

## **Opening Statement of Vice Chair Sue Kelly**

House Financial Services Committee

“The 9/11 Commission Report: Identifying and Preventing Terrorist Financing”

August 23, 2004

I want to thank Vice Chairman Hamilton for joining us here today to discuss the important contribution that the Commission has made to our efforts to protect our nation from further attacks.

I would also like to thank Mr. Levey, Mr. Libutti, and Mr. Sabin for their daily dedication to this critically important aspect of the fight against terrorism.

Under Chairman Oxley’s leadership, this committee has held many hearings on this matter, and has contributed to the considerable progress we have made in the last three years.

Today’s hearing holds great value for us as we consider the broader intelligence reforms proposed by President Bush, the 9/11 Commission and, most recently, the Chairman of the Senate Intelligence Committee. Improving our methods for fighting and tracking terror financing is certainly something that must be considered as a part of these reform efforts.

In fact, I believe that any comprehensive intelligence reform will be incomplete if it does not include measures that substantively improve our fragmented anti-money laundering system.

As we have learned, the fight against terror finance is a wide-ranging, often amorphous task that compels us to contemplate many possibilities:

- Things as blatantly remarkable as the smuggling of bulk shipments of cash, drugs and precious stones.
- Things as mundane as low-level scams involving coupons, cigarettes, baby formula, and counterfeit t-shirts.
- And things as wicked as the use of religious charities as cloaks for terrorist finances.

It is because of this broad diversity that I recently created, with some of my colleagues on the House side and with Senator Grassley in the Senate, a bipartisan Congressional Anti-Terrorist Financing Task Force to provide a forum for members of Congress to discuss and learn more about the many issues relevant to this matter.

But money laundering rightly remains a vital focus of our efforts.

As Treasury Secretary Snow recently wrote, “Our ability to combat terrorist financing is linked with our ability to combat money laundering.” And in his written testimony today, Vice Chairman Hamilton recommends BSA enforcement as a top focus for the Committee as we move forward.

I read with interest recently an article that included a comment by a representative of the banking industry who stated: “Terrorist financing is not money laundering. Terrorist financing is impossible to detect on your own.”

It is true that our work continues to require better intelligence and greater collaboration between the financial institutions and our government. It also is true that terrorists engage in routine financial activity that in-and-of-itself is not remarkable.

But it is comments such as these which seem to evoke an attitude still held by elements within the financial aristocracy that inadvertently but implicitly seeks to mitigate the responsibility of financial institutions and regulators in fighting terror finance. This is an outdated mindset that leads regulators and financial institutions to conclude that a strong anti-money laundering system is really not all that important.

This mindset has not been well-hidden. This committee has heard from the Treasury Inspector General and others who have presented a picture of an anti-money laundering system that is fraught with weaknesses.

We have been told that regulators have struggled consistently to meet the standards set out by the Bank Secrecy Act.

IG reports cite regulators for, among other things:

- Performing incomplete BSA examinations.
- Failing to follow-up on the suspicious activities they did identify.
- Slowness in taking enforcement actions against BSA violations.
- A glaring disinterest in notifying FinCEN of such violations.

And unfortunately, this Committee has had to examine some well-known regulatory failures that have clearly illuminated our vulnerabilities to the world.

I remain seriously concerned that our efforts to ensure an effective BSA compliance system are:

- Structurally hindered by a fragmented, center-less system created at a time when illicit money transactions were of less interest to the national security.
- Motivationally impaired by the long-standing culture among financial institutions and regulators that has traditionally viewed money laundering as a second-tier concern.

I firmly believe that a strong, centralizing force dedicated to BSA compliance is needed to overcome these impediments, and I sincerely hope that as we move forward with this deliberation in Congress, that there is an appropriate recognition of this need in any legislative proposals that are crafted.

I also believe that strong consideration should be given to other proposals, such as establishing a criminal enforcement program within Treasury, and to giving FinCEN the authority to receive international wire transfer data electronically, something that other countries are already doing.

Again, many thanks to Chairman Oxley and to our witnesses. I look forward to today's discussion and our ensuing efforts on this matter.