

Julie Slama
September 3, 2019 Testimony

Good afternoon, Mr. Chairman and members of the National Security and International Trade and Finance Subcommittee. My name is Julie Slama (J-U-L-I-E S-L-A-M-A) and I am a State Senator, representing District 1 in the Nebraska Legislature. It is an honor to testify on a subject which has become one of my priorities in the Legislature- human trafficking.

Human trafficking is the fastest growing criminal industry globally. Human trafficking was made a federal crime in 2000, and Nebraska made it illegal on a state level in 2006. In the years that have followed, lawmakers have tried to give law enforcement the tools they need to crack down on this horrendous crime. Human trafficking is modern day slavery.

With regards to today's topic of the intersection of human trafficking with the finance sector, traffickers or buyers utilize the financial services industry to discreetly store money to pay for their victims' transportation from town to town, book hotel rooms for their victims to perform illicit acts, as well as payments to coordinate such acts. Human trafficking is a \$150 billion global industry. Traffickers utilize banks and other financial institutions to make thousands of small transactions and to break up their larger transactions into smaller ones over several banks.

Financial institutions can play a significant role in disrupting human trafficking. Some institutions have committed significant energy and resources to detect potential financial indicators of human trafficking. Red flags to a institution include, but are not limited to, a trafficker's lifestyle being inconsistent with stated income, a trafficker using a victim's account, carefully structured deposits to avoid detection, strange deductions on an employee's paystub, or large sums of money transferred to several banks.

Many traffickers make deposits just under the threshold that would trigger an investigation at a bank. At times, deposits are made to accounts for "massage parlors," creating a seemingly legitimate business and creating a cover for reporting purposes.

Financial institutions are on the front lines monitoring transactions and spending patterns. However, some traffickers avoid financial institution altogether and will only make transactions using cryptocurrency or pre-paid credit cards. With the shutdown of Backpack.com and MassageRepublic.com, and because VISA and MasterCard refused to process payments from these sites, cryptocurrency has become more prominent for its unfettered use. Pre-paid credit cards are also hard to trace, thereby giving a trafficker a way to use funds without being identified.

Still another way that traffickers avoid scrutiny from financial institutions is to force their victims to use their own accounts for transactions. When this happens, the financial institution may notice red flags such as frequent hotel and gas station payments, or there may be a history of unusual domestic travel expenses. In these cases, traffickers avoid putting his or her name on the victim's account, which ensures that any crime being committed is bared fully by the victim, and that the victim is left to pay off the debts of their trafficker. Handling funds generated from human trafficking is considered money laundering. If money laundering is suspected through not only the victim's account, but regular business accounts, a financial institution may attempt to go after a trafficker via the money laundering ring. This is a very effective method of obtaining justice for the victim.

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Nebraska has taken many steps to combat human trafficking over the last several years. Beginning in 2006 when Nebraska made human trafficking a crime, there have been several updates to our state statutes. Not only has the Nebraska Attorney General created the Human Trafficking Task Force (2015), but Nebraska has increased penalties for traffickers and buyers, including making prison sentences longer. Victims of human trafficking are allowed to sue their traffickers, and trafficked children and adults are provided immunity from prosecution. Victims of sex trafficking can clear their records of prostitution charges and other offenses that are a direct result of them being trafficked. Just this year, with LB 519, the Nebraska Legislature updated its statutes to provide wiretapping powers to law enforcement agencies, extend the statute of limitations for trafficking, and ensure that all children who are victims have the same access to resources for recovery, regardless of the person who trafficked them.

On the federal level, the Trafficking Victims Protection Act of 2000 was passed in the first positive steps taken to trafficking on the federal level. This Act has been updated four times, most recently in 2013, to include:

- * Establishing a federal, civil right of action for trafficked victims to sue traffickers
- * Adding human trafficking to the list of charges under Racketeering Influenced and Corrupt Organizations Act (RICO)
- * Establishing grant programs to state and local law enforcement to combat trafficking
- * Expanding efforts to combat trafficking internationally
- * Enhancing criminal sanctions against traffickers, and expanded definitions of various types of trafficking
- * Establishing and strengthening programs to ensure that US citizens do not purchase products made by victims of human trafficking.

The federal government also established the National Defense Authorization Act of 2013 which seeks to limit human trafficking associated with government contractors. Under this Act, government agencies have the ability to terminate, without penalty, any contract or grant with any organization that engages in human trafficking. It also establishes methods of reporting and investigating possible instances of human trafficking associated with any government contract or grant program.

Human trafficking is a growing industry, and make no mistake about it- this form of slavery is not just limited to urban areas. It reaches across our country, even to rural Nebraska. We all have a duty to fight back against this horrible crime, and our financial institutions can take the lead in spotting signs of trafficking.

I thank you for your time today and for your attention to this subject. I'm happy to answer any questions you may have.

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