



**THE TURKS AND CAICOS ISLANDS
FINANCIAL SERVICES COMMISSION**

**RECOGNISING ACTIVITIES LINKED TO
HUMAN TRAFFICKING AND SMUGGLING**

18 January 2021

1.0 Table of Contents

Section	Title	Page No
2.	Authority of the Commission	2
3.	Purpose of the Guidance	2
4.	Status of Guidance	3
5.	Introduction to Human Trafficking and Human Smuggling	3
6.	Definitions of Human Trafficking and Human Smuggling	4
7.	Differences of Human Trafficking and Human Smuggling	6
8.	How do Human Trafficking and Human Smuggling work	7
9.	Stages of Human Trafficking and Human Smuggling	8
10.	Statistics of Human Trafficking and Human Smuggling	9
11.	CFATF MER findings on Human Trafficking and Human Smuggling	10
12.	Human Trafficking (Prevention) Ordinance 2016	10
13.	FBs' role in recognising Red Flags	11
14.	CDD Obligations of FBs	12
15.	Suspicious Activity Reporting on Human Trafficking and Human Smuggling	14
16.	Tipping Off	14
17.	Human Smuggling – Transactional and Customer Red Flags	15
18.	Human Trafficking – Behaviour and Account Activity Red Flags	17
19.	Human Trafficking – Behavioural Red Flags	19
20.	Suspicious Activity Reporting narrative	20
21.	Call To Action	20

2.0 Authority of the Commission

- 2.1 This guidance is issued by the Turks and Caicos Islands Financial Services Commission (the “Commission”). The Commission is vested with responsibility for determining compliance by its supervised and regulated entities with the AML Regulations, the Anti-Money Laundering and Prevention of Terrorist Financing Code 2011 (as amended in 2018) (the “AML Code”), and the Anti-Money Laundering and Prevention of Terrorist Financing Guidance Notes (as amended in 2018) (the “AML Guidance Notes”).

3.0 Purpose of Guidance

- 3.1 This guidance is designed to assist financial businesses and individuals in understanding human trafficking in compliance with the Turks and Caicos Islands’ [Trafficking in Persons \(Prevention\) Ordinance Cap 3.23](#), and human smuggling in order to comply with the [Immigration Ordinance](#). This guidance is also designed to assist in implementing an effective compliance regime that would enable detection, identification, and mitigation of money

laundering of illicit gains generated from human trafficking and smuggling and other associated risks. The information provided represents broad measures and must be used in conjunction with the AML Regulations, AML Code and AML Guidance Notes, all found [here](#).

4.0 Status of the Guidance

- 4.1 This guidance is supplemental to the Trafficking in Persons (Prevention) Ordinance and Immigration Ordinance; it is neither legal advice nor is it intended to replace it. The guidance is intended for use by senior management and compliance staff of financial businesses to assist in the development of systems and controls to identify and mitigate the risks of human smuggling and trafficking.
- 4.2 It is also intended for a wider audience to educate on, and raise awareness of, the realities of human trafficking and smuggling in the Turks and Caicos Islands, the Red Flags that may indicate their existence, and responsibilities to filing Suspicious Activity Reports (SARs) to the Financial Intelligence Agency (the FIA).

5.0 Introduction to Human Trafficking and Human Smuggling

- 5.1 Modern slavery encompasses human trafficking and slavery, servitude and forced or compulsory labour.
- 5.2 Human trafficking consists of three basic components: action, means and purpose of exploitation. All three components must be present in an adult trafficking case; for child trafficking, the 'means' component is not required.
- 5.3 In human trafficking cases, exploitation can take many forms: sexual exploitation, forced labour, slavery, servitude, forced criminality and removal of organs. It takes place when facilitators exploit society's most innocent and vulnerable for financial gain, employ an evolving range of money laundering tactics to evade detection, hide their proceeds of crime, and grow their criminal enterprise.
- 5.4 Human traffickers or facilitators increase their control over people by placing them in obligation and subjugation, making them work to pay off the money they owe the trafficker. It is a worldwide criminal phenomenon with evidence from over 90 countries. Current estimates suggest that there are approximately 21 million people in constrained work, including constrained sexual misuse. Of these 21 million, it is estimated that more than a quarter are children.
- 5.5 There is evidence to suggest that financial institutions and businesses have been used/abused by human traffickers because of insufficient checks and/or safeguards. Human traffickers

and facilitators generate billions of dollars in profits by victimizing millions of people around the world.

5.6 Although the concept “human trafficking” may imply people moving across geo-political boundaries, most exploitation takes place close to home. Moreover, though the term “human trafficking” is often used interchangeably with “human smuggling” – section 3 below outlines their differences. Some people may not be victims of human trafficking but still be victims of modern slavery if they have been subject to slavery, servitude and forced or compulsory labour.

5.7 This document provides guidance on:

- How financial businesses may understand the nature of human trafficking and human smuggling.
- How to identify specific human trafficking and human smuggling Red Flags from customer transactions, customer behaviour and customer interaction.
- The critically important role played by financial businesses in the detection of human trafficking and smuggling.
- The legal obligation of disclosing internal Unusual Activity Reports to the financial business’ Money Laundering Reporting Officer (MLRO), and the latter submitting a Suspicious Activity Report (SAR) to the Financial Intelligence Agency (FIA) if warranted.

5.8 Like money laundering, there are several identifiable stages of human trafficking and human smuggling during which traffickers, facilitators or smugglers may need to interact with the financial system. This guidance also provides a brief description of the three stages and provides financial businesses with the necessary context to appropriately identify potential human trafficking and/or human smuggling-related transactions.

5.9 Senior managers and all regulatory compliance professionals (ie Compliance Officers, MLCOs and MLROs) of financial businesses are required to include the topic of human trafficking and human smuggling in the annual AML training agenda for employees. As of 2021, this training topic will be considered when the Commission evaluates supervised and regulated entities’ AML training program during its onsite examinations and desk-based reviews.

6.0 Definitions of Human Trafficking and Human Smuggling

6.1 The terms “trafficking in persons” or “human trafficking” are used to describe the practice of exploiting adults and children for use as commodities or objects, in conditions of sexual and labour servitude.

6.2 Human Trafficking in essence is where a victim is coerced or deceived into a situation where

they are exploited. It is defined as an act of, or attempts at, exploitation via recruiting, harbouring, transporting, providing, or obtaining a person for forced labour or services, or commercial sex acts using force, fraud, or coercion, for the purpose of subjection to involuntary servitude, peonage, debt bondage or slavery.

6.3 Human trafficking consists of three basic components:

Component	Activity
Action	<p>The person must be subjected to any of the acts of:</p> <ul style="list-style-type: none"> - recruitment - transportation - transfer - harbouring - receipt <p>This may include an element of movement, national or cross-border. The <u>action</u> is achieved by a...</p>
Means	<p>The person must be subject to a means, ie a threat or use of force, or any other form of coercion, to obtain his consent to being under the control of a third party, including:</p> <ul style="list-style-type: none"> - physical coercion (the threat of or actual use of force against the person or his family members) - other measures of control (the withholding travel or immigration documents) - psychological coercion (the threat or perceived threat to the person's relationships with other persons, eg blackmail, witchcraft, or ritual oaths, social stigma, and ostracism) - abduction (the action or instance of forcibly taking someone away against their will) - fraud (the wrongful or criminal deception intended to result in financial or personal gain) - deception (the person may be provided with maliciously false, inaccurate, or misleading information) - abuse of power or of a position of vulnerability - giving or receiving payments or benefits <p>for the <u>purpose</u> of...</p>
Exploitation	<p>The person must have been trafficked for the purpose of exploitation:</p> <ul style="list-style-type: none"> - sexual exploitation¹

¹ For more information on gender-related violence, see [Stolen Smiles](#), a report on the physical and psychological health consequences of women and adolescents trafficked in Europe.

- forced labour or services (often identified in the manufacturing, food processing, agriculture, and hospitality sectors)
- slavery or practices like slavery
- domestic servitude (where meaningful freedom of movement is removed by a lack of bank account, restricted finances, and withheld identity documents)
- forced criminality (pickpocketing, shoplifting, drug trafficking or drug cultivation)
- financial exploitation
- removal or organs (harvesting internal organ eg kidney, liver for transplant, harvesting)

6.4 In an adult trafficking, all three components must be present. However, in child trafficking cases, the “means” component is not required as the child is not able to give informed consent to engage in criminal or other exploitative activity and can not give consent to be abused or trafficked.

6.5 Although the term human trafficking may seem to imply people moving across geographical boundaries, most exploitation takes place close to home. This is discussed in more detail below.

6.6 Human Smuggling, also called people smuggling, is defined as:

- The provision of a service by a facilitator (eg transportation or creation of fraudulent identity, immigration, and travel documents) to an individual, who voluntarily seeks to gain illegal entry into a foreign country (ie deliberate evasion of immigration laws and detection by border-control agents).
- The unlawful transportation and harbouring of an illegal alien already in a country.

6.7 It is interesting to note that the criminal activity may start out as human smuggling, but quickly evolves into human trafficking as the person may be unaware (or choses to ignore the risks of) that he is being recruited for a trafficking scheme; he is then effectively kidnapped, coerced, and/or bribed by false job opportunities and documentation.

7.0 Differences of Human Trafficking vs Human Smuggling

7.1 Though both human trafficking and human smuggling are complex and dynamic, and the concepts are incorrectly used inter-changeably, they are very different:

Human Trafficking	Human Smuggling
- Involves use of force or coercion and the exploitation of victims – choice is not present.	- Involves the person choosing to immigrate illegally – there is indication of a voluntary act.
- Includes (but not limited to) involuntary servitude, forced labour, debt bondage, peonage, and sexual exploitation.	- Is limited to illegal migration or the harbouring of un-documented aliens.
- Any person can be a victim regardless of origin, sex, age, or legal status.	- Involves foreign nationals.
- There is no need for a person to cross a national border to be trafficked – the person can be trafficked within a country’s borders. A person may also legally cross a national border.	- Involves an illegal border-crossing or the harbouring of someone that illegally crossed the border.
- Purpose is to exploit the person for gain or other benefit – it is regarded as a violation of that person’s freedom and integrity.	- Purpose is to move a person across a border illegally – it is regarded as a violation of state sovereignty.
- The relationship between the trafficked person and the trafficker does not end – on arrival at the destination, intended exploitation commences.	- The relationship between the smuggled person and the facilitator ends once the transaction concludes and the destination is reached.

8.0 How do Human Trafficking and Human Smuggling work

- 8.1 Agents of human trafficking often create trans-national routes (via air, sea, land) for transporting migrants, themselves driven by un-favourable living conditions, and who seek the services of a smuggler/facilitator.
- 8.2 Human trafficking usually starts in countries where recruiters seek migrants through various media (eg internet and social media, employment agencies (many under-ground), and local contacts.)
- 8.3 Middlemen, who recruit from within the origin country, commonly share the cultural background of those migrating, including language or dialect. In turn, migrants view the services of a smuggler/facilitator – the agent or middleman - as a prime conduit or critical intermediary to move from impoverished conditions and/or economic, political, or religious repression in their home country, to more stable, developed environments.

9.0 Stages of Human Trafficking and Human Smuggling

9.1 Like money laundering, human trafficking and human smuggling have generally three stages:

	Human Trafficking	Human Smuggling
Stage 1	Recruitment or Abduction	Solicitation
	<ul style="list-style-type: none"> - Traffickers obtain victims through deception or force. - Traffickers may recruit victims via kidnapping, false marriages or advertisements offering employment or study abroad. - Individuals from countries and geographic areas affected by economic hardship, chronic political instability, armed conflicts, or natural disasters are particularly vulnerable. 	<ul style="list-style-type: none"> - Potential migrant may seek services of a local facilitator/smuggler. - Local facilitators/smugglers are often part of a larger smuggling network that works to bring migrants across a country border. - In the TCI, illegal migrants often originate from regional countries, eg Haiti, Cuba, Venezuela, and Dominican Republic. - TCI has also witnessed victims from South East Asia (Vietnam) and South Asia (Sri Lanka).
Stage 2	Transportation	Transportation
	<ul style="list-style-type: none"> - After collection, victims are transported to locations where they are exploited or sold on to other traffickers. - Victims may originate from abroad and transported by air, sea, or land, domestically or internationally. 	<ul style="list-style-type: none"> - Migrants may be smuggled via several different routes and transportation nodes to avoid detection. - Victim may be transported by air, sea and/or land, crossing an international border.
Stage 3	Exploitation	Payment
	<ul style="list-style-type: none"> - Traffickers profit from exploiting victims through forced labour, sexual exploitation, involuntary participation in crimes or other illegal or nefarious activity. - Businesses in service and manual labour industries are frequently used to exploit trafficked individuals. These businesses may include massage parlours, restaurants, farms, construction companies and domestic services. - May generate on-going criminal proceeds. 	<ul style="list-style-type: none"> - Pay-In-Advance: migrant or his relatives provide full payment to the smuggler before travelling (particularly for un-accompanied minors). - Partial Payment: Portion of smuggling fees is paid prior to departure with balance due on arrival. Final payment often made by migrant's relatives in country of origin or destination.

10.0 Statistics of Human Trafficking and Human Smuggling

10.1 With an estimated USD150 billion generated annually from the theft of labour, human trafficking ranks as one of the top three international crimes, alongside drug trafficking and trade in counterfeit goods.

10.2 The organisation [SafeHorizon](#) outlines key statistics drawing from the International Labour Organisation’s (ILO) 2012, 2015 and 2017 reports where links to money laundering and terrorist financing are drawn:

Human Trafficking	<ul style="list-style-type: none"> - 24.9 million people are victims of forced labour of which: <ul style="list-style-type: none"> - 16 million people are trafficked for forced labour in the private economy (private individuals, groups, or companies in all sectors except the commercial sex industry) - 4.8 million people are trafficked for forced sexual exploitation - 4.1 million people are trafficked for forced labour in state-imposed forced labour - 20.9 million people are estimated to be trafficked worldwide - Women and girls are disproportionately affected by human trafficking, accounting for 71% of all victims
Labour trafficking	<ul style="list-style-type: none"> - Forced labour in the private economy generates an estimated US\$ 150 billion in illegal profits per year - The largest shares of labour trafficked adults are domestic workers (24%), followed by construction (18%), manufacturing (15%), and agriculture and fisheries (11%) - Migrant workers and indigenous people are particularly vulnerable to forced labour
Sex trafficking	<ul style="list-style-type: none"> - 8 million adults are trafficked for forced sexual exploitation - 1 million children are trafficked for commercial sexual exploitation

10.3 For further reading on the global reach of human trafficking and human smuggling, refer to the [Executive Summary Report](#) issued by the Lichtenstein’s Initiative in 2019.

11.0 CFATF MER findings on Human Trafficking and Human Smuggling

- 11.1 The TCI's CFATF Mutual Evaluation Report (Jan 2020) makes mention of the risks of human trafficking and human smuggling faced by the Turks and Caicos Islands.
- 11.2 Its main observations concerning this subject matter are that the TCI's National Strategy, though informed by the National Risk Assessment and providing a fair understanding of national ML/TF risks generally, is not adequately informed by regulatory, supervisory and law enforcement data on human smuggling, human trafficking, and illegal immigration (particularly between Haiti and the TCI).
- 11.3 Thus, the National Strategy is deficient in so far as it does not sufficiently or specifically acknowledge or address the risks represented by these primary, domestic, predicate crimes (ie human smuggling and trafficking, inter alia) by exclusion from the TCI's national priorities.

12.0 TCI's Human Trafficking (Prevention) Ordinance Cap 3.23

- 12.1 The TCI's Trafficking in Persons (Prevention) Ordinance (found [here](#)), the Anti-Money Laundering and Prevention of Terrorist Code 2011 and the Anti-Money Laundering Regulations 2010 (both found [here](#)), provide effective measures to prevent offences related to human trafficking and money laundering in the TCI.
- 12.2 It is imperative that financial businesses fully familiarise themselves with the content of the Trafficking in Persons (Prevention) Ordinance as this forms part of the business' regulatory landscape and will be included in the Commission's ongoing onsite examination and desk-based review efforts.
- 12.3 The objectives of the TCI's Trafficking in Persons (Prevention) Ordinance, as outlined in Part I, Section 3, are to:
- a) prevent and combat trafficking in persons in the Islands
 - b) protect and assist the victims of such trafficking, having due regard to their human rights
 - c) provide for the investigation and prosecution of cases of trafficking in persons
 - d) provide for adequate enforcement measures for the offence of trafficking in persons and related offences
 - e) promote cooperation between the Islands and other countries and territories to prevent and suppress trafficking in persons and to punish offenders
 - f) give effect to the UN Protocol to Prevent, Suppress and Punish Trafficking in Persons

- 12.4 Section 4 states that offences apply regardless of whether the conduct constituting the offence takes place inside or outside the Islands, in the following circumstances:
- a) If the Islands is the receiving country or the exploitation occurs in the Islands or
 - b) If the receiving country is a foreign country but the trafficking in persons starts in the or transits through the Islands
- 12.5 Section 5 outlines the extension of the Ordinance to extra-territorial offences, ie a court in the TCI shall have the jurisdiction to try an offence under this Ordinance where the act constituting the offence is committed:
- a) wholly or partly in the Islands
 - b) by a Turks and Caicos Islander, a British Overseas Territory Citizen, or a permanent resident anywhere, whether in the Islands or elsewhere, or
 - c) by a person on board a vessel or aircraft registered in the Islands at the time the offence was committed
- 12.6 Part II of the Ordinance outlines the offences and related provisions of the offence of human trafficking and related penalties, in particular Section 7 defines the offence of human trafficking.
- 12.7 Part III of the Ordinance outlines the sections that facilitate enforcement.
- 12.8 Part IV outlines sections designed for the protection of trafficked persons. Section 42 is of importance as it outlines the legal obligation to report trafficked persons and the penalties associated with failure:
- a) A person who knows, suspects, or has reasonable grounds to suspect, that a person is a trafficked person shall immediately report that knowledge or suspicion to a police officer for investigation
 - b) A person who makes a report in good faith is not liable to civil action based on the report and is entitled to have his identity kept confidential if his safety is at risk because of the report, unless the interests of justice require otherwise.
 - c) A person who fails to comply with the provisions of sub-section 1. commits an offence and is liable on summary conviction to a fine of \$ 10,000 or to imprisonment for a term of twelve months.

13.0 Financial businesses' role in recognising Red Flags

- 13.1 Financial businesses, particularly front-line staff who may encounter or interact with a trafficked or smuggled person, are uniquely positioned to assist in ending this criminal activity if they search for the right transaction patterns.

- 13.2 Since human trafficking is often a cash-based activity, some financial businesses are more vulnerable than others, including money service and remittance businesses, retail/branch banking, cash couriers, night clubs and casinos.
- 13.3 Traffickers are very skilled in camouflaging their activity as a legitimate business. Businesses that operate with large volumes of cash (eg restaurants and bars, employers of domestic servants, and hospitality and agriculture companies) are common money-laundering fronts for human traffickers and smugglers.
- 13.4 One of the best ways to uncover the illegal activities of these companies is through financial monitoring. Given that financial institutions are on the front lines of the financial system, they are well placed to observe, monitor, and report on early indicators of, or new trends in methods being used by criminals.

14.0 CDD obligations of financial businesses

- 14.1 The AML Regulations and Code outline a financial business' CDD obligations, inter alia:

CDD obligations	Guidance and suggestions
Establish and maintain written policies, procedures, processes, and controls in respect of CDD measures, which should form part of its overall AML compliance manual.	This may include a section on the specific risks of laundering the proceeds of human trafficking and human smuggling, and how these risks may be managed in the business' risk management framework, following the principles of RBA.
Ensure that the policies, procedures, processes, and controls are communicated to all relevant employees, and are accessible (eg via the business' intranet or shared drive).	This may be a published, fully accessible "living" document or section in the internal AML policy document on human trafficking and human smuggling It may outline internal procedures for identifying Red Flags (eg a checklist, a protocol), with a clear call to action for employees to report observations of suspicious human trafficking or human smuggling activity to the MLRO, and the latter's obligation to submit a SAR to the FIA on thorough assessment of the internal disclosure.
Establish an ongoing employee AML training program to ensure that relevant employees are kept informed of changes to written policies, procedures, processes, and controls, as well as new developments, including information on current	Annual AML training may include a section on human trafficking and human smuggling, including questions in the training assessment mechanism (eg quiz, case study questions) to gauge the employee's understanding of risks. Records of all trainings held (eg date, duration, attendance, material covered, quiz or exam results,

money laundering and terrorist financing risks, techniques, methods, and trends.	signed attestations) are to be kept in electronic and paper form for 5 years, easily accessible internally by the compliance function and audit, and externally for regulatory examination or review.
Identify and assess clients before establishing a business relationship or carrying out an occasional transaction for them.	This may be an internal mechanism or workflow to systematically review human trafficking and smuggling Red Flags, to assist in the identification of possible risk prior to the:
Ascertain the purpose and nature of the intended business relationship.	- business relationship commencing - occasional transaction being executed
Ascertain the type, volume, and value of a customer's expected activity.	- gauging expected activity patterns of prospective or actual client
Determine if a client is acting for a third party and applying the same steps in (e) and (f) above	This may be an internal mechanism or workflow to systematically review human trafficking and smuggling Red Flags particularly behavioural and transactional.
Assess the human smuggling and human trafficking risks presented by any client based on the type of customer, the countries with which customer is seemingly connected to, the products and services that being provided to the customer, and the delivery channel of these products and services.	This may be an internal mechanism or workflow to systematically review human trafficking and smuggling Red Flags, and to effectively gauge risk inherent in customers from/transacting with jurisdictions synonymous with illegal human movement (eg Haiti, Dominican Republic, Venezuela, Cuba.) Consideration may be given to awareness of and reference to Transparency International's annually-published Corruption Perceptions Index and the US Department's most recent Trafficking in Persons Report .
Establish the source of the funds presented by customers and, where necessary, their source of wealth.	This may be an internal mechanism or workflow to systematically review human trafficking and smuggling Red Flags, and to effectively gauge risk inherent in customers whose SOF and SOW are from jurisdictions synonymous with illegal human movement (eg Haiti, Dominican Republic, Venezuela, Cuba.) Consideration may be given to awareness of and reference to Transparency International's annually-published Corruption Perceptions Index and the US Department's most recent Trafficking in Persons Report .
Keep specific records for a minimum period of five years.	This may include the compliance function maintaining full and accessible records (electronic and paper form) of all internal disclosures (unusual

	activity reports) of human trafficking and human smuggling observations that he has received, and all SARs that he has lodged with the FIA.
Carry out ongoing monitoring of customers.	<p>Following the principles of RBA, this may include the scheduled or ad hoc review/revision of a client/customer’s risk profile triggered by a heightened possibility of human trafficking or human smuggling.</p> <p>In turn, this may increase the frequency of transaction monitoring and awareness of other Red Flags.</p>

15.0 Suspicious Activity Reporting

- 15.1 Consistent with the standard for reporting suspicious activity as provided for in Part V of the AML Code 2011, an employee is required to disclose to his MLRO any information or other matter coming to his attention, whilst handling relevant business of a client/customer which gives rise to knowledge, suspicion or reasonable grounds for knowledge or suspicion, that a person is engaged in human trafficking or human smuggling or is laundering the proceeds of these activities.
- 15.2 The MLRO may wish to include, when drafting a SAR, the terms “human trafficking” or “human smuggling” in its narrative, to the extent that the MLRO can distinguish between the two activities. The SAR narrative will also benefit from an explanation as to why the MLRO/institution knows, suspects, or has reason to suspect that the activity is suspicious and suggestive of human trafficking and/or human smuggling.
- 15.3 The MLRO may also be guided that the potential victim of human trafficking or human smuggling should not be reported as the subject of the SAR, but rather all available information on the individual should be included in the narrative.

16.0 Tipping Off

- 16.1 Tipping-off, in relation to observations of a potential victim of human trafficking or human smuggling, is the unauthorized act of disclosing information that may result in the individual or third party connected to him (eg facilitator, smuggler, trafficker) knowing or suspecting that a SAR is being or has been filed with the FIA.
- 16.2 This is provided for under Section 39 of the TCI Trafficking in Persons (Prevention) Ordinance).

- 16.3 The financial business and its MLRO must take great care to manage appropriately client/customer relationships which have been the subject of a SAR s to avoid tipping off.
- 16.4 Tipping-off may prejudice the prevention or detection of offences, the apprehension or prosecution of offenders, the recovery of proceeds of human trafficking and human smuggling (criminal activities), and the prevention of money laundering.

17.0 Human Smuggling - Transactional and Customer Red Flags

- 17.1 It is important to note that no one transaction or red flag, by itself, is a clear indicator of human smuggling. Financial institutions may consider applying the below red flags with other factors, eg customer profile, and expected or historic transaction activity or pattern.

Transactional/Customer Red Flags	Institution most vulnerable
<p>Structuring:</p> <ul style="list-style-type: none"> - Multiple wire transfers conducted at different branches of a financial institution to/from a country with high migrant populations, on the same day or consecutive days 	<p>MSBs Banks Credit Unions</p>
<p>Un-usual remittance patterns:</p> <p>Money flows that do not fit common remittance patterns:</p> <ul style="list-style-type: none"> - Wire transfers that originate from a country with high migrant populations - Beneficiaries receiving wire transfers from countries with high migrant populations who are not nationals of these countries 	<p>MSBs Banks Credit Unions</p>
<p>Deposit/Wire Transfer sequence:</p> <p>Unusual currency deposits into TCI financial institutions followed by wire transfers to countries with high migrant populations</p> <ul style="list-style-type: none"> - Other activity that is inconsistent with expected customer activity including: <ul style="list-style-type: none"> - sudden increases in cash deposits - rapid turnover of funds - large volumes of cash deposits with unknown source of funds 	<p>MSBs Banks Credit Unions</p>
<p>Un-related customers:</p> <ul style="list-style-type: none"> - Multiple, seemingly un-related customers, sending wire transfer to same beneficiary 	<p>MSBs Banks Credit Unions</p>

<ul style="list-style-type: none"> - These wire senders may also use similar transactional information, eg common amounts, addresses and phone numbers - Wire senders may have no apparent relation to recipient of funds or know purpose of wire transfer 	
<p>Funnel account:</p> <ul style="list-style-type: none"> - Customer's account appears to function as a funnel account, ie cash deposits (often kept below reporting threshold) occur where customer does not reside or conduct business - Frequently in/out pattern, ie funds are quickly withdrawn (same day) after deposits are made 	<p>Banks Credit Unions</p>
<p>Cheques:</p> <ul style="list-style-type: none"> - Cheques deposited from a possible funnel account appear to be pre-signed, bearing different handwriting in the signature and payee fields 	<p>Banks Credit Unions</p>
<p>Denomination size:</p> <ul style="list-style-type: none"> - Frequent exchange of small-denomination for larger denomination bills by a customer not in a cash-intensive industry (this activity may occur as smugglers ready proceeds for bulk cash shipments) 	<p>MSBs Casinos Banks Credit Unions</p>
<p>Closed accounts re-directing transactions:</p> <ul style="list-style-type: none"> - When customer account is closed due to suspicious activity, new customers may begin transacting on their behalf - May be done to continue illicit activities, ie new accounts often reflect similar activity to closed accounts, currency-intensive, and involve individuals that used to receive/send funds from/to closed account 	<p>Banks Credit Unions</p>
<p>Lifestyle:</p> <ul style="list-style-type: none"> - Un-explained/un-justified lifestyle incommensurate with employment or business line - Profits/deposits significantly greater than that of peers in similar professional/business lines 	<p>MSBs Casinos Cheque Cashers Pre-Paid Card Providers Banks Credit Unions</p>
<p>Cash:</p> <ul style="list-style-type: none"> - Inflows largely received in cash where substantial cash receipts are inconsistent with customer's line of business - Extensive use of cash to purchase assets and to conduct transactions 	<p>MSBs Cheque Cashers Banks Credit Unions</p>

18.0 Human Trafficking - Behaviour and Account Activity Red Flags

Behaviour/Account Activity Red Flags	Institutions	Stage
<p>Abnormal payroll expenditures:</p> <ul style="list-style-type: none"> - Business customer does not exhibit normal payroll expenditures (eg wages, payroll taxes, social security contributions expected for business and sector) - Payroll costs can be non-existent or extremely low for size of customer's alleged operations, workforce and/or business line/model 	<p>Banks Credit Unions</p>	Exploitation
<p>Substantial deductions to wages:</p> <ul style="list-style-type: none"> - A customer with a business may deduct large amounts from wages of its employees alleging extensive changes (eg housing and food costs) - Ultimately, the employees only receive a small fraction of their wages - This may occur before or after the payment of wages 	<p>Cheque Cashers Pre-Paid Card Providers Banks Credit Unions</p>	Exploitation
<p>Cashing of payroll cheques:</p> <ul style="list-style-type: none"> - Cashing of payroll cheques where most of the funds are kept by the employer or are re-deposited into the employer's account (reversal) - Note: this activity may be detected by financial institutions that have access to pay stubs and other payroll records 	<p>MSBs Cheque Cashers Pre-Paid Card Providers Banks Credit Unions</p>	Exploitation
<p>Anomalous customer activity:</p> <ul style="list-style-type: none"> - The Red Flags below may signal anomalous customer activity but should be applied in tandem with other indicators when determining whether transactions are linked to human trafficking: - Transactional activity (credits and/or debits) inconsistent with a customer's alleged employment, business or expected activity. - Transactions lack a business or apparent lawful purpose. - Cash deposits or wire transfer are kept below USD 10,000 reporting threshold 	<p>MSBs Cheque Cashers Pre-Paid Card Providers Banks Credit Unions</p>	<p>Recruitment Transportation Exploitation</p>
<p>Geographic:</p> <ul style="list-style-type: none"> - Frequent outbound wire transfers, with no business or apparent lawful purpose, to countries at higher risk for 	<p>MSBs Banks Credit Unions</p>	<p>Recruitment Transportation Exploitation</p>

human trafficking or inconsistent with customer's expected activity		
Funnel Accounts: <ul style="list-style-type: none"> - Customer's account appears to function as a funnel account, ie cash deposits occur at sites where customer does not reside or conduct business - Funds are quickly withdrawn (same day) after deposits are made 	Banks Credit Unions	Exploitation
Wires: <ul style="list-style-type: none"> - Multiple, apparently un-related, customers sending wire transfers to the same beneficiary - Wire senders may also use similar transactional information (eg common address, phone number, purpose) - When questioned (to extent circumstances allow) wire senders may have no apparent relation to recipient of funds or know purpose of wire 	MSBs Banks Credit Unions	Exploitation
Third party presence: <ul style="list-style-type: none"> - Transactions conducted by individuals escorted by a third party (eg under pretext of requiring an interpreter, a supporting family member, a quasi-business colleague) - Transaction is to transfer funds to other countries (may seem to be salary) 	MSBs Cheque Cashers Banks Credit Unions	Exploitation
Online payments to escort services: <ul style="list-style-type: none"> - Frequent payments to online escort services for advertising - Range from small posting fees to companies of online classified ads, to more expensive, higher-end advertising and website-hosting companies 	MSBs Banks Credit Unions	Exploitation
Sustenance/Survival Payments: <ul style="list-style-type: none"> - Frequent transactions inconsistent with expected activity and/or line of business carried out by a business customer in an apparent effort to provide sustenance to individuals - Include payments for housing, lodging, regular vehicle rentals, purchases of large amounts of food, medical supplies 	MSBs Pre-Paid Card Providers Banks Credit Unions	Transportation Exploitation
Employment/Student Recruitment Agencies:	MSBs	Recruitment

- Payments to employment or student recruitment agencies that are not licensed/registered or that have labour violations	Cheque Cashiers Pre-Paid Card Providers Banks Credit Unions	Transportation Exploitation
--	--	--------------------------------

19.0 Human Trafficking – Behavioural Red Flags

Behavioural Red Flags	Institution	Stage
<p>Third party escorts:</p> <ul style="list-style-type: none"> - Customer establishes an account or visits a branch to conduct a transaction escorted by a third party (eg under pretext of requiring an interpreter, a supporting family member, a quasi-business colleague) - Third party escorting customer may always have possession of customer's ID or speak on his behalf 	MSBs Cheque Cashers Banks Credit Unions	Exploitation
<p>Common signatories/custodian:</p> <ul style="list-style-type: none"> - Common signatories or custodians in apparently un-related business and/or personal accounts 	Banks Credit Unions	Exploitation
<p>Common information:</p> <ul style="list-style-type: none"> - Common information (eg residential or postal address, phone number, employment information) used to open multiple accounts in different names 	Banks Credit Unions	Exploitation
<p>Custodian relationships:</p> <ul style="list-style-type: none"> - Accounts of foreign workers or students where the employer or employment agency serves as a custodian 	Banks Credit Unions	Exploitation
<p>Lifestyle:</p> <ul style="list-style-type: none"> - Un-explained/un-justified lifestyle incommensurate with employment or business line - Profits/deposits significantly greater than that of peers in similar professions/business lines 	Casinos MSBs Cheque Cashers Pre-Paid Card Providers Banks Credit Unions	Recruitment Transportation Exploitation

Cash inflows:

- Inflows are largely received in cash where substantial cash receipts are inconsistent with the customer’s line of business
- Extensive use of cash to purchase assets and conduct transactions

MSBs
Cheque Cashers
Banks
Credit Unions

Recruitment
Transportation
Exploitation

20.0 SAR narrative considerations

- 20.1 SARs continue to be an invaluable avenue for financial institutions to report suspected human trafficking or smuggling to the authorities. It is also a legal obligation as provided for in Part 5 of the [Proceeds of Crime Ordinance Cap 3.15](#).
- 20.2 Consistent with the standard for reporting suspicious activity as provided for in Part V of the AML Regulations (2011), if a financial institution knows, suspects, or has reason to suspect that a transaction or individual may be linked to human trafficking or human smuggling, and the financial institutions knows of no reasonable explanation for its observations, it should file a SAR.
- 20.3 Some considerations for the SAR’s narrative may include:
- i) The inclusion of the terms “human smuggling” and/or “human trafficking” (to the extent to which the financial institution can distinguish between the two).
 - ii) The inclusion of an explanation of why the financial institution knows, suspects, or has reason to suspect that the activity is suspicious, referring to the Red Flags checklists above for specificity.
 - iii) The potential victim of human trafficking or human smuggling should not be reported as the subject, rather, all available information on the individual should be included.

21.0 Call to Action

- 21.1 Modern slavery in all its forms is a serious crime that violates human rights. Victims are forced, threatened, or deceived into situations of subjugation, degradation, and control, which undermine their personal identity and sense of self.
- 21.2 The Turks and Caicos Islands has issued its Trafficking in Persons (Prevention) Ordinance which should be a key read for any financial business – supervised or regulated – and its regulatory and AML compliance function.

- 21.3 Financial businesses should work proactively to understand the risks of human trafficking and human smuggling in the Turks and Caicos Islands. This guidance should be read, its contents digested, and its practical advice deployed with immediate effect.
- 21.4 The Commission, in turn, will incorporate the component of human trafficking and human smuggling in its scheduled or ad hoc assessment of financial businesses' AML risk frameworks, ie how effective the framework is in understanding and mitigating of human trafficking and human smuggling risks.
- 21.5 The Commission welcomes editorial critique of this guidance from its stakeholders. The AML Supervision Department may be reached via aml_supervision@tcifsc.tc.