

Goal 3: Strengthening Partnerships With State and Local Governments to Fight Money Laundering Throughout the United States

The 1999 Strategy identifies the growing interest and importance of state and local governments in money laundering prevention, detection, and enforcement. Increasingly, state and local governments have recognized that the illegal and often violent acts financed by money laundering are at the heart of their traditional law enforcement concerns.

Local enforcement and regulatory officials -- working with federal officials in their areas -- are well-positioned to recognize potential money laundering activity and to adjust enforcement and regulatory parameters to local conditions. For this reason, both Congress and the 1999 Strategy called for the establishment of federal grant program to provide seed capital for emerging state and local counter-money laundering enforcement efforts. Since the issuance of the 1999 Strategy, progress has been made in the development of such a program. In the upcoming year, the Departments of the Treasury and Justice will implement the pilot phase of the grant program and begin dispersing funds to eligible state and local recipients. In 2000, the Departments of the Treasury and Justice will establish the grant program on a long-term basis, and continue to seek to encourage state and local efforts through training, information exchange, and technical assistance. Finally, the Departments of the Treasury and Justice will conduct a campaign to reach out to state and local partners for general input on the Strategy to ensure that the federal priorities and programs outlined herein are fully supportive of their needs.

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Objective 1: Provide Seed Capital for State and Local Counter-Money Laundering Enforcement Efforts

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Action Item 3.1.1: The Department of the Treasury will complete the pilot phase of the Financial Crime-Free Communities Support Program and establish the framework for the longer-term program phase.

Sub-Action Item 3.1.1.a: The Department of the Treasury will complete a Memorandum of Understanding (MOU) with the Department of Justice concerning the Operation and Administration of the C-FIC Program.

Lead: [this seems too high] Under Secretary for Enforcement, Department of the Treasury
Deputy Director, Bureau of Justice Assistance and Office of Justice Programs, Department of Justice

Goals for 2000: Execute an MOU with the Bureau of Justice Assistance (BJA) and Office of Justice Programs (OJP) to cover both the pilot phase of the C-FIC

program and the longer-term program phase.

Milestones: By April, the Department of the Treasury will sign an MOU with BJA and OJP governing the pilot phase and program phase of the C-FIC grant program and finalize the application process for the pilot phase.

[Need Text – including explanation of why BJA will administer.]

Sub-Action Item 3.1.1.b: The Treasury Department will complete the pilot phase of the C-FIC Program and Award Grants.

Lead: Under Secretary for Enforcement, Department of Treasury
Deputy Director, Bureau of Justice Assistance and Office of Justice
Programs, Department of Justice

Goals for 2000: Award C-FIC grants to successful candidates in the four HIFCAs. Publish the details for how to apply for C-FIC funds in an appropriate publication and on the Internet web sites of the Department of Treasury and BJA, and publicize the availability of pilot phase C-FIC grant funds.

Milestones: By April, the Treasury Department will finalize the application process for the pilot phase of the C-FIC program and publish the application on its Internet website and on BJA's website. Beginning in April, the Treasury Department will evaluate pilot phase C-FIC applications and award pilot phase C-FIC grant monies.

The Financial Crime-Free Communities Support (C-FIC) program, was authorized by Congress in 1998. Congress appropriated \$2.9 million in FY 2000 for the commencement of the C-FIC program. The program will provide technical assistance and training, information on best practices, and grants to support state and local law enforcement efforts to detect and prevent money laundering and related financial crimes, whether related to narcotics or other underlying offenses.

The Treasury Department, after consulting with the Department of Justice, has divided the C-FIC program into two phases -- a one-year pilot phase followed by a longer-term program phase. The program phase will last for the duration of any Congressional appropriations for the C-FIC program. In the pilot phase, C-FIC grants will be awarded only to eligible candidates within the four HIFCAs designated by the 2000 Strategy. During the program phase of the C-FIC program, which will be in place prior to the release of the 2001 Strategy, assistance will also be available under the program to eligible candidates outside of HIFCA areas. Even in the Program Phase, there will be some coordination between the HIFCA and C-FIC programs since, by definition,

HIFCAs are areas where money laundering and related financial crimes are a serious law enforcement concern that merits an increased focus of federal, state, and local counter-money laundering efforts. Thus, state and local programs within HIFCAs will continue to be particularly appropriate grant candidates in the Program Phase.

C-FIC grants are to be used as seed money for state and local programs that seek to address money laundering systems within their areas. ~~Thus, for example, grant funds could be used to build or expand a financial intelligence capacity at the state or local level, or to purchase computer hardware and software for use in financial investigative analysis.~~ Funds could also be used to ~~train state and local law enforcement officers to detect indicia of money laundering or to train and hire auditors to monitor the money flows and recordkeeping of certain types of businesses, such as money transmitters.~~

C-FIC's success must not be judged simply by the amount of money it awards in grants. By making available information and analytic resources, and providing training for state and local officers, the program can reduce the need for state and local agencies to reproduce the infrastructure, or independently acquire the knowledge, necessary to investigate financial crime. Thus, for example, a state police intelligence center could use grant funds to commission a study of cash flows or related indicia of possible money laundering in the state.

Pilot Phase Eligibility. Any state or local law enforcement agency or prosecutor's office in an area designated as a HIFCA in the *2000 Strategy* is eligible to apply for a C-FIC grant.

Pilot Phase Contact Person. An eligible state or local law enforcement agency or prosecutor's office can contact the Department of the Treasury's C-FIC Pilot Phase Coordinator with any questions at (202) 622-0300.

Pilot Phase Criteria for C-FIC Grant Awards. The following criteria will be used to evaluate applications for C-FIC grants in the pilot phase.

Criterion One: Demonstration of Problem or Threat

A grant applicant must demonstrate that it is focusing on a significant money laundering problem or risk, in a manner consistent with the *National Money Laundering Strategy*. Each application should include a preliminary threat assessment that identifies the most significant money laundering risks the applicant is proposing to address using C-FIC grant funds.

Criterion Two: HIFCA Collaboration

A pilot phase grant applicant must demonstrate how it plans to collaborate with other law enforcement agencies or prosecutor's offices within the HIFCA. For example, an application

could outline how the applicant proposes to coordinate its activities with any relevant HIDTA and OCDETF efforts, and indicate whether the applicant is prepared to refer appropriate cases to these groups.

Criterion Three: Focus on Money Laundering as Such

C-FIC grants should help enable state and local law enforcement officials and prosecutors to understand, investigate, disrupt, and prosecute those who run money laundering systems. The grants should not be used to fund investigative efforts focused primarily on the predicate crimes that generate launderable proceeds.

Criterion Four: Effectiveness and Performance Measures

Each applicant must submit an analysis of how it will target the problem that it seeks to address. Effectiveness need not be measured in terms of immediate arrests or cash seizures, although such statistics may be relevant.

Criterion Five: Lasting Effect

C-FIC pilot phase applicants should describe how the use of the C-FIC award funds can generate progress against money laundering activity that will continue after the grant award period has expired.

Pilot Phase Grant Awards and Conditions. Pilot phase grant awards will be made by the Secretary of the Treasury in consultation with the Attorney General. In general, a pilot phase C-FIC award will not exceed \$300,000.¹¹

Accountability. Each successful pilot phase applicant must establish a system to measure and report the results of the use of the grant funds. The reporting system should include biennial surveys to measure progress and effectiveness. As part of its reporting obligations, the grant recipient must also agree to assess the level of cooperation between it and the federal, state, and local law enforcement agencies and regulators involved in fighting money laundering and related financial crimes.

Administration of the Pilot Phase C-FIC Program. The Treasury Department, in consultation with the Department of Justice, will set C-FIC program policies and oversee the evaluation and ranking of grant applications. Treasury will execute a Memorandum of Understanding with the

¹¹ *[Is this footnote necessary?]* Federal law requires that any recipient of a C-FIC grant agree to return C-FIC grant monies awarded to the extent that monies are received by the grantee via asset forfeiture as a result of efforts funded by the grant. 31 U.S.C. 5352(c)(1).

Bureau of Justice Assistance (BJA) and Office of Justice Programs (OJP) who will administer the pilot phase of the C-FIC grant program. BJA and OJP will disburse the grant funds and maintain and operate all necessary data and reporting systems for pilot phase grant applications and disbursements, and oversee the audit of pilot phase grant awardees.

Sub-Action Item 3.1.1.c: The Treasury Department will complete the framework for the Program Phase (Phase II) of the C-FIC Program.

There are too many sub-actions. Can't these be consolidated?

Lead: Deputy Assistant Secretary for Enforcement Policy, Department of Treasury
Deputy Director, Bureau of Justice Assistance and Office of Justice Programs, Department of Justice

There are too many sub-actions. Can't these be consolidated?

Goals for 2000: Complete the framework for the program phase II of the C-FIC program and publish the details for how to apply for C-FIC funds and who to contact for information in an appropriate publication and on Internet web sites. Publicize the availability of C-FIC grant funds.

Milestones: By October, the Treasury Department will complete the framework for how to operate the program phase portion of the C-FIC program, publish the program phase application criteria in an appropriate publication, and begin an outreach on the program phase. Subject to Congressional appropriations, program phase funds will be awarded by the end of the year.

The application evaluation criteria for the pilot phase of the C-FIC program has been described above. By October, the Treasury Department and BJA will develop the application package and evaluation criteria for the competitive program phase. This information will be published in an appropriate publication (such as the Federal Register) and will be posted on the BJA website (www._____).

When the program phase framework has been completed, the Departments of the Treasury and Justice will work to conduct outreach efforts to publicize how eligible candidates can apply for C-FIC grants.

Objective 2: Promote Joint Federal, State, and Local Money Laundering Investigations

Action Item 3.2.1: The Departments of the Treasury and Justice will promote state and local enforcement efforts that bridge state boundaries.

Lead: Assistant Secretary for Enforcement, Department of Treasury
Assistant Attorney General, Criminal Division, Department of Justice

Goals for 2000: Focus efforts in bulk cash smuggling sector HIFCA and New York-New Jersey HIFCA to encourage cooperation in non-federal investigations that cross state and local jurisdictions.

Milestones: By May, the Assistant Secretary and the Assistant Attorney General will meet with HIFCA action team heads in the bulk cash smuggling sector HIFCA and New York-New Jersey HIFCA to discuss strategies for state and local cooperation in money laundering and related financial crime cases which cross jurisdictions. These two HIFCA action team heads will report in September 2000 to the Assistant Secretary for Enforcement and Assistant Attorney General about the steps that have been taken within the HIFCAs to create opportunities for multi-jurisdiction investigations. The Assistant Secretary and the Assistant Attorney General will issue report by January 2001 to the Money Laundering Strategy Steering Committee about the HIFCA's experience promoting state and local enforcement efforts that bridge state boundaries in the first year, identifying areas for improvement and recommendations for how to do so.

State and local financial enforcement efforts often encounter difficulties because the criminal enterprises involved cross state boundaries. Federal participation in multi-state investigations can alleviate some jurisdictional problems, but so can coordinated state investigations. One goal of the HIFCA and C-FIC Programs is to expand ways in which authorities from different states can share intelligence and plan joint investigative efforts.

The two HIFCAs that cross state lines – the New York/New Jersey geographic HIFCA and the bulk cash smuggling sector HIFCA -- serve as ideal laboratories to discover how effectively the relevant state and local agencies cooperate with each other to achieve this goal.

In addition to meeting with the federal, state, and regulatory officials who take part in the two multi-state HIFCA action teams, the lead officials will also meet with representatives of the National Association of Attorneys General, National Association of District Attorneys, and State regulatory officials to solicit their input.

Objective 3: Promote the Free Flow of Relevant Information Between State and Federal Enforcement Efforts

The 1999 Strategy identifies FinCEN's Gateway Program as a key tool for enhancing the access of state and local law enforcement to the valuable BSA information maintained by the federal government. The Action Item in this section represents our continued commitment to expanding the Gateway Program, and ensuring that the state and local law enforcement have the maximum appropriate access to the information they need to fight money laundering.

Action Item 3.3.1: The Departments of the Treasury and Justice will reach out to state and local authorities broadly for contributions to the *National Money Laundering Strategy*, to ensure that federal priorities are consistent with and complementary of state and local strategies.

Lead: Assistant Secretary for Enforcement, Department of the Treasury
Assistant Attorney General, Criminal Division, Department of Justice

Goal for 2000: Devise and implement a comprehensive outreach strategy to obtain input from state and local regulatory and enforcement agencies.

Milestones: The Assistant Secretary and the Assistant Attorney General will hold a series of meetings with state and local authorities to discuss the *National Money Laundering Strategy*. By November, they will report proposals on the *Strategy* to the Money Laundering Steering Committee.

Expanded state and local participation in the development of the *Strategy* is required for it to be truly "national." To date, though there have been consultations, there has been no systematic outreach to state and local authorities. In the coming year, the Departments of the Treasury and Justice will institute an outreach effort to ensure that the contribution of state and local money laundering authorities to the *Strategy* is maximized.

Action Item 3.3.2: The Department of the Treasury will promote the use of FinCEN's Gateway Program so that it can become a vehicle for two-way information exchange and joint state-federal financial analysis projects.

Lead: Director, FinCEN, Department of the Treasury

Goal for 2000: Enhance the current Gateway access processes by developing and implementing a new memorandum of agreement [*agreement or understanding?*] [*the mou would be between whom?*]. Additionally, begin the transition of current Gateway users to the new Secure Web System, and institutionalize the training program and sponsor a State Coordinators Conference.

Milestones: By June, FinCEN, in concert with state representatives from New Jersey, will establish a new training program and process that will be used to enhance the utility of the data via Gateway. In addition, the FinCEN Office of Chief Counsel will complete the MOU [*or MOA?*]. During the Summer, FinCEN will host the State Coordinators Conference.

Federal, state, and local law enforcement officials are beginning to realize the importance of

"following the money" and in particular utilizing the financial data available through FinCEN. The Gateway program originally permitted a central coordinator in each state to access FinCEN databases. However, demand for access to Gateway data has vastly increased, both among state and federal law enforcement. Bringing the state and federal users together under Gateway affords the investigators the opportunity to not only get direct, online access to FinCEN data, but also to be networked with other federal, state and local authorities through an "alert" program. In September 1999, FinCEN hosted a meeting with state law enforcement and regulatory representatives to assess their needs, and it was determined that Gateway users sought a secure web system for data access and communication. FinCEN has acted upon this need, and the preliminary technological links between FinCEN and the IRS Detroit Computing Center that will allow for secure data access and retrieval have been installed and are being tested.

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Objective 4: Encourage Comprehensive State Counter-Money Laundering and Related Legislation

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Action Item 3.4.1: The Departments of the Treasury and Justice will provide technical assistance for enhanced state laws against money laundering.

Lead: Assistant Attorney General, Criminal Division, Department of Justice

Goal for 2000: Convey to state authorities the federal government's interest in helping states to enhance laws against money laundering, and respond to requests from state authorities seeking assistance.

Milestones: By June, the Justice Department will issue a letter to governors encouraging reviews and enhancements, where necessary, of state anti-money laundering laws. By November, the Assistant Attorney General will report to the Money Laundering Steering Committee on the extent of assistance required and on plans to meet this need.

At last count, seventeen states have still not made money laundering a state crime, and some state laws against money laundering have serious gaps to cover. These weaknesses should be speedily closed. State money laundering statutes are essential if states are to be full partners in the national counter-money laundering effort, and the federal government will make its resources available to facilitate that partnership.

The Department of Justice will issue a letter to the governors of the fifty states encouraging them to review their state's laws against money laundering and offering assistance in enhancing state anti-money laundering statutes. To facilitate this review, experts at the Departments of the Treasury and Justice will assist states that are considering enacting or revising statutes dealing with money laundering or financial reporting and recordkeeping. Assistance can take the form of

producing information about the patterns of money laundering encountered in a state, or providing drafting or related advice about the terms of the necessary statutes themselves or related legal issues. The Administration also will encourage states to enact legislation licensing and regulating appropriate money services businesses and those engaged in the business of transporting currency.

Objective 5: Support Enhanced Training for State and Local Investigators and Prosecutors

Action Item 3.5.1: The Departments of the Treasury and Justice will complete revision of a model curriculum for a financial investigations course for state and local law enforcement agencies, hold "Train the Trainer" national conferences, and distribute the curriculum.

**Lead: [Deputy?] Assistant Attorney General, Criminal Division, Department of Justice
Deputy Assistant Secretary for Enforcement, Department of the Treasury**

Goal for 2000: Revise and distribute a model curriculum.

Milestones: By June, the new curriculum will be finalized and distributed. Additionally, by the end of the year, the Department of Justice will conduct a pilot course using the model curriculum and obtain feedback for making final changes to the curriculum.

Training in financial investigations is no less essential for state and local enforcement professionals than for their federal counterparts. Indeed, organizations such as the National Association of Attorneys General and the National District Attorneys Association have in the past produced some of the most comprehensive money laundering training and resource materials available.

To help meet the needs of state and local law enforcement agencies for up to date training materials, the new Asset Forfeiture Financial Investigations Curriculum will be distributed in the summer of 2000. In addition to Training Coordinator Guides, Instructor Guides, and Participant Guides, the materials include supplementary power point presentations on CD, and two motivational and informational videos which focus on the goals of the asset forfeiture program. Also included are six videotapes which follow the hypothetical investigation upon which the curriculum is based, and which serve as a learning tool for course participants as they analyze the decisions made and actions taken by the characters in the videotapes.

Goal 4: Strengthening International Cooperation to Disrupt the Global Flow of Illicit Money

Financial crime havens and underground financial markets around the world are a critical part of a global system for hiding criminally earned profits. For this reason, efforts to counter international financial crime have been placed squarely on the national security agendas of the United States and its allies. The 1999 Strategy articulated an aggressive international agenda designed to improve international cooperation through diplomatic efforts, policy development, regulatory oversight, practical enforcement, and the provision of training and technical assistance.

A number of important steps have been taken in the five months since the 1999 Strategy was released. Interagency working groups have concluded a 90-day review of correspondent banking relationships with certain types of institutions, and outlined a concrete agenda to involve the international financial institutions more actively in the fight against money laundering. At the same time, the Financial Action Task Force (FATF) has made significant progress by welcoming new members, fostering the creation of regional sister organizations, and identifying "non-cooperative" jurisdictions. Negotiations toward a United Nations convention on transnational organized crime continue to show promise. The G-8 justice ministers issued an important communique covering financial crime issues. And practical law enforcement and regulatory cooperation continues, but with an intensified sense of urgency, in the face of the explosion of globalized financial services.

In many important respects, our strategy this year is a continuation of last year's efforts. But this year promises to be auspicious in a couple of respects. First, the FATF is expected to issue a report on non-cooperative jurisdictions, the OECD will issue a report on its Harmful Tax Competition project, and the G-7 Financial Stability Forum will conclude a report that will address, inter alia, the effects of offshore financial centers on global financial stability. Thus, we will have a unique opportunity to explore the nature of the ties between the distinct but related realms of money laundering, taxation, and prudential oversight of financial institutions. Hopefully, real progress can be made in policy discussions to articulate these connections, and to convince the international community of the need for continuing cooperation among officials involved in these various activities.

Even more important, events over the past six months have convinced us of the need for new legislation to deal with international money laundering issues. As described [in goal __, above, and/or in objective __, below], the Treasury needs additional tools to ensure that appropriate steps can be taken with respect to money laundering havens. And these tools are needed now, so that the United States can respond effectively to emerging threats, and to lead the international community in multilateral forums. A number of members of Congress have proposed legislation

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5 vs 6 months - consistent

Mention Members by name and applaud their leadership

Mention Members by name and applaud their leadership.

on these issues, as well. We look forward to working closely with interested members to pass a strong bill this year.

Objective 1: Seek Legislation Enhancing the Government's Ability to Protect U.S. Institutions and the U.S. Financial System from International Money Laundering.

The United States already has powerful statutory tools to combat money laundering. However, loopholes and missing pieces remain in our counter-money laundering structure. In the next year, the Administration will be supporting at least two bills that would give the Secretary of the Treasury powerful new authority to protect the U.S. financial system from international money laundering and financial crime havens, and would provide law enforcement with enhanced weapons to combat money laundering at home and abroad.

Action Item 4.1.1: The Administration will seek enactment of the International Money Laundering Act of 2000.

See p 23. Why not combine with domestic piece? Why 2 separate bills?

Lead: Assistant Secretary for Legislative Affairs (Department of the Treasury)

Goal for 2000: Enactment of the International Money Laundering Act of 2000.

Milestones: Introduction of the bill by April 1.

See page 23.

Why not combine with domestic piece? Why two separate bills?

A significant loophole exists in the authority of the Secretary of the Treasury to protect the U.S. financial system from being abused by money launderers operating through international financial crime havens. New authorities would give the Secretary the ability to take targeted and proportional action against these havens, and would fill the vacuum that separates the two tools currently available: informational advisories to U.S. banks about specific jurisdictions, which encourage additional scrutiny; and draconian IEEPA sanctions, which block transactions to designated entities in a jurisdiction. These new discretionary authorities will include:

- barring U.S. financial institutions from having correspondent relations with all or selected financial institutions in a specified financial crime haven;
- requiring U.S. financial institutions to ascertain the identities of persons in a specified financial crime haven who are permitted by foreign financial institutions to use U.S. payable-through and correspondent accounts;
- requiring U.S. financial institutions to ascertain the beneficial owners of accounts from all or selected non-publically traded corporations or trusts in specified financial crime havens;

• requiring mandatory reporting from U.S. financial institutions of all individual transactions above a certain dollar amount, set on a case-by-case basis, involving all or selected individuals, companies, and/or financial institutions in a specified financial crime haven; and

• requiring U.S. financial institutions to provide special reporting of aggregate transactions, or classes of transactions, with all or selected entities and/or financial institutions in a specified financial crime haven.

Action Item 4.1.2: The Administration will seek enactment of the Money Laundering Act of 1999, a powerful bill addressing domestic and international money laundering enforcement.

Lead: Assistant Attorney General, Office of Legislative Affairs (Department of Justice)

Goal for 2000: Enactment of the Money Laundering Act of 1999.

Milestones: Introduction of the bill in the Spring of 2000, and a floor vote in Fall of 2000.

On November 10, 1999, the Administration submitted to Congress the Money Laundering Act of 1999, which seeks to enhance the ability of law enforcement to investigate and prosecute money laundering, occurring both domestically and internationally. Among the more important provisions addressing international money laundering enforcement are the following:

• Expanding the list of money laundering predicates to include numerous foreign crimes -- including arms trafficking, public corruption, fraud, and crimes of violence -- that are not currently covered by the money laundering statute. At present, for example, a foreign public official who accepts bribes or embezzles money and then launders the proceeds through a U.S. bank is not subject to a U.S. money laundering prosecution. The new provision will close that loophole, which severely limits the ability of the United States to investigate and prosecute the laundering of foreign criminal proceeds through financial institutions in the United States.

• Extending the civil penalty provision of the money laundering statute to give U.S. district courts jurisdiction over foreign banks that violate U.S. money laundering law, provided that the foreign bank maintains an account in the United States and that the bank receives appropriate service of process.

Should we now add tax evasion?

- Making it illegal to launder criminally derived proceeds through foreign banks. This provision would, for example, make it illegal for a person in the United States to send criminal proceeds abroad and launder them in a Mexican bank.
- Giving federal prosecutors greater access to foreign business records located in bank secrecy jurisdictions by providing sanctions when individuals in certain circumstances hide behind such foreign laws.

Objective 2: *Apply increasing pressure to jurisdictions where lax controls invite money laundering.*

The 1999 Strategy called for the formation of an interagency working group to explore whether measures – legislative, regulatory, or in an international context – should be adopted to restrict financial institutions in the United States from opening or maintaining correspondent banking accounts for foreign banks (i) that are organized in jurisdictions in which they do not offer banking services to residents and (ii) that United States banking authorities determine are not subject to adequate supervision by home country authorities. Although this group must continue to study precisely the way correspondent banking relationships have been and may be abused, it has made considerable progress in addressing these issues. The most important developments in this respect are (i) a new process to identify money laundering threats and havens, discussed immediately below, and (ii) the legislative proposal discussed above.

Action Item 4.2.1: Identify jurisdictions that pose a money laundering threat to the U.S.

Lead: Senior Advisor to the Under Secretary for Enforcement, Department of the Treasury

Goal for 2000: Implement, through an interagency working group, a new methodology to categorize jurisdictions based on the level of our concern about their financial crime problem, as well as the degree to which they have taken constructive steps – or are willing to take such steps – to address the problem.

Milestones: The State Department will publish the 2000 International Narcotics Control Strategy Report (INCSR), in March. The interagency working group formed to conduct the 90-day review of correspondent banking relationships will identify priority jurisdictions for U.S. attention, and outline specific strategies with respect to each of them, by April. By the end of May, assessments will be revised, as necessary, to respond to changes observed in response to the FATF non-cooperative jurisdictions work. By October, country strategies will be revised again, to prepare for a second round of FATF analysis. The working group will report to the Money Laundering Steering Committee on results and actions taken.

The interagency working group will measure countries against the following factors:

- Does the country have a money laundering problem that the U.S. considers important? This determination tracks the decision made in connection with the preparation of the money laundering annex to the State Department's annual International Narcotics Control Strategy Report ("INCSR").
- Is the country primarily a source of criminal funds, or is it primarily a destination/transit point for such funds? This distinction is intended to facilitate targeted application of different countermeasures to different types of problems.
- Does the country have an adequate anti-money laundering regime? This determination will be based on the country's laws and implementation, including law enforcement and regulatory cooperation with the U.S., with specific reference to the FATF 40 recommendations, and the FATF 25 criteria for determining non-cooperative countries and territories (See Annex ___).
- If the country does not have an adequate anti-money laundering regime, are its laws and/or its implementation of anti-money laundering laws being improved?
- If the country's laws and/or implementation of laws are not improving, is this primarily due to a lack of political will, or is it reasonable to expect an improvement during the period under review?

Should we
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Should we make
tax evasion a
predicate crime?

In addition, the analysis will incorporate the interplay between tax evasion and money laundering, and emphasize this fact in our public diplomacy. It is clear that many of the same factors that make a country attractive as a tax haven make it attractive as a money laundering haven, and tax evasion is a significant international crime problem.

Action Item 4.2.2: Continue to examine the nature of correspondent banking accounts and what guidance or regulatory action would be appropriate to enhance the scrutiny of such accounts in the United States maintained by certain offshore and other financial institutions that pose money laundering risks.

Lead: Senior Advisor on International Money Laundering to the Under Secretary for Enforcement (Department of the Treasury)

Will be seen as weak. Can we be more definitive?
Will be seen as weak. Can we be more definitive?

Goal for 2000: To have a complete understanding of correspondent banking accounts, how they are abused by criminals, and investigate and implement appropriate countermeasures, in tandem with multilateral partners, to halt this abuse.

Milestones: Meet with private sector to understand the nature of correspondent bank accounts, begin discussing multilateral responses that could be undertaken jointly with our G-7 partners, approach our G-7 colleagues and discuss joint measures.

Correspondent banking relationships are an important feature of the international banking system. But those relationships can be abused by money launderers, and care must be taken to assure that only legitimate institutions, and legitimate transactions, are permitted access to correspondent accounts at United States financial institutions. A potential vehicle for money laundering, correspondent account practices should continue to be examined, and ways of addressing potential abuses without disrupting legitimate economic activity must be identified and employed.

Action Item 4.2.3: Support the on-going efforts of the FATF to identify non-cooperative jurisdictions based upon its twenty-five criteria.

Lead: Senior Advisor to the Under Secretary for Enforcement, Department of the Treasury.

Goal for 2000: The U.S. will work with its FATF colleagues to ensure that the FATF Ad Hoc Group on Non-Cooperative Countries or Territories (NCCTs) holds to its schedule to identify, review, and name non-cooperative jurisdictions by June, 2000.

Milestones: The U.S. will participate in multilateral groups that will research and analyze the laws, regulations and practices of jurisdictions nominated for review, to determine the extent to which they meet the FATF criteria defining non-cooperation, by May 2000. A report is to be completed on each of the high priority jurisdictions and submitted to the June 2000 FATF Plenary. It is expected that the FATF will identify and name specific non-cooperative jurisdictions in June 2000. In October, the FATF will begin a second round of analysis.

This is critical!
This is critical!

Coordinated, multilateral efforts to address issues raised by jurisdictions that offer excessive banking secrecy or otherwise fail to cooperate in international law enforcement and regulatory efforts can be particularly effective. Over the past year, the FATF has been working to define and identify non-cooperative jurisdictions, as well as to articulate steps FATF members can take to promote progress by such jurisdictions. During the year, the Ad Hoc Group finalized the criteria for non-cooperative jurisdictions and has begun to discuss the process of identifying

those countries.¹² Many international organizations and countries around the world are looking to the FATF to complete its work. U.S. law enforcement and regulatory agencies will need to devote substantial attention to the work of the FATF Review Groups to ensure a timely and accurate list of non-cooperative jurisdictions.

Mention Tax Havens → **Action Item 4.2.4: Support related efforts aimed at effective fiscal enforcement of tax havens**
Mention Tax Havens **Lead:** Assistant Secretary for Tax Policy, Department of the Treasury. *of tax havens*

Goal for 2000: Publication of a list of jurisdictions classified as “tax havens” under the criteria established by the OECD, and a rapid and successful conclusion of the OECD’s work on bank secrecy.

Milestones: The U.S. and its OECD colleagues have completed a technical review of jurisdictions that may be classified as tax havens under the criteria provided for in the OECD Report on Harmful Tax Competition, and a list of “tax havens” is expected to be published after receiving approval from the OECD Council in June 2000. The Committee on Fiscal Affairs is currently considering a report on access to bank information for tax purposes. The U.S. will remain an active participant in the discussions on this report. The Committee is expected to make a final decision on the report in March 2000.

Although tax evasion and money laundering are distinct crimes, they share many common characteristics, including the use of practices designed to conceal financial assets and transactions from the appropriate government authorities. As a result of this close connection between money laundering and tax evasion, money launderers are often guilty of tax fraud or other fiscal crimes, and they will generally seek to avoid scrutiny of their activities by tax authorities to minimize their risk of prosecution for tax evasion.

Unlike tax administrations, which can generally act only within their national borders, those who seek to avoid or evade tax or commit other financial crimes can increasingly operate in a “borderless” world. As a result, tax systems are more vulnerable than ever before to harmful tax practices engaged in by other countries, and tax administrators around the world are increasingly recognizing the need to obtain information with respect to accounts and activities of taxpayers in foreign jurisdictions. The U.S. has long been a leader in advocating increased access to information for tax purposes. For several years, Treasury has had a firm policy of refusing to enter into new tax treaty relationships with countries that are unwilling to engage in information

¹²The criteria are included at Appendix __. FATF papers describing the criteria and the process used by FATF to review particular jurisdictions are posted on the FATF’s website at www.oecd.org/fatf. [check this cite]

exchange. As a result of this policy, the United States has succeeded in convincing some countries to modify their laws and practices to allow U.S. tax authorities access to financial information, even though such countries had not previously engaged in information exchange with other countries on tax matters.

Action Item 4.2.5: Support efforts of the Financial Stability Forum (FSF) and other multilateral fora in urging countries and jurisdictions to adopt and adhere to international anti-money laundering standards.

It is unclear what FSF is or how it relates to similar work by FATF.

Lead: Director, Office of International Institutions (Department of the Treasury)

Goal for 2000: Increased efforts by the FSF to identify and assess non-compliant offshore financial jurisdictions (OFCs), identify appropriate incentives and sanctions to apply to those jurisdictions, and work on enhancing their financial regulation and supervision.

Milestones: Release multilateral list of non-compliant OFCs by the FSF Working Group on Offshore Financial Jurisdictions. Continue work of the FSF and other multilateral organizations to identify incentives and sanctions to apply to the identified OFCs.

The FSF Working Group on Offshore Financial Centers this spring/summer will report the results of its work to identify non-compliant OFCs. Ensuing assessment of the selected OFCs will commence subsequently, and incentives/sanctions to apply will be considered by the FSF, as well as by other multilateral organizations contemporaneously. Such efforts are a continuation and enhancement of the effort to encourage OFCs to implement prudential and disclosure standards, and comply with international agreements on the exchange of supervisory information and information relevant to financial fraud, tax fraud, and money laundering. The Committee on Hemispheric Financial Issues (CHFI) and the Asia Pacific Economic Cooperation (APEC) are at work to enhance financial regulation and supervision in their regions, which incorporate anti-money laundering initiatives.

Objective 3: Continue to Work with Nations to Adopt and Adhere to International Money Laundering Standards

The United States will continue its active support of the full range of multilateral groups, international organizations, and international financial institutions involved in the fight against money laundering. The policies, standards, and practices of international cooperation they have adopted and are working to implement articulate a coherent and increasingly comprehensive set of counter-money laundering measures.

It is unclear what FSF is and how it relates to similar work by FATF.

Action Item 4.3.1: Work toward universal implementation of the FATF 40 Recommendations.

Lead: Senior Advisor to the Under Secretary for Enforcement, Department of the Treasury.

Goal for 2000: The United States will maintain its leadership role in the FATF and existing FATF-style regional bodies. It will seek expansion of membership to additional appropriate governments, and support FATF outreach efforts to encourage implementation of the FATF 40 Recommendations by non-member jurisdictions.

Milestones: An interagency working group will analyze available information on potential candidates for FATF membership and determine – in advance of the June meeting of the FATF -- appropriate nominations to be made based on FATF criteria for new membership. New FATF observer members -- Argentina, Brazil, and Mexico -- should complete the necessary steps to meet all the requirements to become full members of FATF by the end of the year. The U.S. will encourage the completion of first round mutual evaluations of Gulf Cooperation Council states by the end of the year. Also by year's end, the FATF should conduct at least three high level missions or seminars to raise awareness and encourage expanded implementation of the 40 Recommendations by non-members.

More than ten years after its creation, the FATF remains the premier multilateral body devoted to countering money laundering. Membership of the FATF comprises 26 industrialized nations and two regional organizations.¹³ A major component of the FATF's work involves ongoing peer review of each member's national counter-money laundering measures by one another, based on the FATF 40 Recommendations. Members of the FATF have made significant advances in articulating the measures necessary to combat money laundering effectively, as outlined in the 40 Recommendations, and in implementing those measures domestically.

The FATF is extending its message. One aspect of this effort is expansion of the FATF's membership. Last year, the FATF welcomed Argentina, Brazil, and Mexico as observers and, this year, it will conduct a peer review of those countries' money laundering controls. The Gulf Cooperation Council (GCC) is a member of FATF, although GCC member states are not. Last

¹³ Originally, the FATF consisted of 15 members, and the European Commission. Currently, the member countries of the FATF are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong (China), Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. The European Union and the Gulf Cooperation Council are also members.

year, for the first time, five GCC member states (Bahrain, Kuwait, Oman, Qatar, and United Arab Emirates) agreed to undergo FATF-style mutual evaluations. These evaluations are anticipated to be completed during 2000.

Action Item 4.3.2: Promote the development of FATF-style regional bodies.

Lead: Senior Advisor to the Under Secretary for Enforcement, Department of the Treasury.

Goal for 2000: Consolidation of recently created FATF-style regional bodies, and establishment of such bodies where they do not yet exist, such as in South America.

Milestones: The APG will be encouraged to develop a mutual evaluation program by the end of the year. The U.S. will continue to provide qualified examiners to mutual evaluation programs of the other regional bodies, as well as the Offshore Group of Banking Supervisors (OGBS). The U.S. will encourage the two newly created FATF-style bodies in Africa to become operational by the end of the year. The U.S. will encourage Argentina and Brazil to establish an FATF-style body in South America also by the end of the year.

Spell out - what is this?

Spell out --
What is this?

FATF-style regional bodies -- which endorse the 40 Recommendations and have established a process of mutual evaluation -- already exist in the Caribbean and part of Latin America, as well as in Central and Eastern Europe. In addition, the OGBS, though not a regional body, has endorsed the FATF 40 Recommendations and has embarked upon a process of peer review to assess its members' implementation of these standards.

Several other regional counter-money laundering groups have been established and are in varying stages of development. Last year at its annual meeting, the APG agreed in principle to establish a mutual evaluation process for its members based on the FATF 40 Recommendations. These developments are encouraging, although overall progress has been slow. In Africa, two new regional anti-money laundering bodies were established last year. In November 1999, representatives of seven nations signed the Eastern and Southern Africa Anti-Money Laundering Group's Memorandum of Understanding¹⁴. In December 1999, the Groupe Intergouvernemental D'Action Contre le Blanchiment de L'Argent en Afrique was officially formed by 15 countries of Western Africa, from Mauritania to Nigeria. Neither of these groups has yet to become operational, however.

¹⁴ The signatories to the MOU included Malawi, Mauritius, Mozambique, Namibia, Seychelles, Tanzania, and Uganda.

Insert outcome of CHFII

Action Item 4.3.3: Negotiate strong anti-money laundering provisions in the pending United Nations Convention Against Transnational Organized Crime.

Lead: Deputy Assistant Secretary, International Narcotics and Law Enforcement (Department of State)

Goal for 2000: Inclusion of strong anti-money laundering provisions within the Convention, to include a requirement for governments to criminalize non-drug-related money laundering, and to institute comprehensive anti-money laundering regulatory regimes.

Milestones: The United States will send high level representation to U.N. negotiation sessions in February. The State Department will coordinate diplomatic outreach to solicit commitment by other governments to support strong anti-money laundering language. Coordinated positions will be encouraged at each relevant meeting of the FATF and the G-8 as negotiations proceed.

The United Nations has not concluded a convention that addresses money laundering since the 1988 Vienna Convention. The Vienna Convention requires signatories to criminalize drug money laundering, but does not address regulatory controls. The current negotiation of a Convention Against Transnational Organized Crime presents an opportunity for the international community to require nations to criminalize the laundering of proceeds of serious, organized crime and to adopt a range of regulatory measures to protect financial institutions from abuse by launderers. In spite of difficult negotiations to date, the United States will continue to seek anti-money laundering provisions that will maintain the integrity of the existing international standards. Successful conclusion of the Convention, with a specific commitment by all State Parties to develop anti-money laundering regulatory and supervisory regimes based on the FATF 40 Recommendations, would represent an important advance in the effort to ensure global adoption and implementation of comprehensive money laundering controls.

Action Item 4.3.4: Continue to promote the G-7 Ten Key Principles on Information Exchange for the Improvement of International Cooperation Regarding Financial Crime and Regulatory Abuse

Lead: Director, Office of International Banking and Financial Institutions, Department of the Treasury.

Goal for 2000: Inclusion of the G-7 Ten Key Principles among the international standards in the Financial Stability Forum's Offshore Working Group's final

report.

Milestones: The FSF report is expected to be issued in the spring or summer before the Okinawa economic summit.

The Ten Key Principles for the Improvement of International Cooperation Regarding Financial Crime and Regulatory Abuse were developed as a result of a process initiated at the 1997 Denver Economic Summit. The Ten Principles call for countries to ensure that their laws and systems provide for maximum domestic cooperation and the sharing of information between financial regulators and law enforcement agencies, as well as providing for accessible and transparent channels for cooperation and exchange of information at the international level. Inclusion of the Ten Key Principles among the international standards recognized by the Financial Stability Forum will ensure their status as a reference point for the global community.

Action Item 4.3.5: The Treasury Department will continue to urge the international financial institutions (IFIs) to encourage countries, in the context of financial sector reform programs, to adopt anti-money laundering policies and measures.

Lead: Director, Office of International Banking and Financial Institutions, Department of the Treasury.

Goal for 2000: Inclusion of assessment of adherence to money laundering standards as a more routine part of financial sector reform programs and reviews. Focused G-7 discussion of anti-money laundering efforts by IFIs.

Milestones: Discussion with IFIs on policy, program design and assessment, as well as enhanced potential engagement relating to technical assistance focused on anti-money laundering. Additionally, the U.S. will seek an IMF study on the scope of distortions to global financial flows from money laundering havens.

The IMF, the World Bank, and the regional development banks are increasingly sensitive to the problems of international money laundering. In recent years they have provided structural reform assistance to help selected countries strengthen their banking supervisory capacity, improve corporate governance and transparency, and adopt financial sector reforms. In 1999, the United States and the IFIs shared views on anti-money laundering policies, programs and progress. The United States supports proposals to further engage the IFIs in efforts to deter money laundering as part of the multilateral effort. In addition, the United States will discuss with our G-7 partner countries how best the IFIs might promote the adoption of anti-money laundering measures in the context of financial sector program design and assistance, where appropriate (i.e., in those cases where money laundering is identified as a particular vulnerability or risk). The United States will convey the importance of multilateral and bilateral, as well as

individual country, anti-money laundering measures at the Economic Summits, the meetings of G-7 Finance Ministers and Central Bank Governors, and the annual meetings of the IMF and World Bank.

*Why not say
enhance the
provision of
training and
assistance?*

Action Item 4.3.6: Continue to provide training and assistance to nations making efforts to implement counter-money laundering measures.

Lead: Deputy Assistant Secretary of State, International Narcotics and Law Enforcement, and Director, Office of International Banking and Financial Institutions.

Goals for 2000: Providing a comprehensive and coordinated program of training and technical assistance to nations seeking to implement comprehensive internationally-recognized money laundering counter-measures. Expand the use of multilateral organizations and International Law Enforcement Academies (ILEAs). Ensure that staff of relevant International Financial Institutions are prepared to incorporate anti-money laundering considerations in their training and technical assistance programs.

Milestones: Programs of the Departments of the Treasury, State, and Justice, and the federal financial regulators all provide such assistance and will continue. Coordination with other donor states and organizations will take place on a continuing basis to ensure most effective use of limited resources, and to avoid duplication of effort.

*Why not say
enhance the
provision of
training and
assistance?*

The United States Government is committed to offering training and technical assistance to nations seeking to implement comprehensive internationally-recognized money laundering controls. Programs of the Departments of State, Justice, the Treasury, and the federal financial regulators all provide such assistance. These efforts must continue to be supported if they are to succeed.

The State Department coordinates requests from U.S. embassies for law enforcement training with the agencies responsible for delivering assistance, and, as much as possible, and coordinates the delivery of such programs with other donor states and international organizations. During 1999, the U.S. government organized over 70 financial crime and money laundering courses and seminars in 40 countries. It has been particularly difficult in the past to ensure that training and technical assistance efforts are properly coordinated, and that resources are appropriately allocated, through the various international organizations through which the United States provides much of its international training.

Training in financial supervision are coordinated through Treasury's office of international banking and financial institutions. Many of the IFIs have extensive technical assistance programs in the area of financial sector reforms in bank supervision and regulation, legal and commercial law, and other financial system infrastructure. Discussion with the IFIs has indicated their willingness to work with the US (and other member countries) to identify how to better focus on money laundering in the context of financial sector reform programs. An issue is the source of the resources/funding to implement technical assistance focused on anti-money laundering as part of financial sector reform programs.

Action Item 4.2.7: Support and expand membership of the Egmont Group of financial intelligence units

Lead: Director, FinCEN.

Goal for 2000: Expanded membership and participation in the Egmont Group.

Milestones: FinCEN expects to assist four new units to become operational by the end of 2000. FinCEN will reach out to new Egmont Group members and eleven priority countries to encourage the introduction of anti-money laundering legislation, and support the development of financial intelligence units in these countries. FinCEN will expand by ___% the number of investigative information exchanges via the FIU network consistent with the Egmont Group principles. FinCEN will complete upgrades of the Egmont Secure Website to further support information exchanges and other communications between and among FIU members of the Egmont Group.

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spell out

One of the most important developments in the implementation of international counter-money laundering standards has been the successful cooperation between and among financial intelligence units (FIUs). These agencies are created to receive their own domestic suspicious activity reports (required under their respective internal laws), analyze financial information related to law enforcement activity, disseminate information to domestic enforcement agencies, and exchange information internationally.

Currently, 48 financial intelligence units participate in the Egmont Group. As an active participant, FinCEN coordinated a total of 217 information exchanges in 1999. Since October 1999, 50 requests for information have been transmitted via the FIU network on behalf of domestic law enforcement and the foreign FIU community. It is imperative to encourage the continued and expanded use of this network for case development and investigations by domestic law enforcement. FIUs can play a critical role in ongoing investigations and in the effective implementation of anti-money laundering measures. The U.S. law enforcement community should take every opportunity to exploit the information available from other FIUs to support

U.S. investigations.

Objective 4: Develop and apply incentives to ensure progress by non-cooperative jurisdictions.

A wide range of measures can be employed -- across the realms of enforcement, regulatory oversight, diplomacy, and policy development -- to address the different types of money laundering problems presented by different countries. Generally, these problems can be categorized as follows:

- First, in developed economic and financial centers, money laundering takes place on a scale proportionate to the size of the economy. Developed jurisdictions for the most part are committed to ongoing processes, both domestically and internationally to combat the problem -- through the FATF, mutual legal assistance arrangements, bank supervisory information exchange arrangements, the Egmont Group of financial intelligence units, and other existing mechanisms. These countries are our allies, and we will continue to work with them as best we can, through as many mechanisms as possible.
- Second, large scale, developing economies are often struggling with domestic crime and corruption problems that make them a source of illegally earned proceeds that are laundered throughout the world, including in the United States. These countries operate on the margins of the developed international community, and often face continuing problems of political will and capacity in dealing with what are, at root, domestic problems of crime and corruption. We will work to help address the underlying problems in these countries, while taking steps to protect the U.S. financial system from criminal fund flows from such countries.
- Third, many jurisdictions are neither fully participating in international efforts to combat money laundering and financial crime nor suffering from relatively large scale domestic crime and corruption problems. Rather, these jurisdictions tend to provide under-regulated offshore financial services, embrace excessive bank secrecy, and thus act as financial crime havens by intentionally attracting the proceeds of crime committed abroad. Such jurisdictions have either deliberately not embraced international efforts to combat financial crime, or irresponsibly undertaken steps to diversify their economies without putting in place the necessary regulatory safeguards.

✓ In considering appropriate countermeasures from the options set forth below, these considerations will be foremost in mind. Moreover, the United States generally prefers multilateral action, but we are prepared to take unilateral action, both to ensure that multilateral determinations are meaningful, and to demonstrate international leadership. Thus, we may employ a range of countermeasures, including bilateral negotiation or quiet diplomacy, training and technical assistance, and public statements. The spectrum of unilateral actions available to

if necessary, if necessary

the U.S. could be expanded significantly if Congress passes the International Money Laundering Act of 2000 (See Action Item 4.1.1.) Any unilateral actions must be taken with the concurrence of the Treasury Department, the State Department's Bureau of International Narcotics and Law Enforcement, and the Justice Department's Criminal Division.

Action Item 4.4.1: Consider findings of all relevant multilateral efforts.

Lead: Senior Advisor to the Under Secretary for Enforcement, Department of the Treasury.

Goal for 2000: Ensure that countermeasures are consistent with the policies and findings of the OECD Harmful Tax Competition initiative and the Financial Stability Forum (FSF), as well as developments in FATF regional-style bodies. Similarly, ensure that the findings and follow-on steps of those two multilateral efforts are consistent with and complementary to the work of the FATF.

Milestones: By the July economic summit in Okinawa, the FATF, the OECD and the FSF will all have released reports. The FATF will take into account interim developments within regional FATF-style bodies -- especially the results of peer review conducted by the membership of such bodies. Steps taken by the U.S. and its allies with respect to particular non-cooperative jurisdictions will take into account the results of the OECD and FSF work. The FSF is expected to include FATF anti-money laundering standards in its compilation of international standards relevant to adequate supervision of offshore financial services.

Aspects of the OECD Harmful Tax Competition initiative and the Financial Stability Forum's Working Group on Offshore Financial Centers relate to the work of the FATF's Ad Hoc Group on Non-Cooperative Countries and Territories. Each initiative involves identification of jurisdictions that may permit abusive financial practices or offer safe havens for criminally-derived funds. International standards to be promoted and criteria used as the basis for identifying jurisdictions in the various initiatives must be coordinated within and between the multilateral initiatives. The United States Government will seek to ensure that this occurs, as well as to ensure that coordination occurs internally to maintain consistent U.S. positions within each of the related initiatives, particularly in terms of high priority jurisdictions identified by each of these bodies.

Action Item 4.4.2: Coordinate countermeasures with allies.

Lead: Senior Advisor to the Under Secretary for Enforcement, Department of the Treasury.

Goal for 2000: Agree within the FATF upon a range of countermeasures that can be taken with respect to jurisdictions found to be non-cooperative by the FATF, and begin to implement appropriate countermeasures in a coordinated fashion.

Milestones: With the FATF's publication in June of a list of jurisdictions that are non-cooperative according to its criteria, the FATF should also articulate a range of appropriate countermeasures that may be applied. By the FATF's September plenary, it should begin a coordinated plan to implement appropriate countermeasures with respect to priority jurisdictions.

The objective of the FATF initiative on identifying non-cooperation is to promote improved laws, regulations, and practices to ensure the integrity of financial systems, providing safeguards from criminal financial abuses. While the review process itself will likely prompt some jurisdictions to institute the necessary changes to bring them in line with international anti-money laundering standards, it is also likely that more concerted action will be needed to encourage other jurisdictions to make changes, particularly where political will is at issue. Coordinated action by FATF members in developing and implementing countermeasures will be most effective and expedient in producing an improved global financial environment.

Action Item 4.4.3: Issue bank Advisories when appropriate.

Lead: Senior Advisor to the Under Secretary for Enforcement, Department of the Treasury.

Goal for 2000: The U.S. will identify jurisdictions where the issuance of bank advisories would bring about positive change in that government's policies regarding financial crime.

Milestones: By July, the U.S. will identify which countries that are the potential subject of advisories, and what those advisories should state.

Should we indicate we prefer to have the supplement prior multilateral action?

In some cases, unilateral action can take the form of a warning to U.S. financial systems about transactions involving particular financial systems. In April 1999, for example, after years of bilateral negotiations between the United States and the Government of Antigua and Barbuda failed to produce meaningful progress, Treasury issued an Advisory alerting banks and other financial institutions in the United States to give enhanced scrutiny to all financial transactions routed into or out of Antigua and Barbuda. The result of this Advisory included changes in the structure of the financial supervisory regime to address some of the concerns voiced in the Advisory. Indeed, the Advisory may be an extremely valuable tool that may not only be used

Should we indicate we prefer to have this supplement prior multilateral action?

with respect to particular jurisdictions, but also certain types of financial transactions.

Action Item 4.4.4: Promote adoption of appropriate supervisory and regulatory actions (to include, for example, increased regulatory reporting, increased external and internal audits, differentiated risk weights) in response to specified jurisdictions that fail to make progress in implementing effective international standards relating to money laundering.

Lead: Director, Office of International Institutions (Department of the Treasury)

Goal for 2000: As appropriate and as part of the bank regulation and supervision process, US bank regulatory agencies will consider additional supervisory and regulatory remedies for operations or exposure of US banks in specified jurisdictions.

Milestones: Increase focus on and discussion of further actions that can be taken by supervisory authorities with respect to identified problem jurisdictions.

Treasury and the US financial supervisory authorities continue to strongly advocate efforts in various international fora to encourage offshore centers to strengthen financial supervision and prudential supervision. We have worked in multilateral bodies such as the Basel Committee on Banking Supervision to introduce the concept of additional supervisory actions that can be taken when banking supervisors encounter difficulties in supervising their institutions across borders, including within offshore jurisdictions. Additional supervisory actions will be considered and the various sets of incentives being developed by the international financial community will be reviewed. The US banking supervisory authorities will continue to play an active role in these initiatives.

Action Item 4.4.5: Promote adoption of higher risk-weighted lending -- which increases lending costs -- to institutions in offshore jurisdictions that do not make progress in implementing effective international standards, including those relating to money laundering.

[NOTE: The following contrasts the 1999 Action Item entry with what has been received as the 2000 entry.]

1999 Entry:

Treasury is pushing efforts in various international forums to encourage offshore centers to strengthen financial supervision and prudential standards. In this context, we will work in the appropriate forums, including the Basel Committee, to promote adoption of a higher risk-weighting for bank loans to counter-parties operating in offshore jurisdictions that do not make

progress in implementing international standards such as the Basel Core Principles on Effective Supervision, including those principles related to money laundering. Such higher risk-weights would increase costs of lending to such jurisdictions.

2000 Submission:

Has anything happened since 1999? This sounds like a repetition of 1999.
Promote adoption of appropriate supervisory and regulatory actions (to include, for example, increased regulatory reporting, increased external and internal audits, differentiated risk weights) in response to specified jurisdictions that fail to make progress in implementing effective international standards relating to money laundering.

Lead Agency: US Banking Agencies

Goal for 2000: As appropriate and as part of the bank regulation/supervision process, US bank regulatory agencies will consider additional supervisory and regulatory remedies for operations or exposure of US banks in specified jurisdictions.

Milestones: Increase focus and discussion on further actions that can be taken by supervisory authorities with respect to identified problem jurisdictions.

Discussion: Treasury and the US financial supervisory authorities continue to strongly advocate efforts in various international forums to encourage offshore centers to strengthen financial supervision and prudential supervision. We have worked in multilateral forums such as the Basel Committee on Banking Supervision to introduce the concept of additional supervisory actions that can be taken when banking supervisors encounter difficulties in supervising their institutions across borders, including within offshore jurisdictions. Additional supervisory actions will be considered and the various sets of incentives being developed by the international financial community will be reviewed. The US banking supervisory authorities will continue to play an active role in these initiatives.

Action Item 4.4.6: Consider the feasibility of invoking IEEPA powers in appropriate circumstances.

Lead: Director, Office of Foreign Assets Control (Department of the Treasury)

Goal for 2000: The U.S. will consider invoking the powers of IEEPA where circumstances call for aggressive measures.

Milestones: The working group formed to make determinations regarding implementation of the provisions of the new IEEPA legislation will incorporate information about money laundering havens. An interagency group will

subsequently meet to determine whether it would be appropriate to issue IEEPA sanctions with respect to any particular individuals, entities, or jurisdictions this year.

A powerful tool that the United States Government has used against narcotics traffickers and terrorists during the last four years is the imposition of International Emergency Economic Powers Act (IEEPA) sanctions. As required by PDD-42, IEEPA sanctions bar U.S. persons from having any property transactions or commercial transactions with individuals and businesses acting as fronts for significant narcotics traffickers centered in Colombia (Executive Order 12978, October 21, 1995). In addition, the Order blocks the assets of such individuals and businesses held in the United States or by U.S. banks overseas. These actions not only prevent U.S. persons from being unwitting aiders and abettors, and potential victims, of narcotics traffickers, but also protect the integrity of our financial institutions and deny criminals the ability to operate as legitimate businesses.

IEEPA sanctions could be used to target additional narcotics violators in the future. Options to be explored include using IEEPA sanctions independently, or in conjunction with other enforcement efforts against international narcotics-related crime, when the President determines that the subjects pose an extraordinary threat to the foreign policy, national security, or economy of the United States.

Objective 5: *Develop and support additional multilateral efforts to facilitate information sharing.*

[Introduction to follow]

Action Item 4.5.1: Urge the G-7 nations to consider an initiative to harmonize rules relating to international funds transfers so that the originators of the transfers will be identified.

Lead: Senior Advisor to the Under Secretary for Enforcement, Department of the Treasury.

Goal for 2000: Include in a report from the G-7 Finance Ministers to the Heads of State a recommendation to harmonize the rules to identify the originators of international funds transfers within the G-7 and for the G-7 to encourage other nations to do the same.

Milestones: In February, the U.S. presented to an informal working group of G-7 delegates to the FATF, a paper on the harmonization of rules regarding international funds transfers. This paper will be discussed by the group and sent

to the G-7 Deputies to be incorporated into a final report from the Finance Ministers to the Heads by the Okinawa Summit.

Each G-7 country should have rules that require international funds transfer messages to include the identity of the originator. Harmonized rules of this sort would add great effect to each jurisdiction's own rules on funds transfers and would limit further the ability to dodge detection through cross-border funds transfers. Such a step is essential to permit effective detection of international money laundering activities.

To facilitate the harmonization of these rules, G-7 countries should engage their financial institutions in a dialogue about steps needed to ensure that their record-keeping requirements can be made to harmonize with legitimate concerns regarding privacy, commerce, and the security of information being provided. That dialogue must be deepened and intensified. As payments systems of all types are developing ever more rapidly, and as a premium is increasingly placed on the efficiency and speed of payments systems, these developments ought not to provide a respite from the need by all financial institutions to be vigilant toward those who would attempt to secrete funds derived from illegal sources.

Action Item 4.5.2: The Departments of the Treasury and Justice, and the Federal Reserve will establish a Study Group to examine whether financial institutions outside the U.S. sending wire transfers to or through the U.S. should be required to identify the beneficial owner of the funds being wired.

Lead: Assistant Attorney General, Criminal Division (Department of Justice)

Goal for 2000: Determine what actions the U.S. should take to block wire transfers that do not have adequate identifying information, and whether to require the identification of beneficial ownership of funds related to wire transfers that are transmitted into or through the U.S. in any commercial message system.

Milestones: _____

[Action Item inserted at request of DOJ. Require milestones and descriptive text.]

Action Item 4.5.3: Expand law enforcement information exchange and judicial cooperation channels.

Lead: *[Deputy]* Assistant Attorney General, Criminal Division (Department of Justice)

Goal for 2000: Create new mutual legal assistance treaties, tax information exchange agreements, and other sharing agreements.

Milestones: Conduct a mid-year review of progress in creating new agreements.

The Departments of the Treasury, Justice, and State will continue to identify priority countries where Mutual Legal Assistance Treaties, Extradition Treaties, or Financial Intelligence Unit memoranda of understanding concerning information exchange should be negotiated or enhanced to support money laundering investigations, prosecutions, and forfeitures. During the summer of 2000, the Departments of Justice, Treasury, and State will review progress in creating new mutual legal assistance treaties, tax information exchange agreements, and other sharing agreements. These agreements are essential components of money laundering investigations, prosecutions, and forfeitures.

Action Item 4.5.4: Promote joint analysis of information developed in multilateral investigations.

[NOTE: To be submitted by Treasury]

Money brought into the United States (as proceeds of crimes committed elsewhere, or in the latter stages of the laundering of proceeds of crimes committed in the United States) must be recognized and traced effectively to and from its origins. Until the entire cycle is more clearly understood, it will be difficult to design measures aimed at the entire money laundering process or to understand the extent to which laundered funds play a continuing role in the economies of particular countries.

Information developed in ongoing investigations or in after-action analyses should be made available, where appropriate, for joint analysis by participating nations to allow the full picture to emerge.

Action Item 4.5.5: Create an inter-agency team from FinCEN, the Federal Reserve Board, the Departments of the Treasury and Justice, and other appropriate agencies, to review currency flows and Suspicious Activity Report information.

[NOTE: To be submitted by Treasury]

The analysis of international currency flows in combination with information about suspicious activity can provide important information to investigators. But such data requires multi-disciplinary analysis before it becomes useful. The Treasury Department will create an inter-agency team to review information from Suspicious Activity Reports and currency flow and other

economic data on a regular basis to assure that the potential implications of those reports are understood and passed quickly to appropriate investigators.

Objective 6: *Improve coordination and effectiveness of international enforcement efforts.*

[NOTE: Intro need rewrite]

International law enforcement and security cooperation increasingly depend upon transnational arrangements for the detection and prosecution of criminal activity. Flexible and reciprocal transnational arrangements can directly benefit U.S. enforcement efforts. Harmonized policies can facilitate effective international enforcement efforts and further specific domestic enforcement priorities.

Action Item 4.6.1: Promote bilateral and multilateral enforcement teams to attack priority targets.

[NOTE: To be submitted by Treasury]

U.S. investigative efforts alone cannot cut off significant international channels used by the money launderers. Coordinated investigative action with agencies of cooperating nations can pay significant dividends. Multinational pressure on an offshore center, a financial institution, or a particular criminal organization can be extremely effective. It can also produce joint information about the way money is laundered and can build the trust that leads to additional cooperation in the future.

The United States is actively pursuing a number of money laundering investigations that reflect the priorities stated in the President's International Crime Control Strategy. These efforts will be pursued simultaneously through informal international police exchanges, through ongoing multilateral initiatives, and in the context of formal, bilateral initiatives such as the Bi-National Commissions and Law Enforcement Working Groups that the United States has established with, for example, Brazil, China, El Salvador, Mexico, Russia, Taiwan, and Ukraine. The specialized units created to support and coordinate money laundering and related investigations within the United States should contribute to these international efforts wherever feasible in light of security and related considerations.

Action Item 4.6.2: Urge other nations to make public corruption a predicate offense under their own counter-money laundering statutes.

[NOTE: To be submitted by Treasury]

The proceeds of large-scale public corruption -- in the form of bribes or embezzlement must, like any other ill-gotten gains, be laundered if they are to be secured and enjoyed by corrupt officials.

As part of the battle against public corruption, the international community has begun to address the importance of money laundering controls to the effective implementation of anti-corruption measures. For example, an OECD working group has reported that it considers bribery a serious offense for the purposes of money laundering legislation and has asked the FATF to review the issue with its membership. The United States will advocate that other nations include bribery as a serious offense for the purposes of their own anti-money laundering legislation.

Action Item 4.6.3: The Departments of the Treasury, State, and Justice will work together to enhance information sharing on known or suspected alien money launderers to facilitate the denial or revocation of visas held by such aliens.

Lead: Assistant Attorney General, Criminal Division (Department of Justice)

Goal for 2000: Increased information exchange to ensure that the names of known or suspected money launderers are entered into the visa lookout system, and the establishment of a centralized process for collecting and passing of future names. Additionally, the Administration will seek new legislation enabling the State Department to deny or revoke visas held by aliens engaged in racketeering activities, including money laundering.

Milestones: By the end of the first quarter of 2000, the Departments of Justice and State will implement an agreement on the modalities for the passing to the State Department of names and biographic data of know or suspected money launderers to ensure that the names are entered into the visa lookout system. **[Do we need to include something on legislation?]**

Money laundering is a national security threat. Under existing law, aliens who knowingly engage in the laundering of drug proceeds are ineligible for United States visas. To assist in the enforcement of these visa laws, law enforcement agencies regularly share information on drug traffickers and drug money launderers with State Department consular offices abroad, both through existing information exchange systems and on an ad hoc basis. In late 1999, the Departments of Justice and State held preliminary meetings to enhance information sharing on drug money launderers. These efforts will lead to additional entries in relevant lookout systems to help ensure that such individuals do not obtain U.S. visas. Moreover, new proposed legislation aimed at aliens engaged in racketeering activities (including money laundering) would further enable consular officers to deny or revoke the visas of money launderers, regardless of whether the laundering involved drug proceeds.

Objective 7: Build Knowledge and Understanding

There are a great many issues concerning money laundering and its broader economic effects about which we need much better knowledge.

Action Item 4.7.1: Work with the international community to understand the interplay between underground financial markets and international trade.

[NOTE: To be submitted by Treasury]

The emerging understanding of the Black Market Peso Exchange has highlighted the interplay between money laundering and international trade involving Colombia and the United States. But there is little reason to think that the use of illegally obtained funds -- which can be discounted below normal market premiums -- to finance trading relationships is limited to one set of bilateral trade flows. An examination of this issue, involving officials from the United States, Aruba, Curacao, Colombia, Panama, and Venezuela can produce additional important information about these links, but the perspective gained from such discussions should be applied to trade flows around the world in considering the possible use of criminal funds to finance trade.

Action Item 4.7.2: Enhance understanding of alternative remittance systems.

[NOTE: To be submitted by Treasury]

Our money laundering models -- as preliminary as they are -- are based primarily on experience with the movement of funds between the United States, Europe, and South America and on assumptions derived from the operation of the banking and payments systems in those regions of the world.

The Asia-Pacific Group on Money Laundering (APG) has generally endorsed the FATF 40 Recommendations, but a number of its members have expressed concern that the FATF Recommendations are geared to western-style banking systems. Asian economies are largely currency-based and rely heavily on two widely used parallel remittance systems -- hawala, used by South Asian nations and nationals, and feng shui, or flying money, used by Chinese and Southeast Asian nationals. These systems do not make use of mainstream financial intermediaries at all.

Parallel remittance is a simple idea: someone accepts funds in one country and arranges for a partner to make the same amount available to a named recipient in another country. (Payments are made through what are technically offsetting balances rather than individual or bulk

transmissions.) This system leaves little in the way of a financial trail and, according to United States and United Kingdom experts, is becoming increasingly prevalent.

The United States should work with the APG to focus international attention to the enforcement and regulatory issues caused by parallel remittance systems.

Action Item 4.7.3: Enhance understanding of the relationship between money laundering, illegal capital flight, and transfer pricing practices.

Lead: Office of the General Counsel (Department of the Treasury)

Goal for 2000: Increase understanding of the relationship between money laundering, illegal capital flight, and transfer pricing, and, if appropriate, recommend action to be taken.

Milestones: Assemble a study group that will deliver a report to the Money Laundering Steering Committee by November 1, 2000.

It has been said that “[t]he combination of criminal money laundering and illegal flight capital constitutes the biggest loophole in the free-market system. . . Neither the United States nor any other nation will effectively curtail the one while at the same time soliciting the other.”¹⁵ A potentially significant practice that facilitates both of these activities is transfer pricing, in which invoice prices are manipulated in the course of international commercial transactions. Little attention has been given to the relationship between transfer pricing and money laundering and illegal capital flight, and whether action in this area is appropriate. The Department of the Treasury will establish a study group to examine this issue.

Action Item 4.7.4: Continue to advance the work on estimating the magnitude of money laundering.

Lead: Assistant Director for Strategic Analysis, FinCEN

Goal for 2000:

Milestones:

[text to follow from FinCEN]

¹⁵ Raymond W. Baker, *The Biggest Loophole in the Free-Market System*, THE WASHINGTON QUARTERLY, Autumn 1999.

[Add CHFI agreement on IMF study]

Appendix 1: Federal Money Laundering Laws and Enforcement

I. Federal Money Laundering Laws and Regulations

The Money Laundering Control Act¹⁶ and the Bank Secrecy Act,¹⁷ along with the regulations issued by the Secretary of the Treasury to implement these laws, are the foundation of the federal counter-money laundering legal regime.

Money Laundering Control Act

In 1986, Congress enacted the Money Laundering Control Act (MLCA), which established money laundering as an independent federal offense, punishable by prison sentences of up to 20 years. The intent of the MLCA is:

[t]o create a Federal offense against money laundering; to authorize forfeiture of the profits earned by launderers; to encourage financial institutions to come forward with information about money launderers without fear of civil liability; to provide Federal law enforcement agencies with additional tools to investigate money laundering; and to enhance the penalties under existing law in order to further deter the growth of money laundering.¹⁸

The provisions of the MLCA criminalizing money laundering are codified at 18 U.S.C. 1956 and 1957.

Section 1956

Section 1956 includes three different types of money laundering offenses.

Section 1956(a)(1). This subsection makes it unlawful to knowingly engage in a financial transaction with the proceeds of a specified unlawful activity¹⁹ under the following four circumstances:

¹⁶ Pub. L. 99-570, Title I, Subtitle H, Sections 1351-67, 100 Stat. 3207-18 through 3207-39 (1986).

¹⁷ Pub. L. 91-508, Titles I and II, 84 Stat. 1114 (1970).

¹⁸ S. Rep. No. 433, 99th Cong., 2d Sess. 1 (1986).

¹⁹ The term "specified unlawful activity" includes a broad range of criminal offenses, including narcotics trafficking, fraud, violent crimes, terrorism, and other offenses typical of organized crime. These predicate offenses are listed at 18 U.S.C. 1956(c)(7).

- Intent to promote specified unlawful activity. Section 1956(a)(1)(A)(i) prohibits conducting a financial transaction involving illegal proceeds with the intent to promote specified unlawful activity. Such transactions include the reinvestment of the proceeds of crime into a criminal organization.
- Intent to violate certain tax laws. Section 1956(a)(1)(A)(ii) prohibits conducting a financial transaction involving illegal proceeds with the intent to engage in conduct constituting a violation of sections 7201 or 7206 of the Internal Revenue Code.
- Concealment of criminal proceeds. Section 1956(a)(1)(B)(i) makes it an offense to conduct a financial transaction "knowing that the transaction was designed in whole or in part . . . to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of specified unlawful activity." This prong of the statute addresses activity that is most commonly associated with money laundering, for example, using drug proceeds to purchase stock in the name of a third party, or purchasing and mistitling automobiles to conceal the fact that the true owner of the vehicle is a drug dealer.
- Avoidance of Reporting Requirements. Section 1956(a)(1)(B)(ii) makes it an offense to conduct a financial transaction in order to avoid a state or federal reporting requirement. For example, such conduct would include intentionally structuring bank deposits in numerous \$9,000 increments in order to avoid the Bank Secrecy Act's requirement that banks report currency transactions of more than \$10,000.

Section 1956(a)(2). This subsection involves the international movement of illicit proceeds into, out of, or through the United States. It makes it unlawful to transport, transmit, or transfer a monetary instrument or funds into or out of the United States:

- with the intent to promote the carrying on of specified unlawful activity; or
- where the defendant knows that the funds represent the proceeds of some form of unlawful activity and that the transportation or transfer is designed to conceal or disguise the nature, location, source, ownership, or control of the proceeds of specified unlawful activity or to avoid a transaction reporting requirement.

Section 1956(a)(3). This subsection enables law enforcement to conduct undercover "sting" operations. It makes it unlawful to engage in a financial transaction with property represented to be proceeds of specified unlawful activity. The funds in section 1956(a)(3) cases are not actually derived from a real crime; they are funds provided to money launderers by undercover law enforcement agents.

Section 1957

This section makes it unlawful to knowingly conduct a monetary transaction in criminally derived property in an amount greater than \$10,000, which, in fact constitutes proceeds of a specified unlawful activity. Such monetary transactions must be conducted by, through, or to a financial institution. However, for the purposes of this section, financial institutions include not only banks, but also other entities such as currency exchangers, securities brokers, insurance companies, dealers in precious metals, real estate brokers, casinos, and car, boat, or airplane dealers. In other words, this section makes it unlawful in many circumstances to spend large sums of known criminal proceeds.²⁰

Bank Secrecy Act

Congress enacted the Bank Secrecy Act (BSA) to counteract the use of financial institutions by criminals to launder the proceeds of their illicit activity.²¹ It authorizes the Secretary of the Treasury to issue regulations requiring financial institutions to keep certain records and file certain reports, and to implement anti-money laundering programs and compliance procedures. The title of the Act is misleading, as the BSA's main purpose is to limit, rather than to enhance, secrecy regarding certain financial transactions. A willful violation of the BSA may result in a criminal fine of up to \$500,000 or a ten-year term of imprisonment, or both. A violation of the BSA also may result in a civil penalties.

Two major statutes amending the BSA were enacted during the 1990s.

- The Annunzio-Wylie Money Laundering Act added several significant provisions to the BSA.²² The most important of those provisions authorized the reporting of suspicious transactions (SARs). It also allowed for the promulgation of rules for minimum anti-money laundering programs at financial institutions, added a BSA civil penalty for negligence, and created a BSA Advisory Group of government and private-sector experts. Annunzio-Wylie also amended the MLCA to make the operation of an illegal money transmitting businesses a crime (this provision is codified at 18 U.S.C. 1960), and added

²⁰ There are three important distinctions between section 1957 and section 1956. First, section 1957 has a \$10,000 threshold requirement for each transaction. There is no threshold requirement for section 1956. Second, section 1957 simply requires that a monetary transaction occur with proceeds known to be of criminal origin. Unlike section 1956, there is no requirement that the transaction occur with the intent to promote a specified unlawful activity or to conceal the origin of the proceeds. Third, unlike section 1956, section 1957 requires that the transaction be conducted through a financial institution.

²¹ Pub. L. 91-508, Titles I and II, 84 Stat. 1114 (1970).

²² Pub. L. 102-550, Title XV of the Housing and Community Development Act of 1992, 106 Stat. 3672, 4044-4074 (1992).

provisions to the federal banking laws that required agencies to formally consider the revocation of the charter of any depository institution convicted of money laundering.

- The Money Laundering Suppression Act (MLSA) expanded upon the policies set forth in Annunzio-Wylie.²³ The most noteworthy provisions of the MLSA required the designation of a single agency as the recipient of Suspicious Activity Reports, expanded the authority to require the reporting of cross-border transportation of certain negotiable instruments, and required registration with the Treasury Department of certain non-bank financial institutions, such as money transmitters and check cashers.

BSA reporting requirements

As noted above, the BSA authorizes the Secretary of the Treasury to promulgate rules requiring financial institutions to file certain reports of financial transactions. In accordance with these regulations, certain financial institutions must file: Suspicious Activity Reports, currency transaction reports, reports of cross-border currency transportation, and reports relating to foreign bank and securities accounts.

Banks are required to file, in accordance with 31 CFR 103.21, reports of suspicious transactions conducted or attempted at their branches, and involving or aggregating at least \$5,000. A bank must file a Suspicious Activity Report (SAR) if it knows, suspects, or has reason to suspect that a transaction or series of transactions involves illegally-derived funds, is designed to evade BSA requirements, or has no business or apparent lawful purpose. Banks are specifically prohibited from notifying any person involved in a transaction reported as suspicious that a SAR has been filed. Banks enjoy a safe harbor from civil liability for any disclosure contained in a SAR.

The currency transaction reporting rules at 31 CFR 103.22 require a financial institution²⁴ to file a currency transaction report (CTR) for each deposit, withdrawal, currency exchange, or other payment or transfer conducted by or through the financial institution in an amount exceeding

²³ Pub. L. 103-325, Title IV of the Riegle Community Development and Regulatory Improvement Act of 1994 (1994).

²⁴ Under the BSA, the Secretary of the Treasury has the authority to define the term "financial institution" very broadly. At present, however, the implementing regulations restrict the scope of this term (for purposes of the BSA) to mean each agent, agency, branch, or office within the United States of any person doing business as a bank, a broker or dealer in securities, a money services business (defined to include a check casher, a currency exchanger, an issuer, seller, or redeemer of travelers' checks, money orders or stored value, a money transmitter, and the U.S. Postal Service), a telegraph company, a casino, a card club, and a person subject to supervision by any state or federal bank supervisory authority.

\$10,000.²⁵ This requirement also applies to casinos, which must file reports of currency transactions involving more than \$10,000, as well as the Postal Service which must file reports of cash purchases of postal money orders and other money services products worth more than \$10,000. Multiple transactions occurring in a single business day must be aggregated for purposes of reaching the \$10,000 threshold if the financial institution knows that the transactions are conducted by or on behalf of the same person. In accordance with exemption procedures issued by the Secretary of the Treasury, banks may exempt transactions with certain customers from the requirement to file a CTR.

A currency or monetary instrument report (CMIR) must be filed, in accordance with 31 CFR 103.23, by all persons physically transporting currency or monetary instruments in amounts exceeding \$10,000 across the U.S. border, and by all persons receiving a cross-border shipment of currency or monetary instruments in excess of \$10,000 for which a CMIR has not been filed. Failure to file such a report can lead to seizure of the funds attempted to be transported.

A foreign bank account report (FBAR) must be filed, in accordance with 31 CFR 103.24, by U.S. residents and citizens, as well as persons in and doing business in the U.S., regarding accounts maintained with foreign banks or securities brokers or dealers. Such reports must be filed with the Commissioner of the Internal Revenue Service for each year during which the foreign account is maintained.

BSA recordkeeping requirements

The BSA also authorizes the Secretary of the Treasury to promulgate rules requiring financial institutions to maintain certain records pertaining to financial transactions. In some instances, records must be maintained in conjunction with the filing of a report. For example, if a bank decides to file a SAR, it must keep a copy of the SAR and supporting documentation in its records. There are additional recordkeeping requirements not attached to the duty to file a report. Examples of such independent recordkeeping requirements include the monetary instrument identification or "log" requirement and the funds transfer rules, described below. Financial institutions must keep a copy of required records for five years, and the copy must be filed or stored in such a way as to be accessible within a reasonable time, in accordance with 31 CFR 103.38.

²⁵ The Secretary of the Treasury may, pursuant to 31 CFR 103.26, lower an applicable reporting or recordkeeping dollar threshold when issuing a geographic targeting order (GTO). To issue a GTO, the Secretary must determine that reasonable grounds exist for concluding that additional recordkeeping and reporting requirements are necessary to carry out the purposes and prevent evasions of the BSA. A GTO may be issued with regard to a specific financial institution or group of financial institutions within a geographic area.

The log requirement, found at 31 CFR 103.29, requires financial institutions to maintain records of the sale of bank checks or drafts, cashiers' checks, money orders, and travelers' checks purchased with currency in amounts of \$3,000 - \$10,000, inclusive. In complying with this requirement, financial institutions must obtain and record identifying information with respect to the purchaser and the instrument purchased.

Financial institutions must keep records with respect to most classes of customer transactions. One important class of recordkeeping requirements relates to funds transfers of \$3,000 or more, as provided by 31 CFR 103.33. The exact nature of the funds transfer recordkeeping requirement varies depending upon the role the financial institution plays in the transaction stream, but generally requires financial institutions to maintain a copy of the payment order, payment instructions received, and, in certain circumstances, information relating to the originator, beneficiary, and intervening financial institutions.

II. Federal Money Laundering Enforcement and Compliance

The responsibility for enforcing our criminal money laundering laws, and ensuring compliance with the BSA's recordkeeping and reporting requirements, is shared among several federal agencies.

Law Enforcement

The Department of the Treasury and the Department of Justice are the key federal agencies responsible for enforcing the criminal prohibitions of money laundering found in 18 U.S.C. 1956 & 1957.

The Department of the Treasury

The Secretary of the Treasury, through the Under Secretary (Enforcement), oversees the money laundering enforcement efforts of the Treasury. Treasury bureaus involved in enforcing the counter-money laundering laws include the Financial Crimes Enforcement Network (FinCEN), Internal Revenue Service-Criminal Investigative Division (IRS-CID), the United States Customs Service (Customs), the United States Secret Service (USSS), and the Bureau of Alcohol, Tobacco and Firearms (ATF).

- FinCEN establishes, oversees and implements policies to prevent and detect money laundering. As its name implies, FinCEN is a network link among the law enforcement, financial and regulatory communities. Using the information reported under the BSA by banks and other financial institution, FinCEN serves as the nation's central clearinghouse for broad-based intelligence and information sharing on money laundering that helps illuminate the financial trail for investigators to follow as they track criminals and their

assets. FinCEN also provides tactical intelligence and analytical support to law enforcement. It combines information reported under the BSA with other government and public information that is provided to the law enforcement community in the form of intelligence reports. These reports assist law enforcement in building investigations and planning new strategies to combat money laundering.

- The Internal Revenue Service is primarily responsible for investigating criminal and civil money laundering and currency reporting violations under the criminal and financial codes of Titles 18 and 31. IRS-CID has primary investigative jurisdiction for money laundering crimes involving banks and other financial institutions. IRS-CID also has joint investigative jurisdiction of money laundering violations contained in the criminal code of Title 18. This authority is often shared between IRS-CID and the federal law enforcement agency with the investigative authority over the predicate crime, if such crime is outside the investigative jurisdiction of IRS-CID.
- Customs' primary anti-money laundering role is to conduct illegal drug and currency interdiction at U.S. borders. Customs also enforces the reporting of currency and monetary instruments brought into or removed from the United States, as required by the BSA. Customs has a broad grant of authority to conduct international financial crime and money laundering investigations and initiatives within its role as a border enforcement agency. This jurisdiction is triggered by the illegal movement of criminal funds, services, or merchandise across national borders. Customs enforcement efforts focus on international criminal organizations whose corrupt influence often affect trade, economic and financial systems on a global basis.
- The Secret Service and ATF both investigate money laundering cases as part of their traditional law enforcement functions. The jurisdiction of the Secret Service is especially relevant because it includes computer crimes, counterfeiting and many crimes involving the misuse of national banks and federally chartered thrift institutions.

The Department of Justice

The Attorney General, as the chief law enforcement officer of the United States, is responsible for the enforcement of all federal law. Through the Deputy Attorney General and the Assistant Attorney General for the Criminal Division, and in conjunction with the 94 United States' Attorneys, the Attorney General oversees prosecutions for money laundering offenses. The Asset Forfeiture and Money Laundering Section (AFMLS) of the Criminal Division, and the Federal Bureau of Investigation (FBI) and the Drug Enforcement Agency (DEA) are the principal Justice Department components engaged in the investigation and prosecution of money laundering.

- AFMLS participates in domestic and international money laundering investigations and prosecutions, and supervises and approves certain money laundering prosecutions. The Section also provides legal advice to U.S. Attorneys' offices and investigative agencies on money laundering and asset forfeiture matters. Working closely with the various law enforcement agencies, AFMLS aids in the coordination of multi-district and internationally based money laundering investigations.
- The FBI has investigative authority over more than 200 violations of federal law, including money laundering offenses, whether the laundering is related to drug trafficking, terrorism, bank fraud or espionage. The FBI gathers and analyzes intelligence data to identify and target the major international and domestic money laundering organizations. In addition, long-term complex undercover money laundering operations are conducted to target the criminal money launderer as well as the underlying criminal activity. The FBI considers money laundering as an ancillary violation that is pursued in all FBI investigations.
- The DEA is a specialized bureau of the Department of Justice whose sole mission is the enforcement of the U.S. drug trafficking laws. DEA places emphasis on the financial aspects of drug trafficking and works closely with federal, state, local and county law enforcement agencies in money laundering investigations.

Department of State

The Department of State is responsible for day-to-day liaison with foreign governments on policy matters, including money laundering. Primary responsibility for money laundering matters is vested in the Department's Bureau of International Narcotics and Law Enforcement Matters, which participates in anti-money laundering initiatives in a variety of ways, including publishing an annual report on international money laundering, helping to coordinate with other agencies intelligence and training and technical assistance on money laundering, and providing considerable funding for international anti-money laundering training.

United States Postal Service

The Postal Inspection Service is the investigative arm of the U.S. Postal Service. It has investigative jurisdiction for money laundering in connection with Postal related predicate offences, such as mail fraud. The Postal Inspection Service also investigates money laundering involving the cash purchase of postal money orders, which are often used by money launderers to transport value out of the country.

Regulatory Compliance

The record-keeping and reporting requirements of the BSA are a critical component of the counter-money laundering regime. Ensuring that financial institutions and other covered persons and entities comply with these regulatory requirements is the responsibility of a broad range of executive branch and independent agencies including the federal banking regulators, the Securities and Exchange Commission, the Internal Revenue Service's Examination Division, and the Commodities Futures Trading Commission.

Federal Banking Regulators

The periodic compliance examinations conducted by the federal banking agencies and regulators – *i.e.*, the Office of the Comptroller of the Currency; the Office of Thrift Supervision; the Board of Governors of the Federal Reserve System; the Federal Deposit Insurance Corporation; and the National Credit Union Administration – constitute a very significant deterrent to money laundering. These regulators ensure that their member banks have in place adequate internal controls and compliance programs to protect against money laundering, detect suspicious transactions, and file appropriate currency transaction and suspicious activity reports. If, in the course of a compliance review, a federal banking regulators detect a money laundering scheme, it reports its findings to the appropriate law enforcement agencies. In addition, when a regulator determines that a bank has failed to comply with the reporting requirements of the BSA, it may refer the case to FinCEN for possible civil penalties. And if a bank fails to file required SAR reports, the regulator can initiate a SAR report on its own and also may institute civil money penalties or other enforcement measures under the authority provided by 12 USC 1818.

The Securities and Exchange Commission

The Securities and Exchange Commission (SEC) regulates of the domestic securities markets and market participants. The SEC's chief responsibility with respect to money laundering is ensuring compliance with the BSA's reporting, recordkeeping and record retention obligations by securities brokers and dealers. Much of the examination, investigation and enforcement responsibility for brokers and dealers is effected by self-regulatory organizations (SROs) over securities exchanges. SEC and SRO staff engage in sophisticated review of securities firms' financial and customer data related to compliance with the federal securities laws, and conduct their reviews mindful of the need to refer to the appropriate civil or criminal authorities information that may evidence money laundering.

Internal Revenue Service

The Internal Revenue Service's Examination Division (IRS-Exam) has regulatory authority for civil compliance with the BSA for many non-bank financial institutions (NBFI) such as currency dealers or exchangers, check cashers, issuers and sellers or redeemers of traveler's checks/money orders or similar monetary instruments, licensed transmitters of funds, telegraph companies,

certain casinos and agents/agencies/branches or offices within the United States of banks organized under foreign law. IRS-Exam conducts on-site BSA compliance exams to ensure that NBFIs are in compliance with the reporting, recordkeeping and compliance program requirements of the BSA, and is also responsible for examining and monitoring compliance with the currency reporting requirement on trades and businesses

Commodities Futures Trading Commission

The Commodity Futures Trading Commission (CFTC) is charged with the administration and enforcement of the federal futures and options laws. Although money laundering is not a violation of the laws enforced by the CFTC, it may be accomplished through acts that separately violate these laws – such as wash sales, accommodation trades, fictitious transactions and the filing of false reports – and therefore could result in a CFTC enforcement action.

III. State and Local Counter-Money Laundering Efforts

The range of activities undertaken at the state and local level to combat money laundering is extensive.

On the enforcement side, 34 states have laws making money laundering a crime. Many of these state laws incorporate, to a varying degree, similar or parallel aspects of federal counter-money laundering laws, including lengthy prison sentences for money laundering (often in the range of 10 to 20 years) and significant criminal fines (e.g., three times the value of the property involved in the transaction). In recent years, there has been an increased focus on investigations involving money laundering and its predicate offences. Several states have prosecution units that focus on state money laundering prosecutions. These units are composed of a diverse staff including attorneys, investigators, accountants, analysts and computer specialists who have significant expertise in financial investigation techniques and laws relating to money laundering/asset forfeiture. In addition, there are law enforcement task forces in many parts of the country that combine the resources of federal, state and local agencies in combating money laundering and related predicate offences.

States are also actively engaged in the regulation and supervision of financial institutions. Enforcement agencies in all 50 states participate in FinCEN's Project Gateway, which allows authorized users in state law enforcement agencies direct, on-line access to all BSA reports. This program allows states to access individual BSA reports filed anywhere in the country, rather than limiting access to those filed in one particular state. Moreover, several states have enacted currency transaction reporting requirements for bank and non-bank financial institutions that mirror the BSA as a means of collecting data, while several other states receive copies of federal CTRs filed by institutions in their state. And, of course, state banking agencies engage in routine

supervision and compliance audits of state-chartered banks, which often includes a review of a bank's counter-money laundering efforts.



DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

March 8, 2000

ACTION

MEMORANDUM FOR SECRETARY SUMMERS

FROM:

Ted Truman *mlk for*
Assistant Secretary
International Affairs

Will Wechsler *WJW*
Special Advisor for Money Laundering

SUBJECT:

Letter to 1st Deputy Prime Minister Kasyanov urging Russia to enact anti-money laundering legislation.

Background

The attached letter notes Prime Minister Putin's commitment last October to work with the Duma to enact quickly comprehensive anti-money laundering legislation and urges vigorous action to fulfill this promise. The letter emphasizes the positive signal that enactment of an anti-money laundering law would send, including at the Okinawa Summit. If Russia passes its law, the letter offers to provide technical assistance to speed implementation of the anti-money laundering regime and to assist with Russian application for membership in the FATF.

The timing of this letter is intended to keep money laundering at the top the new government's legislative agenda following the March 26th elections.

Recommendation

That you sign the attached letter.

Agree _____ Disagree _____ Let's Discuss _____

*RA ok
to authorize
per LGS
3/8/00*

Attachment: Letter to Kasyanov

EXECUTIVE SECRETARY



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

March 8, 2000

Mr. Mikail Kasyanov
First Deputy Prime Minister
The White House
Krasnopresnenskaya Naberezhnaya 2
Moscow, Russia

Dear Minister Kasyanov:

I write on a subject that I know both of us take very seriously, money laundering. Last September this issue was identified as a priority in the G-7 Finance Ministers Communiqué, and in October it was a key agenda item at the G-8 Crime Ministerial in Moscow. Money laundering has also been at the forefront of diplomatic and law enforcement discussions between our two nations.

In October, the G-8 Ministerial participants warmly welcomed Prime Minister Putin's commitment to achieve enactment of a comprehensive anti-money laundering law and discussion of the steps Russia proposed to take to put into place an anti-money laundering regime. Attorney General Reno, responding to a Russian request, presented Prime Minister Putin with our comments on the draft legislation that had been provided to us by the Presidential Administration. We understand work on the draft continues, and we urge the Russian Government to proceed with all deliberate speed to fulfill Prime Minister Putin's October commitments, most notably enactment of comprehensive anti-money laundering legislation in conformity with international standards.

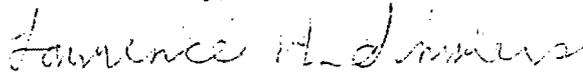
The United States and the international community attach great importance to this issue. Enactment would help improve Russia's business climate and would be a fundamental step in Russia's critical fight against crime and corruption. The new Duma and Presidential Administration can send a positive signal by making passage of a strong money laundering law, ideally before the Okinawa Summit, one of their top legislative priorities. The prompt enactment and thorough implementation of such a law would also be warmly received within the international banking community. In contrast, the continued absence of progress on this matter would send a negative signal to the international community.

The United States stands ready should Russia desire further consultations during the drafting of new money laundering legislation. The consultations we have already begun, including those with the Council of Europe, are an important start. In addition, the Financial Action Task Force could review new draft legislation for adherence to international standards, if such assistance would be helpful. Enactment of such a law would also improve the receptivity of the Financial

Action Task Force to a Russian application for membership. Once a law is enacted, the United States would be prepared to offer assistance to help speed implementation, including assistance in establishing a Russian financial intelligence unit.

I look forward to a continuing dialogue with you on this issue and to working with you to help stem money laundering activities in Russia, the United States and throughout the world.

Sincerely,

A handwritten signature in cursive script that reads "Lawrence H. Summers".

Lawrence Summers

EXECUTIVE SECRETARIAT CORRESPONDENCE MEMO COVER SHEET

Wednesday, March 08, 2000

PROFILE #: 2000-SE-002578

DATE CREATED: 03/08/2000

ADDRESSEE: Lawrence H. Summers
Secretary

AUTHOR: Truman, Ted/Wechsler, Will
International Affairs/Enforcement

SUBJECT: Letter to 1st Deputy Prime Minister Kasyanov Urging Russia to Enact Anti-Money Laundering
Legislation

ABSTRACT: Letter to 1st Deputy Prime Minister Kasyanov urging Russia to enact anti-money laundering
legislation.

RM 3419

TO REVIEWERS

TO EXECUTIVE SECRETARY

IN:

IN:

TO THE SECRETARY

DATE SIGNED:

DISTRIBUTION: AS, INTERNATIONAL AFFAIRS
US, ENFORCEMENT

TR ORIGINALS TO PA 3 8 00

PA to LHS (action)

LHS ok to envelope

PA to TR to envelope

TR originals to CASCA

3/8/00



ASSISTANT SECRETARY

March 8, 2000

MEMORANDUM FOR SECRETARY SUMMERS

FROM:

Ted Truman *TR*
Assistant Secretary
International Affairs

Will Wechsler *WC*
Special Advisor for Money Laundering

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Attachment: Letter to Kasyanov



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

Mr. Mikail Kasyanov
First Deputy Prime Minister
The White House
Krasnopresnenskaya Naberezhnaya 2
Moscow, Russia

Dear Minister Kasyanov:

I write on a subject that I know both of us take very seriously, money laundering. Last September this issue was identified as a priority in the G-7 Finance Ministers Communiqué, and in October it was a key agenda item at the G-8 Crime Ministerial in Moscow. Money laundering has also been at the forefront of diplomatic and law enforcement discussions between our two nations.

In October, the G-8 Ministerial participants warmly welcomed Prime Minister Putin's commitment to achieve enactment of a comprehensive anti-money laundering law and discussion of the steps Russia proposed to take to put into place an anti-money laundering regime. Attorney General Reno, responding to a Russian request, presented Prime Minister Putin with our comments on the draft legislation that had been provided to us by the Presidential Administration. We understand work on the draft continues, and we urge the Russian Government to proceed with all deliberate speed to fulfill Prime Minister Putin's October commitments, most notably enactment of comprehensive anti-money laundering legislation in conformity with international standards.

The United States and the international community attach great importance to this issue. Enactment would help improve Russia's business climate and would be a fundamental step in Russia's critical fight against crime and corruption. The new Duma and Presidential Administration can send a positive signal by making passage of a strong money laundering law, ideally before the Okinawa Summit, one of their top legislative priorities. The prompt enactment and thorough implementation of such a law would also be warmly received within the international banking community. In contrast, the continued absence of progress on this matter would send a negative signal to the international community.

The United States stands ready should Russia desire further consultations during the drafting of new money laundering legislation. The consultations we have already begun, including those with the Council of Europe, are an important start. In addition, the Financial Action Task Force could review new draft legislation for adherence to international standards, if such assistance would be helpful. Enactment of such a law would also improve the receptivity of the Financial

Action Task Force to a Russian application for membership. Once a law is enacted, the United States would be prepared to offer assistance to help speed implementation, including assistance in establishing a Russian financial intelligence unit.

I look forward to a continuing dialogue with you on this issue and to working with you to help stem money laundering activities in Russia, the United States and throughout the world.

Sincerely,

Lawrence Summers

TREASURY CLEARANCE SHEET

Date: March 7, 2000

SUBJECT: LHS Money Laundering letter

NAME (Please Type)	INITIAL	DATE	OFFICE/ROOM NO.	TEL. NO.
INITIATOR(S)				
B Cox/W Wechsler	BBC BBC for ww			
REVIEWERS				
A Baukol	BBC for			
N Lee				
J Myers	BBC for			
M Hagler	BBC for			
R Munk	BBC for			
N Wolin	do for			



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 1, 2000

MEMORANDUM FOR: DEPUTY SECRETARY EIZENSTAT
FROM: WILLIAM WECHSLER *WW*
SPECIAL ADVISOR ON MONEY LAUNDERING

RE: Money Laundering Provisions of the Transnational Organized Crime Convention

Background:

Over the past two years, the United States has participated in the negotiations of the United Nations Convention Against Transnational Organized Crime. The goal of the Convention is to enhance international cooperation on a variety of issues related to transnational organized crime - including extradition, mutual legal assistance, firearms trafficking, and money laundering. Of particular interest to Treasury have been the Convention's two articles relating to money laundering -- Article 4 and Article 4 *bis* -- and the Firearms Trafficking Protocol.¹ Regarding the money laundering provisions, it has been the U.S. goal to use the Convention to advance both the international obligation to criminalize money laundering and to elevate the international status of the FATF.

The Justice Department has had the lead in negotiating Article 4, which deals with money laundering criminalization. The Treasury Department has had the lead in negotiating Article 4 *bis*, which seeks to require countries to implement counter-money laundering regulatory regimes based on the FATF 40. However, certain countries -- particularly in the Arab Group -- are seeking to undermine the FATF by supporting language that could create a weaker, alternative international standard to the FATF 40.

The Convention negotiations are scheduled to conclude this year, with a signing event set for Palermo, Italy on December 11, 2000. The next round of negotiations is scheduled in Vienna, Austria for June 5 - 16. Article 4 *bis* is scheduled to be discussed during the second week of the negotiations, probably on June 13 or 14. This round is likely to be the final opportunity to ensure acceptable money laundering language. It is unlikely, however, that the significant outstanding money laundering issues can be resolved in the short time allotted to them in Vienna next month absent high-level capital-to-capital outreach to the countries that have represented the most significant obstacles. Failure to achieve acceptable language on Article 4 *bis* would represent a significant setback in U.S. international money laundering policy.

¹ The Firearms Protocol to the Convention is not the subject of this memorandum, though Treasury has taken the lead in its negotiation. Separate briefing papers can be prepared for you on this matter if you wish.

Recommendation:

Prior to the next round of negotiations, you place calls to the Finance Ministries of Lebanon, the United Arab Emirates, and Kuwait, emphasizing the importance of this issue to the United States and the reasonableness of our position. (Talking points are attached).

Lebanon:

Minister of Finance Georges Corm
Tel: 011-961-1-642-720

U.A.E.:

Ministry of Finance and Industry Hamad bin Rashid
Tel: 011-971-2-726-000

Kuwait:

Minister of Finance Ahmad A. Al-Sabah
Tel: 011-3965-248-0000

Discussion:

The Treasury Department has led the negotiations of Article 4 *bis*, which seeks to require countries to implement effective counter-money laundering supervisory and regulatory regimes. Initially, our effort in Article 4 *bis* was to require countries to adopt and adhere to the FATF 40 Recommendations. Achieving international consensus around this position -- particularly from the G-77 -- proved impossible, due largely to reluctance by many countries to commit formally to the FATF 40 Recommendations. Consequently, the U.S. position has gradually softened, though our bottom line has remained as follows:

- a requirement to implement effective supervisory and regulatory counter-money laundering regimes, and
- an acknowledgment of the FATF 40 as the premier international money laundering standards, not as one set of standards among many.

At the last round of negotiations on this matter in February, delegates from the G-8 crafted compromise language to accommodate G-77 concerns. The operative language is as follows:

“consistent with its fundamental legal principles, and without prejudice to any other article of this Convention, each State Party *shall, within its means, develop the domestic regulatory and supervisory regime* under the terms of this article *on the basis of the 40 Recommendations of the FATF* and other relevant initiatives such as. . . .”

This language is consistent with the goals the U.S. seeks to achieve, and at the same time accommodates many G-77 concerns. Unfortunately, at a late stage in the negotiations, the Arab Group objected to the compromise text, insisting that the phrase "if appropriate" be used to modify the obligation to develop a regime based on the FATF 40. In other words, the Arab Group sought to remove any obligation to base regimes on the FATF 40, thereby reducing the FATF 40 from the premier standard to one standard among others to which countries can look.

Lebanon has taken an unofficial leadership role among the Arab countries present at the negotiations. Therefore, Lebanon's cooperation is vital to bringing the negotiations to a successful conclusion. As you know, Lebanon is likely to be named as a non-cooperative jurisdiction by FATF this month. This fact presents both an obstacle and an opportunity. While Lebanon will certainly not be anxious to endorse a body that is in the process of publicly criticizing it, endorsement of Article 4 *bis* could be presented as a first step that Lebanon can take to remove itself from the FATF list.

Talking Point on Article 4 bis

- I am pleased to learn that your country has taken an active role in the negotiations of the U.N. Transnational Organized Crime Convention. We value our cooperation with you in that forum.
- One issue that is of particular concern to the United States is Article 4 bis, which seeks to require countries to establish effective counter-money laundering regimes. The United States considers this to be one of the most important provisions in the Convention.
- As you may know, this Article will be discussed in Vienna in early June, and that may be our final opportunity to ensure acceptable money laundering language.
- A proposal has been put forward that would require countries to establish comprehensive counter-money laundering regimes -- consistent with their fundamental legal principles and within their means -- that are based on the FATF 40 Recommendations, and on other relevant standards.
- We understand that countries that are not FATF members are sensitive to agreeing to follow these recommendations, but I must emphasize two points:
 - We are not seeking to incorporate the FATF 40 as binding obligations in the Convention, as they are not even legally binding on FATF members. We are simply seeking to countries to commit to developing regimes *based* on the FATF 40.
 - However, we do believe that the FATF 40 must be acknowledged as the leading international money laundering standard, and the one on which regional efforts throughout the world have been based.
- The FATF 40 have been embraced by over 60 countries in all regions, and serve as the basis for the developing international system to combat money laundering. This is why I was troubled to learn that your country has objected to the proposed language, and is instead seeking language that would make it optional for countries to base their counter-money laundering systems on the FATF 40.
- If your country has concerns about the current money laundering proposal, I would like to know about them and to try to work them out so we can move this issue forward in a spirit of cooperation.
- **[This point only for Kuwait and UAE]** I understand that your country is seeking to join the international fight against money laundering, but I must emphasize that the United States considers acceptance of the FATF 40 as the premier international standard to be an indispensable foundation of any country's money laundering policy.

• **[This point only for Lebanon]** I understand that Lebanon is being reviewed by FATF in its evaluation of non-cooperative jurisdictions and is likely to be listed as non-cooperative. Though I cannot promise any outcomes in that process -- as the U.S. is only one country within FATF -- I can say that support and implementation of this language would be a good first step to joining the international fight against money laundering and removing Lebanon from the non-cooperative list. I therefore urge you to examine the reasonable text that has been proposed in this matter, and to support this text at the upcoming negotiations in Vienna in early June.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

June 7, 2000

SECRETARY OF THE TREASURY

The Honorable James Leach
Chairman
Committee on Banking and Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I write to express the Administration's strong support for H.R. 3886, the International Counter-Money Laundering Act of 2000. This bipartisan bill will greatly improve our ability to combat international money laundering.

International money laundering is an enormously important issue. Former IMF director Michel Camdessus has estimated the global volume of laundered money at 2-5 percent of annual global GDP -- \$600 billion at the low end. The laundering of this money allows terrorists, drug cartels, organized crime groups, and corrupt foreign government officials to profit from their illegal activities and finance new crimes.

Recent developments have made it easier for international criminals to launder their funds. Globalization and advances in communications and banking technologies allow criminals, like everyone else, to move their funds faster and farther than ever before. And the Internet now allows almost every bank in the world, well regulated or not, to be easily accessed. The result has been a proliferation in just the last few years of international money laundering havens. These are countries -- some of them small, remote islands -- that have recently passed laws providing excessive bank secrecy, anonymous company incorporation, economic citizenship, and other provisions that directly conflict with well-established international anti-money laundering standards. Many blatantly advertise their no-questions-asked banking services. Some have actually made this part of their official development programs.

The International Counter-Money Laundering Act of 2000 would provide the tools we need to crack down on international money laundering havens and protect the integrity of the U.S. financial system from the influx of tainted money from abroad. The bill provides for actions that will be graduated, discretionary, and targeted, so we will be able to focus our attention on international transactions involving criminal proceeds, while allowing legitimate international commerce to continue to flow unimpeded.

This bill would allow the Secretary of the Treasury to take two steps. First, after careful consultations with all relevant government officials including the Chairman of the Federal Reserve, the Secretary could designate a specific foreign jurisdiction, foreign financial institution, or class of international transactions as being of "primary money laundering

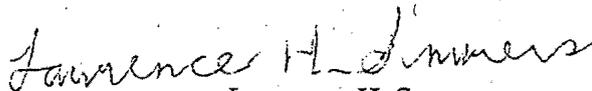
concern." The Secretary's consultations would ensure consideration of all relevant facts, including the specific type of money laundering threat we confront, the degree of cooperation we expect from our allies, and the possibility that inappropriate burdens or anti-competitive ramifications may result for domestic financial institutions. Second, after another round of consultations, the Secretary could take action to help prevent laundered money from slipping undetected into the U.S. financial system and, as a result, increase the pressure on that foreign jurisdiction to improve its own counter-money laundering efforts. The bill includes provisions for record-keeping and reporting, the identification of beneficial owners and those using correspondent or payable-through accounts, and for restricting correspondent relationships with money laundering havens and rogue foreign banks in certain circumstances.

This Act will complement our other anti-money laundering initiatives as detailed in the *National Money Laundering Strategy for 2000*, released earlier this year. Internationally, we have successfully worked with the 26-nation Financial Action Task Force to identify nations that have failed to cooperate with the international fight against money laundering. The FATF report, the first of its kind, is due later in the month. The issue will also be high on the agenda of the G-7 next month. Domestically, we have worked to focus federal law enforcement as never before. For example, working with the Congress we have identified the first four high-intensity financial crime areas and have begun a new grant program to help boost state and local law enforcement efforts.

We have found that the only way to combat this problem effectively is through coordinated efforts on all fronts: law enforcement, international cooperation, and regulatory oversight. Each of these are interdependent. Without any one, our efforts would be ineffective. For instance, if U.S. law enforcement is unable to penetrate foreign bank secrecy regimes, or if U.S. law enforcement did not have access to suspicious activity reports by banks, they could not successfully combat money laundering. Therefore, by improving our international efforts, we will not only achieve greater success in that area, but will improve federal, state and local law enforcement as well, while better protecting the integrity of the U.S. financial system.

The Administration strongly supports H.R. 3886, and urges its adoption by the Congress.

Sincerely,


Lawrence H. Summers



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

June 7, 2000

The Honorable John LaFalce
U.S. House of Representatives
Washington, D.C. 20515

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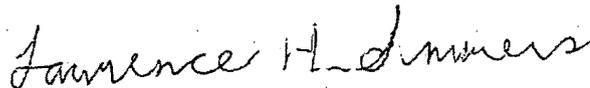
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The Administration strongly supports H.R. 3886, and urges its adoption by the Congress.

Sincerely,



Lawrence H. Summers

From: Ronald Levy
To: ComstockN
Date: 6/7/00 6:42pm
Subject: HR-3886 Sec. letter to OMB for clearance: withdrawn(?)

Neal:

In furtherance of a conversation we started --

I sent the Sec. letter on H.R. 3886 to OMB/LRD because of the squabble we had with the Justice report on, and amendment to, H.R. 3886. While we were speaking OMB/LRD called and, among things, advised that Justice has withdrawn its letter.

I called Will Wechsler to confirm. Eric Holder and the Leg. Affairs folks at Justice did in fact agree to withdraw their letter. This then left the question of what to do with the Sec. letter I sent to OMB/LRD just a few minutes earlier for clearance.

Per the conversation with Will, I left a message for OMB/LRD to take the Sec's letter out of the clearance process as an unnecessary process -- the letter supported an Administration bill, did not comment on that bill, and did not propose to add to or subtract from that bill (in contrast to the Justice letter). In a follow up conversation with OMB/LRD, I was told that they would send the letter to the policy folks (Alan Rhinesmitn, or someone in his office) as a *fait accompli*.

Ron

CC: LLR, WechslerW, carror

- Prepared by Will Wechsler
- OK with Neal Wolin
- OK with per Todd Stern
- OK with Enforcement
- NOT cleared by Matt Thomas per NCC
- NCC to LS (signature)
- LS OK to antopen
- NCC antopenned
- NCC original to L.A.
for delivery (Dider Niskan)
- Please log and file
- 6/7/00



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

MEMORANDUM

To: Money Laundering Strategy Steering Committee

From: Stuart Eizenstat, Deputy Secretary of the Treasury
Eric Holder, Deputy Attorney General

Re: Implementation of the National Money Laundering Strategy for 2000 and Drafting of the National Money Laundering Strategy for 2001

Date: November 16, 2000

It is time again to describe what we have done so far on each action item in the current National Money Laundering Strategy (NMLS), and to draft the NMLS for 2001.

Attached is a spreadsheet that lists the status for all the action items in the 2000 NMLS. In general, the Steering Committee has done a good job of implementing the current Strategy. Everyone should feel proud of the progress made in one year. As the attached spreadsheet reveals, however, there are several significant holes that need to be filled. Please review the attached spreadsheet and provide us with the status of all incomplete action items for which you hold the lead or partial responsibility.

The 2001 NMLS should be a follow-up to the 2000 NMLS. In drafting the submissions for the 2001 NMLS, each working group should consider what has been accomplished and what further steps are logical. Of course, new ideas and initiatives are welcome. The Treasury Department will take the responsibility for consolidating the drafts from each working group. Submissions for each action item are due by December 15, 2000. The target date for publication is February 1, 2001. Because our timetable is so tight, it is extremely important that submissions are made by the December 15th deadline. Assuming that all the submissions will be timely, we will circulate a draft to the Steering Committee by January 5, 2001, and will prepare a final draft by January 22, 2001.

Also attached is a template for submissions. Most submissions should not be longer than a page or two, although your submission may be longer if necessary. The chairs of the subgroups are responsible for submissions for their action items (and will likely need to include longer submissions, given the priority attached to their action items). Treasury (Enforcement) and Justice (Criminal) are responsible for submissions for the action items that are under their direction.

Please e-mail your submissions to David Aronberg, the White House Fellow for the Treasury Department, who will be the point of contact for the 2001 NMLS. His e-mail address is david.aronberg@do.treas.gov and his telephone numbers are 202-622-2143 (office) and 202-622-2751 (fax). If any agency has ideas for new action items or additional money laundering-related activities that were overlooked in the drafting of the 2000 NMLS, please send them to David Aronberg as well. Our intention is to provide the Congress and the public with another comprehensive collection of the Administration's actions to combat money laundering.

**DRAFT -- ACTION ITEM LIST
NATIONAL MONEY LAUNDERING STRATEGY**

Updated Draft 11/8/00 - Sort by date

Action Item	Lead	Agency	Due Da	Milestone	Status
4.2.1.d-1	Talisman	Treasury	Mar-00	OECD committee decision on access to bank info for tax purposes report	Report completed and published Spring 2000.
4.4.3-1	Truman	Treasury	Mar-00	Coordinate interagency Foreign Official Corruption Working Group	Completed ; report drafted.
4.6.1	Robinson	Justice	Mar-00	Justice and State implement an agreement on the modalities for passing to State the names and bios of known or suspected money launderers for entry into the visa lookout	
1.5.2-1	Varrone	Customs	Apr-00	DEA, IRS, FBI, OFAC participate in MLCC and deconfliction center available to all	DEA placed an agent at MLCC for 60 days on trial basis, and the agent is still there; IRS will be meeting with MLCC in near future; OFAC and US Postal Inspectors are participating on an part-time basis; a formal agreement between the MLCC and RMCP is pending; no commitment from FBI yet
1.6.1-1	Hicks McDowell	Treasury Justice	Apr-00	AG, Depty Secty & Depty AG meet with companies whose products are vulnerable to BMPE. ID major trade associations & schedule BMPE presentations at annual mtg.	Completed. Meeting took place in June 2000; a follow-up meeting will occur in DC in November 2000.
1.6.2-1	Varrone	Customs /	Apr-00	MLCC analysis identifies common methods for placement of narco proceeds into the financial system	Ongoing. MLCC continues to track wire transfers of accounts for which a suspected violator is involved; the account information is used to identify the recipient of the funds; MLCC staff has been
4.2.1.c	Sobel	Treasury	Apr-00	Report to the Financial Stability Forum on the Offshore Financial Center Wkg. Group's conclusions regarding recommendations for assessing compliance and ensuring incentives to encourage such compliance	Completed
1.4.1-1	Talisman Junghans Robinson	Treasury Justice Justice	May-00	Convene a study group to consider expanding the list of ML predicates to include tax offenses.	In process; meetings took place on 8/11, 9/6 and 9/25; no conclusions yet.

1.6.2-2	Varrone	Customs	May-00	MLCC completes analysis of BSA info documenting alleged BMPE violations	List of 23 top businesses identified as being suspected of accepting BMPE dollars is completed; additional information is being researched; list will be available in near future.
1.7.2-1	Robinson	Justice	May-00	Convene a wkg. Group to review available technologies and determine utility of developing a uniform procedure for conducting document exploitation	
2.3.3-1	Bresee Baer	Treasury Treasury	May-00	Identify existing training programs for federal financial investigators and bank examiners	Completed on time
2.7.1-1	Wolin	Treasury	May-00	Complete detailed description of existing legal protections for personal info provided to the government pursuant to the BSA	
4.2.1.a	Johnson	Treasury	May-00	Report to the steering committee on results and actions taken regarding review of correspondent banking relationships and identification of priority jurisdictions for US	Report submitted
4.2.1.b-1	Johnson	Treasury	May-00	US participates in multilateral groups researching and analyzing laws, regs and practices of jurisdictions thought by FATF to be potentially non-cooperative	15 jurisdictions were identified as non-cooperative territories at the FATF Plenary in June; advisories were issued on all 15 jurisdictions in July; second round of review began in October.
1.5.2-1	Varrone	Customs	Jun-00	MLCC establishes a wkg. Group to review and enhance procedures and protocols	Interagency meetings ongoing; MLCC manual has been developed and is undergoing revision; several presentations/training sessions have been made to outside agencies on the use of the MLCC.
1.6.1-2	Hicks McDowell	Treasury Justice	Jun-00	MLCC develops program to ID vulnerable US exporters to focus outreach & education	Reno and Eizenstat met in June with business leaders; in September, representatives from Treasury, Justice and Customs met again with the business leaders as a follow up; Customs has since identified more companies to invite to the next outreach meeting.
1.6.4-1	Medina	Treasury	Jun-00	First mtg of BMPE task force occurs	First meeting of the BMPE task force took place in Port of Spain, Trinidad in March 2000; a second meeting is scheduled for October

2.2.1	Sloan	FinCEN	Jun-00	Contract in place for MSB registration and industry identification & education on SARs	Completed; the contract for outreach and education of MSB SARs was awarded to Burson-Marsteller in June; the first work order issued is for the vendor to provide a blueprint for the entire outreach and public education campaign; Burson-Marsteller presented a plan to FinCEN on August 4; the contractor began research into MSB by meeting with representatives from the industry; a series of focus group meetings was held in Chicago, Los Angeles and New York during August.
2.5.2-1	McDowell	Justice	Jun-00	Intragency working group proposes preliminary recommendations to the steering committee re enhanced professional education, rules or legislation for lawyers and accountants	
2.6.1	Sloan	FinCEN	Jun-00	Publish a comprehensive survey of developments affecting stored value products, internet banking operations and internet gaming activities	The e-Commerce Report on stored value, internet banking and gaming is completed and approved, pending several last minute changes; the report has gone to the printer and will be distributed by the beginning of September; it is a report on electronic cash, electronic banking and internet gaming, and addresses key commercial developments with respect to these components of electronic commerce, as well as associated regulatory issues and noteworthy law enforcement actions.
3.2.2-1	Sloan	FinCEN	Jun-00	Establish a new training program and process to be used to enhance the utility of data made available via Gateway	Completed. FinCEN & the New Jersey Division of Criminal Justice have developed training modules for Gateway users that facilitate using the system and also show how the data obtained from Gateway can be used successfully in Gateway training classes; FinCEN's Office of Legal Counsel continues to negotiate MOUs between FinCEN and Gateway users; new MOUs have been drafted which will be used for states with specific requirements; FinCEN will continue to assess the needs of each state and tailor each MOU on a state by state basis.
3.3.1-1	Robinson	Justice	Jun-00	Issue a letter to governors encouraging reviews and enhancements to state anti-ML laws	The letters have been drafted and are in the process of being reviewed for approval by the Attorney General's deputies.
3.4.1	Robinson	Justice	Jun-00	Finalize and distribute a new model curriculum for a financial investigations course for state and local law enforcement	The model curriculum is nearly completed and is expected to be shipped to the states by January 2001.

4.2.1.b-2	Johnson	Treasury	Jun-00	Report on each high priority jurisdiction submitted to the FATF Plenary	Completed. Reports were submitted in June
4.2.1.d-2	Talisman	Treasury	Jun-00	Approval of OECD Council for publishing its list of tax havens	Completed June 2000
4.2.2.d	Newcomb	Treasury	Jun-00	Implement Kingpin Act requirement to report to Congress and impose sanctions	Completed June 1, 2000. (This is a recurring annual requirement). On June 1, President Clinton named 12 foreign individuals as Significant Foreign Narcotics Traffickers (6 in Mexico, 2 in Asia, 2 in Africa, 2 in the Caribbean); on July 5, the President submitted background on these 12 foreign drug kingpins to the Senate Select on Intelligence and the House Permanent Select Committee on
4.3.1	Johnson	Treasury	Jun-00	Interagency working group analyzes info on potential candidates for FATF membership and determines appropriate nominations	Evaluations on potential candidates were prepared and reviewed; as a result, Argentina, Brazil and Mexico were initiated as new members of the FATF at the June Plenary.
4.4.3.a	Wolin Andrews Moss	Treasury State Justice	Jun-00	Subgroup reports its findings to the Foreign Official Corruption Working Group	Completed
4.4.3-2	Truman	Treasury	Jun-00	The interagency Foreign Official Corruption Wkg. Group will devise appropriate policy initiatives and report its preliminary results to the steering committee	Completed
4.5.1	Johnson Roseman	Treasury FRB	Jun-00	Discuss paper on the harmonization of rules regarding int'l funds transfers and incorporate into a final report from the finance ministers to the G-7 Heads by the Okinawa Summit	Completed. Proposed and accepted in June on G-7 initiative; U.S. to host international meeting by January 2001.
1.6.1-3	Medina McDowell	Treasury Justice	Jul-00	BMPE wkg group develops & implements business/govt partnership program for awareness of and insulation from BMPE	On July 24, 2000, the BMPE interagency working group held the first business/government partnership meeting to establish best practices guidelines to avoid BMPE transactions; a follow-up meeting is scheduled for November 8-9, 2000; the work of this group will be concluded in a third meeting tentatively to be scheduled in the first
4.2.2.c	Johnson	Treasury	Jul-00	US identifies countries that are potential subjects of advisories	Completed in July 2000. Advisories issued for 15 jurisdictions.

4.5.2	Andrews Robinson	State Justice	Jul-00	Conduct a mid-year review of progress in creating new agreements such as MLATs, tax info exchange agreements and others	State has provided information on the updating of MLATS and has submitted findings to Justice for review; coordination is in process with Treasury to obtain information concerning tax information exchange agreements.
4.7.1	Sloan	FinCEN	Jul-00	Contract awarded for the development of a methodology to estimate the magnitude of money laundering. Also continue coordinating FATF efforts to develop an estimate of drug ML in FATF members.	Completed. FinCEN awarded a research contract on August 8, 2000 to Abt Associates; this is a "time & materials" contract that will begin Sept. 1, 2000; the vendor is to establish a methodology and develop a model to estimate the domestic and international magnitude of money laundering; Phase I will identify key sources of data, collect, and evaluate it and develop a methodology to estimate the magnitude of money laundering.
4.7.3	Johnson	Treasury	Jul-00	A study group will consult with private sector representatives to discuss correspondent bank accounts and other int'l financial mechanisms	Completed.
1.1.2	Bresee Robinson	Treasury Justice	Aug-00	Post on FINCEN's website the process by which localities can apply for HIFCA designation.	Completed. The process is posted on the FinCEN website; the HIFCA Interagency Working Group is also evaluating two additional requests for HIFCA designations. It is expected that recommendations regarding these requests will be forwarded to the Steering Committee shortly.
1.6.2-3	Varrone	Customs	Aug-00	MLCC identifies geographic areas that receive bulk of BMPE dollars	Completed. South Florida has been identified as the area receiving the bulk of BMPE dollars.
1.6.3	Varrone	Customs	Aug-00	BMPE wkg group establishes interagency protocols for developing and forwarding potential BMPE investigative leads	Not completed. Other agencies have not participated in the MLCC information-swapping process, so all the information has come from the Customs Service.
2.2.2-1	Sloan	FinCEN	Aug-00	Final rule issued for reporting of suspicious activity by casinos and card clubs	A decision was made to reopen the comment period for Casino SARS for a period of 60 days; this is to permit interested parties an opportunity to provide comments on the aspects of suspicious activity that are unique to the gaming industry, and specifically, on the gaming floor; the announcement for the Federal Register is drafted and is still pending clearance by the Treasury Department.

2.2.4-1	Wilson	IRS	Aug-00	Meeting with IRS to review IRS program of conducting BSA exams of MSBs and casinos	
1.7.1	Johnson Robinson	Treasury Justice	Sep-00	Report to steering committee on how each bureau provides feedback to FinCEN on use of BSA info, problems/issues of the bureaus and methods to resolve identified problems	A meeting of senior representatives of the law enforcement bureaus was held in September 2000 to review the process to report feedback on the use of BSA information, particularly SARs; a report to the steering committee identifying issues/problems and the results of that meeting is currently being prepared.
1.9.1	Ross Colgate	Treasury Justice	Sep-00	Identify priorities and relevant information re ML to be used in formulating the President's FY02 budget	On September 7, 2000, Treasury met with OMB and Justice; it was agreed that OMB will schedule three meetings with departmental and bureau budget personnel as well as policy and operational experts; one meeting will be held with law enforcement, one with regulators and one with intelligence; the purpose of these meetings is to develop criteria that OMB will send to agencies to ensure interagency consistency when developing the baseline; they will include definitions of anti-money laundering programs, examples of common problems when considering budgetary issues of anti-money laundering programs, methodologies for developing guidelines for budgeting, and directives for all agencies to include the resulting numbers in their final budget justifications; OMB will have criteria paper drafted by October and send it in final form to agencies in early November with a due date of December 15; in January 2001, the submissions will be reviewed and the final cross-cut will be included in the 2001 Strategy by February 2001.
2.5.1	Sloan	FinCEN	Sep-00	Report to the steering committee on progress to develop approaches to ML that can be integrated into the work of accounting professionals	A study group (reps from Treas., DOJ, SEC and FinCEN) met on this item and reviewed whether the audit risk alerts for banks and depository institutions, broker dealers and mutual funds should be revised; new revised audit risk alerts are in the process of being finalized for the following industries: investment companies, broker dealers of securities, banks & other depository institutions; and the
3.1.1	Medina Gist	Treasury Justice	Sep-00	Award initial C-FIC grant monies	Expected in October.

3.2.2-2	Sloan	FinCEN	Sep-00	Will have hosted state coordinators conference	The Gateway conference cannot be held until the end of the year due to difficulty in identifying a location for a conference; also, before hosting a national conference, it is desirable to select and bring on board the new Gateway manager; FinCEN's Office of Legal Counsel continues to prepare MOUs between FinCEN and the Gateway users; new MOUs have been drafted which will be used for states with specific requirements; FinCEN will continue to assess the needs of each state and tailor each MOU on an state by state basis.
4.2.2.a	Eizenstat	Treasury	Sep-00	FATF will have discussed a plan to implement appropriate countermeasures with respect to non-cooperative jurisdictions	Completed. Recommendation 21 was issued warning financial institutions to use enhances scrutiny; on July 8, 2000, the G-7 announced advisories; the IMF and World Bank are reviewing how to incorporate the FATF criteria as part of their ongoing programs.
4.3.5-1	Beers	State	Sep-00	At annual meeting of int'l organizations and donor countries, US will share info about our programs and consider other info in formulating coming year's priorities.	The annual meeting has not occurred; not clear when or if it will be scheduled.
4.5.3-1	Sloan	FinCEN	Sep-00	Interagency team creates an action plan to develop information about illicit currency movements using existing information exchange arrangements	The Interagency Working Group will meet in mid-September to finalize an action plan for implementing a coordinated, multilateral effort to develop information about the movement of criminal proceeds to and from the U.S. and other at-risk nations; the Action Plan will finalize agency responsibilities in four core areas: (1) Data Analysis: adaptation and application of the FinCEN Russia Currency Flow Project methodology to other at-risk nations, expanded use of Federal Reserve Currency Flow data and continued support for CIA's International Migration of U.S. Currency Project; (2) Law Enforcement Investigation Analysis: case and post takedown information sharing and analysis; (3) Financial Industry Outreach: development of a process to seek input from the nation's financial institutions with respect to their perspective on the movement of criminal proceeds (possible through the BSA Advisory Group); and (4) International Outreach: finalization of agency responsibilities for outreach through existing international information exchange

1.6.4-2	Medina	Treasury	Oct-00	BMPE task force fully operational	The multilateral BMPE Task Force is fully operational; on August 29, in Bogota; Undersecretary Johnson and his counterparts from Colombia, Aruba and Panama concluded a Directive formally establishing this group and scheduling its first meeting for October 2000; Venezuela has submitted a Declaration of Intent, signaling its intention to join the working group in this initiative; a meeting is
2.2.2-2	Sloan	FinCEN	Oct-00	Revision of final form and instructions	
2.4.1	Sloan	FinCEN	Oct-00	Design a system to improve identification of law enforcement uses of SAR info & share this with the banking community	In conjunction with law enforcement uses, FinCEN is designing a system to capture results of all SAR usage by law enforcement; working group meetings on this issue are held regularly; on October 30, the first newsletter from the BSA-AG working group to financial institutions will be unveiled at the ABA-ABA conference.
4.2.1.b-3	Johnson	Treasury	Oct-00	FATF begins second round of analysis	In process and on schedule; update expected June 2001.
1.2.1	Bresee Robinson	Treasury Justice	Nov-00	Report progress on field implementation of the joint memorandum's recommendations.	This was discussed at Bresee/Robinson meetings. Will also be discussed district by district at National Money Laundering
1.4.1-2	Talisman Junghans Robinson	Treasury Justice Justice	Nov-00	Report findings of study group on expanding tax as a predicate offense to steering committee	Study group will continue to meet and hopes to have recommendations presented by due date.
1.5.1	Robinson	Justice	Nov-00	Report to the steering committee on how SOD is enhancing its contributions to financial investigations in narcotics cases	SOD is working, but a report on its activities still needs to be completed.
1.5.3	Robinson	Justice	Nov-00	Report to steering committee results of review of effectiveness of revised OCDETF forms ML presentation at three OCDETF regional conferences	A report still needs to be completed.
1.5.4	Bresee	Treasury	Nov-00	Action teams report to HIFCA Wkg. Group on appropriateness of GTOs for their areas. HIFCA Wkg. Groups report results to Secty.	The HIFCAs are currently identifying the money laundering threat in their areas. At this point, they have not identified a need for a GTO. However, as the individual HIFACs refine their process, the appropriateness of GTOs will emerge.

1.7.2-2	Robinson	Justice	Nov-00	Report to the steering committee on the progress of the working group to review available technologies and determine the utility of developing a uniform procedure for conducting document exploitation.	The working group has met, but still needs to complete a report.
1.8.1	Bresee Robinson	Treasury Justice	Nov-00	Hold a national money laundering conference	Completed; successful conference took place on Oct. 24-26 in D.C. at the Doubletree Pentagon City.
2.1.2	Sharpe	OCC	Nov-00	Each federal bank supervisory agency will report on actions taken regarding review of exam procedures and the OCC will prepare a summary report for the steering committee	OCC has completed review of existing BSA/anti-money laundering exam procedures and made revisions to make them more risk-focused and to allow for more transaction testing. Revised procedures are currently under agency review and expected to be issued in near future.
2.2.4-2	Wilson	IRS	Nov-00	Based on meeting, IRS identifies for the steering committee priorities and concerns and makes resource recommendations	
2.3.2	Bresee Baer	Treasury Treasury	Nov-00	In conjunction with the Fed, report to steering committee on progress made in expanding the number of districts where enforcement and regulatory officials meet regularly.	On schedule. Fed. Reported at last Bresee/Baer meeting that a number of districts are already holding meetings. Will report back to Bresee/Baer.
2.6.2	Wolin McDowell	Treasury Justice	Nov-00	Report to the steering committee whether current law needs to be amended to address potential use of stored value cards in ML	FinCEN's study is in its final stages and is about one month away from being available.
2.7.1-2	Wolin	Treasury	Nov-00	Recommendations to the Treasury Secretary for regulatory/legislative action to enhance protection of personal financial information	
3.2.1	Bresee Robinson	Treasury Justice	Nov-00	Report to steering committee on the results of outreach to state and local officials to discuss the Strategy	Bureaus reported at the Bresee/Robinson meeting in June that they are keeping track of outreach to State and locals; State and local officials were invited to the October National Money Laundering Conference; in October, Bresee sent a memo to bureau heads asking
3.3.1-2	Robinson	Justice	Nov-00	After letters are issued to governors re: reviews of state anti-ML laws, report to steering committee on the extent of assistance required and plans to meet this need	No letters have been sent, so no report has been issued.

4.3.5-2	Beers	State	Nov-00	Report to the steering committee on the status of int'l ML training and assistance	The annual meeting of international organizations and donor countries has not occurred, and it is not clear when or if it will be scheduled; as such, no report has been made.
1.1.1	Bresee	Treasury	Dec-00	Report progress made in first four designated HIFCAs to the steering committee.	The initial four HIFCA Action Teams have been formed and are at various stages of development; vacancy announcements for the FinCEN analyst positions in each HIFCA are closed and FinCEN is in the final selection process; it is anticipated that analysts will be in each HIFCA by January 2001; interim analysts at each HIFCA are currently being trained; training was held for the Southwest Border HIFCA in September 2000; a report on all HIFCA activity will be presented to the Secretary by December 2000.
1.3.1	Raben	Justice	Dec-00	Enactment of Money Laundering Act of 2000 (domestic enforcement)	The Bill (domestic enforcement) failed in Congress.
1.3.2	Statler	Customs	Dec-00	Seek legislative authority for Customs to search outbound mail.	In-house group established to look into disparate treatment between U.S. Mail and private carriers; testimony before Congress was offered, and in FY2001 the Treasury-Postal Appropriation Bill requires the Postal and Customs services to develop a joint approach to correcting the outbound mail / money laundering problem.
2.1.1	Eizenstat	Treasury	Dec-00	Outreach program to seek the views of banking, financial services industry, privacy advocates, law enforcement and Congress to help shape enhanced scrutiny guidance	

2.2.3	Sloan	FinCEN	Dec-00	FinCEN issues proposed rule, draft SAR-S form & industry compliance guidance for SAR by brokers & dealers in securities	For the past several years, FinCEN has met with the SEC, the securities industry's self-regulatory organizations (e.g. NY Stock Exchange, Natl. Assoc. of Securities Dealers) and reps from the securities industry to discuss issues associated with the establishment of a SAR program similar to that required of banks; in preparation for the publication of the proposed SAR rule at the end of the year, FinCEN recently met with officials of the SEC to discuss several related issues associated with the draft rule; as a result, FinCEN is preparing a draft rule to be shared with SEC staff and policymakers to determine if there are any remaining significant issues that need further discussion; FinCEN is also preparing an "issues" paper that addresses some of the potential policy and operational distinctions between a SAR program for broker-dealers, as opposed to depository institutions; in addition, FinCEN has prepared a draft SAR form for broker dealers which addresses potential money laundering vulnerabilities of the securities industry and describes a number of securities-related transactions which may be suspicious in nature; the I
2.2.5	Sloan	FinCEN	Dec-00	Study group examines actual and potential abuses of financial industry sectors not otherwise addressed in the Strategy and reports findings and recommendations to the steering committee	In October 2000, FinCEN will convene an interagency group of representatives from the law enforcement community, state insurance regulators and federal financial institution regulators to evaluate the need for the establishment of new anti-money laundering controls to address actual and potential money laundering money laundering abuses of industries not currently subject to BSA regulatory controls. This group is likely to focus on the feasibility and need to apply BSA controls to investment companies, the insurance industry and other businesses for which statutory authority to impose anti-money laundering rules already exist under the BSA.
2.3.1	Bresee Baer	Treasury Treasury	Dec-00	Joint memorandum identifying measures on enhanced information sharing between law enforcement and regulatory authorities	On schedule, but clearance will be difficult.

2.3.3-2	Bresee	Treasury	Dec-00	At least two training sessions (for federal financial investigators and bank examiners) will have been conducted.	On schedule. (See also Action Item 2.3.3.1 with due date of May-00).
2.5.2-2	McDowell	Justice	Dec-00	Final recommendations issued to the steering committee by the interagency working group re: enhanced professional education, rules or legislation for lawyers and accountants	
4.1.1	Thomas	Treasury	Dec-00	Enactment of International Counter-Money Laundering Act of 2000	
4.2.2.b	Sobel	Treasury	Dec-00	Bank regulatory agencies consider additional supervisory and regulatory remedies for US banks in specified jurisdictions	Discussions with bank regulators are underway and are ongoing.
4.3.2	Johnson	Treasury	Dec-00	Encourage consolidation of recently created FATF-style regional bodies and establishment of such bodies where they do not yet exist	On schedule. GAFISUD has been created and a ministerial meeting is
4.3.3	Beers	State	Dec-00	Seek to complete negotiations on strong anti-ML provisions in the UN Convention against Transnational Crime	Negotiations completed; agreement on provisions; other aspects of trea
4.3.4	Sobel	Treasury	Dec-00	program design and assessment, as well as enhanced potential engagement relating to technical assistance focused on anti-money laundering.	Extensive discussions have occurred and are ongoing.

4.3.6	Sloan	FinCEN	Dec-00	Expanded membership and participation in the Egmont Group	Completed. FinCEN assisted five new FIUs to become operational and recognized by the Egmont Group in May 2000; with the addition of these units, there are now 53 financial intelligence units participating in the Egmont Group; FinCEN is currently in the process of arranging training initiatives with many of the new FIUs and is taking a lead role in the first Egmont sponsored training seminar to be held in January 2001; FinCEN is also currently working with twelve additional countries to encourage the introduction of anti-money laundering legislation and support the development of financial intelligence units in these countries; to date, FinCEN has coordinated 159 exchanges in 2000 via the FIU network; FinCEN has connected 30 FIUs to the Egmont Secure Web and is currently working with seven additional FIUs to have them on line as soon as possible.
4.4.1	Raben	Justice	Dec-00	Enactment of Money Laundering Act of 2000 (International Enforcement)	The Bill (international enforcement) failed in Congress.
4.4.2	Johnson Beers Robinson	Treasury State Justice	Dec-00	Bribery as a predicate offense is on the agenda of the next FATF presidency & is raised in other int'l negotiations related to corruption	On schedule. Review of 40 Recommendations undertaken for FATF 1
4.5.3-2	Sloan	FinCEN	Dec-00	Members of the team seek to implement the action plan through various int'l fora	In process. (See Action Item 4.5.3-1 with due date for September 2000 for detailed explanation).
4.7.2	McDowell	Justice	Dec-00	Study group reports to the steering committee on how offshore financial institutions use the Internet to offer ML services and how this has facilitated ML by persons in the US	No progress.

Generic Format for Action Items in the 2000 National Money Laundering Strategy

Action Item: State what will be accomplished in clear, concise language. Some action items may be the same as those listed for the 2000 Strategy.

Lead Agency: State the agency and office that will be responsible for leading the executive branch's implementation of this action item.

Goal for 2001: State what concrete action(s) that the office expects to accomplish over the coming year.

Milestones: List some of the key milestones that the office expects to reach in the process of meeting that Goal for 2001, and the approximate time frame for reaching those milestones.

Then, if appropriate, include text to further describe the action item, outline what was accomplished last year, give some background, etc. For some action items, much of the language for the text can be copied from the language in the 2000 strategy.

Example:

Action Item: Support the ongoing efforts of FATF to identify non-cooperative jurisdictions based upon its twenty-five criteria.

Lead Agency: Treasury

Goal for 2001: Completion by June of the second round of the FATF Ad Hoc Group on Non-Cooperative Countries or Territories (NCCTs) project to identify, review, and name non-cooperative jurisdictions.

Milestones: The U.S. will participate in multilateral groups to research and analyze laws, regulations and practices of jurisdictions thought by FATF to be potentially non-cooperative.

In 2000, 15 jurisdictions were identified as non-cooperative territories at the FATF Plenary in June. Advisories were issued on all 15 jurisdictions in July, and the second round of review is scheduled to begin in October.

ADMINISTRATION HISTORY APPENDIX
CHAPTER FIVE: CREATING A SAFER AND MORE
SECURE SOCIETY

OKLAHOMA
CITY

95-145310



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

UNDER SECRETARY

MEMORANDUM FOR SECRETARY RUBIN

THRU: DEPUTY SECRETARY NEWMAN *FNN*

FROM: RONALD K. NOBLE *RKN*
UNDER SECRETARY (ENFORCEMENT)

INFORMATION

SUBJECT: OKLAHOMA CITY EXPLOSION

At approximately 9:55 EST (8:55 CST), there was an explosion at a federal building in Oklahoma City, Oklahoma which caused severe damage and numerous deaths and casualties. The building houses the offices of federal judges and federal agencies, including the Bureau of Alcohol, Tobacco and Firearms (ATF), the Secret Service and the Customs Service. Thirty-three Treasury Enforcement employees from the aforementioned bureaus work in the building. Treasury employees from the Internal Revenue Service and the Federal Savings Bond program have been known to use the facilities in the building as well. Other federal agencies with offices in the building include the Social Security Administration, the Department of Veterans Affairs, the Federal Employee Credit Union, the U.S. Army recruiting office, the Department of Agriculture and the Drug Enforcement Administration. In addition, a day care center operated within the building.

Initial reports suggest that the origin of the explosion was a car bomb. Neither suspects nor a motive have been identified. However, Treasury and Justice law enforcement agencies have not dismissed a possible connection between the explosion and the fact that today is the second anniversary of the fire that consumed the Branch Davidian compound in Waco, Texas.

At this juncture, we have been unable to ascertain the full extent of the casualties resulting from the explosion. Preliminary reports indicate that the damage has been extensive and casualties significant. Precise figures regarding the number of deaths are unavailable as of yet, though reports are that there have been many -- including several children. We have confirmed that of the approximately 550 people believed to be employed in the building, 100 have been reported injured and 250 have been accounted for. Currently, six Secret Service employees and one Customs employee are missing. All ATF employees have been accounted for. Two Customs and two ATF employees are hospitalized; two ATF employees have been treated and released. Treasury Enforcement offices were virtually destroyed by the blast.

FOR OFFICIAL PURPOSES ONLY

EXECUTIVE SECRETARIAT

At approximately 12:30 PM EST, I attended a meeting called by White House Chief of Staff Leon Panetta to review the situation and to coordinate the federal government's response. Present at the meeting were George Stephanopolous, Mark Gearan, Mike McCurry, as well as representatives from the Vice President's office, the Department of Justice, the Secret Service, the National Security Council, and the Federal Emergency Management Agency (FEMA). Each agency provided a briefing about what it knew, how it was mobilizing in response to the incident, and the resources at its disposal. At the conclusion of the briefing, a two-pronged strategy was developed to address the emergency: one dealing with law enforcement; the other with medical, logistical and humanitarian support.

With respect to law enforcement, Justice and Treasury reported that emergency response teams, including the nucleus of the explosives teams that investigated the World Trade Center bombing, had been dispatched to Oklahoma City. Strategic operations also are being coordinated in Washington, D.C. among the affected agencies, with Justice acting as the primary point of contact. The Customs Service has an Air Command Center in Oklahoma City in close proximity to the blast site and has offered the use of the facility as a command center by all law enforcement response teams.

With respect to humanitarian and logistical support, FEMA and other federal agencies have dispatched their own response teams, including emergency medical units. FEMA will serve as the point of contact both in Washington and in Oklahoma for all issues unrelated to law enforcement. The President has directed James Lee Witt, Director of FEMA, to travel to Oklahoma City to oversee local efforts.

Since news of the explosion first broke, bomb threats have been received at federal buildings around the country, including FBI headquarters. None of the additional threats have proven valid. Nevertheless, extra security precautions are being taken at the White House compound, Main Treasury and federal buildings nationwide.

At approximately 5:00 PM EST, President Clinton gave a press briefing on today's events and our efforts to respond. The President's press conference was followed by a statement by the Attorney General. Treasury is deferring to Justice on all questions relating to the investigation.

FOR OFFICIAL PURPOSES ONLY

TREASURY CLEARANCE SHEET

NO. _____
DATE: 4/19/95

- MEMORANDUM FOR: SECRETARY DEPUTY SECRETARY EXECUTIVE SECRETARY
 ACTION BRIEFING INFORMATION LEGISLATION
 PRESS RELEASE PUBLICATION REGULATION SPEECH
 TESTIMONY OTHER _____

FROM: Ronald K. Noble, Under Secretary (Enforcement)

THROUGH: Deputy Secretary Newman

SUBJECT: Oklahoma City Explosion

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NAME (Please Type)	INITIAL	DATE	OFFICE	TEL. NO.
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REVIEWERS Susan Ginsburg			Enforcement	2-1496
cc General Mgt				

SPECIAL INSTRUCTIONS

- Review Officer _____ Date _____ Executive Secretary _____ Date _____



95-145311

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

UNDER SECRETARY

MEMORANDUM FOR SECRETARY RUBIN

FROM: Ronald K. Noble *RKN*
SUBJECT: Oklahoma City Bombing Update

Personnel

The Secret Service has confirmed internally the death of Special Agent Donald Leonard, age 50, bringing the total number of confirmed deaths from the Secret Service's Oklahoma City office to five. Office Manager Linda McKinney, 47, remains missing.

The Customs Service reports that two employees, Senior Special Agent Paul Ice, 42, and Senior Special Agent Claude Medearis, 41, are still unaccounted for. Investigative Assistant Priscella Salyers, 44, has been released from intensive care and her condition has been upgraded from "poor" to "stable."

Two children of IRS employee Kathy Graham have been confirmed dead. Several relatives of IRS employees are still missing, including Carol Reiswig's sister, Mildred Payton's cousin, Anita Holmes' sister, and Marilyn Glad's ex-husband. Also Anna Coulter's niece (who served as the Director of the Day Care Center) and her child were in the center at the time of the bombing and are considered missing. Nancy Ingram is hospitalized recovering from a broken hip.

Intelligence

As of 3:00 pm (EST), ATF reports that ATF and FBI agents are preparing to execute a search warrant at the Herrington, KS home of Terry Nichols. Nichols is one of two brothers believed to have ties to Timothy McVeigh, the first suspect arrested in the investigation. ATF reports that barrels possibly used to store explosive materials are suspected to be recovered from Nichols' home, among other evidence.

An eye witness has positively identified McVeigh and placed him at the scene of the blast in an old Mercury with another white male.

ATF and Secret Service Command Posts

The ATF and Secret Service command posts are the central coordination points for all investigative -- and, in the Secret Service's case, relief -- operations.

At the ATF command post, a staff of National Response Team members, Special Agents, explosives experts, chemists, arson/explosives profilers, intelligence analysts and support personnel are charged with tasking and monitoring the activities of the more than 50 Special Agents and investigators who are out in the field. The command post also is the situs for analysis and processing of leads and evidence, interfacing with the FBI and other federal, state and local authorities, and coordinating the work of Special Agents supporting the investigation in other parts of the country. The post is under the charge of the Scene Commander, who is assisted by four Special Agents in Charge. It is located at a Customs air facility approximately five miles from the Murrah Federal Building.

The Secret Service command post is the central coordination point for the approximately 50 Special Agents, communications technicians, explosives experts and support personnel that have been dispatched to Oklahoma City. A significant component of those resources are devoted to supporting the families of the six employees who were trapped in the explosion. Peer support teams are in place and are providing psychological, financial and logistical assistance. Their activities are coordinated through the command post. In addition to its support activities, the Service is contributing to the interagency investigation, providing explosives technology and computer support, and pursuing leads in the field. The command post, which is located in IRS office space, is being converted into a temporary field office to house the Service's Oklahoma City staff at the conclusion of the bombing investigation.

INFORMATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

20 APR 1995

UNDER SECRETARY

MEMORANDUM FOR SECRETARY RUBIN

THRU: FRANK NEWMAN
DEPUTY SECRETARY *FN*

FROM: RONALD K. NOBLE *RKN*
UNDER SECRETARY (ENFORCEMENT)

SUBJECT: OKLAHOMA CITY BOMBING -- UPDATE

Today at 9:30 AM, I attended a meeting called by White House Chief of Staff Leon Panetta to review the ongoing investigation into the Oklahoma City bombing and the Administration's response. Those in attendance included Harold Ickes, Erskine Bowles, George Stephanopolous, Mike McCurry, Cabinet Secretary Kitty Higgins, Deputy Attorney General Jamie Gorelick, as well as representatives from Secret Service, ATF, the FBI, the Federal Emergency Management Agency (FEMA), the Government Services Administration, and the National Security Council.

As of 12:30 PM today, official reports are that 32 people are dead and 467 injured. As a result of the blast, fatalities may be as high as 200. At least 80 bodies had been counted in the building as of 10:00 AM.

Thirty-three employees of the Department of the Treasury work in the building (ATF 14, Secret Service 13, Customs 6). The Secret Service reports that two employees, an agent and an administrative assistant, perished in the bombing. Their deaths have not been officially confirmed, as of 11:00 AM, and no public statements have been made. Six additional Treasury employees are unaccounted for, two from Customs and four from Secret Service. One Customs employee is hospitalized and in critical condition. One ATF agent was hospitalized over night and is expected to be released today. Neither Secret Service nor Customs believe that dependents of their employees were among the children that perished. One IRS employee, who did not work in the building, may have lost two children. The IRS also indicates that several spouses of IRS employees may be missing.

ATF, Secret Service, and Customs have sent peer support teams to provide counseling, and to assist with medical needs, funeral arrangements, the travel of family members to Oklahoma City, and the processing of forms required for receipt of benefits. The FBI has asked agencies not to send high-ranking officials to the scene until the situation has stabilized. The White House is considering the possibility of sending The First Lady and

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Tipper Gore to visit survivors once it is appropriate.

Neither suspects nor a motive have been identified and we are cautioning the White House that the investigation may take time. White House Press officials are encouraging reporters to respect federal investigators' need for space and patience.

ATF has sent 89 additional investigative, technical, and administrative personnel to support the Justice investigation. The Secret Service has also sent fifty inspectors and technicians to Oklahoma City. ATF and FBI will hold daily briefings on the investigation at 7:30 AM and 7:30 PM.

In the next few days, the White House intend to brief Senators Dole and Daschle, and Representatives Gingrich and Gephardt on the recovery efforts and the criminal investigation. I expect to participate in those briefings. The White House plans to ask Congress to defer hearings on the tragedy until the criminal investigation is complete.

FOR OFFICIAL PURPOSES ONLY

TREASURY CLEARANCE SHEET

NO. 95-145208
 DATE: April 20, 1995

MEMORANDUM FOR: SECRETARY DEPUTY SECRETARY EXECUTIVE SECRETARY
 ACTION BRIEFING INFORMATION LEGISLATION
 PRESS RELEASE PUBLICATION REGULATION SPEECH
 TESTIMONY OTHER _____

FROM: Ronald K. Noble, Under Secretary (Enforcement)
 THROUGH: Deputy Secretary Newman
 SUBJECT: Oklahoma City Bombing - Update

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| <input type="checkbox"/> Fiscal | <input type="checkbox"/> FLETC | <input type="checkbox"/> Tax Policy |
| <input type="checkbox"/> FMS | <input type="checkbox"/> Secret Service | <input type="checkbox"/> Treasurer |
| <input type="checkbox"/> Public Debt | <input type="checkbox"/> General Counsel | <input type="checkbox"/> E & P |
| <input type="checkbox"/> Under Secretary for International Affairs | <input type="checkbox"/> Inspector General | <input type="checkbox"/> Mint |
| <input type="checkbox"/> International Affairs | <input type="checkbox"/> IRS | <input type="checkbox"/> Savings Bonds |
| | <input type="checkbox"/> Legislative Affairs | <input type="checkbox"/> Other _____ |
| | <input type="checkbox"/> Management | |
| | <input type="checkbox"/> OCC | |

NAME (Please Type)	INITIAL	DATE	OFFICE	TEL. NO.
INITIATOR(S)				
Brown, C.	C. B.	4/20/95	Enforcement	2-6569
REVIEWERS				
Reinhart, B.	BR	4/20/95	Enforcement	2-4598
Ginsburg, S.	SG	4/20/95	Enforcement	2-1496

SPECIAL INSTRUCTIONS

Review Officer _____ Date _____ Executive Secretary _____ Date _____