

Red Flags for Human Trafficking

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Human trafficking involves the recruitment, transportation, transfer, harboring or receipt of persons, by means of threat or use of force or other forms of coercion for the purpose of exploitation. The exploitation may involve sexual exploitation, forced labor or services, or practices similar to slavery. Anyone can be a victim of trafficking regardless of origin, sex, age, or legal status. There is no need for a person to cross a border to be trafficked – many individuals are trafficked within the borders of a county.

The International Labor Organization estimates there are 40.3 million victims a year and that human trafficking is a \$150 billion a year industry. As this money passes through the banking system, financial institutions can play an important role in detecting human trafficking. As noted in FinCEN Advisory 2014-A008, the following are some of the red flags that may be indicative of human trafficking.

- Business customers that do not exhibit normal payroll expenditures. These expenses can be non-existent or extremely low for the size of the customer's alleged operations, workforce, and/or business line.
- Substantial deductions to wages.
- Cashing of payroll checks where the majority of the funds are kept by the employer or deposited back to the employer's account.
- Transactions that are inconsistent with a customer's alleged employment, business or expected activity, or where transactions lack a business or apparent lawful purpose.
- Cash deposits or wire transfers below \$3,000 or \$10,000 in apparent efforts to avoid record keeping requirements or the filing of CTRs.
- Frequent outbound wires, with no apparent business or lawful purpose, directed to countries at higher risk for human trafficking.
- An account that appears to function as a funnel account where cash deposits occur in cities/states where the customer does not reside or conduct business. Frequently, in the case of funnel accounts, the funds are quickly withdrawn after the deposits are made.
- Multiple, apparently unrelated, customers sending wires to the same beneficiary. The wire senders may also use similar transactional information including a common address or phone number. The senders may have no apparent relation to the recipient or know the purpose of the wires.
- Transactions conducted by individuals, escorted by a third party (e.g. under the pretext of requiring an interpreter), to transfer funds to other countries.
- Frequent payments to online escort services for advertising, including small posting fees to companies of online classifieds as well as more expensive, higher-end advertising and website hosting companies.

- Frequent transactions carried out with a business customer in an apparent effort to provide sustenance to individuals (e.g. payments for housing, lodging, regular vehicle rentals, purchases of large amounts of food).
- A customer that visits a branch to conduct transactions that is always escorted by a third party, where the third party has possession of the customer's ID.
- Common signer(s)/custodian(s) in an apparently unrelated business and/or personal accounts. Similarly, common information (e.g., address, phone number, employment information) used to open multiple accounts in different names.
- Accounts of foreign workers or students where the employer or employment agency serves as a custodian.
- Unexplained/unjustified lifestyle incommensurate with employment or business line. Profits/deposits significantly greater than that of peers in similar professions/business lines.
- Inflows are largely received in cash where substantial cash receipts are inconsistent with the customer's line of business. Extensive use of cash to purchase assets and to conduct transactions.

These red flags should be considered in combination with other factors such as a customer's profile and expected activity to help detect and report suspicious activity that may be indicative of human trafficking.