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ABSTRACT

The Finance of Sex Trafficking and Impact of COVID-19

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The global outbreak of COVID-19 led to the shutdown of industries, shrinking economies, border closures, and national laws and curfews put in place to socially distance communities. COVID-19 has had a devastating impact on economies globally, with millions of people losing their jobs[1]. Small businesses and those heavily reliant on daily wages to support themselves and their families have been impacted particularly heavily by this crisis. People continue to need money to survive, and yet the required income simply is not available in many cases. One community that has been gripped by the impact of COVID-19, yet which is receiving a disproportionate lack of support, is the commercial sex worker community. Within the context of the commercial sex work industry, an underworld of sex traffickers operate, exploiting victims into forced labour situations and capitalising on the heightened vulnerabilities of millions of people. Sex workers are increasingly turning to unregulated lenders and criminal gangs for loans and support. Victims of abuse also find themselves homeless or even confined to the homes of abusers, further compounding the severity of their situation and their vulnerability to further exploitation. Economic hardship is also a driver for risk of trafficking from outside of the existing sex worker community, as families struggle to make ends meet, and creeping desperation creates a new pool of prey for unscrupulous traffickers to pick from. The traffickers themselves have also no-doubt been impacted, their regular income streams drying up, moving to new online platforms through which to exploit their victims.

Finance and sex trafficking are intrinsically linked. The criminal underworld of sex traffickers is driven by profit, the ability to repeatedly exploit human beings for financial gain. Often those victims have been recruited and exploited as a result of their financial desperation, entrapped by their need to provide for themselves and their families. Cash generated through these cycles of exploitation and abuse are laundered through legitimate financial systems, generating billions of dollars

[1] Rymer, Andrew, '*What impact Is COVID-19 having on global economies and markets?',* Schroders Wealth Management, 26th March 2020, Accessed June 2020. URL: https://www.schroders.com/en/hk/wealth-management/insights/strategy-and-economics/what-impact-is-COVID-19-having-on-global-economies-and-markets/

each year. Those financial institutions and agencies responsible for identifying, investigating, and halting this flow of money have also been directly impacted by the COVID-19 crisis. Backlogs of suspicious activity reports continue to pile up as Financial Intelligence Units operate at decreased capacity, the agencies relied upon to investigate criminal activity. Compliance and anti-money laundering teams are unable to visit customer premises to carry out checks, and many due-diligence processes are operating in a simplified manner to counteract the physical and logistical challenges of COVID-19 restrictions on access to finance.

This paper examines how COVID-19 has impacted the lives of sex workers and how changing circumstances may make them and others even more vulnerable to exploitation into sex trafficking. It explores the perceptions and policies that keep sex workers from receiving the financial support needed to keep them safe at this time. It considers how sex work may be driven further underground, and the implications of this on the security of the workers involved. It also considers how the behaviour of clients may change as a result of the virus, examining the supply and demand drivers of online sexual exploitation of adults and children. This paper also outlines the fluidity of criminal nature, how criminals are adapting to changing circumstances and finding new ways to identify, groom, and exploit victims into sexual slavery. Finally, it analyses the implications that COVID-19 has had on the nature of money laundering and the related affects on the ability of financial institutions to operate as the 'eyes and ears' in the fight against global sex trafficking. It concludes with recommendations that can be made to financial institutions and related agencies, to respond rapidly to emerging risks and new trends in sexual exploitation and money laundering.