

**OPENING STATEMENT OF  
CHAIRMAN MELVIN L. WATT**

**SUBCOMMITTEE ON OVERSIGHT & INVESTIGATIONS**

**HEARING ON “SUSPICIOUS ACTIVITY AND CURRENCY TRANSACTION  
REPORTS: BALANCING LAW ENFORCEMENT UTILITY AND REGULATORY  
REQUIREMENTS”**

**THURSDAY, MAY 10, 2007**

We meet this morning to explore Suspicious Activity and Currency Transaction Reports which are required under the Bank Secrecy Act of 1970 (BSA). This is the first in a series of hearings to explore SARs and CTRs, the real-life experiences of financial institutions in complying with SARs and CTRs and these reports’ utility to law enforcement.

First, I want to welcome all of the witnesses and thank them for taking the time today to appear before this Subcommittee on this very important issue. I want to say a special hello to Megan Hodge who is the Director of Anti-Money Laundering for RBC Centura Bank, from my home state of North Carolina.

After 9/11, there has been increased focus on rooting out financial crimes including terrorist financing and money laundering, and rightly so. As a result of this increased emphasis on detecting financial crimes, financial institutions have had to assume a much larger role, becoming full partners with law enforcement.

SAR and CTR reporting is one very important way that the financial industry has partnered with law enforcement. Today, there are millions of SARs and CTRs filed annually with the Financial Crimes Enforcement Network (FinCEN). Deputy Director Baity of FinCEN is here this morning, and we look forward to his testimony.

In this hearing, we hope to fully explore what reports are useful and which ones are not so useful. We know that under the BSA, financial institutions must report all

transactions of \$10,000 or more on a Currency Transaction Report and report suspicious activity on a Suspicious Activity Report. What we do not yet fully understand is how financial institutions, including depository institutions, money services businesses and others actually comply with SAR and CTR reporting, and if the guidance given to them by regulators is appropriate and effective.

We also want to explore the practical effects of BSA reporting. How do financial institutions detect suspicious activity - - through the use of automated computer systems, “human intelligence” or some combination? Are there increased costs to financial institutions of BSA compliance, and are those costs passed on to consumers? How do financial institutions train their staff to recognize and report suspicious activity? Is better guidance needed?

We also want to explore the utility of increased SAR and CTR filings to law enforcement. Is law enforcement receiving robust, useful data from FinCEN and financial institutions? Are there changes that law enforcement would like to see in FinCEN guidance to financial institutions or in the SAR form itself?

The point of this hearing is to elicit information. Understanding the full scope of BSA reporting, particularly SARs and CTRs is a bi-partisan objective. We do not have any pre-conceived ideas as to the utility of SARs and CTRs, or have in mind any particular legislative action. Rather, we are here to learn and benefit from the witnesses’ collective knowledge and experience with BSA reporting.

We all must recognize that increased BSA reporting does have some costs: financial institutions spend millions of dollars a year in BSA compliance, some of which undoubtedly gets passed onto consumers. Americans’ privacy and civil liberties must be balanced with assisting law enforcement. We all seek to equip law enforcement with the tools they need to help keep America safe, especially after 9/11. We want the information they receive, however, to be robust and effective.