

TRAFFIC
the wildlife trade monitoring network

April 2021

THE ILLEGAL WILDLIFE TRADE AND THE
BANKING SECTOR IN CHINA: THE NEED FOR A

ZERO TOLERANCE APPROACH

TRAFFIC REPORT

TRAFFIC is a leading non-governmental organisation working globally on trade in wild animals and plants in the context of both biodiversity conservation and sustainable development.

Reproduction of material appearing in this report requires written permission from the publisher.

The designations of geographical entities in this publication, and the presentation of the material, do not imply the expression of any opinion whatsoever on the part of TRAFFIC or its supporting organisations concerning the legal status of any country, territory, or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

SUGGESTED CITATION:

Sullivan, R., van de Weerd, H. 2021. *The Illegal Wildlife Trade and the Banking Sector in China: The need for a zero tolerance approach*

LEAD AUTHOR:

Rory Sullivan

ADDITIONAL AUTHORS:

Heleen van de Weerd

PROJECT SUPERVISORS:

Stephen Watson, Gayle Burgess

PUBLISHED BY:

TRAFFIC International, Cambridge, United Kingdom.
UK Registered Charity No. 1076722

© TRAFFIC 2021. Copyright of material published in this report is vested in TRAFFIC.

DESIGN:

Perivan



ACRONYMS

ACAMS	Association of Certified Anti-Money Laundering Specialists
CAMLMAC	China Anti-Money Laundering, Monitoring and Analysis Center
CEO	Chief Executive Officer
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
EIA	Environmental Investigation Agency
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
IPBES	Intergovernmental Panel on Biodiversity and Ecosystem Services
IWT	Illegal Wildlife Trade
KYB	Know Your Business
KYC	Know Your Customer
NGO	Non-governmental organisation
PBC	People's Bank of China
PRC	People's Republic of China
PEP	Politically Exposed Person
RUSI	Royal United Services Institute
STR	Suspicious Transaction Report
UFWFT	United for Wildlife Financial Taskforce
UNEP	United Nations Environment Programme
UNODC	United Nations Office on Drugs and Crime
USAID	US Agency for International Development
WWF	World Wide Fund for Nature

TABLE OF CONTENTS

	<i>page 2</i>
ACKNOWLEDGEMENTS	
	<i>page 3</i>
SUMMARY	
	<i>page 5</i>
UNDERSTANDING THE ILLEGAL WILDLIFE TRADE	
	<i>page 8</i>
THE ILLEGAL WILDLIFE TRADE AND THE FINANCE SECTOR	
	<i>page 11</i>
FOCUS ON THE CHINESE BANKING SECTOR	
China's Anti-Money Laundering and Anti-Corruption Regulatory Framework	12
The Business Case for Chinese Banks to Act on the Illegal Wildlife Trade	13
	<i>page 14</i>
RECOMMENDATIONS TO CHINESE BANKS	
Overarching Commitment and Policy: Zero tolerance of the illegal wildlife trade	15
Systems and Processes	16
Know Your Customer and Know Your Business	18
Reporting	19
Collaboration With Others	19
	<i>page 20</i>
KEY CONCLUSIONS	
	<i>page 22</i>
REFERENCES	
	<i>page 24</i>
APPENDICES	
Appendix 1: PRC Anti Money Laundering Law (Extracts)	24
Appendix 2: Indicators of Laundering the Proceeds of the Illegal Wildlife Trade	26
Appendix 3: Illegal Wildlife Trade Examples	28

ACKNOWLEDGMENTS

These Guidelines have been prepared to provide practical guidance to banks in China on the systems and processes that they need to have in place to manage the business risks associated with the illegal wildlife trade and thereby play a key role in combatting that trade.

The Guidelines have been produced with the generous support of:

- The German Government's Partnership against Poaching and Illegal Wildlife Trade (in Africa and Asia), implemented by GIZ on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the German Federal Ministry for Environment, Nature Conservation and Nuclear Safety (BMU)
- The UK Department for Environment, Food and Rural affairs (DEFRA) through the "Reducing Demand for Wildlife Products among Chinese Nationals in Laos" project.

The authors would like to thank TRAFFIC for the opportunity to develop these Guidelines. Appreciation is also extended to Nick Ahlers, Ben Brock, Xu Ling, Chen Jing, Roland Melisch, Gayle Burgess, Melissa Matthews, Steven Broad and Stephen Watson of TRAFFIC for their expert inputs and reviews of these guidelines, and to Amanda Williams and Nicky Amos of Chronos Sustainability.

The contents of these Guidelines are the sole responsibility of TRAFFIC and do not necessarily reflect the views of GIZ nor DEFRA.

With the financial support of



Implemented by:



Cameris/Shutterstock.com



SUMMARY

Zhu difeng/Shutterstock.com

SUMMARY

The illegal trade in wildlife and wildlife parts and products globally is estimated to be worth billions of US dollars annually, ranking alongside the illegal trafficking of narcotics, arms, and humans (TRAFFIC, 2020; United Nations Office on Drugs and Crime (UNODC), 2014). Illegal wildlife trade cannot occur at this scale without financial crime and corruption.

Given that the Chinese banking sector is the largest in the world and given the scale of the illegal wildlife trade in Asia, Chinese banks have a key role to play. These banks therefore need to ensure that they and the banking network as a whole are not used to launder the proceeds of the illegal wildlife trade. They must take strong public zero-tolerance positions on the illegal wildlife trade, and they should encourage their clients and business partners to take similar positions. They should support law enforcement efforts through providing data and information on suspicious transactions.

The case for taking action now is clear. The Chinese government is strengthening its efforts to combat money laundering and corruption in general, and the illegal wildlife trade in particular. As Chinese banks seek to expand domestically and internationally, their systems and processes for preventing money laundering and other illegal activities are coming under increased scrutiny from regulators and from civil society organisations.

This document provides practical guidance to Chinese banks on the systems and processes they need to have in place to manage the business risks associated with the illegal wildlife trade. **It advises that banks should integrate commitments to zero tolerance of the illegal wildlife trade into their systems and processes for managing anti-money laundering and corruption, and into their corporate social responsibility strategies.**

CHINESE BANKS SHOULD TAKE ACTION IN FIVE AREAS:

1. **Make a formal, public commitment** to zero tolerance of the illegal wildlife trade. This commitment should apply to the bank itself (including all its subsidiaries, branches, representative offices and legal entities) and to all individuals and organisations with which it has a business relationship, including clients and suppliers.
 - Adopting clear procedures for monitoring their exposure, or potential exposure, to the illegal wildlife trade.
 - Communicating their zero tolerance commitments to all of their clients and business partners.
 - Identifying and assessing the risks posed to their organisation from the illegal wildlife trade.
2. **Establish the systems and processes** necessary to deliver these zero tolerance commitments. These include:
 - Assigning responsibility for the oversight of the policy to the board or CEO.
 - Assigning responsibility for the day-to-day implementation of the commitments to the individual responsible for overseeing the bank's internal control system for anti-money laundering.
 - Ensuring that their staff are adequately trained to implement the bank's zero tolerance commitments.
3. **Ensure that their Know Your Customer (KYC) and Know Your Business (KYB) processes** pay attention to the potential for customers and businesses to be involved in the illegal wildlife trade.
4. **Report publicly on a regular basis** (e.g. annually) how they have implemented their zero tolerance commitments.
5. **Collaborate with other banks and with other stakeholders** to build capacity and understanding of the illegal wildlife trade within the banking and finance sectors.



UNDERSTANDING THE ILLEGAL WILDLIFE TRADE

pawopa3336/istock.com

UNDERSTANDING THE ILLEGAL WILDLIFE TRADE

The consequences of the illegal wildlife trade are devastating. The Intergovernmental Panel on Biodiversity and Ecosystem Services (IPBES) 2019 Assessment identified that a million species are at risk of extinction and that the second most significant driver of biodiversity loss is 'direct exploitation' which is sometimes driven by trade. (IPBES, 2019). Some examples are summarised in Appendix 3 of this report. Furthermore, the wider impacts of the illegal wildlife trade on ecosystems and biodiversity are eroding the foundations of economies, livelihoods, food security, health and quality of life in all regions of the world.

These impacts have direct implications for human health. The SARS coronavirus 2 outbreak (SARS-CoV-2, which causes COVID-19) has drawn attention to the growing number of human health concerns and emerging infectious diseases that have been linked to wildlife sources. Although the precise origins of COVID-19 are currently unproven, there are indications of direct links to the wildlife trade.

Wildlife trade is extensively regulated in China. Significant criminal and civil (financial) penalties can be imposed on individuals and organisations who do not comply with this legislation (see page 7).

The definition of the illegal wildlife trade used in this report is: trade in wildlife or wildlife parts – flora and fauna – that violates either international legal frameworks or the legislation of one or several of the countries/territories through which a wildlife product has passed. This definition encompasses both domestic laws and the regulations of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

60%
of emerging infectious diseases are zoonotic¹ in nature, and more than

70%
of these have an origin in wildlife (Watsa, 2020).

CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) is an international agreement between governments. Its aim is to ensure that international trade in specimens of wild animals and plants does not threaten their survival.²

CITES works by subjecting international trade in specimens of selected species to certain controls. All import, export, re-export and introduction of the species covered by the Convention has to be authorised through a licensing system. The species covered by CITES are listed in three Appendices, according to the degree of protection they need:

- Appendix I includes species threatened with extinction. International commercial trade of these species is forbidden other than in exceptional circumstances.
- Appendix II includes species not necessarily threatened with extinction, but in which trade must be controlled to ensure long term sustainability. Annual quotas are applied, and official CITES import and (re)export permits are needed in order to avoid over-utilisation which will threaten their survival.
- Appendix III includes species that are protected in at least one country which has asked other CITES Parties for assistance in controlling the trade.

¹ That is, they are diseases that can be transmitted from animals to people or, more specifically, they are diseases that normally exist in animals but that can infect humans.

² For further information, see <https://www.cites.org>

THE CHANGING REGULATORY LANDSCAPE IN CHINA

In the past decades the Chinese government has strengthened its wildlife-related policy, regulatory and law enforcement frameworks.

- **The Law of the People's Republic of China on the Protection of Wildlife**, adopted in 1988 and amended in 2016, has the objective of saving and protecting wildlife and environmental resources. The legislation is concerned with conservation of endangered species and with the use of wildlife as natural resources for humans. In the 2016 amendment, online platforms were added to the sectors to be regulated for wild animal trade. Another complementary regulation has been implemented as an executive document to ban the use of wild animals for food (http://www.moa.gov.cn/govpublic/nybzzj1/202101/t20210114_6359937.htm). It stipulates that only wild animals listed in the National Catalogue of Livestock and Poultry Genetic Resources (which is managed by the Ministry of Agriculture and Rural Affairs) can be used as food.
- **The 2015 Decree on Opinions on Further Promoting the Development of Ecological Civilization** covers areas of relevance to illegal wildlife trade, such as wildlife protection and preventing the loss of species.
- **China's 13th Five-Year Plan 2016–2020** includes commitments to 'strengthening the publicity efforts ... to improve public awareness of protecting wildlife'.
- In 2015 China announced a ban on the domestic ivory trade which was implemented in 2017 and which specified that all licensed ivory carving factories and retailers were to be phased out before the end of 2017.
- **China's law enforcement authorities** have pursued criminal cases relating to the illegal online wildlife trade. These have resulted in the confiscations of several hundred kilogrammes of ivory, rhino horn and other illegal wildlife products in China.



A. Walmsley/TRAFFIC



THE ILLEGAL WILDLIFE TRADE AND THE FINANCE SECTOR

Savapanf Photo/Shutterstock.com

THE ILLEGAL WILDLIFE TRADE AND THE FINANCE SECTOR

The illegal wildlife trade is a major transnational organised crime, which generates billions of criminal proceeds each year (Financial Action Task Force, 2020a).

Illegal wildlife trade cannot occur at this scale without financial crime and corruption. A report published in 2018 by Interpol states that the criminal kingpins involved in the illegal wildlife trade are often also involved in tax evasion, fraud, document falsification, money laundering and firearms trafficking, and that illegal wildlife trade trafficking supply chains are commonly used to smuggle other illicit commodities, such as drugs and weapons (Interpol, 2018). Much of the profit is laundered via legitimate banking channels and online payment platforms.

Given that the illegal wildlife trade shares so many features with terrorism financing and the trafficking of drugs, humans, and weapons, it is increasingly accepted that it should be fought using the same resources and strategies that are applied to these other illegal activities (see, for example, United Nations Office on Drugs and Crime and Asia/Pacific Group on Money Laundering (2017)). These arguments were given further impetus by the release in 2020 of the Financial Action Task Force's (FATF's) report *Money Laundering and the Illegal Wildlife Trade* (see page 10).

Expectations of the banking sector and the illegal wildlife trade have yet to be fully codified in China, although the People's Republic of China's (PRC's) Anti Money Laundering Law (see Appendix 1) provides a valuable starting point. We have therefore defined our expectations by building on and consolidating the work of leading international organisations in this area, in particular the Financial Action Task Force (see page 10) and the United for Wildlife Mansion House Declaration (see page 19).

Globally, the proceeds of the illegal wildlife trade (excluding fisheries and timber) have been estimated at between

**US\$ 7 and
US\$ 23 billion
PER YEAR**

(UNEP-Interpol, 2014; World Bank, 2019)



Goddard Photography/istock.com

THE FINANCIAL ACTION TASK FORCE REPORT: MONEY LAUNDERING AND THE ILLEGAL WILDLIFE TRADE

The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) standard.

In June 2020, FATF published its first global report on money laundering and the illegal wildlife trade (FATF, 2020a). The FATF report shows that the illegal wildlife trade is a global threat, not just a problem for those jurisdictions where wildlife is illegally harvested, transited or sold. It shows that criminals are misusing legal wildlife trade and import-export type businesses as fronts to move and hide illegal proceeds from illegal wildlife trade.

The report identifies the common methods wildlife traffickers use to launder their money, including using shell and front companies to hide payments and using online marketplaces and mobile and social media-based payment systems to facilitate the movement of proceeds from wildlife crimes. It argues that following the financial flows associated with the illegal wildlife trade and identifying money laundering will allow countries to identify wider networks of syndicate leaders and financiers, to reduce the profitability of this crime over the longer term, and to help prevent and tackle associated crimes such as corruption and complex fraud.

The FATF report highlights the important role that financial institutions can play in detecting and reporting suspicious activity, and in supporting law enforcement efforts. For example, the report notes that criminals can incorporate shell and front companies in both source and destination countries to facilitate illicit wildlife trade and can also take advantage of the weak regulatory environments in some financial and incorporation centres to set up complex company structures. This suggests that trade data, and information on company business activities and tax reporting, are important sources to identify anomalies and suspicious behaviour indicative of wildlife crime.



Chris Shepherd/TRAFFIC



FOCUS ON THE CHINESE BANKING SECTOR

Chuyuss/Shutterstock.com

FOCUS ON THE CHINESE BANKING SECTOR

CHINA'S ANTI-MONEY LAUNDERING AND ANTI-CORRUPTION REGULATORY FRAMEWORK

China has mature, well-established anti-money laundering and anti-corruption regulatory frameworks. The PRC Anti-Money Laundering Law (see Appendix 1) provides clear expectations of the measures that Chinese banks and financial institutions should take including checking customers' identities, record-keeping, reporting and employee training. While this law does not make explicit mention of the illegal wildlife trade, it is clear that its provisions can be applied to money laundering and other financial transactions associated with the illegal wildlife trade.

The People's Bank of China (PBOC) is the supervisory authority for anti-money laundering operations by financial institutions. The China Anti-Money Laundering Monitoring and Analysis Center (CAMLMAC) is an administrative Financial Intelligence Unit (FIU) under the PBC, and is responsible for collecting, analysing and processing suspicious transaction information, supporting investigations into such transactions, coordinating studies of suspicious fund flows and transactions, and exchanging financial information and cooperating with overseas counterparts.

A 2019 Financial Action Task Force (FATF) review of China's anti-money laundering controls concluded that while China had taken some action to manage money laundering-related risks, some important gaps remained in its regulatory framework (FATF, 2019). Of particular relevance to the illegal wildlife trade were the findings that China's systems for gathering, analysing and sharing information were fragmented and that regulations did not cover all persons and entities. Since then, China has strengthened its approach in a number of areas (PBC, 2020; FATF, 2020b), notably by strengthening its systems for monitoring and analysing large value and suspicious transactions, by clarifying that its legislation on anti-money laundering and financing of terrorism applies to internet-based financial institutions, and by issuing guidance to assist online lending institutions, real estate agents, dealers in precious metals and accountants in applying and implementing anti-money laundering requirements.

CHINA'S NEW LEADERSHIP ROLE IN COMBATTING THE ILLEGAL WILDLIFE TRADE

China has started to play a much more high-profile role in global efforts to combat the illegal wildlife trade, notably through its presidency of the Financial Action Task Force. FATF has made it a priority to help countries go after the money involved in the illegal wildlife trade, and to identify and disrupt large criminal networks that profit from this crime. Its 2020 report (see page 14) was a key step in delivering on this objective.

In November 2019, as a further signal of China's commitment to action, FATF President Xiangmin Liu hosted in Beijing one of the first regional meetings on identifying the illegal wildlife trade as a financial crime and tackling it accordingly.

THE BUSINESS CASE FOR CHINESE BANKS TO ACT ON THE ILLEGAL WILDLIFE TRADE

Banks play a critical role in the Chinese economy as a source of capital for companies and other organisations, as well as in terms of more traditional savings.

Chinese banks are significantly exposed to the illegal wildlife trade, given the scale of this trade in Asia. For example, the United Nations Office on Drugs and Crime noted in its annual world wildlife crime report (UNODC, 2020) that:

- China has been the primary destination of pangolin shipments.
- Trafficking networks for tiger products involve Chinese, Vietnamese, Indian, and Indonesian traders who primarily sell the products to medicinal industries in China.
- Some 82% by value of the import demand for tropical hardwood logs came from industries based in China, with up to one-fifth of these imports including timber species described as “rosewood”. UNODC notes that seizure data suggest that China and Viet Nam are the main destinations for illegally trafficked rosewood.

The case for Chinese banks to pay attention to the illegal wildlife trade is clear. Not only are Chinese banks exposed but the illegal wildlife trade is a priority for the Chinese government and international authorities concerned about money laundering and corruption, and taking action is increasingly seen as an integral part of the regulatory obligations on banks.

For the many Chinese banks looking to expand internationally, it is essential to ensure that their anti-money laundering and anti-corruption systems meet the expectations of regulatory authorities in the jurisdictions in which they operate. These systems and processes are particularly important since Chinese companies may not have the local knowledge and information necessary for them to fully assess the risks associated with their clients, partners, and their third-party suppliers. The issues identified above about the implementation of anti-money laundering and anti-corruption legislation in China suggest that many have work to do to ensure that their systems and processes, and the implementation of these, meet the standards of international regulatory authorities.

There are strong commercial reasons for Chinese banks to take action on the illegal wildlife trade:

- **Corporate Responsibility**
It is a central part of banks' wider corporate responsibilities and sustainable development commitments. Many banks now support the United for Wildlife Financial Taskforce (see pages 16 and 19), demonstrating that there is consensus that the illegal wildlife trade is an important issue for them, and that clear strategies and actions are required.
- **Risk Management**
Taking action mitigates a range of financial risks. For example, it helps avoid engagement with companies which are active in the illegal wildlife trade and money laundering, and it helps clients avoid high risk investments including wildlife products.
- **Transparency**
Increased transparency helps improve standards across the industry.
- **Reputation**
Being perceived to tackle the illegal wildlife trade helps the industry to improve its reputation among law enforcement agencies, regulators, clients, peers and consumers.



RECOMMENDATIONS TO CHINESE BANKS

Zhu difeng/Shutterstock.com

RECOMMENDATIONS TO CHINESE BANKS

Banks should integrate their commitments to zero tolerance of the illegal wildlife trade into their existing systems and processes. This will ensure that the actions they take are consistent with their wider approaches to sustainable finance and to anti-money laundering and corruption, and will enable them to accelerate the implementation of their commitments.

BANKS SHOULD TAKE ACTION IN FIVE AREAS:

1. Make a formal, public commitment to zero tolerance of the illegal wildlife trade (see page 15).
2. Establish the systems and processes necessary to deliver these commitments (see page 16).
3. Ensure that the Know Your Customer (KYC) and Know Your Business (KYB) processes pay attention to the potential for customers and businesses to be involved in the illegal wildlife trade (see page 18).
4. Report publicly on a regular basis (e.g. annually) how they have implemented their zero tolerance commitments, and their performance against these commitments (see page 19).
5. Collaborate with other banks and with other stakeholders to build capacity and understanding of the illegal wildlife trade within the banking and finance sectors (see page 19).

1. OVERARCHING COMMITMENT AND POLICY: ZERO TOLERANCE OF THE ILLEGAL WILDLIFE TRADE

Banks should make a formal commitment to zero tolerance of the illegal wildlife trade. This should be captured in a formal policy or similar document. This policy should also set out the actions (e.g. systems and processes, allocating responsibilities, sharing information) that the bank will implement to ensure that this zero tolerance commitment is delivered.

The scope of the policy should include the bank itself (including all of its subsidiaries, branches, representative offices and legal entities) and any individual or organisation with which it has a business relationship, including clients and suppliers.

The commitments made by the United for Wildlife Financial Taskforce (below) provide a good starting point for the content of such a policy, and can be adapted by individual organisations.



EXTRACTS FROM THE UNITED FOR WILDLIFE FINANCIAL TASKFORCE SIGNATORY STATEMENT (UNITED FOR WILDLIFE, 2018), THE MANSION HOUSE DECLARATION.

We, signatories to the Declaration of the United for Wildlife Financial Taskforce, recognise the devastating impact of the illegal wildlife trade (IWT) and will not knowingly facilitate or tolerate financial flows that are derived from IWT and associated corruption.

COMMITMENTS

1. Take measures to increase awareness of IWT and the role of the financial industry in combatting it.
2. Provide training to relevant staff within financial crime compliance functions to enhance their ability to identify and investigate potentially suspicious activity that may be related to IWT.
3. Utilise current suspicious activity reporting mechanisms to provide intelligence related to potential IWT activity to the relevant regulatory body or law enforcement agency, where permitted by law.
4. Review intelligence alerts received through the Taskforce and where relevant take appropriate action including due diligence screening and steps to identify, investigate and report potentially suspicious financial activity related to IWT.
5. Consider additional actions; examples include policy amendments that would support the aims of the Taskforce in addition to financial crime-related mechanisms.
6. Support the work of the Taskforce, promote the Declaration and where possible support external mechanisms that enhance the ability of the financial industry to identify potentially suspicious activity related to IWT.

2. SYSTEMS AND PROCESSES

Banks should ensure that they have the systems and processes they need to effectively implement their policy commitment to zero tolerance of the illegal wildlife trade. They should integrate these into their anti-money laundering and anti-corruption processes.

2.1 RESPONSIBILITIES

Banks should assign responsibilities for the oversight of the policy. Generally, this responsibility should sit with the board and/or the CEO, who will ensure that the policy is effectively implemented across the organisation.

The bank should also assign responsibilities for the day-to-day implementation of the zero tolerance commitments. This responsibility should be given to the individuals responsible for overseeing the bank's internal control system for anti-money laundering, who are also likely to have responsibility for collecting and analysing information (e.g. suspicious transaction reports) (see also Article 15 of the PRC Anti-Money Laundering Law (Appendix 1)) and the policy should

be integrated within the bank's anti-money laundering and anti-corruption processes. This responsibility may be shared with the head of sustainability or equivalent if such a role exists within the bank.

2.2 TRAINING

Banks should ensure that their staff are adequately trained to implement the zero tolerance commitments. Under Article 22 of the PRC Anti-Money Laundering Law (see Appendix 1), banks are already required to conduct anti-money laundering training and to explain anti-money laundering responsibilities to their employees. While not explicitly referenced in the legislation, the provisions clearly apply to all forms of money laundering irrespective of the sources or destination of this money.

These training requirements, which would normally be expected to be repeated or refreshed annually, should be extended to include training on the illegal wildlife trade and on the bank's systems and processes for detecting illegal wildlife trade.

TRAINING COURSES

TRAFFIC has supported the development of the FIU CONNECT (Wildlife Trafficking) online training programme³ developed by ManchesterCF in collaboration with The Royal Foundation and the United for Wildlife Financial Taskforce. ManchesterCF has assembled detailed case studies, examples and red flags to advise course participants about suspicious financial patterns that may indicate the illegal trade of wildlife. The training programme is available to banks that are members of the United for Wildlife Initiative.

The Association of Certified Anti-Money Laundering Specialists (ACAMS) and The World Wide Fund for Nature (WWF) have developed a free training course for individuals seeking to protect their organisations from the threats of illicit finance linked to illegal wildlife trade.⁴ Following the completion of the course, participants should:

- Understand the illegal wildlife trade and its consequences.
- Understand the financial elements of how wildlife crime manifests.
- Be able to identify organisational risks and exposure to illegal wildlife trade.
- Understand how to report suspicious activity associated with the illegal wildlife trade.

2.3 INTERNAL CONTROLS

Banks should adopt clear procedures for monitoring their exposure, or potential exposure, to the illegal wildlife trade. Know Your Customer requirements are discussed below. Another important element is the monitoring of large and suspicious transactions, and the reporting of these to CAMLMAC in a timely manner.

FATF (2020) states that banks should take steps to detect and report suspicious behaviour and/or transactions relating to the illegal wildlife trade to the country's financial intelligence unit (CAMLMAC in the case of China). These reports, known as suspicious transaction reports (STRs), may provide operational intelligence, trigger investigations or support ongoing criminal investigations into wildlife crime.

2.4 IMPLEMENTATION POLICIES

Banks should communicate their zero-tolerance commitment to all of their clients and business partners. They can do this by publishing details of their commitment on their websites, by proactively emailing or writing to their clients and business partners, and by explicitly referencing the commitments in formal documentation such as contracts and loan agreements.

In these communications, banks should explain how they intend to implement their commitment, both in terms of the decisions they will take if they discover a client or business partner has had involvement with the illegal wildlife trade, and in terms of their intention to notify the relevant regulatory authorities of suspicious transactions. Banks should also encourage their clients and partners to make similar commitments in their business dealings with others.

2.5 RISK ASSESSMENT PROCESSES

Banks have taken a range of measures to identify and assess the risk posed to their organisation from the illegal wildlife trade (FATF, 2020: 50). These have included incorporating specific risk indicators into financial crime risk assessments and developing tracking models to proactively collect and screen intelligence gathered from law enforcement, open-source reporting and other partners in order to understand the current threat environment.

Appendix 2 provides a list of risk indicators that can be used by banks to identify potentially suspicious transactions.

The box below identifies business sectors which are considered to be particularly impacted by or exposed to the illegal wildlife trade.

³ <https://www.manchesterfc.com/wildlife-trafficking-2/>

⁴ <https://www.acams.org/en/training/certificates/ending-illegal-wildlife-trade#overview-35d65314>

BUSINESS SECTORS IMPACTED BY OR EXPOSED TO THE ILLEGAL WILDLIFE TRADE

- Transport and logistics (e.g. freight and courier companies, sea transport, air transport)
- Travel and tourism
- Online platforms including: e-commerce, social media and messaging apps
- Traditional Chinese Medicine
- Timber and forestry
- Pet shops and zoos (e.g. pet shops, breeding facilities, zoos)
- Consumer products (e.g. home décor, fashion, luxury goods)
- Crafts and collection
- Restaurants

3. KNOW YOUR CUSTOMER AND KNOW YOUR BUSINESS

Know Your Customer (KYC) and Know Your Business (KYB) processes involve identifying and verifying the identity of clients when they open an account and periodically over time. These processes play a central role in helping to prevent and identify money laundering, terrorism financing, and other illegal corruption schemes. **The PRC Anti-Money Laundering Law (see Appendix 1) requires Chinese banks to establish KYC processes.** Banks are required to verify their clients' identities, identify all parties to business transactions, to keep records of clients' identities and transactions, and ensure that this information is kept up-to-date. Banks are not allowed to provide any service to or have any business transaction with a client whose identity is unclear or open any anonymous or pseudonymous accounts for clients.

The scope of China's KYC processes is broad. It includes persons and entities that maintain accounts and persons and entities that have a business relationship with the reporting entities (e.g. account holders, the beneficiaries of

transactions conducted by professional intermediaries such as stockbrokers, Chartered Accountants, or solicitors, or any person or entity connected with a financial transaction which can pose significant reputational or other risks to the bank).

Know Your Business (KYB) requirements extend KYC requirements to include verifying the corporate information of the companies' potential customers and the personal information of the managers of the companies.

KYC and KYB processes are critical elements in ensuring that banks adequately track the risks associated with the illegal wildlife trade. As discussed in Section 2 above, the use of shell companies and intermediaries means that banks cannot limit their focus to their direct customers. In that context, banks should also obtain information on the purpose and intended nature of the business relationship and on the source or origin of funds.

RESOURCES RELATED TO THE ILLEGAL WILDLIFE TRADE IN CHINA

TRAFFIC Reports relating to the illegal wildlife trade and China: <https://www.traffic.org/search/?q=china>.

TRAFFIC China websites: <http://www.trafficchina.org/> and <https://www.traffic.org/cn/>

Some examples of relevant information for banks to consider include intelligence on domestic illegal wildlife markets, and volumes of illegal wildlife identified and seized domestically (FATF, 2020a). Banks can also look at trade relationships with countries that are deemed high-risk for wildlife crimes, corruption levels (especially amongst port, border, mail, and customs authorities), and/or legislative gaps related to wildlife crimes and related money laundering (FATF, 2020).

4. REPORTING

Banks should publicly report – on their websites and in their sustainability and/or annual reports – on the progress they are making in implementing their zero tolerance commitments.

Specifically, they should report on:

- Their commitments.
- The actions they have taken to implement these commitments (e.g. the number of staff receiving training, improvements to their systems and processes).
- The number of cases/situations where they identified suspicious transactions or other indications that clients or business partners were involved in the illegal wildlife trade.
- The actions they took in those cases.

5. COLLABORATION WITH OTHERS

As discussed above, the emphasis on the illegal wildlife trade in discussions around anti-money laundering is a relatively recent phenomenon. Banks, therefore, need to work together with other banks, and with other stakeholders (e.g. payment platforms such as Alipay and WeChat Pay) to build capacity and understanding of the issue. The United for Wildlife Financial Taskforce (see pages 16 and 19) is an example of the sort of multi-stakeholder initiative that enables the banking sector to work together on the illegal wildlife trade.

UNITED FOR WILDLIFE

United for Wildlife works to tackle illegal wildlife trade by bringing together conservation organisations, governments, and global corporations. Led by HRH The Duke of Cambridge and The Royal Foundation, United for Wildlife works to protect endangered species like elephants, rhinos, tigers and pangolins.

United for Wildlife has recognised that there is a need to engage with financial institutions in order to effectively respond to illegal wildlife trade. This includes not only seeking their help through the use of their existing infrastructure but to also using financial intelligence to support law enforcement efforts to pursue the trade's greatest beneficiaries.

United for Wildlife has supported the establishment of a bank-led Illegal Wildlife Trade Financial Taskforce. Supported by technical experts including The Royal United Services Institute (RUSI) and TRAFFIC, along with a Secretariat, the Taskforce has been working to identify specific actions that the financial sector can take on this issue. In 2018, 38 banks (including Credit Suisse, Standard Chartered, HSBC, ANZ, Commercial Bank of Africa, ABSA and Citigroup), law firms, government bodies and other organisations, as well as technical experts such as TRAFFIC, the UN Office on Drugs and Crime (UNODC) and the Environmental Investigation Agency (EIA) signed the Mansion House Declaration (see text on page 16), promising not to “knowingly facilitate or tolerate financial flows that are derived from the illegal wildlife trade and associated corruption”. The Declaration sets out six commitments, including the dedication to share resources and intelligence in a bid to disrupt the

illegal income generated by poached animal products such as elephant tusks, rhino horn and pangolin scales.

Work to support the efforts of the Taskforce members has achieved considerable success since the launch of the Taskforce and connections between law enforcement and the private sector continue to strengthen. The United for Wildlife Taskforce Information Sharing System, now implemented through the Basel Institute on Governance with support from the Secretariat, underpins much of this action.⁵

Since 2019, the United for Wildlife Financial Taskforce has convened financial workshops in various key regions, including China, to raise awareness of the illegal wildlife trade as a financial crime and the role that financial institutions and financial investigators can play in detecting, disrupting and preventing IWT activity. These workshops, where public, private and civil society technical experts share common challenges and good practices, include local and regional government authorities, members of the FATF IWT Working Group and NGOs (FATF, 2020).

The United for Wildlife Financial Taskforce members have supported investigations in their home markets, including through the submission of IWT-related suspicious activity reporting (FATF, 2020).

See further <https://unitedforwildlife.org/projects/financial-taskforce/>

⁵ See <https://baselgovernance.org/b20-collective-action-hub/initiatives-database/united-wildlife-financial-taskforce>



KEY CONCLUSIONS

TRAFFIC / F.Noor

KEY CONCLUSIONS

The case for Chinese banks to be concerned about and to act on the illegal wildlife trade is clear. This report explains why banks should integrate commitments to zero tolerance of the illegal wildlife trade into their systems and processes for managing anti-money laundering and corruption, and into their corporate social responsibility strategies. It also provides practical guidance to Chinese banks on the systems

and processes they need to have in place to manage the business risks associated with the illegal wildlife trade, and on the role that they can play in combatting the illegal wildlife trade. **The report's recommendations on the key systems and processes that all Chinese banks should adopt to ensure that they play their role in combatting the illegal wildlife trade are presented in the box below.**

EXPECTATIONS OF CHINESE BANKS ON THE ILLEGAL WILDLIFE TRADE

1. Banks should make a formal, public commitment to zero tolerance of the illegal wildlife trade. This commitment should apply to the bank itself (including all its subsidiaries, branches, representative offices and legal entities) and to all individuals and organisations with which it has a business relationship, including clients and suppliers.
 2. Banks should establish the systems and processes necessary to deliver these zero tolerance commitments. These include:
 - Assigning responsibility for the oversight of the policy to the board or CEO.
 - Assigning responsibility for the day-to-day implementation of the commitments to the individual responsible for overseeing the bank's internal control system for anti-money laundering.
 - Ensuring that their staff are adequately trained to implement the bank's zero tolerance commitments.
 3. Banks should ensure that their Know Your Customer (KYC) and Know Your Business (KYB) processes pay attention to the potential for customers and businesses to be involved in the illegal wildlife trade.
 4. Banks should report publicly on a regular basis (e.g. annually) how they have implemented their zero tolerance commitments.
 5. Banks should collaborate with other banks and with other stakeholders to build capacity and understanding of the illegal wildlife trade within the banking and finance sectors.
- Adopting clear procedures for monitoring their exposure, or potential exposure, to the illegal wildlife trade.
 - Communicating their zero tolerance commitments to all of their clients and business partners.
 - Identifying and assessing the risks posed to their organisation from the illegal wildlife trade.



Ahaltekin4ik/Shutterstock.com

REFERENCES

- Baidu (2019), 'Dalian Customs Seized Suspected Smuggled Rhino Horn. 29 January 2019', <https://baijiahao.baidu.com/s?id=1623980133259567260&wfr=spider&for=pc>
- FATF (2019), Anti-money Laundering and Counter-terrorist Financing Measures – People's Republic of China, Fourth Round Mutual Evaluation Report (FATF, Paris). <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-china-2019.html>
- FATF (2020a), Money Laundering and the Illegal Wildlife Trade (FATF, Paris). www.fatf-gafi.org/publications/methodandtrends/documents/money-laundering-illegal-wildlife-trade.html
- FATF (2020b), Anti-money Laundering and Counter-terrorist Financing Measures – People's Republic of China. 1st Enhanced Follow-up Report & Technical Compliance Re-Rating (FATF, Paris). <http://www.fatf-gafi.org/publications/mutualevaluations/documents/fur-china-2020.html>
- GlobeScan (2019), Demand Under the Ban: China Ivory Consumption Research 2019, https://c402277.ssl.cf1.rackcdn.com/publications/1261/files/original/Demand_Under_the_Ban_-_China_Ivory_Consumption_Research_2019_FINAL.pdf?1569351103
- Interpol (2018), Global Wildlife Enforcement (Interpol, Lyon). https://www.interpol.int/content/download/5179/file/WEB_Wildlife%20ProspectusMarch2019.pdf?inLanguage=eng-GB
- IPBES (2019)
<https://ipbes.net/ga/spm>
- Jiajumi (2020), 'Hong Kong Customs Uncovered the Largest Smuggling of Controlled Red Sandalwood Timber this Year. 17 October 2020', <http://www.jiajumi.com/news/hot/31677.html>
- Journal of African Elephants (2020), 'Illegal wildlife trade must be punished (Namibia). 4 July 2020', <https://africanelephantjournal.com/illegal-wildlife-trade-must-be-punished-namibia/>
- PBC (2020), 'Overview of PBC's Oversight on Anti-Money Laundering in 2019', <http://www.pbc.gov.cn/en/3688241/3688777/3688789/4044029/index.html>
- Reuters (2019), 'Hong Kong Customs Seize Record Haul of Pangolin Scales Bound for Vietnam. 1 February 2019', <https://uk.reuters.com/article/us-hongkong-seizures/hong-kong-customs-seize-record-haul-of-pangolin-scales-bound-for-vietnam-idUKKCN1PQ3LU>
- Shanghai Customer District (2019), 'The General Administration of Customs Announced Typical Cases of Combatting Smuggling. 16 November 2020', http://www.customs.gov.cn/shanghai_customs/423446/423447/3373339/index.html
- Sina Finance (2019a), 'With Nearly One Ton Seized Every Month, China Continues to Crack Down on Ivory Smuggling. 26 November 2019', <https://cj.sina.com.cn/articles/view/2810373291/a782e4ab02001ga5i?from=finance>
- Sina Finance (2019b), 'In 2019, Hongqiao Airport customs seized a total of 12.64 kilograms of smuggled rhino horns. 3 December 2019', <http://sh.sina.com.cn/news/s/2019-12-03/detail-iihnzhfz3360424.shtml>
- TRAFFIC (2020), The People Beyond the Poaching: Interviews with Convicted Offenders. September 2020 (TRAFFIC, Cambridge), <https://www.traffic.org/site/assets/files/13210/web-beyond-the-poaching-offender-survey.pdf>
- United for Wildlife (2018), 'United for Wildlife Financial Taskforce: Mansion House Declaration', https://mk0unitedforwilnti3g.kinstacdn.com/wp-content/uploads/2018/09/UfW-FT_Declaration_FINAL.pdf
- UNEP–Interpol. 2014. The Environmental Crime Crisis – Threats to Sustainable Development from Illegal Exploitation and Trade in Wildlife and Forest Resources. (UNEP, Nairobi), <https://www.cbd.int/financial/monterreytradetech/unep-illegaltrade.pdf>
- United Nations Office on Drugs and Crime (UNODC) (2014), 'Press Release: Wildlife Crime worth USD 8-10 Billion Annually, Ranking it Alongside Human Trafficking, Arms and Drug Dealing in Terms of Profits. 13 May 2014', <https://www.unodc.org/unodc/en/frontpage/2014/May/wildlife-crime-worth-8-10-billion-annually.html>
- United Nations Office on Drugs and Crime (UNODC) (2020), World Wildlife Crime Report 2020: Trafficking in Protected Species, https://www.unodc.org/documents/data-and-analysis/wildlife/2020/World_Wildlife_Report_2020_9July.pdf
- United Nations Office on Drugs and Crime (UNODC) and Asia/Pacific Group on Money Laundering (2017), Research Report: Enhancing the Detection, Investigation and Disruption of Illicit Financial Flows from Wildlife Crime, https://www.unodc.org/documents/southeastasiaandpacific/Publications/2017/FINAL_-_UNODC-APG-Wildlife_Crime_report.pdf

USAID Wildlife Asia (2018), Research Study on Consumer Demand for Elephant, Pangolin, Rhino and Tiger Parts and Products in China, https://www.usaidwildlifeasia.org/resources/reports/inbox/usaidthchina_wildlife-demand-reduction_english_presentation_june12_2018_final.pdf/view

Watsa, M. (2020), 'Wildlife Disease Surveillance Focus Group 2020. Rigorous Wildlife Disease Surveillance', *Science* (10 July 2020), Vol. 369, Issue 6500, pp. 145-147, <https://science.sciencemag.org/content/369/6500/145>

World Bank (2019), *Illegal Logging, Fishing, and Wildlife Trade: The Costs and How to Combat It* (World Bank, Washington DC). <http://pubdocs.worldbank.org/en/482771571323560234/WBGRReport1017Digital.pdf>

WWF (2021), 'Adopt a Rhino: Facts', <https://www.worldwildlife.org/species/rhino#:~:text=At%20the%20beginning%20of%20the,habitat%20loss%20over%20many%20decades.>

Xinhua News Agency (2019), 'Hong Kong Customs Uncovers the Largest Suspected Smuggling of Rhino Horn in the Past Five Years. 6 April 2019', http://www.xinhuanet.com/2019-04/06/c_1124334062.htm



bennie/Shutterstock.com

APPENDIX 1

PRC ANTI MONEY LAUNDERING LAW (EXTRACTS)

Source: http://www.npc.gov.cn/zgrdw/englishnpc/Law/2008-01/02/content_1388022.htm#:~:text=laws&text=The%20Anti%2DMoney%20Laundering%20Law,as%20of%20January%201%2C%202007.

GENERAL PROVISIONS

Article 1 This Law is enacted for the purpose of preventing money laundering, preserving financial order and checking the crime of money laundering as well as related crimes.

Article 2 For the purposes of this Law, anti-money laundering refers to the adoption of relevant measures according to the provisions of this Law to prevent any money laundering which is designed to cover up or conceal, by various means, the sources and nature of the criminal gains and proceeds derived from drug-related crimes, crimes committed by organisations of the nature of criminal gangs, terrorist crimes, crimes of smuggling, graft and bribery, crimes of disrupting the order of financial management, crimes of financial fraud, etc.

Article 3 The financial institutions established within the territory of the People's Republic of China and the special non-financial institutions that are required by relevant regulations to perform the obligation of anti-money laundering shall, in accordance with law, adopt preventive and monitoring measures by establishing sound systems for distinguishing clients' identities, preserving the data for clients' identities and records of transactions, and a report system for transactions involving large sums of money and for dubious transactions, and thus perform their anti-money laundering obligation.

THE OBLIGATION OF FINANCIAL INSTITUTIONS TO FIGHT AGAINST MONEY LAUNDERING

Article 15 A financial institution shall, according to the provisions of this Law, establish a sound internal control system for anti-money laundering, and the leading persons thereof shall be responsible for the effective application of such system.

A financial institution shall establish a special body for anti-money laundering or designate an internal division for the same.

Article 16 A financial institution shall, according to relevant provisions, establish a system for distinguishing its clients' identities.

When a financial institution establishes a business relationship with a client or provides such one-off monetary services as cash remittance, cash conversion and bill payment above the norm specified, it shall require the client to show his authentic and valid identification certificate or any other such document and have it verified and registered.

Where a client entrusts an agent with a business transaction, the financial institution shall verify and register the identification certificates or any other such documents of both the agent and the principal.

Where a financial institution establishes a business relationship of personal insurance, trust, etc. with a client, who is not the contractual beneficiary, it shall, in addition, verify and register the identification certificate or any other such document of the beneficiary.

A financial institution shall not provide any service to or have any business transaction with a client whose identity is unclear or open any anonymous or pseudonymous account for a client.

Where a financial institution has any doubt about the authenticity, validity or completeness of a client's identification data obtained earlier, it shall have the client's identity distinguished anew.

When any unit or individual establishes a business relationship with a financial institution or requests a financial institution to provide a one-off monetary service, it/he shall provide its/his authentic and valid identification certificate or other such document.

Article 17 Where a financial institution distinguishes the identity of its client through a third party, it shall make sure that the third party has adopted the measures for distinguishing a client's identity as required by this Law. Otherwise, the financial institution shall bear the liability for failure to perform the obligation of distinguishing the client's identity.

Article 18 When distinguishing a client's identity, a financial institution may, if it deems it necessary, have the information concerning the client's identity verified by the public security organ or the administrative department for industry and commerce.

Article 19 A financial institution shall, in accordance with relevant provisions, establish a system for preservation of the data of its clients' identities and the records of transactions.

During existence of the business relationship, the data of a client's identity shall be updated in a timely manner along with any change that takes place.

Upon conclusion of a business relationship or transaction, the data of a client's identity or information concerning a client's transaction shall be kept for at least five years.

When a financial institution goes bankrupt or is dissolved, it shall transfer the data of its clients' identities and information concerning its clients' transactions to the authority designated by the relevant department under the State Council.

Article 20 A financial institution shall, according to relevant provisions, apply the report system for transactions involving large sums of money and for dubious transactions.

When the amount of money involved in a single transaction handled by a financial institution or in the accumulated transactions it handled within a prescribed period of time exceed the prescribed amount of money or when it finds any dubious transaction, it shall report to the Anti-Money Laundering Information Center in a timely manner.

Article 21 The specific measures for a financial institution to establish the system for distinguishing its clients' identities and the system for preserving the data of its clients' identities and records of transactions shall be formulated by the administrative department in charge of anti-money laundering under the State Council in conjunction with the relevant financial regulatory body under the State Council. The specific measures for report by financial institutions on transactions involving large sums of money and on dubious transactions shall be formulated by the said department.

Article 22 A financial institution shall, in compliance with the requirements of the system for prevention and monitoring of money laundering, conduct training in anti-money laundering and disseminate knowledge about the same.

Article 34 For the purposes of this Law, financial institutions include the policy-oriented banks, commercial banks, credit cooperatives, postal savings and remittance institutions, trust investment companies, securities companies, futures brokerage companies and insurance companies that are established according to law to engage in financial business, as well as other institutions that are determined and made known as such by the administrative department in charge of anti-money laundering under the State Council to engage in financial business.



APPENDIX 2

INDICATORS OF LAUNDERING THE PROCEEDS OF THE ILLEGAL WILDLIFE TRADE

The Financial Action Task Force (2020: 60-62) has developed a series of risk indicators that can be used by banks and financial institutions as a checklist to assist them in identifying potentially suspicious transactions and behaviour patterns that could be indicative of money laundering linked to the illegal wildlife trade.

CLIENT PROFILES (INDIVIDUALS AND CORPORATES)	CHECKED
Involvement of international trade companies , including import-export, freight forwarding, customs clearance, logistics, or similar types of companies operating in the following commodities long high-risk corridors or ports for illegal wildlife trade supply and demand: raw or squared wooden logs, plastic waste or pellets, frozen food, fish maws, various kinds of beans, stone or quartz blocks.	
Use of common containers, consignees, transporter, clearing agents, or exporters believed to be involved in the illegal wildlife trade.	
Activity involving politically exposed persons (PEPs) and wealthy businessmen/women, particularly those with environmental, game, or forestry oversight or environmental or wildlife-related businesses	
Involvement of legal wildlife-related entities such as private zoos, breeders, (exotic) pet stores, safari companies, pharmaceutical companies making medicines containing wildlife and wildlife collectors or reserves.	
Individual or beneficial owner(s) of a corporate domiciled in jurisdiction that is a prominent transit or demand country for illegal wildlife .	
TRANSACTIONS AND CLIENT ACCOUNT ACTIVITY	CHECKED
Large cash deposit by government officials working in wildlife protection agencies, border control or customs and revenue officials.	
Large cash or other deposits, wire transfers, multiple cash deposits and withdrawals, and/or unexplained wealth from government officials working in forestry agencies, wildlife management authorities, zoo and wildlife park employees, or CITES Management Authorities (CMAs).	
Large cash or other deposits, multiple cash deposits and withdrawals, and/or unexplained wealth from government officials from environment or other ministries who have specific management or oversight authority of government stockpiles of seized ivory, rhino horn, timber, or other illegal wildlife products.	
Shipments of legal wildlife (fauna and flora) with anomalous, incomplete, or otherwise suspicious CITES certificates.	
Transactions using names of ingredients or products in the traditional medical trade that refer to CITIES species.	
Illogical or anomalous loans between trading or import/export companies in key illegal wildlife trade source or transit countries.	
Switched bills of lading by traders previously implicated in criminal activity involving wildlife trafficking or trade fraud investigations or prosecutions.	
Transactions having discrepancies between the description or value, of the commodity in customs and shipping documents and invoice, relative to the actual goods shipped or quoted price or the actual value in payments made.	
Illogical or anomalous purchases, payments, or other transactions related to gold trading from business accounts of clients.	
Escrow-type transactions from/to accounts and companies with same beneficial owner in particular for payment of cross-border and transcontinental shipments.	
Transactions from known traffickers to individuals who then pay for couriers or packages via the post.	

Transactions for hired vehicles and domestic accommodation from known members of a trafficking syndicate who are not present in the country or region within a country.	
Third-party wire transfers/cash deposits to, or withdrawals by, known wildlife poachers and traffickers.	
Transaction references using specimen names or veiled speech.	
Transactions between licensed pet shop suppliers/breeders and known wildlife poachers and traffickers.	
Transactions to licenced pet shop suppliers/breeders that originate from overseas, and/or incommensurate with stated business activities.	
Large transactions to licenced pet shop suppliers/breeders where there are significant discrepancies between the animal/product ordered and the value of the good.	
International wire transfers from known wildlife traffickers to a relative's accounts as tuition, allowance, or family support payments.	
Large dollar wire transfers between wildlife farms and firms operating in inconsistent lines of business. Particular attention should be given to payments with firms that produce goods which may be used as "cover loads" to hide illicit wildlife products (e.g. manufacturers / traders of coffee, tea, beans, or used clothing).	
Payments between entities operating in disparate lines of business.	
Individuals or companies suspected of being involved, or linked to, illegal wildlife trade networks using bank accounts and addresses located in different countries.	
Middleman transactions – large incoming payments followed by smaller outgoing payments.	
Rental card transactions with two bookings close in time in neighbouring countries.	
OTHER	CHECKED
Adverse media connected to wildlife or environmental crimes identified in open and available sources on individuals and/or entities involved in reviewed financial transactions.	
Airline passengers traveling on high-risk illegal wildlife trade routes on tickets paid for by a third party or in cash.	
Payments from companies/owners from industries using illegal wildlife trade products (including traditional medicine manufacturers, leather producers, auctioneers of wildlife products, exotic food providers [including butchers, chefs, stall holders in wildlife markets and restaurants]) to known wildlife traders or their associates or other entities above that have been identified as being involved in the illegal wildlife trade.	

APPENDIX 3

ILLEGAL WILDLIFE TRADE EXAMPLES

ELEPHANT IVORY

An estimated 415,000 African elephants remain in the wild. Each year around 20,000 are killed for their tusks. In research conducted by GlobeScan in 2019, covering 2,000 consumers from 15 cities in China, 14% of the respondents stated that they intended to purchase ivory in future even though they were aware that doing so is illegal (Globescan, 2019). Much of this continuing demand comes from consumers who regularly travel outside China.

African Elephants *Loxodonta africana* (except populations from Botswana, Namibia, South Africa and Zimbabwe) and Asian Elephants *Elephas maximus* are listed in Appendix I of CITES. All international trade in ivory has been prohibited since 1990 other than in exceptional circumstances. In addition, China implemented a commercial ban on the domestic sale and purchase of all ivory in December 2017 and in April 2020, continued to forbid the commercial import of ivory products. It is illegal for travellers and tourists returning from overseas to bring any amount of ivory into China.

In the period 2008-2017, about 393 tonnes of ivory was seized globally. Large quantities continue to be seized. For example:

On 29 December 2020, the Guangzhou Intermediate People's Court of China issued their verdict on an extraordinarily serious case of smuggling products from endangered animals. The case involved the smuggling of ivory with a value exceeding CNY 1.02 billion, making it the largest smuggling case involving illegal wildlife products since the founding of the People's Republic of China.

Two defendants, Chen Chengzong and Chen Lin Zhiyong, were sentenced to life imprisonment, deprivation of political rights for life and confiscation of personal property for crimes including smuggling and the illegal purchase and sale of products from endangered wild animals. A third defendant, Cai Shouyong, was sentenced to 15 years' imprisonment and the confiscation of CNY 5 million of personal property for smuggling endangered animal products. An additional 14 defendants were sentenced to fixed-term imprisonments of between two and ten years, confiscation of personal property and fines totalling CNY 2.115 million.

The Court found that from July 2013 to August 2018, those charged had smuggled thousands of products from endangered species weighing more than 20 tonnes and worth more than CNY 1.02 billion into China via Singapore and South Korea. The products included 4661 elephant tusks with a value of more than CNY 680 million which were seized by Chinese Customs and not sold. In addition, rhino horns and ivory products worth more than CNY 100,000 had been sold in China.

<https://finance.sina.com.cn/china/2020-12-30/doc-iiznezxs9675685.shtml>



RHINOCEROS HORNS

In the past decade alone, more than 7,000 African rhinos have been poached, leaving an estimated remaining wild population of just 25,000 African rhinoceroses. In contrast, at the beginning of the 20th century, 500,000 rhinos roamed Africa and Asia (WWF, 2021).

In research conducted for USAID Wildlife Asia in 2018 covering 1,800 consumers from 6 cities in China, 13% stated that they were likely or very likely to purchase rhino horn in future (USAID, 2018).

All Asian rhinos are listed in CITES Appendix I, prohibiting any commercial international trade, while African rhinos are listed in both CITES Appendix I and II.

The illegal supply of rhino horns from Africa predominantly to Asia is reported to be over 30 times greater than in the early 2000s. At least 4,500 African rhino horns entered illegal trade globally in the period 2016–2017, generating estimated proceeds of between US\$79 and 292 million (Journal of African Elephants, 2020).

Large quantities continue to be seized. For example:

- On 5 April 2019, Hong Kong Customs detected 82.5 kg of rhino horn (valued at HK\$16.50M) in cargo being transported from Africa to Malaysia via Hong Kong (Xinhua News Agency, 2019).
- On 1 June 2019, 9.79 kg of rhino horn were found by officials at Shanghai Hongqiao International Airport in the luggage of two passengers travelling from South Africa to Shanghai via Hong Kong (Sina Finance, 2019b).
- In January 2019, Dalian Customs seized 2.71 kg of rhino horns concealed in the luggage of a passenger who had travelled from Hong Kong (Baidu, 2019).

ROSEWOOD

Rosewood products, or Hongmu in Chinese, refer to a group of dark red tinted hardwoods sourced from various tropical tree species, especially *Dalbergia spp.* and *Pterocarpus spp.* These species have been used in the traditional Chinese furniture and craft industries for hundreds of years and demand remains high. China is the largest processing centre, retailing cluster and demand market for rosewood products (UNODC, 2020).

The excessive consumption of rosewood products and the presence of illegal product in supply chains has attracted international attention due to associated negative impacts on the environment, governance and livelihoods of local communities in source countries. For example, in the period 2010 to 2015, at least 350,430 timber trees (mainly rosewood) have been cut down in protected areas in Madagascar and at least one million logs (152,437 tonnes) have been illegally exported from the country.

In 2016, the trade regulation measures in place under CITES for some rosewood tree species were upgraded to try and halt the rapid decline of rosewood populations. Among 29 species listed in China's National Hongmu Standard, 17 have been included in the CITES Appendices I and II.

Based on legal trade and seizure data, the largest source of illicitly harvested rosewood is Africa (UNODC, 2020). Nigeria alone exported some 750,000 cubic meters of rosewood in 2017, which is equivalent to about four million trees, or more than 30,000 shipping containers, an average of almost 100 container loads exported per day (UNODC, 2020).

Large quantities of these exports have been seized. For example, on 15 October 2020, Hong Kong Customs seized over 9 tonnes of rosewood, valued at HK\$6 million in Tsing Yi port. The rosewood had come from the UAE and was being sent to mainland China via Hong Kong (Jiajunmi, 2020). On 22 March 2019, Shanghai Customs seized 438 tonnes of *Pterocarpus erinacues* (CITES Appendix II). Between January and March 2019, Nanning Customs detected 155.1 tonnes of *Pterocarpus erinacues* en route from Nigeria to Guangxi via Hongkong

TRAFFIC is a leading non-governmental organisation working globally on trade in wild animals and plants in the context of both biodiversity conservation and sustainable development.

FOR FURTHER INFORMATION CONTACT:

TRAFFIC
Global Office
David Attenborough Building
Pembroke Street
Cambridge CB2 3QZ
UK

+44 (0)1223 277427
traffic@traffic.org
traffic.org

*UK Registered Charity No. 1076722,
Registered Limited Company No. 3785518.*

TRAFFIC
the wildlife trade monitoring network