

Statement of Chairwoman Sue Kelly; House  
Committee on Financial Services  
Subcommittee on Oversight and  
Investigations Hearing on  
USA PATRIOT Act Oversight,  
Investigating Patterns of Terrorist Financing  
February 12, 2002; 2:00 p.m.; 2167 Rayburn

This hearing of the Subcommittee on Oversight and Investigations will come to order.

I want to thank all Members of Congress who are present today. Without objection all Members present will participate fully in the hearing and all opening statements and questions will be made part of the official hearing record.

On September 11 the world we live in fundamentally changed with the horrendous acts of terrorists. After putting aside the initial shock, the nation quickly responded to President Bush's call to join in the fight against the evil doers responsible for the attack. In the Financial Services Committee we acted swiftly to construct consensus legislation to ensure our law enforcement has the best tools possible to identify the patterns of financing used by terrorists and hence stop the terrorists before any future acts could occur. With this Act we seek to prevent terrorists from using our monetary system as an unwilling accomplice in their evil acts.

President Bush signed the USA PATRIOT Act into law on October 26. With his signature he ended only the prologue of this committee's efforts to combat money laundering operations which may benefit terrorists. This hearing is just part of the long term agenda of this committee to ensure we do all in our power to break up terrorist cells by making their use of our financial system raise every red flag possible. In this effort, the anti-money laundering provisions of title III of the PATRIOT Act are a good step in the right direction, however, much more will be necessary before we reach our goal of

eradicating the threat of terrorism. In this effort we will remain vigilant to balance our efforts to ensure that we do not infringe upon the rights and liberties of Americans. This is of course a narrow line to walk, and that is why our education as to questions of money laundering and terrorism financing must be continuous. I believe we have an excellent opportunity here today to further our knowledge of these latest developments in the war against terrorism.

In the past five months we have had an unprecedented investigative effort by law enforcement to identify, freeze and seize terrorist assets. We have never had as many law enforcement officers focused on the same goal, and from this, we have learned countless lessons about the familiarity of the terrorists with our laws and their sophistication in avoiding any suspicion. In their effort to blend in, the terrorists responsible for the September 11 attack opened bank accounts, used money orders, wire transfers and credit cards. We also know that terrorists also rely on fraud and ID theft to obtain driver's licenses, hazardous material licenses and their bank accounts.

One issue I found particularly intriguing is "Hawalas" -- an Arabic word that means "word of mouth." Hawala is an international underground economic system by which financial operators in different locations honor each others' financial obligations by making payments wherever needed. In essence, hawala continues because people look for ways to avoid taxes and tariffs in their efforts to send funds to people in other countries. Such activities have no apparent victim other than a government and involves people who can be legitimate businessmen in every other way. Hence, everyone involved in the transaction profits, and such transactions are extremely difficult to detect. The PARTIOT Act contained a number of provisions that seek to combat Hawalas, and I will be most interested in hearing if any of the investigative efforts have brought us closer to closing these illegal Hawalas down. It is my understanding that the November 7 action taken against Al Barakaat has provided a great deal of information on the modern operation of Hawalas.

We will also hear from law enforcement and industry on this issue and explore potential new patterns they have identified as terrorist financing schemes.

This committee thanks you for your appearance today. We understand the sensitive nature of the information we are discussing, and with that in mind, hope for a continuing dialog with you to address our concerns that the PATRIOT Act is enough to allow you to do the job which Congress intended.