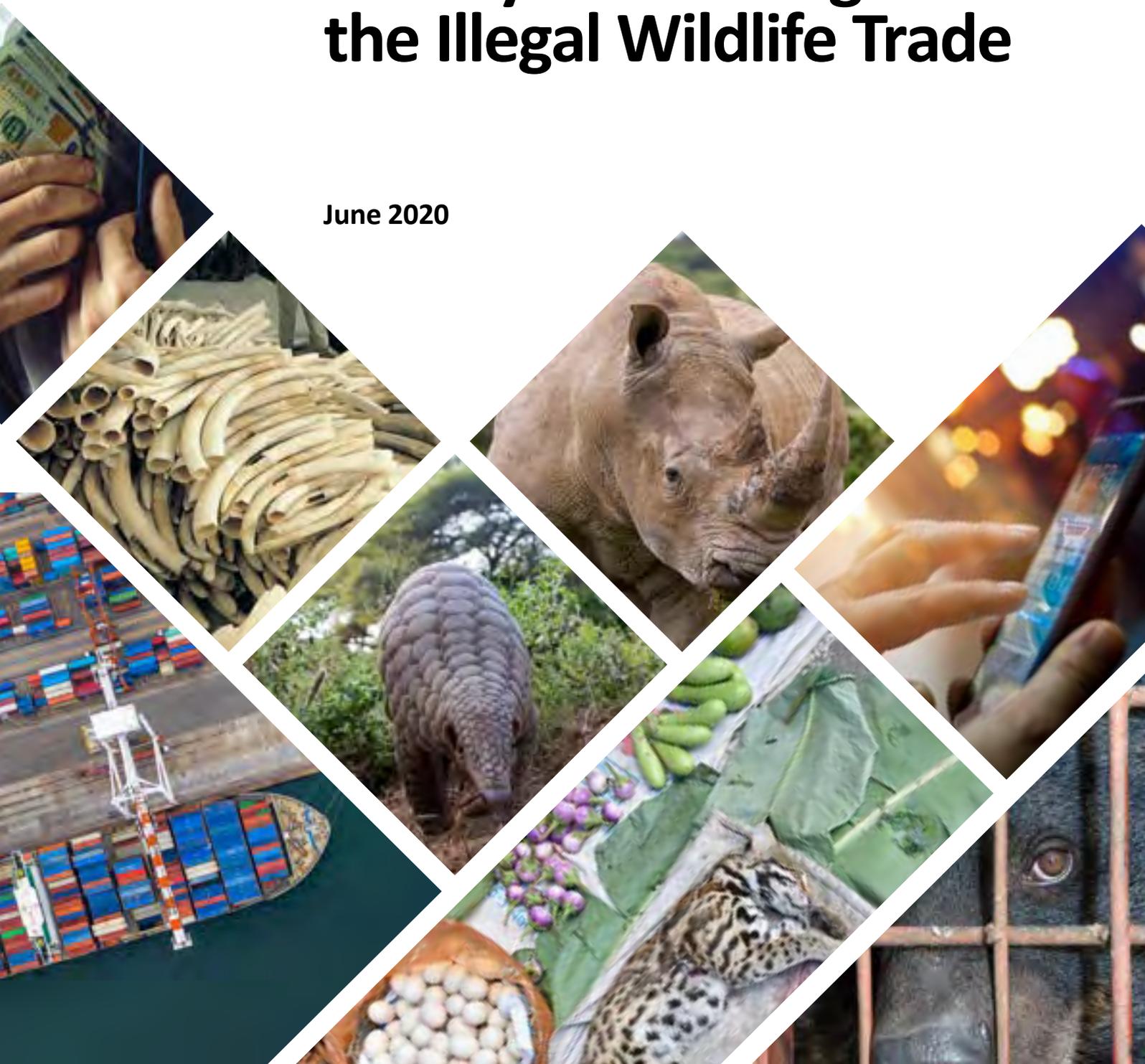




FATF REPORT

# Money Laundering and the Illegal Wildlife Trade

June 2020





The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

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## ACRONYMS

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<b>AML/CFT</b>	Anti-money laundering/Countering the financing of terrorism
<b>APG</b>	Asia Pacific Group on Money Laundering
<b>CDD</b>	Customer Due Diligence
<b>ESAAMLG</b>	Eastern and Southern Africa Anti-Money Laundering Group
<b>FI</b>	Financial Institution
<b>FIU</b>	Financial Intelligence Unit
<b>FSRB</b>	FATF-Style Regional Body
<b>HOSSP</b>	Hawala and Other Similar Service Providers
<b>ILAT</b>	Illegal Logging and Associated Trade
<b>IUU</b>	Illegal, Unreported and Unregulated Fishing
<b>IWT</b>	Illegal Wildlife Trade
<b>LEA</b>	Law Enforcement Authorities
<b>MLA</b>	Mutual Legal Assistance
<b>MVTS</b>	Money Value Transfer Service
<b>NPO</b>	Non-Profit Organisation
<b>PPP</b>	Public Private Partnership
<b>STR</b>	Suspicious Transaction Report
<b>TFS</b>	Targeted Financial Sanctions

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## EXECUTIVE SUMMARY

1. The illegal wildlife trade (IWT) is a major transnational organised crime, which generates billions of criminal proceeds each year. IWT fuels corruption, threatens biodiversity, and can have a significant negative impact on public health and the economy. To move, hide and launder their proceeds<sup>1</sup>, wildlife traffickers exploit weaknesses in the financial and non-financial sectors, enabling further wildlife crimes and damaging financial integrity. Despite this, jurisdictions<sup>2</sup> rarely investigate the financial trail left by this crime.

2. The Financial Action Task Force (FATF), as the global standard setter on anti-money laundering (AML), countering the financing of terrorism (CFT) and countering proliferation financing (CPF), is concerned about the lack of focus on the financial aspects of this crime, and has conducted this study to support jurisdictions to combat related money laundering. The FATF Standards (i.e. 40 Recommendations<sup>3</sup>) provide a useful framework for jurisdictions to address these threats by strengthening their national laws, policies, and co-operation at the domestic and international level.

The FATF is concerned about the lack of financial focus on the illegal wildlife trade.

3. This is the FATF's first global report on IWT. It builds on previous studies by two of the FATF-Style Regional Bodies (FSRBs), work by other international bodies and recent initiatives by the private sector. This study by the FATF makes a unique contribution by assessing the money laundering (ML) aspects of wildlife crimes, and by demonstrating how jurisdictions should apply the FATF standards to combat IWT. The findings in this report are based on inputs from around 50 jurisdictions across the FATF Global Network<sup>4</sup>, as well as expertise from the private sector and civil society.

4. This study highlights that jurisdictions should view the proceeds generated by IWT as a global threat, rather than as a problem only for those jurisdictions where wildlife is illegally harvested, transited, or sold. In particular, criminals are frequently misusing the legitimate wildlife trade, as well as other import-export type businesses, as a front to move and hide illegal proceeds from wildlife crimes. They also rely regularly on corruption, complex fraud and tax evasion. Another key theme of this study is the growing role of online marketplaces and mobile and social media-based payments to facilitate movement of proceeds from wildlife crimes. These trends highlight the increasing importance of a coordinated response from public authorities, the private sector and civil society to identify and disrupt financial flows from IWT.

5. As in prior studies, the FATF has found that despite IWT's global impact, public and private sectors in many jurisdictions have to date not prioritised combatting the financial flows connected to IWT in line with risk. Jurisdictions often do not have the knowledge, legislative basis, and resources required to assess and combat the threat

<sup>1</sup> Proceeds refers to any property derived from or obtained, directly or indirectly, through the commission of an offence.

<sup>2</sup> As in the FATF Recommendations, the terms country and jurisdiction are used interchangeably throughout this report.

<sup>3</sup> The [FATF Recommendations](#) are the internationally endorsed global standards against money laundering and terrorist financing; they increase transparency and enable countries to successfully take action against illicit use of their financial system. The FATF assesses countries against the 40 FATF recommendations as part of the FATF mutual evaluation process.

<sup>4</sup> The FATF Global Network is comprised of 205 jurisdictions around the world that have committed to implementing the FATF standards.

posed by these funds. This limited focus on the financial side of IWT has largely prevented jurisdictions from being able to identify and sanction IWT networks.

6. To address these challenges, jurisdictions should consider implementing the following good practices that were observed during the study:

- Prioritise combatting the financial flows associated with IWT proportionate to risk.
- Provide all relevant agencies with the necessary mandate and tools to conduct successful financial investigations into IWT.
- Improve co-ordination between authorities responsible for combatting wildlife crimes and those responsible for conducting financial investigations to ensure authorities more regularly exchange information and follow the financial trail.
- Cooperate with other jurisdictions, relevant international organisations and the private sector to combat IWT.

It is essential that jurisdictions maintain their focus on illegal wildlife trade financial flows.

7. A comprehensive list of proposed actions to strengthen measures to tackle the financial flows associated with IWT is included on pages 58 to 60 of this report.

8. This study greatly improves the FATF Global Network's understanding of the financial flows from IWT, including through presenting IWT risk indicators on pages 60 to 62 relevant for public authorities and the private sector. However, there is still work to be done. This report shows the need to further improve the FATF Global Network's collective understanding of the risk relating to IWT, including work on the role of non-financial entities in combatting IWT financial flows, greater understanding of the differing geographic supply chains, and good practices to address unique challenges in managing assets recovered during wildlife crime investigations.

9. It is essential that jurisdictions maintain their focus on IWT financial flows to achieve meaningful progress in addressing the challenges identified in this study.

## INTRODUCTION

### *The Issue*

10. The illegal wildlife trade (IWT) is a major transnational organised crime that fuels corruption, threatens biodiversity, and can have significant public health impacts. In particular, the spread in recent years of zoonotic diseases<sup>5</sup> underlines the importance of ensuring that wildlife is traded in a legal, safe and sustainable manner, and that countries remove the profitability of illegal markets. According to the 2016 UN World Wildlife Crime report, criminals are illegally trading products derived from over 7 000 species of wild animals and plants across the world<sup>6</sup>. This includes iconic mammals, but also lesser-known species of reptiles, birds and amphibians.

11. To reflect the serious nature of this crime, the UN General Assembly has adopted several resolutions to combat IWT, and in September 2019, reiterated its call for all members “*to amend national legislation, as necessary and appropriate, so that offences connected to IWT are treated as predicate offences for money laundering (ML)*” (UN General Assembly Resolution 73/343)<sup>7</sup>.

12. Criminal syndicates<sup>8</sup> involved in wildlife crime continue to be highly organised, and are often involved in other forms of serious crime. For example, the large-scale ivory seizures and mixed shipments of multiple protected species suggests that transnational syndicates are continuing to grow and diversify. Wildlife traffickers also continue to rely heavily on the bribery of officials (e.g. including rangers, customs agents, prosecutors, and judges), as well as complex fraud and tax evasion, to enable their crime. Several investigations provided for this study showed convergence between IWT and transnational drug trafficking networks and/or illegal logging and associated trade (ILAT). However, the convergence of IWT with other types of transnational organised crime appears to take place only occasionally.

13. Despite billions of dollars generated from IWT, most efforts taken by countries to date have rarely focused on the financial aspect of this crime<sup>9</sup>. While competent authorities around the globe regularly seize illegal wildlife and products, countries are still rarely conducting financial investigations in parallel as a tool to identify and bring to justice those involved. This is in part due to the particular challenges that IWT presents. For example, the fact that criminals take advantage of the substantial legitimate wildlife trade to co-mingle licit and illicit proceeds presents challenges for detecting illicit activity. Laundering of proceeds from wildlife crime generally involves activity to either conceal or disguise the source, movement and ownership of those funds. Due to the low number of financial investigations to date, both the private and public sector have a less developed knowledge of the trends, methods and techniques used to launder proceeds from IWT than for other major transnational crimes. This further inhibits an effective response.

<sup>5</sup> Zoonotic diseases are derived from viruses, bacteria, and other pathogens that are transmitted between animals and humans. According to the World Health Organisation, some 60% of emerging infectious diseases that are reported globally are zoonotic (including COV-ID 19, Ebola, MERs, and SARs).

<sup>6</sup> UNODC (2016), *World Wildlife Crime Report*

<sup>7</sup> UN General Assembly Resolution 73/343, full text available at: <https://undocs.org/en/A/RES/73/343>

<sup>8</sup> For the purpose of this report, syndicates refers to organised criminal groups. While some may be highly centralised, others may involve actors loosely cooperating, non-hierarchical and flexible groups; some co-operation may be short-lived in nature and happen on a per-shipment basis. In the case seen for this report, some dynamics may be heavily influenced by familial and/or kinship connections.

<sup>9</sup> Even in jurisdictions with a wide range of biodiversity.

14. There are a number of reasons why following the financial flows, identifying ML, and recovering the proceeds and instrumentalities of this crime are important. Firstly, following the money allows countries to identify the wider network of syndicate leaders and financiers involved and to reduce the profitability of this crime (and thus reduce the supply of poached or trafficked wildlife) over the longer term. Secondly, in many countries, penalties for ML offences are more severe than for wildlife crimes; therefore, by pursuing ML and confiscation charges alongside wildlife offences, countries can help shift the perception of IWT as a low-risk/high-reward crime. Thirdly, as mentioned above, syndicates involved in wildlife crime are often involved in broader criminality; therefore, by identifying and dismantling the networks that engage in IWT, countries can help prevent and tackle associated crimes, such as corruption and complex fraud. Finally, combatting criminal organisations through their financial flows is a significant legal and investigative tool to prevent wildlife trafficking and the potential proliferation of zoonotic diseases.

Following the money allows countries to identify the wider network of syndicate leaders and financiers involved, and to reduce the profitability of this crime.

### *Objectives of this Report*

15. This report is intended to:

- Increase understanding of ML risks from IWT among competent authorities<sup>10</sup> and the private sector and highlight the importance of robust legal frameworks to investigate and confiscate proceeds of this crime.
- Provide guidance to law enforcement authorities (LEAs) and other agencies on good practices for carrying out financial investigations into IWT<sup>11</sup>, including for the purpose of asset recovery, and the important role of international co-operation.
- Increase awareness of the role that relevant financial institutions and non-financial businesses can play in detecting suspicious activity related to wildlife crimes, including specific risk indicators and types of public-private and private-private collaboration.
- Provide concrete actions that jurisdictions across the FATF Global Network<sup>12</sup> can take to help identify and combat ML linked to IWT.

16. This report addresses these objectives in the following chapters:

- **Chapter One:** provides an overview of IWT supply chains, common techniques used to launder proceeds from the illegal trade, and considerations for national authorities when assessing related ML risks.
- **Chapter Two:** presents good practices and case studies for financial investigations and asset recovery into IWT offences.
- **Chapter Three:** discusses good practices regarding international co-operation to combat ML linked to the IWT and recover related proceeds.

<sup>10</sup> In the context of this report, competent authorities refers to all public authorities responsibilities for combating money laundering and/or terrorist financing and/or wildlife crimes.

<sup>11</sup> Importantly, this may include authorities with the core responsibility to conduct financial investigations into a wide range of crimes, but also authorities mandated to respond and investigate wildlife crimes and related seizures.

<sup>12</sup> The FATF Global Network is comprised of 205 jurisdictions around the world that have committed to implementing the FATF standards.

- **Chapter Four:** discusses the role of the private sector in detecting suspicious activity and presents good practices for public-private collaboration, including the dissemination of IWT-related risk indicators.
17. The report concludes by proposing actions for countries to advance the fight against IWT and related ML, as well as identifying areas for further study.

### *Relevant Work by the FATF Global Network and other Bodies*

18. This is the FATF's first global report on IWT. This report builds upon two regional studies carried out by FATF-style regional bodies (FSRBs). In 2016, the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) conducted a typologies study<sup>13</sup>, which found that countries had limited information on the financial flows from IWT, and that authorities needed more information on the ML methods and techniques used in destination countries for illegal wildlife. Similarly, in 2017, the Asia Pacific Group on ML (APG) and the UN Office on Drugs and Crime (UNODC) conducted a study on financial investigations in the region<sup>14</sup>. It identified similar findings to the ESAAMLG work i.e. few countries were carrying out financial investigations into IWT (only 26% of the respondents), and that countries rarely used multi-agency co-ordination, asset recovery or special investigative techniques in IWT cases.

19. There is a wealth of research by other bodies on IWT more generally, including by the International Consortium on Combating Wildlife Crime (ICWC)<sup>15</sup>, the UN Environment Programme (UNEP), OECD<sup>16</sup>, and non-governmental organisations (NPOs)<sup>17</sup>. While the majority of this work to date has focused on the methods used to conceal and traffic the illegal wildlife, there have been a growing number of studies focused on the financial side of this crime. In 2019, Legal Atlas conducted an in-depth review of AML laws of 110 jurisdictions to assess their adequacy in enabling their application to IWT and found that 45 of the 110 were not satisfactory<sup>18</sup>. In addition, the OECD's Task Force on Countering Illicit Trade (TF-CIT) has published reports on the necessary governance, co-ordination and capacities to tackle IWT, including through financial investigations.<sup>19</sup> The Egmont Centre of FIU Excellence and Leadership (ECOFEL) is also conducting ongoing work to provide guidance to Financial Intelligence Units (FIUs) on financial investigations in wildlife and forestry crimes.<sup>20</sup>

20. This FATF study adds value to existing literature by focusing specifically on the ML aspect of this crime, and by drawing on the good practices that have emerged at the global and regional levels since the APG/UNODC and ESAAMLG reports.

<sup>13</sup> ESAAMLG (2016) *Special Typologies Project Report on Poaching and Illegal Trade in Wildlife and Wildlife Products*

<sup>14</sup> APG/UNODC(2018), *Enhancing the Detection, Investigation and Disruption of Financial Flows from Wildlife Crime*

<sup>15</sup> ICWC is an initiative by five inter-governmental organisations to combat IWT. The partners are CITES, INTERPOL, UNODC, WCO and the World Bank, and an overview of their work can be found at the following link: [https://cites.org/sites/default/files/eng/prog/icwc/ICWC\\_menu\\_of\\_services-revApril18.pdf](https://cites.org/sites/default/files/eng/prog/icwc/ICWC_menu_of_services-revApril18.pdf)

<sup>16</sup> The OECD Task-Force for Countering Illicit Trade (TFCIT) has released a number of studies on IWT, including a Report on IWT and Corruption in South and East Africa (*Strengthening Governance and Reducing Corruption Risks to Tackle IWT (2018)*); and a report on *Governance Frameworks to Counter Illicit Trade (2018)*.

<sup>17</sup> Royal United Services Institute, *Follow the Money: Using Financial Investigation to Combat Wildlife Crime (2017)*.

<sup>18</sup> Legal Atlas is an organisation that was commissioned to conduct IWT legal research by the UK government following the adoption of the 2017 UNGA Resolution.

<sup>19</sup> *The Illegal Wildlife Trade in Southeast Asia - Institutional Capacities in Indonesia, Singapore, Thailand and Viet Nam (2019)*. Accessible at: [www.oecd-ilibrary.org/governance/the-illegal-wildlife-trade-in-southeast-asia\\_e89fdac0-en;jsessionid=3quZdQb9skeXxF8BfpATxNmc.ip-10-240-5-37](http://www.oecd-ilibrary.org/governance/the-illegal-wildlife-trade-in-southeast-asia_e89fdac0-en;jsessionid=3quZdQb9skeXxF8BfpATxNmc.ip-10-240-5-37)

<sup>20</sup> This work is due to be finalised in mid-2021, and will include operational training for FIUs on their role in support investigations into wildlife crimes.

### Scope and Terminology

21. There is no internationally agreed definition of IWT. The “wildlife trade” can be domestic or international, and legal or illegal. For the purposes of this report, IWT refers to *any of the below mentioned activities conducted in contravention of national or international laws and regulations (including the CITES Appendices)*. “Domestic trade” includes any commercial or non-commercial activity, including, but not limited to offering, offering for sale, distribution, brokerage or other forms of intermediary activity, sale, delivery, dispatch, consignment, transport, purchase, possession, donation, exchange, exhibition or employment of any specimen of a wild protected species (or part thereof), within territory under the jurisdiction of a given country. “International trade” means any export, re-export, or import and introduction from the sea of any specimen of a wild protected species (or part thereof).

#### Box 1. Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) – Appendices I, II, and III

CITES entered into force in 1975, and establishes the legal framework and procedures for the regulation of international trade in over 37 000 species of animals and plants. Its aim is to ensure that international trade in these species does not threaten their survival. All import, export, re-export and introduction from the sea of CITES-listed species is regulated by CITES and must be authorized through a licensing system. To date, 182 states and the European Union have ratified or acceded the Convention, including all FATF members.

The species covered by CITES are listed in three Appendices according to their degree of protection. Changes to the appendices are made periodically by CITES State parties. International trade is prohibited for all species listed on CITES Appendix I (e.g. all 8 species of pangolins) with very limited exceptions when the purpose of the import is not commercial e.g. for scientific research, educational or law enforcement purposes. Appendix II includes species not necessarily threatened with extinction (e.g. fruit bats), but for which trade must be controlled in order to avoid endangering their survival. Appendix III contains species protected in at least one country, that has asked other CITES Parties for assistance in controlling the trade.

A specimen of a CITES-listed species may be imported or exported (or re-exported) from a State Party to the Convention only if the appropriate document has been obtained from the competent authority<sup>2</sup> (CITES Management Authority) and presented for clearance at the port of entry or exit. CITES is implemented at national level by its State Parties and in accordance with their national legislation and regulations. Any trade within their jurisdiction that contravenes such legislation will be considered illegal and should be penalised. There is variation in legislation from one country to another. Some countries, for example, implement stricter domestic measures as described in Article XIV<sup>2</sup> of the Convention. Therefore, it is always necessary to refer to the national laws of the countries concerned.

1. National CITES Authorities, [www.cites.org/eng/cms/index.php/component/cp](http://www.cites.org/eng/cms/index.php/component/cp) (accessed 6 April 2020).
2. Convention on International Trade in Endangered Species of Wild Fauna and Flora, [www.cites.org/eng/disc/text.php#xiv](http://www.cites.org/eng/disc/text.php#xiv) (accessed 6 April 2020)

Source: CITES Secretariat.

22. This report does not cover illegal logging and associated trade (ILAT) or illegal, unreported and unregulated fishing (IUU). While the financial flows from these offences are significant, the project team decided that due to the distinct actors and markets for ILAT and IUU, it would not be feasible to cover these issues within this report. Nevertheless, this report does cover the illegal trade of marine wildlife outside of fishing, which represents a significant illicit industry (such as abalone, eels, elders, turtles, sea cucumber, shark fin and narwhals). This report does not address the links between IWT and terrorist financing, as current evidence suggests that this is not yet a widespread typology.

### Box 2. What is the Difference between the Illegal Wildlife Trade and the Legal Trade in Wildlife?

There are at least seven billion people consuming products of biodiversity every day, in the form of food, cosmetics, pharmaceuticals, pets, etc. Millions of people depend on plants and animals for their livelihoods and survival, indigenous communities in particular. When trade in wildlife is legal, safe, and traceable, it can be a strong incentive for managing wildlife sustainably as well as a driver in improving people's livelihoods, contributing towards achieving the UN Sustainable Development Goals.<sup>1</sup>

Of the more than 37 000 species of animals and plants listed under CITES, 97% can be legally traded for commercial purposes. CITES supports a multibillion US dollar wildlife trade. For example, the trade in Queen conch, an edible mollusk, is estimated at USD 60 million per year; pythons, often used for leather, are a USD 1 billion per year industry; and bigleaf mahogany is a USD 33 million per year business. CITES is implemented through the issuance and exchange of permits and certificates between exporting and importing countries. This is the backbone of the Convention and CITES Parties currently issue over one million permits per year worldwide. These permits document the legality and sustainability of the transaction.

Illegal trade in wildlife, on the other hand, poses a threat to the survival of some of the world's most charismatic species and many lesser-known species, often with devastating economic, social, and environmental consequences. Furthermore, the risk of zoonotic diseases in illegally traded wildlife, which have evaded veterinary checks and inspections related to sanitary safety standards and regulations, transmitting to humans is likely to be greater than for legal trade where such checks are routine. In terms of illegal wildlife trade, there are two key types:

- Trade in species that are protected and prohibited from all national or international commercial trade (may be clandestine or overt through fraudulent activities, e.g., wild-caught animals falsely declared as captive-bred, wildlife falsely declared as being pre-Convention<sup>2</sup>).
- Trade in volumes of specific species of wild origin which is unsustainable and in violation of CITES provisions or national provisions, often with limited regulatory controls.

1. The 2015 UN Sustainability Goals set out a blueprint for countries to achieve a better and more sustainable future for all by 2030, [www.un.org/sustainabledevelopment/sustainable-development-goals/](http://www.un.org/sustainabledevelopment/sustainable-development-goals/).

2. A pre-convention specimen is a specimen acquired before the provisions of the Convention applied to it.

Source: CITES Secretariat.

### Methodology

23. The President of the FATF made tackling financial flows from IWT a priority area for the Chinese Presidency of the FATF (2019-2020)<sup>21</sup>. Delegations from Botswana, China and the United Kingdom have co-led this work. The project team for this work included delegations from 18 countries<sup>22</sup>, alongside representatives from CITES Secretariat, Egmont Group of FIUs, EUROPOL, IMF, INTERPOL, UNODC, and World Bank. Given the important role that non-government stakeholders play in the fight against IWT, representatives from the United for Wildlife (UfW) Financial Taskforce<sup>23</sup> and five non-profit organisations (NPOs)<sup>24</sup> also actively participated in this project.

24. The methodology that the project team used to conduct research and develop this paper involved:

- A review of existing literature on this topic and open source material, to identify key challenges in combatting the financial side of IWT, and the evolving threat landscape.
- A request to FATF and FSRB members to provide information on their domestic response to combat the financing of IWT, and laundering of its proceeds. This included circulation of a questionnaire to countries on their wildlife crime risk profile, common financial and ML trends, legal and institutional frameworks, good practices for conducting financial investigations for IWT, and information on public-private collaboration and international co-operation. In total, the project team received inputs from 49 jurisdictions and entities<sup>25</sup>, including questionnaire responses from 45 jurisdictions, alongside over 50 cases.
- Close co-operation with relevant financial and non-financial institutions and NPOs to develop a set of risk indicators of financial flows linked to IWT, and examples that demonstrate how these non-government stakeholders can support financial investigations into IWT. In total, inputs were received from 15 financial institutions and 5 NPOs.
- A workshop chaired by the co-leads on the margins of the FATF plenary meeting in February 2020 to gather information for this project from both public and non-government stakeholders.

<sup>21</sup> FATF (2019), [Chinese Presidency Priorities for the Financial Action Task Force](#)

<sup>22</sup> Australia, Botswana (ESAAMLG), Brazil, China, Canada, European Commission, France, Germany, Japan, Ireland, Italy, Malaysia, Mexico, Netherlands, Singapore, Spain, United Kingdom, United States.

<sup>23</sup> The Taskforce includes financial institutions that have committed to using their anti-financial crime programmes to detect IWT.

<sup>24</sup> Representatives from TRAFFIC, Wildlife Justice Commission (WJC), Liberty Shared, Environmental Investigation Agency (EIA), Wildlife Conservation Society (WCS), and Legal Atlas provided inputs for this work.

<sup>25</sup> FATF (Argentina, Australia, Brazil, Canada, China, Denmark, EUROPOL (observer), France, Germany, Greece, Hong Kong (China), Ireland, India, Indonesia (observer), Japan, Malaysia, Netherlands, Norway, Portugal, Singapore, South Africa, Sweden, Switzerland, UK, US); APG (Cambodia, Loa PDR, Macao China, Thailand); ESAAMLG (Botswana, Malawi, Tanzania, Zambia); GABAC (Central African Republic, Chad, Congo-Brazzaville, Gabon); GAFILAT (Chile, Costa Rica, Guatemala); GIABA (Burkina Faso); MENAFATF (Algeria, Yemen); MONEYVAL (Czech Republic, Hungary, Isle of Man, North Macedonia, Malta, Slovenia).

## Chapter 1. ANALYSIS OF MONEY LAUNDERING FROM ILLEGAL WILDLIFE TRADE CASES

### Scale and Characteristics of Financial Flows from the Illegal Wildlife Trade

#### *Challenges to Estimate the Global Scale of Illegal Wildlife Trade*

25. There are several challenges in accurately estimating proceeds from the illegal wildlife trade (IWT). The figures from wildlife seizures represent only a segment of proceeds generated, and jurisdictions have only recently been subject to a common reporting standard (i.e. weight, number of pieces, number of seized items, etc.)<sup>26</sup>. Moreover, efforts to detect and quantify proceeds face challenges due to a lack of available and accurate data on wildlife trade numbers, and the fact that criminals often commingle IWT with large flows of legal trade. One method that countries have used to try to quantify IWT proceeds is to compare the volume of reported legal wildlife trade with the volume of imports; however, a detailed quantitative analysis of this nature is outside the scope of this study.

Illegal wildlife trade covered by the scope of this report is a major transnational crime generating billions of USD in profits every year

Globally, IWT proceeds have been estimated at between USD 7 and 23 billion per year,<sup>27</sup> or alternatively, at around one quarter of the amount generated from the legal wildlife trade<sup>28</sup>. While the exact range is very challenging to quantify, this study supports the finding that IWT covered by the scope of this report is a major transnational crime generating billions of USD in profits every year. Of the cases provided for this report, just under half involved proceeds of several million USD. As with other forms of illicit trade, there is often a significant price mark-up between the source and destination countries (see box 3 below).

#### **Box 3. Examples of Mark-up and Potential Proceeds for the Illegal Wildlife Trade**

The following examples give an indication of the magnitude of the proceeds generated in the IWT market, based on quoted prices. The examples only provide a snapshot in time<sup>1</sup>.

- **Juvenile Glass Eels**<sup>2</sup>: In Europe, juvenile glass eels are worth USD 300 to 500 per kg. However the price can reach as high as USD 1 500 to 6 000 per kilo when exported to destination countries. This represents a mark-up of 200% to 1 100%.
  - *According to EUROPOL data, between 2018 and 2019, European law enforcement seized 5 789 kg of smuggled juvenile glass eels with an estimated value of USD 2 153 per kilo<sup>3</sup>, which equated to potential proceeds of around USD 12.5 million<sup>4</sup>.*
- **Ivory**: While the price paid to elephant poachers can be just USD 200 or less, in destination markets ivory can be priced at between USD 500 and

<sup>26</sup> Since 2017, a common reporting standard is available through CITES Annual Illegal Trade Report: <https://www.cites.org/sites/default/files/notif/E-Notif-2019-072-A2.pdf>

<sup>27</sup> UNEP–Interpol (2014 UNEP); World Bank, *Illegal Logging, Fishing, and Wildlife Trade: the Costs and How to Combat it* (2019).

<sup>28</sup> Van Uhm (2016) *The Illegal Wildlife Trade Inside the World of Poachers, Smugglers and Traders*.

USD 1 000 per kg (150% to 400% mark-up). Notably, the price of ivory has been decreasing in recent years due to high profile ivory bans in a number of countries (e.g. China, UK, US etc.).

- *Between March and July 2019, Vietnam, China and Singapore seized as much as 25.3 tonnes of ivory in three containers<sup>5</sup>. This represents potential sales generating around USD 12.5-24 million.*
- **Rhinoceros horn:** The price of rhinoceros horn can reach around USD 65 000 per kg, but has also been known to be sold as low as USD 9 000 per kg, according to US authorities.
  - *Criminals trafficked approximately 4 500 African rhinoceros horns between 2016 and 2017, generating estimated proceeds of between USD 79 and 292 million<sup>6</sup>.*
- **Pangolin scales:** While hunters can receive from USD 2.5 to 9 per kg of pangolin scales<sup>7</sup>, the price in demand countries is usually around USD 200 per kg, but has reached as much as USD 700 per kg<sup>8</sup> (between 2 100% to 7 600% mark-up).
  - *Between 2016 and 2019, countries confiscated an estimated 206.4 tonnes of pangolin scales across 52 seizures globally, which amounts to USD 41-144 million in sales in destination countries<sup>9</sup>.*

1. It should also be noted that various factors can affect price, including the perceived quality of the wildlife in question, its species or geographic origin, market bans or national restrictions (i.e. country of final purchase) and the degree of processing (i.e. carved, dried, tanned, etc.).

2. Trade in glass eels is regulated under CITES Appendix II.

3. [www.europol.europa.eu/newsroom/news/over-5-tonnes-of-smuggled-glass-eels-seized-in-europe-year](http://www.europol.europa.eu/newsroom/news/over-5-tonnes-of-smuggled-glass-eels-seized-in-europe-year).

4. This calculation is based on proceeds for the criminal syndicate should they sell the illegal wildlife in underground markets. If the illegal wildlife is integrated/co-mingled with legal wildlife, this may impact the price.

5. Wildlife Justice Commission (September 2019): Snapshot Analysis – Ivory Smuggling 2015-2019.

6. Wildlife Justice Commission (2017): Black Business - Illegal Rhino Horn Trade Dynamics.

7. There are eight species of pangolin: four found in Asia and four found in Africa. Pangolins may be traded for their scales and/or for meat. Since 2015, annual volumes of seizures have increased significantly.

8. UN Wildlife Crime Report: Pangolin Scales (2020).

9. Wildlife Justice Commission (2020): Scaling up - the Rapid Growth in the Industrial Scale Trafficking of Pangolin Scales.

### Supply Chain for the Illegal Wildlife Trade and Related Financial Flows

26. The supply chains for IWT impact countries differently, and are largely distinct across species. Nevertheless, in general, syndicates involved in wildlife crime usually poach, harvest or breed wildlife in countries that are rich in biodiversity and/or where there may be weaker law enforcement oversight and criminal justice (“source countries”). Similarly, most syndicates involved in such crime transit the wildlife through other countries in order to obfuscate the end-destination (“transit” and “destination” countries). The transit countries typically include trade and transport hubs, and/or countries with higher levels of corruption. Of the 45 countries that provided questionnaire responses for this study, 22 jurisdictions considered themselves source countries for wildlife crime, 18 as transit countries, and 14 as

destination countries<sup>29</sup>. All but nine countries reported to be impacted by the risks from financial flows linked to IWT, with the majority of exceptions being European countries<sup>30</sup>.

**27. Case studies provided for this report demonstrate that laundering of proceeds occurs across source, transit and destination countries for illegal wildlife.** While the majority of proceeds do typically end up in the country where the syndicate leader(s)<sup>31</sup> are based (usually the destination country or those neighbouring it), laundering also occurs at other stages in the supply chain, including laundering proceeds derived from the poaching and transport of wildlife in source and transit countries. Syndicates have also re-invested proceeds back into source countries to cover the ongoing costs of criminal activity (e.g. costs for shipping loads, vehicles etc.). Importantly, criminals may divert and conceal proceeds from IWT through countries outside of source, transit and destination countries for illegal wildlife. This study shows that financial and company formation centres may be particularly vulnerable due to the complex and cross-border services that they offer.

Laundering of proceeds occurs across source, transit and destination countries for illegal wildlife.

**28.** Similar to other major proceeds-generating crimes, transnational syndicates involved in wildlife crime are often composed of multiple distinct sub-networks or actors who each provide specialised criminal services and skills. Depending on size and geographic focus of the criminal group, the syndicate leadership may be more or less centralised. This is one of the reasons why following the financial flows is an important means of identifying links between individuals and the broader network.

**29.** While each criminal enterprise will have distinct characteristics, for large-scale wildlife trafficking networks, syndicate leaders are often not involved in sourcing the wildlife themselves. Instead, they rely on local controllers based in source countries who oversee the illegal sourcing of the wildlife from various local poachers, breeders or farmers<sup>32</sup>. Syndicates often choose local controllers who have unique local knowledge or language skills, and can hide their financial activities behind the pretence of legitimate business in the country. For the payments to local poachers or breeders, countries confirmed the important role of cash, and to a lesser extent mobile-money. Syndicate leaders may also make payments for members' miscellaneous expenses, including hire vehicles and domestic accommodation. For this study, the majority of criminals involved in IWT did not outsource the financial or laundering elements to a third party; however, it is possible that some groups will rely on professional launderers<sup>33</sup>.

The majority of criminals involved in illegal wildlife trade did not outsource the financial or laundering elements to a third party.

<sup>29</sup> These options are non-exclusive. For example, a country may consider itself both a transit and demand country for IWT.

<sup>30</sup> The discrepancy may be partially accounted for by the large number of European responses received (17 out of 45).

<sup>31</sup> This term is used to describe the individual(s) who exercise ultimate control over the illegal wildlife trafficking network. In some criminal operations, the syndicate leader may be aided by only a handful of accomplices, whereas in more complex cases, syndicate leaders may have an expansive network of associates with differing degrees of control and knowledge of the wider network.

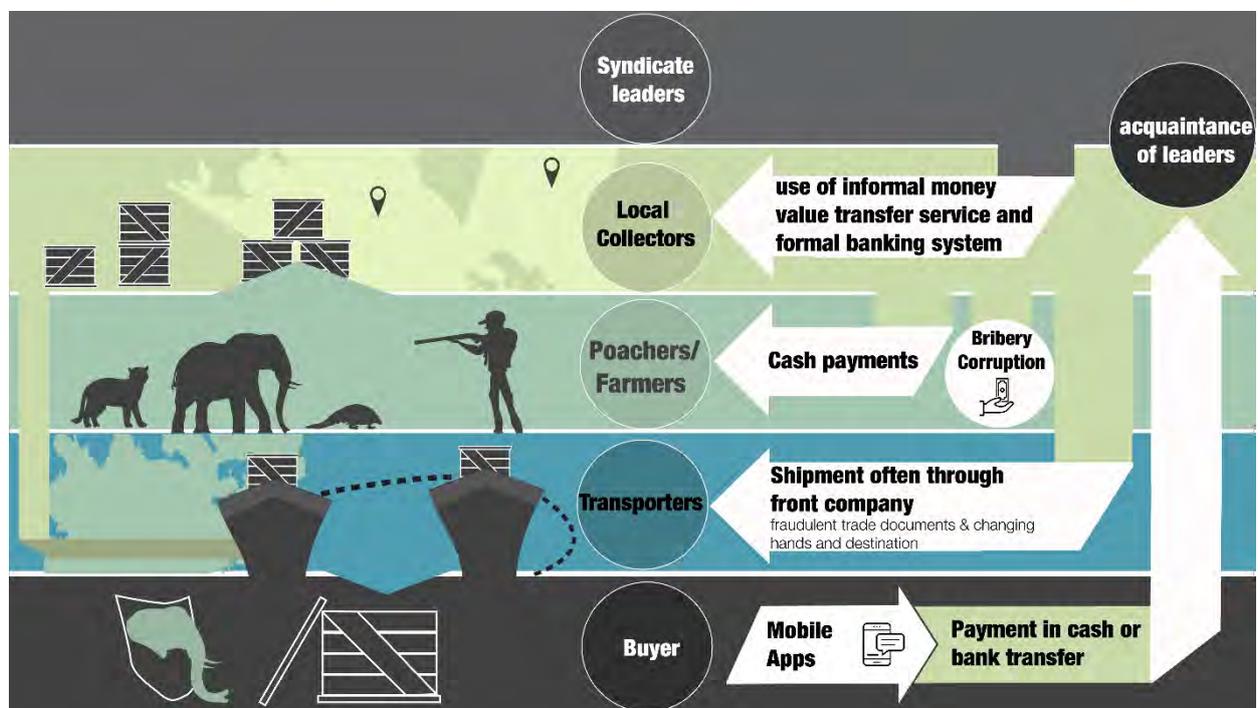
<sup>32</sup> In certain cases, criminal groups are known to have relied on indigenous communities to help poach illegal wildlife.

<sup>33</sup> A professional money launderer specialises in the provision of ML services, which can also be performed while acting in a legitimate, professional occupation. The FATF has completed separate guidance which outlines some of the forms and techniques used by such criminals: [www.fatf-gafi.org/media/fatf/documents/Professional-Money-Laundering.pdf](http://www.fatf-gafi.org/media/fatf/documents/Professional-Money-Laundering.pdf)

30. For the transport stage, syndicates frequently rely on a network of complicit officials – customs, immigration or port personnel - across source, transit and destination countries to avoid detection, as well as local intermediaries to help prepare and move the wildlife (e.g. packers, transporters). To hide the real country of origin, criminals involved in IWT often divert containers or shipments through third countries, and switch the bills of lading or vessel<sup>34</sup>. For the sale of the illegal wildlife, jurisdictions identified common use of cash, mobile or social media-based payments, and third party payments<sup>35</sup>.

31. A graphic example of a wildlife trafficking supply chain is included below. Importantly, while this infographic depicts an example of a complex transnational network, every criminal enterprise will have unique features, and some may be individual actors or smaller, less organised networks.

**Infographic 1. Example of Illegal Wildlife Trade Supply Chain and Payments**



Source: FATF.

<sup>34</sup> With particular reference to maritime containerised cargoes travelling from Africa to Asia, at which point the paperwork switch may take place within Asia before onward transportation

<sup>35</sup> In this context, a third-party payment refers to transfer of value between two parties via an intermediary to conceal the ultimate beneficiary.

## Methods to Launder Proceeds from the Illegal Wildlife Trade

32. This section identifies common ML trends and techniques based on the case studies provided for this study. While countries often refer to use of cash as a common means to conceal proceeds from wildlife crimes, particularly within source countries, the below analysis shows that criminals are using a wide range of mechanisms across the IWT supply chain to move and launder proceeds.<sup>36</sup>

### Misuse of the Formal Financial Sector

33. Countries highlighted that criminals are relying on “established” methods to launder proceeds from IWT, including the placement and layering of funds through the formal financial sector. This shows the important role that financial institutions can play in detecting suspicious activity. In particular, countries reported that criminals involved in IWT are placing and layering funds through cash deposits (under the guise of loans or payments), e-banking platforms (e.g., electronic payment services that are tied to a credit card or bank account), licensed money value transfer systems (MVTs)<sup>37</sup>, and third-party wire transfers through banks<sup>38</sup>. In order to conceal the sender and the receiver of the funds, and to avoid the country-specific threshold reporting by financial institutions, syndicates are relying on money mule accounts<sup>39</sup> and low-value payments.<sup>40</sup>

### Front Companies and Co-mingling of Licit and Illicit Proceeds

34. Both small-scale and large-scale criminals involved in IWT often use shells and front companies to conceal payments and launder the proceeds of their illicit activities<sup>41</sup>.

35. Countries identified that criminals are primarily using shell companies<sup>42</sup> to facilitate transfer of value between syndicate members, between buyers and sellers, or to hold assets. At the same time, criminals use front companies, which generally conduct legitimate business simultaneously to the illegal activity, to both facilitate the movement of the wildlife itself and to co-mingle licit and illicit proceeds, thereby disguising the transfer of value.

Both small-scale and large-scale criminals involved in illegal wildlife trade often use shells and front companies to conceal payments and launder the proceeds of their illicit activities

<sup>36</sup> Laundering is typically comprised of three stages: placement, layering and integration of illicit proceeds.

<sup>37</sup> Money or value transfer services (MVTs) refers to financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the MVTs provider belongs. Transactions performed by such services can involve one or more intermediaries and a final payment to a third party, and may include any new payment methods.

<sup>38</sup> Countries reported that criminals are misusing domestic banks with weaker AML/CFT, as well as international banks for their cross-border services.

<sup>39</sup> Money Mule Accounts is a term to describe when criminals dupe innocent victims or compel complicit individuals into using their bank account to move and/or launder illicit money.

<sup>40</sup> In order to avoid threshold reporting in some jurisdictions, criminals transfer funds in a series of low value payments to avoid raising alarms. For this reason, it is important that financial institutions look out for this type of activity (a series of low value payments which indicate suspicious activity).

<sup>41</sup> The FATF has done extensive work on misuse of legal persons more generally based on over one hundred case studies across the FATF Global Network. FATF (2019), *Concealment of Beneficial Ownership*, FATF, Paris

<sup>42</sup> I.e. companies without a physical presence, employees or real economic activity.

36. Countries highlighted that **wildlife traffickers often use front companies that have connections to import-export industries to help to justify the movement of goods and payments across borders (e.g., plastics, timber, frozen foods, or artwork)**. Another common trend is the misuse of front companies with connections to the legal wildlife trade, e.g. taxidermists, farms, breeding facilities, pet shops and zoos (see box 4 below). Other industries that may be more vulnerable to misuse include traditional medicine, décor and jewellery, and fashion.

#### Box 4. The Illicit Pet Trade and Private “Zoos”

Legitimate pet stores and private “zoos”, “farms” or “parks” are often used to facilitate the illicit pet trade in many countries (e.g. in Asia and the Americas) and are used to justify trading, breeding, or otherwise exploit CITES-controlled wildlife. The financial flows associated with this type of IWT activity are often significant. It is important that IWT investigators and relevant authorities monitor the activities of both licensed and unlicensed pet businesses and private zoos.

The cost of maintaining a “tiger zoo” (e.g. with 200 tigers) suggests profits from selling tiger cubs and tiger parts is substantial. The selling price of captive tigers is based on age, colour pattern (e.g. albino, all orange, orange and black, etc. Rare colour patterns are more sought after) and breeding potential, such as a male cub. According to U.S. authorities, the price of a captive can range from USD 2 000 for a common older tiger to USD 30 000 for a “snow white” cub with a rare colour pattern of almost completely white. The sale of such tigers have been facilitated by creating false receipts for other expenses and money deposited through local MVTs (e.g. via associates, colleagues at the zoo) and also through cash sales that zoo owners use to deposit a small amount of funds back into the business, but also maintain cash to buy more animals. The price of lions sold from private zoos has ranged from between USD 10 000 to 25 000.

Source: United States (U.S).

37. Importantly, criminals incorporate shell and front companies in the both source or destination countries for the illicit wildlife, but also take advantage of the weak regulatory environments in some financial and incorporation centres to set up complex company structures (e.g. multiple layers of ownership, and multi-jurisdictional). This suggests that trade data, and information on company business activities and tax reporting, are important sources to identify anomalies and suspicious behaviour for wildlife crime. The case studies below describe how large-scale ivory and pangolin traffickers in Kenya and Indonesia relied on front companies to co-mingle licit and illicit goods (see box 5 and 6 below).

### Box 5. Large-Scale Pangolin Trafficking Case and Co-mingling of Proceeds

In 2018, Indonesian authorities detected a large-scale syndicate that was responsible for trafficking pangolin scales worth approximately USD 9 million between 2012 and 2017. The syndicate leaders in this case, Mr. S, Mr. A, Mr. B, and Mr. C (the latter three being siblings that owned PT. ABC, a frozen fish company), used a network of intermediary bank accounts under false names to disguise the relevant payments. The vast majority of the intermediary accounts were set up under the pretence of being legitimate animal or farm suppliers. Further examination of the financial transactions from Mr. S and Mr. A showed a financial flow of around USD 6 million from convicted drug dealers. The Indonesian authorities identified that Mr. A, B and C used the company accounts to co-mingle revenue from their legal fishing company, and illegal proceeds from pangolin and drug trafficking.

Based on further examination of company accounts, Indonesian authorities identified that the company had sent funds abroad to 23 beneficiaries in foreign supply companies as many as 129 times. Using Directorate General (DG) Customs and Excise data to compare the identified parties, which received funds from Mr. A, B and C's company, with the list of senders or suppliers within the same period, Indonesia could identify three suppliers that received funds from the company but were not recorded as being a supplier by DG Customs. The authorities therefore suspected that the imported goods did not match the information contained in the document of imported goods because Mr. A was using PT. ABC and XYZ Trading Company purportedly for the export/import of sea products. In fact, the purpose was to traffic wildlife and move value through the trade system.

Mr. A was also suspected of under-reporting his business profits and assets (gross revenue or income from 2010-2017 was approximately IDR 1.3 trillion, equivalent to USD 90 million).

Source: Indonesia (PPATK).

### Box 6. Use of Import-Export Front Company to Move Wildlife and Related Financial Flows

From April to May 2015, there were two seizures in Thailand and Singapore of a combined 6.8 tonnes of ivory, all exported from the port of Mombasa<sup>1</sup>. Further financial investigations by Liberty Shared, in collaboration with relevant governments, helped to reveal the larger syndicate behind these seizures. By following the import/export data for the seizures, investigators were able to identify that the syndicate had established a legitimate tea trading company in Kenya to conceal ivory shipments and financial flows between east Africa and east Asia. The syndicate set up a tea trading front company (company A) to buy from a larger unwitting tea company and freight forwarder (company B) to obfuscate the true tea buyers.

The syndicate also set up a third company (company C) to transport the tea to the port. Prior to the container being shipped, company C arranged for the trucks to be diverted and for the tea sacks to be filled with ivory before

returning to the port. The “tea” shipments then changed destination locations twice and consignee name while en route. This was most likely an attempt to confuse port officials. One risk indicator for this case was that the final destination was East Asia that is not a major export market for tea from Africa.

1. The price of ivory can vary between USD 1 500 and 2 500 in the end market. Using a median price of USD 2 000, the market price of the 6.8 tons of ivory from this seizure is approximately USD 12 337 720.

Source: Liberty Shared.

### *Purchase of Real Estate and Luxury Goods*

38. Countries highlighted that criminals are also purchasing high-value goods, such as real estate and luxury items (e.g., vehicles, jewellery and artwork) to launder proceeds from IWT at the integration stage. This shows the important role that certain non-financial sectors (e.g., real estate agents, lawyers and precious metal and stones dealers) can play in detecting suspicious funds linked to IWT. The cases below describe how two South African and Indonesian wildlife syndicates laundered their proceeds through luxury property and vehicles (see box 7 and 8 below).

#### **Box 7. Financial Investigation into Rhinoceros Horn Syndicate**

This case concerns a rhinoceros horn syndicate involving around 12 individuals operating in South Africa. The accused and their associates unlawfully hunted and dehorned rhinoceros, and sold approximately seven rhinoceros and 14 horns for profit. The accused were also allegedly involved in robberies, housebreaking, corruption, kidnapping and murder. The leader of this syndicate was a former police officer; the suspected corruption relates to the bribery of a park official to not arrest members of the syndicate in a National Park. The case was identified through proactive intelligence. Syndicate members used cash as the primary means of payment. They mostly laundered the proceeds through the cash purchase of properties and luxury vehicles worth around USD 1 million.

Authorities have charged the accused with illegal dealing in and possession of rhinoceros horn, illegal hunting of rhinoceros, corruption, murder, robbery, housebreaking, theft of rhinoceros horn, harbouring illegal immigrants, money laundering and racketeering. The case is ongoing.

Source: South Africa.

#### **Box 8. Laundering of Wildlife Crime Proceeds through Luxury Goods**

Indonesian authorities charged a police officer (“MAH”) from Pekanbaru, Riau, with wildlife crime and money laundering after he was found transporting 70 armadillos weighing 301.5 kg<sup>1</sup>. Investigators found IDR 7.1 billion (approximately USD 525 000) of funds from the sale of armadillos in the account of ZA (MAH’s brother in law). MAH asked ZA to open the account but MAH was to hold the passbook. In 2017, MAH transferred IDR 274 million (approximately USD 20 000) from ZA’s account to his personal account,

IDR 188 million (approximately USD 13 000) to his wife's account, and IDR 179 million (approximately USD 12 000) to his brother's wife's account. He also withdrew a total of IDR 597 million (USD 41 000) via ATM and via teller, and bought assets and other goods and services using the IWT proceeds (e.g. cars, hotel visits, luxury clothes and accessories).

When his brother, AM, also his partner in crime, was arrested in October 2017, he tried to obscure the illicit origins of his possessions. He entrusted one of his cars to DA (another acquaintance), and DA was asked to create a fake invoice as if MAH was selling the car to him. The proceeds from the sale of the car (IDR 436 million/USD 30 000) were transferred to DA's account, but MAH was able to continue using the funds. He also asked DA to transfer some funds totalling IDR 110 million (USD 7 500) to two other accounts. The transferred funds were used to purchase gold jewellery.

Before being detained by investigators, MAH sold his house to YA for IDR 1 billion (USD 70 000). However, YA only paid IDR 600 million (USD 41 000), with two fake invoices and IDR 350 million (USD 25 000) being transferred from MAH to YA. MAH was convicted of money laundering, imprisoned for 2 years and fined IDR 800 million (approximately USD 55 000).

1. A kilogram of live armadillos is priced at Rp 500.000 (about USD 37) and the skins Rp 2 000 000 (about USD 148) per kilogram.

Source: Indonesia.

### Money Value Transfer Systems (MVTs)

39. Countries highlighted that criminals are also using informal MVTs networks<sup>43</sup>, or Hawala and Other Similar Service Providers (HOSSPs)<sup>44</sup>, e.g. “*fei chen*”, or “*hundi*” to conceal and launder proceeds from IWT. As with all forms of informal MVTs, these schemes are often community-based and draw on a network of brokers across countries to facilitate international transfers without money physically crossing borders. Box 9 below describes how US investigators identified the role of informal MVTs to facilitate the initial acquisition and shipment of wildlife from Africa to Asia, as well as the subsequent purchase and distribution of the illicit product within, and between, syndicates and customers.

#### Box 9. Use of Informal MVTs for Wildlife Trafficking between Africa and Asia

One U.S. investigation revealed that in 2015-2016, an IWT syndicate used “*fei chen*” (flying money) networks in China to transfer value (funds) between the syndicate leader, based in Asia, and a corresponding ethnic Chinese associate in Uganda. Specifically, the IWT syndicate delivered RMB to an executive in China. In turn, an ethnic Chinese associate of the subject in China, who resides in Uganda, delivered a corresponding amount in U.S. Dollars to the wildlife

<sup>43</sup> Money or value transfer services (MVTs) refers to financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the MVTs provider belongs. Transactions performed by such services can involve one or more intermediaries and a final payment to a third party, and may include any new payment methods.

<sup>44</sup> Hawalas and other similar service providers (HOSSPs) arrange for transfer and receipt of funds or equivalent value and settle through trade, cash, and net settlement over a long period of time. What makes them distinct from other money transmitters is their use of non-bank settlement methods. These services often have ties to particular geographic regions, including hundi, and ‘fei chen.’

trafficker in Uganda. The funds were used to purchase ivory and rhino horn for shipment to the IWT syndicate in Asia.

Similarly, in another recent U.S. investigation, an IWT syndicate required that monies for the purchase of illicit wildlife from Africa be delivered to bank accounts in China before delivering the illicit wildlife in another country in Asia. The customer purchasing the illicit African wildlife in Asia subsequently deposited USD with an ethnic Chinese money exchange broker in Thailand. For a small fee, this money broker in Thailand immediately contacted an associate in China who, in turn, delivered a corresponding amount in RMB into bank accounts in China, all within hours. Upon confirmation that all of the funds were deposited into Chinese accounts, the illicit wildlife was delivered to the customer in another country in Asia. In both cases, the operators of the money exchange businesses relied on an informal MVTs network in which a broker in country “A” transfers funds to a member of their MVTs network in another country; in turn, a corresponding amount in the local currency or in USD is delivered by the MVTs to the wildlife trafficker. In these same U.S. investigations, wildlife traffickers also used multiple small MVTs transactions to move funds to purchase ivory, rhino horn, and/or pangolin scales collected and then shipped to customers in Asia.

Similarly, in a separate case carried out by the Environmental Investigation Agency (EIA), a non-governmental organisation, a Malaysian national specialising in transporting ivory and pangolin scales from Africa to Vietnam described to investigators how he received payments from his customers into a Malaysian bank account through a money exchange service based in a third country, which he referred to as ‘underground banking’. He claimed that the bank account details of the underground bank are valid for one day only, and that once the funds are deposited in the third country, the money is transferred to his bank account in Malaysia within two hours.

Source: EIA, Malaysia, and U.S.

## Facilitation Role of New Technologies

40. New technologies play an important role in facilitating communication and non-face-to-face payments between buyers and sellers for illegal wildlife<sup>45</sup>. In particular, encrypted communication platforms and illegal wildlife marketplaces hosted via social media sites, online vendor platforms, and the dark net increase the ease with which wildlife transactions can occur between buyers and sellers<sup>46</sup>. Although online listings are easily accessible, VPN connections disguise the location of wildlife traffickers who often engage prospective buyers through private groups or encrypted mobile messaging platforms<sup>47</sup>. Consequently, in the absence of regulations, law enforcement agencies rely heavily on technology companies to detect, track, and disrupt IWT-related sales throughout the vast online marketplace.<sup>48</sup> To detect and disrupt IWT-related internet sales in the future, a coordinated effort is required across the public, private, and non-profit sectors.

To detect and disrupt illegal wildlife trade-related internet sales in the future, a coordinated effort is required across the public, private, and non-profit sectors.

41. At the same time, the evolving payment infrastructure for online sales, and its potential for significant growth, are also posing potential challenges to counter-IWT efforts. Within Africa, where mobile banking (cell phone payment) systems are used extensively, there are examples of such platforms (such as M-Pesa) being misused to transfer payments related to wildlife crime. Similarly, across Asia and Africa there are examples of criminals misusing pre-paid cards, mobile apps or social media-based platforms linked to bank accounts, to transfer and launder funds from IWT (see box 10 and 11 below). While very few countries for this study highlighted the misuse of virtual assets to facilitate movement of value for wildlife crimes, countries should remain vigilant to potential misuse given known cases of virtual asset payments on the dark web connected to other illicit trade. Importantly, new payment technologies also present a number of opportunities for enhanced monitoring and detection of suspicious activities, as shown below by an initiative from a Chinese payment platform (see box 30 in Chapter 4 below).

### Box 10. Use of Pre-paid Cards to Launder Proceeds from Wildlife Trafficking

The South African Directorate for Priority Crime Investigation arrested two Asian males on suspicion of operating an illegal wildlife trafficking network, and conducted a search and seizure at the suspects' residences. This resulted in the seizure of R 112 000 (USD 6 400) in cash, R 18 million (USD 1 million) worth of iTunes prepaid cards (95 packets containing around 75 cards per packet), and items uniquely involved in the transnational movement of wildlife items and

<sup>45</sup> Twenty-five out of 45 jurisdictions identified the growth in use of new technologies for sale and payment of illegal wildlife.

<sup>46</sup> Interpol (2017), Research identifies illegal wildlife trade on the Darknet [www.interpol.int/fr/Actualites-et-evenements/Actualites/2017/Research-identifies-illegal-wildlife-trade-on-the-Darknet](http://www.interpol.int/fr/Actualites-et-evenements/Actualites/2017/Research-identifies-illegal-wildlife-trade-on-the-Darknet)

<sup>47</sup> The Global Initiative Against Transnational Organised Crime (2018), Catch Me if You Can: [www.legal-atlas.com/uploads/2/6/8/4/26849604/digital-dangers-catch-me-if-you-can-july-2018.pdf](http://www.legal-atlas.com/uploads/2/6/8/4/26849604/digital-dangers-catch-me-if-you-can-july-2018.pdf)

<sup>48</sup> To address this challenge, the International Fund for Animal Welfare (IFAW), TRAFFIC, and WWF convened the Coalition to End Wildlife Trafficking Online, which currently provides 36 e-commerce, search, and social media companies with staff training, policy guidance, and other tactics to combat wildlife trafficking. The Coalition reports its members have removed over 3 million online listings since 2017: [www.ifaw.org/uk/resources/offline-and-in-the-wild](http://www.ifaw.org/uk/resources/offline-and-in-the-wild)

the transfer of illicit proceeds. One of the suspects admitted that he was selling in excess of 30kg of rhino horn per month (approx. USD 2 million per month).

One retail store provided proof of sales involving R2.7 billion (USD 153 million) of iTunes cards that have been purchased in South Africa. Apple USA confirmed that the vouchers were redeemed for their monetary value outside of the country. Investigations have confirmed that pre-paid gift cards are currently being used to circumvent reporting requirements and resulting in gross tax and revenue evasion and exchange control violations. Fourteen individuals were identified for purchasing iTunes cards in bulk. The purchase of iTunes cards provides a commodity that can be used worldwide, i.e. exchange of virtual currency and purchase of physical electronic devices. This allows the users in South Africa to purchase large quantities of these vouchers that they can sell or redeem on internet. This enables the movement of South African currency out of the Republic without any Reserve Bank interference.

Source: South Africa

### **Box 11. Use of Mobile Apps to Move Value for Wildlife Crimes**

Some of the most popular mobile apps to connect people across the world are exploited to facilitate laundering and financing for IWT.

During an operation conducted by the Police in a South East Asian country in 2018, a businessman dealing with import/export services was caught selling illegal wildlife products at retail level. Through the analysis of the records on his mobile phone, it was possible to understand that for the previous 3 years he had been selling ivory and other wildlife products to buyers in China and Vietnam through a mobile payment app. After exchanging photos of the products and agreeing on the price, the payment would be made via the app and then the shipment by post would take place.

UNODC are aware that as of May 2020 thanks to the strict limitation imposed by some mobile apps, it is not possible to make payments beyond approximately USD 7 000 a day when an account is duly registered and a bankcard is provided. Accounts that are not linked to a bankcard instead have much smaller ceilings, with monthly threshold subject to changes depending on continuous machine learning profiling. By virtue of these restrictions, such platforms may not be a suitable platform for the transfer of significant sums of money for large-scale/wholesale trade of wildlife products. However, where IWT deals are made using mobile apps but paid for using another method, UNODC consider that there are significant opportunities for cyber investigators to share information with financial investigators.

Source: UNODC

## Country Assessments of Money Laundering Risks

42. FATF Recommendation 1 requires all jurisdictions to identify, assess and understand their money laundering and terrorist financing (TF) risks<sup>49</sup>, and to take action, and apply resources, to try to mitigate identified risks. Depending on the threat profile, this may require a country to consider their ML risks emanating from IWT, whether the underlying wildlife crime takes place domestically or in a third country. Information gathered for this report shows that the while source countries for illegal wildlife are beginning to carry out relevant ML risk assessments; this is rarely the case for other countries, even those that identify as transit or destination countries for illegal wildlife.

43. Importantly, even countries *without* significant wildlife resources should consider whether criminals might be using their financial or non-financial system to launder proceeds from IWT. In other words, transit, destination or third countries should consider assessing such risks<sup>50</sup>. This could be done as part of a national ML risk assessment, or through a targeted thematic study.

Even countries *without* significant wildlife resources should consider whether criminals might be using their financial or non-financial system to launder proceeds from IWT.

44. Some examples of relevant information for countries to consider include intelligence on domestic illegal wildlife markets, and volumes of illegal wildlife identified and seized domestically. Countries can also look at trade relationships with countries that are deemed high-risk for wildlife crimes, corruption levels (especially amongst port, border, mail, and customs authorities), and/or legislative gaps related to wildlife crimes and related ML. To understand ML risks effectively, countries will likely need seek input from non-government stakeholders with expertise on combatting wildlife crimes, such as NPOs, conservationists and/or private sector entities. The box below provides an example of how a jurisdiction may gather information and assess its ML risks linked to IWT.

<sup>49</sup> The [FATF 40 Recommendations](#) are the internationally endorsed global standards against money laundering and terrorist financing. The FATF assesses countries against the 40 FATF recommendations as part of the FATF mutual evaluation process. The risk-based approach is a key component of this evaluation process. In order to implement a risk-based approach, countries must first identify and understand their ML risks, as required under FATF Recommendation 1.

<sup>50</sup> This report has shown that global trade, finance or company formation centres may be particularly exposed.

**Box 12. Namibia's 2017 ML/TF Risk Assessment of Rhino and Elephant Poaching<sup>1</sup>**

In January 2017, Namibia's Financial Intelligence Unit carried out a targeted study on the illicit finance risks arising from domestic rhino and elephant poaching. In determining the ML risks, the study considered the domestic wildlife resources, the number of nationals known to be involved in domestic or regional wildlife crimes, domestic seizures, and suspicious transaction reports relating to IWT. For the study, the FIU also met with NPO representatives and individuals from the Namibian Professional Hunting Association. On the ML side, the report noted the particular vulnerabilities of domestic money value transfer services and cash couriers.

The report found that proceeds may also be laundered through payments made under export contracts to supply goods to Namibia. The report concluded that there was a low risk of TF from IWT activities.

<sup>1</sup>. Full report available online:  
<https://www.fic.na/uploads/TrendsandTypologies/FICTrendsandTypologyReports/Namibias%20Wildlife%20Poaching%20and%20related%20Money%20Laundering%20Typology%20Report.pdf>

Source: Namibia.

## Chapter 2. FINANCIAL INVESTIGATIONS INTO THE ILLEGAL WILDLIFE TRADE OFFENCES

45. Financial investigations are a key component of efforts by law enforcement to investigate and prosecute money laundering (ML). They can also deprive criminals of their illicit proceeds and instrumentalities by helping to determine where those assets originate, how they are moved, and how they are used.<sup>51</sup> The FATF standards therefore require jurisdictions to put financial investigations at the centre of an effective AML/CFT regime.

46. FATF Recommendation 3 requires jurisdictions to apply the crime of ML to all serious offences, with a view to including the widest range of predicate offences. Countries should ensure that a range of offences within all categories of major proceeds-generating offences are covered. These categories include, with relevance to IWT: environmental crime; participation in an organised criminal group and racketeering; illicit trafficking in stolen and other goods; forgery; corruption and bribery; and smuggling.<sup>52</sup>

47. FATF Recommendations 30 and 31 require law enforcement and investigative authorities to have the necessary responsibilities and powers to carry out parallel financial investigations, and to be able to use a wide range of techniques for investigating ML and associated predicate offences (e.g. undercover operations, intercepting communications, and controlled deliveries).

48. Despite this, the number of financial investigations conducted into wildlife trafficking offences is, in many jurisdictions, not commensurate with its scale, cross-border nature, and the volume of proceeds associated with such crimes. This chapter provides guidance primarily to law enforcement and FIUs to enhance their capacity to carry out and support financial investigations into IWT, by drawing on good practices from across the FATF Global Network. In order to operationalise these good practices, all relevant authorities and their leadership should adopt them as appropriate and prioritise resource accordingly.

49. This study is not intended to repeat the general guidance already provided in previous FATF studies on conducting financial investigations<sup>53</sup> and confiscation<sup>54</sup>, and instead provides guidance on issues that are specific to IWT financial investigations.

The number of financial investigations conducted into wildlife trafficking is, in many jurisdictions, not commensurate with the scale, cross-border nature, and the volume of proceeds associated with this crime

### Legal Framework for Financial Investigations into Wildlife Crimes

50. Without a comprehensive legal framework for addressing both IWT and ML offences, jurisdictions may be limited in their ability to effectively investigate, prosecute and sanction illegal wildlife traffickers, syndicates, and affiliated money launderers. Even when jurisdictions take an all-crimes approach, gaps in both ML

<sup>51</sup> A 'financial investigation' means an enquiry into the financial affairs related to a criminal activity. See FATF Interpretative Note to Recommendation 30.

<sup>52</sup> FATF (2013) *FATF Methodology*: pp 177-178

<sup>53</sup> FATF (2012) *Operational Issues: Financial Investigations Guidance*

<sup>54</sup> FATF (2012) *Best Practices on Confiscation (Recommendations 4 And 38) and a Framework for Ongoing Work on Asset Recovery*

offences and wildlife crime offences can negatively affect a jurisdiction's ability to prosecute ML activity.

51. A study in 2017 by Legal Atlas assessed the AML laws of 110 jurisdictions to identify how they interact with IWT laws. The study concluded that 62% of jurisdictions met political commitments made at the UN to ensure that offences related to the illegal wildlife trade are treated as ML predicate offences as defined in the Palermo Convention, as necessary and appropriate.<sup>55</sup>

52. This study by the FATF did not include a global in-depth legal review of jurisdiction-specific IWT and AML legislation. FATF and FATF-style regional body mutual evaluation reports detail each assessed jurisdiction's level of technical compliance with Recommendation 3, including analysing any predicate offence shortcomings. However, the majority of the 38 jurisdictions that responded to the questionnaire for this study reported:

- a) having implemented national legislation that regulates trade in specimens of protected species as listed by CITES;
- b) providing competent authorities with powers to investigate and penalise trade that breaches these regulations;
- c) that IWT is a predicate offence to ML under their legal system, either due to an all-crimes approach, a threshold approach, or a listed predicate offence approach.

53. The following case example describes a legislative reform made by India in 2012 to increase the scope of the ML offence for wildlife crimes.

### **Box 13. Legislative change to increase applicability of AML legislation to wildlife predicates**

In 2012, India amended its AML law removing a value limitation applicable to wildlife trade predicates. Prior to this change (2002), only wildlife trade crimes estimated at or above 30 lakh rupees (USD 39 902) could be treated as predicate offences. Under the new approach (2012), there is no threshold. This has increased the applicability of India's ML offence to a broader range of wildlife trafficking offences. This includes offences related to low-value sourcing activities, many instances of which may have fallen below the previous threshold.

Sources: India, Legal Atlas.

54. This FATF study found that legal gaps still pose a challenge in combatting financial flows related to IWT, although some progress has been made in recent years in strengthening domestic wildlife crime legislation. Gaps in wildlife crime legislation may impact the applicability of the ML offence, the ability to confiscate related proceeds and instrumentalities and to use special investigative techniques (e.g. undercover operations, telephone interceptions). Gaps in legislation may also impact whether financial institutions are required to file suspicious transaction reports. Specifically, this means that ML investigations may not be possible due to the design

<sup>55</sup> UN Resolution A/71/L.88, 2017, "Tackling Illicit Trafficking in Wildlife", <https://undocs.org/A/71/L.88>. Other UN resolutions calling on UN Members States to use AML/CTF measures to combat IWT include [A/RES/69/314](#), 2015; [A/RES/70/301](#), 2016; and [A/73/L.120](#), 2019.

of the wildlife crime offence, or due to the wildlife crime offence not being a listed offence that can be treated as a predicate for ML.

55. The transnational nature of wildlife trafficking cases also demonstrates the importance of extending the ML offence to all IWT-related conduct that occurs domestically and overseas (see box below). It is also important that ML laws extend to ancillary offences to ensure that individuals who direct or control a wildlife trafficking network may be prosecuted for their role in the illicit activity, even when they are not in direct contact with the illicit product(s) or funds, in line with Recommendation 3.

The transnational nature of wildlife trafficking cases demonstrates the importance of extending the money laundering offence to all illegal wildlife trade-related conduct that occurs domestically and overseas.

56. Additionally, it is important that jurisdictions design both ML and underlying wildlife laws and regulations to cover all IWT-related activity that occurs within their jurisdiction. For instance, where IWT criminal syndicates are using a specific jurisdiction as a transit hub, countries should ensure that they criminalise smuggling-type offences, such as smuggling of any wildlife or forgery of CITES and other trade permits and certificates, to ensure that the ML threat posed by IWT can be effectively disrupted and combatted. Box 14 below summarizes some further legal challenges faced by countries.

#### Box 14. Common legal gaps in wildlife and AML legislation which impact the ability to pursue related ML

The following are some examples of common legislative gaps at the predicate level which may have an impact on the scope of the ML offence<sup>1</sup>:

1. Gaps in coverage of wildlife crimes:
  - Laws and regulations in some countries do not cover the transit and disposal of confiscated specimens.
  - Non-native CITES-listed species are often not protected by national legislation and regulations, creating regulatory arbitrage between jurisdictions.
    - For example, where a species is not included in the national schedule of protected species, law enforcement action may not be possible.
  - Lack of criminalisation of IWT as a predicate offense (applicable under the approach of listing predicate offences).
2. Unclear trade rules, primarily concerning transactions, species covered and exemptions.
3. Low penalties e.g. non-deterrent fines and prison sentence below four (4) years for serious infractions, and vague definition of the infractions.

<sup>1</sup> The UNODC's "Guide on Drafting Legislation to Combat Wildlife Crime" also emphasizes that conspiracy, money laundering and related offences are useful in addressing IWT-related financial crimes.  
[https://www.unodc.org/documents/Wildlife/Legislative\\_Guide.pdf](https://www.unodc.org/documents/Wildlife/Legislative_Guide.pdf)

Sources: CITES Secretariat, Legal Atlas.

## Multi-Agency Co-ordination

57. Some jurisdictions have established multi-agency networks to coordinate between authorities investigating the wildlife crimes and those with AML and financial investigation powers and responsibilities.<sup>56</sup>

58. These networks have been shown to effectively bridge the gap between agencies that do not naturally work closely or regularly together, in particular in jurisdictions where IWT is not assessed as a significant ML threat, or where IWT does not have a direct impact on the environment, conservation efforts, or physical security (i.e. the threat of poachers to rangers).

59. Some of these networks sit within wider national AML/CFT co-ordination frameworks (see box below), while others sit outside the usual AML/CFT structures to reflect the inclusion of non-traditional partners, such as environmental agencies, conservationist NPOs, etc.<sup>57</sup>

60. Jurisdictions provided some positive examples of financial investigations into wildlife offences that demonstrated productive co-operation between traditional AML/CFT agencies and those that are not typically considered to be central to AML/CFT efforts (e.g. government departments responsible for national parks, game, forestry, or conservation more broadly, CITES Management and Enforcement Authorities, and local zoos).<sup>58</sup>

61. The study saw no evidence that one style of co-ordination mechanism was necessarily more effective than other mechanisms. However, all mechanisms that successfully supported law enforcement to conduct effective financial investigations for wildlife crimes brought together environmental and AML agencies. This helps to forge relationships between agencies with distinct but mutual objectives. It can also help to pool and utilise specialist expertise solely located within specific agencies that may otherwise not communicate. Infographic 2 below shows some of the agencies and authorities participating in networks observed by this study.

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<sup>56</sup> In 2012, Interpol issued a recommendation to its members to establish a 'National Environmental Security Task Force' (NEST) to combat environmental crime through bringing together environmental, policing, and other specialist agencies into a formal network. Some jurisdictions responding to this study indicated they had set up networks in accordance with this recommendation.

<sup>57</sup> Some environmental agencies have established taskforces to identify IWT. In some, postal service and private couriers are included.

<sup>58</sup> CITES Management Authorities: All jurisdictions party to CITES must designate a governmental authority to act as Management Authority (MA). The MA is responsible for implementing CITES in its jurisdiction. It is the body competent to grant import and export permits and re-export certificates on behalf of that jurisdiction. Even though a Party may designate more than one Management Authority, one must be designated as the Management Authority responsible for communication with other Parties and the Secretariat. This communication function can, to some extent, be comparable with Egmont's Secure Web system as an informal investigative tool.

## Infographic 2. Inter-agency Co-operation on ML and wildlife crime



Source: FATF

62. In particular, a number of jurisdictions noted the importance of including the FIU in these networks to help generate and provide financial intelligence from the private sector. Jurisdictions also highlighted the importance of ensuring that multi-agency networks are designed to create incentives for close and open collaboration between agencies, and avoid increasing competition between agencies operating in similar fields.

63. However, despite the value such networks can provide, the vast majority of respondents did not report having an active network that facilitated co-operation across agencies on financial investigations related to wildlife crimes, through either formal or informal methods. Instead, this study found that wildlife crime investigators make seizures of illegal wildlife and, in some cases, share financial information with AML/CFT agencies that may support or initiate a financial investigation. However, for a variety of reasons, this information is often not acted upon. In other cases, wildlife crime agencies, who are not typically involved in AML/CFT efforts, lack formal or informal channels (official-level relationships or MOUs) to collaborate and exchange information with, for example, the FIU or experienced financial investigative agencies that could assist in developing ML investigations and prosecutions.

Jurisdictions noted the importance of including the financial intelligence units in these networks to help generate and provide financial intelligence from the private sector

### Box 15. National Multi-Agency IWT Taskforce

The Presidential Task Force on Wildlife Trafficking is a multi-agency taskforce (established in 2013) within the U.S. Government that brings together 17 federal departments and agencies to implement the U.S.'s National Strategy for Combating Wildlife Trafficking in line with the Eliminate, Neutralize, and Disrupt Wildlife Trafficking Act of 2016. The wide range of agencies with

AML/CFT responsibilities involved in the Task Force reflects the Strategy's intention to deprive IWT syndicates of financing.

The Task Force is co-chaired by the Secretary of State, the Secretary of the Interior, and the Attorney General. It coordinates activity and information sharing among agencies such as the Department of State, the Department of Justice (DOJ), the U.S. Fish & Wildlife Service (USFWS), and USAID on a weekly, monthly, and quarterly basis.

Exemplifying its functions and benefits, the Task Force has pursued active sharing of information and co-operation amongst agencies focused on wildlife crime offences and money laundering investigations in Operation Crash, an ongoing nation-wide effort by USFWS in co-ordination with DOJ to detect, deter and prosecute those engaged in wildlife trafficking. Operation Crash has approximately one dozen agents from the Special Operation Unit of the USFWS's Office of Law Enforcement assigned to the project full time, supplemented by approximately 140 field agents, other law enforcement agencies (LEAs), and co-ordination with overseas LEAs. The resulting cases are being prosecuted by the Environmental Crimes Section of the U.S. DOJ's Environment and Natural Resources Division, and ten U.S. Attorney's Offices across the United States.

Since the arrest of eight individuals in February 2012 as part of an initial "takedown" there have been over 20 arrests and 12 convictions. Operation Crash cases are pending and charges filed against these defendants include violations of the Endangered Species Act and the Lacey Act, as well as conspiracy, smuggling, money laundering, mail fraud, tax evasion, and making false documents.

Source: United States.

### Use of Financial Information to Identify Broader Wildlife Crime Networks

64. Financial information is not being regularly or proactively collected, developed, and disseminated to initiate or support financial investigations into wildlife crimes. Jurisdictions reported challenges in identifying the financial aspects of wildlife cases as a result of the high rate of use of cash and the difficulty in pursuing financial trails overseas, due to legislative differences or lack of skills, resources, or relationships (i.e. country has no liaison officers posted in relevant country).

Financial information is not being regularly collected, developed, or disseminated to initiate and support financial investigations into wildlife crimes.

65. Countries are largely not receiving or using suspicious transaction reports to initiate or identify cases of wildlife crimes. Only thirteen (13) of 45 jurisdiction responses reported receiving at least one STR relating to IWT in the past five years<sup>59</sup>. Instead, most cases are identified through customs seizures and human sources (e.g. whistle blowers, undercover agents, and confidential informants).

66. Nevertheless, there remain many opportunities for countries to better utilise financial information. This study received a limited number of examples

<sup>59</sup> Chapter five of this report captures the challenges that financial institutions report in successfully identifying illegal activity related to the wildlife trade. These challenges can be especially acute for financial institutions operating in transit or destination countries for illegal wildlife.

demonstrating how jurisdictions in some cases have used a range of information across sources to follow the financial trail, as in the case below. Section 1 of this report details some of the common ML techniques used to launder wildlife trafficking proceeds. The techniques described point towards a range of useful sources of financial information and intelligence in addition to STRs. These include:

- import/export information (captured in invoices, bills of lading and other related documents) concerning suspected entities held by trade activity repositories or by the entity itself;
- travel entry information and/or customs declarations;
- information on company, real estate and asset ownership (e.g. vehicle licensing records, tax reporting). Several jurisdictions reported numerous instances of abuse of front and shell companies to launder funds; and of IWT proceeds being used to purchase luxury goods such as vehicles as reinvestment in illicit activity and for personal use;
- payment records; and
- telephone records obtained through court orders: these may show frequent communication using mobile devices (phone calls, text messages, etc.) related to banking activity.

67. The following case from Malawi demonstrates the importance of wildlife investigators collecting all available financial information from the outset of the investigation (e.g. during the arrest of a suspect or the search of a relevant location or property). Assets and financial information (such as payment slips, bank statements, cash holdings, or luxury goods) can provide a financial trail and help to unravel the broader criminal network and its financial operations. Identifying and collecting financial information will help secure a ML conviction.

### **Box 16. Use of Financial Investigation to Identify Broader Foreign Syndicate**

In August 2019, the Malawi Financial Intelligence Authority (FIA) launched a financial investigation against a national of an Asian country, the alleged 'kingpin' of an IWT network, and Malawi nationals who were arrested by the Malawi Police Service for illegal possession of and dealing in wildlife products.

The Police and Department for National Parks and Wildlife made a submission to the FIA after the initial searches of the property of the arrested individuals, and following receipt of information provided by informants concerning the alleged kingpin. The FIA made preliminary financial analysis of the subjects involved and developed financial intelligence, leading to a financial investigation.

The investigation has utilised bank statements, account opening documents, remittance records, and information from the immigration department, land registry, utility and revenue authorities. The main method used for payment was cash. The preliminary findings are as follows:

- The alleged kingpin and his family have amassed unexplained wealth that is not commensurate with their legal business;
- There are records of several transactions between the accounts of the alleged kingpin, his daughter and workers which did not appear to have a clear economic purpose;

- A shell company was registered in the name of the daughter of the kingpin or workers;
- The account number registered in the name of the shell company belonging to the daughter of the kingpin is being used in a loan scheme to gamblers charging 30 percent interest;
- Vehicles owned by the kingpin were registered in the name of locals – workers or business partners;
- The Kingpin has acquired mining sites and a farm;
- Making deposits by using false names, and use of locals to make transactions and register businesses

An ML investigation was launched by the FIA and remains ongoing. Natural persons convicted for money laundering in Malawi may face sentences of up to life imprisonment.

Source: Malawi

68. FIUs can also significantly enhance wildlife crime investigations by providing key information on financial flows, originators, beneficiaries, and payment patterns. Information provided by FIUs can:

- Help understand and target wildlife trafficking transactions and routes;
- Provide a clearer picture on how the actors interact; and
- Significantly broaden the scope of subjects, suspects, and targets, since the financial flows may touch upon more persons/entities than the physical illegal wildlife trafficking.

69. Retroactive analysis (or “mining”) of STRs in particular can yield specific, actionable financial or personal information that can be used to identify individuals and trace criminal activity.

### Parallel Financial Investigations

70. Parallel investigations represent a powerful tool that jurisdictions can utilise to reduce the profitability of the illegal wildlife trade. In line with FATF Recommendation 30, it is important that jurisdictions launch parallel financial investigations where appropriate to identify broader criminal networks and to prevent criminal proceeds and instrumentalities from dissipating.<sup>60</sup> Failure to utilise financial information and conduct a financial investigation sufficiently early may lead to relocation or concealment of the associated networks and assets that a financial inquiry after the predicate investigation is unable to detect.

Failure to utilise financial information and conduct a financial investigation sufficiently early may lead to relocation or concealment of the associated networks and assets

71. Challenges such as low prioritisation of wildlife crime amongst key AML/CFT agencies, including FIUs, appear to contribute to the relatively low number of financial investigations. The low prioritisation of wildlife crime by key agencies

<sup>60</sup> Parallel investigations represent focusing on the predicate offence and the money laundering offence simultaneously. Recommendation 30 states that, for all ML, associated predicate offences, and TF, law enforcement authorities should develop a proactive parallel investigation.

means that many jurisdictions do not have the necessary combination of policies, resourcing, training, and interagency co-ordination in place for law enforcement agencies to regularly conduct parallel investigations into wildlife crimes.

72. This study received a very limited number of examples of jurisdictions conducting parallel investigations into wildlife crime; however, there were some outliers. A case provided by Australia (see box 17 below) demonstrates the value in launching parallel investigations to trace and confiscate assets as soon as possible, and the importance of co-operation between the FIU and environmental agencies. In this case, the use of a multi-agency network enabled the FIU to mine available financial information to identify previously undetected criminal actors in Sweden and Thailand, and to establish the materiality of the case.

73. This study's finding that there is a lack of parallel financial investigations into wildlife crime is consistent with the wider finding observed across the global network that the scale of parallel financial investigations for other crimes, beyond IWT, is not in line with risk.

### **Box 17. Joint Parallel Financial Investigation in Australia to Dismantle Reptile Smuggling Network**

In 2016, the Australian Border Force (ABF) intercepted several outgoing international mail parcels containing native wildlife. Together with several intercepted inbound packages containing exotic wildlife they were linked to an Australian person of interest (POI). To further investigate, the Department of the Environment and Energy (DoEE) undertook a joint investigation with the Australian Federal Police (AFP), and coordinated significantly with the ABF, the FIU (AUSTRAC), the Department of Agriculture and Water Resources, and various state and territory wildlife authorities.

The AFP confirmed that the POI coordinated an IWT criminal network to export Australian native reptiles. Many of the POI's exports were destined for associates in Sweden. The investigation involved sharing intelligence with Swedish Police authorities on the activities of Swedish POIs. A search was conducted on the POI's residence resulting in their arrest. During the search two Burmese pythons were discovered on the property, along with approximately USD 30 000 in cash.

Financial intelligence helped identify the broader criminal networks. Bank transaction information obtained from the FIU linked the primary POI directly to a number of Swedish wildlife traffickers, supporting the criminal investigation. Likewise, FIU analysis showed that the same Swedish entities had been sending funds to another Australian reptile trader.

The payment methods used were: cash; bank transfers; payments through a large Money or Value Transfer Service (MVTs) provider; "in-kind" transactions (exchange of wildlife of equal value); and transactions to associates and family members of wildlife traffickers. The volume of financial flows is difficult to quantify; however, estimates indicate that the primary POI stood to gain over half a million Australian dollars from an intercepted import of fish, stingrays, reptiles and turtles from Thailand.

The POI was convicted of six charges including: attempting to export regulated native specimens (EPBC Act 303DD); importing of regulated live specimens (EPBC Act 303EK); possession of illegally imported specimens (EPBC Act

303GN); and money laundering (Criminal Code Act 1995). The individual was sentenced to four years' imprisonment, with a non-parole period of two and a half years. During the investigation, authorities confiscated approximately USD 30 000 cash as proceeds of crime, along with USD 340 000 (estimated value of the wildlife).

Source: Australia.

## Asset Recovery

74. As with all criminals, illegal wildlife traffickers are motivated by financial gain. Therefore, one of the most effective ways to combat IWT is to deprive criminals of the proceeds and instrumentalities of these crimes and the means to commit further offences (e.g. arms, hunting tools and animals, vehicles, and equipment used to preserve the wildlife). Wherever possible, in line with FATF Recommendations 4 and 38, jurisdictions investigating wildlife crime should, as a priority, identify, freeze, seize and confiscate associated assets.

75. Previous studies have noted the challenges that many jurisdictions face in conducting prerequisite financial investigations, with many of challenges faced in investigating the wildlife offence and related ML applying also to assert recovery efforts. In addition, jurisdictions can face challenges in demonstrating that assets held by criminals are derived from illegal wildlife activity. Other jurisdictions reported that poor data management and barriers to interagency information sharing also prevented efforts to trace and seize assets. Unique to the context of IWT, countries may experience difficulties in finding the resources or expertise to manage seized, live wildlife. In the U.S. case study below (see box 18), the rare reptiles were handed over by U.S. Marshals Service to be cared for by a zoo during the relevant litigation.

The usual incentives to pursue confiscation may not be as strong as in the pursuit of other predicates with more fungible assets e.g. fraud.

76. Lastly, there are often no assets linked to the underlying offences that can be legally converted into assets to fund compensation for victims or otherwise benefit law enforcement or even wildlife conservation causes. In many cases, the assets confiscated in wildlife crime seizures consist primarily of the trafficked species or parts. This means that the usual incentives to pursue confiscation may not be as strong as in the pursuit of other predicates with more fungible assets e.g. fraud. This finding highlights the importance of uncovering the connected entities in a criminal network that hold, control, or are linked to a syndicate's fungible assets e.g. real estate, luxury goods, vehicles, and cash, for example. This may help to address this problem.

### Box 18. Asset Recovery from Illegal Reptile Trafficking

This case involved illegal trade in rare boa constrictors between Brazil and the U.S and the successful prosecution of a criminal case against the smuggler in the United States. The defendant travelled to Brazil and secured the rare snake from the zoological foundation where it had been protected by the Government of Brazil. He brought the extremely valuable white (leucistic) boa constrictor into the U.S. with the intention to sell it. The illegal activity was identified through an online marketplace. Based on a Brazilian mutual legal assistance treaty request, U.S. federal investigators obtained a warrant authorizing the seizure of the snake and any offspring from Stone's property in Utah. In executing the warrant, FBI agents learned that the leucistic boa constrictor had died. They did however locate and seize her offspring. The case relied upon close co-ordination between U.S. and Brazilian authorities, who were eventually able to repatriate the seven of the offspring back to Brazil. The estimated value of the snakes was between USD 350 000 and 1 000 000.

After Brazil filed a petition in the U.S. forfeiture proceeding regarding its rightful ownership of the snakes, the U.S. defendant Jeremy Stone asserted an objection to Brazil's petition in which he contested the factual bases asserted in the petition. Adding to that, another individual, Kara Stone, filed a petition also alleging an ownership interest in the snakes. The petitions filed by Jeremy Stone and Kara Stone were dismissed by the United States federal court, which ultimately ordered the final forfeiture of the snakes and their repatriation back to the Brazil. Jeremy Stone pled guilty to the illegal transportation of wildlife into the United States. The snakes were returned to Brazil in July 2015.

Source: United States and Brazil.

### Box 19. Asset recovery linked to international glass eel smuggling network

The German Customs Investigation Office in Frankfurt am Main is conducting a criminal investigation into a glass eel smuggling network operating across various European countries and smuggling the protected species from Europe to Asia. The case was identified during a security check at Frankfurt Airport when a Malaysian citizen attempted to depart Germany for Vietnam with 210 000 glass eels in his luggage.

Information ascertained during the investigation led law enforcement agencies to a fish farm being used to hold eels temporarily before smuggling to Asia. A search of the farm and subsequent activity led to the eventual arrest of 8 suspects from China, Malaysia, and Vietnam, the seizure and confiscation of EUR 51 000 and the appropriate release of recovered eels.

Authorities identified the confiscated funds as the means to finance the shipment of the eels to Asia. The investigation into the smuggling network that appears to be operating in various European countries is ongoing. The German authorities are coordinating with agencies in across Europe and with Europol. Criminal proceedings with the suspicion of money laundering are currently with the public prosecutor's office in Frankfurt am Main.

Source: Germany

### Additional Good Practices: Financial Investigations

77. The study identified other good practices that supported successful financial investigations and asset recovery. The FATF has already studied many of these in other global studies and assessments, and recognised their broader applicability as AML/CTF measures. They are as a result not covered in detail here. Some examples include:

- **Provide training for law enforcement tasked with detecting, investigating and prosecuting ML from wildlife trafficking.** Such programs should inform all relevant officials on the collection and use of financial intelligence.<sup>61</sup>
- **Allocate financial and human resources to financial investigators commensurate with identified ML and IWT risks.** Good examples of financial investigations into IWT demonstrated appropriate levels of investment by authorities in resources, with agencies equipped to fulfil their responsibilities.
- **Undertake (multi-agency) case reviews of historic/closed IWT cases that focus on the unexplored financial elements of a case.** Such reviews can be useful in order to identify the trends and methods used to move funds and conceal their criminal origin regarding common predicate offences, to develop risk indicators, and potentially reveal new leads from dormant or concluded cases (see box 20 below).<sup>62</sup>
- **Use of alternative measures to apply dissuasive sanctions against criminal entities (both natural and legal) that are part of IWT syndicates where more commonly applied sanctions are not practicable.** In cases where an ML conviction is not practically possible (e.g. due to lack of evidence), countries can rely on other disruptive measures, such as use of targeted financial sanctions (TFS), or other financial crime offences (corruption, fraud, etc.).<sup>63</sup> The below example provided by the United States (box 21) demonstrates the use of targeted financial sanctions (TFS) against a transnational syndicate operating in Laos to prevent the organisation's proceeds entering the financial system.

<sup>61</sup> UN Office on Drugs and Crime, an observer organisation to the FATF, has provided training to support co-operation between and training of FIU and law enforcement officials on the proceeds of wildlife crime. This includes delivery of training through UNODCs 'Global Programme for Combating Wildlife and Forest Crime' and 'Global Programme against Money-Laundering'. Training activities have focused on enhancing the policy, procedural and operational response to wildlife crime with an emphasis on encouraging and assisting jurisdictions to conduct parallel financial investigations when wildlife crime cases have been detected.

<sup>62</sup> For example, Royal United Services Institute (2020) "Case Closed? Why We Should Review Historic Wildlife Trafficking Cases from a Financial Perspective." <https://rusi.org/publication/rusi-newsbrief/case-closed-why-we-should-review-historic-wildlife-trafficking-cases>

<sup>63</sup> The term 'targeted financial sanctions' means both asset freezing and prohibitions to prevent funds or other assets from being made available, directly or indirectly, for the benefit of persons and entities designated by national or international authorities.

### Box 20. Multi-Agency ‘Cold’/Closed Case Reviews

In line with Lao PDR’s National Ivory Action Plan, the Department of Forestry Inspection (DoFI), Economic Police Department, Anti-Money Laundering Intelligence Office (AMLIO) in November 2019 conducted a multi-agency case review of two recently closed investigations into predicate offences. Authorities did not pursue financial leads or utilise financial information at the time.

The purpose of the case review was not to reopen these cases, but to use real examples to:

- Identify missed opportunities to collect and utilise financial information during the original investigations. Agencies agreed on the importance of seizing **receipts, invoices, point-of-sale card machines** and other items that may contain financial information during searches of property and investigations.
- Identify the common financial trends and methods involved in the predicate offence. Both cases reviewed involved <100 kg seizures of ivory from retail establishments. This represents a typical case in Lao PDR: illegally trafficked ivory products are often sold in Chinese-owned retail outlets to predominantly Chinese tourists, with payments usually made **card payments**.
- Demonstrate the value of financial investigations in identifying connected illicit actors or flows and encourage their increased uptake by relevant agencies.

As a result of this exercise, the government of Lao PDR will consider lessons learned based on actual cases occurred in order to derive and contribute to future investigations.

Sources: Lao PDR, Royal United Services Institute (RUSI).

### Box 21. Use of Targeted Financial Sanctions to Prevent Illegal Wildlife Financial Flows

The U.S. has imposed financial sanctions on a criminal network tied to wildlife trafficking facilitated through the Kings Roman casino in Laos within a special economic zone. The U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) sanctioned the Zhao Wei transnational criminal organisation (TCO) for, among other illicit activity, exploiting the Golden Triangle Special Economic Zone to engage in the illegal trafficking of endangered animals, including pangolins, tigers, rhinos, and elephants. This enforcement action designated three companies associated with the Zhao Wei TCO, two located in Hong Kong and one in Thailand. In addition, OFAC imposed sanctions on a network of four individuals and three entities across three jurisdictions (Hong Kong, Laos, and Thailand) for their role in supporting the Zhao Wei TCO. The designations were made under Executive Order 13581 to combat transnational organised crime.

As a result, all assets of those designated that are under US jurisdiction were frozen, and US persons and businesses are prohibited from engaging in transactions with them. The designated individuals and entities are prohibited

from engaging in transactions with US persons or using the US financial system. Penalties for violations of these sanctions under U.S. law range from civil penalties of up to USD 289 238 per violation, to more severe criminal penalties. Criminal penalties may include up to 20 years in prison and fines of up to USD 1 million.

Source: US.

## Chapter 3. INTERNATIONAL CO-OPERATION

78. The vast majority of large-scale illegal wildlife syndicates operate internationally. In some instances, just two or three neighbouring jurisdictions are involved. However, many of the cases reviewed for this report involved complex criminal enterprises operating in several countries across multiple continents. As indicated in chapter 1 of this report, syndicates operate internationally in order to move wildlife products to profitable markets abroad and to obfuscate their activities and finances. This creates several challenges for authorities seeking to detect and disrupt ML from IWT.

79. First, criminals exploit legislative gaps<sup>64</sup> and countries' differing legislative approaches to wildlife crimes and related ML. Amongst the almost 50 jurisdictions that participated in this study, a vast majority identified differing legal frameworks as one of the main obstacles to international co-operation on ML and IWT. Second, as discussed earlier in this report, there is often insufficient resource and attention dedicated to IWT-related ML within LEAs. This has a negative effect on domestic co-ordination between AML/CFT agencies and other agencies, which has a downstream impact on co-operation with other countries.

80. Third, co-operation related to IWT, as with other crimes, can be slow, but the delays can be especially damaging when the wildlife is in mortal danger or when products can be sold or assets hidden while requests for assistance are pending. Fourth, the demand for certain illegal wildlife in destination countries may be based on tradition, culture, supposed medical properties, luxury status, or even cuisine and decorative preference. It may be more difficult to obtain co-operation from destination countries as a result. Corruption can play a role in both source and destination countries to further exacerbate this issue. Finally, the political will necessary to engage in informal and formal co-operation to fight IWT and related ML may be less developed or widespread than for other types of trafficked goods, such as illegal narcotics.

### Box 22. The FATF's approach to international co-operation

Recognising that criminals do not respect borders, the FATF makes international co-operation a major priority of its Standards and assessment process. FATF Recommendations 36-40 relate to various aspects of international co-operation, covering implementation of international instruments, mutual legal assistance, extradition, confiscation, and other forms of international co-operation such as between FIUs, financial supervisors and LEAs.

When implemented effectively, these Recommendations ensure: countries are providing constructive and timely assistance when requested by other countries; competent authorities assist with requests to locate and extradite criminals; and, competent authorities identify, freeze, seize, confiscate and share assets and provide information related to money laundering, terrorist financing or associated predicate offences. The FATF Recommendations also require competent authorities to seek international co-operation from other countries to pursue criminals and their assets.

<sup>64</sup> For further commentary on common legislative gaps, see Chapter 2 of this report.

81. The input received from countries, along with the challenges described above, lead to a major finding of this study: **very few countries are carrying out regular international co-operation on financial flows linked to the illegal wildlife trade.** Only around a quarter of the jurisdictions that participated in this study have ever sent or received formal requests for information on ML relating to IWT. Furthermore, the countries that reported sending or receiving information were not always the countries that associated themselves with a higher level of ML and IWT risk. This shows an obvious geographic discrepancy between the jurisdictions with proactive approaches to international co-operation on IWT-related ML and the jurisdictions with active IWT criminal activities. These findings on international co-operation are highly problematic given the transnational nature of ML and IWT.

82. Nevertheless, several jurisdictions submitted case studies detailing extensive international co-operation efforts that demonstrate that the cross-border challenges of pursuing ML and IWT can be overcome. This includes positive examples of proactive intelligence exchange and joint investigations on financial flows and alternative crimes. More broadly, this study shows that an increasing number of countries are beginning to take more proactive measures to facilitate international co-operation on IWT-related ML, with jurisdictions reporting progress in improving their mutual legal assistance (MLA) frameworks<sup>65</sup>, enhancing their internal investigation and co-ordination structures, and developing formal links with other countries. Meanwhile, some international organisations are enhancing multinational co-operation networks to tackle IWT-related financial flows. This Chapter provides examples of good practices that countries can adopt.

### Legal Framework for International Co-operation

83. As noted in Chapter 2 of this report, legislative deficiencies can thwart domestic efforts to tackle ML and IWT. This applies equally to international co-operation, where ambiguous legal drafting or gaps in legislation can inhibit LEA efforts to gather evidence and share it with foreign partners.

84. One frequent challenge relates to wildlife offence(s) occurring abroad. This is covered in FATF Recommendation 3, which states that “*predicate offences for money laundering should extend to conduct that occurred in another country, which constitutes an offence in that country, and which would have constituted a predicate offence had it occurred domestically.*” Appropriate coverage of wildlife crime offences committed overseas, as a basis for ML, is critical as it may impact not only the ability to investigate and prosecute domestically but to provide international co-operation in circumstances where dual criminality is required. This principle is demonstrated by the following case.

#### Box 23. Bilateral Information Exchange

In 2012, a Thai man, Mr. C, was arrested in South Africa for smuggling and trading rhinoceros horn on the black market. South Africa and Thailand used the Asset Recovery Inter-agency Network for Southern Africa (ARIN-SA) to share information regarding Mr. C's assets in Thailand. The Thai Department

<sup>65</sup> Mutual Legal Assistance (MLA) is a form of co-operation between different countries for the purpose of collecting and exchanging information. Authorities from one country may also ask for and provide evidence located in one country to assist in criminal investigations or proceedings in another.

of Special Investigation passed the information to the Anti-Money Laundering Office (AMLO) to conduct a further financial investigation. Significantly, according to Thailand's ML law, predicate offences include any criminal offence committed outside Thailand which would have constituted a predicate offence had it been committed domestically. As a result, AMLO was able to seize Mr. C's assets totalling 8 million baht (approx. USD 2.5 million) and ultimately he was convicted and sentenced to 40 years' imprisonment in South Africa (he was eventually released after 6 years).

Source: Thailand.

### Bilateral Co-operation and Joint Investigations

85. To combat ML from criminal syndicates operating internationally, it is also important to build and maintain links with regional law enforcement partners. In particular, the cases analysed for this study demonstrate **the significant value of ongoing co-operation between jurisdictions that are linked as part of an IWT 'flow'** (finances and/or products). Such ongoing co-operation can encourage proactive sharing of information, facilitate productive joint investigations of IWT syndicates, and ultimately lead to high value seizures and arrests.

86. For example, the Brazilian Institute of Environment and Renewable Resources cooperates with partner countries through their attachés in Brazil. In the past two years, this informal co-operation mechanism has helped to develop investigative leads in cases involving smuggling in dart frogs and ornamental fish eggs between Brazil and the United States. The latter example led to the seizure of over 1,300 eggs and approximately 150 ornamental fish. It is important that countries build on these co-operation mechanisms to develop investigative leads on the financial aspects of IWT cases, as is highlighted in chapter 2.

87. Similarly, productive bilateral relationships between LEAs of neighbouring countries can help in the establishment of leads in the early stages of an investigation, as is demonstrated in the following example (see box 24).

#### Box 24. Information Exchange Through a Standing, Bilateral LEA forum

Between May and September 2018, the Botswana Police Service received three separate reports of rhinoceros poaching from the owner of a farm in the Gantsi area of Botswana. Preliminary investigations showed that the perpetrators entered the farm by foot, shot and killed the three rhinoceros using a .375 rifle, and were later picked up by a vehicle. Initially, there were no leads on the identity of the perpetrators. However, the Namibian authorities were able to share intelligence with Botswana at one of the regular bilateral meetings of the anti-poaching informal intelligence-sharing network, which is attended by various LEAs from both countries. The intelligence indicated that three Namibians had crossed into Botswana intending to poach wildlife and provided the identity of one of the suspects. This intelligence has helped the Botswana Police Service and the FIU to advance its investigation, including with regard to the financial aspects (the investigation is still ongoing).

Sources: Namibia, Botswana.

88. A sophisticated, multi-jurisdictional law enforcement response is needed to tackle major trans-national syndicates involved in wildlife crime. Some of the best cases reviewed by the project team involved joint investigations between regional partners, enabling the involved jurisdictions to identify and target property and suspects in multiple jurisdictions. These joint investigations utilised secure networks and strong bilateral relationships between relevant agencies, as is demonstrated in the following cases.

### **Box 25. Collaboration to Combat Pangolin Smuggling**

In 2018, Chinese Customs (Xiamen) analysed intelligence of endangered species smuggling, and found that Chinese suspects A and B bought pangolin scales from overseas, shipped them from Nigeria to Vietnam, and smuggled them into China. Xiamen Customs, under the co-ordination of the General Administration of Customs, informed the Vietnamese Customs authority of the suspicions and they started a joint operation.

The General Administration of Customs sent a request for information to the Chinese FIU (CAMLMAC), resulting in the FIU identifying 1 830 large-value transaction reports and suspicious transaction reports involving 17 relevant entities. This financial intelligence helped customs understand the organizational structure of the smuggling group, and identify the scale of smuggling activities. The main transaction methods were cash deposits and withdrawals, online bank transfers and third-party payments.

In March 2019, on the basis of the intelligence provided by Xiamen Customs, Vietnamese customs seized 8.25 tonnes of pangolin scales in a container declared as imported plastic in Haiphong, Vietnam. Coordinated by the General Administration of Customs, Xiamen Customs, together with the other four provincial customs and police departments, also launched a domestic operation, arresting eight suspects and seizing further evidence. The case is ongoing in court.

Source: China.

### **Box 26. Bilateral Co-operation Leading to Large-Scale Seizures**

In early 2019, Singapore received a tip from Fuzhou Customs and Xiamen Customs of China regarding an illicit shipment of pangolin scales travelling from Nigeria to Vietnam, which was due to transit through Singapore. Based on this information, in April 2019, Singapore stopped two large shipments (25.6 tonnes) of pangolin scales. Following the seizure, Singapore shared information with China through mutual legal assistance channels.

Subsequently, in July 2019, Singapore seized another container containing 11.9 tonnes of pangolin scales and 8.8 tonnes of elephant ivory, based on intelligence provided by Nanning Customs of China. Once again, through mutual legal assistance, information prepared by Singapore was handed over to the Chinese authorities. In both instances, this bilateral information exchange helped China to pursue its investigations, leading to arrests of suspects of Chinese nationality based in Africa and Vietnam.

Singapore sent information relating to the seizures to other relevant countries via INTERPOL and CITES. Singapore's wildlife crime investigators also sought financial intelligence through its FIU. However, there was no evidence, including intelligence and information from foreign counterparts, of any links to ML in Singapore and hence no ML investigation could be pursued.

Effective bilateral co-operation between China and Singapore over a sustained period led to the seizure and confiscation of pangolin scales with an estimated monetary value of USD 109.1 million and ivory estimated to be worth USD 1.3 million. All wildlife products were destroyed.

Sources: China, Singapore.

89. These cases also demonstrate how robust domestic co-ordination mechanisms and input from the FIU can support international co-ordination, leading to the mapping of widespread criminal networks, and further seizures and arrests<sup>66</sup>. This suggests that **international co-operation should not be seen as a distinct area, but rather an extension of the domestic law enforcement response to IWT.**

90. An important component of the Singapore-China case study (see box 26) is the exploitation of MLA channels, which allow for the use of information in court proceedings and may be necessary to undertake coercive measures at the request of another country, such as carrying out seizures and confiscations, conducting searches, and issuing subpoenas or production orders for necessary records. Using the correct channel for co-operation (e.g. formal versus informal) can make the difference between successful conviction and criminals walking free. This issue is therefore included in the proposals section of this report.

91. All three case studies demonstrate the value in developing strong relationships with foreign counterparts, the ability to respond quickly to requests and tips (including through contact points or liaison officers), and the importance of ongoing dialogue whether related to a specific operation or on an ongoing basis. Such ongoing discussions do not have to be limited to covering live cases and can be more broadly focused on trends, methods or strategic priorities.

Using the correct channel for co-operation (e.g. formal versus informal) can make the difference between successful conviction and criminals walking free.

## Multilateral Co-operation and the Role of International Organisations

92. The cases above demonstrate the value of bilateral co-operation focused on particular investigations, as well as informal, ad-hoc and formal mechanisms for bilateral information exchange and assistance. However, the scale and multi-jurisdictional nature of IWT can mean that more expansive and institutionalised co-ordination mechanisms are necessary.

<sup>66</sup> FIUs can support cross border IWT investigations by exchanging relevant information through the Egmont Secure Web (ESW). The ESW permits members to communicate with one another via secure e-mail, requesting and sharing case information as well as posting and assessing information on typologies, analytical tools and technological developments. The use of this platform allows for a swift exchange of transactional and other intelligence information that can facilitate progress in the IWT investigations.

93. One such example of a multi-jurisdictional cooperation mechanism is the Financial Intelligence Consultative Group consisting of the ASEAN countries<sup>67</sup>, Australia and New Zealand, which meets several times per year<sup>68</sup>, organises analyst exchanges, and conducts thematic joint projects including on IWT. This group has enabled the exchange of information on IWT and ML trends, and facilitated the development of joint financial analysis on IWT cases (e.g. between Indonesia and Thailand).

94. The case below provides another example of multi-lateral co-operation, this time in the form of a coordinated law enforcement operation involving numerous countries and international bodies. In this case, the secretariats of INTERPOL<sup>69</sup>, the WCO and CITES helped to coordinate national police, border, customs and environment agencies across 109 countries, leading to arrests worldwide and massive seizures of wildlife products.

### Box 27. Joint INTERPOL-WCO Global Enforcement Operation

From 2017, INTERPOL and the WCO supported a series of international operations targeted at wildlife and timber crime (Operations Thunderbird in 2017, Thunderstorm in 2018 and Thunderball in 2019). This yielded significant results in June 2019, with INTERPOL's Singapore-based Operations Coordination Centre organising joint enforcement action across 109 countries, leading to a large number of seizures and arrests.

Operation Thunderball's identification of trafficking routes and criminal hotspots enabled national LEAs to seize a large range of protected wildlife products. Global seizures reported to date include: 23 live primates; 30 big cats; 545 kg of ivory and an additional 440 pieces of elephant tusk; over 4 300 birds; over 1 400 live reptiles; nearly 10 000 live turtles and tortoises; 7 700 wildlife parts from all species; and, almost 10 000 marine wildlife items, such as coral, dolphins and sharks. The operation also uncovered 500 kg of pangolin parts bound for Asia and seized in Nigeria.

Initial results led to the identification of almost 600 suspects, triggering arrests worldwide. Following these initial seizures and arrests, INTERPOL has supported the necessary follow-up actions in countries, with further arrests and prosecutions anticipated as investigations progress globally. In the next phase (Operation Thunder 2020), INTERPOL has begun to incorporate financial flow analysis, with the aim of supporting member countries to investigate the financial aspects of the cases.

Whilst the financial aspects of this operation remain at an early stage, INTERPOL has identified this as an area where further work could be beneficial in developing investigative leads. Furthermore, the networks and relationships between LEAs that have developed through these operations provide a strong basis for further co-operation to support financial investigations.

Source: Interpol.

<sup>67</sup> Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

<sup>68</sup> Via teleconference and face-to-face meetings.

<sup>69</sup> INTERPOL's efforts in this area are overseen by its Wildlife Crime Working Group.

## The Importance of High-level Commitment to Tackling IWT

95. The case examples discussed above show that a variety of different international co-operation mechanisms can be effective in overcoming the cross-border challenges of pursuing ML and IWT.

96. Nevertheless, beyond the technicalities of the mechanisms, international co-operation efforts require several factors to work. They require political commitment from countries, for example to prioritise a particular case so that analysis and investigation can take place in a timely and coordinated manner. They also require leadership from countries, whether to initiate a regular dialogue, or coordinate enforcement action.

97. Therefore, international co-operation efforts are always underpinned by resources and effectiveness at the national level. Without adequate legislation, sufficient resources and strong domestic inter-agency co-ordination, international co-operation is unlikely to yield results. For this reason, securing high-level commitment can be an important part of improving international co-operation, as is demonstrated in the following case.

### Box 28. Bilateral co-ordination to Combat IWT and its Financing

In 2015, the U.S. and China, recognizing the importance and urgency of combating wildlife trafficking, each committed to take positive measures to address this global challenge. Both parties committed to enact nearly complete domestic ivory trade bans, including restrictions on the import of ivory as hunting trophies, and to take significant steps to halt ivory trafficking globally. The countries agreed to cooperate in joint training, technical exchanges, information sharing, and public education on combating wildlife trafficking, and to enhance international law enforcement co-operation in this field.

Since that time, the United States has been actively engaged with China to reduce wildlife trafficking through training exercises, diplomatic efforts and to conduct joint law enforcement investigations. For example, in 2017, a team of forensic scientists from China visited the USFWS laboratory and the two sides were able to discuss various technical aspects of wildlife forensics. In 2018, USFWS conducted a Wildlife Crime Investigations training in Nanjing, China. Participants included 40 senior and experienced investigators from China Customs, Anti-Smuggling Bureau and Forestry Police from almost every Province in China. The joint training enabled a better understanding of each country's investigative techniques, abilities and limitations. The training also facilitated operational contacts and enabled future informal exchanges among the participants.

China and the United States will continue to share intelligence related to wildlife crime and increase enforcement efforts to combat IWT and its financing.

Source: China and the United States.

98. This report began with a description of the complex, international nature of ML and IWT. Of course, this creates major challenges for law enforcement efforts. However, various case examples received for this study have shown that, through effective international co-operation, it is possible to track down and bring to justice criminals engaged in complex operations across multiple jurisdictions.

99. Given the importance of effective international co-operation, countries should consider how they can improve their relationships with their most relevant foreign counterparts to strengthen measures to identify and combat IWT-related ML. This is likely to involve the identification of national contact points and more proactive international engagement, such as through educating and focusing liaison officers in key countries on the topic of IWT. It may involve organising regular bilateral or multilateral dialogues. It will also likely include adopting or participating in multilateral co-ordination mechanisms. Countries may seek to prioritise their relationship with jurisdictions that are linked as part of established IWT routes (finances and/or products). In addition, importantly, international co-operation initiatives and fora should seek to connect subject matter experts from transit and destination countries for IWT and associated financial flows with origin countries for the same.<sup>70</sup>

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<sup>70</sup> One example of this approach is the International Consortium on Combating Wildlife Crime: <https://cites.org/eng/prog/icwc.php>

## Chapter 4. PUBLIC-PRIVATE COLLABORATION

100. Financial and non-financial institutions<sup>71</sup> play a vital role in understanding, detecting, and reporting suspicious activity linked to the illegal wildlife trade (IWT) in cases where customers attempt to abuse their services to launder IWT-related proceeds. In particular, this report highlights the important role of banks, payment institutions, trust and company service providers, and dealers in high-value goods (such as art, antiquities, auction houses, and other collectibles); in detecting suspicious activity along the IWT supply chain. Recognising their important role, this study gathered inputs from over 15 financial institutions comprised of ten multinational banks, four local/regional banks, and one international MVTs with a global footprint<sup>72</sup>. This chapter highlights the role that these entities can play in uncovering the financial flows related to IWT by adopting preventative measures and detecting suspicious behaviour.

### The Role of Private Sector in Detecting Suspicious Activity

101. Under FATF Recommendation 1, countries should require financial and non-financial institutions (also known as “reporting entities”<sup>73</sup>) to identify, assess, and take effective action to mitigate their ML and TF risks. In implementing this risk-based approach, reporting entities should have in place processes to identify, assess, monitor, manage and mitigate such risks. In some situations, reporting entities may identify a risk from the proceeds of crime generated by IWT or other associated crimes. Depending on the risks identified, they should also take steps to detect and report suspicious behaviour and/or transactions relating to IWT to the country’s financial intelligence unit (FIU). These reports, known as suspicious transaction reports (STRs), may prompt the FIU to conduct further analysis, which can provide operational intelligence, trigger investigations or support ongoing criminal investigations into wildlife crime.

102. STR reporting is underutilised as a source of intelligence to initiate or support financial investigations for IWT, but there is recent progress across larger financial institutions. Several financial institutions surveyed for this study reported that in recent years they have identified IWT as a potential risk, and have since begun to introduce suspicious patterns and activities commensurate with IWT into their internal screening controls and customer due diligence (CDD) measures to screen new or existing clients. Notwithstanding this progress, overall rates of STR reporting related to IWT remain relatively low and in many instances, are not in line with risk (see 4.3 below).

### Challenges

103. Financial indicators for IWT can vary by geography or are often specific to the commodity being trafficked or type of criminal network under review. At the same

<sup>71</sup> The term non-financial institutions is used throughout this Chapter to refer to the FATF term of “designated non-financial institutions and businesses (DNFBPs)”. DNFBPs are those non-financial businesses and professions that are subject to the FATF standards, including internet and ship-based casinos, real estate agents, dealers in precious metals and stones, lawyers, notaries and accountants, and trust and company service providers offering certain services.

<sup>72</sup> Money or value transfer services (MVTs) refers to financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the MVTs provider belongs.

<sup>73</sup> This term is used to refer to those financial institutions and non-financial businesses and professions that are subject to the FATF Standards, including AML/CFT preventative measures.

time, some financial activity and customer behaviour connected to IWT may be difficult to distinguish from other forms of crime. This can present challenges for reporting entities attempting to introduce IWT-specific transaction monitoring scenarios into their internal controls. Similarly, the ability of financial institutions to identify suspicious activity is affected by the limited open source and/or law enforcement information that can be used for confirmation.

104. The challenges faced by law enforcement agencies (LEAs) in providing reporting entities with strategic and contextual information can be partly attributed to the fact that IWT is still not seen by many countries as a significant threat or priority crime, leading to a lack of high-value typologies, case studies, and risk indicators<sup>74</sup>. Further, LEA's ability to share contextual information with the private sector can be hampered by concerns regarding data protection and the risk of jeopardising ongoing criminal investigations. These challenges have a ripple effect on the agencies and institutions that can play a direct role in identifying and investigating IWT cases, and consequently affects the volume and quality of information that can be shared with financial institutions. Reporting entities also experience practical, legal and regulatory challenges relating to the sharing of tactical information on cross border transactions with relevant LEAs, FIUs and other financial institutions located abroad, even if they are part of the same financial group.

### *Risk Assessment*

105. Fourteen of the fifteen banks and MVTs that responded to the survey for this study indicated that they have taken steps to identify and assess the risk posed to their organisation from IWT. Methods of continuously identifying and assessing IWT risk varied from incorporating specific risk indicators into financial crime risk assessments, to developing tracking models to proactively collect and screen intelligence gathered from law enforcement, open source reporting and other partners in order to understand the current threat environment and identify emerging risks.

106. Risk assessments conducted by reporting entities have helped to map risks that are common within specific countries or regions. High-risk activities vary across source, transit, and destination jurisdictions for IWT; however, specific industries or businesses pose a higher risk for abuse from illicit financial flows derived from IWT. For example, higher-risk businesses might include import-export type companies operating across all, or a part of wildlife trade corridors (see Chapter 1 above).

### *Customer Due Diligence*

107. FATF Recommendation 10 requires reporting entities to undertake CDD when establishing business relationships, when carrying out transactions in certain circumstances, when they have suspicion of ML/TF, and when they have doubts about previously obtained customer identification data. The banks and MVTs that participated in this study confirmed that they do undertake targeted CDD to protect themselves from misuse by criminals involved in IWT. Additionally, respondents confirmed that they continuously monitor their customers and their transactional patterns for illicit activity more generally, whether it is through automated alerts,

<sup>74</sup> See chapters 2 and 3 for further challenges that have led to insufficient financial investigations that in turn has limited the ability of LEAs to share information with the private sector.

manual investigations, or other means such as conducting historical searches on names/entities provided by external sources.

### *Detecting Suspicious Activity*

108. FATF Recommendations 20 and 23 require that, if a reporting entity suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity<sup>75</sup> it should report promptly its suspicions to the FIU. As mentioned in chapter 2 above, only 13 of 45 countries reported receiving one or more STRs related to environmental crimes in the past five years. These figures on STRs are low when compared with the scale of IWT and the related ML risk. The banks and MVTs consulted for this study gave varying responses regarding whether they had detected suspicious behaviour related to wildlife crime, with 7 out of 15 respondents affirming that they have submitted STRs with suspected links to IWT.

109. There is a need both for the public sector to share additional information with reporting entities, including feedback on STRs filed, and for reporting entities to review whether current internal controls against ML from the illegal wildlife are in line with identified risks. The overwhelming number of responses to the FATF questionnaire noted the difficulties in identifying IWT activity without intelligence from the public sector. Conversely, where competent authorities have shared information, financial institutions have been able to incorporate this into their transaction monitoring systems and, in turn, provide richer intelligence for LEAs. The two case studies below (boxes 29 and 30) provide examples of industry-led initiatives to strengthen detection of suspicious activity for wildlife crimes within the financial sector.

#### **Box 29. Transaction Monitoring System Adapted Towards Detecting IWT**

A financial institution (FI) in a source country at high risk for IWT has utilised its transaction monitoring system (TMS) to identify potential financial flows related to IWT and associated ML using customer information, analysis of IWT trends, and tailored algorithms.

The FI analysed three aspects of customer behaviour over a four-month period to detect IWT and associated ML. The jurisdiction the FI is located in had made non-pharmaceutical interventions due to COVID-19 (e.g. social distancing measures and travel restrictions) during the latter portion of the time-period under analysis. The FI's IWT initiative preceded COVID-19 and this aspect of the analysis was unintentional, but including this period allowed the FI to identify changes in customer behaviour that may indicate prior or ongoing involvement in wildlife trafficking. The FI focused on the following three aspects of customer activity:

- Wire transfers: the FI emphasised inbound cross-border transfers from jurisdictions at higher risk of IWT, transfers to customers in higher risk regions for IWT, or those involved in industries vulnerable to IWT e.g. logistics.
- Irregular credits: the FI focused on accounts of known wildlife protection officials (i.e. law enforcement, park officials), looking for irregular, large, or 'round number' amounts e.g. 5 000.

<sup>75</sup> Or are related to TF.

- Cash intensive activity: the FI analysed customers in close proximity to a wildlife reserve with over 80% of transactional activity representing cash deposits or withdrawals. Keywords were used to exclude false positives e.g. “school” and “academic”, with emphasis given to results with high-risk keywords e.g. “game”, “farm”, and “logistics.”

The FI has as a result identified two customers suspected to be involved in wildlife trafficking. Further investigations revealed that the customers are part of a group of 4 companies and transfer between related parties. Analysis to date has indicated high movement of funds between three specific individuals and the 4 companies.

Further investigation is underway to identify any other parties or patterns to support the development of an internal model to detect similar activity.

Source: South Africa.

### Box 30. Application of New Technologies by Third-Party Platform Combating IWT

Company A is an independent third-party payment platform in China. It provides an online payment solution to enable individuals and businesses to execute payments online. The People’s Bank of China supervises this third-party payment company for AML/CFT purposes.

Company A has developed its own ML surveillance mechanism to detect the illegal financial flows from IWT. The surveillance mechanism includes risk perception, scenario modelling, suspicious transaction reporting, and risk transmission monitoring functions. The main technology tools that the company has used in IWT investigations include open source information, user behaviour sampling and profiling, and artificial intelligence analysis.

Company A is a subsidiary of an e-commerce group whose business comprises e-commerce, cloud computing, logistics, digital media and innovation initiatives. Company A has been able to use this information from the wider group with publicly available data to conduct data mining, risk analysis and ML surveillance. For example, the company can firstly trace and target potential poachers who purchase hunting tools through the e-commerce platform by setting certain detection parameters (i.e. price and frequency). Then it will trace the poacher’s transaction flows and filter payment narratives (key risk words on wildlife crime) to identify the individual that usually transacts funds with the poacher. This person could be the potential seller or an intermediary. Company A will also filter publicly available information e.g. advertisements or information posted by end consumers on social media (e.g. website banner advertisement, posts in online forums) to identify end consumers that could potentially purchase wildlife-related items. Finally, the company is able to cross-reference data between end consumers and the remitter who usually perform payments to identified sellers, or other remitters whose payment narratives contains IWT-related key words (i.e. animal name, numbers). In this way, Company A can trace and identify all related parties in this illegal financial flow chain.

Source: China.

## Public-Private Partnerships

110. Collaboration between the public and private sector is essential in identifying and disrupting financial flows linked to IWT. There has been some limited interaction between the public sector and financial institutions on following the financial flows related to IWT, especially in jurisdictions where public-private partnerships (PPPs)<sup>76</sup> are in place. Countries were asked if they had reached out to the private sector on tackling financial flows related to IWT and the overwhelming response was in the negative. Some respondents however, provided examples of collaborative initiatives between the public sector, civil society and the financial sector. Key components of such collaborations include exchange of information, both strategic and operational. That notwithstanding, responses by the countries demonstrate that the public sector collaborates more with the Non-Profit Organizations (NPOs) on issues relating to conservation, investigation of wildlife crimes and repatriation of seized protected endangered species.

111. Responses to the questionnaire suggests however, that the majority of guidance and collaboration on combating financial flows linked to IWT has occurred amongst industry groups within the financial sector, and to a lesser extent non-financial sector – most notably the Basel Institute and the United for Wildlife Financial Taskforce (see boxes 31 and 32 below). There is also significant collaboration between civil society and the private sector (e.g. NPO sharing specific typologies and red flag indicators with financial institutions based on the cases they are seeing – see box 34 below). Responses from questionnaires shows that financial investigations into IWT require inputs by several different stakeholders that do not usually work together (environmental and financial expertise). PPPs are one solution to bring together the appropriate subject matter experts.

### Box 31. The United for Wildlife Financial Taskforce

The UK Royal Foundation launched the United for Wildlife (UfW) Financial Taskforce in October 2018, designed to transform the detection, reporting and investigating of IWT as a financial crime. This Taskforce includes more than thirty financial institutions from across the globe, including Africa, Asia, Australia, the Americas and Europe, and subject matter experts, including NPOs involved in combating IWT, such as TRAFFIC, RUSI and Environmental Investigation Agency.

#### Raising awareness of IWT

Since 2019, the UfW Financial Taskforce has convened IWT financial workshops in various key regions, including China, East Africa and Southern Africa, to raise awareness of IWT as a financial crime and the role that financial institutions and financial investigators can play in detecting, disrupting and preventing IWT activity. These workshops have included local and regional government authorities, members of the FATF IWT Working Group and IWT NGOs, where public, private and not-for-profit subject matter experts share common challenges and good practices.

<sup>76</sup> There is no specific FATF definition of a PPP in the context of anti-money laundering and counter-terrorist financing (AML/CFT) measures. For purposes of this report, PPPs refer to mostly formal mechanisms set up to share information between the public and private sectors to advance joint efforts to combat money laundering/terrorist financing.

**Sharing of Red Flags**

The UfW Taskforce has established focused working groups that are addressing red flags and key risk indicators linked to IWT. The members introduce the results of the working group collaboration into their financial crimes compliance programmes, as appropriate.

**Actionable Intelligence**

The UfW Financial Taskforce members have supported investigations in their home markets, including through the submission of IWT-related suspicious activity reporting.

For example, in the questionnaire responses received, a financial institution noted that they reviewed transactions between December 4, 2013 and December 4, 2018 in relation to a significant IWT criminal network, the details of which had been supplied by the UfW Financial Taskforce. The financial institution identified that, during this timeframe, a significant number of individuals sent and received a large volume of transactions, totalling approximately USD 3.5 million within several countries, primarily central African states. Regulatory reports were filed in the applicable jurisdictions and measures adopted to mitigate potential future risk associated with this activity.

Source: United for Wildlife Financial Taskforce

**Box 32. The Jeweler's Vigilance Committee**

The Jeweler's Vigilance Committee (JVC) is a 104-year-old trade association in the jewellery and watch industry providing legal compliance education, guidance for business integrity and functioning as the contact point with government bodies. As the trade association for the dealers in precious metals stones and jewels, the JVC educates members on general matters of sustainability and ethical practices, grounded in the industry's legal obligations, mostly concerning corals, ivory, wood, shells and exotic skins. The JVC helps the industry understand how to operate within the expectations of CITES, ESA and other treaties and in partnership with USFWS as well as customs bodies around the world. The JVC also works cross industry as part of the Wildlife Trafficking Alliance (WTA).

The JVC also provides tools for the industry to achieve AML compliance as required for most jewellers under U.S. regulations. The JVC is bringing the ability to be compliant online in 2020 and launching a web-based AML tool built particularly for the jewellery industry. The JVC is coordinating closely with the government in designing indicators within the new online AML compliance tool to indicate other potentially exploitative behaviour, including ML threats from IWT, while increasing AML compliance across the industry.

Source: U.S.

## Private-Private Information Sharing

112. Information sharing amongst the private sector is essential in identifying and reporting financial flows linked to IWT. Under FATF Recommendation 13 (*correspondent banking*), Recommendation 14 (*MVTS*), Recommendation 16 (*wire transfers*), Recommendation 17 (*Third-party reliance*), and Recommendation 18 (*Internal controls and foreign branches and subsidiaries*) financial institutions are expected to share information amongst each other. Equally important, is public-public information sharing. Chapter 2 above highlights the good practices on information sharing within the public sector including the multi-agency approach with non-traditional AML/CFT agencies such as government departments responsible for national parks, game, forestry and conservation. Similarly, effective information sharing within the private sector requires collaboration with non-traditional AML/CFT bodies such as NPOs tackling IWT (see box 33 below). A further case study below (see box 34) highlights how information sharing in the U.S. within the private sector is facilitated through a voluntary program.

### Box 33. Civil Society and Financial Sector Collaboration

Private sector information exchange can facilitate effective customer due diligence and risk monitoring. For example, civil society experts, including Environmental Investigation Agency, Liberty Shared, EIA and TRAFFIC, routinely submit open-source data on wildlife crime offenders to financial institutions as well as private, commercial Know Your Customer (KYC) databases. Financial institutions can then use this information to screen against their customer profiles. Since 2016, TRAFFIC, EIA and Liberty Shared have provided over 4,500 names for review. This information assists in increasing resilience of the financial sector to abuse by criminals involved in international wildlife crime and consequently provides greater intelligence to financial intelligence units to inform existing operations and launch new investigations.

Source: Environmental Investigation Agency, Liberty Shared, TRAFFIC

### Box 34. Private to Private Information Exchange – Use of Section 314(b) of USA PATRIOT Act

A number of significant ML cases in the United States, including those related to IWT, have involved the use of a particular provision of the USA PATRIOT Act known as Section 314(b), a special mechanism that allows financial institutions to share customer and transaction information with one another. Section 314 provides a safe harbour that protects financial institutions from liability for sharing otherwise protected information, in order to better identify and report potential money laundering or terrorist activities; conduct customer due diligence pertaining to accounts, customers, and transactions; or comply with other AML/CFT requirements. The two subsections of Section 314, (a) and (b), are complimentary and are used in conjunction with each other to help locate financial assets and recent transactions by subjects of criminal investigations.

Section 314(b) is a voluntary program and many different types of financial institutions are permitted to participate under U.S law. To take part in this

“bank-to-bank” information sharing, each institution must register its participation with the U.S FIU, the Financial Crimes Enforcement Network, and identify points of contact for securely sending, receiving, and responding to requests.

Financial institutions often use the Section 314(b) program to gain clarity from other 314(b) participants on the source of funds moving through their financial institutions that may be linked to TF, ML, or associated predicate offences like wildlife trafficking. This process can be a valuable tool in providing financial institutions with additional context around a customer, transaction, or attempted transaction and it ultimately enriches the quality and extensiveness of SARs.

In cases related to IWT, Section 314(b) interactions can bring the filing institution a more comprehensive picture of the activity of the syndicate, especially if transactions are intentionally layered and made complex to avoid detection. Outreach under 314(b) may also prompt the requested institution to consider making its own filing or examine activity that may not have been deemed suspicious in isolation. This private sector information sharing mechanism can shed light on illicit financial transactions, known individuals and entities involved in an ML scheme linked to IWT, provide new leads, and confirm methods used to launder proceeds. Section 314(b) results in IWT cases have provided value to law enforcement by revealing previously unidentified connections between individuals and entities involved in the illicit activity across different institutions. Ultimately, this financial institution-driven program serves to mitigate risks within FIs and enriches financial intelligence for use by competent authorities in investigations, prosecutions, and asset recovery.

Source: United States.

## Chapter 5. CONCLUSIONS AND PROPOSED ACTIONS

### Key Outcomes

113. To combat money laundering (ML) from the illegal wildlife trade (IWT), there is a need for both a high-level political commitment, and enhanced operational co-ordination between law enforcement responsible for wildlife crime and those working on anti-money laundering (AML)<sup>77</sup>. It is important that the public sector work closely with relevant financial and non-financial institutions that play a vital role in detecting IWT activity. This study provides practical examples of actions that countries and the private sector can take to improve their effectiveness. It also highlights the important role of the FATF Standards as a framework for combatting money laundering from such crimes. While this report has greatly improved the FATF Global Network's understanding of ML risks from wildlife crimes, it also highlights opportunities for further work going forward. This includes an enhanced understanding on the threat posed by IWT to relevant non-financial businesses, the differing geographic flows and country risk profiles for different species, and good practices for asset management related to the illegal wildlife trade.

114. This study highlights that jurisdictions should view the proceeds generated by IWT as a global threat, rather than as a problem only for those jurisdictions where wildlife is illegally harvested, transited, or sold. The FATF encourages all FATF and FSRB jurisdictions to strengthen their ML risk understanding related to such crimes through comprehensive risk assessments, and to share the results of this study with all relevant authorities, including agencies responsible for investigating environmental crimes and related ML and asset recovery offices.

### Proposed Actions to Strengthen the Global Response to ML from the Illegal Wildlife Trade

115. Note: All of the actions described below are consistent with the obligations contained within the FATF Standards. Many of the below actions are complementary to the recommendations set out in the 2017 APG/UNODC report on this issue.

#### *Risk Understanding, National Policies and Legislation*

- Countries should identify and assess their ML risks relating to IWT, including by involving relevant experts and data in the risk assessment process, and should put in place mitigation mechanisms and allocate resources in line with any identified ML risks.
- Those countries without domestic wildlife resources should consider whether criminals may still be using their country as a transit point or as a destination for laundered funds from IWT. Countries that are home to protected wildlife should assess risks associated with crimes adjacent to IWT, including bribery and customs fraud, as well as focus on the risks associated with the use of cash to sustain IWT networks.
- Countries should ensure that law enforcement and other relevant competent authorities have sufficient resources and expertise to combat ML from IWT in

<sup>77</sup> Existing political commitments on the 'follow the money' approach for wildlife crimes include: the London Conference on the Illegal Wildlife Trade (October 2018): Declaration – Point 10, and UNGA 2017 Tackling Illicit Trafficking in wildlife – Page 5.

line with identified risks. This may require the adoption of national strategies and re-allocation of resources for combating ML and IWT.

- Countries should ensure that offences connected to IWT are treated as predicate offences for ML, as appropriate, in line with identified risks. This should extend to conduct that occurred in another country.
- Countries should ensure that legislation allows competent authorities involved in wildlife investigations and those responsible for financial and ML investigations to share intelligence and information with relevant competent authorities in other countries (e.g. FIUs, CITES management authorities, LEAs and supervisory authorities).

### *Financial investigations*

- In line with Interpol's National Environmental Task Force or "NEST" initiative<sup>78</sup>, countries should consider establishing multi-agency co-ordination mechanisms that allow for the sharing of intelligence and information between the FIU, financial investigators and agencies involved in investigating wildlife crimes (including environmental agencies with investigative responsibilities), and prosecutorial authorities.
- For criminal investigations into IWT, authorities should conduct parallel financial investigations, pursue ML activity and seek ML charges where feasible.
- Prosecutors and police should obtain additional training in how to creatively use international instruments and advanced investigative techniques (international controlled deliveries, etc.). For lower capacity countries, governments should ensure that the infrastructure required for payment of financial penalties and non-custodial sentences is established.
- To diminish the profit motive and deprive criminals of facilitating property, countries investigating IWT and related ML should, wherever possible, identify, freeze, seize and confiscate associated assets, including those that extend beyond the trafficked products themselves.

### *International co-operation*

- Countries should consider how they can increase co-operation with foreign countries to strengthen measures to identify and combat ML from IWT. This could involve more proactive engagement with foreign counterparts and appointing contact points responsible for financial and ML inquiries into IWT. It may also involve organising regular bilateral or multilateral dialogues, or participation in multilateral co-ordination mechanisms. Importantly, these initiatives should seek to connect countries used as transit points or destinations for IWT financial flows with the IWT origin countries.
- Countries should use the full range of co-operation mechanisms and seek to do so early in investigations. This includes informal intelligence and information exchanges, spontaneous disclosures to enable urgent actions, and

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<sup>78</sup>. INTERPOL (2012), INTERPOL Launches National Environmental Security Task Force Initiative, [www.interpol.int/content/download/5100/file/NationalEnvironmentalSecurityTaskForceNEST.pdf](http://www.interpol.int/content/download/5100/file/NationalEnvironmentalSecurityTaskForceNEST.pdf)

formal assistance when admissible evidence or testimony is needed for use in court or when compulsory measures are required.

- Countries that are signatories to the UN Convention on Transnational Organized Crime (UNTOC<sup>79</sup>) should implement the Convention and its Protocols, and use the tools created by this approach to investigate IWT-related ML, include criminalization of organized crime syndicates and money laundering as a predicate offense, and the mechanisms for formal and informal international co-operation to investigate IWT financial flows.
- Countries are encouraged to explore other international mechanisms to aid in IWT-related investigations, such as the UN Convention against Corruption (UNCAC<sup>80</sup>). UNCAC is the only legally binding international anti-corruption instrument<sup>81</sup>.

### *Private Sector Supervision and Public-private Collaboration*

- Relevant financial institutions and non-financial institutions should be required to identify and assess their exposure to ML risks relating to IWT and take appropriate mitigating measures, as part of a broader risk-based approach.
- Countries should ensure reporting entities are aware of the risks of new technologies being exploited by IWT syndicates to launder the proceeds of crime and any relevant regional trends or typologies. Outreach by governmental authorities to the private sector should emphasise the need to report to the FIU if there is suspicion of activity relating to IWT and disclose specific, operational information as permitted by domestic law and regulation.
- Countries should consider how they can promote public-private collaboration and information exchange, to effectively identify and address ML linked to IWT. Given the importance of both financial and environmental expertise, it is important to consider how this collaboration can include a broad range of organisations, including from the NPO sector.

<sup>79</sup> [www.unodc.org/unodc/en/organized-crime/intro/UNTOC.html#Fulltext](http://www.unodc.org/unodc/en/organized-crime/intro/UNTOC.html#Fulltext)

<sup>80</sup> [www.unodc.org/unodc/en/corruption/tools\\_and\\_publications/UN-convention-against-corruption.html](http://www.unodc.org/unodc/en/corruption/tools_and_publications/UN-convention-against-corruption.html)

<sup>81</sup> Building on the precedent established by UNTOC, this Convention provides a crucial mechanism for curtailing corruption in LEAs, customs, and other relevant agencies. As noted by UNODC's Wildlife and Forest Crime Analytic Toolkit, UNCAC can facilitate international information sharing "by providing a broad legal basis for co-operation on extradition, mutual legal assistance, and international co-operation." In 2019, resolution UNCAC 8/12 affirmed that UNCAC also "constitutes an effective tool and an important part of the legal framework for preventing and combating corruption as it relates to crimes that have an impact on the environment and for strengthening international co-operation in this regard."

## Annex A. INDICATORS OF LAUNDERING THE PROCEEDS OF THE ILLEGAL WILDLIFE TRADE

1. The below risk indicators are intended to be used by financial institutions to assist them in identifying potential suspicious transactions and behaviour patterns that could be indicative of ML linked to the illegal wildlife trade (IWT). The risk indicators identified below have been developed based on country experiences in investigations and cases, open source information as well as information provided by the United for Wildlife (UfW) Financial Taskforce and the Basel Institute.

2. These intelligence-led risk indicators highlight potentially actionable patterns in client profiles (individuals and corporates), transactions and client account activity, but should not be considered in isolation. A risk indicator demonstrates or suggests the likelihood of the occurrence of suspicious activity. However, one risk indicator alone, or without additional information about the client or transaction, is not likely to be sufficient to suggest illicit activity. Financial institutions should be careful when implementing risk indicators into their transaction monitoring systems, as the introduction of stand-alone, generic indicators could lead to the generation of large volumes of alerts that may end-up being false positives. Importantly, these risk indicators should be contextualised with information broader information on client profiles, and information obtained from the public sector.

### A. Client profiles (individuals and corporates)

- Involvement of international trade companies, including import-export, freight forwarding, customs clearance, logistics, or similar types of companies operating in the following commodities long high-risk corridors or ports<sup>82</sup> for IWT supply and demand: raw or squared wooden logs, plastic waste or pellets, frozen food, fish maws, various kinds of beans, stone or quartz blocks.
- Use of common containers, consignees, transporter, clearing agents, or exporters as seen in other cases believed to involve IWT.
- Activity involving PEPs and wealthy businessmen/women, particularly those with environmental, game, or forestry oversight or environmental or wildlife-related businesses
- Involvement of legal wildlife-related entities such as private zoos, breeders, (exotic) pet stores, safari companies, pharmaceutical companies making medicines containing wildlife and wildlife collectors or reserves.
- Individual or beneficial owner(s) of a corporate domiciled in jurisdiction that is a prominent transit or demand country for illegal wildlife.

<sup>82</sup> Ports with reported high volume of illegal wildlife seizures in recent years include Port of Lomé, Port of Dar es Salam, Port of Manila, Port of Mombasa, Port Sihanoukville, Port of Apapa, Matadi Port in the DRC; Haiphong Port in Viet Nam; Tien Sa port of Danang, Viet Nam; Apapa port of Lagos, Nigeria; Hangzhou Port, Zhejiang Province, China. The list is not exhaustive.

## B. Transactions and client account activity

- Large cash deposit by government officials working in wildlife protection agencies, border control or customs and revenue officials.
- Large cash or other deposits, wire transfers, multiple cash deposits and withdrawals, and/or unexplained wealth from government officials working in forestry agencies, wildlife management authorities, zoo and wildlife park employees, or CITES Management Authorities (CMAs).
- Large cash or other deposits, multiple cash deposits and withdrawals, and/or unexplained wealth from government officials from environment or other ministries who have specific management or oversight authority of government stockpiles of seized ivory, rhino horn, timber, or other illegal wildlife products.
- Shipments of legal wildlife (fauna and flora) with anomalous, incomplete, or otherwise suspicious CITES certificates.
- Transactions using names of ingredients or products in the traditional medical trade that refer to CITES species.
- Illogical or anomalous loans between trading or import/export companies in key IWT source or transit countries.
- Switched bills of lading by traders previously implicated in criminal activity involving wildlife trafficking or trade fraud investigations or prosecutions.
- Transactions having discrepancies between the description or value, of the commodity in customs and shipping documents and invoice, relative to the actual goods shipped or quoted price or the actual value in payments made.
- Illogical or anomalous purchases, payments, or other transactions related to gold trading from business accounts of clients. *Payments for wildlife shipping are often masked as payment for gold or to gold trading business.*
- Escrow-type transactions from/to accounts and companies with same beneficial owner in particular for payment of cross-border and transcontinental shipments.
- Transactions from known traffickers to individuals who then pay for couriers or packages via the post.
- Transactions for hired vehicles and domestic accommodation from known members of a trafficking syndicate who are not present in the country or region within a country.
- Third-party wire transfers/cash deposits to, or withdrawals by, known wildlife poachers and traffickers.
- Transaction references using specimen names or veiled speech.
- Transactions between licensed pet shop suppliers/breeders and known wildlife poachers and traffickers.
- Transactions to licenced pet shop suppliers/breeders that originate from overseas, and/or incommensurate with stated business activities.

- Large transactions to licenced pet shop suppliers/breeders where there is significant discrepancies between the animal/product ordered and the value of the good.
- International wire transfers from known wildlife traffickers to a relative's accounts as tuition, allowance, or family support payments.
- Large dollar wire transfers between wildlife farms and firms operating in inconsistent lines of business. *Particular attention should be given to payments with firms that produce goods which may be used as "cover loads" to hide illicit wildlife products (e.g. manufacturers / traders of coffee, tea, beans, or used clothing).*
- Payments between entities operating in disparate lines of business.
- Individuals or companies suspected of being involved, or linked to, IWT networks using bank accounts and addresses located in different countries.
- Middleman transactions – large incoming payments followed by smaller outgoing payments.
- Rental card transactions with two bookings close in time in neighbouring countries.

### C. Other

- Adverse media connected to wildlife or environmental crimes identified in open and available sources on individuals and/or entities involved in reviewed financial transactions.
- Airline passengers traveling on high-risk IWT routes on tickets paid for by a third party or in cash.
- Payments from companies/owners from industries using IWT products (including traditional medicine manufacturers, leather producers, auctioneers of wildlife products, exotic food providers [including butchers, chefs, stall holders wildlife markets and restaurants]) to known wildlife traders or their associates or other entities above that have been identified as involved in IWT.

## Annex B. OTHER GOOD EXAMPLES OF FINANCIAL INVESTIGATIONS INTO WILDLIFE CRIMES

### Box 35. Financial Investigation into Transnational Smuggling Network

This case involves a financial investigation in the Netherlands into an international smuggling network which trafficked (hundreds of) thousands of living expensive exotic birds, and monkeys worldwide<sup>1</sup>. There were two main syndicate organisers, with co-perpetrators worldwide. The syndicate moved illegal wildlife from Uganda, Indonesia, and Philippines to Europe, through transit countries, including Turkey, Dubai, Portugal, Bulgaria, Hungary, Germany, Belgium, Czech Republic, and Slovakia using air cargo and car. The syndicate was primarily involved in smuggling protected birds from Turkey to Europe, via Bulgaria, and trafficking Amur panthers, ring-tailed lemurs and crossbred big cats to UAE. Hungarian customs officers identified the case through a seizure of protected birds at the border.

The Netherlands Food and Consumer Product Safety Authority (NVWA), the police, customs and the Prosecutors Office carried out the investigation jointly. The investigation lasted for two years and drew on special investigative techniques, including wiretapping and observation, searches and seizures, and requests for legal assistance in different countries. The financial investigation revealed that the principal payment mechanism used was cash; however, bank details still helped to identify related parties.

The financial investigation revealed that the syndicate relied on bribery of customs officers in some countries. The syndicate also moved wildlife by using falsified international health documents, trade documents and CITES documents.

In 2017, suspect 1 was sentenced to 15 months imprisonment for natural protection crimes, forgery of CITES documents, transport papers and health certificates, animal welfare crimes and criminal organization. Suspect 2 was sentenced to 8 months' imprisonment, 4 conditional and 4 unconditional. In addition, the Court ordered the conditional withdrawal of the suspect 1's licence as an animal trader. Through the case, over EUR 70 000 was confiscated by police and protected birds were donated to public zoos and conservation parks. The court also found that the way in which this illegal trade has taken place led to sanitary risks.

1. [www.rechtspraak.nl/Organisatie-en-contact/Organisatie/Gerechtshoven/Gerechtshof-Arnhem-Leeuwarden/Nieuws/Paginas/Opnieuw-veroordelingen-voor-illegale-dierenhandel.aspx](http://www.rechtspraak.nl/Organisatie-en-contact/Organisatie/Gerechtshoven/Gerechtshof-Arnhem-Leeuwarden/Nieuws/Paginas/Opnieuw-veroordelingen-voor-illegale-dierenhandel.aspx)

Source: Netherlands

### Box 36. The Mikocheni Seashell Syndicate

On 2 November 2013, the police raided a large house in the Mikocheni B suburb of Dar es Salaam and uncovered a haul of 706 ivory tusks weighing over 1.8 tonnes, valued at USD 2.5 million. Three individuals found at the house – Huang Gin, Xu Fujie and Chen Jinzhan – were detained at the scene after trying to pay a USD 50 000 bribe to the arresting police officers. Based on evidence identified through the raid, police intercepted another shipment at Zanzibar port with 2.9 tonnes of ivory, valued at USD 3.4 million. The latter shipment was en route to the Philippines via Singapore.

**Use of import/export front companies:** The syndicate used the disguise of front companies importing garlic and citric acid from Asia and exporting seafood/shells to hide the ivory trading activities and related financial flows. Notably, one of the controllers for the ivory syndicate was registered as the director of the export company.

**Complex network:** The group relied on a wide network of different actors. Two Tanzanian nationals played the role of ivory dealers – Salvius Matembo and Julius Manase – and were responsible for poaching and sourcing the ivory from local parks and neighbouring countries. In addition to the local coordinators, the syndicate also had different members that were responsible for packaging the ivory for export at a location in Tanzania, and local port facilitators to ensure the shipments made it through customs controls in Zanzibar, including, as alleged, employees of the Tanzania Revenue Authority.

**Other payment mechanisms:** during the raid on the house, large amounts of cash were discovered which suggest that the syndicate used cash as the primary payment means for local members. For the controllers and end buyers, financial transactions were made primarily through international wire transfers between suspected shell companies established in Asia and the import/export companies.

**Outcomes:** the prosecution of the ivory dealers is ongoing in Tanzania. In March 2016, two of the ivory packers were convicted and sentenced to 30 years' imprisonment plus five years for the attempted bribery. The three identified controllers fled Tanzania when the case was uncovered, and are listed on INTERPOL's red notice database of wanted persons.

Source: Tanzania.

### Box 37. Use of Front Company to Hide Trafficking in Glass Eels

In 2017, French customs uncovered a glass eel<sup>1</sup> smuggling network that relied on a seafood front company to export 27 tonnes of smuggled glass eels from France to Asia within three years (2014 - 2017). These 27 tonnes of smuggled glass eels represent an amount of around USD 12 million (with an estimation of 400 euros per kilogram).

The case was identified by the French Agency for Biodiversity (AFB), which noted discrepancies between the fishing records of fishermen who supplied two fish trading companies and their purchases. One other suspicious element of the case was that the company purported to send the shrimp to Vietnam, although Vietnam is one of the most important suppliers in the world of this commodity.

The syndicate falsified documents to smuggle the eels under the front of a prawn trading company. The syndicate used false invoices to justify payments to shell companies based in Eastern European countries. These companies received funds from companies in Asia to pay French wholesalers for smuggled glass eels and collected a commission. The case also revealed that the syndicate members sent some of the proceeds to the Dominican Republic to obfuscate the ultimate owners of the funds.

Due to the use of special investigative techniques (wiretapping, surveillance and searches), and a financial investigation, the authorities were able to identify the broader network and also ML activities.

On 7 February 2019, the Nantes Correctional Court condemned four fishermen for organised trafficking of protected species, three resellers of glass eel for organised trafficking of protected species and money laundering. The Tribunal issued prison terms of up to two years, fines, and prohibitions on fishing or trading in glass eels for 3 to 5 years. Eleven vehicles (cars and motorcycles), a boat, and more than EUR 150 000 were seized and confiscated.

1. Glass eels are a protected species under the CITES convention.

Source: France

### Box 38. Use of Front Company to Hide Trafficking in Glass Eels (2)

Co-operation between UK and European authorities led to the conviction of a glass eel trafficker with alleged proceeds of over GBP 53 million.

On 15 February 2017, UK Border Force (BF) seized a consignment of glass eels found under chilled fish with estimated value of over GBP 5.7 million. They had been transported from Spain to the UK, and were due to be exported to Hong Kong. Spanish authorities had used informal channels to alert BF to suspected illegal sale beyond Europe from the UK by Mr. K. It is legal to sell glass eels within Europe with a permit. They cannot be sold beyond Europe.

The National Crime Agency (NCA) led the criminal investigation, arresting Mr. K on 23 February at Heathrow airport upon return from Singapore. NCA officers used the unique consignment number to demonstrate the link between the named recipient of the consignment and Mr. K's company, Icelandic Commodities Export Ltd (ICE Ltd). Information held by Companies House, the UK's public register of company beneficial ownership information, showed that Mr. K owned 80% of ICE Ltd.

The NCA established that between January 2015 - February 2017 Mr. K was trafficking the protected species using ICE Ltd. Mr. K would import the eels from France and Spain, hold them at an eel farm in the UK, then repackage them as 'chilled fish' to be sent onwards to South East Asia. Officers estimated that Mr. K sold over 1,775 kilograms of eels in 16 consignments, with estimated value of GBP 53 million at the point of sale.

Investigators extracted emails and phone records from Mr. K's computer and mobile phones found during a search of his home after arrest, and collected invoices. The NCA obtained tax records from Her Majesty's Revenue and Customs. Spanish authorities provided invoices sent to Mr. K's affiliated companies for the shipment of eels.

Financial investigators used these invoices and Mr. K's personal and business bank account records to establish the payment flows between different entities in this case:

- The European shipment firm invoiced ICE Ltd for supply of glass eels, paid by ICE Ltd.
- ICE Ltd made wire transfers to the barn in the UK to hold the eels, and to import/export firms to ship the eels from the UK to South East Asia.
- Following shipment, the ICE Ltd business account would receive payments via wire transfer from one of several companies in South East Asia. The amounts varied, ranging up to EUR 99 000. These amounts corresponded to the amounts invoiced by the European firm.
- Cash would usually be withdrawn from the ICE Ltd business account following receipt of payment from South East Asian companies, in large amounts over a protracted period.

The Crown Prosecution Service (CPS) proved that Mr. K controlled this trafficking operation. On February 7 2020, Mr. K was convicted of the illegal importation and movement of protected species. The CPS launched confiscation proceedings following criminal conviction under UK AML laws. These proceedings are ongoing.

Source: UK.

**Box 39. ML Conviction for Domestic Trafficking in Tiger Bones and Skin**

On 7 September 2013 a raid team consisting of Crime Branch, Delhi Police along with Maharashtra Forest Department and Wild Life Crime Control Bureau, New Delhi intercepted a car in Delhi on received information regarding movement of a wildlife offender. Two persons (Mr.X and Mr.Y) were found in the car holding wild life material like bones, nails, skull and teeth of Tiger. The raiding team also recovered Rs 270 000 (EUR 3 160) from the car.

A predicate crime was registered for illegally carrying tiger remains for smuggling purpose against the aforesaid suspects for commission of offences punishable under Wild Life (Protection) Act, 1972. Mr X disclosed during interrogation that he had received Rs 600 000 (EUR 7 000) from Mr Z to procure two complete sets of Tiger skeletons. Therefore, a search operation was conducted on Mr. Z. wherein 18 tiger nails and cash worth Rs 5 million (EUR 58 500) were recovered. A case was recorded against Mr. X, Y and Z for the offence of ML also.

Mr. Z disclosed during interrogation that he had given Rs 600 000 (EUR 7 020) to the accused Mr.X to procure body parts of tiger from Barhapur, Bijnore, U.P and that in the past also, Mr. X had brought him five tiger skins from Nagpur for which he had paid Rs 2 million (EUR 23 400) to Mr. X. It was also found in the investigation that Mr. Z sold 5 tiger skins to a resident of Nepal for Rs 6 million (EUR 70 200) out of which Rs 600 000 (EUR 7 020) were given to Mr. X to purchase two sets of tiger skeleton.

In the investigation, it was also found that Mr. X and Mr. Z were the main associates of an infamous wildlife poacher Mr. A, who was arrested by Delhi Police in 2005 and who passed away during court trial in a separate case due to ill-health.

It was contended by the wife of Mr Z that the Rs 5 million (EUR 58 500) recovered from their home were advance in lieu of sale of their ancestral house but the claim remained unsubstantiated. A Prosecution complaint was filed before the Special Court and the court held Mr. X guilty and for the offence of Money Laundering he was sentenced for rigorous imprisonment of 4 years with fine of Rs 10 000 (EUR 120) while acquitting another accused Mr. Y and confiscated Rs 5 million (EUR 58 500) and Rs 270 000 (EUR 3 160).

The car which was used to transport the wildlife contraband was not taken to be proceeds of crime by the court but its involvement to commit the scheduled offence was not denied. The car was released to WCCB for confiscation to the state. The third accused Mr. Z had passed away during the trial and trail in his respect was abated.

Source: India.

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The FATF logo is a red vertical oval containing the letters 'FATF' in white at the top and a stylized white graphic of two overlapping shapes below.

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### **Money Laundering and the Illegal Wildlife Trade**

In this report: guidance to countries on measures they can take to combat money laundering from the illegal wildlife trade. The illegal wildlife trade is a major transnational organised crime, which generates billions of criminal proceeds each year. Wildlife traffickers exploit weaknesses in the financial and non-financial sectors to move, hide and launder their proceeds, enabling further wildlife crimes and damaging financial integrity.

This is the Financial Action Task Force's first global report on this topic, and draws on inputs and case studies from over 50 countries from across its global network.

