

NLWJC - Kagan

DPC - Box 011 - Folder 006

Crime - GTO

Crime - Meth Report
and
Crime - CTO

MAYORS' SUMMIT ON DRUGS
Questions and Answers
May 21, 1997

Methamphetamine Report

Q. What does today's report say?

A. Today's report provides an update of the Administration's National Methamphetamine Strategy and make two key findings: (1) that methamphetamine use is down in 8 key cities; and (2) that clandestine lab seizures by the Drug Enforcement Agency (DEA) are up 170% in 1996. The Justice Department report cites 1996 data which shows that in eight western cities --Dallas, Denver, Los Angeles, Omaha, Phoenix, Portland, San Diego, and San Jose-- methamphetamine use declined between 7 and 52% from 1995 levels.

Moreover, the report shows that our strategy is being aggressively implemented and showing results. We've worked with Congress to strengthen penalties for meth trafficking and established new controls over precursor chemicals used to manufacture meth. U.S. Attorneys -- working with coalitions of federal, state and local law enforcement agencies -- are successfully prosecuting methamphetamine, including lifetime sentences for certain convicted methamphetamine traffickers. Federal agencies are working to increase information about the dangers of meth. They're producing meth-specific education and prevention materials, hosting local conferences and training local law enforcement.

Q. What is methamphetamine? Why is it so dangerous?

A. Methamphetamine is a synthetic stimulant drug that creates extreme aggressiveness among chronic users. The violence-prone, irrational, and aggressive behavior associated with methamphetamine usage make it an especially volatile drug. Meth can be snorted, smoked, injected, or ingested orally. The effects of methamphetamine can last anywhere from 4 to 24 hours, while the effect of cocaine is measured in minutes. The crash that occurs with the tapering off of methamphetamine's effects is often potentially psychologically disastrous.

Additionally, clandestine laboratories that manufacture methamphetamine pose an environmental and safety hazard, as toxic wastes are frequently dumped on the ground or into waterways, as well as the enormously high risk of a fire or explosion. Anyone near a meth manufacturing lab is in

potential danger, and cleanup costs, per lab, run into thousands of dollars.

Q. How much does methamphetamine cost?

A. A gram of methamphetamine can begin at \$50. For comparison purposes, a gram of cocaine costs about \$100. For this reason, meth is often referred to as the "poor man's cocaine."

Q. How serious is the methamphetamine problem?

A. The methamphetamine problem is serious and spreading. In recent years, use of the drug has spread from the West to the Midwest. As a result, meth-related emergency room episodes doubled between 1991 and 1994, and the number of meth-related deaths tripled. Seizures of clandestine laboratories and along the Southwest border also increased during this time period.

More importantly, methamphetamine is a triple killer and extremely dangerous: First, it is a cheap, highly addictive, long-lasting stimulant that often induces violent behavior; Second, labs used to manufacture meth present a high risk of fire or explosion, endangering nearby residents; and third, the toxic wastes produced by meth labs are often dumped on the ground and in waterways, posing an environmental threat to entire communities.

Q. Why are you only providing meth data for 9 cities? Is there data on other cities?

A. The Drug Use Forecasting System collects meth data for 23 cities across the country. The methamphetamine use amongst the arrestees tested in the other 14 cities was so low, it was determined to be insignificant. By insignificant, we mean less than one percent.

Q. Doesn't the drop in the numbers for methamphetamine mean that we're just generating hysteria about methamphetamine when the problem is really disappearing?

A. Not at all. I am very encouraged by the new, lower numbers. But we are just turning the corner. Now is not the time to let up. The numbers show that when we work hard, we can have some effect. Now, we've got to redouble that effort and help to prevent the spread of this dangerous drug to the eastern part of the U.S.

Q. If illegal drugs are such a big problem, then why didn't your new anti-gang bill contain new drug provisions?

- A. Our juvenile crime bill does contain increased penalties for people who sell drugs to kids and use kids to sell drugs. But we should keep in mind that existing federal drug laws are already pretty tough. Trafficking can carry up to a life sentence.

But we also need to do is to make sure that local prosecutors have more resources to go after the gangs that pedal drugs to our kids. Our juvenile crime bill does that, too.

Additionally, our anti-gang strategy calls for expanding after school programs. This will not only help us cut crimes when kids would be otherwise unsupervised, it will help schools get the message out that gangs, guns and drugs are dangerous.

- Q. Mr. President, despite the 1994 Crime Act and tough drug laws, federal statistics show enormous increases in drug use among teenagers. Don't these figures show that you have failed and that you are taking the wrong approach?**

- A. I am deeply disturbed by the current trends in teenage drug use. General McCaffrey, the Attorney General and I have spent a great deal of time on this issue. That's why I've proposed a national media campaign, leveraged with private sector resources, to reach the 68 million kids at risk in this country.

That's also why we need more programs to stop crimes and drug use from happening in the first place. We need a place for young people to go in those hours after school when they are unsupervised. If we don't, they may just wind up on a street corner using drugs or getting involved in delinquent or criminal activity. I've asked Congress to provide funds for after-school programs and for programs for at-risk youths-- so we could keep kids off the streets and out of trouble. I was disappointed that the House didn't include these provisions in its juvenile crime bill, but I'm hopeful that we'll be successful in the Senate.

Money Laundering

- Q: Could you briefly describe the proposed regulations on money laundering?**

- A: When I learned of the successes of the New York Geographic Targeting Order (GTO) in dramatically reducing the flow of narcotics proceeds to Columbia, I asked the Treasury Department to examine ways to extend the GTO nationally.

Today's regulations are a response to my request. There are three proposed rules which will be published today. The most fundamental of these proposals is to register "money services businesses" generally, which includes money transmitters or remitter, money order issuers and sellers, travelers check issuers and sellers, retail currency exchanges, and check cashers.

The second proposed regulation would extend the suspicious activity reporting requirements — already in place with respect to banks — to money transmitters and issuers, sellers and redeemers of traveler's checks or money orders.

The final proposed regulation essentially makes the New York GTO apply nation-wide and on a permanent basis. Under the proposed rule, money transmitters would be required to report currency transactions of \$750 or more that involve the transmission of funds to any person outside of the United States. The rule also requires the remitters to verify the identity of the person sending the funds.

Q: When will these proposed regulations become effective?

A: There will be a 90-day comment period that begins today. We will then review the comments and make any appropriate changes to the rules. Once that is complete, we will publish the final rule. We hope to do this by January 1, 1998.

The rules regarding suspicious activity reporting and the new \$750 reporting threshold will take effect 30 days after the final rules are published. Money services businesses will have 180 days from publication of the final rules to register with FinCEN.

Q: What are the current reporting requirements for sending money transmissions outside the U.S.?

A: Currently, no record has to be kept for any transmission under \$3,000. For transmissions of \$3,000 or more, the money transmitter must keep a record of the transmission. For transmissions of \$10,000 or more, the money transmitter must fill out a Currency Transaction Report or CTR and file it with the IRS.

Q: Why the \$750 threshold?

A: Our experience with the El Dorado Task Force indicates that most legitimate money transmissions are between \$250 and \$500, and that most of the

abuse by money launderers occurs above this level. Thus, we made the threshold \$750 so as to exclude the majority of legitimate businesses from reporting requirements.

Q: Money transmitters are used primarily by people who do not have bank accounts —the poor and immigrants. Isn't it then discriminatory to have a \$750 threshold for transmitters and not banks?

A: We do not believe the proposed regulations are discriminatory. The \$750 amount applies to wires purchased in cash that are sent anywhere outside the United States. We did not focus on any particular country or region.

Also, these regulations do not prevent anyone from wiring money anywhere. You can pay cash to send \$100,000 to Colombia tomorrow, so long as you fill out a form and provide a photo ID. The proposed rules are designed to stop the abuse of the money transmitter industry by criminals by collecting information, not to prevent legitimate transactions.

Banks are already subject to extensive regulation. Today's proposed rules are intended to deal with a relatively unregulated area of the financial services industry — the money services businesses.

GENERAL DRUG POLICY QUESTIONS

Q. Why do you think spending \$175 million on an ad campaign will reduce drug use among our youth?

A. The central challenge we face is to reverse the surge in youth drug rates-- this is the focus of my 1997 National Drug Control Strategy and it is the primary concern of the mayors. My targeted anti-drug advertising campaign-- which would involve about 1 percent of the federal counterdrug budget-- holds the promise to change our youth's relaxed attitudes toward drugs. We have 68 million kids who are vulnerable to drugs. It is imperative that we get our kids accurate information about drugs.

Q. What do you think of the Sentencing Commission's recommendations on penalties for crack and powder cocaine?

A. Last month, I commended the Sentencing Commission for moving forward with recommendations to Congress to reduce the disparity between crack and powder cocaine penalties. My Administration will give them very serious consideration. I have asked Attorney General Reno and General McCaffrey to review the Sentencing Commission's recommendations and report back to me by the end of June.

However, I continue to believe that our sentencing laws must reflect that crack cocaine is a more harmful form of cocaine. The Sentencing Commission's new recommendations do so. Trafficking in crack, and the violence it fosters, has a devastating impact on communities across America, and any changes in penalties must ensure that more dangerous offenders receive tougher sentences.

- Q. Isn't the National Action Plan put forward by the Mayors essentially a criticism of your Administration's drug policy? Doesn't it call for more funds and different actions to be taken?**
- A.** I don't think so. On the contrary, I think the Mayors' Action Plan is complementary to our own National Drug Strategy. Both of our plans share the same number one priority: that drug use amongst our kids must be reduced. Both of our plans call for a comprehensive drug strategy that includes enforcement, treatment, prevention and education. And both of our plans recognize the importance of responding to the country's growing methamphetamine problem -- as well as cracking down on money laundering. While some of the details vary, are plans are largely similar.

GEOGRAPHIC TARGETING ORDER

Possible Announcement

The President could announce a nationwide crack down on narcotics money laundering through the money transmitter industry by expanding the successful Geographic Targeting Order (GTO) nationally and making it permanent.

The GTO in effect since August 1996 has caused a dramatic reduction in the flow of narcotics proceeds in New York by requiring licensed money transmitters to report all cash-purchased transmissions to Columbia in excess of \$750-- denying drug trafficking cartels access to their profits.

Background

Rapidly increasing electronic commerce and immigrants' use of international transfer services to send money home to family has caused the U.S. market for money transmission services to grow steadily over the last ten years. Despite licensing procedures, the money transmitter industry has proven vulnerable to abuse by organized money launderers.

The Bank Secrecy Act (BSA) allows the Treasury Department to require financial institutions in a geographic area to comply with special reporting or record keeping obligations-- called Geographic Targeting Orders (GTO). Currently, GTOs are temporary and can only be authorized for 60-day periods.

The Current GTO

The GTO issued on August 7, 1996 required 22 licensed money transmitters in the New York metropolitan area and their approximately 3,500 agents to report information about the senders and recipients of all cash transmissions to Columbia of \$750 or more. Before the GTO, only transactions more than \$10,000 had to be reported under Federal law. The August 1996 GTO expired on April 3, 1997. Ray Kelly signed the renewal of the GTO last week.

Results of the GTO

The GTO caused an immediate 30% reduction in the flow of narcotics proceeds to Columbia through New York City money transmitters. Several of the targeted money remitters have stopped sending funds to Columbia altogether.

There has also been a dramatic increase in the Customs Commission's interdiction and seizure activities. Over \$50 million in cash has been seized at the since the GTO went into effect-- a four-fold increase over the previous years' totals.

Next Steps

We could have Rubin send a letter to the President, which responds to his request to make the GTO permanent and apply it nationwide. Rubin's letter would announce his intention to issue proposed rules to require money remitters to obtain identifying information on wire transfers in

excess of \$750, and to report suspicious transactions.