

The Significance of **Context**

How Survivor-Led Collaborations can Inform Anti-Money Laundering Efforts

Financial institutions are in a unique position to detect, disrupt, and prevent the illegal profits generated by human trafficking. But just because it may be possible to detect potential trafficking through financial records does not mean it is easy. Trafficking is often still a cash-based enterprise, does not use a single common business model, and is adaptive, with traffickers evolving their strategies to meet changing environments. The details matter and effective anti-trafficking financial crime programs require a nuanced understanding of this complex subject matter.

As is true with all aspects of anti-trafficking work, centering the voices of those with lived experience of human trafficking can significantly increase identification of exploitation occurring across business sectors. Megan Lundstrom, co-founder and Director of Research at The Avery Center, is one such individual. For years, she wanted to utilize her own bank records from a two-year period during which she was sex trafficked to help anti-money laundering (AML) professionals better understand the context and patterns of the daily financial transactions of a sex trafficking operation. Recognizing Polaris's strong relationships in the financial services industry and its dedication to survivor-informed projects, Polaris convened partners from PayPal and Capital One to maximize the impact of this project.

Throughout the presentation of the bank statements provided by Megan, AML professionals gleaned impactful insights through dialogue with this single survivor about her lived experience. The goal of the presentation was to allow the financial institutions to consider how the new insights could be institutionalized and leveraged within their own detection programs. This collaborative effort also laid the groundwork for a vision to scale and diversify meaningful survivor participation in AML efforts to detect human trafficking.

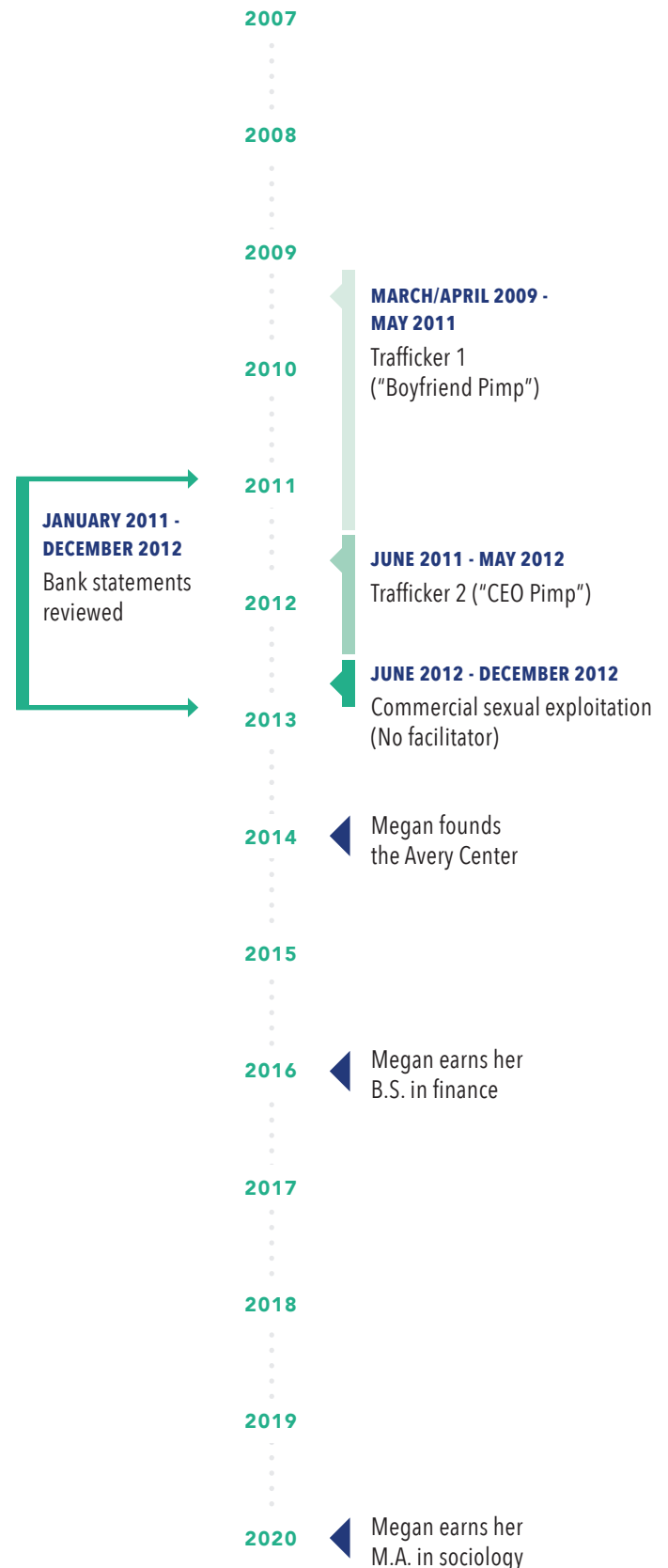


BACKGROUND

The bank statements analyzed pertained to pre-existing accounts Megan held and covered a two-year period from January 2011 to December 2012 in which Megan experienced sex trafficking by two distinct individuals with markedly different operational models as well as a period after escaping her traffickers when she continued to experience commercial sexual exploitation without the presence of a trafficker or third-party facilitator. Bank statements for June, August, October, and November 2011 were lost and not included in this analysis, leaving a total of 20 months analyzed.

Sex trafficking takes many forms, often with distinct terminology, practices, and social norms. Within the United States, there is a subset of sex traffickers who self-identify as “pimps” and ascribe to a defined subculture. While individual behaviors may vary slightly, members of this subculture often utilize broad operational patterns that can be classified into subcategories within pimp culture. Megan’s first trafficker operated as a “boyfriend pimp,” often referred to as a “Romeo pimp.” These individuals focus on initiating romantic relationships as a strategy to gain trust and identify vulnerabilities in prospective victims. Megan’s second trafficker operated as a “CEO pimp.” These individuals run their sex trafficking operations like traditional business ventures. CEO pimps often operate other legitimate businesses and tend to recruit their victims by offering them a job opportunity, such as a recording deal or modeling contract. One variable Megan examined during this analysis was comparing transaction patterns across the two different third-party traffickers.

■ **FIGURE 1** *Timeline of Experience*



FINDINGS

Five key themes emerged during Megan’s analysis of her bank records, confirming some known indicators and highlighting the need for additional research in other areas.

Differences in third-party trafficker tactics are reflected in financial transactions.

The different operational models of Megan’s first and second traffickers were reflected in her financial records. The financial activity during the period associated with the boyfriend pimp was indicative of a romantic relationship. During this time period, consistent cash deposits were made, in amounts averaging around \$800, which allowed Megan to pay her bills and meet many of her financial obligations. The remainder of the cash earnings were taken by the trafficker without being deposited into Megan’s account.

Conversely, the financial activity during the period associated with the CEO pimp suggested an arrangement similar to that of a business paying a contract employee. Under the CEO pimp, all cash earnings went to the trafficker first, and then he would dispense small amounts of cash to his victims sporadically. These funds were then deposited into bank accounts in amounts averaging under \$400 and used to pay bills, make hotel reservations, and book flights.

Additionally, the CEO pimp used a “bottom,” a female appointed by a pimp as a kind of manager, who made the majority of purchases for hotel rooms, flights, and rental cars for the trafficking enterprise; which means that only a portion of this activity appeared on Megan’s financial records.

■ **FIGURE 2** *Deposits by Time Period*

PERIOD	AVERAGE DEPOSIT AMOUNT	AVERAGE NUMBER OF DEPOSITS/MONTH	AVERAGE TOTAL DEPOSITED/MONTH
Boyfriend Pimp (5 months)	\$816.23	9.60	\$7835.82
CEO Pimp (8 months)	\$388.67	14.25	\$5538.64
Commercial sexual exploitation - No facilitator (7 months)	\$332.68	12.86	\$4277.35
Total Timeframe (20 months)	\$450.18	12.6	\$5671.48

True profits to the traffickers were 2-3 times more than what appeared in bank statements.

Megan compared the bank records with handwritten personal journal entries she wrote during the same period that tracked her daily and weekly quotas.

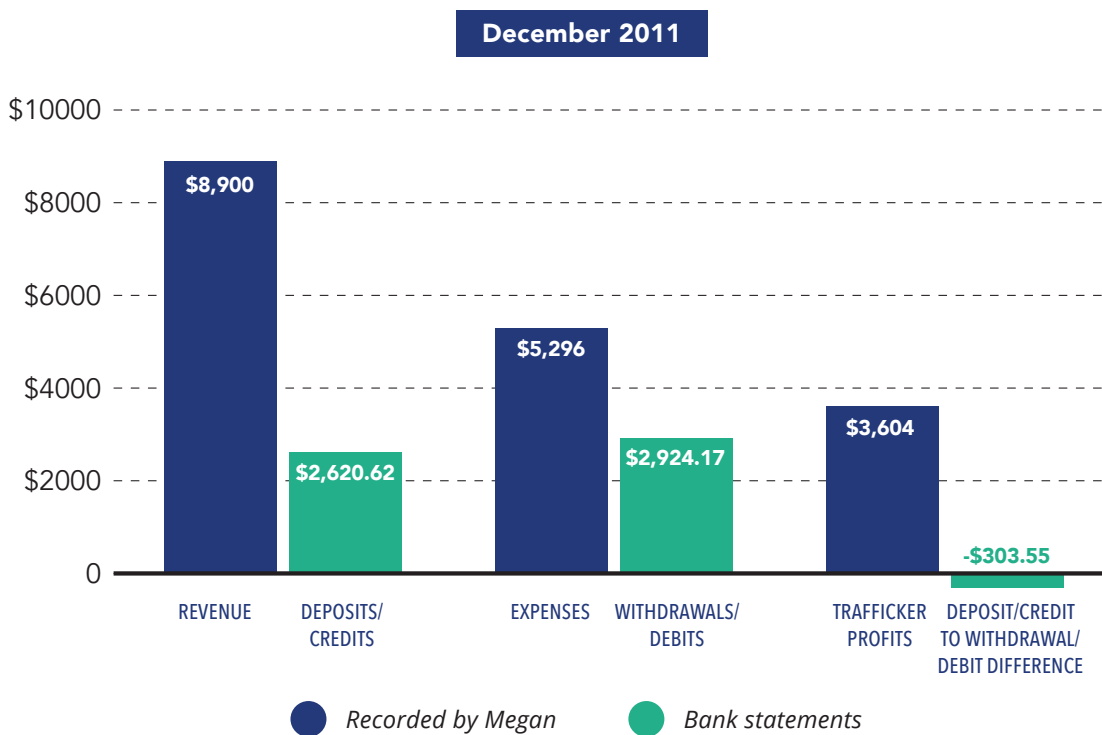
FIGURE 3 *Income and Expense Tracking*

July 2010			
WK	Income	Expenses	Over/Under
1	\$ 2000	\$ 310	\$ +1700
2	1150	320	+ 830
3	2920	674	+2246
4	3280	720	+2560
5	2500	2090	+ 410
TOTALS	\$ 11850	\$ 4114	\$ 7746

Example entry from Megan's personal journal.

A comparison of her bank records to her journal entries shows that the true cash profits accrued by her traffickers were two to three times the amount deposited in her account.

FIGURE 4 *Self-Recorded Financial Tracking vs. Bank Records*



Signs of financial abuse were evident and presented as financial distress.

A cursory review of Megan's bank statements suggests that the account holder was in financial distress. Megan's account was frequently overdrawn and maintained a low balance throughout the 20 months of bank records examined. In total, \$113,429.67 entered Megan's account, primarily in the form of cash deposits, while \$115,980.74 was spent.

■ **FIGURE 5** *Example Bank Statement Monthly Activity Summary*

Activity summary	
Beginning balance on 8/20	\$206.39
Deposits/Additions	11,679.67
Withdrawals/Subtractions	- 11,611.03
Ending balance on 9/22	\$275.03

Screen capture from bank statement reviewed.

Through Megan’s leadership, the group identified patterns indicative of the financial control tactics used by traffickers. For example, Megan’s second trafficker only allowed her to deposit the exact amount necessary to pay bills. This often took the form of a cash deposit made in an amount nearly identical to the following expenses.

■ **FIGURE 6** *Example of Financial Control*

DATE	DESCRIPTION	DEPOSITS/ CREDITS	WITHDRAWALS/ DEBITS
4/13	ATM Cash Deposit - 04/13 [Address] Las Vegas NV	300.00	
4/16	ATM Cash Deposit - 04/16 [Address] Minot ND	50.00	
Total Deposits:		\$350	
4/16	Check Crd Purchase 04/16 [Pizza Restaurant Chain] [Phone Number] NV		19.65
4/16	Check Crd Purchase 04/13 Backpage.Com 866-4566887 AZ		1.00
4/16	Check Crd Purchase 04/13 [Rental Car Company] Denver CO		118.00
4/16	Check Crd Purchase 04/14 [Airline, Phone Number] NV		35.00
4/16	Check Crd Purchase 04/15 [Fitness Center] NV [Phone Number] NV		12.00
4/18	[Day Care Center, Phone Number]		160.00
Total Expenses:			\$345.65

Extract from bank statement de-identified and replicated to ensure readability.

Megan shared that the CEO pimp would withhold funds needed for basic necessities during the beginning of the month in order to intensify pressure on Megan to earn money at the end of the month, when demand for commercial sex was believed to be at its highest. This pattern was identifiable in the financial statements. Even as the total amount of money being earned increased significantly during the time period with the CEO pimp, Megan’s accounts showed limited deposits and spending at the beginning of the month.

FIGURE 7 *Timing of Deposits Comparison*

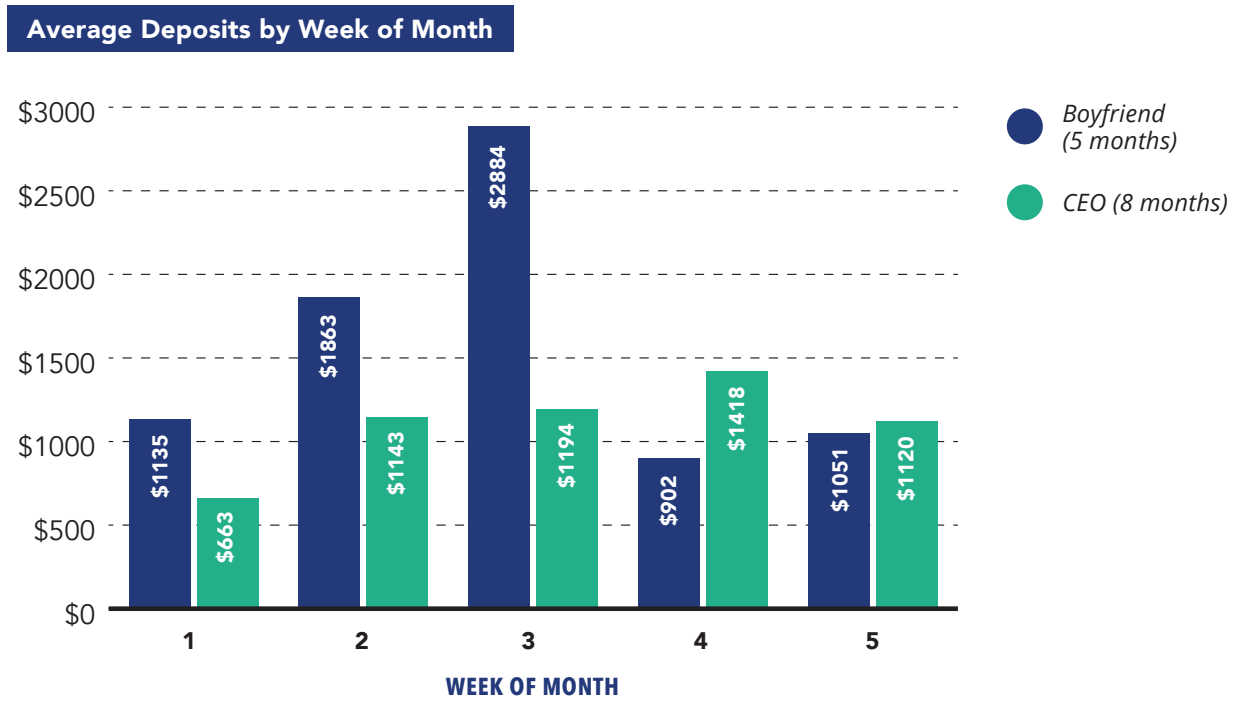
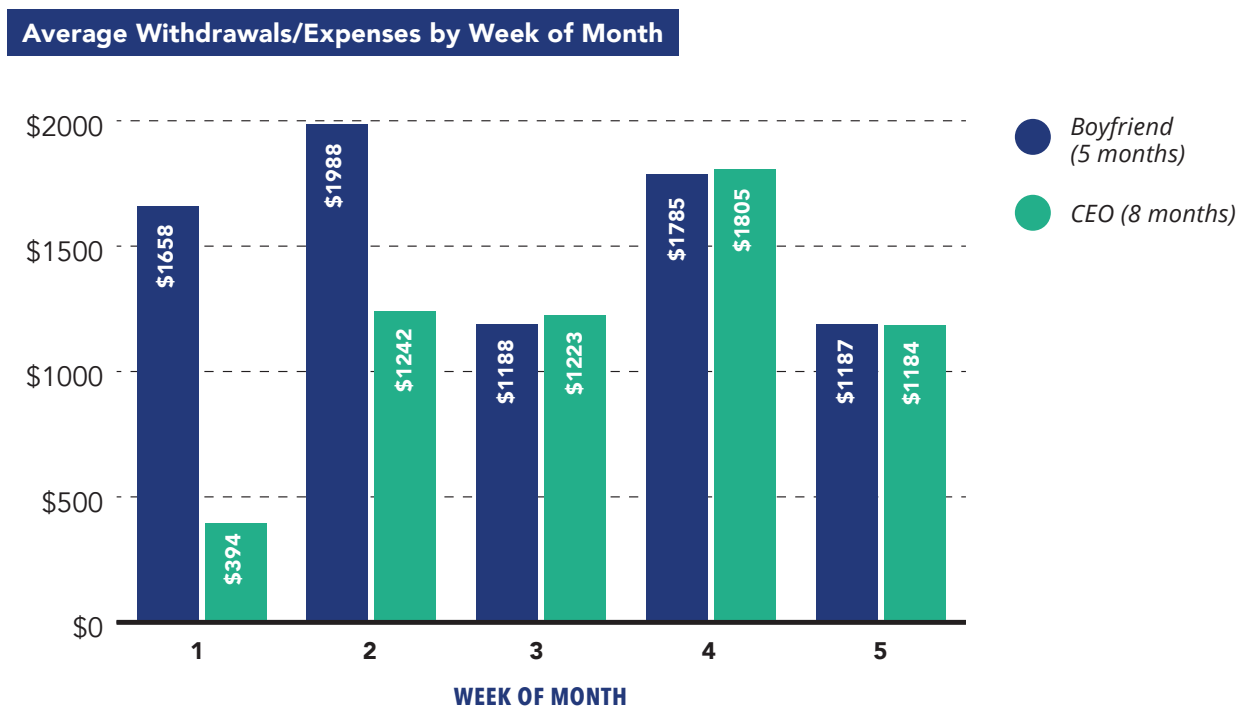


FIGURE 8 *Timing of Withdrawals Comparison*



Sex buyers advised on and actively participated in money laundering tactics.

Over time, Megan gleaned more information on ways to avoid detection by law enforcement and AML professionals. Many of these tips were provided by sex buyers who cautioned Megan to deposit similar amounts at regular intervals to mimic payroll, never deposit more than \$1,000 in cash at one time or more than \$10,000 in cash in a month. Two buyers even went so far as to put Megan on their payroll and became active participants in the money laundering scheme, taking cash weekly from Megan in exchange for a paycheck from their small business.

Variations in how commercial sex occurs in different geographic regions was evident in the records.

Megan's financial records confirmed some existing financial red flag indicators widely used by financial institutions. During the 20 months of bank records examined, Megan's account had a total of 174 transactions totaling \$1,545 with commercial sex advertising websites. Additionally, she had 88 transactions with hotels in 20 months, totaling \$9,777 in expenses. Frequently, these hotels were located within several miles of Megan's home address. Megan also had 97 transactions totaling \$15,363 with transportation companies such as airlines, rental car providers, or general travel booking websites.

However, the prevalence of these indicators varied by geography and reflected differences in how commercial sex occurs in different localities. For example, the CEO pimp had Megan relocate to his city of residence, Las Vegas, where almost all of his sex trafficking operations occurred in casinos and nightclubs. Megan's financial records show only two expenses at Las Vegas hotels or casinos, despite the high volume of forced and coerced sex acts Megan was made to engage in in Las Vegas. These charges were infrequent because most commercial sex acts in Las Vegas casinos and nightclubs occur in hotel rooms rented by sex buyers.

FIGURE 8 *Geography of Hotel Charges*



Despite the low number of hotel charges in Las Vegas, other red flag indicators of trafficking were present during the period Megan was controlled by the CEO pimp. For instance, Megan’s non-hotel travel-related expenditures increased during this period. In particular, there were regular transaction sequences which showed Megan was making frequent trips from Las Vegas to the Bakken region of North Dakota – a location that is significant because this area has been the location of an oil boom beginning in 2008 and the sudden increase in a predominantly male population with disposable income led to a sharp increase in demand for commercial sex in a place with limited local infrastructure.¹ All of the transactions connected to this region are related to well-known indicators of sex trafficking.

FIGURE 9 *Financial Activity in the Bakken Region*

All Transactions Related to North Dakota				
DATE	DESCRIPTION	LOCATION	DEPOSITS/CREDITS	WITHDRAWALS/DEBITS
12/27/11	ATM Deposit	<i>Minot, ND</i>	\$380.00	
12/27/11	ATM Deposit	<i>Minot, ND</i>	\$100.00	
12/28/11	ATM Deposit	<i>Minot, ND</i>	\$140.00	
1/3/12	Hotel	<i>Williston, ND</i>		\$92.23
1/3/12	Rental Car	<i>Minot, ND</i>		\$240.20
2/16/12	Hotel	<i>Dickinson, ND</i>		\$164.24
2/21/12	ATM Deposit	<i>Bismarck, ND</i>	\$840.00	
2/21/12	ATM Deposit	<i>Bismarck, ND</i>	\$460.00	
2/21/12	Hotel	<i>Williston, ND</i>		\$173.59
2/22/12	Hotel	<i>Williston, ND</i>		\$282.10
2/23/12	Rental Car	<i>Bismarck, ND</i>		\$844.90
4/16/12	ATM Deposit	<i>Minot, ND</i>	\$50.00	
4/20/12	Rental Car	<i>Minot, ND</i>		\$131.65

Additional research is needed to understand distinctions between financial patterns associated with sex trafficking and commercial sex without the involvement of a third-party facilitator.

Megan shared that during the six-month period in which she experienced commercial sexual exploitation without a third-party facilitator, she continued to utilize obfuscation techniques she had learned from her trafficking experiences. This made differentiating between these periods challenging. The primary difference in transaction behavior in this period compared with the previous 15 months was that Megan was able to set her own schedule. Instead of engaging in commercial sex nearly every day, as she had been coerced to do by her traffickers, Megan’s commercial sex activity occurred during more concentrated periods of time, often during a single week in the month when she would travel in order to earn money. This was reflected in her hotel transactions. Instead of being spread out throughout the month as they had been previously, most of her hotel transactions took place within a one-week span each month during this time period.

1 <https://time.com/longform/windie-jo-lazenko-sex-trafficking-survivor/>

FIGURE 10 *Hotel Charges Comparison*

Hotel Charges During Sample Month with BOYFRIEND PIMP			
DAY OF MONTH	DAY OF WEEK	LOCATION	AMOUNT
3	Thursday	Centennial, CO	\$63.57
4	Friday	Glendale, CO	\$63.04
7	Monday	Englewood, CO	\$59.83
9	Wednesday	Centennial, CO	\$63.57
14	Monday	Glendale, CO	\$51.57
14	Monday	Thornton, CO	\$156.54
17	Thursday	Greenwood Village, CO	\$97.10
18	Friday	Centennial, CO	\$63.57
24	Thursday	Centennial, CO	\$63.57
28	Monday	Glendale, CO	\$51.57
28	Monday	Englewood, CO	\$59.83
Hotel Charges During Sample Month with CEO PIMP			
DAY OF MONTH	DAY OF WEEK	LOCATION	AMOUNT
5	Tuesday	Englewood, CO	\$69.44
8	Friday	Thornton, CO	\$95.06
11	Monday	Englewood, CO	\$69.44
11	Monday	Las Vegas, NV	\$200.00
14	Thursday	Denver, CO	\$68.11
15	Friday	Centennial, CO	\$112.12
20	Wednesday	Greenwood Village, CO	\$96.38
Hotel Charges During Sample Month DURING COMMERCIAL SEXUAL EXPLOITATION WITHOUT THIRD-PARTY FACILITATOR			
DAY OF MONTH	DAY OF WEEK	LOCATION	AMOUNT
8	Thursday	El Paso, TX	\$359.32
13	Tuesday	Online Booking Website	\$161.82
14	Wednesday	San Antonio, TX	\$15.00
19	Monday	San Antonio, TX	\$135.72

OPPORTUNITIES

The review and dialogue around these financial records provided vital contextual information to the data AML professionals review on a daily basis.

While the project yielded significant insights into the financial operations associated with particular sex trafficking situations, this information is based on Megan's lived experience and she was the first to acknowledge at the commencement of the presentation that it is not representative of all trafficking situations that might intersect with financial institutions.

While this opportunity is rare, survivor leaders are well equipped to actively collaborate with AML professionals in order to educate them about the terminology, practices, and idiosyncrasies associated with various forms of trafficking. Trafficking is a diverse crime and there is tremendous variation between cases. The true success of this pilot project is that it serves as proof of concept that individuals with lived experience can be meaningfully included in efforts to address human trafficking through AML systems. This pilot informs our strategy to develop diverse opportunities for impactful, compensated survivor participation in the financial services industry's efforts to address human trafficking.

POLARIS'S FINANCIAL INTELLIGENCE UNIT (www.polarisproject.org) leverages the reach, expertise, and motivation of the global financial sector to disrupt sex and labor trafficking by identifying potential trafficking operations through their financial footprints, supporting criminal cases that do not rely on survivor testimony, and increasing accountability for traffickers. To do this, Polaris's Financial Intelligence Unit, a partnership with PayPal, convenes leaders in the financial services industry, law enforcement, survivors, and others in the anti-trafficking field to share non-protected information and analyze intelligence from numerous sources in order to understand the financial patterns that are red flags for human trafficking.

THE AVERY CENTER FOR RESEARCH & SERVICES (www.theaverycenter.org) believes that lived experience must inform change. Our research is used to reduce demand, convict traffickers, and decrease barriers for marginalized populations through evidence-based services. The Avery Center also provides a variety of training, awareness, outreach, and prevention programs to individuals, businesses, and community groups, designed to give them an active role in responding to and preventing commercial sexual exploitation and trafficking of persons.

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