

Statement of Chairwoman Sue Kelly
Joint Hearing
Subcommittee on Domestic and International Monetary Policy, Trade and Technology
Subcommittee on Oversight and Investigations
“Combating International Terrorist Financing”
September 30, 2004

Good morning. I would like to thank my colleague from New York, Subcommittee Chairman King, for co-chairing this important hearing on our government’s efforts to combat international terrorist financing.

Earlier this summer, the Financial Services Committee held a hearing on the findings of the 9/11 Commission Report and the commission staff’s Monograph on Terrorist Financing. After reviewing both reports, it is clear that we have made much progress in our international efforts to weed out terrorist financing money since 9/11 and passage of the USA PATIOT Act.

Today, the Administration continues to work with its foreign counterparts to enhance cross-border information-sharing arrangements and to promote stronger anti-terrorist financing regimes in specific countries. In fact, the Administration is currently working within the Financial Action Task Force (FATF) – an intergovernmental policymaking body comprised of 33 member countries and territories – to develop “best practice” standards for combating terror finance. At the same time, the number of Financial Intelligence Units (FIUs) qualifying for membership in the Egmont Group – an international forum for coordinating global anti-terrorist financing and anti-money laundering efforts – has grown from 58 in 2001 to 94 today. Finally, the FATF standards are now a permanent part of the Financial Sector Assessment Program (FSAP) reviews undertaken by the International Monetary Fund (IMF).

While the impact of these efforts is currently being felt across the world, we must continuously improve our ability to work with the international community to weed out terrorist financing and shut down new and emerging threats. In order to strengthen our government’s hand, there are several areas that I would like to explore today, including a Treasury-led certification program and a “secondary ban” under the USA PATRIOT Act.

Yesterday, the Financial Services Committee passed legislation to implement recommendations of the 9/11 Commission Report to ensure that we are protecting the American people. The legislation is a comprehensive response to the Monograph on Terrorist Financing; however, I do believe there are several areas that Congress must explore to encourage cooperation from foreign governments and financial institutions.

The creation of a Treasury-led certification program would acknowledge the vitally important international aspect of our fight against terror finance and ensure that countries are cooperating in these efforts.

Under such a proposal, the Treasury Department would be required to report annually to Congress any countries of concern that are not cooperating in anti-terrorist financing efforts and impose sanctions that could withhold some of their bilateral assistance.

As the 9/11 Commission staff's Monograph on Terrorist Financing suggests, terror networks rely on a variety of methods for moving and generating financial sustenance, which do not respect national borders. And, we have seen that there are countries which do not share our determination and our vigilance to crack these funding systems create sanctuaries for terrorists to route their financial lifelines.

A certification program would send a clear message to world that must be heeded: if you don't cooperate in the war against terror, you will lose some of the bilateral assistance you may receive from the United States.

The other area that I would like to explore today is a potential "secondary ban" under the USA PATRIOT Act.

Under Section 311 of the PATRIOT Act, the government is authorized to impose "special measures" against countries or financial institutions that are found to be of "primary money laundering concern." Section 311 provides a useful lever when dealing with other nations. But, we have found that perhaps there are limits to its usefulness that might be removed to great benefit.

It has become evident that if a banking institution does not have a notable correspondent banking relationship with American banks, Section 311 may not necessarily create the powerful incentives we hoped to have. As such, careful consideration should be given to the concept of a "secondary boycott" under PATRIOT Act.

Under such a proposal, countries or financial institutions that continue to knowingly deal with entities we have designated to be of "primary money laundering concern" will be subject to the same sanctions. Not only are the entities, which are designated to be of primary money laundering concern, subject to Section 311 – but so are other entities which continue to deal with them.

This change to current law would lengthen our reach with Section 311, and substantively reinforce the motivation which led to our passage and enactment of the original provision in 2001.

The American people expect nothing less than the highest level of cooperation from foreign government and financial institutions. I look forward to hearing their views on these and other issues today, and I thank the witnesses for their testimony.