Attorney General Talking Points
National Money Laundering Strategy for 1999
September 23, 1999; 1:00 p.m.

- I am pleased to join with Secretary Summers, Deputy Secretary Eisenstat, and Deputy Attorney General Holder this afternoon to unveil the President's first-ever National Money Laundering Strategy for 1999.

- The Department of Justice has worked closely with the Department of Treasury in drafting this very important Strategy. Although money laundering is not a concept that is familiar to most Americans, this crime directly impacts each and every hard-working American. The crime of money laundering undermines the stability of every part of our financial system, and often is the means by which larger criminal operations are supported.

- The Strategy recognizes that a collaborative, interagency effort is necessary to combat this type of crime. This comprehensive strategy sets out specific action items for Justice and Treasury law enforcement personnel to implement.

- Some examples of this effort (i) will stress the importance of financial investigative training for our prosecutors and investigators and (ii) work to ensure that investigative information to identify and target major money launderers is appropriately shared among the law enforcement agencies.

- The scheme of cleansing criminal monies through legitimate bank accounts of hard-working Americans must be stopped. Money laundering is a very sophisticated crime, and we must be equally sophisticated and adept in our efforts to confront these criminals.

- We realize that this Strategy represents only the first step in implementing a national anti-money laundering plan. But today's action provides us with the tools and recommendations needed to address this problem and ensure the integrity of our financial institutions.

- At this time, I am pleased to introduce Congresswoman Nydia Velazquez. She has spearheaded the legislation in Congress and worked tirelessly in this effort.

UNITED STATES DEPARTMENT OF JUSTICE

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REMARKS: These are AG's talking points.

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Remarks by Deputy Secretary of the Treasury Stuart Eizenstat
At Press Conference Releasing the National Money Laundering Strategy for 1999

The action items listed in this Report represent the most comprehensive effort ever undertaken by the U.S. government to deal with money laundering. I just want to highlight some of the most important recommendation. Some can be done administratively, can require regulation, others require legislation, and still other require international cooperation.

<u>To strengthen enforcement to disrupt the flow of illicit money</u>

We shall designate special high-risk money laundering areas or industry sectors and concentrate federal, state and local enforcement resources in these areas.

The Administration will propose new legislation to bolster our domestic and international enforcement capacity. This includes making bulk cash smuggling in amounts exceeding $10,000 a crime, expanding the list of foreign crimes that would form the basis for money laundering convictions in the U.S. and giving U.S. courts jurisdiction over foreign banks that violate our money laundering laws.

We shall work with the legal profession and the accounting profession to help them draw the appropriate line between aggressive representation and potential participation in money laundering transactions.

The Department of Justice will promote regular reviews by U.S.Attorney offices of Suspicious Activity Reports filed by financial institutions.

<u>To help private institutions play their role in preventing money laundering</u>

We shall consider what guidance we can offer to financial institutions to increase their scrutiny of high-risk transactions and review bank examination procedures aimed at prevention and detection.

We shall decide whether new rules are required requiring financial institutions to obtain information about the identity of the customers of their correspondent banks.

We shall issue final rules requiring money service businesses and casinos to file Suspicious Activities Reports, and, in conjunction with the SEC, propose rules for broker-dealers.

Since money laundering is a sophisticated international criminal enterprise in which no single country can adequately protect its own citizens, <u>action must also be taken on the international front:</u>

We shall urge the IMF, the World Bank, and other institutions to make adoption of anti-money laundering measures a part of the context of their financial sector reform programs.

We shall explore appropriate guidance to bring about enhanced scrutiny of correspondent accounts in the U.S. maintained by offshore and other institutions posing money laundering risks.

We shall work with the Basle Committee to increase the cost of lending money to companies in those offshore jurisdictions that do not make progress in implementing international standards, including anti-money laundering standards.

We shall worked with the Financial Action Task Force, which consists of 26 countries, to spotlight rogue, non-cooperative jurisdictions

We shall urge the G7 nations to adopt harmonized rules on identifying the originators of these transfers of funds

And, finally, we shall work to broaden membership of the EGMONT group, to support development of national financial intelligence units such as our own FINCEN.

We have the will and the strategy to bring the burgeoning problem of money laundering under control. I look forward, under the direction of Secretary Summers and Attorney General Reno, to co-chairing with Deputy Attorney General Holder a new interagency steerring committee to implemen this comprehandive stragy.

DEPARTMENT OF THE TREASURY
DEPARTMENT OF JUSTICE

For Immediate Release
September 23, 1999

Contact: Public Affairs
(202) 622-2960

TREASURY AND JUSTICE RELEASE MONEY LAUNDERING STRATEGY

Today the Departments of Treasury and Justice released the Administration's National Money Laundering Strategy for 1999, calling for a broad-based international and domestic program to combat money laundering.

The Strategy calls for a coordinated attack on high-risk money laundering zones; new rules requiring that money transmitters, broker-dealers and casinos file suspicious activity reports, as banks are required to do now; new legislation to bolster our domestic and international enforcement powers, including provisions to make a broad range of foreign crimes. from arms trafficking, to public corruption, and fraud, subject to U.S. money laundering prosecutions; and intensified pressure on offshore and other lax jurisdictions to adopt strict anti-money laundering controls.

"The attack on money laundering is an essential front in the war on narcotics and the broader fight against organized crime worldwide," said Treasury Secretary Lawrence Summers. "Money laundering may look like a polite form of white collar crime. but it is the companion of brutality, deceit and corruption. This Strategy marks a new stage in the government's coordinated effort to follow the money."

The Strategy, called for by the Money Laundering and Financial Crimes Strategy Act, enacted last fall, sets forth an ambitious agenda of actions designed to advance four broad goals: strengthening domestic law enforcement; enhancing steps taken by financial institutions to prevent and detect money laundering; partnering with state and local authorities; and bolstering our efforts to have strong money laundering standards adopted – and adhered to – worldwide.

"The scheme of cleansing criminal monies through legitimate bank accounts of hard-working Americans must be stopped," said Attorney General Janet Reno. "Today's Strategy provides us with tools and recommendations to address this problem and ensure the financial integrity of our financial institutions."

This Strategy is the first in a series of five annual reports called for in last year's legislation. It will be implemented by a cross-section of agencies led by the Departments of Treasury, Justice and State. The National Money Laundering Strategy can be found on Treasury's website: [redacted]

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Congresswoman
NYDIA M. VELAZQUEZ

Representing New York's 12th Congressional District

FOR IMMEDIATE RELEASE
September 23, 1999

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VELAZQUEZ ANNOUNCES FEDERAL STRATEGY TO COMBAT MONEY LAUNDERING
Joins with Treasury Secretary Summers, Attorney General Reno to Roll Out Strategy

WASHINGTON, D.C. – Congresswoman Nydia M. Velázquez (D-NY) today joined with Treasury Secretary Lawrence H. Summers and Attorney General Janet Reno to announce the release of the nation's first national anti-money laundering strategy. Congresswoman Velázquez authored "The Money Laundering and Financial Strategy Act," which was signed into law by the President last year and which mandated today's strategy.

"We need to be serious about facing down the drug threat, and combating money laundering is a critical step in this process," Congresswoman Velázquez said. "In the United States alone, estimates put the amount of drug profits moving through the financial system as high as $100 billion"

"We need to follow the money, and the strategy released today provides a road map on howto do just that."

Congresswoman Velázquez has been focused on combating money-laundering for several years. Begining in 1995, she brought together local and state law enforcement officials to discuss the effect of money laundering and drug activity on New York's residents. The concerns raised by this working group led to Congresswoman Velázquez's anti-money laundering legislation.

The Money Laundering Strategy released today is the first comprehensive national policy. It will establish High Intensity Financial Crimes Areas (HIFCAs), which provide a mechanism for focusing law-enforcement agents in the areas where they are needed most. In addition, it specifies grants to State and local law enforcement agencies that have developed innovative ways to fight money laundering. Finally, the Strategy will serve to enhance the regulatory and cooperative efforts between financial institutions and law enforcement officials, and strengthen cooperative efforts between State, local and federal law enforcement officials.

"Money launderers should be on notice," Congresswoman Velázquez said. "We are working together. We are unified. We have a strategy. You will be stopped."

Congresswoman Velázquez has served in Congress since 1992, where she is the Ranking Democrat on the House Committee on Small Business, and a member of the Committee on Banking. She represents the 12th District of New York, which includes parts of Brooklyn, Manhattan, and Queens.

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THE NATIONAL MONEY LAUNDERING STRATEGY FOR 1999

THE DEPARTMENT OF THE TREASURY 1789

QUI PRO DOMINA JUSTITIA SEQUITUR

Executive Summary and Goals, Objectives, and Action Items

September 1999

Executive Summary

Money laundering is criminal finance. When criminals or criminal organizations seek to disguise the illicit nature of their proceeds by introducing them into the stream of legitimate commerce and finance, they are laundering money. The common image of money laundering involves the washing of drug money off the streets of our cities through transactions that turn it into bank deposits and other apparently lawful assets. But money laundering these days can just as easily involve the large-scale movement of criminal funds into or through United States or foreign financial institutions at the touch of a computer button. Money can be laundered through a wide variety of enterprises, from banks and money transmitters to stock brokerage houses and casinos. While estimating the flows of illegal money around the world is a highly uncertain business, it is safe to say that hundreds of billions of dollars a year are laundered globally.

In light of the ongoing threats posed by money laundering, Congress last year passed, and the President signed, the Money Laundering and Financial Crimes Strategy Act of 1998, which calls for the development of a five-year anti-money laundering strategy. This National Money Laundering Strategy for 1999 is the first of five annual reports to be submitted to Congress.

The 1999 Strategy calls for (1) designating high-risk money laundering zones at which to direct coordinated law enforcement efforts; (2) rules requiring the scrutiny of suspicious activities in a range of financial institutions, from money transmitters to broker-dealers and casinos; (3) submission of the Administration's Money Laundering Act of 1999, to bolster our domestic and international enforcement powers, including provisions to make a broader range of international crimes – from arms trafficking to public corruption and fraud -- subject to U.S. money laundering prosecutions; (4) a 90-day review of measures that would restrict the use of correspondent accounts in the United States by certain offshore or other institutions that pose money laundering risks; and (5) intensified pressure on nations that lack adequate counter-money laundering controls to adopt them.

The Strategy, which includes several dozen action items, also calls for the 90-day review to determine what guidance would be appropriate to enhance bank scrutiny of questionable transactions; higher risk-weighted lending -- which increases lending costs -- to institutions in offshore centers that fail to make adequate progress on counter-money laundering, among other standards; inclusion by the IMF, World Bank, and regional development banks of counter-money laundering as part of the financial sector reform programs that they encourage countries to adopt; and a new grant program to support state and local action against money laundering.

Background

The crime of money laundering. Money laundering was made a separate criminal offense in 1986, when Congress passed the Money Laundering Control Act. That law makes it illegal for anyone to knowingly deal with the proceeds of a variety of underlying crimes with the intent to advance the unlawful activity or disguise its proceeds. Thus the crime of money laundering depends upon there being a predicate offense, such as narcotics trafficking, fraud, bribery, or kidnapping, that generated the money being laundered. There are now some 170 offenses covered in the money laundering statute.

In this respect, money laundering is distinct from capital flight. Capital flight, of course, can be a grave problem in its own right with profound consequences for a country's economic well-being -- consequences that can, at times, reverberate regionally or even globally. Unlike money laundering, however, it does not depend upon the existence of an underlying crime.

Conceptually, money laundering is important in two respects. First and foremost, it is a critical adjunct to the underlying criminal activity. It provides the fuel that allows drug traffickers, arms dealers, terrorists, or corrupt public officials to conduct their criminal affairs, while at the same time providing law enforcement an additional means to go after these criminals. If investigators follow the money, they may find a useful hook with which to catch those who might otherwise elude their grasp. As has often been said, it took an accountant to catch Al Capone.

Second, money laundering is important in its own right. It taints our financial institutions, and, if unchecked, can undermine public trust in their integrity. Further, in an age of rapidly advancing technology and globalization, the uncontrolled laundering of large sums can disturb financial stability. President Clinton underscored this point in Presidential Decision Directive 42 (PDD-42):

> The primary motivation of those engaged in international organized crime is financial gain. Much of the problem posed by their activity stems from the corrosive effect on markets and governments of their large illegal funds.

Government efforts. This Strategy does not, of course, mark the beginning of the government's effort to combat money laundering. That effort has been underway for years. For example:

- From 1986, when money laundering was made a separate crime, through September 1998, there were more than 5,900 convictions or guilty pleas for federal money laundering offenses.

- Federal law enforcement authorities have conducted a number of major multi-agency money laundering investigations around the country. These include:

    - *Operation Casablanca.* This three-year undercover investigation, led by the United States Customs Service, is recognized as the largest and most comprehensive drug money laundering case in U.S. history. The investigation culminated in May 1998 with the arrest of 167 individuals and the seizure of more than $103 million in currency.

    - *El Dorado Task Force.* This Task Force -- an inter-agency group, created by the Customs Service and the Criminal Investigation Division of the

Internal Revenue Service, and comprised of more than a dozen different federal, state, and local agencies in the New York area -- was established in 1992 to target systems or industries that facilitate money laundering. It has seized in excess of $150 million in currency and arrested more than 700 individuals. Among its achievements was dramatically reducing the volume of narcotics proceeds moving to Colombia through New York money transmitters.

- *Operation Polar Cap.* Spearheaded by the Drug Enforcement Administration, this continuing money laundering investigation, begun in the late 1980s, targeted two large-scale money laundering operations of the Medellin drug trafficking cartel. Approximately $105 million were seized, and 111 individuals were arrested.

- Other significant investigations include *Operation Choza-Rica* ($40 million seized); *Operation Dinero* ($90 million seized); *Operation Greenback* ($200 million seized); and *Operation Green Ice* ($62.7 million seized).

- Over the past three years, the Department of Justice has prosecuted more than 2,000 defendants each year for violations of the money laundering statutes. Approximately 50 percent of these cases involved the proceeds of drug trafficking. The remainder involve the proceeds of white collar crimes such as health care fraud and telemarketing fraud, as well as the proceeds of organized crime activity such as prostitution, gambling, extortion, and interstate transportation of stolen property.

- The United States has led the crucial effort to build international counter-money laundering cooperation, spearheading the creation of the Financial Action Task Force Against Money Laundering (FATF), whose 40 Recommendations have set the standard for national counter-money laundering regimes, as well as the organization of the Egmont Group of financial intelligence units around the world.

- The Administration has made counter-money laundering a prominent element in its major policy statements on crime, including PDD-42, the International Crime Control Strategy, issued by President Clinton in May 1998, and the annual National Drug Control Strategy.

The 1999 Strategy

This Strategy sets forth a series of action items designed to advance four fundamental goals in the fight against money laundering: strengthening domestic enforcement; enhancing the measures taken by banks and other financial institutions; building stronger partnerships with state and local governments; and bolstering international cooperation. The Strategy calls on the Departments of the Treasury and Justice and, as appropriate, other relevant agencies, to undertake these actions. Key action items follow:

Goal 1: Strengthening Domestic Enforcement to Disrupt the Flow of Illicit Money

- Designate special high-risk money laundering areas or sectors (called HIFCAs) where law enforcement will concentrate its resources and energy to combat money laundering.
- Propose legislation, the Money Laundering Act of 1999, to bolster our domestic and international enforcement powers. Domestically, the Act includes provisions to create a new criminal offense of bulk cash smuggling in amounts exceeding $10,000; makes it a crime for a courier to transport more than $10,000 of currency in interstate commerce, knowing that it is unlawfully derived; and clarifies that federal money laundering statutes apply to both parts of so-called "parallel" transactions.
- Identify and target major money laundering systems and those who run them.
- Increase the money laundering focus of counter-drug task forces.
- Enhance the efforts of the inter-agency Black Market Peso Exchange Working Group.
- Provide enhanced analysis of Suspicious Activity Reports from financial institutions.
- Meet with lawyers' and accountants' groups to review their professional responsibilities with regard to money laundering.
- Improve financial investigative training.

Goal 2: Enhancing Regulatory and Cooperative Public-Private Efforts to Prevent Money Laundering

- Begin a 90-day review to explore what guidance would be appropriate to enhance scrutiny of certain questionable transactions.
- Begin a 180-day review of bank examination procedures aimed at preventing and detecting money laundering.

- Issue final rules that will require money service businesses (such as money transmitters) and casinos to file suspicious activity reports, which only banks are now required to file.

- Propose rules for the reporting of suspicious activity by brokers and dealers in securities.

- Strengthen information exchange between law enforcement and regulatory officials.

- Strengthen the internal mechanisms, including accounting and auditing guidance, that financial institutions use to fight money laundering.

- Assure that counter-money laundering efforts take appropriate account of the need to minimize the burden of compliance and protect individual privacy.

Goal 3: Strengthening Partnerships with State and Local Governments to Fight Money Laundering

- Establish the Financial Crime-Free Communities Support Program (C-FIC) to provide technical assistance and training, information on best practices, and grants to support state and local action against money laundering.

- Promote joint federal, state, and local enforcement efforts, information sharing, and specialized training.

- Encourage comprehensive state counter-money laundering legislation and provide assistance, where appropriate.

Goal 4: Strengthening International Cooperation to Disrupt the Flow of Illicit Money

- Press nations in both multilateral and bilateral settings to adopt and adhere to international money laundering standards.

- Urge the international financial institutions, such as the IMF, World Bank, and regional development banks, to encourage countries, in the context of financial sector reform programs, to adopt anti-money laundering policies and measures.

- Propose, in the Money Laundering Act of 1999, provisions to strengthen the international reach of U.S. enforcement efforts, by increasing the number of foreign crimes -- such as arms trafficking, public corruption, and fraud -- that can serve as predicates for U.S. money laundering prosecutions; making it illegal to launder criminally derived proceeds through foreign banks; giving federal prosecutors greater access to foreign business records located in bank secrecy jurisdictions; and giving U.S. district courts jurisdiction over foreign banks that violate U.S. money laundering law.

- Begin a 90-day review to explore what guidance would be appropriate to enhance scrutiny of correspondent accounts in the United States maintained by certain offshore and other institutions that pose money laundering risks.

- Promote adoption of higher risk-weighted lending (which would increase the costs of lending money) to institutions in offshore jurisdictions that do not make progress in implementing effective international standards, including those relating to money laundering.

- Support identification of rogue (non-cooperative) jurisdictions by the FATF.

- Urge the G-7 nations to adopt harmonized rules relating to international funds transfers, so that the originators of the transfers will be identified.

- Support further development of national financial intelligence units through the Egmont Group.

This Strategy reflects a national commitment to a coordinated, effective fight against money laundering. The action items it sets forth obviously cannot be accomplished all at once. Rather, they are meant to lay out a framework for prompt, aggressive action that, in some cases is well underway, in other cases will be commenced in the near term, and in still other cases will take place over a longer time horizon. As Congress contemplated, the Strategy will be modified and updated on a regular basis, allowing an evaluation of progress to date, a statement of additional measures needed, and the modification of existing measures. Implementation of a number of action items will depend, at least in part, on additional resources, and we will work with Congress to secure appropriate funding.

Overall implementation of this Strategy will be guided by an inter-agency Steering Committee co-chaired by the Deputy Secretary of the Treasury and the Deputy Attorney General, with the participation of relevant departments and agencies. That Steering Committee will have the responsibility of working out and overseeing an implementation plan that identifies timelines for carrying out action items and, as appropriate, makes specific assignments. With respect to action items that affect international affairs, the National Security Council will have a central role in the Steering Committee. The Special Consultative Group on International Organized Crime, as created by PDD-42, will raise issues through the Steering Committee, as necessary.

There should, at this stage, no longer be any doubt about the profoundly consequential role that crime and corruption play in the life of nations and of the global community. The point is well illustrated by the experience of countries like Russia and Indonesia, to name just two. The fight against money laundering in particular and corruption more broadly must be carried forward with energy and resolve in the years ahead. This Strategy commits the United States ever more strongly to that mission.

List of Goals, Objectives, and Action Items

GOAL 1: STRENGTHENING DOMESTIC ENFORCEMENT TO DISRUPT THE FLOW OF ILLICIT MONEY

Objective 1: Concentrate Resources in High-Risk Areas

Action Item: The Treasury Department in consultation with the Department of Justice will begin designation of High-Risk Money Laundering and Related Financial Crimes Areas.

Action Item: The Departments of the Treasury and Justice will begin oversight of specially-designed counter-money laundering efforts in each designated area.

Objective 2: Propose Counter-Money Laundering Legislation to Address Domestic Money Laundering Concerns

Action Item: The Administration will propose significant provisions in the Money Laundering Act of 1999 addressing domestic money laundering.

Objective 3: Identify and Target Major Money Laundering Systems

Action Item: The Treasury-led Black Market Peso Exchange Working Group will continue and enhance efforts to disrupt the Black Market Peso Exchange system.

Sub-Action Item: The Customs Service and FinCEN will continue to identify methods for placement of peso exchange funds into the financial system.

Sub-Action Item: The Customs Service and FinCEN will enhance coordination of investigative efforts against the peso exchange system.

Sub-Action Item: The Administration will promote continued cooperation with the Government of Colombia.

Sub-Action Item: The Department of the Treasury, especially the Customs Service, and the Department of Justice will expand communications with U.S. exporters and the U.S. trade community.

Action Item: The Departments of the Treasury and Justice will include in a joint memorandum to investigators and prosecutors a recommendation that investigative and prosecutive guidelines include considerations for allowing below-threshold cases that offer the potential for having a systemic or financial sector-wide effect on money laundering.

Objective 4: Target Major Domestic and International Money Launderers

Action Item: The Departments of the Treasury and Justice and other relevant agencies will share information in order to jointly identify and target major money launderers.

Action Item: Meet with professional associations of lawyers and accountants to review the professional responsibilities of lawyers and accountants with regard to money laundering and make such recommendations about additional professional guidance as may be needed.

Objective 5: Enhance Inter-agency Coordination of Money Laundering Investigations

Action Item: The Justice Department will continue to enhance the capacity of the Special Operations Division to contribute to financial investigations in narcotics cases.

Action Item: The Customs Service will make the Money Laundering Coordination Center fully operational with the participation of all relevant law enforcement agencies.

Action Item: The Department of Justice will enhance the money laundering focus of counter-drug task forces.

Action Item: The Departments of the Treasury and Justice will enhance the capacity to provide ongoing and post-takedown analysis to multi-district investigations.

Action Item: The Treasury Department will identify areas or financial sectors for use of geographic targeting orders and use such orders to coordinate appropriate operations.

Action Item: The Departments of the Treasury and Justice will enhance their capacity to provide specialized resources for money laundering investigations.

Objective 6: Enhance the Collection, Analysis, and Sharing of Information to Target Money Launderers

Action Item: The Department of Justice will promote mechanisms for regular review of Suspicious Activity Reports in the Office of each United States Attorney and for coordinated investigation of targets identified through that review.

Action Item: The Departments of the Treasury and Justice will ensure that their bureaus provide feedback to FinCEN on the use of Suspicious Activity Reports and other BSA information.

Action Item: The Treasury Department will enhance resources related to strategic analysis and production of regional threat assessments.

Action Item: The Treasury Department will set a technology plan for enhancements of nation-wide data bases that contain BSA information.

Action Item: Under the leadership of the Departments of the Treasury and Justice, law enforcement agencies will debrief informants and cooperating witnesses about their money laundering methods.

Objective 7: Enhance and Support Efforts to Detect and Counter Currency Smuggling

Action Item: The Administration will seek legislative authority for the Customs Service to search outbound mail.

Objective 8: Intensify Training

Action Item: The Departments of the Treasury and Justice will include in a joint memorandum a provision calling for the enhancement of financial investigative training.

Action Item: The Departments of the Treasury and Justice will continue to sponsor national and regional money laundering conferences.

GOAL 2: ENHANCING REGULATORY AND COOPERATIVE PUBLIC-PRIVATE EFFORTS TO PREVENT MONEY LAUNDERING

Objective 1: Enhance the Defenses of U.S. Financial Institutions Against Use as an Instrument by International Criminal Organizations

Action Item: The Departments of the Treasury and Justice will convene a high-level working group of federal bank regulators and law enforcement officials to examine what guidance would be appropriate to enhance bank scrutiny of certain transactions or patterns of transactions in potentially high-risk accounts. The working group will complete its review within 90 days.

Action Item: The federal bank supervisory agencies, in cooperation with the Department of the Treasury, will conduct a review of existing bank examination procedures relating to the prevention and detection of money laundering at financial organizations, to be completed within 180 days.

Objective 2: Assure that All Types of Financial Institutions Are Subject to Effective Bank Secrecy Act Requirements

Action Item: The Treasury Department will issue a final rule for the reporting of suspicious activity by money services businesses.

Action Item: The Treasury Department will issue a final rule for the reporting of suspicious activity by casinos.

Action Item: The Treasury Department will work with the Securities and Exchange Commission to propose rules for the reporting of suspicious activity by brokers and dealers in securities.

Objective 3: Continue to Strengthen Counter-Money Laundering Efforts of Federal and State Financial Regulators

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will issue a joint memorandum setting policies for enhanced sharing of information between law enforcement and regulatory authorities.

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will expand joint training opportunities for federal financial investigators and bank examiners.

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will support regulatory efforts aimed at detecting threats to particular institutions.

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will support regulatory efforts to identify the recycling of illicit funds through financial institutions.

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will begin regular meetings of senior financial enforcement and regulatory officials to review counter-money laundering efforts in each regulatory district throughout the nation.

Objective 4: Increase Usefulness of Reported Information to Reporting Institutions

Action Item: FinCEN and the Bank Secrecy Act Advisory Group will continue their project to expand the flow to banks of information derived from Suspicious Activity and other Bank Secrecy Act Reports.

Objective 5: Strengthen and Adapt Internal Controls by Financial Businesses to Detect and Prevent Money Laundering

Action Item: The Department of the Treasury will convene a study group that includes FinCEN, the SEC, the federal bank regulators, and relevant accounting and auditing organizations to determine how best to utilize accountants and auditors in the detection and deterrence of money laundering.

Objective 6: Ensure that Regulatory Efforts to Prevent Money Laundering Are Responsive to the Continuing Development of New Technologies

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will continue outreach to the private sector to ensure that anti-money laundering safeguards respond to new technologies.

Objective 7: Understand Implications of Counter-Money Laundering Programs for Personal Privacy

Action Item: The Treasury Department will review steps taken to ensure the security of BSA information and recommend any necessary changes.

Action Item: The Treasury Department will lead a 180-day review of counter-money laundering and privacy policies.

GOAL 3: STRENGTHENING PARTNERSHIPS WITH STATE AND LOCAL GOVERNMENTS TO FIGHT MONEY LAUNDERING THROUGHOUT THE UNITED STATES

Objective 1: Provide Seed Capital for State and Local Counter-Money Laundering Enforcement Efforts

Action Item: The Treasury Department will inaugurate the "Financial Crime-Free Communities Support Program."

Objective 2: Promote Joint Federal, State, and Local Money Laundering Investigations

Action Item: The Departments of the Treasury and Justice will promote state and local enforcement efforts that bridge state boundaries.

Objective 3: Promote the Free Flow of Relevant Information Between State and Federal Enforcement Efforts

Action Item: The Department of the Treasury will promote the use of FinCEN's Gateway Program so that it can become a vehicle for two-way information exchange and joint state-federal financial analysis projects.

Objective 4: Encourage Comprehensive State Counter-Money Laundering and Related Legislation

Action Item: The Departments of the Treasury and Justice will provide technical assistance for enhanced state laws against money laundering.

Objective 5: Support Enhanced Training for State and Local Investigators and Prosecutors

Action Item: The Departments of the Treasury and Justice will develop a model curriculum for a financial investigations course for state and local law enforcement agencies.

GOAL 4: STRENGTHENING INTERNATIONAL COOPERATION TO DISRUPT THE GLOBAL FLOW OF ILLICIT MONEY

Objective 1: Continue to Press Nations to Adopt and Adhere to International Money Laundering Standards

Action Item: Work toward universal implementation of the FATF 40 Recommendations.

Action Item: On a bilateral basis, the United States will press countries that do not have effective money laundering regimes to adopt and adhere to such regimes.

Action Item: Negotiate strong anti-money laundering provisions in the pending United Nations Convention Against Transnational Organized Crime.

Action Item: Promote the development of FATF-style regional bodies.

Action Item: Continue to provide training and assistance to nations making efforts to implement counter-money laundering measures.

Objective 2: Include Counter-Money Laundering Issues on the International Financial Agenda

Action Item: The Treasury Department will urge the international financial institutions to encourage countries, in the context of financial sector reform programs, to adopt anti-money laundering policies and measures.

Action Item: Support the efforts of the Financial Stability Forum and other multilateral groups in urging offshore financial centers to adopt and adhere to international standards.

Objective 3: Apply Increasing Pressure to Jurisdictions Where Lax Controls Invite Money Laundering

Action Item: The high-level working group of federal bank regulators and law enforcement officials will examine what guidance would be appropriate to enhance the scrutiny of correspondent bank accounts in the United States maintained by certain offshore and other financial institutions that pose money laundering risks. The working group will complete its review within 90 days.

Action Item: Promote adoption of higher risk-weighted lending -- which increases lending costs -- to institutions in offshore jurisdictions that do not make progress in implementing effective international standards, including those relating to money laundering.

Action Item: Support FATF formulation of criteria for and identification of non-cooperative jurisdictions.

Action Item: Support efforts aimed at effective fiscal enforcement.

Action Item: On a bilateral basis, the United States will press countries that do not have effective money laundering regimes to adopt and adhere to such regimes.

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Action Item: Support the efforts of the Financial Stability Forum and other multilateral groups in urging offshore financial centers to adopt and adhere to international standards.

Objective 3: Apply Increasing Pressure to Jurisdictions Where Lax Controls Invite Money Laundering

Action Item: The high-level working group of federal bank regulators and law enforcement officials will examine what guidance would be appropriate to enhance the scrutiny of correspondent bank accounts in the United States maintained by certain offshore and other financial institutions that pose money laundering risks. The working group will complete its review within 90 days.

Action Item: Promote adoption of higher risk-weighted lending -- which increases lending costs -- to institutions in offshore jurisdictions that do not make progress in implementing effective international standards, including those relating to money laundering.

Action Item: Support FATF formulation of criteria for and identification of non-cooperative jurisdictions.

Action Item: Support efforts aimed at effective fiscal enforcement.

Action Item: Consider unilateral action where necessary.

Sub-Action Item: Issue bank Advisories when appropriate.

Sub-Action Item: Invoke powers of IEEPA in appropriate circumstances.

Objective 4: Facilitate International Exchange of Information

Action Item: Support and expand membership of the Egmont Group of financial intelligence units.

Action Item: Promote the G-7 Ten Key Principles on Information Exchange for the Improvement of International Cooperation Regarding Financial Crime and Regulatory Abuse.

Action Item: Expand law enforcement information exchange and judicial cooperation channels.

Action Item: Promote joint analysis of information developed in multilateral investigations.

Action Item: Create an inter-agency team from FinCEN, the Federal Reserve Board, and the Departments of the Treasury and Justice, and other appropriate agencies, to review currency flows and Suspicious Activity Report information.

Objective 5: Improve Coordination and Effectiveness of International Enforcement Efforts

Action Item: Promote bilateral and multilateral enforcement teams to attack priority targets.

Action Item: Urge the G-7 nations to consider an initiative to harmonize rules relating to international funds transfers so that the originators of the transfers will be identified.

Action Item: The Administration will propose significant provisions in the Money Laundering Act of 1999 addressing international money laundering.

Action Item: Urge other nations to make public corruption a predicate offense under their own counter-money laundering statutes.

Action Item: The Departments of the Treasury, State, and Justice will consider the establishment of a program to deny or revoke visas in all cases where couriers are being used to repatriate drug currency.

Objective 6: Build Knowledge and Understanding

Action Item: Work with the international community to understand the interplay between underground financial markets and international trade.

Action Item: Enhance understanding of alternative remittance systems.

Action Item: Expand counter-money laundering "public diplomacy."

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Notes:

Money laundering Q+A's.

Money Laundering Strategy Rollout: Qs and As for Highlighted International Action Items

1) Action Item: Press nations in both multilateral and bilateral settings to adopt and adhere to international money laundering standards.

Q: Is there any reason to expect that the U.S. can successfully "press" countries to adopt standards they don't want?

A: U.S. leadership in the Financial Action Task Force (FATF), FATF-style region bodies, and certain bilateral actions have produced good results.

- When the FATF was created in 1990, it established the FATF Forty Recommendations, a comprehensive blueprint for action against money laundering.(revised in 1996) that cover the criminal justice system and law enforcement, the financial system and its regulation, and international cooperation. All 26 FATF member nations have made a firm political commitment to endorse and implement these recommendations. New countries who wish to join the FATF must demonstrate the same level of commitment.

- The FATF Forty Recommendations have become the international standard for anti-money laundering programs and a number of multilateral groups and international organizations have recognized and endorsed them. Through FATF-style bodies in the Caribbean and Central and Eastern Europe, a large number of non-FATF members have begun to implement these recommendations. Other regional bodies in South America and Asia/Pacific are now considering how best to accept these standards, taking into account regional economic and institutional structures.

- In order for these standards to be adopted and implemented in a fair and consistent way, FATF members and those who have formally endorsed the FATF Recommendations accept the discipline of being subjected to multilateral surveillance and peer review. A detailed mutual evaluation process, under which each member country is subject to an on-site examination, serves as a mechanism to monitor compliance, identify weaknesses, and show progress in creating a proper anti-money laundering regime.

- Both the FATF and the US, unilaterally, can take actions against countries that do not sufficiently apply the standards. Financial sector spokesmen have indicated that the advisories have probably influenced firms to reduce contacts with the country and/or raise the cost of lending to the country. In most cases, after a FATF press release or a U.S. Treasury advisory is issued, the country in question has rectified its anti-money laundering deficiencies.

Background

A number of multilateral groups and international organizations are involved in the fight against money laundering, the foremost of which is the Financial Action Task Force on Money Laundering (FATF), which was established at the G-7 Economic Summit in Paris in 1989. FAFT is an inter-governmental body whose purpose is the development and promotion of policies to combat money. These policies aim to prevent such proceeds from being utilized in future criminal activities and from affecting legitimate economic activities.

In the ten years since its inception, the FATF has made significant progress. Moreover, virtually all of its members have undertaken significant regulatory and legislative reforms to comply with the 40 FATF Recommendations. FATF membership includes nineteen European, two North American and,five Asian/Pacific countries. The FATF just welcomed three new observer members from Latin America, and it is furthering its work in the Gulf region. The FATF will continue to encourage other strategically important countries to join in order to have a more global-balanced body.

During the year ahead and in coming years, the FATF will encourage the establishment of regional arrangements to further its objectives and to press for further implementation of the FATF 40 Recommendations. The FATF will support the development of existing regional bodies similar to the FATF, such as the Caribbean Financial Action Task Force (CFATF) and the Asia/Pacific Group on Money Laundering, Council of Europe, and the establishment of new regional bodies to further anti-money laundering efforts in other regions, particularly Africa.

In addition to working with FAFT, the U.S. has taken unilateral actions in selected cases (e.g., Antigua and Barbuda) where after repeated efforts to persuade and assist, we issued an advisory to American financial institutions indicating the risk involved in doing business with the country. Financial sector spokesmen have indicated that the advisories have probably influenced firms to reduce contacts with the country and/ or raise the cost of lending to the country. Antigua and Barbuda has responded with initiatives to deal with money laundering.

2) Action Item: The Treasury Department will urge the international financial institutions to encourage countries, in the context of financial sector reform programs, to adopt anti-money laundering policies and measures.

Q. Does this mean that the U.S. will insist that the IFIs deny any assistance to a country unless and until it has established an acceptable money laundering regime?

A. It means that the U.S. will urge the IMF and the multilateral development banks to increase their efforts to promote the adoption of effective anti-money laundering policies and measures in all appropriate circumstances.

- In countries confronted with serious money laundering problems, the IFIs can and should focus on those problems and on ways to strengthen financial supervisory authorities and institutions in their consultations and discussions with those members regarding financial sector reform and in framing specific financial sector programs, projects and assistance.

- Some countries already have good anti-money laundering institutions; others are actively seeking appropriate legislation or creating new supervisory institutions; some need the encouragement and assistance of the IFIs to get the job done.

Background

The International Monetary Fund, the World Bank and the regional development banks are acutely aware of the problems of international money laundering. In recent years, with U.S. urging, the IFIs have provided structural reform assistance to help selected countries to strengthen their banking supervisory capacity and adopt financial sector reforms. Moreover, FINCEN has maintained contacts with the IFIs on money laundering issues. The U.S. considers this work to be of priority importance and will convey at the Economic Summits, the meetings of G-7 finance ministers and central bank governors, and the annual meetings of the IMF and World Bank during the coming year the importance we attach to combating money laundering. We will encourage all international financial institutions to increase their efforts to help countries, in the context of programs for financial sector reform and enhanced financial supervisory capacity, to create transparent financial systems, identify and interdict illicit financial flows, strengthen financial supervisory institutions and promote adoption of appropriate anti-money laundering policies and measures.

3) Action Item: Apply increased pressure on offshore financial centers to adopt and adhere to international standards.

Q. What sort of increased "pressures" to get more offshore financial centers (OFC) to adopt/adhere to international standards do you have in mind?

A. Efforts are already underway in various international bodies to address the complicated issues which OFCs raise. The objective is to level the playing field and work to bolster the weaker links of the chain that ties all finance together.

- Established earlier this year, a Financial Stability Forum (FSF) working group on OFCs is working on ways to encourage OFC to adopt and comply with international standards, including anti-money laundering standards.

- We are working in international fora to promote adoption of higher risk weighting for lending by banks to jurisdictions that do not meet such standards (see other Q and A).

- Note also that the Financial Action Task Force (FATF)has created an ah hoc group which is looking at "non-cooperative" jurisdictions (see other Q and A).

Background

Operation of the global financial system requires increasing cooperation among countries and regions since weak links anywhere along a chain of financial activity can result in dramatic adverse results back up, or further down, the chain. Existence of financial centers which may have substantially lower standards raises policy issues. Lower standards in some offshore centers may facilitate movement of illicit funds.

The Financial Stability Forum's Offshore Financial Center (OFC) working group has already begun work to encourage OFCs to implement international prudential and disclosure standards, including the need for OFCs to comply with international agreements on the exchange of supervisory information and information relevant to financial fraud and money laundering.

As industrial countries and emerging market economies continue to strengthen their own prudential standards, there will be market-driven traditional incentives for OFCs to take similar actions, both because of market forces and because of efforts being considered in other fora which would make it more expensive to lend to counter-parties in OFCs which have not made progress in implementing effective international standards, including money laundering standards (see also next Q & A).

4) Action Item: Promote adoption of risk-weighted lending that would increase the costs of lending money to offshore jurisdictions that do not make progress in implementing effective international standards, including those relation to money laundering.

Q. How will the risk-weighted lending described in the money laundering strategy work?

A. The short answer to your question is that proposals now being discussed may well lead to more differentiation by type of borrower – whether a sovereign borrower, bank or corporate enterprise.

One of those proposals would raise the risk-weighting of a loan extended to a borrower in a country or jurisdiction which has not adopted appropriate international standards, including those dealing with money laundering. This would increase the cost of making the loan and tend to push up the cost to the borrower.

Background

In various international fora including the Basel Committee on Banking Supervision, the US is pushing efforts to encourage OFCs to strengthen financial supervision and prudential standards. In this context, the US will work to promote adoption of a higher risk-weights for bank loans to counter-parties operating in OFCs which have not made progress in implementing international standards such as the Core Principles for Effective Banking Supervision, including those dealing with money laundering.

Such higher risk-weighting would increase costs of lending to entities resident in such non-complying jurisdictions. If a bank lends $100 dollars it is basically required to set aside 8% of that in capital to take account of the credit risk. Under a 1988 agreement among the G-10 banking supervisors (the Basel Capital Accord), credits extended by banks are "weighted" by risk -- the higher the risk as defined by type of borrower, the more expensive the loan to the lender, which would push the borrowing cost higher.

In June, the Basel Committee released for public comment a paper proposing a number of changes to make the system more attuned to risk, including by determining risk weights for various counter-parties in part by using the ratings of international recognized credit rating agencies. Another proposal is that any bank lending to another bank in a country that is implementing the Basel Core Principles (which includes a principle on money laundering) would not be eligible for a risk rating below the maximum (or 100%). In such a case, US and other industrial country banks would find it more expensive to lend to OFCs or other countries that do not meet international standards because of the required higher capital set aside.

The Basel Committee will be finalizing the rules next year.

5) Action Item: Support the identification of rogue (non-cooperative) jurisdictions by the FATF and appropriate consequences for such jurisdictions.

Q. How will countries or territories be determined to be non-cooperative?

A. Based on a set of negotiated criteria, the FATF will assess potential non-cooperative jurisdictions to determine if in fact, they should be treated as non-cooperative.

- The Financial Action Task Force (FATF) Ad Hoc Group on Non-Cooperative Countries and Territories has been negotiating a list of criteria that would serve to identify "non-cooperative" countries or territories. The criteria, which should be finalized at the next Ad Hoc Group meeting on September 20, include, among others, inadequate regulations and supervision of financial institutions, excessive secrecy provisions, and obstacles to international cooperation by judicial and administrative authorities.

- Once the criteria are finalized, the Ad Hoc Group will establish procedures to identify non-cooperative jurisdictions, beginning with submissions from each member country of examples of instances where a country or territory has been non-cooperative during criminal or civil investigations or routine requests for information.

- The Ad Hoc group will then undertake steps to bring these jurisdictions into compliance with international anti-money laundering standards.

Background

The criteria being negotiated by the Financial Action Task Force (FATF) Ad Hoc Group on Non-Cooperative Countries and Territories, which should be finalized at the next Ad Hoc Group meeting on September 20, include:
- No or inadequate regulations and supervision of financial institutions;
- Inadequate licensing and creation rules for financial institutions, including assessing the backgrounds of their managers and beneficial owners;
- Inadequate customer identification requirements for financial institutions;
- Excessive secrecy provisions regarding financial institutions;
- Lack of efficient suspicious/unusual transactions reporting system;
- Inadequate commercial law requirements for registration of business and legal entities;
- Lack of identification of the beneficial owner(s) of legal and business entities;
- Obstacles to international cooperation by judicial and administrative authorities;
- Absence of a financial intelligence unit or equivalent competent authority.

Once such a tentative list is established, the Ad Hoc Group will then proceed to survey individual jurisdictions to determine if indeed, the jurisdictions meet the criteria for "non-cooperative jurisdictions." The Ad Hoc group will then undertake steps to bring these jurisdictions into compliance with international anti-money laundering standards.

Q. What will be considered "appropriate consequences" for non-cooperative jurisdictions?

A. Appropriate consequences will be determined on a case-by-case basis but may involve both multi- and bilateral efforts.

- The FATF and other regional bodies (CFATF, OGBS and the PC-R-EV) have developed policies for sanctioning non-complying members, ranging from requiring status reports on efforts to correct deficiencies noted in a mutual evaluation report to expulsion from membership.
- The Ad Hoc Group on Non-Cooperative Countries and Territories also is considering measures to address non-cooperative jurisdictions, including multilateral appeals through the FATF, the G-7, the OECD, or the Basle Committee to abolish the damaging rules and practices
- When a country blatantly disregards international standards governing anti-money laundering, the U.S. may issue a public statement, or an advisory, to all U.S. financial institutions regarding the actions of that country and calling for enhanced scrutiny of financial transactions. This public ostracism may force the country to redress inadequacies of their anti-money laundering regimes.

Background

This is a work in progress. Clearly, appropriate consequences will be determined on a case-by-case basis but may involve both multi- and bilateral efforts. The FATF and other regional bodies (CFATF, OGBS and the PC-R-EV) have developed policies for sanctioning members that do not comply with agreed upon international anti-money laundering standards. In the cases of the FATF, CFATF and PC-R-EV, for example, these sanctions range from a requirement to provide status reports on efforts to correct deficiencies noted in a mutual evaluation report, diplomatic (high-level) demarches, issuance of public statements, to expulsion from membership. In addition to the foregoing, the FATF has taken steps to sanction non-members as well. The OGBS has excluded from membership states that do not meet its standards. These organizations will no doubt continue applying standards that they have developed for their purposes.

Similarly, the Ad Hoc Group on Non-Cooperative Countries and Territories is also in the process of considering these measures to address non-cooperative jurisdictions. These include multilateral appeals to abolish the damaging rules and practices through the FATF, the G-7, the OECD, or the Basle Committee. The Ad Hoc Group is also considering requesting the World Bank and the IMF to take into their lending considerations, when appropriate, the status of a country as "non-cooperative."

When a country blatantly disregards international standards governing anti-money laundering, the U.S. may issue a public statement, or an advisory, to all U.S. financial institutions regarding the actions of that country and calling for enhanced scrutiny of financial transactions. This public ostracism may force the country to redress inadequacies of their anti-money laundering regimes. In the case of Antigua and Barbuda, the supervisory body of its offshore sector was neither independent nor otherwise able to effectively regulate the offshore sector in accordance with international standards. An advisory prepared by FINCEN and issued to U.S. depository institutions earlier this year appears already to have resulted in movement to reform Antigua's offshore sector.

The U.S. also may impose IEEPA sanctions on persons or entities deemed to pose a security threat to the United States. Presently, IEEPA bars U.S. persons from having property transactions or commercial transactions with individuals and businesses acting as fronts for significant narcotics traffickers in Colombia.

6) Action Item: Urge the G-7 nations to adopt harmonized rules relating to international funds transfers.

Q. What steps do you foresee in dealing with international money transfers?

A. While a challenging area, we think the G-7 countries should now consider the viability/need of steps to increase the transparency of the originator and beneficiaries of the money wire. Harmonizing rules of this sort will make it that much more difficult for financial criminals to dodge detection.

Background

G-7 nations adopted several significant counter-money laundering measures at the last two summits.

The G-7 should now consider the need to harmonize the rules for information included on international funds transfer messages so that banks from which the international funds transfer originates must include in the message the name of the originator of the transfer.

Harmonized rules of this sort will limit further the ability by criminals to dodge detection through cross-border transfers and will bolster each jurisdictions own rules on funds transfer.

Law enforcement professionals consider such a step essential to permit effective detection of international money laundering activities.

7) Action Item: Propose legislation to increase the range of foreign crimes that can serve as a predicate for U./S. money laundering prosecutions.

Q. Why is it necessary to add additional foreign crimes to the money laundering statutes?

A. At the present time, certain foreign offenses involving drug trafficking, crimes of violence and bank fraud have been made predicates for money laundering offenses (Title 18, United States Code, Sections 1956 and 1957 Thus, the government s already-able to prosecute persons who use U.S. financial institutions to launder proceeds generated through the commission of some foreign crimes.

- By enlarging the list of foreign crimes ser forth in the money laundering statutes, it would be possible for the government to exercise this power incased involving public corruption, fraud against a foreign government or governmental entity, as well as any crime where the U./S. is under a obligation to extradite or prosecute offenders. This would close a gap that currently exists in our legislation.

Q. What would be the impact of adding these new foreign offenses to the money laundering statutes?

A. If additional foreign offenses were added as predicates to the money laundering statutes, we would be better equipped to prosecute cases where funds that represent the proceeds of bribery in a foreign country or fraud against a foreign government pass through financial institutions in the United States.

8) Action Item: Support further development of national financial intelligence units through the Egmont Group.

Q. Do we need both the Financial Action Task Force (FATF) and the Egmont Group?

A. Yes. The FATF and the Egmont Group are completely different organizations that play complementary roles in the fight against money laundering.

- FATF is a policy-making organization, with its own well defined mission and list of accomplishments.
- The Egmont Group is a network of national financial intelligence units (FIUs) that exchanges information between national law enforcement agencies.
- FATF is highly supportive of the Egmont Group, and sits as an observer in the yearly Egmont plenary sessions.
- FATF does not get involved in specific issues faced by the Egmont Group such as the actual exchange of financial intelligence and the establishment of new FIUs.

Q. There are numerous FIUs in Europe, but the Egmont Group lacks a strong presence elsewhere. Are steps being taken to make the Egmont Group a truly global network?

A. Yes. FINCEN encourages nations to create FIUs and provides technical assistance and training to those nations that undertake the task of creating a FIU.

- The Egmont Group currently has 48 members. That membership is expected to increase to 60 within a year. This is phenomenal growth for a "non-organization."
- FINCEN continues to look for viable candidate countries in Asia, Africa, and the Middle East.
- The Egmont Group has a strong "Outreach" Working Group that endeavors to further expand the FIU network.
- More important, FINCEN is working actively with other established FIUs to promote effective information exchange to support law enforcement.

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- More important, FINCEN is working actively with other established FIUs to promote effective information exchange to support law enforcement.

Q. Is U.S. law enforcement starting to take advantage of the Egmont network to assist in criminal investigations?

A. Yes. Domestic law enforcement is beginning to discover the wealth of information available to them through the Egmont Group of FIUs.

- During the last six months, there has been approximately a 500% increase in requests from domestic U.S. law enforcement agencies to foreign FIUs in comparison to the same time period of last year. These requests are all made via FINCEN.
- Individual criminal investigators are beginning to realize that they have a new and potentially powerful tool in their investigative toolbox.
- We strongly encourage the U.S. law enforcement community to take every opportunity to exploit information that may be available from foreign FIUs.

Background

One of the most important developments in international anti-money laundering cooperation has been the development of FIUs. These agencies are created to receive their own domestic suspicious activity reports, analyze financial information related to law enforcement activity, disseminate information to domestic enforcement agencies and exchange information internationally. In 1995, twelve FIUs met in Brussels to discuss common issues and concerns. Four years later, the Egmont Group of financial intelligence units has evolved into a network of 48 central, national agencies.

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Will the U.S. require that Russia make money laundering illegal ?

- Money laundering has been a crime under Russian law since January 1, 1997.
- However, Russia needs a comprehensive anti-money laundering law to effectively pursue money-laundering cases.
- Unfortunately, President Yeltsin has twice vetoed such a law on constitutional grounds.
- In a recent conversation with President Yeltsin, President Clinton noted the importance of Russia's enacting an effective money laundering law and urged President Yeltsin to move quickly to do so. President Yeltsin agreed and we expect him to fulfill that promise.
- The international community will continue to press Russia to make progress in addressing money laundering issues, particularly in the context of the October G-8 Crime Ministerial in October.

How will Russian money laundering be treated at the upcoming G-8 crime ministerial in Moscow ?

- The October ministerial will cover a variety of global crime issues including money laundering. Though its is being held in Russia, the agenda is not Russia specific.
- Issues relating to Russia and money laundering will be important topics for the ministerial.
- In particular, the ministerial will address Russia's need to enact effective money laundering legislation.

WOULD STRATEGY HAVE PREVENTED RUSSIAN MONEY LAUNDERING IN U.S.?

How would your Strategy, if it had been in place, have prevented the flow of bad Russian money into the United States?

1. The Strategy is a balanced, comprehensive set of steps to move the fight against money laundering forward; matched with international efforts to curtail corruption.

2. We've laid out a five-year program that is both global and domestic.

3. It addresses both the laundering of the proceeds of U.S. crime, and on the movement into the United States of the proceeds of crimes committed elsewhere.

4. In particular,

   - We are going to designate high-risk money laundering zones at which to direct coordinated law enforcement efforts;

   - The Strategy calls for rules requiring scrutiny of suspicious activities in a range of financial institutions, from money transmitters, to broker/dealers, to casinos

   - We call for legislation to bring a broader range of international crimes -- including arms trafficking, public corruption, and fraud, under coverage of U.S. money laundering laws;

   - We will be intensifying pressure on nations to adopt adequate counter-money laundering controls.

- The overall thrust of the Strategy will make it a great deal more difficult for dirty money to move into or through U.S. financial institutions.

- Harmonized international standards and law enforcement cooperation can cut down the criminal's freedom of economic movement even further.

- But the ingenuity of criminals is also pretty high. This is a long-term effort.

WHAT IS NEW OR NOVEL IN THIS STRATEGY?

The government has been fighting money laundering for years? What is new or novel in this Strategy?

- The most important aspect of the Strategy is the firm commitment it provides that our two Departments want to mount a comprehensive attack - take a hard swing - at money laundering as a crime of its own, and bring together all of the resources of our government to do that.

- We want to stress a problem solving approach. If this is the way money is laundered in a particular area, what's the best way to tackle the problem? Prosecution alone? Tighter licensing rules? Better audits? The expertise is out there; it's a question of making this a top priority and linking our efforts together.

- I'd cite specifically:

- the HIFCA Program to identify and apply this problem solving approach to the way money is laundered in particular areas, on the basis of locally-based knowledge and analysis;

- our commitment to target money laundering systems and to "map" money laundering as a financial market all its own, so we can target its weak points more effectively;

- our international commitment to working multilaterally, bilaterally, and, if necessary, unilaterally to:

  - to encourage harmonized money laundering standards around the world;

  - apply increased pressure to rogue jurisdictions;

- outreach to professional groups to explore the line between aggressive professional representation and possible participation in money laundering transactions;

- outreach to business and the accounting profession to formulate enhanced counter-money laundering accounting and auditing guidelines.;

- increased probing of the links between money laundering and corruption.

WHY IS MONEY LAUNDERING IMPORTANT?

Why are you emphasizing money laundering? Why not just step up drug, fraud, and other investigations? Isn't money laundering just a method criminals use?

- It's true that the crime of money laundering depends upon there being a predicate offense, such as narcotics trafficking, fraud, bribery, or kidnaping, that generated the money being laundered. (There are now some 170 offenses covered in the money laundering statute.)

- Money laundering is important for three reasons.

- First and foremost, it is a critical adjunct to the underlying criminal activity. It provides the fuel for drug traffickers, arms dealers, terrorists, and other criminals.

- Second, the criminal's need to launder the money gives us a vital tool to use against them. If investigators follow the money, they may find a useful hook with which to catch those who commit the underlying crimes. As has often been said, it took an accountant to catch Al Capone.

- Finally, money laundering is important in its own right. It taints our financial institutions, and, if unchecked, can undermine public trust in their integrity. And, as the President has noted, aspects of the money laundering problem can pose threats to our national security.

WHY HAS THE GOVERNMENT WAITED UNTIL NOW?

Granted that this is an important subject, why did you wait almost 15 years after the criminalization of money laundering to take these steps? Put another way, why did it take the Congress to make you come up with this approach?

- We've enjoyed the strong support of the Congress in our work against money laundering and in our law enforcement efforts overall. Last year's legislation is just another example.

- The publication of the Strategy doesn't mean that we've just noticed money laundering. As the document itself points out, there have been over 5900 money laundering convictions and guilty pleas since 1986, plus additional convictions for Bank Secrecy Act offenses.

- What we're doing here is, hopefully, moving the fight to the next level.

- That move reflects:

    - the increased threat of global crime, and the movement of criminal funds, at the touch of a computer button, from one nation to another, that reflects the global financial system's efficiency; that efficiency underlies our prosperity, but that's why it has to be policed effectively;

    - the possibilities that technology gives us to pull money laundering schemes out of the background if we carefully pool our own resources of information;

    - our growing knowledge of the way money is laundered. We've talked a great deal, I know, about the black market peso exchange system, but that system is a continuing "market." that needs to be understood.

        - It illustrates the cross-over between legitimate and underground commerce.

        - It shows that its not enough to move particular criminals off the street; there are others to step in to replace them; we need to attack the market mechanisms, if I call them that, used by money launderers.

OFFSHORE JURISDICTIONS

What are you going to do about offshore jurisdictions?

- The Strategy contains a number of steps designed to increase pressure on jurisdictions whose lax controls -- in some cases caused or supplemented by official corruption -- invite or tolerate dirty money. The world's leading economic powers have endorsed continuing steps to help the nations involved improve their financial systems while making it clear that havens for criminal assets cannot be tolerated.

- We are pushing efforts, in the FATF and elsewhere, to define and identify non-cooperative jurisdictions, as well as to articulate steps FATF members can take to promote progress by such jurisdictions.

- We're working to strengthen our network of mutual legal assistance and information exchange arrangements and to provide training and technical assistance to nations that are sincerely attempting to upgrade their financial controls and anti-money laundering systems. We recognize that this takes time.

- In cases where training, technical assistance, and diplomacy fail, and where there are particular risks that warrant it, the U.S. may take appropriate additional action.

- In some cases, unilateral action can take the form of a warning to U.S. financial institutions about transactions involving particular financial systems, as Treasury has done, with the full support of the Department of Justice.

- Stronger, unilateral steps, can also be a possibility in extreme situations.

LEACH LEGISLATION

Do the Departments of the Treasury and Justice support the legislation introduced by Chairman Leach to deal with the laundering of money from abroad?

- The Strategy deals with a number of subjects that are of concern to Chairman Leach. In particular,
  - we call for legislation increasing the crimes that can serve as predicate for U.S. money laundering investigations, as his bill does;
  - we call for an immediate review of what steps are appropriate
    - to enhance the scrutiny U.S. financial institutions must give to transactions that carry a potentially high money laundering risk;
    - to allow U.S. financial institutions to obtain customer information when dealing with correspondent banks in certain high-risk situations;
    - to assure that beneficial ownership information is available in cases in which, again, a high risk of potential money laundering exists.
  - we are calling for G-7 action to harmonize funds transfer procedures, so that every funds transfer indicates the specific account from which it comes. Law enforcement professionals think that's a very important step forward..
  - We are going to press offshore financial centers to move quickly to implement international standards and comply with international agreements on information exchange relating to money laundering, financial fraud, and tax fraud
    - As I've said, we will work multilaterally and bilaterally where possible; but we are prepared to act unilaterally when necessary to deal with rogue financial jurisdictions.
- We're still studying the legislation. We have a long history of working with the Chairman on these matters; he has been a very strong supporter of effective counter-money laundering programs, and we look forward to working with him on these important issues.

PRIVACY

Last year, "know-your-customer" rules had to be withdrawn after a strong negative public reaction to intrusions on privacy in the name of anti-money laundering enforcement. Won't the same problems arise with the Strategy?

- Automated information systems and advanced information processing techniques have made privacy a significant national concern.

- In pursuing our anti-money laundering program we must take into account the need to protect the personal privacy of our citizens from unwarranted intrusions. And the public must understand that we take that need seriously, if they are to continue to support our programs.

- Treasury will lead an inter-agency review to consider how to achieve anti-money laundering goals in ways that are consistent with the goals of minimizing burden and protecting individual privacy. The review will be completed within 180 days.

IMPLEMENTATION

How will the Strategy be implemented?

- Obviously, a great many federal, state, and local agencies will be involved. One of the challenges will be encouraging flexibility, on issues ranging all the way from problems with local money transmitters, on the one hand, to international enforcement policy on the other.

- Overall implementation will be guided by an inter-agency Steering Committee co-chaired by [Deputy Attorney General Holder][Deputy Secretary Eisenstat] and myself, with participation of all relevant departments and agencies. That includes not only IRS-CID, FBI, Customs, DEA, and Secret Service, but the banking and securities regulators, for example. With respect to action items that affect international affairs, the National Security Council will have a central role in the Steering Committee.

- Our first job will be to come up with an implementation plan that identifies time lines for carrying out the action items and, as appropriate, makes specific assignments.

- I should emphasize that this is a five year effort. The dozens of action items cannot be accomplished all at once. They lay out a framework for prompt action, however. Some of that action is already underway; in other cases action will begin in the near timer, and in still other cases will take place over a longer horizon.

- And of course, implementation of a number of the action items will depend, at least in part, on additional resources. We look forward to working with the Congress to find those resources.

WOULD STRATEGY HAVE PREVENTED RUSSIAN MONEY LAUNDERING IN U.S.?

How would your Strategy, if it had been in place, have prevented the flow of bad Russian money into the United States?

1. The Strategy is a balanced, comprehensive set of steps to move the fight against money laundering forward; matched with international efforts to curtail corruption.

2. We've laid out a five-year program that is both global and domestic.

3. 'It addresses both the laundering of the proceeds of U.S. crime, and on the movement into the United States of the proceeds of crimes committed elsewhere.

4. In particular,

   - We are going to designate high-risk money laundering zones at which to direct coordinated law enforcement efforts;

   - The Strategy calls for rules requiring scrutiny of suspicious activities in a range of financial institutions, from money transmitters, to broker/dealers, to casinos

   - We call for legislation to bring a broader range of international crimes -- including arms trafficking, public corruption, and fraud, under coverage of U.S. money laundering laws;

   - We will be intensifying pressure on nations to adopt adequate counter-money laundering controls.

- The overall thrust of the Strategy will make it a great deal more difficult for dirty money to move into or through U.S. financial institutions.

- Harmonized international standards and law enforcement cooperation can cut down the criminal's freedom of economic movement even further.

- But the ingenuity of criminals is also pretty high. This is a long-term effort.