



DEPARTMENT OF THE TREASURY

OFFICE OF PUBLIC AFFAIRS

Statement of
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Department of the Treasury
Before the
House Government Reform
Subcommittee on Criminal Justice, Drug Policy and Human Resources

May 11, 2004

Chairman Souder, Ranking Member Cummings, and distinguished Members of the Subcommittee, thank you for inviting me to testify today, and thank you for your interest in the coordination of our Government's efforts to combat money laundering and terrorist financing. My testimony today builds upon testimony delivered by Deputy Secretary Bodman before the Senate Banking Committee and Deputy Assistant Secretary Zarate before the Senate Caucus on International Narcotics Control. I welcome the opportunity to appear here today and continue this important dialogue with Congress.

As you will hear from this panel — and as we and the Department of Justice re-affirmed in our publication of the *National Money Laundering Strategy of 2003 (2003 Strategy)* last fall — the campaign against terrorist financing and money laundering forms an essential component of our national security strategy. Since September 11th, we have leveraged the relationships, resources, authorities, and expertise that we have acquired over the past several years in combating money laundering to attack terrorist financing. Our efforts in both arenas are complementary and are effecting the changes required to protect the integrity of our financial systems by identifying, disrupting and dismantling sources, flows, and uses of tainted capital within those systems.

I. Treasury's Role in Combating Financial Crime

The Treasury Department has traditionally been responsible for safeguarding the integrity of the U.S. and international financial systems. The Treasury Department has therefore developed expertise in the wide range of disciplines necessary to meet that responsibility. Today, Treasury has expertise in disciplines that stretch across the entire anti-money laundering/counter-terrorist financing (AML/CFT) spectrum. In essence, Treasury can be viewed as a microcosm of the broad U.S. government efforts in this area:

- *Sanctions and Administrative Powers:* Treasury wields a broad range of powerful economic sanctions and administrative powers to attack various forms of financial crime. We have continued to use these authorities in the campaign against terrorist financing, drug trafficking, money laundering and other criminal financial activity.
 - In combating terrorism financing, the U.S. government's primary and most public tool is the ability of the Departments of the Treasury and State to designate terrorist financiers and terrorists under Executive Order (E.O.) 13224, together with Treasury's ability to implement orders that freeze the assets of terrorists under E.O. 13224.
 - In combating drug trafficking, Treasury continues to apply its authorities under the Foreign Narcotics Kingpin Designation Act and the International Emergency Economic Powers Act (IEEPA) to administer and enforce the provisions of law relating to the identification and sanctioning of major foreign narcotics traffickers.
 - In combating money laundering, Treasury has applied its new authority under Section 311 of the USA PATRIOT Act (“Patriot Act”) to designate and take action against jurisdictions and financial institutions of primary money laundering concern.

- *Law Enforcement and Law Enforcement Support:* Treasury combats various forms of financial crime through the direct law enforcement actions of IRS-CI and the law enforcement support provided by FinCEN and Treasury’s regulatory authorities. Whether working with DEA on the money laundering component of significant drug investigations, with the FBI on terrorist financing cases, or investigating offshore tax shelters and other tax-related matters, IRS-CI brings an unparalleled financial investigative expertise to the table. The financial forensic expertise of our IRS criminal investigators around the country and the world is critical to the U.S. law enforcement community’s attack on sources and schemes of terrorist financing. We complement such direct law enforcement action with law enforcement support. Through FinCEN, Treasury serves as a repository and analytical hub for Bank Secrecy Act information, which aids investigators across the interagency community in finding financial links to criminal enterprises and terrorist networks.

- *Financial Regulation and Supervision:* The Treasury Department – through FinCEN’s administration of the Bank Secrecy Act as amended by Title III of the Patriot Act – is responsible for establishing the U.S. AML/CFT regime by issuing the regulations intended to safeguard U.S. financial institutions from abuse by terrorists, narcotics traffickers, and other organized criminals. Treasury further maintains close contact with the federal financial supervisors – including the Treasury Department’s Office of the Comptroller of the Currency and Office of Thrift Supervision – to ensure that these regulations are being implemented throughout the financial sectors.

- *International Initiatives:* The Treasury Department is part of and has access to an extensive international network of Finance Ministries and Finance Ministry-related bodies such as the Financial Action Task Force (FATF) and various FATF-Style Regional Bodies, the International Monetary Fund (IMF), the World Bank, and the G-7. Treasury leads the U.S. representation to each of these bodies, and through them seeks to ensure that all jurisdictions throughout the world are working to meet international AML/CFT standards, and that the international community stays focused on emerging AML/CFT concerns.

- *Private Sector Outreach:* As a result of our traditional role in safeguarding the financial system, Treasury has developed a unique partnership with the private sector that provides us

with the benefits of the insights and suggestions of the financial institutions that are in many ways the front-line in our war against money laundering and terrorist financing. Through such mechanisms as the Bank Secrecy Act Advisory Group, Treasury ensures that the private sector plays an appropriate role in the development of AML/CFT regulatory policy and receives appropriate feedback from the information it provides.

In addition to these current capabilities, the Treasury Department – in collaboration with Congress – is taking steps to enhance our organization and abilities. On March 8th, 2004, Treasury formally announced the creation of the Office of Terrorism and Financial Intelligence (TFI) in the Department of the Treasury. TFI will be a high profile office led by an Under Secretary -- one of only three in the Department -- and two Assistant Secretaries, one for terrorist financing and financial crimes, and one for intelligence. It will bring together Treasury's intelligence, regulatory, law enforcement, sanctions, and policy components, and will redouble Treasury's efforts in at least four specific ways.

- First, it will allow us to better develop and target our intelligence analysis and financial data to detect how terrorists are exploiting the financial system and to design methods to stop them. TFI will be responsible for producing tailored products to support the Treasury Department's contributions to the war against terrorist financing.
- Second, it will allow us to better coordinate an aggressive enforcement program, including the use of important new tools that the Patriot Act gave to Treasury.
- Third, it will help us continue to develop a strong international coalition to combat terrorist financing. A unified structure will promote a robust international engagement and allow us to intensify outreach to our counterparts in other countries.
- Fourth, it will ensure accountability and help achieve results for this essential mission.

TFI will enhance the Treasury Department's ability to meet our own mission and to work cooperatively with our partners in the law enforcement and intelligence communities. The Department of the Treasury is committed to complementing, but not duplicating, the important work being done by the Department of Justice and Department of Homeland Security, and by the various intelligence agencies, and will be fully integrated into already established task forces and processes.

II. Attacking the Financial Infrastructure of Terrorist and Criminal Organizations

By serving as a focal point for all of the expertise discussed above, the Treasury Department – in close collaboration with our interagency partners – is well positioned to develop and implement a comprehensive approach toward targeting the financial infrastructure that supports terrorism, narcotics trafficking, and organized crime. Whether the driving force is religious extremism, political power, financial greed, or any combination thereof, the infrastructure supporting crime necessarily includes a financial component. Money is required to fuel these enterprises and as such, it represents a significant vulnerability that Treasury and its federal, state and local allies must and do exploit.

This is why we are committed to “targeting the money” from a systemic approach. We believe that resources devoted to fighting money laundering and financial crimes through a systemic approach reap benefits far beyond merely addressing the underlying financial crimes they

directly target. When applied on a systemic basis, targeting the money can identify and attack all kinds of activity, including the financing of terrorism, narcotics trafficking, securities fraud, alien smuggling, organized crime, and public corruption. Financial investigations lead to those who are committing the underlying financial crimes, as well as to those financial professionals who facilitate the criminal activity.

I present below examples of how Treasury has brought this approach to bear on the specific financial infrastructure of two major threats – terrorism and narcotics trafficking. I then discuss actions and initiatives that we have taken that are relevant to both.

A. Terrorist Financing

The terrorism we are fighting generally operates through complex networks. In this context, a terrorist act, no matter how basic and inexpensive, cannot be accomplished without a sophisticated financial and operational infrastructure. Terrorist organizations such as al Qaida and Hamas require a financial and operational infrastructure. They must pay for the security of “safe havens,” financial support for the families of “martyrs,” recruitment, indoctrination, logistical support, and personnel training. This doesn’t even get into the costs of ostensibly humanitarian efforts – charitable organizations, medical clinics and schools – that are either created as fronts for terrorism or to win support and recruits. Finally, there is the cost of weapons. In short, the horrific results of terrorism require the raising, movement and use of considerable funds. The terrorist leaves identifiable and traceable footprints in the global financial systems, and these footprints must be pursued “downstream” to identify future perpetrators and facilitators, and “upstream” to identify funding sources and to dismantle supporting entities and individuals.

The following are some examples of actions that Treasury has taken as part of the overall U.S. war on terrorist financing:

- The U.S. Government has led an international coalition to disrupt, dismantle, and destroy the sources and pipelines from and through which terrorists receive money. Under Executive Order 13224, we have designated a total of 361 individuals and entities, as well as frozen or seized approximately \$200 million of terrorist-related funds worldwide. The impact of these actions goes beyond the amount of money frozen. Public designation and asset blocking choke off terrorist cash flows by cutting off access to the U.S. and other financial systems and also provide access to further intelligence. Designations under E.O. 13224 in the past year include the following:
 - Ten al Qaida loyalists related to the Armed Islamic Group (GIA) on March 18
 - Shaykh Abd Al-Zindani (al Qaida-related) on February 24, 2004
 - Four branches of the Al Haramain Islamic Foundation (al Qaida-related) on January 22, 2004);
 - Abu Ghaith (al Qaida-related) on January 16, 2004;
 - Dawood Ibrahim (al Qaida-related) on October 17, 2003;

- Al Akhtar Trust International (al Qaida-related) on October 14, 2003;
 - Abu Musa'ab Al-Zarqawi (al Qaida-related) on September 24, 2003;
 - Yassin Sywal, Mukhlis Yunos, Imam Samudra, Huda bin Abdul Haq, Parlindungan Siregar, Julkipli Salamuddin, Aris Munandar, Fathur Rohman Al-Ghozi, Agus Dwikarna, and Abdul Hakim Murad (members of Jemaah Islamiyah) on September 5, 2003;
 - Sheik Ahmed Yassin (Gaza), Imad Khalil Al-Alami (Syria), Usama Hamdan (Lebanon), Khalid Mishaal (Syria), Musa Abu Marzouk (Syna), and Abdel Aziz Rantisi (Gaza) (Hamas political leaders) on August 22, 2003;
 - Comité de Bienfaisance et de Secours aux Palestiniens (France), Association de Secours Palestinien (Switzerland), Interpal (UK), Palestinian Association in Austria, and the Sanibil Association for Relief and Development (Lebanon) (all Hamas-related charities) on August 22, 2003;
 - The National Council of Resistance of Iran (including its U.S. representative office and all other offices worldwide) and the People's Mujahedin Organization of Iran (including its U.S. press office and all other offices worldwide) on August 15, 2003;
 - Shamil Basayev (al Qaida-related) on August 8, 2003; and
 - The Al-Aqsa International Foundation (Hamas-related) on May 29, 2003.
- Together with the State and Justice Departments and other agencies, we are following-up on these designations by using our diplomatic resources and regional and multilateral engagements to ensure international cooperation, collaboration and capability in designating these and other terrorist-related parties through the United Nations and around the world.
 - Important financial networks – such as those of al Barakaat and parts of the Al Haramain Islamic Foundation – have been identified and shut down at home and abroad. The UAE and Somalia-based al Barakaat network had been used to funnel potentially millions of dollars annually to al Qaida and its affiliates.
 - We have worked with counterparts in important allies such as Saudi Arabia to ensure that key terrorist financiers and facilitators have had their assets frozen and/or have been arrested or otherwise addressed through the international community's concerted law enforcement efforts. Included in this category are Saudi millionaires Yasin al-Qadi and Wa'el Hamza Julaidan, Swift Sword, and Bin Laden's Yemeni spiritual advisor, Shaykh Abd- Al-Zindani,
 - The U.S. has also taken significant actions against non-al Qaida linked terrorist organizations such as HAMAS and the Basque terrorist group, ETA. On December 4, 2001, President Bush issued an order to freeze the assets of a U.S.-based foundation – The Holy Land Foundation for Relief and Development – along with two other HAMAS financiers, Beit al Mal and the Al Aqsa Islamic Bank. Six leaders of Hamas and six charities in Europe and the

Middle East that support Hamas were subsequently designated in May and August 2003. In partnership with our EU allies, the U.S. designated 31 ETA operatives and one organization that supports ETA.

- FinCEN has made 342 proactive case referrals to law enforcement potentially involving terrorism based upon analysis of information in the Bank Secrecy Act database. The Terror Hotline established by FinCEN has resulted in 853 tips passed on to law enforcement since 9/11. FinCEN is also implementing an Electronic Reports program that will further enhance law enforcement's ability to utilize this information. Additionally, with the expansion of the Suspicious Activity Report (SAR) regime, as of April 28, 2004, financial institutions nationwide have filed 4,294 SARs reporting possible terrorist financing directly to FinCEN, including 1,866 SARs in which terrorist financing represented a primary suspicion. This has further enhanced our efforts to identify and vigorously investigate terrorist financing webs and dismantle them.
- We have developed the use of technology to identify possible sources of terrorist financing, particularly through the pilot counterterrorism project undertaken by IRS-CI in Garden City, New York. The Garden City Counterterrorism Lead Development Center is dedicated to providing research and nationwide project support to IRS-CI and the Joint Terrorism Task Force (JTTF) counterterrorism financing investigations. Relying on modern technology, the Center is comprised of a staff of IRS Special Agents, Intelligence Analysts, and civil components from the Service's Tax Exempt/Government Entities Operating Division, who will research leads and field office inquiries concerning terrorism investigations. Center personnel specializing in terrorism issues will develop case knowledge, identify trends, and provide comprehensive data reports to IRS field agents assigned to JTTFs or to those conducting CI counterterrorism financing investigations. The Center may also serve to de-conflict related investigations among multiple field offices, and will have distinctive analytical capabilities to include link analysis, data matching, and pro-active data modeling. Using data from tax-exempt organizations and other tax-related information that is protected by strict disclosure laws, the Center will analyze information not available to or captured by other law enforcement agencies. Thus, a complete analysis of all financial data will be performed by the Center and disseminated for further investigation. This research, technology, and intuitive modeling, coupled with CI's financial expertise, are maximizing IRS-CI's impact against sophisticated terrorist organizations.
- The U.S. has identified 24 countries as priorities for receiving counter-terrorist financing technical assistance and training, and we are working bilaterally to deliver such assistance to these priority countries. The U.S. is also working together with its allies in the Counter-Terrorism Action Group (CTAG) and the Financial Action Task Force (FATF) to coordinate bilateral and international technical assistance efforts to additional priority countries in the campaign against terrorist financing.
- The U.S. has enlisted the active support of international bodies, such as the G-7, G-10, G-20, the Asia-Pacific Economic Cooperation Forum (APEC), and others — to make efforts against terrorist financing a priority for their members. The G7, G20, APEC, Western Hemisphere Finance Ministers (WHFM), ASEAN Regional Forum (ARF), and OSCE have all issued action plans calling on their members to take a series of concrete measures to enhance the effectiveness of their counter-terrorist financing regimes.

- Our systemic efforts and targeted designations, together with USG law enforcement, diplomatic, intelligence and military actions, have deterred potential terrorist supporters and sympathizers by increasing the cost and the risk of doing business with terrorists.

B. Drug Trafficking

Our focus and commitment to targeting the financing of illicit activities include an aggressive use of authorities against narcotics traffickers. A particularly potent financial weapon in our war against drug money laundering systems is Treasury's ability to apply and enforce narcotics trafficking sanctions.

Treasury, in conjunction with the Departments of Justice, State and Homeland Security, enforces the IEEPA narcotics sanctions against Colombian drug cartels under Executive Order 12978. The objectives of the Specially Designated Narcotics Traffickers (SDNT) program are to identify, expose, isolate and incapacitate the businesses and agents of certain specified Colombian drug cartels and to deny them access to the U.S. financial system and to the benefits of trade and transactions involving U.S. businesses and individuals. Targets are identified in consultation with the Drug Enforcement Administration and the Narcotics and Dangerous Drug Section of the Department of Justice. Since the inception of the SDNT program in October 1995, 956 parties have been identified as SDNTs, consisting of 14 Colombian drug cartel leaders, 381 businesses and 561 other individuals.

Recent designations under E.O. 12978 include a designation on October 17, 2003 of a financial network of 134 front companies and individuals in Colombia, Costa Rica, Ecuador, Panama, Peru, Spain, Venezuela, the Bahamas, the British Virgin Islands, and the United States that were acting on behalf of the Cali cartel leaders, Gilberto and Miguel Rodriguez Orejuela.

Treasury also implements the President's sanctions under the Foreign Narcotics Kingpin Designation Act ("Kingpin Act"). The Kingpin Act, enacted in December 1999, operates on a global scale and authorizes the President to deny significant foreign narcotics traffickers, and their related businesses and operatives, access to the U.S. financial system and all trade and transactions involving U.S. companies and individuals. During 2003, the President named seven new kingpins, including two designated foreign terrorist organizations -- Revolutionary Armed Forces of Colombia and United Self-Defense Forces of Colombia -- and a Burmese narco-trafficking ethnic guerilla army, bringing the total number designated to 38.

Since the inception of the Kingpin Act and after multi-agency consultations, Treasury has named 14 foreign businesses and 37 foreign individuals in Mexico, Colombia, and the Caribbean as derivative ("Tier II") designations. These derivative designations are flexible and permit Treasury to attack the financial infrastructure of these kingpins as it changes. A total of 104 organizations, individuals and businesses in 12 countries are now designated under the Kingpin Act. On February 19, 2004, Treasury designated 40 key individuals and companies associated

with the Colombian narco-terrorist organizations, the FARC and the AUC. These two organizations were previously named by the President on May 29, 2003 as drug kingpins.

Another weapon that the U.S. uses against narco-traffickers and money launderers is seizure and confiscation. In fiscal year 2003, Treasury's Executive Office for Asset Forfeiture (TEOAF) received over \$ 234 million in forfeiture revenue from the combined efforts of the former Bureau of Alcohol, Tobacco Firearms and Explosives, the U.S. Secret Service (USSS), the Internal Revenue Service (IRS), and the former U.S. Customs Service (USCS). This represents a significant increase over fiscal year 2002, in which TEOAF received over \$152 million of forfeiture revenue. This improvement is particularly impressive when considering the transition undertaken by three of these law enforcement bureaus in the government reorganization last year.

C. Terrorist Financing and Drug Trafficking

Although terrorist financing and drug money laundering differ in some respects, they utilize many of the same financial systems and methods. To that end, we seek solutions and tools that provide us the greatest systemic change and flexibility. As part of our long term strategy, we have focused our efforts on enhancing the transparency and accountability of formal and informal financial systems, particularly those that have been abused by terrorist and criminal organizations. In the shorter term, we are exploiting existing transparencies and developing a variety of weapons to identify, disrupt and dismantle these organizations.

Enhancing the Transparency and Accountability of Financial Systems

Attacking the financial infrastructure of terrorist and other criminal activity requires transparent and accountable financial systems that allow us to identify and take effective action against sources, movement and use of terrorist funds and criminal proceeds moving through such systems. As part of our long-term strategy, therefore, we have focused on developing or enhancing the transparency and accountability of financial systems, particularly those that have been abused by terrorists and money launderers in the past. We have achieved considerable success thus far, both internationally and domestically, and in both formal and informal financial systems. For example:

- Internationally, we have worked with our counterparts in the FATF to revise the 40 Recommendations, thereby enhancing international standards of transparency and accountability for effectively combating money laundering and other financial crimes. In June 2003, the FATF issued the revised 40 Recommendations to address, among other things, shell banks, politically-exposed persons, correspondent banking, wire transfers, bearer shares, trusts, and an expansion of the sectors in which AML/CFT measures should be adopted. These newly revised Recommendations were endorsed by the G-7 Finance Ministers in a public statement issued the same day that the revised Recommendations were adopted by FATF.
- In the larger context of the need for a strong anti-money laundering regime as a necessity for combating terrorist financing, we have seen many countries take important steps to improve their legal regimes and strengthen the oversight of their financial sectors. Countries like

Egypt, Guatemala, Indonesia, Israel, Lebanon, and the Philippines have taken important strides to develop and implement effective and comprehensive anti-money laundering regimes, improving their institutions and their enforcement of anti-money laundering laws.

- We have engaged the IMF and World Bank to gain their recognition of the FATF 40 + 8 Recommendations as one of the 12 Key International Standards and Codes. In March of this year, owing largely to the leadership of the G-7, the IMF/World Bank made their AML/CFT assessment program permanent and comprehensive, thereby ensuring that countries throughout the world are assessed against FATF standards.
- We have capitalized on the FATF's expertise on money laundering to attack terrorist financing, largely through the Eight Special Recommendations on Terrorist Financing developed and adopted by the FATF in October 2001. Since that time, we have worked within the FATF's Working Group on Terrorist Financing, which Treasury co-chairs, to issue interpretive guidance on the Eight Special Recommendations, particularly with respect to: freezing terrorist-related assets; regulating and monitoring alternative remittance systems such as hawala; ensuring accurate and meaningful originator information on cross-border wire transfers, and protecting non-profit organizations from terrorist abuse.
- We have built relationships with the private sector to enlist their support as the gatekeepers to the financial system. We have broadened and deepened the regulatory structure and reporting requirements in the domestic financial system. We have created a level playing field and attacked money laundering and terrorist financing through non-banking financial systems under the Patriot Act, subjecting new sectors of the economy (e.g., money service businesses and broker-dealers) to anti-money laundering controls such as record-keeping and reporting requirements that were previously imposed on banks alone.

Identifying, Disrupting and Dismantling Terrorist and Criminal Organizations

We are capitalizing on our long-term efforts to improve the transparency and accountability of formal and informal financial systems by developing and applying various weapons to identify, disrupt and dismantle terrorist and criminal organizations that operate within these systems. Our efforts to date have produced considerable results:

- We are using Section 311 of the Patriot Act to address primary money laundering concerns on a jurisdictional and institutional basis. Working in cooperation with the law enforcement and intelligence communities, we have designated three foreign jurisdictions and two financial institutions under Section 311. In addition to designating the jurisdiction of Burma, consistent with the FATF's demand for countries to impose additional counter-measures on Burma, Treasury also designated the Myanmar Mayflower Bank and Asia Wealth Bank, two Burmese banks that are heavily implicated in facilitating money laundering for the notorious drug trafficking organizations in Southeast Asia. We have also designated the jurisdictions of Nauru and Ukraine. Nauru remains a designated jurisdiction. Most importantly, the mere possibility of a Section 311 designation has caused nations to make changes to their legal and regulatory regimes that enhance the global anti-money laundering and anti-terrorist financing infrastructure. We are continuing to seek out appropriate opportunities to utilize these new powers aggressively, but judiciously, to protect the U.S financial system, punish jurisdictions

and institutions complicit in money laundering, and encourage compliance with international standards of transparency and accountability.

- We have enhanced law enforcement efforts that attack those who support terrorism through other means of organized crime:
 - On December 4, 2002, federal prosecutors in Houston indicted several individuals, including two high ranking members of Autodefensas Unidas de Colombia (AUC/United Self Defense Forces of Colombia), the Colombian right-wing designated terrorist organization, with drug conspiracy and conspiracy to provide material support or resources to AUC. To date, two of the defendants have pled guilty to the material support charge under 18 USC § 2339B and the drug conspiracy charges. The AUC principals are in Costa Rican custody awaiting extradition.
 - On March 7, 2002, a grand jury in the District of Columbia returned an indictment charging the leader of the 16th front of the Fuerzas Armadas Revolucionarias de Colombia (FARC), and six others, with participating in a drug trafficking conspiracy. Two superseding indictments have added Jorge Briceno-Suarez, the second in command of the FARC, and two Peruvian drug traffickers, the Aybar brothers. The Aybar brothers also were indicted in the Southern District of Florida for providing material support to a terrorist organization by supplying 10,000 AK-47s to the FARC in exchange for cocaine and money.
 - Most recently, on February 19, 2004, the Treasury Department took action against leaders and key figures of the FARC and AUC. Treasury added the names of FARC leaders, including Pedro Antonio Marin and Jorge Briceno Suarez, key AUC figures, including Carlos Castano Gil and Salvatore Mancuso Gomez, and AUC front companies to the list of “Tier II” persons designated under the Foreign Narcotics Kingpin Designation Act (Kingpin Act). The 40 Colombian names added to the Kingpin Act list include 19 FARC individuals, 18 individuals associated with the AUC and three front companies connected to the AUC. These 40 persons are subject to the economic sanctions imposed against foreign drug cartels under the Kingpin Act.
- We complement such direct law enforcement action with law enforcement support. Through FinCEN, Treasury serves as a repository and analytical hub for Bank Secrecy Act information, which aids investigators across the interagency community in finding financial links to criminal enterprises and terrorist networks. Since February 2003, we have also used Section 314(a) of the Patriot Act to enable law enforcement, through FinCEN “Blastfaxes” to more than 31,800 financial institutions as of April 27, 2004, to locate quickly the accounts and transactions of those suspected of money laundering or the financing of terrorism. Since Section 314(a)’s creation, the system has been used to send the names of 1,712 persons suspected of terrorism financing or money laundering to financial institutions, and has resulted in 12,280 matches that were passed on to law enforcement. We understand the sensitivity of the use of this system, and will continue to ensure through vigorous review that this system is used only in cases where terrorist financing is suspected, or in the most egregious money laundering cases.

III. Enhancing Interagency Coordination

What these actions show is the strength of Treasury's resources and expertise and the value and critical need of interagency cooperation in order to tighten the trap around terrorist financiers, drug traffickers and other criminal enterprises. A core principle of the *2003 Strategy* is enhancing our ongoing efforts to combat money laundering by ensuring that law enforcement agencies and task forces, including High Intensity Financial Crime Area (HIFCA) Task Forces, Organized Crime and Drug Enforcement Task Forces (OCDETF), the Suspicious Activity Report (SAR) Review Teams, and the High Intensity Drug Trafficking Area (HIDTA) Task Forces use and share all available financial databases and analytical tools and focus their personnel and other resources on high-impact targets and financial systems.

To help achieve this goal and in accordance with the *2003 Strategy*, the interagency law enforcement community is taking aggressive steps to develop an interagency anti-drug-money laundering financial intelligence center. This center will serve as a drug-money laundering intelligence and operations center. As stated in the just-released 2004 National Drug Control Strategy, some \$6.3 million has been approved to support and expand the OCDETF Drug Fusion Center. We at Treasury are working with the Departments of Justice and Homeland Security to ensure that there is a robust financial component at the OCDETF Drug Fusion Center to develop the highest value financial targets, identify and disseminate information about developing trends and patterns, and help coordinate financial attacks on the systems, geographic locations, and individuals by and through which drug proceeds are moved and laundered.

HIFCAs have been created specifically to identify and address money laundering in designated geographical areas (currently in New York/New Jersey; San Juan, Puerto Rico; Los Angeles; San Francisco; Chicago; and Miami; and also a Bulk Cash HIFCA along the Southwest Border). HIFCA Task Forces bring together federal money laundering and other financial crime investigation expertise, utilizing all FinCEN, Drug Enforcement Agency (DEA) Special Operations Division, and DHS/ICE Money Laundering Coordination Center financial databases. For example, the New York/New Jersey HIFCA Task Force reports that, during FY 2001/2002, it opened 747 investigations leading to 344 arrests, 155 indictments, 160 convictions, and 805 seizures totaling more than \$75 million.

IV. Next Steps

Despite considerable progress achieved, several important challenges remain in the campaign against terrorist financing and money laundering. We have identified a number of priorities to advance our long-term and short-term goals as described above and in the *2003 Strategy*.

We are continuing to develop international standards, as necessary, to enhance the transparency and accountability of financial systems and mechanisms prone to terrorist and criminal abuse. We are currently engaging the FATF and the Asia Pacific Group (APG), a FATF-style regional body, to complete a study of mandatory, cross-border, cash reporting requirements as an effective tool in identifying and interdicting cash couriers carrying illicit funds. We anticipate that the results of this study will facilitate countries' adoption of reporting requirements and the sharing of information obtained through such reports.

In addition to setting standards, we are facilitating compliance with existing international standards through terrorist financing technical assistance to priority countries, both bilaterally and through a coordinated international effort. Internationally, we anticipate completing technical needs assessments of priority countries through the FATF within the next few months. Thereafter, we will work with the State Department in coordinating the delivery of appropriate assistance to these countries through the CTAG. Bilaterally, we will continue to work with the State Department and the interagency community to ensure that those countries targeted for bilateral assistance receive it as planned.

We are also launching a number of initiatives to reduce the threat of terrorist financing through non-profit organizations (NPOs). For example, on April 28, 2004, Treasury hosted an Initial Outreach Event with representatives from the U.S. charitable sector to discuss Treasury's *Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities* and related terrorist financing issues. Secretary Snow opened the event by underscoring the importance of developing a strong partnership between the philanthropic community and the government to promote and protect charitable giving. These remarks were followed by an in-depth discussion of the nature of the terrorist financing threat within the charitable sector, indicators of potential terrorist financing activity, steps that charities can take to protect themselves from terrorist abuse, and international initiatives currently underway to minimize the risk of terrorist abuse in the global charitable community. Moving forward, the participants agreed to work with Treasury in forming three sub-groups from across the charitable sector to address the following three challenges of particular concern: (i) improving the Treasury Guidelines to the charitable sector; (ii) developing more useful red flag indicators and typologies for the benefit of the charitable sector; and (iii) minimizing risks of terrorist abuse in delivering relief to high risk jurisdictions.

Another priority is engaging the Middle East as a priority in promoting greater transparency and understanding of regional financial systems and regional money laundering and terrorist financing threats. We are working with the World Bank, other organizations and states, and the countries in the region to facilitate development of a FATF-style regional body for the Middle East and North Africa, and anticipate the launch of this organization by the end of 2004. In addition, we are participating in a number of ongoing training and outreach seminars with government officials in the region on anti-money laundering and counter-terrorist financing issues, including in the United Arab Emirates and Lebanon, and are exploring the continued study of terrorist financing and drug trafficking connections with countries in that region.

Finally, we are enhancing the transparency of financial systems by working directly with the private sector whenever possible. In addition to our direct engagement with the charities sector as described above, we are working with the international banking sector to facilitate bank-to-bank training and assistance in understanding and complying with new anti-money laundering and counter-terrorist financing obligations.

To exploit these existing and developing transparencies, we must also advance our short-term strategy by enhancing our ability to identify, disrupt and dismantle terrorist and criminal organizations. We are pursuing a number of priorities, both domestically and internationally, to advance this goal.

Treasury will continue to develop terrorist financing targeting strategies for priority regions and terrorist organizations, in addition to supporting the targeting strategies against narco-traffickers through the OCDETF Drug Fusion Center. We will continue applying and executing these strategies through our designation authorities under Executive Order 13224 and Section 311, acting together with the international community whenever possible, but acting unilaterally whenever necessary and appropriate to protect our financial system from identifiable high risk targets. We are particularly focused on identifying opportunities to apply Section 311 against those foreign banks that either facilitate money laundering or ignore their responsibilities as gatekeepers to the international financial system.

Internationally, we are focusing our efforts on achieving greater European cooperation and support for our terrorist financing designations. We are capitalizing on our progress in improving and clarifying international standards for freezing terrorist-related assets under FATF Special Recommendation III by: (i) pursuing bilateral and multilateral efforts to reform the EU Clearinghouse process, and (ii) encouraging national implementation of UN member state obligations under United Nations' Security Council Resolution 1373.

These long-term and short-term initiatives are complementary and address the priority challenges that we face in the campaign against terrorist financing and money laundering. Moreover, these initiatives capitalize on the progress we have achieved to date, and on the relationships that we have forged in the inter-agency and international communities, as well as in the private sector, over the course of our sustained campaign.

I will be happy to answer any questions you may have.