

# Detecting Financial Flows of Modern Slavery and Human Trafficking: A Guide to Automated Transaction Monitoring

Guideline

By Dr Frank Haberstroh and Simon Zaugg



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Finance Against Slavery and Trafficking (FAST) is a multi-stakeholder initiative based at United Nations University Centre for Policy Research (UNU-CPR) that works to mobilize the financial sector against modern slavery and human trafficking. Through its alliance-building approach and grounding its work in evidence-based approaches and rigorous analysis, FAST provides tools and training to financial sector stakeholders to take meaningful, sustained action against modern slavery and human trafficking. UNU-CPR is an independent think tank within the UN system based in New York. It combines research excellence with deep knowledge of the multilateral system to generate innovative solutions to current and future global public policy challenges.

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TAROM FOUNDATION  
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Guido Feger



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# 1. Introduction

The scale of modern slavery, which comprises human trafficking, forced labour and child labour, is global, affecting every country in the world and virtually every economic sector. There are an estimated 49.6 million people in conditions of modern slavery and human trafficking (MS/HT) worldwide.<sup>1</sup> Each year, these crimes generate \$150 billion in profits.<sup>2</sup> In fact, MS/HT has become the most pervasive criminal economy globally.<sup>3</sup> When looking at region- or country-specific figures, however, an obvious gap between the worldwide threat of MS/HT and actual cases of MS/HT detected becomes evident.

The Finance Against Slavery and Trafficking (FAST) Blueprint<sup>4</sup> shows that the financial sector cannot end these crimes alone. Nor can these crimes be prevented without the active engagement of the sector. Investigations into the financial aspects of MS/HT are essential. Financial evidence helps to counter challenges such as a heavy reliance on the victim's testimony or insufficient evidence to implicate perpetrators during an investigation or prosecution. Moreover, financial seizures of illegally acquired money from MS/HT can be redirected to victims as a form of remedy.<sup>5</sup>

The number of MS/HT Suspicious Activity Reports (SARs) from financial institutions to Financial Intelligence Units (FIUs) is an essential indicator, but it remains extremely low in almost all countries. Awareness of the threat of MS/HT

is still not high enough in the financial sector. In addition, the conventional method of transaction monitoring as the central basis for SARs achieves little in the area of MS/HT. This is due to the lack of meaningful indicators for automated monitoring. The MS/HT indicators proposed so far are mainly useful to support compliance staff for the further investigation of suspicious transactions they have already taken notice of, and to distinguish MS/HT from other forms of crime. These indicators are often not applicable to the conventional transaction monitoring systems used by financial institutions to filter out suspicious transactions. Transactions linked to MS/HT may therefore not be recognized by anti-money laundering (AML) software, and may never be analysed by a compliance officer. Moreover, it can be assumed that many MS/HT transactions are not recognized as such but are mistaken for conventional money-laundering activities when they are reported to FIUs.

A different approach is needed to support financial institutions in better detecting suspicious flows stemming from MS/HT. This should lead to more SARs, investigations and convictions, as well as assets being frozen and confiscated. The goal of this report is to provide clear and comprehensive guidance for financial institutions in the traditional banking sector on how illicit flows from MS/HT can be monitored and detected based on automated transaction monitoring.

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<sup>1</sup> International Labour Organization (ILO), Walk Free and International Organization for Migration (IOM), *Global Estimates of Modern Slavery: Forced Labour and Forced Marriage* (Geneva: ILO, 2022). Accessible at: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---ipec/documents/publication/wcms\\_854733.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipec/documents/publication/wcms_854733.pdf).

<sup>2</sup> ILO, *Profits and Poverty: The Economics of Forced Labour* (Geneva: ILO, 2014). Accessible at: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---declaration/documents/publication/wcms\\_243391.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_243391.pdf).

<sup>3</sup> Global Initiative Against Transnational Organized Crime, *Global Organized Crime Index 2021* (Geneva: Global Initiative Against Transnational Organized Crime, 2021). Accessible at: <https://globalinitiative.net/wp-content/uploads/2021/09/GITOC-Global-Organized-Crime-Index-2021.pdf>.

<sup>4</sup> Liechtenstein Initiative, *Unlocking Potential: A Blueprint for Mobilizing Finance Against Slavery and Trafficking: Final Report of the Liechtenstein Initiative's Financial Sector Commission on Modern Slavery and Human Trafficking* (New York: United Nations University, 2019). Accessible at: <https://www.fastinitiative.org/the-blueprint/download-report>.

<sup>5</sup> Organization for Security and Co-operation in Europe (OSCE) Office of the Special Representative and Co-ordinator for Combating Trafficking in Human Beings, *Following the Money: Compendium of Resources and Step-by-Step Guide to Financial Investigations Related to Trafficking in Human Beings* (Vienna: OSCE, 2019), p. 13. Accessible at: [https://www.osce.org/files/fi/documents/fi/5/438323\\_0.pdf](https://www.osce.org/files/fi/documents/fi/5/438323_0.pdf).

## 2. Risk-based Approach: Increased Monitoring of High-Risk Clients and Transactions

Crime statistics worldwide show that certain countries have, proportionally, a significantly higher prevalence of MS/HT, as a country of origin or destination of victims. Similarly, perpetrators, as part of established organized criminal groups, are more likely to be citizens of certain countries. Furthermore, perpetrators are often from the same country of origin as the victims or are from the country of destination.<sup>6</sup>

MS/HT takes place in a wide variety of industries and fields of activity. However, certain industries appear to be particularly vulnerable to it. This is especially true if the activity involves high physical effort and does not require a special level of education on the part of victims. The risk that a company will use modern slaves can thus vary greatly from industry to industry.

Since MS/HT risks vary by countries and industries, a risk-based approach seems appropriate to combat these forms of crime.<sup>7</sup> For this purpose, financial institutions must identify MS/HT-specific high-risk countries and high-risk industries to use this data for their automated transaction monitoring.

### Country Risk Classification

The identification of countries with increased risk of MS/HT can be achieved by assessing crime statistics that provide information on the nationalities of victims and offenders, as well as on countries from which victims

have been repatriated. Particularly relevant in this regard is the information provided by crime statistics from the country of domicile of the financial institution compiling the risk list. The reason for this is that these statistics show the criminal reality of what will usually be the financial institution's main market. Also, financial institutions should consider countries that are deemed at risk of MS/HT by the authorities, or where there is an increased risk of exploitation due to an acute crisis not yet reflected in current criminal statistics (see UNU-CPR/FAST Policy Brief *Establishing an Agile Response Process to Crisis and Conflict-related Modern Slavery and Human Trafficking Risks*).<sup>8</sup>

Findings from national crime statistics should be supplemented by findings on the realities of crime and trends in a given financial institution's broader geographic region or on a global level, since emerging macro-trends frequently impact the national context as well.

However, the more geographically specific the data, the more relevant it is for financial institutions in that territory. These different degrees of relevance can be expressed in a country classification as, for example, "high risk," "medium-high risk," "medium-low risk," and "low risk,"<sup>9</sup> thereby allowing for a risk-based approach. Figure 1 illustrates the risk level that different countries can constitute for the financial institution performing an evaluation of MS/HT-relevant countries.

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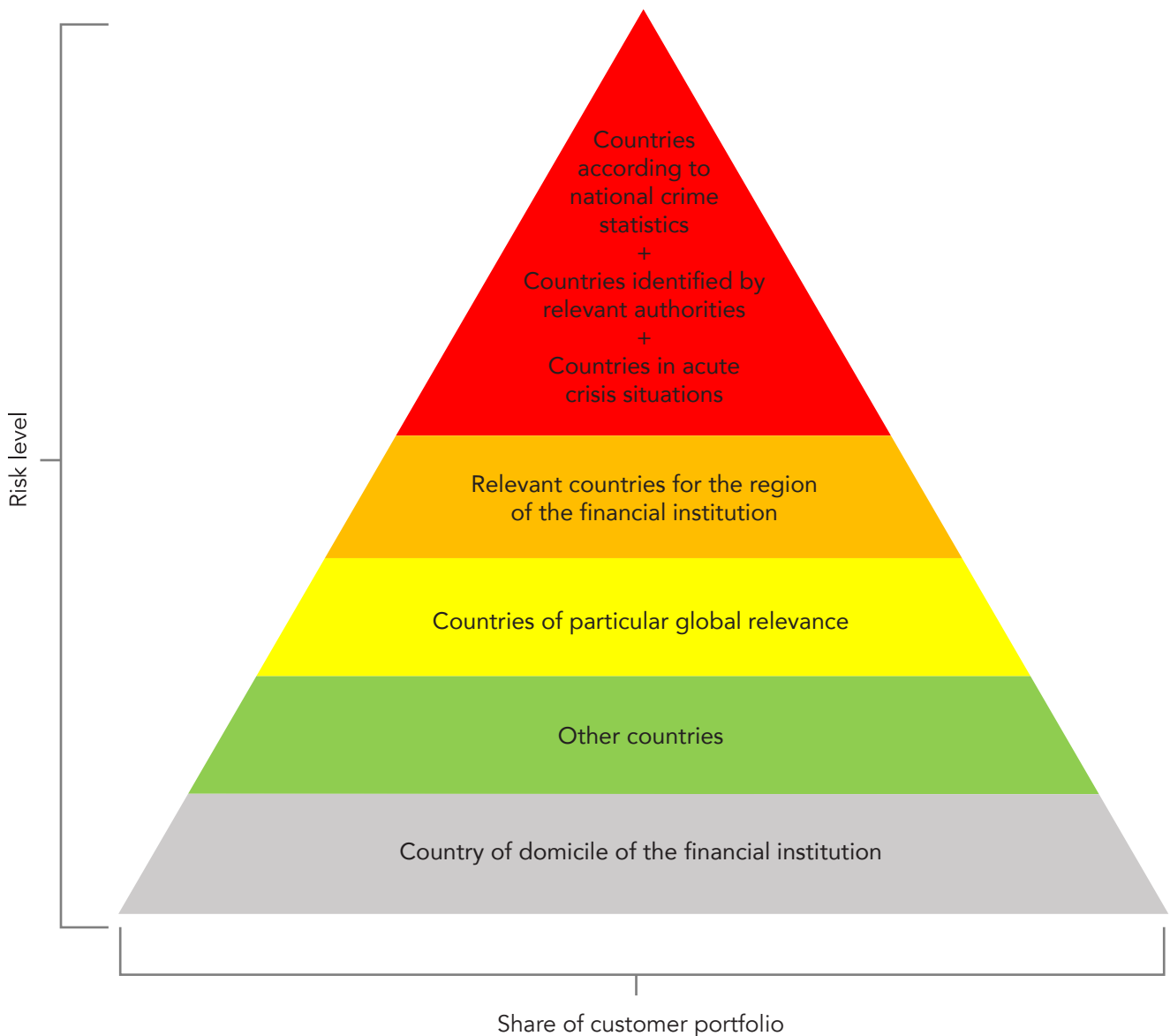
<sup>6</sup> See "Migration and Home Affairs", European Commission, last accessed on 23 April 2023, [https://home-affairs.ec.europa.eu/policies/internal-security/organised-crime-and-human-trafficking/together-against-trafficking-human-beings\\_en](https://home-affairs.ec.europa.eu/policies/internal-security/organised-crime-and-human-trafficking/together-against-trafficking-human-beings_en); "ICE," US Department of Homeland Security, last accessed on 23 April 2023, <https://www.ice.gov/features/human-trafficking>.

<sup>7</sup> See Financial Action Task Force (FATF), *Risk-based Approach Guidance for the Banking Sector* (Paris: FATF/Organisation for Economic Co-operation and Development, 2014), p. 6, para. 9: "A RBA to AML/CFT means that countries, competent authorities and financial institutions, are expected to identify, assess and understand the ML/TF risks to which they are exposed and take AML/CFT measures commensurate to those risks in order to mitigate them effectively. Accessible at: <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Risk-based-approach-banking-sector.html>.

<sup>8</sup> Frank Haberstroh and Simon Zaugg, "Establishing an Agile Resonse Process to Crisis and Conflict-related Modern Slavery and Human Trafficking Risks," *UNU-CPR Policy Brief* (New York: United Nations University, 2023). Accessible at: [http://collections.unu.edu/eserv/UNU:9108/Policy-Brief\\_Agile\\_Response\\_to\\_Crisis\\_FINAL.pdf](http://collections.unu.edu/eserv/UNU:9108/Policy-Brief_Agile_Response_to_Crisis_FINAL.pdf).

<sup>9</sup> The assignment of various country groups to respective risk levels is not mandatory by any means. In particular, financial institutions may wish to treat countries of concern identified on a regional level as "high-risk countries" if, for example, the crime statistics of the country of domicile do not provide information on the origin of victims or perpetrators. Also, a financial institution that operates globally and does not wish to differentiate its risk classification according to its national units may choose to designate only countries of origin of global relevance as high-risk countries.

Figure 1 – Country Risk Pyramid



### Countries According to National Crime Statistics

For financial institutions, national crime statistics are particularly relevant sources of information when classifying the MS/HT vulnerability of certain countries/nationalities. Since the reality of MS/HT can change constantly, the crime statistics used should be as current as possible.

In the course of compiling the 2022 United Nations Office on Drugs and Crime (UNODC) human trafficking report,<sup>10</sup> countries submitted crime statistics on MS/HT that provide information on the nationality of the victims, the nationality of the perpetrators, and/or on countries from where their own citizens had been repatriated.<sup>11</sup>

<sup>10</sup> United Nations Office on Drugs and Crime (UNODC), *Global Report on Trafficking in Persons 2022* (New York: United Nations, 2023). Accessible at: [https://www.unodc.org/documents/data-and-analysis/glotip/2022/GLOTIP\\_2022\\_web.pdf](https://www.unodc.org/documents/data-and-analysis/glotip/2022/GLOTIP_2022_web.pdf).

<sup>11</sup> Country profiles are available here: <https://www.unodc.org/unodc/data-and-analysis/glotip.html>.

In the case of the following reporting countries, such data allow for the identification of particularly relevant<sup>12</sup> third-country nationalities:

Table 1 – MS/HT-relevant Countries/Provinces per Jurisdiction

Reporting Country/ Province	Particularly Relevant Third Countries/Provinces
Angola	Democratic Republic of the Congo, Namibia
Austria	Bulgaria, China, Hungary, Nigeria, Romania
Belgium	Brazil, China, Morocco, Nigeria, Romania
Bhutan	India, Saudi Arabia
Bosnia and Herzegovina	Croatia, Hungary, Slovenia
Botswana	Ghana, Nigeria, Pakistan, Zimbabwe
Brunei Darussalam	Afghanistan, Australia, Fiji, India, Pakistan
Cambodia	China
Chile	Bolivia (Plurinational State of), Colombia, Ecuador, Peru, Thailand
Colombia	Dominican Republic, Ecuador, Paraguay, Peru, Venezuela (Bolivarian Republic of)
Costa Rica	Colombia, El Salvador, Nicaragua, Panama
Cyprus	Romania
Democratic Republic of the Congo	Burundi, Rwanda, Uganda
Denmark	Brazil, Morocco, Nigeria, Romania, Thailand
Dominican Republic	Colombia, Haiti, Venezuela (Bolivarian Republic of)
Ecuador	Colombia, Venezuela (Bolivarian Republic of)
El Salvador	Guatemala, Honduras, Costa Rica
Estonia	Italy, Republic of Moldova, Nigeria, Norway, Russian Federation
Eswatini	Mozambique, South Africa
Fiji	Australia, Bangladesh, India
France	Algeria, Brazil, China, Nigeria, Romania
Gambia (Republic of The)	Kuwait, Lebanon, Nigeria, Sierra Leone

<sup>12</sup> The following approach was chosen to determine countries of particular relevance: Reported countries were assigned zero to five points when they were mentioned as the country of nationality of victims or offenders, or as the country from which victims had been repatriated. The country with the highest number of persons reported in every category was given five points per category. Four to one points per category were given to countries with the second to fifth highest number of persons reported in every category. Numbers below this were assigned zero points. The scores of the three categories were added and the countries with the most points were considered particularly relevant. Wherever the distribution of points allowed, a maximum of five countries per reporting country were included.



Reporting Country/ Province	Particularly Relevant Third Countries/Provinces
Georgia	Uzbekistan
Germany	Bulgaria, Romania, Türkiye
Guatemala	Honduras, El Salvador, Mexico, Nicaragua, Venezuela (Bolivarian Republic of)
Guyana	Dominican Republic, Haiti, Venezuela (Bolivarian Republic of)
Hungary	China, Romania
India	Bangladesh, Nepal
Jamaica	China, Honduras, India
Japan	Republic of Korea, Philippines
Kazakhstan	Bahrain, Brazil, Republic of Korea, Türkiye, Uzbekistan
Kenya	Tanzania
Latvia	Ireland, Tajikistan, United Kingdom of Great Britain and Northern Ireland, Uzbekistan
Lebanon	Ethiopia, Spain, Syrian Arab Republic, Togo
Liberia	Guinea, Nigeria
Malaysia	Bangladesh, India, Indonesia, Thailand, Viet Nam
Malta	Ukraine, Philippines
Mongolia	China, Malaysia, Thailand
Montenegro	Kosovo, Pakistan, Serbia, Taiwan Province of China
Morocco	Lebanon
Niger	Benin, Mali, Nigeria, Sudan
Nigeria	Benin, Lebanon, Mali, Oman, Togo
North Macedonia	Albania, Bosnia and Herzegovina
Oman	Bangladesh
Palau	Bangladesh, China, Philippines
Panama	Colombia, Cuba, Nicaragua, Venezuela (Bolivarian Republic of)
Paraguay	Argentina, Venezuela (Bolivarian Republic of)
Poland	Bulgaria, Ukraine
Portugal	Spain
Qatar	Pakistan
Romania	Denmark, Germany, Spain, Sweden, United Kingdom of Great Britain and Northern Ireland

Reporting Country/ Province	Particularly Relevant Third Countries/Provinces
Saudi Arabia	Bangladesh, Ethiopia, Indonesia, Pakistan, Uganda
Slovakia	The Czech Republic, Romania
Slovenia	China, Montenegro
Spain	Colombia, Nigeria, Romania, Russian Federation, Venezuela (Bolivarian Republic of)
Sudan	Eritrea, Ethiopia
Sweden	Bosnia and Herzegovina, Bulgaria, Iraq, Poland, Romania
Switzerland	China, Hungary, Nigeria, Poland, Romania
Taiwan Province of China	Indonesia, Philippines, Thailand, Viet Nam
Thailand	Cambodia, Lao People's Democratic Republic, Myanmar
Türkiye	Syrian Arab Republic
Uganda	Burundi, Democratic Republic of the Congo, Kenya, United Arab Emirates
Ukraine	The Czech Republic, Germany, Poland, Russian Federation
United Kingdom of Great Britain and Northern Ireland	Albania, Eritrea, Romania, Sudan, Viet Nam
United States of America	China, Guatemala, Honduras, Mexico, Philippines
Vanuatu	Bangladesh

## Countries Identified by Relevant Authorities

It is appropriate to add to the identified countries those that national, regional or international authorities relevant to financial institutions identify as being particularly affected by MS/HT. This can include countries whose goods are subject to national/regional import restrictions due to high forced labour risks.<sup>13</sup> It can also include countries against which United Nations Security Council resolutions or other sanctions programmes applicable to financial institutions have been adopted totally or in part because of MS/HT activities in their territories.<sup>14</sup>

## Countries in Situations of Acute Crisis

Crime statistics are always based on historical data. Relevant rapid increases in trafficking activities due to wars or other crises in the country of origin of victims and/or perpetrators may not yet be adequately represented in statistics. Financial institutions should consider a supplementary classification of the country concerned as a high-risk country whenever relevant events have led to an increase in trafficking activities or if such an increase is anticipated.

<sup>13</sup> For example, financial institutions in the US might consider import bans on products from certain regions/countries, based on Section 307 of the Tariff Act of 1930, prohibiting the import of any product that was mined, produced or manufactured wholly or in part by forced labour.

<sup>14</sup> Erica Moret, *What is the Role of Financial Sanctions in Tackling Modern Slavery and Human Trafficking?* (New York: United Nations University, 2022). Accessible at: [http://collections.unu.edu/eserv/UNU:8896/UNU\\_FAST\\_FinancialSanctions.pdf](http://collections.unu.edu/eserv/UNU:8896/UNU_FAST_FinancialSanctions.pdf).

## Relevant Countries for the Region of the Financial Institution

At the regional level, the countries identified below are particularly relevant from an MS/HT perspective, as

they represent the most frequently identified offender and victim nationalities in the individual national crime statistics of the respective regions.<sup>15</sup> Financial institutions from these regions should monitor relevant transactions/clients more closely.

Table 2 – MS/HT-relevant Countries per Region

Geographical Region in which the Offences were Recorded (Location of Monitoring Financial Institution)	Typical Countries of Repatriation and/or Origin of Perpetrators or Victims (Countries/Nationalities Under Increased Monitoring)
Central and South-Eastern Europe	China, Germany, Italy, Romania, United Kingdom of Great Britain and Northern Ireland
East Asia and the Pacific	Bangladesh, China, Malaysia, Philippines, Thailand
Eastern Europe and Central Asia	Brazil, the Czech Republic, Germany, Poland, Uzbekistan
North Africa and the Middle East	Bangladesh, Ethiopia, Lebanon, Pakistan, Syrian Arab Republic
North America, Central America and the Caribbean	Colombia, Guatemala, Honduras, Nicaragua, Venezuela (Bolivarian Republic of)
South America	Argentina, Colombia, Ecuador, Peru, Venezuela (Bolivarian Republic of)
South Asia	Bangladesh, India, Nepal, Pakistan, Saudi Arabia
Sub-Saharan Africa	Benin, Democratic Republic of the Congo, Lebanon, Mali, Nigeria
Western and Southern Europe	Brazil, Bulgaria, China, Nigeria, Romania

## Countries of Particular Global Relevance

An evaluation of the totality of submitted trafficking data on a global level reveals that the following countries are the most frequently referred to: China, Nigeria, the Philippines, Romania and Venezuela (Bolivarian Republic of). Financial institutions may consider adding these countries to their country risk list on a risk-based approach.

## Other Countries and the Financial Institution's Country of Domicile

Countries that do not fall into any of the above categories should usually be rated low risk in a financial institution's holistic country risk rating. Similarly, the country of domicile of the financial institution should always be given a low risk rating or not be included in the ranking at all, regardless of the usually high case

<sup>15</sup> The following approach was chosen to determine the countries mentioned: For each region, the five most relevant countries were identified. The countries identified by the highest number of reporting countries from the region were included. If this did not allow for the identification of five countries, in a second step, designated countries located in other regions were prioritized as larger criminal infrastructures are more likely to be behind cross-regional trafficking activities. If this still did not allow for the identification of five countries, reported countries with the highest average points determined in the process of establishing relevant third-country nationalities were given preference. As a final selection criterion, countries with more mentions by reporting countries worldwide were selected.

rates concerning their own nationals.<sup>16</sup> This is due to the fact that a risk-based screening of one's own nationals will not be practically feasible, since the majority of the

financial institution's customers are likely to come from the financial institution's country of domicile and the risk-based approach would thus become ineffective.

### **Practical Advice:**

In particular, there are two options to consider in identifying countries:

#### **Option 1. Concentrate on a few countries that have particularly high risks:**

The number of countries monitored depends on the business and client profile and monitoring system of each financial institution. However, it is recommended that at a minimum, those countries identified by the financial institutions' country of domicile's national crime statistics be considered. If such statistics are not available, links to the five most relevant countries on a regional and/or global level should be monitored more intensively.

#### **Option 2. Convert the information into a comprehensive country risk list:**

Analogous to conventional money laundering risk lists, a financial institution can also create a holistic list of countries in which the identified trafficking risk ("high," "medium," "low") of each country in the world is defined. A high risk would then apply to, for example, the most relevant countries according to crime statistics in one's own country or region. A medium risk could be assigned to the top five at the global level and to other world regions. A low risk would be assigned to all other countries.

## **Industry Risk Classification**

Statistical evaluations of industries particularly affected by MS/HT are only possible to a limited extent since little

statistical data is available. Evaluations of court rulings, relevant reports, and expert assessments permit the identification of the following industries as particularly vulnerable to MS/HT.<sup>17</sup>

<sup>16</sup> More than half of the countries that submitted reports to UNODC indicated that their own nationals constituted the largest victim and/or perpetrator group.

<sup>17</sup> See ILO, Walk Free and IOM, *Global Estimates of Modern Slavery: Forced Labour and Forced Marriage*, pp. 30 et seq.; UNODC, *Global Report on Trafficking in Persons 2022*.

Table 3 – High-Risk Industries

Industry Field	Specific Industry	ISIC <sup>18</sup>
Agriculture, Forestry and Fishing	Crop and animal production, hunting and related service activities, in particular raising cattle and the production of Brazil nuts, chestnuts, cocoa, sugar cane, and rice.	01
	Forestry and logging	02
	Fishing and aquaculture	03
Mining and Quarrying	Mining of coal and lignite	05
	Mining of metal ores, in particular iron ore, non-ferrous metal ores such as gold, and uranium and thorium ores	07
	Other mining and quarrying such as diamond mining, quarrying of stone, sand and clay, and extraction of salt	08
Manufacturing	Manufacture of food products, such as processing and preserving of meat, fish, crustaceans, fruits and vegetables	10
	Manufacture of tobacco products	12
	Manufacture of textiles, such as preparation and spinning of textile fibres, weaving of textiles, finishing of textiles, and manufacture of carpets and rugs	13
	Manufacture of wearing apparel	14
Construction	Construction of buildings	41
	Civil engineering, in particular the construction of roads, railways, bridges, and tunnels	42
	Specialized construction activities, such as demolition and site preparation	43
Transportation and Storage	Land transport and transport via pipelines, in particular freight transport by road and removal services	49
	Water transport, in particular sea and coastal freight water transport	50
	Warehousing and support activities for transportation, in particular cargo handling	52
Accommodation and Food Service Activities	Accommodation, in particular hotels and similar accommodation	55
	Food and beverage service activities, in particular event catering and beverage-serving activities	56
Information and Communication	Specifically, motion picture, video and television programme production, sound recording, music publishing activities, and the production of pornographic material	59

<sup>18</sup> International Standard Industrial Classification of All Economic Activities (ISIC).

Industry Field	Specific Industry	ISIC <sup>18</sup>
Administrative and Support Service Activities	Employment activities, such as the activities of employment placement agencies, temporary employment agency activities, and other human resources provision	78
	Travel agencies, tour operator reservation services and related activities	79
	Services for buildings and landscaping activities, in particular combined facilities, <sup>19</sup> support activities and cleaning activities	81
Human Health and Social Work Activities	Residential care activities	87
	Social work activities without accommodation	88
Other Service Activities	Other Personal Service Activities not elsewhere classified, such as activities related to the red-light industry, massage salons, escort services, dating services, services of marriage bureaus and shoe shiners	96
Activities of Households as Employers; Undifferentiated Goods- and Services-producing Activities of Households for Own Use	Activities of households as employers of domestic personnel	97

This does not claim to be an exhaustive list. In specific countries, additional industries may be of particular relevance to MS/HT. In particular, cases are known in which members of an indigenous group of a country are being exploited extensively in specific industries.<sup>20</sup>

Financial institutions should therefore additionally consider as high risk those industries that are typically affected by MS/HT in the financial institution's country of domicile, as well as those countries where the financial institution has an establishment or significant economic activities.

<sup>19</sup> Refers to provision of a combination of support services within a client's facility. For more information see: <https://www.shams.ae/licensing/free-zone-business-activities/811/combined-facilities-support-activities>.

<sup>20</sup> There are over 370 million indigenous people worldwide. They may be vulnerable to forced labour, debt bondage and sex trafficking. Economic growth models, tourism development, military operations and cultural traditions exacerbate these issues. Indigenous women and girls are at exceptionally high risk, and high-risk industries include the sex industry, illegal armed groups, tourism industry, bonded labour, cultural traditions such as the Devadasi system, Bakken oil production, lithium and gold mining, and activities in the agricultural sector. See Office to Monitor and Combat Trafficking in Persons, *Vulnerability of indigenous persons to human trafficking* (Washington, DC: USDOS, 2014). Accessible at: <https://2009-2017.state.gov/documents/organization/233942.pdf>; United Nations Permanent Forum on Indigenous Issues, *Forced Labour and Indigenous Peoples* (New York: UNDESA, n.d.). Accessible at: [https://www.un.org/esa/socdev/unpfii/documents/10Session\\_factsheet\\_forced\\_labour\\_EN.pdf](https://www.un.org/esa/socdev/unpfii/documents/10Session_factsheet_forced_labour_EN.pdf); ILO WCMSP5, *Forced Labour, Human Trafficking and Indigenous and Tribal Peoples* (Geneva: ILO, n.d.). Accessible at: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---normes/documents/publication/wcms\\_100663.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---normes/documents/publication/wcms_100663.pdf).

### **Practical Advice:**

Some relevant industries and activities may not have an equivalent in the industry lists used by financial institutions. If it is not possible to add these industries or activities to the list, a note can at least be made in the know your customer (KYC) policy that the corresponding references involve an increased risk of human trafficking and that the compliance department must be informed accordingly. Compliance can then, if necessary, manually assign the resulting risk classifications or take other appropriate measures.

## **The MS/HT High-Risk Client**

High-risk country and/or high-risk industry elements should lead to a designation of relevant clients as an MS/HT high-risk client.

Based on their business and risk profile, financial institutions may decide that they only want to make such a designation if a client has both high-risk country and high-risk industry links. Alternatively, the isolated presence of a specific country or industry may be deemed sufficient for such a classification, for example for clients from the adult entertainment industry.

When filling in the client file electronically, classification as a high-risk client for MS/HT should ideally be done automatically and the client should be flagged accordingly. In terms of technical implementation, there

are no major differences with what is already done for the classification of a client as a money laundering or terrorist financing (ML/TF) high-risk client, which is why implementation should be manageable from an IT perspective.

Alternatively, a tick box can be added to the electronic client file, which the customer relationship manager or compliance have to tick if the customer is associated with high MS/HT risks. Technically, this corresponds to the procedure that many financial institutions use, for example to flag clients as politically exposed persons (PEP). With such a procedure, however, corresponding policies must be kept up to date and responsible employees must be sufficiently trained so that MS/HT risks are actually recognized as such.

### **Practical Advice:**

In addition to monitoring, classification as a high-risk MS/HT client should also be reflected in the customer due diligence process and result in the application of enhanced due diligence measures. These can be the same as those applied to high-risk ML clients, namely an increased frequency of review of client data and involvement of senior management upon approval of client onboarding. As a specific enhanced due diligence measure, it may also be foreseen that compliance should conduct dedicated open-source research indicating a potential client's connection to MS/HT, for example by conducting a search engine search for the client's name along with terms such as "exploitation," "forced labour" and "modern slavery".

## Increased Monitoring

Clients flagged as high-risk MS/HT clients should be subject to increased transaction monitoring in the same way as ML/TF high-risk clients. Existing money laundering indicators can be used here. Customers with increased ML/TF risks are also at increased risk for MS/HT risks; indeed, MS/HT is one of the most relevant

predicate offences to money laundering and a potential source of income for terrorist groups. Furthermore, transactions that are directly related to MS/HT, that is payment transactions for the human commodity, and money-laundering transactions often follow the same pattern. Money-laundering indicators that are already in use can therefore also be used directly to search for MS/HT activities.

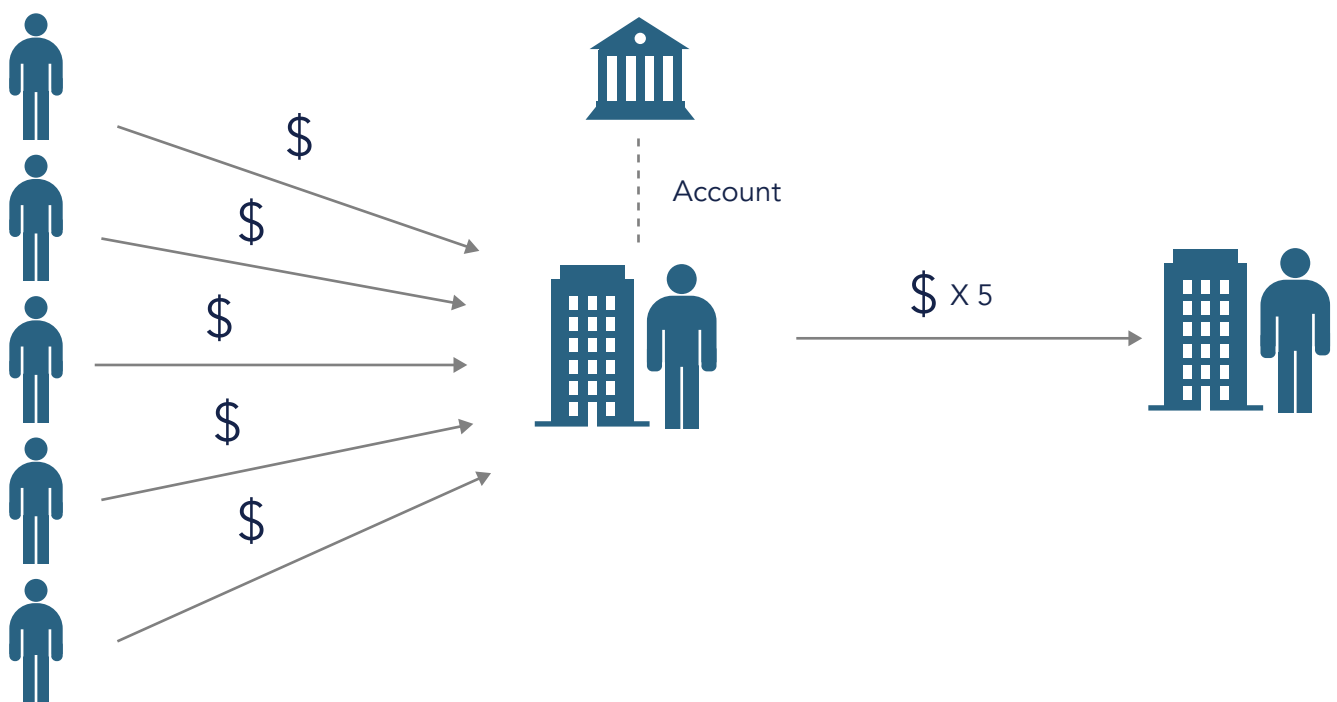
### Practical Advice:

It must be clear to the compliance employee handling a given case that the relevant client is not (only) to be checked because of a possible money laundering pattern flagged by an indicator. In addition to explanatory text for the indicator relevant to money laundering, there should also be explicit reference to possible MS/HT implications, for example: "Client shows high risk of being involved in modern slavery and/or human trafficking," or "Transactional behaviour is also to be checked for possible human trafficking implications."

However, the following illustration (Figure 2) shows how legitimate activities as well as money laundering and MS/HT activities can follow the same transaction pattern.

It also aids understanding of why money laundering indicators can also be used to monitor for MS/HT activities:

Figure 2 – Cross-Scenario Transaction Pattern





In this example, several individuals transfer identical amounts to a third person – the bank’s client – and that client subsequently transfers the sum of these transactions.

Three different scenarios are possible:

- It could be legitimate behaviour: For example, this could be the payment process for a school trip. The parents of the children transfer identical costs for accommodation to the responsible teacher/school and the teacher/school transfers the sum to the corresponding accommodation.
- It could be a money-laundering activity: Several previously split amounts are bundled at one point and then transferred further. This pattern could reflect the money laundering technique of ‘channeling.’
- It could be transactional behaviour directly related to MS/HT, for example debt bondage or online child sexual exploitation. In the case of debt bondage, the individuals on the left represent victims who transfer identical amounts of rent to the company exploiting them, which then transfers the sum of the amounts to organized criminals in the background. In the case of online child sexual exploitation, the individuals on the left are consumers who transfer identical fees to an online platform or payment service provider, which in turn transfers the profits in bundles to the criminals livestreaming the abuse of the child.

Banks will typically have indicators in place to detect such transaction patterns because of their relevance as potential money laundering activities. When these existing indicators are combined with the requirement

that the client be identified as a MS/HT high-risk client, meaningful trafficking-related indicators are obtained.

However, indicators can also be modified in such a way that the risk categories “MS/HT high-risk industry” and “MS/HT high-risk country” are considered individually by the indicator. This makes it possible to create MS/HT-specific indicators. Using the two concrete examples of MS/HT mentioned above (debt bondage and online child sexual exploitation), the following information briefly describes how money laundering indicators can be customized to detect specific forms of MS/HT.

### **Debt Bondage**

Certain industries are particularly prone to labour exploitation (for example meat processing, mines, construction) and citizens of certain countries are particularly frequent victims of these acts, according to respective national police statistics. In order to obtain a debt bondage-specific indicator, financial institutions can modify the money laundering indicator for channeling by adding the requirement that the remitters (in this case the victims) must come from a high-risk-country and/or the requirement that the payee (the financial institution’s client) must belong to a high-risk industry.

### **Livestreaming of Child Sexual Exploitation**

Modifications to be made in the example of the MS/HT-specific form of online child sexual exploitation with regard to the channelling indicator would consist of the assumption that, on the one hand, the remitters originate from a typical consumer country – basically all countries in Central Europe – and, on the other hand, the direct or indirect payee has a connection to a country from where livestreaming occurs particularly frequently, for example the Philippines.<sup>21</sup>

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<sup>21</sup> Andy Brown, “Safe from harm: Tackling webcam child sexual abuse in the Philippines. Challenges protecting vulnerable children and prosecuting their abusers,” UNICEF, 3 June 2016, last accessed on 23 April 2023, <https://www.unicef.org/stories/safe-from-harm-tackling-webcam-child-sexual-abuse-philippines>.

### 3. Reacting to Crises: Changes in the Typical Transaction Behaviour of the Customer

Efforts by human traffickers to recruit new victims are regularly focused on regions and countries where, for example, poverty, a lack of opportunities or gender roles have led to the vulnerability of broad sections of the population.<sup>22</sup> In this context, criminals constantly adapt their activities to changing circumstances. Short-term emerging crises, such as war, famine, disaster or economic collapse, can therefore lead to an increase in the numbers of victims from the respective affected areas.<sup>23</sup> This may be because the victims, in their desperation, are more likely to trust the promises of perpetrators or because they are at their mercy when fleeing the country.

It is to be expected that the concentration of criminal activities in corresponding countries or regions will be accompanied by a rapid increase in corresponding financial flows into and out of these countries or regions as well as neighbouring areas. Customers whose transactions have increased significantly in number or volume in parallel with a crisis should therefore be flagged and assessed for potential MS/HT activities.<sup>24</sup>

#### Client Profiling

In order to identify a significant increase in transaction behaviour, indicators that compare the customer's behaviour at the time of monitoring against the customer's typical transaction behaviour must be used. For this purpose, a profile of the customer must be created, for example on the basis of their transaction behaviour over the preceding 12 months, with which their current behaviour can be compared. This is the only way to identify significant increases in activities related to relevant countries and territories.

#### Practical Advice:

An increase in financial activities related to a crisis area can be determined via various indicators. The following three seem particularly relevant:

#### Increase in transaction volume:

The sum of amounts transacted related to the crisis area in the month of observation is significantly higher, for example by more than 20 per cent, than the average monthly sum of transactions with a link to the crisis area.

#### Increase in the number of transactions:

The number of individual transactions (irrespective of their amounts) related to the crisis area in the month under review is significantly higher, for example by more than 20 per cent, than the average monthly number of transactions related to the crisis area.

#### Number of transactions over high amounts:

The number of single transactions involving large sums, for example over \$100,000, related to the crisis area is significantly higher, for example by more than 20 per cent, than the average monthly number of transactions involving large sums related to the crisis area.

<sup>22</sup> See UNODC, *Issue Paper: Abuse of a Position of Vulnerability and other "Means" within the Definition of Trafficking in Persons* (New York: United Nations, 2013), pp. 13 et seq. Accessible at: [https://www.unodc.org/documents/human-trafficking/2012/UNODC\\_2012\\_Issue\\_Paper\\_-\\_Abuse\\_of\\_a\\_Position\\_of\\_Vulnerability.pdf](https://www.unodc.org/documents/human-trafficking/2012/UNODC_2012_Issue_Paper_-_Abuse_of_a_Position_of_Vulnerability.pdf).

<sup>23</sup> UNODC, *Global Report on Trafficking in Persons 2022*, pp. IX and 18.

<sup>24</sup> Frank Haberstroh and Simon Zaugg, "Establishing an Agile Resonse Process."

## Identification and Coverage of Relevant Countries or Territories

Two elements, in particular, may play a role in deciding which crisis-affected areas are to be considered in the context of monitoring behavioural changes.

First, the affected area must have practical relevance for the financial institution's specific business model. This may be the case, for example, if the bank maintains a branch in the affected area, has correspondent banking relationships there, or is economically linked to the country or region in some other way. Second, the crisis must lead to a significant increase in MS/HT activities.

Such increases will rarely be objectively measurable. Rather, they must take the form of an expert assessment, based in particular on corresponding references in the media and other open-source research.

In addition to the country affected by the crisis, consideration should also be given to including neighbouring countries or border areas in increased monitoring. This is particularly the case if the situation of crisis (for example, war) leads to large cross-border movement of displaced persons, and it is known or likely that human traffickers are targeting the displaced persons.

### Practical Advice:

In transaction monitoring, the "link to the risk area" required for the indicators to be used may be determined in various ways. The following approaches may be considered:

- Screening for country codes and/or city codes in the BICs of ordering institutions and beneficiary institutions.
- Drawing on a comprehensive list of banks in the relevant region. To identify banks located in an area (along with their BICs) one can consult the usual KYC databases, such as Bankers Almanac.
- Creating a list of the municipalities that are located in the relevant area. The monitoring system then scans originator and beneficiary address details in SWIFT messages against this list. With the introduction of ISO20022, such screening should be feasible due to higher accuracy and clarity of the payments data provided.

## Reduction of False Positives

The use of indicators based on behavioural changes already helps to reduce false positives. In particular, corporate clients who already had regular business activities in the affected country before the crisis will not be monitored more intensively just because of the existence of these business activities.

However, the use of profile-based indicators can of course also lead to false positives. For example, legitimately

operating non-governmental organizations will significantly increase their actual and financial activities related to a crisis area in the context of a crisis. Financial institutions that want to avoid an excessive number of such or similar false positives due to the profile of their client base can also link the triggering of a monitoring alert on the condition that only significant increases in the number or volume of transactions by clients previously flagged with an MS/HT high risk (see above) lead to an alert.

## 4. Monitoring Specific Transaction Channels

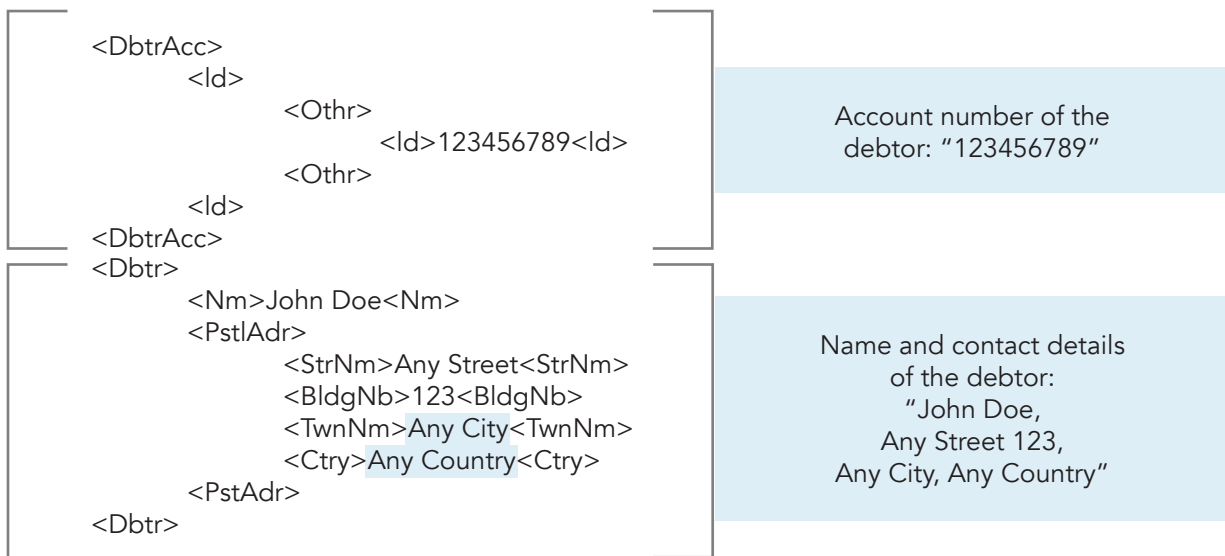
The development of criminal structures and social inequalities has led to people from certain geographic areas being victimized particularly frequently in relation to specific destinations. Not only countries, specific cities can be identified as particularly frequent places of origin and/or destination of victims of MS/HT.

It therefore makes sense to use this knowledge in transaction monitoring and to screen for references to such locations. Corresponding information can be found in the payment instructions that accompany transactions and provide data on the place of residence of the originator and beneficiary of the payment. This allows monitoring of transactions not only of one's own customers, for whom accounts are held, but also of

transactions between customers of third-party banks abroad, whose transactions are merely forwarded by the monitoring bank as a correspondent banking service.<sup>25</sup>

Depending on the message format used by financial institutions, automated monitoring of city names can pose considerable technical challenges. However, with the new global messaging standard ISO20022 for the exchange of payment information between financial institutions, screening for specific locations has become much easier.<sup>26</sup> The format in which these payment messages are structured comes with dedicated message elements for the city ("TwnNm") and country ("Ctry") of the counterparts' addresses, which can be precisely read out by an automated monitoring system.

Figure 3 – Extract of an ISO20022 Credit Transfer Message



<sup>25</sup> According to FATF, "Correspondent banking is the provision of banking services by one bank (the 'correspondent bank') to another bank (the 'respondent bank'). Large international banks typically act as correspondents for thousands of other banks around the world. Respondent banks may be provided with a wide range of services, including [...] international wire transfers [...]." See *FATF Guidance: Correspondent Banking Services* (Paris: FATF/OECD, 2016), p. 7, para. 13 (a).

<sup>26</sup> Swift, *ISO2022 for Dummies*, 6th ed. (Hoboken: John Wiley & Sons, Inc, 2022).

Any risk-based transaction monitoring should make use of the possibility to screen for relevant location data. However, it should be kept in mind that transaction monitoring does not analyse the trafficking activity itself, but the financial transactions that accompany it, that is the payment transactions. Payments usually flow in the opposite direction to the goods traded. Thus, if individuals are trafficked from location A to location B, the corresponding financial flows from B to A should be monitored more closely.

In this regard, knowledge is available in particular on victims from specific cities who are increasingly exploited in other cities or third countries.<sup>27</sup>

Transaction channels reflecting trafficking activities from one city to another city are recorded in Table 4. In the first line, for example, according to publicly available sources, individuals are trafficked from Dollo Ado, Ethiopia to Addis Ababa, Ethiopia. Thus, the corresponding financial flows to be monitored are from Addis Ababa, Ethiopia to Dollo Ado, Ethiopia.

Table 4 – City to City Payment Flow Channels

Ordering party address		Beneficiary address		
Addis Ababa	Ethiopia	Dollo Ado	Ethiopia	
Arlit	Niger	Agadez	Niger	28
Ashmore Reef	Australia	Cisarua	Indonesia	
Aswan	Egypt	Khartoum	Sudan	29
Bangkok	Thailand	Cox Bazar	Bangladesh	30
Bangkok	Thailand	Kampot	Cambodia	31
Bangkok	Thailand	Prey Veng	Cambodia	32
Castel Volturno	Italy	Benin City	Nigeria	33

<sup>27</sup> The information is based on expert opinions within the UN, but will often coincide with location data provided in: UNODC, *Global Study on Smuggling of Migrants 2018* (New York: United Nations publication, 2018). Accessible at: [https://www.unodc.org/documents/data-and-analysis/glosom/GLOSOM\\_2018\\_web\\_small.pdf](https://www.unodc.org/documents/data-and-analysis/glosom/GLOSOM_2018_web_small.pdf); and UNODC, *Migrant Smuggling in Asia and the Pacific: Current Trends and Challenges* (Bangkok: UNODC Regional Office for Southeast Asia and the Pacific, 2018). Accessible at: [https://www.unodc.org/documents/human-trafficking/Migrant-Smuggling/2018-2019/SOM\\_in\\_Asia\\_and\\_the\\_Pacific\\_II\\_July\\_2018.pdf](https://www.unodc.org/documents/human-trafficking/Migrant-Smuggling/2018-2019/SOM_in_Asia_and_the_Pacific_II_July_2018.pdf). Subsequent information that cannot be found in one of these two sources is footnoted and supported by individual references.

<sup>28</sup> IOM, *An IOM Perspective on Human Trafficking in Niger: Profiles, patterns, progress* (Niamey: IOM, 2022). Accessible at: [https://niger.iom.int/sites/g/files/tmzbd11221/files/documents/an-iom-perspective-on-human-trafficking-in-niger\\_2.pdf](https://niger.iom.int/sites/g/files/tmzbd11221/files/documents/an-iom-perspective-on-human-trafficking-in-niger_2.pdf).

<sup>29</sup> "‘I wanted to lie down and die’: trafficking and torture of Eritreans in Sudan and Egypt," Human Rights Watch, 11 February 2014, last accessed on 23 April 2023, <https://www.hrw.org/report/2014/02/11/i-wanted-lie-down-and-die/trafficking-and-torture-eritreans-sudan-and-egypt>.

<sup>30</sup> "Five years on from the start of the military crackdown, more must be done for Myanmar’s Rohingya," Freedom Collaborative, 30 August 2022, last accessed on 23 April 2023, <https://freedomcollaborative.org/newsletter-archive/five-years-on-from-the-start-of-the-military-crackdown-more-must-be-done-for-myanmars-rohingya>.

<sup>31</sup> UNODC/Thailand Institute of Justice, *Trafficking in Persons from Cambodia, Lao PDR and Myanmar to Thailand* (Bangkok: UNODC, 2017). Accessible at: [https://www.unodc.org/documents/southeastasiaandpacific/Publications/2017/Trafficking\\_in\\_persons\\_to\\_Thailand\\_report.pdf](https://www.unodc.org/documents/southeastasiaandpacific/Publications/2017/Trafficking_in_persons_to_Thailand_report.pdf).

<sup>32</sup> Ibid.

<sup>33</sup> Emma Alberici and Giulia Sirignani, "In a ruined city on the Italian coast, the Nigerian mafia is muscling in on the old mob", *ABC News*, 16 March 2020 (updated 10 November 2020), last accessed on 23 April 2023, <https://www.abc.net.au/news/2020-03-17/castel-volturno-is-headquarters-for-nigerian-mafia-in-italy/12033684>.

Ordering party address		Beneficiary address		
Castel Volturno	Italy	Lagos	Nigeria	34
Ceuta	Spain	Fnideq	Morocco	35
Chios	Greece	Istanbul	Türkiye	36
Christmas Island	Australia	Cisarua	Indonesia	
Christmas Island	Australia	Pelabuhan Ratu	Indonesia	
Cisarua	Indonesia	Kuala Lumpur	Malaysia	
Corumbá	Brazil	Puerto Quijarro	Bolivia (Plurinational State of)	37
Dirkou	Niger	Agadez	Niger	38
Dushanbe	Tajikistan	New Delhi	India	
El Oued	Algeria	Tamanrasset	Algeria	39
Ghadames	Libya	Tamanrasset	Algeria	40
Ghat	Libya	Tamanrasset	Algeria	41
Illizi	Algeria	Tamanrasset	Algeria	
Islamabad	Pakistan	Lahore	Pakistan	
Istanbul	Türkiye	Agri	Türkiye	42
Istanbul	Türkiye	Dogubayazit	Türkiye	
Istanbul	Türkiye	Van	Türkiye	43

<sup>34</sup> European Parliament, "Parliamentary question – E-000184/2019: International trafficking in organs," European Parliament, 16 January 2019, last accessed on 23 April 2023, [https://www.europarl.europa.eu/doceo/document/E-8-2019-000184\\_EN.html](https://www.europarl.europa.eu/doceo/document/E-8-2019-000184_EN.html).

<sup>35</sup> "5 human trafficking suspects operating between Morocco-Spain arrested", *Hespress*, 23 January 2022, last accessed on 23 April 2023, <https://en.hespress.com/34729-5-human-trafficking-suspects-operating-between-morocco-spain-arrested.html>.

<sup>36</sup> Patrick Kingsley, "Hiding in plain sight: inside the world of Turkey's people smugglers", *The Guardian*, 29 November 2015, last accessed on 23 April 2023, <https://www.theguardian.com/world/2015/nov/29/hiding-in-plain-sight-inside-the-world-of-turkeys-people-smugglers>.

<sup>37</sup> "Corumbá: The beating heart of Bolivia-Brazil smuggling", *InSight Crime*, 9 September 2022, last accessed on 23 April 2023, <https://insightcrime.org/news/corumba-beating-heart-bolivia-brazil-smuggling/>.

<sup>38</sup> IOM, *An IOM Perspective on Human Trafficking in Niger: Profiles, patterns, progress*.

<sup>39</sup> Anouar Boukhars, "Barriers versus smugglers: Algeria and Morocco's battle for border security," *Carnegie Endowment For International Peace*, 19 March 2019, last accessed on 23 April 2023, <https://carnegieendowment.org/2019/03/19/barriers-versus-smugglers-algeria-and-morocco-s-battle-for-border-security-pub-78618>.

<sup>40</sup> Arezo Malakooti, *The Intersection of Irregular Migration and Trafficking in West Africa and the Sahel: Understanding the Patterns of Vulnerability* (Geneva: Global Initiative Against Transnational Organized Crime, 2020), last accessed on 23 April 2023, <https://globalinitiative.net/wp-content/uploads/2020/11/The-intersection-of-irregular-migration-and-trafficking-in-West-Africa-and-the-Sahel-GITOC.pdf>.

<sup>41</sup> Ibid.

<sup>42</sup> UNODC, *The Role of Organized Crime in the Smuggling of Migrants from West Africa to the European Union* (Vienna: United Nations Office at Vienna, 2011), last accessed on 23 April 2023, [https://www.unodc.org/documents/human-trafficking/Migrant-Smuggling/Report\\_SOM\\_West\\_Africa\\_EU.pdf](https://www.unodc.org/documents/human-trafficking/Migrant-Smuggling/Report_SOM_West_Africa_EU.pdf).

<sup>43</sup> Rusen Takva, "Traffickers use refugees to smuggle drugs from Iran to Turkey," *Al-Monitor*, 1 June 2022, last accessed on 23 April 2023, <https://www.al-monitor.com/originals/2022/05/traffickers-use-refugees-smuggle-drugs-iran-turkey>.

Ordering party address		Beneficiary address		
Istanbul	Türkiye	Khirbet Al-Joz	Syrian Arab Republic	44
Izmir	Türkiye	Agri	Türkiye	45
Izmir	Türkiye	Dogubayazit	Türkiye	
Izmir	Türkiye	Van	Türkiye	46
Izmir	Türkiye	Khirbet Al-Joz	Syrian Arab Republic	
Kakuma	Kenya	Moyale	Ethiopia	47
Khartoum	Sudan	Humera	Ethiopia	48
Khartoum	Sudan	Metemma	Ethiopia	49
Kuala Lumpur	Malaysia	Bangkok	Thailand	50
Lahore	Pakistan	New Delhi	India	51
Lampedusa	Italy	Tripoli	Libya	52
Lampedusa	Italy	Cape Bon	Tunisia	53
Lampedusa	Italy	Monastir	Tunisia	54
Lesvos	Greece	Istanbul	Türkiye	
Lusaka	Zambia	Dzaleka	Zambia	
Matamoros	Mexico	Mexico City	Mexico	
Melilla	Spain	Nador	Morocco	55

<sup>44</sup> Mohammed Hardan, "Turkish army on lookout for tunnels in northern Idlib," *Al-Monitor*, 23 August 2021, last accessed on 23 April 2023, <https://www.al-monitor.com/originals/2021/08/turkish-army-lookout-tunnels-northern-idlib>.

<sup>45</sup> UNODC, *The Role of Organized Crime in the Smuggling of Migrants from West Africa to the European Union*.

<sup>46</sup> Ibid.

<sup>47</sup> IOM, *Assessment Report on the Human Trafficking Situation in the Coastal Region of Kenya* (Nairobi: IOM, 2018). Accessible at: [https://kenya.iom.int/sites/g/files/tmzbdl926/files/documents/ASSESSMENT%20REPORT%20ON%20HUMAN%20TRAFFICKING%20SITUATION%20-%20COASTAL%20REGION%20KENYA%20REVISED%20LOWRES%2023072018%20F\\_0.pdf](https://kenya.iom.int/sites/g/files/tmzbdl926/files/documents/ASSESSMENT%20REPORT%20ON%20HUMAN%20TRAFFICKING%20SITUATION%20-%20COASTAL%20REGION%20KENYA%20REVISED%20LOWRES%2023072018%20F_0.pdf).

<sup>48</sup> Peter Chalk, Daveed Gartenstein-Ross and Colin P. Clarke, "Sudanese human smuggling networks: Fueling instability from North Africa to Europe," International Centre for Counter-Terrorism, 29 June 2020, last accessed on 23 April 2023, <https://www.icct.nl/publication/sudanese-human-smuggling-networks-fueling-instability-north-africa-europe>.

<sup>49</sup> Ibid.

<sup>50</sup> UNODC, *Transnational Organized Crime in Southeast Asia: Evolution, Growth and Impact* (Bangkok: Regional Office for Southeast Asia and the Pacific, 2019). Accessible at: [https://www.unodc.org/documents/southeastasiaandpacific/Publications/2019/SEA\\_TOCTA\\_2019\\_web.pdf](https://www.unodc.org/documents/southeastasiaandpacific/Publications/2019/SEA_TOCTA_2019_web.pdf).

<sup>51</sup> Ibid.

<sup>52</sup> UNODC, *Smuggling of Migrants: A Global Review and Annotated Bibliography of Recent Publications* (New York: UNOV/DM/CMS/EPLS, 2011). Accessible at: [https://www.unodc.org/documents/human-trafficking/Migrant-Smuggling/Smuggling\\_of\\_Migrants\\_A\\_Global\\_Review.pdf](https://www.unodc.org/documents/human-trafficking/Migrant-Smuggling/Smuggling_of_Migrants_A_Global_Review.pdf).

<sup>53</sup> Morgane Wirtz, "The Tunisian exodus that is overwhelming Italy," Europe External Programme with Africa, 3 September 2020, last accessed on 23 April 2023, <https://www.eepa.be/?p=4014>.

<sup>54</sup> The Global Initiative Against Transnational Organized Crime, *Smuggled Futures: The Dangerous Path of the Migrant from Africa to Europe* (Geneva: Global Initiative Against Transnational Organized Crime, 2014). Accessible at: <https://globalinitiative.net/wp-content/uploads/2014/05/2014-crime-1.pdf>.

<sup>55</sup> UNODC, *Migrant Smuggling to Morocco and the Western Mediterranean* (Vienna: SOM Observatory on Smuggling of Migrants, 2021). Accessible at: [https://www.unodc.org/res/som/docs/Observatory\\_StoryMap\\_2\\_Final\\_2021.12.07.pdf](https://www.unodc.org/res/som/docs/Observatory_StoryMap_2_Final_2021.12.07.pdf).

Ordering party address		Beneficiary address	
Metemma	Ethiopia	Addis Ababa	Ethiopia
Mexico City	Mexico	Guatemala City	Guatemala
Mexico City	Mexico	Tegucigalpa	Honduras
Mexico City	Mexico	Tapachula	Mexico
Mexico City	Mexico	Tenosique	Mexico
Mexico City	Mexico	San Salvador	El Salvador
Mombasa	Kenya	Kakuma	Kenya
Moscow	Russian Federation	New Delhi	India
Mtwara	Tanzania	Mombasa	Kenya
Nairobi	Kenya	Kakuma	Kenya
New Delhi	India	Chennai	India
Ouargla	Algeria	Tamanrasset	Algeria
Peshawar	Pakistan	Kabul	Afghanistan
Poipet	Cambodia	Battambang	Cambodia
Qatrun	Libya	Seguedine	Niger
Quetta	Pakistan	Peshawar	Pakistan
Ressano Garcia	Mozambique	Tete	Mozambique
Sabah	Malaysia	Kalimantan	Indonesia
Sabah	Malaysia	Sulu	Philippines
Sabha	Libya	Ghat	Libya
Sabha	Libya	Qatrun	Libya
Sabha	Libya	Agadez	Niger
Salmas	Iran (Islamic Republic of)	Tehran	Iran (Islamic Republic of)
Samos	Greece	Istanbul	Türkiye
Samos	Greece	Izmir	Türkiye
Santo Domingo	Dominican Republic	Port-au-Prince	Haiti

<sup>56</sup> Sohini Nayak, "Human trafficking across the BBIN subregional borders: Awaiting a concrete framework," Observer Research Foundation, 30 July 2022, last accessed on 23 April 2023, <https://www.orfonline.org/expert-speak/human-trafficking-across-the-bbin-subregional-borders/>.

<sup>57</sup> IOM, *Trafficking in Persons: An Analysis of Afghanistan* (Kabul: IOM, 2003), last accessed on 23 April 2023, [https://publications.iom.int/system/files/pdf/trafficking\\_afghanistan.pdf](https://publications.iom.int/system/files/pdf/trafficking_afghanistan.pdf).

<sup>58</sup> "Sabah vulnerable to cross border migration, human trafficking," *The Borneo Post*, 25 August 2022, last accessed on 23 April 2023, <https://www.theborneopost.com/2022/08/25/sabah-vulnerable-to-cross-border-migration-human-trafficking>.



Ordering party address		Beneficiary address	
Sarawak	Malaysia	Kalimantan	Indonesia
Sarawak	Malaysia	Balawan	Philippines
Seguedine	Niger	Dirkou	Niger
Shiraz	Iran (Islamic Republic of)	Karachi	Pakistan
Sicily	Italy	Sabratha	Libya
Tamanrasset	Algeria	Amsel	Algeria
Tamanrasset	Algeria	Azerzi	Algeria
Tamanrasset	Algeria	Nedjma	Algeria
Tamanrasset	Algeria	Tin Amezi	Algeria
Tamanrasset	Algeria	Gao	Mali
Tamanrasset	Algeria	Arlit	Niger
Tangier	Morocco	Ceuta	Spain
Tangier	Morocco	Melilla	Spain
Tehran	Iran (Islamic Republic of)	Kabul	Afghanistan
Tehran	Iran (Islamic Republic of)	Shiraz	Iran (Islamic Republic of)
Tehran	Iran (Islamic Republic of)	Karachi	Pakistan
Tehran	Iran (Islamic Republic of)	Zahedan	Pakistan
Tete	Mozambique	Mtwara	Tanzania
Tete	Mozambique	Dzaleka	Zambia
Tripoli	Libya	Ghadames	Libya
Tripoli	Libya	Sabha	Libya
Urmia	Iran (Islamic Republic of)	Tehran	Iran (Islamic Republic of)
Van	Türkiye	Salmas	Iran (Islamic Republic of)
Van	Türkiye	Tehran	Iran (Islamic Republic of)
Van	Türkiye	Urmia	Iran (Islamic Republic of)
Van	Türkiye	Zakho	Iraq
Zahedan	Iran (Islamic Republic of)	Peshawar	Pakistan

<sup>59</sup> UNODC, *Transnational Organized Crime in Southeast Asia: Evolution, Growth and Impact*.

<sup>60</sup> Jason Horowitz, "Italy plans naval mission off Libya to stop migrant boats," *The New York Times*, 27 July 2017, last accessed on 23 April 2023, <https://www.nytimes.com/2017/07/27/world/europe/italy-plans-naval-mission-off-libya-to-stop-migrant-boats.html>.

Ordering party address		Beneficiary address	
Zahedan	Iran (Islamic Republic of)	Quetta	Pakistan
Zakho	Iraq	Urmia	Iran (Islamic Republic of)

Transaction channels reflecting trafficking activities from specific cities to specific countries are recorded below (see Table 5). In the first line, for example, according to publicly available sources, individuals are trafficked from

Cisarua, Indonesia to Australia. Thus, the corresponding financial flows to be monitored are from Australia to Cisarua, Indonesia.

Table 5 – Country to City Payment Flow Channels

Ordering party address	Beneficiary address	
Australia	Cisarua	Indonesia
Brazil	Guaira	Paraguay
Brazil	Inapari	Peru
Bulgaria	Balikesir	Türkiye
Greece	Balikesir	Türkiye
Greece	Edirne	Türkiye
Iran (Islamic Republic of)	Herat	Afghanistan
Italy	Benghazi	Libya
Italy	Tripoli	Libya
Italy	Misrata	Libya
Italy	Zawiyah	Libya
Italy	Zuwara	Libya
Italy	Benin City	Nigeria
Kyrgyzstan	Dushanbe	Tajikistan

<sup>61</sup> Ryan Harnedy and The Anti-Human Trafficking Intelligence Cell of Mercyhurst University, "Human trafficking in Brazil," The Exodus Road, 25 October 2021, last accessed on 23 April 2023, <https://theexodusroad.com/human-trafficking-in-brazil>.

<sup>62</sup> Carolina Stauffer, "Haitians bound for Brazil languish in Peru's Amazon," Reuters, 8 February 2012, last accessed on 23 April 2023, <https://www.reuters.com/article/peru-haiti-migrants/haitians-bound-for-brazil-languish-in-perus-amazon-idINL2E8D6AQ020120208>.

<sup>63</sup> UNODC, *Smuggling of Migrants: A Global Review and Annotated Bibliography of Recent Publications*.

<sup>64</sup> Aidan Lewis and Ahmed Elumami, "Dangerous migrant smuggling routes flourish in lawless Libya," Reuters, 2 June 2016, last accessed on 23 April 2023, <https://www.reuters.com/article/us-europe-migrants-libya/dangerous-migrant-smuggling-routes-flourish-in-lawless-libya-idUSKCN0YO1GZ>.

<sup>65</sup> Seema Kavar, "From Benin City to the shores of Italy: A new hub of human trafficking," NATO Association of Canada, 3 June 2015, last accessed on 23 April 2023, <https://natoassociation.ca/from-benin-city-to-the-shores-of-italy-a-new-hub-of-human-trafficking>.

Ordering party address	Beneficiary address	
Malawi	Mtwara	Tanzania
Malaysia	Bangkok	Thailand
Malaysia	Songkhla	Thailand
Morocco	Mostaganem	Algeria
Morocco	Tlemecen	Algeria
Mozambique	Mombasa	Kenya
North Macedonia	Idomeni	Greece
Oman	Karachi	Pakistan
Oman	Taiz	Yemen
Oman	Lahij	Yemen
Panama	Santo Domingo	Dominican Republic
Republic of Korea	Hamhung	Democratic People's Republic of Korea
Republic of Korea	Hyesan	Democratic People's Republic of Korea
Saudi Arabia	Taiz	Yemen
Saudi Arabia	Lahij	Yemen
Serbia	Gevgelija	North Macedonia
South Africa	Ressano Garcia	Mozambique
South Africa	Beitbridge	Zimbabwe
Tajikistan	Islamabad	Pakistan
Thailand	Cox's Bazar	Cambodia
Thailand	Koh Kong	Cambodia
Thailand	Poipet	Cambodia
Türkiye	Latakia	Syrian Arab Republic
Türkiye	Tartus	Syrian Arab Republic
Uzbekistan	Dushanbe	Tajikistan
Yemen	Obock	Djibouti
Zimbabwe	Tete	Mozambique

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<sup>66</sup> Ivan Sterjoski and Bojana Bozinovska, *Trafficking in Human Beings and Smuggling of Migrants in North Macedonia – Report* (Skopje: Macedonian Young Lawyers Association, 2019). Accessible at: <https://myla.org.mk/wp-content/uploads/pdf/TRAFFICKING-IN-HUMAN-BEINGS-AND-SMUGGLING-OF-MIGRANTS-IN-NORTH-MACEDONIA.pdf>.

Ordering party address	Beneficiary address	
Zimbabwe	Dzeleka	Zambia
Zimbabwe	Lusaka	Zambia

Some of the above transaction channels do not necessarily specify the victim’s place of origin and ultimate destination but may also represent segments of a human trafficking (and smuggling) route. Relevant localities are notorious hubs for human trafficking routes and/or are the location of modern slave markets. Financial institutions may consider creating dedicated indicators for such hotspots so that they always trigger an alert when a transaction contains an address reference to one of them (for example Tamanrasset, Algeria).<sup>67</sup>

Of course, it is also possible to monitor transaction channels reflecting trafficking activities from one specific country to another specific country. In order to do so, Table 1, “MS/HT-relevant Countries/Provinces per Jurisdiction,” presented in Section 2, “Risk-based Approach: Increased Monitoring of High-Risk Clients and Transactions,” can be used as a basis.

### Practical Advice:

Before implementing a trafficking hub indicator, financial institutions should examine their historical transaction data to see if they typically process only a small number of transactions related to these localities. If this is not the case, the existence of such a locality can of course be linked to further conditions in order to trigger a monitoring hit and to avoid many false positives. Suitable indicators are, for example:

**“Domicile of ordering party or beneficiary on list of human trafficking hubs”**  
+  
**“Round transaction amount” OR “High amount” OR “Counterpart from high-risk country”**

<sup>67</sup> The number of false positives should be manageable in most cases, as relevant locations are of limited size and have negligible cross-border economic activity that may lead to related correspondent banking transactions.

## 5. Monitoring Using MS/HT-related Sanctions

Financial institutions worldwide are obliged to comply with the requirements of various sanctions regimes, that is to freeze the funds of sanctioned individuals and to prevent the execution of transactions to them.

Typically, sanctions regimes are designed to bring about policy change in a country by exerting external economic pressure on the country's economy and elites. Such sanctions regimes are referred to as country-based sanctions. An increasing number of sanctions regimes, however, are of a thematic nature and thus not directed against countries but against certain unwanted phenomena, for example human rights violations, terrorism and crimes of all kinds. Lists are thus compiled because of a given person's role in the undesired phenomenon in question rather than their country of origin.

Financial sanctions against persons who play an active role in MS/HT can be found in both country sanctions regimes and thematic sanctions regimes.<sup>68</sup> In the case of country sanctions, such as those adopted by the United Nations Security Council, this can apply particularly when trafficking activities serve to finance parties to armed conflicts,<sup>69</sup> when child soldiers are used, or in the case of extreme criminal dimensions that become a systemic security risk for the population.<sup>70</sup> In the case of thematic sanctions, which are often enacted at a national or regional level, listings are made, for example, because MS/HT is always a human rights violation, because terrorist organizations finance themselves with it, or because targeted criminal organizations are also active in this criminal field.

### Relevance of Sanctions for AML Monitoring

In principle, sanctions compliance and AML compliance are two separate issues that must be considered separately. The former follows (perhaps unilateral) security and/or foreign policy considerations while the latter serves the prevention and detection of crimes. However, in the case of sanctions directed against criminals, namely those engaging in MS/HT, the two concepts overlap. The decisions that led to the establishment of sanctions regimes allow for the following enhancements of monitoring systems regarding MS/HT activities:

**Adapting the high-risk country list:** If country-based sanctions exist that were also imposed due to MS/HT or that explicitly allow the designation of persons related to MS/HT activities, a categorization of the country as a "high-risk country" should be considered.<sup>71</sup>

**Adapting the high-risk industry list:** Sanctions regimes and accompanying analysis can provide information on whether specific industries are affected by MS/HT or are used by organized traffickers to conduct/conceal related financial transactions. A categorization of such industries as "high-risk industry" should be considered.

**Creating an indicator including a list of relevant persons:** If transactions of sanctioned persons have been identified (and stopped), their counterparties should be included in a list of potentially relevant MS/HT actors. Transaction monitoring should screen against this list and the involvement of these persons in third-party transactions should constitute a red flag for potential MS/HT activity.

<sup>68</sup> Erica Moret, *What is the Role of Financial Sanctions in Tackling Modern Slavery and Human Trafficking?*

<sup>69</sup> For example, the case of Libya. See Frank Haberstroh, "Ending a 'never-ending story': Financial intelligence enhances criminal proceedings against human traffickers," United Nations University Centre for Policy Research, 11 November 2022, last accessed on 23 April 2023, <https://cpr.unu.edu/publications/articles/financial-intelligence-criminal-proceedings-human-traffickers.html>.

<sup>70</sup> For example, the case of Haiti. See Frank Haberstroh, "New UN Security Council sanctions for Haiti strengthen fight against modern slavery," Our World, 14 November 2022, last accessed on 23 April 2023, <https://ourworld.unu.edu/en/new-un-security-council-sanctions-for-haiti-strengthen-fight-against-modern-slavery>.

<sup>71</sup> The high-risk classification of the country should not lead to the financial institution suspending any activity related to the country concerned (so-called "de-risking"), since such behaviour is inconsistent with the risk-based approach of the FATF and ultimately only increases MS/HT risks. See FATF, "High-Level Synopsis of the Stocktake of the Unintended Consequences of the FATF Standards," 27 October 2021, last accessed on 23 April 2023, <https://www.fatf-gafi.org/en/publications/FinancialInclusionandnpoissues/Unintended-consequences-project.html>.

**Including persons sanctioned by third countries in the list of persons:** Persons designated for their MS/HT activities by sanctions regimes to which the financial institution is not subject under sanctions law, as well as companies related to them, can also be added to the list of persons and thus used for ML/TF monitoring.<sup>72</sup>

**Manually flagging clients as MS/HT high-risk clients:** If the counterparty of the person sanctioned for its MS/HT activities is a client of the bank, this client should be manually flagged as an MS/HT high-risk client. The designation should be independent of the client's country risk and industry risk scores.

### **Practical Advice:**

As sanctions compliance and ML/TF monitoring are often carried out by separate teams, there is a risk that the AML team may not be aware of sanctions-related transactions. Consequently, the inclusion of counterparties to these transactions in a list of relevant persons or the manual marking of clients as MS/HT high-risk clients might not take place. It is therefore advisable to clarify in the procedural work instruction that the sanctions compliance team must always inform the AML team about sanctions hits that are related to MS/HT or other crimes.

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<sup>72</sup> In some jurisdictions, where so-called "blocking statutes" exist, it may be important to explicitly state that sanctioned individuals are not being monitored to comply with foreign sanctions provisions but that the foreign sanctions are considered a mere indication for potential criminal behaviour.



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