
THE NATIONAL MONEY LAUNDERING STRATEGY FOR 1999



September 1999

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Foreword

Money laundering is the financial side of virtually all crime for profit. To enjoy the fruits of their crime, whether drug dealing, extortion, fraud, arms trafficking, terrorism or public corruption, criminals must find a way to insert the proceeds into the stream of legitimate commerce.

This gives money laundering a dual importance. First, it provides the fuel that allows criminals and criminal organizations to conduct their ongoing affairs. It may seem like an antiseptic form of crime – wire transfers at the touch of a computer button, the clever unbundling of large amounts of cash into bite-size chunks, the intricate movement of funds through a series of offshore shell companies. But make no mistake, it is the companion of brutality, deceit and corruption. As the President said in his October 1995 speech before the U.N. General Assembly, “[w]e must not allow [criminal enterprises] to wash the blood off profits from the sale of drugs, from terror or organized crime.”

Second, money laundering is important in its own right. It taints our financial institutions, and, where allowed to thrive, it erodes public trust in their integrity. Further, in an age of rapidly advancing technology and globalization, it can affect trade flows and ultimately disturb financial stability. In the end, like the crime and corruption of which it is a necessary part, money laundering is an issue of national security.

The pursuit of money laundering is critical because following the money is often an essential tool in the investigation of the underlying crimes and because we have a vital interest in maintaining the integrity of our financial system.

This *National Money Laundering Strategy for 1999* is the first in a series of five annual reports called for by the Money Laundering and Financial Crimes Strategy Act of 1998, which Congress passed and the President signed last October. The Strategy marks a new stage in the government’s fight against money laundering. It is a battle that the government has been waging for many years, both at home and abroad, and in which there has been significant progress on the law enforcement as well as the regulatory side. But the Strategy inaugurates a new level of coordination and cooperation: across the agencies of the federal government, among federal, state and local authorities, and between the public and private sectors.

The Strategy is organized around four broad goals: strengthening domestic enforcement; enhancing the measures taken by banks and other financial institutions; building stronger partnerships with state and local governments; and bolstering international cooperation. It sets forth an ambitious agenda of actions designed to advance these goals. It establishes a Steering Committee, led by the Deputy Secretary of the Treasury and the Deputy Attorney General, to oversee implementation.

Working with Congress, with states and localities, with the private sector, and with the international community, we can make real progress in the fight against money laundering. This

Strategy lays out a roadmap and creates an opportunity. This Administration is committed to seizing it.

Lawrence H. Summers
Secretary of the Treasury

Janet Reno
Attorney General

Executive Summary

Money laundering is criminal finance. When criminals or criminal organizations seek to disguise the illicit nature of their proceeds by introducing them into the stream of legitimate commerce and finance, they are laundering money. The common image of money laundering involves the washing of drug money off the streets of our cities through transactions that turn it into bank deposits and other apparently lawful assets. But money laundering these days can just as easily involve the large-scale movement of criminal funds into or through United States or foreign financial institutions at the touch of a computer button. Money can be laundered through a wide variety of enterprises, from banks and money transmitters to stock brokerage houses and casinos. While estimating the flows of illegal money around the world is a highly uncertain business, it is safe to say that hundreds of billions of dollars a year are laundered globally.

In light of the ongoing threats posed by money laundering, Congress last year passed, and the President signed, the Money Laundering and Financial Crimes Strategy Act of 1998, which calls for the development of a five-year anti-money laundering strategy. This National Money Laundering Strategy for 1999 is the first of five annual reports to be submitted to Congress.

The 1999 Strategy calls for (1) designating high-risk money laundering zones at which to direct coordinated law enforcement efforts; (2) rules requiring the scrutiny of suspicious activities in a range of financial institutions, from money transmitters to broker-dealers and casinos; (3) submission of the Administration's Money Laundering Act of 1999, to bolster our domestic and international enforcement powers, including provisions to make a broader range of international crimes -- from arms trafficking to public corruption and fraud -- subject to U.S. money laundering prosecutions; (4) a 90-day review of measures that would restrict the use of correspondent accounts in the United States by certain offshore or other institutions that pose money laundering risks; and (5) intensified pressure on nations that lack adequate counter-money laundering controls to adopt them.

The Strategy, which includes several dozen action items, also calls for the 90-day review to determine what guidance would be appropriate to enhance bank scrutiny of questionable transactions; higher risk-weighted lending -- which increases lending costs -- to institutions in offshore centers that fail to make adequate progress on counter-money laundering, among other standards; inclusion by the IMF, World Bank, and regional development banks of counter-money laundering as part of the financial sector reform programs that they encourage countries to adopt; and a new grant program to support state and local action against money laundering.

Background

The crime of money laundering. Money laundering was made a separate criminal offense in 1986, when Congress passed the Money Laundering Control Act. That law makes it illegal for anyone to knowingly deal with the proceeds of a variety of underlying crimes with the intent to advance the unlawful activity or disguise its proceeds. Thus the crime of money laundering depends upon there being a predicate offense, such as narcotics trafficking, fraud, bribery, or

kidnapping, that generated the money being laundered. There are now some 170 offenses covered in the money laundering statute.

In this respect, money laundering is distinct from capital flight. Capital flight, of course, can be a grave problem in its own right with profound consequences for a country's economic well-being - consequences that can, at times, reverberate regionally or even globally. Unlike money laundering, however, it does not depend upon the existence of an underlying crime.

Conceptually, money laundering is important in two respects. First and foremost, it is a critical adjunct to the underlying criminal activity. It provides the fuel that allows drug traffickers, arms dealers, terrorists, or corrupt public officials to conduct their criminal affairs, while at the same time providing law enforcement an additional means to go after these criminals. If investigators follow the money, they may find a useful hook with which to catch those who might otherwise elude their grasp. As has often been said, it took an accountant to catch Al Capone.

Second, money laundering is important in its own right. It taints our financial institutions, and, if unchecked, can undermine public trust in their integrity. Further, in an age of rapidly advancing technology and globalization, the uncontrolled laundering of large sums can disturb financial stability. President Clinton underscored this point in Presidential Decision Directive 42 (PDD-42):

The primary motivation of those engaged in international organized crime is financial gain. Much of the problem posed by their activity stems from the corrosive effect on markets and governments of their large illegal funds.

Government efforts. This Strategy does not, of course, mark the beginning of the government's effort to combat money laundering. That effort has been underway for years. For example:

- From 1986, when money laundering was made a separate crime, through September 1998, there were more than 5,900 convictions or guilty pleas for federal money laundering offenses.
- Federal law enforcement authorities have conducted a number of major multi-agency money laundering investigations around the country. These include:
 - *Operation Casablanca.* This three-year undercover investigation, led by the United States Customs Service, is recognized as the largest and most comprehensive drug money laundering case in U.S. history. The investigation culminated in May 1998 with the arrest of 167 individuals and the seizure of more than \$103 million in currency.

- *El Dorado Task Force.* This Task Force -- an inter-agency group, created by the Customs Service and the Criminal Investigation Division of the Internal Revenue Service, and comprised of more than a dozen different federal, state, and local agencies in the New York area -- was established in 1992 to target systems or industries that facilitate money laundering. It has seized in excess of \$150 million in currency and arrested more than 700 individuals. Among its achievements was dramatically reducing the volume of narcotics proceeds moving to Colombia through New York money transmitters.
- *Operation Polar Cap.* Spearheaded by the Drug Enforcement Administration, this continuing money laundering investigation, begun in the late 1980s, targeted two large-scale money laundering operations of the Medellin drug trafficking cartel. Approximately \$105 million were seized, and 111 individuals were arrested.
- Other significant investigations include *Operation Choza-Rica* (\$40 million seized); *Operation Dinero* (\$90 million seized); *Operation Greenback* (\$200 million seized); and *Operation Green Ice* (\$62.7 million seized).
- Over the past three years, the Department of Justice has prosecuted more than 2,000 defendants each year for violations of the money laundering statutes. Approximately 50 percent of these cases involved the proceeds of drug trafficking. The remainder involve the proceeds of white collar crimes such as health care fraud and telemarketing fraud, as well as the proceeds of organized crime activity such as prostitution, gambling, extortion, and interstate transportation of stolen property.
- The United States has led the crucial effort to build international counter-money laundering cooperation, spearheading the creation of the Financial Action Task Force Against Money Laundering (FATF), whose 40 Recommendations have set the standard for national counter-money laundering regimes, as well as the organization of the Egmont Group of financial intelligence units around the world.
- The Administration has made counter-money laundering a prominent element in its major policy statements on crime, including PDD-42, the International Crime Control Strategy, issued by President Clinton in May 1998, and the annual National Drug Control Strategy.

The 1999 Strategy

This Strategy sets forth a series of action items designed to advance four fundamental goals in the fight against money laundering: strengthening domestic enforcement; enhancing the measures taken by banks and other financial institutions; building stronger partnerships with state and local governments; and bolstering international cooperation. The Strategy calls on the Departments of the Treasury and Justice and, as appropriate, other relevant agencies, to undertake these actions. Key action items follow:

Goal 1: Strengthening Domestic Enforcement to Disrupt the Flow of Illicit Money

- Designate special high-risk money laundering areas or sectors (called HIFCAs) where law enforcement will concentrate its resources and energy to combat money laundering.
- Propose legislation, the Money Laundering Act of 1999, to bolster our domestic and international enforcement powers. Domestically, the Act includes provisions to create a new criminal offense of bulk cash smuggling in amounts exceeding \$10,000; makes it a crime for a courier to transport more than \$10,000 of currency in interstate commerce, knowing that it is unlawfully derived; and clarifies that federal money laundering statutes apply to both parts of so-called “parallel” transactions.
- Identify and target major money laundering systems and those who run them.
- Increase the money laundering focus of counter-drug task forces.
- Enhance the efforts of the inter-agency Black Market Peso Exchange Working Group.
- Provide enhanced analysis of Suspicious Activity Reports from financial institutions.
- Meet with lawyers’ and accountants’ groups to review their professional responsibilities with regard to money laundering.
- Improve financial investigative training.

Goal 2: Enhancing Regulatory and Cooperative Public-Private Efforts to Prevent Money Laundering

- Begin a 90-day review to explore what guidance would be appropriate to enhance scrutiny of certain questionable transactions.

- Begin a 180-day review of bank examination procedures aimed at preventing and detecting money laundering.
- Issue final rules that will require money service businesses (such as money transmitters) and casinos to file suspicious activity reports, which only banks are now required to file.
- Propose rules for the reporting of suspicious activity by brokers and dealers in securities.
- Strengthen information exchange between law enforcement and regulatory officials.
- Strengthen the internal mechanisms, including accounting and auditing guidance, that financial institutions use to fight money laundering.
- Assure that counter-money laundering efforts take appropriate account of the need to minimize the burden of compliance and protect individual privacy.

Goal 3: Strengthening Partnerships with State and Local Governments to Fight Money Laundering

- Establish the Financial Crime-Free Communities Support Program (C-FIC) to provide technical assistance and training, information on best practices, and grants to support state and local action against money laundering.
- Promote joint federal, state, and local enforcement efforts, information sharing, and specialized training.
- Encourage comprehensive state counter-money laundering legislation and provide assistance, where appropriate.

Goal 4: Strengthening International Cooperation to Disrupt the Flow of Illicit Money

- Press nations in both multilateral and bilateral settings to adopt and adhere to international money laundering standards.
- Urge the international financial institutions, such as the IMF, World Bank, and regional development banks, to encourage countries, in the context of financial sector reform programs, to adopt anti-money laundering policies and measures.

- Propose, in the Money Laundering Act of 1999, provisions to strengthen the international reach of U.S. enforcement efforts, by increasing the number of foreign crimes -- such as arms trafficking, public corruption, and fraud -- that can serve as predicates for U.S. money laundering prosecutions; making it illegal to launder criminally derived proceeds through foreign banks; giving federal prosecutors greater access to foreign business records located in bank secrecy jurisdictions; and giving U.S. district courts jurisdiction over foreign banks that violate U.S. money laundering law.
- Begin a 90-day review to explore what guidance would be appropriate to enhance scrutiny of correspondent accounts in the United States maintained by certain offshore and other institutions that pose money laundering risks.
- Promote adoption of higher risk-weighted lending (which would increase the costs of lending money) to institutions in offshore jurisdictions that do not make progress in implementing effective international standards, including those relating to money laundering.
- Support identification of rogue (non-cooperative) jurisdictions by the FATF.
- Urge the G-7 nations to adopt harmonized rules relating to international funds transfers, so that the originators of the transfers will be identified.
- Support further development of national financial intelligence units through the Egmont Group.

This Strategy reflects a national commitment to a coordinated, effective fight against money laundering. The action items it sets forth obviously cannot be accomplished all at once. Rather, they are meant to lay out a framework for prompt, aggressive action that, in some cases is well underway, in other cases will be commenced in the near term, and in still other cases will take place over a longer time horizon. As Congress contemplated, the Strategy will be modified and updated on a regular basis, allowing an evaluation of progress to date, a statement of additional measures needed, and the modification of existing measures. Implementation of a number of action items will depend, at least in part, on additional resources, and we will work with Congress to secure appropriate funding.

Overall implementation of this Strategy will be guided by an inter-agency Steering Committee co-chaired by the Deputy Secretary of the Treasury and the Deputy Attorney General, with the participation of relevant departments and agencies. That Steering Committee will have the responsibility of working out and overseeing an implementation plan that identifies timelines for carrying out action items and, as appropriate, makes specific assignments. With respect to action items that affect international affairs, the National Security Council will have a central role in the

Steering Committee. The Special Consultative Group on International Organized Crime, as created by PDD-42, will raise issues through the Steering Committee, as necessary.

There should, at this stage, no longer be any doubt about the profoundly consequential role that crime and corruption play in the life of nations and of the global community. The point is well illustrated by the experience of countries like Russia and Indonesia, to name just two. The fight against money laundering in particular and corruption more broadly must be carried forward with energy and resolve in the years ahead. This Strategy commits the United States ever more strongly to that mission.

Background

Money Laundering and the Financial System

Money laundering is criminal finance. It may involve clever maneuvers, the language of international banking, and the trappings of free enterprise. But at its heart lies the gritty reality of corrupted institutions and criminal activity, here and abroad.

At one level, money laundering is simple. Someone who conducts a financial transaction with knowledge that the funds or property involved are the proceeds of crime, and who intends to further that crime, or to conceal or disguise those proceeds, is laundering money.¹ The funds can be generated by all manner of criminal activity, from narcotics trafficking, illegal firearms sales, and extortion, to fraud and corruption. Most crimes, except crimes of violence, and even many of those, are committed for profit, and the proceeds of crime must be laundered to be used. Money laundering is a world-wide phenomenon. The criminal proceeds to be laundered can originate anywhere and take many forms.

Conceptually, money laundering is important in two respects. First and foremost, it is a critical adjunct to the underlying criminal activity. It provides the fuel that allows drug traffickers, arms dealers, terrorists, and others to conduct their criminal business, while at the same time providing law enforcement an additional means to go after these criminals. If investigators follow the money, they may find a useful hook with which to catch those who commit the underlying crimes. As has often been said, it took an accountant to catch Al Capone.

Second, money laundering is important in its own right. It taints our financial institutions, and, if unchecked, can undermine public trust in their integrity. Further, in, an age of rapidly advancing technology and globalization, the uncontrolled laundering of large sums can disturb financial stability. President Clinton underscored this point in Presidential Decision Directive 42 (PDD-42):

¹ The Money Laundering and Financial Crimes Strategy Act of 1998, Pub. L. 105-310 (October 30, 1998) (the “1998 Strategy Act”), which calls for a national money laundering strategy, describes “money laundering and related financial crime” as “the movement of illicit cash or cash equivalent proceeds into, out of, or through the United States, or into, out of, or through United States financial institutions.” See 31 U.S.C. 5340(2)(A).

The primary motivation of those engaged in international organized crime is financial gain. Much of the problem posed by their activity stems from the corrosive effect on markets and governments of their large illegal funds.

Although there is a natural overlap, money laundering is distinct from capital flight. Capital flight, of course, can be a grave problem in its own right with profound consequences for a country's economic well-being -- consequences that can, at times, reverberate regionally or even globally. Unlike money laundering, however, it does not depend upon the existence of an underlying crime.

Enforcement experts divide the process of money laundering into three stages:

- *Placement.* Placement involves getting the illicit funds into the financial system. In the case of currency paid for illegal narcotics, the need is obvious. Currency is anonymous, but it is difficult to handle, hard to hide, takes time to move, and attracts attention. If the crime involved creates non-currency proceeds (for example, the proceeds of a fraudulent stock sale or public corruption), placement occurs when the proceeds first come under the criminal's control.
- *Layering.* The launderer's job is not over when money is placed. Large amounts of unexplained value also tend to attract attention. Funds must be moved and broken up to hide their true origin and to suggest a legitimate source. This process is called "layering." Through layering, the launderer can move funds from one nation, financial institution, or form through two or three others in a matter of moments, given the speed at which transactions can now be conducted via high-speed computer networks.
- *Integration.* Once funds are layered sufficiently, they can be put to use by the criminals who have control over them. The funds are now no longer being moved simply to obscure their origin and true ownership but to refinance the criminal's activities.

The money launderer's problems are law enforcement's opportunities. The movement of money through the financial system leaves a trail. If that trail can be uncovered, it identifies those who, willingly, through willful blindness or negligence, or otherwise, facilitate and finance crime. The trail can also lead back (how directly depends upon the skill of the money launderer) to the drug dealers, arms traffickers, swindlers, or others whose crimes generated the money.

Uncovering the trail, however, is far more difficult than creating it. First, money laundering is, in one important sense, a special sort of crime. As former Treasury Secretary Robert Rubin pointed out in a 1995 speech to the Summit of the Americas, the acts through which laundering occurs are, in isolation, often not only legal but commonplace -- opening bank accounts, wiring funds, and exchanging currencies in international trade. The funds employed and the launderer's motives

make the activity criminal, so sorting out the launderers from the others in the bank line is not easy.

Second, criminal enterprises are businesses in their own right. In part as a result of successful money laundering, they mix illegal and legal activities and move back and forth with ease between the underground and legitimate economies.

Finally, the elimination of artificial barriers to the free movement of individuals and the free flow of goods, services, and capital, which is a good thing, also makes money laundering on a large scale possible. The flow of capital across national boundaries has multiplied ten times since the 1980s. A crucial requirement of effective counter-money laundering measures is that they not impede the liberalization of trade and financial movements that drives the world economy.

We do not have a precise estimate of the amount of money laundered each year in the United States. The total includes not only the proceeds of crimes committed here, but also the proceeds of crimes committed elsewhere that find their way to the United States. In addition, funds may pass into or through the United States more than once while they are being laundered.

It is, however, possible to get a rough picture of parts of the problem. The Office of National Drug Control Policy estimates that approximately \$57 billion is spent each year in the United States on illegal narcotics. If one assumes that 80 percent of that amount remains after immediate expenses have been paid, about \$46 billion in narcotics proceeds alone must be laundered each year. Even a fraction of that amount, reinvested year after year, generates a massive war chest of criminal capital.

Narcotics sales are not the only source of funds to be laundered. Losses from fraud run into tens of billions of dollars annually. Other crimes -- national or international bank or securities fraud, counterfeiting, arms trafficking, and terrorism, to take just some examples -- also generate substantial launderable funds or are financed through money laundering. It is not surprising that estimates suggest that hundreds of billions of dollars are laundered globally each year.

The Legal Framework

The federal government's fight against money laundering rests on two statutes.

The Money Laundering Control Act

The Money Laundering Control Act² establishes money laundering as a separate, independent, crime.

² Pub. L. 99-570, Title XIII (October 27, 1986), as amended, codified at 18 U.S.C. 1956 and 1957.

The statute generally makes it unlawful for a person to engage knowingly in a financial transaction with the proceeds of specified unlawful activity with either (a) the intent to promote the specified unlawful activity or to engage in conduct constituting income tax fraud, or (b) knowledge that the transaction is designed to disguise the nature of such proceeds or to avoid a transaction reporting requirement under state or federal law. The “specified activities” cover most financially-motivated federal crimes, ranging from narcotics trafficking, through various kinds of fraud and counterfeiting, to kidnapping. The money laundering statute now extends to the proceeds of more than 170 separate offenses.

The statute also makes it unlawful to transport, transmit, or transfer funds into or out of the United States with either (a) the intent to promote a specified unlawful activity, or (b) knowledge both that the funds involved in the transaction represent illicit proceeds and that the transaction is designed to disguise the nature of proceeds of a specified unlawful activity or to avoid a transaction reporting requirement under state or federal law. A related section (used in undercover money laundering investigations) makes it a crime to engage in a financial transaction with property represented to be proceeds of a specified unlawful activity. Finally, it is a crime knowingly to engage in a monetary transaction of at least \$10,000 if the funds involved derive from one of the specified unlawful activities.

The crimes that constitute money laundering are serious ones. They carry penalties of up to 20 years in prison, plus fines that can total \$500,000, or, if greater, twice the value of the funds involved.

The asset forfeiture statutes for money laundering offenses are also powerful law enforcement tools. They provide both for civil forfeiture and criminal forfeiture of property involved in a money laundering offense. Forfeiture deprives criminals of the ill-gotten gains needed to operate their enterprises and can be used as a strategic weapon to disrupt the operations and to dismantle the economic infrastructure of criminal organizations.³

The Bank Secrecy Act

The statute popularly called the Bank Secrecy Act (BSA),⁴ administered by the Department of the Treasury, gives investigators the means to follow the money. The popular name is somewhat misleading, since the statute significantly curtails bank secrecy in the United States.

³ See 18 U.S.C. 981 (civil forfeiture) and 18 U.S.C. 982 (criminal forfeiture).

⁴ Pub. L. 91-508 (October 26, 1970), as amended, codified at 12 U.S.C. 1829b, 12 U.S.C. 1951-59, and 31 U.S.C. 5311-5330.

Under BSA authority, certain financial institutions must preserve specified transaction and account records and must file with the Department of the Treasury currency transaction reports (CTRs) for currency transactions of more than \$10,000, and Suspicious Activity Reports (SARs) describing suspicious transaction activities occurring in the United States. Suspicious Activity Reports are also required by the federal bank supervisory agencies under their general supervisory authority. The BSA also requires the reporting of the transportation of more than \$10,000 in currency or bearer instruments into or out of the United States.

Failing to observe the reporting and recordkeeping requirements of the BSA, or trying to split a transaction into parts in order to fall below reporting thresholds (called “structuring”), can itself be a crime. It can also result in civil enforcement measures including significant fines. There is no requirement under the BSA that the amounts involved in such a failure to report or to keep records derive from some other crime.⁵ That is particularly important because the suspicious financial movements that BSA information can highlight may shed light on crimes in other countries that are not subject to criminal prosecution in the United States, or for which sufficient evidence for prosecution cannot be gathered by U.S. authorities.

The Government’s Counter-Money Laundering Commitment

In calling for a national strategy, Congress challenged enforcement and regulatory officials to focus on money laundering as a uniquely harmful criminal activity. It noted that combating money laundering has “taken on particular urgency as the operations of large-scale criminal organizations in the U.S. and abroad have grown increasingly sophisticated,” and it expressed concern that the size, scope, and complexity of the criminal organizations and money laundering schemes involved posed significant challenges to officials in high risk areas.⁶

Of course, this Strategy does not mark the beginning of the government’s coordinated efforts to fight money laundering and criminal finance. That effort has been underway for years. For example:

- From 1986, when money laundering was made a separate crime, through September 1998, there were more than 5,900 convictions or guilty pleas for federal money laundering offenses.
- Federal law enforcement authorities have conducted a number of major multi-agency money laundering investigations around the country. These include:

⁵ More technical descriptions of the Money Laundering Control Act and the BSA appear in Appendix 1.

⁶ See H.Rep. 105-608, 105th Cong., 2nd Sess. (June 25, 1998) at 7. The requirement for this Strategy, codified at 31 U.S.C. 5341, is part of the 1998 Strategy Act.

- *Operation Casablanca.* This three-year undercover investigation, led by the United States Customs Service, is recognized as the largest and most comprehensive drug money laundering case in U.S. history. The investigation culminated in May 1998 with the arrest of 167 individuals and the seizure of more than \$103 million in currency.
- *El Dorado Task Force.* This Task Force -- an inter-agency group, created by the Customs Service and the Criminal Investigation Division of the Internal Revenue Service (IRS-CID), and comprised of more than a dozen different federal, state, and local agencies in the New York area -- was established in 1992 to target systems or industries that facilitate money laundering. It has seized in excess of \$150 million in currency and arrested more than 700 individuals. Among its achievements was dramatically reducing the volume of narcotics proceeds moving to Colombia through New York money transmitters.
- *Operation Polar Cap.* Spearheaded by the Drug Enforcement Administration (DEA), this continuing money laundering investigation, begun in the late 1980s, targeted two large scale money laundering operations of the Medellin drug trafficking cartel. Approximately \$105 million were seized, and 111 individuals were arrested.
- Other significant investigations include *Operation Choza-Rica* (\$40 million seized); *Operation Dinero* (\$90 million seized); *Operation Greenback* (\$200 million seized); and *Operation Green Ice* (\$62.7 million seized).
- Over the past three years, the Department of Justice has prosecuted more than 2,000 defendants each year for violations of the money laundering statutes. Approximately 50 percent of these cases involved the proceeds of drug trafficking. The remainder involve the proceeds of white collar crimes such as health care fraud and telemarketing fraud, as well as the proceeds of organized crime activity such as prostitution, gambling, extortion, and interstate transportation of stolen property.
- The United States has led the crucial effort to build international counter-money laundering cooperation, spearheading the creation of the Financial Action Task Force Against Money Laundering (FATF), whose 40 Recommendations have set the standard for national counter-money laundering regimes, as well as the organization of the Egmont Group of financial intelligence units around the world.

- The Administration has made counter-money laundering a prominent element in its major policy statements on crime, including PDD-42, the International Crime Control Strategy, issued by President Clinton in May 1998, and the annual National Drug Control Strategy.

Money laundering transcends traditional law enforcement categories, both because of the wide variety of crimes that are money laundering predicates and because of the numerous institutions through which funds can be laundered. As a result, many law enforcement agencies can investigate money laundering, and a significant number of regulatory agencies contribute to efforts to deter and detect money laundering. It is only through the cooperation of all of these actors that money laundering can be adequately addressed.

At the federal level, any agency that has jurisdiction to investigate one of the money laundering predicate crimes can investigate the laundering of the proceeds of that crime. Thus, for example, the FBI, which investigates health care fraud, can investigate the laundering of the proceeds of such fraud. In addition, investigators from IRS-CID are often assigned to work with other investigators when money laundering charges are under consideration because of their training in financial investigation. Most significant among these agencies are:

- The Department of the Treasury's U.S. Customs Service, IRS-CID, Financial Crimes Enforcement Network (FinCEN), and U.S. Secret Service;
- the Department of Justice's Federal Bureau of Investigation (FBI), DEA, and ninety-four U.S. Attorney's Offices; and
- the United States Postal Inspection Service.

The federal financial regulatory agencies -- the Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, and the Securities and Exchange Commission -- are responsible for the examination of the financial institutions within their respective jurisdictions to ensure that those institutions have created effective internal systems to detect potential money laundering.

Finally, officials throughout the government, especially at the Departments of the Treasury, Justice, and State work to ensure that domestic and international enforcement and regulatory policy complements and supports the work of active enforcement and regulatory oversight by providing investigators and examiners with the tools they require for effective counter-money laundering action and by working to build policies that make it more difficult for money launderers to exploit weaknesses in the international financial system.

* * * * *

As the volume of goods, services, and funds crossing our borders grows, government must fight not only the crimes against ordinary citizens from which dirty money derives, but also the threats posed by the laundering of those funds -- threats to trade, the integrity of financial institutions, and, ultimately, to national security.

This Strategy sets out the elements of a concerted drive against money laundering. It is built around four principle goals and designed to advance the prevention, detection, investigation, and prosecution of money laundering.

1. Strengthening Domestic Enforcement to Disrupt the Flow of Illicit Money.
2. Enhancing Regulatory and Cooperative Public-Private Efforts to Prevent Money Laundering.
3. Strengthening Partnerships with State and Local Governments to Fight Money Laundering Throughout the United States.
4. Strengthening International Cooperation to Disrupt the Global Flow of Illicit Money.

The objectives and action items related to each goal are outlined in the following pages.

Goal 1: Strengthening Domestic Enforcement To Disrupt the Flow of Illicit Money

The first goal calls for intensified efforts to disrupt the flow of illicit money in the United States.

Objective 1: Concentrate Resources in High-Risk Areas

Action Item: The Treasury Department in consultation with the Department of Justice will begin designation of High-Risk Money Laundering and Related Financial Crimes Areas.

Action Item: The Departments of the Treasury and Justice will begin oversight of specially-designed counter-money laundering efforts in each designated area.

The designation of High-Risk Money Laundering and Related Financial Crimes Areas -- or HIFCAs -- required by statute,⁷ is intended to concentrate law enforcement efforts at the federal, state, and local level on combating money laundering in high-intensity money laundering zones, whether based on drug trafficking or other crimes.

The 1998 Legislation sets forth an extended list of factors that must be considered in designating a HIFCA (see box at page 19). In essence, for an area to be designated as a HIFCA, it should be an area:

- That is being victimized by, or is particularly vulnerable to, money laundering and related financial crime;
- in which a set of specific money laundering mechanisms can be identified and targeted;
- in which specific proposals by enforcement officials seeking the designation have made for more effective use either of existing resources or of such additional resources as may be available:

⁷ Designation of HIFCAs as part of the national strategy is required by the 1998 Strategy Act. See 31 U.S.C. 5341(b)(8) and 5342(b).

- to prevent money laundering through identified targets using the authority of the Secretary of the Treasury and the Attorney General; and/or
- for immediate law enforcement action; and
- in which coordinated federal, state, and local action shows promise of being effective.

A HIFCA need not always be defined geographically. HIFCAs can also be created to deal with money laundering in an industry, sector, or an institution or group of financial institutions. For example, a HIFCA could be created to deal with the transfer of the proceeds of crimes committed abroad into a particular set of United States financial institutions.

When a HIFCA is designated, a money laundering action team will be created, where appropriate, to spearhead a coordinated federal, state, and local anti-money laundering effort in the area, or an existing task force already on the ground (targeted, for example, on narcotics) will be mobilized. (“Action Team” as used herein refers either to a newly-created team or a team made up of existing resources on the ground.) Each Action Team should:

- Be composed of all relevant federal, state, and local enforcement officials, prosecutors, and financial regulators;
- focus on the tracing of funds to the HIFCA from other areas, and from the HIFCA to other areas, so that related investigations can be undertaken;
- focus on collaborative investigative techniques, both within the HIFCA and between the HIFCA and other areas; and
- include an asset forfeiture component as part of its work.

For example, an Action Team in a HIFCA directed at the movement of illicit funds through banks in a particular city may, as appropriate, include senior officials of that city’s police, the state’s Attorney General and banking supervisors, the Internal Revenue and Customs Services, the FBI or DEA or other relevant federal enforcement agencies, and the relevant federal banking regulators. An Action Team looking at the movement of illicit funds through brokerage houses could include, in addition, a representative of the Securities and Exchange Commission or Commodity Futures Trading Commission, and of the appropriate state securities administrators.

In targeting identified money laundering mechanisms in its chosen area, the HIFCA Action Team should draw together all available relevant information for combined analysis. Typically, the Action Team will need to work with Suspicious Activity Report information relating to the area.

[HIFCA factors - listed in box]

The Departments of the Treasury and Justice will instruct their enforcement and regulatory agencies with counter-money laundering responsibilities to give high priority in the allocation of anti-money laundering resources and in making requests for new anti-money laundering resources to programs in HIFCA areas. As a part of that prioritization:

- FinCEN will create working arrangements with HIFCAs to permit enhanced analysis of relevant information; and
- the Departments of the Treasury and Justice will each designate HIFCA Coordinators to represent the HIFCA program in Departmental and inter-agency coordinating and working groups.

The Secretary of the Treasury and the Attorney General also will jointly recommend that the counter-money laundering activities of the nation's independent financial regulatory agencies reflect the same priorities.

Designation of HIFCAs. The selection of HIFCAs will be made by the Secretary of the Treasury, in consultation with the Attorney General. The Secretary and the Attorney General may act on their own initiative, at the suggestion of other federal agencies, or at the formal request of a state or local official involved in money laundering detection, prevention, or enforcement.

A request for HIFCA designation should be submitted to FinCEN. The submission should include a description of the proposed area, the focus and plan for the counter-money laundering projects that the designation will support, and the reasons such a designation is appropriate, taking into account the relevant statutory standards.

Measurement of the risk of money laundering activity in the area must be based both on local analysis and information and on relevant trend analysis. IRS-CID is now testing a pilot program designed to foster collection and analysis of such information by IRS-CID and FinCEN -- both to develop leads or critical evidence in particular cases and for use in the identification of money laundering risks in the HIFCA process.

Applications will be reviewed by the HIFCA Designation Working Group, co-chaired by the Departments of the Treasury and Justice and composed of senior officials of the Criminal Division of the Department of Justice, the FBI, the DEA, IRS-CID, the United States Customs Service, FinCEN, the Secret Service, the United States Postal Inspection Service, the Federal Reserve Board, the Office of the Comptroller of the Currency, and other appropriate agencies. The Working Group will consider and provide appropriate advice to the Secretary and the Attorney General regarding the applications.

It is anticipated that the first HIFCA designations will be made in connection with the issuance of the National Money Laundering Strategy for 2000.

Objective 2: Propose Counter-Money Laundering Legislation to Address Domestic Money Laundering Concerns

As described in the Background Section, the United States has powerful statutory tools against money laundering. However, loopholes and missing pieces remain in our counter-money laundering structure. This Objective discusses legislative provisions to address domestic money laundering, while Objective 5 of Goal 4 discusses legislative provisions to address foreign money laundering.

Action Item: The Administration will propose significant provisions in the Money Laundering Act of 1999 addressing domestic money laundering.

The Administration will submit the Money Laundering Act of 1999, which includes several important provisions aimed at enhancing the ability of law enforcement to investigate and prosecute domestic money laundering:

- Expanding the Bank Secrecy Act to create a new criminal offense of bulk cash smuggling in amounts exceeding \$10,000, and authorizing the imposition of a full range of criminal sanctions when the offense is discovered. This provision will help prevent the flow of illicit cash proceeds out of the United States.
- Making it a criminal offense for a currency courier to transport more than \$10,000 of currency in interstate commerce, knowing that it is unlawfully derived.
- Closing a legal loophole by making it clear that the federal money laundering statutes apply to both parts of a parallel transaction when only one part involves criminal proceeds. (For example, if a launderer moves drug money from Account A to Account B, and then replenishes Account A with the same amount of funds from Account C, the second transaction would also constitute money laundering.)

Objective 3: Identify and Target Major Money Laundering Systems

Action Item: The Treasury-led Black Market Peso Exchange Working Group will continue and enhance efforts to disrupt the Black Market Peso Exchange system.

The Black Market Peso Exchange is the largest known money laundering system for drug money in the Western Hemisphere. It may be responsible for the laundering of as much as \$5 billion of narcotics proceeds each year. It also represents a prime example of the links, often unwitting, between the underground and above-ground economies. The system's mix of legitimate and criminal finance is particularly pernicious because of its impact on the trading economies of Colombia and the United States.

The Black Market Peso Exchange lets Colombian narcotics traffickers transform large quantities of drug dollars from the streets of American cities into pesos in their Colombian bank accounts. Its operation is a good example of the way a money laundering system works.

The Colombian trafficker sells the drug dollars in the United States to a peso broker at a discount. The broker pays the trafficker with pesos in Colombia. At that point, the trafficker has his money, and the broker becomes the money launderer.

The discount the broker receives reflects the fact that the broker, not the trafficker, takes the risk of getting the U.S. drug dollars into the financial system. The broker may try, for example, to deposit the money into bank accounts in amounts small enough to avoid notice; to buy large numbers of money orders at different locations; or to make the money look like it came from sales made by a legitimate business.

Once the currency has been placed in one or more of these ways, the broker sells the dollars, at a profit, to Colombians seeking dollars to purchase goods for resale in Colombia. The dollars do not have to be delivered to the Colombian importer; instead the broker simply transfers them to the American company with which the importer is dealing, as payment for the goods the importer is buying. Colombian import businesses come to the peso broker to avoid Colombian income taxes and import duties (which could be triggered if the businesses bought dollars through official channels) and because the brokers can offer them dollars at a discount from the officially-posted price by passing along some portion of the discount at which the dollars were purchased from the traffickers.

The Black Market Peso Exchange Working Group, organized by the Treasury's Under Secretary (Enforcement) in September 1998, brings together federal enforcement, banking, and related agencies in an effort to attack the peso exchange system.⁸ The Working Group is overseeing a comprehensive program to restrict the peso exchange system from several directions at once and to assure that all available investigative, regulatory, and trade policy tools are used in that effort.

Sub-Action Item: The Customs Service and FinCEN will continue to identify methods for placement of peso exchange funds into the financial system.

⁸ The Working Group includes the Customs Service, FinCEN, IRS-CID, ATF, and the Office of Foreign Assets Control from Treasury; the DEA, the FBI, and the National Drug Intelligence Center from the Department of Justice; the Department of State; the Federal Reserve Board; the Office of the Comptroller of the Currency; and the U.S. Postal Inspection Service.

The peso broker must put street currency into the financial system as if he were a narcotics trafficker himself or arrange for its bulk shipment out of the United States. Customs, FinCEN, and other members of the Working Group will continue to analyze Suspicious Activity and other BSA reports, as well as information obtained through investigative action, in an effort to identify and alert financial institutions to transaction patterns denoting possible peso exchange money laundering.

Sub-Action Item: The Customs Service and FinCEN will enhance coordination of investigative efforts against the peso exchange system.

The Money Laundering Coordination Center, discussed more fully below, has been established by the Customs Service, with assistance from FinCEN, in part to coordinate intelligence from operations involving peso exchange targets. Enforcement officials have been alerted to watch money laundering cases in which they are involved for traces of peso exchange activity, and similar requests have been made to Customs investigators and trade officials in the United States and abroad. These coordination efforts should be enhanced.

Sub-Action Item: The Administration will promote continued cooperation with the Government of Colombia.

One of the motives of importers who buy dollars from the peso brokers is to avoid official currency purchase transactions in Colombia that trigger taxes and import duties. Such large scale avoidance of normal exchange mechanisms not only harms the attempts of the Colombian government to enhance fiscal stability through lawful trade, but also fuels a growing contraband market of smuggled goods -- for example, televisions, automobile parts, and computers -- whose sale at below market prices harms lawful merchants. U.S. and Colombian officials are cooperating on bilateral efforts to isolate the contraband market and the peso brokers who finance it.

Sub-Action Item: The Department of the Treasury, especially the Customs Service, and the Department of Justice will expand communications with U.S. exporters and the U.S. trade community.

Peso exchange transactions raise difficult issues. The export transactions are ostensibly legal under U.S. law. But the dollars purchased by Colombian importers are, in some cases, delivered by the peso brokers to U.S. exporters in the form in which the funds have been laundered -- for example, as bundles of money orders or multiple bank or travelers' checks. Thus, some U.S. businesses accepting the dollar funds in exchange for the products they sell to Colombian buyers are arguably on notice that the funds may be the proceeds of illicit activity.

These facts all make it crucial for enforcement and trade authorities in the United States to alert U.S. exporters to the way peso exchange financing operates and the legal and business risks of accepting suspect payment for export goods or dealing with the contraband market. Expanding communications with the U.S. trade community is one of the most important tasks of the Working Group during the coming year.

Action Item: The Departments of the Treasury and Justice will include in a joint memorandum to investigators and prosecutors a recommendation that investigative and prosecutive guidelines include considerations for allowing below-threshold cases that offer the potential for having a systemic or financial sector-wide effect on money laundering.

Guidelines for the allocation of prosecution and investigative resources often reflect the amounts involved in potential cases that are competing for resources. It is important to remind managers of federal agents and prosecutors not to ignore the hidden value of investigations and prosecutions that can generate a counter-money laundering chain reaction.

For example, the amounts involved in particular prosecutions generated by the El Dorado Task Force⁹ investigations against money transmitters were, in many cases, relatively small. But El Dorado's work disrupted continued operation of a money laundering subsystem -- the use of ethnically-based money transmitters in Colombian and Dominican neighborhoods of New York -- because the investigations also led to regulatory action at both the federal and state levels, intensified voluntary compliance efforts by major national money transmitters, and increased the focus of enforcement officials upon abuses in certain sectors of the money transmission business across the nation.

Objective 4: Target Major Domestic and International Money Launderers

Underground systems -- like their larger legitimate counterparts -- depend upon market professionals. These individuals design, maintain, and exploit the schemes through which money is laundered; they run the underground markets. Intensified efforts in the investigation of underground market professionals are thus an important part of the Strategy.

Action Item: The Departments of the Treasury and Justice and other relevant agencies will share information in order to jointly identify and target major money launderers.

⁹ The El Dorado Task Force was assembled in the New York Metropolitan Area to work on narcotics-related money laundering. The Task Force built an inter-agency group of 140 agents, police officers, and support personnel from more than a dozen different federal, state, and local agencies.

The activities of major money launderers present unique opportunities for investigators and prosecutors. These individuals make the money laundering system work, and they understand, probably better than anyone else, the way it works. To the degree that such persons claim to function as legitimate professionals -- lawyers, accountants, and bankers -- their crimes represent an especially potent source of corruption of civil institutions and trust. Given the scope of United States law and the potential for international cooperation, the shared information should include those professionals in other countries who are known to function as part of the international money laundering network, whether in Europe, South America, or elsewhere on the globe.

Action Item: Meet with professional associations of lawyers and accountants to review the professional responsibilities of lawyers and accountants with regard to money laundering and make such recommendations about additional professional guidance as may be needed.

It is not always easy to distinguish between conduct that is criminal on the one hand and, on the other hand, conduct that amounts to either an honest effort to represent a client aggressively or a simple failure to perform adequate due diligence. Legal rules properly insulate professional consultations from overly broad scrutiny and create a zone of safety within which professionals can advise their clients. But those rules must not create a cover for criminal conduct.

The Administration will seek to stimulate further consideration of the relationship between legitimate professional activity and unlawful participation by professionals in money laundering. Joint government-professional groups will be asked to examine professionals' awareness of money laundering, the issues raised for professionals by the money laundering laws, and the problems corrupt professionals raise both for their professions and for law enforcement. These groups will assess whether additional professional guidance would be appropriate to reflect both American rules and global standards in this area.

Objective 5: Enhance Inter-agency Coordination of Money Laundering Investigations

Underground financial markets are increasingly diffuse and interconnected, characteristics that they share with, and that in part reflect the globalization of, their legitimate counterparts. As a result, investigators in a particular location can see only a small bit of the financial movements that make up a complex money laundering scheme. By themselves, they cannot often trace the funds either forward to their ultimate beneficiaries or backwards to their criminal origins.

To keep pace, federal, state, and local authorities must develop an increasingly sophisticated capacity to track the implications of individual investigations and relate investigative efforts to one another.

Action Item: The Justice Department will continue to enhance the capacity of the Special Operations Division to contribute to financial investigations in narcotics cases.

Beginning in 1992, the DEA, in conjunction with the Criminal Division of the Department of Justice, determined that we must focus and take maximum advantage of our limited federal drug enforcement resources to target the largest, most well financed, and sophisticated criminal organizations responsible for bringing illegal drugs into the United States and distributing them once they got here. Originally named the “Kingpin Program,” and largely a DEA-Criminal Division effort, in 1995, it became the Special Operations Division (SOD). Today SOD is a joint national coordinating and support entity comprised of agents, analysts, and prosecutors from the DEA, the FBI, the United States Customs Service, and the Narcotics and Dangerous Drug Section of the Criminal Division.

The mission of SOD is to coordinate and support regional and national-level criminal investigations and prosecutions against the major criminal drug trafficking organizations threatening the United States. This mission is routinely performed across both investigative agency and jurisdictional boundaries. Within SOD, there are no distinctions made between the participating investigative agencies. A Customs Service Special Agent, for example, may be assigned to coordinate the DEA portion of a national-level investigation originally initiated by the FBI. Where appropriate, state and local investigative and prosecutive authorities are fully integrated into SOD-coordinated drug enforcement operations. The drug investigative data bases of all the participating agencies are fully available within SOD. The SOD coordination process has repeatedly demonstrated its effectiveness against the major drug trafficking and distribution networks.

Effective as SOD has been in coordinating multi-district cases against major drug trafficking organizations, the original SOD approach now has been expanded to include a financial component that brings together all available information to identify and target the financial infrastructure of SOD targets, assists in coordinating investigations and prosecutions, and assists in seizing and forfeiting the proceeds, assets, and instrumentalities of these major drug trafficking organizations.

The Departments of the Treasury and Justice have expanded the financial component participants to include the IRS-CID, as well as the Asset Forfeiture and Money Laundering Section of the Criminal Division. During the first year of this Strategy, we will utilize this newly-created inter-agency anti-money laundering financial component of SOD to identify and attack the financial underpinnings of major drug trafficking and drug distributing organizations.

Action Item: The Customs Service will make the Money Laundering Coordination Center fully operational with the participation of all relevant law enforcement agencies.

The Money Laundering Coordination Center (MLCC) was created by the Customs Service, with assistance from FinCEN, in 1997. MLCC serves as a depository for all intelligence information gathered through undercover money laundering investigations and functions as the coordination center for both domestic and international undercover money laundering operations. It can track information on subjects, businesses, financial institutions, and accounts involved in money laundering investigations. MLCC's data base also incorporates trade data and import, export, and financial intelligence through the use of the Customs Service's Numerically Integrated Profiling System (NIPS) and the Macro-Analysis Targeting System (MATS).

Investigators can use MLCC, for example, to determine whether a particular individual and corporation have been linked together in a previous investigation. The MLCC also provides information to investigators about the movement of proceeds through the Black Market Peso Exchange, as mentioned above, and links between MLCC and FinCEN promise to increase further the availability and quality of information for detailed field and long-term analysis of money laundering patterns and operations.

MLCC also provides a mechanism to ensure that different undercover operations are not crossing paths and investigating each other. Thus, its ability to track undercover operations enhances the safety of agents who pose as money launderers in sting operations because relevant enforcement agencies can be alert to the presence of the undercover agents who are operating in the area.

In the first year of the Strategy, the Customs Service will work to make MLCC fully operational and expand its use and participation to include all relevant law enforcement agencies.

Action Item: The Department of Justice will enhance the money laundering focus of counter-drug task forces.

Task force operations funded by the High-Intensity Drug Trafficking Area (HIDTA) Program of the Office of National Drug Control Policy, and investigations conducted under the aegis of the Department of Justice's Organized Crime Drug Enforcement Task Force (OCDETF) Program have produced many of the nation's most successful efforts against narcotics money laundering. The impact of HIDTA and OCDETF operations can be expanded still further, by making attention to potential money laundering mechanisms or leads uncovered in the course of narcotics investigations a part of the agenda of every HIDTA and OCDETF effort.

Action Item: The Departments of the Treasury and Justice will enhance the capacity to provide ongoing and post-takedown analysis to multi-district investigations.

One of the most important functions of information analysis is the provision of analytic support to multi-district money laundering investigations. That support not only assists investigators, but,

equally important, gives law enforcement planners the data they need to build pictures of money laundering methods, trends, and threats for future enforcement or regulatory action. Routine coordination with FinCEN and MLCC, for example, can assure that relevant financial information is identified, analyzed, and, where relevant, linked to other investigative efforts and shared on a collaborative basis. But the centers of expertise that can do this work have many calls on their limited resources. Their ability to provide consistently strong support to multi-district investigations must be enhanced.

Action Item: The Treasury Department will identify areas or financial sectors for use of geographic targeting orders and use such orders to coordinate appropriate operations.

Geographic targeting orders (GTOs) can be issued by the Secretary of the Treasury to alter the reporting and recordkeeping requirements imposed on financial institutions for 60 day periods. Orders substantially dropping thresholds (from \$10,000 to \$750) for reporting of cash payments by money transmission customers sending funds from the United States to Colombia and the Dominican Republic played a significant role in the El Dorado Task Force investigation of money transmitters in New York, New Jersey, and Puerto Rico.

GTOs can be especially useful tools for dealing with problems in several areas of the country at once and for coordinating efforts to do so, including efforts by HIFCAs in appropriate circumstances. For example, the New York and New Jersey efforts involved three United States Attorneys Offices and federal judicial districts in one case, and four in another. In addition, investigators outside of the GTO areas can be primed to look for the displacement of money from those areas and to follow up on the leads so created.

The Departments of the Treasury and Justice will review activities in various parts of the nation to determine whether additional targeting orders are called for and whether resources are available to support the investigations that such orders should generate.

Action Item: The Departments of the Treasury and Justice will enhance their capacity to provide specialized resources for money laundering investigations.

Financial investigations require accounting and auditing experience and knowledge of financial markets, instruments, law, and regulation. Experience in forensic accounting can be especially significant. It is impractical and inefficient for each investigative team to acquire and pay for these resources independently. The federal government, and state governments as well, should be in a position to provide adequate, specialized resources to support particular investigations. These resources may operate from a central base or, where necessary (as in the case of the audit of a particular business, for example), be temporarily deployed in the field.

Objective 6: Enhance the Collection, Analysis, and Sharing of Information to Target Money Launderers

Money launderers create layers of economically unnecessary detail to cover their tracks. Advanced information processing techniques, such as data mining, can help redress the balance. But those techniques can operate only on top of a knowledge base derived from investigations and from reports by financial institutions of apparently suspicious conduct. Greater attention must be paid to building that primary knowledge base.

Action Item: The Department of Justice will promote mechanisms for regular review of Suspicious Activity Reports in the Office of each United States Attorney and for coordinated investigation of targets identified through that review.

The Suspicious Activity Reports filed by financial institutions are proving to be an invaluable source of law enforcement information. But the crucial information is not usually self-evident; finding it requires patient analysis.

The nation's United States Attorneys' Offices provide a valuable venue for the necessary review. Those offices can bring together representatives of federal, state, and local enforcement agencies, draw on their expertise, and coordinate the review while keeping local prosecution and investigative commitments in mind. Several successful review programs of this sort are already underway. Without a nation-wide effort, the full value of the information cannot be realized.

Action Item: The Departments of the Treasury and Justice will ensure that their bureaus provide feedback to FinCEN on the use of Suspicious Activity Reports and other BSA information.

The effectiveness of Suspicious Activity Reports would be enhanced through greater analysis of their current use by the various agencies. That analysis is only possible if all agencies granted access to reports pass back to FinCEN timely information about the way the reports are used and the results achieved from their use. Such feedback would also help FinCEN and the bank supervisory agencies work with banks to produce better reporting in the future.

Action Item: The Treasury Department will enhance resources related to strategic analysis and production of regional threat assessments.

The coordinated efforts that the Strategy will stimulate should produce a substantial flow of information about patterns of potential money laundering activity around the nation. It is important that counter-money laundering agencies have the resources to digest that information

and turn it into integrated analyses for dissemination to federal, state, and local law enforcement managers and policy-makers.

Action Item: The Treasury Department will set a technology plan for enhancements of nation-wide data bases that contain BSA information.

The computer systems that hold the bulk of the BSA information collected by the government require upgrading. These systems, housed at the Internal Revenue Service Detroit Computing Center and the Customs Computer Center in Newington, Virginia, cannot now run the programs necessary to perform the relational analysis and filtering functions (made possible by advances in software design) necessary to analyze more effectively the information the systems contain. Hardware and software improvements are necessary to permit the efficient operation of more sophisticated data analysis programs and to accommodate increased use of the information by law enforcement and regulatory agencies. Treasury will design a two-year data technology plan for the necessary improvements.

Action Item: Under the leadership of the Departments of the Treasury and Justice, law enforcement agencies will debrief informants and cooperating witnesses about their money laundering methods.

Government informants and cooperating witnesses may be among the best sources of information about the way money laundering works. Experienced analysts and agents will be encouraged to interview informants and cooperating witnesses whenever possible, as part of normal investigative procedures. The information gathered from such interviews should be shared, as appropriate, with agency-wide intelligence and strategic planning officials, as well as with FinCEN, MLCC, SOD, the National Drug Intelligence Center, and other appropriate agencies.

Objective 7: Enhance and Support Efforts to Detect and Counter Currency Smuggling

A great deal of currency from criminal activity is physically smuggled out of the country. Customs officials have found large amounts of currency hidden in the cargo containers of eighteen-wheel long-haul trucks and in false-bottom suitcases on airliners. Often currency is simply being sent abroad using the mail and overnight delivery services. Each year tens of millions of dollars of illicit currency are taken out of the United States by such means.

Currency is not smuggled simply to put it out of the reach of U.S. law enforcement. The smugglers are often seeking a friendlier banking environment in another nation, through which the money can be put into the international financial system. In some cases the funds are then used to pay for U.S. goods through the Black Market Peso Exchange; in other cases, the money is moved from foreign to U.S. banks, as part of the job of giving it a false identity, and then reinvested or moved to third countries.

As noted at page 21 above, the Administration is proposing legislation to criminalize bulk cash smuggling as part of an effort to target the movement of unreported bulk currency out of the country.

Action Item: The Administration will seek legislative authority for the Customs Service to search outbound mail.

Currently, the Customs Service has the authority to conduct border searches without warrants in virtually every situation in which merchandise crosses the U.S. border. This authority extends to the searching of: (i) individuals entering and exiting the country; (ii) luggage entering and exiting the country; (iii) international mail entering and exiting the country that is sent through private carriers; and (iv) international mail entering the country that is sent through the U.S. mail. Outbound international letter-class mail is virtually the only means by which merchandise can be transported across the U.S. border without being subject to Customs inspection (unless a warrant is obtained). This unnecessary limitation of Customs' authority handicaps its efforts to deal comprehensively with the smuggling of currency out of the United States.

The Customs Service has long identified outbound international letter-class mail as a relatively safe and inexpensive means for criminals to transport currency out of the United States. Under Postal Service regulations, a letter-class mail parcel can weigh up to four pounds when mailed internationally (other than to Canada), and up to 60 pounds when mailed to Canada. A single four-pound letter-class parcel can accommodate approximately \$180,000 in \$100 bills.

To address this loophole, the Administration will continue to support legislation that would permit the Customs Service to search outbound international letter-class mail in cases where there is reasonable cause to suspect that the parcel contains monetary instruments, weapons of mass destruction, drugs, or merchandise mailed in violation of certain specified statutes. Such a provision would simply make Customs outbound authority parallel with its inbound authority. Customs would continue to be required to obtain a search warrant to inspect any domestic mail, or to read any correspondence contained in any international or domestic mail parcel.

Objective 8: Intensify Training

No single period of training can ready a federal agent or prosecutor to deal with money laundering and other financial crimes effectively in a rapidly changing environment. Thus, the financial investigative training of law enforcement agents and prosecutors will be enhanced.

Action Item: The Departments of the Treasury and Justice will include in a joint memorandum a provision calling for the enhancement of financial investigative training.

For the other measures outlined in the Strategy to work, the agents, prosecutors, analysts, and regulators involved must be given the best training opportunities available, on a continuing basis. Training must include both investigative and analytic techniques, prosecution and regulatory enforcement theories, and trends and patterns of money laundering activity.

Action Item: The Departments of the Treasury and Justice will continue to sponsor national and regional money laundering conferences.

Two years ago, the Treasury and Justice Departments began a series of national conferences to foster the interchange of ideas among investigators and prosecutors engaged in counter-money laundering efforts. Such conferences should continue on an annual basis and focus on emerging issues affecting such efforts, for example enhancing the use and analysis of SARs. Additionally, regional or working group meetings should be held on a regular basis to consider issues affecting specific industries or parts of the country.

Goal 2: Enhancing Regulatory and Cooperative Public-Private Efforts to Prevent Money Laundering

The nation's financial institutions are the most obvious points at which dirty money from the underground financial system can enter the general economy. Measures to keep such money from those institutions are critical. Equally important, the passage of illicit proceeds through institutions where they cannot be screened out must leave a record that investigators can follow and must alert investigators of the need to do so.

Money laundering takes many forms. Each form creates different problems for enforcement and regulatory officials and, equally important, for financial institutions and their employees. Presentation for deposit at a neighborhood bank branch of bundles of small denomination currency taken from a suitcase necessarily raises serious questions of potential money laundering. So do continuing transmissions of money to and from the United States through a web of shell companies created in the world's offshore financial centers. But the sets of issues involved for law enforcement officials, financial institutions, and policy makers are frequently not the same.

Regulatory efforts to fight money laundering rest on the elimination of bank secrecy, standardized recordkeeping practices, reporting of large currency and potentially criminal transactions, and internal and external audit and examination. Such efforts cannot succeed without the cooperation of financial institutions. Banks, securities dealers, money services businesses, and other financial institutions must recognize that closing down the avenues used by money launderers is in their own self-interest. At the same time, government must recognize that regulatory measures must be cost-effective, produce measurable results, and take appropriate account of other societal goals, including the protection of individual privacy.

Objective 1: Enhance the Defenses of U.S. Financial Institutions Against Use as an Instrument by International Criminal Organizations

The movement into the United States of criminal funds generated elsewhere often takes the form of electronic funds transmittals rather than currency deposits. The funds will likely move in larger amounts, making it easier for them to resemble superficially legitimate international trade or investment transactions. It is essential that the legal and practical defenses against the use of banks and other financial institutions by launderers be kept as strong as possible.

Action Item: The Departments of the Treasury and Justice will convene a high-level working group of federal bank regulators and law enforcement

officials to examine what guidance would be appropriate to enhance bank scrutiny of certain transactions or patterns of transactions in potentially high-risk accounts. The working group will complete its review within 90 days.

Counter-money laundering measures must reflect current knowledge of the way money is laundered, the vulnerabilities launderers exploit, and patterns of movement of global capital. The Departments of the Treasury and Justice will convene a high-level working group of representatives from relevant agencies to determine what guidance would be appropriate to enhance bank scrutiny of certain transactions. The working group will submit recommendations to the Secretary of the Treasury and the Attorney General within 90 days. In particular, the working group will examine:

- what guidance would be appropriate to enhance scrutiny by financial institutions of transactions or patterns of transactions in accounts that carry a high risk of potential money laundering involvement;
- how to assure that any such accounts are traceable to their beneficial interest holders;
- what steps are needed to assure that banking mechanisms such as concentration accounts¹⁰ cannot be used to obliterate the money trail of particular account holders;
- issues relating to the use of correspondent banking relationships discussed below (at page 52); and
- such other matters as the Secretary of the Treasury and the Attorney General deem appropriate.

The working group will be asked specifically to consider, in connection with each matter under discussion, the potential benefits of any actions for the detection and prevention of money laundering, taking into account the burdens that particular steps might impose on institutions operating in the United States.

¹⁰ A concentration account is a banking mechanism in which funds from a variety of sources are placed in a single account during the banking day and paid from that account to a single payee at the day's end.

Action Item: The federal bank supervisory agencies, in cooperation with the Department of the Treasury, will conduct a review of existing bank examination procedures relating to the prevention and detection of money laundering at financial organizations, to be completed within 180 days.

The federal bank supervisory agencies, in cooperation with the Treasury Department, will undertake a 180-day review of the bank examination procedures used by the federal bank supervisors to address BSA compliance by financial institutions and to evaluate the means used by such institutions to detect and deter money laundering. The review will also consider any problems bank examiners have encountered in their examination of particular institutions or classes of institutions. The objectives of this review will be to determine whether current examination procedures are adequate to evaluate bank anti-money laundering measures and compliance with existing laws and regulations, and whether additional support from law enforcement officials can assist bank examiners in examining institutions for money laundering risks.

Objective 2: Assure that All Types of Financial Institutions Are Subject to Effective Bank Secrecy Act Requirements

At present, depository institutions are subject to more stringent BSA requirements than other types of financial institutions. Only depository institutions are required to file Suspicious Activity Reports, and banks are subject to examination for the effectiveness of counter-money laundering and financial recordkeeping programs to a greater extent than most other institutions. Treasury has recently issued rules to require registration of a class of non-bank financial institutions called money services businesses, such as money transmitters, travelers' check and money order sellers, check cashers, and currency exchangers, as part of a rulemaking designed to extend more effective BSA rules to those businesses.

Action Item: The Treasury Department will issue a final rule for the reporting of suspicious activity by money services businesses.

Action Item: The Treasury Department will issue a final rule for the reporting of suspicious activity by casinos.

Action Item: The Treasury Department will work with the Securities and Exchange Commission to propose rules for the reporting of suspicious activity by brokers and dealers in securities.

The attention given to the prevention of money laundering through banks reflects the central role of banking institutions in the global payments system and the global economy. But non-bank financial institutions require attention as well. Money launderers will move their operations to

institutions in which their chances of successful evasion of enforcement and regulatory efforts is the highest. Moreover, it is unfair to impose costs arising from counter-money laundering requirements only on some institutions competing to service consumers' financial needs.

Objective 3: Continue to Strengthen Counter-Money Laundering Efforts of Federal and State Financial Regulators

The accustomed fields of operation and perspectives of law enforcement and regulatory officials are often different. Complementary approaches to counter-money laundering efforts require enhanced coordination between enforcement and regulatory officials.

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will issue a joint memorandum setting policies for enhanced sharing of information between law enforcement and regulatory authorities.

The need for enhanced and coordinated information sharing between regulatory and enforcement officials is as great as the need for information sharing among enforcement officials themselves. Bank examiners file Suspicious Activity Reports and must continue to assure that information uncovered during bank examinations is shared with law enforcement, where appropriate. Similarly, enforcement officials must be willing to share sensitive information with regulators so that the soundness of the institutions involved can be protected.

A great deal of progress has been made in these areas, and a joint memorandum codifying the steps taken to increase information sharing would serve as a useful model for further steps at both the federal and state levels. The joint memorandum shall reflect the “Ten Key Principles for the Improvement of International Cooperation Regarding Financial Crime and Regulatory Abuse” endorsed by the G-7 Heads of State in June 1999.

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will expand joint training opportunities for federal financial investigators and bank examiners.

Investigators need to increase their understanding of the methods and operating realities of financial institutions, and about what is and is not practical in terms of screening or identifying transactions or customers. At the same time, regulators must understand more about the obstacles investigators face and the ways in which regulatory powers can be brought to bear to alleviate those obstacles. Joint training opportunities concerning counter-money laundering techniques and programs can provide a productive way to stimulate such cross-disciplinary thinking.

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will support regulatory efforts aimed at detecting threats to particular institutions.

The ability to use financial examinations to reduce the money laundering threat is still developing. The Departments of the Treasury and Justice will work closely with the Federal Reserve Board and the other federal financial regulators to develop information analysis tools to permit more effective targeting of the anti-money laundering portions of financial examinations.

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will support regulatory efforts to identify the recycling of illicit funds through financial institutions.

At each stage of the laundering process, the nature and origin of criminal funds becomes more difficult to detect. Increased attention needs to be paid to the formulation of appropriate and cost-efficient controls or measures to identify criminal funds, for example in private banking or cross-border investment transactions.

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will begin regular meetings of senior financial enforcement and regulatory officials to review counter-money laundering efforts in each regulatory district throughout the nation.

Regular meetings between enforcement and regulatory officials can produce a valuable exchange of information about developing cases and the possible use of civil regulatory or criminal enforcement authority to deal with aspects of the money laundering problem in particular areas. Such meetings already occur in a good part of the nation, and they will be encouraged in all regulatory districts.

Objective 4: Increase Usefulness of Reported Information to Reporting Institutions

The reporting and recordkeeping rules that financial institutions must observe occupy a central place in the nation's enforcement system. But compliance by financial institutions is not cost-free. Institutions must perceive that the efforts they make to comply with BSA and similar rules result in positive benefits to the law enforcement process. It is important that government only require information that can be -- and is being -- used effectively to fight financial crime.

Action Item: FinCEN and the Bank Secrecy Act Advisory Group will continue their project to expand the flow to banks of information derived from Suspicious Activity and other Bank Secrecy Act Reports.

Creation of a robust community of interest between financial institutions and government counter-money laundering agencies requires more effective use of information already reported to the government. More effort must be devoted to using that information in ways that directly assist financial institutions. In some cases, that use may involve issuance of guidance about emerging issues or strategies used by money launderers. In other cases, subject to the appropriate legal restrictions, more particular warnings may be generated. But even where specific information cannot be made available, dialogue about the use enforcement agencies make of the reported information is crucial. Treasury's Bank Secrecy Act Advisory Group, which combines private and public sector experts to discuss issues arising in the administration of the BSA, has begun an important project to increase that dialogue and examine how the availability of analyses or reported information for public use can be enhanced.

Objective 5: Strengthen and Adapt Internal Controls by Financial Businesses to Detect and Prevent Money Laundering

Banks and other financial institutions already have in place sophisticated loss-prevention and compliance systems. Whether these systems are directed at bank fraud, securities fraud, or theft, institutions devote attention to such systems because of their financial interest in protecting themselves, their customers, and their shareholders. Strong policy reasons exist for financial institutions to adapt their existing compliance systems to the detection and prevention of money laundering as well.

Action Item: The Department of the Treasury will convene a study group that includes FinCEN, the SEC, the federal bank regulators, and relevant accounting and auditing organizations to determine how best to utilize accountants and auditors in the detection and deterrence of money laundering.

The audit of companies by independent accountants is a basic tool of global business transparency. The internal auditing process allows a business entity to examine its own processes and results and can detect both inefficient and possibly unlawful conduct. The formulation and use of auditing guidance to evaluate a financial institution's counter-money laundering programs and to detect possible abuse of the institution by criminals could be an effective step in the self-regulation of the financial sector.

Objective 6: Ensure that Regulatory Efforts to Prevent Money Laundering Are Responsive to the Continuing Development of New Technologies

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will continue outreach to the private sector to ensure that anti-money laundering safeguards respond to new technologies.

The development of new payment technologies -- such as so-called electronic cash, electronic purses, and Internet- or smart-card-based electronic payment systems -- will increase the ability of individuals to rapidly transfer large sums of money, and could pose potential money laundering problems. The Departments of the Treasury and Justice and the federal financial regulators will continue to work with the private sector to identify, understand, and mitigate any such problems.

Objective 7: Understand Implications of Counter-Money Laundering Programs for Personal Privacy

In pursuing our anti-money laundering program we must take into account the need to protect the personal privacy of our citizens from unwarranted intrusions. Automated information systems and advanced information processing techniques have made privacy a significant national concern.

Action Item: The Treasury Department will review steps taken to ensure the security of BSA information and recommend any necessary changes.

Systems used for analyzing and disseminating BSA and related information must take care to ensure that the information is well protected. Use by enforcement officials of reported financial information within such systems must maintain the security of the data involved and respect the appropriate privacy interests of the nation's citizens.

Action Item: The Treasury Department will lead a 180-day review of counter-money laundering and privacy policies.

In order to assure the ongoing success of government efforts to reduce money laundering, the Treasury Department will lead an inter-agency review of public comments on prior money laundering proposals and consider how to achieve anti-money laundering goals in ways that are consistent with the goals of minimizing burden and protecting individual privacy. The review will be completed within 180 days. To the extent feasible, the review will consider how to achieve these goals in light of changing technology, including new payment systems on the Internet. As those systems develop, one issue will be how to balance the traditional ability of citizens to make small payments in cash with the money laundering risks that can arise from global and potentially untraceable electronic payments. One subject to be considered during the review will be the most effective way to assure that privacy objectives are taken into account in connection with counter-money laundering programs on a continuing basis.

Goal 3: Strengthening Partnerships With State and Local Governments to Fight Money Laundering Throughout the United States

The growing interest of state and local governments in financial investigations in general -- and money laundering investigations in particular -- amply demonstrates that money laundering is not a uniquely federal crime. The illegal and often violent acts money laundering finances are at the heart of traditional state and local law enforcement concerns.

State and local enforcement officials have participated in many of the most successful federal drives against money laundering. They have also mounted their own successful investigations. For example, Arizona has destroyed two significant narcotics trafficking organizations through state money laundering prosecutions and also uses money laundering laws to seize money (currently more than \$40 million) involved in frauds for restitution to the fraud victims. California has had similar success with money laundering prosecutions against persons involved in assisting tax fraud, narcotics trafficking, and video piracy. Finally, an undercover investigation mounted by New York State and City enforcement and tax compliance officials uncovered links between money laundering and counterfeiting, cellular phone and check fraud, and forgery.

Local enforcement and regulatory officials -- working with federal officials in their areas -- are well-positioned to recognize potential money laundering activity and to adjust enforcement and regulatory parameters to local conditions. The nation will strengthen money laundering enforcement by increasing the resources that state and local enforcement officials can bring to those tasks.

Objective 1: Provide Seed Capital for State and Local Counter-Money Laundering Enforcement Efforts

Action Item: The Treasury Department will inaugurate the “Financial Crime-Free Communities Support Program.”

The Financial Crime-Free Communities Support (C-FIC) program, was authorized by Congress in 1998. The President’s FY 2000 budget seeks \$3 million for the commencement of the C-FIC program. The program will provide technical assistance and training, information on best practices, and grants (subject to Congressional appropriations), to support state and local law enforcement efforts to detect and prevent money laundering and related financial crimes, whether related to narcotics or other underlying offenses. The C-FIC and HIFCA programs will be coordinated, but C-FIC assistance will not be limited to HIFCA efforts.

C-FIC Grants and Assistance. Grants can help state and local communities marshal information and expertise to build innovative approaches to money laundering control and enforcement. But C-FIC will not be limited to grants. By making available information and analytic resources, and providing training for state and local officers, the program can reduce the need for state and local

agencies to reproduce the infrastructure, or independently acquire the knowledge, necessary to investigate financial crime.

C-FIC grants are to be used as seed money for state and local programs that seek to address money laundering systems within their areas. Thus, for example, grant funds could be used to build a financial intelligence capacity at the state or local level, or to purchase computer hardware and software for use in financial investigative analysis. Funds could be used to train state and local law enforcement officers to detect indicia of money laundering. A county sheriff's department could use C-FIC grant funds to set up a data base link with FinCEN for access to relevant information relating to the county. A city police department could use grant funds to train and hire auditors to monitor the recordkeeping of money transmitters, and a state police intelligence center could use funds to commission an academic study of cash flows or related indicia of possible money laundering in the state.

Eligibility. Any state or local law enforcement agency or prosecutor's office is eligible to receive a C-FIC grant. The applicant may propose collaborating with other agencies, but the applicant will be accountable for monitoring how all grant funds are spent.

Criteria for C-FIC Grant Awards. The following criteria will be used to evaluate applications for C-FIC grants. The first four criteria will be given the most weight.

Criterion One: Demonstration of Problem or Threat

A grant applicant must demonstrate that it is focusing on a significant money laundering problem or risk, in a manner consistent with the National Money Laundering Strategy. Each application should include a preliminary threat assessment that identifies the most significant money laundering risks the applicant is proposing to address using C-FIC grant funds.

Criterion Two: HIFCA Involvement

HIFCA designation reflects a judgment that a particular area or sector merits an increased focus of federal, state, and local counter-money laundering efforts. State and local programs within HIFCAs are particularly appropriate grant candidates.

Criterion Three: Focus on Money Laundering as Such

C-FIC grants should help enable state and local law enforcement officials and prosecutors to understand, investigate, disrupt, and prosecute those who run money laundering systems. The grants should not be used to fund investigative efforts focused primarily on the predicate crimes that generate launderable proceeds.

Criterion Four: Effectiveness

Each applicant must submit an analysis of how it will target the problem that it seeks to address. Effectiveness need not be measured in terms of immediate arrests or cash seizures, although such statistics may be relevant.

Criterion Five: Inter-agency Collaboration

In authorizing the grant program, Congress emphasized that money laundering is attacked most effectively through the collaborative efforts and expertise of federal, state, and local enforcement authorities. A grant applicant must show how its proposal would strengthen federal, state, and local law enforcement cooperation within the applicant's jurisdiction. Applications should outline contemplated coordination with any relevant High Intensity Drug Trafficking Area (HIDTA) or Organized Crime Drug Enforcement Task Force (OCDETF) efforts, and indicate whether the applicant is prepared to refer appropriate cases to these groups. Extra weight will be given to applicants whose plans include collaborative efforts between two or more state or local law enforcement agencies or prosecutors (in the same, or different, states).

Criterion Six: Collaboration with Regulators and Experts

Applicants should demonstrate how the design and contemplated operation of their programs invites participation by relevant regulatory officials and integrates knowledge from appropriate academic or research disciplines.

Criterion Seven: Lasting Effect

C-FIC applicants should describe how the use of the C-FIC award funds can generate progress against money laundering activity that continues after the grant award period has expired.

Criterion Eight: Monitoring Expenditures

Applicants must describe how they will monitor grant expenditures. The description should include statements of the experience of the applicable managers in overseeing program funds.

Criterion Nine: Proposed Budget

Each application must include a proposed budget showing in detail how any award will be used.

As the C-FIC program evolves, the relative importance of particular criteria may change and additional criteria may be deemed appropriate by the Secretary of the Treasury. Material changes to the grant criteria or their weighting will be made public in notices of funds availability and otherwise in accordance with applicable law.

Grant Awards and Conditions. Grant awards will be made by the Secretary of the Treasury in consultation with the Attorney General. In general, a C-FIC award will not exceed \$750,000 in any fiscal year and only one grant will be awarded within any particular community. In addition, at the end of the first year following the publication of this Strategy, these restrictions will not apply to applicants from areas that have been designated as HIFCAs.¹¹

Accountability. Each successful applicant must establish a system to measure and report the results of the use of the grant funds. The reporting system should include biennial surveys to measure progress and effectiveness. As part of its reporting obligations, the grant recipient must also agree to assess the level of cooperation between the federal, state, and local law enforcement agencies and regulators involved in any programs or efforts funded by the grant. Persons conducting required grant evaluations must have experience in gathering data related to money laundering and related financial crimes.

Administration of the C-FIC Program. The Treasury Department, in consultation with the Department of Justice, will set C-FIC program policies. Treasury will also oversee the evaluation and ranking of grant applications. Treasury will work with appropriate Justice agencies to develop assistance and training programs for state and local anti-money laundering efforts. Treasury will enter into an agreement with an appropriate agency to administer aspects of the grant program. That agency will disburse the grant funds and maintain and operate all necessary data and reporting systems for grant applications and disbursements. It will oversee the publication of notices of funds availability and oversee the audit of grant awardees. It will also serve as a clearinghouse for information. It will notify Treasury promptly of any non-compliance by a C-FIC grant recipient with applicable program terms.

Objective 2: Promote Joint Federal, State, and Local Money Laundering Investigations

Action Item: The Departments of the Treasury and Justice will promote state and local enforcement efforts that bridge state boundaries.

¹¹ Federal law requires that any recipient of a C-FIC grant agree to return C-FIC grant monies awarded to the extent that monies are received by the grantee via asset forfeiture as a result of efforts funded by the grant. 31 U.S.C. 5352(c)(1).

State and local financial enforcement efforts often encounter difficulties because the criminal enterprises involved cross multiple state boundaries. Federal participation in multi-state investigations can alleviate some jurisdictional problems, but so can coordinated state investigations. One goal of the HIFCA and C-FIC Programs is to expand ways in which authorities from different states can share intelligence and plan joint investigative efforts.

Objective 3: Promote the Free Flow of Relevant Information Between State and Federal Enforcement Efforts

Action Item: The Department of the Treasury will promote the use of FinCEN's Gateway Program so that it can become a vehicle for two-way information exchange and joint state-federal financial analysis projects.

Information available to federal officials should be made as freely available to state investigators as governing law and sound policy permit. Equally important, information developed by state and local enforcement and regulatory officials must be readily available to their federal counterparts. The networking feature of FinCEN's Gateway Program is a good start for such efforts, and Gateway should be enhanced to further its capacity to promote such information sharing. The Gateway Program can also help provide the other assistance to state and local counter-money laundering efforts that is a part of the C-FIC Program.

Objective 4: Encourage Comprehensive State Counter-Money Laundering and Related Legislation

Action Item: The Departments of the Treasury and Justice will provide technical assistance for enhanced state laws against money laundering.

At last count, seventeen states have still not made money laundering a state crime. That gap in coverage should be speedily closed. State money laundering statutes are essential if states are to be full partners in the national counter-money laundering effort.

Experts at the Departments of the Treasury and Justice will assist states that are considering enacting or revising statutes dealing with money laundering or financial reporting and recordkeeping. Assistance can take the form of producing information about the patterns of money laundering encountered in a state, or providing drafting or related advice about the terms of the necessary statutes themselves or related legal issues. The Administration also will encourage states to enact legislation licensing and regulating appropriate money services businesses and those engaged in the business of transporting currency.

Objective 5: Support Enhanced Training for State and Local Investigators and Prosecutors

Action Item: The Departments of the Treasury and Justice will develop a model curriculum for a financial investigations course for state and local law enforcement agencies.

Training in financial investigations is no less essential for state and local than for federal enforcement professionals. Indeed, organizations such as the National Association of Attorneys General and the National District Attorneys Association have in the past produced some of the most comprehensive money laundering training and resource materials available.

To help state and local enforcement agencies meet the need for up-to-date training materials, the Departments of the Treasury and Justice will jointly produce a set of training materials, based on a model financial investigation and counter-money laundering curriculum, that can be made available for use by state and local training officials.

Goal 4: Strengthening International Cooperation to Disrupt the Global Flow of Illicit Money

Underground financial markets around the world are part of a global system for hiding criminally-earned profits. Cooperative bilateral and multilateral efforts are essential complements to the steps each nation must take internally to combat this problem. The Strategy's fourth goal looks outward, to the global financial system, building on the objectives laid out in the President's 1998 International Crime Control Strategy.

Combating money laundering has been on the international agenda at least since the conclusion in 1988 of the United Nations Convention Against Illicit Traffic in Narcotic and Psychotropic Substances (the 1988 Vienna Convention). The G-7 nations -- Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States -- created the FATF at their Economic Summit the following year, to promote concerted international action. Efforts to counter international financial crime have been placed squarely on the national security agendas of the United States and its allies.

The steps necessary to control money laundering include criminalization of money laundering for serious crimes, asset forfeiture, limits on bank secrecy, supervision of financial institutions, creation and implementation of international counter-money laundering standards, and international cooperation on regulatory and enforcement matters.

The international component of the Strategy is mindful of several important realities. First, the political will and capacity to implement money laundering controls vary enormously around the world. Second, international action must encompass practical enforcement and regulatory oversight as well as policy discussion and diplomatic efforts. Third, the work must proceed in both bilateral and multilateral contexts, while recognizing that, in appropriate circumstances, unilateral action may be called for. Finally, resources available to the U.S. government for these purposes are limited.

Objective 1: Continue to Press Nations to Adopt and Adhere to International Money Laundering Standards

A number of multilateral groups and international organizations are involved in the fight against money laundering. The policies and standards they have adopted and are working to implement articulate a coherent and increasingly comprehensive set of counter-money laundering measures. A central challenge now is to bring additional nations into compliance with these standards. This challenge must be taken up at both the multilateral and the bilateral levels.

Action Item: Work toward universal implementation of the FATF 40 Recommendations.

Ten years after its creation, the FATF remains the premier multilateral body devoted to counter-money laundering issues. Through concentrated discussion among multi-disciplinary experts from 26 industrialized nations,¹² and an ongoing peer review of their national counter-money laundering measures by one another, the members of the FATF have made significant advances in articulating and implementing the measures necessary to combat money laundering effectively.

Equally important, the FATF has demonstrated an ability to respond to emerging challenges. Thus, in 1996 it revised its 40 Recommendations to extend the criminalization of money laundering from money laundering involving solely narcotics proceeds to money laundering involving the proceeds of other serious crimes. Additionally, it revised the 40 Recommendations to make mandatory the reporting by financial institutions of suspicious transactions, and to reflect the need for governments to apply anti-money laundering controls to non-bank financial institutions.

The FATF has articulated a broad, five-year strategy to expand its membership and to foster adoption of an effective, global counter-money laundering regime based on the FATF 40 Recommendations. It will welcome Argentina, Brazil, and Mexico as observers this year and begin a peer review of those countries' money laundering controls. The United States will seek the expansion of the FATF membership to other appropriate countries and work toward the universal implementation of the FATF 40 Recommendations.

Action Item: On a bilateral basis, the United States will press countries that do not have effective money laundering regimes to adopt and adhere to such regimes.

To supplement the multilateral efforts of bodies like the FATF, the United States needs to press on a bilateral basis for countries without adequate money laundering regimes to adopt them. This is one of the reasons that the United States has insisted on criminalization of money laundering as the essential first step that countries such as Russia must take.

¹² Originally, the FATF consisted of 15 members, and the European Commission. Currently, the member countries of the FATF are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong (China), Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. The European Union and the Gulf Cooperation Council are also members.

Action Item: Negotiate strong anti-money laundering provisions in the pending United Nations Convention Against Transnational Organized Crime.

The United Nations has not concluded a convention that addresses money laundering since the 1988 Vienna Convention. The Vienna Convention requires signatories to criminalize drug money laundering, but does not address regulatory controls. The current negotiation of a Convention Against Transnational Organized Crime presents an opportunity for the international community to require nations to criminalize the laundering of proceeds of serious, organized crime, to adopt a range of regulatory measures to protect financial institutions from abuse by launderers, and to facilitate international cooperation. Successful conclusion of the Convention, with a specific reference that all states should adopt and adhere to the FATF 40 Recommendations, would represent an important advance in the effort to ensure global adoption and implementation of comprehensive anti-money laundering controls.

Action Item: Promote the development of FATF-style regional bodies.

FATF-style regional bodies -- which endorse the 40 Recommendations and a process of mutual evaluation -- already exist in Latin America and the Caribbean, as well as Central and Eastern Europe. In addition, the Offshore Group of Banking Supervisors (OGBS), though not a regional body, has also endorsed the 40 Recommendations and has embarked upon a process of peer review to test its members' implementation of those standards. The United States is also working within the OAS Inter-American Drug Abuse Control Commission (OAS-CICAD) toward adoption of a mutual evaluation mechanism that will encompass assessment of money laundering controls. OAS-CICAD has recently revised its Model Regulations aimed at controlling money laundering. The United States will continue to support these organizations and is prepared to support the creation this year of FATF-style bodies covering nations in various parts of the world.

Two other regional counter-money laundering groups have been established. The Asia Pacific Group on Money Laundering (APG) has agreed in principle to the FATF 40 Recommendations and has begun to discuss peer review. The Gulf Cooperation Council is represented at FATF meetings. However, the progress made to date by these groups has been limited. They both need to become more effectively engaged in the fight against money laundering.

Action Item: Continue to provide training and assistance to nations making efforts to implement counter-money laundering measures.

The United States Government is committed to offering training and technical assistance to nations seeking to implement comprehensive internationally-recognized money laundering controls. Programs of the Departments of State, Justice, the Treasury, and the federal financial

regulators all provide such assistance. These efforts must continue to be supported if they are to succeed.

In administering funds appropriated for international training and technical assistance programs and in processing requests from U.S. embassies, the State Department works closely with the agencies responsible for delivering assistance, and, as much as possible, coordinates the delivery of such programs with other donor states and international organizations. Priorities are set according to assistance needs, with reference to the information collected and compiled in the money laundering chapter of the State Department's annual International Narcotics Control Strategy Report (INCSR).

U.S. agencies will endeavor to reduce the costs associated with such programs by timing and coordinating their programs appropriately, avoiding program duplication, and working through the International Law Enforcement Academies (ILEAs). It is important to establish U.S. priorities for international counter-money laundering training and, to the extent possible, to marshal resources to avoid duplication and overlap.

Objective 2: Include Counter-Money Laundering Issues on the International Financial Agenda

The global financial system is changing rapidly. As the United States and its partners develop their overall international financial policy agenda, they must continue to analyze issues of international money laundering.

Action Item: The Treasury Department will urge the international financial institutions to encourage countries, in the context of financial sector reform programs, to adopt anti-money laundering policies and measures.

The International Monetary Fund, the World Bank, and the regional multilateral development banks are acutely aware of the problems of international money laundering. In recent years they have provided structural reform assistance to help selected countries to strengthen their banking supervisory capacity and adopt financial sector reforms. The United States considers this work to be very important and will convey that importance at the Economic Summits, the meetings of G-7 Finance Ministers and Central Bank Governors, and the annual meetings of the IMF and World Bank during the coming year. We will encourage all international financial institutions to increase their efforts to help countries, in the context of programs for financial sector reform and enhanced financial supervisory capacity, to create transparent financial systems, identify and interdict illicit financial flows, strengthen financial supervisory institutions, and promote adoption of appropriate anti-money laundering policies and measures.

Action Item: Support the efforts of the Financial Stability Forum and other multilateral groups in urging offshore financial centers to adopt and adhere to international standards.

Operation of the global financial system requires increasing cooperation among countries and regions. Weak links anywhere along a chain of financial activity can result in dramatic adverse results back up, or further down, the chain. Lower standards in some offshore financial centers may facilitate the movement of criminal funds. More generally, excessive bank secrecy, inadequate regulation and prudential oversight, and refusals or failures to cooperate in administrative or judicial investigations, are harmful to a wide range of crucial policy, regulatory, and enforcement objectives.

The Financial Stability Forum's Offshore Financial Center Working Group has already begun its work to encourage offshore financial centers to implement international prudential and disclosure standards, and comply with international agreements on the exchange of supervisory information and information relevant to financial fraud, tax fraud, and money laundering.¹³ As industrial countries and emerging market economies continue to strengthen their own prudential standards, there will be increasingly compelling reasons for offshore financial centers to adopt international regulatory and financial supervisory standards. These must include comprehensive anti-money laundering measures.

Objective 3: Apply Increasing Pressure to Jurisdictions Where Lax Controls Invite Money Laundering

Financial systems with lax controls -- in some cases caused or supplemented by official corruption -- too often permit or invite the investment of dirty money. The world's leading economic powers have endorsed continuing steps to help such nations improve their financial systems while making it clear that havens for criminal assets cannot be tolerated.

¹³ See Financial Stability Forum Working Group on Offshore Centres, Proposed Terms of Reference (3 May 1999). The Financial Stability Forum (FSF) is a grouping of international financial institutions, international regulatory bodies, and key financial market economies, that convenes to discuss regulatory and supervision issues relating to the global economy. It was established in early 1999 as a result of a G-7 initiative.

Action Item: The high-level working group of federal bank regulators and law enforcement officials referenced above (at page 34), will examine what guidance would be appropriate to enhance the scrutiny of correspondent bank accounts in the United States maintained by certain offshore and other financial institutions that pose money laundering risks. The working group will complete its review within 90 days.

Correspondent banking relationships are an important feature of the international banking system. But those relationships can be abused by money launderers, and care must be taken to assure that only legitimate institutions, and legitimate transactions, are permitted access to correspondent accounts at United States financial institutions.

The high level working group discussed above (at page 34), will examine what steps are needed to require financial institutions in the United States to obtain information about the identity of customers of certain correspondent banks that pose money laundering risks. The working group will also pay attention to issues raised by the use of payable-through accounts.¹⁴

Finally, the working group will explore whether measures, legislative, regulatory, or in an international context, should be adopted to restrict financial institutions in the United States from opening or maintaining correspondent accounts for foreign banks (i) that are organized in jurisdictions in which they do not offer banking services to residents and (ii) that United States banking authorities determine are not subject to adequate supervision by home country authorities.

Action Item: Promote adoption of higher risk-weighted lending -- which increases lending costs -- to institutions in offshore jurisdictions that do not make progress in implementing effective international standards, including those relating to money laundering.

Treasury is pushing efforts in various international forums to encourage offshore centers to strengthen financial supervision and prudential standards. In this context, we will work in the

¹⁴ A payable-through account arrangement can be provided by a bank to a second bank, to allow the second bank to provide payment services to the second bank's customers. The second bank's customers make payments "through" the first bank, but the first bank will generally have no knowledge of the particular parties to whom such payment services are provided.

appropriate forums, including the Basel Committee, to promote adoption of a higher risk-weighting for bank loans to counter-parties operating in offshore jurisdictions that do not make progress in implementing international standards such as the Basel Core Principles on Effective Supervision, including those principles related to money laundering. Such higher risk-weights would increase costs of lending to such jurisdictions.

Action Item: Support FATF formulation of criteria for and identification of non-cooperative jurisdictions.

Over the past year the FATF has embarked upon an effort to define and identify non-cooperative jurisdictions, as well as to articulate steps FATF members can take to promote progress by such jurisdictions. To ensure steady progress in this effort, U.S. law enforcement and regulatory agencies need to catalogue specific instances of non-cooperation as soon as the FATF criteria are adopted. The United States will advocate that other governments do the same, and that the combined experiences of FATF members in encountering non-cooperation are discussed during the FATF working meetings later this year.

Action Item: Support efforts aimed at effective fiscal enforcement.

The Treasury Department's extensive network of tax treaties is a valuable asset in the fight against money laundering. For several years, Treasury has had a firm policy of refusing to enter into new tax treaty relationships with countries unless those countries are willing to engage in information exchange with respect to all tax administration matters. As a result of this policy, the United States has succeeded in convincing some countries to modify their laws or practices to allow U.S. tax authorities to obtain access to financial information, even though such countries had not previously engaged in information exchange with other countries on tax matters. Such countries are unlikely to be attractive centers for money laundering, as individuals who use such jurisdictions for money laundering risk being prosecuted in the United States for tax evasion. Treasury continues to insist that prospective tax treaty partners be willing to engage in information exchange.

In addition, Treasury will continue to support efforts within the Committee on Fiscal Affairs of the Organization for Economic Cooperation and Development (OECD) to minimize harmful tax competition¹⁵ and to eliminate the barriers that prevent effective exchange of information between tax authorities, especially those arising from excessive bank secrecy rules.

Action Item: Consider unilateral action where necessary.

The United States will continue to use the chapter of the INCSR devoted to money laundering to outline its assessment of the progress of particular jurisdictions. In cases where training, technical

¹⁵ *Harmful Tax Competition: An Emerging Global Issue.* Organization for Economic Cooperation and Development, 1998.

assistance, and diplomacy fail, and where there are particular risks that warrant it, the U.S. may take appropriate additional action.

Sub-Action Item: Issue bank Advisories when appropriate.

In some cases, unilateral action can take the form of a warning to U.S. financial institutions about transactions involving particular financial systems. In April 1999, for example, after years of bilateral negotiations between the United States and the Government of Antigua and Barbuda failed to produce meaningful progress, Treasury issued an Advisory alerting banks and other financial institutions in the United States to give enhanced scrutiny to all financial transactions routed into or out of Antigua and Barbuda. FinCEN issued a similar advisory in March 1996 in connection with the introduction of a statute in the Seychelles that essentially invited criminals to hide their funds in Seychelles financial institutions.

Sub-Action Item: Invoke powers of IEEPA in appropriate circumstances.

The International Emergency Economic Powers Act (IEEPA)¹⁶ is a powerful weapon that the government has used for the past three years against both narcotics traffickers and terrorists. As required by PDD-42, IEEPA sanctions bar U.S. persons from having any property transactions or commercial transactions with individuals and businesses acting as fronts for significant narcotics traffickers centered in Colombia. Executive Order 12978 (October 21, 1995). In addition, the Order blocks the assets of such individuals and businesses held in the United States or by U.S. banks overseas. These actions not only prevent U.S. persons from being unwitting aiders and abettors, and potential victims, of narcotics traffickers, but also protect the integrity of our financial institutions and deny criminals the ability to operate as legitimate businesses.

IEEPA may also be employed in the future -- on its own or in conjunction with other law enforcement efforts against international crime -- when the President determines that the subjects pose an extraordinary threat to the foreign policy, national security, or economy of the United States.

Objective 4: Facilitate International Exchange of Information

Action Item: Support and expand membership of the Egmont Group of financial intelligence units.

One of the most important developments in international counter-money laundering cooperation has been the development of financial intelligence units (FIUs). These agencies are created to

¹⁶ 50 U.S.C. 1701, et seq.

receive their own domestic suspicious activity reports (required under their respective internal laws), analyze financial information related to law enforcement activity, disseminate information to domestic enforcement agencies, and exchange information internationally.

FinCEN, created in 1990, was one of the world's first FIUs. In 1995, twelve FIUs met in Brussels to discuss common issues. Four years later, the Egmont Group of financial intelligence units has evolved into a network of 48 central, national agencies.

FIUs can play a critical role in ongoing investigations and in the effective implementation of anti-money laundering measures, if the promise of the FIU network is fully realized. The U.S. law enforcement community should take every opportunity to exploit the information available from other FIUs to support U.S. investigations.

Action Item: Promote the G-7 Ten Key Principles on Information Exchange for the Improvement of International Cooperation Regarding Financial Crime and Regulatory Abuse.

At the June 1997 Denver Economic Summit, the G-7 Heads of State committed to “improve international cooperation between law enforcement agencies and financial regulators on cases involving serious financial crimes and regulatory abuse.” A G-7 working group was formed to produce recommendations to address the problem.

The working group, initially led by the Treasury Department, completed its work in early 1999 and submitted its report to the G-7 Finance Ministers along with a statement of “Ten Key Principles for the Improvement of International Cooperation Regarding Financial Crime and Regulatory Abuse.” The Ten Principles call for countries to ensure that their laws and systems provide for maximum domestic cooperation and the sharing of information between financial regulators and law enforcement agencies, as well as providing for accessible and transparent channels for cooperation and exchange of information at the international level.

At the Cologne Economic Summit in June 1999, the G-7 Heads of State and Government called for the G-7 countries to promote the Ten Principles “throughout the world as standards to which all countries should aspire.” The Treasury and Justice Departments will promote the adoption and implementation of the Ten Principles through both bilateral channels and within multilateral forums. In addition, Treasury will work with other U.S. financial regulators to expand information exchange and judicial cooperation channels with foreign financial regulators.

Action Item: Expand law enforcement information exchange and judicial cooperation channels.

The Departments of the Treasury, Justice, and State will continue to identify priority countries where Mutual Legal Assistance Treaties, Extradition Treaties, or Financial Intelligence Unit

memoranda of understanding concerning information exchange should be negotiated or enhanced to support money laundering investigations, prosecutions, and forfeitures.

Action Item: Promote joint analysis of information developed in multilateral investigations.

Money brought into the United States (as proceeds of crimes committed elsewhere, or in the latter stages of the laundering of proceeds of crimes committed in the United States) must be recognized and traced effectively to and from its origins. Until the entire cycle is more clearly understood, it will be difficult to design measures aimed at the entire money laundering process or to understand the extent to which laundered funds play a continuing role in the economies of particular countries.

Information developed in ongoing investigations or in after-action analyses should be made available, where appropriate, for joint analysis by participating nations to allow the full picture to emerge.

Action Item: Create an inter-agency team from FinCEN, the Federal Reserve Board, the Departments of the Treasury and Justice, and other appropriate agencies, to review currency flows and Suspicious Activity Report information.

The analysis of international currency flows in combination with information about suspicious activity can provide important information to investigators. But such data requires multi-disciplinary analysis before it becomes useful. The Treasury Department will create an inter-agency team to review information from Suspicious Activity Reports and currency flow and other economic data on a regular basis to assure that the potential implications of those reports are understood and passed quickly to appropriate investigators.

Objective 5: Improve Coordination and Effectiveness of International Enforcement Efforts

International law enforcement and security cooperation increasingly depend upon transnational arrangements for the detection and prosecution of criminal activity. Flexible and reciprocal transnational arrangements can directly benefit U.S. enforcement efforts. Harmonized policies can facilitate effective international enforcement efforts and further specific domestic enforcement priorities.

Action Item: Promote bilateral and multilateral enforcement teams to attack priority targets.

U.S. investigative efforts alone cannot cut off significant international channels used by the money launderers. Coordinated investigative action with agencies of cooperating nations can pay significant dividends. Multinational pressure on an offshore center, a financial institution, or a particular criminal organization can be extremely effective. It can also produce joint information about the way money is laundered and can build the trust that leads to additional cooperation in the future.

The United States is actively pursuing a number of money laundering investigations that reflect the priorities stated in the President's International Crime Control Strategy. These efforts will be pursued simultaneously through informal international police exchanges, through ongoing multilateral initiatives, and in the context of formal, bilateral initiatives such as the Bi-National Commissions and Law Enforcement Working Groups that the United States has established with, for example, Brazil, China, El Salvador, Mexico, Russia, Taiwan, and Ukraine. The specialized units created to support and coordinate money laundering and related investigations within the United States should contribute to these international efforts wherever feasible in light of security and related considerations.

Action Item: Urge the G-7 nations to consider an initiative to harmonize rules relating to international funds transfers so that the originators of the transfers will be identified.

The G-7 nations adopted several significant counter-money laundering measures at the Birmingham and Cologne Summits. The G-7 should now consider the need to harmonize the rules for information included on international funds transfer messages so that a bank from which an international funds transfer originates must include in the message the name of the originator of the funds transfer. (Such information is required to be included in U.S. domestic funds transfers.) Harmonized rules of this sort will add great effect to each jurisdiction's own rules on funds transfers and will limit further the ability to dodge detection through cross-border funds transfers. Law enforcement professionals consider such a step essential to permit effective detection of international money laundering activities.

Action Item: The Administration will propose significant provisions in the Money Laundering Act of 1999 addressing international money laundering.

In addition to the domestic money laundering provisions discussed in Goal 1, the Money Laundering Act of 1999 will contain significant provisions aimed at international money laundering. These provisions include the following:

- Expanding the list of money laundering predicates to include numerous foreign crimes -- including arms trafficking, public corruption, fraud, and crimes of violence -- that are not currently covered by the money laundering statute. At present, for example, a foreign public official who accepts bribes or embezzles money and then launders the proceeds through a U.S. bank is not subject to a U.S.

money laundering prosecution. The new provision will close that loophole, which severely limits the ability of the United States to investigate and prosecute the laundering of foreign criminal proceeds through financial institutions in the United States.

- Extending the civil penalty provision of the money laundering statute to give U.S. district courts jurisdiction over foreign banks that violate U.S. money laundering law, provided that the foreign bank maintains an account in the United States and that the bank receives appropriate service of process.
- Making it illegal to launder criminally derived proceeds through foreign banks. This provision would, for example, make it illegal for a person in the United States to send criminal proceeds abroad and launder them in a Mexican bank.
- Giving federal prosecutors greater access to foreign business records located in bank secrecy jurisdictions by providing sanctions when individuals in certain circumstances hide behind such foreign laws.

Action Item: Urge other nations to make public corruption a predicate offense under their own counter-money laundering statutes.

The proceeds of large-scale public corruption -- in the form of bribes or embezzlement -- must, like any other ill-gotten gains, be laundered if they are to be secured and enjoyed by corrupt officials.

As part of the battle against public corruption, the international community has begun to address the importance of money laundering controls to the effective implementation of anti-corruption measures. For example, an OECD working group has reported that it considers bribery a serious offense for the purposes of money laundering legislation and has asked the FATF to review the issue with its membership. The United States will advocate that other nations include bribery as a serious offense for the purposes of their own anti-money laundering legislation.

Action Item: The Departments of the Treasury, State, and Justice will consider the establishment of a program to deny or revoke visas in all cases where couriers are being used to repatriate drug currency.

Organized narcotics money laundering is a national security threat. The Departments of Justice and the Treasury should begin immediately working with the State Department to establish a program to deny or revoke the visas of persons employed as couriers to repatriate drug money for drug trafficking organizations.

Objective 6: Build Knowledge and Understanding

There are a great many issues concerning money laundering and its broader economic effects about which we need much better knowledge.

Action Item: Work with the international community to understand the interplay between underground financial markets and international trade.

The emerging understanding of the Black Market Peso Exchange has highlighted the interplay between money laundering and international trade involving Colombia and the United States. But there is little reason to think that the use of illegally obtained funds -- which can be discounted below normal market premiums -- to finance trading relationships is limited to one set of bilateral trade flows. An examination of this issue, involving officials from the United States, Aruba, Curacao, Colombia, Panama, and Venezuela can produce additional important information about these links, but the perspective gained from such discussions should be applied to trade flows around the world in considering the possible use of criminal funds to finance trade.

Action Item: Enhance understanding of alternative remittance systems.

Our money laundering models -- as preliminary as they are -- are based primarily on experience with the movement of funds between the United States, Europe, and South America and on assumptions derived from the operation of the banking and payments systems in those regions of the world.

The Asia Pacific Group on Money Laundering (APG) has generally endorsed the FATF 40 Recommendations, but a number of its members have expressed concern that the FATF Recommendations are geared to western-style banking systems. Asian economies are largely currency-based and rely heavily on two widely used "parallel remittance" systems -- hawala, used by South Asian nations and nationals, and feng shui, or "flying money," used by Chinese and Southeast Asian nationals. These systems do not make use of mainstream financial intermediaries at all.

Parallel remittance is a simple idea: someone accepts funds in one country and arranges for a partner to make the same amount available to a named recipient in another country. (Payments are made through what are technically offsetting balances rather than individual or bulk transmissions.) This system leaves little in the way of a financial trail and, according to United States and United Kingdom experts, is becoming increasingly prevalent.

The United States should work with the APG to focus international attention to the enforcement and regulatory issues caused by parallel remittance systems.

Action Item: Expand counter-money laundering “public diplomacy.”

The Departments of State, the Treasury, and Justice will work in various media of United States public diplomacy around the world to highlight their counter-money laundering initiatives and the harm money laundering creates.

Conclusion

This strategy articulates both a short and a longer term course of action, reflecting a national commitment to a coordinated, effective fight against money laundering.

Overall implementation of this Strategy will be guided by an inter-agency Steering Committee co-chaired by the Deputy Secretary of the Treasury and the Deputy Attorney General, with the participation of relevant departments and agencies. That Steering Committee will have the responsibility of working out and overseeing an implementation plan that identifies timelines for carrying out action items and, as appropriate, makes specific assignments. With respect to action items that affect international affairs, the National Security Council will have a central role in the Steering Committee. The Special Consultative Group on International Organized Crime, as created by PDD-42, will raise issues through the Steering Committee, as necessary.

The specific action items in this Strategy obviously cannot be accomplished all at once. Rather, they are meant to set forth a framework for aggressive action that, in some cases, is well underway, in other cases will be commenced in the near term, and in still other cases will take place over a longer time horizon. As Congress contemplated, the Strategy will be modified and updated on a regular basis, allowing an evaluation of progress to date, a statement of additional measures needed, and the modification of existing measures. Implementation of a number of action items will depend, at least in part, on additional resources, and we will work with Congress to secure appropriate funding.

The fight against money laundering here and around the world is important to protect our citizens and to assure the integrity of our financial institutions and our national security. The release of this Strategy marks a new stage in our efforts, intended to assist our enforcement and regulatory officials in their efforts to carry on that fight and meet the challenges that lie ahead.

Appendix 1: The Federal Money Laundering Statutes

Money Laundering Control Act

In 1986, Congress enacted the Money Laundering Control Act (MLCA), which established money laundering as an independent federal offense, punishable by prison sentences of up to 20 years.¹⁷ The intent of the MLCA is:

[t]o create a Federal offense against money laundering; to authorize forfeiture of the profits earned by launderers; to encourage financial institutions to come forward with information about money launderers without fear of civil liability; to provide Federal law enforcement agencies with additional tools to investigate money laundering; and to enhance the penalties under existing law in order to further deter the growth of money laundering.¹⁸

The provisions of the MLCA criminalizing money laundering are codified at 18 U.S.C. 1956 and 1957.

Section 1956

Section 1956 includes three different types of money laundering offenses.

Section 1956(a)(1). This subsection makes it unlawful to knowingly engage in a financial transaction with the proceeds of a specified unlawful activity¹⁹ under the following four circumstances:

¹⁷ Pub. L. 99-570, Title I, Subtitle H, Sections 1351-67, 100 Stat. 3207-18 through 3207-39 (1986).

¹⁸ S. Rep. No. 433, 99th Cong., 2d Sess. 1 (1986).

¹⁹ The term “specified unlawful activity” includes a broad range of criminal offenses, including narcotics trafficking, fraud, violent crimes, terrorism, and other offenses typical of organized crime. These predicate offenses are listed at 18 U.S.C. 1956(c)(7).

- *Intent to promote specified unlawful activity.* Section 1956(a)(1)(A)(i) prohibits conducting a financial transaction involving illegal proceeds with the intent to promote specified unlawful activity. Such transactions include the reinvestment of the proceeds of crime into a criminal organization.
- *Intent to violate certain tax laws.* Section 1956(a)(1)(A)(ii) prohibits conducting a financial transaction involving illegal proceeds with the intent to engage in conduct constituting a violation of sections 7201 or 7206 of the Internal Revenue Code.
- *Concealment of criminal proceeds.* Section 1956(a)(1)(B)(i) makes it an offense to conduct a financial transaction “knowing that the transaction was designed in whole or in part . . . to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of specified unlawful activity.” This prong of the statute addresses activity that is most commonly associated with money laundering, for example, using drug proceeds to purchase stock in the name of a third party, or purchasing and mistitling automobiles to conceal the fact that the true owner of the vehicle is a drug dealer.
- *Avoidance of Reporting Requirements.* Section 1956(a)(1)(B)(ii) makes it an offense to conduct a financial transaction in order to avoid a state or federal reporting requirement. For example, such conduct would include intentionally structuring bank deposits in numerous \$9,000 increments in order to avoid the Bank Secrecy Act’s requirement that banks report currency transactions of more than \$10,000.

Section 1956(a)(2). This subsection involves the international movement of illicit proceeds into, out of, or through the United States. It makes it unlawful to transport, transmit, or transfer a monetary instrument or funds into or out of the United States:

- with the intent to promote the carrying on of specified unlawful activity; or
- where the defendant knows that the funds represent the proceeds of some form of unlawful activity and that the transportation or transfer is designed to conceal or disguise the nature, location, source, ownership, or control of the proceeds of specified unlawful activity or to avoid a transaction reporting requirement.

Section 1956(a)(3). This subsection enables law enforcement to conduct undercover “sting” operations. It makes it unlawful to engage in a financial transaction with property represented to be proceeds of specified unlawful activity. The funds in section 1956(a)(3) cases are not actually derived from a real crime; they are funds provided to money launderers by undercover law enforcement agents.

Section 1957

This section makes it unlawful to knowingly conduct a monetary transaction in criminally derived property in an amount greater than \$10,000, which, in fact constitutes proceeds of a specified unlawful activity. Such monetary transactions must be conducted by, through, or to a financial institution. However, for the purposes of this section, financial institutions include not only banks, but also other entities such as currency exchangers, securities brokers, insurance companies, dealers in precious metals, real estate brokers, casinos, and car, boat, or airplane dealers. In other words, this section makes it unlawful in many circumstances to spend large sums of known criminal proceeds.²⁰

Bank Secrecy Act

Congress enacted the Bank Secrecy Act (BSA) to counteract the use of financial institutions by criminals to launder the proceeds of their illicit activity.²¹ It authorizes the Secretary of the Treasury to issue regulations requiring financial institutions to keep certain records and file certain reports, and to implement anti-money laundering programs and compliance procedures. The title of the Act is misleading, as the BSA's main purpose is to limit, rather than to enhance, secrecy regarding certain financial transactions. A willful violation of the BSA may result in a criminal fine of up to \$500,000 or a ten-year term of imprisonment, or both. A violation of the BSA also may result in a civil penalties.

Two major statutes amending the BSA were enacted during the 1990s.

- The Annunzio-Wylie Money Laundering Act added several significant provisions to the BSA.²² The most important of those provisions authorized the reporting of suspicious transactions (SARs). It also allowed for the promulgation of rules for minimum anti-money laundering programs at financial institutions, added a BSA civil penalty for negligence, and created a BSA Advisory Group of government and private-sector experts. Annunzio-Wylie also amended the MLCA to make the

²⁰ It is worth noting three important distinctions between section 1957 and section 1956. First, section 1957 has a \$10,000 threshold requirement for each transaction. There is no threshold requirement for section 1956. Second, section 1957 simply requires that a monetary transaction occur with proceeds known to be of criminal origin. Unlike section 1956, there is no requirement that the transaction occur with the intent to promote a specified unlawful activity or to conceal the origin of the proceeds. Third, unlike section 1956, section 1957 requires that the transaction be conducted through a financial institution.

²¹ Pub. L. 91-508, Titles I and II, 84 Stat. 1114 (1970).

²² Pub. L. 102-550, Title XV of the Housing and Community Development Act of 1992, 106 Stat. 3672, 4044-4074 (1992).

operation of an illegal money transmitting businesses a crime (this provision is codified at 18 U.S.C. 1960), and added provisions to the federal banking laws that required agencies to formally consider the revocation of the charter of any depository institution convicted of money laundering.

The Money Laundering Suppression Act (MLSA) expanded upon the policies set forth in Annunzio-Wylie.²³ The most noteworthy provisions of the MLSA required the designation of a single agency as the recipient of Suspicious Activity Reports, expanded the authority to require the reporting of cross-border transportation of certain negotiable instruments, and required registration with the Treasury Department of certain non-bank financial institutions, such as money transmitters and check cashers.

BSA reporting requirements

As noted above, the BSA authorizes the Secretary of the Treasury to promulgate rules requiring financial institutions to file certain reports of financial transactions. In accordance with these regulations, certain financial institutions must file: Suspicious Activity Reports, currency transaction reports, reports of cross-border currency transportation, and reports relating to foreign bank and securities accounts.

Banks are required to file, in accordance with 31 CFR 103.21, reports of suspicious transactions conducted or attempted at their branches, and involving or aggregating at least \$5,000. A bank must file a Suspicious Activity Report (SAR) if it knows, suspects, or has reason to suspect that a transaction or series of transactions involves illegally-derived funds, is designed to evade BSA requirements, or has no business or apparent lawful purpose. Banks are specifically prohibited from notifying any person involved in a transaction reported as suspicious that a SAR has been filed. Banks enjoy a safe harbor from civil liability for any disclosure contained in a SAR.

²³ Pub. L. 103-325, Title IV of the Riegle Community Development and Regulatory Improvement Act of 1994 (1994).

The currency transaction reporting rules at 31 CFR 103.22 require a financial institution²⁴ to file a currency transaction report (CTR) for each deposit, withdrawal, currency exchange, or other payment or transfer conducted by or through the financial institution in an amount exceeding \$10,000.²⁵ This requirement also applies to casinos, which must file reports of currency transactions involving more than \$10,000, as well as the Postal Service which must file reports of cash purchases of postal money orders and other money services products worth more than \$10,000. Multiple transactions occurring in a single business day must be aggregated for purposes of reaching the \$10,000 threshold if the financial institution knows that the transactions are conducted by or on behalf of the same person. In accordance with exemption procedures issued by the Secretary of the Treasury, banks may exempt transactions with certain customers from the requirement to file a CTR.

A currency or monetary instrument report (CMIR) must be filed, in accordance with 31 CFR 103.23, by all persons physically transporting currency or monetary instruments in amounts exceeding \$10,000 across the U.S. border, and by all persons receiving a cross-border shipment of currency or monetary instruments in excess of \$10,000 for which a CMIR has not been filed. Failure to file such a report can lead to seizure of the funds attempted to be transported.

A foreign bank account report (FBAR) must be filed, in accordance with 31 CFR 103.24, by U.S. residents and citizens, as well as persons in and doing business in the U.S., regarding accounts maintained with foreign banks or securities brokers or dealers. Such reports must be filed with the Commissioner of the Internal Revenue Service for each year during which the foreign account is maintained.

BSA recordkeeping requirements

The BSA also authorizes the Secretary of the Treasury to promulgate rules requiring financial institutions to maintain certain records pertaining to financial transactions. In some instances,

²⁴ Under the BSA, the Secretary of the Treasury has the authority to define the term “financial institution” very broadly. At present, however, the implementing regulations restrict the scope of this term (for purposes of the BSA) to mean each agent, agency, branch, or office within the United States of any person doing business as a bank, a broker or dealer in securities, a money services business (defined to include a check casher, a currency exchanger, an issuer, seller, or redeemer of travelers’ checks, money orders or stored value, a money transmitter, and the U.S. Postal Service), a telegraph company, a casino, a card club, and a person subject to supervision by any state or federal bank supervisory authority.

²⁵ The Secretary of the Treasury may, pursuant to 31 CFR 103.26, lower an applicable reporting or recordkeeping dollar threshold when issuing a geographic targeting order (GTO). To issue a GTO, the Secretary must determine that reasonable grounds exist for concluding that additional recordkeeping and reporting requirements are necessary to carry out the purposes and prevent evasions of the BSA. A GTO may be issued with regard to a specific financial institution or group of financial institutions within a geographic area.

records must be maintained in conjunction with the filing of a report. For example, if a bank decides to file a SAR, it must keep a copy of the SAR and supporting documentation in its records. There are additional recordkeeping requirements not attached to the duty to file a report. Examples of such independent recordkeeping requirements include the monetary instrument identification or “log” requirement and the funds transfer rules, described below. Financial institutions must keep a copy of required records for five years, and the copy must be filed or stored in such a way as to be accessible within a reasonable time, in accordance with 31 CFR 103.38.

The log requirement, found at 31 CFR 103.29, requires financial institutions to maintain records of the sale of bank checks or drafts, cashiers’ checks, money orders, and travelers’ checks purchased with currency in amounts of \$3,000 - \$10,000, inclusive. In complying with this requirement, financial institutions must obtain and record identifying information with respect to the purchaser and the instrument purchased.

Financial institutions must keep records with respect to most classes of customer transactions. One important class of recordkeeping requirements relates to funds transfers of \$3,000 or more, as provided by 31 CFR 103.33. The exact nature of the funds transfer recordkeeping requirement varies depending upon the role the financial institution plays in the transaction stream, but generally requires financial institutions to maintain a copy of the payment order, payment instructions received, and, in certain circumstances, information relating to the originator, beneficiary, and intervening financial institutions.

Appendix 2: List of Goals, Objectives, and Action Items

GOAL 1: STRENGTHENING DOMESTIC ENFORCEMENT TO DISRUPT THE FLOW OF ILLICIT MONEY

Objective 1: Concentrate Resources in High-Risk Areas

Action Item: The Treasury Department in consultation with the Department of Justice will begin designation of High-Risk Money Laundering and Related Financial Crimes Areas.

Action Item: The Departments of the Treasury and Justice will begin oversight of specially-designed counter-money laundering efforts in each designated area.

Objective 2: Propose Counter-Money Laundering Legislation to Address Domestic Money Laundering Concerns

Action Item: The Administration will propose significant provisions in the Money Laundering Act of 1999 addressing domestic money laundering.

Objective 3: Identify and Target Major Money Laundering Systems

Action Item: The Treasury-led Black Market Peso Exchange Working Group will continue and enhance efforts to disrupt the Black Market Peso Exchange system.

Sub-Action Item: The Customs Service and FinCEN will continue to identify methods for placement of peso exchange funds into the financial system.

Sub-Action Item: The Customs Service and FinCEN will enhance coordination of investigative efforts against the peso exchange system.

Sub-Action Item: The Administration will promote continued cooperation with the Government of Colombia.

Sub-Action Item: The Department of the Treasury, especially the Customs Service, and the Department of Justice will expand communications with U.S. exporters and the U.S. trade community.

Action Item: The Departments of the Treasury and Justice will include in a joint memorandum to investigators and prosecutors a recommendation that investigative and prosecutive guidelines include considerations for allowing below-threshold cases that offer the potential for having a systemic or financial sector-wide effect on money laundering.

Objective 4: Target Major Domestic and International Money Launderers

Action Item: The Departments of the Treasury and Justice and other relevant agencies will share information in order to jointly identify and target major money launderers.

Action Item: Meet with professional associations of lawyers and accountants to review the professional responsibilities of lawyers and accountants with regard to money laundering and make such recommendations about additional professional guidance as may be needed.

Objective 5: Enhance Inter-agency Coordination of Money Laundering Investigations

Action Item: The Justice Department will continue to enhance the capacity of the Special Operations Division to contribute to financial investigations in narcotics cases.

Action Item: The Customs Service will make the Money Laundering Coordination Center fully operational with the participation of all relevant law enforcement agencies.

Action Item: The Department of Justice will enhance the money laundering focus of counter-drug task forces.

Action Item: The Departments of the Treasury and Justice will enhance the capacity to provide ongoing and post-takedown analysis to multi-district investigations.

Action Item: The Treasury Department will identify areas or financial sectors for use of geographic targeting orders and use such orders to coordinate appropriate operations.

Action Item: The Departments of the Treasury and Justice will enhance their capacity to provide specialized resources for money laundering investigations.

Objective 6: Enhance the Collection, Analysis, and Sharing of Information to Target Money Launderers

Action Item: The Department of Justice will promote mechanisms for regular review of Suspicious Activity Reports in the Office of each United States Attorney and for coordinated investigation of targets identified through that review.

Action Item: The Departments of the Treasury and Justice will ensure that their bureaus provide feedback to FinCEN on the use of Suspicious Activity Reports and other BSA information.

Action Item: The Treasury Department will enhance resources related to strategic analysis and production of regional threat assessments.

Action Item: The Treasury Department will set a technology plan for enhancements of nation-wide data bases that contain BSA information.

Action Item: Under the leadership of the Departments of the Treasury and Justice, law enforcement agencies will debrief informants and cooperating witnesses about their money laundering methods.

Objective 7: Enhance and Support Efforts to Detect and Counter Currency Smuggling

Action Item: The Administration will seek legislative authority for the Customs Service to search outbound mail.

Objective 8: Intensify Training

Action Item: The Departments of the Treasury and Justice will include in a joint memorandum a provision calling for the enhancement of financial investigative training.

Action Item: The Departments of the Treasury and Justice will continue to sponsor national and regional money laundering conferences.

GOAL 2: ENHANCING REGULATORY AND COOPERATIVE PUBLIC-PRIVATE EFFORTS TO PREVENT MONEY LAUNDERING

Objective 1: Enhance the Defenses of U.S. Financial Institutions Against Use as an Instrument by International Criminal Organizations

Action Item: The Departments of the Treasury and Justice will convene a high-level working group of federal bank regulators and law enforcement officials to examine what guidance would be appropriate to enhance bank scrutiny of certain transactions or patterns of transactions in potentially high-risk accounts. The working group will complete its review within 90 days.

Action Item: The federal bank supervisory agencies, in cooperation with the Department of the Treasury, will conduct a review of existing bank examination procedures relating to the prevention and detection of money laundering at financial organizations, to be completed within 180 days.

Objective 2: Assure that All Types of Financial Institutions Are Subject to Effective Bank Secrecy Act Requirements

Action Item: The Treasury Department will issue a final rule for the reporting of suspicious activity by money services businesses.

Action Item: The Treasury Department will issue a final rule for the reporting of suspicious activity by casinos.

Action Item: The Treasury Department will work with the Securities and Exchange Commission to propose rules for the reporting of suspicious activity by brokers and dealers in securities.

Objective 3: Continue to Strengthen Counter-Money Laundering Efforts of Federal and State Financial Regulators

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will issue a joint memorandum setting policies for enhanced sharing of information between law enforcement and regulatory authorities.

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will expand joint training opportunities for federal financial investigators and bank examiners.

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will support regulatory efforts aimed at detecting threats to particular institutions.

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will support regulatory efforts to identify the recycling of illicit funds through financial institutions.

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will begin regular meetings of senior financial enforcement and regulatory officials to review counter-money laundering efforts in each regulatory district throughout the nation.

Objective 4: Increase Usefulness of Reported Information to Reporting Institutions

Action Item: FinCEN and the Bank Secrecy Act Advisory Group will continue their project to expand the flow to banks of information derived from Suspicious Activity and other Bank Secrecy Act Reports.

Objective 5: Strengthen and Adapt Internal Controls by Financial Businesses to Detect and Prevent Money Laundering

Action Item: The Department of the Treasury will convene a study group that includes FinCEN, the SEC, the federal bank regulators, and relevant accounting and auditing organizations to determine how best to utilize accountants and auditors in the detection and deterrence of money laundering.

Objective 6: Ensure that Regulatory Efforts to Prevent Money Laundering Are Responsive to the Continuing Development of New Technologies

Action Item: The Departments of the Treasury and Justice and the federal financial regulators will continue outreach to the private sector to ensure that anti-money laundering safeguards respond to new technologies.

Objective 7: Understand Implications of Counter-Money Laundering Programs for Personal Privacy

Action Item: The Treasury Department will review steps taken to ensure the security of BSA information and recommend any necessary changes.

Action Item: The Treasury Department will lead a 180-day review of counter-money laundering and privacy policies.

GOAL 3: STRENGTHENING PARTNERSHIPS WITH STATE AND LOCAL GOVERNMENTS TO FIGHT MONEY LAUNDERING THROUGHOUT THE UNITED STATES

Objective 1: Provide Seed Capital for State and Local Counter-Money Laundering Enforcement Efforts

Action Item: The Treasury Department will inaugurate the “Financial Crime-Free Communities Support Program.”

Objective 2: Promote Joint Federal, State, and Local Money Laundering Investigations

Action Item: The Departments of the Treasury and Justice will promote state and local enforcement efforts that bridge state boundaries.

Objective 3: Promote the Free Flow of Relevant Information Between State and Federal Enforcement Efforts

Action Item: The Department of the Treasury will promote the use of FinCEN’s Gateway Program so that it can become a vehicle for two-way information exchange and joint state-federal financial analysis projects.

Objective 4: Encourage Comprehensive State Counter-Money Laundering and Related Legislation

Action Item: The Departments of the Treasury and Justice will provide technical assistance for enhanced state laws against money laundering.

Objective 5: Support Enhanced Training for State and Local Investigators and Prosecutors

Action Item: The Departments of the Treasury and Justice will develop a model curriculum for a financial investigations course for state and local law enforcement agencies.

GOAL 4: STRENGTHENING INTERNATIONAL COOPERATION TO DISRUPT THE GLOBAL FLOW OF ILLICIT MONEY

Objective 1: Continue to Press Nations to Adopt and Adhere to International Money Laundering Standards

Action Item: Work toward universal implementation of the FATF 40 Recommendations.

Action Item: On a bilateral basis, the United States will press countries that do not have effective money laundering regimes to adopt and adhere to such regimes.

Action Item: Negotiate strong anti-money laundering provisions in the pending United Nations Convention Against Transnational Organized Crime.

Action Item: Promote the development of FATF-style regional bodies.

Action Item: Continue to provide training and assistance to nations making efforts to implement counter-money laundering measures.

Objective 2: Include Counter-Money Laundering Issues on the International Financial Agenda

Action Item: The Treasury Department will urge the international financial institutions to encourage countries, in the context of financial sector reform programs, to adopt anti-money laundering policies and measures.

Action Item: Support the efforts of the Financial Stability Forum and other multilateral groups in urging offshore financial centers to adopt and adhere to international standards.

Objective 3: Apply Increasing Pressure to Jurisdictions Where Lax Controls Invite Money Laundering

Action Item: The high-level working group of federal bank regulators and law enforcement officials will examine what guidance would be appropriate to enhance the scrutiny of correspondent bank accounts in the United States maintained by certain offshore and other financial institutions that pose money laundering risks. The working group will complete its review within 90 days.

Action Item: Promote adoption of higher risk-weighted lending -- which increases lending costs -- to institutions in offshore jurisdictions that do not make progress in implementing effective international standards, including those relating to money laundering.

Action Item: Support FATF formulation of criteria for and identification of non-cooperative jurisdictions.

Action Item: Support efforts aimed at effective fiscal enforcement.

Action Item: Consider unilateral action where necessary.

Sub-Action Item: Issue bank Advisories when appropriate.

Sub-Action Item: Invoke powers of IEEPA in appropriate circumstances.

Objective 4: Facilitate International Exchange of Information

Action Item: Support and expand membership of the Egmont Group of financial intelligence units.

Action Item: Promote the G-7 Ten Key Principles on Information Exchange for the Improvement of International Cooperation Regarding Financial Crime and Regulatory Abuse.

Action Item: Expand law enforcement information exchange and judicial cooperation channels.

Action Item: Promote joint analysis of information developed in multilateral investigations.

Action Item: Create an inter-agency team from FinCEN, the Federal Reserve Board, and the Departments of the Treasury and Justice, and other appropriate agencies, to review currency flows and Suspicious Activity Report information.

Objective 5: Improve Coordination and Effectiveness of International Enforcement Efforts

Action Item: Promote bilateral and multilateral enforcement teams to attack priority targets.

Action Item: Urge the G-7 nations to consider an initiative to harmonize rules relating to international funds transfers so that the originators of the transfers will be identified.

Action Item: The Administration will propose significant provisions in the Money Laundering Act of 1999 addressing international money laundering.

Action Item: Urge other nations to make public corruption a predicate offense under their own counter-money laundering statutes.

Action Item: The Departments of the Treasury, State, and Justice will consider the establishment of a program to deny or revoke visas in all cases where couriers are being used to repatriate drug currency.

Objective 6: Build Knowledge and Understanding

Action Item: Work with the international community to understand the interplay between underground financial markets and international trade.

Action Item: Enhance understanding of alternative remittance systems.

Action Item: Expand counter-money laundering “public diplomacy.”

Consultations

Officials of the following agencies were consulted in the drafting of the National Money Laundering Strategy:

Commodity Futures Trading Commission

Department of Justice

-- Asset Forfeiture and Money Laundering Section

-- Criminal Division

Department of State

Drug Enforcement Administration

Federal Bureau of Investigation

Federal Deposit Insurance Corporation

Federal Reserve Board

Financial Crimes Enforcement Network

Internal Revenue Service

National Security Council

National Credit Union Administration

Office of the Comptroller of the Currency

Office of National Drug Control Policy

Office of Thrift Supervision

United States Customs Service

United States Postal Inspection Service

United States Secret Service

United States Securities and Exchange Commission

During the course of the Strategy's preparation, the views of the following were also solicited:

The National Association of District Attorneys

The Financial Crime Enforcement Network's Gateway State Law Enforcement Coordinators

The Department of the Treasury's Bank Secrecy Act Advisory Group

