



ALEFA

Association of Law Enforcement Forensic Accountants

TRAFFICKING IN HUMAN BEINGS (THB) FINANCIAL INVESTIGATION HANDBOOK



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ALEFA REPORT

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Foreword and acknowledgements

This handbook is written by the steering group members of the ALEFA network (www.alefa.eu) and focusses on the work completed within the EU funded project “Financial Investigations as a means to combat Trafficking in Human Beings”. During this two year project ALEFA visited law enforcement agencies in Belgium, Bulgaria, Hungary, Italy, Spain and Germany to gather information about the way they approached these type of cases. ALEFA, with the support of Europol also arranged a training event on financial investigations in Trafficking in Human Beings (THB). In April 2018 the ALEFA international network brought together 125 participants from 25 countries at Europol Headquarters. The conclusions within this handbook are a result of the findings from the research visits to the different countries and from the experiences of delegates which were shared at the training event at Europol.

AELFA would like to thank the European Commission and the Internal Security Fund of the European Union for their generous economic support to this project. ALEFA would also like to thank Europol for their consistent support and for facilitating the ALEFA THB training event in April 2018.

We would also like to thank all who have contributed to this project: Law enforcement investigators, financial investigators, forensic accountants and THB experts from all around the world who participated in the THB Financial Investigation training event and the research visits. It is thanks to their generous contributions detailing their knowledge and experience in the field of financial investigations and THB that we have managed to produce this handbook.

This handbook is intended to be of practical use to financial investigators in EU Member States helping them to follow the money in THB cases, trace assets and analyse financial evidence. We specifically introduced an analysis tool during the THB training event which is intended to assist with THB investigations. This is called the “Business Model Canvas”¹ and is presented and explained in this handbook.

The handbook includes contact points, one forensic accountant/financial investigator or THB expert in every EU country, who can be used as a contact point for THB financial investigations.

This project has been funded with support from the European Commission. This publication reflects the views only of the authors, and the European Commission cannot be held responsible for any use which may be made of the information contained therein.

¹ Business Model Canvas invented by Alex Osterwalder 2004. <https://strategyzer.com/canvas/business-model-canvas>

Executive summary

According to a September 2017 report from the International Labor Organization (ILO) and Walk Free Foundation, 24.9 million victims are trapped in modern-day slavery. Human trafficking is big business and earns estimated profits of \$150 billion a year for traffickers².

Financial gain is the main incentive for most serious and organized crime networks, and stripping them of their proceeds is the most effective way to dismantle them. Yet, according to Europol, only 1.2 per cent of illicit proceeds are confiscated in the European Union, leaving 98.8 per cent at the disposal of criminals.

Due to the challenges faced from the THB problem globally, with the destructive impact on peoples’ basic freedoms and fundamental rights to be treated with dignity, the ALEFA network has sought to provide an appropriate professional consideration of this important issue.

Consequently, this project focuses on tackling the financial aspects of Trafficking in Human Beings (THB).

The projects objectives are to increase and develop the role of financial investigators and forensic accountants in THB cases in all EU countries.

Forensic accounting and financial investigations can be used for the purpose of tracing and confiscating the proceeds of crime. Financial investigations are also a tool for gathering evidence and can be utilised to identify networks of criminals, provide proof of ownership and culpability and to feed into risk assessments and detection tools. In order to identify the modus operandi of those who commit THB crimes we need to understand their drivers and remove their incentives.

The ALEFA research visits to Belgium, Bulgaria, Hungary, Italy, Spain and Germany furnished us with research on what type of THB existed and how it was countered by those countries law enforcement agencies. We incorporated these findings into our financial investigations in THB training event (held at Europol in April 2018) and now produce details of our major findings and recommendations below:

² ILO report 2014

Findings

- Despite the high value of THB globally, ALEFA has found that financial investigations are not routinely carried out in THB investigations.
- Key elements of Money laundering are often evident in THB cases.
- Despite the global prevalence of more sophisticated types of money transfer, in regard to financial flows in THB, cash is still king.
- Funds from THB are often sent back to the country of origin, either as cash or value goods.
- Hawala and other kinds of informal value transfers are often seen, particularly when transferring funds back to origin countries.
- There is limited evidence of modern digital financial payments (e.g. Bitcoin) being used, but the consensus is that, like for most other criminality, this will become more prevalent in the future. It is therefore important for an investigator to be able to recognise evidence for these types of transactions.

Recommendations

- All THB cases should involve a financial investigation, but only the more complex cases are likely to require the input of a forensic accountant.
- Financial investigation should be used not only for asset tracing, but for the purpose of identifying evidence, detecting criminal networks and determining the scale of criminality.
- It is imperative to pro-actively seek financial information at the earliest possible opportunity in all THB investigations.
- Consider preemptive actions, such as developing THB casework from available financial intelligence.
- Use the Business Model Canvas, or a similar tool to consider all key angles to THB investigations.
- Consider whether the financial evidence gathered may constitute an additional money-laundering charge, particularly if there is a cross-border element to transfers.
- Do not be put off investigating businesses. Discuss the matter with a forensic accountant who will be able to provide advice.
- For cross-border THB cases, consider setting up a Joint Investigation Team (JIT), which greatly facilitates international cooperation. Contact EUROPOL and EUROJUST who will facilitate the JIT process.
- Engage with EUROPOL and EUROJUST when deciding which country/ countries in which to litigate.
- Where the Defence instructs a forensic accountant, do the same!
- Use the ALEFA network for advice.
- Use the Asset Recovery Offices (ARO) and Camden Asset Recovery Inter-agency Network (CARIN) to assist in identification and recovery of international proceeds of crime.
- Once a case is complete, it is often “out of sight, out of mind”, however there are always lessons which can be learned. Disseminate the key aspects of your THB case to EUROPOL, they can analyse the scenario further, disseminate appropriate methodologies and identify themes more widely.

1. Introduction

1.1 Definition of THB

The term “Trafficking in Human Beings” (THB) is often used synonymously with the term Human Trafficking (HT) or Trafficking in Persons and equally corresponds to the term Modern Slavery and Human Trafficking (MSHT).

The term ‘trafficking in persons’ is defined by Article 3 of the UN Trafficking Protocol³:

a “Trafficking in persons” shall mean the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs;

b The consent of a victim of trafficking in persons to the intended exploitation set forth in subparagraph (a) of this article shall be irrelevant where any of the means set forth in subparagraph (a) have been used.

Elements of human trafficking

Key elements of the international legal definition of trafficking in persons:

The following table identifies the three elements that must all be present for a situation of trafficking in persons to exist.

ACT		MEANS		PURPOSE	
Recruitment		Threat or use of force		Exploitation, including	
Transport		Coercion		Prostitution of others	
Transfer		Abduction		Sexual exploitation	
Harbouring	+	Fraud	+	Forced Labour	
Receipt of persons		Deception		Slavery or similar practices	
		Abuse of power or vulnerability		Removal of organs	
		Giving payments or benefits		Other types of Exploitation	
					= TRAFFICKING

³ Protocol to Prevent, Suppress and Punish Trafficking in Persons Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime
Adopted and opened for signature, ratification and accession by General Assembly resolution 55/25 of 15 November 2000

The Act (What is done): Recruitment, transportation, transfer, harbouring or receipt of persons.

Means (How it is done): Threat or use of force or other forms of coercion, abduction, fraud, deception, abuse of power or position of vulnerability, giving or receiving payments or benefits to achieve consent of a person having control over another.

Purpose (Why it is done): Exploitation (including, at a minimum, the exploitation of the prostitution of others, or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs).

When the crime of THB involves a child, the child is to be regarded as a victim even if none of the means specified has been used.

Key elements of the international legal definition of trafficking in children

Act: Recruitment, transportation, transfer, harbouring or receipt of persons.

Purpose: Exploitation (including, at a minimum, the exploitation of the prostitution of others, or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs).

There are several broad categories of exploitation linked to human trafficking, the principal types include:

- Sexual exploitation
- Forced labour, including forced criminal activities
- Domestic servitude
- Organ harvesting
- Child related crimes such as child sexual exploitation, forced begging, illegal drug cultivation, organised theft, related benefit frauds etc.
- Forced marriage and illegal adoption (if other constituent elements are present)
- Forced begging

See Appendix A for further descriptions of some of these categories that this project has been focused on. As will be explained later in the handbook, understanding these categories in detail is vital to properly investigating the criminality.

1.2 Human trafficking is big business

According to a September 2017 report from the International Labor Organization (ILO) and Walk Free Foundation⁴ an estimated 24.9 million victims are trapped in modern-day slavery.

According to the United Nations Office on Drugs and Crime (UNODC) global report on human trafficking 2018⁵ **70 per cent of the detected trafficking victims worldwide are female. Around half are adult women, while girls comprise a fifth of all victims and their share of the total is increasing.**

Sexual exploitation continues to be the main purpose for trafficking, accounting for some 59 per cent, while forced labour accounts for around 34 per cent of all detected cases. For children, the patterns appear to be slightly different. While boys are mainly trafficked for forced labour (50 per cent), many are also trafficked for sexual exploitation (27 per cent) and 'other' forms of exploitation such as begging, child soldiers and forced criminal activities. Girls were trafficked in 72 per cent of cases for sexual exploitation and in 21 per cent of cases for forced labour.

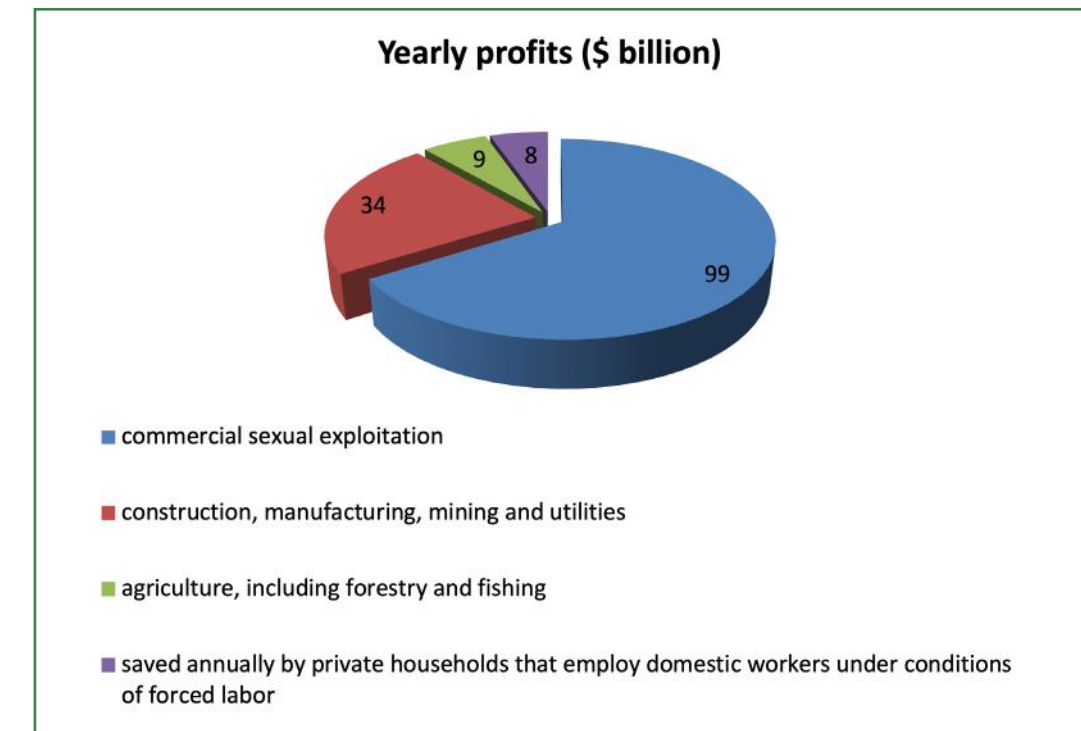
Europol's situation report "Trafficking in human beings in the EU"⁶ also shows that sexual exploitation is the most frequently reported form of THB in Europe. The majority of victims of THB for sexual exploitation registered at Europol are EU nationals from Central and Eastern Europe. Non-EU victims mainly originate from Albania, Brazil, China, Nigeria and Vietnam. Europe is a region of origin, transit and destination for victims of trafficking and exploitation.

Human trafficking does not always involve travel to the destination of exploitation: only 14% of victims of forced labour moved either internally or internationally, while 74% of victims of sexual exploitation were living outside their country of residence⁷.

Trafficking in human beings is a multi-billion-dollar form of international organized crime, constituting modern-day slavery, frequently referred as the third most lucrative illegal action after trafficking on drugs and firearms.

According to a Human Rights First factsheet of November 2017:

- "Human trafficking earns profits of roughly \$150 billion a year for traffickers, according to the ILO report from 2014. The following is a breakdown of profits, by sector:"



- The average annual profits generated by each woman in forced sexual servitude (\$100,000) is estimated to be six times more than the average profits generated by each trafficking victim worldwide (\$21,800), according to the Organization for Security and Co-operation in Europe (OSCE).
- OSCE studies show that sexual exploitation can yield a return on investment ranging from 100% to 1,000%, while an enslaved laborer can produce more than 50% profit even in less profitable markets (e.g., agricultural labor in India).
- In the Netherlands, investigators were able to calculate the profit generated by two sex traffickers from a number of victims. One trafficker earned \$18,148 per month from four victims (for a total of \$127,036) while the second trafficker earned \$295,786 in the 14 months that three women were sexually exploited according to the OSCE.
- While sexual exploitation generates profits, forced labor saves costs. In one case, Chinese kitchen workers were paid \$808 for a 78-hour work week in Germany. According to German law and the OSCE, a cook was entitled to earn \$2,558 for a 39-hour work week.

Key learning point:

Despite the high value of THB globally, ALEFA has found that financial investigations are not routinely carried out in THB investigations.

⁴ International Labour Organisation, <http://ilo.org>

⁵ 2018 UNODC Global Report on Trafficking in Persons

⁶ Europol Situation Report Trafficking in human beings in the EU, The Hague February 2016

⁷ International Labour Organisation, <http://ilo.org>

1.3 Who are ALEFA ?

The Association of Law Enforcement Forensic Accountants ("ALEFA") is an unincorporated association of forensic accountants who work with law enforcement agencies and civil, non-conviction based asset recovery agencies. ALEFA is a network under Europol, formally established 2014.



The purpose of ALEFA is to support and enhance the response of society to the challenges of serious crime.

ALEFA seeks to achieve this purpose by the pursuit of specific objectives including:

- promoting the highest standards of fairness and integrity amongst its members;
- establishing and maintaining a publicly-accessible database of legal decisions, articles and materials of professional interest;
- fostering, to the extent that the various legal systems allow, peer support and co-operation between members;
- promoting the recognition of the role that forensic accountants and the techniques of forensic accounting can play in tackling serious crime;
- contributing to the professional development of its members by developing statements of practice, educational initiatives and codes and
- contributing to the professional development of other investigators and colleagues (i.e. non-accounting specialists) in the Agencies through such advice and training as may be appropriate.

1.4 ALEFA THB Project 2018

Due to the challenges faced from the THB problem globally, with the destructive impact on peoples' basic freedoms and the fundamental right to be treated with dignity, ALEFA has sought to provide an appropriate professional consideration of this issue.

Consequently, this project focuses on tackling the financial aspects of Trafficking in Human Beings.

The projects objectives are to increase and develop the role of financial investigators and forensic accountants in THB cases in all EU countries.

Forensic accounting and financial investigations can be used for the purpose of tracing and confiscating the proceeds of crime.

Financial investigations are also a tool for gathering evidence and can be utilised to identify networks of criminals, provide proof of ownership and culpability and to feed into risk assessment and detection tools. In order to identify the modus operandi of those who commit THB crimes we need to understand their business structures, recognize their drivers and use our skills to remove their incentives.

The project also seeks to improve financial analysis in the identification of beneficial ownership; investigate the criminal use of companies; increase the role of internet investigations; and to provide a platform for common access of training and development in this area.

It was ascertained that the most suitable way of developing financial investigations in THB cases was to gather forensic accountants and experienced financial investigators from all EU countries and beyond, and arrange a training program with workshops and seminars to develop a best practice approach. This included working through practical cases together.

The case studies were based on the experience gained from experts during exchange visits to different countries. The project has evaluated and summarized the outcomes of these experiences in this handbook with a view to outline best practice for financial investigations in THB cases for use in all EU countries.

This handbook includes contact points, one forensic accountant/financial investigator or THB expert in every EU country, who can be used as a contact point for THB financial investigations.

2. Financial investigation of THB

2.1 What is a financial investigation?

This handbook assumes that not every investigator encountering THB is a full-time financial investigator. Financial investigation can be seen as an “add-on” to an investigator’s role, which can often result in important evidence being overlooked, because it is not the investigator’s primary focus. It should be recognised, however, that using experienced financial investigators can reduce investigation costs, encourage time savings through focusing enquiries, and provide other ways of uncovering evidence.

The Financial Action Task Force (FATF) definition of financial investigation is as follows:

Financial investigation is an enquiry into the financial affairs related to a criminal activity. It helps to:

- Identify the extent of criminal networks and/or the scale of criminality
- Identify and trace the proceeds of crime, terrorist funds or any other assets that are, or may become, subject to criminal confiscation; and
- Develop evidence that can be used in criminal proceedings.

Financial investigations are also routinely used in non-conviction based asset recovery and tax investigations.

According to the UK’s College of Policing website⁸:

“Financial investigation should be used alongside all other investigative methods. It is not just a tool for specialists or concerned only with the proceeds of crime legislation and asset recovery.”

A financial investigation may involve an element of asset recovery but this may be for other reasons, such as to inform a criminal money laundering investigation, trace missing persons or witnesses, or simply to **enhance the quality of any criminal investigation.**

Opportunities exist to use financial investigation for purposes much wider than those traditionally considered. By developing a **basic understanding of the evidential resources that financial investigation may offer, investigators are able to maximise the potential for building evidence, developing intelligence and enhancing the quality of their case.**

⁸ <https://www.app.college.police.uk/app-content/investigations/investigative-strategies/financial-investigation-2/effective-financial-investigation/>

In THB cases a financial investigation can be used for:

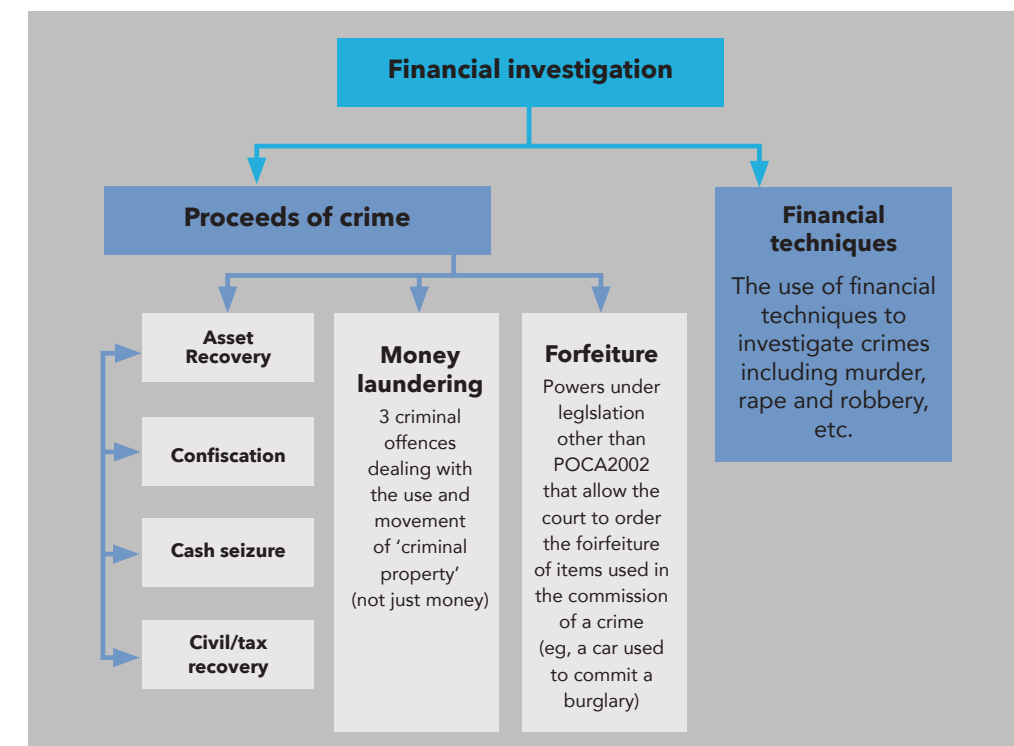
- Calculation of criminal profits
- Identify victims of human trafficking
- Establish compensation for victims
- Tracing money flows
- Investigation of commercial structures
- Investigating an Organised Crime Group (OCG)
- Locating criminal profits in country of origin
- Investigation of Hawala and Money Service Businesses (MSB) for transferring funds
- Tracing and seizing assets in country of origin.

Key learning point:

All THB cases should involve financial investigation, but only the more complex cases are likely to require the input of a forensic accountant.

You do not need to be a financial investigator (FI) to make use of financial investigation tools.

The below diagram reproduced from the College of Policing website provides a useful overview of the remit of financial investigation within the UK, which will be relatively typical in most countries.



THB leaves a **financial footprint** from the outset, and this is explored further below.

The next sections split the concept of financial investigations into several different phases and raises common considerations when dealing with THB cases.

2.2 Financial investigation or forensic accounting?

It is worth clarifying the similarities and differences between financial investigation and forensic accounting. Both have superintendence over the analysis of financial investigation for court proceedings, and to that extent there is a significant overlap in their roles. Indeed in certain jurisdictions their descriptions are almost used interchangeably.

A "Forensic Accountant" is often used to analyse, interpret, summarize and present complex financial and business issues in a way that is both understandable and accurate support.

It can also be pointed out that Forensic Accounting has specializations depending on special areas. It can be to investigate deficiencies in accounting, bankruptcy, and insolvency issues, IT forensics, crime prevention etc.

A person who works as a Forensic Accountant must have a higher level qualification, at least a bachelor or master degree that is related to economics and finance and frequently membership of an accountancy institute or profession.

Generally speaking, the term "Financial investigator" is broader than "Forensic Accountants". A Financial Investigator works in the federal, state, or local law enforcement agencies to investigate financial crime such as fraud, embezzlement, theft, and forgery or the financial aspects of any crime, for example organized and international crime. In addition to the general qualifications needed to become a criminal investigator, sometimes "Financial Investigators" have some certified financial training and several years of relevant experience. Relevant experience includes previous law enforcement investigations, professional accounting, financial analyses, auditing. Most authorities require at least one to three years of assignment-related work experience.

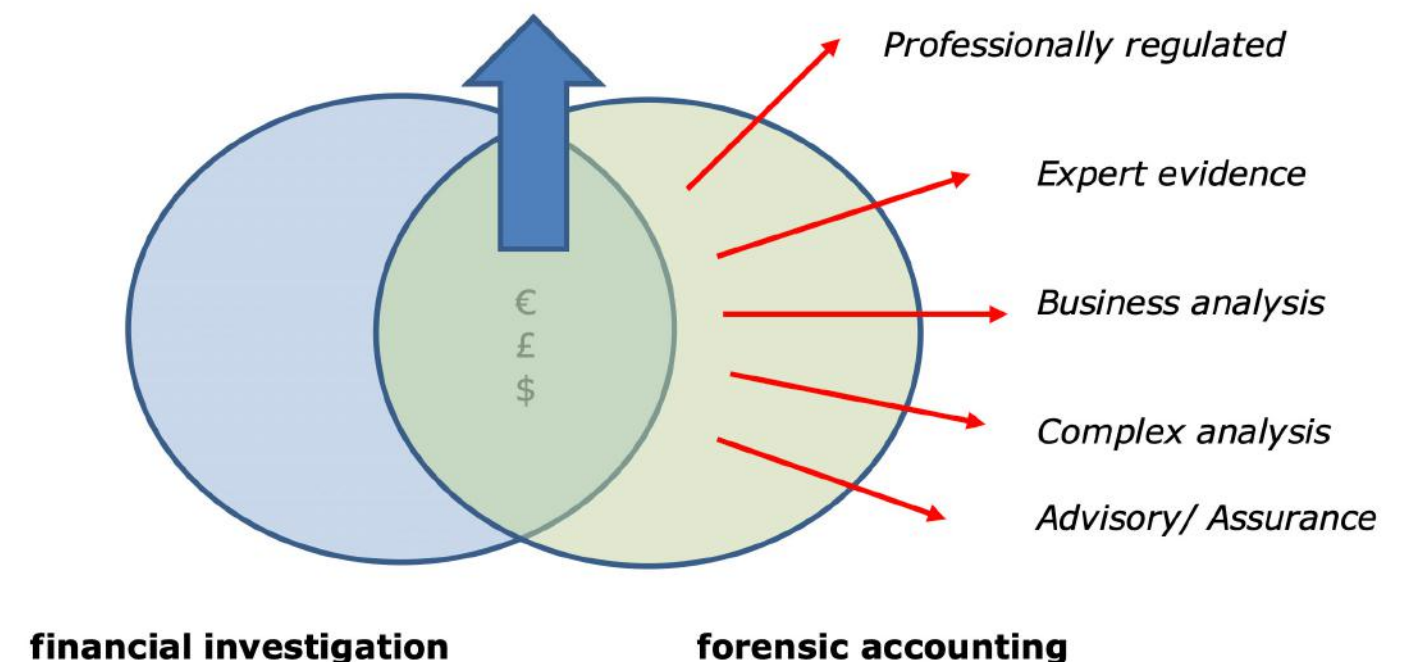
Consequently, where financial activity is particularly complex, or especially where it involves analysis or judgment on corporate or business activity, the use of a forensic accountant is advantageous. Of course, complex cases are often supported by financial investigators without any accountancy input. Indeed, during this project, the majority of case studies considered have received forensic accountancy support.

However, it is worth noting that some of these cases have not analysed the businesses into which the proceeds of crime have been traced, limiting asset forfeiture opportunities.

2.2.1 When to use a Forensic Accountant?

As a "rule of thumb", it is advised that financial investigators should specifically seek forensic accounting assistance where business or corporate analysis is required, and/ or a defence forensic accountant has been instructed. This should not rule out seeking general advice from a forensic accountant at any stage of the investigation.

Analysis of financial information



3. Financial Investigation - Phase I Identification

This section explores issues surrounding the identification of THB cases, and seeks to provoke some considerations for your own THB investigations.

3.1 Reactive identification

Most THB cases will be identified on a reactive basis, namely where information has been provided to the countries National Referral Mechanism⁹, or where police, border or other law enforcement investigators encounter overt or suspicious activity.

Consequently, law enforcement will inevitably be obliged to prioritise:

- a. Victim's safety and
- b. Identification and arrest of subjects

It is clear that THB investigations are resource-intensive and provide several unique challenges, including likely resource implications (personnel and cost) for dealing with vulnerable people and language barriers. It is perhaps these additional challenges that lead to the financial investigation aspects being under-exploited.

With these competing priorities a concerted effort should be encouraged not to neglect potential evidence even at an early stage of a THB or potential THB case. This is where seeking advice from a forensic accountant could be useful.

Key learning point:

Pro-actively seek financial information at the earliest possible opportunity in all THB investigations.

There are various published reference documents highlighting **red-flags or indicators** to assist when THB is taking place. It is worthwhile researching documentation, such as the "ILO Indicators of Forced Labour" for example. Whilst a detailed analysis of THB indicators is outside the scope of this handbook, it is important to note that some of these indicators will have a financial footprint.

⁹ Each EU country is obliged to have their own National Referral Mechanism for THB

According to a September 2017 report from the International Labor Organization (ILO) and Walk Free Foundation the key indicators include:

- Abuse of vulnerability
- Deception
- Restriction of movement
- Isolation
- Physical and sexual violence
- Intimidation and threats
- Retention of identity documents
- Withholding of wages (**Financial footprint**)
- Debt bondage (**Financial footprint**)
- Abusive working and living conditions
- Excessive overtime (**Financial footprint**)

As shown above, some of these will quite clearly have a financial footprint, and it is important to gather this evidence at the earliest opportunity.

FinCen¹⁰ provides some more detailed Human trafficking Red Flags for consideration by financial institutions and these can be more widely considered during your investigations. It is also worth highlighting the types of information that financial institutions will be looking for, as this is likely to form part of their Suspicious Transaction Reporting.

Red flags:

- A business customer does not exhibit normal payroll expenditures (e.g., wages, payroll taxes, social security contributions). Payroll costs can be non-existent or extremely low for the size of the customer's alleged operations, workforce and/or business line/model.
- A customer with a business may deduct large amounts from the wages of its employees alleging extensive charges (e.g., housing and food costs), where the employees only receive a small fraction of their wages; this may occur before or after the payment of wages.
- Transactional activity (credits and/or debits) inconsistent with a customer's alleged employment, business or expected activity, or where transactions lack a business or apparent lawful purpose.

¹⁰ Financial Crimes Enforcement Network (bureau of the United States Department of the Treasury)

- Cash deposits or wire transfers are kept below \$3,000 or \$10,000 in apparent efforts to avoid record keeping requirements or the filing of Currency Transaction Reports (CTRs), respectively.
- Frequent outbound wire transfers, with no business or apparent lawful purpose, directed to countries at higher risk for human trafficking or to countries that are inconsistent with the expected activity of the business.
- A customer's account appears to function as a funnel account, where cash deposits occur in cities/states where the customer does not reside or conduct business. Frequently, in the case of funnel accounts, the funds are quickly withdrawn (same day) after the deposits are made.
- Multiple, apparently unrelated, customers sending wire transfers to the same beneficiary. These wire senders may also use similar transactional information including but not limited to a common address and phone number. When questioned to the extent circumstances allow, the wire senders may have no apparent relation to the recipient of the funds or know the purpose of the wire transfers.
- Transactions conducted by individuals, escorted by a third party (e.g., under the pretext of requiring an interpreter), to transfer funds (that may seem to be their salaries) to other countries.
- Common signer(s)/custodian(s) in apparently unrelated business and/or personal accounts. Similarly, common information (e.g., address, phone number, employment information) used to open multiple accounts in different names.
- Accounts of foreign workers or students where the employer or employment agency serves as a custodian.
- Unexplained/unjustified lifestyle incommensurate with employment or business line. Profits/deposits significantly greater than that of peers in similar professions/business lines.
- Inflows are largely received in cash where substantial cash receipts are inconsistent with the customer's line of business. Extensive use of cash to purchase assets and to conduct transactions.

ACAMS¹¹ also list some further potential Red Flags of Human Trafficking and Smuggling, from a financial point of view:

- High volume deposits through funnel accounts and immediate withdrawals from border towns
- Ongoing ATM/credit card transactions in even amounts between 10 PM and 6 AM
- Credit card payments to online escort services for advertising
- Sudden activity changes in business accounts outside of the customer's expected profile
- Use of anonymous monetary instruments to pay bills
- Structured cash deposits at multiple bank branch locations

¹¹ Association of Certified Anti-Money Laundering Specialists

3.2 Proactive identification

The legal framework for addressing trafficking in human beings is the Directive 2011/36/EU on *preventing and combating trafficking in human beings and protecting victims*, which was the first EU measure of criminal law to be adopted under the Lisbon Treaty. It harmonises the definition of the crime and the penalties. It further sets robust provisions for the protection, assistance, and support to victims, as well as provisions to prevent the crime and provisions to better monitor and evaluate our efforts. It places the victims at its heart and ensures that people who are victims of trafficking are given an opportunity to recover and to re-integrate into society.

Consequently, as THB is an EU priority, Member States and relevant authorities will be expected to make a positive impact against it.

It therefore makes sense that Member States will be proactive in THB investigation.

One recommendation is to use the Member State's Financial Intelligence Units (FIUs) to data-mine their Suspicious Transaction Reports and other data sources in order to develop THB cases and evaluate the THB threat picture.

Key learning point:

Consider pro-actively developing THB casework from available financial intelligence.

4. Financial investigation - Phase II Investigation

Once a case has been scoped and adopted, it is vital to adopt an effective case strategy.

As targets are identified, investigators will need to obtain information and financial data, and ensure that reliable and admissible evidence is secured for trial. Depending on the investigation plan, the financial data may include all assets and liabilities and all income and expenses of the targets and their businesses. Documents and other leads will need to be gathered from a range of sources, including the Internet and other publicly available sources; government agencies; financial institutions, including e-banking facilities; money service providers; trust and company service providers; real estate agents; businesses; employees; associates of the targets; and the target themselves.

4.1 Sources of financial information

Each country and law enforcement agency is likely to have its own templates and standard forms on how to conduct a financial investigation and how to present findings in a structured format.

Here we present some suggestions of information which could be included in a financial investigation. Depending on which country and which agency you work in, you will find the information from differently named registers, sources etc. Some information could be held in the public domain whilst some may need to be requested formally e.g. through application for court orders or using International Letters of Request (ILORs).

A financial investigation might seek to obtain the following information:

- Data from the National Population Register (name, date of birth, address, family)
- Tax records (taxation information for approximately 5 years)
- Real estates records
- Company involvement
- Vehicle possession
- Current debts with the Enforcement Authority
- Bank accounts and other information from financial institutions
- Money Service Businesses (MSB) ; Western Union, Money Gram and RIA Money Transfer
- Assets abroad (from the ARO or CARIN offices or via European Investigation Order or Mutual Legal Assistance)
- Information from police databases

A deeper financial investigation could also include the following:

- Interrogation of suspects regarding their assets and their lawful capacity to acquire these. Suggested interrogation questions are listed below.
- Mapping the ownership of assets owned by decoys, strawmen, e.g., cars, through procedures such as analysing intercepted phone communication, reviewing account information regarding who pays for insurance, repairs etc. In this instance, information from the Enforcement Authority, among others, can be of assistance.
- Calculation of proceeds of crime (see below).
- Open source intelligence (i.e. Social media).
- Reviewing FIU (suspicious transaction reports).
- Exchange of information and request to cooperate with other states related in the investigation (destination country, transit country, etc.).
- Share data via Europol who are able to cross check information.
- The request for international cooperation can be made by Europol, Eurojust, and Interpol.
- If the investigation covers several EU countries a JIT (joint investigation team) could be a possibility. The prosecutor leading the investigation could contact Eurojust for JIT investigations.

4.2 Identified methods of repatriating the proceeds from THB

THB investigations have determined that OCG's often send the money back to the country of origin. To repatriate their profits a number of methods have been identified:

- Cash. OCG's mainly use cash as the primary means of laundering their proceeds, which is a challenge for law enforcement authorities and the financial investigator who is trying to follow the money. Cash couriers are used to carry large amounts of money across borders. To combat this consider:
 - Using cash teams and border controls aiming to detect the cash movements across borders.
 - Using cash dogs trained to detect cash.
- Hawala. Another common way for criminals to transfer their money back to the country of origin is via a Hawala system. Hawala is described in Appendix F.
- Money Service Businesses (MSB) are commonly used for laundering the proceeds from THB. The most common MSB used in THB cases are Western Union, RIA and Money Gram.

4.3 Suggested interrogation questions related to the financial investigation

- ? How do you earn your living? (going several years back in time)
- ? What income do you have (salary, business activity, other income)?
- ? Where do you live (rental flat, house)?
- ? Who owns the flat/house?
- ? How long have you lived there?
- ? Do you live together with someone or by yourself?
- ? What are the monthly costs?
- ? Do you have any cars?
- ? Do you own a boat or other leisure items?
- ? Do you own any other property, anywhere in the World?
- ? Do you own stocks, shares or other funds?
- ? Do you own stocks or have shares in your own company?
- ? Do you have any debts?
- ? In which banks do you have bank accounts and/or share and fund holdings?
- ? Have you recently won money on gaming or on the lottery?
- ? Have you recently received property as inheritance or a gift?

It is important that the suspect is questioned about his assets and finances at an early stage. The purpose of this is both to provide a basis for further investigation and to prevent the suspect from having the chance to provide different explanations that may be difficult to refute later in the investigation. The suspect's explanations and information during the interrogation will be a guiding factor for further investigation.

Suggested interrogation questions to the victims related to the financial investigation:

- ? Who organised your travel?
- ? How long have you been working in the country?
- ? Who recruited you?
- ? Who paid for your travel?
- ? How was it paid?
- ? How much money are you paid?
- ? How are you paid?
- ? What do you do with the money you receive from clients?
- ? Who is your manager/pimp/madam?
- ? Do you know where the money goes? [If the money is sent back to the country of origin, ask for evidence at the money transfer agencies to find the one who receives the money.]
- ? Where do you stay/live?
- ? Who arranged your accommodation?
- ? Who is paying for the accommodation?

4.4 Money transfers and payment methods

During the course of this project, a key theme was that THB appeared to be predominantly a cash-based crime.

This is unsurprising particularly given that those spending money in the sex trade, donating to beggars and paying forced labour will pay in cash, either through convenience or to avoid detection.

Consequently, it is also unsurprising that Informal Value Transfer Systems (IVTS) are often reportedly used. See Appendix F for an overview of Hawala.

The findings from this project include that money in THB investigations is often sent back to the country of origin.

Trans-border cash smuggling is believed to be common. The money enters the country of origin through cash couriers or through financial transfer systems that are not transparent to financial controls.

It is a challenge for law enforcement to follow the money related to THB since it is mainly in cash and is often untraceable.

International money transfers agencies such as Western Union, Money Gram and Ria Money Transfer are also used when transferring money to the country of origin. It may be the victims themselves who make the transfer in their own name instead of the criminal.

Money sent back to the country of origin is often invested in property or sent to relatives.

Money is sometimes invested in agriculture and restaurant businesses.

Trade based money laundering (cars and other high value goods such as handbags, mobile phones etc.) are bought in the destination country and brought to the country of origin.

If money is not invested or sent back to the country of origin, the criminal proceeds are used mainly as an income source to allow the criminal to enjoy a life of luxury, alternatively the money is gambled away.

There have been a small number of reported instances in the use of modern financial payments such as bitcoin, prepaid credit cards or other payment methods exploiting technology for THB cases. With these methods being used with increased frequency for other criminality types, it is likely that this will be increasingly used in THB activity.

The above is mostly focused on receipt of payments from the customers, and receipts by the criminals and facilitators.

However, it is also important to emphasise the payments for the purpose of travel, for example flights, and other expenses such as living costs, hotel costs can often be evidenced through bank transactions, which can provide precise, time-bound investigative evidence.

Key learning point:

Cash is still king.

Hawala and other kinds of informal value transfers are often seen, particularly when transferring funds back to origin countries.

Limited evidence of modern digital financial payments, e.g. Bitcoin being used, but consensus is that, like for most other criminality, this will increase. It is therefore important for an investigator to be able to recognise evidence for this type of transaction.

4.5 Calculation of the proceeds of crime

The financial investigation helps assess the amounts involved in the THB case. Calculating the proceeds from the human trafficking case is a very important tool both in order to confiscate the proceeds of crime and in order to identify the extent of the criminality, which is evidence for the criminal proceedings.

There are many different ways to assess the proceeds of a human trafficking case. The most basic method entails a direct calculation of the profits of the criminal enterprise.

Examples of direct calculation of illegally obtained profits in different types of human trafficking cases:

- In sexual exploitation: number of victims x average price of sexual services x typical number of clients
- In labour exploitation: costs avoided, quantifying amount of unpaid wages, outstanding taxes and social contributions + duration employment working hours, type of labour.
- In forced begging: number of victims x average amount of earnings per day

Information regarding number of clients and prices might be collected through sex ads, via interrogation with the victims or via surveillance, or for example by calculating the number of condoms purchases by the company/trafficker or victim. This calculation of the turnover and profits from the THB activity is an important document in the seizure of assets, the issue of fines and may even influence the length of sentence on conviction.

The bank account analysis might also reveal some information regarding hotel bookings, travel costs etc. that can also be useful in order to assess the extent of the criminal activity. Information from an MSB might reveal detail of how much money the criminal network has sent back to the country of origin or consumed in the destination country. All these information types can be useful in order to assess the revenue and profit.

Information regarding working hours, working conditions, paid or unpaid wages might be collected through interrogation with the victims or via surveillance. The book keeping and the bank accounts of the company and the exploiters and/or victims might reveal very useful information as well.

The experience from human trafficking cases related to sexual exploitation is that the victims get to keep 50 % of the earnings. This therefore would allow an easy calculation of the amount the suspect illegally earned being the proceeds of crime as the other 50 % of the revenue.

Calculations of proceeds of crime often include extrapolations and assumptions. The question whether to take operating expenses into account is a typical point of contention in this matter. Discuss the calculation model with the prosecutor and the investigators in the case, it might be useful to consider legal cases within your jurisdiction and then decide which revenue and expenses to take into account.

4.6 Using a business model to analyse the THB case

It is understanding the relationships between the key individuals, as well as all aspects of the “business model” that will enable you devise an appropriate strategy.

In encountering a suspected THB, a typical investigation prioritises the following objectives:

- a. Victim protection
- b. Conviction of defendant

Consequently other aspects may be overlooked, including information that may also assist in the above two priorities.

It is important that all avenues are exhausted and documented for reference. Where information is not yet known, it is often useful to hypothesise as a means to understanding possibilities, which may be proved or disproved based on further evidence as it becomes available.

By using a pro-forma model, it will effectively force you to consider aspects you may have otherwise overlooked.

A description is provided below of each of the component parts of the Business Model Canvas used in the ALEFA training event. It is useful that these describe examples of legitimate businesses to enable a greater understanding, but you should of course apply the concepts to THB criminality.

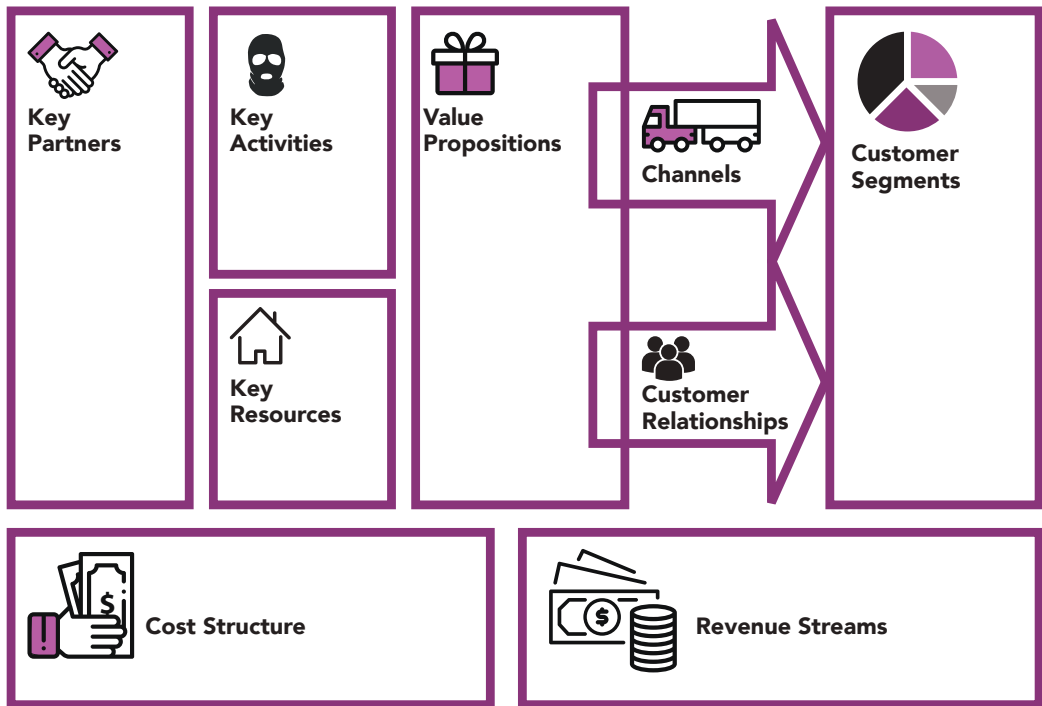
Obtaining an initial statement from potential victims or witnesses can be very useful, as due to the dynamic relationship between exploiters and the exploited, various case studies indicate that victims’ stories may change in an attempt to protect themselves or their exploiters.

As an illustration, finding out verbally that a victim claims to be under debt bondage at an early stage of an investigation may be the key quantifiable financial evidence in a case. Obviously it will be the totality of evidence and intelligence, financial and non-financial, that will determine the outcome of a case, but financial evidence often plays a determining part in this.

4.6.1 Business Model Canvas

As part of the research at the ALEFA event in April 2018, several THB case studies were applied to a “Business Model Canvas” in order to provide a more systematic approach to understanding THB criminality. It is recommended that this Model, as developed by Osterwalder (2004), or a variant thereof, is used as a framework through which to understand your THB case. The Business Model Canvas is a strategic management and entrepreneurial tool. It allows you to describe, design, challenge, invent and pivot your business model. The Business Model Canvas helps to analyse and identify relationships and processes to assist effective interdiction. In the Business Model Canvas you analyse a business through its:

- Key Activities
- Key Partners
- Key Resources
- Value Proposition
- Costs
- Revenue
- Customers
- Channels
- Customer Relationships



4.6.2 Project Jackal

Project Jackal was developed by Kenneth Murray, Head of Forensic Accounting for Police Scotland (and an ALEFA member), based upon a methodology similar to the Business Canvas Model. The following section details this project and in appendix D you can find an example of how this was applied to a THB case.



The Project Jackal approach to tackling criminal business systems – a briefing

- JACKAL is a framework for using financial and business intelligence, and related open source information, in such a way as to sharpen Law Enforcement’s understanding of how Organised Crime Group (OCG) works.
- Making profit is the OCG goal. However, there is no restriction on OCGs as to how they do this; no rule that says they must only use criminal means to achieve their economic objectives. The ways in which profit making by OCGs involves use of legitimate businesses is therefore a necessary part of the analysis in order to arrive at a full understanding of OCG distinctive capabilities.
- The key concept here, therefore, is that we are not just looking at criminal activity. We are looking at business processes which involve criminality, which may include legitimate businesses which are funded or subsidised by criminality, or which play an enabling part in achieving a criminal objective (e.g. money laundering).
- The essence of what JACKAL does is to take on board all relevant sources of intelligence, and all relevant open source information, and analyse it in such a way that we can determine the key distinctive capabilities that relate to the OCG, and then, on the basis of this understanding, identify vulnerabilities that can be exploited through the generating of law enforcement actions.
- What we need therefore is a scheme to collect and organise these inputs so they start to make sense in terms of what we are trying to do. The JACKAL matrix below is essentially a modified business generation model. What we are doing initially is using it as a sorting box for the various pieces of business information.

KP = KEY PARTNERS	KA = KEY ACTIVITIES	VA = VULNERABILITIES & ACTIONS	CR = CUSTOMER RELATIONS	CS = CUSTOMER SEGMENTS
Accountants	Business Activity	Assessment of OCG in terms of organisation, network or process <ul style="list-style-type: none"> Distinctive capabilities exploited by OCG Assessment of Vulnerabilities Actions based on options and opportunities suggested by Vulnerabilities 	How do they look after their customers?	Customer markets serviced:
Lawyers	Criminal		How do they keep them?	Legitimate
Surveyors	Legitimate		How do they get new customers?	Criminal
Logistics	Criminal service to legitimate customer			Public Sector
Bankers	Criminal service to criminal customer			Private Individuals
Landlords	Legitimate service to criminal customer			Foreign Criminal
Suppliers				Partners
Import/Export Agents	KR = KEY RESOURCES		CH = CUSTOMER CHANNELS	
Money Changers			Routes to market	
Fund Managers	Access to specialised expertise commodity channels money laundering channels		How do they reach customer? Advertising and distribution channels	
C\$ = CASH RESOURCES		RS = REVENUE SPEND		
Sources of working capital; sources of loan finance; recycling of criminal funds; co-investment of criminal partners		Dividends; wages; cash exports; cash placements into the banking system; asset purchase; investment funds		

The relevant ‘sorting boxes’ are as follows:

KP = Key Partners – What are the key business relationships the OCG has: suppliers, customers, professional advisors? Remember we want to include both legitimate and illegitimate contacts.

KA = Key Activities – What does the OCG do. What fields of criminality is it engaged in? What legitimate businesses is it engaged in?

KR = Key Resources – What access does it have to specialised services e.g. money laundering services? Access to distribution networks, technological expertise etc.?

The above ‘K’ boxes can be thought of as being concerned with ‘WHAT DOES THE OCG DO?’ They principally relate to the distinctive capabilities of **ARCHITECTURE**, (i.e. the OCG’s network of ‘relational contacts’) and **INNOVATION** (i.e. the ability to adapt to changing circumstances and develop new ways of doing things).

CR = Customer Relations – How does it deal with its customers? Threats? Coercion? Economic bullying? Maintaining good relations? Emphasising quality of service?

CH = Customer Channels – How does the OCG access markets (usually referred to as routes to market) – both legitimate and illegitimate. What interfaces are there with legitimate businesses (interfaces between criminality and legitimacy are always potential interventions opportunities)? What are its principal routes to criminal markets e.g. drug distribution networks; specialist internet intermediaries who provide platforms for sex customers (often very relevant for Human Trafficking OCGs)?

CS = Customer Segments – What markets does the OCG serve and how can they be analysed: i.e. in terms of geography? Or industry? Or type of criminality? Or product or service type? We are looking for a profile of the areas where the OCG has demonstrable presence and influence.

The above ‘C’ boxes can be thought of as being concerned with ‘**WHAT DOES THE OCG CONTROL?**’ The nature of transactions in organised crime usually involves the exercising of an element of control. The ways in which this is achieved, maintained and nurtured can disclose a lot about the factors that make an OCG successful. The above ‘C’ boxes therefore can be said to principally relate to the distinctive capability of **REPUTATION** and the further source of competitive advantage in the form of **STRATEGIC ASSETS**, being principally the markets or distribution channels or geographical areas over which the OCG can exert **CONTROL**.

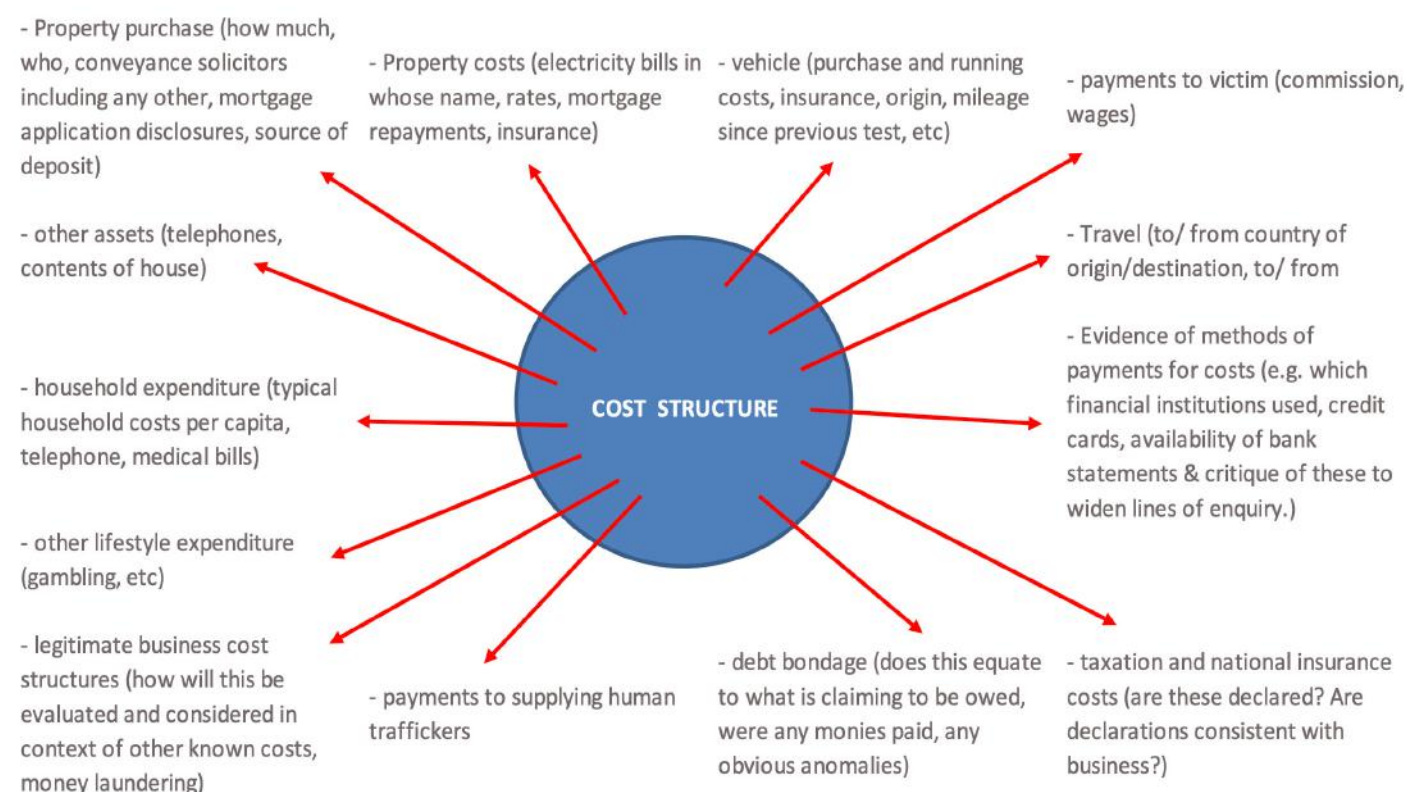
C\$ = Cash Resources – Where does the cash come from? How is it realised? How is it collected? How do they place it in money laundering schemes and how do they layer it thereafter?

RS = Revenue Spend - Where does the money end up? Re-investment in drug deals? Offshore investment funds, yachts and houses etc.?

These last two categories relate to the **Cash Spine** that sustains the OCG business activity. Mapping out the cash spine is key to identifying the pressure points in the business process that may be vulnerable to law enforcement action.

4.7 Cost Structure Analysis

If you were to explore and document the 'Cost Structure' alone for example, you may consider the following lines of enquiry in a THB case.



Key learning point:

Use a pro-forma Model to consider all key angles to your THB investigation (see Appendix C for a blank template)

As well as overt financial activity or evidence, a lack thereof could be relevant to an investigation. For example, most countries will have National Statistics on typical expenditure of sections of the population which could be used as a reference point against which to compare the individuals under investigation.

A lack of evidence of household expenditure in bank accounts, for example, may be relevant, as it would imply not all bank evidence is available, additional cash being used, or other individuals are involved.

4.8 Money laundering in THB

All financial investigators will be aware of what constitutes money laundering, particularly the common three phase approach of Layering, Placement and Integration.

This can be broken down even more simply, in that money laundering is the process through which the links between the criminal proceeds and the criminal and/or the criminality are broken.

This is as true for THB as it is for any other predicate criminality.

Some basic examples of likely money laundering activity linked to THB:

- Exploiting international boundaries to remain undetected, e.g. through use of intermediaries
- Use of informal value transfer thus hiding details of the recipient
- Use of straw men or businesses to hide beneficial ownership of assets
- Spending money on lifestyle, not assets, to hide criminal's financial foot print
- Operating in sectors decriminalized in host nation, e.g. prostitution or begging
- Relationship with victim masking exploitation
- Feigning legitimate business trade/Co-mingling criminal funds with clean money, e.g. buying and selling vehicles or other commodities sold for cash
- Trading in cash to hide evidence of criminality

Key learning point:

Key elements of Money Laundering are often evident in THB cases.

Consider whether the financial evidence you gather may constitute an additional money-laundering charge, particularly if there is a cross-border element to transfers.

4.9 Legitimate Businesses

This project has highlighted examples where the proceeds of THB are traced into legitimate businesses. It is noted that what constitutes a legitimate business varies from country to country. For example in some countries brothels will be deemed to be a legitimate business, in others they are not.

When uncovering an operating business which is central to a THB enquiry, often an investigator will be reluctant to pursue a full financial investigation of it.

Not pursuing the investigation of businesses may severely inhibit your evidence, and will almost certainly inhibit asset recovery.

Key learning point:

Do not be put off investigating businesses. Discuss the matter with a forensic accountant who will be able to advise you.

4.10 International issues

The very nature of THB is that it is **very often a transnational phenomenon**. While the concept of international criminality is not new, the fact that the commodity crossing borders are human beings makes it unique.

Freedom of movement of persons in the European Union has undoubtedly provided the backdrop for the ease of movement between countries.

A high number of victims of trafficking are coming from EU MS and thus they exploit the opportunity that of legitimate travel from country of origin to country of exploitation. OCGs exploiting non EU victims are using ID fraud, abuse VISA and asylum systems to regularize the status and movement of victims with EU.

Different cultural and legal aspects

One barrier to investigation is that, particularly in sexual exploitation cases, where prostitution is legal in the host country, prostitutes from poorer countries often regard themselves as having improved their circumstances. Therefore, victims may not consider themselves as such. In such circumstances, it is natural that the motivation to investigate these cases may dissipate. However, there are a number of case examples where THB conviction has been successful regardless of the victim not considering themselves exploited. It has also to be highlighted that THB investigations shouldn't be victim centric in terms of evidence collection. Additional evidence needs to be collected to complement/parallel the victim's statement, so as to have a stronger prosecution and more certain conviction. A financial investigation can assist to this direction.

International co-operation

There are numerous cross-border structures and initiatives encouraging closer cooperation between EU member states.

One of the first steps that should be taken by an investigator should be to contact Europol, the European Agency for law enforcement cooperation. Europol has a dedicated response to THB through its project Analysis Project (AP) Phoenix. AP Phoenix provides coordination, analytical and operational support to EU Member States investigations by exchanging¹² and cross-checking information against its intelligence databases. Information exchanged is not only checked against other THB investigations, but all Serious and

Organized Crime investigations supported by the Agency; this fact provides advanced opportunities to map criminal networks and identify links with ongoing investigations across the EU. EUROPOL can also assist with organizing operational meetings to promote cooperation and coordination of parallel investigations and also deploy its experts on the ground with specialized equipment to support operational activities.

The prosecutor in the investigation could consider contacting Eurojust. Eurojust provides effective co-operation for 28 Member states, Switzerland, Norway, USA, Ukraine, Montenegro and FYROM. Core tasks of Eurojust is to:

- Stimulate and improve co-ordination and co-operation of criminal investigations and prosecutions
- Support Member States investigations and prosecutions
- Support Member States in co-operation with non-member States in cases of particular interest

Eurojust could help in identifying co-operation partners and when suitable setting up a Joint Investigation Team (JIT). When to use a JIT:

- Where there is complex and complicated connection with other countries
- Where there are two or more criminal investigations

Benefits of Joint Investigation Teams (JITs):

- Setting up a JIT by-passes inefficient intelligence and evidence sharing protocols
- A JIT provides you with more options on case strategy including the choice of where to prosecute. A correct decision may positively influence the prospect of success.

Key learning point:

For cross-border THB cases, consider setting up a Joint Investigation Team (JIT), which greatly facilitates international judicial cooperation. You should also consider engaging EUROPOL at the earliest possible stage

Ask the investigators and prosecutor to contact EUROPOL and EUROJUST who will facilitate this process.

¹² EUROPOL's secure communication network, called SIENA, can be used for information exchange, up to the level of "EU Restricted/Restreint UE", between Member States, with EUROPOL and with Third Countries that have an established operational cooperation agreement with EUROPOL

5. Financial Investigation - Phase III Litigation

There were several litigation-based issues raised during this project in relation to the financial investigation of THB.

The first, and arguably most important one, is the decision about which country is best placed to prosecute the THB. This decision will clearly be derived from the case strategy.

Often this decision will rely upon advice on which jurisdiction offers the strongest prospect of success or disruption.

It should be noted that in certain jurisdictions, a proceeds of crime investigation may be progressed on a civil or tax perspective (with a lower threshold of proof, generally balance of probabilities), and this may be worth exploring.

Key learning point:

Engage with EUROPOL and EUROJUST when deciding which country/ countries in which to litigate.

One other point which was frequently expressed, was that recent experience showed that victims may be unreliable witnesses¹³. Reliance should therefore not solely be placed upon victim testimony, but should be strengthened with other evidence.

Financial evidence often has the highest weight, often being from third party sources, quantified, and time-stamped.

Another key aspect of litigation generally, is that if defence appoints experts (in the case of financial investigations these are generally forensic accountants), you should also do the same.

Key learning point:

Where defence instructs a forensic accountant, do the same.

Use the ALEFA network for advice.

¹³ For further reading see "Evidential Issues In Trafficking in Persons Cases" by United Nations Office on Drugs and Crime

6. Financial Investigation - Phase IV Asset forfeiture

Tracking criminal money is one thing, getting one's hands on it is another. However, the confiscation of illicit wealth is often the most efficient way of combating human trafficking, as it deprives the perpetrator of the profits.

In the area of human trafficking, it is common for the profits from this activity to be repatriated to the country of origin of the operators, where they are sometimes invested in the legal economy. In order to trace and confiscate the proceeds of crime internationally there are different law enforcement networks who can help you in this process.

6.1 Asset Recovery Offices (AROs)

Since 2008 all EU countries have an ARO within their law enforcement agencies. AROs help in depriving criminals of their criminal profits. AROs identify assets that have been illegally acquired on their territories and facilitate the exchanges of relevant information at European level. The exchange of information and request to another EU country is made via SIENA (Secure information exchange network application).

- The ARO request should contain the following information:
- information or intelligence requested
- information of the type of crime or criminal activity being investigated
- the purpose for which the information or intelligence is requested
- reasons for believing that the information or intelligence is in the requested Member State.

The information received via ARO is on an intelligence level and in order to use the information in a criminal investigation or a judicial process you need to have permission from the requesting authority or send a European Investigation Order (EIO) or a request of Mutual Legal Assistance in criminal matters (MLA).

6.2 The Camden Asset Recovery Inter-Agency Network (CARIN)

The CARIN network is an informal network of law enforcement and judicial practitioners in the field of asset tracing, freezing, seizure and confiscation. It is an inter-agency network. Each member state is represented by a law enforcement officer and a judicial expert (prosecutor, investigating judge, etc. depending on the legal system).

The purpose of CARIN is to increase the effectiveness of its members' efforts, on a multi-agency basis, to deprive criminals of their illicit profits.

CARIN contacts support the complete asset recovery process, from the starting point of the investigation involving the tracing of assets, to freezing and seizure, management and finally the forfeiture/confiscation, including any necessary asset sharing between jurisdictions. The representatives of the member states are called "national contact points". All are English speaking as the working language of the network is English. CARIN contacts may be contacted directly by phone or email.

CARIN currently has 56 registered member jurisdictions, including 28 EU Member States and nine international organisations. It is also linked to the other six regional asset recovery inter-agency networks (ARINs) across the globe. In total the CARIN network covers 150 jurisdictions.

You can request CARIN assistance if you are a law enforcement officer (police/customs/other law enforcement agency), a prosecutor, magistrate or judge, or an official from an ARO or Asset Management Office (AMO).

The information received via CARIN is on an intelligence level and in order to use the information in a criminal investigation or a judicial process you need to have permission from the requesting authority or send a European Investigation Order (EIO) or a request of Mutual Legal Assistance in criminal matters (MLA).

Key learning point:

Use CARIN and ARO networks to assist in recovery of international proceeds of crime.

7. Financial Investigation - Phase V Review and dissemination

Disseminate information and the result of an investigation to Europol.

Europol

- facilitates international cooperation and the exchange of criminal intelligence
- Identifies organized crime groups
- Targets the key perpetrators behind criminal networks
- Provides on-the-spot-support with access to criminal databases and analytical tools
- Provides forensic and technical expertise, training and capacity building

Provide Europol with updates and information from the investigation such as modus operandi, means of transportation, means of communications (e.g. telephone numbers, email addresses, social media accounts), locations, financial data and money transfers in order to make searches in their database and cross checks etc.

Information contributed to EUROPOL will be primarily used to support the ongoing investigation (operational analysis). Additionally, it will contribute to the wider understanding of the crime area, identify any emerging tendencies and threats and keep updated the intelligence picture on the phenomenon (strategic and thematic analysis).

Key learning point:

Share available information at the beginning of the investigation.

For completed investigations, it is often "out of sight, out of mind"; please disseminate the key aspects of your THB case to EUROPOL who will be able to further analyse and disseminate methodologies and themes more widely.

APPENDIX A- Types of human trafficking

There are several broad categories of exploitation linked to human trafficking and modern slavery.

Sexual exploitation

Sexual exploitation involves any non-consensual or abusive sexual acts performed without a victim's permission. This includes prostitution and pornography. Women, men and children can all be victims. Many will have been deceived with promises of a better life and then controlled through violence and abuse. It is also possible to exploit a person who consensually engages in providing sexual services.

Nigerian trafficking

Nigeria has become one of the major countries of origin when it comes to human trafficking for sexual exploitation to destination countries in Europe. The modus operandi of Nigerian trafficking is very different from other sexual exploitation and this is why Nigerian trafficking will be given special attention in this handbook. During the ALEFA THB project the ALEFA network has started a cooperation with the Europol expert network on Nigerian trafficking called the ETUTU group. The ETUTU group has published a handbook on Nigerian trafficking¹⁴. The information below on Nigerian trafficking is from this handbook.

Frequently found *modus operandi*:

Potential victims of trafficking (PVOT) are often recruited from rural villages in West Africa where they live, at markets where they work, at places of worship and from schools. At such places, local recruiters or Madams (female traffickers) meet their victims and persuade them to travel to Europe promising well paid jobs as hairdressers, shop workers, babysitters, waitresses or similar. In some cases, victims know that they are being recruited for sex work, although they may be unaware coercion is likely to be used. Juju rituals (voodoo rituals) are used to emotionally consolidate the exploitative relationship. Victims are made to swear allegiance, secrecy and confidentiality to their recruiter or Madam, placing them under considerable psychological constraint. After an oath has been taken, preparations for the victim to travel to Europe are made. During this journey the girl can be accompanied by a 'trolley'. The 'trolley' can be the same person as the recruiter. The 'trolley' does not always accompany the victim during the journey, but may solely be responsible for delivering the victim to the airport.

Upon arrival in the country of destination, a Madam, or one of the persons who works for her will collect the victim and escort her to the accommodation.

¹⁴ EMPACT THB – Project ETUTU “Operational Cooperation to Fight Nigerian Trafficking in Human Beings and Modern Slavery”

Once they arrive at their destination in Europe, victims are often forced to work as prostitutes by their Madams, and debt bonded to their trafficker for up to 70.000 Euros. In some cases, during the latter stages of exploitation, victims may be informed that their debt has increased due to additional living costs (i.e. accommodation, food), which can be added to the outstanding debt. The girl usually must pay the Madame the debt to secure her freedom from the trafficking contract. Until the full amount is paid the girl can be threatened or beaten and if they run away then her family in Nigeria can be threatened or beaten.

Intelligence from European THB investigations indicates that Organised Crime Groups (OCG) consist of short term alliances that are dispersed across Europe. Tasks are allocated according to a specific division of work, for example:

- Identification and recruitment of victims in Nigeria
- Preparation of the victim(s) for their arrival in Europe (e.g. language lessons, behavioural training, juju ritual, oath taking)
- Procurement of passports and fraudulently obtained visas for educational, business and tourist purposes
- Transport to the country of destination in Europe
- Arranging accommodation in Europe
- Supervision and control of the exploited victim to secure the repayment of their debt.

The UK National Crime Agency (NCA) operates a Joint Border Task Force (JBTF) in Lagos Nigeria which comprises NCA staff, Home Office, NGO's and specially recruited members of the Nigerian Police Force (NPF). This task force was set up to combat THB.

The Nigerian traffickers use a variation of Hawala for transferring money back to Africa. The variation of Hawala is known as “Black Hawala” which operates solely within the Nigerian community and utilises small businesses specialising in transferring money to Africa on behalf of Nigerians engaged in multiple types of criminality including human trafficking.

Forced labour

Forced/ compulsory labour involves victims being compelled to work very long hours, often in hard conditions without relevant training and equipment, and not getting paid a contractual salary or having to hand over the majority if not all of their wages to their traffickers. The types of work and working environment can often be described as 'dirty, demeaning or dangerous'. Forced labour crucially implies the use of coercion and lack of freedom of choice for the victim. In many cases victims are subjected to verbal threats or violence to achieve compliance.

Manufacturing, entertainment, travel, farming and construction industries have been found to use forced labour by victims of human trafficking to various extents. There has been a marked increase in reported numbers in recent years. Often large numbers of people are housed in single dwellings and there is evidence of 'hot bunking', where a returning shift takes up the sleeping accommodation of those starting the next shift.

The International Labour Organisation [ILO] has identified six elements which individually or collectively can indicate forced labour. These are:

- Threats or actual physical harm
- Restriction of movement and confinement to the workplace or to a limited area
- Debt-bondage
- Withholding of wages or excessive wage reductions that violate previously made agreements
- Retention of passports and identity documents (the workers can neither leave nor prove their identity status)
- Threat of denunciation to the authorities regardless of whether the worker holds legal status in the country or not.

Domestic servitude

Domestic servitude involves the victim being forced to work in private households. Their movement will often be restricted and they will be forced to perform household tasks such as child care and house-keeping over long hours and for little if any pay. Victims will lead very isolated lives and have little or no unsupervised freedom. Their own privacy and comfort will be minimal, often sleeping on a mattress on the floor in an open part of the house.

In rare circumstances where victims receive a wage it will be heavily reduced, as they are charged for food and accommodation.

Organ harvesting

Organ harvesting involves trafficking people in order to use their internal organs for transplant. The illegal trade is dominated by demand for kidneys. These are the only major organs that can be wholly transplanted with relatively few risks to the life of the donor.

Child exploitation

Persons under the age of 18 are classified as children. They are particularly vulnerable to exploitation by individual opportunists, traffickers and organised crime groups. They can be deliberately targeted by criminals, or ruthlessly exploited by the people who should protect them. About a quarter of the victims referred to the UK National Referral Mechanism are children, a high proportion of which are older teenagers. Children can be subjected to any of the exploitative conditions as mentioned above and common countries of origin for victims include Vietnam, Nigeria, Romania, Slovakia and the UK.

Forced begging

Forced begging is a form of exploitation that can result in human trafficking. Some beggars are being forced to do so by others. They have to hand over all or most of their earnings to the person who is forcing them to beg. They don't have enough money to survive regardless of the amount well-meaning people give them. Often victims of forced begging are migrants who come from impoverished areas. After moving to countries or cities with higher incomes and more economic opportunities, they become targets for traffickers who force them into begging.¹⁵

Begging is not an offence in several countries. Nevertheless, it is banned in some cases, for instance, when it implicates children or in the case of aggressive begging. It is difficult to combat trafficking for the purpose of forced begging. In the majority of cases, the perpetrators and the victims move around, making it very difficult to monitor and prosecute the phenomenon. In Sweden, there are some 5,000 beggars, 1,000 of which come from Bulgaria, the majority being of Roma origin. For this reason, the authorities must distinguish between those who beg out of necessity and organised groups who wish to profit from other people begging, thus making themselves guilty of human trafficking. Following up cases of human trafficking for the purpose of exploitation of begging requires specific investigation techniques, such as surveillance and a financial investigation.¹⁶

¹⁵ IOM International Organization for Migration

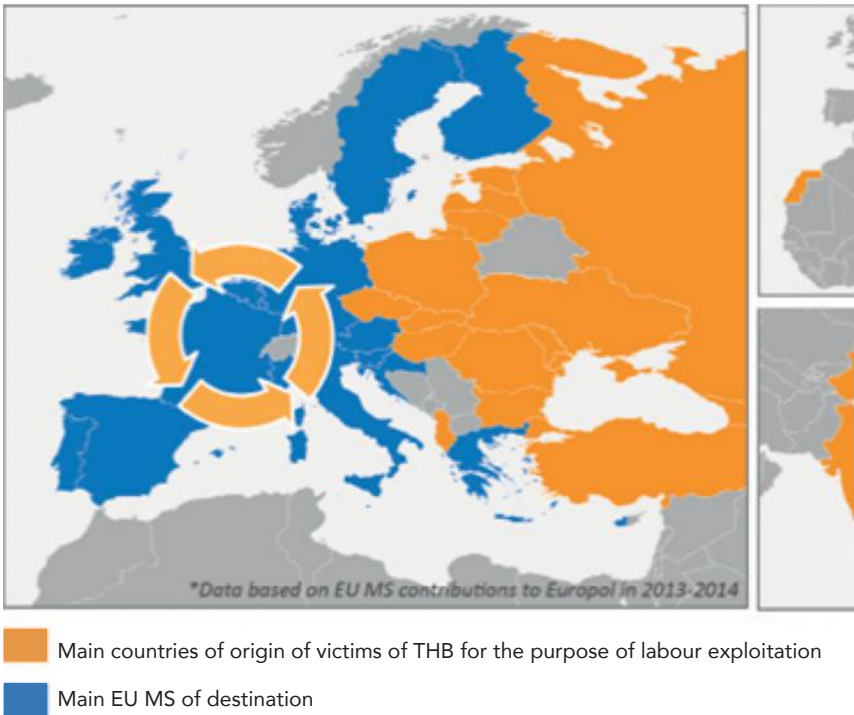
¹⁶ MYRIA, Federal Migration Centre Belgium. Annual Report 2016 Trafficking and smuggling of human beings, Beggars in the hands of traffickers

APPENDIX B- Country Visits

ALEFA delegates visited the following countries, chosen for their varied experiences of THB.



This provides a split between countries of origin and destination, as can be seen from the below illustrative excerpt from a Europol 2016 Situation Report on THB available online in relation to labour exploitation.



APPENDIX C- Template Business Model Canvas

KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITIONS	CUSTOMER RELATIONSHIPS	CUSTOMER SEGMENTS	
	KEY RESOURCES		CHANNELS		
COST STRUCTURE		REVENUE STREAMS			

<http://www.businessmodelgeneration.com>

APPENDIX D- THB Case analysed by the Jackal Matrix (Business Model Canvas)

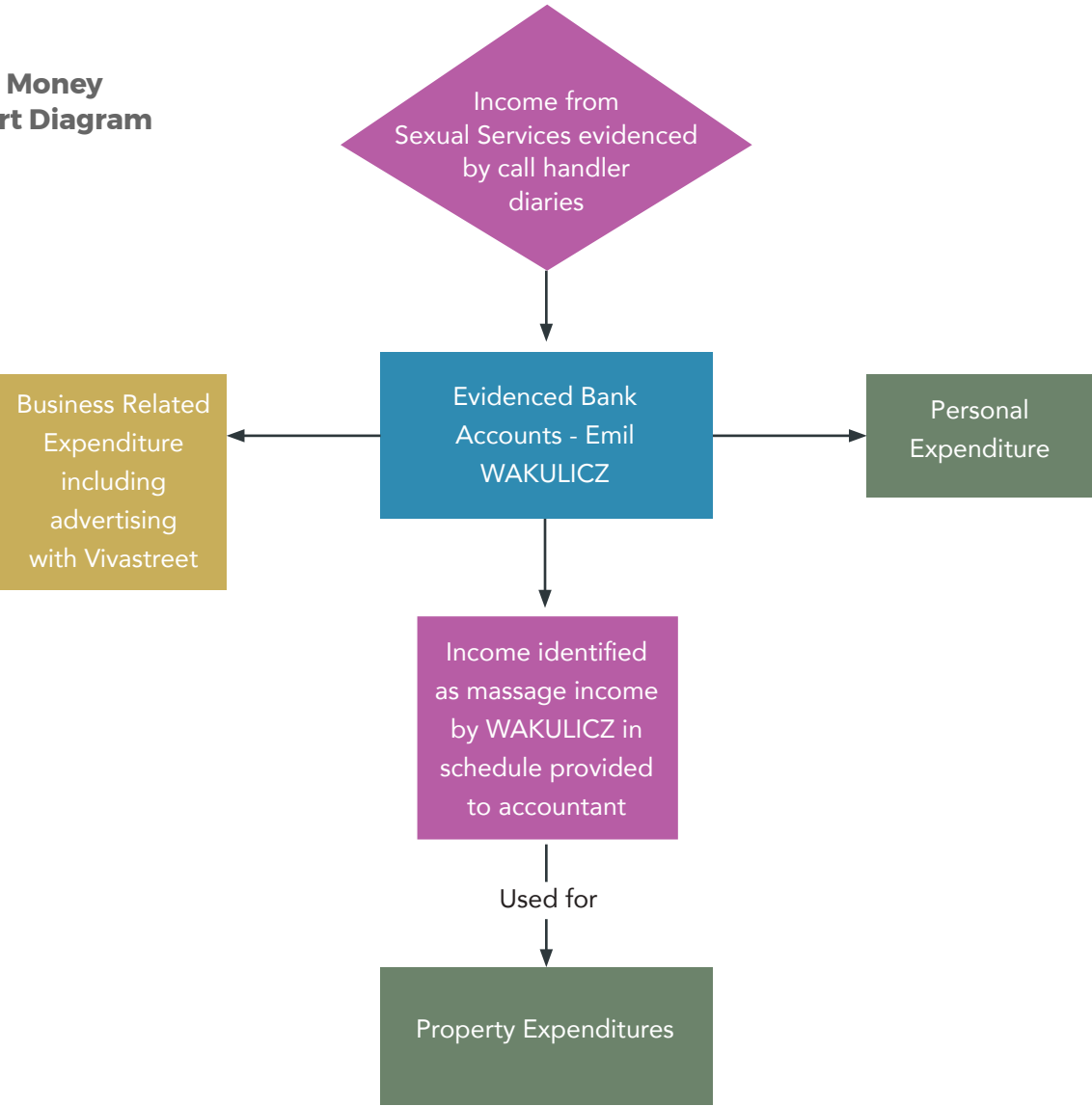
Case Study Operation Colima

Operation COLIMA related to a criminal business model run by Emil WAKULICZ. This involved recruiting women from his native Poland to provide sexual services to paying customers in UK cities (Edinburgh, Glasgow, Aberdeen, Belfast and Newcastle). The prosecution case was supported by a PROJECT JACKAL matrix to evidence the existence of the business model and this contributed to the achievement of a successful conviction and custodial sentence.

Emil WAKULICZ was given a custodial sentence of two years five months in May 2017.

The money flow associated with the relevant business model was illustrated in the Forensic Accountancy report as follows:

COLIMA Criminal Money Flowchart Diagram



The PROJECT JACKAL matrix used to assess the constituent parts of the business and was presented in the report as follows:

KP = KEY PARTNERS	KA = KEY ACTIVITIES	VP = VALUE PROPOSITION	CR = CUSTOMER RELATIONS	CS = CUSTOMER SEGMENTS
Call Centre ‘Receptionists’	Maximising occupancy levels of flats by productive sex workers	Supply of sexual masseuse to sex customers by Polish sex workers in selected UK cities	Reception ‘maids’ with scripts	Customer markets serviced:
Landlords	Purchase or Renting of suitable premises in suitable locations		Customer interface via websites (e.g. feedback)	Sex customers in selected cities
Recruitment contacts	Masseuse recruitment, support & supervision		Face to face customer management by the sex workers	Glasgow
	Provision of relevant consumables			Edinburgh
	Call handling service for all locations			Belfast
	Property investment and management			Newcastle
			Localities chosen in respect of: -Central belt location -Medium size towns -Little sector competition	
KR = KEY RESOURCES	CH = CUSTOMER CHANNELS			
Access to recruitment channels for Polish working girls	Adverts		Local visitors to pornographic websites carrying the ads from the three sales website	
Access to accommodation in target cities	Sex industry websites			
Local ‘market research’	Repeat business (local)			
	Word of mouth (local)			
C\$ = CASH SOURCES			RS = REVENUE SPEND	
Income from sale of sexual masseuse services (95%) and non-sexual masseuse services (5%); Rent from owned premises			Advertising, travel, rent, consumables, utilities, personal spending and fund repatriations to Poland	

Using the PROJECT JACKAL matrix, the Forensic Accountancy report determined that the distinctive capabilities of the WAKULICZ business model were as follows:

- The capability to source Polish masseuse workers willing to work in Scotland and to provide the sexual element of the service offer; and
- The capability to identify and rent suitable flats in suitable locations.

WAKULICZ and his associates were able to bring a distinctive service to specific areas where it was perceived there was a commercially exploitable demand for it. The key 'value proposition' of the business, therefore, was that there would be a demand for the services of Polish masseuse workers willing to provide hand relief in the urban locations identified, and that the WAKULICZ business could meet that demand utilising these distinctive capabilities. The principal overhead was a specialist website called 'Vivastreet' – the principal 'route to market' – the means used to access customers interested in this service. The ability to convey the relative importance of that business connection served to assert the true nature of the WAKULICZ business.

The principal conclusions of the relevant Forensic Accountancy report were:

- 'The evidence supports the existence of an organised business controlled by WAKULICZ and operating within the context of a recognisable business model; and
- In the context of the disclosed business model, all evidence confirming the involvement of Emil and Edyta WAKULICZ and their associates in the renting of suitable flats, training of call staff and masseuses, and placing of adverts with 'Vivastreet' is consistent with their joint engagement in an organised business designed to earn criminal revenues generated from sexual services.'

The PROJECT JACKAL matrix provided a context for the evidenced financial and business activity. It might be noticed that the middle box of this matrix - which has been used to provide evidence of a business model showing how and why it makes its profits - is headed 'Value Proposition' rather than the 'Vulnerabilities and Actions' heading used in the earlier generic PROJECT JACKAL matrix shown above. The difference relates to the purpose of the Forensic Accountancy report: i.e. to provide evidence showing that a criminal business model was in operation. Where the PROJECT JACKAL matrix is used as part of criminal investigation work to identify weaknesses that can be exploited for law enforcement objectives, then it is the 'Vulnerabilities and Actions' heading that is used for the relevant PROJECT JACKAL matrix.

APPENDIX E- Best Practices / Case Studies

Below are short summaries of some of the case studies that were presented during the research visits and the financial investigation training event at Europol that ALEFA arranged during this project.

Op Gavelo

This case involved the use of Chinese women as prostitutes in Spain. In total 31 victims and 31 alleged perpetrators were arrested, with police taking control of 21 bank accounts and seizing 70,000 Euros from the Traffickers' premises (two houses and a shop). The traffickers were using luxury cars to transport victims and 7 of these were seized.

The Traffickers used 'WeChat' a Chinese equivalent of 'WhatsApp' to transfer money and arrange trafficking, this is difficult to investigate due to end-to-end encryption. The team also encountered problems with 'Loverboy' syndrome (where the victims have been enamored or involved with one of the traffickers) and encountered a rogue interpreter who was tipping off the traffickers.

The Spanish investigators, unusually, obtained assistance from the Chinese police, a couple of whom visited Spain to help with the investigation.

A forced begging case from Sweden

Between October 2015 and January 2017, two Bulgarian men brought at least nine other Bulgarian individuals to Sweden with promises of construction or other jobs. The organisers' modus operandi was to target economically vulnerable individuals in Bulgaria, paying for their transportation to Sweden in order to put them in their debt. However, once these individuals arrived, it became clear that there were no jobs, and they were forced to beg on the streets (in Sweden, begging is not illegal).

The two organisers made the nine individuals pay for transportation, food, housing (in dilapidated property) and for the "right" to beg in particular spots, collecting and keeping detailed accounts of the money from each person by the end of each day. On a typical day, a beggar would earn about SEK 300 (equivalent to approximately EUR 30). The organisers would keep half of the earnings for themselves as payment for the "right" to beg in a particular spot, and deduct expenses as well as debt payments from the other half.

During 2016 alone, the bank account of one of the organisers received cash deposits of about SEK 135 000. Funds from that account were transferred to other accounts or sent to relatives of the organisers (but not of the beggars) in Bulgaria via money transfer services. The seized bookkeeping belonging to the two organisers, combined with other forms of evidence, suggest a grand total of about SEK 1 270 000 (~ EUR 120 000) collected through begging during 2016.

Financial investigation in forced begging cases ¹⁷

An important factor that helps to determine whether human trafficking for the purpose of exploitation of begging is concerned, is the moment when the victims of begging have to hand over their earnings (up to the last cent) to a third party. During surveillance conducted within the framework of an investigation, the police were subsequently able to discover that the beggars gave their earnings to a third party. The perpetrators send the money to their family in the country of origin and use cash smugglers or well-known money transfer agencies. The police can question money transfer agencies regarding money transfers made by the concerned parties to other countries. This approach helps to demonstrate that inexplicably high sums of money are sometimes sent to the family, even though the perpetrators have no legal income in the destination country. In the above-mentioned case, the defendants had sent almost EUR 40,000 to their family in Romania, even though they did not have any official income in Belgium.

The financial investigation must also determine the damages suffered by the victims. This way, if they institute civil proceedings, they may be able to obtain compensation. This type of investigation into criminal assets can also be used by the court as serious burden of proof. The importance of seizures and requests for international letters regarding an investigation into assets, must also be highlighted to allow effective confiscations later on.

The international movements of perpetrators and victims may conceal important data concerning the group of perpetrators and their methods. They can provide information on the international movements of victims of begging by the exploiters and give an idea of their international scope, indicating that it is not only a purely local phenomenon but that there are ramifications in other countries. When the victims of begging travel with the exploiters, this means that the victims are under their control.

In a case in Brussels, the police, who had a warrant from an investigating judge, questioned low-cost Romanian travel agencies and airlines at Zaventem airport. After analysing the results, the investigators were able to conclude with certainty that victim X had travelled at least once in the company of the defendant's family. Considering the movements of some of the victims, the begging did not only take place in Brussels, but also in other European towns and cities, such as Rome, Coni (Italy), and London.

Op Glauco

This investigation involving human smuggling from Lybia and THB in Italy started because a boat sunk near Lampedusa drowning 400 people (Glauco 1). Investigators found a telephone number on one of the individuals migrating into Italy which related to an individual in Lybia. Unfortunately the Lybian authorities

¹⁷ MYRIA, Federal Migration Centre Belgium. Annual Report 2016 Trafficking and smuggling of human beings, Beggars in the hands of traffickers.

didn't cooperate and they were not able to fingerprint, so no formal identification was possible.

The Italian authorities arrested those who organised the travel from Sicily and one of these individuals, an Eritrean citizen, told the police about a perfume shop which was the front where migrants could pay for trafficking or smuggling humans.

They explained that migrants arriving in Palermo were given the address of the perfumery, when they arrived there those who could pay got false papers and a phone number to call. Others got help to move to another country in EU. The individual running the perfumery had a "red Book", where transactions were recorded.

When the perfume shop in Rome was searched the Police found €560 000 of cash and an administration book which gave details of the transactions between organisations. The operation was brought to Interpol in 2016.

Sexual exploitation cases

Killah Case

This case, from Germany, involved human trafficking, ID-frauds and tax evasion. It started when it was discovered that a 17 year old had been used for sexual exploitation as a minor. The prosecutor received a decision from the court on telephone tapping, which assisted in determining profit from this exploitation and what debts the victims had been told they had with the traffickers.

The prosecution was raised in 2017 and the investigation showed that the suspect recruited persons under 21 via Facebook due to her popularity as a Rapper. In a variety of different ways the suspect manipulated the prostitutes and was accountable for putting themselves in debt to the trafficker. It is known that she forced the admirers through violence and threats to work as a prostitutes.

The suspect took 50% of the prostitutes income, making them pay for all overheads, including costs relating to their rotation between towns using rented hotel rooms. Earnings were estimated at 1 000 Euro per day per person. A financial investigation was started because of suspicion of tax evasion and the bank was contacted to check assets, unfortunately this did not reveal any. Despite Polish connections, the investigators also found no assets abroad.

The investigators therefore calculated the profits with the help of information from interviews with the victims (prostitutes). The profits were calculated using available information, for example how long the prostituted individual had been advertising on the internet; and how much they earned each day.

Operation Red Dragon

The case is based on material presented to prosecutors in Düsseldorf and Kleve. Information revealed that there were persons in a brothel who did not have a residence permit, which would therefore suggest people had been smuggled. If the persons are deemed to have been forced into work all responsibility for employer's fees and taxes goes to the owner of the brothel. Further analysis of documentation revealed records of brothel earnings and that everyone working there was illegal. The Forensic Accountants have been important in this case, their investigation showed who paid the rent for the premises. Money transfers to China (recruitment), Italy and Spain (transit countries) were identified. This case started with a tax evasion investigation with estimated value at 2.3 million Euro. There were 42 cases of illegal migration. The main suspect was convicted of illegal immigration and thus human trafficking and sentenced to 5 years 9 months, along with other complicit individuals. Associated assets were estimated at 1.3 million Euro and €300,000 was recovered.

Bulgarian case

This case uses a JIT with Bulgaria, Holland and Belgium to investigate cross-border human trafficking and focusses around the use of young Bulgarian women for sexual exploitation in Holland and Belgium. The prosecution and trial will take place in three countries: in Belgium for THB offences; in Holland for THB and Money Laundering offence and in Bulgaria for THB offences.

The perpetrators are two Bulgarian brothers, one living in Bulgaria and the other one in Amsterdam, who between 2010 and 2016 trafficked approximately 20 women (via "lover boy" methodology) to Holland, Belgium or Germany. Victims generally did not see themselves as such.

Monies were laundered mostly using Hawala and cash transferred (by themselves or others) from Holland and Belgium to Bulgaria. There were three companies (agriculture business, bakery, car business) in this case. The agricultural business (In Bulgaria) was the brothers' parents and it is believed that money was laundered into their legitimate businesses (purchase of farming machinery for example). The agriculture business was difficult to seize because it was owned by third parties and it was impossible to show that money came from THB because there was legal income from the business.

The Dutch estimated the proceeds of crime to be around €1m. However, when evaluating the assets held in Bulgaria (cash, vehicles, agricultural machinery & land), this couldn't be linked to the suspected proceeds of crime to criminal standard. The difficulty was also around the legislation where only the assets of the direct target could be restrained after charges have been made. Legally there are restrictions on dealing with assets of family/ associates, and there is a time limit of 1 year, meaning that this makes effective financial investigation extremely difficult.

There were some large cash amounts stored in Bulgaria (e.g. €125k in a cash box and a further €300k in a relatives bank account). There were expensive cars (albeit held by a nominee through power of attorney)

in Bulgaria. In Belgium & Holland, whilst expensive vehicles were used, monies were principally used for living expenses.

Belgium cases

The Federal Judicial Police gave an example where a Madame (who in total controlled 45 young girls) arranged for the smuggling of five Nigerian girls from Africa to Belgium for the purpose of sexual exploitation.

This Madame contacted a Nigerian woman who was the owner of a food shop in Brussels, operating a Black Hawala system whereby she collected cash from Nigerian criminals in Brussels and transferred it back to Nigeria. For example at the Belgium end of this chain the Nigerian food shop owner would collect €500 in Brussels, then a nominated person back in Nigeria could collect this sum (less fees) from a beauty shop in Lagos – which was owned and operated by her sister.

The Belgium-based Nigerian food shop owner maintained a list of the persons depositing monies every day for transfer to Nigeria; put their cash in a secure place in her basement; keeping commission of around 10% for the service. Once the cash accumulated to a significant level, it was transported back to Nigeria (typically in sums of €30,000 to €50,000) hidden in the luggage of trusted individuals. Typically flights were arranged every two weeks.

The Nigerian criminals operating in Belgium had a second system of laundering money and transferring the proceeds back to Nigeria. This involved buying stolen or trafficking cars and transporting them from Antwerp to Nigeria, once there the cars are sold to realise the proceeds. This system is not as risky or dangerous for the Nigerian criminals as transporting the cash via airline passengers' luggage.

The strength of both methods of transferring criminal proceeds from Belgium to Nigeria lies in the close, tight relationships within the Nigerian community.

Operation Lobby

This involved Romanian lover boys. Victims of this THB criminality were sold in Portugal for between €2,000 and €5,000. The CARIN Network was used to track the profits earned by the traffickers which went to a region where the controllers were building houses with the proceeds. A Belgian CARIN request led to the Romanian Police seizing their criminal assets of €512,000. There was also compensation for the victims of the THB. The Romanian authorities kept a large proportion of the seized proceeds of crime.

Hungarian case

Austrian Police had information from wire-tapping regarding a family in Hungary. The family members were

initially investigated by the Austrian police for human trafficking in Austria but the case didn't go to court in Austria. The family owned a lot of property and expensive cars in Hungary but they didn't have any taxable income. The information from the wire-tapping revealed that the family controlled Hungarian prostitutes in France. The Hungarian police started an investigation and assets of the family were identified but no bank accounts were found. Information was obtained from the Tax Agency to check the income of family members and information was also collected from company registers and property registers. The money earned from prostitution was transferred in cash with cash couriers or via Western Union to relatives of the suspects.

The Hungarian police started a JIT with the French Police in 2015. It was soon found that the prostitution took place in Strasbourg and the criminal organization had rented apartments where prostitution took place. A total of 40 women were used for two and a half years. The prostitution was controlled by a pimp sent from Hungary.

In March 2016, the investigators had enough evidence to conduct a search in Hungary and France against the suspects. Substantial assets were seized in both France and Hungary:

- 15 cars for value of €258,000
- 5 real estate properties for total value of €554,000
- Cash €68,000

The investigation resulted in money laundering and human trafficking charges. The case involved 14 persons in France and 13 persons in Hungary, who were arrested during the search. One of the suspects was a car dealer. All suspects were charged with money laundering and three persons were charged with human trafficking.

Labour exploitation case

This Belgium case was analysed according to the Business Model Canvas at the ALEFA financial investigation training event at Europol.

Background : The scenario related to a real case investigated by the Belgian law enforcement authorities. Specifically, the Belgian Federal Police officers in partnership with Belgian labour inspectors identified a Belgian transport company that had significant activity for container shipping in and out of the Belgian port of Zbrugge. Although the Belgian company had 15 trucks registered in its ownership, it had relatively few employees. The Investigation Team, comprising Belgian Federal Police who specialise in economic crimes; Labour Inspection Officers; and Social Inspection Officers suspected the Belgian company of using 'cheap labour' – truck drivers trafficked from Bulgaria. Consequently, the Investigation Team planned to conduct a search of the company's premises and presented its concerns with the prosecutor who secured a court order from a judge to enter the company's premises.

During the course of the search the labour and social inspectors conducted interviews with the employees of the company. Searches are normally executed on transport companies on a Sunday because all of the trucks are likely to be kept at the company's premises prior to the start of the working week on Monday. It is also likely that the truck drivers will stay in accommodation in or around the company's premises, often sleeping in the trucks.

Following their interviews with the truck drivers, the labour inspectors performed a calculation of the difference between the Bulgarian salaries and the Belgian salaries, taking the legal minimum wage in Belgium as a measurement of the proper Belgian salary. This calculation provided a measurement of the amount of salary that was not paid to the truck drivers as required under Belgian law. The trucks were then seized, detaining them until such time as the calculated underpayment of truck driver's salaries was paid over by the company. The company was required to pay back taxes and social insurance prior to the release of the seized trucks.

The investigation team was required to prove that the transport company's contracts are with Belgian companies and entities. They conducted an interview with the boss of the Belgian transport company that engaged the Bulgarian company who employed the truck drivers. All of the truck drivers were employed by the Bulgarian company and were paid their wages at the lower level of approximately €250 per month plus expenses. The Bulgarian company was then required to pay the value of the trucks seized prior to their release. The Belgian company was required to pay the balance of the labour and social inspector's calculation less amount paid for the value of the trucks seized.

Stage Three – Social insurance European Investigation in Bulgaria. The prosecutor was required to prove that the Bulgarian company had little or no activity in Bulgaria and that most of its trading activity takes place in Belgium. The truck's tachographs were seized and a forensic examination of the truck's movement data showed precisely where each truck travelled between Belgium, France and The Netherlands. They also identified a service station close to the company's premises where all of the trucks obtained diesel using company fuel cards. This established that the trucks did not travel over and back to Bulgaria and that the transport activity took place in the countries bordering Belgium. Accommodation sites for the truck drivers in Belgium were used as further evidence that the company's activities took place in Belgium.

When analysing the case through the Business Model Canvas the delegates reached agreement that the 'Value proposition' was the provision of 'cheap labour'. This informed the rest of the model.

Forensic accountancy input could exploit many of the weaknesses identified by the delegates. For example, a forensic accountant could use the prime business records, the subsidiary business records; e.g. fuel purchases, truck repairs, tyre purchases, tachographs, toll charges, etc. to estimate the income, expenses and therefore profits of the company. Additionally, a forensic accountant could test the records against the company's tax and other statutory declarations to the Belgian authorities. In specific relation to the case, forensic accountancy could confirm that the suspects were paying the truck drivers below the minimum wage – information that would have been very useful to the Investigation Team and the court.

APPENDIX F- Hawala

During the course of the ALEFA project, it became apparent that the use of informal value transfer systems (IVTS), was often used when transferring monies between host and origin countries.

This is unsurprising given

- a. The financial footprint if transferring via a regulated financial institution
- b. The inherent risks of smuggling cash across borders

This section provides an overview of a common form of IVTS (Hawala). An awareness of this will enable financial investigators to recognise the key aspects of this if it is encountered during a THB investigation.

Hawala

Also known as underground banking, unofficial banking system, parallel banking and sometimes as ethnic banking, Hawala is just a word that characterizes an informal system that allows sending money without really moving it.

Referred by international organizations like the World Bank, the International Monetary Fund and also by the Financial Action Task Force as Informal Funds Transfer Systems or Alternative Remittance Services, the American FinCen defines Hawala as;

“A system, mechanism, or network of people that receives money for the purpose of making the funds or an equivalent value, payable to a third party in another geographical location, whether or not in the same form”.

These systems don't act like banks, so it's appropriated the name Hawala Banking. In fact, they don't act like a bank, namely because they do not take deposits nor do they extend loans and credit to their customers. These informal systems only operate on money transfers, something similar to wire transfers made through Western Union or Money Gram but in an informal and unregulated way, frequently without book keeping, statements or any kind of records.

There are three major types of Hawala:

- a. The legitimate, popular because of familial, regional or tribal affiliation and inadequate access to regulated financial services for senders/recipients in origin/receiver countries.
- a. The hybrid, also serving legitimate customers, but at the same time being used, wittingly or not, for illegitimate purposes to transfer criminal funds cross-border.
- a. And the criminal, a service purely set up or expanded to service criminals.

The secret that supports all the system, mostly forming kin and ethnic-based organizations, is based

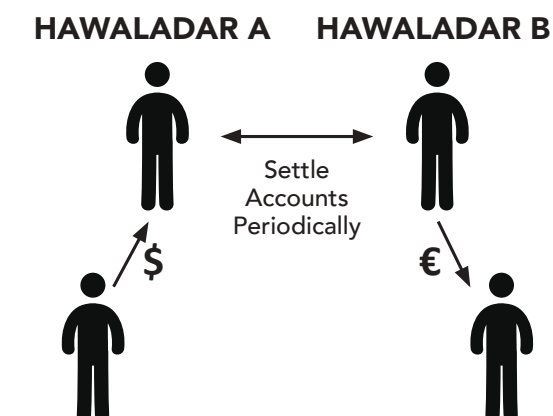
on confidentiality and ruled by strict codes of honour, upheld by mutual compensation schemes which characterize their simplicity.

An Hawaladar is the Hawala operator, a kind of a dealer, whose name comes from street currency change organizations, frequently related to operators of the black or parallel market exchange.

The procedures of a Hawala transaction can be summarised as follows:

1. The client delivers to Hawaladar 'A' the amount he would like to be sent to his family. For that, he will pay a small transaction fee and, as a delivery guarantee, he will be given a code that he is supposed to pass on to the person who is going to receive the money;
2. Subsequently, Hawaladar 'A' instructs an appropriate partner Hawaladar 'B' that he have to pay a specified amount to a designated person once the confirmation code is given;
3. Whenever the cash pools held by Hawaladar 'A' and Hawaladar 'B' are equal, the transaction is settled. If the cash pool of 'A' grows and 'B' shrinks for any significant length of time, a cash courier will transfer the cash (as cash) from one party to another.

In other situations, settlement can be done using several ways, including bank accounts, trade of commodities, investments, etc.



In any case, after the settlement is made, any document, reports, written notes, etc., can be destroyed. Besides the above simplistic characteristic, these systems offer several advantages;

1. A Hawaladar shop, can be in any simple facility in the neighbourhood like a currency exchange bureau, a travel agency, a laundry, a pizzeria, a convenience shop or an ethnic butcher shop. In Italy, with reference to a case presented by Guardia di Finanza, a perfume shop was mentioned;
2. The operations are smooth, consensual, simple and requiring only low technology, like a telephone, a fax machine or a computer;
3. The operation is faster, cheaper, less bureaucratic and anonymity is a guaranteed with appropriate secrecy and confidentiality. There are no currency controls nor formal identification of clients. This provides benefits of better exchange rates than the official one and it is thus more convenient than the formal banking system or money transfer.

So, criminal Hawala systems have become an attractive alternative, as they:

- Work outside the concern of regulations;
- Do not follow any legal provisions;
- Are governed by their own codes of conduct;
- Are able to move large amounts of money without a trace;
- Are fast, efficient and safe.

And because of that have become an attractive alternative for criminal organizations and for several illicit activities, such as:

- Illegal capital Exports (capital flight)
- Tax evasion;
- Smuggling, especially of precious metals;
- Terrorist financing;
- Money laundering;
- Payments due by illegal business such as trafficking in arms, drugs, human organs and trafficking in human beings.

These systems are difficult to detect because they are based on trust, and outside of those actually involved in the transactions. In fact, the Hawaladar ignores the real origin of the money and doesn't know if it is legal or illicit.

However, although the use of forensic accounting techniques is compromised due to the lack of documents, and other accounting elements to analyse, Hawaladars have to use the regulated banking systems because, big quantities of cash needs to be banked for physical security or, at least, to help on the movements of money between countries.

These frequent deposits of cash and consequent transfers of money are red flags and can be identified and submitted to forensic accountants for bank account analysis which may build bridges between money movements and its correspondent illicit origin.

APPENDIX G- Key Country Contacts

Country	Contact Person	Title	Law Enforcement Agency	Telephone	Email
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Contacts removed from public version

Country	Contact Person	Title	Law Enforcement Agency	Telephone	Email
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Contacts removed from public version

Country	Contact Person	Title	Law Enforcement Agency	Telephone	Email
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Glossary

ACAMS	Association of Certified Anti-Money Laundering Specialists
ALEFA	Association of Law Enforcement Forensic Accountants
ARO	Asset Recovery Office
CARIN	Camden Asset Recovery International Network
CTR	Currency Transaction Reports
ETUTU	Europol expert network on Nigerian trafficking
EU	European Union
Eurojust	Agency of the European Union dealing with judicial co-operation in criminal matters among agencies of the member states
Europol	European Union Agency for Law Enforcement Cooperation
FinCEN	Financial Crimes Enforcement Network
FIU	Financial Intelligence Unit
ILO	International Labour Organisation
ILOR	International Letter of Request
IOM	International Organization for Migration
IVTS	Informal Value Transfer System
JBTF	Joint Border Task Force
JIT	Joint Investigation Team
MSHT	Modern Slavery and Human Trafficking
MLA	Mutual Legal Assistance
MSB	Money Service Bureau
NCA	National Crime Agency (U.K.)
NGO	Non-Government Organisation
NPF	Nigerian Police Force
OCG	Organised Crime Group
OSCE	Organisation of Security and Co-operation in Europe
PVOT	Potential victims of trafficking
SIENA	Secure Information Exchange Network Application
THB	Trafficking of Human Beings
UK	United Kingdom
UNODC	United Nations Office on Drugs and Crime

