

**Report to Congress on
An Analysis of Anti-Money Laundering Efforts Related to Human Trafficking
Section 7154(a) of the National Defense Authorization Act for Fiscal Year 2020
(Div. F., P.L. 116-92)**

Pursuant to Section 7154(a) of the National Defense Authorization Act for Fiscal Year 2020 (Div. F., P.L. 116-92), the Departments of State (State) and the Treasury (Treasury), on behalf of the President's Interagency Task Force to Monitor and Combat Trafficking in Persons (PITF),¹ submit this analysis of anti-money laundering (AML) efforts of the U.S. government (USG), U.S. financial institutions,² and international financial institutions³ related to human trafficking⁴ (Part 1) and recommendations to strengthen the efforts of those institutions (Part 2). The report incorporates input and feedback from PITF agencies and external stakeholders, including from representatives of financial institutions and civil-society organizations, trade representatives of the financial industry, members of the U.S. Advisory Council on Human Trafficking, and consultants from the Human Trafficking Expert Consultant Network.

Human trafficking poses a grave threat to the rule of law and endangers the safety and security of citizens in the United States and around the world. In addition to its enormous human cost, human trafficking is estimated to be one of the most profitable crimes in the world.⁵ Treasury's *2020 National Strategy for Combating Terrorist and Other Illicit Financing* identified money laundering linked to human trafficking as one of the most significant illicit finance threats facing the United States.⁶ The illicit financial activity that human trafficking generates includes, but is not limited to, payments associated with the transport of victims and other logistics, e.g., hotels or plane tickets; collection of proceeds generated by the exploitation of trafficking victims and by the sale of goods produced through their exploitation; movement of proceeds; and bribery and corrupt dealings to facilitate trafficking.⁷ The movement of funds generated by human trafficking can constitute money laundering⁸ or, if designated terrorist organizations benefit, terrorist financing.⁹

Financial institutions play a critical role in identifying transactions associated with human trafficking at the transactional or teller level.¹⁰ If financial institutions lack sufficient controls, traffickers can benefit from ready access to financial services to advance, and profit from, their enterprises. Financial institutions may face criminal penalties if they willfully fail to comply with their Bank Secrecy Act¹¹ (BSA) obligations, including reporting of suspicious activity related to human trafficking. As such, financial institutions should seek to report indicia of human trafficking in financial transactions or series of transactions in Suspicious Activity Reports¹² (SARs) or other appropriate methods and comply with law enforcement processes seeking to identify traffickers' assets, which can be seized, forfeited, and used toward restitution. In the case of forced labor, a predicate offense to money laundering, banks may already be providing bank accounts and unknowingly facilitating wage theft. U.S. financial institutions may also be used for U.S. dollar transactions among perpetrators and between perpetrators and victims -- for example in instances where commercial sex transactions are paid in cash between traffickers and customers, and the cash is then deposited and transferred elsewhere; or in instances where employers pay the victims of labor trafficking in agriculture or construction in cash, and the cash is deposited into other accounts. A report from Polaris, an anti-trafficking

non-profit organization, includes further information on these typologies and on ways that the financial services industry can prevent and disrupt human trafficking.¹³

The USG should use and support the use of financial tools to assist victims who almost always have been harmed financially by human traffickers, such as by providing victims access to financial support services; seeking restitution, where appropriate; and repair (including for poor credit, bankruptcies, outstanding debts and collections, or fraudulent purchases in their name). It also should clarify the steps that financial institutions can take within regulatory constraints to assist victims and furnish victims with needed identification documents.

Part 1: Analysis of AML Efforts Related to Human Trafficking

A. Efforts by USG Agencies

The USG is committed to the global fight against human trafficking and employs a whole-of-government approach to address all aspects of this crime. PITF agencies working to combat money laundering and illicit finance related to human trafficking are the Departments of State, Treasury, Justice (DOJ), and Homeland Security (DHS), and the U.S. Agency for International Development (USAID). *See Annex A for additional information on agency efforts.*

- State partners with foreign governments, international organizations, other federal agencies, civil society, the private sector, and survivors of human trafficking to develop and implement effective policies, programs, and strategies to address human trafficking, a crime that is a predicate offense to money laundering. Across State, offices are engaged in various efforts focused on AML and combating illicit finance related to human trafficking.
- Treasury brings significant financial expertise to the fight against human trafficking and leverages its economic tools to target, disrupt, and counter those who facilitate and engage in human trafficking. Treasury works across all elements of the national security community – including the law enforcement, regulatory, policy, diplomatic, and intelligence communities – and with the private sector and foreign governments to identify and address the threats presented by all forms of illicit finance to the international financial system. Treasury works with international bodies, such as the Financial Action Task Force (FATF), to strengthen global AML/counter terrorist financing (CFT) standards to address these threats.
- DOJ investigates and prosecutes human trafficking and money laundering cases in order to help dismantle and disrupt trafficking networks, to deprive the traffickers of their ill-gotten gains, and to protect victims by seeking court-ordered restitution and forfeiture, which are mandatory under the law, for both domestic and foreign national victims. DOJ works with other federal agencies to combat human trafficking and with law enforcement intelligence centers to evaluate leads, investigate and prosecute cases, and provide subject-matter expertise to agents and federal prosecutors.
- DHS U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations' (HSI) financial crimes investigations specifically attack the criminal proceeds funding the operations of transnational criminal organizations; nearly every criminal case that HSI

investigates has a financial nexus. HSI works closely with financial-industry partners, domestic and foreign law enforcement, regulatory agencies, NGOs, and other federal agencies to enhance cooperation and improve efforts to target illicit financial activity. DHS U.S. Secret Service (Secret Service) investigates financial and cyber fraud, including identity fraud, credit-card fraud, wire fraud, money laundering, and digital-currency scams, all of which at times can coincide with human trafficking. The Secret Service partners with other law enforcement agencies, U.S. financial institutions, and industry organizations through its network of strategically located Cyber Fraud Task Forces.

- USAID funds international anti-trafficking programs, including some with a nexus to anti-money laundering; engages in innovative private-sector partnerships; and integrates anti-trafficking activities across development sectors, applying research and evaluation and strengthening efforts in conflict and crisis-affected environments.

B. Efforts by U.S. Financial Institutions

Compliance with the BSA is essential to detecting, investigating, and deterring criminal activity, including human trafficking. The BSA imposes a range of obligations across a wide sector of financial institutions, including establishing AML programs, filing cash-transaction reports, reporting suspicious activity, and performing customer due diligence. As part of these obligations, financial institutions are expected to identify customers and monitor customer activity for unusual or suspicious transactions.

Under the BSA and its implementing regulations, certain financial institutions must report suspicious transactions relevant to a possible violation of law or regulation, including relating to human trafficking, to Treasury's Financial Crimes Enforcement Network (FinCEN). Accurate and timely suspicious activity reporting is a critical source of lead information for law enforcement investigations. These BSA obligations generally apply to a variety of financial institutions, such as money service businesses (MSBs), of which virtual currency exchangers and administrators are often a subset, depending on the services they provide.

Certain financial institutions have used FinCEN's 2014 Human Trafficking Advisory,¹⁴ the 2018 FATF *Report on Financial Flows from Human Trafficking*,¹⁵ Thomson Reuters Foundation's human trafficking banking toolkit,¹⁶ and the Organization for Security and Cooperation in Europe (OSCE) *Compendium of Resources and Step-by-step Guide to Financial Investigations Into Trafficking in Human Beings*,¹⁷ which includes risk indicators associated with human trafficking, to identify indicia of human trafficking by their customers. In other instances, some financial institutions both in the United States and abroad have studied closed human trafficking cases in order to determine whether those defendants conducted financial transactions at their banks. Major financial institutions also partner with anti-trafficking non-profits, survivors, and law enforcement with expertise in the crime in order to understand the nuances of trafficking operations and evolutions in trafficking activity in order to develop up-to-date and refined monitoring and identification programs. A number of significant money laundering cases in the United States, including those related to human trafficking, have made use of a particular provision of the USA PATRIOT Act known as Section 314(b), a special mechanism that allows financial institutions to share customer and transaction information with one another.¹⁸

Examples of efforts by U.S. financial institutions (*see Annex A for additional examples*):

- Numerous U.S. financial institutions participate in the work of the Liechtenstein Initiative for Finance Against Slavery and Trafficking (FAST), implementing the *FAST Blueprint*, which provides financial institutions targeted actions to combat human trafficking. The *Blueprint* draws on existing AML requirements in the *United Nations Guiding Principles on Business and Human Rights* and the *Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises*.¹⁹ These actions range from measures to strengthen AML reporting to deter, detect, and prevent human trafficking, to providing to trafficking survivors access to financial services to assist in their recovery.²⁰ FAST also offers free online training on combating human trafficking for AML professionals.²¹ Certain financial institutions have highlighted the benefits of such banking services to survivors and have encouraged other financial institutions to provide such benefits.
- The U.S. International Development Finance Corporation²² (DFC), the USG's development financial institution, minimizes the potential risk of human trafficking in DFC-supported projects through environmental and social due diligence, know-your-customer due diligence, and monitoring.²³ DFC agreements include contractual language that addresses Internationally Recognized Worker Rights, including protection from forced labor and forced child labor, as required in Section 1451(d)(2) of the BUILD Act of 2018. DFC-supported projects comply with the International Finance Corporation Performance Standards and are categorically prohibited from engaging in either forced labor or forced child labor.

C. Efforts by International Financial Institutions

The International Financial Institutions (IFIs) are comprised of the International Monetary Fund (IMF) and multilateral development banks (MDBs). The United States is represented on the Executive Board at the IMF and the MDBs by Executive Directors. Treasury provides insight and direction to the U.S. Executive Director and staff.

The MDBs provide assistance to developing countries and middle-income countries in order to address their growth constraints and to reduce poverty. The MDBs also provide loans to private companies that cannot obtain financing for projects with a development impact. The MDBs conduct integrity due diligence²⁴ on all clients in order to determine whether potential clients have any criminal background or open investigations. If those investigations identify any clients involved in money laundering efforts (related to human trafficking or not), the MDB takes appropriate steps, which could include, but are not limited to, refusing to fund the project or alerting the relevant legal authorities in the jurisdiction. After a project has been approved, if credible allegations are made about corruption or fraud in an MDB-funded project and the MDB has an Integrity Unit, it would investigate and take the necessary steps to address the allegations. Depending on the findings of the investigation, appropriate steps could include alerting the Board, determining whether the project should be suspended, or alerting the relevant legal authorities in the jurisdiction. The MDBs have identified human trafficking as a development challenge and are training their staffs to identify trafficking risks in any project, so that the project can help have a positive impact on any situations where trafficking is a risk.

The United States actively supports the IMF's robust program on AML/CFT through surveillance, conditionality in lending programs when appropriate, and assessments of countries' compliance with international standards. The IMF also has an extensive technical assistance program to help countries establish or improve oversight of the financial sector in order to address AML/CFT and broader financial integrity issues. The World Bank additionally provides advisory services to support countries undertaking national risk assessments in line with FATF requirements. This can include identifying human trafficking-related money laundering risks. The World Bank also cooperates with the United Nations Office on Drugs and Crime to support an initiative for the recovery of stolen assets (the STAR Initiative), which could be used to recover the stolen wages of victims of systematic labor trafficking.

Part 2: Recommendations to Strengthen Efforts against Money Laundering Related to Human Trafficking

Financial institutions are required to adopt a risk-based approach to their AML/CFT programs in order to identify, assess, and mitigate the money laundering, terrorist, and proliferation financing risks to which they are exposed and to take measures commensurate with those risks in order to mitigate them effectively. As with all their risks, financial institutions should assess their potential exposure to the risk of handling the proceeds of human trafficking as they engage with their clients, and, as appropriate, implement a mitigation process in line with the risk. The USG should continue to support the risk-based approach, which calls for financial institutions to make individual decisions about customers and customer types based on their specific risk characteristics, rather than denying services to broad classes of customers in an indiscriminate way. This approach preserves access for legitimate users while preventing criminal abuse of the system to the greatest extent possible.

Financial institutions should assess their illicit finance risk; continue to implement sanctions compliance, AML/CFT, and due-diligence programs; and provide training and resources to personnel in order to execute those programs effectively. To combat human trafficking more effectively, financial institutions are encouraged to develop public-private partnerships with government, anti-trafficking NGOs, and survivor leaders to inform their programs further – including by developing risk indicators for identifying customers that are human trafficking victims and perpetrators.

Given the risk-based approach to AML/CFT, U.S. financial institutions are not required to have uniform or standardized AML/CFT compliance programs, policies, or procedures, including those specific to indicia of human trafficking. For this reason, PITF agencies cannot prescribe any broadly applicable changes to financial institutions' programs suitable for broader adoption (Section A); internal AML/CFT policies, procedures, or controls (Section B); or changes to training programs (Section C).

A. Best practices on successful anti-trafficking programs currently in place suitable for broader adoption (*see Sections B and C in Part 1 above and Annex A on current efforts of financial institutions*)

- Financial institutions that comply with their BSA obligations by filing SARs, Currency Transaction Reports (CTRs), or other filings play a key role in law enforcement's ability to combat human trafficking. Financial institutions are encouraged to utilize the checkbox²⁵ in the SAR form and SAR narrative keywords to report suspicious activity potentially tied to human trafficking.
- Financial institutions that have established AML programs that properly identify indicia of human trafficking, whether sex trafficking, child sex trafficking, forced labor, or forced child labor, are critical to law enforcement's efforts to combat human trafficking. Engagement with survivors of trafficking could enhance the ability of AML professionals to detect human trafficking transactions.

B. Feedback from stakeholders on recommended changes to internal policies, procedures, and controls related to human trafficking

- Financial institution processes could help identify human trafficking activity through due diligence, name screening, transaction monitoring, etc. Financial institutions have indicated that information provided by law enforcement is one of the strongest risk controls for a financial institution, as it is very difficult for financial institutions to identify human trafficking activity without additional information not readily available.

C. Recommended changes to training programs at financial institutions to equip employees better to deter and detect money laundering related to human trafficking (*see Annex B for additional recommendations*)

- Training programs at financial institutions could focus on the following: how to identify transactions, series of transactions, or patterns of activity by their customers that may be indicators of human trafficking and indicators associated with virtual assets²⁶ or money laundering of illicit proceeds from human trafficking; customer due diligence;²⁷ behavioral indicators;²⁸ transactional indicators;²⁹ and sensitization to and engagement with trafficking victims. Training could include onboarding due diligence; red flags; and how to identify an individual or corporate customer that could be involved with human trafficking activities, either as victim or perpetrator.
- Training could engage subject-matter experts from anti-trafficking NGOs and the survivor leader community. These trainings could also include how and when to intervene, how to determine whether there is a third party that has control over the victim, and whether forced criminality exists.

D. Recommended changes to expand human trafficking-related information-sharing among financial institutions, appropriate law enforcement agencies, and appropriate federal agencies (*see Annex B for additional recommendations*)

- Relevant PITF agencies could consider establishing an *ad hoc* working group, working through the Senior Policy Operating Group or another agreed-upon coordination mechanism, to increase interagency collaboration with respect to AML, sanctions, and human trafficking

efforts. If established, the working group could consider ways to leverage the use of innovative technology to enable human trafficking-related information sharing among financial institutions and between such financial institutions, appropriate law enforcement agencies, and appropriate federal agencies. The working group could also consider recommendations and feedback from NGOs, the private sector, and survivors made during the consultation process.

- Multilateral bodies, regulators, law enforcement, appropriate government agencies, industry associations, and civil society could convene multi-sector discussions and develop stakeholder-specific roadmaps to outline relevant parties' roles and contributions to combat trafficking through the AML lens. These discussions across public and private stakeholders could include raising awareness and increasing understanding of typologies and how they are developed and used and contribute to the strengthening of typologies for transaction types not well covered by existing typologies, such as those relating to labor trafficking that would transit through correspondent banking relationships.

¹ The PITF is a cabinet-level entity created by the Trafficking Victims Protection Act (TVPA) of 2000 (Pub. L. No. 106-386), which consists of 20 agencies across the federal government responsible for coordinating USG-wide efforts to combat trafficking in persons. The agencies of the PITF are the Departments of State (State), Treasury (Treasury), Defense (DOD), Justice (DOJ), the Interior (DOI), Agriculture (USDA), Commerce (DOC), Labor (DOL), Health and Human Services (HHS), Transportation (DOT), Education (ED), and Homeland Security (DHS), as well as the Office of Management and Budget (OMB), the Office of the U.S. Trade Representative (USTR), the Office of the Director of National Intelligence (ODNI), the National Security Council (NSC), the Domestic Policy Council (DPC), the U.S. Agency for International Development (USAID), the Federal Bureau of Investigation (FBI), and the U.S. Equal Employment Opportunity Commission (EEOC). In the United States, the PITF and the Senior Policy Operating Group (SPOG), which consists of senior officials designated as representatives of the PITF, bring together federal departments and agencies in order to ensure a whole-of-government approach that addresses all aspects of human trafficking. PITF agencies regularly convene to advance and coordinate federal policies and collaborate with a range of stakeholders.

² A “financial institution” includes any person doing business in one or more of the following capacities: (1) bank (except bank credit card systems); (2) broker or dealer in securities; (3) money-services business; (4) telegraph company; (5) casino; (6) card club; (7) a person subject to supervision by any state or federal bank supervisory authority. For the regulatory definition of “financial institution,” see 31 CFR 1010.100(t) (formerly 31 CFR 103.11(n)).

³ The term “international financial institutions” means the International Monetary Fund, International Bank for Reconstruction and Development, European Bank for Reconstruction and Development, International Development Association, International Finance Corporation, Multilateral Investment Guarantee Agency, African Development Bank, African Development Fund, Asian Development Bank, Inter-American Development Bank, Bank for Economic Cooperation and Development in the Middle East and North Africa, and Inter-American Investment Corporation. (22 U.S.C. § 262r(c)).

⁴ The TVPA of 2000 and its subsequent reauthorizations define “severe forms of trafficking in persons” as: (a) Sex trafficking in which a commercial sex act is induced by force, fraud, or coercion, or in which the person induced to perform such act has not attained 18 years of age; or (b) The recruitment, harboring, transportation, provision, or obtaining of a person for labor or services, through the use of force, fraud, or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery. (22 U.S.C. § 7102(11)).

⁵ International Labour Organisation, *ILO Says Forced Labour Generates Annual Profits of US \$150 Billion*, May 20, 2014, available at https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_243201/lang-en/index.htm.

⁶ Treasury’s 2020 *National Illicit Finance Strategy* is available at <https://home.treasury.gov/news/press-releases/sm902>.

⁷ FinCEN’s September 2014 *Advisory Guidance Recognizing Activity that May be Associated with Human Smuggling and Human Trafficking* includes detailed information on human trafficking. FinCEN, *Advisory FIN-2014-A008*, September 11, 2014, available at <https://www.fincen.gov/sites/default/files/advisory/FIN-2014-A008.pdf>.

⁸ Money laundering is a crime when knowingly conducting or attempting to conduct a financial transaction with proceeds of a specified unlawful activity (SUA), pursuant to 18 U.S.C. § 1956(a)(1). Sex trafficking, forced labor, and other crimes related to trafficking in persons are considered specified unlawful activity, among others, under the relevant money laundering statutes, including promotion money laundering, concealment money laundering, international money laundering (18 U.S.C. § 1956(a) and 18 U.S.C. § 1956(b)) and the spending statute (18 U.S.C. § 1957).

⁹ See *25 Keys to Unlock the Financial Chains of Human Trafficking and Modern Slavery*, July 2017, available at http://collections.unu.edu/eserv/UNU:6232/BreakingtheFinancialChains_FullBooklet_Web.pdf.

¹⁰ FinCEN's September 2014 Advisory *Guidance Recognizing Activity that May be Associated with Human Smuggling and Human Trafficking* includes detailed information on human trafficking. FinCEN, Advisory FIN2014-A008, September 11, 2014, available at <https://www.fincen.gov/sites/default/files/advisory/FIN-2014-A008.pdf>.

¹¹ The Currency and Foreign Transactions Reporting Act of 1970 (which legislative framework is commonly referred to as the "Bank Secrecy Act" or "BSA") requires U.S. financial institutions to assist USG agencies to detect and prevent money laundering. Specifically, the act requires financial institutions to keep records of cash purchases of negotiable instruments; to file reports of cash transactions exceeding \$10,000 (daily aggregate amount); and to report suspicious activity that might signify money laundering, tax evasion, or other criminal activities. It was passed by the Congress of the United States in 1970. The BSA is sometimes referred to as an "anti-money laundering" law ("AML") or jointly as "BSA/AML." Several AML acts, including provisions in Title III of the USA PATRIOT Act of 2001, have been enacted up to the present to amend the BSA. (See 31 U.S.C. §§ 5311-5330 and 31 CFR Chapter X (formerly 31 CFR Part 103)).

¹² See, e.g., 31 CFR 1020.320 - *Reports by banks of suspicious transactions*.

¹³ Polaris, *On Ramps, Intersections, and Exit Routes: A Roadmap for Systems and Industries to Prevent and Disrupt Human Trafficking*, available at <https://polarisproject.org/wp-content/uploads/2018/08/A-Roadmap-for-Systems-and-Industries-to-Prevent-and-Disrupt-Human-Trafficking-Financial-Industry.pdf>.

¹⁴ FinCEN's September 2014 Advisory *Guidance Recognizing Activity that May be Associated with Human Smuggling and Human Trafficking* includes detailed information on human trafficking. FinCEN, Advisory FIN2014-A008, September 11, 2014, available at <https://www.fincen.gov/sites/default/files/advisory/FIN-2014-A008.pdf>.

¹⁵ FATF *Report on Financial Flows from Human Trafficking*, available at <https://www.fatf-gafi.org/media/fatf/content/images/Human-Trafficking-2018.pdf>.

¹⁶ See *Banks Alliance against Trafficking* overview, available at <http://www.trust.org/application/assets/genx/images/stand-alone-page-assets/banks-alliance/trf-banks-alliance.pdf>.

¹⁷ See *Compendium*, available at <https://www.osce.org/secretariat/438323>.

¹⁸ See factsheet, available at <https://www.fincen.gov/sites/default/files/shared/314bfactsheet.pdf>.

¹⁹ See *Guiding Principles*, available at https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf.

²⁰ Liechtenstein Initiative for Finance Against Slavery and Trafficking, *Unlocking Potential: A Blueprint for Mobilizing Finance Against Slavery and Trafficking* (United Nations University: New York, 2019), available at <https://www.fastinitiative.org>.

²¹ See FAST resources, available at <https://www.fastinitiative.org/resources/>.

²² While DFC is a USG agency, it is being categorized as a U.S. financial institution for purposes of this report. DFC is the USG's development financial institution.

²³ See Annex A, pages 16-17, for additional explanation of these terms.

²⁴ Integrity due diligence is the MDBs' process of assessing whether there is integrity risk in the project caused by the presence of the persons or entities involved in the project. Integrity risk comes from the activities or background of the persons or entities in the project that could cause negative reputational risk or financial risk to the IFC.

²⁵ In 2018, FinCEN updated its SAR form to include a checkbox for financial institutions to identify potential suspicious activity related to human trafficking. The update also allows law enforcement to identify potential perpetrators or enablers of human trafficking more easily.

²⁶ See FATF report *Virtual Assets Red Flag Indicators of Money Laundering and Terrorist Financing* at <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/Virtual-Assets-Red-Flag-Indicators.html>. Based on more than 100 case studies collected by members of the FATF Global Network, the report highlights the most important red flag indicators that could suggest criminal behavior.

²⁷ See *Information on Complying with the Customer Due Diligence (CDD) Final Rule*, available at <https://www.fincen.gov/resources/statutes-and-regulations/cdd-final-rule>.

²⁸ See FinCEN's September 2014 Advisory *Guidance Recognizing Activity that Maybe Associated with Human Smuggling and Human Trafficking* includes detailed information on human trafficking. FinCEN, Advisory FIN2014-A008, September 11, 2014, available at <https://www.fincen.gov/sites/default/files/advisory/FIN-2014-A008.pdf>.

²⁹ See FinCEN's September 2014 Advisory *Guidance Recognizing Activity that Maybe Associated with Human Smuggling and Human Trafficking*, which includes detailed information on human trafficking. FinCEN, Advisory FIN2014-A008, September 11, 2014, available at <https://www.fincen.gov/sites/default/files/advisory/FIN-2014-A008.pdf>.

Annex A – Additional Information on Anti-Money Laundering Efforts Related to Human Trafficking by USG agencies and U.S. Financial Institutions

A. Efforts by USG Agencies

Department of State

Across the Department of State (State), offices are engaged in various efforts focused on anti-money laundering (AML) and countering illicit finance related to human trafficking.

The Office to Monitor and Combat Trafficking in Persons (TIP Office) partners with foreign governments, international organizations, other federal agencies, civil society, the private sector, and survivors of human trafficking to develop and implement effective strategies to confront modern slavery. The TIP Office is actively engaged in several multilateral and programmatic efforts to prevent, prosecute, and address human trafficking, a crime that is a predicate offense to money laundering.

TIP Office efforts in the multilateral arena focus on strengthening the political commitments of member states and encouraging private-public partnerships and trans-sectoral collaboration, while also supporting the development of guidance documents and practical tools to leverage AML measures to effectively combat human trafficking. The TIP Office works across State and with the Department of the Treasury (Treasury) to contribute to the efforts of the Financial Action Task Force (FATF) regarding financial flows related to human trafficking. The TIP Office also works with the United Nations (UN); the Organization for Security and Cooperation in Europe; The Bali Process on People Smuggling, Trafficking in Persons and Related Transnational Crime; and the Liechtenstein Initiative for a Financial Sector Commission on Modern Slavery and Human Trafficking.

The TIP Office manages a diverse portfolio of grants aimed at strengthening efforts outside of the United States to prosecute traffickers, protect victims, and prevent human trafficking. Projects funded by the TIP Office strengthen legal frameworks, build government capacity, enhance victim identification and protection, and support other anti-trafficking activities. In FY 2018, the TIP Office funded a global project through the UN Office on Drugs and Crime (UNODC) to strengthen national strategies against human trafficking, including strengthening efforts to tackle links between human trafficking and money laundering.

The TIP Office published a factsheet in June 2018 in collaboration with Treasury on *Tracking Suspicious Financial Activity to Address Human Trafficking*, which includes a list of tools and red flag indicators for financial institutions related to human trafficking.¹

The Bureau of Intelligence and Research (INR) provides information and analysis to assist policymakers increase their understanding of the actors and their networks at the intersection of human trafficking, illicit finance, and money laundering and counter their criminal activities. INR convenes analytic exchanges to bring in outside experts to provide insights on these topics and to build networks of expert consultants; co-chairs and participates in interagency working

groups on information sharing with the goal of expanding our understanding of the entities, networks, and patterns of illicit activities; and engages with Law Enforcement Working Groups at U.S. embassies and consulates to facilitate a deeper understanding of these illicit activities and strengthen efforts to combat them.

The Bureau of Economic and Business Affairs (EB)'s Office of Counter Threat Finance and Sanctions oversees the Department's international engagement on AML and counter terrorist financing (CFT) issues, including through participation in the FATF. EB, along with representatives from Treasury and the Department of Justice (DOJ), works closely with the FATF to put in place worldwide AML controls to combat all forms of illicit finance, including human trafficking.

The Bureau of International Narcotics and Law Enforcement Affairs' (INL) AML programs, strategies, and tools help committed partners to cut off transnational criminal organization's enabling means. This includes tracing and recovering illicitly acquired assets and disrupting and dismantling global criminal laundering operations. INL AML training assists committed countries to: (1) improve their ability to address financial crimes through identification of threats, information sharing, and support to international and regional networks; and (2) increase jurisdictions' agility to address vulnerabilities through detecting illicit misuse of trade, deterring the misuse of technology to launder funds, and protecting against permissive jurisdictions. INL also compiles the International Narcotics Control Strategy Report (INCSR), which is mandated by the Foreign Assistance Act and submitted to Congress each year. Volume II of the INCSR covers money laundering and financial crimes.

Bureau of Diplomatic Security (DS) special agents, investigators, and analysts work in 29 U.S. cities, but also in 270 U.S. embassies and consulates in more than 170 countries, frequently putting the Diplomatic Security Service at the center of transnational criminal investigations, including those involving financial crimes and human trafficking.

Department of the Treasury

Treasury brings significant financial expertise to the fight against human trafficking and is committed to leveraging the Department's economic tools to target, disrupt, and counter those who undermine our values and engage in human trafficking. To commemorate National Slavery and Human Trafficking Prevention Month in January 2020, Treasury created and launched its first webpage on efforts of the Department to combat human trafficking.²

Treasury has various tools to support the mission of combating human trafficking, including AML/CFT and sanctions authorities. The Office of Terrorism and Financial Intelligence (TFI) integrates countering the financial operations of human trafficking networks into Treasury's strategy to safeguard the financial system and combat illicit threats. TFI, through the Office of Terrorist Financing and Financial Crimes (TFFC), the Financial Crimes Enforcement Network (FinCEN), the Office of Foreign Assets Control (OFAC), and the Office of Intelligence Analysis (OIA), coordinates with other federal agencies, state and local law enforcement, and foreign governments to combat human trafficking.

TFFC develops policy, initiatives, and strategies to deploy Treasury's full range of financial authorities. TFFC leads Treasury's anti-trafficking efforts and coordinates throughout Treasury and the interagency on money laundering and illicit finance associated with human trafficking. TFFC also leads Treasury's participation at the Senior Policy Operating Group (SPOG) and coordinates efforts to raise awareness and educate stakeholders to help address this crime. For example, TFFC conducts outreach to the financial services industry to identify and address the threats presented by illicit finance associated with human trafficking to the international financial system. TFFC engages on an international level through bilateral engagement and intergovernmental fora such as the FATF, which sets global standards for anti-money laundering and the countering of the financing of terrorism and weapons proliferation. TFFC heads the United States' delegations to the FATF and its global network of nine regional-style bodies. TFFC collaborates with the FATF and its global network to raise awareness of this issue and encourage governments to adopt the good practices outlined in the FATF *Report on Financial Flows from Human Trafficking*. These practices include enhancing public-private partnerships and mechanisms to utilize risk indicators aimed at identifying and targeting financial flows associated with human trafficking. Treasury also works through FATF's global network to promote the inclusion of human trafficking when countries are conducting their national risk assessments for money laundering and terrorist financing. In 2019, TFI hosted its inaugural Partnership to Combat Human Rights Abuse and Corruption event, bringing together over 100 NGOs, industry, and government partners to combat human rights abuse and corruption through enhanced information sharing and coordination on illicit finance and corruption networks.³ TFFC led a panel discussion on information sharing models with financial institutions and NGOs on combating human trafficking. One challenge for many survivors is that they lack "foundational" identity documents such as a birth certificate or driver's license needed to obtain access to the financial system. Treasury has been leading efforts to support a risk-based approach to the use of responsible digital identity solutions that can help survivors of human trafficking obtain access to the financial system.

OFAC applies financial sanctions and oversees a range of global sanctions programs that target human trafficking activity, including several country programs focused on human rights and corruption. These programs also target activities that overlap with human trafficking, including narcotics trafficking, human rights abuse and corruption, malign cyber-enabled activities, terrorism, and transnational organized crime. As a result of U.S. financial sanctions, U.S. persons are generally prohibited from engaging in dealings with the designated (sanctioned) person, and the designated person's property and interests in property are blocked.

FinCEN is the administrator of the Bank Secrecy Act (BSA) and Financial Intelligence Unit of the United States. FinCEN identifies and tracks the activities of human traffickers with data made available through BSA reporting requirements and other sources. FinCEN published an advisory⁴ on human trafficking to help financial institutions identify the movement of human traffickers' funds and to support law enforcement investigations that use financial intelligence. In 2018, FinCEN updated its SAR form to include a checkbox⁵ for financial institutions to identify potential suspicious activity related to human trafficking. This update to the SAR form helps the financial industry report suspicious activity potentially tied to human trafficking in a more comprehensive way. The update also allows law enforcement to identify potential perpetrators or enablers of human trafficking more easily. Since July 2018, financial institutions

have filed an average of 7,200 SARs per year using the Human Trafficking check box (Part II, field 38).

OIA is the Intelligence Community component of Treasury and informs Treasury decisions with timely, relevant, and accurate intelligence and analysis on a range of national-security topics with a financial nexus, to include human trafficking.

The Treasury Executive Office for Asset Forfeiture (TEOAF) administers the Treasury Forfeiture Fund (TFF). The TFF is the receipt account for deposit of non-tax forfeitures made pursuant to laws enforced or administered by its participating Treasury and Department of Homeland Security agencies.

Additionally, the Internal Revenue Service (IRS) collects and analyzes financial intelligence and data to identify human traffickers and their networks and support law enforcement investigations that lead to accountability and justice. The IRS's Criminal Investigation (IRS-CI) division is the law enforcement arm of the IRS. IRS-CI partners with DOJ, as well as federal, state, local, tribal, and foreign law enforcement to investigate labor trafficking and sex trafficking cases from a financial perspective. IRS-CI special agents and professional staff identify and trace the cash, electronic funds, virtual currency, real estate, and other assets generated by human trafficking in order to build criminal cases within their jurisdiction and potentially seize and ultimately forfeit those criminal proceeds, which may then be returned to the victims in the form of restitution.

In addition to TFI, Treasury's Office of International Affairs has also committed to leading the fight against human trafficking at the International Financial Institutions (IFIs), also referred to as the Multilateral Development Banks (MDBs), and has been consistently introducing this issue into development conversation for several years. As a result, the MDBs are integrating anti-trafficking provisions into their project development and social safeguards into their procurement processes.

Department of Defense

The Department of Defense's (DoD) Military Criminal Investigative Organizations (Army Criminal Investigation Command, Naval Criminal Investigative Service, and Air Force Office of Special Investigations) and the Defense Criminal Investigative Service investigate money laundering schemes and crimes in conjunction with investigations. The different organizations have investigators that handle related crimes such as procurement and acquisition fraud, corruption and financial crimes, and computer and technology crimes. Each of the DoD Military Criminal Investigative Organizations are trained at the Federal Law Enforcement Training Centers in its Money Laundering and Asset Forfeiture Training Program and/or International Banking and Money Laundering Training Program. DoD criminal investigators are able to work anti-money laundering cases associated with trafficking in persons cases should they arise. If needed, DoD will contact financial crimes, money laundering, and sanctions investigators for assistance.

Department of Justice

As set forth in the *Attorney General's Annual Report to Congress on U.S. Government Activities to Combat Trafficking in Persons* (FY 2018), the DOJ and its federal law enforcement partners are committed to eradicating the threat of human trafficking by protecting victims, investigating and prosecuting human trafficking crimes, and preventing human trafficking.⁶

One of the most effective ways to deter criminals and to stem the harms that flow from their actions is to follow the criminals' money, expose their activity, and prevent their networks from benefitting from the power of the U.S. economy and financial system. Under U.S. criminal law, the movement of human trafficking proceeds through the U.S. financial system can constitute money laundering and other financial crimes. Financial investigations are critical to effectively investigate and prosecute these crimes.

DOJ, through the Money Laundering and Asset Recovery Section (MLARS), investigates and prosecutes human trafficking cases to help dismantle and disrupt trafficking networks, to deprive the traffickers of their ill-gotten gains, and to protect victims by requesting court-ordered restitution and forfeiture, which are mandatory under the law, for both domestic and foreign-national victims. MLARS works closely with federal agencies working to combat human trafficking, as well as with law enforcement intelligence centers, to evaluate leads, investigate and prosecute cases, and provide subject matter expertise to agents and federal prosecutors. MLARS uses its extensive experience to investigate and prosecute money laundering violations while recognizing the specific challenges posed by human trafficking that affect, among other things, BSA reporting. MLARS also investigates and prosecutes financial institutions for money laundering and willful violations of the BSA.

In certain cases, MLARS works with U.S. Attorneys' Offices and the designated human trafficking coordinators to investigate and prosecute human trafficking cases, including those involving financial crimes. For example, MLARS supported a complex sex trafficking and money laundering prosecution by the U.S. Attorney's Office for the District of Minnesota, which resulted in the conviction of thirty-six defendants.⁷

MLARS also works closely with other DOJ litigating sections to dismantle human trafficking organizations. For example, MLARS supports DOJ's Human Trafficking Prosecution Unit's U.S.-Mexico Bilateral Human Trafficking Enforcement Initiative (Initiative), which aims to bring human traffickers to justice and to restore the rights and dignity of human trafficking victims. One important goal of the Initiative is to identify, interdict, and dismantle transnational trafficking enterprises and networks, which can be accomplished in part by targeting illicit financial transactions among the targets and their criminal associates. Accordingly, money laundering predicates have become an integral part of the charging strategy in bringing racketeering and money laundering charges aimed at dismantling entire transnational criminal enterprises.

Two of the Initiative's successes include the recent convictions of members of a Mexican sex trafficking organization responsible for smuggling girls and young women into the United States from Tlaxcala, Mexico, for commercial sex activity using force, fraud, and coercion, and

laundering the proceeds back to Mexico from the United States.⁸ In July 2015, DOJ charged eight defendants with multiple counts of racketeering, money laundering, and sex trafficking in connection with their involvement in this transnational human trafficking enterprise. All eight pleaded guilty and were sentenced in January 2019.⁹ Importantly, the court ordered restitution of over \$1 million dollars for the victims. Furthermore, in March 2020, DOJ secured guilty verdicts after trial against another five defendants, who were charged in a separate indictment with multiple counts of sex trafficking and money laundering in connection with this same transnational human trafficking enterprise.¹⁰ The *Rendon-Reyes* and *Melendez-Rojas* cases involved a multi-jurisdictional collaboration: the investigations were led by the Department of Homeland Security, Homeland Security Investigations' New York Trafficking in Persons Unit; the cases were prosecuted by the U.S. Attorney's Office for the Eastern District of New York; and the government of Mexico, including Mexico's Procuraduria General de la Republica and Policia Federal, played a key role in advancing the bilateral anti-trafficking enforcement efforts.

MLARS also investigates and prosecutes cases in which traffickers do not use traditional financial institutions to deposit their money. For example, in cases involving illicit massage businesses, and in certain forced labor cases, traffickers may use *hawalas*, or informal value transfer services, and sometimes bulk cash smuggling, to transfer money to and from the United States.¹¹ Tracing the financial flow in these cases can be challenging because the money does not necessarily touch traditional financial institutions. Likewise, tracing the flow of funds is challenging in cases where human traffickers use their victims' identities or personal information to open bank accounts, which the traffickers use as their own. In such cases, law enforcement may not easily identify that it is the trafficker, not the victim, moving money through that account.

In addition, foreign financial institutions may have correspondent bank accounts in the United States. MLARS cooperates with foreign partners in investigations and prosecutions, including human trafficking cases, in conducting financial investigations to identify criminal proceeds in the United States or criminal proceeds that transited through the U.S. financial system, including through correspondent bank accounts. In certain instances, once MLARS identifies assets, it can coordinate to determine whether the foreign country or the United States should initiate forfeiture proceedings, or if another jurisdiction should pursue forfeiture. MLARS also works closely with partners in DOJ's Office of International Affairs and uses the Mutual Legal Assistance Treaty process to seek and obtain foreign bank account records. In these cases, cooperation with financial institutions may be valuable.

Finally, MLARS serves as a resource for the prosecutors and agents investigating human trafficking cases. MLARS encourages prosecutors to undertake proactive concurrent financial investigations as a standard practice when investigating and prosecuting human trafficking offenses, with a view to tracing, freezing, and forfeiting traffickers' illicit proceeds. MLARS provides training on conducting financial investigations as part of human trafficking cases to DOJ components; U.S. Attorneys' Offices; federal, state, and local law enforcement; and, in certain instances, financial institutions and business entities. MLARS training includes: (1) analysis of relevant money laundering statutes and case law; (2) overview of BSA requirements; (3) ways to use BSA reports filed in human trafficking investigations; (4) ways to use financial transactions by customers, which financial institutions should flag as possible

indicia of human trafficking; (5) how to gather and analyze relevant financial records, including virtual currency transactions, to identify illicit financial transactions and additional subjects or targets involved in the trafficking network; (6) how to use forfeiture tools to seize and restrain assets involved in human trafficking; and (7) prosecutorial best practices such as charging decisions, affidavit drafting, and evidentiary and litigation strategies.

Department of Homeland Security

The Department of Homeland Security (DHS) U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI) is uniquely positioned to investigate financial crimes, as it is the only investigative agency that has border search authority and exclusive access to trade data. HSI financial crimes investigations specifically attack the criminal proceeds that fund the operations of transnational criminal organizations (TCOs) – nearly every criminal case HSI investigates, regardless of category, has a financial nexus. HSI Special Agents use their training and experience as financial investigators to target the flow of illicit funds and prosecute TCOs engaged in money laundering and financial fraud. HSI's financial investigators look at both the underlying crime otherwise known as the Specified Unlawful Activity (SUA), and the money laundering associated with the SUA. HSI financial investigations focus on several key programmatic areas to include human trafficking investigations. HSI further works closely with financial industry partners in the banking and money service business to identify money laundering trends and facilitate investigations. HSI works with domestic and foreign law enforcement, regulatory agencies, and non-governmental organizations (NGOs) to enhance cooperation and improve efforts to target illicit financial activity throughout the world. HSI partners with Treasury; FATF; DOJ's MLARS; BSA Advisory Group; and Five Eyes Law Enforcement Group to provide AML assessments, training, best practices, and lessons learned in the fight against global money laundering.

In response to an increasing and distinct set of industry typologies associated with human trafficking, HSI developed an initiative to address human trafficking in certain underreported industries in the United States. The initiative establishes a methodology for a more focused strategic outreach to mitigate trafficking by engaging key industries and raising public awareness to recognize and report human trafficking. The initiative is called S.T.O.P. (Strategic Targeted Outreach Program) Trafficking, which targets legitimate industries that are closely associated with potential human trafficking victims to provide a more focused awareness training and methods for reporting suspected trafficking. Without a focused outreach strategy, HSI believes that a significant number of human trafficking victims/cases will continue to go unreported. This strategic approach will reveal additional human trafficking leads, which will allow HSI to identify more victims and get them the resources/assistance they need. S.T.O.P. Trafficking intends to expand its outreach footprint and engage financial industries by FY 2021.

The Transportation Security Administration's (TSA) Law Enforcement/Federal Air Marshal Service provides weekly bulk currency encounters to HSI's Bulk Cash Smuggling Center and the Drug Enforcement Administration. TSA submits Suspicious Incident/Activity Reports to highlight cases that appear to have a nexus to illicit activity.

TSA has designated all law enforcement and front-line employees as relevant for the purposes of receiving annual human trafficking training. TSA's Human Trafficking Awareness Course serves as an introduction to common indicators of human trafficking and TSA procedures for responding to and reporting suspected trafficking. The training uses scenario-based training techniques to help employees recognize human trafficking activities and how to report them through appropriate channels for immediate action. This training provides separate courses for each component of TSA, including the screening workforce and Federal Air Marshals, to address each component's unique environment and placement in the aviation security domain. In FY 2019, 54,992 employees received such training.

The Federal Law Enforcement Training Centers provides two specialized training programs that address international banking, money laundering and asset forfeiture. The International Banking and Money Laundering Training Program focus is on the investigation of international money laundering and international financial investigations. The program includes a discussion of money laundering and related laws, including the BSA and the Money Laundering Control Act. The Money Laundering and Asset Forfeiture Training Program provides an interactive overview of the money laundering and asset forfeiture investigative process. The program content focuses on participant application of money laundering and asset forfeiture investigative techniques through an interactive investigation of a simulated money laundering case.

The DHS Blue Campaign is a national public awareness effort designed to educate the public, law enforcement, and other industry partners to recognize the indicators of human trafficking and to appropriately respond to possible cases. The Blue Campaign also works to prevent human trafficking through educating members of vulnerable communities on the threat of human trafficking and how to protect themselves. The Blue Campaign has engaged with the National Indian Gaming Commission and Tribal Gaming Protection Network with a focus on Native communities as a vulnerable population. Both organizations participated in a 2018 Blue Campaign Facebook Live to discuss Native communities and human trafficking. In addition, the Blue Campaign presented at the National Indian Gaming Association's Indian Gaming Tradeshow and Convention to discuss human trafficking. During the panel, the Blue Campaign provided an overview of human trafficking and observable indicators to help recognize potential victims.

U.S. Agency for International Development

USAID commits to playing a vital role in the international effort to counter all forms of trafficking in persons (TIP) and is uniquely positioned to help address these drivers and the impacts of TIP through development and humanitarian assistance. A strong example of the USAID AML efforts is the USAID Asia Regional C-TIP program that aims to reduce human trafficking in Asia through activities that foster cross-border coordination and consolidated action by governments, civil society, and business; develops opportunities for private-sector leadership; and improves understanding of the nature and patterns of human trafficking, especially in the agriculture, fishing, domestic work, and construction sectors.

The USAID Asia Regional C-TIP AML project identified employment typologies that, when identified, signal to financial institutions that it needs to further check for suspicious activities.

In Thailand, USAID applied the AML tool to investigate human trafficking. The typology tool is a method used by financial institutions to map the profits and financial flows associated with illicit economic activity. The implementing partner of the Asia Regional C-TIP program used the tool to investigate a Thailand-based seafood processing factory staffed largely with migrant workers. They interviewed workers and established that more than 800 of them had been subjected to human trafficking in the factory over a three-year period. They used the tool to map the entities doing business with the factory, such as the recruiting firms supplying the workers, the supermarkets to which the factory distributed the seafood, and the entities controlling and managing the profits. They documented that, over a period of three years, the factory generated profits exceeding \$120 million.

The implementer shared with financial institutions and banks the data collected from application of the tool. This enabled these institutions and banks to check if any of their client portfolios included the seafood processing factory or any of the entities identified as doing business with, and potentially profiting from, the factory where the labor trafficking was documented. These financial institutions could then follow their own protocols to report to law enforcement authorities and Financial Intelligence Units for investigation and prosecution suspected money laundering using profits from the crime of human trafficking.

Federal Banking Agencies

The Federal Financial Institutions Examination Council (FFIEC) Advanced BSA/AML Specialists Conference (Specialists Conference) and the FFIEC Financial Crimes Seminar (Financial Crimes Seminar) have held 13 training sessions focusing on human trafficking for over 2,500 examiner attendees since 2016. The Specialists Conference is an annual event designed to provide continuing education to examiners with specialized BSA experience within the financial institution regulatory agencies. The Financial Crimes Seminar provides commissioned examiners with a broad range of topics on fraudulent schemes and insider abuses.

FFIEC Advanced BSA/AML Specialists Conference

Date of Presentation	Format	Total Attendees
7/13/2016	In-person	182
7/20/2017	In-person	200
7/16/2019	In-person	187
7/08/2020	Virtual	617

FFIEC Financial Crimes Seminar

Date of Presentation	Format	Total Attendees
3/27/2018	In-person	77
5/01/2018	In-person	78
9/24/2018	In-person	83
2/25/2019	In-person	70
4/08/2019	In-person	77
6/03/2019	In-person	87
10/07/2019	In-person	88
2/10/2020	In-person	73

6/09/2020	Virtual	762
-----------	---------	-----

B. Efforts by U.S. Financial Institutions

U.S. International Development Finance Corporation¹²

U.S. International Development Finance Corporation (DFC), the USG’s development financial institution, minimizes the potential risk of human trafficking in DFC-supported projects through environmental and social (“E&S”) due diligence, know your customer (“KYC”) due diligence, and monitoring.

E&S Due Diligence and Monitoring

DFC agreements include contractual language that addresses Internationally Recognized Worker Rights, including protection from forced labor and forced child labor, as required in Section 1451(d)(2) of the BUILD Act of 2018. DFC-supported projects comply with the International Finance Corporation Performance Standards and are categorically prohibited from engaging in either forced labor or forced child labor.

DFC reviews both the country and sector risk profile through the State Department’s Trafficking in Persons Report and Country Reports on Human Rights, as well as the Department of Labor’s (Labor) *Child Labor Report* and *List of Goods Produced with Child Labor or Forced Labor*. Based on the level of risk, the DFC may also solicit State (Bureau of Democracy, Human Rights, and Labor) or Labor (Bureau of International Labor Affairs) for additional information. In addition, DFC reviews responses to project-specific questions, including questions about the project’s employment profile (e.g., migrant workers, third-party recruitment or employment services, retention of employee documentation, wages, overtime, and contracts, among others), in addition to reviewing the project’s policies and procedures for any flags (e.g., arbitrary deductions or fines, company loans) and employee training in sectors at higher risk for human trafficking (e.g., hospitality).

DFC monitors project compliance with DFC agreements, including E&S requirements (and underlying representations), through both site and desk-based monitoring.

KYC Due Diligence and Monitoring

To ensure that DFC supports reputable investors and projects, KYC policies and procedures are used to assess the character of parties and beneficial owners in DFC-supported projects. DFC uses a wide array of resources to conduct KYC due diligence. These resources include general background checks and checks against U.S. lists. DFC also utilizes certifications, covenants, and representations, where appropriate, to combat money laundering, sanctions, terrorist financing, and other matters.

During the life of a project, DFC continues to conduct KYC due diligence on any new significant participants or beneficial owners of the project. In addition, DFC ensures effective monitoring of

the project through on-site visits to the project, verification of any documents required to be delivered under the legal agreements, and analysis of any financial or other information provided in respect of the project.

B. 1. Additional examples of efforts by U.S. financial institutions

- Several financial institutions dedicated to sharing information under Section 314(b) of the USA PATRIOT Act to enhance their detection of money laundering and terrorist financing conducted a meeting in summer 2019 to discuss how financial institutions could identify possible transactions or series of transactions connected to human trafficking. They advised the USG that they are focused on identifying how transactions or series of transactions show indicia of facilitation of sex trafficking or child exploitation through online platforms and advertising websites, such as backpage.com.¹³
- The American Bankers Association (ABA) launched a new internal online training module for members (included with membership) and nonmembers (for a fee) specifically on recognizing human trafficking at banks. This training is for front-line staff and data analysis and compliance staff. The ABA training covers face-to-face indicators, to include referencing DHS's Blue Campaign indicator materials, as well as transactional indicators of human trafficking.¹⁴
- The Thomson Reuters Foundation created the Banks Alliance against Trafficking, a series of regional working groups supporting financial institutions in their fight against human trafficking. Financial institutions, civil society, and law enforcement from Europe, North America, and the Asia-Pacific region collaborated to develop indicia of human trafficking as a part of four toolkits that were produced by the Alliance.¹⁵
- DHS/HSI launched the Cornerstone Outreach Program to detect and remove vulnerabilities within U.S. financial, trade, and transportation sectors through proactive outreach and collaboration with the financial industry.
- During January 2020's National Slavery and Human Trafficking Prevention Month, Treasury and the DHS Blue Campaign joined Polaris, American Bankers Association (ABA), and Enigma to discuss their organizations policies and procedures on AML, associated internal employee focused AML training, and where the gaps and needs currently exist.
- Western Union works with the DHS Blue Campaign and the National Center for Missing and Exploited Children, ABA, and law enforcement agencies across the United States to combat human trafficking. Since 2013, Western Union has supported approximately 1,480 investigations working with law enforcement partners which have resulted in hundreds of rescued victims and arrests.
- Through the course of its normal operations, TSA encounters substantial information on domestic and international bulk cash movements by money services businesses. Money services businesses are identified as "financial institutions" for the purposes of this report and the associated legislation. TSA reports information concerning suspected illegal activity,

including suspected movements of bulk cash by money services businesses, to DHS counterparts, including HSI's Bulk Cash Smuggling Center.

- PayPal has partnered with the anti-trafficking non-profit Polaris to create the Polaris Financial Intelligence Unit, which is designed to leverage intelligence from the U.S. National Human Trafficking Hotline and other sources to interrupt trafficker cash flows and enable prosecutions for financial crimes, including money laundering. The partnership convenes leaders in the financial services industry along with survivor leaders and NGOs to share information and analyze intelligence that will help the anti-money laundering community to recognize financial transactions that are red flags for human trafficking.¹⁶
- Some financial institutions have created internal working groups where representatives from across the organization collaborate on ways to identify and mitigate human trafficking risk, help law enforcement disrupt human trafficking operations, and create training and internal programs to bring awareness to the issues. Financial institutions participate in several public – private working groups, which are extremely valuable. Such public – private partnerships are a key component to an effective AML/CTF program. These public – private partnerships would be enhanced by an increased sharing of information.
- ABA published an article in 2020 in ABA Bank Compliance magazine, *Human Trafficking: Closer to Home Than You Think*, detailing the crime and steps banks can take to detect and report instances.¹⁷ ABA published an article in 2019 in ABA Banking Journal, *At Super Bowl, U.S. Bank Tackles Human Trafficking*, about one bank's efforts to combat human trafficking working with other banks and local law enforcement;¹⁸ ABA released a podcast discussing these efforts.¹⁹ ABA also presented sessions at its annual Regulatory Compliance Conference and its annual Financial Crimes Enforcement Conference addressing human trafficking.

Annex B: Additional Recommendations to Strengthen Efforts against Money Laundering Related to Human Trafficking

A. Additional feedback from stakeholders

Financial institutions have expressed a need for businesses and corporations to be responsible and accountable, as companies can be involved in facilitating human trafficking or debt bondage practices. Feedback from financial institutions also included calls for Congress to enact mandatory due diligence laws or programs for businesses. Financial institutions have stated that when a business establishes a relationship with a financial institution, the business should be expected to make representations or provide a statement about its due diligence efforts and policies with regard to facilitating any type of human trafficking activity. The requirement should apply to small businesses that, for example, could potentially act as a front for human trafficking activities and to large global companies that could have human trafficking activities, such as forced labor, in their supply chain or other areas of their operations.

B. Additional recommended changes to training programs at financial institutions to better equip employees to deter and detect money laundering related to human trafficking.

- Consider highlighting the importance of understanding the nature of the underlying crime and merge it with their understanding of Bank Secrecy Act (BSA) investigations. Trainings could also seek to cover all forms of human trafficking and include content pertaining to labor trafficking/forced labor.
- Tailor training to the financial business type and industry; indicators are different for large commercial banking or corporate banking as opposed to community banking or personal banking, and indicators are different for casinos as opposed to money services businesses or dealers in precious metals, stones and jewels. Trainings could also be tailored for a staff member's role in the financial institution (i.e., customer-facing staff vs. account managers vs. AML investigators vs. C-suite).
- Where possible and applicable, training could incorporate new patterns emerging in human trafficking cases, such as criminals' use of virtual currency or other new payment methods, such as mobile payment services.

C. Additional recommended changes to expand human trafficking-related information sharing among financial institutions and between such financial institutions, appropriate law enforcement agencies, and appropriate federal agencies.

- Relevant President's Interagency Task Force to Monitor and Combat Trafficking in Persons (PITF) agencies could provide alerts and other information, including risk indicators, to help financial institutions identify instances of human trafficking and to publicize resources available to help victims of human trafficking. Advisories should be kept current and, where possible, tailored to specific industries in the financial sector.

- Relevant PITF agencies could expand and distribute materials for a public awareness campaign about human trafficking.
- Conduct threat assessments related to human trafficking. Federal law enforcement agencies could develop threat assessment products focused on human trafficking with a nexus to the United States, including the associated illicit financing and money laundering. These threat assessment products could integrate information from NGOs, state, tribal, and local government entities, and the U.S. intelligence community, as appropriate, and may be focused on specific aspects of human trafficking. To the extent practical, without sharing law enforcement sensitive information, share the findings of these threat assessments with the private sector to support their efforts to combat human trafficking.
- Integrate financial intelligence into anti-trafficking efforts across the USG. Leveraging financial intelligence is critical to identify, disrupt, and dismantle human trafficking-related threats. Financial intelligence provided by financial institutions includes currency transaction reports, data about financial transactions indicative of money laundering and predicate offenses including human trafficking, reports on the physical transportation of currency or certain other monetary instruments, and reports on foreign financial accounts. Provide information for the private sector, particularly financial institutions, about the typologies and indicators of human trafficking derived from these efforts. USG agencies could further incorporate financial intelligence in existing efforts and proactively implement actions to disrupt the financial flows of human traffickers and deny revenue sources to human traffickers and third-party facilitators, such as attorneys, bankers, and accountants who assist traffickers to conceal their ill-gotten gains and evade law enforcement detection.
- Ensure that human trafficking data, including the illicit finance and money laundering associated with human trafficking, collection, analysis, and dissemination efforts, are included in transnational organized crime and human rights strategies. The interagency could convene a working group involving intelligence and law enforcement agencies and PITF agencies with significant relevant data sets in order to develop a proposal for data collection, fusion, analysis, and dissemination. The proposal could also address intelligence analysis and dissemination efforts. Dissemination could support enforcement operations, awareness or influence campaigns conducted by other agencies, and other important government purposes. The proposal could identify relevant data sets and identify dissemination needs.
- Provide contextual information to the private sector on the threat and risks of human trafficking in order better to identify human trafficking facilitators, victims, illicit proceeds, and mitigation efforts. Law enforcement could share more information, as appropriate without revealing law enforcement sensitive information, with financial institutions and provide feedback on information shared by financial institutions. DHS and the FBI could offer targeted information and messaging on the nature of human trafficking impacting the United States.
- Financial institutions and government bodies should be encouraged to assess and make use of publicly available information to support their investigations and efforts. Publicly available

information may include corporate data, trade data, social media, and open source data. For example, integrating corporate data in a cohesive manner (not investigation-by-investigation) could allow these bodies to quickly make connections in cases of shared beneficial ownership. Furthermore, publicly available information may provide insight into activities that appear innocuous or simply confusing if an analyst or investigator is simply looking at financial data.

- Trafficking in persons is an economic anomaly that financial institutions have a disproportionate capacity to undermine. Increasing financial institutions' ability to identify transactions and relationships that represent the proceeds of this crime would require (a) more collaboration with the NGO sector to gain greater insight of the indicators, and (b) refocusing of investigation capacity into know-your-customer due diligence with business customers operating in highly vulnerable sectors/geographies.
- Evaluate the Enhanced Collaborative Model Task Forces to Combat Human Trafficking and recommend implementation options. Enhancements to the program could include increased collaboration between DOJ-funded task forces and U.S. Attorneys' Offices, particularly in districts with few human trafficking prosecutions, and with specialized federal counterparts, such as Treasury components focused on illicit finance and money laundering.
- Develop a protocol to refer human trafficking cases that will not be federally prosecuted as Chapter 77 offenses so that other criminal, civil, and administrative authorities can be exercised, such as money laundering and financial crimes authorities. Referrals could be made to other federal agencies such as the Department of Labor (Labor), the U.S. Equal Employment Opportunity Commission (EEOC), and Treasury, and to state, local, tribal, and territorial enforcement agencies. Federal investigative agencies, including the FBI, HSI, Diplomatic Security Service, and Labor's Office of Inspector General, could collaborate to develop referral practices that can be integrated into their respective policy or guidance documents. Refer cases to Treasury to deploy a wide range of administrative and regulatory tools to disrupt human trafficking, including financial sanctions and other authorities. Referrals from federal government agencies could potentially be made to legal services organizations that may be able to assist victims with private civil claims.
- Increase coordination and strategic engagement in investigating and prosecuting labor trafficking and associated money laundering crimes. DOJ's Human Trafficking Prosecution Unit, FBI's Crimes against Children and Human Trafficking Unit, and HSI's Human Trafficking Unit could target efforts to increase labor trafficking investigations and prosecutions in select districts. DHS U.S. Customs and Border Protection (CBP), Office of Trade, Forced Labor Division, conducts forced labor investigations for civil enforcement and will continue to support other agencies' investigations when appropriate. The headquarters offices could provide guidance on intelligence-driven targeting and proactive methods of investigation and facilitate coordination with other DOJ components and interagency partners that can offer subject matter expertise in support of labor trafficking investigations and prosecutions, including Labor, Treasury, State, and others.

- Support the initiation and development of criminal investigations and prosecutions of forced labor occurring in U.S. business entities' product supply chains. Engagement could include federal partners, including DOJ, Labor, State, Treasury, DHS, and others, and could enhance the success of these investigations and prosecutions.
- DOJ, DHS, Labor, and Treasury could coordinate and leverage financial intelligence to target, investigate, and apply the full range of enforcement actions to disrupt the illicit use of the financial system by targeting priority human traffickers and facilitators. The intelligence community could support this effort with information, as available. Such an effort could be coordinated within the context of National Security Presidential Memorandum-7 (NSPM-7) on Integration, Sharing, and Use of National Security Threat Actor Information.
- Treasury, in collaboration with law enforcement, could provide outreach to financial sector partners on illicit finance and money laundering associated with human trafficking. Targeted information and assessments could include precise typologies, indicators, regionally specific information, and methodologies of traffickers. In addition to information on traffickers,²⁰ information related to human trafficking indicators and mitigation risks are necessary for prevention efforts. Critical partners to receive this information and provide their insight include industries that intersect with human trafficking such as agriculture, transportation, hospitality, health, education, technology, social media, the financial sector, including cryptocurrency exchangers, and non-profit organizations which assist trafficking victims and survivors.
- Treasury's FinCEN could increase analysis of SARs and human trafficking cases in order to improve the feedback loop to financial institutions. FinCEN's advisory on indicators of human trafficking could be periodically updated as more information becomes available on the activities and methods that traffickers use to perpetuate their activities and launder funds from trafficking.
- Consider developing a mechanism for NGOs and service providers to share information with financial institutions and law enforcement. NGOs and service providers hold information that could significantly enhance investigations by financial institutions and law enforcement. Comprehensive privacy and data security controls would need to be established to protect victims.
- The USG should continue to assess alternative approaches that may further assist cross-border information sharing within and between financial institutions. Human trafficking is a global enterprise; it is important to share information to combat it.
- Create and/or designate an office within Treasury's IRS as a liaison for victims of human trafficking and related crimes in order to support victims in cases where there are tax implications as a result of human trafficking.
- Relevant U.S. federal agencies could consider issuing guidance for affected financial institutions explaining how they should implement obligations under the BSA or other

applicable legislation while mitigating exposing “de-risked” communities to heightened human trafficking risks.

- Provide financial institutions with a mechanism for freezing accounts or blocking transactions they suspect are related to human trafficking.
- Consider how DHS and Treasury may be able to adapt the DHS/Department of Transportation Blue Lightning Initiative for financial institutions by adapting some of the transportation approaches and considering training for branch staff that would combine transactional indicators with suspicious behavior to identify in-branch.
- Congress could consider passing legislation to allocate grant dollars to states in order to assist individuals with obtaining credentials or identity verification services needed to get a driver’s license or state identification card. This would help survivors of human trafficking obtain “foundational” identity documents needed to access the financial system. The USG could explore potential remedies for human trafficking survivors and barriers that survivors face in obtaining legitimate banking services. These barriers could include credit scores, debt forgiveness programs, bankruptcies, outstanding debts and collections, or fraudulent purchases in their name when accounts or financial identities were misused by their traffickers.
- Because money launderers and human traffickers exploit gaps in regulatory regimes that allow companies to be formed without beneficial ownership information, legislation is needed to mandate disclosure of legal entities’ beneficial ownership. Money launderers and human traffickers exploit the fact that companies can be formed in many jurisdictions, including the United States, without disclosing beneficial ownership information – i.e., the identities of the people who actually own or control a company. Human traffickers establish front companies to hide the true nature of a business, its illicit activities, and its owners and associates. There are strong indicators of the use of anonymous companies for money laundering and human trafficking. When insufficient controls are in place, human traffickers benefit from ready access to financial systems in order to maintain their enterprises. Federal agencies look forward to continuing to engage in a bipartisan fashion with the House and Senate to develop further legislation to mandate disclosure of legal entities’ beneficial ownership.
- Through active engagement in various multilateral and regional organizations, the United States could help strengthen and learn from member states’ commitments and efforts against money laundering related to human trafficking including expanding information sharing as outlined in the 2018 FATF *Report on Financial Flows from Human Trafficking*.²¹ In line with the recommendations of the FATF report, the United States could:
 - Urge member states to establish comprehensive AML legislation and to consider trafficking in persons to be a predicate offense of money-laundering, consistent with the *UN Convention against Transnational Organized Crime and the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children*;²²

- Encourage member states to undertake proactive concurrent financial investigations as a standard practice when investigating and prosecuting human trafficking offenses, with a view to tracing, freezing, and confiscating proceeds acquired through this crime;
- Collect and share statistics with financial institutions on the use of money laundering offenses for human trafficking cases and the confiscation of proceeds;
- Provide financial institutions with guidance on red flag indicators of money laundering related to human trafficking and foster reporting of suspicious financial activities to the proper authorities;
- Promote collaboration and information-sharing on practices related to addressing money laundering in the context of human trafficking at the national and international levels between the public and private sectors, including law enforcement and financial institutions, such as Financial Intelligence Units, the financial industry, and NGOs;
- Member states should conduct risk assessments and ensure that the private sector understands the risk of money laundering associated with human trafficking.

¹ See factsheet, available at <https://www.state.gov/wp-content/uploads/2019/02/283793.pdf>.

² See Treasury's webpage, available at <https://home.treasury.gov/news/featured-stories/combating-human-trafficking>.

³ See remarks by Deputy Secretary Justin G. Muzinich at The Partnership to Combat Human Rights Abuse and Corruption Event, available at <https://home.treasury.gov/news/press-releases/sm858>.

⁴ FinCEN's September 2014 Advisory *Guidance Recognizing Activity that May be Associated with Human Smuggling and Human Trafficking* includes detailed information on human trafficking. FinCEN, Advisory FIN2014-A008, September 11, 2014, available at <https://www.fincen.gov/sites/default/files/advisory/FIN-2014-A008.pdf>.

⁵ In 2018, FinCEN updated its SAR form to include a checkbox for financial institutions to identify potential suspicious activity related to human trafficking. The update also allows law enforcement to more easily identify potential perpetrators or enablers of human trafficking. Statistics on SARs that report human trafficking are available at <https://www.fincen.gov/reports/sar-stats>.

⁶ See Attorney General's *Annual Report to Congress on U.S. Government Activities to Combat Trafficking in Persons* for fiscal year 2018, available at <https://www.justice.gov/humantrafficking/page/file/1276166/download>.

⁷ See *United States v. Michael Morris et al.* (17-CR-107), DOJ Press Release, *Thirty-Six Defendants Guilty For Their Roles In International Thai Sex Trafficking Organization* (Dec. 13, 2018), <https://www.justice.gov/usao-mn/pr/thirty-six-defendants-guilty-their-roles-international-thai-sex-trafficking-organization>.

⁸ See *United States v. Rendon Reyes, et. al.* (15 CR 348) (E.D.N.Y.).

⁹ DOJ Press Release, *Five Members of Mexican Sex Trafficking Organization Sentenced to Prison* (January 7, 2019), <https://www.justice.gov/opa/pr/five-members-mexican-sex-trafficking-organization-sentenced-prison>.

¹⁰ See *United States v. Melendez-Rojas, et al.* (17-CR-434) (E.D.N.Y.); DOJ Press Release, *Five Defendants Convicted of Sex Trafficking, Alien Smuggling, and Money Laundering* (March 14, 2020), <https://www.justice.gov/usao-edny/pr/five-defendants-convicted-sex-trafficking-alien-smuggling-and-money-laundering>.

¹¹ See, e.g., Financial Action Task Force (FATF), *Financial Flows from Human Trafficking* (July 2018) at 25-26 (Case Study 5) and 32 (Case Study 9), available at <https://www.fatf-gafi.org/media/fatf/content/images/Human-Trafficking-2018.pdf>; see also *United States v. Kyung Burgos* (18-CR-126) (S.D. Miss.).

¹² While DFC is a USG agency, it is being categorized as a U.S. financial institution for purposes of this report.

¹³ In April 2018, DOJ seized and shut down Backpage.com, the notorious website that facilitated sex trafficking. DOJ also secured the guilty pleas of several Backpage-related corporate entities, including Backpage.com, and Backpage's co-founder and CEO, to federal and state charges for conspiring to facilitate prostitution and money laundering. In fact, Backpage.com admitted to using cryptocurrency processing companies to facilitate the laundering of illicit proceeds, after several credit card companies terminated their relationship with Backpage.com for suspicious activity. See DOJ Press Release, *Backpage's Co-founder and CEO, As Well as Several Backpage-Related Corporate Entities, Enter Guilty Pleas* (April 12, 2018), <https://www.justice.gov/opa/pr/backpage-s-co-founder-and-ceo-well-several-backpage-related-corporate-entities-enter-guilty>.

¹⁴ See *ABA Launches New Training to Help Bankers Detect Human Trafficking and Human Smuggling*, available at <https://www.aba.com/about-us/press-room/press-releases/aba-launches-new-training-to-help-bankers-detect-human-trafficking>.

¹⁵ See *Banks Alliance against Trafficking* overview at <http://www.trust.org/application/assets/genx/images/stand-alone-page-assets/banks-alliance/trf-banks-alliance.pdf>.

¹⁶ See *PayPal, Polaris Join Forces To Fight Human Trafficking*, available at <https://polarisproject.org/press-releases/paypal-polaris-join-forces-to-fight-human-trafficking/>.

¹⁷ See *Human Trafficking: Closer to Home Than You Think*, available at <https://bankingjournal.aba.com/2020/01/human-trafficking-closer-to-home-than-you-think>.

¹⁸ See *At Super Bowl, U.S. Bank Tackles Human Trafficking*, available at <https://bankingjournal.aba.com/2019/01/at-super-bowl-u-s-bank-tackles-human-trafficking>.

¹⁹ See *Podcast: How U.S. Bank Tackled Human Trafficking around the Super Bowl*, available at <https://bankingjournal.aba.com/2019/01/podcast-how-u-s-bank-tackled-human-trafficking-around-the-super-bowl>.

²⁰ Note this would not include information on investigations, prosecutions, or other law enforcement sensitive information.

²¹ *FATF Report on Financial Flows from Human Trafficking*, available at <https://www.fatf-gafi.org/media/fatf/content/images/Human-Trafficking-2018.pdf>.

²² See *UN Convention against Transnational Organized Crime and the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children*, available at <https://www.ohchr.org/en/professionalinterest/pages/protocoltraffickinginpersons.aspx>.