

Combating Human Trafficking as part of Money Laundering Detection

Transactions Monitoring in Banks

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1 Raiffeisen Banking Group

2 Transactions screening and AML monitoring

- **Challenges**
- **Examples**

The Gable Cross

The Gable Cross – trademark of the Raiffeisen Banking Group



It consists of two stylized horse's heads crossed and attached to the gable of a house.

It is a symbol of protection rooted in old European traditions

A gable cross on the roof was believed to protect a house and its occupants from outside dangers and to ward off evil.

The Gable Cross is one of Austria's best-known trademarks, and it is in use around the world, particularly within the scope of RAIFFEISEN branding activity in Central and Eastern Europe.

Raiffeisen Banking Group: Three-Tier Structure

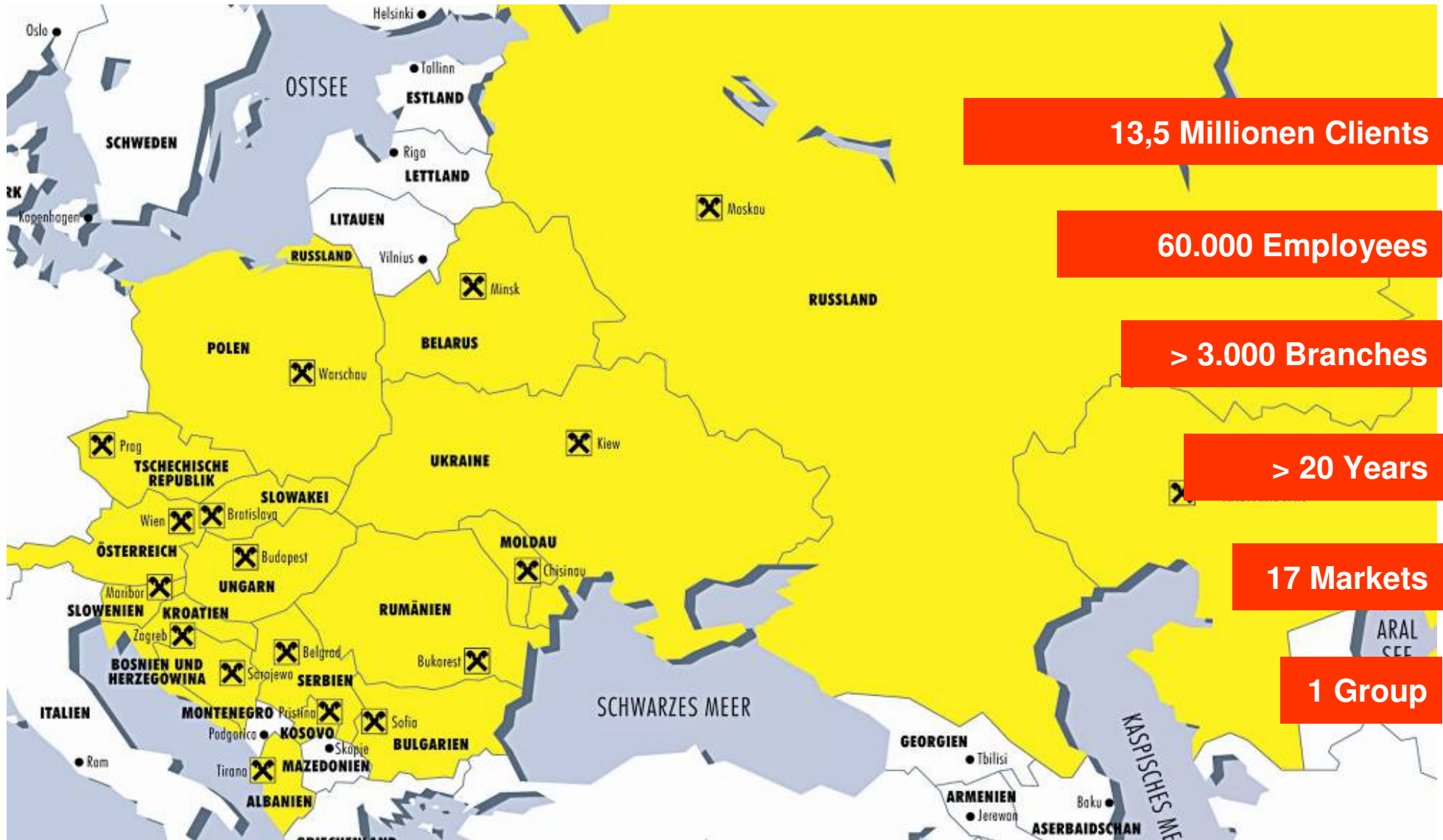


Raiffeisen Bank International

Backup



The RBI Group in Europe



Financial Sanctions vs. Money Laundering



Financial Sanctions (FiSa)

Anti Money Laundering (AML)

EMBARGO measures / OFAC

Transaction monitoring / research

- Funds come primarily **from regular sources and businesses.**
- **Real-time** screening **before** execution of transactions. Rule-based, automated screening of transactions, customer data base and potential customers against watch lists.
- In case of watch list matching regulatory authorities have to be informed and the **transactions have to be frozen or rejected.**

- Funds **out of illegal transactions** (drugs, human trafficking etc.) are brought in legal payment circulation by FI.
- **Ex-post analysis** (sometimes long-term) of customer / account profiles of suspected or reported money laundering activities.
- Identification of suspicious cases **must be reported to the state prosecutor.**

Detection of Money Laundering

Customer Risk Classification

- High
- Standard
- Low



Customer/Account Profiling

- Account Usage
- Peer Group definition and comparison
- Behavior Analysis
- Customer and Account Risk Analysis



Screening against Watchlists

- PEP
- Risk / Offshore Destinations
- "Blacklists" / Watchlists



Financial Sanctions – True Hits

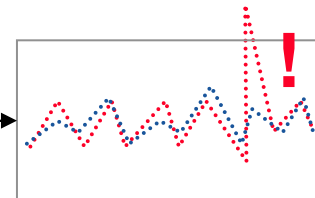
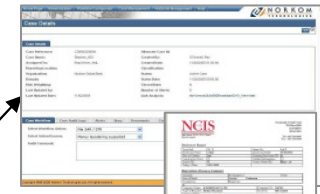
Ex-Post analysis to identify unusual behavior and suspicious transactions

Detection

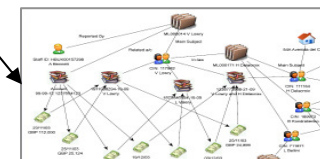
Indicators / Detection Rules

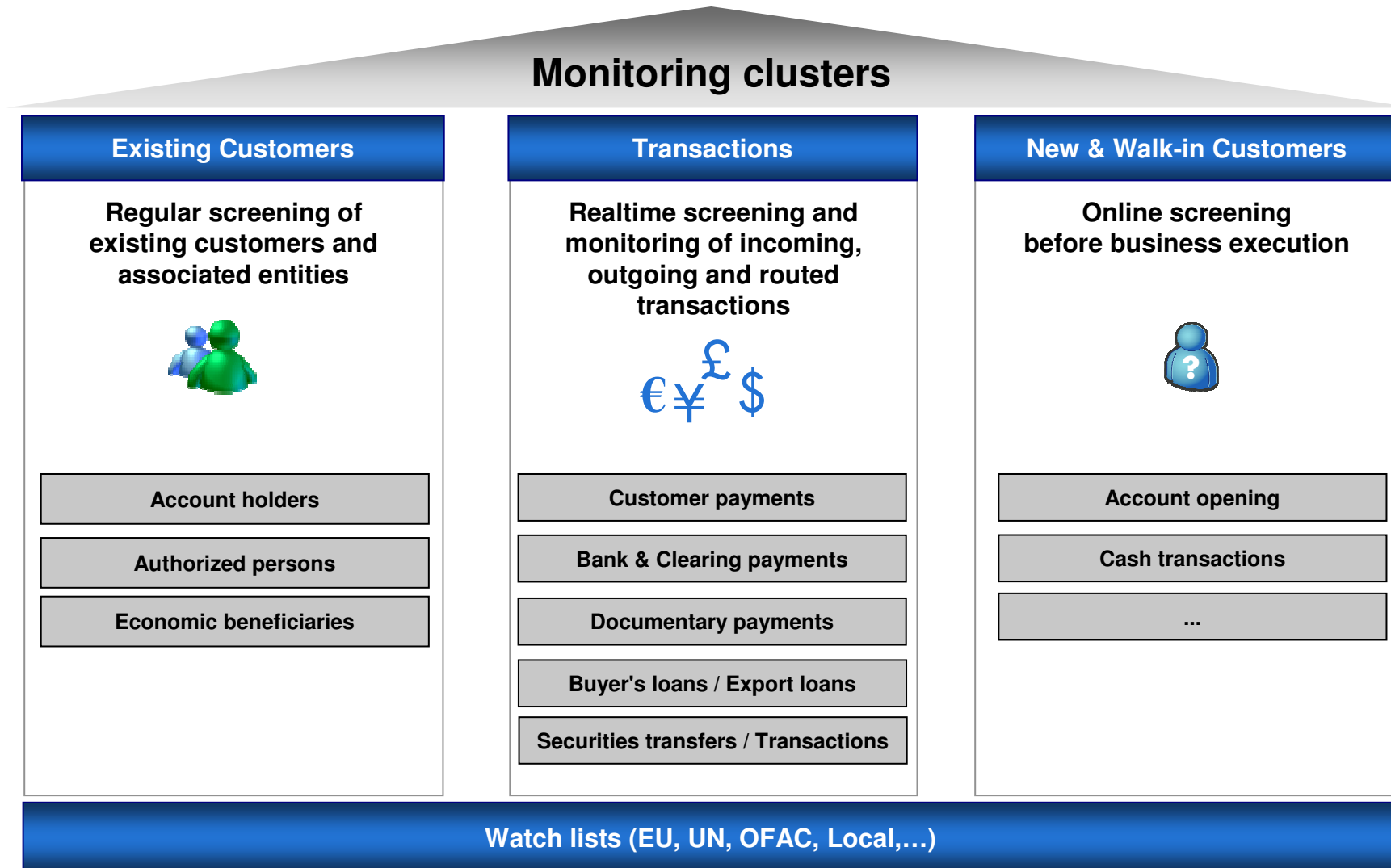
- Sudden and inconsistent change of activities
- Distributed ATM transactions
- Wire transfers to offshore centers
- Large, round amounts
- Funds transferred within a short period of time
- Regular deposits or withdrawals of large amounts of cash or large number of low cash amounts

Reports



Link Analysis





Official Lists - Worldcheck (WCK)



Raiffeisen Bank
International

Backup

- Whole Worldcheck
 - 1.500.000 entries
 - 350 Sub lists
 - 26 Categories

- Subcategory PEP
 - Overall sub-list appx. 400.000 entries

- Open Issues
 - Missing Data, relevant for investigation & decision process (e.g. DOB, BIC Code, ISO Code)
 - Not useful Alias names (e.g. Francisco)
 - Delayed list updates

WCK List Entry Quality



Raiffeisen Bank
International

Backup

Easy to investigate:

LAST NAME: SALAH	CATEGORY(2): TERRORISM
FIRST NAME: Mohammad Abd El-Hamid Khalil	SUBCATEGORY:
OFFICIAL LIST(S): OFAC SDT USDOJ	
ALIAS(ES): AHMAD,Abu AHMED,Abu AHMED,Mohammad Abdel Hamid Halil Al-AHMAD,Abu HAMID SALAH,Muhammad Abd SALAH,Mohammad Abdel Hamid Halil SALAH,Mohammed SALAH,Mohammed Abdel-Hamid SALAH,Mohammed Abdul Hamid Khalil SALAH,Muhammad SALAH,Muhammad A SALAH,Muhammad Hamid Khalil	
ALTERNATIVE SPELLING:	
TITLE:	POSITION:
AGE: 54	DOB: 1953/05/30
PLACE OF BIRTH:	DECEASED:
PASSPORT(S): 024296248 (USA)	
SSN: 342-52-7612	COUNTRY: USA (US)
LOCATION(S): 9229 South Thomas ~ Bridgeview, Illinois ~ USA P O Box 2578 ~ Bridgeview, Illinois ~ USA P O Box 2616 ~ Bridgeview, Illinois ~ USA Chicago, Illinois ~ USA ISRAEL	

Difficult to investigate:

LAST NAME: AHMED	CATEGORY(2): INDIVIDUAL
FIRST NAME: Adnan S Hasan	SUBCATEGORY:
OFFICIAL LIST(S): BOE CES CSSF DBB EU EU-IRQ HKMA IOMSO IRAQ.2 JMOF LGB MFSANC MINEFI OFAC SECO SECO-IRQ UE UN UNIR	
ALIAS(ES): ADNAN,Ahmed S Hasan ADNAN,Hasan Ahmed S SULTAN,Ahmed	
ALTERNATIVE SPELLING:	
TITLE:	POSITION:
AGE:	DOB:
PLACE OF BIRTH:	DECEASED:
PASSPORT(S):	
SSN:	COUNTRY: JORDAN (JO)
LOCATION(S): Amman ~ JORDAN	

- List of persons / organisations reported as involved in Human Trafficking:
Investors (!) - Recruiters - Transporters - Protectors - Informers –
Guides and Crew Members - Enforcers - Debt Collectors (!)

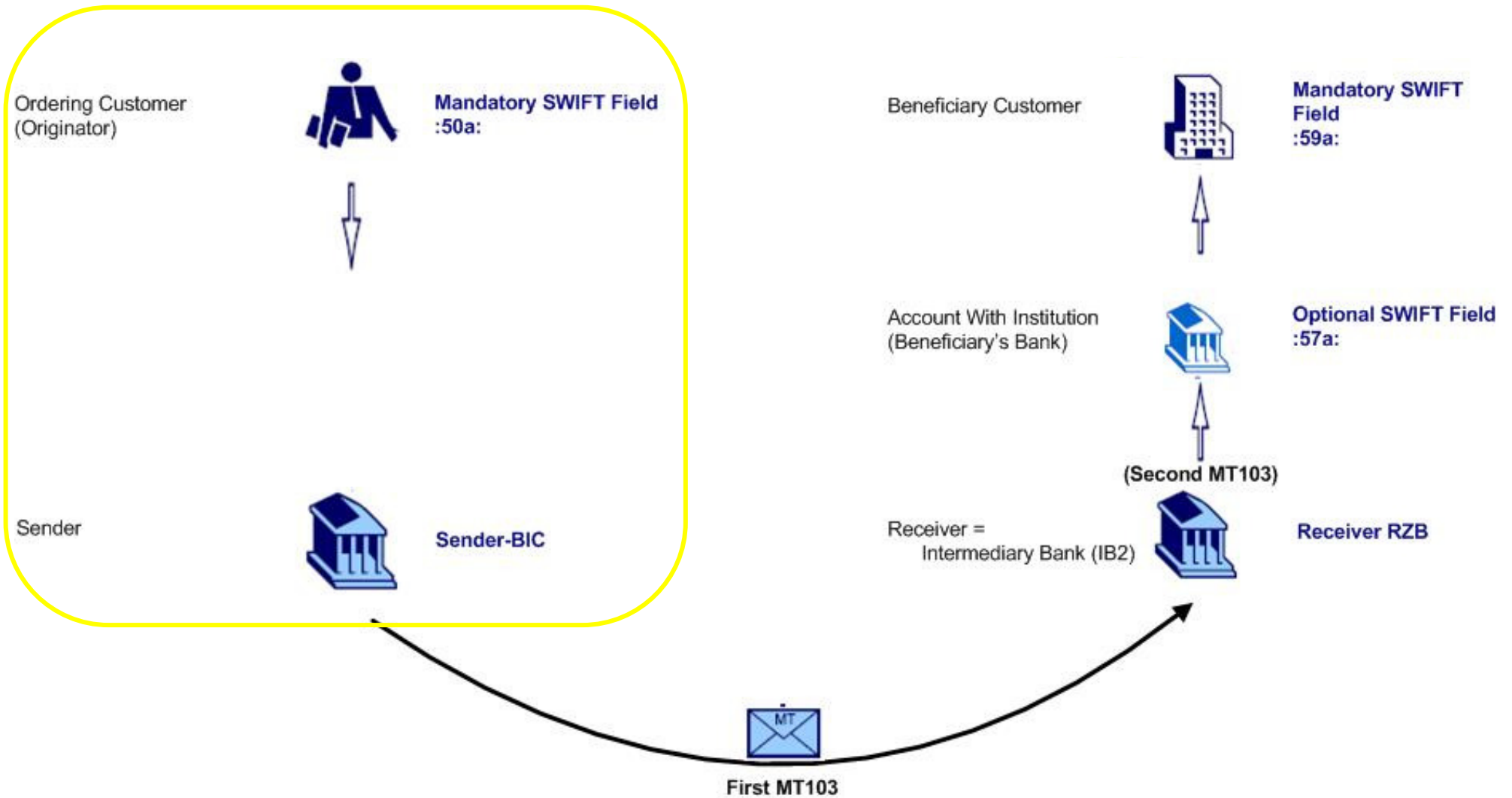
- List of known suspicious addresses / areas

- Authority-Feedback on reported suspicious transactions

- Exchange of relevant experiences / information between:
 - Authorities and Banks
 - Members of the Banking Group and
 - Correspondent Banks especially in THB sensitive countries

- Monitoring of Clearing Transactions

Example: Outgoing Customer's Payment (1/2)



Example: Outgoing Customer's Payment (1/3)



```
{1:F01RZBAATWWAXXX0000000000}{2:I103BANKTRCCXXXN}{3:{108:REF12222/260911A}}
{4:
:20:REF12222/260911
:23B:CRED
:23E:PHOB/9514790432
:32A:110923EUR988

:50K:/00000888123333
MR. BIG BOY
HAUPTSTRASSE 355
AUSTRIA, VIENNA

:57A:BANKPKCC

:59:/PK1111111222233
SWEET DREAMS
HAPPY AV. 666
SIBBI 1223
PAKISTAN

:70:PAYMENT FOR NR.888
:71A:SHA
-}
```

Example: Outgoing Customer's Payment (3/3)

{1:F01RZBAATWWAXXX0000000000}{2:I103BANKTRCCXXXN}{3:{108:REF12222/260911A}}

{4:

:20:REF12222/260911

:23B:CRED

:23E:PHOB/9514790432

:32A:110923**EUR988**



Transferred Amount

:50K:/00000888123333
MR. BIG BOY
HAUPTSTRASSE 355
AUSTRIA, VIENNA



Ordering Customer is RBI Customer

:57A:BANKPKCC



Beneficiary Institution

:59:/PK1111111222233
SWEET DREAMS
HAPPY AV. 666
SIBBI 1223
PAKISTAN



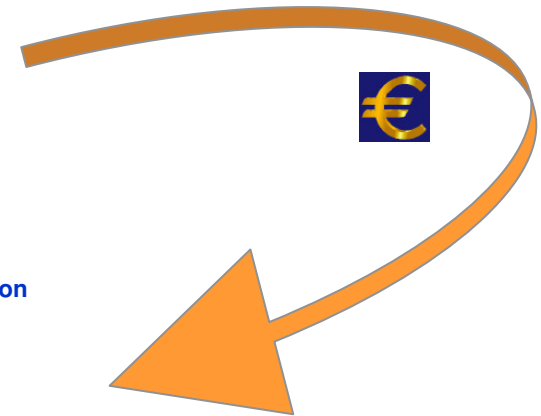
Beneficiary Customer

:70:**PAYMENT FOR NR.888**

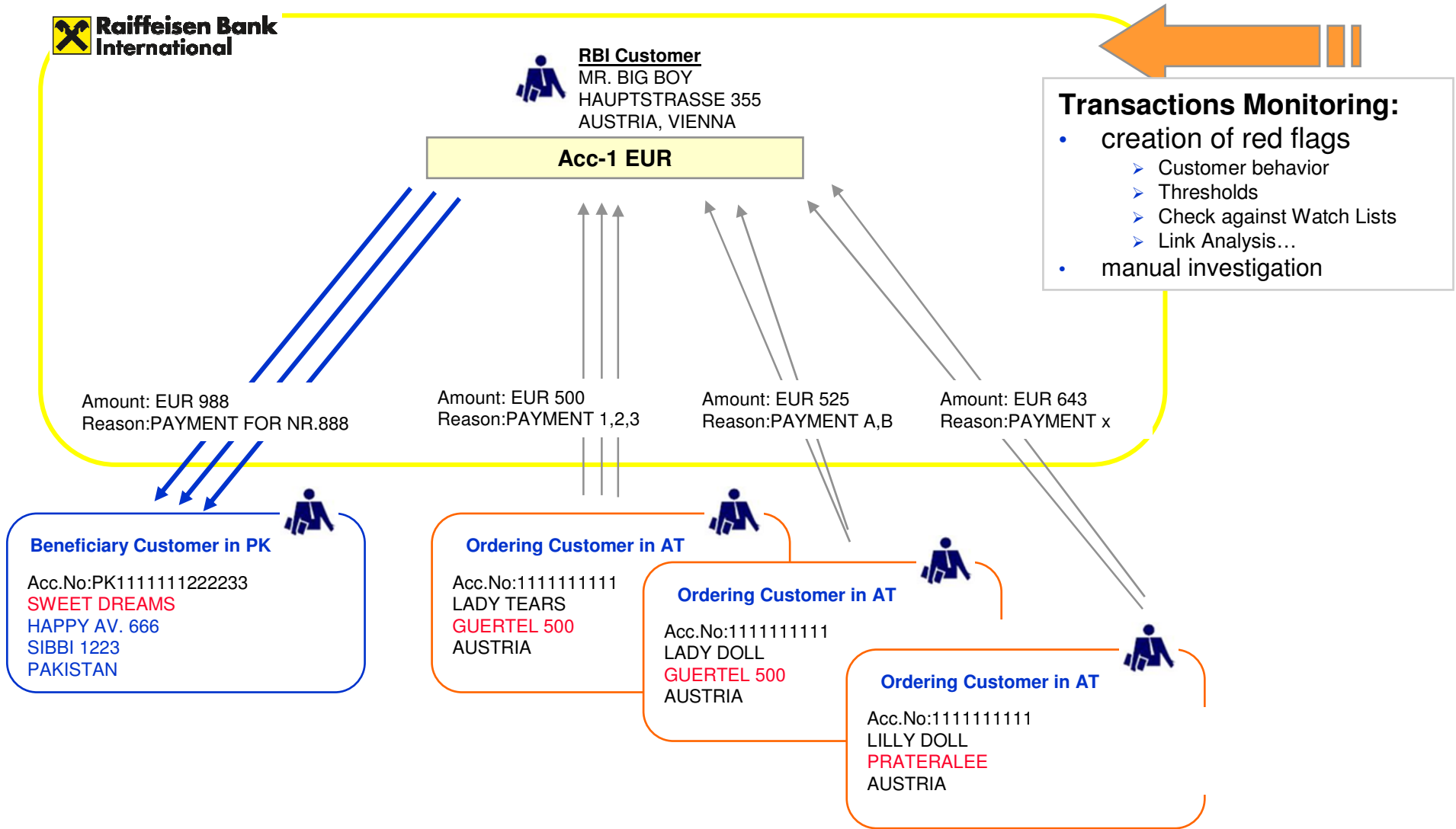
Reason for payment

:71A:SHA

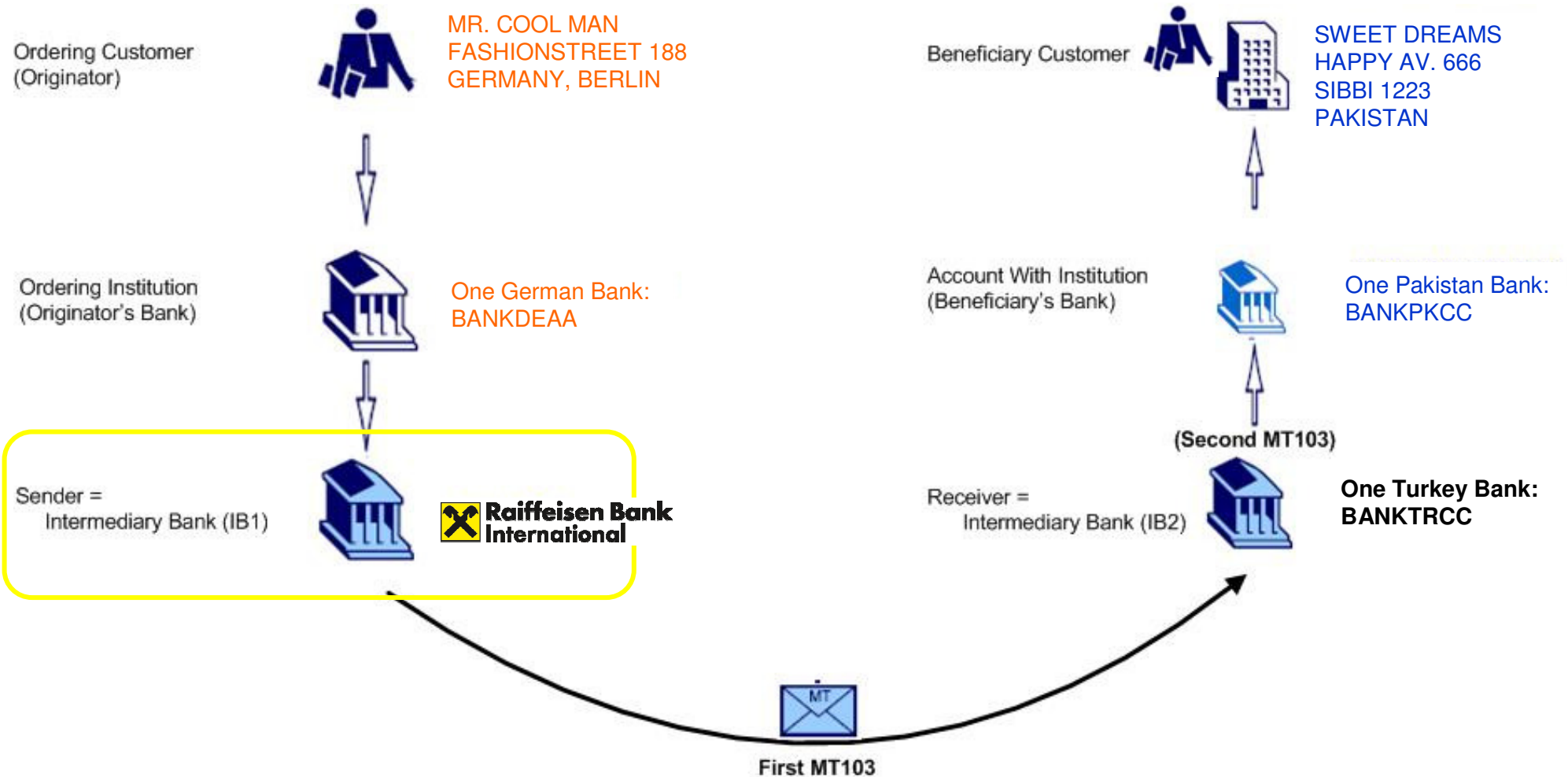
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Example: Monitoring Scope



Example: Clearing Payment (1/2)



Example: Clearing Payment (2/2)

{1:F01RZBAATWWAXXX0000000000}{2:I103BANKTRCCXXXXN}{3:{108:REF12222/260911A}}

{4:

:20:REF12222/260911

:23B:CRED

:23E:PHOB/9514790432

:32A:110923EUR956



Transferred Amount

:50K:/000006555111122
MR. COOL MAN
FASHIONSTREET 188
GERMANY, BERLIN



Ordering Customer

:52A:BANKDEAA



Ordering Institution

:57A:BANKPKCC



Beneficiary Institution

:59:/PK1111111222233
SWEET DREAMS
HAPPY AV. 666
SIBBI 1223
PAKISTAN



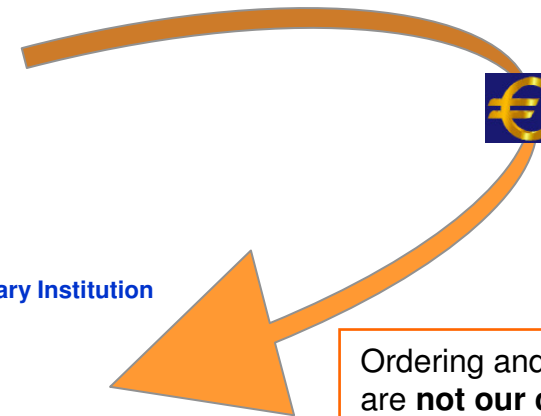
Beneficiary Customer

:70:PAYMENT FOR NR.567

Reason for payment

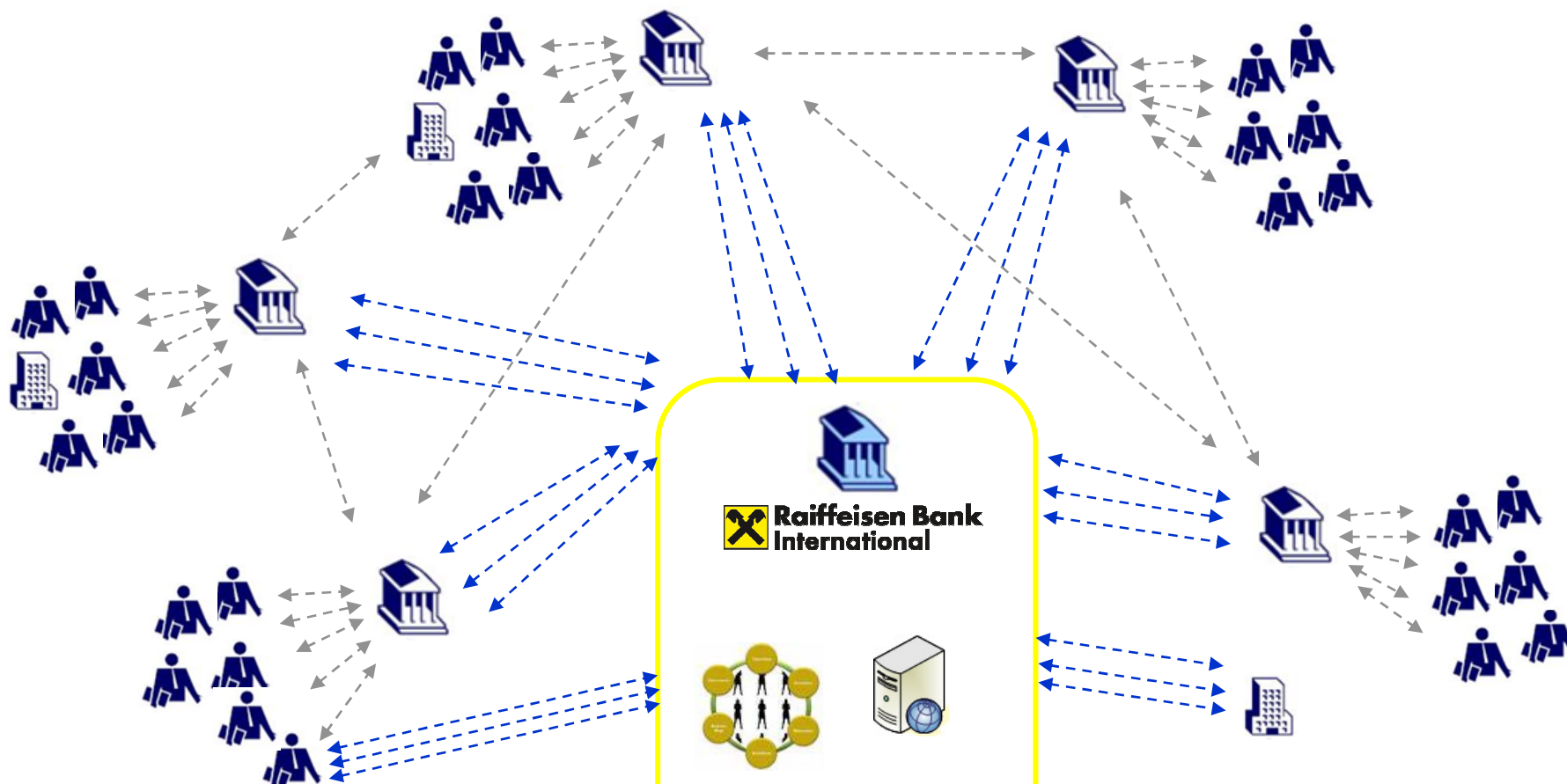
:71A:SHA

-}



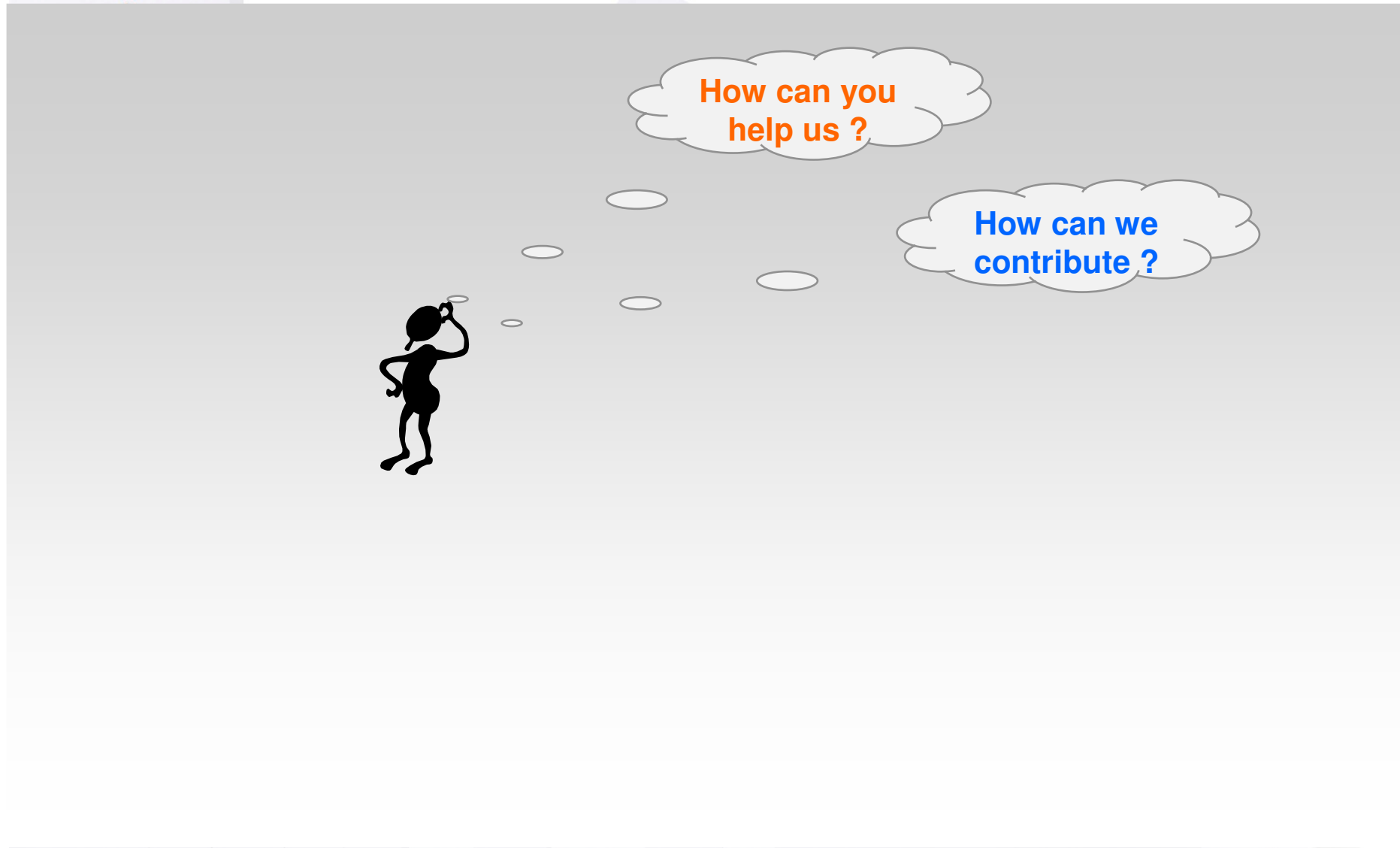
Ordering and Beneficiary party are **not our customers !!!**

Clearing Payments



GOAL:
Recognise the suspicious networks and flow of funds
by monitoring transactions of involved third parties !!!

Looking forward ...





Backup

- Transaction profile

→ automated generation of ML red flags for **our customer** for further manual investigation **possible**:

- transfers of cash in small amounts with high frequency
- structuring funds below threshold
- repetitive transfers of like nature
- transfers to sensitive countries of destination
- transfers or large cash / cheque deposits followed by cash withdrawals or smaller amounts wire transfers
- cash deposited at several branches
- transfers from different regions / persons to the same beneficiary (our customer)
transfer from one person (our customer) to different regions / persons
- the sender of cash transfers has no bank account in the sender country
- lack of references or identification
- sudden change in customer's normal business practices
- new customers from risk countries and who frequently make major transactions



Backup

- Transaction profile

→ manual checks during the investigation on an red flagged customer:

- Business accounts used as flow-through accounts
- Incorporating illegal funds in businesses
- Financial turnover incommensurate with the commercial turnover
- Structuring via commercial entities and transfer of money using contract for loan
- Fictitious loans: loan provided by a shareholder to the related legal person and subsequent transfer back
- Company balance sheet showing assets in cash and profits with no legitimate trade justification
- Significant share of the company's capital in no-term deposits



Backup

- Transaction profile

→ automated generation of ML red flags **not easy possible**

- Use of a **common address (!!!)**
- The transaction involves the exchange of currency to Euros, USD, CAD or pounds, for sexual purposes, money is often transferred in small amounts with high frequency from the victims **to members of the organised crime group** situated abroad or other places in the country **(!!!)**
- Companies may be connected in different ways to human trafficking and smuggling of migrants: they can be used as an additional or main means of money laundering;
- They often carry out international activity (travel agencies, tourism-related companies, money transfer agencies, etc.).



Backup

- Customer profile:
 - Unexplained/unjustified/unusual lifestyle
 - Mismatch between amounts paid and the occupation of the person
 - Unexplained/unjustified large profits for a company
 - Forged documents
 - Execute transactions on behalf of themselves or with use of others' IDs
 - Registration of assets under different names
 - Pay attention to customers accounts who have reported identity theft

 - Relations with persons with suspected or known criminal history (!!!)
 - A common mobile number, address and employment references used to open multiple bank accounts in different names (!!!)
 - Use of MSBs by migrant workers transferring a part of their salaries to their families abroad and illegal migrants paying a debt (!!!)
 - Credit card payments to online escort services for advertising (including small posting fees to companies of online classifieds as well as more expensive, higher-end advertising and website hosting companies) (!!!)