



Committee On Finance

Chuck Grassley, Chairman

Max Baucus, Ranking Member

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For Immediate Release

Monday, March 29, 2004

Grassley and Baucus Call for "Fundamental Reform" Within War on Terrorist Financing *Senators Urge Creation of Coordinated Financial Crimes Enforcement Agency*

(WASHINGTON, D.C.) With the one-year anniversary of the war in Iraq having just passed, U.S. Senators Chuck Grassley and Max Baucus today voiced their concerns about inadequate resources and lack of direction in the new, special office created to crack down on terrorist financing.

On March 8, 2004, the Administration announced that it intends to create a new Office of Terrorism and Financial Intelligence (TFI) at the Department of the Treasury. The new office would have one under-secretary and two assistant secretaries to oversee the Financial Crimes Enforcement Network and the Office of Foreign Assets Control. Baucus and Grassley view this level of staffing to be insufficient to effectively put a stop to terrorists' access to financial resources.

"The restructuring appears to be heavy on generals and light on soldiers," Finance Committee Chairman Grassley and Ranking Member Baucus said today in a letter to the President. "While the Administration's announcement that it intends to create a new Office of Terrorism and Financial Intelligence at the Department of the Treasury is a step in the right direction, it is no substitute for an agency empowered with significant legal authorities and law enforcement resources to combat financial crimes."

They added that despite the creation of the TFI, multiple government agencies remain involved in gathering information related to illegal financial activities. What the government lacks however, they stated, is a central venue to coordinate and analyze the information and most importantly, the capacity to respond effectively.

Grassley said, "The terrorists aren't waiting for us to get our enforcement act together. While we struggle over how to restructure our agencies, they're squirreling away money to fund their attacks. Shutting down terrorism financing must be an urgent and high priority. I look forward to continuing to work with the administration to ramp up this area."

Baucus added, "Today we are asking the Administration to create an organized, central agency focused on shutting down terrorist's money pipeline. By centralizing the government's knowledge of terrorist financial activity, we will be in a strong position to respond. I also

encourage the Administration to provide more funding and resources if we're to fully wage -- and win -- our war on financial terrorism."

U.S. Sens. Chuck Grassley and Max Baucus's letter to President Bush follows:

March 29, 2004

The Honorable George W. Bush
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

It has been over a year since you signed into law the Homeland Security Act of 2002. This restructuring brought together agencies from other departments to create a new, centralized department focused on protecting our country from acts of terrorism. However, this same restructuring has disassembled and scattered the Government's apparatus to detect, investigate, and prevent financial crimes. This is particularly disturbing because the government's capacity to combat financial crimes is essential to eliminating the terrorist threats that the Homeland Security Act hoped to protect us against.

While the Administration's announcement on March 8, 2004 that it intends to create a new Office of Terrorism and Financial Intelligence (TFI) at the Department of the Treasury is a step in the right direction, it is no substitute for an agency empowered with significant legal authorities and law enforcement resources to combat financial crimes. The proposed new office contemplates one new Undersecretary and two Assistant Secretaries to oversee approximately 320 people within the Financial Crimes Enforcement Network and the Office of Foreign Assets Control. The restructuring appears to be heavy on generals and light on soldiers. There is a lack of direct authority and resources to ensure that policy initiatives for which Treasury is held accountable are put into practice.

The Senate has heard testimony from experts underscoring the need for more enforcement capacity within the Department of Treasury. In a statement provided to the Senate, Former General Counsel David Aufhauser explained, "Treasury no longer has a police force to investigate counterfeiting. It does not have auditors to ensure compliance with the Patriot Act. It does not have investigators to pursue the priorities of the National Money Laundering Strategy. And Treasury does not have an intelligence office that is fully integrated into the national intelligence community." Similarly, the former National Coordinator for Security and Counter-terrorism stressed the critical importance of organizing the government to coordinate efforts against terrorist financing and of giving Treasury more resources for enforcement.

The Federal government's system to prosecute the war on terrorist financing is in need of fundamental reform. The transfer of Treasury's major law enforcement agencies to other departments for the purpose of enhancing homeland security has created a gap in

the government's ability to successfully fight the financial war on terror and all aspects of financial crimes. The Secret Service and the Customs Service have moved to the new Homeland Security Department, while the Office of Foreign Asset Control, the Financial Crimes Enforcement Network, and the investigative resources of the IRS have been left behind. This taxes Treasury's enforcement capability at the risk of jeopardizing its many important national security missions, including investigating and thwarting terrorist financing, money laundering and counterfeiting; coordinating, imposing and monitoring economic sanctions; and developing secure and resilient critical financial infrastructures.

This is clearly a complex matter, and there are multiple problems that must be addressed. While the coordination of financial intelligence is important, the more pressing problem is getting Treasury the investigation and enforcement resources it needs to fight financial crime. The testimony we have seen before the Senate and our own research on the issue leads to the conclusion that the creation of a coordinated financial crimes agency at Treasury, perhaps within the Office of the Undersecretary for Enforcement, is the best step we can take to address this problem. In developing such an agency, it is important to restore the enforcement personnel that Treasury needs to effectively carry out its missions.

The Finance Committee's interest in this matter is ensuring that the Department of Treasury, and the Government overall, maximize the available resources in the campaign against terrorist financing. We now have multiple agencies in several different departments who are tasked with gathering information related to illegal financial activities. What the government lacks, however, is a central venue to coordinate and analyze the information and, most importantly, the capacity to respond effectively. While it is plain that there must be shared responsibilities between Treasury, Homeland Security and other departments in the borderless war on terror, there must be one hand at the helm empowered to deny terror of its currency. The lack of strategic direction, coupled with the unnecessary duplication of effort and the potential squandering of valuable government resources, hinders the government's effectiveness in pursuing a variety of financial crimes.

As we continue to examine this problem and consider legislative solutions, we are requesting the Administration's views on the feasibility of creating a coordinated financial crimes enforcement agency at Treasury. We look forward to working with the Administration and to receiving your response.

Sincerely Yours,

Charles Grassley
Chairman

Max Baucus
Ranking Member