

Opening Statement of Senator Brown
“Combating Money Laundering and Other Illicit Finance:
Administration Perspectives on Reforming and Strengthening BSA Enforcement.”

January 17, 2017

Thank you, Mr. Chairman, for calling this important hearing as a follow-up to our session last week, as we begin to consider ideas to strengthen and reform our money laundering and illicit finance laws.

I am pleased that today we will hear administration views, including from Treasury Under Secretary for Terrorism and Financial Intelligence Mandelker and Deputy Assistant Attorney General Day from the Criminal Division of the Department of Justice. They will both, I am sure, provide important law enforcement and counter-terrorism perspectives.

As I noted last week, we should keep in mind that we are operating against a backdrop where in recent years some of the world’s largest banks and their foreign partners continue to run afoul of these laws. In some cases they had inadequate anti- money laundering oversight and compliance regimes. In others, banks willfully and persistently violated U.S. bank secrecy, sanctions, and anti-corruption laws.

And though some have tried to minimize them, these were not simply paperwork missteps or administrative errors. In fact, the Government Accountability Office concluded last year that from 2009-2015 approximately \$12 billion was collected in fines, penalties, and forfeitures from financial institutions for violations of the Bank Secrecy Act, the Foreign Corrupt Practices Act, and U.S. sanctions requirements – including \$5.2 billion specifically assessed for Bank Secrecy Act violations.

Some of these banks violated U.S. anti- money laundering and sanctions laws by knowingly facilitating illegal financial transactions for rogue regimes in Iran, Sudan, Libya, Syria, and Burma, and in some cases for trying to conceal this activity by repeatedly stripping relevant information from transaction records. Some conducted transactions with individuals or entities affiliated with terrorist organizations and drug cartels in violation of U.S. law. Many violated the law for several years. I encourage my colleagues to read a sampling of these Deferred Prosecution Agreements on these banks; some will make your hair stand on end.

As I have said, these are not victimless crimes. For example, in addition to strengthening interdiction of the supply of drugs like Fentanyl coming into the country through initiatives like my INTERDICT Act signed into law by President Trump last week, we must also cut off the traffickers’ money supply – money laundering on behalf of drug cartels has a direct line to the opioid epidemic in Ohio, where Sinaloa cartel actors have been active, destroying thousands of families.

Human traffickers exploiting the misery of runaways here, or recruiting young women from overseas with promises of legitimate work in the US use the financial system to launder their profits.

That’s why these laws are so critical: they protect the integrity of our financial system, and provide critical intelligence to law enforcement to combat crime.

Even so, as last week's hearing made clear, we do want to assess whether there are ways to responsibly update and strengthen the current anti- money laundering framework, including through new measures to require beneficial ownership information when companies are formed in the U.S., shedding once and for all the U.S. reputation for being a haven for anonymous shell companies. That must end.

Broadening information-sharing may make sense -- but there were good reasons that such sharing was limited to terrorism and money laundering cases after 9-11. Important questions about privacy protections must be answered before considering any expansion.

And as we heard from witnesses last week, we should focus on sharpening suspicious activity reporting, and bolstering efforts by law enforcement to give banks better guidance on what to look for, instead of on substantially raising currency reporting thresholds. Many questions have been raised, including on how to enable banks to make better use of artificial intelligence, while retaining room for critical human judgments.

I know today's two distinguished government witnesses have thought deeply for years about these issues. I welcome you both, and look forward to hearing your perspectives.