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KEYNOTE REMARKS
FLORIDA INTERNATIONAL BANKERS ASSOCIATION (FIBA) ANTI-MONEY LAUNDERING CONFERENCE

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Good afternoon, ladies and gentlemen. While I know many of you, let me introduce myself to others. I am Bill Baity the Acting Director of the Financial Crimes Enforcement Network, or as we are called, FinCEN. As you know, FinCEN serves as the financial intelligence unit for the United States and we administer the Bank Secrecy Act, the nation's first and most comprehensive anti-money laundering statute.

It is a real pleasure to be joining you at this important conference. Given the weather I left in Washington, it is also very timely to be here with you this afternoon. I would like to thank the Florida International Bankers Association -- in particular, Simon Amich, President of FIBA -- for extending the kind invitation for me to come here and speak to you today. I would also like to recognize Clemente Vazquez-Bello, the Chairman of the FIBA AML Conference, for organizing what I hear has been a tremendous conference so far. Clemente is someone we have come to know very well at FinCEN for his contributions to the Bank Secrecy Act Advisory Group of industry, regulatory and law enforcement representatives.

Also, I think it is important to take a few minutes to point out the longstanding relationship FinCEN has had with FIBA on addressing issues of concern to the international banking community here in Florida. This relationship is something which I believe is a good example of public-private sector dialogue and partnership

and is something that should serve as an example for other such initiatives. Past Directors of FinCEN have spoken to you about the importance of the international arena, as we have collectively watched the world becoming more dangerous. I can think of no better forum to discuss the international application of the BSA and international cooperation than here in Miami, the crossroads between the United States and Latin America.

Let's begin with a brief review of our role in administering the Bank Secrecy Act (BSA). Many of you have heard me describe FinCEN as the fulcrum on the seesaw, trying to get the right balance between applying the regulatory requirements in contrast to the utility of the information sought. I believe it is incumbent upon FinCEN to always recognize that this process is dynamic and constantly evolving and reinventing itself. By that I mean we must continually assess and reassess whether we have gotten the right balance. Given the constant evolution of the financial services industry, we must be mindful that an approach that worked before may not be working today and probably will not work in the future absent a re-examination. To strike the right balance at any given time means we must continue to foster close collaboration with the regulated industries, law enforcement and our regulatory partners, both on a domestic and global front. I believe this is obtainable. As the financial sectors gain more experience complying with the BSA and law enforcement continues to hone its investigative techniques, as the regulators work to give better guidance, the system will balance and become more efficient.

It is this ongoing collaboration that we envision as we look at our international activities. The *principal* policy goal of the Bank Secrecy Act is to protect the international gateways to the United States financial system and to safeguard our financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity. This can be seen in where we have come post 9/11 and the enactment of the USA PATRIOT Act. Many of the significant changes made to the Bank Secrecy Act by the USA PATRIOT Act were directed at transactions outside the United States. Even with the most cohesive of international coalitions, and the most sophisticated of enforcement capabilities, the risk of penetration of the international financial system remains real. The USA PATRIOT Act focuses on our financial borders, and compels financial institutions in the U.S. to know who the foreign entities are that they are doing business with and what the nature and risk of that business is. At its core, the Act codifies best practices in establishing and monitoring cross-border commercial relationships and promotes the free exchange of information between government and the private sector in the pursuit of terrorist financing and money laundering.

To date, under the authorities of the PATRIOT Act, we have utilized section 311 to deal with transactions, institutions or jurisdictions which have been determined to be of primary money laundering concern. No country or institution wants to be cut off from the U.S. financial system. These actions ensure that the world's financial system is more secure and transparent and that U.S. financial institutions have a more level playing field when it comes to conducting business. We have published rules and guidance crystallizing due diligence requirements for private banking accounts and for due diligence for foreign correspondent banking accounts. Moreover, as you know, the USA PATRIOT Act required us to expand and enhance our basic anti-money laundering regime to a wide range of industries, some of which had previously not been subject to regulation under the BSA.

Yet there are significant issues and vulnerabilities that we must address in the international arena. Your discussion and input of these issues and sharing of best practices is germane to FinCEN's role as the administrator of the BSA. One issue that is now at the forefront is the ongoing study relative to the possible reporting of certain cross-border wire transfer data. This was mandated by Congress. The initial finding, after significant study that included dialogue with the industry, is that it is technically feasible to collect certain data. Yet we also identified a number of remaining technical and policy issues. To resolve these issues, we recommended that we spend the next year conducting a cost-benefit analysis to determine and quantify both the benefits to the public of such a system and the costs to all parties affected by any such potential regulatory requirement. This is the stage we are now undertaking with an expectation to report back to the Secretary by the end of the year. Again, such an undertaking to be meaningful and serious must be done in conjunction with the potentially affected financial institutions. We are also looking to examine if we can expand the sharing of information by the financial institutions. In that regard, we are partnering with the other regulators in the U.S. In another area we are seeking to enhance the transparency regarding international financial transactions. We are working in collaboration with the Wolfsburg Group and other members of the international banking community to ensure that relevant information travels within the payment and settlement systems. This, of course, must be done so as not to impede the efficiencies of such systems.

Not surprisingly, the USA PATRIOT Act is to a large extent focused on the flow of funds from abroad. The premise is simple: if a U.S. financial institution chooses to do business with a foreign entity, there is a risk to be managed and it is incumbent upon the institution to identify and to mitigate or manage that risk. This

approach is sensible, fair and smart: no one is smarter, more knowledgeable, or better qualified than they are to assess the unique risks to their businesses, and to tailor programs to manage and mitigate those risks. Foreign financial institutions seeking access to the U.S. market must be prepared to provide U.S. financial institutions with information sufficient for them to make the judgment that they are not being used by terrorists, criminals or corrupt high-level foreign political figures.

However, we are acutely aware that this statutory and regulatory regime places both a great responsibility and burden on U.S. financial institutions, particularly those involved in correspondent banking, a topic which I see has been discussed on a number of panels at this conference. FinCEN understands that the international financial system is inextricably linked to the U.S. financial system in that it is impossible to protect the integrity of domestic commerce and to ensure the security of U.S. citizens without reserving the right to examine the nature of cross-border financial transactions.

In addition to these international issues, we understand the industry's interest in alleviating the burden associated with Currency Transaction Reporting. Thus, our primary focus in this area is to support the General Accountability Office study on exemptions from filing CTRs for seasoned or repeat customers. The GAO is looking at the exemption reporting processes, its strengths and weaknesses, and how the data is being used. We look forward to its recommendations, expected to be published in January 2008.

Meanwhile, I'd like to speak more broadly to the importance of international cooperation in our global fight against terrorist financing and money laundering. In 1995, there were only a handful of operational units around the world that were established pursuant to the Financial Action Task Force (FATF) Recommendation that nations set up a centralized authority to receive, review and make available to appropriate authorities financial transaction reports required by regulation and filed by financial institutions. Those units met in Brussels at the Palais d'Egmont to "start finding practical ways for information sharing and practicable solutions for eliminating barriers to such exchanges" among these "Financial Intelligence Units" (FIUs). The agreements made at that meeting formed the basis of the Egmont Group. Together, these units established an international standard of what an FIU should be and, thereby, constructed a foundation upon which bilateral agreements to share information relevant to financial crime could be constructed.

The Egmont Group has achieved those original goals in a notable fashion. Right now, that original handful of units has expanded to 100 countries and jurisdictions, each of which has made a commitment to put the resources in place to accomplish what the FATF envisioned. When it comes to "breaking down barriers" to information sharing, the Egmont Group set the standard for how things can and should get done on a global scale. There is a keen awareness among these FIUs that information becomes exponentially more valuable when it moves quickly to those who need it and can use it. It is vital that FIUs strive to balance the responsibility of financial institutions providing them information by providing feedback to the financial community about how the data is being used. All FIUs have the capacity to provide feedback and it is their responsibility to do so to ensure the burden on the industry is mitigated. Financial institutions around the world want to do their part in protecting their markets and their countries but they need to know that the information they provide is not going into a black hole. The Egmont Group continues on a road of maturation and is now building an infrastructure to ensure expanded mission development, cooperation and sharing of expertise through the efforts of its five working groups and an Egmont Committee. Accordingly, the Egmont Group has established a permanent secretariat headed by an Executive Secretary, to coordinate the cooperative work of all the present and future members of the Egmont Group. The new Executive Secretary will assume the position this summer and the offices will be located in Toronto, Canada. With that in mind, the Egmont Group of FIUs is focused more than ever on raising the standards of its membership, with an emphasis on quality, not quantity. While it is an achievement to reach 100 members, it is, in fact, conceivable that Egmont membership may shrink. The importance of meeting and maintaining uniform standards of quality by all FIUs – not just those interested in joining but also by those who are already members of Egmont – is paramount in ensuring the Egmont Group preserves its reputation in both the public and private sectors.

I can't emphasize enough how important the opportunity to speak at forums such as this is to me personally and to us as an agency in helping all of us do this job more effectively. While our mission is focused on the protection of the U.S. financial system, we recognize that this is a global issue.

We cannot be unrealistic in our expectations as to the ability of financial institutions to identify financial crime or terrorist financing. We have been consistent in acknowledging the limitations, but we believe that effective anti-money laundering programs across the spectrum of financial industries cannot help but have a positive effect on combating the financing of terrorism, and cannot help but to ultimately improve the national security of the United States.

We also have a duty here: to provide information about risks so an assessment can be made across business lines and customer bases for the risks associated with money laundering and other illicit finance. In other words, this regulatory scheme mandates a partnership between the government and industry. Without this partnership, the system cannot be effective. Indeed, it is not an overstatement to say that our work together is critical to the security of our country and of our world.

Thank you again for your time this afternoon and I would be happy to answer any questions that you might have.