 - work as MVTs Agents;
 - hold different prepaid reloadable cards issued in different places - such as above -, often far from each other;
 - are registered by the Customs Agency for cross-border cash transfers (in the case of the said MVTs Agents, this would trigger suspicions that the criminal proceeds could have been laundered by commingling them with the MVTs proceeds and also used for informal hawala-style money transfer systems);
- Intertwisted MVTs transfers and/or card-reloading transactions of huge overall amounts, performed by the same unemployed individual in different regions;
- POS payments bearing descriptions about purchase of travel tickets to and/or stays in Central-Northern European countries;
- Links to individuals known (as per confidential information) to be close to:
 - terrorist organizations or
 - military organizations in countries rated high-risk for terrorism or
 - radical environments/groups (with particular reference to individuals playing official or managing roles in cultural-religious associations suspected of radicalism).



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- Transactions through prepaid cards performed also in areas far from the ordinary place of residence/domicile of their holders, with particular reference to the towns constituting logistical hubs of the national transport network (highways, railways, ports and airports);
- Recharging transactions between prepaid cards held by foreign nationals, living or operating in places close to close to reception centers for immigrants or to border crossing points, without an economic or professional activity that could justify their transactions;
- Owners, managers or employees of MVTs Agencies involved in the network of recharging transactions in any capacity (as cardholders, as well as transaction performers).
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 - military organizations in countries rated high-risk for terrorism or
 - radical environments/groups (with particular reference to individuals playing official or managing roles in cultural-religious associations suspected of radicalism).
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Cooperation with financial intelligence units, law enforcement and supervisory authorities

National financial intelligence units will analyse the information in the suspicious transaction reports and launch an investigation if the suspicions appear legitimate. The FATF's report contains several case studies that demonstrate the importance of suspicious transaction reports in triggering migrant smuggling investigations.

Unfortunately, while national Financial Intelligence Units do receive suspicious transactions reports, there are not many, particularly given the increase in global migrant smuggling activity.

The FATF report on **money laundering and terrorist financing risks arising from migrant smuggling** aims to build awareness about the ways that migrant smugglers raise and move their funds to help in the detection of these financial transactions.

The report also highlights the need for law enforcement and other relevant authorities to improve cooperation and partnership with the private sector. Lack of effective cooperation with the private sector has a negative impact on the collection of important intelligence, for example, when there is a delayed responses on time-sensitive issues.

The report includes some examples of good practices to strengthen collaboration, for example:

- Financial behaviour profiling - by adopting pattern recognition techniques, which help financial institutions detect suspicious activity
- Coordination between the FIU and banks

- Development of manuals with practical guidance on identifying and tackling financial flows for the banking sector.
- Private sector participation in specific operational measures to combat migrant smugglers.

The report also makes a number of recommendations to strengthen the cooperation with the private sector in the fight against migrant smuggling:

- Increase the capacity of relevant practitioners to detect and deter links between migrant smuggling and terrorist financing, and migrant smuggling and money laundering, and to maintain statistics on the performance of AML/CFT systems.
- Ensure that money remitters or money value transfer services comply with all the requirements in the FATF Standards, with proactive action taken to detect and disrupt unregulated money value transfer service providers, including hawala.
- Strengthen cooperation with the private sector, especially with the credit and payment institutions, and money value transfer services, by providing guidance and information on risk regarding the specific methods that the smugglers are using to transfer and conceal proceeds, and working collaboratively to disrupt the risks identified.



SCAN ME