

FINCEN'S REMINDER TO FINANCIAL INSTITUTIONS TO BE VIGILANT WHEN IT COMES TO HUMAN SMUGGLING

FinCEN's first alert of 2023 (FIN-2023-Alert001), issued on January 13, 2023, provides further guidance to financial institutions to better detect and report financial activity connected to human smuggling and human trafficking.

The "[FinCEN Alert on Human Smuggling along the Southwest Border of the United States](#)" focuses on the risks to financial institutions from the known and increasing incidences of human smuggling along the U.S. southern border, although the guidance applies more globally given the prevalence of human smuggling and trafficking. This is not FinCEN's first guidance on the topic but is the third in a series of alerts first issued in 2014 and then 2020 and a reflection of FinCEN's anti-money laundering (AML) and countering the financing of terrorism (CFT) priorities, published in 2021. The alert comes days after a trip by President Biden to the southwest border and Mexico.

FinCEN highlights the types of typologies commonly seen in connection with human smuggling given that most payments by those seeking passage into the United States are cash payments and those involved in the illicit trafficking of individuals need a way to launder those payments. FinCEN notes that the methods are similar to those seen in organized crime operations generally but provides a helpful reminder to financial institutions:

- **Cash Placement and Layering:** Both the physical movement and deposit of large amounts of cash or frequent deposits of smaller amounts of cash to mask the large amount of cash. Also, use of cash to make large value real estate purchases of property or land.
- **Funnel Accounts:** Use of accounts at financial institutions in the United States with branches and locations along both side of the US southern border to receive payments from individuals already in the United States seeking to pay smugglers.
- **Alternative Payment Methods:** In addition to payment via cash, human smugglers also use mobile payment applications and other forms of peer-to-peer (P2P) networks to transfer funds. For example, smugglers may use P2P networks to collect payments from migrants to cover the

expenses necessary for their travel from the country of origin to their final destination.

In addition to these typologies, FinCEN directs industry's attention to the March 2022 comprehensive study on the illicit finance risks associated with migrant smuggling by the multilateral [Financial Action Task Force](#). FinCEN also shares a list of eight potential "red flags" that financial institutions should take into account and use to train compliance teams to identify transactions potentially linked to human trafficking/smuggling:

- Transactions involving multiple wire transfers, cash deposits, or P2P payments from multiple originators from different geographic locations either across (1) the United States, or (2) Mexico and Central America, to one beneficiary located on or around the SW border, with no apparent business purpose.
- Deposits made by multiple individuals in multiple locations into a single account, not affiliated with the account holder's area of residence or work, with no apparent business purpose.
- Currency deposits into U.S. accounts without explanation, followed by rapid wire transfers to countries with high migrant flows (e.g., Mexico, Central America), in a manner that is inconsistent with expected customer activity.
- Frequent exchange of small-denomination for larger-denomination bills by a customer who is not in a cash-intensive industry.
- Multiple customers sending wire transfers to the same beneficiary (who is not a relative, and may be located in the sender's home country), inconsistent with the customer's usual business activity and reported occupation.
- A customer making significantly greater deposits—including cash deposits—than those of peers in similar professions or lines of business.
- A customer making cash deposits that are inconsistent with the customer's line of business.
- Extensive use of cash to purchase assets, such as real estate, and to conduct transactions.

The alert directs filers to include the phrase "FIN-2023- HUMANSMUGGLING" in Field 2 on SAR forms as well as selecting SAR Field 38(g). Given that the alert references large cash transactions for purchases of goods and services, FinCEN is again reminding industry of the 8300 filing requirement pertaining to large cash transactions received by a trade or business. 8300 filers are asked to include the "FIN-2023- HUMANSMUGGLING" in the comments section of the report.

Financial institutions should ensure that they have incorporated these typologies and "red flags" into their compliance training and transaction monitoring systems.

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