

Money Laundering from Environmental Crime

What is an Environmental Crime?

Environmental Crime or green crime is an illegal activity that directly damages the environment. In recent times, it has become an extremely lucrative business as the financial benefits derived from these illegal activities have been directly linked to fraud and money laundering. These crimes are mostly perpetrated by criminal organizations, who use the illicit gains to commit other crimes such as tax fraud, drug trafficking, forced labour and human trafficking.

Money Laundering through Environmental Crime: Red Flags

- ◆ **Corporate deception:**
 Environmental criminals may set up shell companies to handle the shipment of illegal goods. Shell companies may have obscure beneficial ownership, overly complex infrastructures or be located in tax havens.
- ◆ **Transaction patterns:**
 Environmental criminals may engage in irregular or inconsistent transaction patterns, transact in amounts that do not match the scale of their stated business or transact with high-risk countries and environmental crime hotspots.
- ◆ **Cash transactions:** By dealing with cash, environmental criminals may be able to operate with a greater degree of anonymity. Firms should be on the lookout for a high frequency of cash transactions or requests for high denomination bank notes.
- ◆ **Shipping:** Criminals may seek to avoid customer due diligence checks when transporting the products of environmental crimes by faking, failing to complete or manipulating shipping documents.
- ◆ **Unknown goods:** Environmental crimes often involve exotic animal species or rare substances. Criminals make take advantage of the fact that some employees of financial institutions may not be familiar with these species and substances or may not even be aware of laws restricting their trade.

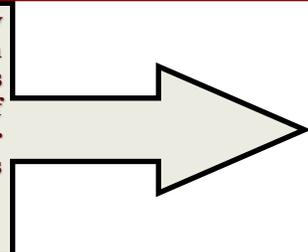
Additional Information on Environmental Crime

Environmental crime is estimated to net between \$110 to \$281 billion USD dollars annually, and has become slightly more profitable than human trafficking. It is the third largest criminal sector worldwide. Environmental crime does not occur in a vacuum as the financial proceeds generated from these illegal activities are associated that other criminal activities that may include the following -

- ◆ Tax Crimes (evasion of duties); Smuggling (Guns, Human Trafficking; and Drugs); Corruption (Bribery, Falsification of Concessions, Licences and Falsification of original certificates); Terrorism and Armed Insurgency; and other Environmental Crimes.

Money laundering and environmental crimes are often intertwined because criminals must find a way to launder their illicit gains. Criminals frequently utilize legitimate enterprises to conceal their unlawful activities, either by using a front firm/ shell company, or by mixing green crimes with legal operations to avoid detection.

Environmental crimes tend not to directly involve human victims; they are often perceived as less damaging by authorities and are not prioritized over other types of crime. That perception also leads to lighter punishments and, by extension, less disincentive for criminals.



Crimes classified as Environmental or Green Crimes

- ◆ Illegal trade in wildlife or animal smuggling;
- ◆ Illegal logging including the destruction of protected habitats;
- ◆ Illegal, unreported and unregulated fishing;
- ◆ Smuggling of ozone depleting substances;
- ◆ Illicit trade in hazardous waste; and
- ◆ Illegal mining.

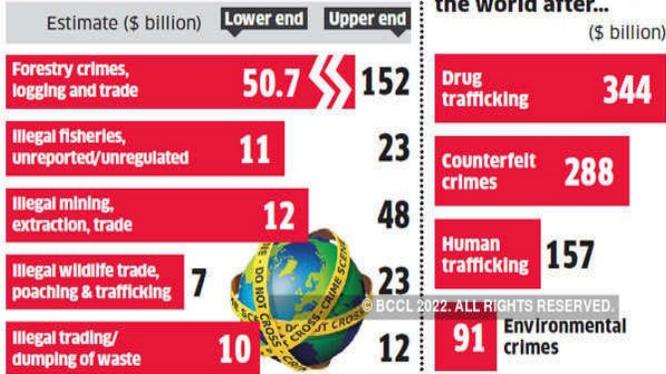
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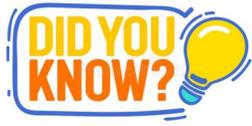
Environmental Crime

Environmental crime – a collective term to describe illegal activities harming the environment and aimed at benefitting individuals or companies – is rising fast, costing the world roughly \$91 billion, according to an estimate by the United Nations Environment Programme...

Environmental crime fast-growing illegal activity...



Examples of Environmental Crimes



Every year up to 50 million tons of electronic waste (computers, TV sets, mobile phones, appliances, etc.) are dumped on third world markets. Additionally, up to 75% of all these electronics are estimated to leave the official circuit and are illegally exported to countries like Africa, China or India.

AML Anti-Money Laundering

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For More Information

- References:**
- Money Laundering (ML) from Environmental Crime - CFATF Research Desk - March 17th 2022
 - Money Laundering from Environment Crime - FATF Report - 28 June 2021
 - [Environmental Crime and Money Laundering | ComplyAdvantage](#)

- audit
- Due diligence
- name screening
- records
- source of funds
- training
- beneficial owners
- Enhanced due diligence
- politically exposed person
- Red flags
- suspicious activity
- World-Check Online
- cash
- Gap analysis
- procedures
- risk assessment
- suspicious activity report