



**ORAL STATEMENT OF WILLIAM J. FOX, DIRECTOR
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UNITED STATES DEPARTMENT OF THE TREASURY**

**BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS**

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Chairwoman Kelly, Congressman Gutierrez, and distinguished members of the Committee, I wish to thank you for the opportunity to appear before you to discuss the Financial Crimes Enforcement Network's administration and implementation of the *Bank Secrecy Act*. We thank you for the support and policy guidance you and the members of this Committee have offered to us on these issues. I'd like to acknowledge the work of your staff that was very helpful to us in preparing for this important hearing today. They work tirelessly . . . and they are extremely well informed. The Committee is fortunate to have such dedicated and talented professionals. I have submitted a written statement for the record that outlines much of what we are attempting to accomplish at the Financial Crimes Enforcement Network. I will keep these comments very brief.

I am very happy to appear here today with my good friend and colleague Mike Morehart, who is Chief of the Terrorist Financing Operations Section in the Counterterrorism Division of the Federal Bureau of Investigation. Special Agent Morehart's office is working tirelessly to keep our country safe from terrorists. Everyday, the men and women in the Terrorist Financing Operations Section accomplish that mission utilizing some of the most valuable information available to the government – financial information – in the process. I know. I have seen them at work and I am aware of the fruits of their labor. We have entered into a very deep partnership with the FBI that is allowing Mr. Morehart's office and other components of the Bureau to exploit the information collected under the *Bank Secrecy Act* in a much more meaningful and relevant way. This partnership, which will become part of our BSA Direct paradigm, will make a significant difference in the way we interact with our key customers – ensuring that the valuable information we collect is put to the best use possible. I hope

we get to explore this more today with the Committee, because I believe it is a true success story. In fact, I believe it is a model that the rest of the government could follow when sharing sensitive information.

I would also like to acknowledge Superintendent Diana Taylor from the New York Banking Department, who is appearing on this second panel this morning. As you know, we have entered into a very important information sharing agreement with Superintendent Taylor's agency that I believe will add a great deal to ensuring that the Bank Secrecy Act is implemented properly. Superintendent Taylor exercised outstanding leadership in ensuring this agreement was reached and signed.

Everyone in this room knows that September 11th changed the world. What we may not have realized on that bright morning nearly four years ago, we now know for certain: September 11th revealed a new reality. What we know about this new reality is that ***information*** is a key to the security of our nation, and information is what the *Bank Secrecy Act* is all about.

I believe that through the *USA PATRIOT Act*, the Congress recognized this new reality. You broke down walls that prevented the sharing of information between law enforcement and the intelligence community. Most significantly to the issues being addressed today, this Committee provided us tools to better acquire and share information both between the government and financial institutions, and between financial institutions themselves. These tools highlight a couple of important truths. First, that information sharing really is necessary and important to the national security. Second, these tools demonstrate the recognition that financial information, in particular, is highly reliable and valuable to identifying, locating and disrupting terrorist networks that mean to do us harm.

That is why this hearing is so timely and important. Your hearing today has been titled: "The First Line of Defense: The Role of Financial Institutions in Detecting Financial Crimes." Since the beginning of the year, I have traveled across the country and have spoken with bankers, broker dealers, money services businesses and other financial institutions. These financial institutions have expressed candid concern about how the *Bank Secrecy Act* is currently being implemented. I am very grateful for the opportunity today to try to outline for the Committee those concerns, and what we are attempting to do to address them. From my perspective, nothing is more important, simply because I do believe that financial institutions are the first line of defense to the security of our financial system. We must make the partnership envisioned by the *USA PATRIOT Act* real, if we are to truly achieve our goals.

The goals of the *Bank Secrecy Act* are simple: (1) safeguarding the financial industry from the threats posed by money laundering and illicit finance by ensuring the financial industry – the first line of defense – has the systems, procedures and programs in place to protect the institution and, therefore, the system from these threats; and, (2) ensuring a system of recordkeeping and reporting that provides the government with the

right information; relevant, robust and actionable information that will be highly useful in efforts to prevent, deter, investigate and prosecute financial crime. We must keep our eye on these goals, and ensure that all of our actions to implement the Bank Secrecy Act achieve these goals. It is my view that the best way to achieve these goals is to work in a closer, more collaborative way with the financial industry. This regime demands a partnership and an on-going dialogue between the government and the financial industry if it is ever going to realize its true potential. It is why, for example, we are working so hard to implement Section 314(a) of the *USA PATRIOT Act* in a much deeper way, which will result in a sensitive, yet systemic, two-way dialogue with the financial industry. That dialogue will make our financial system safer and more transparent. I am convinced that the financial industry is committed to this partnership and dialogue. Our goal is to do all we can to ensure that the government lives up to its side of the bargain.

Madame Chairwoman, if you can bear with me, I would like to bring up one issue that is not directly related to the hearing today. I am happy to report that we have had very good conversations with officials from the Kingdom of Saudi Arabia regarding their efforts to stand-up a financial intelligence unit. We are poised to offer whatever assistance the Kingdom will accept in standing this unit up. Having an FIU in place in Saudi Arabia will add a great deal of transparency to the Persian Gulf Region. Madame Chairwoman, I am convinced we would not be having these conversations except for your direct, personal efforts on your recent travel to the Middle East. I want to thank you for your efforts and I want you to know that your efforts are having a real world effect. I believe it shows what we can accomplish when our government works closely together on an issue.

Again, I wish to thank the Committee for inviting me here today. I am happy to answer any questions you wish to ask.