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Introduction

Madame Chairwoman, Ranking Member Gutierrez, Chairman Oxley, Ranking Member Frank, and all Members of the Committee, thank you for inviting me to participate in this hearing. I commend you on assembling the best panel of private-sector experts on money laundering issues that I have seen at a Congressional hearing in the past two years. They are some of the most influential, knowledgeable, and dedicated experts in the United States and, indeed, the world. I want to thank Jon Levin and Dana Lesemann of The Investigative Project for their work in preparing this testimony.

We are here today to examine whether the Riggs case represents the exception to the rule or the tip of the iceberg. Riggs Bank's failure to file Suspicious Activity Reports (or "SARs") in deference to its clients' desire for secrecy is the single most serious breach ever in the first line of U.S. financial controls against terrorism, and the bank officials who participated in these willful violations should be held personally responsible. SARs are integral to identifying and interdicting illegal assets in the United States. I urge this Committee to conduct a thorough review of the examinations conducted by financial regulators of Riggs and other major financial institutions to see what the regulators knew or should have known of gaps in anti-money-laundering systems.

In at least one instance that I can discuss, a major financial institution cut ties with a terrorist-linked bank upon being advised to do so. In 2000 and 2001, Citigroup was participating in joint ventures with al-Aqsa Bank, which has ties to Hamas. When informed by the Israeli government of those ties, Citigroup contacted the United States Treasury for guidance and subsequently terminated its relationship with al-Aqsa Bank. The question is this: What is the true paradigm? Is it Citigroup's taking the initiative with the Treasury Department or is it Riggs Bank's failure to comply with government mandates? The answer to this question will be critical to determining how you formulate effective measures to interdict terrorism-related transactions in the future.

For those companies that do defy U.S. regulations or fail to prevent their employees from doing so, the recent $100 million fine against Switzerland's UBS AG is a crystal-clear illustration that any short-term profits produced by defying U.S. law will ultimately be overwhelmed by the repercussions of being caught. UBS likely avoided even greater censure by demonstrating that its violations were not part of a greater disregard for financial controls but were isolated actions taken by employees acting contrary to company policy.

However, al-Qaeda has established its own banking system outside of European and U.S. law. Al-Taqwa Bank was created by the Muslim Brotherhood in 1988 to move and safeguard large quantities of cash for terrorist causes; it was finally designated a terrorist entity by U.S. authorities in 2001.

Al-Qaeda and other terrorist organizations have also found innumerable cracks in the financial structures of western nations and exploit the lack of regulation in third-world countries to obscure the sources and destinations of their funds. How has the private sector responded to the revelation that al-Taqwa was a terrorist front? Were private-sector institutions aware of al-Taqwa's links to terror and did they turn a blind eye before the government's designation? Did al-Taqwa's business partners cooperate with U.S. and European investigators once they were made aware of al-Taqwa's links to terrorism? These questions will require your attention and oversight; the answers will guide your approach to regulation of this industry.

As far as maintaining oversight over domestic transactions, the U.S. must continue a multi-pronged approach to countering terrorist money trafficking in the formal international financial

structure. First, programs like the filing of SAR reports and the distribution of information requests under Section 314(a) of the PATRIOT Act must be enhanced, and penalties for non-reporting and non-compliance must be heavy. Second, when terrorists attempt to infiltrate that structure by establishing separate financial institutions, the U.S. must identify them, freeze their assets, and interdict their activities. Last, permanent renewal of a strong and effective PATRIOT Act is fundamental to maintaining maximum pressure on the terrorism's advanced financial apparatus and machinations.

I will now go into more detail about these topics.

Suspicious Activity Reports and Private-Sector Initiation

The SAR report creates an avenue for the U.S. Government to obtain investigative leads from the private sector under reasonable and controlled circumstances. As Comptroller of the Currency John D. Hawke, Jr. said in announcing last week's record fine against Riggs Bank, "[t]he Bank Secrecy Act has been enormously helpful in providing law enforcement agencies with information about illicit activities….Today, it is one more weapon we can to bear in the war on terrorism. The OCC expects banks to have effective anti-money laundering programs in place and we will take strong action against any national bank that is not in compliance with this important law."

Essentially, the SAR rules delineate a set of activities that the government construes to be typical of criminal enterprises and therefore must be reported. This allows law enforcement to generally disengage from the process of examining individual accounts and transactions, and ultimately provides consumers with greater anonymity and an escape from governmental prying. This is the ideal, and, if working effectively, the SAR is a powerful tool through which private sector entities are able to present new investigative leads to law enforcement. There are several weaknesses, however, which might cause the SAR approach to fail.

The Riggs Bank case exhibited one of them; the SAR system is dependant upon profit-driven Banks to take actions that might not be beneficial to their bottom line. According to FinCEN's "Assessment of Civil Money Penalty," May 13, 2004:

> Riggs willfully violated the suspicious activity and currency transaction reporting requirements of the BSA and its implementing regulations, and that Riggs has willfully violated the anti-money laundering program ("AML program") requirement of the BSA and its implementing regulations. The violations Riggs engaged in were systemic – Riggs was deficient in designing a program tailored to the risks of its business that would ensure appropriate reporting, implementing the procedures it did have, and responding to classic "red flags" of suspicious conduct. Riggs failed to correct the violations and implement an adequate BSA program in a timely manner.

Riggs Bank failed to file required SAR reports in deference to its business model. Riggs caters specifically to the diplomatic community, which highly values secrecy. Apparently, those at Riggs who decided that it was best not to file SARs either thought that the business lost would be greater then the cost of non-compliance or that no one would discover their deception. Either way, Riggs employees made a decision to abstain from fulfilling required financial control mechanisms for purely business reasons.

Riggs' program contained serious deficiencies and was not in compliance with the BSA regulations. In January 2003, Riggs' program was deficient in all four elements required by the AML program regulation. Some of the internal control and audit deficiencies continued after the OCC's Consent Order was issued. There are other questions to be answered regarding the Riggs case itself: Were Riggs's clients assured of a quid-pro-quo? How long and with how many clients has Riggs agreed to ignore suspicious activity? To what activities have funds drawn from diplomatic accounts at Riggs gone? Indeed, the most important question to come out of the Riggs case in general is, why did it take so long for this debacle to come to light?

The punitive measures taken by the OCC and FinCEN against Riggs seem appropriate. The $25 million dollar fine levied against Riggs sends a clear message. More important, ultimately, will be the OCC's requirement that Riggs review senior-level competency, develop procedures for ensuring compliance with the Bank Secrecy Act in the future and its examination of past records for irregularities, occasional review of managers' backgrounds, and internal systems for early detection of reporting failures. These specific requirements are a positive step in creating a template for banks rewriting their reporting procedures.

Nonetheless, I urge Congress to conduct a review of the examinations conducted of Riggs by financial regulators both before and after September 11. Riggs's customers and shareholders -- and the public in general -- need to know if regulators missed key indicators that should have warned them of Riggs's noncompliance. There is plenty of precedent for such a Congressional review: in May 2002, this subcommittee conducted a review of SEC examinations of the activities of a crooked stockbroker, Frank Gruttadauria, in connection with your hearing on his theft of millions of dollars from unsuspecting clients. I recall that you found that the SEC missed a key indicator that Gruttadauria may have been illegally churning his clients' accounts. I recommend something analogous to that review. I also hope that you will design a broader review of regulators' examinations of financial institutions, perhaps to be conducted by the GAO with the Inspectors General of the regulators. In this way, the Committee can learn what measures should be considered when debate on the reauthorization of the PATRIOT Act begins next year.

The SAR system itself has only recently caught up to the changing nature of financial crimes and the new focus on their links to terrorism. SAR reports require filers to "characterize" the type of transaction being reported. The list of possible descriptions on the Suspicious Activity Report form includes numerous types of fraud, checking schemes, and identity theft.[1] According to a government publication analyzing the rate and type of SAR filings, "Terrorist Financing was added as a suspicious activity characterization in July 2003; between July and December, 495 SARs were filed with this characterization box marked."[2] It is reasonable to expect that the number of SARs characterized as "Terrorism Financing" will increase substantially in the coming months and years. I know that the Treasury Department's Inspector General is currently conducting a thorough review of the quality of the SAR database and will issue a report in the coming months.

The more difficult task will be to identify ways to make the failure to file SARs a business liability in the future, rather than allowing the Riggs situation to repeat itself. Has the government examined potential changes to the system that will protect financial institutions from the possible economic repercussions of filing SARs? An associated question is whether Riggs was confronted by a specific client or group of clients demanding that Riggs not file SARs. Would such a demand carry its own penalties against the client? Installing protections for financial services against

[1] "The SAR Activity Review; By the Numbers," Issue 2, May, 2004.
[2] "The SAR Activity Review; By the Numbers," Issue 2, May, 2004.

client demands to non-file and the threat of clients withdrawing business will remove an incentive for non-compliance.

Ultimately, the SAR system and automation of information sharing must function successfully for the private sector to be a significant source of counter-terrorism information. A critical improvement in this process would come about by full implementation of the PATRIOT Act Communication System (PACS), which was mandated by Section 362 of the PATRIOT Act to enable financial institutions to file SARs online. Madame Chairwoman, I know that last year you asked the Treasury Department's Inspector General to review PACS implementation, and I hope that that report is available to you and the public soon. PACS has the potential to significantly reduce the costs and improve the efficiency of U.S. anti-money-laundering programs. Timely enactment of the system is vital, though, to provide a sufficient window for evaluating the system prior to reauthorization of the PATRIOT Act.

On a related note, I am aware that testimony before the Financial Services Committee on May 12 suggested that the floor for Currency Transaction Reports (CTR) be raised from $10,000 to $20,000. I urge the Committee to consider that this change would greatly ease transfers of illicit funds by slashing launderers' need to employ complex and stacked transactions and reducing the absolute number of records available to regulators investigating financial crimes.

One final note concerning Riggs Bank; Riggs's transgressions first occurred before the September 11th attacks, and both public and private awareness of the importance of identifying and tracing financial support for terrorism have since changed fundamentally. The implication in the OCC Assessment of Civil Money Penalty that Riggs continued to ignore money-laundering reporting rules, not only after the 9/11 attacks but also after a Consent Order just last year, is devastating. The financial community must understand that their cooperation is fundamental to the war on terror. Riggs's posturing that it was immune to reporting standards because of its clientele is abhorrent, and the officials who committed these egregious violations should be held personally responsible.

Public-Sector Initiation and Public-Private Dialogue

Riggs Bank's failure to comply with money laundering regulations is hardly the sole available example to examine regarding private-public counter-terrorism cooperation. On the contrary, while Riggs may be the worst possible scenario – an institution not only knowingly involved in some manner with financial maneuverings related to international espionage but also explicitly and premeditatedly violating written laws to hide those transactions – other instances in recent years have been effective models of public-private coordination. Citibank's handling of allegations against its corporate partner, al-Aqsa Bank, is an excellent example, the details of which I can discuss now, in contrast to other on-going investigations.

In 1997 $30 million vanished from a Hamas-controlled bank account in Europe.[3] In response, and to protect its remaining and future assets, Hamas established al-Aqsa Islamic Bank that year.[4] Hamas was also operating through another bank, Beit al-Ma'al, for many of its transactions, and al-Aqsa Bank was not used as a conduit until 1999,[5] after Israeli authorities closed down Beit al-

[3] "Hamas Denies Reported Loss of Funds," BBC, October 27, 1997.
[4] Bodansky, Yossef, "Iran's Pincer Movement Gives it a Strong Say in the Gulf and Red Sea," Defense & Foreign Affairs' Strategic Policy, March, 1992.
[5] Miller, Judith and Atlas, Riva D., "Citibank Weighs Ending Ties With an Arab Bank," The New York Times, January 24, 2001.

Ma'al.[6] Al-Aqsa then became a means of circumventing Israeli prohibitions on the activities of Beit al-Ma'al, and a means of evading banking regulations in general.[7] Beit al-Ma'al invested $4,000,000 in al-Aqsa Bank.[8]

After Israel banned al-Aqsa/Beit al-Ma'al's operations,[9] Hamas again bypassed Israeli restrictions and made its funds accessible to Hamas operatives in Israel and the territories by embarking on joint projects with Citibank, intertwining itself with Citibank's Israel division.[10] As part of that relationship, monies deposited into al-Aqsa accounts in Europe or the Middle-East became accessible from Israel through Citibank.[11]

Israeli counterterrorism officials met with Citibank executives in January 2001[12] when Citibank sought to expand its operation in Israel.[13] A Citigroup executive then sent a letter requesting guidance from the U.S. Treasury to Richard Newcomb, Director of the Office of Foreign Assets Control (OFAC),[14] saying "Let me be clear: Citibank would never knowingly do business with a terrorist organization."[15] Neither the Treasury nor Citigroup has released any further correspondence. Citigroup no longer has any relationship with al-Aqsa Bank and noted that, as of January 2001, al-Aqsa Bank was not on the U.S. Government's list of designated terrorist organizations.[16]

Beit al-Ma'al and al-Aqsa Bank were both designated as Global Terrorist entities by the U.S. government on December 04, 2001.[17] The Department of Treasury characterized the designation as "another significant step in the financial war against terrorism."[18]

The al-Aqsa Bank/Citibank episode contains several valuable lessons. First, proper handling by a bank of allegations of wrongdoing is an asset to national security agencies tasked with interdicting terrorist transactions. The manner of federal regulations also leaves banks in a strong position to demonstrate to its clients that it provided information to government only in accordance with legal requirements and is not improperly exposing protected activities or

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[6] Miller, Judith and Atlas, Riva D., "Citibank Weighs Ending Ties With an Arab Bank," The New York Times, January 24, 2001.
[7] Miller, Judith and Atlas, Riva D., "Citibank Weighs Ending Ties With an Arab Bank," The New York Times, January 24, 2001.
[8] Al-Ayyam. July 28, 1999 AND Miller, Judith and Atlas, Riva D., "Citibank Weighs Ending Ties With an Arab Bank," The New York Times, January 24, 2001.
[9] "Court Asks State Why it Took $1 Million of HAMAS Cash," Ha'aretz, September 15, 2000.
[10] Miller, Judith and Atlas, Riva D., "Citibank Weighs Ending Ties With an Arab Bank," The New York Times, January 24, 2001.
[11] Crudele, John, "Citibank Followed the Money Straight to Terrorists," New York Post, February 19, 2002.
[12] Zacharia, Janine, "Citibank Seeks US Guidance Over Hamas Funding," The Jerusalem Post, January 24, 2001.
[13] Miller, Judith and Atlas, Riva D., "Citibank Weighs Ending Ties With an Arab Bank," The New York Times, January 24, 2001.
[14] Zacharia, Janine, "Citibank Seeks US Guidance Over Hamas Funding," The Jerusalem Post, January 24, 2001.
[15] Miller, Judith and Atlas, Riva D., "Citibank Weighs Ending Ties With an Arab Bank," The New York Times, January 24, 2001.
[16] Miller, Judith and Atlas, Riva D., "Citibank Weighs Ending Ties With an Arab Bank," The New York Times, January 24, 2001.
[17] Executive Order No. 13224, September 23, 2001, 31 CFR Part 595-597, in Annex dated December 4, 2001.
[18] http://www.treas.gov/press/releases/po841.htm, accessed May 10, 2004.

compromising privacy. Citibank was made aware of a potential problem, gathered information from pertinent government offices, made a determination that its partnership was a liability, and ended the relationship.

Second, it is critical that financial institutions of all types institute systems to prevent flows of funds for terrorist purposes, especially by verifying the identity of customers. "Customer identification programs," or CIPs, are required under Section 326 of the PATRIOT Act. However, customer identification was already becoming a major cost of the operations of a number of major banks before September 11, as many major financial institutions hired senior-level federal anti-money-laundering officials to start "financial intelligence units," or FIUs, even prior to 9/11. Regulatory DataCorp, SAS, and Teledata Communications, among others, are selling special software packages to enable financial institutions to verify customers in real time. I understand that the new AML team at Riggs had not, at least as of this January, adopted an off-the-shelf system. My distinguished colleague on this panel, Jim Richards, has produced invaluable research on the challenges of identifying customers.

The imperfections of the Citibank case, though, are obvious: during the Citibank/al-Aqsa Bank loophole's brief opening Hamas may have moved as much as $1 million into Israel.[19] Moreover, the burden for discovering the loophole in the first place fell entirely upon government agencies that did not have access to banking records that would undoubtedly have facilitated a more rapid investigation. Had the Israeli government not already known that al-Aqsa Bank was an arm of an illegal organization, the Citibank investigation may never have been undertaken.

In contrast, the SAR system creates an opportunity for dialogue initiated by financial institutions. SARs provide the government with indications of financial activity that appear to be typical or indicative of a criminal endeavor, regardless of whether the government is already investigating any of the parties involved in the transaction. Thus, the SARs enable the government to obtain information that might lead to entirely new avenues of investigation. The model SAR-induced investigation would incorporate the process of dialogue we saw in the Citibank case, but would be triggered by the bank's own reporting process.

To improve private-public dialogue, the Department of Homeland Security's Bureau of Immigrations and Customs Enforcement (ICE) has created Operation Cornerstone specifically to liaise with financial institutions. ICE has trained more than 100 Special Agents and deployed them in each of ICE's 27 field offices. This initiative should be monitored and assessed for the extent of the private sector's participation and the coordination among ICE and the FBI, IRS, and other interested agencies.

In addition, Section 314(a) of the PATRIOT Act requires FinCEN to send law enforcement information requests to thousands of financial institutions, which then search their records and transactions, and report positive matches back to FinCEN. FinCEN consolidates the data and provides the information to the law enforcement requestor for appropriate follow-up. Creation of the Section 314(a) system was painful, as John Byrne of the ABA has testified to in the past, but FinCEN's chief of staff reported last week that "law enforcement has discovered over 1,000 items of new financial information resulting in over 500 subpoenas, and other legal process to obtain the documentation for these matches."[20] Most importantly, 314(a) actions have apparently led to

[19] "Top of the News," United Press International, January 25, 2001.
[20] Statement of Robert W. Werner, Chief of Staff, Financial Crimes Enforcement Network, United States Department of the Treasury, before the House Committee on Government Reform, Subcommittee on Criminal Justice, Drug Policy, and Human Resources, May 11, 2004.

arrests and indictments. I recommend that the Committee review the performance of the 314(a) system prior to debate on reauthorization of Title III of the PATRIOT Act.

UBS AG Case

The announcement on Tuesday, May 11 that the U.S. Government will levy a $100 million fine against the Swiss bank UBS AG for engaging in currency transactions with states subject to U.S. sanctions sends a very strong message and sets a positive precedent. According to media reports, UBS's contract with the United States Treasury stipulated that UBS not trade with nations subject to U.S. sanctions,[21] but that UBS nonetheless traded with Libya, Iran, Cuba, and Yugoslavia.[22]

According to initial reports, the UBS violations were committed by a group of individuals in contravention of company policy.[23] The Federal Reserve said in a statement that, "[i]n violation of law, certain former officers and employees of UBS engaged in intentional acts aimed at concealing those bank- note transactions from the reserve bank, including, but not limited to the falsification of monthly reports submitted by UBS to the reserve bank."[24] UBS reportedly terminated employees who aided the illegal transactions.[25] UBS said in a statement that it "has already instituted corrective and disciplinary measures and has decided to exit the international banknote trading business."[26] UBS and the U.S. government have approached the punishment and prevention of this crime appropriately. UBS identified the cause of the problem and instituted policies to prevent a recurrence. The U.S. government levied a heavy penalty that fairly reflected the severity of the crime.

However, as with the al-Aqsa and Riggs cases, the impact of the breach in financial controls is irreversible. U.S. policy, embodied in Section 311 of the PATRIOT Act, is to deny certain countries the benefits of economic interaction with the United States as punishment for severe state crimes, and such sanctions are a cornerstone of U.S. interaction with hostile nations. We should not hesitate to employ the most severe sanctions against countries that fail to cooperate with us in fighting terrorism.

Terrorist Entities' Methods of Financing: Bank al-Taqwa

Unfortunately, as illustrated tangentially by the al-Aqsa Bank/Beit al-Ma'al investigation, today's sophisticated terrorist organizations do not rely upon conventional financial services companies, but have created a wholly independent set of institutions. It is safe to assume that terrorist financiers and companies will not fulfill SAR reporting requirements or cooperate with government investigations.

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[21] Paletta, Damian, "UBS Fined $100 Million on Currency Violations," The American Banker, May 11, 2004.
[22] Paletta, Damian, "UBS Fined $100 Million on Currency Violations," The American Banker, May 11, 2004.
[23] Paletta, Damian, "UBS Fined $100 Million on Currency Violations," The American Banker, May 11, 2004.
[24] "Swiss Bank UBS Pays 100-Million-Dollar Fine for Abusing Fed Account," Agence France Presse, May 10, 2004.
[25] "Feds Fine UBS $100 Million For Illegal Cash Transfers," Wall Street Journal Online, May 10, 2004.
[26] "Feds Fine UBS $100 Million For Illegal Cash Transfers," Wall Street Journal Online, May 10, 2004.

According to President Bush, Bank al-Taqwa is "an association of offshore banks and financial management firms that have helped al-Qaeda shift money around the world."[27] Al-Taqwa was founded as the first step in "establishing a world bank for fundamentalists" and to compete with Western financial institutions.[28] Al-Taqwa's connections to al-Qaeda led the Bush administration to freeze al-Taqwa's assets on November 7, 2001.[29]

In January, 2002, the Treasury Deputy General Counsel wrote to Swiss official M. Claude Nacati that, "Bank al-Taqwa…was established in 1988 with significant backing from the Egyptian Muslim Brotherhood, and it has long been thought to be involved in financing radical groups like the Palestinian HAMAS, Algeria's Islamic Salvation Front, and Armed Islamic Group, and Tunisia's An-Nahda."[30] The Deputy General Counsel also wrote that, "[a]s of October, 2000 Bank Al Taqwa appeared to be providing a clandestine line of credit for a close associate of Usama bin Laden."[31] Al-Taqwa reportedly has offices and activities from Panama to Kuwait.[32]

Unlike al-Aqsa Bank or Beit al-Ma'al, al-Taqwa Bank was able to function entirely on its own, without relying on the patronage of a larger organization. By avoiding interaction with the legal financial community, terrorist organizations evade government regulations such as SAR reports entirely. Indeed, although it is not yet clear whether Riggs Bank made a simple business decision that not filings SARs would be beneficial to its standing among its target clientele or in fact instituted procedures to defy federal regulations, al-Taqwa and other terrorist institutions exist specifically to design means of circumventing government controls.

Al-Qaeda and other terrorist organizations have diversified means of obtaining cash, both legally and illegally, which must be passed from its multitude of sources to many fewer end-users without identifying the earners, the means of passage, or the receivers. All of the produce of terrorist schemes involving counterfeit baby formula, CDs, and DVDs, schemes to profit on un-taxed cigarettes and other products, credit card fraud, smuggling, and a slew of other petty crimes must be laundered. While hawalas and suitcases full of cash have served to pass significant quantities of cash, al-Qaeda's financial apparatus is integral to the smooth operation of al-Qaeda's network of members and affiliates.

Indeed, Osama bin Laden came to prominence among the Afghan Mujahideen precisely because of his talent for moving men and money around the world without governmental interference. Every government victory in interdicting terrorist finances today is being examined by our enemies for lessons-learned, which are then incorporated into the organizations and companies replacing those we have shut down.

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[27] "President Announces Crackdown on Terrorist Financial Network," November 7, 2001, http://www.state.gov/s/ct/rls/rm/2001/5982.htm.

[28] Bodansky, Yossef, "Iran's Pincer Movement Gives it a Strong Say in the Gulf and Red Sea," Defense & Foreign Affairs' Strategic Policy, March, 1992.

[29] Executive Order No. 13224, September 23, 2001, 31 CFR Part 595-597, in Annex dated November 7, 2001.

[30] Letter from George B. Wolfe, Deputy General Counsel of the U.S. Department of the Treasury, to M. Claude Nicati, Substitut du Procureur General, Switzerland, January 4, 2002.

[31] Letter from George B. Wolfe, Deputy General Counsel of the U.S. Department of the Treasury, to M. Claude Nicati, Substitut du Procureur General, Switzerland, January 4, 2002.

[32] "Money Laundering Probe to Look at Possible Bin Laden Link," Agence France Presse, September 23, 2001, and Executive Order No. 13224, September 23, 2001, 31 CFR Part 595-597, in Annex dated November 7, 2001. Various sources have referenced al-Taqwa activity in Liechtenstein, Italy, Malta, Panama, Switzerland, France, Kuwait, the United Arab Emirates, and the Bahamas...

Conclusion

If in fact Riggs's failure to file SARs was merely an oversight or profitable omission, then it is an issue that can and will be addressed neatly and thoroughly. The UBS precedent is a good one, and should guide responses to similar financial crimes in the future. Clearly, corporate structures that aid or abet defiance of federal regulations knowingly must be met with stiffer penalties. However, the vast majority of both passive and active institutional violation of governmental controls is going to be the result of profitability, not a desire to aid terrorists.

Although the Riggs case represents the failure of the financial sector in oversight, there are cases and examples that represent the courageous successes of financial institutions of monitoring suspicious activities and actually helping the government to track and interdict possible terrorist operations. . In this category is a fellow panelist, Jim Richards, who has played a singular role in helping the government identify terrorists in the United States because of his dedication and tireless commitment to the security of this country.

On the other hand, constituents of a small subset of financial institutions that violate government proscriptions are constituted for the express purpose of providing services to terrorists. The long-term challenge posed by al-Taqwa and similar terrorist-controlled institutions is that their schemes might easily elude detection for many years. From the highest corporate structures such as al-Taqwa to the petty crimes such as fraud, counterfeiting, theft, and smuggling, al-Qaeda and other terrorist organizations have diversified means of raising and moving financial assets.

Vigilance by private industry sources in filing SARs and similar accounting documents are vital to exposing not only terrorist transactions passing through their own institutions but also institutions that are themselves fundamentally terrorist in nature.