

Opening Statement: U.S. Rep Ed Royce (CA-40)
“The 9/11 Commission Report: Identifying and Preventing
Terrorist Financing”
23 August 2004

Mr. Chairman, thank you for bringing this committee back to work to focus on such a critical issue on the war on terror. It is important for our enemies and our friends to know how serious we are about the subject of terror financing.

I would like to thank Lee Hamilton for his service. While the September 11th Commission did not allocate a significant part of its report to terror finance, it did recognize that the fight against terror financing is absolutely central to our long-term safety. I appreciate the Commission's position and I hope it will serve as a springboard for action.

The financing of terror can mean many things and take various forms. I think we must shed any myopic perspectives brought from the past. I think we should start with the "epicenter" of terrorism finance -- and that is none other than the Gulf States on the Arabian Peninsula. It is estimated that since the late 1970's the Gulf States have spent over \$75 billion spreading Wahhabism to places like Africa, South East Asia, Pakistan, Europe, Russia and many of its former Republics, and the United States and Canada. Some recipients of this funding have been religious leaders that teach an extreme version of Wahhabi Islam, which advocates a real hatred of Christians, Jews, Hindus, and others. Let me be clear in saying I do not believe most Wahhabi religious leaders have spread hatred leading to terrorism, but it certainly has been a statistically significant number.

We cannot win the war on terror unless the global community works to cut off the flow of funds terrorists use and receive. Certain terrorist acts do not require vast amounts of funding; however, the costs of indoctrination, recruitment, and sustainability are quite high. If these rogue, terror groups have no financial support, it is difficult for them to continue to operate effectively.

In my view, the question we need to ask as members of this Committee is how can the financial services community play a lead role in the fight on terror?

We have the best safety and soundness financial regulators. As a part of their job financial regulators are also tasked to enforce the Bank Secrecy Act and Title 3 of the Patriot Act. This Committee needs to emphasize the importance of that role to these regulatory agencies.

Today, the Fed, the FDIC, the OCC, the OTS, the NCUA, the SEC, the CFTC, and the IRS are tasked with enforcing compliance with the Patriot Act and the Bank Secrecy Act. Based on evidence to date, I think it is fair to say that the aforementioned regulators have room for improvement. The cases at UBS, Riggs are just two recent problematic examples. Additionally, the \$800 billion in hedge funds and the billions exchanged by money transfer businesses are not even being looked at today.

Furthermore, I think we need to create a new structure, and we may need legislation to accomplish changes, whereby each safety and soundness regulator would have a designated group that works hand-in-hand with the newly created Office of Terrorism and Financial Intelligence in the Treasury Department. My view is that Congress needs to strongly consider Treasury as the Agency to house and run our government's centralized Financial Intelligence Unit (FIU).

The Bank Secrecy Act and the Patriot Act give our examiners a number of tools to fight terror finance. This Committee should lead Congress down the path of creating an environment where financial intelligence is gathered, shared, analyzed, and used appropriately and effectively.

In addition to strengthening Treasury's domestic role, I believe it is important that it be strengthened because of the global problem we face. Money moves across borders faster than people or weapons. With a click of a mouse tens of millions of dollars can be sent almost anywhere in the world. Treasury, not the National Security Council, the Department of Homeland Security, the State Department, or the FBI, has an institutional and historical relationship with the foreign central banks and ministries of finance responsible for instituting anti-terror finance laws in their respective countries. Treasury also can apply pressure on nations through its seats on multilateral institutions like the World Bank and the IMF.

Mr. Chairman, thank you for holding this hearing and I look forward to working with you and other members of this committee as we work to strengthen the front lines in the war on terror finance. I yield back.