

Statement of
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Before
The House Subcommittee on National Security, International Development, and Monetary
Policy
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Chairman Cleaver, Ranking Member Hill and esteemed members of the Subcommittee. I am honored to appear before you this morning to discuss an issue that is so incredibly important to the fabric of who we are as a society, and that is ripe for meaningful solutions and progress.

I've been very fortunate to be part of a passionate and dedicated community of professionals who continue to work tirelessly protecting the financial system from illicit and nefarious activity. The community I'm referring to is the Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT), or more recently referred to as the anti-financial crime (AFC), community. This includes financial institutions, law enforcement, government agencies, non-profit organizations and even technology companies. For the past 18 years, I have seen criminal networks, time and time again, exploit and abuse our financial systems - first as I joined the Manhattan District Attorney's Office as a prosecutor on September 4, 2001, then as I sat in the World Financial Center, located directly across from ground zero, leading efforts to build a financial intelligence unit at American Express, and most recently in my position at Enigma Technologies where I more intimately learned how data and technology can play a crucial role in our AML/CFT ecosystem. Through these experiences, I am more convinced than ever that the only way to successfully dismantle trafficking organizations, which so brazenly exploit multiple aspects of humanity, environment and safety, is through coordinated, collaborative communities that build and share financial intelligence - through (1) the identification of effective typologies and indicators, and (2) creating specific data assets that can be leveraged by financial institutions

and law enforcement for leads on specific investigations. It is with this conviction that the Stand Together Against Trafficking (or STAT)¹ initiative was created three years ago. I will address STAT, and other similar efforts, later.

There are three main points I hope to convey through my testimony:

1. financial intelligence and evidence is crucial to secure successful prosecution of trafficking networks;
2. financial institutions are well positioned to assist law enforcement in identifying strong investigative leads, given that different trafficking networks often exhibit overlapping financial indicators. In fact, there are already many proactive, ongoing efforts led by financial institutions to identify these indicators; and
3. to step up progress, a more unified, multi-dimensional (inter and intra-agency, public/private and cross industries), collaborative ecosystem must be established, ideally, with support and coordination through government agencies.

The Role of Financial Intelligence² in the Prosecution of Trafficking Cases

Financial intelligence in trafficking prosecutions plays a crucial role in identifying and defining the business model of a criminal enterprise, affirming the traffickers' motivation and knowledge, corroborating victim and eyewitness testimony, and assisting in the identification of affiliates such as third-party facilitators such as attorneys, accountants and real estate professionals. It can also support charges for financial crimes which are less reliant on victim cooperation and can enable higher penalties. This is especially important when no specific "victim" voice exists, as in the case of wildlife, weapons or organ trafficking. Furthermore, financial intelligence helps identify assets for forfeiture which can be used to support victims.

¹ <https://stat.enigma.com/>

² There is a difference between financial intelligence from financial evidence. Financial intelligence is gathering information to identify the financial activity of an entity. Financial evidence involves the actual financial records necessary to show specific activity of an entity's financial accounts identified through financial intelligence. Both are equally important and effective. For the purposes of this hearing, and unless otherwise specifically noted, financial intelligence will be used to include both the process of identifying the financial activity and the records that support it.

A specific challenge that financial intelligence helps to address is the often difficult task of securing victim testimony in cases where the victims are too afraid to come forward. Securing financial records that corroborate or, in some cases, that can tell a victim's story has proven to be a gamechanger for prosecutors. Setting an investigative precedent to aggressively pursue financial intelligence alleviates the burden on victim and eyewitness testimony, and could also encourage others to come forward.

Financial intelligence can be complex and making sense of it quite time consuming, especially when dealing with networks that have established multiple layers and relationships with different financial institutions in different geographies and leveraging multiple financial products. Investigators and prosecutors have to be specifically trained to navigate the convoluted financial ecosystem on top of managing the already arduous task of proving elements of the core trafficking crimes.

One way prosecutors' offices have recognized the importance the role of financial intelligence plays in these cases is by dedicating specific resources with expertise in both trafficking financial crime prosecution to review all trafficking cases. A few examples include:

- (1) The Department of Justice's (DOJ) Money Laundering Asset Recovery Section (MLARS) has a specially designated Assistant United States Attorney (AUSA) that works with the DOJ Human Trafficking Unit's AUSAs to identify whether there are any financial crimes that can be charged alongside trafficking charges. In addition, MLARS conducts training for prosecutors and agents to reinforce the importance of financial intelligence.
- (2) The Manhattan DA's Office has continually prioritized financial investigations in all human and wildlife trafficking cases.
- (3) The Buffet-McCain Institute Initiative to Combat Modern Slavery³ was awarded a grant to pilot a program to train prosecutors in elements of labor trafficking with an emphasis on financial intelligence.

In order to secure successful prosecutions in trafficking cases, financial intelligence must be leveraged.

³ <https://www.themonitor.com/2019/01/18/da-first-nation-focus-unit-human-trafficking/>

The Financial Institutions' Unique Position to Help Disrupt Trafficking

Financial institutions are well positioned to assist law enforcement in identifying trafficking networks, and are, in fact, already highly motivated and involved in doing so. Trafficking is inherently a commercial enterprise and, as such, financial institutions are uniquely positioned to address the largest motivator of traffickers: profit. In order to keep up in today's economy, businesses must have access to financial services, which include convenient and fast ways to facilitate payments, a secure place for funds to be stored and an infrastructure that allows businesses to access their money anywhere. In fact, the mobile and virtual nature of banking today is ideal for growing businesses. Given these dependencies, the ability to restrict legitimate access to the financial system can greatly stifle a business, reducing its profitability. In the context of a trafficking business, it is known that one of the main uses of the financial system is to open multiple accounts, sometimes through the use of identity theft, in order to create layers of transaction flows. If a control can be created to prevent traffickers from opening multiple accounts, this would greatly inhibit their ability to move their money in this manner. It is also known that pre-paid cards are used for several "business" purposes (e.g., payroll, purchase of supplies); if financial institutions can prohibit the purchase of pre-paid cards when certain known indicators present themselves, traffickers' ability to "do business" may be effectively disrupted.

In addition, the AML regulatory landscape provides opportunity for financial institutions to be an active participant in helping law enforcement hold bad actors accountable, and in fact, goes to the heart of the intent of the regulation. Through Know Your Customer (KYC), Customer Due Diligence (CDD) and suspicious activity reporting requirements, there are many areas where financial institutions already help detect activity indicative of trafficking networks. However, to do so more effectively, they need better information about trafficking networks to more precisely identify the various ways traffickers have hidden their activity throughout the system.

With better information, financial institutions can integrate (1) trafficking-specific factors or lists into already existing risk assessments and/or screening processes, (2) incorporate specific typology-driven criteria into their transaction monitoring rule program, and (3) provide more effective and targeted information to law enforcement through established channels of communication such as suspicious activity reports. This is especially important because we know there are commonalities in the way different types of trafficking networks present themselves via

financial records. The easier it is to share information and data about these commonalities among the appropriate parties, the easier it is to identify trafficking organizations and associated parties, and the easier cut off their access to the financial system. The more successful we are disrupting financial access, the more successful we will be at dismantling networks.

Building on Existing Proactive Collaborations

Today, there are many proactive efforts financial institutions take to better understand how trafficking networks operate, allowing them to more effectively implement their AML programs. These collaborative efforts include: public/private working groups to define financial red flags or indicators to enhance monitoring for bad activity; targeted task forces that respond in times of potentially high impact, like sporting events; coordinated industry meetings with law enforcement to learn about the latest trends; and training from non-profit organizations focused on studying how the financial system is exploited by traffickers. There is a lot of good information out there, but because time and resources are limited, these efforts are performed on an ad hoc basis and are disparate in nature. This means any information or learnings are decentralized, unstructured and disorganized, leading to many missed opportunities to fully explore and analyze how we can build upon the outcomes of these efforts.

In addition to STAT, other specific examples of these efforts include: (1) the Thomson Reuters Foundation Banker's Alliances in the U.S., Europe and Asia, where a consortium of regional financial institutions collaborated on categorizing red flags of human trafficking specific to each region; (2) the Arts and Antiquities Coalition Working Group, comprised of subject matter experts in AML, research organizations and private companies that have come together to create a framework to help businesses understand how arts and antiquities can be utilized in illicit finance; (3) Stop the Traffik Analysis Hub⁴, which brought together technology partners, financial institutions and data analysts to create a way to leverage public data to track human trafficking-related activity; (4) Anti-Human Trafficking Intelligence Initiative (ATII)⁵, a newly formed organization, aimed toward disrupting human trafficking through a variety of collaborations; and (5) the Finance Against Slavery and Trafficking (FAST)⁶ project, which is a strategic partnership

⁴ <https://www.stopthetraffik.org/what-we-do/traffik-analysis-hub/>

⁵ <https://followmoneyfightsslavery.org/>

⁶ <https://www.fastinitiative.org/>

between the Association of Certified Money Laundering Specialists (ACAMS) and the Lichtenstein Initiative.

It Takes A Village

The AML/CFT community understands that to successfully uncover and dismantle these complex illicit networks, it truly takes a village. We must fight like with like, and both expand and unite our village. This means inter- and intra-agency groups coming together, as well as expanding to all groups and industries that may have information on financial transactions. In addition to financial institutions, law enforcement and government agencies, there are non-profit organizations that have recognized the necessity of disrupting financial flow in order to eradicate trafficking. Organizations like Liberty Shared⁷ have focused on the financial touchpoints throughout an entire supply chain and seek to find ways to stop access from the point of entry into the financial system. Polaris, the leading non-profit anti-human trafficking organization that centers its work around using data-driven strategies to eradicate human trafficking and, to date, has collected data on more than 50,000 cases of human trafficking through its national human trafficking hotline, is placing one of its big bets on financial disruption.

SYSTEMIC CHANGE MATRIX: DISRUPTING & PREVENTING HUMAN TRAFFICKING

Human trafficking is made possible and profitable by numerous enabling partners in both public systems and private business. A strategic approach to eradicating human trafficking includes understanding the areas each of these systems enables or connects with traffickers and victims. This matrix depicts the 25 major types of human trafficking in the United States, cross-referenced with eight high-risk systems and industries, each of which can be targeted to help detect and prevent the crime, or arrange and respond to cases.

	Financial Services	Travel & Hospitality	Human Resources	Health Care	Transportation	Education	Government	Media
Escort Services	●	●	●	●	●	●	●	●
Hotels/Motels/Resort	●	●	●	●	●	●	●	●
Outdoor Recreation	●	●	●	●	●	●	●	●
Residential Care/Tutoring	●	●	●	●	●	●	●	●
Business Work	●	●	●	●	●	●	●	●
News, Web Sites, & Content	●	●	●	●	●	●	●	●
Photography	●	●	●	●	●	●	●	●
Traveling Sales Claves	●	●	●	●	●	●	●	●
Restaurants & Food Service	●	●	●	●	●	●	●	●
Health & Beauty	●	●	●	●	●	●	●	●
Agriculture & Animal Husbandry	●	●	●	●	●	●	●	●
Personal Social Services	●	●	●	●	●	●	●	●
Health & Beauty Services	●	●	●	●	●	●	●	●
Construction	●	●	●	●	●	●	●	●
Hospitality	●	●	●	●	●	●	●	●
Landscaping	●	●	●	●	●	●	●	●
Real Estate	●	●	●	●	●	●	●	●
Arts, Sports, & Entertainment	●	●	●	●	●	●	●	●
Commercial Cleaning Services	●	●	●	●	●	●	●	●
Fashion & Manufacturing	●	●	●	●	●	●	●	●
Service Providers (Social App)	●	●	●	●	●	●	●	●
Cannabis	●	●	●	●	●	●	●	●
Forestry & Logging	●	●	●	●	●	●	●	●
Health Care	●	●	●	●	●	●	●	●
Recreation/Pastimes	●	●	●	●	●	●	●	●

Learn how you can help end human trafficking at www.polarisproject.org

Figure 1. Polaris Systemic Change Matrix shows how the financial services industry is involved 23 of the 25 defined human trafficking typologies.

In fact, Polaris and PayPal have recently partnered to create a financial intelligence unit so that financial sector expertise can be combined with the organization’s hotline data to hone in on traffickers exploiting the financial system.

⁷ <https://libertyshared.org/>

How We Work

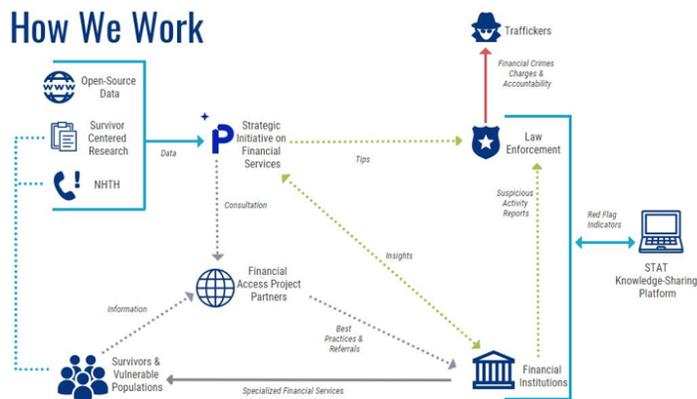


Figure 2. Polaris Financial Intelligence Unit network is focused on targeted research and analysis to fill knowledge gaps, as well as facilitating coordinated, consistent response from financial services through knowledge sharing.

Finally, it is important that we keep the bigger picture in mind and not think about trafficking as a problem in isolation. The reality is that trafficking is often linked to other illicit activity, such as corruption. Trafficking thrives in vulnerable countries, where corrupt governments have no interest in implementing proper AML/CFT controls. As such, it is necessary to understand the political and financial landscape of these vulnerable countries to fully assess risks related to trafficking. Organizations like The Sentry⁸ (previously known as the Enough Project), for example, have dedicated resources to understand what drives corruption and what impacts corruption has on the local financial systems in areas like South Sudan, Congo and Uganda.

Other bigger picture partners include efforts made by organizations that leverage data analysis and technology to understand and fight trafficking in partnership with law enforcement. Understanding the infrastructure needed to build tools and conduct analysis helps us develop more robust solutions. Examples of such organizations include Tellfinder Alliance⁹ (a data network technology partnership with law enforcement build cases), Thorn's Spotlight tool¹⁰ (a tool build to help law enforcement search online ads for evidence of sex trafficking), childsafe.ai¹¹ (a platform that uses artificial intelligence to identify child exploitation risks online), and several universities are also dedicating research programs to explore how data science can help track

⁸ <https://thesentry.org/>

⁹ <https://www.tellfinder.com/>

¹⁰ <https://www.thorn.org/spotlight/>

¹¹ <https://childsafe.ai/>

trafficking rings. International efforts and resources including Organization for Security and Co-operation in Europe (OSCE)¹² and Project Protect¹³ must also be utilized when looking for models of successful collaboration. Finally, we cannot overlook the importance of non-financial institution private industry partners including technology, agriculture, hospitality, travel, and shipping companies, just to name a few.

As we expand our village, we also expand our opportunities.

Stand Together Against Trafficking (STAT)

STAT is an industry-wide collaborative effort with a mission to advance anti-trafficking efforts within the anti-financial crime community through scaling the development of collaborative intelligence already in motion. By bringing together partners representing the financial, non-profit, research and technology sectors, STAT leverages all necessary perspectives to yield more impactful outcomes.

A crucial part of the effort is the STAT knowledge sharing platform, which provides a central repository, starting with vetted¹⁴ human trafficking indicators. By centralizing the collection of financial indicators, the platform delivers a unified structure and common language, designed by a network of financial institutions – including Truist, US Bank and Western Union, law enforcement agencies, technology and non-profit partners. This approach allows our entire community to access indicators specific to their needs without having to find, access and review hundreds of pages of reports. This also ensures that all financial institutions, regardless of size or specific ability to be involved in extraneous efforts, have access to information necessary to combat trafficking.

¹² <https://www.osce.org/secretariat/107823>

¹³ <https://www.fintrac-canafe.gc.ca/emplo/psr-eng>

¹⁴ To start, the indicators mapped to the STAT Knowledge Sharing Platform come from a variety of known sources such as FATF, FinCEN guidance, other government documents and learnings from collaboration such as the US Banker's Alliance.

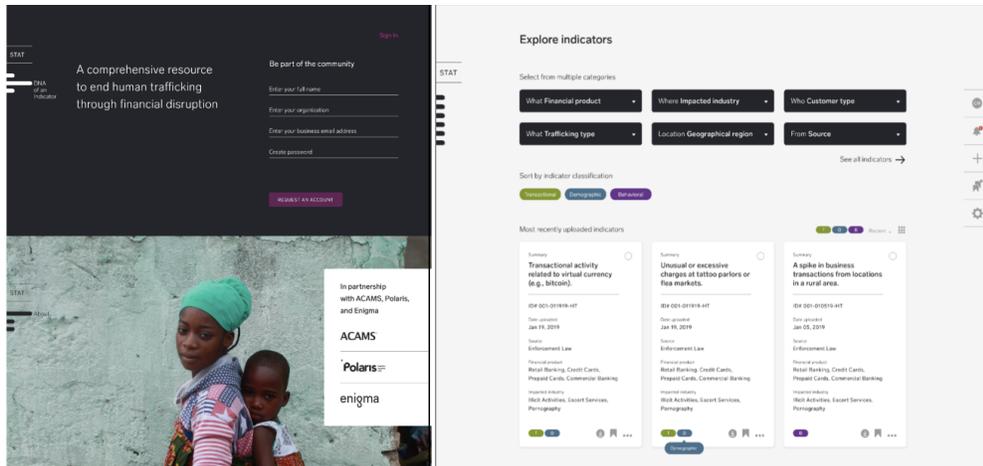


Figure 3. The STAT Knowledge Sharing Platform allows users to access indicators by categories, making what would normally be difficult to find, readily accessible.

In addition to exploring existing indicators, users can also contribute indicators to the platform, crowd-sourcing knowledge and efficiently sharing resources. This is done in a structured way so that the indicators are mapped to the larger repository, allowing all users to access and search newly uploaded indicators quickly.

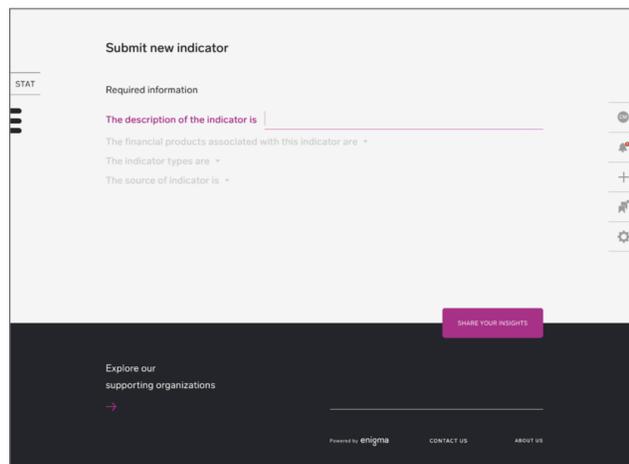


Figure 4. The ability for any member of the community to upload indicators in a structured format creates a way for indicators to be shared quickly

The STAT platform is not only a tool, but also a statement and proof that collaboration across multiple industries is the most powerful weapon we have to fight not only human trafficking, but, all types transnational trafficking.

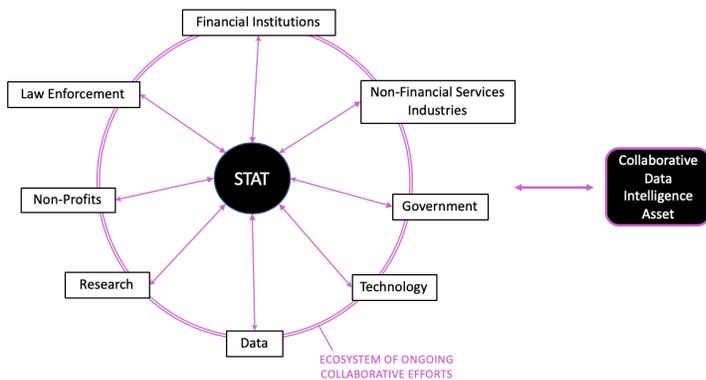


Figure 3. The end-goal for STAT is to connect all sources of intelligence into a unified ecosystem in order to produce a data intelligence asset that can be shared and enhanced regularly.

Comments on Two Proposed Bills Before This Subcommittee

The two proposed bills before the subcommittee have great potential to identify strong channels and tools with which to dismantle trafficking networks through the financial system.

- (1) Regarding H.R. ___ : the Stopping Trafficking, Illicit Flows, Laundering, and Exploitation Act (McAdams), the framework for this study can have far-reaching impact if the committee casts a wide net in its outreach to the anti-human trafficking and anti-financial crime communities. I would urge the committee to be sure to include the perspectives of law enforcement, non-profits (especially those who are speaking for survivors and victims), private sector institutions (financial institutions, data and technology companies) and research organizations.
- (2) Regarding H.R. 1387, the CONFRONT Act (Kustoff), the report mandated by this proposal can create a mechanism to centralize efforts around combating trafficking through the financial system. I would urge the committee to incorporate at least a review, if not a partnership, with certain international organizations and agencies like the OSCE. In addition, whether it is directly mandated as part of this bill or requires an additional proposal, I suggest that the committee consider developing a methodology to create a collaborative data intelligence asset that is updated frequently and accessible to law enforcement and financial institutions. Perhaps a similar framework to consider is the U.S. Presidential Decision Directive 63 which led to the creation of the Financial Services Information Sharing and Analysis Center (FS-ISAC) with a mission to reduce cyber risk

in the global financial system. The directive was later updated by Homeland Security in 2003 under Presidential Decision Directive 7.

In order to dismantle trafficking networks through financial disruption, we must create a coordinated ecosystem that facilitates collaboration and information sharing to understand how trafficking networks utilize financial systems. This will provide financial institutions the information it needs to effectively monitor and detect more effective leads to help law enforcement investigate and, ultimately, prosecute the people responsible for these horrific acts.