

FIGHT ILLICIT NETWORKS AND DETECT TRAFFICKING ACT

JUNE 25, 2018.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. HENSARLING, from the Committee on Financial Services,
submitted the following

R E P O R T

[To accompany H.R. 6069]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 6069) to require the Comptroller General of the United States to carry out a study on how virtual currencies and online marketplaces are used to buy, sell, or facilitate the financing of goods or services associated with sex trafficking or drug trafficking, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Fight Illicit Networks and Detect Trafficking Act” or the “FIND Trafficking Act”.

SEC. 2. FINDINGS.

The Congress finds the following:

(1) According to the Drug Enforcement Administration (DEA) 2017 National Drug Threat Assessment, transnational criminal organizations are increasingly using virtual currencies.

(2) The Treasury Department has recognized that: “The development of virtual currencies is an attempt to meet a legitimate market demand. According to a Federal Reserve Bank of Chicago economist, U.S. consumers want payment options that are versatile and that provide immediate finality. No U.S. payment method meets that description, although cash may come closest. Virtual currencies can mimic cash’s immediate finality and anonymity and are more versatile than cash for online and cross-border transactions, making virtual currencies vulnerable for illicit transactions.”

(3) Virtual currencies have become a prominent method to pay for goods and services associated with illegal sex trafficking and drug trafficking, which are

two of the most detrimental and troubling illegal activities facilitated by online marketplaces.

(4) Online marketplaces, including the darkweb, have become a prominent platform to buy, sell, and advertise for illicit goods and services associated with sex trafficking and drug trafficking.

(5) According to the International Labour Organization, in 2016, 4.8 million people in the world were victims of forced sexual exploitation, and in 2014, the global profit from commercial sexual exploitation was \$99 billion.

(6) In 2016, within the United States, the Center for Disease Control estimated that there were 64,000 deaths related to drug overdose, and the most severe increase in drug overdoses were those associated with fentanyl and fentanyl analogs (synthetic opioids), which amounted to over 20,000 overdose deaths.

(7) According to the U.S. Department of the Treasury 2015 National Money Laundering Risk Assessment, an estimated \$64 billion is generated annually from U.S. drug trafficking sales.

(8) Illegal fentanyl in the United States originates primarily from China, and it is readily available to purchase through online marketplaces.

SEC. 3. GAO STUDY.

(a) STUDY REQUIRED.—The Comptroller General of the United States shall conduct a study on how virtual currencies and online marketplaces are used to facilitate sex and drug trafficking. The study shall consider—

(1) how online marketplaces, including the darkweb, are being used as platforms to buy, sell, or facilitate the financing of goods or services associated with sex trafficking or drug trafficking (specifically, opioids and synthetic opioids, including fentanyl, fentanyl analogs, and any precursor chemicals associated with manufacturing fentanyl or fentanyl analogs) destined for, originating from, or within the United States;

(2) how financial payment methods, including virtual currencies and peer-to-peer mobile payment services, are being utilized by online marketplaces to facilitate the buying, selling, or financing of goods and services associated with sex or drug trafficking destined for, originating from, or within the United States;

(3) how virtual currencies are being used to facilitate the buying, selling, or financing of goods and services associated with sex or drug trafficking, destined for, originating from, or within the United States, when an online platform is not otherwise involved;

(4) how illicit funds that have been transmitted online and through virtual currencies are repatriated into the formal banking system of the United States through money laundering or other means;

(5) the participants (state and non-state actors) throughout the entire supply chain that participate in or benefit from the buying, selling, or financing of goods and services associated with sex or drug trafficking (either through online marketplaces or virtual currencies) destined for, originating from, or within the United States;

(6) Federal and State agency efforts to impede the buying, selling, or financing of goods and services associated with sex or drug trafficking destined for, originating from, or within the United States, including efforts to prevent the proceeds from sex or drug trafficking from entering the United States banking system;

(7) how virtual currencies and their underlying technologies can be used to detect and deter these illicit activities; and

(8) to what extent can the immutable and traceable nature of virtual currencies contribute to the tracking and prosecution of illicit funding.

(b) SCOPE.—For the purposes of the study required under subsection (a), the term “sex trafficking” means the recruitment, harboring, transportation, provision, obtaining, patronizing, or soliciting of a person for the purpose of a commercial sex act that is induced by force, fraud, or coercion, or in which the person induced to perform such act has not attained 18 years of age.

(c) REPORT TO CONGRESS.—Not later than 1 year after the date of enactment of this Act, the Comptroller General of the United States shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report summarizing the results of the study required under subsection (a), together with any recommendations for legislative or regulatory action that would improve the efforts of Federal agencies to impede the use of virtual currencies and online marketplaces in facilitating sex and drug trafficking.

PURPOSE AND SUMMARY

On June 12, 2018, Representative Juan Vargas introduced H.R. 6069, the “Fight Illicit Networks and Detect Trafficking Act” or the “FIND Trafficking” Act. The legislation would require the Comptroller General of the United States to carry out a study on how virtual currencies and online marketplaces are used to buy, sell, or facilitate the financing of goods or services associated with sex trafficking or drug trafficking. Not later than one year after enactment, the legislation would require the Comptroller General to submit the report to the Committee on Banking, Housing, and Urban Affairs and the Committee on Financial Services a report that summarizes the result of the study and include recommendations for legislative or regulatory action that would improve the efforts of Federal agencies to impede the use of virtual currencies and online marketplaces in facilitating sex and drug trafficking.

BACKGROUND AND NEED FOR LEGISLATION

The goal of H.R. 6069 is to have the Government Accountability Office (GAO) study and report to Congress on how virtual currencies and online marketplaces are used to buy, sell, or facilitate the financing of goods or services associated with sex trafficking and drug trafficking. The GAO study must also include any legislative or regulatory actions that would improve the efforts of Federal agencies to impede the use of virtual currencies and online marketplaces in facilitating sex trafficking and drug trafficking. H.R. 6069 compliments the work of the President’s Commission on Combating Drug Addiction and the Opioid Crisis, which issued its final report on November 1, 2017. The report noted the Administration “will employ tools to disrupt the flow of illicit drugs into our country, and reduce drug trafficking domestically.” The final report recommended to the President that, “federal law enforcement agencies expressly target Drug Trafficking Organizations and other individuals who produce and sell counterfeit pills, including through the internet.”

The study will also include a review of how the Dark Net is used to facilitate illicit activity, including the buying and selling of opioids, and how virtual currencies and peer-to-peer mobile payment services are exploited. The study will also review how illicit funds are repatriated into the formal banking system of the United States through money laundering.

According to the Drug Enforcement Administration’s (DEA) 2017 National Drug Threat Assessment, transnational criminal organizations are increasingly using virtual currencies. Although virtual currencies can be used for legal purchases, they have become a preferred financial payment method for criminals.

Virtual currencies also have become a prominent method to pay for goods and services associated with illegal sex trafficking and drug trafficking, which are two of the most detrimental and troubling illegal activities facilitated by online marketplaces.

Online marketplaces, including the dark web, have become a prominent platform to buy, sell, and advertise for illicit goods and services associated with sex trafficking and drug trafficking. According to the International Labour Organization, in 2016, 4.8 million people in the world were victims of forced sexual exploitation,

and in 2014, the global profit from commercial sexual exploitation was \$99 billion.

In 2016, within the United States, the Center for Disease Control estimated that there were 64,000 deaths related to drug overdose, and the most severe increase in drug overdoses were those associated with fentanyl and fentanyl analogs (synthetic opioids), which amounted to over 20,000 overdose deaths.

According to the U.S. Department of the Treasury's 2015 National Money Laundering Risk Assessment, an estimated \$64 billion is generated annually from U.S. drug trafficking sales. Illegal fentanyl in the United States originates primarily from China, and it is readily available to purchase through online marketplaces.

HEARINGS

The Committee on Financial Services, Subcommittee on Terrorism and Illicit Finance held a hearing examining matters relating to H.R. 6069 on June 8, 2017; March 15, 2018; and March 20, 2018.

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on June 14, 2018, and ordered H.R. 6069 to be reported favorably to the House as amended by a recorded vote of 53 yeas to 0 nays (recorded vote no. FC-187), a quorum being present. Before the motion to report was offered, the Committee adopted an amendment offered by Mr. Emmer by voice vote.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. The sole recorded vote was on a motion by Chairman Hensarling to report the bill favorably to the House as amended. The motion was agreed to by a recorded vote of 53 yeas to 0 nays (Record vote no. FC-187), a quorum being present.

Record vote no. FC-187

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Hensarling	X			Ms. Maxine Waters (CA)	X		
Mr. McHenry				Mrs. Carolyn B. Maloney (NY) ..	X		
Mr. King	X			Ms. Velázquez	X		
Mr. Royce (CA)	X			Mr. Sherman	X		
Mr. Lucas	X			Mr. Meeks	X		
Mr. Pearce	X			Mr. Capuano	X		
Mr. Posey	X			Mr. Clay	X		
Mr. Luetkemeyer	X			Mr. Lynch	X		
Mr. Huizenga	X			Mr. David Scott (GA)	X		
Mr. Duffy	X			Mr. Al Green (TX)	X		
Mr. Stivers	X			Mr. Cleaver	X		
Mr. Hultgren	X			Ms. Moore	X		
Mr. Ross	X			Mr. Ellison			
Mr. Pittenger	X			Mr. Perlmutter	X		
Mrs. Wagner	X			Mr. Himes	X		
Mr. Barr	X			Mr. Foster	X		
Mr. Rothfus	X			Mr. Kildee	X		
Mr. Messer				Mr. Delaney	X		
Mr. Tipton	X			Ms. Sinema	X		
Mr. Williams	X			Mrs. Beatty			
Mr. Poliquin	X			Mr. Heck			
Mrs. Love	X			Mr. Vargas	X		
Mr. Hill	X			Mr. Gottheimer	X		
Mr. Emmer	X			Mr. Gonzalez (TX)			
Mr. Zeldin	X			Mr. Crist	X		
Mr. Trott				Mr. Kihuen	X		
Mr. Loudermilk	X						
Mr. Mooney (WV)	X						
Mr. MacArthur	X						
Mr. Davidson	X						
Mr. Budd	X						
Mr. Kustoff (TN)	X						
Ms. Tenney	X						
Mr. Hollingsworth	X						

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill contains no measure that authorizes funding, so no statement of general performance goals and objectives for which any measure authorizes funding is required.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATES

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 22, 2018.

Hon. JEB HENSARLING,
Chairman, Committee on Financial Services,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 6069, the FIND Trafficking Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Matthew Pickford.

Sincerely,

KEITH HALL,
Director.

Enclosure.

H.R. 6069—FIND Trafficking Act

H.R. 6069 would direct the Government Accountability Office (GAO) to prepare a study for the Congress within one year on how virtual currencies and online marketplaces are used to facilitate sex and drug trafficking. The study would include recommendations for federal actions.

Based on the costs of similar studies, CBO estimates that it would cost less than \$500,000 over the 2019–2020 period for GAO

to compete the study; any spending would be subject to the availability of appropriated funds.

Enacting H.R. 6069 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting H.R. 6069 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 6069 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Matthew Pickford. The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995.

The Committee has determined that the bill does not contain Federal mandates on the private sector. The Committee has determined that the bill does not impose a Federal intergovernmental mandate on State, local, or tribal governments.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of the section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

DUPLICATION OF FEDERAL PROGRAMS

In compliance with clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes: (1) a program of the Federal Government known to be duplicative of another Federal program; (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139; or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Pub. L. No. 95–220, as amended by Pub. L. No. 98–169).

DISCLOSURE OF DIRECTED RULEMAKING

Pursuant to section 3(i) of H. Res. 5, (115th Congress), the following statement is made concerning directed rule makings: The

Committee estimates that the bill requires no directed rule makings within the meaning of such section.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

This section cites H.R. 6069 as the “Fight Illicit Networks and Detect Trafficking Act” or the “FIND Trafficking Act.”

Section 2. Findings

The Congress finds the following:

(1) According to the Drug Enforcement Administration (DEA) 2017 National Drug Threat Assessment, transnational criminal organizations are increasingly using virtual currencies.

(2) The Treasury Department has recognized that: “The development of virtual currencies is an attempt to meet a legitimate market demand. According to a Federal Reserve Bank of Chicago economist, U.S. consumers want payment options that are versatile and that provide immediate finality. No U.S. payment method meets that description, although cash may come closest. Virtual currencies can mimic cash’s immediate finality and anonymity and are more versatile than cash for online and cross-border transactions, making virtual currencies vulnerable for illicit transactions.”

(3) Virtual currencies have become a prominent method to pay for goods and services associated with illegal sex trafficking and drug trafficking, which are two of the most detrimental and troubling illegal activities facilitated by online marketplaces.

(4) Online marketplaces, including the darkweb, have become a prominent platform to buy, sell, and advertise for illicit goods and services associated with sex trafficking and drug trafficking.

(5) According to the International Labour Organization, in 2016, 4.8 million people in the world were victims of forced sexual exploitation, and in 2014, the global profit from commercial sexual exploitation was \$99 billion.

(6) In 2016, within the United States, the Center for Disease Control estimated that there were 64,000 deaths related to drug overdose, and the most severe increase in drug overdoses were those associated with fentanyl and fentanyl analogs (synthetic opioids), which amounted to over 20,000 overdose deaths.

(7) According to the U.S. Department of the Treasury 2015 National Money Laundering Risk Assessment, an estimated \$64 billion is generated annually from U.S. drug trafficking sales.

(8) Illegal fentanyl in the United States originates primarily from China, and it is readily available to purchase through online marketplaces.

Section 3. GAO Study

The GAO study shall include a review of:

(1) How online marketplaces, including the darkweb, are being used as platforms to buy, sell, or facilitate the financing of goods or services associated with sex trafficking or drug trafficking (specifically, opioids and synthetic opioids, including fentanyl, fentanyl analogs, and any precursor chemicals associated with manufacturing fentanyl or fentanyl analogs) destined for, originating from, or within the United States;

(2) How financial payment methods, including virtual currencies and peer-to-peer mobile payment services, are being utilized by online marketplaces to facilitate the buying, selling, or financing of goods and services associated with sex or drug trafficking destined for, originating from, or within the United States;

(3) How virtual currencies are being used to facilitate the buying, selling, or financing of goods and services associated with sex or drug trafficking, destined for, originating from, or within the United States, when an online platform is not otherwise involved;

(4) How illicit funds that have been transmitted online and through virtual currencies are repatriated into the formal banking system of the United States through money laundering or other means;

(5) The participants (state and non-state actors) throughout the entire supply chain that participate in or benefit from the buying, selling, or financing of goods and services associated with sex or drug trafficking (either through online marketplaces or virtual currencies) destined for, originating from, or within the United States;

(6) Federal and State agency efforts to impede the buying, selling, or financing of goods and services associated with sex or drug trafficking destined for, originating from, or within the United States, including efforts to prevent the proceeds from sex or drug trafficking from entering the United States banking system;

(7) How virtual currencies and their underlying technologies can be used to detect and deter these illicit activities; and (8) To what extent can the immutable and traceable nature of virtual currencies contribute to the tracking and prosecution of illicit funding.

For the purposes of the study required, the term “sex trafficking” means the recruitment, harboring, transportation, provision, obtaining, patronizing, or soliciting of a person for the purpose of a commercial sex act that is induced by force, fraud, or coercion, or in which the person induced to perform such act has not attained 18 years of age.

Not later than 1 year after the date of enactment of this Act, the Comptroller General of the United States shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report summarizing the results of the study required, together with any recommendations for legislative or regulatory action that would improve the efforts of Federal agencies to impede the use of virtual currencies and online marketplaces in facilitating sex and drug trafficking.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

H.R. 6069 does not repeal or amend any section of a statute. Therefore, the Office of Legislative Counsel did not prepare the report contemplated by Clause 3(e)(1)(B) of rule XIII of the House of Representatives.