

"That on the first day of January,
in the year of our Lord
one thousand eight hundred and sixty-three,
all persons held as slaves
within any State or designated part of a State,
the people whereof shall then be in rebellion
against the United States,
**shall be then,
thenceforward,
and forever free;**

and the Executive Government
of the United States, including
the military and naval authority
thereof, will in all things observe the freedom
of such persons, and will not do or act
to restrain them,
for their actual freedom.

Human Trafficking Monies in the Community Banks

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Introduction

Human trafficking (HT) is more and more in the news these days as various groups seek to raise awareness of this heinous crime. Since the Financial Crimes Enforcement Network (FinCEN) highlighted it with their advisory on 9/11/14, as did the U.S. Immigration and Customs Enforcement with their news release on 1/30/15, financial institutions (FIs) are becoming more aware of HT and its characteristics. However, as with many crimes, everyone hopes that it never touches their lives or the lives of their loved ones. Unfortunately, the chances of our FIs being touched by HT are increasing as this crime permeates all 50 states, U.S. territories and the surrounding borders. Victims can be found in nearly every community.

We in the anti-money laundering (AML) world may never be personally impacted by criminal activity, but we know that monies from numerous crimes pass through FIs on a daily basis, regardless of their size. However, there are still some in the community banks that feel the majority of criminals work through the large FIs with the hope of their transactions being missed in the sea of daily transactions. The idea that large amounts of money from illegal activities such as HT actually flow through community banks is still not fully recognized by all. When it comes to HT, the money involved is staggering. It has been reported in numerous publications that HT brings in approximately \$32 billion a year. This figure is based upon a 2005 report by the International Labour Organization (ILO). However, a more recent report by the ILO made public in May 2014 indicates that the forced labor of an estimated 21 million slaves generates annual profits of \$150 billion,¹ indicating a rapidly growing trend in 21st Century slavery. This is greater than the global sports market in 2014 which generated about \$146 billion.² The HT industry requires bank accounts to process its day-to-day operations and profits. Therefore, numerous community banks are involved in processing proceeds from HT whether or not personnel in the bank are aware of it or have the expertise to recognize it.

The sheer scope of this problem calls for a team effort not only involving parents, private organizations, law enforcement and governments, but especially the financial sector. Therefore, the purpose of this paper is to give bankers an understanding of exactly what HT is; the scope of HT especially here in the U.S., how American children are also being trafficked, and the ways banks can identify and report suspicious activity tied to HT. With this knowledge, the financial sector can be a vital part of stopping this despicable crime.

Definitions

It is important to understand the terms HT and human smuggling. FinCEN issued an advisory that gives an excellent description of the differences.³ But the basic definitions and differences between the two can easily be seen in the following chart:

| Human Smuggling | Human Trafficking |
|----------------------------|-----------------------------|
| Crime against a border | Crime against a person |
| Requires crossing a border | No border crossing required |
| Transportation based | Exploitation based |

¹ International Labour Organization, *ILO says forced labor generates annual profits of US\$150 billion*, http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_243201/lang--en/index.htm , (5/20/14)

² The Statistic Portal, <http://www.statista.com/statistics/194122/sporting-event-gate-revenue-worldwide-by-region-since-2004/>

³ FIN-2014-A008, http://www.fincen.gov/statutes_regs/guidance/pdf/FIN-2014-A008.pdf , (9/11/14)

| Voluntary | Involuntary |
|-----------|-------------|
|-----------|-------------|

Put simply, “Human trafficking is a modern-day form of slavery involving the illegal trade of people for exploitation or commercial gain.”⁴ As of 2014, all countries, with the exception of North Korea, had domestic legislation which criminalizes some form of modern slavery;⁵ yet there are still 35.8 million victims worldwide with 70 percent of them female and about one-third children.⁶

Trafficking involves various forms including trafficking of organs, trafficking of people for forced labor, child soldiering, trafficking in women, girls and boys for sexual exploitation and commercial sexual exploitation of children in tourism. Unfortunately, it is called a “hidden crime,” as victims rarely come forward to seek help because of language barriers, fear of the traffickers, and/or fear of law enforcement.”⁷ Traffickers also “groom” their victims to gain their trust and loyalty. This grooming process typically involves six steps: targeting, gaining trust, filling a need, isolating the victim, sexualizing the relationship and finally maintaining control.⁸ Grooming often leads victims to develop the Stockholm syndrome, a form of traumatic bonding which does not necessarily require a hostage scenario, but involves strong emotional ties that develop between two persons where one person intermittently harasses, beats, threatens, abuses, or intimidates the other. The victims can even view a lack of abuse from their captors as an act of kindness.⁹ That is one reason why the profits involved in these types of activities are staggering.

The Global Picture

With forced labor generating an estimated \$150 billion in profits, the International Labour Organization (ILO) reports that \$99 billion of that comes from commercial sexual exploitation. The other \$51 billion involves forced economic exploitation including domestic work, agriculture and other economic activities derived from HT victims.¹⁰ Unfortunately, the domestic laborers that are trafficked often have a sex component as well. An industry with such staggering profits requires the use of the financial banking sector.

The breakdown of profits generated by forced economic exploitation is as follows:

- \$34 billion in construction, manufacturing, mining and utilities;
- \$9 billion in agriculture, including forestry and fishing;
- \$8 billion saved by private households by not paying or underpaying domestic workers held in forced labor.¹¹

With the nightly news telling us of the Islamic State of Iraq and the Levant (ISIS) murdering men and taking women and children as slaves, and the Taliban buying children as young as seven years old for a price anywhere from \$7,000 to \$14,000 to use as suicide bombers,¹² the majority of Americans think of HT as

⁴ Department of Homeland Security, Definition of Human Trafficking, <https://www.dhs.gov/blue-campaign/definition-human-trafficking>

⁵ The Global Slavery Index, *Government Response*, http://www.globallslaveryindex.org/findings/?gclid=CN2SsJ_Kw8MCFcRQ7Aod8H0A8g

⁶ The Advocates Post, *More slaves today than at any other time in history*, <http://theadvocatespost.org/2015/01/14/more-slaves-today-than-at-any-other-time-in-history/>, (1/14/15)

⁷ Department of Homeland Security, Definition of Human Trafficking, <https://www.dhs.gov/blue-campaign/definition-human-trafficking>

⁸ Bridgingfreedom, Blog- *Why They Stay: Stockholm Syndrome in Human Trafficking*, <http://www.bridgingfreedom.org/why-they-stay-stockholm-syndrome-in-human-trafficking>, (6/6/13)

⁹ Wikipedia, http://en.wikipedia.org/wiki/Stockholm_syndrome, (3/25/15)

¹⁰ ILO report, *Profits and Poverty: The Economics of Forced Labour*, http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_243201/lang--en/index.htm

¹¹ ILO report, *Profits and Poverty: The Economics of Forced Labour*, http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_243201/lang--en/index.htm

¹² Random Facts, 55 Little Known Facts About Human Trafficking, <http://facts.randomhistory.com/human-trafficking-facts.html>

an overseas problem. It is true that the 10 countries with the greatest prevalence of HT does not include the U.S. Those countries do include ones we might expect: India, Pakistan, the Democratic Republic of the Congo and the Central African Republic. It is also true that the top 10 countries account for 71 percent of the overall global total of trafficked individuals.¹³ The situation is the most desperate in Asia, since it accounts for 50 percent of the 21 million people trafficked globally. The majority of global manufacturing is done in Asia; the goods sold are transacted from Asia entering the global marketplace and are funded via the global financial system.¹⁴

But the fact that HT is prevalent in America, including the trafficking of American children, is unknown to many, but is very real. Although Abraham Lincoln signed the Emancipation Proclamation on January 1, 1863,¹⁵ and the U.S. formally abolished slavery with the 13th Amendment almost 150 years ago, trafficking exists in the U.S. in all 50 states. “The United States is also a source and transit country for human trafficking, and is considered one of the top destination points for victims of child trafficking and exploitation.”¹⁶

Here in the U.S. there is even a correlation between trafficking and terrorism. An article published just last year¹⁷ details how terrorism and trafficking are linked. The 2003 White Lace Case in Los Angeles involved women from the former USSR who were trafficked as high-end prostitutes. Many of them came to the U.S. as part of religious or sports delegations and extended their stay by obtaining visas. The traffickers registered the women as students at a language skills school, which issued the women “student visas.” The “school” did not provide instruction, but was simply a visa mill. The language school later provided visas to the 9/11 hijackers. The trafficking victims and the hijackers had the same facilitator.

Faces of Victims

Before moving into the case study and specific financial indicators of HT outlined in this paper, it is important to see the faces of those involved in HT here in the U.S. Once we see the faces and realize that our child, grandchild or neighbor could be one of those faces, our passion for being an integral part of the solution will deepen.

Foreign Individual

Hidden Girl: The True Story of a Modern-Day Child Slave is the story of Shyima Hall who at the age of eight was sold into slavery in Egypt as a domestic servant. Her captors smuggled her into Orange County, California, when she was 10 years old. They forced her to work 16-hour days cleaning, cooking and serving the family. She was rarely allowed outside, never visited a doctor or dentist, was deprived of schooling of any kind and could not speak English. She was forced to live in a garage with no heat or air conditioning, wash her clothes in a bucket and work no matter how sick she was. When she was 13, law enforcement received an anonymous tip from a concerned person that eventually led to her release.

¹³ The Global Slavery Index, *Government Response*, http://www.globallslaveryindex.org/findings/?gclid=CN2SsJ_Kw8MCFcRQ7Aod8H0A8g

¹⁴ FinanceAsia, The Cost of Human Trafficking, <http://www.financeasia.com/News/371389,the-cost-of-human-trafficking.aspx>, (2/4/14)

¹⁵ The Emancipation Proclamation, <http://www.historynet.com/emancipation-proclamation-text>, (1/1/1863) – used on the cover page as well

¹⁶ The Advocates Post, *More slaves today than at any other time in history*, <http://theadvocatespost.org/2015/01/14/more-slaves-today-than-at-any-other-time-in-history/>, (1/14/15)

¹⁷ The Daily Beast, *ISIS, Boko Haram, and the Growing Role of Human Trafficking in 21st Century Terrorism*, <http://www.thedailybeast.com/articles/2014/12/26/isis-boko-haram-and-the-growing-role-of-human-trafficking-in-21st-century-terrorism.html> (12/26/14)

American Individual

Annie Lobert was a young lady in a home with an angry stressed out father who did not give her the love she needed. In high school she looked for acceptance and love from anyone that would give it. One boy promised her marriage and a life if she slept with him, which she did because she loved him. Later she found out that he was sleeping with other girls. She moved out on her own after high school and began working three jobs. She only made enough to pay for her apartment and car, so she began going to clubs with a girlfriend looking for rich men who might date and marry her. Her friend found a rich guy, left town with him, and later called Annie to tell her that she was making tons of money and driving nice cars. Annie went to join her friend and began selling herself as a prostitute for \$1,000 an hour, then \$2,000 an hour or \$10,000 for the entire night. She eventually met a man who she thought loved her, so she moved in with him. She went out one night to earn more money via prostitution. When she came home her boyfriend demanded all of her money. When she refused, he took her by the hair, choked her, beat her breaking her ribs and nose and threatened to kill her. He told her that she was now working for him and lived the next five years enduring beatings, rapes, guns pointed at her head and the constant threat of death. She eventually got away, but left with nothing. As any prostitute tells, the pimp keeps the cars, the clothing, the money and anything else you may have of any value. Annie then got cancer and got hooked on pain killers and stronger drugs. She continued to prostitute herself to earn money and even tried to kill herself. She eventually got free by crying out to Jesus and now has a ministry rescuing other prostitutes.¹⁸ Without intervention, HT perpetuates and causes the victims to take various avenues to deal with the needs that all started with HT.

Many think that both foreign and American girls involved in the sex trade bring it on themselves, want to be treated that way or that it is just what they do. There may be a few like Annie who got into prostitution to make money and enjoyed the money they were making for a while, but any joy fades quickly as abuse, disease and violence eventually follows that kind of lifestyle. The vast majority of sexually trafficked children have no choice, and the average life expectancy of a child once forced into sexual trafficking is only seven years.¹⁹

The Girl Next Door²⁰

Many think that it is foreigners, “bad girls” and runaways who are being trafficked, but not good kids from good homes. Brianna’s story shows the fallacy of that thinking. Brianna grew up in a small town in the state of Washington. She was from a church-going family with a good home, a great student in school, and even took college classes in high school. By 17, she worked at a local café where an older guy came in on a regular basis and developed a friendship with her over a period of months. After she turned 18, the older guy sent in two younger college football guys who befriended her and “coincidentally” had many things in common with her. All the guys were from Seattle and told her that she was too pretty to live in a small town. They told her she could visit them for a day, convincing her to just tell her parents she was hanging out with a friend all day. At 18, she felt she was mature, making wise decisions and knew she would be

¹⁸ I Am Second, <http://www.iamsecond.com/seconds/annie-lobert/>

¹⁹ Traffick 911, *What is Trafficking?*, <http://www.traffick911.com/what-human-trafficking/#.VOKVYZU5DmQ>

²⁰ Focus on the Family, *Exposing the Dark World of Human Trafficking*, <http://www.focusonthefamily.com/media/daily-broadcast/exposing-the-dark-world-of-human-trafficking-pt1>, (5/23/13)

safe. She had her dad's car, trusted these friends and was planning to be home that night. Upon arrival she saw their beautiful Victorian home and nice cars in the driveway; and the stories they told her about their life and work all made sense. They treated her very well and she had a wonderful time. That night when her mom texted her to come home she was embarrassed. As an 18 year old, she felt like her mom was treating her as a little kid and complained to her friends about it. They convinced her that she was responsible, mature and should just spend the night. They even helped craft the lie to tell her parents.

She was still fine the next day and was even more trusting of her friends. They offered to let her move in with them and stay there until she could get her own job, apartment and a car. They told her she could transfer her credits to a local college and continue with her education. Then the older guy mentioned he was going to Arizona for Christmas to visit his niece and invited her to go along. After only three days with them, she decided to move out of her home, move to Seattle and visit Arizona for Christmas with this older friend; so she called a friend to help her return her dad's car and get her stuff from home.

The friend was suspicious of the entire situation and called his dad for advice. His dad had learned of sex trafficking at a Rotary meeting and called a police officer who was trained in HT techniques and victim assistance, who then contacted Brianna's parents. When Brianna stopped at her friend's house she was confronted by both her friend's parents and her own. She was quite angry that they were trying to stop her from moving. Congresswoman Linda Smith, the founder of Shared Hope (an organization dedicated to stopping HT) was also there. Linda shared various stories of trafficked girls with Brianna for four hours. In each story, Brianna saw something from her own story and realized these were indeed traffickers and she had been chosen to be their next victim. Later she found out that she had already been sold to a pimp in Arizona who expected her to be delivered to him at Christmas.

American girls and boys are being stalked and chosen by traffickers. The traffickers search for children on Facebook, movie theatres, parks, bowling alleys, after school activities and orphanages. The traffickers are highly trained by various means on how to lure these young children into a relationship of trust and friendship that eventually turns deadly. One such training tool is a book entitled *The Pimp Game: Instruction Guide*.²¹ They are looking for younger and younger children. According to CAS Research & Education, the average age of entry into sexual exploitation is 11 to 13 years for boys and 12 to 14 years old for girls.²² According to the FBI, 300,000 American children a year are at risk of becoming victims.²³

So, what is causing this blight on people of all ages, nationalities and sexes? What is particularly causing the trafficking of innocent American children who could be your neighbor or mine, our children or grandchildren? Why is it that one in four females and one in eight males will be sexually abused before the age of 18?²⁴

Demand and Supply

As long as there are people desiring to sexually exploit others, and there are those that can make money supplying that demand, the problem will continue. Numerous things help drive the demand, such as the

²¹ Linda Smith, *Renting Lucy* (Shared Hope International, 2013), 141

²² CAS Research & Education, *Foster Care & Human Trafficking*, Factsheet: Foster Care and Human Trafficking," http://www.casre.org/our_children/fcht/

²³ HSTODAY.US, *House Passes Package of Human Trafficking Related Bills*, <http://www.hstoday.us/single-article/house-passes-package-of-human-trafficking-related-bills/f022cc0ac53c694b0b25457faefec30.html>, (1/28/15)

²⁴ Linda Smith, *Renting Lucy* (Shared Hope International, 2013), 141

porn industry, which generates billions each year in just the U.S. (an estimated \$13 billion in 2006 alone²⁵). Next is the entertainment industry that produces numerous sexually explicit movies and movies such as *Fifty Shades of Grey* that displays sexual dominance over women. It generated \$81.6 million in its opening three days.²⁶ Another is the explosion of the Internet, which provides easy access to all kinds of adult entertainment and allows buyers to connect with sellers in minutes. Then there is the money that can be made from HT. A study in 2003 found that a single sex slave can earn her pimp at least \$250,000 a year.²⁷ So, is it any surprise that sexual trafficking continues to grow around the world and here in the U.S.?

With the scope of the problem continuing to grow, the government, law enforcement, private organizations, citizens and the financial industry must each play a vital role. They must all work together to stop this heinous crime perpetrated against the most innocent of our society.

Case Study

To fully understand how to identify this type of activity within a FI, it is best to begin with a sex trafficking case study that is based upon an actual case from a community bank in the Mid-Atlantic Region (MAR). The state where this occurred will be referred to as “MAR,” and the names and addresses are obviously fictitious. However, in spite of the anonymous location of the transactions and fictitious names and addresses, the details of this case bring to light patterns of activity that will assist FIs in identifying similar activity within their own customer base.

2010 Scenario

Two business accounts (123456, 654321) were opened at MAR Community Bank for Always Clean Inc., (AC) in September 2010, in MAR. The business was a janitorial service company that opened one account with \$30 in cash and the other with \$1,500 in cash. No designation was added to either account such as, “Payroll” or “Operating.” The articles of incorporation listed AC with a Miami, Florida, address. A search on Florida’s Department of State website had an electronic document matching this information, and listed Iona Irisko as the registered agent for the business. Iona was the only authorized signer on both accounts and was a non-resident alien from Hungary. She had proper Customer Identification Program (CIP) documentation and indicated she frequently travels back and forth to Hungary. Documents were obtained proving a MAR address for the business and Iona indicated the business was expanding to the MAR area. The initial expected activity was not over \$3,500 cash in and not over \$10,000 cash out; no wire or any type of international activity was expected.

A few months later, branch personnel reported numerous round dollar payroll checks being cashed by ladies who were scantily dressed and accompanied by a man. These ladies presented foreign ID cards, including international drivers’ licenses and valid passports with no visa or an expired visa. A negative news search revealed that the business address was a U.S. Parcel Service located in a shopping center in Miami, Florida. Iona was listed as having a MAR address since December 2008 (not 2010 when she said she was expanding the business to MAR). She was also listed as the President of L&Y Business Center, which has the same

²⁵ Covenant Eyes, *The Porn Industry*, <http://www.covanteeyes.com/pornstats/>

²⁶ Frank Pallotta, *Fifty Shades of Grey’ finds love with record box office weekend*, <http://money.cnn.com/2015/02/15/media/fifty-shades-of-grey-record-box-office/>, (2/15/15)

²⁷ Random Facts, 55 Little Known Facts About Human Trafficking, <http://facts.randomhistory.com/human-trafficking-facts.html>

address of Always Clean Inc. in Miami, Florida. A summary of the transactions for both accounts are as follows:

Account #123456 Transactions

- Check deposits totaled almost \$100,000 and there was one cash deposit of \$4,000.
- Checks were from various hotels, restaurants and truck stops in central MAR.
- Deposited checks listed two local addresses in two different apartment complexes.
- Over \$60,000 in ACH credits were received from Management Trade Company which a Google search indicated was an international trading site for import/export trade manager for XYZ.com. XYZ.com was an international trading site for manufacturers, suppliers, exporters, importers, buyers and wholesalers, etc.
- The account received over \$80,000 in credits from 654321.
- Iona authorized over \$90,000 in transfer debits to 654321.
- Check card debits totaling over \$600 were from an airline and a moving company.
- Over \$21,000 in over-the-counter (OTC) withdrawals were conducted, which included a gentleman's club.
- Over \$100,000 in checks ranging from \$50 to \$4,000 to numerous individuals with foreign names and various forms of ID.
- Iona wrote check payments for various rent payments.
- Iona authorized over \$10,000 in check card debits to various hotels, rent payments, gas, beer/liquor, restaurants, etc. In one month period, check card debits were occurring in various cities in Alabama, Louisiana, Texas and Missouri.
- At no point did Iona make debit payments that appear to be going toward business expenses for janitorial/cleaning company.

Account #654321

- Over \$500,000 was deposited consisting of over \$26,000 in cash and check deposits.
- Check deposits were from various hotels in central MAR.
- Deposited checks listed two local addresses in two different apartment complexes.
- Iona authorized over \$15,000 via ATM withdrawals and \$2,500 was withdrawn at a casino.
- Utility payments were seen for heat, electricity and phone.
- Iona authorized almost \$500,000 in checks to foreign individuals. The individuals used foreign identification from countries such as Hungary, Moldova, Tajikistan, Kazakhstan, Jamaica, Dominican Republic, Pakistan and Poland. Some payees used domestic driver's licenses from Pennsylvania, Michigan, Illinois, North Carolina, Iowa, Florida, New York and Louisiana; one individual used a student ID.
- Over \$14,000 in check card debits was for rent payments, gas, beer/liquor, restaurants, casinos, and a gentleman's club.
- Rent payments were for over 10 different apartments in six different apartment complexes.
- Iona also made payments to several different hotels that appeared to be rental payments.

2013 Scenario

In 2013, a business account #987654 with similarities to the 2010 Scenario was opened for a different business called Simply Clean, Inc. The business had a MAR address but only had Florida Articles of Incorporation. The business was listed as a carpet and upholstery cleaning business and was planning to service area hotels and restaurants. The authorized signer was Guy Anchor whose only form of ID was a Rockford, Illinois, driver's license. He had proof of the MAR address for the business but not for himself since he had just moved. He indicated that he was moving to MAR based on a referral from a friend who said it was a good area to do business.

Similarities and Red Flags between the Two Scenarios

- Both businesses were in the cleaning industry.
- Both had an Any Town, MAR address, but Articles of Incorporation were in Florida.
- Both addresses on the Articles of Incorporation were to a United Parcel Service location.
- Always Clean, Inc. stated they opened their account in Any Town, MAR as a second operating location. Simply Clean, Inc. indicated they opened their account in Any Town, MAR based on a referral from a friend who said it was a good area to do business.
- After Always Clean, Inc. accounts were closed by MAR Community Bank, they opened accounts at First National Bank of MAR. Simply Clean, Inc. brought their accounts to MAR Community Bank from First National Bank of MAR.
- Both businesses had addresses in the same apartment complex next to each other. Alternate addresses are in the same apartment complex for both businesses one street away from the primary addresses.
- Both businesses had numerous rentals in the same apartment complex.
- Guy was paid by Iona via a check from First National Bank of MAR
- Both businesses had rent payments to numerous cities in MAR.
- Simply Clean, Inc.'s account was funded in 2013 by check deposits from Always Clean, Inc. and two hotels.
- Always Clean, Inc. regularly funded their accounts with check deposits from Simply Clean, Inc.'s account and the same two hotels.
- Both businesses wrote checks to four of the exact same individuals for similar amounts.
- At no point did the customer make debit payments that appeared to be going toward business expenses for janitorial/cleaning company.



Financial Institutions

Those in FIs have a unique position to play a key role in fighting this insidious crime, and it is imperative that they **ACT**. First of all, those in FIs must be **aware** of the scope of HT within their own footprint. A simple Internet search will quickly identify the organizations fighting HT in your community that can provide a wealth of information.

Secondly, **communicate** that information throughout your institution. As customers and financial transactions pass through the institution, all personnel must be trained to identify signs of HT. Many of the red flags for identifying HT in FIs that have been put out by various organizations are ones that could be indicative of a variety of crimes. However, there are a number of red flags that can specifically indicate HT. When training your staff include these red flags from the case study listed previously and from those most familiar with HT.

Red Flags for Tellers and Branch Personnel

- Round dollar payroll checks being cashed by ladies scantily dressed and accompanied by a man
- The same ladies presenting foreign ID cards including international drivers' licenses and valid passports with no visa or an expired visa, or even a student ID
- Evidence of being controlled
- Bruises or other signs of physical abuse
- Fear or depression
- Not speaking on his/her own behalf and/or non-English speaking
- Having another "handler" answering questions, holding ID, and governing the person cashing a check

Note: The "handler" may not be at the teller window but may be in the lobby observing (as a driver, friend, etc.) or in the parking lot.

Red Flags for Account Opening Personnel

- Be aware of business types that are prone to HT such as hotels, restaurants, truck stops, cleaning/janitorial services, massage parlors, nail salons, etc.
- Articles of Incorporation from other states, such as Florida, California, New York, Nevada or others known as major trafficking states. (Many states require businesses to register, and/or get licenses and permits to do business in the state in which the business is housed. Does yours?)
- Addresses for businesses being a P.O. Box or the physical address of a postal store often found in a strip mall

- Inconsistent dates between ID and business documentation (their ID indicates they lived in your state for several years, but the business physical address was another state for the same period of time)
- Address of the business is in an apartment complex
- Multiple unrelated people living at the same address

Red Flags for BSA/AML Personnel

General

- Rent payments for multiple locations within apartment complexes
- Rent payments made by unrelated business types (e.g., a cleaning business paying rent for several apartments)
- New businesses making tons of money overnight
- Round dollar payroll checks being cashed
- ACH credits received from an international trading site for imports/exports
- Wires and/or frequent travel to countries known as HT hot spots (listed in order of prevalence)²⁸ such as:

| | | |
|---------------|-------------------------------------|------------------------------|
| 1. Mauritania | 5. India | 9. Syria |
| 2. Uzbekistan | 6. Pakistan | 10. Central African Republic |
| 3. Haiti | 7. Democratic Republic of the Congo | 11. Republic of the Congo |
| 4. Qatar | 8. Sudan | 12. United Arab Emirates |

Check Card Debits

- From an airline and/or moving company
- For rent payments for related things involving trafficking such as gas, beer/liquor, restaurants, casinos, a gentleman's club, etc.
- Occurring in various cities over a short period of time such as a month

Prepaid and Credit Cards

- Multiple expenditures on websites like the ones listed below and followed by hotel spending
- Travel out of state and multiple hotel expenses
- Multiple payments for Internet ad sites—escort ads posted online do not obviously state that sex with children is being sold, so code words²⁹ are used such as:

| | | |
|--|-----------------------------|--------------------|
| Adult Entertainment | Escort | Pretty Young Thing |
| Beauty Search Inc. | Exotic Dancer | PutHer2GoodUse |
| Better Life | Exploit | Rent Boys |
| Candy | Forced Labor | Sex Industry |
| Dancer | Fresh/Fresh Meat | Strip Club |
| Entertainment Club | New to Business/New to Game | Torture |
| Exotic Dancer | Pornography | Work Offer |
| Sadomasochism (meaning dominance and discipline) | | Young and Tender |

²⁸ The Global Slavery Index, *Government Response*, http://www.globalslaveryindex.org/findings/?gclid=CN2SsJ_Kw8MCFcRQ7Aod8H0A8g

²⁹ Anna M. Rentschler, CRCM, CAMS, VP & BSA Officer, Central Bancompany, e-mail, (1/8/15)

- Websites such as
 - benaughty.com
 - backpage.com
 - girlsdateforfree.com

MSB Specific

Homeland Security Investigations (HSI)³⁰ has compiled a list of potential red flag indicators intended to raise awareness of human smuggling activities that could also be tied to HT. These indicators identify methods implemented by criminal organizations through the exploitation of money services businesses (MSBs). While a single red flag may not indicate suspicious financial activity on its own, when coupled with other red flags, it may uncover financial transactions consistent with human smuggling and HT activity. If you bank MSBs, consider sharing these red flags with them:

- Structured financial transactions at MSBs in amounts consistent with human smuggling fees or multiple structured financial transactions totaling \$3,000, the MSBs reporting limit for same day transactions.
- Money sent to geographic regions where human smuggling activity occurs, often in international border towns and gateway cities such as Austin, Houston, San Antonio, Texas, and Phoenix or Tucson, Arizona.
- Multiple remittances are sent from various geographic locations, including out of state and country transmissions, all collected by one individual.
- Multiple name and address variations that are inconsistent with the identification provided to the MSB location.
- Multiple financial transactions on the same or consecutive days.
- Multiple transactions conducted at different locations on the same day.
- Identification presented is different than the country of origin from where the money was remitted (i.e., passport from Guatemala but the money is remitted elsewhere).

Thirdly, FIs must **take action**. Whenever red flags of any type are spotted, it is the responsibility of the Bank Secrecy Act/anti-money laundering (BSA/AML) analyst to investigate and determine if the activity is suspicious. If it is, the activity is to be reported via a suspicious activity report (SAR). If a FI can train their personnel to specifically identify HT and then report it via a SAR, this will enable law enforcement to pursue a case against the traffickers and put a stop to their crimes. This partnership with law enforcement does not need to end with just filing a SAR. Communicate with law enforcement personally. They are a wealth of information and have even provided several training events called “Lunch and Learn” for some local banks in my area. These events enable law enforcement personnel to share their experience and insights during lunch hour, and help to develop strong working relationships between financial institutions and law enforcement.

Finally, depending on the scope of your BSA/AML program, your risk profile and the resources at your disposal, some additional reports to consider for identifying HT would include:

- Running all customer addresses against all of the local post offices and postal stores in your area

³⁰ Yvette, Searight, ICE/DHS, e-mail, 1/28/15

- Conducting a string search of your wires and Automated Clearing House (ACH) transactions using the code words listed previously in this paper
- Searching wire and ACH data against the high-risk countries for HT

As financial institutions **ACT**, they become a powerful force to stop the curse of HT here and around the world.



Individuals

It is critical that all individuals **ACT**, not just in the financial arena, but also in local communities to end this terrible curse of HT. Remember that it was a concerned neighbor who rescued Shyima Hall from her abusers. Make yourself **Aware** of what is going on in our society today. The Internet is full of links to numerous resources on HT. Read books, watch the news and check out your local organizations that are fighting for our children. **Communicate** what you learn with your friends and family, so that they recognize the signs of HT. One of these signs may not indicate HT, but several of these together could be a strong indication:³¹

- Scripted answers
- Inconsistent in story
- Branding or tattoos, especially those reflecting ownership or money
- Signs of physical abuse
- Appears helpless, shamed, nervous
- Malnourished
- Inability or fear to make eye contact
- Chronic runaway; homeless youth
- Dating much older, abusive or controlling man
- Not attending school or numerous school absences
- Sudden change in attire, possessions, behavior
- Travels to other cities frequently
- Uses terms common to the commercial sex industry

The last step is to **take action**. Get involved in some way to help stamp out slavery here in America. I echo some of David Livingstone's last words regarding the slave trade in Africa in the year 1873, "May heaven's rich blessing come down on every one, American, English, or Turk, who will help to heal this open sore of the world."³²

³¹ Traffick 911, *What is Trafficking?*, <http://www.traffick911.com/what-human-trafficking/#.VOKVYZU5DmQ>

³² Westminster Abbey, David Livingstone, <http://www.westminster-abbey.org/our-history/people/david-livingstone>

Key Source Materials

Books

- Hall, Shyima. Hidden Girl. New York: Simon & Schuster, 2014.
- Smith, Linda. From Congress to the Brothel: A Journey of Hope, Healing, and Restoration. Vancouver: Shared Hope International, 2007.
- Smith, Linda. Renting Lucy. Vancouver: Shared Hope International, 2013.

Online Resources

- Human Trafficking 101 for School Administrators and Staff - <http://www.dhs.gov/sites/default/files/publications/blue-campaign/Blue%20Campaign%20-%20Human%20Trafficking%20101%20for%20School%20Administrators%20and%20Staff.pdf>
- Polaris- Anti-trafficking website – <http://www.polarisproject.org/>
- National Human Trafficking Resource Center (NHTRC) – Information by state: <http://www.traffickingresourcecenter.org/states>
- Shared Hope International (founded by former Congresswoman, Linda Smith) - <http://sharedhope.org/>
- Protected Innocence Challenge (a comprehensive study of existing state laws) – <http://sharedhope.org/what-we-do/bring-justice/reportcards/>

Radio Programs

- Focus on the Family, *Exposing the Dark World of Human Trafficking*, Part 1, <http://www.focusonthefamily.com/media/daily-broadcast/exposing-the-dark-world-of-human-trafficking-pt1> (5/22/13)
- Focus on the Family, *Exposing the Dark World of Human Trafficking*, Part 2, www.focusonthefamily.com/media/daily-broadcast/exposing-the-dark-world-of-human-trafficking-pt2 (5/23/13)