

ANTI-MONEY LAUNDERING: THE BASICS

Installment 8: Crime Trends



Modern slavery, human trafficking, environmental crime, and trade-based money laundering all constitute major threats to society. Professional accountants play a role in both combatting these crimes, including by ensuring that they do not unwittingly act as professional enablers, and reporting suspicious activities to the authorities.

Drugs

Drug crime was one of the original focus areas in the fight against money laundering when the Financial Action Task Force (FATF)* was established in 1989 and continues to be one of the primary underlying crimes related to money laundering. Look out for transactions that are out of pattern for the client or business type, transactions that have no apparent purpose, unclear business models, or a source of funds that cannot be corroborated. New assets like cryptocurrencies and NFTs may be new tools, but it is important to remember that most money laundering—related to drugs or otherwise—is still done with cash.

Human Trafficking, Modern Slavery, and Sexual Exploitation

An estimated 25 million people globally are victims of forced labour and/or sexual exploitation, generating over \$150 billion in illicit profits. These are also some of the fastest growing forms of international crime, driven by conflict, climate change and other causes.

Professional accountants can make a meaningful difference in helping victims and identifying perpetrators by remaining alert to potential indicators of these related crimes, including:

- Use of accountants for transactions not usually requiring a professional.
- Presence of multiple accounts/corporate vehicles.
- Suspicious lack of staff costs.
- Cash transfers to high-risk countries outside conventional banking system.
- Extended family involvement in business or transactions.
- Complicated financial transactions without clear business rationale.
- Payments diverted through different countries before reaching final destination.
- Income received/payments made at unusual times of the day or which do not correlate with client's stated business hours.
- High and/or frequent expenditure at airports, ports, other transport hubs or overseas, inconsistent with client's stated business activity.
- Payments to logistics, airlines, coach companies, car rental or travel agents inconsistent with client's stated business activity.
- Relatively high or recurrent expenditure on items inconsistent with client's stated business activity, such as food or accommodation.

For more, including indicators specific to each of the individual crimes in this category, see the FATF's [Financial Flows from Human Trafficking](#).

Trade-Based Money Laundering (TBML)

TBML is an emerging trend in money laundering, and importantly, typically requires the assistance of a qualified professional. TBML disguises the proceeds of crime through the use/exploitation of trade transactions to legitimise their illegal origin, or to finance terrorist activities. In doing so, criminals may engage in a range of other potentially unlawful activities, such as preparing false invoices, mischaracterizing goods to circumvent controls, and other customs and tax violations.

There are many risk indicators for TBML, spanning structural factors, the nature of the trade activity, indicators related to the trade documents or commodities traded, and accountant/transaction activity. Professional accountants dealing with clients involved in this type of activity should fully familiarize themselves with the current trends and risk indicators.

For more, see the FATF's [Trade-based Money Laundering: Trends and Developments](#) and [Trade-Based Money Laundering: Risk Indicators](#).

Terrorist Financing

Following the 9/11 attacks, the FATF's focus expanded to include terrorist financing. One of the key differences between money laundering and terrorist financing is that money laundering is about the source of the funds, whereas terrorist financing is about the destination. Red flags to look out for include:

- Media reports that the client supports terrorist organizations.
- Uncharacteristic purchases.
- Transfers of funds in small amounts to or from higher-risk countries.

For more information, see the FATF's [Emerging Terrorist Financing Risks](#).

Covid-19 and Money Laundering

Criminals have exploited the pandemic to commit fraud and cybercrime, exploit economic stimulus packages, and misappropriate international financial aid. Increased use of on-line financial services and virtual assets provides a means to conceal illicit funds. Reduced physical AML supervision enables criminals to exploit potential organizational vulnerabilities. What to look out for:

- Email/SMS phishing attacks.
- Fake charities and investment scams.
- Urgent pressure to by-pass due diligence checks and controls.
- Improper authorizations of State grants.
- Unusual transactions and money flows.

For more, see the FATF's [COVID-19-Related Money Laundering and Terrorist Financing Risks](#).

Environmental Crime & Illegal Wildlife Trade

Red flags to watch out for include:

- Your client is unable to provide evidence of compliance with local environmental requirements.
- Purchases or investments in companies by persons lacking adequate knowledge of that sector.
- Unexplained transfers involving senior officials with a position of responsibility related to the management/preservation of natural resources.

For more see the FATF's [Money Laundering from Environmental Crimes](#) and [Money Laundering and the Illegal Wildlife Trade](#).

Corruption and Money Laundering

Red flags to look out for include:

- Individuals and entities are cited in newspapers or investigative reports as being involved in bribery or corruption.
- The transaction or party is in a country known for widespread corruption.
- Entity that does not have an adequate compliance program or code of conduct.

For more, see the FATF's [Laundering the Proceeds of Corruption](#).



Professional Money Launderers

Money laundering schemes continue to grow increasingly complex. The FATF's [Professional Money Laundering](#) details the cutting-edge money laundering practices, accompanied by 25 real world examples.



Filing a Suspicious Activity Report ("SAR")

If you become suspicious that there may be criminal activity, report your suspicions to the local Financial Intelligence Unit. In some jurisdictions this is a legal obligation for professional accountants.

ADDITIONAL ASSISTANCE



For general guidance, see the FATF's [Guidance for a Risk-Based Approach for the Accountancy Profession](#). For detailed local information, including applicable regulatory requirements, contact your Professional Accountancy Organization.



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