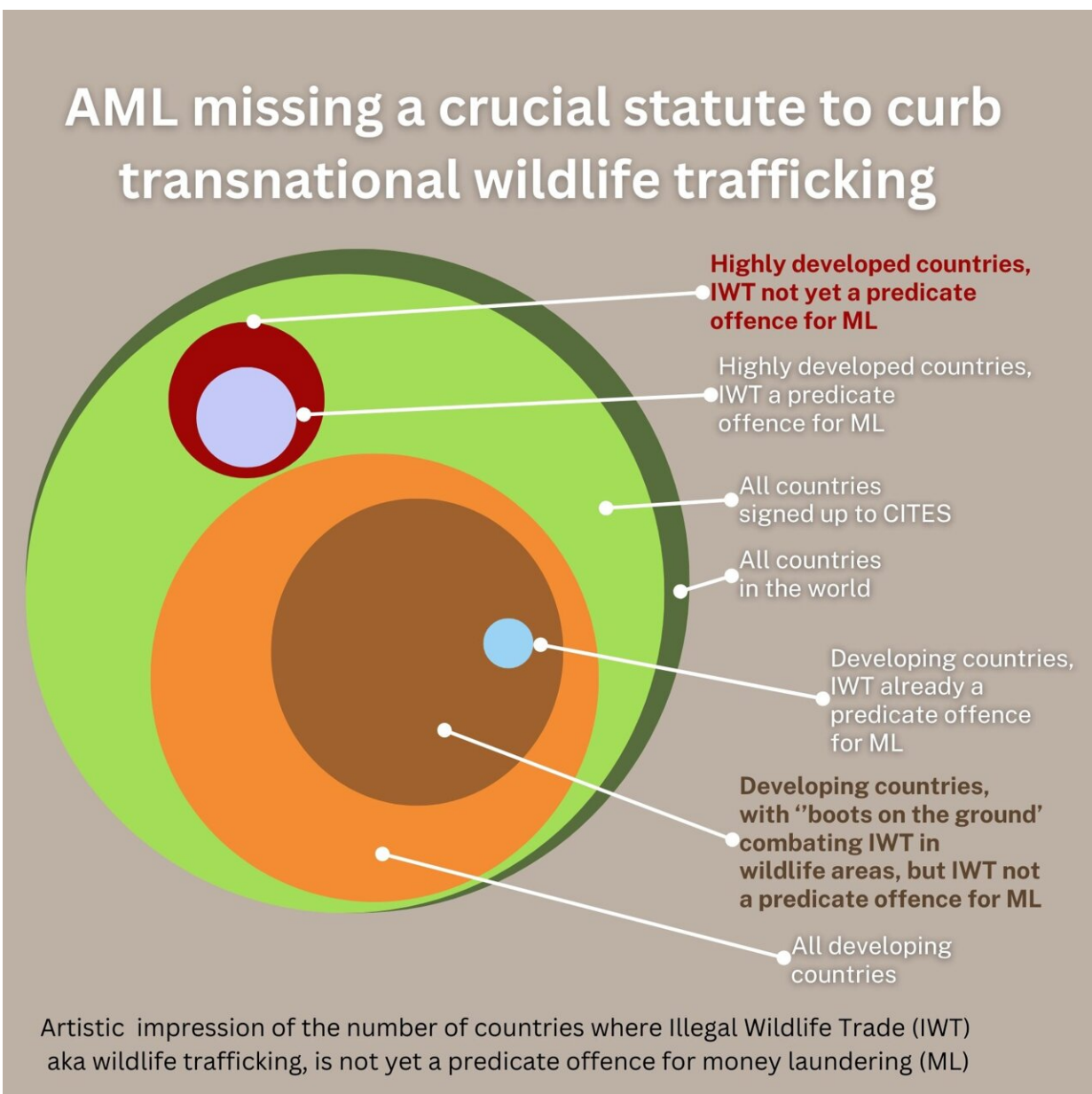


Why endangered wildlife needs AML law coverage and banks need to share IWT intelligence

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Surprisingly, a significant number of highly developed countries have Anti-Money Laundering (AML) measures that do not include laws defining Illegal Wildlife Trade (IWT) as a predicate offense (component crime of) for money laundering. This, despite being signatories of CITES and UNTOC. The vast majority of developing countries also lack this measure. Dr Cayle Lupton, from the University of Johannesburg in South Africa is a certified anti-money laundering specialist and an attorney of the High Court of South Africa. In a study in the Journal of Money Laundering Control, he sets out the crucial role of banks and other financial institutions in curbing IWT. Credit: Therese van Wyk, University of Johannesburg.

The illegal wildlife trade (IWT) is a fast-growing "financial portfolio" within the larger illegal, violent, parallel transnational global economy. As such, it creates state-level security and development risks, especially in source countries.

IWT is also known as wildlife trafficking, which includes the illicit trade of animals and plants, and derivative products such as pangolin scales, rhino horn, elephant ivory, lion and tiger bones, and leopard pelts.

But many highly developed countries signed up to CITES, are yet to implement a crucial legal instrument required to prosecute IWT and the associated financial flows more effectively, says Dr. Cayle Lupton from the University of Johannesburg (UJ).

The same countries also happen to be signatories of the United Nations Convention against Transnational Organized Crime (UNTOC).

In addition, he says IWT law enforcement can be significantly boosted by private companies—if banks and other financial institutions start fast

and efficient sharing of Anti-Money Laundering (AML) and IWT intelligence within countries and across borders.

Lupton has published the study "Illegal wildlife trade: the critical role of the banking sector in combating [money laundering](#)" in the [Journal of Money Laundering Control](#).

Lupton is a Senior Lecturer in the Department of Procedural Law, within the Faculty of Law. He is a certified anti-money laundering specialist and an attorney of the High Court of South Africa.

IWT the lesser-known precursor to money laundering

Developed countries are having mixed results in curbing transnational money laundering (ML) in general and IWT in particular, says Lupton. There are reasons for that.

"International IWT operations are difficult to detect and disrupt. Investigations are complicated by the cross-border movement of wildlife or derivatives," says Lupton.

"Also, IWT operators use complex money laundering techniques involving large amounts of cash, and front and shell companies.

"Dealing with IWT as a national issue may not enable the identification and disruption of international trafficking networks. Cooperation at the local, regional and especially international level is imperative in this regard," adds Lupton.

Countries making AML progress

Some countries are making significant progress in their [financial systems](#)

though, says Lupton, and a good example is the Monetary Authority of Singapore (MAS).

The MAS project starts with the "big three" multinational banks based in Singapore and another three multinational banks. It's called "Collaborative Sharing of Money Laundering/Terrorism Financing (ML/TF) Information & Cases" or COSMIC for short.

Also, he says the UK and Australia are examples of countries gaining major ground in sufficiently meeting most of the recommendations from the global Financial Action Task Force to combat money laundering and other illicit financial flows.

Exploiting vulnerabilities

But IWT operators exploit vulnerabilities in developed countries.

As an example, says Lupton, a surprising number of highly developed countries in Western Europe, who are signatories to CITES, still haven't created laws to make IWT a predicate offense for money laundering.

The majority of developing countries don't have such laws either. Also where there are 'boots on the ground' physically combating IWT in areas with endangered species, he adds.

Predicate offense, owners of companies

Wildlife trafficking can be made a predicate offense for money laundering in at least two different ways, says Lupton.

"Firstly, laws may refer explicitly to wildlife trafficking as a predicate offense. This is the case in the U.S., where the Eliminate, Neutralize and

Disrupt Wildlife Trafficking Act (END Act) allows U.S. prosecutors to treat wildlife trafficking as a predicate offense for money laundering.

"Secondly, AML laws may be formulated in such a way that an inference can be drawn to wildlife trafficking as a predicate offense. In these instances, provisions are usually formulated widely so that all criminal offenses are regarded as predicated offenses.

"In South Africa, for example, 'money laundering' is defined with reference to 'unlawful activities' which includes illegal wildlife trafficking," he says.

In addition, FATF recommendation 24 requires countries to ensure that competent authorities have access to adequate, accurate and up-to-date information on the true owners of companies. This is required to combat the use of anonymous shell companies and other businesses to hide money laundering.

Beneficial Ownership Registries are implemented by countries to meet this recommendation.

Taking IWT seriously as trafficking

Despite wildlife trafficking growing into one of the biggest crime industries in the world, it is not prioritized in the same way as drug or people trafficking by governments and financial institutions, says Lupton.

"There is still relatively little known about the financial flows and, more specifically, the money laundering practices pertaining to IWT. Many countries still don't treat IWT as a serious crime, especially countries that are not regarded as source or transit destinations," he says.

Promulgating IWT as a predicate offense for money laundering, combined with legislative penalties, will increase costs for banks and other [financial institutions](#). Particularly for their compliance programs for AML (anti-money laundering), customer due diligence (CDD), and KYC (know your customer), if allocated realistic resources. For banks, a robust compliance program is the cornerstone to adequately dealing with the financial flows linked to [wildlife trafficking](#).

"As IWT risks are unique, they require special resources in their mitigation, including focused training, case studies and risk indicators specific to IWT," said Lupton.

First step—IWT as predicate offense

As a first step, many countries need to promulgate laws so that illegal wildlife trade becomes a predicate offense for money laundering, says Lupton.

"Banks, investment companies, real estate companies and other privately owned organizations have to start monitoring their financial systems for signs of money laundering specific to IWT," he adds. "Otherwise they may have to pay statutory penalties for non-compliance. In general, penalties drive compliance."

"This additional AML monitoring is required, even if endangered animals are slaughtered in another country, or the derivative products will be sold in another country."

Step two: Banks sharing intelligence

The next step is for banks to share information quickly and efficiently about transactions possibly linked to IWT.

Combining the two steps create new options to prosecute IWT, he says.

"In its 2020 report Money laundering and the [illegal wildlife trade](#), the FATF endorses a [private-to-private](#) model of information sharing. They identify indicators to look out for, such as large cash deposits by government officials working in wildlife protection agencies, border control or customs and revenue officials.

"In my view, [banks](#) are particularly well positioned to enable cooperation between themselves in the investigation of transnational IWT financial flows.

"Banks can leverage their existing domestic, regional and international networks. If they share financial intelligence quickly and effectively, that can support the investigations of law enforcement agencies.

"Such shared information can also assist in the freezing and confiscation of laundered funds or property connected to IWT," says Lupton.

Overall, curbing IWT not only protects [endangered species](#) and the global financial system but can also boost sustainable local development and legal job creation. Future sources of medicines, and cultural practices which regard endangered animals as sacred can also be preserved, he concludes.

More information: Cayle Lupton, Illegal wildlife trade: the critical role of the banking sector in combating money laundering, *Journal of Money Laundering Control* (2023). [DOI: 10.1108/JMLC-06-2023-0105](https://doi.org/10.1108/JMLC-06-2023-0105)

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