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**STATEMENT BY
TREASURY DEPUTY SECRETARY STUART EIZENSTAT
ON THE NATIONAL MONEY LAUNDERING STRATEGY FOR 2000**

Thank you all for coming, and a special thanks to Rep. LaFalce, Rep. Velazquez, and Rep. Roukema for joining us here today. I also want to thank many of their colleagues who could not be here but who share their focus on this important issue, including Senators Grassley, Schumer, Sarbanes, Coverdell and Kerry, Chairman Leach and Representatives Waters, Vento, King and McCollum.

Money laundering, at home and abroad, is a growing threat to the United States, both because it facilitates crime and because it taints our financial system. Deputy Attorney General Holder and I, as co-chairs of the Administration's Money Laundering Steering Committee, have worked to bring the agencies of government together to combat this threat through an integrated, comprehensive approach. The result of these efforts is the *National Money Laundering Strategy for 2000*, which we unveil here today.

The *2000 Strategy* comprises dozens of new initiatives, including the first designations of high intensity money laundering zones that will be the target of intensive law enforcement activity; a new grant program for state and local law enforcement; new legislative proposals aimed at foreign countries and institutions that pose serious money laundering risks; new rules requiring suspicious activity reporting from additional sectors of the financial industry; and a process for developing new guidance for enhanced scrutiny of high-risk accounts. The President's budget proposal this year requests an additional \$15 million in a new centralized account to implement key Treasury items in the

2000 Strategy.

Let me begin today by outlining our key international initiative. Last week Secretary Summers announced that we were proposing new international counter-money laundering legislation. I am very pleased that Chairman Leach and Ranking Member LaFalce of the House Banking Committee have indicated their willingness to introduce this legislation, and I look forward to testifying before their committee on this issue tomorrow morning.

This legislation is aimed at providing the United States with new powers to act against foreign countries, financial institutions, or types of international transaction that are deemed to pose a money laundering threat. Right now, we are limited to the

relatively mild step of issuing bank advisories or the full-scale treatment of imposing economic

sanctions. This bill would give us the discretion to:

- Require financial institutions to record and report on transactions with problem countries or institutions.
- Require financial institutions to ascertain the foreign beneficial owners of accounts in the U.S.
- Require identification of those who use a bank's correspondent and "payable through" accounts, which allow foreign bank customers to conduct banking operations through a U.S. bank.
- And finally, where necessary, prohibit U.S. financial institutions from opening or maintaining correspondent accounts altogether.

The new legislation is designed to be graduated, discretionary and targetable, so we can most effectively combat money laundering without impairing legitimate business.

The Strategy also outlines the process we will use to designate foreign jurisdictions as money laundering threats. In doing this, we will consider the interplay between tax evasion and money laundering, since tax havens and money laundering havens share many of the same attributes.

At the same time, we will continue our work within the multilateral Financial Action Task Force to develop a list of the world's worst money laundering havens and in the OECD to develop a list of the world's worst tax havens. Both these lists should be issued in June.

The Strategy also commits us to develop guidance for U.S. financial institutions to apply enhanced scrutiny to certain high-risk accounts. U.S. financial institutions are the first line of defense against money laundering, and it is important for us to provide the guidance they need to do the job right. At the same time, we are keenly aware of the need both to protect Americans' right to privacy and to avoid imposing unnecessary burdens on banks. Thus, we are talking about guidance, not regulation; we are focussing only on high-risk accounts, not ordinary accounts; and we are committed to moving forward only after intensive consultations with all interested parties, including privacy advocates.

Let me at this point turn things over to Deputy Attorney General Eric Holder, who will then be followed by Jim Sloan and our distinguished guests from the Congress.
