



**Statement of Michael F.A. Morehart, Section Chief
Terrorist Financing Operations Section
Counterterrorism Division
Federal Bureau of Investigation**

**United States House of Representatives
Committee on Financial Services**

May 26, 2005

Chairperson Kelly, Congressman Gutierrez and distinguished members of the Committee, I appreciate the opportunity to appear before you to discuss the efforts of the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) and the Federal Bureau of Investigation (FBI), as they pertain to the utilization of information obtained pursuant to the Bank Secrecy Act (BSA), as amended.

I am honored to appear before you today with William J. Fox, the Director of FinCEN, to discuss how FinCEN and the FBI work together closely to ensure the appropriate and successful utilization of BSA information in the U.S. war on terrorism.

Over the years, the FBI has enjoyed a long-standing and productive relationship with FinCEN. The importance and quality of this working relationship cannot be overstated. Under the leadership of Director Fox, our relationship as well as the quality and successes of our joint efforts have flourished. This mutually beneficial working relationship serves as a prime example of what can be achieved when agencies unite in a common effort to ensure the safety of our financial system as well as our nation's security.

The critical role that financial information serves in investigative and intelligence matters cannot be over emphasized. This underlying premise was enumerated in the USA PATRIOT ACT of 2001 (PUBLIC LAW 107-56-OCT. 26, 2001), which, in part, states:

“...defects in financial transparency on which money launderers rely, are critical to the financing of global terrorism and the provision of funds for terrorist attacks” [31 USC § 5311, SEC. 302 FINDINGS AND PURPOSES, (2)]

Financial information, lawfully acquired, significantly enhances the ability of U.S. law enforcement and intelligence community members to overcome defects in financial transparency as mentioned in the previous excerpt from the U.S.A. PATRIOT Act. Likewise, BSA data is of incalculable value in this important effort. When combined with other data collected by the law enforcement and the intelligence community, investigators are better able to “connect the dots.”

More recently, BSA data has proven its utility relative to counterterrorism matters. For example, BSA data is used to obtain additional information about subject(s) under investigation and their methods of operation. Analysis of BSA data permits counterterrorism investigators to acquire biographical and descriptive information, to identify previously unknown subject associates and/or co-conspirators, and, in certain instances, to determine the location of subject(s) by time and place.

The value of BSA data to counterterrorism efforts is reflected in the results of a recent review of BSA data. In this instance, the FBI, using information technology, reviewed approximately 71 million BSA documents for their relevance to counterterrorism investigative and intelligence matters. The review identified over 88,000 Suspicious Activity Reports (SARs) and Currency Transaction Reports (CTRs) that bore some relationship to subjects of terrorism investigations.

The FBI also uses BSA data to identify trends and patterns of relevance to terrorism financing. For example, 64% of the CTRs associated with cash deposits were for amounts which totaled less than \$20,000. Conversely, the analysis showed that 75% of the CTRs associated with cash withdrawals were for amounts greater than \$20,000. This is consistent with traditional money laundering activity or structuring which involves the deposit of small amounts followed by the withdrawal of larger amounts.

Director Fox and his staff understand the importance of BSA data to the investigative and intelligence missions of the FBI and, in turn, its critical

importance to the protection of the financial infrastructure and the security of the United States. This understanding is evidenced by FinCEN's assistance in helping the FBI develop new ways to access and share the BSA data. As a result, BSA data has been integrated into the FBI's Investigative Data Warehouse (IDW).

By way of background, IDW is a centralized, web-enabled, closed system repository for intelligence and investigative data. This system, maintained by the FBI, allows appropriately trained and authorized personnel throughout the country to query for information of relevance to investigative and intelligence matters. In addition to the BSA data provided by FinCEN, IDW includes information contained in myriad other law enforcement and intelligence community databases.

The benefits of IDW include the ability to efficiently and effectively access multiple databases in a single query. As a result of the development of this robust information technology, a review of data that might have previously taken days or months now takes only minutes or seconds.

In conclusion, the partnership between the FBI and FinCEN is a model for the effective sharing of information. Director Fox has accurately identified a process which maximizes the information collected by FinCEN to be used by the FBI, within the confines of current laws and regulations, in the war on terrorism. The FBI has developed IDW as tool to find the most critical pieces of information included in BSA and other data sets to ensure that the efforts of FinCEN and its banking partners are utilized as directed by Congress to protect the United States. I would like to thank the committee for allowing me to provide this information and welcome the opportunity to answer any questions that the committee may have at this time.