

What Banks Can Do to Fight Human Trafficking

By

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In this April 2015 file photo, Burmese fishermen prepare to board a boat during a rescue operation at the compound of a fishing company in Indonesia, where an AP investigation uncovered slavery. Photo: Associated Press/Dita Alangkara

If the world is to make progress in eradicating human trafficking and slave labor, banks need to pay more attention to their customers and choke off ways for people involved in human trafficking to move money, said an executive who advises companies on such issues.

With greater scrutiny on human trafficking in the wake of recent news reports of slave-labor issues in the seafood, cocoa, garment and electronics industries, and following a conference earlier this month sponsored by Pope Francis, companies are under increasing pressure to show they are trying to help solve the problem. Banks are no different than big companies in other industries that should be expected to take leading positions in the fight to rid the world of slave labor, said Scott Lane, executive chairman and founder of Red Flag Group, a firm that advises chief compliance officers at Fortune 2000 companies globally.

The bigger question, he said, is whether there should be an obligation for banks to stop money transfers or to not open accounts for people known to be involved in human trafficking. “It’s a good question and right now it’s up to the banks to answer as there is no legal obligation” for them to do so, said Mr. Lane.

Even without a regulatory or legislative mandate, multinational companies and financial institutions face pressures from customers and other stakeholders to step up and take action, said Mr. Lane. “Regulation always helps, it moves people into action faster, but even without regulations there are community, stakeholder and customer expectations that large companies take a leading position around this issue,” he said. “Irrespective of legislation I think there is an expectation that companies step up and try to tackle some of the biggest challenges we’ve got, and one of those is the treatment of humans and the ways they are abused.”

Anti-corruption tools used by banks to fight money laundering and other types of fraud can also be used to help companies combat the use of slave labor in their supply chains, said Micah Willbrand, director of AML product marketing at NICE Actimize, which provides risk advisory and compliance services. These tools include looking for red flags that often indicate financial activity associated with human trafficking, such as non-related parties using the same address, account inflows inconsistent with the nature of a business or large cash deposits attributed to businesses that don’t normally make them, he said.

Making use of software programs to conduct suspicious activity monitoring and customer due diligence, financial institutions can identify which accounts might potentially be connected to human trafficking or smuggling, said Mr. Willbrand.

For example, he cited a case last year in which Europol investigators asked a bank in Belgium to provide information about women aged 18 to 24 who were sending money from Belgium to Romania, Moldova and Ukraine. “They then started to notice a clustering of transfers going back and ended up being able to disrupt a prostitution chain in Belgium,” said Mr. Willbrand. “We are starting to see that activity. That is the role financial services can play in noticing red flags and passing them on to law enforcement. That can turn it into a case that can send some of these people to jail.”

Human trafficking almost always is associated with another criminal activity, such as drug activity or terrorism financing, and there is a correlation between human trafficking and areas with high levels of bribery and corruption, said Mr. Willbrand. Cracking down on corruption and bribery could free up more money to help poor and disadvantaged people most likely to take a risk on a job that can end up with them being trafficked or forced to work against their will, he said. “If we can help solve these bribery and corruption issues maybe these monies will flow down to these disadvantaged people to help give them better lives so they don’t have to get into these dangerous situations,” he said.

Financial institutions inundated by a slew of regulations across all areas of their businesses may not have had the time yet to spend on this issue, said Mr. Lane. “I don’t think this issue has reached a tipping point yet. People still are coming to understand what this trafficking and human rights abuses mean,” he said. The most simple way for banks to fight human trafficking is to not do business with companies or individuals or organizations involved in human trafficking, but putting tools in place to spot such bad actors will create operational challenges that must first be overcome before more stringent policies and procedures are put in place, he said.

“Any organization should have a standard of ethics and integrity that says we are not going to deal with people who are engaged in slavery or human trafficking,” said Mr. Lane, adding each company needs to look at its own operations and [decide] how they would deal with those companies, then put in place measures to stop them. This may not be so simple, however, for companies with tens of thousands of suppliers and those with operations in many countries. “These issues are quite challenging. It’s going to take time for companies to get through that.”

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