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PREPARED REMARKS

**PAN-AMERICAN CONGRESS ON ASSET LAUNDERING AND FINANCING TERRORISM
PREVENTION AND CONTROL**

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Introduction

Good morning. I would like to begin by thanking Maria Mercedes Cuellar Lopez, President of the Colombian Banking and Financial Institutions Association (ASOBANCARIA), for the gracious invitation to speak to you today. I am honored to be among such a distinguished group of speakers, including my colleague Adam Szubin, Director of OFAC, whom you heard from yesterday.

First, I thought it might be helpful, particularly for those of you I haven't had the opportunity to meet yet, if I spent a few minutes telling you a bit about my background and my agency, the Financial Crimes Enforcement Network, known as FinCEN.

Before beginning my tenure as Director of FinCEN in May of this year I served in the U.S. Treasury Department as Deputy Assistant General Counsel for Enforcement and Intelligence, providing legal support to the Office of Terrorism and Financial Intelligence and supervising legal counsel to FinCEN, the Office of Foreign Assets Control, and the Treasury Executive Office for Asset Forfeiture.

Previously, I worked at the Bank for International Settlements (BIS) in Basel, Switzerland as well as the Federal Reserve in New York, where I was directly involved in a wide range of banking transactions and investment decisions. In both of these positions I benefited from a wealth of opportunities to look at issues from a practical perspective and engage in policy discussions among bank supervisors.

I believe that the background I've had in banking - which is the most international banking experience for any FinCEN Director to date – has given me an important perspective as I take on the role of leading this important Treasury bureau.

Established in 1990, FinCEN is a bureau of the U.S. Department of the Treasury, reporting to Treasury's Office of Terrorism and Financial Intelligence and serving as the nation's financial intelligence unit. The mission of my agency is to safeguard the financial system from the abuses of money laundering, terrorist financing and other financial crime - quite an enormous task and one that I am sure you will agree cannot be achieved without the help of our international partners around the world.

FinCEN works to achieve its mission by administering the Bank Secrecy Act, which is the principal anti-money laundering and counter-terrorist financing regulatory regime in the United States; supporting law enforcement, intelligence, and regulatory agencies through the sharing and analysis of financial intelligence; building global cooperation with our counterpart financial intelligence units; and networking customers and Bank Secrecy Act information. This Act plays an important role in increasing the transparency of the U.S. financial system so that, working together with industry, we can deter, detect, investigate and prosecute money laundering, terrorist financing and other economic crime.

As the administrators of the Bank Secrecy Act, we strive to fulfill our mission in a way that ensures that financial institutions have appropriate controls in place to protect themselves from those seeking to abuse the financial system. But it's also our job to work with the financial industry as they strive to comply with their responsibility to report certain financial information and suspicious activities so that we can make that useful information available to law enforcement.

Our success in pursuing this mission depends on our ability to listen to our partners - both domestically and internationally - and then address their concerns. Meaningful cooperation between the public and private sectors is a vital component in our collective efforts to ensure the strength, safety and integrity of the global financial system. This work must include efforts to mitigate transnational threats such as drug trafficking, narcoterrorism, money laundering and terrorist financing.

Global Efforts

Much of the attention in recent years by the U.S. Department of the Treasury and FinCEN has been on the implementation of the USA PATRIOT Act, which focuses on risks to our financial institutions that in part come from transactions outside of our borders. Financial institutions play an important gatekeeper role in all aspects of our economy, but in particular, financial flows from abroad.

Collaboration between financial institutions from our respective regions and participation in joint efforts aimed at controlling money laundering, drug trafficking, and terrorist financing activities is critical in order to mitigate these very real threats. We applaud financial institutions

here in Colombia for their efforts to adhere to the regulatory obligations within your country. You are playing a vital role in safeguarding the integrity of your financial system.

As U.S. Treasury Secretary Henry Paulson noted during his speech in June before the Council on Foreign Relations, “Reputable banks around the world don't want to hold accounts for terrorists and proliferators any more than U.S. banks do. My strong view, based on personal experience, is that the major financial institutions, and the individuals who run them, care deeply about the integrity of the financial system and the reputations of the institutions they run. They genuinely want to be good corporate citizens and want nothing to do with illegal behavior. Additionally, a lack of vigilance on their part is not worth the risk of a regulatory action.”

The U.S. Department of the Treasury recognizes how multilateral efforts, including the dialogue we are having here today, help improve our ability to uncover and disrupt illicit activity. The financial community plays a critical role in our mission and I want to reaffirm Treasury’s commitment to working closely with our Colombian counterparts to help guarantee the continued health of the global financial system.

FinCEN is actively engaged with our counterparts around the world to enhance international standards of financial transparency in order to effectively combat money laundering and other financial crime. International efforts to identify and combat illicit finance have achieved significant results, most notably in this part of the world through GAFISUD, the Financial Action Task Force (FATF) Style Regional Body. GAFISUD plays a vital role in coordinating training and improving implementation of FATF standards across the region. In addition, we applaud GAFISUD’s continued efforts to identify and address emerging threats in the region, such as those posed by trade-based money laundering.

Another key focus of FinCEN’s international efforts is assisting and developing financial intelligence units, or FIUs. FinCEN, as well as other components of Treasury, is working hard to build technical capabilities where they are needed. I had the opportunity to meet representatives of many of these units in May at the Egmont Group of FIU’s Plenary in Bermuda. I hope to continue our strong outreach to other FIUs in reaching our common goal of maintaining financial stability in our respective countries.

FinCEN enjoys a very beneficial relationship with our Colombian counterpart, the Financial Information and Analysis Unit (UIAF), which is serving as a model example of how this public/private partnership should work. Colombia’s Financial Information and Analysis Unit provides extremely valuable comprehensive reports in response to requests from U.S. law enforcement and regulatory agencies as well as assistance to state law enforcement agencies. I had the pleasure of visiting yesterday with my Colombian counterpart, Director Mario Aranguren, and I would like to commend him for his leadership. FinCEN looks forward to continued collaboration and partnership with our Colombian partners in the years ahead.

I would also like to congratulate the Colombian Congress, the Ministry of Finance and Public Credit, and the Ministry of the Interior and Justice for the recent approval of Law No. 1121 against the financing of terrorism. This law authorizes rules on the prevention, detection, investigation, and punishment of the financing of terrorism, among other provisions. It also

broadens the scope of the Financial Information and Analysis Unit's authority, granting access to financial information once blocked by secrecy laws and increasing its participation in policymaking regarding terrorist financing. These tools are vital for the effective fight against terrorism, both domestically and internationally, and bring Colombia into full compliance with international standards established by the Egmont Group of financial intelligence units.

As someone who has spent a fair amount of time on risk control and compliance issues within the international banking community, I know firsthand that the financial industry is most qualified to assess the risks to its respective businesses and to identify vulnerabilities in the financial system in order to develop effective solutions on a collaborative basis.

We recognize the financial institutions in Colombia have a close working relationship with U.S. financial institutions, which are subject to FinCEN's regulatory requirements. As such, we have developed a risk-based approach with respect to final rules requiring U.S. financial institutions to perform due diligence and, in some cases, enhanced due diligence, with regard to correspondent accounts established or maintained for foreign financial institutions and private banking accounts established or maintained for non-U.S. persons. This approach recognizes that financial institutions are best positioned to know their business lines and tailor enhanced due diligence to the risks associated with particular accounts.

We also applaud and support industry initiatives such as that announced by the Wolfsberg Group and Clearinghouse banks with regard to cover payments. Enhancing transparency in international wire transfers will provide institutions with greater insight into the parties that are on both ends of transactions, and will in turn help banks to better understand potential risks associated with the underlying transactions they are settling.

The Treasury Department encourages financial institutions worldwide to follow through on this cover payments proposal. We will continue to share information about this positive initiative with our international counterparts, which is consistent with our overall efforts to develop standards with the industry to strengthen the financial system.

Regulatory Efficiency

Recognizing the role we have in these public-private efforts to address our common goal of reducing risks to the financial system, FinCEN and the rest of the U.S. Department of the Treasury are committed to working to achieve efficiency with respect to the Bank Secrecy Act, including a review of the regulatory framework.

It is our focus to ensure that our regulatory scheme is efficient in its application, yet remains extremely effective in collecting the information that law enforcement investigators, FinCEN's analysts, and the regulatory examiners need as they work to safeguard the financial system from the abuses of terrorist financing, money laundering, and other financial crimes.

The commitment to achieving this balance was recently demonstrated when just over a month ago, Secretary of the Treasury Henry Paulson visited FinCEN to launch the first

regulatory efficiency and effectiveness initiatives. I'd like to spend a few minutes outlining the proposals that we are pursuing in the United States:

Matching Risk-Based Examination to Risk-Based Obligations. FinCEN and the U.S. regulatory community recognize that not all financial institutions are subject to the same risk. For instance, an institution with minimal to no international business that serves only a handful of communities does not share the same risk profile as a bank that does business around the world in many currencies.

Similar to the relationship between the Colombian Financial Information and Analysis Unit and the Superintendency of Finance, FinCEN works closely with its regulatory counterparts at the federal banking agencies. FinCEN has initiated a joint effort with our regulatory counterparts to ensure that financial institutions and regulators treat compliance obligations in a manner that helps to avoid expenditures that are not commensurate with actual risk.

Money Services Businesses (MSBs). In addition to the formal banking sector, a large portion of the financial services within our respective countries are provided by Money Services Businesses (MSBs), such as money transmitters, currency exchangers, and casas de cambio prevalent in this region. FinCEN has been working closely with our law enforcement and regulatory partners to address many issues dealing with the MSB community, particularly their access to banking services.

These ongoing efforts will result in the production of MSB examination materials as well as the crafting of a more narrow definition of MSBs, as many of the estimated 150,000 to 200,000+ entities that are presently covered by our regulatory requirements may only engage in financial services that pose little to no opportunity for money laundering. A risk-based reduction in covered entities would result in a better concentration of examination resources.

Making Regulations More Intuitive. Consistent with the international standards developed by FATF, FinCEN has issued AML/CFT regulations for many industries including banking, MSBs, insurance companies, brokerages, casinos, jewelers and others. Presently, a compliance official in the United States seeking to learn all the regulatory obligations for a particular industry would need to sift through many citations and cross-references located in many different areas.

FinCEN will begin work on its own new chapter of the Code of Federal Regulations that will include one general part and *separate and specific parts* for each covered industry. With this change, an institution will only need to look in two places to identify its regulatory responsibilities.

Feedback. FinCEN depends on its financial industry partners to provide quality and timely information for its own expert analysis and for use by law enforcement. FinCEN is committed to working with its law enforcement partners to let the financial industry know as much as operational sensitivities will allow about how its valuable information is being used. In addition, FinCEN issues many reports and studies, but will seek to provide additional useful information to industry and law enforcement.

Upon issuing a new regulation or changing an existing regulation, FinCEN will work to provide written feedback to the affected industry within 18 months of the effective date and will focus on providing additional trend analyses. When issues of non-compliance do arise, FinCEN will work to better communicate how any penalties are correlated with the underlying violations, so as to avoid misimpressions about the nature of such conduct and provide a clear message to the industry about these actions.

We believe these initiatives are positive steps in the right direction, but along the way we must also be mindful of our obligations to ensure that we allow legitimate business in the United States and around the world to continue to flourish. It is important to get this balance right because every day we know the information we collect from the financial community is in some way helpful to law enforcement and others in their efforts to detect and investigate financial crime – including terrorist financing.

Conclusion

The Bank Secrecy Act's record keeping and reporting requirements provide transparency in the financial system and help create a financial trail that law enforcement and other agencies can use to track criminals, their activities, and their assets. Working closely with our international partners is more important than ever. As we all know, the movement of money in the 21st Century – legitimate or illegitimate – knows no borders.

Economic crime, including terrorist financing, has a global reach. Both the government and the private sector must continue to pursue greater international cooperation and collaboration on these issues if we are to achieve our laudable goal of safeguarding the financial system from criminal abuse.

We must continue to monitor and assess our regimes and make reasonable adjustments when required. If a particular requirement is not working effectively to achieve the goal, we should provide relief. Likewise, if we need to do something more efficiently to achieve the goal, we should be willing to do that as well.

We all must take ownership of our collective security. Governments cannot do it alone. Continued direct dialogue between U.S. and Latin American banks on AML/CFT can help facilitate a greater level of mutual understanding on a variety of AML/CFT issues as well as promote implementation of effective AML/CFT controls.

It is also vital that we continue efforts to promote more opportunity and prosperity for all people, through efforts such as the recent U.S.-Latin American Private Sector Dialogue, to foster an environment that nourishes the growth of small and medium-size businesses, and helps to develop the region's infrastructure. The U.S.-Latin American Private Sector Dialogue was a significant milestone for the private sectors of Latin America and the United States. Bringing together leaders from both our financial sectors to discuss timely issues relating to the sound implementation of AML/CFT measures sets the stage for future discussions and long-term cooperation.

This partnership demands a commitment on both sides. For the private sector this means a commitment to develop and implement reasonable, risk-based programs to address the risks of financial crime posed by each private sector member's business lines and customer base. Such programs should result in the reporting of suspicious activity and other relevant information to the government when appropriate.

The government, in turn, must educate financial institutions about the risk and be willing to share information with the private sector so they can develop their programs to address the risks associated with their business and customers. Ensuring that we present the financial industry with effective regulatory requirements that are both clear and consistent is, in my view, one of the best ways we can achieve transparency within our financial system so that money laundering, terrorist financing and other economic crime can be deterred, detected, investigated and prosecuted.

It is only by this strong engagement that we can learn from each other, and reach effective solutions to the problems of terrorist financing, money laundering, fraud and other financial crimes being perpetrated through the financial system.

Thank you for your kind attention. Congratulations again on this important conference.