

ENVIRONMENTAL CRIME SERIES FOLLOW-UP BRIEFING PAPER

GREEN CRIME: RE-THINKING HOW FINANCIAL CRIME STRATEGIES APPLY TO ENVIRONMENTAL CRIME

Background

On September 1, 2021, ACAMS hosted a webinar titled “Green Crimes: Re-Thinking How Financial Crime Strategies Apply to Environmental Crime”, with Juhani Grossman of the Basel Institute on Governance, Ailsa Hart of the Financial Action Task Force, and Joseph Mari, CAMS, of Scotiabank.

The purpose of this paper is to engage anti-financial crime professionals on environmental crime typologies as part of their compliance program. Subsequently, the paper should be reviewed in conjunction with [viewing the webinar](#) and downloading the accompanying slides.

Environmental Crime Overview

Crimes against the environment are not new. However, their integration within the discourse of combating financial crimes is an emerging phenomenon. This is in part due to the scant resources available on environmental crime within the context of financial crimes risk mitigation – specifically, anti-money laundering (AML) and counter-terrorist financing (CTF) – however, notable publications and initiatives are starting to emerge.

In July 2021, the Financial Action Task Force (FATF) held its fourth plenary and afterward issued six reports on strategic initiatives, one of which was FATF's first publication on *Money Laundering from Environmental Crime*.¹ This is a ground-breaking document that contains best practices and case studies submitted by 40 countries. It puts forth several best practice recommendations that can be summarized as:

1. Recommending countries do not dismiss the threat or prevalence of environmental crimes based on their home country's reliance on, or availability of, natural resources

¹ FATF (2021), *Money Laundering from Environment Crime* ([fatf-gafi.org](https://www.fatf-gafi.org))

2. Ensuring those with AML/CTF regulatory authority or responsibility have the tools and training to identify, report, and stop environmental crimes
3. Encouraging public-private partnership

Raising Awareness – What are Environmental Crimes?

Defining Environmental Crime

Environmental crime describes illegal activities harming the environment and aimed at benefitting individuals, groups, or companies from the exploitation of, damage to, trade, or theft of natural resources, including serious crimes and transnational organized crime.

Definition taken from *The Rise of Environmental Crime: A Growing Threat To Natural Resources, Peace, Development And Security* – A UNEP-INTERPOL Rapid Response Assessment.

In order to mainstream a consistent approach towards detecting and disrupting environmental crimes, more awareness-raising needs to happen to ensure the industry is fully prepared. FATF's paper describes illegal logging, illegal land clearing, forestry crime, illegal mining, and waste trafficking as examples of environmental crime.

Practitioners should realize multiple predicate crimes are associated with environmental crime, such as wildlife trafficking, tax crimes, organized crime, human trafficking, and corruption. The Biden Administration has elevated corruption to a top national security matter. The role of corruption and kleptocracy is quite well established when evaluating environmental crimes. It is also important to mention while wildlife trafficking is captured under the definition of environmental crime, the issue has been treated separately, with FATF publishing a standalone paper on the matter in June 2020.

The Private Sector and Civil Society

The private sector and civil society have a crucial role in combatting the illicit financial flows from environmental threats. Therefore, we must continue to engage in the public-private dialogue – that has worked so well to combat other transactional crimes such as human trafficking – to develop new methods to stop these activities and disrupt the flow of their illicit proceeds. Additionally, environmental crime is a predicate offence that further stresses the need for not only domestic but international collaboration, due to the nature by which the criminality is executed.

The webinar aimed to raise awareness of environmental crimes and challenge the private sector to evaluate their vulnerabilities. The following learning objectives were highlighted:

- Improving the flow of information between the public and private sector on environmental crime and illegal wildlife trade

At this scale, the financial sector is directly or indirectly involved in moving the proceeds of crime.

- Developing a blueprint for enhancing law enforcement collaboration with the private sector and non-governmental organizations (NGOs)
- Analyzing environmental crime cases for tips on best investigative practices

Why Should the Financial Sector Care?

The financial system is under constant siege from transnational crime organizations. The World Bank in 2019 estimated the annual cost of these illegal activities as between US\$110 to 281 billion.² This figure ranks environmental crime as the fourth most profitable crime globally.³ Criminal syndicates are penetrating the financial industry using basic and sophisticated structuring methods, with complicated schemes involving shell companies, intermediaries, and multiple legitimate companies seduced into the supply chain.

FATF Guidance

Published in June 2021, the FATF report builds awareness of the scale and nature of criminal gains and techniques around the illegal harvesting of flora and fauna, and the subsequent money laundering of the illicit proceeds.

The FATF report identifies the following key priorities:

- Members of the FATF Global Network should evaluate whether criminals are misusing their financial and non-financial sectors to conceal and launder gains from environmental crimes
- Member countries must strengthen operational capacity to detect and pursue financial investigations into environmental crimes
- Members must implement effective tools to combat money laundering from environmental crime, notably in higher-risk industry sectors

Rising Threat - Transnational Organized Crime

Transnational organized criminal (TOC) networks have expanded operations to include green crimes, specifically environmental crimes, because of the high profits and low enforcement.⁴ Moreover, the convergence of groups operating across jurisdictions and working together across the supply chain may raise further concerns.

Research demonstrates that organized criminal syndicates from the Americas, Europe, Middle East, Africa, Asia, and Oceania are involved in the trade. Often, these groups are involved in multiple criminal enterprises, such as drug trafficking, human and labor trafficking, smuggling, and counterfeit trade.

² IBID, p.7. The annual cost is taken from FATF report, p.7 which is originally from RHIPTO, INTERPOL and GI (2018) World Atlas of Illicit Flows. This estimate varies by source and year.

³ UNEP-Interpol (2016), *The Rise of Environmental Crime: A Growing Threat to Natural Resources, Peace, Development and Security* (wedocs.unep.org)

⁴ van Uhm, D., & Nijman, R., (2020), *The convergence of environmental crime with other serious crimes: Subtypes within the environmental crime continuum*, *European Journal of Criminology* (journals.sagepub.com)

Evidence suggests that TOCs are including environmental crime and the illegal wildlife trade as a component of existing criminal activity.

Examples include:⁵

- American organized crime groups mix drug smuggling with illegal marine goods, such as shark fins and totoaba fish bladders⁶
- Colombian and Peruvian gangs force locals to extract gold and use female mules or prostitutes
- European and Russian crime groups smuggle caviar and timber along with cigarettes or cars
- African organized crime groups exchange minerals, timber, and wildlife for weapons
- Madagascan criminals smuggle tortoises together with drugs
- Thai and Indonesian organized crime groups involved in human trafficking transfer migrants for illegal fishing operations

Moreover, the evolving green crime typology finds multiple clusters, including “wildlife and drugs”, “wildlife and humans”, “fish and humans”, “fish and weapons”, “timber and humans”, and “minerals and humans”.⁷

Terrorist Groups

In addition to organized crime, there is evidence that terrorist groups, such as Hezbollah⁸ and Boko Haram⁹, are also involved in the environmental crime supply chain in sourcing, warehousing, and the transit of goods.

Examples include:

- The Revolutionary Armed Forces of Colombia’s (Fuerzas Armadas; Revolucionarias de Colombia (FARC)) involvement in harvesting timbers and planting coca or supporting gold mining¹⁰
- Hezbollah’s involvement with conflict diamonds and timber
- Boko Haram’s involvement in conflict diamonds from Cameroon to the Central Africa Republic¹¹

There are three known geographic hotspots for organized crime:

- Darien Gap: a known transit route for drug cartels between the Colombian and Panamanian border
- Congo Basin: the conflict areas in central Africa
- Golden Triangle: the space between Myanmar, Laos, China, and Thailand known for opium and growing methamphetamine production

⁵ The convergence of environmental crime with other serious crimes: Subtypes within the environmental crime continuum

⁶ United States Department of Justice (2020), International Money Laundering Drug Trafficking and Illegal Wildlife Trade Operation (justice.gov)

⁷ The convergence of environmental crime with other serious crimes: Subtypes within the environmental crime continuum

⁸ Global Witness (2017), US consumers at risk of funding Hezbollah (globalwitness.org)

⁹ Partnership Africa Canada (2016), From Conflict to Illicit: Managing the Illegal Diamond Trade from Central African Republic to Cameroon (media.africaportal.org)

¹⁰ Insight Crime (2021), Organized Crime and the Environment in Latin America: A Fatal Encounter (insightcrime.org)

¹¹ From Conflict to Illicit: Managing the Illegal Diamond Trade from Central African Republic to Cameroon

The private sector needs to appreciate the money laundering and terrorist financing risks by ensuring that preventative and detective measures cover environmental crimes.

Top Findings¹²

While environmental crime shares many of the same characteristics as other financial crimes, the public and private sectors have not prioritized action to identify, investigate, and prosecute in the same order of priority as noted by FATF.

Furthermore, the public and private sectors have been slow to recognize the connections to trade-based frauds, and the misuse of shell companies and front companies accompanying these money laundering schemes. Many of these activities connect to legitimate businesses operating in the mining, forestry, and maritime environments, camouflaging the unlawful activity.

Estimates highlight four distinct areas of dirty profits:

- Forestry crimes, including corporate crimes and illegal logging, account for an estimated US\$51-152 billion
- Illegal fisheries an estimated US\$11-24 billion
- Illegal mining is estimated at US\$12-48 billion
- Waste at US\$10-12 billion

FATF Expectations

Many jurisdictions have taken some form of action to criminalize environmental crime. However, not all countries have made it a serious offense or provided sufficient resources to investigate and prosecute these crimes. In addition, many enforcement agencies are understaffed and lack resources to follow the money trail on international investigations.

Thus, the expectation is to marshal international resources in a collaborative approach to share information and expertise. The aim is to underscore the FATF standards for a range of environmental crimes.

Acknowledging that these criminal elements misuse shell and front companies, financial institutions should understand the nature of the business, the relationship, and owners of sensitive industries.

Resource: Financial Investigations into Wildlife Crime

For more information on financial investigations into wildlife crime, readers should refer to The Egmont Centre of FIU Excellence and Leadership's (ECOFEL) 2020 paper:

[Financial Investigations into Wildlife Crime, Egmont Group of Financial Intelligence Units, France \(egmontgroup.org\)](#)

Understanding Environmental Crime

For many organizations, environmental crime represents a daunting task beyond abilities. The most immediate tasks are evaluating customers connected to vulnerable areas and incorporating a risk-based approach to enhance internal controls.

¹² [The Rise of Environmental Crime, p.7](#)

The scope of environmental crime activities include:¹³

- Illegal logging, including the harvesting, processing, transporting, buying, or selling of timber in contravention of domestic and international laws
- Illegal land clearing, referring to the unlawful acquisition and clearing of land for farming, building, or real estate speculation
- Forestry crime, an umbrella term to describe criminal activity in the forestry sector covering the entire supply chain, from harvest and transportation to processing and selling, including illegal logging and land clearance
- Illegal mining, referring to mining activity undertaken without state permission (in the absence of land rights, mining licenses, and exploration or mineral transportation permits) or mining activity with state permission obtained through corruption
- Waste trafficking, including the illegal export and/or illicit disposal of electronic waste (e-waste), plastics, and hazardous substances
- Illegal and unreported fishing highlights legal and criminal enterprises, which may breach environmental regulations on fishing quotas or protected habitats

Industries vulnerable to financial crime include:

- Financial institutions and money transmitters
- Gem and precious metal dealers
- Law and accountancy
- Timber and forestry companies
- Mining and extractive companies
- Logistics and transportation companies

Case Studies

Readers may refer to the following three case studies for further information on environmental crimes.

Hout Bay and the Illegal Lobster Trade¹⁴

- A commercial enterprise profited from both legal and illegal activity.
- Illicit proceeds garnered from illegal, unreported, and unregulated fishing and wildlife trafficking.
- Use of offshore trusts structures and shell companies.

¹³ The Rise of Environmental Crime, p.10

¹⁴ Basel Institute on Governance (2021), Hout Bay and the illegal lobster trade: a case study in recovering illicit proceeds of IUU fishing and wildlife trafficking ([baselgovernance.org](https://www.baselgovernance.org))

Operation APEX¹⁵

- Criminal activity spanning multiple jurisdictions in the sourcing, movement, and consumption of illegal wildlife trade.
- Associated with multiple predicate crimes, including drug trafficking, and the harvesting of shark fins and totoaba fish bladders.
- Use of trade-based money laundering techniques to disguise the movement of goods and money.

Operation Crash¹⁶

- Criminal activity commencing in the US involving rhino horns and elephant ivory.
- Defendants charged with conspiracy, smuggling, money laundering, tax evasion, bribery, and making false documents, as well as violations of the Endangered Species Act and Lacey Act.
- Collaborative, multiple US agencies and international taskforce to support the investigation and prosecution.

Takeaways and Considerations

Key Observations

The following key observations stood out from the webinar:

- Environmental crime is a rising risk
- The convergence with transnational criminal organizations makes this typology a top priority for many countries
- The low awareness in the financial sector on green crimes underscores the need for training
- Few financial institutions have internal controls aimed at detecting and deterring financial flows associated with green crimes
- There is a need to mobilize a collective response to engage the public sector and non-governmental organizations

Recommendations

FATF has suggested the following three steps:

1. Assess the business activity that may be connected to different environmental crimes incorporated within the enterprise-wide risk assessment

¹⁵ United States Department of Justice (2020), International money laundering, drug trafficking and illegal wildlife trade operation dismantled ([justice.gov](https://www.justice.gov))

¹⁶ United States Fish & Wildlife Services (2014), Operation Crash ([fws.gov](https://www.fws.gov))

2. Review the risk indicators linked to business products or services, the customer base, and jurisdictions to enhance internal controls and mitigation frameworks
3. Collaborate with the public sector and civil society to maintain a current understanding of the criminal typologies and risks

Additional AML/CTF activities may require organizations to:

- Update AML/CTF policies and procedures for inclusion of environmental crimes and the illegal wildlife trade
- Determine if the risk appetite statement and monitoring metrics may need adjustments
- Provide senior management or board updates on emerging green crime vulnerabilities
- Add new keywords and criteria to screening procedures and adverse media searches
- Evaluate sensitive industry sectors requiring enhanced due diligence or controls (for example, the FATF report highlights evaluating trade finance and correspondent banking parties)
- Review and customize red flags and risk indicators necessary to enhance transaction monitoring
- Re-rate customer risk profiles for environmental crime risks
- Arrange environmental crime training for all three lines of defense
- Create an environmental crime lead to collect and distribute information; smaller institutions may want to join collective efforts which are underway within ACAMS

The Roadmap Ahead

ACAMS, in conjunction with the WWF, and our supporters the Basel Institute on Governance, United for Wildlife, and the Royal Foundation, will continue to work on environmental crimes as a crucial area for developing public-private discussion.

Additionally, we aim to include other partners, such as TRAFFIC and the Wildlife Justice Commission to expand awareness and training across our membership. We will use our conferences, symposiums, and Chapters to drive activity and collaboration.

Moreover, ACAMS seeks to drive collaboration among financial institutions, governmental bodies, and non-profit groups in the fight against a significant transnational crime that fuels corruption and threatens biodiversity worldwide. Finally, ACAMS aims to convene events to answer the call to action on environmental crime and the illegal wildlife trade.

About ACAMS

ACAMS is the largest global membership organization for anti-financial crime professionals, with 82,000+ members in over 175 countries/regions. We support individuals and organizations who are dedicated to ending financial crime through thought leadership, continuing professional education, and our best-in-class peer network.

CAMS is recognized as the gold standard in AML certifications by institutions, governments and regulators worldwide. Visit the ACAMS website at [acams.org](https://www.acams.org) to find out more.

To learn more about identifying, reporting, mitigating, and remedying the risks associated with each stage of the illegal wildlife supply chain, register for [Ending Illegal Wildlife Trade - A Comprehensive Overview](#), a free, online certificate course from ACAMS and the WWF.

About Basel Institute on Governance

The Basel Institute on Governance is an independent not-for-profit competence centre working around the world to strengthen governance and counter corruption and other financial crimes.

About FATF

The Financial Action Task Force (FATF) is the global money laundering and terrorist financing watchdog. The inter-governmental body sets international standards that aim to prevent these illegal activities and the harm they cause to society. As a policy-making body, the FATF works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.

About Scotiabank

Scotiabank is a Canadian-headquartered bank with a focus on high-quality growth markets in the Americas. They are a top-five universal bank in each of their core markets and a top-15 wholesale bank in the US, delivering superior advice and services to help their customers get ahead.

Authors

Dr. William Scott Grob, CAMS-FCI, CGSS, FRM, CAIA, AML Director – Americas, ACAMS

Joseph Mari, Director, Anti-Money Laundering Financial Intelligence Unit and External Partnerships, Financial Crimes Risk Management, Scotiabank

September 2021