



Combating the sexual exploitation of children for financial gain

Activity indicators

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Introduction

Child sexual exploitation is a heinous crime that extends across borders and has lasting impacts on victims and the wider community. While motivation for the exploitation of children is varied, there has been an increase in cases involving the sexual exploitation of children for financial gain.

Fintel Alliance is working collaboratively with law enforcement and industry partners to proactively identify transactions that relate to child sexual exploitation. This report has been developed to assist financial service providers and law enforcement agencies to detect suspect transactions by providing updated financial and environmental indicators to more effectively combat child sexual exploitation.

By only using financial analysis it is difficult to differentiate between the purchase of adult services, scam activity and the sexual exploitation of children. Financial intelligence generates an important part of the overall picture when combined with other information to identify offending. The presence of indicators should encourage further monitoring, examination and reporting where appropriate.

Taking action through partnerships



"There needs to be greater international engagement in the battle against child exploitation. The bigger picture is how we can disrupt these networks."

**The Hon Peter Dutton MP,
Minister for Home Affairs, July 2019.**

Financial service providers play an important role in combating child sexual exploitation for financial gain. Through the development of profiling and transaction monitoring programs, financial service providers are able to target, identify and stop financial transactions associated with the sexual exploitation of children.

AUSTRAC recognises the exploitation of children transcends borders and has partnered with key government agencies and not-for-profit organisations to assist in the fight against child sexual exploitation. Fintel Alliance works alongside international partners to share information in real time and increase awareness to harden the environment against this heinous crime that puts our community's safety at risk.



What is Fintel Alliance

Fintel Alliance is a world first public-private partnership led by AUSTRAC bringing together government, law enforcement, private sector and academic organisations who work together to:

- » Support law enforcement investigations into serious crime and national security matters
- » Increase the resilience of the financial sector to prevent criminal exploitation
- » Protect the most vulnerable members of the community from criminal exploitation

Fintel Alliance partners include major banks, remittance service providers and gambling operators, as well as law enforcement and security agencies from Australia and overseas.

Context

The Internet and related technologies are increasingly becoming a prominent means by which children are exploited for sexual purposes. The Internet provides users with anonymity and accessibility, allowing online predators to access live-distance child abuse material on a global scale.

The impact of child sexual exploitation is far reaching and the nature of this type of offending requires a joint approach by government, industry and the wider international community to identify and prosecute offenders who exploit children for financial gain.

The indicators presented in this report are a result of analysis of current and previous investigations that have identified a number of specific financial and environmental indicators of child sexual exploitation involving Australia-based entities and facilitators based offshore.

The indicators are to assist the financial industry to identify and report financial transactions suspected to be for the purchase of child exploitation material. Previous information sharing regarding the type of transactions, amounts and money movements has enabled the financial industry to become more aware of instances where customers may be purchasing child exploitation material and report to relevant authorities.



An offender hiding in the community

case study

Financial information identified an offender attempting to hide his offending while living in the community, going online to pay for the exploitation of children in another country.

The 69-year-old Australian man was identified sending over 500 small value payments to a number of facilitators in the same country. The payments were described as 'gift' and 'help', with the offender using different remittance providers to send payments. Suspicious matter reporting helped to identify the offending, providing avenues for further enquiries to determine the nature of the offending.

The financial intelligence was referred to the Australian Federal Police leading to an investigation and the arrest of the Australian man for child exploitation offences including grooming and procuring a child to engage in sexual activity.

With the assistance of the financial information, the man was sentenced to 11 years imprisonment and will be on the Sex Offenders Registry for life.

Sexual exploitation of children for financial gain

Child sexual exploitation for financial gain involves children being coerced or manipulated into engaging in sexual activity. The children and their family members often receive a nominal amount for their involvement and the facilitator retains the vast majority of the profits.

Analysis undertaken by Fintel Alliance members of financial activity consistent with the sexual exploitation of children has identified patterns and indicators involved in offending.



Live-distance child abuse

Live-distance child abuse involves offenders sending payments to facilitators to gain access to the online streaming of children being sexually abused in another country.

In most instances, the abuse involves an offender negotiating and agreeing on a price with the facilitator to watch and/or instruct as children are sexually exploited live via webcam.

1

An offender will engage with a facilitator online and agree on a price



Offender



Facilitator

2

The offender will transfer an agreed amount of money to the facilitator



Offender



Money transfer



Facilitator

3

The facilitator broadcasts the child sexual exploitation material to paying offenders



Facilitator



Broadcast



Offenders

Environmental factors

In recent years, a range of environmental factors have made it easier for offenders to engage online with the facilitators of the abuse in order to view and participate in the sexual exploitation of children. The Internet has now removed the need for offenders to travel for this purpose.

Fintel Alliance has identified the following environmental factors that play a role in the sexual exploitation of children:

Access to the internet

Increased internet access throughout the world has led to more children being susceptible to sexual exploitation and abuse.

Poverty or financial position

Poverty has been identified as a motivating driver of live-distance child abuse and child sex tourism, with the majority of children being subjected to exploitation for financial gain.

Reliable money remittance services and financial institutions

Access to reliable money remittance services in most countries allows offenders to send payments to facilitators offshore to view and participate in the sexual exploitation of children.

Limited knowledge of offending

Not being able to recognise the exploitation of children as an offence creates an environment where offending is not reported to authorities.

Language

Common language between offenders and facilitators means being able to communicate via email, video and instant messaging before, during and after the offending takes place. Offenders can remotely instruct and control the actions of the children and the abusers with minimal language barriers or the risk of miscommunication. There is a prevalence of offending in countries where English is a second language.



Child sex tourism (travelling to offend)

The sexual exploitation of children is not restricted to a single country or region, it can take place anywhere in the world. Online engagement can lead to offenders travelling to other countries to sexually exploit children, commonly known as child sex tourism.

Offenders often travel out of their own country to hide their offending from the local authorities, remain anonymous and gain greater access to children.

Offenders can use online engagement to get in contact with a local facilitator and pay them to assist with accessing children when they arrive in another country to reduce the chance of being caught by law enforcement.

Financial indicators

Financial analysis conducted by Fintel Alliance members have identified the following financial indicators based on transactional analysis:

Small amounts

Financial transactions involved with live-distance child abuse are generally of a small value (ranging from \$15 to \$500). The amount to be paid is negotiated, with funds sent prior to the offending taking place.

Frequency

Child sexual exploitation for financial gain can involve multiple payments being made by an offender on a single day or over a number of consecutive days. A facilitator broadcasting the sexual exploitation of children can receive payments from different offenders at the same time.

Offenders

Offenders are difficult to profile and take steps to hide their activity online and from family and friends. Offenders are unlikely to have a work or family link to countries where they are sending funds, raising questions around the reason for the payments.

While offenders are predominantly male, the movement of funds to enable offending can be conducted through accounts managed by both males and females. Enhanced customer due diligence will assist financial institutions to understand customers and to identify activity related to the exploitation of children.

Facilitators

Financial gain is the primary motivator for offenders facilitating the sexual exploitation of children. Facilitators have been identified with family and societal links to children, often using these connections to groom and exploit children.

Facilitators involved in the production and distribution of live-distance child abuse material can be either male or female. The facilitator will have no obvious links to the offenders sending funds, either from a family or business perspective.

Arrested facilitators have been identified with receiving payments from offenders in different countries, with no legitimate reason identified for the receipt of the payments.

Patterns in transactions

Transactions enabling the sexual exploitation of children can be small value and are generally under \$500. Due to the opportunistic nature of the offending, there is no pattern identified in the timing of payments related to the sexual exploitation of children.

Offenders can often send multiple payments on a single day or over consecutive days, and sometimes go days and weeks between payments. Offenders can have long term financial relationships with facilitators.

Reporting suspicious financial transactions has assisted in the rescue of children and prosecution of individuals involved in child sexual exploitation.

Financial institutions/ Remittance service providers

Offenders often send small value electronic transfers under \$500 to a remittance provider when purchasing live-distance child abuse material from facilitators. Offenders will generally not send more than \$1,000 offshore in a single transaction for the sexual exploitation of children unless they intend to travel to the country.

Offenders may plan to travel to high risk destinations for the sexual exploitation of children as indicated by payments to airlines and accommodation providers. Indicators an offender is travelling to abuse children may include the withdrawal of cash from automatic teller machines or the use of a credit card in areas vulnerable to the sexual exploitation of children.

The majority of offenders will use a number of different financial institutions and remittance service providers to send payments to facilitators located offshore in an attempt to avoid raising suspicion in regards to their transactions. Offenders can sometimes have their account with an institution closed due to suspicious activity, moving to another service provider to continue sending payments relating to offending.

Payments to underage recipients (under 18 years of age)

Instead of engaging and making payments through a facilitator, an offender may directly communicate and pay a person under 18 years of age for exploitation material. This can include material generated by the victim or a relative. Initial payments may also be to groom the person under 18 years of age to solicit exploitation material.

Third party collection

A facilitator may use friends or family to collect payments on their behalf for offending in order to distance themselves from the transaction. The collection of a payment by a third party should be considered suspicious and trigger further investigation.

Reasons for payments

Many offenders will attempt to hide transactions related to the sexual exploitation of children, with reasons for the payments described as 'accommodation', 'education', 'school', 'uniform' or 'medical bills'. An offender may also make purchases of clothing items and toys for children which may be an indicator of offending.

Grooming related payments

Offenders may offer gifts or money to build a relationship with a facilitator or victim. These initial payments can appear as support but often enable offending to take place.

Country or region

No country is immune from the sexual exploitation of children. Environmental factors assist in identifying countries at greatest risk of child sexual exploitation. The Philippines, Thailand and Mexico are ranked as the top source countries for the production and distribution of child sexual exploitation material.

Travelling to offend

Payments for a hotel in another country or the purchase of a travel money card can be financial indicators of an offender intending to travel to undertake the sexual exploitation of children. Another indicator can be payments to an airline that operates flights to areas known for the sexual exploitation of children.

An offender may have developed relationships with service providers in a country. As a result, the offender may direct payments to individuals involved in the service industry to enable offending (hotel staff, transport providers).

The accessing of accounts and financial services from offshore locations susceptible to child exploitation can be a further indicator of offending. This can include the use of mobile devices to access online services while travelling.

Online footprint

The access of financial services online creates a footprint through the recording of an Internet Protocol (IP) address and network port number. This information can assist to identify and locate an offender and facilitator of child exploitation, including identifying when someone has travelled to offend.

Virtual private networks

Payments for virtual private networks (VPN) can be an indicator of an offender attempting to disguise their online activity from law enforcement. Payments for VPN services can be made in different intervals including monthly, quarterly or annual payments.

Screen capture and enabling software

Payments for screen capture and live-streaming programs may be an indicator of an offender using certain programs to live-stream and record live-distance child abuse material. Additional payments may also be made for virtual machine software.

An offender may further try to disguise or erase their digital footprint through the purchase of metadata stripping and anonymising software. Payments for software of this nature should be considered in the context of a person's employment.



Financial intelligence leads to arrest

case study

Financial intelligence has led to the identification, investigation and prosecution of offenders going online to offend against children. Operating online allows offenders to hide their activity from the community.

Increased reporting of suspicious financial activity identified a 52-year-old Australian man conducting financial activity consistent with the purchase of child exploitation material from other countries. Analysis identified small payments matching known indicators to a region susceptible to the exploitation of children for financial gain.

With the support of the financial intelligence, the Australian Federal Police identified, investigated and charged the man with child exploitation offences including grooming and procuring a child to engage in sexual activity.

With the assistance of the financial intelligence, the man was sentenced to seven years imprisonment and will be on the Sex Offenders Registry for life.

Sharing case studies and financial behaviours of offenders has assisted financial service providers to better identify offenders in Australia and overseas. The flow on increase in reporting suspicious matters has assisted in the identification of child sexual exploitation and resulted in improved referrals to law enforcement.

Summary

This report provides an overview of the main financial indicators of sexual exploitation of children, summarised below.

Offenders



Small financial transactions between \$15-\$500.



No identifiable pattern in transactions, which could be multiple payments on a single day or over a number of consecutive days.



No work or family links to countries where they are sending funds.



Travel to high risk destinations, use of credit cards or ATMs in areas vulnerable to sexual exploitation of children.



Attempting to disguise activity through describing payments as 'accommodation', 'education', 'school', 'uniform', 'medical bills'.



Payments for use of VPN software, screen capture and live-streaming programs, and metadata stripping and anonymising software.

Facilitators



Receive payments from different offenders at the same time.



No obvious family or business links to the offenders sending funds.



Receive payments from offenders in different countries, with no legitimate reason identified for the receipt of the payments.

Seen something suspicious?

On their own, these indicators may appear normal. However, if you notice a combination of indicators, consider submitting a suspicious matter report to AUSTRAC.

High-quality, accurate and timely SMRs give us the best chance to detect, deter and disrupt criminal activity, including child sexual exploitation.

To find out more visit: austrac.gov.au/smr

