

## Questions for the Record for Charles Davidson

### Senator Mazie K. Hirono

- 1. At the hearing, you testified that one of the most effective ways to deter criminals is to follow the criminals' money. Money laundering plays a significant role in criminal activities such as human trafficking.**

- a) In what ways does money laundering feed into human trafficking?**

Money laundering enables crimes such as human trafficking to be exploited on an industrial scale. One technique of particular importance is the use of shell companies to mix legitimate and illicit funds. For example, a Moldovan gang allegedly [used anonymous companies](#) registered in Kansas, Missouri, and Ohio to run a \$6 million human trafficking scheme that operated in 14 states.

- b) What are ways anti-money laundering efforts can be strengthened to combat human trafficking?**

The priority for strengthening the U.S. AML regime should be to require legal entities to disclose their beneficial owners. Currently, requirements to provide beneficial ownership information upon the incorporation of a company vary from state to state, and certain states require minimal information beyond the name and address of the corporation. In 2016, the Financial Crimes Enforcement Network (FinCEN) issued a new [customer due diligence rule](#), requiring banks to determine the beneficial owners of accounts opened by legal entities, but this does not go far enough.

Because there is no reliable centralized source of beneficial ownership information, it will be difficult for banks to independently verify the information supplied by their customers. Without a [federal solution](#) to this problem, criminals will continue to use shell companies to evade law enforcement and launder large sums of money.

- 2. Last December, you testified before the House Subcommittee on Europe, Eurasia, and Emerging Threats. You warned about the danger of kleptocratic regimes to democracy and noted the need to be “vigilant regarding the influence of foreign institutionalized corruption on US soil.”**

- a) Which countries should we be most concerned about based on their influence of foreign institutionalized corruption on the United States?**

All corrupt, hostile authoritarian regimes have the potential to harm the United States. Given the openness of Western societies, it is possible for [institutionalized corruption and kleptocratic practices](#) to be exported into our business practices and societal norms. These corrosive effects may seem subtle, but they are pervasive effects that directly threaten our freedoms and the integrity of our political system, as well as those of our allies.

China and Russia have proven particularly aggressive in using institutionalized corruption as a means to penetrate our political and business culture. Access to Chinese markets has incentivized Western companies to acquiesce to Chinese censorship in [technology](#) and [academia](#). Putin's Russia has been actively [using tainted funds](#) and other means to subvert democracy--attempting to influence elections in the [United States](#), [France](#), and [Germany](#).

**b) What are ways you think the United States can counteract these dangerous influences?**

To contain kleptocratic influence, we must first clean up our own act. This begins with addressing the problem of [Western "enablers"](#) – professional services providing hostile kleptocratic authoritarians and their associates with the expertise needed to secure their wealth in our midst.

The opacity of anonymous company ownership must be addressed. Such anonymity permits the abuse of the global financial system via shell companies (and other financial vehicles), enabling “bad actors” to [move money around the world](#) in ways that are usually undetectable. Despite [signing international commitments](#) to strengthen corporate transparency, the United States has become one of the world's most opaque [financial secrecy jurisdictions](#). This is a global problem, but one whose solution needs to begin here.

The [Foreign Agent Registration Act](#) (FARA), must be enforced. In principle, this law provides a powerful shield for American democracy against undue foreign influence.

Consideration should be given to the creation of a special committee to assess the state of our laws, and law enforcement, in regards to the threats posed by kleptocratic regimes. The threat is pervasive.