



MONEY LAUNDERING (ML) FROM ENVIRONMENTAL CRIME

CFATF RESEARCH DESK
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WHAT IS ENVIRONMENTAL CRIME?

Collectively used to describe illegal activities harming the environment and aimed at benefiting certain individuals, groups or companies through the exploitation and theft of, or trade in natural resources.

Source: Nellemann, C.; Henriksen, R., Pravettoni, R., Stewart, D., Kotsoyova, M., Schlingemann, M.A.J, Shaw, M. and Reitano, T. (Eds). 2018. World atlas of illicit flows. A RHIPTO-INTERPOL-GI Assessment. RHIPTO -Norwegian Center for Global Analyses, INTERPOL and the Global Initiative Against Transnational Organized Crime, p. 15.



Environmental crime is estimated at USD \$110–281 billion annually.

Environmental crime now slightly more lucrative than human trafficking, and is the third largest criminal sector worldwide.

Source: Nellemann, C.; Henriksen, R., Pravettoni, R., Stewart, D., Kotsoy, M., Schlingemann, M.A.J, Shaw, M. and Reitano, T. (Eds). 2018. World atlas of illicit flows. A RHIPTO-INTERPOL-GI Assessment. RHIPTO -Norwegian Center for Global Analyses, INTERPOL and the Global Initiative Against Transnational Organized Crime, p. 15.





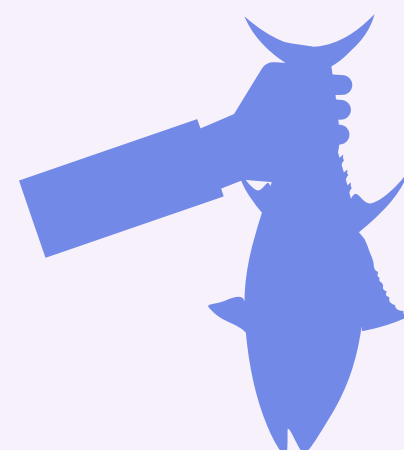
**Environmental crime
includes serious and
organized crimes:**



Illegal trade in wildlife.



Illegal logging.



**Illegal, unreported and
unregulated fishing.**



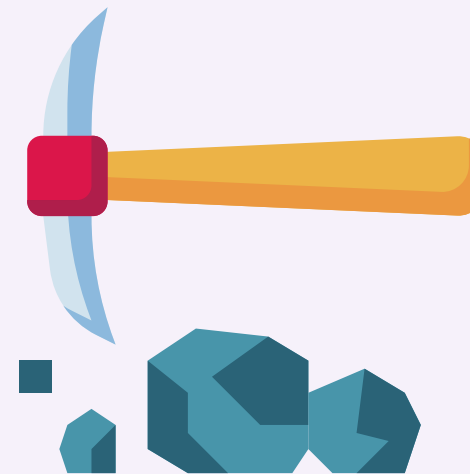
**Environmental crime
includes serious and
organized crimes:**



**Smuggling of ozone depleting
substances.**



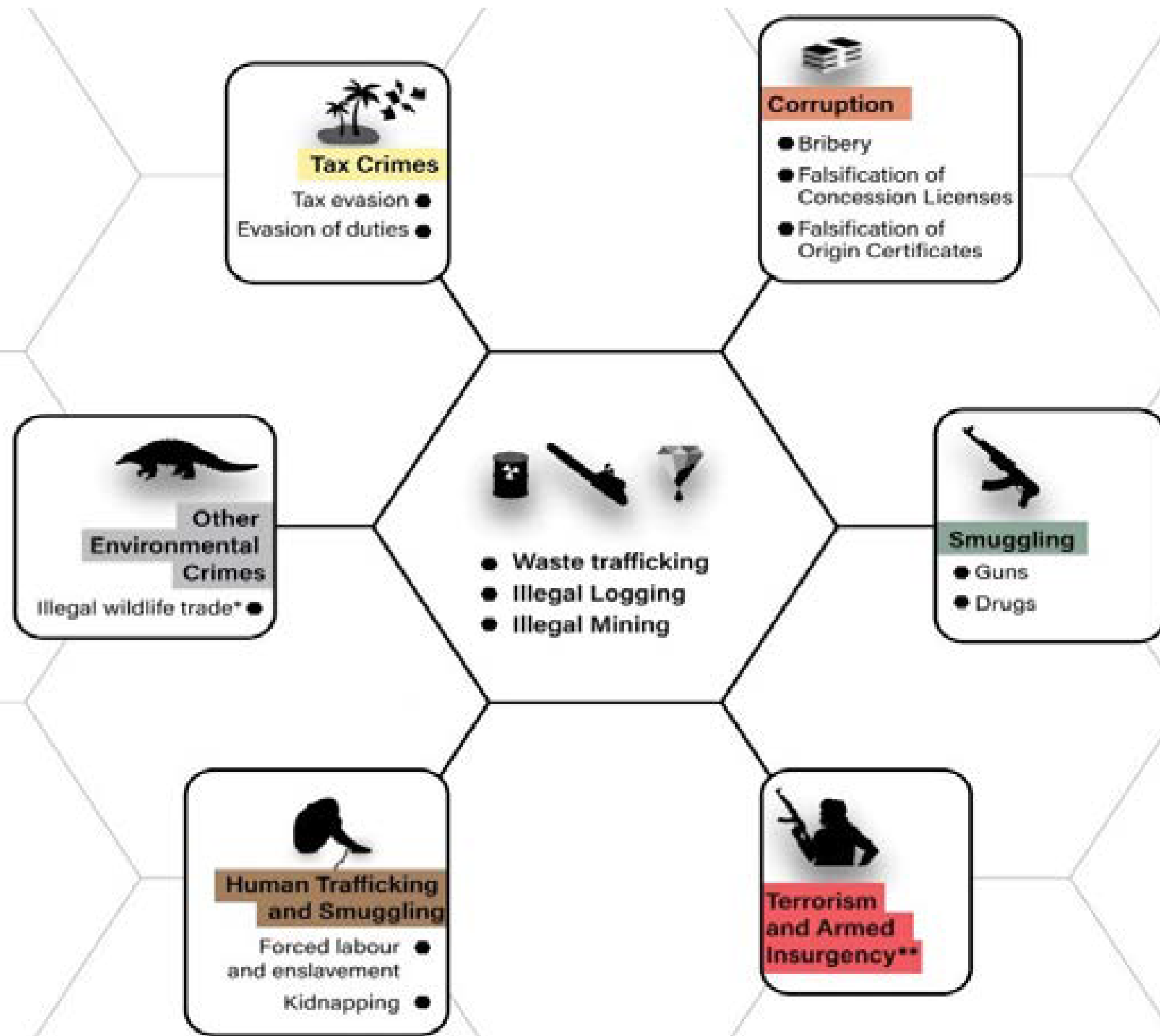
Illicit trade in hazardous waste.



Illegal mining.



Environmental crime does not occur in a vacuum and the financial flows it generates can often be associated with other criminal activities.



Source: FATF (2021), Money Laundering from Environmental Crimes, FATF, Paris, France, p. 24.



RELEVANCE OF FATF STANDARDS

The FATF Standards provide a useful framework for countries and the private sector to address ML from environmental crimes. The FATF Standards identify environmental crimes as one of the designated categories of crimes for ML. This means that countries should criminalise a sufficient range of environmental crimes for ML in line with their risk environment.

Source: FATF (2021), Money Laundering from Environmental Crimes, FATF, Paris, France, p. 7.



FATF Standards require countries to



Criminalise money laundering for a range of environmental offences.

(FATF Recommendation 3)



Identify and assess their money laundering and terrorist financing risks across crime areas, and to take steps to mitigate these risks.

(FATF Recommendation 1)



Ensure that the private sector is aware of ML/TF risks, and that they introduce preventative measures, such as reporting suspicious financial transactions. Of particular relevance for this study, these obligations extend to, among others: banks, dealers in precious metals and stones, lawyers and trust and company service providers (TCSPs) when carrying out financial transactions.

(FATF Recommendations
9 – 23)



From the law enforcement perspective, countries should have sufficient powers to investigate, trace and confiscate criminal assets across crime areas.

(FATF Recommendations
29-31)



Strategies used by criminals - ML from environmental crime

Source: FATF (2021), Money Laundering from Environmental Crimes, FATF, Paris, France.

01

Use of 'Front' Companies

- Used to co-mingle illegal and legal proceeds.
- Front companies were related to natural resource markets.
- These companies engage in large numbers of transactions with low individual profit margins.
- Companies can range from simple with clear discrepancies to large, sophisticated operations.
- Front companies can be linked to the import-export sector to facilitate the appearance of legitimate invoices, and payments to suppliers.
- Other indicators of potential criminality include output that is at lower levels than suggested by the official production capacity, the production capacity of similar companies in their sector, or the number of employees.



Strategies used by criminals - ML from environmental crime

02

Use of Shell Companies to Hide Beneficial Owners

- Used to simulate legitimate services and payment linked to forestry, mining or waste markets.
- Criminals rely on shell companies located overseas to move illicit funds.
- Emphasizes the importance of regulatory outreach to gatekeepers (e.g., lawyers and trust and company service providers), and identifying the individual beneficial owners behind related companies.

Source: FATF (2021), Money Laundering from Environmental Crimes, FATF, Paris, France.



Strategies used by criminals - ML from environmental crime

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03

Trade-based Fraud and Money Laundering

- Used to conceal movement of money across borders.
- Includes falsification of documentation, especially concerning import and export of goods, and false invoicing and trade transactions to justify moving funds across borders.
- Criminals are more likely to engage in trade-based fraud when seeking to mask the origin of illegally sourced goods.
- Illicit goods are moved through transit countries with the intent of integrating/comingling them with legitimately sourced goods.



Strategies used by criminals - ML from environmental crime

Source: FATF (2021), Money Laundering from Environmental Crimes, FATF, Paris, France.

04

Use of Regional and International Financial Sectors

- Used by criminals to launder proceeds due to the irregular financial flows associated with environmental crimes.
- Illicit proceeds are integrated through third party wire transfers appearing as payments for goods and services as well as investments and sponsorship.
- Informal Money Value Transfer Services (MVTs) facilitate laundering, especially from illegal mining.
- Reliance on complicit actors to buy goods and transfer illicit proceeds.



Thank you!



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