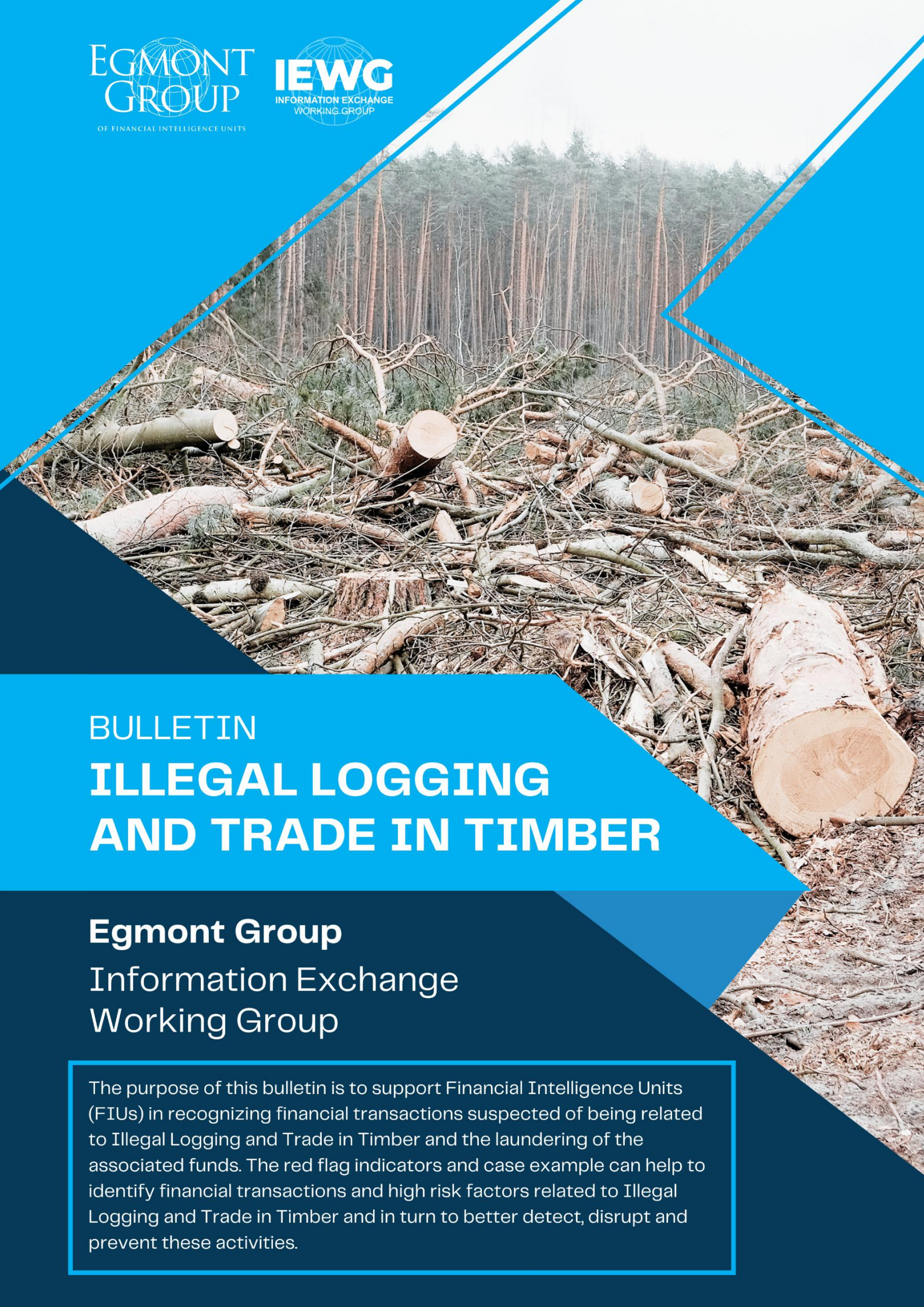




BULLETIN **ILLEGAL LOGGING AND TRADE IN TIMBER**

Egmont Group
Information Exchange
Working Group

The purpose of this bulletin is to support Financial Intelligence Units (FIUs) in recognizing financial transactions suspected of being related to Illegal Logging and Trade in Timber and the laundering of the associated funds. The red flag indicators and case example can help to identify financial transactions and high risk factors related to Illegal Logging and Trade in Timber and in turn to better detect, disrupt and prevent these activities.

Egmont Group Information Exchange Working Group Environmental Crimes Bulletin: Illegal Logging and Trade in Timber

INTRODUCTION

FIUs can support efforts to fight human caused climate change by generating actionable financial intelligence for law enforcement on environmental crimes. The Egmont Group is issuing this bulletin to inform FIUs and their jurisdictions of financial transactions specifically related to Illegal Logging and Trade in Timber.

Illegal logging and trade in timber is a global problem that is estimated to generate USD 152 billion in criminal proceeds each year.¹ Illegal logging and trade in timber profits organized criminal activities with concurrent environmental, social, and economic consequences. It drives deforestation and forest degradation, destroying ecosystems while exacerbating biodiversity loss and climate change. It destabilizes soil leading to increased erosion and natural disasters and disrupts water cycles. Further, it undermines the competitiveness of legitimate forest industry and sustainable forest management, harming socio-economic growth, food security and the livelihoods of forest-dependent communities.²

What is Illegal Logging and Trade in Timber?

Illegal logging comprises multiple activities beyond logging alone. As described by the United Nations Food and Agriculture Organization, **illegal logging** is “*the harvesting, transportation, sale or purchase of timber that violates international or national laws.*”³ Those laws can include any illegal act that occurs along the supply chain, between tree growing and the receipt of timber-based product by end consumer, including:

- **Permit Allocation:** Harvesting timber without a permit or with a permit that was corruptly obtained
- **Harvesting Timber:** Logging without a licence or inside a protected area; Overcutting; Harvesting protected, over-sized or under-sized trees; Abusive labour conditions
- **Processing Timber:** Mixing illegal and legal timber; Misleadingly declaring the volume lost in processing; Abusive labour conditions; Polluting
- **Transporting Timber:** Transporting without a permit; Misleadingly declaring volume/species on the transport permit; Bribing to pass checkpoints
- **Exporting Timber:** Exporting without proper permits or with permits that were corruptly obtained; Misleadingly declaring volume/species/level of processing; Violating log export ban; Evading taxes; Fraudulent CITES documents
- **Selling:** Misleadingly labeling or declaring the origin/species; Evading taxes

¹ [Interpol](https://www.interpol.int/Crimes/Environmental-crime/Forestry-crime): <https://www.interpol.int/Crimes/Environmental-crime/Forestry-crime>

² Melissa Blue Sky and Helena Lindemann, [Tackling the trade in illegal timber: a comparative study of legal framework](#)

³ Food and Agriculture Organization of the United Nations, “[ENHANCING KNOWLEDGE AND BUILDING CAPACITY ON FOREST-RELATED LEGISLATION AND TIMBER LEGALITY](#).” Openknowledge

Crime Convergence and Illegal Logging and Trade in Timber

Illegal logging and trade in timber operations have been linked to various criminal and illicit activities including bribery, corruption, drug trafficking, fraud, organized crime, money laundering, smuggling, tax evasion and more.⁴

Of these activities, corruption is an intrinsic facilitating factor of illegal logging and trade in timber operations because it veils activities in legitimacy when they would otherwise be illegal. Corrupt practices can involve varying levels of government officials, law enforcement authorities and forestry-related workers and can occur at all levels along the supply chain. Illegal loggers can bribe corrupt officials to obtain harvesting/transporting/exporting permits. They may also bribe law enforcement or forestry-related workers to evade detection during illegal harvesting or to evade penalties during transporting and/or bribe customs officers.

Moreover, illicit activities associated with illegal logging and trade in timber contribute to lost government tax revenue, including under-reporting volumes logged and the practice of ‘transfer pricing’⁵ to manipulate income tax owed, and misleading declarations, such as under-valuing shipments or over-valuing processing losses, to evade taxes.

TRENDS AND TYPOLOGIES

Areas prone to Illegal Logging and Trade in Timber

There are many obstacles to preventing effective enforcement of illegal logging and trade in timber, including endemic corruption and lack of resources for monitoring and enforcement in many countries. Jurisdictions particularly vulnerable to illegal logging and trade in timber include those with remote and difficult to access forests, that have forests containing protected species of timber, that have poor governance, weak law enforcement and high levels of corruption.⁶ Some regions prone to illegal logging include:

- Amazon Basin (South America)⁷ which is home to vast remote forest areas that contain high demand tropical hardwoods and where enforcement is weak in rural regions.
- Central America which is home to high-value timber species that are in strong demand in Asian markets.⁸
- Congo Basin (Central Africa)⁹ which is home to rich hardwood species and that is especially vulnerable due to political instability and corruption and weak forest management systems.
- Eastern Europe and Russia which is home to large boreal forests that are poorly monitored.
- Southeast Asia¹⁰ which is home to old-growth forests and unique and high-value tropical hardwoods.¹¹

⁴ APG, “Typologies Report: Illegal Logging and Money Laundering Issues”, July 2008

INTERPOL-UN, “Strategic Report: Environment, Peace and Security - A Convergence of Threats”

Wildlife Justice Commission, “[Convergence of wildlife crimes with other forms of organised crime](#)”, May 2021

⁵ ‘Transfer pricing’ refers to the practice of selling and exporting timber for undervalued prices to companies within a multinational group. This results in a lower income documented and in turn evade paying proper income tax. <https://us.ibfd.org/knowledge-hub/tax-insights/what-transfer-pricing-and-why-does-it-matter>

⁶ Basel Institute on Governance, “[Part 3: Forest crime and the illegal timber trade: Introduction to corruption and timber trafficking](#)”

⁷ Tropical forest spread across South America (Bolivia, Brazil, Colombia, Ecuador, Peru)

⁸ United Nations Environment Programme (UNEP) & INTERPOL. [The environmental crime crisis: Threats to sustainable development from illegal exploitation and trade in wildlife and forest resources \[Rapid Response Assessment\]](#).

⁹ Forest spread across Central Africa (Cameroon, Central African Republic, Democratic Republic of Congo, Gabon)

¹⁰ Cambodia, Indonesia, Laos, Malaysia, Myanmar

¹¹ UNODC, [Environmental Crime – The Trafficking of Wildlife and Timber](#)

Industries involved in Illegal Logging and Trade in Timber

Illegal logging and trade in timber involves numerous actors throughout various locations in the forestry supply chain to help facilitate illegal logging and trade in timber activities. Key industries that are at risk of being utilized by such actors include:

- **Forest, agricultural and mining companies**, their subsidiaries and parent companies that operate in remote forests and/or with falsified permits that can evade detection by authorities.
- **Timber processors** that unknowingly or knowingly accept illegally logged timber, particularly when it is mixed with legitimate timber or when it is misleadingly declared to obscure its species and/or origin.
- **Trucking, shipping and logistics companies** that facilitate the movement of illegally logged timber knowingly or unknowingly participating in the illicit supply chain.
- **Timber retailers, importers, and distributors** that sell/purchase/distribute illegally logged timber from corrupt suppliers or through complex networks of traders and intermediaries.
- **Corrupt regulatory authorities**, like government, forest rangers, police, customs, CITES management or transit officials that can be bribed to obtain permits, falsify concession boundaries or avoid enforcement, so that illicit activities associated with illegal logging and trade in timber operations can occur in an undetected manner, without scrutiny and/or appear legitimate.

The risk level of the abovementioned actors being implicated with illegal logging and trade in timber activities is greater if they are located and/or operating in jurisdictions prone to illegal logging and trade in timber (refer to ‘Areas prone to Illegal Logging and Trade in Timber’ section above for more information).

Money Laundering Methods

Illegal logging and trade in timber generates significant illicit proceeds that are laundered using both traditional and emerging money laundering methods. Cash or other bank instruments received from bribes, illegal logging or other illicit transactions may be deposited into banks, cashed out by the signatories of the bank accounts or used to purchase investments like insurance policies. Payments for illegal timber may be routed to the accounts of nominees or to international accounts, especially in jurisdictions with highly secretive banking.

Moreover, money derived from illegal logging that has already been placed in a financial institution may be used to invest in other assets like property, luxury goods, stocks or bonds. Additional practices used by criminal actors engaged in illegal logging and timber trade operations to launder their illicit proceeds include: trade-based money laundering, misuse of legitimate forestry and timber businesses, shell companies and complex corporate structures and environmental markets (e.g., carbon/offset trading).

- **Front companies** are used by illegal logging and timber trade operations to facilitate co-mingling of legitimate timber sector business funds with illicit proceeds. These businesses may include contractors, sawmills, timber transporters, importers and exporters that intermingle illegal timber proceeds with lawful revenue streams.
- **Shell companies and complex corporate structures** are used by illegal logging and timber trade operations to launder funds and to hide illegal activities, beneficial ownership and

origin of criminal proceeds. Complex corporate structures made up of shell companies are used to conceal beneficial ownership and to move money through multiple jurisdictions, often with weak or secretive financial regulations.

- **Nominees** are used by illegal logging and trade in timber actors to funnel their illicit proceeds, pay for associated operation costs, launder funds, and/or conceal beneficial ownership. For example, a nominee's account may be used for excessive cash deposits and subsequent cheque issuances to a sawmill processor.
- **Trade-based money laundering** schemes involving document manipulation (misinvoicing, invoice fraud, false declarations, etc.) are used by illegal logging and timber trade actors to disguise the criminal origin of their funds, integrate them into the financial system and transfer them to different jurisdictions.
- **Environmental offset** schemes like fraudulent or fictitious sustainable forestry or carbon offset projects are used by illegal logging and trade in timber actors to justify fund flows, investments or transfers under guises of sustainability and environmental legitimacy. This allows illegal logging and trade in timber actors to launder funds, hide illegal activities and origin of criminal proceeds. For example, illegal logging and trade in timber actors use criminal proceeds to finance the development of sustainable forestry projects and then sell the resulting carbon credits generated, producing "legitimate" profits and concealing the origin of criminal proceeds. Additionally, illegal logging and trade in timber actors may overvalue or undervalue credits in trades to move criminal proceeds across borders under the guise of legitimate environmental offsets.

Case Study (Guatemala)

STRs to UAF regarding suspected illegal logging and trade in timber

Case of illegal logging and trade in timber

Through data-mining tools, FIU Guatemala identified a network of six forestry entities exhibiting atypical operational and financial behavior, including international transfers to and from jurisdictions associated with illegal wildlife and timber trafficking, as well as a recurring pattern of sequential annual registrations and systematic inactivation every three years at the National Forestry Register.

Two principal entities (ENTITY 1 and ENTITY 2) showed abnormal inter-annual growth, far exceeding forestry sector averages. ENTITY 1 recorded growth above 500% in one year, while ENTITY 2 reported a 300% increase in exports within a single period.

ENTITY 1 and its legal representative were linked to structured cash deposits below reporting thresholds (USD 10,000.00) and extensive cheque withdrawals in cash by multiple beneficiaries.

Transactional links revealed a financial relationship between ENTITY 1 and ENTITY 2 through transfers to the personal accounts of ENTITY 2's legal representative (Age: 23 yrs.; Income: USD 385.00). Within three months of account opening, over USD 256,500.00 was credited primarily from the United States and ENTITY 1, followed by disbursements to multiple beneficiaries.

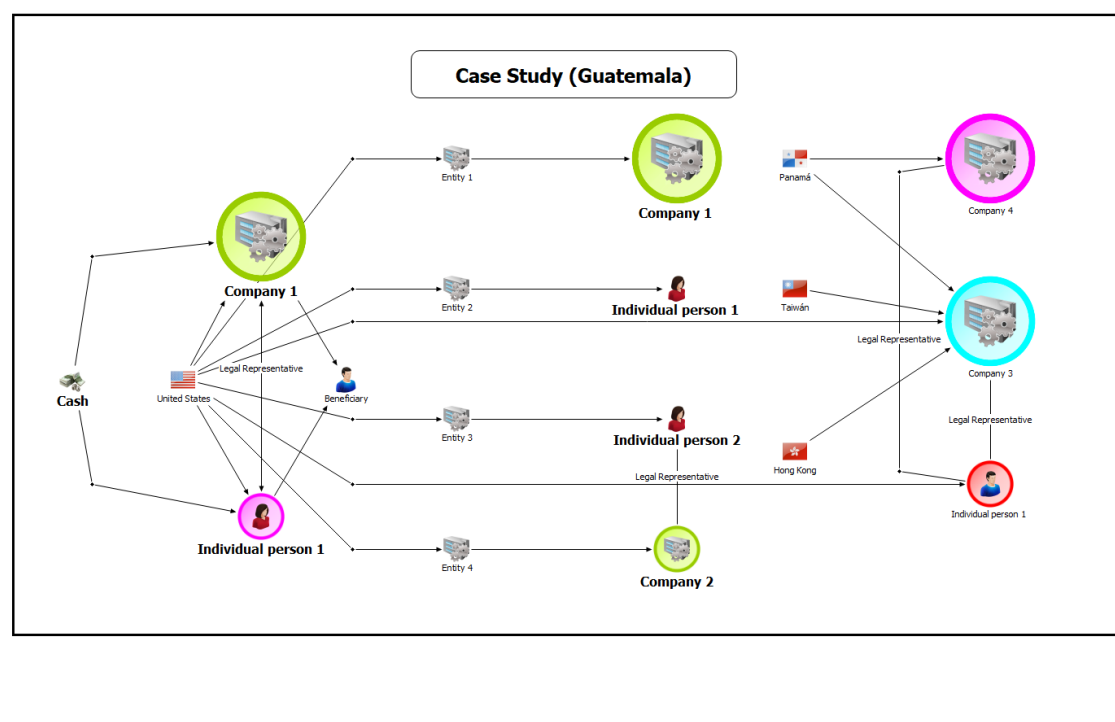
Entity registrations showed a recurring pattern: ENTITY 1 was deregistered in 2018, the same year ENTITY 2 was established, followed by the creation of additional related entities in subsequent years.

Despite ceasing reported exports after 2019 to China and Singapore, totaling USD 657,956.17, ENTITY 2 continued receiving substantial international transfers from other jurisdictions totaling USD 2.13 million. Despite not registering any exports between 2020 and 2022, ENTITY 2 received international transfers, totaling USD 3.79 million without evident economic or legal justification.

Moreover, the legal representative was linked to an investigation for forestry-related offenses.

Relevant ML indicators identified in this case include:

- The transactional activity is inconsistent with expected levels or volumes of the declared business such as payment for timber is greater than expected as compared to similar entities.
- Individuals and entities are cited in newspapers, Non-Profit Organization (NPO) investigative reports or reports by international organizations (public and confidential) as being involved in bribery, corruption, environmental or other organized crimes.
- Receiving deposits and wire transfers from several origins without economic or financial grounds. This includes transactions from regions without a logical connection to the individual or company's main site of operations or domicile.



RED FLAG INDICATORS

The following red flag indicators can be used to help identify financial transactions and high risk factors related to illegal logging and trade in timber and in turn to better detect, disrupt and prevent these activities.

Client

- Companies operating in forestry hold contracts with provision of another un-related government service or activity (corruption risks for licenses).
- Freight forwarders, brokers or customs agents that are repeatedly used by multiple unrelated timber exporters.

- Individuals/entities that could be used to facilitate illegal logging and trade in timber are involved/associated with politically exposed persons, military or law enforcement.¹²
- Publicly available information and/or law enforcement information identifies the client or related transacting parties of the client, as being involved in illegal logging and/or illegal timber trade, or forestry related crime.
- Suppliers or buyers located in or routing payments through known high-risk jurisdictions or secrecy jurisdictions with little timber oversight.
- The client cannot provide evidence of CITES permit for protected species of timber that is mentioned elsewhere in paperwork, such as waybills.¹³
- The client cannot provide evidence of compliance with environmental requirements (e.g., proof of permit for environmental activity, registration with National Forestry Registry, export, land purchase/lease agreements, etc.).
- The client's export volume/value of environmental materials exceeds the available supply in the region.
- The client holds a logging license and operates in or around active conflict zones.
- The client holds a position within private entities that could be used to facilitate illegal logging and trade in timber (e.g., sawmill owner, tree felling operator, transportation brokers).
- The client is a forestry official and exhibits unexplained wealth (indicated by purchase of high value goods such as luxury vehicles).
- The client is a PEP or public official that holds a position of responsibility related to environment management/protection or land/tenure rights who travelling to offshore jurisdictions for undisclosed business activities.
- The client operates along timber trade routes with a high trade discrepancy¹⁴ (i.e., whereby reported export trade values are much lower than reported import trade values)
- The client provides forestry-related documents that seem fake, counterfeited, altered or inaccurate (e.g., certificates, customs and shipping documents, permits).
- The client is registered as a timber product company and has little or no traceable operational footprint (no employees, no local procurement, no physical plant), but has high-value transactions.
- The client is registered in a high-risk jurisdiction known for illegal logging and timber trade activity (e.g., locations lacking strong provisions for management and enforcement of forests).
- The client is reportedly involved in various types of criminal activities, such as bribery, corruption, environmental or other organized crimes.
- According to open sources, there is information that some of the clients are under criminal investigation in a country where the funds originated.

Financial Transactions

- Cash payments or transfers to accounts held by individuals/entities operating in the timber industry from foreign nationals (or entities owned by foreign nationals) where there is no

¹²TRAFFIC and WWF, "Red Flag Indicators: for wildlife and timber trafficking in containerized sea cargo", July 2021

¹³ Refer to CITES '[Checklist of CITES species](#)' to identify timber species considered protected in harvesting country.

¹⁴ 'High trade discrepancy' can be calculated using TRAFFIC's '[Timber Stats](#)' tool

clear business relationship; and which are then either withdrawn in cash or transferred to the benefit of natural persons who are suspected of being involved in illegal logging.

- Cash transfers to senior officials or politically exposed persons (or family members of) holding a position of responsibility related to forestry management or preservation (e.g., forestry officials).
- Certificates of origin, export permits or sustainability certificates that are missing, altered, or issued by unknown bodies.
- Excessive volume and value of cash transfers from cash-intensive businesses to beneficiaries in areas known for illegal logging and illegal land clearing.
- Frequent buying and selling of shares of entities that hold agricultural or logging permits, especially transactions involving shareholders in third party jurisdictions.
- Frequent incoming payments from entities not listed on trade documents, or from many small, unrelated suppliers.
- Frequent payments from forestry-related entities to individuals or beneficiaries unrelated to the legal person's activity or business.
- Incoming deposits and wire transfers from several origins without economic or financial grounds, including transactions from high risk jurisdictions for illegal logging without a logical connection to the individual or company's main site of operations or domicile.
- Increase in transactions between entities or individuals not registered in logging sector (i.e., non-license-holding) and equipment leasing companies and equipment sales companies.
- International transfers ordered by legal entities whose commercial name does not coincide with the name of the clients to whom, supposedly, the forestry product was sent.
- Investment of proceeds into local real estate (timberlands, warehouses), high-value vehicles, luxury goods, or rapid capital expenditure to expand processing capacity without transparent financing.
- Payments for timber exports routed to third-party accounts not matching exporter/importer names.
- Payments for timber or timber-based products that do not match invoiced amounts, or where invoices are inconsistent with payment channels (e.g., bank transfer for what should be cash-in-field).
- Payments to or from environment focused Non-Profit Organizations (NPOs) or government bodies with no clear service contract or where amounts exceed typical ranges.
- Sudden or unexplained changes in bank activity or corporate revenues of an entity operating in forestry-related supply chains (e.g., timber processing, timber harvesting).
- Sudden and unexplained increases in economic activity in rural or isolated zones located in source countries for illegal logging (e.g., increase in value, volume and frequency of transactions involving banks, money service businesses and remitters, or unusually high volume of business turnover in cash transactions at businesses providing consumer goods and services in proximity to at-risk zones).
- The level and/or volume of transactions differs from expected activities (e.g., payment for timber is lower than expected as compared to similar entities or the financial activity of a timber processing facility or sawmill is inconsistent with that of local production levels).

- Transfers to finance timber business (extraction, shipping, milling, etc.) involving jurisdictions prone to corruption, conflict and/or illegal logging and trade in timber (i.e., high-risk countries where no legal forestry concessions are in operation).

RESOURCES:

Asia/Pacific Group on Money Laundering (APG). *Typologies report: Illegal logging and money laundering issues.* 2008.

https://www.apgml.org/sites/default/files/documents/APG_Illegal_Logging_and_Money_Laundryng_Issues_Typologies_Report_2008.pdf

AML RightSource (FATF). *Illegal logging and deforestation: Money does grow on trees.*

<https://www.amlrightsourc.com/resources/illegal-logging-and-deforestation-money-does-grow-on-trees/>

Basel Institute on Governance. *Forest crime and the illegal timber trade: Introduction to corruption and timber trafficking.*

<https://learn.baselgovernance.org/mod/book/view.php?id=13134&chapterid=10&lang=en>

Prado, Camilo. *The international links of Peruvian illegal timber: A trade discrepancy analysis.*

<https://www.worldwildlife.org/pages/tnrc-topic-brief-the-international-links-of-peruvian-illegal-timber-a-trade-discrepancy-analysis>

European Commission. *Illegal logging.* [https://www.era-](https://www.era-comm.eu/Biodiversity_and_Wildlife_Trafficking/module_2/2_Chapter_1_index.html)

[comm.eu/Biodiversity and Wildlife Trafficking/module 2/2 Chapter 1 index.html](https://www.era-comm.eu/Biodiversity_and_Wildlife_Trafficking/module_2/2_Chapter_1_index.html)

Financial Action Task Force (FATF). *Money laundering from environmental crime.*

<https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Money-Laundering-from-Environmental-Crime.pdf>

INTERPOL and United Nations Environment Programme (UNEP). *Strategic report:*

Environment, peace and security – A convergence of threats.

<https://www.unep.org/resources/report/strategic-report-environment-peace-and-security-convergence-threats>

Blue Sky, Melissa, and Lindemann, Helena. *Tackling the trade in illegal timber: A comparative study of legal frameworks.* [https://www.ciel.org/wp-](https://www.ciel.org/wp-content/uploads/2022/04/3485653_Blue_Sky.pdf)

[content/uploads/2022/04/3485653 Blue Sky.pdf](https://www.ciel.org/wp-content/uploads/2022/04/3485653_Blue_Sky.pdf)

NATUCATE. *The growing global problem of illegal logging.*

<https://www.natucate.com/en/blog/nature/illegal-logging>

National Forest Institute of Guatemala. *Boletín tala ilegal.*

https://www.inab.gob.gt/images/boletines/2025/septiembre/Bolet%C3%ADn_tala_ilegal.pdf

TRAFFIC and World Wide Fund for Nature (WWF). *Red flag indicators for wildlife and timber trafficking in containerized sea cargo.* [https://www.traffic.org/publications/reports/how-to-spot-](https://www.traffic.org/publications/reports/how-to-spot-the-warning-signs-of-wildlife-crime-in-the-maritime-industry/)

[the-warning-signs-of-wildlife-crime-in-the-maritime-industry/](https://www.traffic.org/publications/reports/how-to-spot-the-warning-signs-of-wildlife-crime-in-the-maritime-industry/)

United Nations Environment Programme (UNEP) and INTERPOL. *The environmental crime crisis: Threats to sustainable development from illegal exploitation and trade in wildlife and forest resources.*

<https://www.interpol.int/content/download/5153/file/The%20Environmental%20Crime%20Crisis%20-%20EN.pdf>

Food and Agriculture Organization of the United Nations (FAO). *Enhancing knowledge and building capacity on forest-related legislation and timber legality.*

<https://openknowledge.fao.org/server/api/core/bitstreams/294fe4df-ffe8-46c2-be16-356b58473e70/content>

United Nations Office on Drugs and Crime (UNODC). *Environmental crime: The trafficking of wildlife and timber.* https://www.unodc.org/documents/sustainable-livelihoods/TOC_Environment_FactSheet_UNODC2012.pdf

Wildlife Justice Commission. *Convergence of wildlife crimes with other forms of organised crime.* <https://wildlifejustice.org/investigation/convergence-of-wildlife-crime/>

World Wide Fund for Nature (WWF). *Financial crimes and land conversion: Uncovering risk for financial institutions.* <https://www.wwf.org.uk/our-reports/financial-crimes-and-land-conversion-uncovering-risk-financial-institutions-full-report>

World Wide Fund for Nature (WWF). *Dissecting the environmental financial crime nexus.* <https://www.wwf.org.uk/our-reports/dissecting-environmental-financial-crime-nexus-spotlight-illegal-wildlife-trade>



OF FINANCIAL INTELLIGENCE UNITS

www.egmontgroup.org

© 2026 Egmont Group. All rights reserved.