

Opening Statement of Senator Brown
“Combating Money Laundering and Other Illicit Finance:
Opportunities to Reform and Strengthen BSA Enforcement.”

January 9, 2017

Thank you, Mr. Chairman, for this important hearing, the first of two this month in which the Committee will look at ideas for strengthening and reforming our laws to combat money laundering and illicit financial transactions.

This is an important topic. Some of the world’s largest banks and their foreign partners have run afoul of these laws. In some cases they had inadequate anti- money laundering oversight and compliance regimes. Other banks willfully and persistently violated U.S. bank secrecy, sanctions, and anti-corruption laws.

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.

These laws are all tools that aid the federal government in detecting, disrupting, and inhibiting financial crimes, terrorist financing, bribery, and corruption.

During the same period, federal agencies assessed about \$5.2 billion specifically for Bank Secrecy Act violations. When one widens the lens and reaches back to 2005, that number grows much larger.

Many of these banks violated U.S. anti- money laundering and sanctions laws by knowingly facilitating financial transactions for rogue jurisdictions like Iran, Sudan, Libya, Syria, and Burma.

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. And in some cases, foreign affiliates of banks operating in the U.S. were actively working to circumvent the compliance systems of their own banks.

And these are not victimless crimes. For example, money laundering on behalf of drug cartels has a direct line to the opioid epidemic in Ohio, where Sinaloa cartel actors have been active in robbing so many families of sisters, brothers, mothers and fathers.

These types of violations should concern those who argue we should loosen laws, regulations or oversight in this area. These laws have been critical in protecting the integrity of our financial system.

That said, we should 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. Right now, the U.S. has the dubious distinction of being a haven for anonymous shell companies. That needs to end so that law enforcement can stanch the flow of money into illegal activity.

Broadening information-sharing may make sense, but important questions about privacy protections must be answered. And we should focus on sharpening suspicious activity reporting, and bolstering efforts by law enforcement to give banks guidance on what to look for, instead of substantially raising currency reporting thresholds.

There are many tough questions for the Committee to consider on these issues. I welcome our distinguished witnesses, and I look forward to hearing your perspectives.