



MONEY LAUNDERING FROM ENVIRONMENTAL CRIME

FOR ENVIRONMENTAL CRIME AUTHORITIES

What is the FATF? The Financial Action Task Force (FATF) is the global standard setting body for anti-money laundering and counter terrorist financing (AML/CFT). Over 200 countries have committed at the highest levels to implementing the FATF Standards. These standards encompass a wide range of AML/CFT obligations, such as requiring all countries to regularly assess their money laundering risks, and introduce preventative measures for financial and non-financial sectors, such as transaction monitoring and customer due diligence.

Why did FATF focus on this issue? Strengthening understanding of money laundering from environmental crimes has been a priority area for the FATF since in 2019. In 2020, FATF published a report on the financial flows from the illegal wildlife trade.

This new FATF study builds on this work, and identifies key money laundering risks across illegal logging, illegal mining and waste trafficking. The FATF Standards already provide a useful framework to help authorities combat laundering from environmental crimes, but countries need to increase their implementation in line with the financial threats posed by environmental crimes.

WHY CONDUCT FINANCIAL INVESTIGATIONS

FOR ENVIRONMENTAL CRIME?

Environmental crime is an extremely profitable criminal enterprise, generating around USD 110 to 281 billion in criminal gains each year.

Criminals are motivated by financial gain. By following and confiscating the proceeds from environmental crimes, authorities can decrease the incentive for criminals to engage in environmental crimes. By conducting financial investigations, this allows authorities to use the investigative techniques and sanctions provided under anti-money laundering laws (which are often more dissuasive than environmental crime laws). Financial investigations can help strengthen environmental crime investigations by drawing on investigative techniques and sanctions provided under anti-money laundering laws.



Money Laundering from Environmental Crime

Download the report at www.fatf-gafi.org



MONEY LAUNDERING TRENDS

FOR ENVIRONMENTAL CRIMES

- Criminals involved in illegal logging, illegal mining and waste trafficking are laundering their proceeds through the formal and informal financial sector across countries. This includes financial, trade and company formation centres, which do not have natural resources domestically.
- Across environmental crimes, criminals frequently misuse front companies to co-mingle legal and illegal goods and payments early in resource supply chains. This creates challenges for distinguishing between legal and illegal activity, and detecting laundering later in the supply chain.
- These same networks will make use of complex corporate structures, intermediaries (e.g., accountants, lawyers, etc.) to conceal financial flows and employ offshore jurisdictions, to facilitate placement and/or layering of funds, which underscores the importance of identifying the underlying owners.

KEY FINANCIAL INTELLIGENCE FOR ENVIRONMENTAL CRIMES





KEY MESSAGES FOR ENVIRONMENTAL CRIME AGENCIES

- Establish communication channels and common objectives with anti-money laundering authorities. This includes financial investigators and financial intelligence units (FIUs).
- Establish clear guidelines for following the money for environmental cases involving organised crime and securing assets, or referring cases to financial investigators.
- Make use of financial databases and information exchange platforms (e.g. Egmont web) to support environmental crime cases.
- Proactively share information with financial investigators and anti-money laundering authorities on emerging environmental crime trends.

POTENTIAL RISK INDICATORS RELATED TO LAUNDERING FROM ENVIRONMENTAL CRIMES

TRANSACTION AND CASH FLOWS

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Frequent payments from companies in the logging, mining or waste trade sector to individuals or beneficiaries unrelated to the legal person's activity or business.
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Large cash transfers from cash-intensive businesses to beneficiaries in areas known as a source of gold mining and illegal logging and illegal land clearing.

 - Transfers from country where the gold smelters are located to source countries for gold, and almost immediate cash withdrawal of majority of the transfer.





CUSTOMERS



- Unexplained wealth, cash transfers involving senior officials, politically exposed persons (or family members of) with a position of responsibility related to the management or preservation of natural resources.
- Clients that are unable to provide evidence of compliance with local environmental requirements (e.g., proof of permit for environmental activity, export, and land purchase/lease agreements, etc.).
- Intermediaries - such as timber processing facilities, sawmills and metal refineries – with financial activity that is not in line with local production levels.
- Customers with mining or logging licenses operating in or around active conflict zones. PEPs may have interests in these companies, but it is not required.

ECONOMIC ACTIVITY



- Sudden and unexplained increases in economic activity (formal and informal) in rural or isolated zones, particularly in source countries for illegal logging and mining. This could include unusually high volume of business turnover in cash transactions at businesses providing consumer goods and services in proximity to at-risk zones.

EXPORT & TRANSFER PRICING



- Trade transactions to finance extractive business involving high-risk jurisdictions – e.g. that have a proven risk of corruption, conflict and/or illegal resource extraction.
- False or questionable statements on bank loans, letters of credit, customs and shipping documents associated with the timber trade.
- Financing for export of environmentally sensitive goods (e.g., round logs) when there is a moratorium, or this has been banned by national authorities.

WASTE TRAFFICKING



- Persons with minimal experience entering waste management sector, or with suspicious organizational structure or economic activity.
- Large international funds transfer between local waste management sector companies and known source countries for waste trafficking.
- Waste management sector companies with payments or trade invoices for types of waste unaligned with those they are authorised to process.