



U.S. Immigration and Customs Enforcement

STATEMENT

OF

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FINANCIAL INVESTIGATIONS**

**IMMIGRATION AND CUSTOMS ENFORCEMENT
DEPARTMENT OF HOMELAND SECURITY**

BEFORE

**HOUSE GOVERNMENT REFORM COMMITTEE
SUBCOMMITTEE ON CRIMINAL JUSTICE,
DRUG POLICY AND HUMAN RESOURCES**

**“Terrorist Financing and Money Laundering Investigations:
Who Investigates and How Effective are They?”**

**May 11, 2004 at 10:00 a.m.
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**TESTIMONY
OF
MARCY M. FORMAN
DEPUTY ASSISTANT DIRECTOR
FINANCIAL INVESTIGATIONS DIVISION
U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT
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I. Introduction

Good morning, Chairman Souder and distinguished Members of this Subcommittee. It is a privilege to appear before you to discuss the accomplishments of U.S. Immigration and Customs Enforcement (ICE) and our ongoing efforts to combat terrorist financing and money laundering.

The Department of Homeland Security (DHS) is one of the lead agencies responsible for protecting the security of the United States. In creating DHS, the President and Congress transferred some of the government's premier financial, criminal investigative, and protective agencies into this new Department. The melding of expertise in areas touching upon both economic and physical security leaves DHS well positioned to protect the Homeland from attack. This existing expertise allows us also to play a vital role in the USG efforts against financial criminals, including terrorist financiers, money launderers, narcotics traffickers, as well as fraudsters, counterfeiters, and identity thieves. DHS also capitalizes on the position of the Office of Information Analysis as an Intelligence Community member to enhance information sharing to all relevant parties and on the

capabilities of the Information Analysis and Infrastructure Protection Directorate to address vulnerabilities in the nation's infrastructure, including our financial and economic infrastructure.

ICE developed investigative expertise in all forms of financial crime, especially trade and commodity-based crimes, and operational and analytical insight into non-traditional methods of transferring value. This history and experience enables ICE to enhance, and benefit from, our role within DHS. ICE continues its proud history as a recognized leader in investigating and uncovering the types of financial crime and money laundering that undermine America's security. ICE works in close coordination with our sister DHS enforcement agency, the U.S. Secret Service, the federal law enforcement community, the Departments of State, the Department of the Treasury, and Justice, and our multitude of state, local, and private sector partners to fulfill its mission and to deny terrorist financiers, money launderers, and other financial criminals the means and opportunity to harm our homeland.

II. Cornerstone – A Systemic Approach to Identifying Vulnerabilities with the U.S. Financial and Trade Sectors

Cornerstone is a comprehensive economic initiative that is based upon collaboration between ICE and the private sector. Cornerstone promotes a systematic approach to identifying vulnerabilities in the financial and trade sectors – vulnerabilities that criminal and terrorist organizations might exploit to raise or launder their funds. In November 2003, a General Accounting Office report noted that terrorist organizations, like criminal organizations, use a variety of alternative funding mechanisms to earn, move, and store the illicit funds that finance their operations. Cornerstone coordinates ICE's diverse array of

commercial, trade and financial investigations toward the common goal of targeting the methods through which terrorist and criminal organizations earn, move and store their illicit proceeds.

With our broad jurisdictional authorities, ICE is uniquely positioned to target the methods through which terrorist and criminal organizations **earn** their illicit funds. These methods include narcotics smuggling; terrorist financing; money laundering, such as the Black Market Peso Exchange (BMPE); intellectual property rights; counterfeit pharmaceuticals; human smuggling and trafficking; commercial fraud; export violations; and cyber crime.

ICE brings a wealth of experience and authorities in tracking the illegal **movement** of funds derived from criminal activity into and out of the United States. ICE has applied a methodology to identify financial and trade systems that are vulnerable to exploitation by criminal organizations and terrorist financiers. These systems include bulk currency smuggling, trade based money laundering, courier hubs, banks, money service businesses, alternate remittance systems, charities, and cyber crimes.

ICE, along with our partners at Customs and Border Protection, are well-equipped to identify commodities that are imported and exported from the United States and that can be used to **store** the proceeds of illegal activity. For example, criminal organizations have used commodities such as gold and precious metals to disguise their ill-gotten gains. Such a scheme was recently uncovered in a joint investigation in New York called "Operation Meltdown," conducted by the ICE El Dorado Task Force and IRS in New York.

Operation Meltdown was a trade-based money laundering investigation involving jewelers in New York who were converting drug proceeds into the equivalent value in gold, which was then molded into various commodities such as tools, nuts, bolts and trailer hitches. This disguised gold was then transported to Colombia and resold for cash. This investigation resulted in the arrest of 23 individuals, 20 of whom were subsequently convicted for money laundering and Bank Secrecy Act violations.

With Cornerstone, ICE has taken a step beyond a traditional law enforcement investigative approach. Cornerstone provides the comprehensive investigative and intelligence resources necessary to track trends in criminal and terrorist financing schemes. Rather than attempting to target and investigate specific terrorist organizations and how they raise their money, Cornerstone targets the criminal methods themselves – identifying and shutting down the vulnerabilities in commercial, trade, and financial systems exploited by both criminal and terrorist organizations.

III. ICE's Collaboration with Law Enforcement and the Private Sector

Money laundering and terrorist financing are complex crimes that are beyond the scope of any one agency or sector to resolve alone. ICE recognizes the importance of sharing information and partnering with the law enforcement community, the regulatory community, and the private sector to combat money laundering and terrorist financing. ICE would like to acknowledge our strong partnerships with Customs and Border Protection (CBP), the U.S. Secret Service (USSS), the Internal Revenue Service (IRS), the Federal Bureau of Investigation (FBI), the Drug Enforcement Administration (DEA), the Department of the Treasury, the Department of Justice (DOJ), and the Financial Crimes Enforcement Network (FinCen). ICE would like to recognize our partners in the private sector, such as the financial and securities industries that have contributed greatly to the government's efforts to combat money laundering and terrorist financing.

This success has been demonstrated through the partnership that ICE and the FBI have established in the area of terrorist financing. ICE and the FBI have developed and implemented joint protocols and procedures that have resulted in the timely and efficient sharing of information.

Through Cornerstone, ICE has embarked on an aggressive outreach program with the private sector to exchange information indicative of criminal activity. ICE has trained more than 100 Special Agents dedicated to Cornerstone in each of ICE's 27 field offices. These Special Agents serve as liaisons with the

private sector in facilitating the exchange of vital information to identify trends and typologies within financial and trade systems. ICE shares this information through a quarterly report, *Tripwire*, to provide up-to-date information to both law enforcement and the private sector on criminal methods used to exploit vulnerabilities within trade and financial systems.

IV. ICE Financial Programs, Initiatives, and Successes

The ICE Financial Division is home to the Money Laundering Coordination Center (MLCC). The MLCC serves as the central clearinghouse for ICE's undercover drug money laundering operations, many of which target the BMPE. The MLCC serves as a repository for identifying information that is derived as a result of these operations. Information that is collected by the MLCC is then analyzed to identify targets, recipients of BMPE dollars, methodologies, and trends and patterns. The MLCC serves as a deconfliction mechanism for the 27 ICE field offices conducting drug money laundering operations.

ICE has also developed an important analytical tool used by the MLCC called the Numerical Integrated Profiling System (NIPS). NIPS is an advanced software program that analyzes foreign and domestic trade data, passenger travel information, Bank Secrecy Act (BSA) data, and immigration data, seeking to identify anomalies in the collective information. The information developed by NIPS is then used to target potential violators of the BMPE.

The MLCC and NIPS fully complement ICE's Plan Colombia initiative by providing the infrastructure to analyze the information that is developed on the BMPE. Under Plan Colombia, ICE Special Agents have been detailed to the Colombian Customs and Tax Authority to assist in the analysis of the BMPE and to develop leads for investigation. ICE has provided computers and training to the relevant Colombian authorities in this effort. In return, the Colombian government has provided trade data to ICE for analysis. ICE is attempting to duplicate the success of Plan Colombia with other Central and South American countries that are impacted by the BMPE.

ICE continues to work with our partner CBP to enforce currency and monetary instruments (CMIR's) reports and bulk currency laws. Thus far, in fiscal 2004, ICE has seized approximately \$54 million in currency and negotiable instruments. Since the enactment of the Bulk Currency statute, ICE Special Agents have made 133 arrests that have resulted in 103 indictments and 53 convictions.

In addition, ICE has established the first Politically Exposed Persons (PEPS) Task Force located in Miami, Florida. The PEP Task Force was established in conjunction with ICE's international division, the U.S. Attorneys office and the U.S. Department of State. The Task Force's goal is to identify, locate, and seize assets of corrupt politically exposed persons involved in the theft of embezzled government funds. An example that highlights the success of this Task Force is the conviction in Nicaragua of the former Nicaraguan President Arnoldo Aleman. ICE investigators worked with their Nicaraguan counterparts to discover and seize assets located in the United States belonging to Aleman valued in excess of \$5 million dollars.

V. Conclusion

With the expansive enforcement capabilities and innovative investigative techniques that ICE has brought together in Cornerstone, our agency is well positioned to combat money laundering and terrorist financing. Our wide array of statutory authorities gives ICE the flexibility to adapt to the ever-changing patterns of terrorist and criminal schemes. By taking a proactive approach to preventing future terrorist attacks and criminal activity, ICE will continue to align our investigative priorities with the critical role of protecting our Homeland.

In conclusion, I would like to thank Chairman Souder and the Members of this Subcommittee for the opportunity to testify before you today. It would be my pleasure to answer any questions you may have.