



# Money Laundering through Illegal Wildlife Trade

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The Illegal Wildlife Trade (IWT) is the sale, use, and trade of animal and plant species obtained through illegal means. According to a Financial Action Task Force report, 7 to 23 billion dollars of illegal proceeds are generated annually through wildlife trade, making it among the most profitable of all organised crimes. Elephants, Tigers, Jaguars and Pangolins are hunted to supply to this trade. Owing to the highly lucrative nature of this trade, harmful methods that cause animals to suffer and threaten biodiversity are used. The consequences of IWT are a decrease in rare species leading to disturbances in the food chain, destruction of related ecosystems, and the loss of natural habitats of these animals.

The proceeds from IWT are laundered through financial systems across the world, washing this blood money clean to make it legitimate. These profits are then used to fuel more environmental crime, traffic drugs, fund terrorism and drive corruption. These profits have been found to be one of the most effective ways of laundering money as there is hardly any monitoring of the financial flows of wildlife smugglers. This is because most countries haven't paid attention to the money laundering that follows this crime, thereby enabling crime syndicates to increase their activities in this area.

## Methods used for Money Laundering in IWT

Criminals involved in IWT employ various methods to hide payments and launder illicit funds. Primary among these are:

- Shell Companies: A primary tactic is using shell companies to facilitate transfers within criminal organizations or to hold assets. They also utilize legitimate front companies to obscure the movement of value.
- Import-Export companies: This industry is exploited to legitimize cross-border movement of goods and payments. Vulnerable sectors like breeding facilities, pet shops, zoos, decor, and fashion are often used as fronts due to lax regulation and weak enforcement, providing cover for illegal wildlife products and money.
- Third-party Accounts: For fund transfers, criminals use third-party accounts via bank transfers (including e-banking), loans, licensed money transfer systems, and traditional banks. They may also employ innocent bank mules to make transactions less conspicuous, laundering IWT proceeds and obscuring their origin.

Stronger regulations are crucial to combat illegal wildlife trade (IWT). Governments and international agencies must bolster enforcement, preventing the use of shell companies

and vulnerable sectors for illicit activities. Public awareness about IWT's impact on biodiversity and society also needs to be increased.

## FATF Recommendations to Combat IWT

The FATF, an intergovernmental body that develops and promotes policies to combat money laundering and terrorism financing, has issued key recommendations to combat IWT money laundering in its 2020 report. These recommendations are:

- Countries should conduct comprehensive national risk assessments (NRAs) to identify IWT-related vulnerabilities in financial and non-financial sectors and evaluate existing anti-money laundering measures.
- They must establish robust legal frameworks, including criminalizing IWT, setting penalties, and empowering authorities to investigate and prosecute IWT money laundering.
- Countries must strengthen preventive measures like Customer Due Diligence (CDD) and Know Your Customer (KYC) procedures for financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs) (e.g., precious metals dealers, real estate agents) to combat IWT.
- Countries must also enhance international cooperation through intelligence sharing and mutual legal assistance.
- Lastly, FATF stresses on the importance of Public-Private Partnerships (PPPs) to foster collaboration among governments, financial institutions, DNFBPs, and civil society to share information and expertise in combating IWT-related money laundering.



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