

Ukraine Crisis Heightens Human Trafficking Risk; Organizations Take Note

Russia's more than monthlong war in Ukraine has not only caused a massive refugee crisis, but also exacerbated a human trafficking problem that has been prevalent in the region since the fall of the Soviet Union. Traffickers looking to exploit desperate, displaced people are finding a significant pool of victims, as Ukrainian refugees evacuate their homes, many times only with the clothing they are wearing, with no possessions or identifying documents, separated from their families, and running for their lives.

The distress and despair of Ukrainian victims impacted by Russian military attacks and the economic collapse in their country is providing human traffickers with opportunities to deceive desperate Ukrainian refugees into trusting criminal elements to help them locate their families or help them escape Russian attacks.

- The Financial Crimes Enforcement Network (FinCEN) included human trafficking on its list of priorities last year. In our [joint advisory](#) last year with Sigma Ratings, we explained that human trafficking generates as much as \$150 billion in illicit profits [per year](#), with tens of millions of people forced into slavery or prostitution, violating human rights and providing significant funds for transnational criminal organizations and foreign terrorist groups.
- An aid worker helping refugees at Ukraine's border with Poland describes the human trafficking problem as "rampant," according to a recent Huffington Post [report](#). Members of the Polish military interceded and rescued women from the back of a van, and turned the drivers of the vehicle over to Polish police, where they bribed the officers and were soon released.

Although authorities and aid organizations are working to mitigate the risk of human trafficking at the borders and keeping a close eye on potential victims—especially vulnerable women and children traveling alone—banks and financial institutions should be on the front lines of detecting and stopping financial transactions associated with human trafficking.

The red flags associated with human trafficking—a predicate money laundering offense—have not changed, including bulk purchases of prepaid cards, use of front companies or funnel accounts, and frequent use of cash payments. However, banks and financial institutions should pay particular attention to jurisdictional red flags associated with human trafficking in the wake of the crisis developing in Ukraine as the result of the Russian invasion. US firms and financial institutions should also increase engagement with NGOs and non-profit organizations to enhance their understanding of financial transactions linked to human trafficking. Training compliance staff on the use of [data and insights](#) from survivors about transactional patterns used by human traffickers and analyzing financial activity gleaned from victims' accounts will help identify payments linked to human trafficking.

- Increased financial activity in countries bordering Ukraine, where refugees are crossing by the thousands each day, and that demonstrate human trafficking red flags, including at massage parlors and hair/nail salons that accept mostly cash or gift card payments, should warrant closer examination.
- Megan Lundstrom, cofounder and Director of Research at the Avery Center—a US-based organization that provides research and resources for human trafficking victims—and a human trafficking survivor, [shared](#) that her

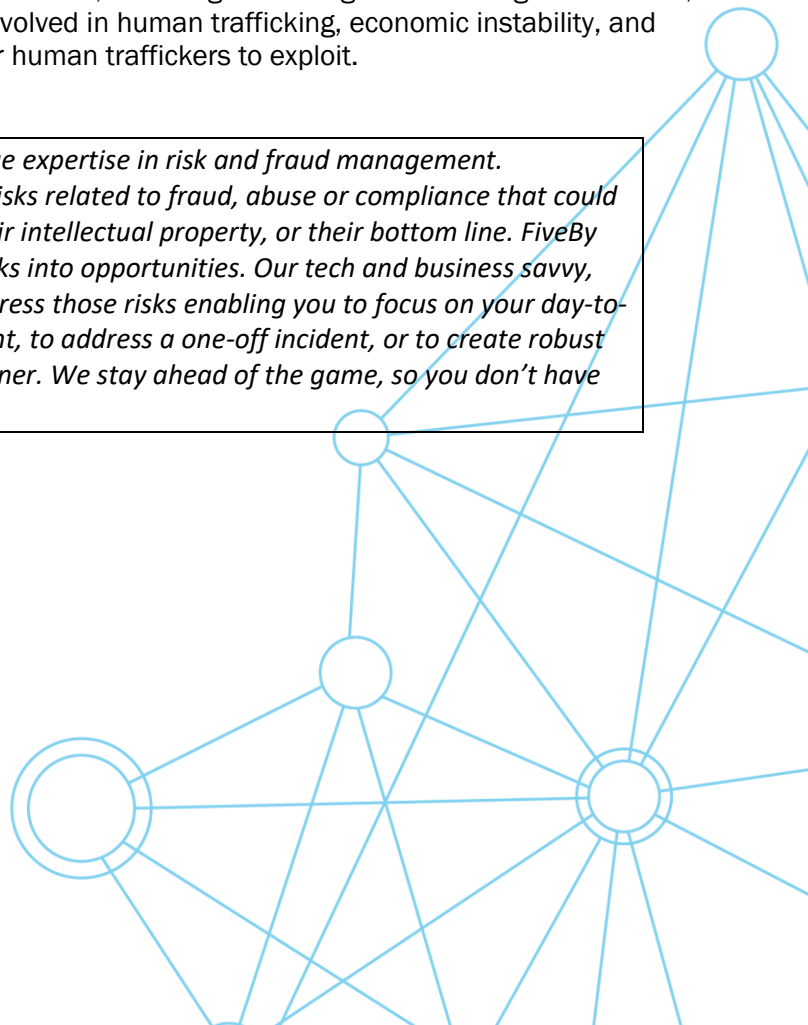
pimp would withhold funds needed for basic necessities during the beginning of the month in order to intensify pressure on her to earn money at the end of the month, when demand for commercial sex was believed to be at its highest. Transactions that display human trafficking red flags and take place at specific times of the month may help compliance professionals identify and report these financial activities.

- Keeping track of significant sporting events that draw thousands of people and millions in revenues to host cities—coupled with other human trafficking red flags—can help firms and financial institutions identify possible human trafficking patterns. The Association of Certified Financial Crime Specialists (ACFCS) [wrote](#) last year that “criminally organized sex rings will travel from one location to another to meet the demand” for sex slaves at large sporting events.
- Other danger signs can include excessive deposits in round amounts that are abnormally timed, especially in the middle of the night, as well as deposits into an account in adjacent cities, because human traffickers will often transport their victims to neighboring jurisdictions. Deposits into the same account from locations that are impossibly far away from each other within a short period of time can indicate funnel account activity.

UN data [indicates](#) that more than three million people have been forced to flee Ukraine to neighboring countries. US financial institutions need to prioritize their resources and file suspicious activity reports (SARs) intelligently, highlighting specific human trafficking red flags, according to recent comments at the Association of Certified Anti-Money Laundering Specialists (ACAMS) by Cardell Morant, the Director of the US Department of Homeland Security’s Center for Countering Human Trafficking. Morant confirmed that law enforcement does examine these SARs, uses them for insights, and compares them with previous reports to collect pieces of the puzzle about the human trafficking networks that often operate in vulnerable areas.

FiveBy’s AML and regional experts can help banks and financial institutions structure SARs, recognize red flags specific to human trafficking, and assess the associated jurisdictional risks, including known high levels of organized crime, since transnational criminal organizations are commonly involved in human trafficking, economic instability, and proximity to conflict zones, which create pools of victims for human traffickers to exploit.

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