

Statement of Chairwoman Sue Kelly
Subcommittee on Oversight and Investigations
“Improving Financial Oversight: A Private Sector View of Anti-Money Laundering Efforts.”
May 18, 2004

An effective anti-money laundering system relies on a collaborative effort from the public and private sectors. This effort has received additional scrutiny recently due to problems at Riggs Bank, an instance where the public-private collaboration stumbled badly in protecting the public’s best interest.

It is evident that the public and private sectors must continue to improve the way that suspicious activity is detected, reported and analyzed. Today we examine ways to improve the oversight and utilization of transaction information by regulatory and law enforcement agencies so the failures at Riggs are the last of their kind in our country.

The current enforcement structure we have put in place to enforce our anti-money laundering laws disperses various levels of responsibility through a convoluted group of Treasury bureaus and independent agencies.

While these agencies have been focused on efforts to oversee the safety and soundness of our financial institutions for decades, they must embrace new responsibilities which acknowledge that money-laundering is no longer a second-tier issue for financial regulators.

Of particular interest to this subcommittee are proposals to simplify the governmental structure so that regulation and compliance for these laws are better unified, perhaps even under the auspices of a single entity.

Given the vulnerabilities exposed by the Riggs case, I’m inclined to believe that the current structure is a relic of a foregone era and that substantive organizational reforms are necessary.

At a bare minimum, Congress should begin now an active and thorough assessment of proposals aimed at strengthening our enforcement regime. This subcommittee intends to do just that in the coming weeks and months, and therefore I look forward to testimony from some of our witnesses as to how we might significantly improve the effectiveness of our system without creating yet another layer of bureaucracy.

Our financial regulators must place a strong emphasis on compliance through rigorous oversight, taking swift and forceful action for non-compliance when necessary. This oversight includes working with the private sector to develop accurate risk assessments that enable examiners to focus on specific institutions, because resources need to be concentrated appropriately.

The continued leadership of the Administration and the Treasury Department is essential to improving financial oversight. Earlier this year, President Bush signaled his commitment to the war against terror by proposing a 14 percent increase in funding for the Financial Crimes Enforcement Network. FinCEN plays a key role in efforts to stop financial crimes by working with the financial community and supporting local, state and federal law enforcement and intelligence agencies.

The Administration has also announced the creation of the Office of Terrorism and Financial Intelligence (TFI) within the Department of the Treasury to unify, under one structure, the functions of several offices. I applaud the Administration for its efforts to streamline and centralize our anti-money

laundering efforts. There must be greater communication between FinCEN, law enforcement, the banking regulators and financial institutions, and I believe this office was an important step toward improving this coordination.

Now we must work to bring the next steps into focus. As evidenced by the failures of Riggs Bank and its regulator, the OCC, it is time to explore further reforms that improve the overall structure of our anti-money laundering efforts.

It is unacceptable that a Washington, D.C.-based bank with the largest embassy banking clientele allowed tens of millions of dollars to pass unnoticed and unreported through accounts belonging to Saudi Arabian government officials.

This activity continued even after a consent order was put in place last year. The mechanisms we put in place to detect and report suspicious activity failed – repeatedly. We no longer live in a world where such failures can be tolerated.

I thank the witnesses for appearing here today. You are on the front line of these efforts, and I look forward to hearing your views on how we can continue improving financial oversight.