

A close-up photograph of a green chameleon's head, showing its textured scales and large, prominent eye. The chameleon is perched on a branch, and its mouth is slightly open, revealing a small, white, fleshy structure. The background is a solid green color.

TRAFFIC

Money Laundering

Drug trafficking & illegal Wildlife Trade

Senior Officials Meeting

24 April 2024 – Intercontinental Mauritius Resort,
Balaclava Fort

Hanitra RALIVOLOLONA
Legal Officer

WHO WE ARE

"We work to ensure that trade in wild plants and animals is not a threat to the conservation of nature"

TRAFFIC

- ❖ International NGO that works globally on the trade of wild fauna and flora within the context of biodiversity conservation and sustainable development
- ❖ Mandated by CITES to conduct research, update knowledge, and produce reports for CITES COP
- ❖ Our mission is to ensure that trade in wild species is legal and sustainable, for the benefit of the planet and people

**SINCE SEPTEMBER 2021, PARTNER OF
CCWT PROJECT FUNDED BY USAID AND
IMPLEMENTED IN MADAGASCAR**



TRAFFIC ACTIVITIES

In INDIAN OCEAN REGION

- Improve the system for combating money laundering associated with the IWT.
- Strengthen the capacity of public and private sector actors to detect and investigate illicit financial flows originating from IWT.
- Enhance the prosecution of financial offenses related to IWT such as corruption, money laundering, and fraud.
- Improve international cooperation.

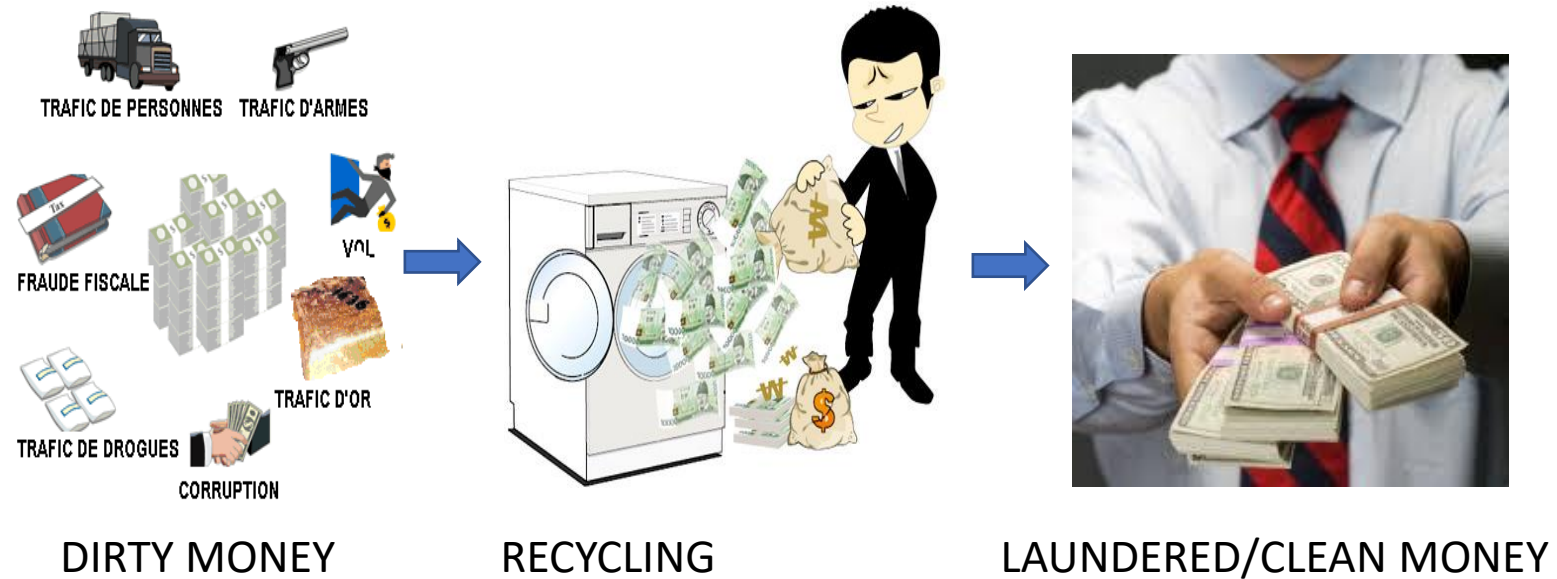
ILLEGAL WILDLIFE TRADE

- ❖ Transnational organized crime
- ❖ Illicit activities generating substantial financial gains
- ❖ Illegal sales linked to CIES, estimated worldwide between 7 and 23 billion dollars each year.
- ❖ High-reward, low-risk crime
- ❖ IWT is one of the world's top five illicit traffics (along with drugs, human beings, weapons and counterfeit goods).

Money Laundering



CONCEPTS OF MONEY LAUNDERING



- Process by which criminals seek to conceal the origin and ownership of the proceeds of their criminal activities, to avoid prosecution, conviction, and seizure of the funds.
- Operation that aims to give a legitimate appearance to assets or capital that actually come from criminal activities.
- Money laundering is the abuse of the banking and financial system to integrate funds arising from illicit/criminal/delictual activities.

**NO ONE HAS INVENTED A NEW METHOD OF
MONEY LAUNDERING FOR WILDLIFE-
RELATED CRIME AND DRUG TRAFFICKING**



CORRUPTION AND MONEY-LAUNDERING RED FLAGS - INDIVIDUALS

- Commingling of personal and business activities
- Non-registration for tax purposes
- Multiple deposits contrary to business purpose
- Cash deposits in high risk areas for deforestation
- Transfers with PEPs
- Inconsistency with account purpose
- Cash and WIRE transactions via FOREX
- WU Payments to source and destination countries
- Difference between funds remitted and freight on board (FOB) amounts exported



GENERAL FINANCIAL FLOWS

- **International bank transfers** from high-risk destination countries to known source countries.
- **High use of cash payments, Mobile Money and hawala (Fei-Chien)** underground money systems at lower levels of the organised criminal groups.
- **Use of more complicated techniques at known destination countries** such as nominee bank account holders and legitimate businesses to obscure criminal origins.

CONVERGENCE

- Timber trafficking
- Drugs
- Weapons
- Human trafficking
- Counterfeit goods
- Poly-criminality (immigration offences, hijacking of cars, tax evasion, fraud and forgery of public documents, bribery and corruption)

ILLEGAL WILDLIFE TRADE

PAYMENT METHODS & MONEY FLOWS

ACROSS A FICTIONAL SUPPLY CHAIN

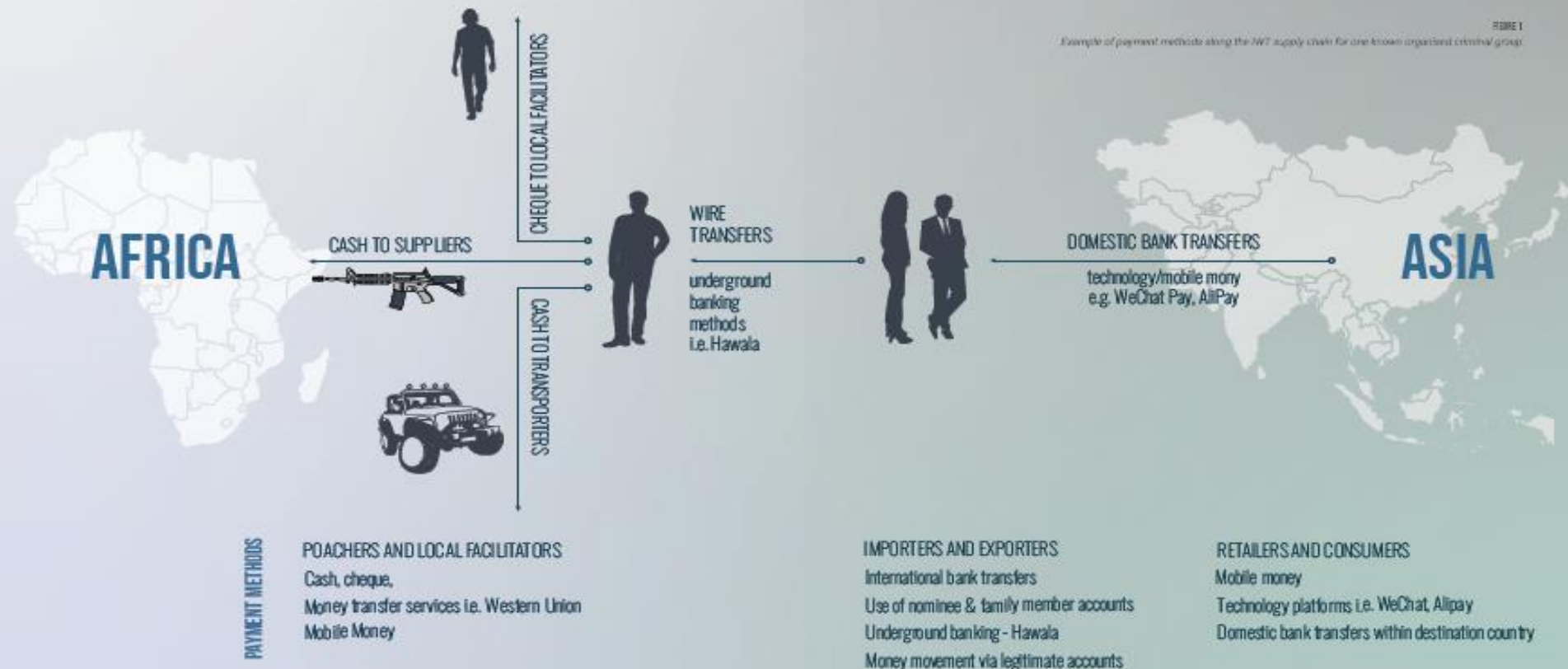


FIGURE 1

Example of payment methods along the IWT supply chain for one known organised criminal group.

LINK BETWEEN DRUG TRAFFICKING AND ILLEGAL WILDLIFE TRADE:

Common Criminal Networks

Cross-Financing

Money Laundering

Multiple trade lines

**Shared smuggling routes and
transport methods**

[CONNECTIONS BETWEEN TRADES AND TRAFFICKING IN WILDLIFE AND DRUGS |
TRENDS IN ORGANIZED CRIME \[SPRINGER.COM\]](#)

- In 2010, customs officials at Kuala Lumpur International Airport thwarted a smuggling attempt involving over 300 live tortoises from endangered species native to Madagascar. The creatures were hidden in moving bags, which also contained drugs
- As early as the 1990s and 2000s, reports claimed that Colombian drug cartels were smuggling "mixed shipments of drugs and wildlife products" into the United States.
- Members of a drug trafficking organization in Kenya were convicted of trafficking heroin and methamphetamine, and were linked to ivory seizures of nearly 30 tons.
- In 2006 US Customs discovered five tons of ivory in a sea container from Cameroon along with traces of narcotics. Officials stated that the crate had also been used to ship several different kinds of contraband, including drugs.
- Colombian drug cartels would exchange drugs for endangered species resulting in cashless transfers and planeloads of smuggled birds from Australia were being exchanged for heroin in Bangkok, with the drugs then being exported to Australia.
- In South Africa, crime groups have reportedly provided highly-prized catches of abalone in exchange for methamphetamine.

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[Connections between trades and trafficking in wildlife and drugs | Trends in Organized Crime \(springer.com\)](#)

CASE 8

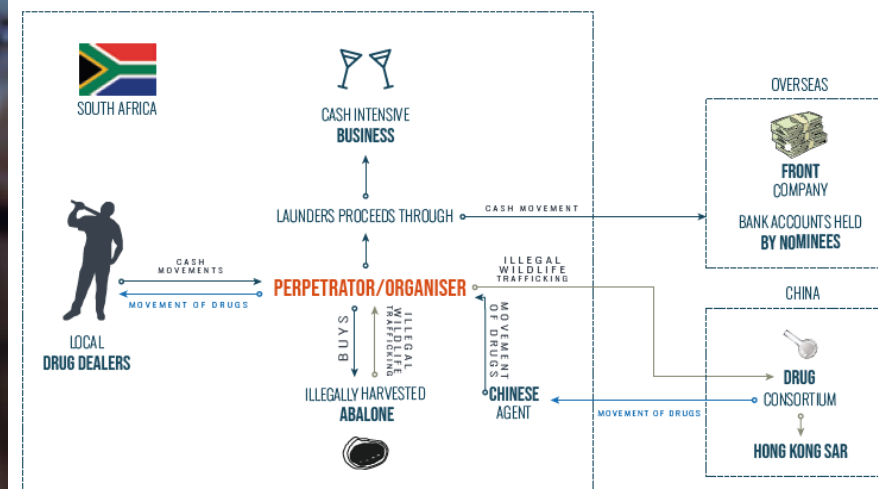
ABALONE FOR DRUGS

SUMMARY

The eighth case study is also a South African case relating to the illegal trade in abalone. It provides an example of five financial mechanisms: 1) the nominee bank account holders, 2) barter trade, 3) cash-based transactions, 4) the use of shell companies and 5) cash-intensive businesses to launder funds. These financial schemes were designed to ensure that the authorities were limited in their ability to detect the financial flows associated with the trade in illegal goods – namely drugs and abalone.

The information in this case is provided only for the purpose of increasing general knowledge on the modus operandi and the payment mechanisms related to wildlife and forest crime. The information, received from a third-party source privy to the information, is based on actual events but details of the case have been eliminated. The details have not been verified.

KEY PAYMENT MECHANISMS:	Use of nominee bank account holders Barter trade Cash transactions Use of shell companies Use of cash-intensive businesses
CRIME TYPE:	Illegal trafficking in wildlife and drugs
TRAFFICKED COMMODITY:	Abalone <i>Haliotis midae</i> , drugs
SEIZURES:	Drugs and abalone worth >ZAR 30 million
JURISDICTIONS:	Primary: South Africa Secondary: China, Hong Kong
DEFENDANTS:	One South African national
DATE OF ARREST:	Not specified
STATUS OF PROCEEDINGS:	Defendant was convicted and sentenced to serve an imprisonment term
PERIOD OF CRIMINAL ACTIVITY:	Not specified





Finance mechanisms:

Cash transactions: The perpetrator paid his employees in cash (South African Rands) as well as for all operational costs, such as the purchase of abalone, premises rental, freezers, equipment and vehicles.

Barter trade: The perpetrator received drugs from his counterparts in China and sold them in South Africa. Those profits were used to purchase abalone for export to Hong Kong. If his counterparts owed him money for processing and storing drugs and/or abalone, the perpetrator kept some of the drug profits himself, rather than using all of those profits to purchase abalone for export.

Use nominee bank accounts holders: The perpetrator accumulated large sums of cash

and transferred those profits to various overseas business accounts opened under the names of third-party middlemen who were paid a 10% fee.

Use of cash-intensive businesses: The perpetrator operated various cash-intensive businesses under the names of close friends and family, such as a food take-away business to launder some of the accumulated cash from drug sales by inflating the businesses' earnings.

Use of shell companies: The perpetrator deposited his profits into various foreign business accounts so as not to accumulate cash or attract suspicion of South African banks. In order for the perpetrator to access his profits, he registered a corporation and then obtained a grant or loan from the same foreign businesses in which he had deposited his illegal profits.



Convergence:

Elements of additional criminality include:

Dealing in drugs – profits from drug sales were used to fund the purchase of abalone for export to Asia

Corruption – bribery of officials to facilitate transport of goods

Money laundering – through use of nominees, shell companies and cash intensive businesses



Corruption vulnerabilities:

Bribery of customs officials to facilitate transport of illegal commodities into and out of South Africa

Connected entities:

Cash-intensive businesses - food take-away, construction, property development, clothing imports and a second-hand car dealership.



Currency:

South African Rand (ZAR).

Concealment:

In storage facilities.

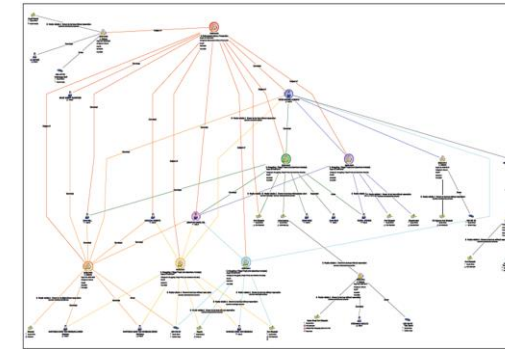


WHY FOLLOW THE MONEY



- **For Profit Crime!** Low risk/High financial reward
- Understanding **convergence** with other serious crimes- internal priority setting
- **Moving away from** a law enforcement focus on the **seizure**
- Identification of **physical assets** and **infrastructure**
- Identification of **individuals** further along the supply/trade chain
- **Multi-agency** approach and **prosecution-led**

What TRAFFIC can offer



- Informations : des centaines de publications sur le commerce et les espèces, les tendances commerciales, les principales espèces touchées, la cartographie des réseaux criminels, les entités à risque, la convergence des activités criminelles et les points chauds,
- Aide à l'élaboration de typologies et d'indicateurs de "signaux d'alerte" basés sur l'analyse des données relatives au commerce et aux saisies et sur le suivi des affaires judiciaires.
- Connectivité avec les réseaux régionaux/mondiaux formalisés
- Soutenir les révisions législatives et les cadres juridiques
Développer des méthodologies de formation personnalisées pour des publics ciblés : institutions financières, fonctionnaires chargés de l'application de la loi, procureurs, unités spécialisées.
- Des yeux et des oreilles sur le terrain - études de marché (physiques et virtuelles) Données sur les prix de certaines espèces

Let's unite our efforts to address common challenges. Let's mobilize for coordinated action at the upcoming TRAFFIC Anti-Money Laundering roundtable on 03rd 04th June 2024.

TRAFFIC



THANK YOU FOR YOUR ATTENTION