

Whitepaper

MONEY LAUNDERING IN THE FISHERIES SECTOR



Money Laundering in the Fisheries Sector

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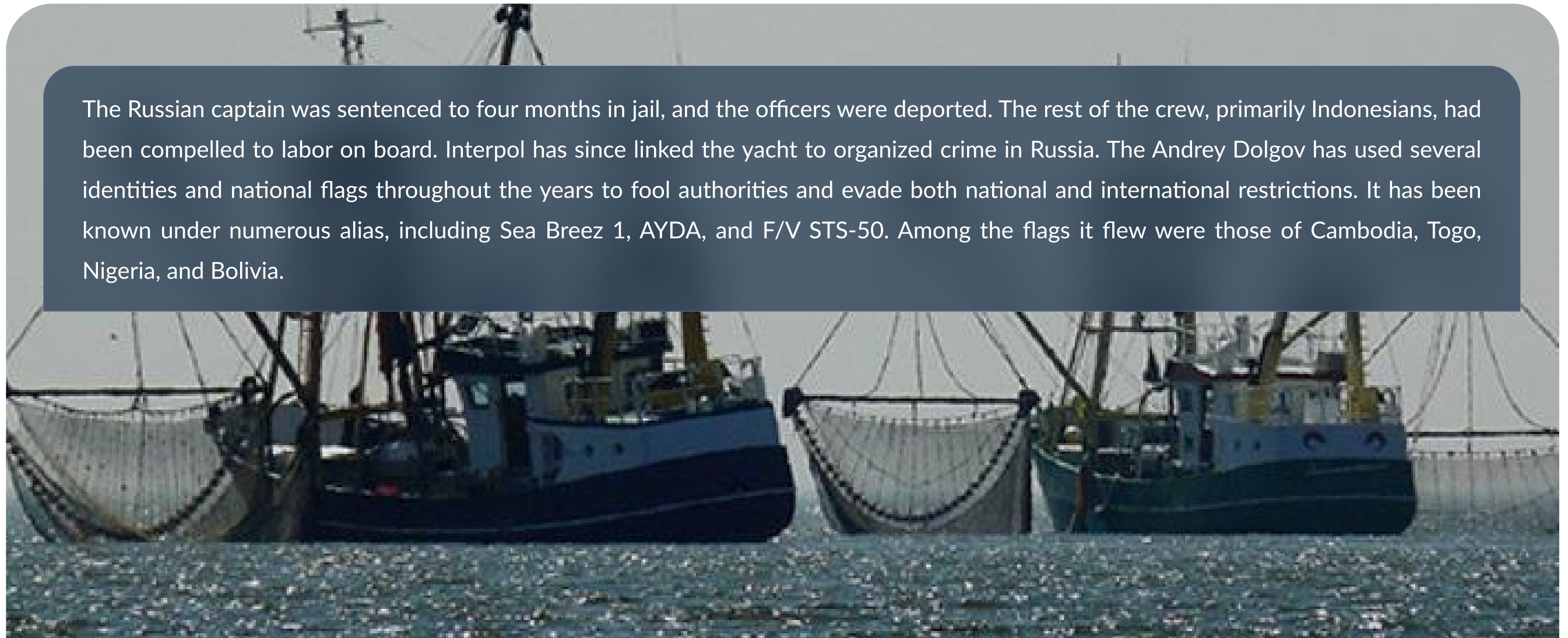
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How Can Financial Firms Help Prevent Money Laundering Through the Illegal Fisheries Trade?

Introduction

Until recently, most MLRO's might have thought that the topic of money laundering was solely for high-risk industries like financial institutions (like payment processing companies, banks, check cashing facilities, and currency exchange houses), the sale of real estate, cars, yachts, casinos, etc. However, now it is becoming increasingly evident that sectors like fisheries, or IUU (Illicit, Irregular, Unregulated) fishing trade, may also be facing an increasing risk of exposure to complex criminal structures that lead to money laundering. For more than 10 years, a fishing vessel known as Andrey Dolgov was found to be conducting illegal fishing business in the Indian, Pacific, and Southern Oceans. In April 2018, the Indonesian authorities captured this suspicious vessel in Andaman Sea and it turned out that by the time it was captured, it had already exploited the world's oceans and looted fishes worth at \$50 million (£38 million).

The Russian captain was sentenced to four months in jail, and the officers were deported. The rest of the crew, primarily Indonesians, had been compelled to labor on board. Interpol has since linked the yacht to organized crime in Russia. The Andrey Dolgov has used several identities and national flags throughout the years to fool authorities and evade both national and international restrictions. It has been known under numerous alias, including Sea Breez 1, AYDA, and F/V STS-50. Among the flags it flew were those of Cambodia, Togo, Nigeria, and Bolivia.



Why Are Most Countries Failing to Crack Down on Illegal Fishing?

This is a frequent trick in the sometimes-shady world of commercial fishing. The maritime regulations and treaties are so intricate that few nations have

the energy, funding, or jurisdiction to go after these renegade vessels. In any case, after they catch them, they must secure the vessel and take care of the crew. Turning a blind eye is rather cheaper and easier.

Is the Ocean the Last Frontier for Crime?

Ian Urbina is the author of The Outlaw Ocean: Crime and Survival In The Last Untamed Frontier. As he explains: “The rule of law—often so solid on land, bolstered and clarified by centuries of careful wordsmithing, hard-fought jurisdictional lines, and robust enforcement regimes—is fluid at sea, if it’s to be found at all.” Urbina points out how the illicit seafood trade is a thriving global business that generates an estimated \$160 billion in annual sales. “The trade in illegal fish has grown over the past decade,” he writes, “as improved technology – stronger radar, bigger nets, faster ships—has enabled fishing vessels to plunder the oceans with remarkable efficiency.”

What Actually Lies Beneath the Surface of the Illegal Fish Trade?

However, the criminal activity extends far deeper than just illegal fishing. As Interpol explains in their short film Fisheries Crime: “Illegal fishing is just the tip of the iceberg. What you don't see are the other associated crimes: money laundering, tax evasion, labor exploitation, and identity fraud—all supported by corruption. Some of these criminal groups will use fishing activities as a cover while using vessels to commit other crimes like people, drug, and firearms trafficking. Environmental crime is a crime that impacts all of us.”

How Do Criminal Networks Exploit the Global Fishing Industry?

“These crimes have been identified by Interpol and its partners as transnational in nature and involving organized criminal networks,” says Paul Stanfield, Interpol’s director of organized and emerging crime. “Given the complexity of these crimes and the fact that they occur across the global supply chains, international police cooperation and coordination between countries and agencies is absolutely essential.” In their report, Interpol explains how money laundering within the industry takes various forms. “The proceeds of crime may be siphoned into the fishing industry supply chain at many stages. During the preparation phase, offenders can invest illicit funds in new infrastructure, including fishing gear, fish processing facilities, or transportation. Illicit funds can also be laundered during the sale of fish at port or by paying crew members in cash.”



How Do Illegal Fishing Fuel Money Laundering Practices?

The connection between illegal fishing and money laundering is exacerbated by the international nature of the fishing industry, which involves multiple jurisdictions with varying levels of enforcement and regulatory frameworks. Criminal organizations engaged in IUU (Illicit, Irregular, Unregulated) fishing often operate through complex transnational networks, making it difficult for any single country to effectively monitor and prosecute these crimes. The profits from illegal fishing are often used to finance other illicit activities, such as drug trafficking, human

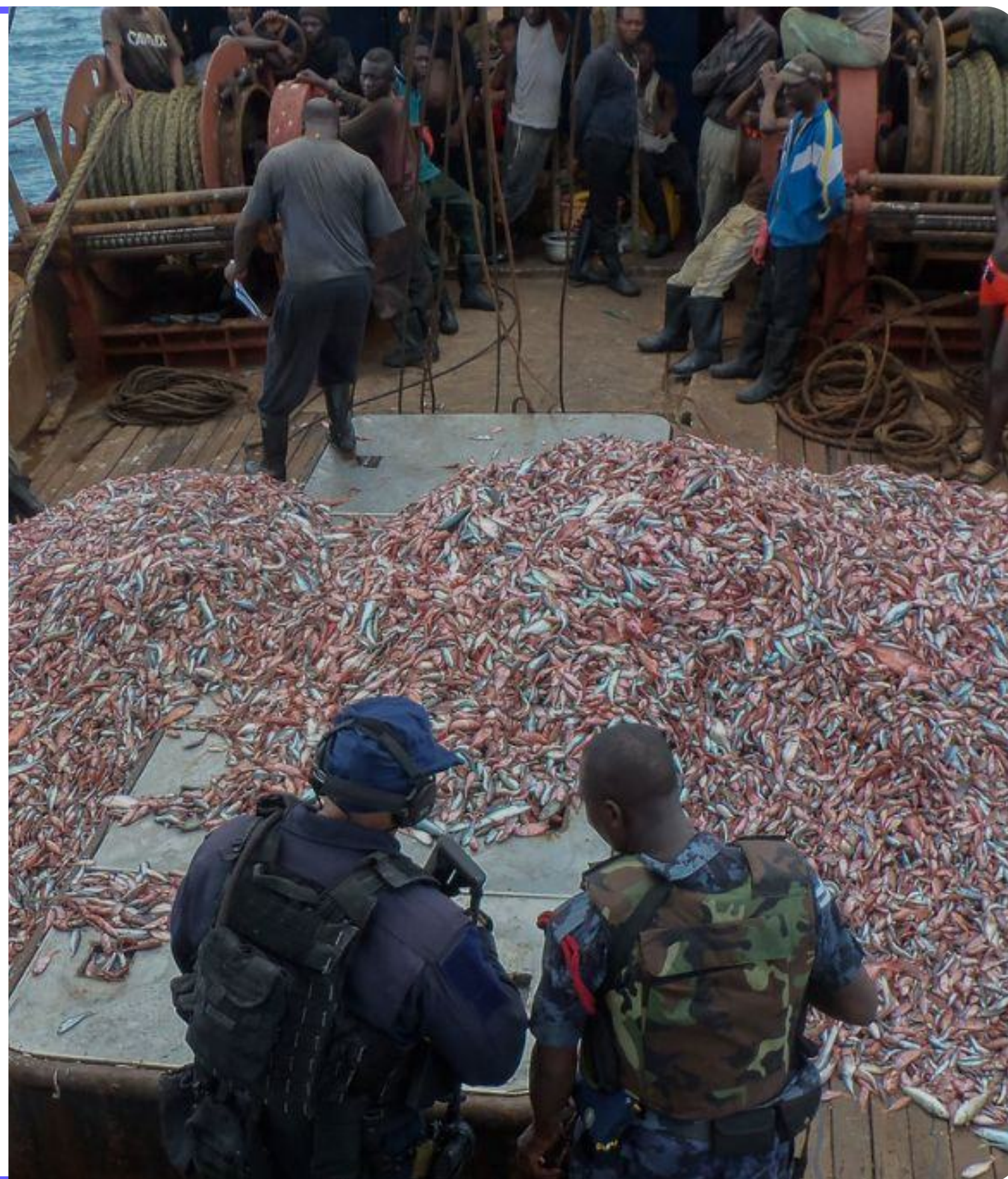
How Do Illegal Fishing Fuel Money Laundering Practices?

The FATF has recognized illegal fishing as a significant environmental crime with ties to money laundering. In its guidance on environmental crime, FATF recommends that countries:

FATF has urged countries to assess the risks of IUU fishing in their financial systems and integrate this into their national anti-money laundering (AML) and counter-terrorism financing (CTF) strategies.

FATF emphasizes the need for international cooperation in tracking and prosecuting illegal fishing operations and related money laundering activities. This includes sharing information and working across jurisdictions.

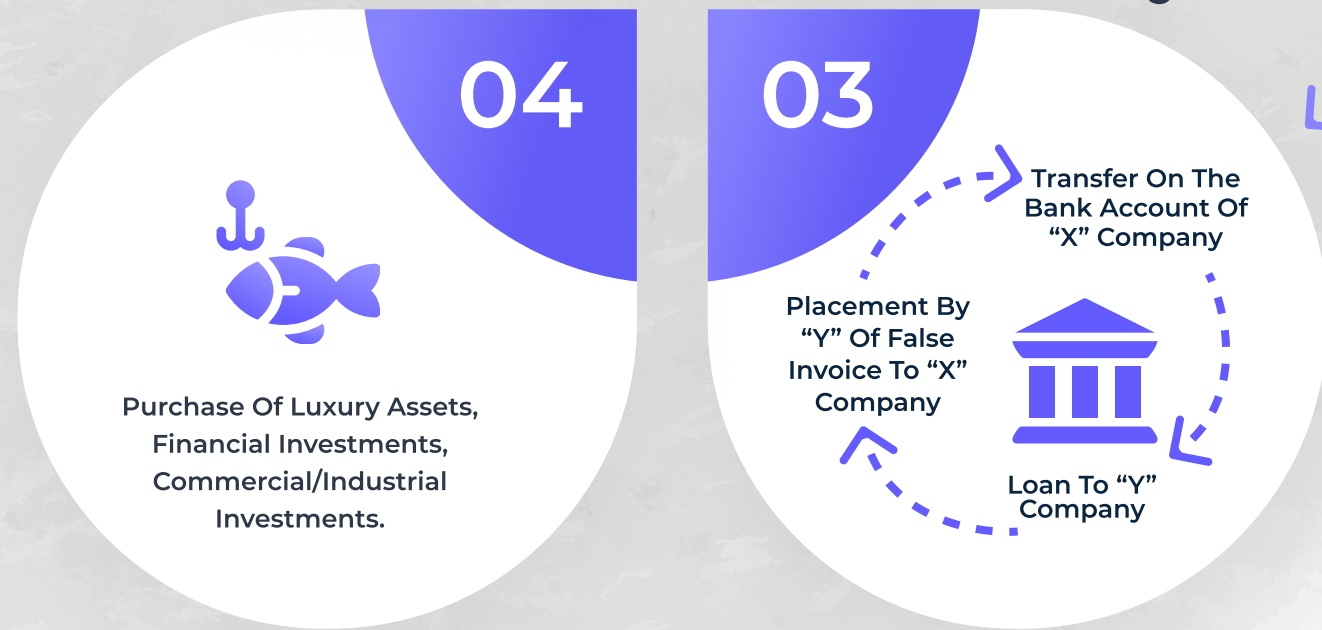
FATF has subjected fisheries, especially those operating internationally, to enhanced due diligence and AML standards. This includes identifying the beneficial owners of fishing vessels and monitoring financial transactions linked to the fishing industry.



Placement



Layering



Integregation

What Role Do Shell Companies Play in Illegal Fishing?

Corruption globally is facilitated by corporate anonymity, such as tax-dodging bank accounts to hide revenue offshore, but few industries harbor greater levels of malfeasance through labyrinthine corporate structures than international fishing.

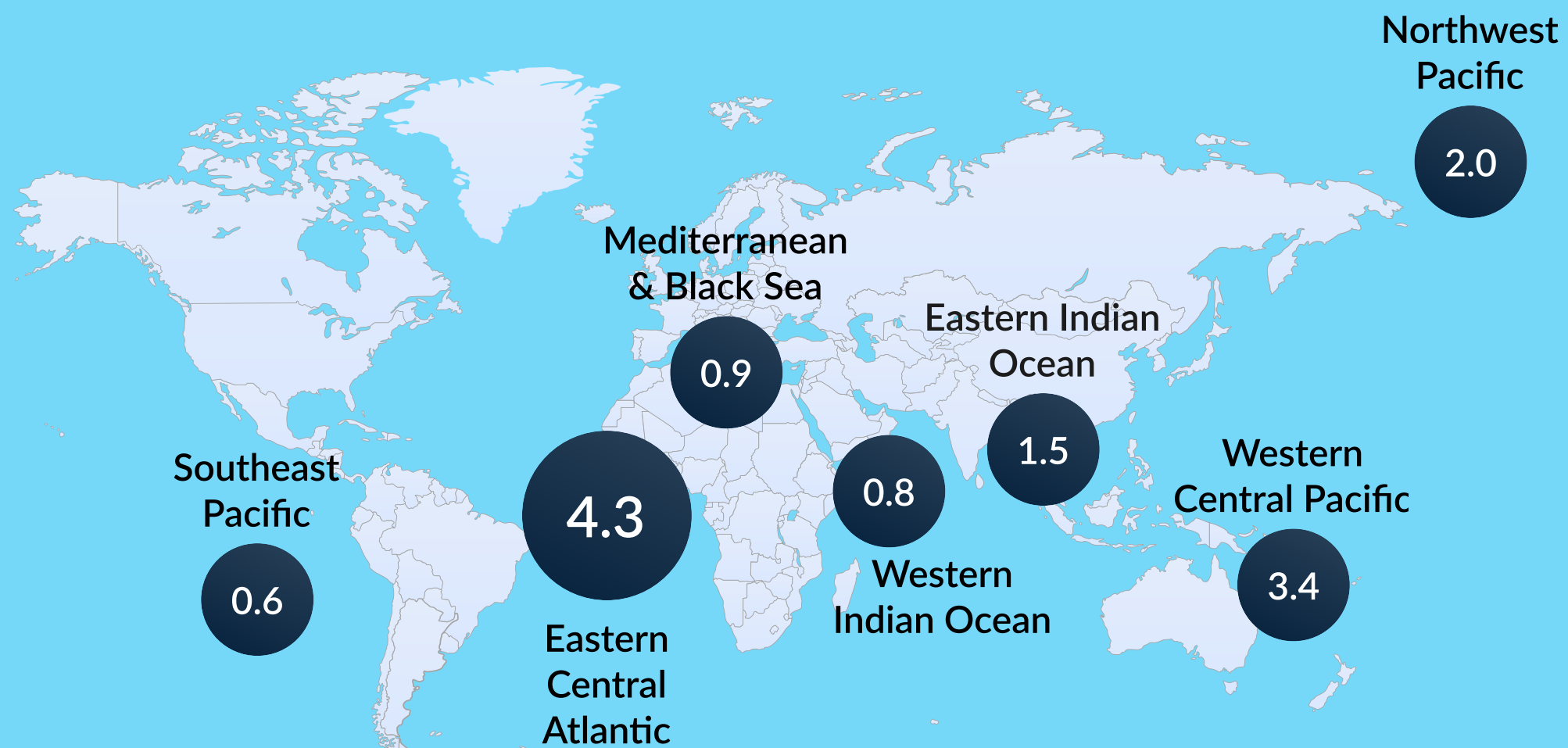
Partly this is because maritime law complicates enforcement and shrouds the privacy of a vessel's beneficial owners, while developing nations have become havens for intricate shell companies and joint venture agreements whose primary purpose is to insulate wrongdoers from the prying eyes of law enforcement, environmental lawyers, journalists, or labor inspectors while buffering them from fines and criminal prosecution.

A new series of reports have begun to puncture the international fishing industry's distinct corporate veil, highlighting in stark fashion how the businesses and legal protections of fishing companies are tied not just to overfishing and sea slavery but also to fraud, bribery, tax evasion, weapons trafficking, and oil dumping. "Complex company structures provide the perfect cover for individuals who want to fish illegally to hide both themselves and profits," said Duncan Copeland, Executive Director of Trygg Mat Tracking (TMT), a non-profit research organization specializing in illegal fishing and maritime crimes.

When it comes to money laundering, Interpol points the finger of blame primarily at the corporate entities that own the illegal fishing vessels. Often, criminals will create shell companies to disguise their nefarious activities. Shell firms are corporations that exist solely to handle different financial transactions on behalf of another company. Because of their use and structures, illegal fishing operators can take advantage of them to conceal the identity of the genuine owners of a vessel or company, as well as those in charge of managing its activities. "The corporate structure behind illegal fishing activities is complex," they explain. "It often entails an opaque company structure where the legal owner is not the beneficial [or true] owner."

ILLEGAL FISHING'S OCEANIC TOLL

Annual Revenue Loss from Illegal Fishing (in billion U.S dollars)



Maximum estimated revenue loss, 2005-2014 average, based on 50-80% commercial, 10-30% artisanal trade estimates.

Source: Sumaila et al. Illicit trade in marine fish catch and its effect. Science Advances (2020)

What Can Be, And Is Being, Done?

Measures To Enhance Law Enforcement in Fisheries Crime

In order to more effectively prosecute fisheries crimes both domestically and internationally, many African and Asian coastal states have criminalized illegal fishing within their Exclusive Economic Zones, however, penalties for such criminal activity vary. Additionally, most countries criminalize other types of crimes that occur in the fishing sector, such as corruption, money-laundering, and document fraud. As fisheries crime is transnational and organized, cooperative law enforcement efforts, including intelligence-led cross-border investigations, must be enhanced to address fisheries crime in all its various forms in the fishing sector, focusing on targeting the key individuals who are the real beneficiaries of such criminal activities.

Flag States to Combat Overexploitation of Marine Resources

Many flag states have criminalized unlicensed fishing by vessels in their registers, including on the high seas, in order to enable criminal investigators and prosecutors to pursue the free riders benefiting from the uncontrolled exploitation of common fishing resources. Flag states must be encouraged to fulfill their international law obligations and investigate and prosecute those involved in fisheries crime.

International Cooperation Against Fisheries Crime

Several UNODC initiatives, such as the Global Programme for Combating Wildlife and Forest Crime, the Maritime Crime Programme, the Global Programme on Money Laundering, and the Container Control Programme, can be tailored to improve intelligence-led domestic and cross-border cooperative law enforcement efforts against fisheries crime. This work can be done in coordination with other international organizations, such as INTERPOL (with its Fisheries Crime Working Group), OECD (tax offenses), and FAO (legal reform), to enhance information and intelligence sharing on this topic and to participate.

How Can Financial Firms Help Prevent Money Laundering Through the Illegal Fisheries Trade?

Just as in any other industry, financial firms can play a crucial role in preventing money laundering through illegal fisheries trade by implementing stringent anti-money laundering (AML) measures and ensuring robust due diligence in their operations. One of the primary steps financial institutions can take is to enhance their Know Your Customer (KYC) protocols to better identify and monitor UBOs involved in the fisheries sector. Given the high-risk nature of illegal, unreported, and unregulated (IUU) fishing, financial institutions must conduct thorough background checks and continuous monitoring of transactions related to this industry. This includes verifying the legality of the fisheries trade, ensuring that all parties involved are compliant with international fishing regulations, and detecting any red flags indicative of money laundering, such as unexplained wealth, suspiciously large transactions, or the use of shell companies. Enhanced due diligence becomes more important when dealing with clients from jurisdictions known for IUU fishing activities or those with weak regulatory frameworks.

In addition to these measures, financial firms can collaborate with regulatory bodies, non-governmental organizations (NGOs), and international organizations to stay informed about emerging risks and best practices in combating money laundering through illegal fisheries trade. By sharing intelligence and participating in multi-stakeholder initiatives, financial institutions can contribute to global efforts to disrupt the financial flows associated with IUU fishing. This collaboration also enables financial firms to better understand the complex supply chains and financial networks that support the illegal fisheries trade, thereby improving their ability to identify and block illicit transactions. Furthermore, financial institutions can leverage advanced technologies, such as artificial intelligence and machine learning, to analyze transaction data and detect patterns indicative of money laundering linked to illegal fisheries.

About Us

At **AML Watcher**, we aim to support more than 10,000 businesses in their fight against rising FinCrime by creating a secure and compliant financial world where they can thrive. Supporting 10k+ business partners, Reducing \$10M compliance cost, and saving 50% of screening cost.

AML Watcher maintains such features as 1300+ watchlist databases, over 200+ sanction regimes, 235+ countries while ensuring comprehensive coverage, over 5000 reputed and reliable media sources with global coverage and 80+ languages enabling multilingual reach solving issues of global coverage.

Today, AML Watcher is dedicated to assist you and your compliance team with custom AML Screening capabilities. Our real-time insights and advanced entity-matching algorithms free your searches of false matches. Get everything you need for AML Screening in one place.

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