The Role of the Financial Sector:
Promising Practices in the Eradication of Trafficking in Persons

Human trafficking is a widespread and highly profitable crime that generates an estimated $150 billion worldwide per year with a significant portion of those profits passing through legitimate financial services businesses. The illicit financial activity that human trafficking generates includes, but is not limited to: payments associated with the transport of victims and other logistics such as hotels or plane tickets; collection of proceeds generated by the exploitation of trafficking victims and by the sale of goods produced through their exploitation; movement of proceeds; and bribery and corrupt dealings to facilitate human trafficking.

One of the most effective ways to identify broader criminal networks and take the profit out of this crime is to follow the financial trail human traffickers leave behind. With proper training and guidance, financial institutions and designated non-financial businesses are able to identify illicit finance related to human trafficking and report potential cases. In addition, legal experts state that taking a "financial crimes approach" to human trafficking is highly effective in generating financial evidence that allows law enforcement to differentiate the traffickers from their victims, document the traffickers' motives and knowledge, corroborate victim testimony, and assist in identifying affiliates. Proactive partnerships between governments, financial institutions, law enforcement, civil society, and survivor experts are critical to identifying illicit financial activity associated with human trafficking. Removing the ability to profit from the crime disincentivizes traffickers and serves as a crucial deterrent to prevent the crime altogether.

THE ROLE OF GOVERNMENTS AND THE FINANCIAL SECTOR

The UN TIP Protocol, which is widely ratified, mandates the criminalization of money laundering when proceeds are derived from human trafficking and encourages signatories to promote international cooperation between their respective national authorities addressing money laundering. The Financial Action Task Force (FATF) is the global standard-setting body for anti-money laundering (AML), countering the financing of terrorism, and countering proliferation financing. More than 200 countries have agreed to implement the FATF Recommendations, which require member countries to identify, assess, and understand money laundering and illicit finance risks and to mitigate those risks. The FATF Recommendations provide a useful framework for jurisdictions to address illicit finance related to human trafficking by strengthening their national AML laws and policies and by improving coordination and information sharing domestically and internationally. The FATF Recommendations also encourage jurisdictions to undertake proactive parallel financial investigations, including by collaborating with public and private financial institutions, as a standard practice when investigating and prosecuting human trafficking crimes, with a view to tracing, freezing, and confiscating proceeds acquired through this crime.

In the United States, the Bank Secrecy Act (BSA) mandates that financial institutions monitor and report suspected illegal activity, such as human trafficking, as well as certain high-dollar cash transactions. The BSA permits financial institutions to share information relevant to money laundering and terrorist financing under the legal safe harbor provided by the USA PATRIOT Act Section 314(b). This reporting and information sharing can be highly useful in tracking and tracing proceeds related to human trafficking.

It is essential that financial institutions train staff on techniques human traffickers use to launder money and the behavioral and financial red flag indicators of human trafficking. Trained customer-facing staff can recognize, document, and report behavioral indicators of human trafficking. Financial institutions are required to comply with law enforcement processes seeking to identify traffickers' assets, which can be seized, forfeited, and used toward restitution for victims. Further, financial institutions can engage with survivors of human trafficking to inform their efforts, including on the development of training programs to enhance the ability of frontline staff and other industry professionals to detect transactions connected to human trafficking, how and when to intervene, and how to determine when a third party is benefitting from the exploitation of another. Consulting with survivors to review existing AML protocols and systems could help to identify gaps and possible improvements.

In 2020, the Government of Canada launched Project PROTECT to increase awareness of sex trafficking, as well as the quantity and quality of suspicious transaction reporting. Canadian financial institutions, FINTRAC (Canada's Financial Intelligence Unit), financial regulators, law enforcement, non-profit organizations, and technology companies collaborated to develop indicia of suspicious transactions of money laundering from sex trafficking. As a result, there was a significant increase in suspicious transaction reports filed by financial institutions related to this activity. FINTRAC disclosed this information to law enforcement to help expand or refine the scope of their cases, uncover new targets, obtain search warrants, and identify assets for seizure or forfeiture. Canadian authorities provided disclosures to counterparts in the United States, the United Kingdom, the Netherlands, Portugal, Jamaica, and Brazil, demonstrating the transnational nature of human trafficking and the importance of international cooperation to end it.

THE ROLE OF TECHNOLOGY

Perpetrators use technology in human trafficking schemes. Human trafficking rings often use instant and secure communication mechanisms to facilitate activities among members and employ GPS location applications as one way to remotely control victims. Technology also can play a critical role in combating these crimes, increase law enforcement's ability to identify victims and perpetrators, and help deliver financial assistance and other victim support services to victims as they work to rebuild their lives.

While human trafficking actors and organizations typically generate illicit proceeds in cash or through the traditional financial system, they sometimes use cryptocurrency. Cryptocurrency transactions, including those involving human trafficking, are recorded on public blockchains. Depending on whether and to what extent anonymizing technologies are applied, blockchain transactions can be analyzed to identify patterns indicative of criminal activity. For example, experts have developed techniques to link some cryptocurrency transaction records to online commercial sex advertisements, which can provide additional information on human trafficking networks. Innovative AML compliance solutions that use big data, advanced analytics, network analysis, and, increasingly, artificial intelligence to monitor transactions and identify and report suspicious transactions can assist governments and the private sector in identifying and combating human trafficking networks.

Traffickers also exploit financial sector innovations, such as prepaid cards and mobile payment applications, to accept payments or move funds through the financial system. Authorities have detected the use of third-party payment processors (TPPPs) by traffickers and their facilitators to wire funds, which gives the appearance that the TPPP is the originator or beneficiary of the wire transfer and conceals the true originator or beneficiary. The use of these innovations leaves digital footprints, which may be detected as these transactions pass through the financial system.

SUPPORTING SURVIVORS OF HUMAN TRAFFICKING

Survivors of human trafficking often discover that human traffickers have taken control of their financial identity or banking products and limited or prevented their access to the financial system, spoiling their credit record and hindering their financial reintegration. Financial institutions and civil society can play an important role in assisting survivors in the recovery process by providing them access to digital financial services, such as online microcredit, without requiring traditional identity documentation. Governments can also play a role by supporting the use of digital financial services and innovative tools to assist victims who have been harmed financially. Digital identity solutions and access to digital financial services can help victims securely obtain financial assistance from governments or NGOs, access victim support services, repair their credit, and receive restitution payments when appropriate and available.

Enabling human trafficking survivors' participation in the regulated financial sector is critical. The Liechtenstein Initiative for Finance Against Slavery and Trafficking is a public-private partnership launched in September 2018 to respond to calls from the G7, the G20, the UN General Assembly, and the UN Security Council for governments to partner with the private sector to address human trafficking. Its Survivor Inclusion Initiative works to facilitate survivor access to basic banking services, such as checking and savings accounts by connecting survivors to financial institutions. To support survivors in rebuilding their lives and preventing further exploitation, the financial sector can offer account qualification exception programs and low-to-no fee second chance accounts. Governments, investors, researchers, and civil-society actors should explore how microfinance and other forms of social finance can support survivors.