

Ranking Member Brown Opening Statement

**“Combating Money Laundering and Other Illicit Finance:
Regulator and Law Enforcement Perspectives on Reform”**

November 29, 2018

Thank you, Mr. Chairman, for calling this hearing. Even with all of the tough, comprehensive protections we’ve put in place over the years, especially since 9-11, huge amounts of laundered funds continue to course through our financial system.

In late 2015, Treasury’s comprehensive report on money laundering noted that money laundering related to fraud, drug trafficking and other forms of illicit finance generated an estimated \$300 billion annually.

That’s why it’s critical we consider ways to update and strengthen our anti- money laundering regime, including requiring the kind of tough new beneficial ownership rules we should have imposed years ago. Why, for example, didn’t more alarm bells go off when Paul Manafort was making huge payments for luxury items from anonymous bank accounts in Cyprus?

We should revamp our beneficial ownership rules, and assess the reporting burden on small and medium-sized banks.

But the kind of discussions we’ve sometimes had in the past, as we’ve talked about creating different rules for global and community banks, does not fit as well here.

Money launderers are looking for the weakest link, whether it is HSBC or BB&T or Lone Star National Bank, and will migrate to smaller banks as necessary to hide their crimes.

Community and regional banks play a crucial role alongside our biggest banks in monitoring transactions across the country – their efforts are essential to federal efforts to monitor, deter, prosecute, and punish illicit finance-related activity across our economy.

Assessing the efficacy of our current transaction monitoring and reporting system must be a data-driven policy process. I am pleased FINcen is going to be systematically assessing its current vast body of BSA data with an eye to possible changes.

I look forward to hearing the results of their assessment when it’s done. It will provide an important fact-based foundation for any BSA reform efforts.

Some preliminary analysis has already been done. Bipartisan committee staff have been told by FINcen and the FBI, for example, that increasing SAR and Currency Transaction Report (CTR) thresholds to the levels contained in the House Republican bill would eliminate around 80% of the data available to federal law enforcement.

We cannot throw 80% of the data, including on suspicious activity, out the window. That is irresponsible; it makes no sense. And it could cost lives.

It is true that law enforcement can and should share more information with bank compliance teams – even though they can't always discuss details with reporting banks. And Treasury is working on that.

As I have noted, we should keep in mind that we're operating against a backdrop where in recent years some of the world's largest banks and their foreign partners have continued to run afoul of these laws.

In fact, the Government Accountability Office concluded in 2017 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 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. Some conducted transactions with individuals or entities affiliated with terrorists and drug cartels. Many violated the law for years.

These are not victimless crimes.

We must strengthen interdiction of the supply of drugs like Fentanyl coming into the country through initiatives like my INTERDICT Act, signed into law by President Trump.

But 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.

Likewise, human traffickers exploit the misery of runaways here, recruiting young women from overseas with promises of legitimate work in the US and using 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, 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 of being a haven for anonymous shell companies.

I welcome today's witnesses, and look forward to your perspectives.