Human Trafficking and Modern Slavery Guidance and Typology Report for Moldova and Romania

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Introduction

The scale and scope of human trafficking and modern slavery, which includes forced labour, child labour, and sexual exploitation (herein referred to as HT/MS), are global. They affect Moldova and Romania like every other country in the world and virtually every economic sector.

In its National Money Laundering and Terrorism Financing Risk Assessment[1], Moldova highlights HT/MS as one of the most relevant crimes generating illicit revenues (together with drug trafficking, corruption, tax evasion & smuggling). By their strategic position, Moldova and Romania represent a segment of the "Balkan Route" and the "Euro Asiatic Route" in trafficking drugs and human beings[2]. To address the risk of HT/MS, Moldova and Romania have shown significant efforts in the last years.

In Moldova, these efforts included prosecuting more suspected traffickers, developing a new national referral mechanism, opening a center for male trafficking victims, and commencing the construction of a center for child victims and witnesses of crime, including trafficking. The government passed an amendment to include trafficking victims as beneficiaries of state-guaranteed legal aid and to return responsibility to the State Labour Inspectorate to conduct labour inspections and regulate employment agencies, recruiters, and unlicensed labour agents.

Additionally, the government provided training on investigating, prosecuting, and trying trafficking cases to law enforcement officers, prosecutors, judges, and judiciary staff, as well as conducted a series of awareness-raising activities, including creating a video promoting available resources for potential victims[3].

In Romania, these efforts included investigating more trafficking cases, convicting more traffickers, and establishing a dedicated unit for prosecuting trafficking composed of seven prosecutors. The government issued minimum standards for licensed service providers assisting child trafficking victims and signed cooperative agreements with the Bucharest municipal government and the Romanian Orthodox Church, laying the

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[1] http://spcsb.gov.md/storage/NRA/NRA_EN.pdf
[2] https://rm.coe.int/report-on-fourth-assessment-visit-anti-money-laundering-and-combating-/1680716481
[3] Trafficking in Persons Report 2021 by the Department of State of the United States of America, p. 394ff.

foundation for a joint project establishing a future shelter for repatriated victims. Additionally, the National Anti-Trafficking Agency organized 90 pieces of training sessions for police, social workers, labour inspectors, and front-line officials on investigating trafficking cases and victim identification and assistance, as well as organized 94 awareness campaigns focused on educating children and adults on all forms of trafficking[4]. These are only a few examples of the efforts that show both countries' willingness to eradicate HT/MS, as it is stated in goal 8.7 of the UN 2030 Agenda for Sustainable Development[5]: "*Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.*"

According to the most recent Trafficking in Persons Report 2021[6] (TiP-Report) issued by the Department of State of the United States of America, authorities in Moldova conducted 65 investigations in 2020 (35 sex trafficking, 30 labour trafficking), compared with 153 in 2019 and 223 in 2018. In the same year, the government initiated 96 prosecutions (60 sex trafficking, 36 labour trafficking), slightly increasing from 90 in 2019 and 83 in 2018. Courts convicted 32 traffickers (22 sex trafficking, ten labour trafficking), compared with 63 in 2019 and 59 in 2018. Moreover, in 2020 the government identified 138 trafficking victims (44 sex trafficking, 94 labour trafficking), a significant decrease from 341 in 2019 and 364 in 2018. According to prosecutors, the closure of courts due to the pandemic affected negatively and significantly the progress of the trafficking cases.

In Romania, authorities opened 552 new trafficking cases (498 sex trafficking and 54 labour trafficking) in 2020, compared with 532 in 2019 and 695 in 2018[7]. Prosecutors indicted 234 alleged traffickers (220 sex trafficking and 14 labour trafficking), a decrease from 347 in 2019 and 399 in 2018. Courts convicted 142 traffickers, increasing from 120

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[4] Trafficking in Persons Report 2021 by the Department of State of the United States of America, p. 467ff.
[5] https://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E
[6] Trafficking in Persons Report 2021 by the Department of State of the United States of America, p. 394f.
[7] Please note that in contrast to previous years, the government reported the number of prosecutions exclusively related to trafficking rather than a combined number of trafficking cases and cases related to other crimes, such as pandering. This methodological change in reporting made it difficult to compare prosecution statistics from previous years.

in 2019 and 130 in 2018. Furthermore, authorities identified 596 victims (429 sex trafficking, 131 labour trafficking, and 36 victims of attempted or uncategorized trafficking), compared with 698 in 2019 and 497 in 2018[8].

The number of suspicious activity reports (SARs) the Financial Intelligence Units (FIU) of Moldova and Romania received in 2021 is another important figure we have to consider. FIU Moldova received no SAR regarding HT/MS in 2021 (not a single SAR in the last ten years), whereas FIU Romania received a total of 233 SARs regarding HT/MS during 2021. Of these 233 SARs, an overwhelming majority (172 SARs/74 per cent) were received from money service providers like Western Union or MoneyGram, whereas 52 were sent by banks (22 per cent). The 233 SARs were processed with the following solutions:

- 6 SARs were disseminated to the General Prosecutor's Office, according to art. 34(1) of the Law no. 129/2019, for serious grounds of money laundering;
- 1 SAR disseminated to criminal investigation bodies, according to art.34(3) of the Law no. 129/2019, for indications of other offenses than ML/TF;
- 126 SARs disseminated to competent authorities, according to art.34(4) of the Law no. 129/2019, for non-compliance situations and relevant aspects for the activity of these authorities;
- 59 SARs stored in FIU's databases;
- 37 SARs still under analysis;
- 4 answers to competent authorities' requests, according to art.35(1) of the Law no. 129/2019.

With the fact in mind that there are an estimated 40 million people in conditions of HT/MS globally and that each year, these crimes generate $150 billion in profits through the exploitation of people[9], it seems as if the estimated number of unreported cases remains substantial and that therefore more needs to be done. According to the 2018 Global

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[8] Trafficking in Persons Report 2021 by the Department of State of the United States of America, p. 468f.
[9] ILO, IOM and Walk Free, *Global estimates of modern slavery: Forced labour and forced marriage* (Geneva, International Labour Office, Geneva, 2017). Available from: https://www.ilo.org/wcmsp5/groups/public/---dgreports/-dcomm/documents/publication/wcms_575479.pdf

Slavery Index, an estimated number of 22,000 people in Moldova,[10] and 86,000 people in Romania[11] were living under the conditions of HT/MS in 2018. A recent study has shown that human exploitation has even become the most pervasive criminal economy in the world[12]. Thus, it seems that the figures in Moldova and Romania related to HT/MS do not entirely reflect reality.

The observation that Moldova and Romania have made substantial efforts in recent years to counter HT/MS, but that there is still a great potential in improving measures to tackle this crime is supported by the TiP-Report, where Moldova is ranked in Tier 2 and Romania in Tier 2 Watch List. According to this ranking, Moldova and Romania do not fully meet the minimum standards for eliminating trafficking but are making significant efforts to do so. Additionally, the estimated number of victims of severe trafficking in Romania is very important or is significantly increasing. The country is not taking proportional concrete actions, or there is a failure to provide evidence of increasing efforts to combat severe forms of trafficking in persons from the previous year[13].

The current war in Ukraine aggravates the situation in Ukraine and the resulting flow of refugees to neighboring countries. Moldova and Romania figure among the most affected countries. As of the end of June 2022, the total Ukrainian refugee influx to both countries amounts to almost 1.2 million individuals (691,413 refugees to Romania, 507,552 refugees to Moldova)[14]. Refugees, predominately women, and children, being forced to leave Ukraine present an increased risk of being trafficked and exploited[15].

The goal is that this guidance and typology report develops an understanding of the issues surrounding HT/MS in Moldova and Romania and provides information that the financial sector can use to counter this phenomenon.

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[10] https://www.globalslaveryindex.org/2018/data/country-data/moldova/
[11] https://www.globalslaveryindex.org/2018/data/country-data/romania/

[12] Global Initiative against Transnational Organized Crime, *Global Organized Crime Index 2021* (Geneva, 2021). Available from: https://globalinitiative.net/wp-content/uploads/2021/09/GITOC-Global-Organized-Crime-Index-2021.pdf
[13] Trafficking in Persons Report 2021 by the Department of State of the United States of America, p. 52
[14] https://data2.unhcr.org/en/situations/ukraine
[15] https://www.iom.int/news/iom-warns-increased-risk-trafficking-persons-people-fleeing-ukraine

Financial Investigations and their Importance

We must remember that financial gain is the primary motivating factor for criminals to engage in HT/MS. It becomes thus evident that the financial sector plays a pivotal role in the fight against this crime. The FAST Blueprint[16] shows that the industry cannot end these crimes alone. Nor, however, will these crimes end without the active engagement of the financial sector.

As illustrated in the report by the OSCE, "Following the Money – Compendium of Resources and Step-by-Step Guide to Financial Investigations Related to Trafficking in Human Beings[17]" (OSCE report), investigations into the financial aspects of HT/MS are essential in the fight against this crime for several reasons. First, financial evidence helps to counter challenges, such as a heavy reliance on the victim's testimony or insufficient evidence to implicate the perpetrators during an investigation or prosecution regarding HT/MS. Financial evidence can, for example, help identify victims and bring HT/MS to the attention of authorities even before a victim files a complaint. It can also confirm a victim's testimony and provide additional information about the extent of criminal activity. Second, financial seizures of illegally acquired money from HT/MS can be redirected to the victims as a remedy. Third, financial evidence can lead to a preventative function. Integrating financial investigations into anti-trafficking systems can help combat impunity for traffickers and increase risk perception for criminal actors. Finally, addressing the financial implication of HT/MS can help build partnership between actors of the private and public sectors.

Financial Inclusion in Moldova & Romania

Desperately trying to gain access to finance for life events such as burials or weddings, or to pay recruiter fees for work overseas, or being in 'debt bondage' is a common feature of survivors' stories of HT/MS. Many survivors, unable to access formal financial services, depended on informal economies and cash-based transactions.

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[16] www.fastinitiative.org
[17] Following the Money – Compendium of Resources and Step-by-Step Guide to Financial Investigations Related to Trafficking in Human Beings, p. 13

Being unbanked or under-banked, is referred to as being 'financially excluded.' 31 per cent of the world's adult population is 'unbanked' – a vulnerable population of 1.7 billion people with no access to formal financial institutions such as banks and lenders. The populations who experience this are also often marginalized from society in many other ways, including relating to poverty, education level, gender, ethnicity, citizenship, and refugee status.

Financial exclusion is a known factor that increases populations' vulnerability to become victim of HT/MS[18]. It is also a known consequence of the experience of being trafficked or exploited. Survivors' lack of access to financial remedy for their experience of HT/MS, for example, through lack of seizure and recovery of perpetrators' assets, further increases their financial exclusion.

The lack of access to essential banking services and products leaves survivors struggling to recover and become financially reintegrated into society[19]. Barriers to access include not having documentary evidence of their identity or permanent address and barriers resulting from criminal records and 'bad credit' status gained during their exploitation[20]. The FAST Survivor Inclusion Initiative[21] brings together banks and survivor support organizations to help implement alternative due diligence processes which facilitate the financial inclusion of survivors, who would otherwise be left vulnerable to re-victimization and re-trafficking.

In Moldova, only 44 per cent of the adult population have a bank account[22], whereas in the European Union, as of 2020, Romania ranked last regarding financial inclusion (67

[18] https://www.fastinitiative.org/wp-content/uploads/BriefingPaper3.pdf

[19] FAST (2019) FAST Blueprint. Available at: https://www.fastinitiative.org/implementation/survivor-inclusion/

[20] Gauer Bermudez et al (2022) 'Could financial inclusion be the key to reducing vulnerability to modern slavery?' https://www.gfems.org/uncategorized/could-financial-inclusion-be-the-key-to-reducing-vulnerability-to-modern-slavery/

[21] https://www.fastinitiative.org/implementation/survivor-inclusion/

[22] https://globalfindex.worldbank.org

per cent)[23]. In relation to Romania, however, this is a significant improvement from the 58 per cent level estimated by the World Bank in 2017.

In Moldova, 62 per cent of the population live in rural areas[24], whereas this number amounts to 45 per cent in Romania[25]. Rural areas record lower incomes, higher poverty rates, lower employment rates, and lower health and education indicators[26].

As previously stated, financially excluded groups are often marginalized in other ways. As of 2018, the poverty rate in Moldova amounted to 12.8 per cent[27], whereas 35.7 per cent of the Romanian population are at risk of poverty and/or social exclusion[28]. Income levels and a lack of education are significant barriers to financial inclusion[29].

Both countries dramatically increased the refugee population in 2022 when they received almost 1.2 million Ukrainian refugees. For example, inadequate screening of refugees and asylum-seeking people, alongside other vulnerable populations of sex workers and children housed in institutions, was identified as an area for improvement for Romania in the TiP-Report.

The risk of HT/MS is high for financially excluded people. In Moldova and Romania, this vulnerability especially relates to rural communities, low-income populations, women and children, and people who have been forcibly displaced, as the Ukraine conflict has illustrated recently in Europe[30].

Refugees have some level of protection from HT/MS when their access to basic banking is provided for or maintained; however, if this access is lost, they risk becoming vulnerable

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[23] https://www.ebf.eu/romania/#:~:text=In%202017%2C%20the%20level%20of,the%20end%20of%20December%202020

[24] Speian O. (2021). Financial Inclusion in the Republic of Molodva: Recent impacts and evidence. *Revista Economica, 73(Special)*, 290-300.

[25] World Bank (2018) From Uneven Growth to Inclusive Development : Romania's Path to Shared Prosperity https://openknowledge.worldbank.org/handle/10986/29864

[26] Speian O. (2021). Financial Inclusion in the Republic of Molodva: Recent impacts and evidence. *Revista Economica, 73(Special)*, 290-300.

[27] https://www.macrotrends.net/countries/MDA/moldova/poverty-rate

[28] https://ec.europa.eu/eurostat/web/products-statistical-books/-/ks-ha-17-001

[29] Altarawneh, Y., Al-Nuaimi, M., & Al-Nimri, A. (2020). The determinants of financial inclusion in Latin America and Europe (Brazil and Romania case). *Systematic Reviews in Pharmacy*, *11*(12), 192-196.

[30] UNODC (2022) Conflict In Ukraine: Key Evidence on Risks of Trafficking in Persons and Smuggling of Migrants https://www.unodc.org/documents/data-and-analysis/tip/Conflict_Ukraine_TIP_2022.pdf

to exploitation. This is an issue the European Union has recognized within the Temporary Protection Directive[31], which provides for continued financial access[32] for most refugees fleeing Ukraine[33]. However, challenges remain. For third-country nationals[34], whose sex at birth is not the same as their gender identity[35], or who never had official identity documents providing evidence of identity, proving their identity may be a barrier to their inclusion. The European Banking Authority (EBA)[36] has issued guidance to address this barrier; institutions can "rely on alternative, independent documentation, such as evidence that a prospective customer is a refugee from Ukraine" or "postpone the application of initial customer identification measures to a later date".

The perceived tension between implementing regulatory and policy requirements (i.e., AML, de-risking, and KYC) and meeting vulnerable customers' needs is an issue that has arisen in feedback from the FAST Survivor Inclusion Initiative. It also reinforces the findings of the Financial Action Task Force (FATF) High-Level Synopsis of the Stocktake of the Unintended Consequences of the FATF Standards[37], which identified that "the misapplication of the FATF Standards, and in particular the failure to use the proportionality that is central to the risk-based approach, can lead to or compound financial exclusion."

The EBA guidance addresses this dimension concerning Ukrainian refugees by outlining that risk mitigation should be put in place for money laundering/terrorist financing (ML/TF) concerns, such as "offering a more limited range of services or restricting the functionality of certain products". This will also safeguard the accounts of those who have been

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[31] https://ec.europa.eu/home-affairs/policies/migration-and-asylum/common-european-asylum-system/temporary-protection_en

[32] https://www.eba.europa.eu/eba-calls-financial-institutions-ensure-compliance-sanctions-against-russia-following-invasion

[33] https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/729331/EPRS_BRI(2022)729331_EN.pdf

[34] https://www.iom.int/news/discrimination-and-racism-against-third-country-nationals-fleeing-ukraine-must-end-iom-director-general

[35] https://www.ohchr.org/en/press-releases/2022/03/ukraine-protection-lgbti-and-gender-diverse-refugees-remains-critical-un

[36] https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Other%20publications/2022/1031627/EBA%20statement%20on%20financial%20inclusion%20in%20relation%20to%20Ukraine.pdf

[37] https://www.fatf-gafi.org/media/fatf/documents/Unintended-Consequences.pdf

exploited escaping the conflict and whose access to banking may be abused by their traffickers. Lessons can be learned from the response to Ukraine for increasing financial inclusion for *all* populations vulnerable to HT/MS.

The World Bank report "Impact of the FATF Recommendations and their Implementation on Financial Inclusion Insights from Mutual Evaluations and National Risk Assessments"[38] identifies how financial exclusion makes populations vulnerable to involvement in ML/TF and how professionals should ensure they are not increasing financial exclusion when implementing a risk-based approach to counter ML/TF. These are three paraphrased take-aways from the recommendations:

1. The report said financial inclusion needs to be better and more meaningfully reflected in mutual evaluations. This, in turn, means ensuring it is explicit in assessor training and assessment methodology.

2. The report states that FATF should be more constructive and direct about customer due diligence flexibility[39], such as simplifications and exemptions, and encourage their use in low-risk situations. Moldova and Romania can learn from their support of Ukrainian refugees to identify what innovations can be replicated for other refugees and excluded groups.

3. To determine risk levels, the report recommends undertaking specific risk assessments focused on financial exclusion problems and developing financial inclusion products and services in the country.

In summary, HT/MS and financial inclusion should be considered as risk and mitigation in AML and regulatory implementation. In doing so, the identification of HT/MS and the prevention of HT/MS are given equal weight and attention.

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[38] Celik, K (2021) Impact of the FATF Recommendations and their Implementation on Financial Inclusion : Insights from Mutual Evaluations and National Risk Assessments. Equitable Growth, Finance and Institutions Insight. World Bank, Washington, DC. https://openknowledge.worldbank.org/handle/10986/36659

[39] FATF (2017) Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion With a Supplement on Customer Due Diligence https://www.fatf-gafi.org/publications/financialinclusionandnpoissues/?hf=10&b=0&s=desc(fatf_releasedate)

Trafficking Profile & Modus Operandi of Traffickers in Moldova & Romania

Moldova and Romania remain source countries for women, children, and men subjected to HT/MS. As of 2020, the top destination country of Moldovan victims was Russia, followed by EU countries (Slovakia, Spain, Ireland, Portugal) and Turkey. 26 per cent of the victims were trafficked within Moldova[40]. In contrast, most of the identified victims in Romania were trafficked internally. As regards victims trafficked abroad, the leading countries of destination for victims from Romania are Germany, Italy, Spain, and the United Kingdom. Furthermore, there were identified foreign victims in Romania from 2016 to 2019 who originated from Hungary, Italy, the Republic of Moldova, Portugal, Turkey, Latvia, and Germany[41].

As of 2019, trafficking for labour exploitation has emerged as the primary form of exploitation in Moldova (66 per cent of all victims, the most prevalent form of exploitation among adult male victims[42]), followed by trafficking for sexual exploitation (25 per cent of the victims, overwhelmingly women and girls[43])[44]. Sexual exploitation remains the most common purpose of HT/MS in Romania (72 per cent of the victims[45]), followed by labour exploitation[46]. There were also identified victims of trafficking for exploitation of begging, exploitation of criminal activities, and removal of organs, tissues, or cells in both countries.

Traffickers in Moldova are often members of organized crime groups[47]. They typically recruit victims through personal contacts but, due to the pandemic, increasingly use the internet and social media. Most victims are from rural areas and have low levels of education. Traffickers operating in Romania and Moldova exploit Moldovan women and girls through Romania with fraudulent passports in trafficking operations across Europe. Children are exploited in online child pornography, which experts note is used as a grooming method for sex trafficking. Traffickers exploit children, some as young as 10, in commercial sex and child labour, mostly in agriculture, construction, service, and

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[40] GRETA Evaluation Report Republic of Moldova – Third evaluation round, p. 8
[41] GRETA Evaluation Report Republic of Romania – Third evaluation round, p. 8
[42] Trafficking in Persons Report 2021 by the Department of State of the United States of America, p. 397
[43] Ibid.
[44] GRETA Evaluation Report Republic of Moldova – Third evaluation round, p. 8
[45] Trafficking in Persons Report 2021 by the Department of State of the United States of America, p. 471
[46] GRETA Evaluation Report Republic of Romania – Third evaluation round, p. 8
[47] http://spcsb.gov.md/storage/NRA/NRA_EN.pdf

industrial sectors. Children living on the street, in orphanages, or abandoned by parents who are migrating abroad remain vulnerable to exploitation. Labour migrants remain at risk of trafficking, particularly in labour-intensive sectors such as the construction industry. The undocumented or stateless population within Moldova, including the Roma community, are at risk of exploitation, primarily in the agricultural sector[48].

In Romania, traffickers are typically individuals working as part of an organized crime group based on family and ethnic ties, who subject Romanian women and children to sex trafficking in Romania and other European countries, including Finland, France, Italy, Spain, and the UK. Experts continue to report Romanian women recruited for sham marriages in Western Europe; traffickers force the women into commercial sex or labour after entering these marriages. Most of the victims (74 per cent) in Romania are female, whereas children constitute nearly 50 per cent of identified victims[49]. Government officials and NGOs report increased recruitment of children via the internet and social media due to the pandemic. Traffickers exploit Romani children in sex trafficking and forced begging. Traffickers subject Romanian adults and children to labour trafficking in agriculture, construction, hotels, manufacturing, and domestic service, as well as forced begging and theft in Romania and other European countries. Romania is a destination country for a limited number of foreign trafficking victims, including migrants from Africa, Europe, and South and Southeast Asia, exploited in the construction, hotel, and food-processing industries. NGOs report a recent rise in the number of migrants, citing an unusually high number of migrants from Northern Africa and the Middle East entering Romania and a record number of them – approximately 6,000 – submitting applications for asylum in 2020. While their main goal is to continue their path toward Western and Northern Europe, many of these migrants may be or may become trafficking victims while in Romania[50]. NGOs reported cases of persons from Ethiopia, Eritrea, the Philippines, Sri Lanka, and Vietnam being trafficked to Romania by organized crime groups. They exploited the hospitality, food processing, construction, and domestic work sectors[51].

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[48] Trafficking in Persons Report 2021 by the Department of State of the United States of America, p. 397
[49] GRETA Evaluation Report Republic of Romania – Third evaluation round, p. 8
[50] Trafficking in Persons Report 2021 by the Department of State of the United States of America, p. 471
[51] GRETA Evaluation Report Republic of Romania – Third evaluation round, p. 8

Country-specific indicators

The essential goal of this document is to raise awareness of HT/MS risks in the financial sector in Moldova and Romania and to provide it with the necessary tools to better detect suspicions of HT/MS. This should consequently lead to enhanced SAR reporting. Better quality and quantity of HT/MS SARs in Moldova and Romania will help the FIUs of these countries and other government authorities, namely the financial market authority and the law enforcement authorities, to better grasp the problem as a whole and as a consequence, tackle it better. To support the financial sector in Moldova and Romania to better detect suspicions of HT/MS, a series of country-specific indicators are presented in the following.

The OSCE report mentioned above serves as a basis for the red flag indicators presented in this paper. In the OSCE report, 23 documents identified as leading publications in combating HT/MS through financial investigations were reviewed. As a result, a synthesized list of indicators based on more than 600 initial indicators and typologies was extracted from these documents and attached to the OSCE report.

As stated further above, it seems as if the most common forms of HT/MS in Moldova and Romania are sexual exploitation and labour exploitation. Thus, the goal is to present indicators that match the HT/MS landscape in these two countries. The OSCE report stated that a similarity between all the indicators identified in the 23 documents reviewed was noted (approximately 68 per cent of all indicators identified were duplicates). Since these documents focused on different forms of HT/MS, like forced labour, sexual exploitation, or the removal of organs, it can be assumed that general red flag indicators for trafficking in persons might also be applicable for specific forms of HT/MS. Specifically, it turns out that labour exploitation transactions have many similarities to sexual exploitation transactions.

Moreover, the OSCE report breaks down the identified indicators into three categories: behavioral, Know your Customer (KYC), and transactional. According to the OSCE report, behavioral indicators are inferred mainly from visual cues provided by a person likely to be caught in a trafficking cycle or by a trafficker himself. KYC indicators refer to possible

red flags resulting from collecting required information from a customer, such as address and ID card. Finally, transactional indicators can be triggered any time after an account is opened and may not require personal interaction due to the proliferation of digital banking solutions. The behavioral indicators are mainly detected by the front-line staff of an organization, KYC indicators by data collection teams, and transactional indicators by the transaction monitoring teams. Thus, it is essential that the different groups within an organization communicate with each other. Finally, many indicators of HT/MS must be considered in the context of the individual perpetrator and alongside other transactions since some indicators might be innocuous. A single transaction taken in isolation can lead to a false assumption of normality[52].

Given the above, following a list of ten indicators per category (behavioral indicators, KYC indicators, & transactional indicators) that should support the financial sector in Moldova and Romania in detecting more efficiently suspicions of HT/MS. Since labour exploitation transactions have many similarities to sexual exploitation transactions, as mentioned above, the indicators listed in this paper can be used to detect labour exploitation and sexual exploitation unless it is specifically indicated what particular form of HT/MS the indicator applies to. Further to the proposed indicators of HT/MS, other ways to better detect suspicions of HT/MS are shown per indicator category.

The idea is that the indicators are implemented in combination with the additional proposed tools. The section "Behavioral Indicators" emphasizes the importance of staff trainings in order to support the detection of signs of HT/MS. The use of a high-risk countries and high-risk industries list is presented in the "KYC Indicators" section. In the final subsection, "Transactional Indicators," it is shown how the indicators presented can be combined with "location lists".

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[52] https://www.fintrac-canafe.gc.ca/intel/operation/oai-hts-eng.pdf

Behavioral Indicators

- Another person accompanies the suspected victim, and the potential trafficker speaks on behalf of the individual/using an interpreter
- The potential trafficker claims to be related but does not know critical details
- Acts of physical aggression displayed (e.g., bruises)
- Contradictory explanations over a transaction
- (Potential) client is not cooperative and/or pressures the bank employee
- Use of a third ID of a person who is not present to open a bank account
- Poor dress, personal hygiene, and/or malnourished
- Fear or depression noticed
- Potential victim uses terminology linked to the sex industry (this includes the use of vulgar language)
- Potential victim reads personal details from a script/form

Employee training on the basics of HT/MS and its characteristics apart from the financial flows is essential to establish an effective compliance structure to detect and prevent related crimes. It is imperative to train bank employees and members of internal departments who work on the business side. The central element of HT/MS is the means of deception, coercion, threat and duress used to break free will. These are all interpersonal realities that cannot be captured by systems but can only be detected through behaviors or statements made by persons involved. A trained eye, especially in direct conversation situations with the customer, is therefore of central importance. In addition, certain transaction behavior that indicates a trafficking background can often only be detected by the responsible customer advisors. Where the limits of system-based evaluation are reached, it is up to them to report such anomalies to the compliance departments.

KYC Indicators

- The individual lacks a fixed address or utilization of an address with several seemingly unrelated individuals also living there
- Use of addresses in known red-light districts and/or buildings where commercial sex work is known to occur
- False identification documents
- PO Box addresses
- Email addresses correspond to online classified ads linked to the sex industry
- Inexplicable lifestyle compared to the client profile
- Registration of assets under different names (e.g. several individuals have power of attorney)
- Individual simultaneously opens (and possibly also closes) a high number of accounts
- Frequent change of addresses
- Addition of an unusual number of unrelated individuals as users of products such as credit cards

It is particularly important for a financial institution to be aware of its customer references to certain *industries* and *countries* that show increased risks for a HT/MS connection. A risk-based analysis of customers, based on HT/MS-specific risk industry and risk countries lists, is therefore recommended. The risks can be identified on both the victim and perpetrator side, for example by linking them to the occupation and nationality of private customers or the sector and country of domicile of corporate customers. The use of a HT/MS high-risk countries list in combination with a HT/MS high-risk industries list is likely to be consistent with KYC processes familiar to most financial institutions from their fight against money laundering. It is recommended that only those customers that have a link to both the HT/MS high-risk countries list and the HT/MS high-risk industries list be considered HT/MS high-risk customers. Those high-risk customers should be subject to enhanced due diligence. The measures here can be based on those applied by the respective financial institution to customers who pose a high risk of money laundering or

terrorist financing. In addition, it is advisable to check corresponding customers and customer accounts (if necessary, on a random basis) for behavioral indicators such as those listed in the previous subchapter.

HT/MS high-risk industries list

The review of literature sources and expert opinions have led to the identification of 26 high-risk industries specific to HT/MS, which can be categorized into 10 overarching industry sectors[53].

#	Industry Sector	Relevant Industry
1	Agriculture, forestry and fishery	• Agriculture, hunting and related activities • Fishery and aquaculture
2	Mining	• Coal mining • Ore mining • Quarrying and other mining
3	Manufacturing	• Tobacco processing • Manufacturing of textiles • Manufacturing of garment • Manufacturing of food and animal feed (esp. meat processing industry)
4	Construction	• Construction of buildings • Construction of roads, bridges, tunnels, etc.
5	Hospitality industry	• Accommodation • Gastronomy
6	Provision of other economic services	• Placement of workers • Travel agencies and tour operators • Cleaning of buildings, roads and means of transportation

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[53] Haberstroh et al., Finanzströme des Menschenhandels: Erkennen und bekämpfen, AFCA, 2021, p. 21f.

7	Private households with household staff	• Private cleaners and au pairs
8	Health and social services	• Social care for the elderly and disabled • Nursing care
9	Transport and warehousing	• Land transport • Shipping • Aviation • Warehousing and other transportation service activities • Cargo handling
10	Provision of other services	• Escort services, prostitution and red-light milieu • Beauty and massage salons

HT/MS high-risk countries list

To determine the HT/MS high-risk countries for Moldova and Romania, it is suggested to analyze the main source and destination countries of the victims of this particular crime. Based on the chapter "Trafficking Profile & Modus Operandi of Traffickers in Moldova & Romania", the HT/MS high-risk countries list for Moldova could be as follows:

- Ireland
- Portugal
- Russia
- Slovakia
- Spain
- Turkey

For Romania the HT/MS high-risk countries list could look like the following:

- Ethiopia
- Eritrea
- Finland

- France

- Germany

- Hungary

- Italy

- Latvia

- Moldova

- Philippines

- Portugal

- Spain

- Sri Lanka

- Turkey

- United Kingdom

- Vietnam

In order to obtain a clearer picture on the high-risk countries, it is recommended to collaborate together with law enforcement. They should have statistics on the number and nationality of persons being trafficked from and to the country.

Transactional Indicators

- Recurring payments for wages at unreasonably low amounts (such as much lower than minimum wage)[54] (labour exploitation)
- Lack of living expenses such as food, petrol, utilities, and rent
- Money transfers from many males to one female
- Use of multiple individuals to conduct banking
- Cash deposits are conducted in different cities across the country
- Credit card payments for purchases made after the establishments' regular hours of business (e.g., transactions during late hours)

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[54] This may also include the sum of partial payments per month.

- Cross-border transfers of funds inconsistent with the stated business purpose of the account holder and/or unexplained patterns of cross-border transactions
- Wide use of cash, often just under the reporting threshold, and cash deposits at several branches or ATMs
- Hotel transactions by the same individual for two separate rooms for the exact dates
- Transactions with unregistered Money Service Businesses (MSB) and/or with unrelated third parties as counterparts

As already described further above, indicators of HT/MS must be considered in the context of the individual perpetrator and alongside other transactions since one single indicator might be innocuous. It makes sense to have it trigger a HT/MS SAR only in combination with other indicators. Such combinations can be designed in a variety of ways. For example, an accumulation of several transactional indicators that potentially point to HT/MS could be considered as a trigger for a specific HT/MS SAR. Moreover, the transactional indicators can also trigger a HT/MS SAR if a high-risk trafficking customer (customer that has a link to both the HT/MS high-risk countries list and the HT/MS high-risk industries list) is involved. Finally, linking the transactional indicators to a screening of HT/MS-relevant geographic hotspots is also a promising way to increase the accuracy of hits. By creating "location lists" that are classified into different risk levels, the latter approach can also be combined with existing general money laundering indicators.

Location-based indicators

- High additional risk: city-city transactions
  Within the location-based indicators, transactions between specific cities that are clustered together as a place of origin and place of destination have the highest risk level. Based on the verified assumption that funds regularly flow from the place of destination to the place of origin and not in the opposite direction, it is therefore recommended to specifically look for such   unidirectional money flows.

For example, Benin City, Nigeria, is a known place of origin for victims of HT/MS. The victims are often brought to the Italian city of Castel Volturno[55]. Thus, financial institutions are advised to specifically monitor flows of funds from individuals based in Castel Volturno, Italy, to individuals based in Benin City, Nigeria.

- Medium-high additional risk: country-city transactions
  One risk level below the aforementioned city-city transactions are those in which the flow of money is from specific countries to specific cities. These transaction indicators reflect realities of HT/MS in which people are moved from specific cities to foreign countries without any recognizable exposed role of specific cities within the country of exploitation.
  To stick to the above-mentioned example, financial institutions are recommended, for example, to monitor more closely transactions from Italy in general to Benin City, Nigeria[56].

- Medium-low additional risk: country-country transactions
  One risk level below the aforementioned country-city transactions are those transactions in which the flow of funds can only be limited to certain pairs of countries that have particularly high trafficking case rates. The assumption here is also that the payment flow is from the country of exploitation to the victims' country of origin.
  In the cases of Moldova and Romania, it makes sense to specifically monitor transactions between individuals based in HT/MS high-risk countries (see lists for Moldova and Romania further above) and clients of financial institutions in Moldova and Romania. The monitoring of such transactions can be combined with transactional indicators. As an example, incoming transfers of funds from Germany inconsistent with the stated business purpose on the account of a client of a Romanian financial institution should be analyzed more in detail.

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[55] https://www.abc.net.au/news/2020-03-17/castel-volturno-is-headquarters-for-nigerian-mafia-in-italy/12033684
[56] https://natoassociation.ca/from-benin-city-to-the-shores-of-italy-a-new-hub-of-human-trafficking/