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HUMAN TRAFFICKING AND ASSOCIATED MONEY LAUNDERING

STRATEGIC ANALYSIS REPORT

2022



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1. Introduction

The need for a human trafficking risk assessment

- 1.1. According to the United Nations Office on Drugs and Crime (UNODC), human trafficking is the third largest source of income for organised crime groups in the world, after trade of drugs and smuggling of arms.¹
- 1.2. An estimated 40 million people are forced to live in modern slavery in the world today, and these crimes of human exploitation generate \$150 billion in profits each year.²
- 1.3. The main purpose of human trafficking is the exploitation of persons for profit. The Human Trafficking Prevention Plan 2021 –2023 of the government of Latvia³ emphasises that labour exploitation is a form of corporate crime motivated by economic profit, and that companies involved in human trafficking gain an unfair economic advantage and distort competition and the functioning of the free market. Labour exploitation and human trafficking are often linked to the non-recorded economy and financial crime.⁴ Therefore, in cases of human trafficking, financial analysis should be one of the priority actions⁵ to ensure the effective confiscation of the proceeds of crime, making such criminal activity financially unviable.
- 1.4. Recital 5 of the preamble to Directive 2011/36/EU of the European Parliament and of the Council of 5 April 2011 on preventing and combating trafficking in human beings and protecting its victims, and replacing Council Framework Decision 2002/629/JHA (hereinafter referred to as the Directive) highlights: “The law enforcement authorities of the Member States should continue to cooperate in order to strengthen the fight against trafficking in human beings. In this regard, close cross-border cooperation, including the sharing of information and the sharing of best practices, as well as a continued open dialogue between the police, judicial and financial authorities of the Member States, is essential.”⁶
- 1.5. Until now, the uncovering of human trafficking has mainly been based on the identification of its victims. The policy planning documents included action lines aimed at raising public awareness and their understanding of the phenomenon of human trafficking, as well as providing support to victims of trafficking; developing the capacity of law enforcement authorities and competent partners to combat human trafficking, including for coordination and information gathering, focusing more on cooperation between state and local authorities and NGOs.⁷ The Human Trafficking Prevention Plan 2021 –2023, however, is based on four key pillars, building on the so-called ‘4 P model’: prevention, protection, prosecution and partnership.
- 1.6. Following both the Directive's statements on the involvement of the financial sector in the fight against human trafficking, as well as the emphasis on the role of the financial sector in detecting human trafficking made in the OSCE Office of the Special Representative and Co-ordinator for Combating Trafficking in Human Beings report

¹ UNODC 2020 UNODC Global Report on Trafficking in Persons. Available at: <https://www.unodc.org/unodc/en/data-and-analysis/glotip.html>

² Global estimates of modern slavery: Forced labour and forced marriage (Geneva, International Labour Office, Geneva, 2017). Available at: <https://www.ilo.org/global/topics/forced-labour/statistics/lang--en/index.htm>


³ Approved by Cabinet Order No 690 of 28 September 2021.

⁴ The Human Trafficking Prevention Plan 2021 –2023, approved by Cabinet Order No 690 of 28 September 2021. Available at: <https://www.iem.gov.lv/lv/cilveku-tirdzniecibas-noversana>

⁵ Uncovering labour trafficking. Investigation tool for law enforcement and checklist for labour inspectors (2020), project Flows of illicit funds and victims of human trafficking: uncovering the complexities, available at: <http://www.cilvektirdznieciba.lv/lv/projekts-nelikumigu-lidzeklu-plusmu-un-upuru-atklasanas-sarezgijumi-darba-ekspluatacijas-gadījumos-flow>.

⁶ Directive 2011/36/EU of the European Parliament and of the Council of 5 April 2011 on preventing and combating trafficking in human beings and protecting its victims, and replacing Council Framework Decision 2002/629/JHA. Available at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:101:0001:0011:LV:PDF>

⁷ Guidelines for the Prevention of Human Trafficking 2014-2020. Available at: <https://www.iem.gov.lv/lv/cilveku-tirdzniecibas-noversana>.



“Following the Money: Compendium of Resources and Step-by-step Guide to Financial Investigations Into Trafficking in Human Beings”⁸, one of the objectives of this study is to promote the awareness of the subjects of the Law On the Prevention of Money Laundering and Terrorism and Proliferation Financing (AML/CTF Law) on human trafficking and the money laundering (ML) related thereto.

- 1.7. The study aims to identify the human trafficking trends prevalent in Latvia and to list indicators for subjects of the AML/CFTP Law that may be indicative of the laundering of the proceeds of human trafficking, thus facilitating the detection of human trafficking in Latvia. It should be noted that the indicators listed below are not exclusively indicative for the laundering of the proceeds of human trafficking and in different situations may be indicative of other criminal offence, or it may even have a legitimate explanation. Taking into account the aggravation of the geopolitical situation in the world, the study, in the final stage of its development, has been supplemented with information on the human trafficking risks posed by the Russian war in Ukraine. However, given that the situation is in its early stage, the highlighted risks are rather indicative.
- 1.8. The study was developed in partnership with FAST, Ministry of the Interior of the Republic of Latvia, the State police of Latvia, the Prosecution Office of the Republic of Latvia.

⁸ OSCE Office of the Special Representative and Co-ordinator for Combating Trafficking in Human Beings “Following the Money. Compendium of Resources and Step-by-Step Guide to Financial Investigations Related to Trafficking in Human Beings”. Available: https://www.osce.org/files/f/documents/f/5/438323_0.pdf


2.Regulatory Framework

Regulatory Framework of Latvia

- 2.1. Human trafficking was criminalised by the Law of 25 April 2002⁹, which added two new sections to the CL: 154.¹ "Human Trafficking" and 154.² "Meaning of Human Trafficking", and determined criminal liability for human trafficking to a foreign country. The Law of 16 December 2004¹⁰ removed the words "to a foreign country" from the disposition of Section 154.¹, Paragraph one of the CL, thus providing for liability for the commission of these crimes even if such acts are committed in the territory of Latvia.
- 2.2. Human trafficking is a serious crime (Section 154.¹, Paragraph one of the CL), and an especially serious crime (Section 154.¹, Paragraphs two and three of the CL) if committed against a minor or by a group of persons according to a prior agreement, if it endangers the life of the victim or has serious consequences, if it is committed with particular cruelty or against an underage person, or if it is committed by an organised group.
- 2.3. Section 154.² of the CL defines the meaning of human trafficking:
 - 2.3.1. Human trafficking is the recruitment, transportation, transfer, concealment, accommodation or reception of persons for the purpose of exploitation, committed by using violence or threats or by means of deceit, or by taking advantage of the dependence of the person on the offender or of his or her state of vulnerability or helplessness, or by the giving or obtaining of material benefits or benefits of another nature in order to procure the consent of such person, upon which the victim is dependent.
 - 2.3.2. The recruitment, transportation, transfer, concealment, accommodation or reception of a minor for the purpose of exploitation shall be recognised as human trafficking also in such cases, if it is not connected with violence or threats or by means of deceit, or by taking advantage of the dependence of the person on the offender or of his or her state of vulnerability or helplessness, or by the giving or obtaining of material benefits or benefits of another nature in order to procure the consent of such person, upon which the victim is dependent.
 - 2.3.3. Exploitation is the involvement of a person in prostitution or in other kinds of sexual exploitation, the compulsion of a person to perform labour, to provide services or to commit criminal offences, the holding of a person in slavery or other similar forms thereof (debt slavery, serfdom or compulsory transfer of a person into dependence upon another person), and the holding a person in servitude or also the illegal removal of a person's tissues or organs.
 - 2.3.4. A state of vulnerability means using the circumstances when a person does not have another actual or acceptable choice, only to submit to exploitation.
- 2.4. In order to hold a person criminally liable for human trafficking in accordance with Section 154.¹ of the CL, it is essential to establish not only one of these active acts: (1) recruitment, (2) transportation, (3) transfer, (4) concealment, (5) accommodation or (6) reception, but also whether these acts were carried out using any of these means: (1) violence or threats, (2) whether the person was taken by means of deceit, (3) or by taking advantage of the dependence of the person on the offender, (4) or by taking advantage of the person's state of vulnerability, (4) or by taking advantage of the person's state of helplessness, (5) or by the giving or obtaining of material benefits

⁹ Amendments to the Criminal Law: Law of the Republic of Latvia. Latvijas Vēstnesis, 9 May 2002, No 69.

¹⁰ Amendments to the Criminal Law. Published: Latvijas Vēstnesis, 208, 28.12.2004.; Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs, 2, 27.01.2005.



or benefits of another nature in order to procure the consent of such person, upon which the victim is dependent. Finally, it is necessary to establish the purpose for which the acts, namely exploitation, were committed.


- 2.5. For minors, only two of these elements are required: actions and intent.
- 2.6. With regard to "state of vulnerability", criminal law doctrine recognises that individual vulnerability includes a dysfunctional family, physical health or mental health problems, alcohol, drug or psychotropic substance dependence¹¹. At the same time, it is important to recognise that the specific definition of vulnerable people in each country will depend on its specific level of social and economic development.
- 2.7. A state of helplessness is defined as a situation in which a person, due to his or her mental or physical condition, is unable to understand the nature and meaning of the acts committed against him or her, or is unable to resist the offender.¹²
- 2.8. At the same time, it is important to stress that in a case of human trafficking, finding that the person consented to the exploitation is irrelevant.
- 2.9. When considering the legal framework criminalising human trafficking, it is important to take into account the criminal offences related to human trafficking provided for in Section 164 "Involvement of a Person in Prostitution and Use of Prostitution", Section 165 "Living on the Avails of Prostitution", Section 165.1 "Sending a Person for Sexual Exploitation", Section 285.2 "Ensuring, in Bad Faith, a Possibility to Acquire the Right to Stay in the Republic of Latvia Legally, other Member State of the European Union, Member State of the European Economic Area or Swiss Confederation". At the same time, it is important to note that labour exploitation practices always involve accounting irregularities and/or tax evasion.

International Regulatory Framework

- 2.10. International laws which criminalise human trafficking and to which Latvia has acceded:
 - 2.10.1. UN Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others of 2 December 1949.
 - 2.10.2. The Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime of 13 December 2000 (hereinafter referred to as the Protocol).
 - 2.10.3. The Council of Europe Convention on Action against Trafficking in Human Beings of 2005.
 - 2.10.4. Directive.
- 2.11. With regard to human trafficking for the purpose of forced labour, it is crucial to refer to the Protocol, which broadened the definition of human trafficking to include "recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation". The Protocol's definition of exploitation includes not only prostitution or other forms of sexual exploitation, but also forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs.

¹¹ Criminal Law Commentaries, Second Edition (Chapters IX-XVII) U.Krastiņš, V.Liholaja – Riga: Tiesu namu aģentūra, 2016, p. 394.

¹² Ibid.

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- 2.12. A similar definition of human trafficking was adopted by the CoE in 2005 and incorporated into the Convention on Action against Trafficking in Human Beings (CoE Convention).
- 2.13. It should be noted that the CoE Convention includes an evaluation mechanism – the CoE Group of Experts on Action against Trafficking in Human Beings (GRETA).
- 2.14. The Directive, which lays down minimum rules on offences and sanctions in the field of human trafficking, focuses on migration and provides for a broader definition of human trafficking and additional forms of exploitation.
- 2.15. In line with the provisions of the Directive, the definition of human trafficking in the CL was supplemented with an additional act: accommodation of a person for the purpose of exploitation¹³, and the concept of “vulnerability” was introduced, stating that a state of vulnerability means that circumstances where the person has no real or acceptable choice but to submit to exploitation, are exploited.¹⁴
- 2.16. It should also be noted that the Directive states that the consent of a victim of human trafficking to either the intended or the actual exploitation is irrelevant where any of the means referred to in the definition of human trafficking have been used: threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person.
- 2.17. It is important to underline that recital 13 of the preamble to the Directive stresses the need to make full use of existing instruments relating to the seizure and confiscation of the proceeds of crime in the fight against human trafficking.

GRETA evaluation

- 2.18. On 2 December 2016, GRETA adopted the second evaluation round report concerning the implementation of the CoE Convention in Latvia, during which GRETA experts addressed in depth the issues of new forms of human trafficking, including labour exploitation, and the ability of officials and staff to recognise and identify victims of trafficking – minors and adults – among Latvian nationals, persons employed illegally, asylum seekers and refugees, and illegal immigrants.
- 2.19. With regard to the fulfilment of the obligations under the CoE Convention related to the obligation to criminalise human trafficking for the purpose of forced labour, GRETA generally acknowledged that the Latvian legal framework complies with the requirements of the CoE Convention. At the same time, it was concluded that an *expressis verbis* legal provision in the Latvian legislation, which would stipulate that the consent of a victim of human trafficking to either intended or actual exploitation is irrelevant, would significantly improve the effective application of the legal framework.¹⁵

¹³ Amendments to the Criminal Law. Latvijas Vēstnesis, 202, 27.12.2012. OP number: 2012/202.1.

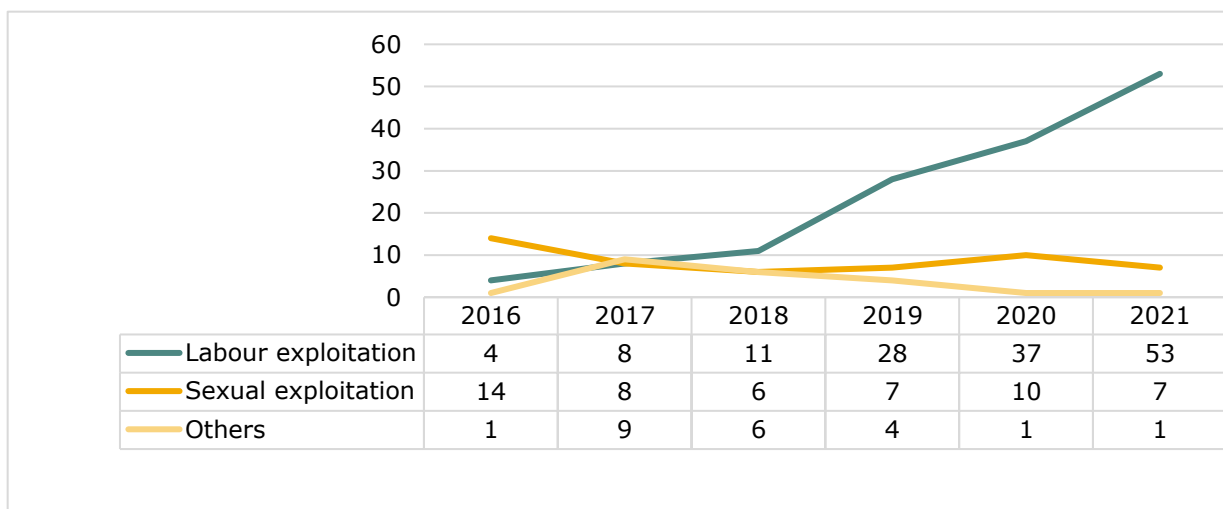
¹⁴ Amendments to the Criminal Law. Latvijas Vēstnesis, 204, 15.10.2014. OP number: 2014/204.1.

¹⁵ GRETA (2017)2 Report concerning the implementation of the Council of Europe Convention on Action against Trafficking in Human Beings by Latvia. Available at: <https://rm.coe.int/greta-2017-2-fgr-lva-w-cmts-en/1680782ac0>

3. Human trafficking trends in Latvia

- 3.1. According to the report on preventing and combating human trafficking in Latvia in 2020, Latvia is a country of origin, a country of destination, a country of transit of victims of human trafficking, as well as a country where human trafficking takes place within the country, without crossing the borders of the State.¹⁶
- 3.2. Between 2016 and 2021, the number of identified victims of human trafficking who have suffered labour exploitation is increasing rapidly (by 71% per year on average) (Figure 1). Other forms of exploitation include forced sham marriages, forced crime, domestic servitude and other forms of exploitation.

*Image No. 1
Formally identified victims of trafficking by type of exploitation¹⁷*

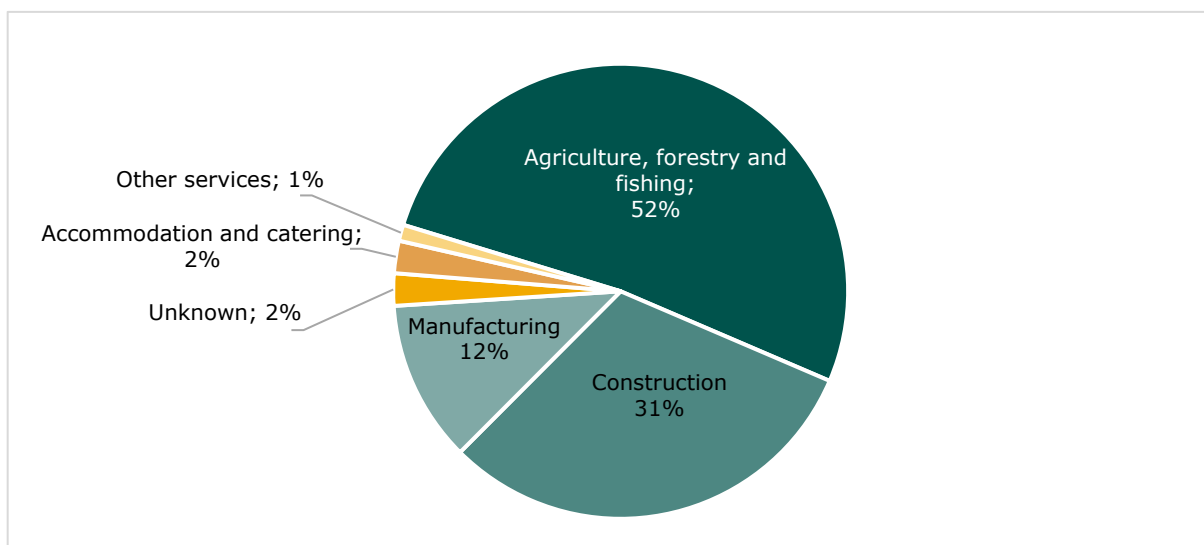


- 3.3. According to the experts' assessment, the Covid-19 pandemic and the related restrictions have not had a significant impact on the level of local labour exploitation, however, a slight decrease is estimated for sexual exploitation. The decrease is due to both travel restrictions and general public caution during the pandemic.
- 3.4. Until 2019, most cases of human trafficking were identified abroad, while in 2020 and 2021, the vast majority of cases were identified domestically. The increasing number of domestic cases could be due to both the increasing awareness of law enforcement authorities and the public about human trafficking, as well as to economic growth until 2020, making Latvia not only a country of origin for victims of trafficking, but also a destination country for human trafficking.
- 3.5. Looking at labour exploitation by sector, the sectors with the highest number of identified victims of labour exploitation in 2020 and 2021 were agriculture, forestry, food production and construction (Figure 2). Labour exploitation is most common in low-skilled, low-wage jobs.

¹⁶ Report on preventing and combating human trafficking in Latvia in 2020. Available: <https://www.iem.gov.lv/lv/media/3823/download>

¹⁷ Information provided by the Ministry of the Interior


Image No. 2
Victims of labour exploitation formally identified in 2020 and 2021 by economic sector¹⁸



- 3.6. In cases of labour exploitation abroad where Latvia is the country of origin of the victims, the most frequent countries of destination in the period 2017-2021 were the United Kingdom, Germany and Spain.
- 3.7. In cases of labour exploitation where Latvia is the country of destination, the most frequent countries of origin of the victims are Tajikistan, Uzbekistan and India, with Russia and China also identified in some cases. The countries of origin of victims of labour exploitation are characterised by lower average and minimum wage levels, and the majority (85%) of victims come from former CIS countries. In general, countries at risk of human trafficking (in terms of possible countries of origin of victims) are CIS countries, India, as well as other countries with significantly lower income levels than Latvia.
- 3.8. According to the Latvian and international definition for human trafficking, the vulnerability of the victim is an essential component. The vulnerability factors identified in the identified cases of human trafficking in Latvia include bad credit history, various addictions, lack of language skills, victims also include the elderly (pre-retirement or retired), homeless, mentally handicapped persons.
- 3.9. In line with the Human Trafficking – Baltic Sea Region Round-up Report, the most prevalent ways of luring or coercing victims into human trafficking is through a direct contact with a victim. Recruiters are often family members, relatives or acquaintances of the victim. People are also recruited via the internet (social media, chatrooms etc.) and job adverts. Threats, physical and emotional violence are rarely used, victims are often deceived and manipulated. The perpetrators are Latvian nationals and citizens of the country of destination operating in organized groups.¹⁹
- 3.10. The **availability of financial services to victims** is a key factor in identifying human trafficking through financial screening and intelligence. If victims with the vulnerabilities described before – bad credit history, addiction problems, or others –

¹⁸ Information provided by the Ministry of the Interior

¹⁹ Human Trafficking – Baltic Sea Region Round-Up report. Available: <https://cbss.org/publications/human-trafficking-baltic-sea-region-round-up-report/>



do not have access to the formal financial system, financial institutions lose the ability to identify trafficking through financial analysis of victims.


- 3.11. An analysis of labour exploitation cases between 2017 and 2021 shows that this part of human trafficking is closely **linked to the non-recorded economy**. The most common practices in companies where labour exploitation has been detected are double accounting, payment of wages in cash, and significant cash holdings by the organisers of the criminal scheme, including the integration of criminal proceeds.
- 3.12. Regarding potential cases of human trafficking as a result of the Russian war in Ukraine, the following human trafficking risks in relation to refugees should be noted: (1) sexual exploitation of women; (2) labour exploitation; (3) involvement of natural persons in execution of criminal offenses. It should be noted that these risks are exacerbated by the possible activation of recruiters, who, exploiting the situation in Ukraine and on its borders, weakened population and despair, as well as the efforts of refugees to earn income, might look for opportunities to exploit the vulnerability of the refugees.
- 3.13. Attention should also be paid to the fact that refugees who have arrived in Latvia will initially be able to accept only offers of low-skilled jobs, which could be in sectors of a seasonal nature and sectors who have long complained about labour shortages, such as agriculture, harvesting, etc. This also applies to construction, which has already lost some labour force as a result of Covid-19, is experiencing spikes in material and energy prices, which increases exploitation risks for refugees from Ukraine.

4. Case law on human trafficking for the purposes of forced labour

- 4.1. Judicial practice in cases of human trafficking for the purposes of forced labour, analysis of court decisions on the commission of criminal offences according to Section 154.¹ of the CL rendered in 2018–2021:
 - 4.1.1. Decision of the City of Riga Vidzeme District Court of 5 December 2019 in the proceedings regarding criminal property in pre-trial criminal proceedings No 11815001517. Court proceedings No K30-2353-19/19 ECLI:LV:RVPT:2019:1205.11815001517.2.L.
 - 4.1.2. Decision of the Riga Regional Court of 13 January 2020 in the proceedings regarding criminally acquired property. Case archive No KA04-0249-20/21 CLI:LV:RAT:2020:0113.11815001517.4.L.
 - 4.1.3. Decision of the Riga City Vidzeme District Court of 29 June 2020 in proceedings regarding criminally acquired property. Case archive No K30-1173-20/37 ECLI:LV:RVPT:2020:0630.11815001517.1.L.
 - 4.1.4. Decision of the Riga City Vidzeme District Court of 26 June 2020 in proceedings regarding criminally acquired property. Case archive No K30-1219-20/21, ECLI:LV:RVPT:2020:0626.11815009117.1.L.


“The German Case”

- 4.2. In 2017, criminal proceedings were initiated in Latvia on the basis of a request for legal assistance from Germany in connection with human trafficking in the territory of the Federal Republic of Germany, in an organised group, with the intention to exploit citizens of the Republic of Latvia in construction:
 - 4.2.1. German nationals, together with Latvian nationals, had formed an organised group with the aim of obtaining material benefits by placing Latvian construction workers in jobs in Germany for wages that did not comply with German legislation.
 - 4.2.2. Person A and an accountant recruited persons in Latvia to work in construction in Germany, arranged for the transfer of persons to Germany and the onward transfer of persons to members of the organised criminal group in Germany.
 - 4.2.3. Between 11 April 2013 and 2 March 2017, no fewer than 130 persons were recruited for exploitation in the construction sector in Germany.
 - 4.2.4. A number of companies (16 LLCs) were registered in Latvia (the companies were registered by person B), in which acquaintances were appointed as officers, while actually the accountant was in charge of managing the company.
 - 4.2.5. The payment cards and internet banking set up for the companies were used by members of the organised crime group to make payments and withdraw cash.
 - 4.2.6. Bank statements of the companies show that only part of the money actually earned by the Latvian companies was transferred to the persons sent for labour exploitation, while the remainder, i.e., at least half of the money paid to the employees, was withdrawn from the accounts both in cash (cash in the amount of EUR 1,000 was regularly withdrawn from the bank account of the LLC in Germany) and through the conclusion of fictitious loan agreements.
 - 4.2.7. Less than the German minimum wage was paid for the work.

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- 4.2.8. Social security contributions, on the other hand, were either not paid at all or were paid partially.
 - 4.2.9. Moreover, these persons were neither paid mission allowances, nor had their travel expenses reimbursed, as required by the legislation of the Republic of Latvia.
 - 4.2.10. An analysis of the bank accounts of the companies used in trafficking revealed that, during the period from April 2013 to March 2017, a total of approximately EUR 1,323,556.51 was transferred from foreign (German) companies and individuals to the accounts of the fictitious companies mentioned above; while a maximum of EUR 604,655.66 was transferred as wages to the workers exploited in Germany;
 - 4.2.11. Some EUR 46,627.02 was transferred to the Treasury for social contributions of employed persons (including members of the organised group and other fictitiously employed persons).
 - 4.2.12. The Court, having assessed the materials of the criminal proceedings, concluded that no less than EUR 672,273.83 originated from the criminal offence of human trafficking. The companies' bank accounts were used to commit ML by changing the location and ownership of the funds to hide their criminal origin, and to convert them into other assets, such as real estate, vehicles, etc.
- 4.3. During the search, funds amounting to EUR 15,350 were found and seized from the residence of person A. Person A, in whose possession the funds were found, was recognised as a suspect in the criminal proceedings for the commission of the criminal offence provided for in Section 195, Paragraph three and Section 154.¹, Paragraph three of the CL. The parallel financial investigation revealed:
- 4.3.1. In 2006, a person concluded a purchase contract for real estate worth EUR 113,829.70 (LVL 80,000), which was prohibited from alienation, gift or pledge. In 2007, the real estate was mortgaged to a credit institution. In 2012, the pledge was transferred to another credit institution and was extinguished in 2016. The person paid the loan to the credit institution from the funds in their current account, which were derived from human trafficking and from the participation of that person in ML.
 - 4.3.2. In 2014, person A concluded a purchase contract for the purchase of an apartment in Riga worth EUR 36,000, for which they used funds obtained from human trafficking and participation in ML.
 - 4.3.3. In 2014, person A acquired for themselves a Mercedes Benz E320 vehicle using funds obtained from human trafficking and participation in ML.
 - 4.3.4. In 2016, person A concluded a contract with a leasing company for the purchase of a Mercedes Benz GL420 and, in fulfilment of the contractual obligations, made a payment of EUR 7,085 from their current account and made monthly payments to the lender using funds obtained from human trafficking and participation in ML.
 - 4.3.5. The Court concluded that the investigation established that person A was a member of an organised criminal group and that the members of the organised criminal group had laundered a total of at least EUR 672,273.83.

"The UK Case"

- 4.4. Between 1 July 2012 and 30 July 2015, an organised criminal group recruited low-income persons in the territory of Latvia (according to UK law enforcement authorities, not less than 23 persons from Latvia were enslaved), transported them to the UK where they were accommodated for the purposes of forced labour, forcibly deprived of their identification documents and pre-issued payment cards:
 - 4.4.1. The persons were exploited in various jobs, but their payment cards were used illegally, by withdrawing in cash their wages at cash machines.
 - 4.4.2. Members of the organised crime group also illegally used the victims' credit cards for everyday expenses as well as to purchase airline tickets to transport other recruited persons to the UK.
 - 4.4.3. In the course of the investigation, it was established that in the period from 2013 to 2017, multiple money transfers totalling EUR 6,484.88 and 235,02 EUR (165,17 LVL) were made through money or value transfer services from members of the organised criminal group to the mother of a member of the organised criminal group.
- 4.5. The parallel financial investigation found:
 - 4.5.1. In 2009, a Hummer H3 luxury car was registered in the name of the mother of one of the members of the organised group (a person convicted of human trafficking) and was registered again in her name on 20 July 2016. It was found that the vehicle had previously (in 2008) been registered in the name of the person's grandson (a member of the organised criminal group).
 - 4.5.2. It was established that she did not have a driver's licence, but that the right of possession of the above-mentioned car was in fact being used by other members of the organised criminal group.
 - 4.5.3. In 2009, she bought 9/10 undivided shares in a property in Jūrmala from her son, a member of the organised criminal group (convicted of human trafficking), for EUR 10,000. In 2015, she bought the 1/10 undivided share in the property for EUR 4,000.
 - 4.5.4. On 9 November 2017, a loan agreement for the amount of EUR 40,233.10 was concluded between an LLC and a member of the organised criminal group (a person convicted of human trafficking), and the above-mentioned real estate in Jūrmala was pledged as collateral for the loan in favour of the lender LLC, for which on 9 November 2017 a mortgage agreement was concluded between the LLC and the owner. After the conclusion of the loan agreement and the mortgage agreement, the member of the organised group made regular payments to the LLC, totalling EUR 3,281, despite the fact that they had no legal income during this period. No further payments were made to the LLC.
 - 4.5.5. According to the information provided by the SSIA and the State Revenue Service, in the time period between 2013 and 19 January 2018, the member of the organised group who concluded the loan agreement had received income totalling EUR 1,894.83. According to Section 11 of the AML/CFTP Law, before starting the transaction, i.e., before concluding the loan agreement, the LLC was obliged to conduct customer due diligence in order to ascertain that the person had such legitimate income as to be able to fulfil the obligations of the concluded loan agreement, i.e., to pay EUR 600 per month, which the LLC had not duly done.

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- 4.5.6. When checking the information provided by the SRS and the SSIA on the contributions of the insured person, it was found that the mother of the member of the organised group had not been employed since 2006 at the latest and no state social insurance contributions had been paid for her.
- 4.5.7. Between January 2008 and 2020, she had received social benefits (pension) totalling 17842,88 EUR (12 540,05 LVL) and EUR 13 248.45, i.e. in 2017 she received a pension of approximately EUR 162.29 per month.
- 4.5.8. The criminal proceedings also revealed that there are two unregistered new buildings in Jūrmala, which have not been put into operation and where construction and other renovation works are taking place, which may have been carried out using the proceeds of crime.
- 4.5.9. In 2017, the same mother of the member of the organised group bought a real estate property (apartment) in Jūrmala for EUR 7,200.
- 4.5.10. In 2015, one of the members of the organised criminal group (a person convicted of human trafficking) purchased 9/10 of a plot of land in Jūrmala for EUR 6,000 and the rest of the property for EUR 800 a little later that year.
- 4.5.11. According to the information on the contributions of the insured person provided by the SSIA, it was established that the person has not been employed since 2010 and no state social insurance contributions have been paid for them.

5. Indicators of human trafficking

- 5.1. Two lists of indicators of human trafficking have been prepared. The first list has been compiled in cooperation with the State Police and the Prosecution Office of the Republic of Latvia, and it includes features identified during criminal proceedings conducted in Latvia. Taking into account the growing urgency of labour exploitation in Latvia, as well as the importance of parallel financial investigations in these cases of human trafficking, the indicators are gathered mainly from criminal proceedings on labour exploitation. The second list features indicators of international human trafficking, and it is based on the workshop "Countering human trafficking and associated money laundering" held on 8 February 2022. This list was developed in cooperation with the UN initiative FAST (Finance Against Slavery and Trafficking), selecting indicators that correspond to Latvia's trafficking risk profile.
- 5.2. These lists of indicators have been developed with the aim of raising awareness of the subjects of the AML/CFTP Law on human trafficking, as well as to facilitate the detection of human trafficking carried out in Latvia. As with any list of indicators, these features of human trafficking must be considered in the context of the other available information about the AML/CFTP Law subject's customer and the context of the identified transactions. The same indicator in different situations may be indicative of possible tax evasion or human trafficking, or some other criminal offence, or it may have a legitimate explanation. It is therefore important not to consider the following indicators in isolation from other available information.

Indicators identified in Latvian cases of human trafficking

Victims


- 5.2.1. A natural person is working and receiving salary abroad, yet cash withdrawals are made in Latvia (withdrawals are made by a third person).
- 5.2.2. One ATM is used for series of cash withdrawals (in short time period) from multiple cards owned by multiple persons (withdrawals are made by a third person).
- 5.2.3. A natural person is working abroad and, after receiving salary, transfers funds to third parties / withdraws them in cash (typical account activity would be daily expenditure, transfers to family members, covering liabilities).
- 5.2.4. A foreign natural person from THB risk countries has indicated a significantly larger planned turnover in his KYC questionnaire than the actual incoming payments (the possible victim might have been deceived in regards to the true amount of salary).
- 5.2.5. A third person assists a foreign natural person from THB risk countries in account opening, controls how the KYC questionnaires are filled.
- 5.2.6. A natural person regularly receives travel allowances and a Latvian minimal salary or a similar salary (the person on paper is working for a Latvian company, but spends most of the time working in Western Europe / Scandinavia for an inadequate salary. Possible tax evasion or THB).
- 5.2.7. On the same day or shortly after the money is transferred to an account, majority of it or the full amount is transferred to another account or withdrawn in cash.

Companies

- 5.2.8. The salary of low skilled employees from THB risk countries is paid in cash.
 - 5.2.9. The formal salary of the employees is adequate and in line with the job market; however, it is regularly and systematically reduced with penalties for different violations, «slacking off», etc.
 - 5.2.10. The recruitment agency operates only as an intermediary, does not conduct any type of economic activity on its own, does not have a physical office. The payment flow consists of incoming payments from foreign companies, while the outgoing payments are unusually low salaries and transfers to UBO / third parties / cash withdrawals.
 - 5.2.11. The nominal beneficial owner of the intermediary company is one of the workers (victims).
 - 5.2.12. The income and wealth of the UBO and linked persons is disproportionate to other similar business owners.
 - 5.2.13. Payment for work performed is transferred for several employees to one account (the amount transferred corresponds to the amount of several salaries), but it is not passed on to individual employees.
 - 5.2.14. Regular, frequent, large-scale purchases of transport tickets (including airline tickets, transfer services, etc.) have been made, unless the specifics of the business are related to the provision of travel services.
- 5.3. The objective of money laundering is to get the illegal funds back to the individual who generated them. When it comes to ML techniques THB is no different from any other form of organized crime. In cases analysed the exploiters used the following widespread ML methods:
 - 5.3.1. A company makes fictitious payments (for legal services, for marketing services, etc.) to foreign companies to extract funds from the company.
 - 5.3.2. Persons with links to the UBO (family members, spouses, ex-spouses, mistresses, their children) without significant regular income purchase luxurious real estate, vehicles, frequently deposit cash to their bank account.
 - 5.3.3. Third persons without significant regular income purchase luxurious real estate/ vehicles that are used by the UBO.
 - 5.3.4. Extensive use of cash by members of the organized crime group.
 - 5.4. These methods and indicators are not unlike classic ML techniques and are regularly found in ML cases involving various predicate offences. However, it also shows that everyday, in-depth due diligence procedure can potentially contribute to preventing and combating human trafficking.

Indicators of human trafficking by foreign and international organisations

- 5.5. The list of indicators is based on the workshop “Countering human trafficking and associated money laundering”, held on 8 February 2022. It is based on the UN FAST initiative's list of human trafficking characteristics that correspond to Latvia's human trafficking risk profile. This compilation is complemented by relevant features provided by other participants at the workshop, including representatives of the OSCE, the Canadian Financial Intelligence Service, foreign credit institutions, etc.

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- 5.6. The list of indicators is intended for use at financial institutions and the following breakdown of indicators corresponds to the three lines of defence of financial institutions. The Customer Behaviour Indicators are intended for customer service specialists, the Know Your Customer Indicators are for anti-money laundering, counter terrorist and proliferation financing (AML/CFT) analysts who carry out customer due diligence, while the Transaction Indicators are for AML/CFT analysts who conduct supervision of transactions. Thus, it is essential that the different teams within an organization communicate with each other.

Behavioral indicators


- 5.6.1. Suspected victim is accompanied by another person and potential trafficker speaks on behalf of the individual.
- 5.6.2. Potential trafficker claims to be related but does not know critical details.
- 5.6.3. Acts of physical aggression displayed (e.g., bruises).
- 5.6.4. Contradictory explanations over a transaction.
- 5.6.5. Forms completed in different handwriting.
- 5.6.6. Use of a third ID, who is not present, to open a bank account.
- 5.6.7. Poor dress, personal hygiene and/or malnourished.
- 5.6.8. Fear or depression noticed.
- 5.6.9. Potential victim uses terminology common with sex industry.
- 5.6.10. Potential victim reads their personal details from a script/form.

KYC indicators

- 5.6.11. Utilization of an address or phone number with several seemingly unrelated individuals.
- 5.6.12. False identification documents.
- 5.6.13. PO Box addresses.
- 5.6.14. Individual email corresponds to online classified ads known to cater to the sex industry.
- 5.6.15. Inexplicable lifestyle compared to the client profile.
- 5.6.16. Registration of assets under different names.
- 5.6.17. Profits or deposits much larger than are usual or reasonably expected for the customer's size or type of business, or where financial turnover is incommensurate with the commercial turnover usual for a business of that size or type.
- 5.6.18. Suspicious lack of staff costs - the person or business is in a service industry with little or no staff or contractor costs but has reported an income higher than the owner of the business being able to generate themselves.
- 5.6.19. A high number of individual accounts opened and closed simultaneously.
- 5.6.20. Use of alias identities and multiple addresses.
- 5.6.21. Addition of an unusual number of unrelated individuals as joint account holders.
- 5.6.22. Adverse media attention in relation to THB.
- 5.6.23. Multiple customers with the same employer, opening account within the same or close time period.

Transactional indicators

- 5.6.24. Recurring payments for wages at unreasonably low amounts (labor exploitation).
- 5.6.25. Lack of living expenses such as food, petrol, utilities and rent.
- 5.6.26. Money transfers from many males to one female.
- 5.6.27. Use of multiple individuals to conduct banking.
- 5.6.28. Cash deposits conducted at different cities across the country.

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- 5.6.29. Credit card payments for purchases made after the establishments' normal hours of business (e.g. beauty salons, model agencies, strip clubs, massage parlours).
 - 5.6.30. Cross-border transfers of funds inconsistent with the stated business purpose of the account holder.
 - 5.6.31. Wide use of cash, often just under the reporting threshold and cash deposits at several branches or ATMs.
 - 5.6.32. Hotel transactions by the same individual for two separate rooms for the same dates.
 - 5.6.33. Transactions with unregistered Money Service Businesses (MSB).
 - 5.6.34. Frequent transactions using third-party payment processors that conceal the originators and/or beneficiaries of the transactions. (FinCEN).
 - 5.6.35. A high percentage of income withdrawn quickly after receipt in the accounts (FATF).
 - 5.6.36. Analysis of ATM activity shows that their ATM usage often occurred at the same machine at the same time suggesting that a third party is in control of their cards (FATF).
 - 5.6.37. Frequent transactions using third-party payment processors that conceal the originators and/or beneficiaries of the transactions. (FinCEN).

List of abbreviations and terms

AML/CFTP	Prevention of money laundering and terrorism and proliferation financing
AML/CFTP Law	Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing
CIS countries	The Commonwealth of Independent States (CIS) countries are Armenia, Azerbaijan, Belarus, Georgia (no longer part of the CIS as of September 2009), Kazakhstan, Kyrgyzstan, Russia, the Republic of Moldova, Tajikistan, Turkmenistan (associate member), Ukraine (associate member), Uzbekistan.
CL	Criminal Law
CoE	Council of Europe
CoE Convention	The Council of Europe Convention on Action against Trafficking in Human Beings) of 2005.
Directive	Directive 2011/36/EU of the European Parliament and of the Council of 5 April 2011 on preventing and combating trafficking in human beings and protecting its victims, and replacing Council Framework Decision 2002/629/JHA.
EU	European Union
FAST	Finance Against Slavery and Trafficking - a global initiative of the United Nations (UN) University Centre for Policy Research to mobilise the financial sector against modern slavery and human trafficking.
GRETA	Council of Europe Group of Experts on Action against Trafficking in Human Beings
LLC	Limited Liability Company
ML	Money laundering
MVTS	Money or value transfer service
NGO	Non-governmental organisation
OSCE	Organisation for Security and Co-operation in Europe
Protocol	The Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime of 13 December 2000
SRS	State Revenue Service
SSIA	State Social Insurance Agency
UK	United Kingdom
UN	United Nations
UNODC	United Nations Office on Drugs and Crime