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Prepared Statement of Senator Chuck Grassley
Senate Committee on Finance
"Anti-Terrorism Financing: Progress Made and the Challenges Ahead"
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Thank you, Mr. Chairman, for calling this important hearing today to examine the Treasury Department's efforts to understand and combat terrorist financing. After the 9/11 attacks, our government re-dedicated itself to follow-the-money. We were aggressively freezing and seizing terrorist assets. We were naming and shaming terrorists by publicly designating their leaders and organizations as terrorists. This was, and continues to be, a key element of our counterterrorism strategy. As President Bush said, the goal was "a strike on the financial foundation of the global terror network."

We'll hear today from the head of the Treasury Department's Office of Terrorism and Financial Intelligence, Stuart Levey about the progress and successes that have been made in that effort.

I look forward to hearing how he plans to deal with some of the challenges faced by his office. Many have expressed concerns that we could and should be doing a better job. According to an L.A. Times article just last week, some experts argue that among our many problems: the U.S.-led coalition on this issue is deteriorating as countries like Saudi Arabia and Pakistan drag their feet; terrorists have adapted their methods to get around the tools we use to stop them; and our government agencies are engaged in too much squabbling to cooperate effectively and get the job done.

For example, one former State Department and United Nations terrorism finance official was quoted as saying, "Al Qaeda, the Taliban, and other terrorist groups continue to have access to the funds they need for active and expanded indoctrination, recruitment, maintenance, armament and operations."

Meanwhile, our government is reportedly distracted by infighting about who should be in charge. A recently departed Treasury official was quoted as saying, "There is a lot of elbowing . . . and there isn't any cooperation." There are also indications of some basic management issues that may need to be addressed within the Office of Terrorism and Financial Intelligence. For example, I have heard that the employee turnover rate may be as high as 30 percent in some components. No program can develop a dedicated, experienced core of professionals if the turnover rates are that

high.

Because of the complicated inter-agency process involved, it can often take months to designate a terrorist individual or organization. The Treasury Department has even stopped reporting the amount of assets it freezes and seizes from Al Qaeda and its affiliates.

The bottom line is that the terrorists constantly adapt and improve their methods, and so must we.

I have always believed that the best way to stop terrorism is to hit them where it hurts most, in their pocketbooks. To do this, we must remain vigilant against money laundering by ensuring that our laws keep pace with new and emerging trends that terrorists and criminals exploit to fund their activities. That's why I introduced S.473, the Combating Money Laundering and Terrorist Financing Act of 2007 early last year. This bill seeks to close loopholes in the law and provide necessary tools for law enforcement to catch those who break the law.

As a sign of how fast these criminals and terrorists adapt, I've had to rewrite my bill in just the last year to account for some new and emerging trends. For example, "stored value instruments," such as prepaid credit and debit cards, are now being used to smuggle money in and out of the country. The amounts involved may be in the billions of dollars. This is something that was not included in my original bill that I've added to this new draft. I plan to introduce my updated version of this vital legislation in the near future and urge all my colleagues to support this effort to help cut off funding from terrorists and criminals around the globe. The Justice Department supported a previous version and is currently reviewing my new draft. The Secret Service, as well as Immigration and Customs Enforcement, have also expressed support for the legislation. The Department of the Treasury has stated that it supports some provisions of the new bill, but it has also raised some vague concerns. The Department has agreed to sit down with my staff and discuss the bill later this week. Given the importance of this legislation and my goal of closing any loopholes in our law, I hope the Department will expedite its views on the bill so we can take immediate action.

Another new concern is what is known as trade-based money laundering. International trade is increasingly being used to disguise money laundering and terrorism financing activities. Criminal organizations are using basic trade fraud such as under and over-invoicing and multiple invoicing of goods and services to hide the proceeds of their illegal activities. Terrorist organizations also trade in drugs, gems, and precious metals to store and move their money undetected around the world. For instance, Afghan officials have stated that drug traffickers smuggle heroin out of the country only to return with weapons and bombs.

Money service systems, such as hawalas, can also be used to finance terrorism. These systems trade debts and payments through an informal network of brokers without the need to access the traditional banking system.

It seems like the Treasury Department has done some things well in keeping known terrorists out of our financial system and encouraging other countries to adopt more stringent regulations to help achieve that goal worldwide. They should be praised for these important accomplishments.

However, that's only the beginning. I'm concerned that we aren't doing enough to understand and address these alternative means of funding terrorist operations. Some say that we should be satisfied to just play defense.

Well, I don't agree. It isn't enough to declare victory just because we think we have forced most terrorist funding outside the traditional banking system. No, we need to stay on offense. We have terrorist organizations out there using a variety of methods to obtain their funding. They are experts at switching from one method to another when the need arises, but we are simply not prepared right now to keep up with them and put them out of business once and for all. We need to take the battle over terrorist funding to wherever the money flees. We need to understand how the terrorists adapt and go after their new methods with the same urgency and purpose that we had in the weeks and months after 9/11. The Treasury Department ought to be at the forefront of analyzing, evaluating, and countering these new trends. I certainly hope that Mr. Levey and his successors will be doing just that.