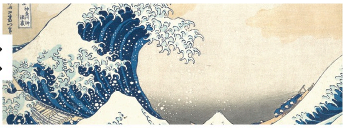

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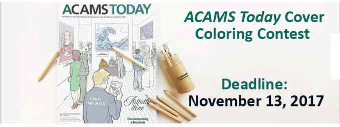
Deconstructing a Fraudster



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AML CHALLENGES, SEPTEMBER 2011 – NOVEMBER 2011

$5.00 to Ruin the Life of Children and Women: Internet Ad Sites Used to Launder Money in Promoting Prostitution/Human Trafficking

SEPTEMBER 2, 2011

As incredible as this may sound, as many as 100,000 children in the U.S. are sold into the commercial sex trade yearly, and these numbers may be rising.[1] Any reasonable person would ask how can the sale of tens of thousands of children happen in America today? These young victims are not being sold on the street corners as one might expect, but, rather are being sold through the Internet where children's photos are being displayed to a far wider audience than those participating in street prostitution.

Online Internet sites post pictures of young children and teenagers specifically for the purpose of selling their bodies for sex. Their photos are being viewed by millions of people through the world-wide web with a few clicks of a computer mouse. Internet site advertisements posting children for sale are not difficult to set up. I have investigated online payments for ads on Backpage.com and Craigslist, where for $5.00 to $10.00 an ad, people can post photo advertisements for the sale of sex. The pimps—sellers of children—use the financial systems to accept payments through the Visa and Mastercard payment network where they have the ability to get an account that gives them the financial access to pay for re-occurring ads on these Internet sites. Recent releases from various U.S. Attorney Generals report on long drawn-out battles to have Craigslist shut down its U.S. adult entertainment web site. Eventually, Craigslist did shut down the site.[2] The same request was asked of Backpage.com; and, to date Backpage.com has refused to close its adult entertainment section where the sex ads are posted.[3]

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LATEST POLL

What is your institution doing to ensure that the transaction monitoring program is properly configured and aligned to the

Online Solicitation for Prostitution/Human Trafficking—An Issue in the AML World

AML investigators would do well to change thought processes to no longer limiting the definition of money laundering to involving "illicit" funds resulting from drug deals and terrorist financing. Many cases of online prostitution are actually human trafficking in disguise. The "prostitutes" are trafficking victims who are selling sex unwillingly. Sexual activity with a child is illegal whether funds are involved or not. Any proceeds gained from online prostitution, both willing and non-willing, are "illicit" as the underlying activity is illegal. In the 21st century, the trafficking of humans through online ad payments being paid for through our payment systems is but one example of more traditional crimes moving "high tech" and reaching a broader audience. To exist on a large scale, these criminals must have access to the Internet as well as the payment systems that underpin our legitimate commerce as well. Experts estimate that as much as 76 percent of transactions for sex with underage girls are processed through Internet ads. Research shows the cost of an ad on Internet sites is as low as $5.00. That bears repeating—$5.00 to post a picture of a human for sale. The low entry cost is a key driver for the perpetrators. The ability to easily and anonymously move the "merchandise" from site to site by simply downloading a picture makes the crime even more attractive to criminals who place no value on a human life.

Suspicious Activity Reports

AML investigators are aware that in 18 U.S.C. § 1956 : U.S. Code—Section 1956: Laundering of monetary instruments includes in its "specified unlawful activities" in section(vii) that trafficking in persons, selling or buying of children, sexual exploitation of children, or transporting, recruiting or harboring a person, including a child, for commercial sex acts" is illegal.[4,5] Thus, criminals engaging in these online postings who generate funds from such activities are susceptible to money laundering prosecutions. Identifying a site as possibly being used for such heinous activities, however, requires us to have enhanced knowledge about these sites, so that we can better file Suspicious Activity Reports. SARs can and should be used to report transactions that may be being used for suspected human trafficking whether it be slave labor or sex trafficking. Unfortunately, the current SAR form filed by DI's lists fraud, money laundering, terrorist activity, but does not contain a separate check box for human trafficking.[6] It is time that the SAR be updated to include human trafficking that can be advertised through Internet web sites being paid for through our financial systems. Until the form is updated to identify human trafficking as a predicate offense to money laundering, SAR preparers can continue to use the "other" box; and ensure that key words are included in the Part V Narrative Text. In this regard, as well, it would be useful to work with key phrases that could be included in the narrative on which law enforcement could search for the SAR review terms, and others potentially targeting the trafficking of children. Another recommendation is that FinCEN issue an alert with suggested "Narrative text" language for DIs, MSBs and others to use in filing a SAR that can be tracked by SAR review teams. Our current inability to call out Internet human trafficking specifically as the suspected predicate offense, does its victims a great disservice.

Victim Criminal Investigations

There is an increasing amount of criminal investigations involving murders of prostitutes advertising their services through Internet ads in the form of escort services. The investigations have validated that the online ads have directly attributed to the murders of these women.7 The women posted their ads on the Internet with a sex buyer answering the ad arranging the time/place for the women and buyer to meet. The result is the women being reported as missing by families and tragically law enforcement investigations identifying their murdered bodies.8 The concern is that in following the money trail, we do not want these victims to have used our financial systems to pay for the Internet ads that may have contributed to them being placed into these dangerous situations.9 With appropriate surveillance systems to monitor payments for these ads, AML professionals can potentially have a direct impact in saving one or more lives.

How can we prevent our financial systems from being used to launder the sale of humans?

institution's ML/TF risk profile?

○ A) Establishing a well-defined risk assessment methodology

○ B) Updating the risk assessment on an annual basis and after a major event occurs

○ C) Mapping the areas with higher ML/TF inherent risks to scenarios and/or rules

○ D) Maintaining key performance indicators

SUBMIT View results

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SARS n STRIPS
WHAT AM I DOING? -- I HAVE TO BE VERY DIPLOMATIC SO I CAN FORGE ALLIANCES WITH ALL THE OTHER DEPARTMENTS.
Compliance Office
WHAT?? JUST WORK TO INTEGRATE COMPLIANCE WITH THEIR REVENUE AND DEVELOPMENT GOALS --
PRESENT A GOOD BUSINESS CASE....AND LOSE THAT PENGUIN SUIT!
CAN I KEEP THE MEDALS?
NO.
HOW ABOUT THE SASH?
NO.
THE HAT?
OK, BUT THAT'S ALL.

Nov 10, 2017

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Education: Get and Stay Informed

An investigator's awareness of the contours of these ads is the key in knowing how to police payment systems to look for signs of money being moved through the payment systems for the possible selling of illegal services through Internet ads. Analysts can monitor the amount of ad hits and cancel any cards that are suspicious. The non-profit organization web sites, such as GEMS and Polaris are great resources for an investigator's education into what is going in the commercial sex trade.[10,11] GEMS which stands for Girls Educational & Mentoring Services explained that the difference between a fraud/ML transaction and a human trafficking money transaction is that in a fraud transaction it is a onetime occurrence.[12] Whereas, when a human is being sold, the transactions are occurring over and over again as the human is being sold for money continuously. These groups can be used as our soldiers on the ground in our fight to end sex trafficking from all possible angles.[13]

Identifying Trends on Credit and Prepaid Cards

A key red flag for financial investigators is multiple spending on Craigslist/Backpage.com, followed by hotel spending. I personally have investigated both credit and reloadable prepaid cards that have reflected 20–30 ad payments on Craigslist/Backpage.com in a short time period followed by hotel payments. I have also analyzed similar Craigslist/Backpage.com spending followed by the purchase of Greyhound bus tickets, and payments to hotels located out-of-state from the verified residence of the card holder. When I have detected such activity, I have interviewed customers and inquired if the activity was for business or personal use. If business-related, I have been able to cancel the Visa or Mastercard-branded card, thus depriving the card holder of the ability to engage in the Internet ad payment activity. I have had feedback from cardholders who have advised that the ads were used for escort services. In one case of my cardholder reviews of ads purchased on Backpage.com, I located criminal records for prostitution. I have had conversations with cardholders of which one woman said that someone was out to kill her, and another cardholder said that husbands come to her because wives are not doing their jobs. As a fraud investigator, I analyze transaction activity for Internet ad payments of which my process as an analyst is that once an account is flagged for 10 hits or more of Internet ad spending, I cancel the account to immediately stop the ad activity. I investigate further by requesting ID documents to be faxed such as SSN card, government issued photo ID and utility bill that must be in the name and address of the cardholder. I have found this inquiry to be very successful in that the customer will either comply with the request which is beneficial for further investigation or they will abandon the account. The use of financial reports to analyze Internet site ad payments for potential prostitution or human trafficking also is important. I analyze a monthly report of 10 or more ad hits on Internet ad sites that also includes the cardholders' date of birth to help identity if any underage ad payment activity is occurring. Another suggestion for activity monitoring is for Visa and Mastercard to create a SIC code specific to online classified web sites to help facilitate AML investigations.

Disturbing Facts

- Approximately 55 percent of American girls living on the streets engage in the commercial sex trade[14]
- For every 800 people trafficked only 1 person is convicted[14]
- A young girl can earn between *$150,000 and $200,000 each year* for her pimp if she survives[14]
- Two million children are bought and sold in the global commercial sex trade annually[14]
- The average American girl is 13 years old when she is forced into commercial sex slavery[14,15]
- Victims of sex trafficking are also victims of gang rape[16]

Our Responsibility: Following the Money Trail

It is a responsibility of the AML and risk analyst to police financial systems to ensure that, in no way, are our financial systems being employed to finance the commercial sex trade of minors via Internet ads. It is our job to identify and appropriately report predicate offenses to money laundering. Sex with a minor is illegal and any proceeds resulting from this activity would be tainted. Likewise, prostitution is illegal in most jurisdictions. Placing the tainted proceeds into the financial system would constitute money laundering and would thus be SAR reportable. The Internet ad transactions are currently low dollar to sell a photo advertisement on these Internet sites. The seller will post photos of body parts to try and hide the identity of the victim for sale such as a photo from the neck down. Although analysts may not be able to see the actual ad, we can identify the suspicious activity by the number of ad hits to an account on a weekly or monthly basis. Stopping the flow of money for the illegal advertising of children for the sale of sex will help to undercut the Internet based commercial sex trade in the U.S. However, the job is not complete until all financial institutions and non-financial institutions with card-based products have monitoring systems in place to identify red-flags for Internet prostitution sale or purchase. It must be understood that the criminal suppliers and the criminal purchasers will not stop this activity until their methods of payment is taken away from them. When these channels are plugged, the criminals will simply move on to the next unsuspecting credit card or pre-paid card offering.

In conclusion, we as a team of anti-money laundering professionals can assist in the fight to help

process that includes a new SAR form with a check box for human trafficking.

Industry appreciation: I would like to extend a special thank you to Amy Wotapka, Lee Jeffrey Ross and Brian Maher for their wisdom and support.

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joann.alicea@precash.com

1. http://servicetoamericamedals.org/SAM/recipients/profiles/jlm10_konstas.shtml
2. http://www.foxnews.com/scitech/2010/09/04/craigslist-shuts-adult-services-section/
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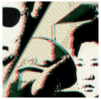

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