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NOTE

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Subject:	Interim SOCTA 2015: An update on Serious and Organised Crime in the EU

Delegations will find attached the Interim Serious and Organised Crime Threat Assessment (SOCTA) for 2015.

EUROPOL BASIC PROTECTION LEVEL



Interim SOCTA 2015: An Update on Serious and Organised Crime in the EU

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EUROPOL BASIC PROTECTION LEVEL

Table of Contents

I. Foreword by the Director	3
II. Introduction.....	4
III. Key judgments	5
1. Crime enablers.....	7
2. Crime areas.....	9
2.1 Drugs.....	9
2.1.1 Cannabis.....	10
2.1.2 Cocaine	10
2.1.3 Heroin	12
2.1.4 Synthetic drugs and new psychoactive substances (NPS)	13
2.2 Counterfeiting	14
2.2.1 Commodity counterfeiting, illicit trade in sub-standard goods and goods violating health and safety regulations.....	14
2.2.2 Euro counterfeiting.....	15
2.3 Crimes against persons	16
2.3.1 Facilitation of illegal immigration.....	16
2.3.2 Trafficking in human beings (THB)	18
2.4 Organised property crime	19
2.5 Weapons trafficking	21
2.6 Environmental crime.....	21
2.7 Economic crimes.....	22
2.7.1 Fraud	22
2.7.2 Money laundering.....	24
2.8 Cybercrime	25
2.8.1 Profit-driven cybercrime and cyber attacks.....	25
2.8.2 Payment card fraud.....	26
2.8.3 Child Sexual Exploitation (CSE).....	27
3. Organised crime groups.....	28
4. Recommended priorities	30

I. Foreword by the Director

I am pleased to present the Interim Serious and Organised Crime Threat Assessment (SOCTA) 2015: An Update on Serious and Organised Crime in the EU.

This report is an update of Europol's flagship strategic product, the SOCTA 2013, and provides an overview of key developments in Europe's serious and organised crime landscape since the publication of the inaugural SOCTA in March 2013. The SOCTA and its interim version deliver information to Europe's law enforcement community, decision-makers and the wider public and constitute the cornerstones of the European Union's (EU) multi-annual policy cycle on serious and organised crime. This policy cycle defines common EU priorities and provides a coherent framework for the fight against serious and organised crime coordinating the efforts of national law enforcement authorities, EU institutions, EU agencies and other relevant partners.

In 2013, the comprehensive SOCTA set out a number of recommendations based on an in-depth analysis of the major criminal threats facing the EU. The Council of Justice and Home Affairs (JHA) Ministers used these recommendations to define priorities for the fight against serious and organised crime for the 2014-2017 policy cycle. Based on the latest information supplied by the Member States (MS) to Europol, the Interim SOCTA 2015 reviews the validity of the recommendations set out in the SOCTA 2013 and highlights major developments in serious and organised crime over the past two years.

The findings of the Interim SOCTA 2015 largely confirm the recommendations set out by the full SOCTA issued in 2013. There have been developments affecting various crime areas such as shifting routes, changing *modi operandi* or evolving facilitating factors. Large-scale operations carried out over the last two years, such as Operation Archimedes, have highlighted that international law enforcement cooperation produces tangible results and can make a real impact on serious and organised crime. However, the intelligence gathered as part of these operations also confirms that organised crime remains a key threat to the EU and an increasingly complex phenomenon.

I am confident that the Interim SOCTA and Europol's continued work in supporting the implementation of the policy cycle are tangible and effective contributions in the fight against organised crime. I look forward to Europol's continued engagement and cooperation with law enforcement authorities and other partners across the EU.

Rob Wainwright
Director of Europol

II. Introduction

Serious and organised crime remains a significant threat to the Member States (MS) and the citizens of the EU. Increasingly flexible and adaptable OCGs carry out sophisticated criminal schemes supplying dynamic markets for criminal commodities and services. The EU and its MS have committed significant resources to fighting serious and organised crime. Europol is at the forefront of this joint effort supporting law enforcement authorities in the 28 MS and working together with partners from across the globe.

As the EU's law enforcement agency, Europol has unique capabilities in supporting law enforcement authorities through the exchange and analysis of criminal intelligence. In addition to delivering operational support, Europol is also tasked with delivering a strategic intelligence picture of the serious and organised crime landscape in the EU. The Serious and Organised Crime Threat Assessment (SOCTA) identifies and assesses serious and organised crime threats to the EU and analyses vulnerabilities and opportunities for crime. The SOCTA is the cornerstone of the EU's multi-annual policy cycle, which defines common EU priorities and ensures effective cooperation between MS law enforcement authorities, EU institutions, EU agencies and relevant third parties in the fight against serious and organised crime.

An update on serious and organised crime in the EU

In line with the requirements of the EU Policy Cycle, the Interim SOCTA 2015 is an update of the full SOCTA, which was presented by Europol in early 2013 and set out a number of recommended priorities in the fight against serious and organised crime. The Interim SOCTA 2015 follows the same methodology and structure as the SOCTA 2013. However, this document focuses on recent developments and assesses whether the recommendations provided in the SOCTA 2013 are still valid rather than elaborating a full intelligence picture on serious and organised crime in the EU.

The Interim SOCTA 2015 opens with an overview of the crime enablers which are most relevant to serious and organised crime in the EU. The next chapter examines key developments in the main crime areas and details the evolution of criminal phenomena. A dedicated chapter on OCGs outlines developments observed in relation to the nature and behaviour of OCGs and other criminal actors. This chapter also explores the potential threat of a convergence between organised crime and terrorism. In closing, the Interim SOCTA 2015 sets out a number of recommended priorities for the fight against serious and organised crime in the EU.

Prioritising serious and organised crime threats to the EU

In 2013, the Council of JHA Ministers decided on the priorities for the EU policy cycle on serious and organised crime based on the recommendations of the SOCTA 2013. These political priorities were translated into operational action in the framework of the European Multidisciplinary Platform against Criminal Threats (EMPACT). The activities for each priority area are set out in dedicated multi-annual strategic plans (MASPs) and annual operational action plans (OAPs).

The current EMPACT projects focus on the facilitation of illegal immigration, THB, counterfeit goods violating health, safety and food regulations, excise tax and MTIC fraud, synthetic drugs, heroin and cocaine trafficking, cybercrime (payment card fraud, online child sexual exploitation, cyber attacks), trafficking in firearms and organised property crime.

The results and recommendations presented in the Interim SOCTA 2015 will provide the Council of JHA Ministers with the opportunity to re-evaluate the priorities agreed upon in 2013. In 2017, Europol will prepare another comprehensive SOCTA marking the start of the second four-year policy cycle restarting the decision-making and planning processes.

III. Key judgments

Serious and organised crime in the EU remains a dynamic and substantial threat. While the key dimensions of that threat remain broadly similar to those outlined in the SOCTA 2013 the routes, *modi operandi* and technologies exploited by criminals continue to diversify and evolve.

- The **market for illicit drugs** continues to be the biggest of all criminal markets. Of particular concern is the continuous appearance of previously unknown **new psychoactive substances (NPS)** as well as the high levels of flexibility and adaptability displayed by the OCGs involved in synthetic drugs and NPS production. Increasingly, the production of NPS, including tableting, packaging and labelling takes place in the EU, moving production closer to consumer markets. OCGs involved in the production and distribution of various types of drugs continue to have access to significant financial resources and invest strategically in technologies and corruption to maximise profits and avoid detection.
- **Counterfeit goods**, particularly those violating health and safety regulations, remain a significant concern for the MS. Counterfeit pesticides are trafficked to the EU in increasing quantities and represent a significant risk to the health of EU citizens and the environment.
- **Organised property crime** is highly visible to EU citizens and threatens to undermine public trust in the ability of law enforcement to counter the OCGs engaging in these activities. Over the last two years, many MS have experienced a significant increase in the number of residential burglaries carried out by OCGs.
- The **facilitation of illegal immigration** remains a highly profitable business for a large number of OCGs and represents a growth market, attracting additional OCGs previously involved in other criminal activities. The facilitation of irregular migrants by sea in dangerous conditions along the Central and Eastern Mediterranean routes has been increasing exponentially over the last year. The overall increase in the number of irregular migrants entering the EU is resulting in even greater demand for the facilitation services offered by OCGs related to secondary movements within the EU and the transition to legal stay in MS. Meanwhile a buoyant trade in the **trafficking in human beings (THB)** continues to affect MS as source and destination countries. Traffickers increasingly facilitate entry to the EU for their victims by abusing asylum provisions and use the internet to advertise the sexual and labour exploitation services of their victims.
- **Cybercrime** remains highly dynamic and the criminal actors involved in this crime area continuously innovate in their *modi operandi* and the products they offer. Cybercrime encompasses a range of different criminal activities. **Cyber attacks and profit-driven cybercrime** result in the distribution of private data and are a significant threat to the EU economy. **Payment card fraud** results in financial damage increasing year on year. A growing number of data breaches result in the distribution of significant amounts of payment card and personal information on the internet, which is increasingly used by OCGs to carry out payment card frauds. Criminal offenders involved in **child sexual exploitation (CSE)** and the distribution of child abusive material (CAM) quickly adapt to exploit new technologies or trends in trying to contact potential victims. This has resulted in the emergence of new trends in the online solicitation and commercial sexual exploitation of children online.
- The business model of **Crime-as-a-Service (CaaS)** is increasingly being adopted by OCGs and individual criminal actors outside the realm of cybercrime where it originated. As part of CaaS, various services and tools are provided that enable OCGs to engage in various types of crime. Facilitators of illegal immigration rely on document counterfeiters, OCGs involved in drug distribution acquire firearms in order to intimidate and exercise control, and payment card fraudsters rely on access to large data sets of compromised payment card information. All these services and goods serve to sustain serious and organised criminal activity and enable OCGs and individual criminals to expand their activities and target more victims. The CaaS business model is emerging

as a **key facilitator for serious and organised crime** exacerbating its impact and reach.

CaaS relies on the ability of criminal actors to communicate and interact as part of a shared criminal underworld. Much of this **interaction now takes place online**. The internet continues to enable OCGs to access large pools of victims, obscure their activities and carry out various criminal activities with greater impact and less risk of detection. Many criminal activities now rely on resources made available through the internet. Euro counterfeiters rely on raw materials obtained on online marketplaces, OCGs involved in THB use online platforms to advertise the services of their victims and money launderers exploit immediate access to global financial systems to direct and obscure the flows of illicit profits. Criminal actors have used the internet to fully realise a **global criminal underworld**, a marketplace for virtually all criminal goods and services.

The online trade in drugs, counterfeit goods, illegal firearms and other illicit goods is expanding steadily. OCGs make use of **online marketplaces** to distribute their products to a widening range of customers, who are drawn to these service offerings by the appearance of anonymity and the ability to order these goods from the comfort of their homes. Online marketplaces also make it possible for individual criminal actors to become distributors of illegal goods without having to rely on the trafficking infrastructure that was previously required and maintained by OCGs.

This **virtual criminal underworld** increasingly threatens to provide a common space for organised crime and terrorism. In the absence of clear structural links between organised crime and terrorism, the convergence of these phenomena should not be overstated. However, **terrorist actors** have access to and could potentially use the same criminal services or obtain criminal tools such as firearms offered on the online platforms sustaining this virtual criminal underworld.

The number of OCGs involved in more than one crime area, also known as '**poly-criminal' groups**, is further increasing. The majority of these OCGs combine similar types of crime such as the trafficking of different drugs or the involvement in different types of organised property crime. Despite the disruption of several large scale criminal networks in the past years, there is no indication that the overall number of criminal groups is decreasing.

Significant intelligence gaps remain in relation to various criminal activities. The extent of firearms trafficking and the level of OCG involvement in this activity remain unclear. Similarly, the **level of criminal organisation** as part of the trade in counterfeit and sub-standard goods as well as in illicit waste trafficking is largely unknown. The mechanisms and actors involved in money laundering constitute a substantial intelligence gap.

1. Crime enablers

Crime enablers are 'Crime-Relevant Factors'¹ (CRFs) which shape the nature and impact of serious and organised crime activities. They include facilitating factors and vulnerabilities in society which create opportunities for serious and organised crime. The SOCTA 2013 identified a number of crime enablers that are particularly relevant for several serious and organised crime areas. These crime enablers remain relevant and have not changed significantly over the past two years.

The economic situation plays a key role in directing the activities of OCGs. Shifts in criminal markets are often caused by changes in the economic situation. Fuel smuggling increased in some MS between 2012 and 2014 due to high oil prices. However, the current decline in oil prices due to a glut in supply is likely to diminish the profits of criminal groups involved in this activity. The growing demand for cheap products and services, increasingly complex supply-chains and the proliferation of tenuous sub-contracting arrangements have led to an increase in labour exploitation.

Various crime areas are affected by the **geo-political situation** in and around Europe. The current unrest in Ukraine may, in future, have a bearing on serious and organised crime activities in the EU. Armed conflicts are a key factor in the proliferation of small arms even long after their conclusion and ensure a steady supply for weapons traffickers smuggling firearms to the EU. The current insecurity in Iraq, Libya and Syria, is a key facilitating factor for refugees and migrants seeking to reach the EU. The steady flow of migrants from these regions sustains the OCGs offering services related to the facilitation of illegal immigration into the EU.

OCGs use well-established **transport routes and infrastructure** to traffic illicit products. Major ports such as Antwerp, Rotterdam and Hamburg provide access to EU markets for both legal and illegal goods arriving in multi-tonne shipments. The Western Balkans remain a key transit region for irregular migrants and commodities entering the EU from Turkey and Northern Africa. West Africa continues to be an important region for the transit of cocaine trafficked to the EU.

OCGs exploit ethnic and national ties with **diaspora communities** across the EU. These communities offer OCGs opportunities to infiltrate legal business structures and establish networks of contacts in multiple MS. Crime groups involved in organised property crime often rely on diaspora communities for logistical support and as a pool from which to recruit new members.

Corruption is used by OCGs to gain access to and influence over individuals in key positions. Corruption appears in many forms, as bribery, conflicts of interest, trading in influence, collusion or nepotism, distorting legitimate competition and eroding trust in national authorities. OCGs often attempt to corrupt individuals with specific knowledge or access to secure premises, to ensure that illicit goods bypass border and security checks.

Legal business structures (LBS) allow OCGs to operate in the legal economy and enable them to merge legal and illegal profits. Criminal groups own or establish LBS, infiltrate existing LBS or persuade executives to cooperate using bribes or threats. The use of LBS is a key facilitator for financial crimes such as fraud and money laundering.

OCGs also benefit from **social tolerance** towards certain crimes. The distribution of cannabis, NPS and counterfeit luxury goods receive the highest levels of social tolerance due to the widely-held perception that these are victimless crimes.

OCGs carefully consider **profits and the risks of entry** into different criminal markets. In most cases, OCGs will seek out those markets where profits are high and risks are low. Some crime areas such as product counterfeiting, fraud and the production and distribution of NPS generate high profits but entail low risks.

¹ KLERKS, Peter and KOP, Nicolien, Societal Trends and Crime-relevant factors: An Overview for the Dutch National Threat Assessment on Organized Crime 2008-2012, Police Academy of the Netherlands, Apeldoorn, 2008, p. 10.

In many cases, OCGs are able to quickly react to **legislative changes**. For instance, OCGs involved in the production of synthetic drugs respond to the banning of certain substances by creating NPS with new formulae not covered by national legislation or by relying on non-scheduled pre-precursor substances. New legislation on NPS in some MS makes it increasingly difficult for law enforcement authorities to combat the production and distribution of NPS. OCGs also exploit lacking harmonisation between MS in various areas of legislation. Jurisdictional boundaries are largely irrelevant for OCGs and criminal actors and in many cases facilitate their activities, particularly in the area of cybercrime.

The **internet** is a significant facilitator for serious and organised crime. However, criminal activities facilitated by the internet should not be confused with conventional cybercrime. Crimes that are perpetrated utilising the internet, for example the distribution of illicit goods on online marketplaces, are considered internet-facilitated crime rather than cybercrime. Counterfeit goods, firearms, drugs, fraudulent identity documents, endangered species, counterfeit credit cards and currency as well as raw materials and stolen data can all be purchased on online marketplaces. In addition to trading in illicit commodities, the internet is also used to advertise illicit services such as professional expertise, services related to the facilitation of illegal immigration and access to child abuse material (CAM).

Illicit online marketplaces found on the **Darknet** have created virtual subcultures and communities, allowing customers and suppliers to exchange experiences and provide feedback on or reviews of products and services. The internet gives criminals a perception of anonymity and allows them to commit crimes remotely, making the detection and prosecution of these crimes more challenging and complex. The use of proxy servers, anonymising networks, virtual currencies, alternative banking platforms and the increasing adoption of cloud computing technologies will continue to impact on law enforcement investigations. These developments present challenges with regard to the collection of forensic digital evidence and collaboration in multi-jurisdictional investigations.

2. Crime areas

2.1 Drugs

The trafficking and production of drugs continues to be one of the most profitable criminal activities for OCGs active in the EU, generating multi-billion euro profits for large and sophisticated criminal networks.

Production of drugs in the EU

Synthetic drugs production has traditionally taken place within the EU and continues on an unprecedented scale. The production and distribution of NPS are becoming increasingly attractive alternatives for some OCGs. OCGs involved in the production of drugs in the EU are able to maximise profits and reduce risks by circumventing entry controls and producing drugs close to distribution markets. The end stages of production of NPS such as tableting, packaging and labelling are also increasingly taking place in the EU. The indoor cultivation of cannabis by OCGs is increasing both in terms of the number of plantations and the scale of the cultivation sites.



Drug trafficking to and within the EU

The trafficking of drugs into and within the EU remains highly profitable and OCGs traffic drugs to EU markets in multi-tonne loads as well as small but frequent shipments by sea, air and land. OCGs involved in the distribution of drugs in the EU typically traffic various types of drugs depending on their price, demand and availability. These poly-drug trafficking OCGs often operate in multiple MS and use complex distribution networks to deliver their products to millions of consumers in the EU. They are supplied by organised crime networks operating on a global scale and specialised in the production and trafficking of specific drugs. OCGs originating from South America produce and supply cocaine to OCGs for distribution in the EU. Albanian and Moroccan OCGs respectively produce and traffic herbal and resin cannabis to the EU, where it is bought wholesale and distributed to consumer markets in various MS.

Drug-trafficking OCGs vary greatly in their membership and the scope of their activities. In addition to large and well-established networks operating on a global scale, drug trafficking and particularly the distribution of drugs is carried out by smaller networks, often on a regional level. Small-scale drug trafficking often relies on couriers and the trafficking of drugs in parcels. However, large-scale networks have also been known to use these *modi operandi*. In some cases, OCGs trade various drugs amongst each other depending on their access to different types of drugs.

The production and distribution of drugs in the EU supplies large drugs markets which have a significant impact on the public health and security of citizens across MS. In addition to the dangers to the health of drug consumers, the trade in illicit drugs also generates multi-billion euro profits for the OCGs involved in this activity. Drug trafficking OCGs use violence, corrupt public and private sector workers and infiltrate LBS to advance their business interests.

2.1.1 Cannabis

Key developments

- Cannabis resin continues to be trafficked from Morocco to Spain via the Mediterranean Sea in multi-tonne shipments by large and sophisticated OCGs with links to several MS.

Cannabis remains the most popular drug in the EU with cannabis resin ('hashish') and herbal cannabis ('marijuana') accounting for up to 80% of drug seizures in the EU.² The estimated annual consumption of cannabis in the EU amounts to 2 000 tonnes.³ High demand ensures significant profits for OCGs involved in the production and trafficking of cannabis.

Cannabis resin is produced in Morocco on a large scale and is trafficked to the EU in significant quantities. Spain continues to be a major gateway for OCGs trafficking cannabis resin from Morocco to the EU across the Mediterranean Sea in multi-tonne shipments. The networks carrying out this trafficking activity are primarily composed of Moroccan and Spanish nationals, but often also incorporate nationals of other MS in their membership. Italian OCGs, such as the Camorra, are also involved in or linked to OCGs organising the trafficking of cannabis resin from Morocco to Spain. After its arrival in Spain, the cannabis resin is primarily trafficked on lorries to other destinations in the EU.

There has been an increase in the number of indoor cultivation sites of herbal cannabis in many MS. The indoor cultivation of herbal cannabis is linked to OCGs as well as individual criminals and typically supplies domestic and neighbouring markets. Dutch OCGs cultivate significant quantities of herbal cannabis in the Netherlands and Belgium, orchestrate cannabis cultivation in other MS and lend expertise to other OCGs elsewhere in the EU. The internet is a key facilitator for the cultivation of herbal cannabis providing access to expertise and online shops selling growing equipment and seeds.

Overall, there has been a marginal decline in cannabis resin seizures over the last few years. However, seizures of herbal cannabis continue to increase.

The Netherlands remains a centre of production of herbal cannabis and a distribution hub for cannabis resin.

Regional perspective

- Cannabis resin is produced in and trafficked to Europe in large quantities from Morocco. Spain is the main entry point for cannabis resin trafficked across the Mediterranean Sea.
- Herbal cannabis is produced in various MS in indoor and outdoor cultivation sites. However, the Netherlands remains a key country of origin for herbal cannabis produced and trafficked in Europe.

2.1.2 Cocaine

Key developments

- OCGs increasingly use systematic corruption along the entire trafficking chain to smuggle cocaine into the EU. Maintaining extensive networks of corrupt employees, officials and LBS in various MS, these OCGs are able to gain access at multiple entry points to the EU including major harbours and airports.

² EMCDDA 2014, European Drug Report 2014

³ EMCDDA 2014, European Drug Report 2014

Cocaine remains the second most commonly used drug in the EU after cannabis. The demand for cocaine is stable in most MS and even slightly decreasing in some MS.⁴

Cocaine continues to be supplied to European drugs markets in large quantities, but at a lower level than during periods of peak supply in 2005 and 2006. In 2013, MS seized more than 61 tonnes of cocaine. In the same year, Colombia seized 110 tonnes of cocaine.

OCGs adapt and quickly shift routes and entry points in response to law enforcement activities. Cocaine traffickers use various means of transport to smuggle cocaine including individual couriers, air freight, maritime containers and cruise ships. The trafficking of cocaine in bulk shipments using containers has significantly increased over the last years and the majority of the cocaine seized in the EU is now found in containers. This development has been accompanied by a decrease in the number of seizures and the quantities seized on board vessels travelling to Europe, previously the most common *modus operandi* associated with cocaine trafficking.

OCGs involved in the trafficking of cocaine are often highly innovative and are using increasingly sophisticated smuggling techniques and countermeasures to avoid the detection of cocaine shipments. In order to ensure the successful delivery of cocaine shipments, OCGs attempt to gain control over the entire chain of transportation from departure to arrival at the final destination in the EU. OCGs are thought to engage in the systematic recruitment of corrupt workers at all major ports in the EU in order to enhance their flexibility and ability to shift between ports when required. Certain ports are particularly vulnerable to this method due to a lack of personnel screening, bad working conditions or weak terminal security. LBS involved in maritime transportation and related sectors are also targeted for infiltration by OCGs.

Cocaine traffickers make use of sophisticated concealment methods including the incorporation of cocaine in various materials in order to smuggle cocaine into the EU undetected. Some concealment methods, such as the use of cocaine incorporated into breast implants, involve surgical procedures on cocaine couriers and pose significant risks to the lives of couriers. OCGs are adept at exploiting available technologies such as encrypted communication devices, satellite mobile phones, Darknet services for online communication, cloud services or GPS-beacons to track containers and to recover cocaine consignments thrown overboard for later recovery. In some cases, OCGs have been found to use frequency inhibitors.

West Africa continues to be a key transit region for cocaine originating from South America and destined for the EU. In some cases, cocaine is thought to be trafficked via West Africa to the Western Balkans prior to being trafficked to the EU.

Regional perspective

- Cocaine originates from a number of South American countries including Brazil, Colombia, Ecuador, and Peru.
- The Caribbean region, as well as Dubai and West Africa are key transit regions for the trafficking of cocaine towards Europe.
- Cocaine is thought to be also trafficked to Spain via Morocco relying on established routes, transport methods and courier networks established for the trafficking of cannabis.
- OCGs use free trade zones as trafficking hubs to coordinate the global drug supply chains.
- Cocaine is also trafficked to the EU, albeit to a lesser extent, via the Western Balkans route by poly-drug trafficking OCGs.
- The main entry points for cocaine trafficked to the EU are Spain, the Netherlands, Belgium and France.
- Within the EU, cocaine is frequently trafficked by couriers travelling on intra-Schengen flights.

⁴ EMCDDA; UNODC 2013, World Drug Report 2013

2.1.3 Heroin

Key developments

- Acetic anhydride, the key precursor substance for heroin production, continues to be diverted from the EU. OCGs procure acetic anhydride in the EU and traffic it to drug laboratories outside the EU, where the production of heroin takes place.

The cultivation of opium poppy in Afghanistan is the primary source of the heroin sold in the EU and reached a historical record in 2013. Estimates for 2014 predict an even higher harvest yield of up to 6400 tonnes of opium poppy.⁵ The destination of a significant share of the heroin produced in Central Asia is currently unknown. A continuous increase in the production output of heroin in Central Asia has not been accompanied by an increase in the demand for heroin in MS. While heroin use appears to be in moderate decline in some MS, significant and unprecedented seizures of heroin in and around Europe highlight the availability of heroin in the EU.⁶

The routes used by OCGs to traffic heroin to the EU have further diversified over the past two years. Heroin is increasingly trafficked to the EU in large quantities, amounting to several tonnes each year, from Pakistan, either directly or via Africa. Africa and the Caucasus region are becoming increasingly important transit regions for heroin smuggled to the EU. Over the last few years, large shipments of high-purity heroin destined for European markets were seized.

Despite this diversification, OCGs also continue to rely on established trafficking routes. Turkey is the main gateway for heroin trafficked from production countries in Central Asia to the EU.

Synthetic substitutes for heroin are becoming more popular in the future. Fentanyl and its derivatives, in particular, are a serious threat to users as they are many times more potent than heroin.

Acetic anhydride is the critical precursor chemical required for the production of heroin. OCGs continue to target the EU for the diversion of acetic anhydride. OCGs procure acetic anhydride in the EU and traffic it to drug laboratories outside the EU, where the production of heroin takes place.

Regional perspective

- The Balkan routes remain the most frequently used trafficking routes for heroin smuggled into the EU.
- Iraq is emerging as a significant transit country for heroin smuggled to the EU via Turkey.
- West and East Africa are transit regions for heroin destined for Europe. Air couriers trafficking heroin are increasingly departing from East Africa.
- The market for heroin in the Russian Federation and Central Asia remains significant in size and is probably larger than the EU market for heroin.

⁵ UNODC 2014, UNODC Afghanistan Opium Survey 2014 Cultivation and Production (November 2014). Potential opium production in Afghanistan is estimated at 6,400 tons in 2014, an increase of 17% compared to 2013 (5,500 tons).

⁶ EMCDDA; UNODC 2013, World drug report 2013

2.1.4 Synthetic drugs and new psychoactive substances (NPS)

Key developments

- The production output and availability of MDMA in the EU has increased significantly in recent years. MDMA tablets often feature dangerously high concentrations of active substances.
- The production of NPS, including tableting, packaging and labelling, is increasingly taking place in the EU.

The market for synthetic drugs remains the most dynamic of all drugs markets in the EU with new substances appearing continuously and in many cases being used interchangeably by consumers. NPS are emerging as a key issue for many MS, often rivalling traditional drugs in the scale of consumption and distribution. Synthetic drugs are trafficked throughout the EU from centres of production to consumer markets in MS and to destination markets outside the EU such as Australia or Turkey.

Synthetic drugs

The Netherlands and Belgium remain key centres of production for MDMA (3,4-methylenedioxy-methamphetamine), amphetamine, and, to a lesser extent, methamphetamine. From here, these drugs are trafficked to consumer markets throughout the EU and to extra-EU markets in Asia, Australia and the Americas.

Dutch OCGs dominate the large-scale production of synthetic drugs for the trafficking to intra- and extra-EU markets in Belgium and the Netherlands.

OCGs continue to innovate in synthetic drugs production, quickly adapting to the banning of precursors by shifting to the use of pre-precursors or stockpiling these substances in anticipation of the introduction of control measures. OCGs in the Netherlands and Belgium are thought to have stockpiled sufficient APAAN (Alpha-phenylacetonitrile), the precursor for BMK (Benzyl methyl ketone), to maintain their output of amphetamine for several years to come. Producers of synthetic drugs continue to rely on conversion labs to produce precursors from pre-precursor substances. There has been an increase in the number of waste dumping sites associated with synthetic drugs production. The waste by-products of synthetic drugs production are harmful and can cause significant environmental damage.

Some MS have noted an increase in the number of discovered laboratories producing synthetic drugs. Many laboratories have grown in size and sophistication, producing larger amounts of synthetic drugs. This development has also been linked to a sustained increase in the production and availability of MDMA in Europe, which has entailed the appearance of MDMA tablets with dangerously high concentrations of active substances over the last two years.

Pre-precursors are increasingly trafficked on a European level.

New psychoactive substances (NPS)

NPS continue to appear on the European drugs market in increasing numbers each year. In 2014, 101 NPS were registered for the first time in the EU. This represents an increase of 22% in the number of new NPS registered in the EU compared to 83 NPS registered in 2013. NPS are seized by the majority of MS in quantities increasing year on year. While the majority of NPS are still produced in China and, to a lesser extent, India, some NPS production or specific production steps are moving to Europe. OCGs are increasingly active in the production and distribution of NPS. However, the full extent of OCG involvement in this area is currently an intelligence gap.

MS in Central and South-East Europe are particularly affected by the production and increased consumption of NPS. In some MS, NPS have already overtaken traditional drugs as the most popular substances on some drug markets.

The sale of synthetic drugs, especially NPS, through online marketplaces has increased at alarming rates over the last few years and is now a major concern for many MS. The increasing use of postal services for the intra-European distribution of these drugs is linked to online sales of NPS.

Regional perspective

- Synthetic drugs production takes place in many MS. However, the substances produced and the levels of production vary greatly between MS.
- The Netherlands and Belgium are key centres of production for various synthetic drugs trafficked to other MS and on an international level including MDMA, amphetamine and methamphetamine.
- Significant quantities of synthetic drugs produced in different MS are believed to be trafficked to destinations outside the EU. However, there is incomplete information as to the precise scale of the trafficking activity and the destinations of the drugs.

2.2 Counterfeiting

2.2.1 Commodity counterfeiting, illicit trade in sub-standard goods and goods violating health and safety regulations

Key developments

- There have been few changes in this crime area regarding trafficking *modi operandi*, distribution or types of products traded.
- OCGs use free trade zones, such as Tanger Med in Morocco, as transit hubs to orchestrate the trafficking of counterfeit goods to the EU.

Medicines, washing powder, detergents, clothing, accessories and sportswear were the most frequently encountered counterfeit articles intercepted within the EU and at the EU external border over the past two years.⁷

Instead of smuggling bulk shipments of counterfeit goods in shipping containers, OCGs dealing in counterfeit goods now tend to send counterfeit articles as part of smaller postal consignments to individual clients. The increasing use of postal consignments is linked to a shift to the distribution of counterfeit goods through online stores.

MS have noted few changes in this crime area regarding trafficking *modi operandi*, distribution or types of products traded. OCGs continue to import large amounts of legitimate unlabelled products, adding brand labels at the point of sale as well as assembling counterfeit products from parts imported into the EU. A commonly used *modus operandi* for the trafficking and distribution of counterfeit goods is the declaration of the goods as 'in transit' to a destination outside the EU and the subsequent



⁷ DG Taxud 2013, Report on EU Customs Enforcement of Intellectual Property Rights: Results at the EU Border 2013

re-diversion of the products to a MS. Traffickers also frequently abuse duty suspension schemes to import counterfeit goods.

China remains the predominant country of origin for counterfeit products distributed in the EU.⁸ The number of cases involving the production of counterfeit goods in the EU is small, but steadily increasing. The manufacturing of counterfeit textiles, clothing, food and alcoholic beverages takes place in known production hubs in Italy and Spain. Counterfeit household items such as washing powders and detergents are often produced in the Czech Republic, Hungary and Poland.

The online trade in counterfeit pharmaceutical products and the affiliate online pharmacy system⁹ present a substantial threat to EU citizens' health and safety. Illicit online pharmacies provide prescription-drugs and life-style drugs without a prescription and often distribute counterfeit or sub-standard medicines. The demand for high-value medicines at cheaper prices and the possibility of purchasing these medicines anonymously allow illegal online pharmacies to continue generating significant profits. The proliferation of counterfeit life-saving medicines, a concern emphasised in the SOCTA 2013, remains a significant threat highlighted by an increasing number of investigations into counterfeit and sub-standard pharmaceuticals over the past two years.

Counterfeit pesticides are particularly harmful to the environment and consumers and appear to be trafficked to the EU in increasing quantities. There has been a noted decline in the production and distribution of counterfeit audio and video products, which is likely linked to increasing distribution of audiovisual content through digital platforms.

OCGs involved in the production or distribution of counterfeit goods often engage in various other criminal activities including document forgery, money laundering, THB for labour exploitation, cybercrime or fraud. The production and distribution of counterfeit goods remains highly profitable and is less risky than other activities for the OCGs involved.

Counterfeit goods, particularly those violating health and safety regulations, and sub-standard goods remain a threat to the citizens of the EU. Counterfeit goods can cause significant harm to the health of EU citizens and risk undermining consumer confidence in products sold in the EU. The production and distribution of counterfeit goods have a significant economic impact on the companies affected by product counterfeiting and the MS losing tax revenue to the unregulated trade in counterfeit products.

Regional perspective

- Counterfeit goods distributed in the EU primarily originate from China and South-East Asia.
- Large ports in the EU such as Rotterdam, Antwerp, Hamburg and Gioia Tauro are key entry points for counterfeit goods imported into the EU as part of container shipments.
- The port and free trade zone of Tanger Med in Morocco is emerging as a key shipping hub and is likely to become an important transit hub for counterfeit goods trafficked to the EU.

2.2.2 Euro counterfeiting

Key developments

- Raw materials for the production of counterfeit euro banknotes are increasingly sold on online marketplaces on the surface web and the Darknet.

⁸ DG TAXUD: 73% of goods stopped at the external EU borders in 2013 came from China

⁹ The tools/templates to set up online pharmacies are sold online. Owners of the illicit pharmacy website utilise spam to attract customers, often website owners will not take part in the distribution of pharmaceuticals, as this is done by the OCG selling the tools/templates.

- The production of counterfeit euro banknotes by an OCG based in the Naples region has resulted in an increase in the number of counterfeit euro banknotes in circulation.

In 2014, a total of 838 000 counterfeit euro banknotes were withdrawn from circulation.¹⁰ A 20% increase from 2013 to 2014 in the number of counterfeit 20 euro and 50 euro banknotes in circulation is linked to the increased production of these banknotes by an Italian OCG.

The counterfeiting of the euro currency remains a concern for the EU and the members of the euro area. Several MS report an increase in the number of counterfeit euro banknotes in circulation over the past two years. Italy remains the main centre of production for counterfeit euro banknotes in Europe. There has been a decrease in the production of counterfeit euro banknotes in Latin America.

To produce counterfeit euro banknotes, counterfeiters increasingly rely on pre-fabricated elements such as holograms or metallic strips, which are sold on marketplaces on the surface web and the Darknet. Digital template files for the printing of counterfeit euro banknotes are also offered online, but still require specialist printing equipment and raw materials for the production of high-quality counterfeit banknotes. Darknet marketplaces also allow individual clients to purchase counterfeit euro banknotes in smaller quantities, which are shipped using standard mail and parcel delivery services.

Counterfeit euro coins produced in China have been trafficked to Italy on a limited scale.

The counterfeiting of euro banknotes and coins has the potential to undermine the stability of the currency and the trust of EU citizens in the euro area in their shared method of payment.

Regional perspective

- Italy remains the centre of production for counterfeit euro banknotes in Europe.
- There has been a noted decline in the production of counterfeit euro currency in Latin America.

2.3 Crimes against persons

2.3.1 Facilitation of illegal immigration

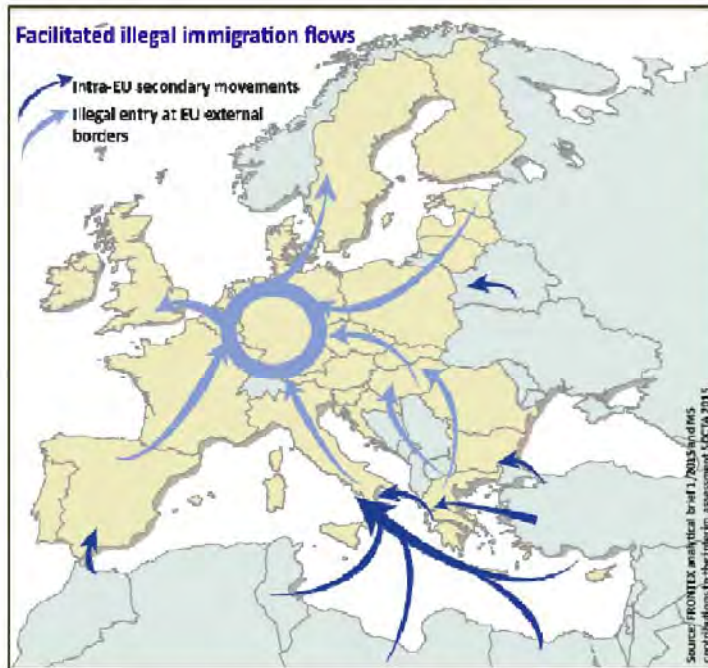
Key developments

- The facilitation of irregular migrants by sea in dangerous conditions along the Central and Eastern Mediterranean routes has been increasing exponentially over the last year.
- The overall increase in the number of irregular migrants entering the EU is resulting in even greater demand for the facilitation services offered by OCGs related to secondary movements within the EU and the transition to legal stay in MS.

The facilitation of illegal immigration remains a significant threat for the EU. Armed conflict and strife in the Middle East, particularly in Syria and Iraq, and around the Horn of Africa, in Eritrea, Ethiopia and Somalia, remain among the most pressing push factors sustaining large-scale migratory flows from these regions to the EU. Regional instability will continue to prompt migrants to seek the facilitation services of OCGs in order to reach the EU.

In 2013 and 2014 there has been an increase in the number of irregular migrants entering the EU compared to previous years. The number of irregular migrants registered in 2014 exceeds that of 2011, the year of the Arab Spring.

¹⁰ European Central Bank (ECB) 2015, Press Release 22 January 2015



The main nationalities of migrants smuggled into the EU have changed over the last two years. Overall, Syrian and Eritrean nationals are the most frequently encountered irregular migrants entering the EU, and most investigations on facilitation of illegal immigration focus on these nationalities. Many MS also encounter irregular migrants of other nationalities with increasing frequency.

OCGs facilitating the illegal immigration of irregular migrants quickly respond to law enforcement activity, changes in the security situation in transit countries or changes in asylum legislation or policies by changing routes. The number of irregular migrants facilitated by sea on the Central and Eastern

Mediterranean routes has been escalating. 'Ghost ships' depart from Turkey, primarily carrying Syrian migrants, and are abandoned by the facilitators early in the journey. The facilitation by sea exposes increasing numbers of irregular migrants to significant risks as the cargo ships used are often in bad condition and completely overloaded.

Identity fraud using fraudulent documents as well as the false declaration of nationality are frequently used by irregular migrants to gain illegal entry to the EU.

From their entry point to the EU, irregular migrants are typically facilitated to different countries of final destination. The facilitation of intra-EU secondary movements is a core business for OCGs. OCGs facilitating irregular migration in the EU are increasingly difficult to detect. OCG members do not always accompany the migrants they facilitate. Instead, irregular migrants travelling with fraudulent documents are often issued with instructions to use public transportation, such as trains and low-cost buses, or carpooling services. OCGs have moved away from the use of safe houses owned or rented by them and now typically house irregular migrants at hotels, outdoor camps or instruct them to stay in refugee centres.

Within the EU, OCGs continue to use different *modi operandi* to fraudulently obtain legal residence status for persons staying in the EU illegally. Marriages of convenience are the most visible and frequently employed *modus operandi* used to obtain legal residence status for irregular migrants in many MS. OCGs organise a significant number of marriages of convenience each year. OCGs facilitating illegal immigration often instruct irregular migrants to claim asylum in order to gain entry to the EU. Asylum applications in MS have been steadily increasing since 2010 primarily affecting top destination countries such as Sweden and Germany. Counterfeit identity documents provided by facilitators are widely used by irregular migrants to gain entry to the EU and to transition to legal stay. Irregular migrants also frequently rely on genuine documents obtained on the basis of forged supporting documents.

Facilitation services for illegal immigration to and within the EU are in high demand and generate significant profits for the OCGs involved. The facilitation of illegal immigration is a growth market prompting existing OCGs and criminals to adapt their business models and shift from other crime areas to the facilitation of illegal immigration.

The facilitation of illegal immigration entails significant risks for the irregular migrants facilitated as their journeys are often fraught with danger. This is particularly true for sea crossings across the Mediterranean and Aegean seas. Illegal immigration has a negative impact on the economies and social security systems of transit and destination countries. Irregular migrants are often not able to gain employment in the licit economy and are forced to seek an income working on black labour markets or rely on social benefit payments.

Regional perspective

- The facilitation of illegal immigration affects all MS either as entry points to the EU, transit or destination countries.
- The Central Mediterranean route has emerged as the main entry point for irregular migrants attempting to reach the EU. Syrian migrants increasingly reach Italy via the Central Mediterranean route after their arrival in Libya via Egypt.
- Migratory pressure on the EU's external border along the Eastern Mediterranean route remains high. Migration flows have increasingly shifted to the Aegean Sea. Facilitated irregular migrants continue to attempt to cross into the EU along the Turkish-Bulgarian and Turkish-Greek land borders. The number of irregular migrants attempting to enter the EU along the Bulgarian and Romanian Black Sea borders has been increasing.
- OCGs facilitate the secondary movements of irregular migrants from the south to the north and from the east to the west of Europe along routes connecting transportation hotspots such as Budapest, Milan, Frankfurt, Paris, Brussels or Calais.

2.3.2 Trafficking in human beings (THB)

Key developments

- Traffickers increasingly facilitate entry to the EU for their victims by abusing asylum provisions.
- The internet is increasingly used by organisers of THB to advertise the sexual and labour exploitation services of their victims.

The extent of THB to and within the EU remains difficult to assess. The numbers of victims and suspects identified fluctuate from year to year and differ greatly between MS.¹¹ However, most MS indicate that the overall situation has not changed significantly over the past two years.

The trafficking of victims of THB within the EU continues to be the most common mode of trafficking. The nationalities of the victims of sexual exploitation are diverse. In some cases, EU citizens are trafficked to non-EU destinations such as the Middle East. Traffickers often provide victims with counterfeit documents in order to conceal their real identity and to enable them to gain entry to the EU as asylum seekers.

Victims are exploited in various forms of THB. In addition to sexual exploitation, a significant number of victims of THB, including children, are also targeted for labour exploitation, exploitation in forced marriages, exploitation in forced begging, exploitation for social benefit fraud and other criminal activities such as thefts or burglaries. In many cases, victims are exploited as part of more than just one type of THB.

Increasingly, victims of exploitation are manipulated and kept under control without the use of violence. However, for many traffickers the threat and use of violence against victims and their families is still part of their *modus operandi*. OCGs involved in THB employ countermeasures to



¹¹ Eurostat 2014, Statistical Working Papers: Trafficking in Human Beings 2014 Edition

evade detection by law enforcement and other authorities. These include the rotation of victims between different locations, exercising psychological control over victims and using private residences, beauty parlours or hotels in addition to brothels. Traffickers frequently move victims between different destination countries and regions.

THB for labour exploitation is increasingly investigated by law enforcement authorities in the EU, which has led to an increase in the number of victims identified over the past years. Victims of THB are exploited in various sectors including agriculture, construction, cleaning, transportation, textile manufacturing and retail. Some MS have noted an increase in the number of victims of THB forced to commit crimes.

Exploitation in forced marriages affects EU citizens, who are forced to marry Asian men in order to allow the grooms to apply for legal residence in the country. Victims of this type of exploitation are also often sexually exploited or forced to beg or engage in criminal activities.

Traffickers typically traffic victims from vulnerable groups for exploitation, particularly those from difficult socio-economic backgrounds. However, economic hardship and unemployment in many source countries also expose qualified and well-educated persons to the risk of labour exploitation. Traffickers also increasingly target children for exploitation in various forms of THB. Minors are trafficked for sexual and labour exploitation, forced begging and forced criminality.

The internet is a key facilitator for THB. OCGs use the internet to recruit and interact with victims on social networking and dating sites, to advertise their victims' services and to communicate between different OCG members.

THB is an insidious form of organised criminal activity. It violates the human rights of victims, causes lasting psychological harm, generates significant profits for OCGs and undermines the legal economy.

Regional perspective

- The intra-EU trafficking of victims particularly affects victims originating from MS in Central & Eastern Europe, who are typically exploited in Western European countries.
- The countries most affected as destinations for victims of THB are Austria, Belgium, France, Germany, Greece, Italy, the Netherlands, Spain, and the United Kingdom.

2.4 Organised property crime

Key developments

- | |
|---|
| <ul style="list-style-type: none"> ▪ Many MS have experienced a significant increase in the number of residential burglaries carried out by mobile organised crime groups (MOCGs). |
|---|

Organised property crime affects all MS and is committed by highly mobile organised crime groups (MOCGs), which typically carry out a significant number of offences within a region over a short period of time before moving on. Organised property crimes such as organised burglaries or theft are often only investigated in isolation and not as organised crime phenomena. MOCGs continue to exploit diaspora communities in MS to create networks of contacts and for logistical support.

Organised property crime causes significant financial losses to MS and the individuals and businesses targeted by OCGs. Organised property crime is one of the most visible forms of organised crime to EU citizens and has the potential to cause widespread feelings of insecurity. Some property crimes, such as metal theft, can cause serious disruptions to public services such as public transport and electricity and entail significant risks to the safety of EU citizens.



Organised burglaries and robberies

There has been a considerable increase in the number of residential burglaries in several MS in the past years. According to open sources, every 1.5 minutes a burglary takes place in the EU. In some EU MS, nearly 1000 burglaries are reported per day.

There have been fewer well-organised attacks on banks, money depots, money transports and automated teller machines (ATMs) over the past two years.

Motor vehicle theft

The majority of MS observed a decrease in the number of incidents of vehicle theft. However, there has been a sustained trend in the increasing theft of agricultural and construction machinery/vehicles destined for Eastern Europe over the past two years. A drop in the number of vehicles recovered suggests that the OCGs carrying out vehicle theft are becoming more adept at concealing stolen vehicles and quickly move them to destinations outside the EU. Thieves are also increasingly targeting high-value vehicles as well as vehicle parts such as airbags or built-in GPS navigation systems. Stolen high-value vehicles are frequently transported in trailers or on cargo trains to countries in Central Asia.

Metal thefts

While the majority of MS note a relative decline in metal thefts, in particular copper thefts, a few MS continue to register a significant number of incidents of metal theft. The financial damage caused by individual incidents of metal theft is increasing as cable thieves often destroy new and expensive fibre-optic cables when trying to steal copper cables.

Illicit trafficking in cultural goods, including antiquities and works of art

The illicit trafficking in cultural goods, including antiquities and works of art is carried out by individual offenders rather than OCGs and is limited to a few incidents reported each year.

Cargo theft

There has been no increase in the number of cargo thefts over the past two years. The average value of goods stolen during cargo theft has been decreasing. However, some thefts still result in the loss of cargo valued at millions of euros. The most frequently stolen goods include tyres and car parts, electronics as well as food and beverages. There has been an increase in the use of violence during incidents involving the hijacking of trucks. OCGs involved in cargo theft are increasingly using GPS jamming devices in order to prevent the tracing of stolen cargo.

Regional perspective

- Countries with extensive archaeological and cultural heritage, such as Greece and Cyprus, or those located near conflict zones are more exposed to the risk of thefts of cultural goods and antiquities.
- The MS most affected by cargo thefts are Germany, the Netherlands and the United Kingdom. France, Italy and Spain are also affected, but to a lesser extent.

2.5 Weapons trafficking

Key developments

- The intra-EU trafficking of converted or reactivated firearms is one of the main sources of illegal firearms in the EU supplying OCGs and other criminal offenders with deadly weapons.

Overall, the extent of weapons trafficking to and within the EU appears to have remained stable over the past two years. The trafficking of weapons as a main criminal activity continues to be limited to a small number of OCGs. Weapons trafficking is also carried out by individual criminals with links to larger criminal networks. There remain significant intelligence gaps related to the extent of the trafficking activity, the actors involved and the *modi operandi* they employ.

The online sale, on both the surface web and the Darknet, and the use of fast parcels for the smuggling of firearms or firearms components have emerged as key *modi operandi* for firearms trafficking to the EU. The reactivation of deactivated weapons and the conversion of blank firing weapons, such as alarm or gas pistols, continue to be significant sources of illicit firearms in the EU.

The intra-EU trafficking of firearms is a main source of illegal firearms and often exploits legislative differences in the EU. Weapons traffickers make use of discrepancies in MS firearms legislation to purchase, import and convert/reactivate blank firing weapons or firearms considered deactivated in some but not all MS.

The trafficking of weapons makes lethal firearms and explosives available to OCGs and violent offenders. An increased availability of illegal firearms on criminal markets also raises the risk of providing access to weapons to lone actors and terrorist groups planning attacks in the EU.

Regional perspective

- Domestic supply, intra-EU trafficking and trafficking from Western Balkan countries are the main sources of illegal firearms in the EU.
- Illegal firearms and firearms components are also regularly imported into the EU from the United States.

2.6 Environmental crime

Key developments

- Significant intelligence gaps remain relating to scope of activity and the *modi operandi* used by OCGs and other criminal actors involved in environmental crime in the EU.
- The illicit trafficking of waste in the EU is thought to be carried out by a small number of OCGs. However, illicit waste is often trafficked by waste management companies, which otherwise operate in the licit waste industry.

Environmental crime remains a concern for many MS and encompasses various criminal activities harming the environment involving chemicals, endangered species, energy, pollution, waste and other issues.¹² The two most prevalent types of environmental crime in the EU, the trafficking in illicit waste and the trafficking of endangered species, threaten Europe's biodiversity and the health of EU citizens.

¹² Contribution to Interim SOCTA 2015: EnviCrimeNet IPEC Preliminary Report

There are still significant intelligence gaps relating to scope of activity and the *modi operandi* associated with environmental crime in the EU. In many MS, environmental crime is investigated by various agencies or government authorities, which are not necessarily part of law enforcement structures.

Illicit waste trafficking

Illicit waste trafficking continues to threaten the environment and the health of EU citizens and has a significant economic impact. OCGs and waste management companies traffic various types of waste such as household waste, toxic and hazardous industrial waste, e-waste and end-of-life vehicles including lead-acid batteries.

E-waste is frequently trafficked to West Africa as part of container shipments, where the waste is broken down in order to extract valuable metals. The inter-mixing of hazardous waste with household waste is a common *modus operandi* used by waste traffickers.

Illicit waste trafficking is closely linked to the legal waste industry. In some cases, waste management companies which otherwise operate legally are thought to engage in illicit waste trafficking. The involvement of legal businesses has also been exacerbated by the financial strain felt by many companies during the economic crisis. Waste traffickers also use legal business structures as a façade for their illegal activities. Italian organised crime has traditionally been involved in the trafficking of household and, to a lesser extent, industrial waste in several MS.

Trafficking of endangered species (TES)

The trafficking of endangered species (TES) is a highly profitable activity for the small number of OCGs involved and is sustained by growing demand from collectors and consumers across the globe. In some cases, private collectors are involved in the smuggling of endangered species or are clients buying specimens from specialised OCGs. On occasion, legal businesses that are involved in the legal trade of plants and animals also illegally trade in endangered species if the opportunity arises.

EU MS are countries of destination, origin and transit for the specimens traded by traffickers.

OCGs are involved in TES and increasingly use the internet to coordinate their activities, to offer their commodities and establish contact with potential buyers. TES often also relies on the falsification or counterfeiting of documents.

Regional perspective

- The trafficking of illicit waste, especially household waste, primarily takes place within individual MS or between neighbouring MS.
- E-waste is frequently trafficked as part of container shipments to West Africa and, to a lesser extent, South-East Asia.
- EU MS are countries of destination, origin and transit for the specimens traded by traffickers. Specimens are trafficked on various routes according to their origin.

2.7 Economic crimes

2.7.1 Fraud

Key developments

- Legislative changes in some MS may prompt OCGs that are currently involved in MTIC fraud in the EU to turn to other criminal activities.
- MTIC fraud has a significant impact on MS economies. In 2012, MS identified losses of EUR 177 billion in missing VAT payments.

- OCGs involved in excise tax fraud are increasingly shifting from the smuggling of commodities such as alcohol, tobacco and fuel to the abuse of duty suspension schemes in order to import these goods legally, but failing to pay excise taxes.

OCGs orchestrate various fraud schemes generating multi-billion euro profits and causing huge losses to MS treasuries. While different fraud offences vary greatly in their level of sophistication and expertise required, many involve document fraud, corruption and the use of experts. The criminals and OCGs involved in fraud frequently operate on an international level with contacts in multiple MS and outside the EU. The internet facilitates the international dimension of many fraud operations and has emerged as a key tool used by OCGs orchestrating fraud schemes targeting individuals and businesses across the EU.

MS have also reported increases in identity theft through phishing as well as advance fee frauds, bank fraud and investment frauds. Social engineering methods are used by OCGs to defraud businesses. Chief Executive Officer (CEO) payment order fraud has been reported with increasing frequency. This type of fraud relies on impostors posing as CEOs of larger companies ordering employees of the targeted companies to transfer money to an account owned by the fraudster.

Missing trader intra-community (MTIC) frauds

'MTIC' or carousel fraud, a type of VAT fraud, in particular diminishes revenues for MS and results in less funding available for public services. As part of this crime, fraudulent businesses infiltrate supply chains trading in high-value, low-bulk goods such as mobile phones or other electronics to defraud governments of large amounts of VAT. In 2012, MS identified losses of EUR 177 billion in missing VAT payments¹³, a figure which is higher than the 2014 EU budget of EUR 135.5 billion.

MTIC fraudsters are adept at exploiting international financial systems to conduct their activities and increasingly rely on alternative banking platforms to circumvent suspicious transaction reporting. Alternative banking platforms operate across jurisdictions, offering the same services as banks, but without being subject to money laundering reporting requirements. MTIC fraud requires specific expert knowledge and the OCGs involved in this type of fraud are small and highly specialised. Some of the OCGs involved have been active for 10 years or more and continue to rely heavily on document fraud, corruption, and the exploitation of LBS.

Excise tax frauds

Excise tax frauds, which involve various commodities such as tobacco, fuel and alcohol, continue to cause significant losses to MS in unpaid taxes. The estimated revenue loss from excise fraud to the governments of the EU in 2013 was EUR 10.9 billion. The illegal production or smuggling of goods defrauds tax authorities of excise taxes paid by legitimate businesses.

There has been little change in the routes associated with excise fraud. The routes used by tobacco smugglers have largely remained the same. However, it is becoming increasingly clear that these routes are also used to traffic firearms, drugs and to smuggle irregular migrants.

Tobacco smuggling

OCGs involved in excise frauds have adapted their *modus operandi* over the past years. Instead of smuggling tobacco in bulk, traffickers now increasingly abuse duty suspension schemes as well as the EU's Excise Movement and Control System (EMCS), an online database, legally importing tobacco but failing to pay excise taxes. Traffickers also increasingly smuggle large quantities of illicit tobacco in small but frequent shipments in order to reduce the risk of detection and losses of consignments. There has been an increase in the number of hijackings and robberies of commercial tobacco transports on their way from production sites to retail outlets. Tobacco manufacturers have reported a rise in excess, undeclared production at legitimate factories.

Fuel smuggling

¹³ DG TAXUD 2013, DG TAXUD's Vat Gap Report, TAXUD2013/DE/321

Instability in Libya and the surrounding region has resulted in an increasing number of incidents of fuel smuggling to the EU. The increased smuggling of excise goods including fuel and tobacco to Turkey from Syria and Iraq also has an impact on the EU with some of these goods reaching MS. However, fluctuations in the price of oil on the global market may make this activity less profitable and attractive for the OCGs involved in the mid-term. New chemical markers make it increasingly difficult to launder industrial-grade diesel fuel and their proliferation may result in a reduction of OCG involvement in this activity over the next years.

Alcohol smuggling

Alcohol diversion is a significant problem which mainly affects the UK economy. OCGs exploit weaknesses in market regulation to divert commercial quantities of alcohol avoiding billions in excise duties.

Excise tax frauds result in significant losses to MS authorities and undermine quality standards of products consumed by EU citizens. Poor quality alcohol, tobacco and fuel can have a detrimental effect on EU citizens' health and safety.

Regional perspective

- MTIC fraud is often carried out using companies set up by fraudsters.
- According to the number of reported illicit factories, Poland remains the key location for illicit tobacco manufacturing in Europe. Significant numbers of illicit factories are also found in the Czech Republic and Slovakia as well as the Russian Federation and Ukraine.

2.7.2 Money laundering

Key developments

- Trade-based money laundering carried out by OCGs or individuals with links to main financial hubs in Asia such as Hong Kong, Macau and Singapore is an emerging trend.
- Significant intelligence gaps regarding the main actors and *modi operandi* associated with money laundering remain.
- The euro dominates as the currency of choice for cash smuggling. Cash couriers are typically male and Chinese and Nigerian nationalities predominate.

Money laundering is a key criminal activity sustaining the activities of OCGs involved in all other types of serious and organised crime. There has been an increase in the number of cases of money laundering in many MS. Money laundering is seldom investigated as a stand-alone offence and is often tied to predicate offences such as cybercrime, drugs trafficking, THB and fraud. This makes it difficult for law enforcement authorities to identify those OCGs whose main activity is money laundering. The OCGs carrying out money laundering as their primary activity easily operate across borders on an international level and have access to abundant resources to support their activities.

The *modi operandi* associated with money laundering continue to evolve and are increasingly sophisticated and complex. The use of e-money and store value cards has become more widespread. The internet is a key facilitator for money laundering providing access to a huge variety of communication and trading tools such as virtual currencies, online casinos or electronic banking transfers, which enable OCGs to effortlessly control, obscure and divert financial flows.

Whilst a lot of money laundering takes place online, the use of cash smuggled across borders remains the predominant method of transporting proceeds of crime. Cash allows OCGs to conceal the origin and ownership of the proceeds of crime. The euro is the most commonly used currency for cash smuggling. Most cash couriers tend to be male, with Chinese and

Nigerian nationals dominating this sector. Of significance, is the abuse of EU cash control regulations (on entry to the EU), whereby mules will openly declare large sums of cash.

Trade-based money laundering carried by OCGs or individuals with links to main financial hubs in Asia such as Hong Kong, Macau and Singapore is an emerging trend.

Money laundering syndicates originating from Pakistan and the United Arab Emirates but operating across Europe misuse legal money service businesses and utilise the 'hawala' banking method to move money. OCGs also continue to use various traditional means to launder illicit funds including the use of LBS, off-shore banking, cash smuggling, trading in high-value goods, gambling and the reliance on specialists with unique expertise. Money launderers corrupt and cooperate with professionals acting as gatekeepers such as lawyers, accountants, police and customs officials.

Money laundering sustains OCGs and their criminal activities. It results in significant losses to MS treasuries and diverts money from the legal economy preventing sustainable investments. The corruption associated with money laundering also reduces the public's trust in financial institutions and public authorities in the EU.

2.8 Cybercrime

2.8.1 Profit-driven cybercrime and cyber attacks

Key developments

- There has been an increase in the number and sophistication of cyber attacks over the last two years. These attacks are facilitated by the Crime-as-a-service (CaaS) business model as a key enabling factor.
- Targeted and persistent attacks on networks are further emerging as substantial threats.
- Malware is becoming more versatile and features various cybercrime capabilities ranging from simple key logging to ransomware and complex banking trojans.

Profit-driven cybercrime and cyber attacks remain a significant threat to the EU and affect all MS. Several MS have reported an increase in the number of cyber attacks over the last two years. The most common *modi operandi* associated with cyber attacks remain the infection of devices through malware, the use of botnets, data theft through hacking of service providers or government networks, extortion through denial of services and voice phishing/vishing. Overall, the numbers of phishing attempts, ransomware scams, data breaches and, to a lesser extent, phreaking cases have increased over the last two years. Attacks on critical infrastructures are of particular concern and have affected various industries and government services.

The majority of cyber attacks targeting individuals, businesses and institutions in the EU are motivated by financial gain and are often linked to fraud offences such as card-not-present fraud. Incidents of hacktivism¹⁴ affecting the EU have decreased in scale over the past two years.

Crime-as-a-service (CaaS) is further emerging as a key business model for cybercriminals and gives criminals who lack technical skills the ability to commit offences in the cybercrime environment. Criminal marketplaces online and underground forums allow cybercriminals to advertise their products and services and interact with potential clients and amongst each other. These environments stimulate innovation and the development of new cybercrime

¹⁴ Hacktivism is hacking which is not motivated by profit but by ideological or political affiliation.

services offered as part of CaaS. Driven by the development and refinement of the CaaS model, the level of sophistication of cyber attacks is continuously increasing. The spread of cryptoware malware, which uses high-level encryption and is almost impossible to crack,¹⁵ demonstrates that cybercriminals innovate steadily and quickly adopt available technologies.

Malware solutions are becoming increasingly sophisticated and versatile, which makes them more difficult to detect and analyse and allows them to compromise not only individual computers but entire networks.¹⁶ Cybercriminals increasingly carry out 'watering hole' attacks that target specific industries or organisations. Attackers observe which websites are most trusted and visited by members of a targeted group and infect those sites with malware in order to spread the malware to additional group members. In 2013, this technique was used to breach well-known companies providing online or social media services.¹⁷ As part of advanced persistent attacks, cybercriminals exploit vulnerabilities to access systems over a prolonged period of time. Mobile devices are increasingly targeted through the deployment of malware and the number of malware types targeting mobile devices has significantly increased, particularly those directed at Android platforms.

Data breaches as a result of cyber attacks remain a key cybercrime threat for the EU. Cybercriminals typically select targets holding large amounts of data such as government services, social networks, telecom companies, e-commerce companies, and payment processors. The data gained as result of large-scale data breaches¹⁸ ranges from banking and payment card data to log-in credentials, e-mail, physical addresses and other information which can all be monetised. Cyber-espionage targeting government services, critical infrastructure and prominent companies also remain a key concern for MS.¹⁹

Profit-driven cybercrime and cyber attacks cause damages of billions of euros to MS economies each year. Cybercrimes have substantial financial consequences for individual victims and businesses affected. The targeting of retail businesses, financial and banking services online has the potential to fundamentally undermine the public's trust in these service offerings. The protection from cyber attacks is costly and requires substantial financial investment by companies, organisations and governments in order to reduce their vulnerability.

2.8.2 Payment card fraud

Key developments

- An increasing number of data breaches result in the distribution of significant amounts of payment card and personal information on the internet, which is increasingly used by OCGs to carry out payment card frauds.

Payment card fraud is conducted as card-present (CP) fraud or card-not-present (CNP) fraud and has developed into a true hybrid crime that can occur in both online and offline environments. Regardless of where it occurs, the fraud inevitably includes two phases: obtaining the credit card details and monetising them. These are facilitated by online forums that bring together buyers and sellers of compromised cards.

Developments in payment card fraud are driven by technological innovation. Evolutions in *modi operandi* respond to changes implemented by the payment card industry to enhance the security of their products or improve the delivery of services to their customers.

¹⁵ G.Keizer 2014, "Cryptlocker: The evolution of extortion", November 2014, Computerworld.com; Europol information

¹⁶ Europol information
Kaspersky Security Bulletin 2014 : *Malware evolution: Key events that have defined the threat landscape in 2014*
Article: *Regin: A malicious platform capable of spying on GSM network*, 24 November 2014, www.Kaspersky.com

¹⁷ F-Secure Labs 2013, Threat Report H1 2013, September 2013

¹⁸ Kaspersky 2014, Kaspersky Security Bulletin 2014: *Malware evolution: Key events that have defined the threat landscape in 2014*

¹⁹ Verizon 2014 Data Breach Investigations Report

Payment card fraud remains highly profitable for the OCGs and individuals involved. Financial losses as a result of CNP fraud have surpassed those from CP fraud. The widespread implementation of chip-and-pin technology across the EU and improved security features of point-of-sale (POS) devices as well as ATMs continue to result in fewer incidents of CP fraud, a trend which was already observed in the SOCTA 2013 and has become more pronounced over the past two years. However, OCGs continue to monetise information gained as part of CP fraud outside the EU in countries where chip-and-pin technology has not been fully implemented. The most popular locations used by OCGs to cash-out counterfeit cards include the United States, followed by Asian and South American countries. Fuel cards do not rely on chip-and-pin technology for security and are particularly targeted for CP fraud.

Incidents of CNP fraud facilitated by data breaches or phishing have increased significantly in recent years. The data breaches resulting in loss of information used as part of CNP typically affect e-commerce sites as well as payment processing services. CNP is closely linked to the concept of CaaS. In many cases, CNP fraudsters buy payment card information from specialised OCGs or individuals responsible for data breaches rather than carrying out cyber attacks themselves.

OCGs involved in payment card frauds are continuously innovating and some groups possess a high level of technological expertise, quickly adapting to new forms of payment and new payment technologies. The skimming devices used by OCGs as part of CP fraud are becoming increasingly sophisticated. In some cases, OCGs produced skimming devices and payment cards using 3D printers. In 2014, MS reported incidents of Malware attacks on ATMs, also known as 'jackpotting' or 'ATM cash out', for the first time.

Payment card fraud results in significant losses to the individuals and businesses affected by it. Overall, the losses incurred by the different types of payment card fraud are increasing from year to year.²⁰ However, the number of payment transactions carried out in the EU is increasing at an exponential rate at the same time, which results in a decrease in the relative share of fraud incidents from year to year. Widespread payment card fraud has the potential to result in a loss of trust in the security of online and offline payment systems. This type of fraud also has an impact on MS economies stifling commercial activity and reducing tax revenues.

Regional perspective

- Most popular cash out locations: The United States, followed by Asia and South America

2.8.3 Child Sexual Exploitation (CSE)

Key developments

- New trends in the online solicitation and commercial sexual exploitation of children online are emerging.
- Peer to peer networks are the online environment where most CSE material is used
- The use of the darknet by CSE offenders remains a high threat that deserves special attention

Offenders continue to use the popular online communication channels (instant messaging, newsgroups, forums and social media platforms) for networking and to distribute child abusive material (CAM). The greatest volume of offending continues to be identified in the peer-to-peer environment. Social media platforms are the preferred medium for offenders involved in child sexual exploitation to establish contact with potential victims. Overall, there has been no significant change in the *modi operandi* associated with online CSE over the past two years.

²⁰ European Central Bank (ECB) 2014, Payments Statistics, September 2014

The sexual extortion of minors, both for commercial and non-commercial purposes, is a fast growing trend observed by MS. A number of MS have reported a rise in grooming attempts, the exchange of CAM, as well as sexual extortion and exploitation of minors through live streaming. Security awareness and technical knowledge of offenders have improved and resulted in the widespread use of anonymising tools and hidden services available on the Darknet. Offenders are increasingly turning to anonymous payment methods, such as virtual currencies.

Traditional distinctions between non-commercial and commercial sexual exploitation of children are changing. Forms of exploitation that were previously associated with the non-commercial production and distribution of CAM, such as sexual extortion, are becoming commercialised. Offenders are becoming increasingly entrepreneurial, driven by the search for new materials and trading opportunities that are becoming available on the Darknet. The sexual extortion of minors²¹, both for commercial and non-commercial purposes, is a fast growing trend observed by MS. MS have also reported a rise in commercial sexual exploitation of minors through live streaming also known as live distant child abuse. This trend is expected to continue due to the difficulties in detecting this type of exploitation.

Regional perspective

- Children from developing countries, especially South-East Asian countries, are particularly targeted for live distant child abuse.
- Language skills determine the reach of offenders engaging in the online soliciting of minors. Offenders able to communicate in more than one language have access to a larger pool of potential victims.

3. Organised crime groups

Key developments

- The number of poly-criminal groups is further increasing.
- The CaaS business model is increasingly adopted by OCGs operating both within and outside the realm of cybercrime.

The organised crime landscape in the EU has not changed significantly over the past two years. The activities of OCGs across the EU and their structures or membership remain largely unchanged since reporting for the SOCTA 2013. However, the number of OCGs involved in more than one crime area, also known as 'poly-criminal' groups, is further increasing. The majority of these OCGs combine similar types of crime such as the trafficking of different drugs or the involvement in different types of organised property crime.

Outlaw Motor Cycle Groups (OMCGs) are involved in wide range of criminal activities including the trafficking of drugs and firearms, racketeering and THB. OMCGs are active across the EU, expanding their membership by opening new chapters and establishing affiliate groups that often only support their criminal activities and do not share the traditional OMCG ethos.

Overall, the vast majority of the members of OCGs active in the EU are EU nationals. Individual OCGs are often comprised of members of various nationalities. OCGs have become increasingly poly-national in nature over the past years and this trend continues since the SOCTA 2013.

Many OCGs operate on an international level trafficking illicit commodities to and from the EU. OCGs carrying out MTIC frauds and organising complex money laundering schemes use global financial hubs to direct money flows and generate billions of euros in illicit proceeds. The scope

²¹ Sexual extortion or 'sextortion' is defined as extorting sexual favours, images or money (commercial sexual extortion) from a victim, through threats of disseminating existing images of the victims if the demands are not met.

of their operations is particularly international. Latin American and Caribbean OCGs control global trafficking networks orchestrating the production and wholesale trafficking of cocaine to the EU and other destinations.

Many OCGs are highly flexible, continuously looking for new opportunities and adapting their business models to increase profit margins. Fuelled by the conflicts in Syria, Iraq and other regions neighbouring Europe, the facilitation of illegal immigration is a criminal growth market and sustained increase in demand for facilitation services has prompted many OCGs to shift the focus of their activities to this crime area. The economic crisis has created additional opportunities for some OCGs in new areas of criminal activity such as debt recovery.

Changing the focus of their criminal activities has allowed some OCGs originating from Eastern Europe to gain access to greater financial resources. OCGs rely on certain horizontal criminal activities to support their primary criminal business. Money laundering, in particular, is a cross-cutting crime and supporting activity for many OCGs involved in all types of serious and organised crime. Similarly, the trafficking of firearms is a supporting activity for a small number of OCGs, which are typically involved in drugs trafficking as their primary criminal activity.

OCGs increasingly buy technical skills and expertise they do not possess themselves. Some specialised cybercriminals have adopted a CaaS business model, which provides cybercrime capabilities to non-specialised OCGs involved in traditional forms of crime. OCGs involved in the trafficking of drugs are able to acquire the services of cybercriminals to penetrate port computer systems to move and track container shipments. CaaS also enables different types of identity and financial frauds. For instance, OCGs purchase data for payment card fraud acquired through large-scale data breaches.

Much like freelancers in the licit economy, specialists providing criminal services to OCGs as part of the CaaS business model typically do not become OCG members and only collaborate with specific OCGs for a limited duration of time. This is particularly true for those cybercriminals perpetrating cyber attacks and selling personal and payment card data to various OCGs. Offenders involved in online child sexual exploitation come together to share or exchange abusive material, but cannot be identified as a single network or OCG. The internet is a key facilitator for various criminal activities. It increasingly enables individual offenders to carry out crimes that were previously limited to OCGs. Using online marketplaces, individual criminals are able to distribute illicit goods including drugs and firearms without the need for the distribution networks previously maintained by OCGs.

VAT frauds and money laundering schemes are highly complex and typically require specific expertise. OCGs use experts such as lawyers and accountants to identify legislative loopholes or exploit weaknesses in financial systems. Specialists in the forgery of documents supply OCGs with various types of documentation used to conceal the identity of individuals or to traffic commodities with falsified import/export documents.

OCGs continue to cooperate with other OCGs on an *ad hoc* basis across various crime areas. In some cases, OCGs have more permanent cooperation arrangements and collaborate throughout the whole criminal chain. Some OCGs also cooperate by dividing different tasks within the criminal chain amongst each other depending on their areas of expertise or control over territory. OCGs involved in motor vehicle crime operate using such a division of tasks. One OCG is responsible for the theft of the vehicles, while another provides fraudulent papers for the stolen vehicles and a third OCG organises the trafficking and sale of the vehicles outside the EU.

4. Recommended priorities

Based on the SOCTA methodology and information supplied to Europol, the SOCTA 2013 set out a number of recommended priorities requiring concerted action by the EU and its MS. The Interim SOCTA 2015 examines the recommended priorities set out in the SOCTA 2013 and confirms or adjusts them based on the developments observed over the past two years.

A careful assessment of the data provided to Europol for the Interim SOCTA as well as the information held by Europol's dedicated Focal Points and the intelligence collected during various operations have confirmed the recommendations of the facilitation of illegal immigration, the trafficking in human beings (THB), synthetic drugs and poly-drug trafficking, Missing Trader Intra-Community (MTIC) fraud, the production and distribution of counterfeit goods, cybercrime and money laundering as the most pressing criminal threats facing the EU. The Interim SOCTA 2015 adds another recommendation – organised burglaries and thefts. Organised burglaries and thefts have emerged as highly visible criminal threats causing millions of euros of damage and undermining the public's trust in the ability of law enforcement authorities to effectively fight the criminal groups carrying out these activities.

Overview of recommended priorities

SOCTA 2013	Interim SOCTA 2015
<ul style="list-style-type: none"> ▪ Counterfeit and sub-standard goods with an impact on public health and safety ▪ Cybercrime ▪ Facilitation of illegal immigration ▪ Missing Trader Intra Community (MTIC) fraud ▪ Money laundering ▪ Synthetic drugs production and poly-drug trafficking ▪ Trafficking in human beings 	<ul style="list-style-type: none"> ▪ Counterfeit and sub-standard goods with an impact on public health and safety ▪ Cybercrime ▪ Facilitation of illegal immigration ▪ Missing Trader Intra Community (MTIC) fraud ▪ Money laundering ▪ Organised burglaries and thefts ▪ Synthetic drugs production and new psychoactive substances (NPS) ▪ Trafficking in human beings

Counterfeit and sub-standard goods with an impact on public health and safety

- ***To weaken the OCGs involved in the production and distribution of counterfeit and sub-standard goods violating health and safety regulations***

- | |
|---|
| <ul style="list-style-type: none"> ▪ Counterfeit and sub-standard goods with an impact on public health and safety continue to represent a substantial threat to the EU citizens. ▪ There has been an increase in the number of cases involving counterfeit and sub-standard medicines entering the EU over the last two years. ▪ Significant intelligence gaps remain relating to the OCGs and actors involved in the production and distribution of these goods in the EU. |
|---|

The impact of counterfeit and sub-standard goods on the health and safety of EU citizens remains a significant concern. The increasing proliferation of counterfeit and sub-standard

medicines is particularly concerning as it threatens to cause significant harm and undermines public trust in MS health systems. In addition to the implications for health and safety, the production and distribution of these goods also continue to undermine the economy, deprive legitimate producers of income and fund other illicit activity. The distribution of all types of counterfeit goods has increasingly shifted to online marketplaces, which makes these articles more available and accessible. There are still significant intelligence gaps relating to the actors involved in the production and distribution of these goods including the nature of OCG involvement in some areas of counterfeit and sub-standard goods production and distribution.

Cybercrime

- ***To combat cybercrimes committed by organised groups and generating large criminal profits (such as online fraud), cybercrimes which cause serious harm to their victims (such as online CSE), and cybercrimes which affect critical infrastructure and information systems in the EU***

Profit-driven cybercrime and cyber attacks

- There has been an increase in the number and sophistication of cyber attacks over the last two years. These attacks are facilitated by the Crime-as-a-service (CaaS) business model as a key enabling factor.
- Targeted and persistent attacks on networks are further emerging as substantial threats.
- Malware is becoming more versatile and features various cybercrime capabilities ranging from simple key logging to ransomware and complex banking trojans.

Payment Card Fraud

- Various types of payment card fraud continue to cause significant financial losses to individual consumers and businesses affected. The exponential increase of payment card transactions online and offline ensures that payment card fraud remains a growth market for the criminal actors involved.
- An increasing number of data breaches result in the distribution of significant amounts of payment card and personal information on the internet, which is increasingly used by OCGs to carry out payment card frauds.

Child Sexual Exploitation (CSE)

- The long-lasting harm to and impact on the victims of this crime as well as the flexibility of offenders make child sexual exploitation a significant threat.
- There have been no significant changes in the *modi operandi* associated with online CSE over the past two years. However, some new trends in the online solicitation and commercial sexual exploitation of children online have emerged.

Profit-driven cybercrime and cyber attacks

MS economies and societies are increasingly reliant on the availability of safe and uninterrupted access to the internet and the myriad of services offered online. Profit-driven cybercrime and cyber attacks threaten MS economies, critical national infrastructures and expose millions of EU citizens to fraud. Profit-driven cybercrime has emerged as a significant innovator and catalyst for change not only in cybercrime but also beyond the digital domain. New, innovative forms of criminal collaboration developed online are increasingly adopted by OCGs and criminal actors active in 'traditional' criminal markets for drugs, firearms or counterfeit goods. This innovation potential as well as the significant economic impact of this crime area itself make profit-driven cybercrime and cyber attacks a significant criminal threat to the EU.

Payment card fraud

Payment card fraud undermines MS economies causing losses of billions of euros each year. Compromised payment systems online or offline threaten to undermine consumer confidence in the security and safety of payment systems. This has the potential to stifle consumer spending and entails significant financial and reputational risks for the e-commerce service relying on these payment systems. Payment card fraud is fuelled by data breaches and the proliferation of compromised payment card information by highly specialised cybercriminals. These cybercriminals sell large data sets to OCGs and other criminal actors carrying out payment card fraud. The provision of compromised card data as part of payment card fraud is an origin of the CaaS business model and showcases the innovation potential inherent to cybercrime. Payment card fraud remains a significant threat to the EU.

Child Sexual Exploitation

The Internet offers offenders a range of facilities through which to access and exchange CAM. Offenders make use of closed groups in social networking sites and peer-to-peer networks to distribute CAM as well as forums and websites hosted on the surface web and Darknet. Offenders also make use of web streaming technology to broadcast videos of child abuse in exchange for payment. Offenders exploit online environments such as Habbo, Facebook and Twitter to make contact with children for the purposes of sexual solicitation (grooming). The long-term physical and psychological harm experienced by the victims of child sexual exploitation as well as the adaptability and flexibility of offenders make this crime area a particular threatening phenomenon.

Facilitation of illegal immigration

- ***To reduce OCGs abuse of legal channels for migration including the use of fraudulent documents as a means of facilitating illegal immigration. To weaken OCGs operating at the main entry points to the EU and those involved in large-scale facilitation of illegal immigration***

- Irregular migrants are facilitated to the EU and between MS as part of secondary movements in increasing numbers. This phenomenon continues to affect all MS.
- The number of irregular migrants facilitated to the EU by sea in dangerous conditions is escalating, especially along the Central Mediterranean route.
- The overall increase in the number of irregular migrants entering the EU is resulting in even greater demand for the facilitation services offered by OCGs related to secondary movements within the EU and the transition to legal stay in MS.

The facilitation of illegal immigration continues to threaten all MS. Instability in regions surrounding the EU is a major push factor sustaining large-scale migration flows towards the EU. Continued conflict in the Middle East and instability in North Africa will result in sustained pressure on the EU's external border and ensure growing demand for the facilitation services offered by OCGs to irregular migrants. As forecast in the SOCTA 2013, migratory flows affecting particular routes have intensified over the past two years and the facilitation of irregular migrants by sea in dangerous conditions has led to numerous deaths. The growing market for facilitation services is increasingly attracting OCGs that were previously active in other crime areas. The facilitation of secondary movements and transition to legal stay are highly profitable for OCGs and involve an increasing number of different *modi operandi* exploiting weaknesses in legislation and asylum systems. The facilitation of illegal immigration threatens the lives of migrants and has a significant negative economic impact on MS.

Missing Trader Intra Community (MTIC) fraud

- ***To weaken the capacity of OCGs and specialists involved in MTIC fraud***

- MTIC fraud continues to result in losses of billions of euros to MS treasuries, undermining economic growth and the funding of vital public services.
- Legislative changes in some MS may prompt OCGs that are currently involved in MTIC fraud in the EU to turn to other criminal activities.

MTIC fraud continues to cause losses of billions of euros to MS as part of deliberate and systematic attacks on government revenues. It is the most prevalent form of VAT fraud and affects most, if not all, MS. The substantial losses to MS make it a serious threat. In 2012, EU MS identified losses of EUR 177 billion in missing VAT payments, a figure which is higher than the 2014 EU budget of EUR 135.5 billion. The sums involved in MTIC fraud are massive, and the revenue loss caused by it has an impact on state provided services and functions. This has direct implications for MS citizens. MTIC frauds can also distort markets and disrupt normal commercial activity, with the high value goods dumped onto the marketplace at lower prices. Legislative changes in some MS may make MTIC fraud less appealing in the future. However, the OCGs and criminal specialists involved in this activity will continue to identify and exploit regulatory loopholes and are likely to shift to similar types of frauds or other criminal activities in the future.

Money laundering

- ***To increase the investigation of OCGs' financial activities and promote further possibilities for asset recovery***

- Money laundering is a key facilitator for OCGs involved in all types of organised crime.
- Money laundering heavily relies on specialist expertise and knowledge and can be considered one of the original activities of the crime-as-a-service model.
- Significant intelligence gaps regarding the main actors and *modi operandi* associated with money laundering remain.
- The euro dominates as the currency of choice for cash smuggling. Cash couriers are typically male and Chinese and Nigerian nationalities predominate.

Money laundering sustains virtually all other types of organised criminal activity, ensuring that OCGs are able to invest their profits and expand their criminal activities. While money laundering has long been considered a horizontal offence, it is often carried out by highly specialised criminals with valuable expertise whose sole business is the provision of money laundering services to OCGs involved in all other types of crime. Money laundering as a stand-alone offence remains under-investigated and often requires predicate offences to allow for prosecutions. The internet is now a key facilitator for money laundering providing access to a huge variety of communication and trading tools. Money laundering specialists have various tools at their disposal to direct and conceal financial flows on a global level. While it is clear that money laundering takes place on a huge scale, significant intelligence gaps remain regarding the main actors and *modi operandi* associated with money laundering. The suspected scale of money laundering activities, its link to global financial systems as well as its role as a key facilitator for all other types of organised criminal activity make money laundering a key criminal threat.

Organised burglaries and theft

- ***To target the mobile organised crime groups (MOCGs) carrying out organised burglaries and thefts across multiple MS***

- Highly mobile OCGs commit burglaries and thefts across the EU in increasing numbers.
- Burglaries and thefts are highly visible to the public and result in a loss of trust in law enforcement authorities in MS.
- Organised burglaries and thefts are often not identified as organised criminal activity and are subsequently investigated in isolation making it difficult to identify the OCGs involved.

Many MS have reported a significant and sustained increase in the number of organised burglaries and thefts. These burglaries and thefts are carried out by highly mobile OCGs which operate across the EU. Burglaries and thefts have a significant impact on their victims. They are also highly visible and undermine the trust of the public in the ability of law enforcement to fight organised crime phenomena. Burglaries in particular can result in significant long-term psychological harm to the victims targeted. Organised burglaries and thefts have a significant economic impact on the individual households and businesses affected as well as the insurance companies paying compensation to the victims of these criminal activities.

The OCGs involved operate professionally and use their mobility as a counter-measure to avoid law enforcement detection. These MOCGs commit multiple burglaries over a short period of time across a specific region before quickly moving on to a new target region. This *modus operandi* exploits the tendency of law enforcement authorities to investigate burglaries in isolation and results in difficulties in identifying the specific groups involved in this activity.

Synthetic drugs production and new psychoactive substances (NPS)

- ***To reduce the production of synthetics drugs and NPS in the EU and to weaken the capacity of OCGs involved in this activity***

- Synthetic drugs and NPS are produced and distributed by highly innovative OCGs based in the EU, which are quick to adapt to law enforcement action and legislative changes.
- Previously unknown NPS continue to appear on European drugs markets in greater numbers each year. The production of NPS including tableting, packaging and labelling is increasingly taking place in the EU.
- The production output and availability of MDMA in the EU has increased significantly over the past years. MDMA tablets often feature dangerously high concentrations of active substances, which entail significant health risks for consumers.

Synthetic drugs and NPS are increasing their market share across European drugs markets. The market for synthetic drugs and NPS remains highly dynamic and a number of factors make this crime area particularly threatening. The OCGs involved in the production and distribution of synthetic drugs are highly innovative, quickly responding to law enforcement action, legislative changes such as the banning of particular substances or changing consumer demand by switching to the production of alternative substances or using new precursor substances. NPS in particular have emerged as a major challenge for law enforcement authorities across the EU. Each year, previously unknown NPS appear on EU drugs markets in

greater numbers. The potential harm of these substances has been tragically demonstrated by multiple incidents involving intoxications and fatalities linked to the consumption of various NPS in many MS over the past two years. NPS still primarily originate from China, but their production also increasingly takes place in the EU. The production output and availability of particular types of drugs has increased significantly over the past years. For instance, MDMA production has increased significantly over the past years and large quantities of the drug are distributed across the EU. In addition to their increased availability, MDMA tablets often contain very high levels of active ingredients, which can easily lead to overdoses.

Trafficking in human beings

- ***To weaken OCGs involved in intra-EU human trafficking for the purposes of labour exploitation and sexual exploitation, including those groups using LBS to facilitate or disguise their criminal activities***

- Intra-EU trafficking remains the main *modus operandi* employed by traffickers active in the EU + asylum.
- In addition to sexual exploitation, labour exploitation affects most MS and appears to be increasing in many.
- The internet is increasingly used by organisers of THB to advertise the sexual and labour exploitation services of their victims.

THB for sexual or labour exploitation continues to constitute a major criminal threat affecting all MS. There has been a notable increase in the number of reports relating to the trafficking in human beings for labour exploitation. This trend was already reported in the SOCTA 2013 and has continued to emerge since then. OCGs traffic victims to countries of destination across the EU. While victims are trafficked to the MS from various countries of origin, the intra-EU trafficking of victims continues to develop and has been increasing. Traffickers also continue to traffic victims to MS from countries of origin outside the EU employing various *modi operandi*. In some cases, these *modi operandi* mirror those used for the facilitation of irregular migration, such as the increasing abuse of asylum provisions to allow victims to enter the EU. THB violates the human rights of victims and causes long-term physical and mental harm. THB also provides significant profits for the OCGs involved and sustains other related criminal activities. OCGs also exploit victims of THB by forcing them to commit various types of criminal offences such as thefts or cannabis cultivation, which reinforces the impact of THB.

Watch list

Criminal threats placed on the watch list stand out in terms of their rapid evolution or their threat potential. Intelligence gaps and the potential development of the criminal threat over the next years are also taken into account when placing a criminal phenomenon on the watch list. In line with the SOCTA 2013, the Interim SOCTA 2015 identified a criminal threat which features significant intelligence gaps and should be monitored closely:

Environmental crime – illicit waste trafficking

Illicit waste trafficking causes significant environmental damage to MS and countries of destination outside the EU. Trafficking of various types of waste is sustained by the steady increase in the quantity of waste produced by MS. MS have noted an increase in the level of organisation displayed by OCGs involved in this activity. However, MS also indicate that otherwise legitimate waste management companies are responsible for a significant share of the waste trafficking activity carried out in the EU. The sustained involvement of LBS and merging between criminal activity and legitimate markets is particularly worrying and represents a challenge to law enforcement authorities.

The potential for exponential growth in this particular activity as well as the significant harm caused by environmental pollution as a result of illicit waste trafficking warrant the attention of and monitoring by law enforcement authorities across the EU.

Trafficking of firearms

Firearms are trafficked to and within the EU on a limited scale compared to other illicit commodities. The few OCGs involved in this activity are typically poly-criminal and often only engage in firearms trafficking as a secondary or supporting activity. However, the re-usability of firearms as well as the potential impact of their proliferation among OCGs, criminal actors and terrorists on the safety of the citizens of the EU makes this criminal activity a substantial threat. Events in 2014 and 2015 have demonstrated the threat emanating from the availability of firearms to lone actors seeking to engage in terrorist acts in the EU. The trafficking of firearms increases the availability of firearms among criminals and also threatens to provide terrorists with easier access to lethal weapons. Firearms traffickers have shown their ability to abuse legal loopholes and make use of the internet to distribute firearms across many MS. The trafficking of firearms is a significant and substantial threat to the EU. Significant intelligence gaps remain with regards to the OCGs and criminal actors involved in the distribution of firearms in the EU as well as the involvement of licit arms manufacturers in the diversion of legally produced firearms to criminal markets.

ANNEX III – List of abbreviations

APAAN	Alpha-phenylacetoacetonitrile
ATM	Automated Teller Machine
AWF	Analytical Work File
BMK	Benzyl methyl ketone
CaaS	Crime as a Service
CAM	Child Abusive Material
CEO	Chief Executive Officer
CNP	Card-not-present
COSI	Standing Committee on Operational Cooperation on Internal Security
CP	Card-present
CRF	Crime-relevant factors
CSE	Child Sexual Exploitation
EMCDDA	European Monitoring Centre for Drugs and Drug Addiction
EMCS	Excise Movement and Control System
EMPACT	European Multidisciplinary Platform against Criminal Threats
EWN	Early Warning Notification
EU	European Union
FP	Focal Point
ISIS	Islamic State in Iraq and Syria
JHA	Justice and Home Affairs
LBS	Legal Business Structure
MASP	Multi-Annual Strategic Plans
MDMA	3,4-methylenedioxy-methamphetamine
MOCG	Mobile organised crime groups
MS	Member State/Member States
MTIC	Missing Trader Intra Community
NPS	New Psychoactive Substances
OAP	Operational Action Plan
OCG	Organised Crime Groups
OMCG	Outlaw Motorcycle Gang
PIRA	Provisional Irish Republican Army
POS	Point of Sale
SOCTA	Serious and Organised Crime Threat Assessment
TES	Trafficking in Endangered Species
THB	Trafficking in Human Beings
UNODC	United Nations Office on Drugs and Crime
VAT	Value Added Tax
WEEE	Waste Electrical and Electronic Equipment