



# FinCEN NOTICE

FIN-2021-NTC4

November 18, 2021

## FinCEN Calls Attention to Environmental Crimes and Related Financial Activity

The Financial Crimes Enforcement Network (FinCEN) is issuing this Notice to call attention to an upward trend in environmental crimes and associated illicit financial activity. FinCEN is highlighting this trend because of: (1) its strong association with corruption and transnational criminal organizations, two of FinCEN's national anti-money laundering and countering the financing of terrorism (AML/CFT) priorities;<sup>1</sup> (2) a need to enhance reporting and analysis of related illicit financial flows;<sup>2</sup> and (3) environmental crimes' contribution to the climate crisis, including threatening ecosystems, decreasing biodiversity, and increasing carbon dioxide in the atmosphere.<sup>3</sup> This Notice provides financial institutions with specific suspicious activity report (SAR) filing instructions and highlights the likelihood of illicit financial activity related to several types of environmental crimes.

### Environmental Crimes

Global environmental crimes are estimated by some international organizations to generate hundreds of billions in illicit proceeds annually and now rank as the third largest illicit activity in the world following the trafficking of drugs and counterfeit goods.<sup>4</sup> The international police

1. FinCEN, *National AML/CFT Priorities News Release*, June 30, 2021 (containing links to the national priorities and two guidance documents), <https://www.fincen.gov/news/news-releases/fincen-issues-first-national-amlcft-priorities-and-accompanying-statements>.
2. Financial Action Task Force (FATF), *Money Laundering from Environmental Crime*, July 2021, at pp. 5-6 (recognizing the need to better understand financial flows related to environmental crimes and citing similar recognitions by United Nations, G7, and G20), <https://www.fatf-gafi.org/publications/environmentalcrime/documents/money-laundering-from-environmental-crime.pdf>; FATF, *Money Laundering and the Illegal Wildlife Trade*, June 2020, at pp. 5-7 (indicating that the financial trail is "rarely" investigated in illegal wildlife trafficking), <https://www.fatf-gafi.org/media/fatf/documents/Money-laundering-and-illegal-wildlife-trade.pdf>; ECOFEL, *Financial Investigations into Wildlife Crime*, January 2021, at p. 6 ("Historically, there have been few financial investigations into wildlife crime around the world."), [https://egmontgroup.org/sites/default/files/filedepot/external/ECOFEL\\_Financial\\_Investigations\\_into\\_Wildlife\\_Crime\\_Report\\_Final.pdf](https://egmontgroup.org/sites/default/files/filedepot/external/ECOFEL_Financial_Investigations_into_Wildlife_Crime_Report_Final.pdf).
3. FATF, *Money Laundering from Environmental Crime*, *supra* at p. 5; FATF, *Money Laundering and the Illegal Wildlife Trade*, *supra* at p. 7; *see also*, UK Department for Environment, Food & Rural Affairs and the Rt Hon. Lord Goldsmith, *UK Commits Additional £7.2 Million to Tackling Illegal Wildlife Trade*, October 1, 2021 (referring to illegal wildlife trafficking resulting in the depletion of carbon sequestering abilities), <https://www.gov.uk/government/news/uk-commits-additional-72-million-to-tackling-illegal-wildlife-trade>.
4. FATF, *Money Laundering from Environmental Crime*, *supra* at p. 11 ("Estimates of the scale of financial flows from environmental crimes vary considerably but evidence suggests that proceeds account for hundreds of billions of dollars annually impacting all regions."); Interpol, RHIPTO, and the Global Initiative Against Transnational Crime, *World Atlas of Illicit Flows*, 2018, at p. 15 (including illegal exploitation and theft of oil and acknowledging that these figures represent the best estimates from the best available sources which are limited at this time), <https://globalinitiative.net/wp-content/uploads/2018/09/Atlas-Illicit-Flows-Second-Edition-EN-WEB.pdf>.

organization Interpol estimates that total proceeds from environmental crimes are growing at a rate of at least 5% per year.<sup>5</sup> Furthermore, there is reporting that in conflict zones, environmental crimes, including illegal exploitation and theft of oil, provide an estimated 38% of illicit income to armed groups, more than any other illicit activity, including drug trafficking.<sup>6</sup>

Environmental crimes encompass illegal activity that harm human health, and harm nature and natural resources by damaging environmental quality, including increasing carbon dioxide levels in the atmosphere, driving biodiversity loss, and causing the overexploitation of natural resources.<sup>7</sup> This category of crimes includes (i) wildlife trafficking, (ii) illegal logging, (iii) illegal fishing, (iv) illegal mining, and (v) waste and hazardous substances trafficking.<sup>8</sup> These crimes are relatively low risk activities with high rewards because enforcement efforts are limited, demand for the products and services generated by these crimes is high, and criminal penalties are not as severe as for other illicit activities. Environmental crimes frequently involve transnational organized crime and corruption and are often associated with a variety of other crimes including money laundering, bribery, theft, forgery, tax evasion, fraud, human trafficking, and drug trafficking. See appendix for additional information on each type of illicit activity.

### Suspicious Activity Report Filing Instructions

Financial institutions' SAR filings, in conjunction with effective implementation of their Bank Secrecy Act (BSA) compliance requirements, are crucial to identifying and stopping environmental crimes and related money laundering.

- FinCEN requests that financial institutions reference **only** this notice in SAR field 2 (Filing Institution Note to FinCEN) using keyword "FIN-2021-NTC4;" this keyword should also be referenced in the narrative portion of the SAR to indicate a connection between the suspicious activity being reported and the activities highlighted in this notice.<sup>9</sup>
- Financial institutions should also select SAR field 38(z) (Other Suspicious Activities - other) as the associated suspicious activity type to indicate a connection between the suspicious activity being reported and environmental crimes and use the most relevant keyword for suspicious

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5. *Id.*; Interpol Website, accessed on October 1, 2021, <https://www.interpol.int/News-and-Events/News/2020/INTERPOL-marks-a-decade-of-tackling-serious-organized-environmental-crime>.

6. Interpol, *et. al*, *World Atlas of Illicit Flows*, *supra* at p. 15 (noting that drugs trafficking, the second highest source of illicit funds to armed groups in conflict zones accounts for 28% of income).

7. Some sources refer to "conservation crimes," a subset of environmental crimes that encompasses illegal activities that harm or threaten nature and natural resources.

8. For a more in depth examination of wildlife trafficking, see FATF, *Money Laundering and the Illegal Wildlife Trade*, *supra*, and ECOFEL, *Financial Investigations into Wildlife Crime*, *supra*. For a general overview of illegal logging, illegal mining, and waste trafficking, see FATF, *Money Laundering From Environmental Crime Handout*, July 2021, <https://www.fatf-gafi.org/media/fatf/documents/reports/Money-laundering-from-environmental-crime-handout.pdf>, and FATF, *Money Laundering from Environmental Crime*, *supra*. For a discussion of illegal fishing, see National Oceanic and Atmospheric Administration (NOAA) website, accessed October 1, 2021, <https://www.fisheries.noaa.gov/insight/understanding-illegal-unreported-and-unregulated-fishing>.

9. In the narrative, filers must describe the reported suspicious activity consistent with applicable SAR reporting requirements.

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activity such as “wildlife trafficking,” “illegal logging,” “illegal fishing,” “illegal mining,” or “waste trafficking.” If the suspicious activity involves multiple potential offenses, FinCEN also requests that filers include all relevant keywords in the narrative.

- Financial institutions may consider sharing information on suspected environmental crimes offenses under Section 314(b) for the purposes of identifying and reporting money laundering activity.<sup>10</sup>

*SAR Narrative:* FinCEN also requests that filers further detail how the suspicious activity relates to environmental crimes. Filers should provide any available details concerning how the illicit product, plant, or waste was solicited, acquired, stored, transported, financed, and paid for. Filers also should provide all available details (such as names, identifiers, and contact information—including Internet Protocol (IP) and email addresses and phone numbers) regarding: (i) any actual purchasers or sellers of the illicit product, plant, waste or waste disposal services, and their intermediaries or agents; (ii) the volume and dollar amount of the transactions involving an entity that is—or may be functioning as—a supplier of illicit products, plants, waste or waste services; and (iii) any beneficial owner(s) of involved entities (such as shell companies). In the case of illicit waste, filers should provide all available details and specific descriptions of the waste product and any known details about its origin, transport, and destination. If known, filers should provide information about the place(s) where the reported individuals or entities are operating.

### For Further Information

Additional illicit finance information, including advisories and notices, can be found on FinCEN’s website at <https://www.fincen.gov>, which also contains information on how to register for FinCEN Updates. Questions or comments regarding the contents of this notice should be addressed to the FinCEN Regulatory Support Section at [frc@fincen.gov](mailto:frc@fincen.gov).

**The mission of the Financial Crimes Enforcement Network is to safeguard the financial system from illicit use, combat money laundering and its related crimes including terrorism, and promote national security through the strategic use of financial authorities and the collection, analysis, and dissemination of financial intelligence.**

10. FinCEN, *Section 314(b) Fact Sheet*, December 2020, <https://www.fincen.gov/sites/default/files/shared/314bfactsheet.pdf>, which states that the safe harbor from liability set forth in section 314(b) of the USA PATRIOT Act may apply in certain situations to the sharing of cyber-related information, such as IP addresses.

## Appendix: Environmental Crimes and Descriptions

Crime	Description
Wildlife Trafficking	<p>Wildlife trafficking, also known as the illegal wildlife trade (IWT), involves the illicit trade of protected animals, animal parts, and derivatives thereof, including procurement, transport, and distribution, in violation of international or domestic law, and money laundering related to this activity. The United Nations estimates that in excess of 7,000 different species are illegally trafficked.<sup>11</sup> This activity is increasingly carried out by transnational criminal organizations (TCOs) and both encourages and entrenches corruption. In 2021, the U.S. Department of State identified 28 countries of focus for wildlife trafficking, including six countries of particular concern for related corruption—Cambodia, Cameroon, Democratic Republic of Congo, Laos, Madagascar, and Nigeria.<sup>12</sup> Further, wildlife trafficking bolsters illicit trade routes, threatens critical biodiversity, damages fragile ecosystems, and can lead to the spread of zoonotic diseases.<sup>13</sup> Proceeds from wildlife trafficking are estimated by international organizations to be between \$7 and \$23 billion per year and account for a quarter of all wildlife trade.<sup>14</sup></p> <p>IWT uses many of the same routes and methods used by drug traffickers and others engaged in illicit trade and can vary depending on the species.<sup>15</sup> Common smuggling techniques include concealing items in personal bags and falsely identifying goods as legal wildlife or other products.<sup>16</sup> IWT trade ranges from a single live animal to multi-ton commercial shipments, with the latter becoming increasingly common.</p>

11. United Nations Office on Drugs and Crime (UNODC), *World Wildlife Report Summary and Overview*, 2020, at p. 11, [https://www.unodc.org/documents/data-and-analysis/wildlife/2020/World\\_Wildlife\\_Report\\_2020\\_9July.pdf](https://www.unodc.org/documents/data-and-analysis/wildlife/2020/World_Wildlife_Report_2020_9July.pdf).
12. Pursuant to The Eliminate, Neutralize, and Disrupt (END) Wildlife Trafficking Act of 2016, <https://www.congress.gov/bill/114th-congress/house-bill/2494>, the U.S. Department of State published the *2021 END Wildlife Trafficking Report* and identified 28 countries of focus based on the conclusion that they were a “major source of wildlife trafficking products or their derivatives, a major transit point of wildlife trafficking products or their derivatives, or a major consumer of wildlife trafficking products” and six countries as countries of concern based on evidence their “governments actively engaged in or knowingly profited from the trafficking of endangered or threatened species.” U.S. Department of State, *2021 END Wildlife Trafficking Report*, November 4, 2021, <https://www.state.gov/2021-end-wildlife-trafficking-report/>.
13. Congressional Research Service (CRS), *Wildlife Trade, COVID-19, and Other Zoonotic Diseases*, Updated February 19, 2021, at p. 1, <https://crsreports.congress.gov/product/pdf/IF/IF11494>; FATF, *Money Laundering and the Illegal Wildlife Trade*, *supra* at p. 7.
14. FATF, *Money Laundering and the Illegal Wildlife Trade*, *supra* at p. 13, citing UNEP-Interpol 2014, and Daan P, Van Uhm, *The Illegal Wildlife Trade Inside the World of Poachers, Smugglers and Traders*, 2016, <https://www.springer.com/gp/book/9783319421285>.
15. UNODC, *World Wildlife Report*, *supra* at p. 14 and Chapters 2-7.
16. *Id.* at p. 26.

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Crime	Description
Wildlife Trafficking (continued)	<p>IWT can be facilitated by a myriad of funding mechanisms, including, but not limited to, cash, bank transfers (wires and automated clearing house), transfers through informal values transfer systems, transfers through money services businesses, transfers conducted using online or mobile payment processors, and transactions using convertible virtual currencies (CVCs). Traffickers are increasingly turning to social media platforms to advertise, sell, and otherwise engage in IWT, including facilitating payments and the movement of money.<sup>17</sup> The involvement of the United States in IWT includes serving as a source, transit, destination, and money laundering location.</p>
Illegal Logging	<p>Illegal logging and associated trade (ILAT) is generally defined as the harvesting, processing, transporting, buying and selling of timber in violation of national and international laws.<sup>18</sup> ILAT encompasses cutting down protected tree species, cutting down trees on protected land, and logging beyond legal limits. These crimes are often associated with TCOs, corruption, forged documents, misused logging permits, tax evasion, and falsified customs declarations, and result in illicit proceeds estimated by international organizations to be between \$51 and \$152 billion a year.<sup>19</sup> This activity can have “significant negative impact on land use and tenure, human habitation and sustainable livelihoods and cause climate, land, and asset degradation.”<sup>20</sup> Some experts estimate that the “ecosystem service value” lost from illegal logging is \$1 trillion or more annually based on what the illegally logged trees would have provided, including the value of absorbing carbon to offset rising carbon dioxide levels.<sup>21</sup></p> <p>Illegal logging concentrations have been noted in primary rainforests in Central America and South America, central and southern Africa, southeast Asia, and Eastern Europe,<sup>22</sup> accounting for up to 90% of tropical deforestation in some countries.<sup>23</sup> The timber is transported from and through these regions to East Asia, North America, and Western Europe<sup>24</sup> and typically sold in legal markets where the illegal origin of the product is difficult to ascertain.</p>

17. U.S. Department of the Interior, *Ten Things Poachers Don’t Want You to Know About Wildlife Trafficking*, September 9, 2020, <https://www.doi.gov/blog/10-things-poachers-dont-want-you-know-about-wildlife-trafficking>.

18. World Bank, *Illegal Logging, Fishing, and Wildlife Trade: The Costs and How to Combat It*, 2019, at p. 10, <https://openknowledge.worldbank.org/handle/10986/32806>.

19. *Id.* at p. 15, (referencing United Nations Environment Programme - Interpol data from 2016).

20. FATF, *Money Laundering from Environmental Crime*, *supra* at p. 13.

21. World Bank, *Illegal Logging, Fishing, and Wildlife Trade*, *supra* at pp. 17-18.

22. FATF, *Money Laundering from Environmental Crime*, *supra* at p. 13.

23. Interpol, *Forestry Crime: Tackling the Most Lucrative of Environmental Crimes*, December 14, 2020, accessed October 1, 2021, <https://www.interpol.int/en/News-and-Events/News/2020/Forestry-crime-targeting-the-most-lucrative-of-environmental-crimes>.

24. FATF, *Money Laundering from Environmental Crime*, *supra* at p. 13.

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Crime	Description
Illegal Logging (continued)	Because this illicit trade is commingled with legal trade, it may involve corporate structures, the use of shell companies in various jurisdictions, and the movement of proceeds in the international financial system. <sup>25</sup> With respect to consumption, China, India, Japan, the United States and certain countries in the European Union are considered the biggest consumers of illegal logging, <sup>26</sup> with China often serving as a processing center for illicit timber from Africa, Asia, and beyond. <sup>27</sup>
Illegal Fishing	<p>Illegal fishing refers to fishing activities conducted in contravention of applicable laws and regulations at the local, regional, and international levels.<sup>28</sup> These crimes are often associated with other illegal activity, including TCOs, corruption, money laundering, human trafficking, piracy, drug trafficking, and forgery,<sup>29</sup> and are estimated by international organizations to result in annual illicit proceeds between \$11 and \$24 billion.<sup>30</sup> Illegal fishing poses a direct threat to healthy ocean ecosystems, as well as the economic and food security of entire nations.<sup>31</sup></p> <p>Illegal fishing occurs all over the world with a variety of species. Specific information about the scope of illegal fishing is not readily available as efforts in this area, including those of the U.S. government, are commonly grouped with unregulated and under-regulated fishing, referred to collectively as illegal, unreported, and unregulated fishing or “IUU.” With that important caveat, it is instructive to consider available IUU statistics to begin to understand the scope and nature of illegal fishing. It is estimated that, internationally, one in five fish caught originated from IUU.<sup>32</sup> In 2019, the United States alone imported an estimated \$2.4 billion in seafood products derived from IUU, including swimming crab, wild-caught warm water shrimp, yellowfin tuna, and squid. The countries involved in the biggest imports of IUU to the United States include China, Russia, Mexico, Vietnam,</p>

25. *Id.* at p. 12.

26. Congressional Research Service, *International Illegal Logging: Background and Issues*, February 26, 2019, at p.1, <https://sgp.fas.org/crs/misc/IF11114.pdf>.

27. U.S. Customs and Border Protection, *The True Cost of Timber*, July 19, 2021, at p. 2, citing sources, <https://www.cbp.gov/frontline/cbp-stops-illegal-logging>.

28. See NOAA website, *Understanding Illegal, Unreported, and Unregulated Fishing*, *supra*.

29. See United States Coast Guard (U.S.C.G.), *Illegal, Unreported, and Unregulated Fishing Pilot Program*, December 6, 2019, at p. 2, [https://www.dhs.gov/sites/default/files/publications/uscg\\_-\\_illegal\\_unreported\\_and\\_unregulated\\_fishing\\_-\\_pilot\\_program.pdf](https://www.dhs.gov/sites/default/files/publications/uscg_-_illegal_unreported_and_unregulated_fishing_-_pilot_program.pdf); Interpol, *Fighting Illegal Unreported, and Unregulated Fishing*, December 7, 2020, [Fighting illegal, unreported and unregulated fishing \(interpol.int\)](https://www.interpol.int/News-and-media/Press-releases/2020/12/07/Fighting-illegal-unreported-and-unregulated-fishing); U.S. State Department, *Report on Human Trafficking in Fishing in International Waters*, January 2021, [Task Force on Human Trafficking in Fishing in International Waters Report to Congress | January 2021 \(justice.gov\)](https://www.state.gov/task-force-on-human-trafficking-in-fishing-in-international-waters-report-to-congress-january-2021);

30. Interpol, *et. al*, *World Atlas of Illicit Flows*, *supra*, at p. 15.

31. NOAA website, *Understanding Illegal, Unreported, and Unregulated Fishing*, *supra*.

32. U.S.C.G., *Illegal, Unreported, and Unregulated Fishing Strategic Outlook*, accessed October 21, 2021, [United States Coast Guard Illegal, Unreported, and Unregulated Fishing Strategic Outlook \(uscg.mil\)](https://www.uscg.mil/Portals/0/Files/2021/10/21/Illegal%20Unreported%20and%20Unregulated%20Fishing%20Strategic%20Outlook.pdf).

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Crime	Description
Illegal Fishing (continued)	and Indonesia. <sup>33</sup> According to the U.S. Coast Guard, IUU “has replaced piracy as the leading global maritime security threat” that if unabated will lead to the “deterioration of fragile coastal States and increased tension among foreign-fishing Nations, threatening geo-political stability around the world.” <sup>34</sup>
Illegal Mining	<p>Illegal mining involves extraction of various metals, stones, and materials, including gold, silver, iron, coal, diamonds, emeralds, and rare earths, in violation of the law, including by failing to secure legal permits, land rights, licenses, and environmental safeguards.<sup>35</sup> The activity is often associated with other crimes or criminal groups such as TCOs, corruption, fraud, human trafficking, and money laundering.<sup>36</sup> Proceeds from illegal mining are estimated by international organizations to be between \$12 and \$48 billion per year<sup>37</sup> and the activity results in significant deforestation, loss of biodiversity, environmental damages, and threats to human health.<sup>38</sup></p> <p>The extraction occurs around the world, by small and large-scale mining, and increasingly involves TCO activity.<sup>39</sup> In addition, this trade is often commingled with legal trade and may involve corporate structures and shell companies in various jurisdictions. Illegal mining is unique in that it provides illicit actors both a source of proceeds as well as a means to launder proceeds from other crimes.<sup>40</sup> Most of the proceeds of this activity are thought to end up in the international financial system.<sup>41</sup> The Federal Bureau of Investigation has found that TCOs are using “often-witting United States businesses to exploit U.S. regulations and export illegally extracted gold to the United States to launder billions of illicit proceeds from criminal operations in Latin America.”<sup>42</sup></p>

33. United States International Trade Commission (USITC), *IUU Accounts For More Than \$2 Billion of U.S. Seafood Imports*, March 18, 2021, at p. 2, [https://www.usitc.gov/press\\_room/news\\_release/2021/er031811740.htm](https://www.usitc.gov/press_room/news_release/2021/er031811740.htm), citing USITC, *Seafood Obtained Via IUU: U.S. Imports and Economic Impact on U.S. Commercial Fisheries*, February 2021.

34. U.S.C.G., *Illegal, Unreported, and Unregulated Fishing Strategic Outlook*, *supra*.

35. FATF, *Money Laundering from Environmental Crime*, *supra*, at p. 8.

36. See, e.g., *National Money Laundering Risk Assessment*, 2018, at pp. 32 and 40, [https://home.treasury.gov/system/files/136/2018NMLRA\\_12-18.pdf](https://home.treasury.gov/system/files/136/2018NMLRA_12-18.pdf).

37. Interpol, *et. al*, *World Atlas of Illicit Flows*, *supra* at p. 15.

38. Testimony of Regina Thompson, Deputy Assistant Director, Criminal Investigative Division, Federal Bureau of Investigation, Statement for the Record, Senate Foreign Relations Committee, Subcommittee on Western Hemisphere, Transnational Crime, Civilian Security, Democracy, Human Rights and Global Women’s Issues, hearing on *Illicit Mining: Threats to U.S. National Security and Threats to Human Rights*, December 5, 2019, at pp. 2-3, <https://www.fbi.gov/news/testimony/illicit-mining-threats-to-us-national-security-and-international-human-rights-120519>.

39. FATF, *Money Laundering from Environmental Crime*, *supra* at pp. 14 and 16.

40. *Id.* at pp. 14 and 19.

41. *Id.* at p. 12.

42. Testimony of Regina Thompson, hearing on *Illicit Mining: Threats to U.S. National Security and Threats to Human Rights*, *supra* at pp. 2-3.

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Crime	Description
Waste and Hazardous Substances Trafficking	Waste trafficking refers to intentional disposal of various kinds of waste, including, electronics, plastic, and industrial byproducts and runoff in a manner inconsistent with waste disposal laws. <sup>43</sup> It can occur during several stages of waste management, specifically collection, transportation, sorting, recycling, and disposal. Hazardous substance trafficking may also involve waste trafficking or trade in regulated substances that are illegal in the United States, such as banned pesticides. The Environmental Protection Agency has identified the illegal disposal of hazardous waste, the export of hazardous waste without the permission of the receiving country, illegal discharge of pollutants into the water, and the disposal of regulated chemicals, like asbestos, inconsistent with laws and regulations, as typical examples of their investigations related to waste management. <sup>44</sup> International organizations estimate that waste trafficking generates \$10-12 billion annually. <sup>45</sup>

43. FATF, *Money Laundering from Environmental Crime*, *supra* at p. 8.

44. United States Environmental Protection Agency website, *Criminal Investigations – Violation Types and Examples*, accessed October 1, 2021, <https://www.epa.gov/enforcement/criminal-investigations-violation-types-and-examples>.

45. FATF, *Money Laundering from Environmental Crime*, *supra* at p. 16.