

## Human Trafficking and Its Link to Money Laundering

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Renting ten units in the same apartment complex at \$795 each is nothing extraordinary. It becomes a source of dirty money that needs to be cleaned when each of these ten units is rented to others at \$485 per month. Between six and ten individuals live in these dens. Numbers don't lie. Taking into consideration just the low end, revenues, dirty money that needs to be cleaned, would be \$4,095,000 calculated as follows

Hypothetical Scenario of Estimated Revenue Generated by Charging Rent to Victims of Human Trafficking/Slavery		
Rent charged to each potential victim	\$	<b>485</b>
Number of persons living in the same unit	\$	6
Monthly revenue per unit	\$	<b>2,910</b>
Number of units rented	\$	10
Monthly revenue	\$	<b>29,100</b>
Months rented	\$	12
Annual revenue	\$	<b>349,200</b>
<span style="color: red;">This scheme is carried out in 12 states</span>	\$	12
Total annual gross revenue nationwide	\$	<b><u>4,190,400 (A)</u></b>
 <b>Minus Costs Incurred by the Perpetrator</b>		
Rent paid per unit	\$	<b>795</b>
Number of Units	\$	10
Number of States	\$	12
Total Rent expense incurred nationwide	\$	<b>95,400 (B)</b>
 <b>Net Annual Revenue: (A) - (B)</b>	 \$	 <b><u>4,095,000</u></b> <span style="color: blue;">This money has to be cleaned.</span>
<span style="color: red;">Hypothetical Scenario created by Consuelo Herrera, CAMS, CFE</span>		

Two of the most heinous crimes lured by money are: human trafficking and money laundering. Money is the driving force behind atrocities committed disregarding values and principles. “The public and the media are becoming aware that humans prey upon humans for money”<sup>1</sup>. Money laundering entails three stages, the outcome of which is to incorporate dirty money into the financial system, avoid the audit trail, and separate the source of illicit proceeds from the owner through a complex web of financial transactions.

The scenario above reflects the figures of a single perpetrator. To have a more realistic picture, multiply that amount by the number of perpetrators, let’s say, 14. That net annual revenue then becomes \$61,425,000 per year, which is nothing in the realm of true earnings generated by human trafficking, 34 billion a year!

Those engaged in human trafficking and modern slavery have many sources of income as they provide goods and services for their victims with the purpose of keeping them in endless debt bondage. Perpetrators gain an added value that flatters their covetousness: Lots of money!

Translate into a monetary scenario the case below<sup>2</sup> although they apparently cannot be portrayed as victims, they disclosed their monthly earnings, which by inference can be applied to the proceeds earned by victims on behalf of their perpetrators:

“Some of the victims involved in this case continued to work in the brothels voluntarily even after their debts were paid back in full. A woman referred to as WS, for instance, stated that she accepted the debt as the cost for the opportunity to come to Australia to earn money. During her contract period she was required to earn between \$12,000 and \$13,000 per month. At this rate she paid off her debt in three months. Afterwards she worked at a rate of \$8,000 and then \$2,000 per month. This money was sent back to her family in Thailand.<sup>6</sup> Another woman, PN, reportedly also stayed on after paying off her debt over three months, working seven days a week earning about \$15,000–\$17,000 per month.<sup>7</sup> WP, a third woman, also stayed on after paying off her debt in two months and twenty days, earning around \$15,000 per month.<sup>8</sup> It was argued that all of the women involved were aware of the circumstances involved in the contract, and that they suffered no harm, mental or physical, from their time in Australia.”

\$15,000 x 12 months = \$180,000  
\$17,000 x 12 months = \$204,000

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<sup>1</sup> Global Report on Human Trafficking in Persons (Page 6)

<sup>2</sup> [http://www.law.uq.edu.au/documents/humantrafficking/case-reports/sieders\\_yotchomchin.pdf](http://www.law.uq.edu.au/documents/humantrafficking/case-reports/sieders_yotchomchin.pdf) Retrieved August 15, 2009

Since prostitution is a crime, these proceeds were illegal, making them subject to money laundering regulations.

As stated by the Polaris Project, For A World Without Slavery<sup>3</sup>, human trafficking is the modern day practice of slavery. Also known as trafficking in persons, human trafficking comprises the fastest growing criminal industry in the world, based on the recruitment, harboring, and transportation of people solely for the purpose of exploitation. Every year traffickers generate billions of dollars in profits at the expense of victimizing millions of people around the world.

The Vienna Forum to Fight Human Trafficking could not portray the unbalance of the equation better when it stated: “ From the perspective of criminals, human trafficking is a most attractive crime: the profits are high and the risks of detection and punishment are low. Human trafficking is a high-profit-low risk crime. From the perspective of victims, human trafficking is all too often a crime that made them traumatized, stigmatized, suffering and helpless. All too often victims do not receive justice or compensation for the suffering they had to endure. Destroying these equations must be the objective of the criminal justice response to human trafficking.”

When working for a bank, a friend of mine unwittingly helped a recruiter. This woman, Lady Doe, posed herself as a caring person helping young women fulfill their dreams overseas.

Lady Doe knew that often people would answer newspaper advertisements for jobs without knowing that criminals are posing as legitimate business such as<sup>4</sup>:

- Model agencies
- Travel agencies
- Employment companies
- "Au Pair" babysitting services
- International matchmaking services (mail order bride services)
- Massage parlors

Although human trafficking is perceived as to performed through criminal organizations, **traffickers are not always strangers**. Findings prove that relatives, neighbors, and friends can be involved as well.

Lady Doe laundered illegal proceeds through a bank because its employees were unaware of human trafficking schemes. When my friend helped Lady Doe she naively thought that Lady Doe was in fact helping those young women find a better life. The awakening call for this bank employee was devastating when she

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<sup>3</sup> <http://www.polarisproject.org/index>. Retrieved August 15, 2009

<sup>4</sup> Ask\_your\_consul\_February\_2008 Retrieved August 15, 2009

learned the truth behind numerous wire transfers through which dirty money was incorporated into the financial system.

The ask\_your\_consul<sup>5</sup> further states that traffickers, who may be either criminal groups or individuals, will promise a job, education or marriage and will offer to handle and pay for the costs of a passport, work permit, and transportation for these women and children. **If it sounds too good to be true, it probably is.**

When granted a contract, some victims enticed by the possibility of a better life or simply because they do not know the language in which the contract was written, overlook watching out for language that says the employer will:

- "Hold all money in trust until your contract is completed;"
- "Subtract your cash allowance from the sum held in trust;" or
- "Retain a percentage of your money."

What do the numbers mean?

Reports from different parts of the world show a high investment in terms of efforts and money put into the challenge of combating human trafficking and minuscule results with respect to actual identification of victims. The following two examples from different parts of the world ratify this inference:

**Victims Identified**

36 in total  
27 women  
30 foreign born  
6 U.S. citizens

Source: As of July 3, 2008, the Division of Criminal Justice Services (DCJS) in consultation with the Office of Temporary and Disability Assistance (OTDA) has confirmed 36 persons as victims.<sup>6</sup>

**Official Human Trafficking Statistics, Australia, January 2004 – September 2006**

117 Criminal Investigations  
66 Victim Support Program  
23 Arrests  
14 Prosecutions  
3 Convictions

Source: Australia Institute of Criminology – citing its source as from Australian Federal Police.

<sup>5</sup> Ask\_your\_consul\_February\_2008 Retrieved August 15, 2009

<sup>6</sup> Human Traffic Report August 2008 – Retrieved August 15, 2009

Are those results so poor because victims do not know their perpetrators? They are afraid of seeking help, or their perpetrators move their victims from place to place? Research calls on findings that explain this trend worldwide.

Link to Money Laundering

Human trafficking generates illicit profits and illicit wealth. Money laundering is the process through which dirty money becomes clean. The money laundering is developed in three stages:

1. Placement
2. Layering
3. Integration

During the placement stage, dirty money from different sources such as drug trafficking, human trafficking and smuggling, firearms trafficking, corruption, fraud, etc., is broken down into small amounts and introduced into the financial system. Financial institutions are bank, insurance companies, car dealers, casinos, and other businesses as described by the Bank Secrecy Act.

The layering stage takes place when the audit trail becomes hard to follow. Since the money is already in a financial institution, the goal in this stage is to separate illicit sources of money from their owners. Money is transferred from account 314 to account 422. Travelers checks are purchased with funds in account 314 and so forth. It involves a web of transactions that makes it difficult to trace them down. Illicit funds are commingled with legal funds.

In the integration stage illicit funds reach the appearance of clean money. This money goes back to the market in the form of investments in real estate, artwork, and many goods and services.

Since human trafficking is such a lucrative market worldwide, money is incorporated into the financial system or laundered through friends and relatives such in a case that is being currently investigated. A case is currently under investigation of a man and his associates who allegedly ran a human

A man who allegedly ran a human trafficking and prostitution ring for nearly two decades, and his alleged associates.

As per police reports, the man kept scores of women locked in "stables" where they were induced (forced) to use heroin and cocaine and beaten if they did not meet their \$500 to \$1,000 daily prostitution quota. How many women? I do not know, but let's just look at the money laundered if these facts are proven. Again, let's take the low end, \$500 a day, 360 days during 20 years. It means that the proceed from a single victim during that length of time would have been,

\$3,600,000. Do the math by taking into consideration the actual number of victims.

He would then bring them to other cities, where he made hundreds of thousands of dollars that he laundered through friends and relatives.

2009 Trafficking in Persons Report issued by the USA Dept of State outlined a case a worker in India who was trafficked for the purpose of organ removal. This report portrays a black future when it states: "...But the demand for organs is rising as the world's rich are growing older. At the same time, the world's poor are growing poorer, and the potential for more human trafficking cases like Khan's is increasing. The World Health Organization (WHO) estimates that 10 percent of the 70,000 kidneys transplanted each year may originate on the black market."

According to the NY Daily News<sup>7</sup> kidneys can be sold for \$180,000. If that were true, the money to be laundered would be \$1,260,000,000! (10% of 70,000 = 7,000 kidneys x \$180,000)



A 16-year-old boy descends into a 90-foot-deep shaft at a gold mine near the village of Tenkoto, Senegal. (Source: 2009 Trafficking in Persons Report)

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<sup>7</sup> 2009 Trafficking in Persons Report issued by the USA Dept of State

Much remains to be done. The Secretary of State's approach of the three Ps: Protection, Prosecution, and Prevention<sup>8</sup>. This is a great approach. The most powerful P of them is Prevention. My slogan as it refers to fraud but holds true to every crime is that Prevention is better than detection and or investigation. Prevention means education through awareness programs involving the community as a whole and an outreach campaign to educate vulnerable targets of greedy criminals such as Lady Doe.

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<sup>8</sup> [http://www.nydailynews.com/news/ny\\_crime/2009/07/26/2009-07-26\\_rogue\\_kidney\\_brokers\\_resell\\_organs\\_fetched\\_from\\_poorest\\_nations\\_on\\_black\\_market.html](http://www.nydailynews.com/news/ny_crime/2009/07/26/2009-07-26_rogue_kidney_brokers_resell_organs_fetched_from_poorest_nations_on_black_market.html) Retrieved August 20, 2009