Advancing the Fight against Modern Slavery

By Standard Chartered Bank, October 2019

Introduction

Slavery is not just a crime of the past. Today, slavery takes place in its modern day form as human trafficking, where criminals profit from the exploitation of men, women, and children. Human trafficking is reportedly the third largest crime in the world, impacting an estimated 40.3 million victims and generating $150 billion dollars in annual proceeds.

Human trafficking has three basic components — action, means, and purpose — but can be carried out through a variety of methods by traffickers. The crime covers sexual exploitation and forced labour, but can also include lesser known schemes such as organ trafficking, domestic servitude, and forced marriages. Human trafficking is also unique from its well-known counterpart, human smuggling. Unlike trafficking, which can involve forced domestic or international movements, human smuggling involves people immigrating illegally, and willingly, across borders. That said, the two crimes can be linked. A person, for example, might begin their journey voluntarily when being smuggled but may later be exploited to pay back the cost of their transport to another country.

Regardless of the type of exploitation, human trafficking always involves the movement of money at some point, and often this movement is through financial institutions. To tackle this crime, Standard Chartered continues to partner with our clients and industry peers to raise awareness and detect and report this type of activity within our own payments.

The Background

Unlike illicit products such as drugs, victims of human trafficking can be exploited over and over again by their traffickers, making this crime particularly attractive to criminals and organized crime groups. Syndicates that perpetrate human trafficking have also been known to be involved in other financial crimes, including corruption, fraud, cybercrime, terrorist financing, drug trafficking, the illegal wildlife trade, and weapons proliferation.

This is further exacerbated by human trafficking’s hidden nature and the difficulty law enforcement faces in prosecuting this crime. Even with an increased focus on identifying traffickers, there have only been a small number of convictions globally for human trafficking compared to other types of criminal activity.

Human trafficking has a widespread presence in nearly every country around the world and in countless industries, and can affect men, women, and children of all ages. The diagram below, created by the United Nations Office on Drugs and Crime, reflects this along with the main types of exploitation detected regionally.

Victim Marketplaces

While the characteristics of exploitation vary from case to case, research reveals that criminal actors have often employed similar methods, such as the use of key victim marketplaces, to carry out their schemes.

For example, recent news has revealed an uptick in the use of classified advertisements to exploit potential victims of sex trafficking. Online marketplaces allow ad posters (including potential traffickers) to post ads soliciting sex with potential victims. Traffickers can use various payment methods, such as virtual currency or gift cards, to post ads. These payments can be indirectly routed through payment processors and financial institutions, allowing these illicit actors to further maintain their anonymity.

Legislation has shifted to address these types of online marketplaces. In the US, for example, laws such as FOSTA ("Fight Online Sex Trafficking Act") and SESTA ("Stop Enabling Sex Traffickers Act") have held online marketplaces responsible for ad postings for that enable prostitution and sex trafficking.

Labour trafficking presents uniquely complicated networks, since the goods manufactured or derived from forced labour are frequently integrated throughout the supply chains of vulnerable industries.

One key marketplace for potential victims of labour trafficking is recruitment agencies, which facilitate hiring and employment on a global scale, particularly for migrant workers. While these agencies can play a legitimate role by acting as intermediaries between employers and workers, some actively connect traffickers with vulnerable populations of workers, deceiving these workers in order to profit by imposing heavy fees or utilising other coercive methods.

The methods employed by traffickers often involve the movement of money and proceeds, with touchpoints to financial institutions. As seen from the marketplace examples above, the financial activity of traffickers can intersect with financial institutions at several points, including during recruitment or transfer of victims, during ongoing exploitation of victims, and to laundering of the illicit proceeds from this exploitation, which then enables traffickers to perpetuate this cycle.

“Human trafficking is a silent crime, and money laundering, its silent partner. At Standard Chartered Bank, we’re committed to effectively fighting financial crime and combating modern slavery and human trafficking.”

-Patricia Sullivan, Global Co-Head, Financial Crime Compliance, Standard Chartered Bank
Combating Modern Slavery

Recent News: Seizure of Backpage.com

In April 2018, the US government shut down and seized Backpage.com, which at the time was the Internet’s leading marketplace for illicit commercial sex and child sex trafficking. Backpage was accused of directly and indirectly enabling its customers to post classified ads involving minors. Backpage employees, for example, “skimmed” ads for potential indicators of child prostitution, while making little to no effort to block these ads. After several major credit card companies made the decision to stop processing payments for adult ads, ad posters were encouraged to send checks and money orders to seemingly unrelated entities for credit on Backpage’s website, or were told to use alternative payment methods such as Bitcoin or gift cards.

The funds from these proceeds were then laundered through a series of wire transfers through a complex web of companies and domestic/international bank accounts, which were ultimately controlled by the executives. The purpose of these schemes was ultimately to obfuscate the true nature of the ads and to hide the destination of any illicit proceeds, which allowed the site to remain active and provided the owners with millions of dollars in profit.

There is still a demand for online marketplaces to replace Backpage. Several new sites have already emerged, and may now be held offshore to avoid seizure by law enforcement. Given a history of touchpoints to various payment methods, financial institutions can play a key role in the continued identification of these kinds of fraud.

Our Response

Because of the sheer size of the profits and the vast impact of human trafficking on a global scale, financial institutions, including Standard Chartered, have the responsibility to understand and address this crime and its financial flows. Like many of our industry peers, we continue to train our staff, raise awareness with our clients, and identify and report suspicious activity. This work plays out in the three “pillars” of our anti-human trafficking program outlined below:

**Intelligence & Investigations**
- Identify and report suspicious activity to the relevant authorities
- “Follow the money” by applying known indicators to the data and developing new typologies
- Leverage leads from external partners/open source to help link suspicious activity to human trafficking

**Partnerships**
- Work with standard setters to influence the external policy environment
- Collaborate with government partners through financial information sharing partnerships using appropriate legal tools
- Partner with industry groups, civil society, and NGOs

**Training & Awareness**
- Provide staff training (e.g. for frontline staff) on indicators of human trafficking
- Share our knowledge of human trafficking to help financial institution clients understand their role in identifying/disrupting financial flows
- Raise industry awareness through several channels, such as training through local trade associations

The Road Ahead

Collaboration is a key theme across these engagements. We understand that no one party in the financial crime space holds a definitive, holistic picture.

Partnering with law enforcement and other financial institutions through existing legal and regulatory structures allows us to follow an intelligence-led approach to our investigations.

We recognise that there is a long way to go for financial institutions like us to be able to effectively identify and fight sophisticated criminal enterprises which are carrying out human trafficking and intersecting crimes.

The initiatives financial institutions have undertaken to combat human trafficking can only work if our partners in law enforcement and civil society are trained and equipped in the financial investigation skills necessary to extract the best value from the available information.

Limitations to information sharing or a lack of collective understanding of the tools we have at our disposal can hinder this transfer of knowledge.

But at Standard Chartered, we are ready to navigate these issues to work with our partners and play our part in such initiatives, to make it more difficult for criminals to use the financial sector as a way to perpetrate their crimes.