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# THE ROLE OF THE **PUBLIC SECTOR** IN TACKLING MONEY LAUNDERING AND TERRORIST FINANCING RISKS ARISING FROM MIGRANT SMUGGLING

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.

**Law enforcement agencies (LEAs), financial intelligence units (FIUs) and supervisors** have powers to not only to tackle this predicate crime but also to deprive criminals of their illegal income. Despite the growth in migrant smuggling in recent years, the number of smugglers arrested remains very low. Many countries do not consider migrant smuggling a 'high risk' crime for money laundering and only very few investigations or prosecutions are initiated or concluded. This is due to a range of factors including a lack of effective international cooperation and often a lack of focus and resources to support a 'follow the money' approach.

**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 Organised Crime (UNTOC), article 3

In accordance with the FATF Recommendations, **all countries must apply the crime of money laundering to all serious offences including migrant smuggling** in addition to human trafficking and twenty other categories of offences

## How do migrant smugglers operate?

FATF’s report on *Money Laundering and Terrorist Financing Risks Arising from Migrant Smuggling* 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.

There are several “business models”, from the ‘travel agency’, a loosely organized network of smuggles that offer travel and related services, ‘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.

In recent years, smugglers have started to widely use social media and encrypted digital communication services in their operations for recruitment and coordination. This provides opportunities for smugglers to enhance their efficiency, but also opportunities for law enforcement to detect and trace the activity of smugglers including financial flows.

The rapid development of mobile technology can have implications for the relationship between migrants and smugglers. In several Facebook groups, migrants can check the reliability of certain smugglers and share information on who is best to contact. That has been described as a “hierarchy in trustworthiness”.





# 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 local supermarkets or telephone stores.
- **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.
- **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.
- **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.

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 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.





# Good practices for combating money laundering and terrorist financing from migrant smuggling

**Strengthening interagency coordination** can help prevent or reduce migrant smuggling and its associated crimes. Seminars, training sessions for officers from competent authorities and the private sector, as well as information and education workshops open to civil society may all strengthen interagency coordination.

**Information exchange between LEAs and FIUs** is very important in relation to the monitoring and detection of illicit financial flows associated with migrant smuggling, with a particular focus on the role of financial institutions in the detection of suspicious financial transactions.

**Cooperation with the private sector** helps to tackle migrant smuggling and detect illicit proceeds. The report describes some initiatives that help to improve the partnership between public authorities and mainly banks and money value transfer services or MVTs (e.g., developing **financial behaviour profiling** for the main migrant smuggling roles by adopting pattern recognition techniques, helping financial institutions detect suspicious activity). Making **use of contacts in the private sector**, competent authorities can undertake more extensive

and more efficient enquiries to develop intelligence and evidence, which assists in the identification of individuals, and groups involved in migrant smuggling offences.

**Expansion of border surveillance systems, stricter checks when individuals cross frontiers, intensified criminal and financial intelligence, cooperation between national LEAs and FIU and other states' (neighbouring or not) relevant agencies**, as well as strengthened cooperation with international and regional organisations (Eurojust, Europol, Frontex and INTERPOL) also contribute to detecting migrant smuggling activities and relevant financial flows.

Additionally, some delegations use **special investigation techniques**, such as telephone surveillance and undercover agents, and have developed data mining tools, big data analysis methods and strategic analysis methods based on geographical, demographic and transaction risk.





## Key Recommendations

There needs to be more action to limit opportunities for criminals to make a profit out of migrant smuggling. At the same time, this will help protect those who leave everything behind to seek a better future. Such measures include the need for opportunities for safe, orderly and regular migration; for targeted policies and controls at ‘hubs’ where migrants may acquire services from smugglers; the protection of migrants from violations of their human rights; and safe witness protection programmes and processes that can enable whistle-blowing so that migrant smuggling cases can be identified.

There are also some key steps that competent authorities and policy makers responsible for tackling ML and TF can take that can lead to more effective disruption and prevention of migrant smuggling:

- **ENHANCE CROSS-REGIONAL COOPERATION**, including investigative prosecutorial and judicial cooperation, by relevant practitioners to target specific regional risks;
  - **CONDUCT MORE SYSTEMATIC INVESTIGATIONS**, including parallel financial investigations, into potential intended and actual offences of ML and TF linked to migrant smuggling; and
  - **ENSURE THAT MVTs COMPLY WITH ALL THE REQUIREMENTS IN THE FATF STANDARDS** with proactive action taken to detect and disrupt unregulated MVTs providers, including hawala.
- **STRENGTHEN BILATERAL AND INTERNATIONAL COOPERATION BETWEEN FIUs** (including through Egmont), law enforcement and other relevant competent authorities regarding the exchange of information and provision of mutual legal assistance;





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