

MONEY LAUNDERING WITHIN THE ILLEGAL WILDLIFE TRADE: HOW CAN FINANCIAL INSTITUTIONS PLAY A ROLE IN COMBATTING THIS NEGATIVE PHENOMENON?

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Abstract

Each year wild animals are killed cruelly for their teeth, horn, furs and other body parts which are used for art, medicine, jewellery, antiques style furniture, etc. The criminal profits gained from the illegal wild life trade (IWT) being estimated between \$7 billion and \$ 23 billion. More and more, the IWT is considered a transnational organized crime, generating high profits for criminals involved in this activity. The “dirty” money obtained from IWT is introduced in financial institutions, moved from one jurisdiction to another, hiding their origin and laundering them using the vulnerabilities of financial institutions. This scientific research has the purpose to highlight the risks associated with IWT, to describe the IWT supply chain – the flow of illicit products from the source to the end customer, to present the IWT red flags and reporting suspicious activities, to highlight the role of financial institutions in combatting the phenomenon of IWT and to propose measures how to prevent money laundering connected to illegal wildlife trade.

Key words: illegal wildlife trade; anti money laundering; illicit products; suspicious activity reports

Illegal wildlife trade is a crime very wide spread in present times, which includes forestry and fisheries crimes, illegal mining, trafficking of minerals, trafficking of chemicals and waste. The illegal wildlife trade is a transnational organized crime, which determines corruption, influences negatively the development of flora and fauna the economic health of states.

According to Global Financial Integrity, the illegal trade in fauna generates annually between \$7b and \$23b in illicit criminal profits.

In Africa are killed daily thousands of animals and more than 30 000 species are driven in disappearance.

In this scientific research is analysed money laundering within IWT, major problems to combat this phenomenon, how criminals launder money from illegal wildlife trade and how can financial institutions combat this phenomenon.

MATERIAL AND METHOD

This scientific research was elaborated based on the literature in the field of combatting money laundering and terrorist financing associated with the illegal wildlife trafficking, international databases on illegal wildlife trafficking, FATF Report: “Money Laundering and the Illegal Wildlife Trade, June 2020”.

At the elaboration of this scientific paper was used the following research methods: analysis and synthesis, induction, deduction.

RESULTS AND DISCUSSIONS

Annually, according to the researches published by the World Bank in 2019, the Transnational Environmental Crime constitutes \$1-2 Trillion, being evaluated on the fourth place from point of view of profitability of crimes. The timber trafficking constitutes annually \$100-150 billion and the wildlife trafficking constitutes \$15-20 billion. The products from illegal wildlife trafficking are used for medicine, art, ornaments, jewellery, antique furniture, etc. (INTERPOL, 2018).

The consequences of the illegal wildlife trade are very serious:

- ✓ The loss of biodiversity, characterized by increasing the number of animals from extinction list, which influences negatively the economic health and the social stability;
- ✓ Businesses can be threatened, as according to the AML 6 Directive they can be sanctioned, because the money laundering from IWT was not prevented

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✓ Increasing the diseases transmitted from animals to humans.

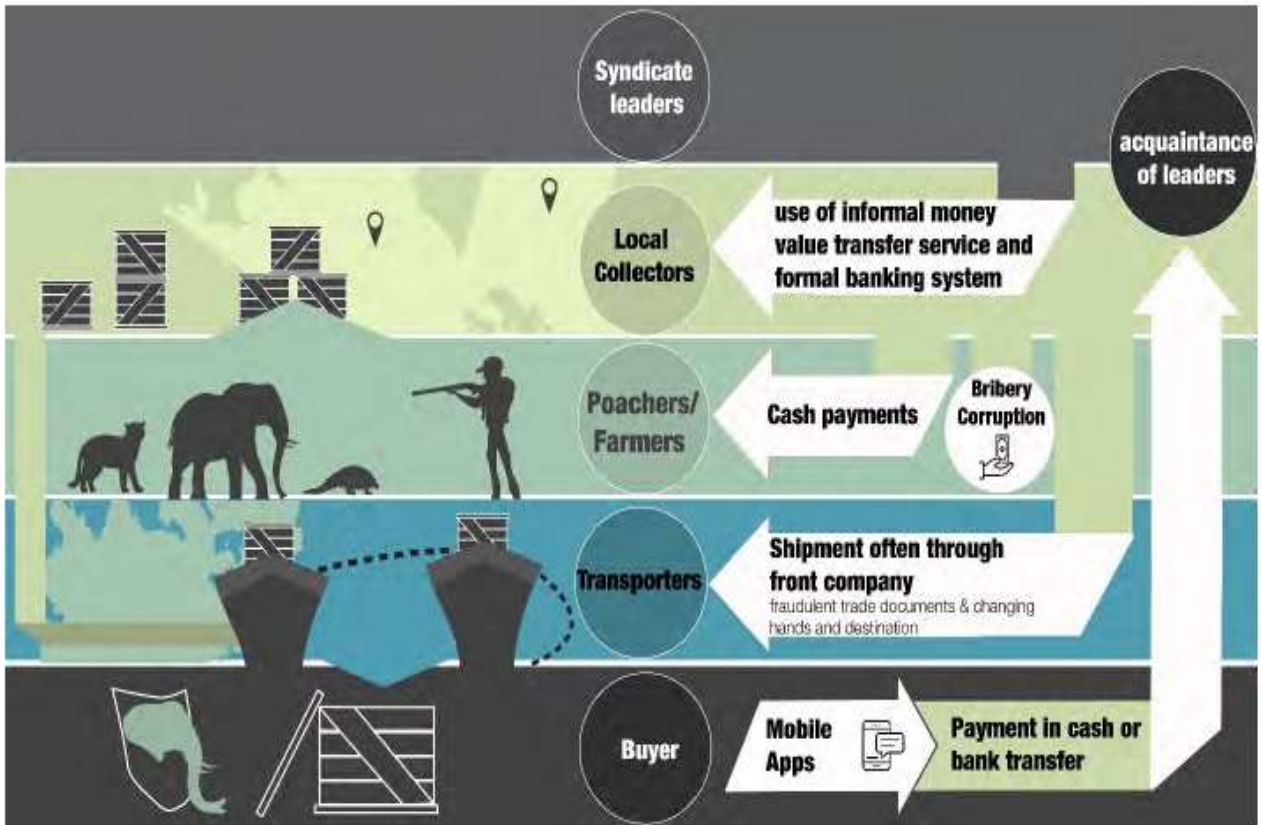


Figure 1. The Illegal Wildlife Trade Supply Chain

Source: FATF, 2020.

Table 1

Popularly illegal wildlife traded species by geographical zones

Americas	West & Central Africa	East & Southern Africa	Europe	Asia-Pacific
Sea turtles	Elephant	Elephant	Birds of Prey	Tigers
Iguanas	Pangolin	Turtles/tortoises	Whale	Turtles
Parrots	Rosewood	Rhino	Bears	Pangolins
Totoaba	Crocodiles	Big Cats	European eels	Orangutans
Corals	Panther	Shark	Songbirds	Parrots

Source: ECOFEL, 2021

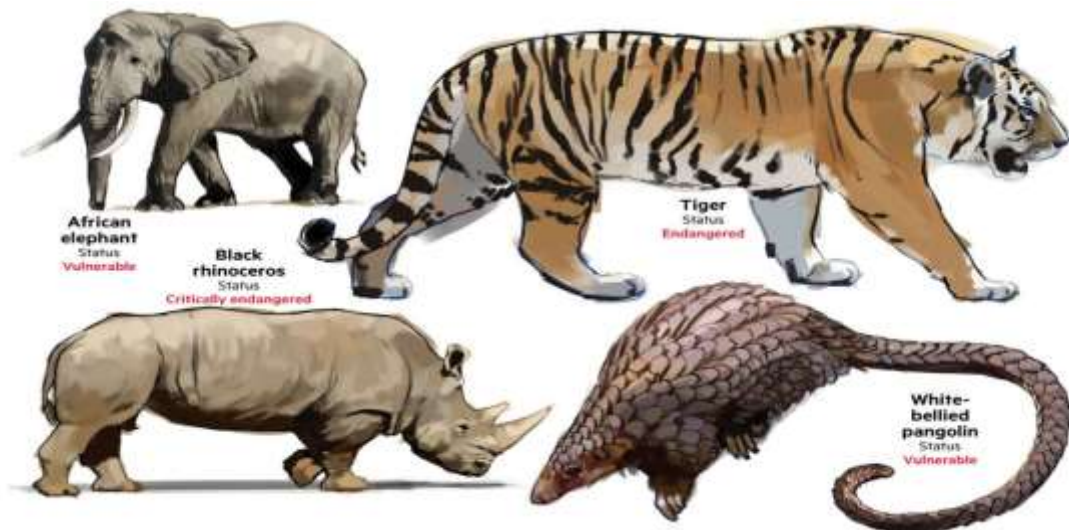


Figure 2. The animals most affected by illegal wildlife trafficking

Source: <https://www.ft.com/content/ef8e379e-12a3-11ea-a7e6-62bf4f9e548a>

According to the World Wildlife Fund's The Living Planet Report 2020, since 1970 the World lost 68% of its biodiversity. This increasingly destruction of flora and fauna has catastrophic impacts on human health and on wildlife development.

All over the World exist various international organizations to combat illegal wildlife trafficking, among which are the following:

- The International Union for Conservation of Nature (IUCN);
- United Nations Office of Drugs and Crime
- United Nations Environment Program
- The International Criminal Police Organization (INTERPOL)
- World Wide Fund for Nature
- The International Consortium on Combatting Wildlife Crime (ICWC).

The illegal wildlife trade supply chain consists of the following levels (figure 1):

Ist level → Poachers and those who buy wildlife products illegally



IInd level → Local facilitators who purchase products from poachers and transporters who deliver products to exporter



IIIrd and IVth level → Exporters and importers



Vth level → Wholesalers and further distributed to retailers/consumers

Analysing the Table 1 and Figure 2 we can reveal that the animals most affected by the illegal wildlife trafficking are: elephants, tigers, rhinoceros, pangolins, turtles, parrots, panthers, crocodiles, etc.

The elephant ivory is a commodity most trafficked in countries of Africa (Hauenstein, S., 2019; Nkoke S. C., 2017). In 2019, were seized 9.1 tonnes of ivory.

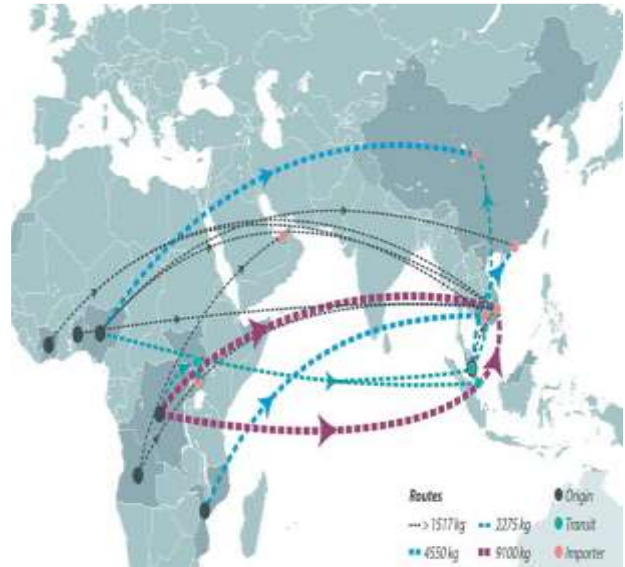


Figure 3. Ivory trafficking routes 2017-2019
Source: WJC, 2019

Figure 3 shows that mostly ivory is trafficked from countries of Africa, Vietnam, Cambodia, China.

During 2016 and 2017, 4757 rhinoceros horn were traded illegally. Only 1093 were recovered by enforcement agencies. The rhinoceros horns were sold in local workshops from South Africa, being transformed in disks powder, beads, this making difficult for law enforcement to identify the criminals. Corrupt officials influences directly to illicit rhino horn trade. The estimated price in 2016 for 1 kg of rhino horn was \$26 000.



Figure 4. Rhino horns trafficking routes
Source: CITES Trade Database

From Figure 4 we can state that the countries of origin of illegally traded rhino horns are from South Africa and Mozambique and the countries of destination are Vietnam, China and Thailand.

The illegal trade in lion bones also constitutes a major problem. The lion bones and body parts are usually used in medicine, arts, talismans, decorations, etc. In South African countries, the estimated price for a skeleton without skull was from \$1260-\$1560 and \$1890-\$2100 for a skeleton with skull (UNODC, 2020).



Figure 5. **Lion bones trafficking routes between 2007-2016**

Source: CITES Trade Database, 2018

Figure 5 shows that the countries of origin of lion bones trafficking routes are East and Southern Africa countries and the countries of destination are China, Lao PDR, Vietnam, Thailand, USA.

The tigers are mostly trafficked because of using them in jewellery, tonic wine, meat, medicine, skins, teeth, claws (TRAFFIC, 2019). During 2000 and 2018, approximately 2359 tigers were lost.



Figure 6. **Tigers trafficking routes**

Source: Wong R., 2019

According to “The Case Digest- An Initial Analysis of the Financial Flows and Payment Mechanisms Behind Wildlife and Forest Crime” Report, the IWT traditionally takes place in the following high risk industries/entities (TRAFFIC, 2021):

- ✓ Game lodges, farms and safari parks
- ✓ Second-hand car dealerships and companies that sell spare parts for motor vehicles
- ✓ Import-export companies
- ✓ Construction and logistics
- ✓ Restaurants
- ✓ Travel agents
- ✓ Sawmills and wood processing companies
- ✓ Seafood and marine products
- ✓ Art and crafts, curios, antiques
- ✓ Currency exchange and money service bureaus
- ✓ Transport and logistic companies
- ✓ Medical supply companies
- ✓ Pet stores, zoos, breeding farms
- ✓ Captive-breeding farms and facilities
- ✓ Other cash-intensive businesses for proceeds and commingling

The Financial institutions should be very careful when conducting transaction monitoring of the entities listed above, to be sure they do not miss suspicious transactions, taking into account the following red flags (FATF, 2020):

- ✓ Use of money transfers services;
- ✓ The account activity is inconsistent with the client profile;
- ✓ Payments involving multi country accounts and different schemes of payments
- ✓ Frequent cash deposits followed by immediate withdrawals
- ✓ Commingling of own and business activity money
- ✓ Loans without economic sense between import/export companies in illegal wildlife trade source or countries of transit
- ✓ Transfers linked to well-known poachers
- ✓ Frequent transfers to persons who practice activities vulnerable to IWT such as customs, logistics, transport.

In the same time, it is important to know that the criminals can use the following payment methods according to TRAFFIC Report, 2021:

- ✓ Transfer pricing
- ✓ Forex bureaus
- ✓ Hawala
- ✓ Fei Qien (Chinese Flying Money)
- ✓ Mobile Money
- ✓ WeChat
- ✓ Alipay
- ✓ UnionPay

- ✓ Paypal
- ✓ Applepay
- ✓ Wire transfers (Domestic and International)
- ✓ Money transfer services
- ✓ Cheque and bank draft, etc.

In this sense, it is very important for financial institutions during customer onboarding process to pay attention to the type of activity of the customer – international trade, freight, logistic companies which have links with countries known for IWT; to take attention and continuous monitoring the clients from category of private zoos, exotic animal stores, medical companies which produce medicine from wildlife; to be very careful with people which work in countries which are known as transit countries for IWT.

The financial institutions are the key players in combatting IWT, in this sense they must be informed very well about last trends in IWT, this being possible by monitoring media/open sources; working with counterparts in other countries; participating in forums related to IWT; creating internal watchlists related to IWT; developing suspicious activities scenarios for automated identification of suspicious activities connected to IWT.

It is very important after identification of a suspicious activity or suspicious transactions to report it correctly to FIU.

The SARs must contain the answers to the following questions (FinCEN, 2013):

- Who? (person, company name)
- What? (instrument of mechanism that facilitate the transaction)
- When? (date, period, detection)
- Where? (branch, department location, account numbers, types of account)
- Why? (type of client, cause for suspicion, other relevant information)
- How? (to describe the cycle of funds)

After reporting to the FIU, it is very important to take the decision → if the Bank will continue the business relationship with the client (assuming all the risks associated with him) or the business relationship with the customer will be finished. The decision will be taken by the Management of the Bank after the AML Division will present the situation.

It is very important that financial institutions to play a pro-active role in combatting money laundering associated with illegal wildlife trading.

CONCLUSIONS

As a result of the performed scientific researches, the following conclusions /recommendations can be highlighted:

1. The illegal wildlife trade contributes to loss of biodiversity, the disappearance of animals, increasing the diseases transmitted from animals to humans, threatening of businesses;

2. The illegal wildlife trade is estimated the IVth most profitable crime globally with profits up to \$1 to \$2 trillion annually;

3. The illegal wildlife trade supply chain consists of 5 levels which have links with financial institutions in performing financial transactions;

4. The most illegally wildlife traded species are: elephants, tigers, rhinoceros, lions, parrots, panthers, crocodiles, pangolins, turtles;

5. Financial institutions must be very careful during onboarding process, to identify customers connected to high risk industries (import-export companies; restaurants; travel agents; pet stores zoos; etc.) from IWT point of view;

6. Financial institutions must use information from media, external open sources and internal alerts generated by IWT high risk countries to open investigations related to illegal wildlife trading;

7. The suspicious activities reports related to IWT, which are sent to FIU must be very precise and to answer to the following questions: WHO? WHAT? WHEN? WHERE? WHY? HOW?

8. A way of combatting illegal wildlife trade is to develop public-private-partnerships which in collaboration will contribute to fighting with this negative phenomenon;

9. Introducing in the Guide of identification suspicious transactions/activities elaborated by the FIU of the Republic of Moldova, the suspicious criteria related to illegal wildlife trade will contribute to better identification of transactions related to IWT and will increase the STRs/SARs connected to illegal wildlife trade.

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