Prepared Statement by Senator Chuck Grassley of Iowa
Chairman, Senate Judiciary Committee
Hearing on S.1241: Modernizing AML Laws to Combat Money Laundering and Terrorist Financing
November 28, 2017

Today's global economy stretches to every corner of the world and touches every country on earth. Still, the U.S. dollar dominates as the preferred currency in global commerce. Trillions of dollars of transactions flow through U.S. banks daily, which helps to generate great prosperity at home. But this also means that our financial system is prone to exploitation. Terrorists, drug kingpins, and human traffickers need money to fund their operations. Criminals use our banks and institutions to facilitate their operations and realize the financial gains from their illegal conduct.

In 1970, Congress passed the Bank Secrecy Act, which provided for the first significant regulations to safeguard the U.S. financial system against such criminal elements. As drug trafficking spiked and international cartels profited in the 1980's, Congress took action to make money laundering a federal crime for the very first time. And in the aftermath of the September 11 terrorist attacks, Congress again acted to strengthen our laws to protect our country and make it more difficult for terrorists to move money.

One of the best ways to stop terrorism and criminal conduct is to hit the terrorists and the criminals where it hurts them the most, in their pocketbooks. We learned this lesson after 9/11, and we must remain stay focused on following the money.

It has been almost 15 years since Congress took significant action to update our anti-money laundering laws. The world has changed a great deal in that time. While globalization has made it easier for the small business in Des Moines, Iowa to reach businesses and customers all over the world, it has also made it easier for bad actors to move millions of dollars in illegal funds with the click of a button. We now have new technologies and methods that allow criminals and terrorists to move money and operate in the dark, outside the traditional financial system and the watchful eyes of law enforcement. Unfortunately, our AML structure is now outdated: our system is designed to prevent and prosecute the 1980's "Cocaine Cowboy" instead of today's ISIS-inspired terrorist, Russian billionaire kleptocrat, or Mexican drug cartel kingpin.

In its 2015 national money laundering risk assessment, the Treasury Department explained that the "fight against money laundering and terrorist financing is a pillar of U.S. national security and a strong financial system." But it is hard to deny that we are losing this fight. Up to five percent of global GDP consists of dirty money, and $300 billion of dirty money is laundered annually in the U.S. alone. The failure by law enforcement in preventing, identifying, tracing and prosecuting this money laundering is estimated at 99.9%. *Ninety-nine point nine percent*. In the words of one expert, this means that "total failure is just a decimal point away."

Illegal money laundering operations have real effects on real Americans. When we allow the Mexican drug traffickers to turn profits in the U.S., they use that money to develop and smuggle

new drugs into the U.S. and pay violent gunmen to intimidate competitors and threaten law enforcement. When we allow fraudsters to turn profits in the U.S., we all end up footing the bill to cover the costs of stolen identities, tax refunds, and Medicare reimbursements. And when we allow organized crime and Russian kleptocrats to hide their dirty cash as payments for high-priced condos in New York and Miami, we price-out honest, hardworking Americans from the U.S. housing market.

We need to give law enforcement the tools it needs to do its job. This is why I have introduced S.1241, the "Combating Money Laundering, Terrorist Financing, and Counterfeiting Act of 2017," along with Senators Feinstein, Cornyn, Whitehouse, Hatch and Klobuchar. This bill will modernize our AML laws by providing new tools, modernizing methods, and closing loopholes to make sure that law enforcement can prevent, identify, and prosecute those who break the law.

S.1241 will close a number of legal loopholes that have stifled law enforcement by clarifying for prosecutors and judges precisely the type of evidence that is required to prove money laundering offenses.

S.1241 also will enable prosecutors to more effectively charge cases when dirty money is comingled with clean money. The bill also will increase the penalties for bulk cash smuggling, which remains the most common method for drug traffickers to move money into and out of the U.S., and it will update our laws to capture new types of money smuggling through blank checks and other methods.

S.1241 will streamline evidence gathering by making it easier to obtain foreign bank records, which are vital to proving international criminal cases.

And S.1241 provides for two new criminal laws that will make it a crime for someone to lie to a bank about the true beneficial ownership of a bank account or whether such an account is associated with a foreign political official, which is the type of information that would trigger enhanced due diligence by banks.

This bill has broad bi-partisan support and we currently have three Republican and three Democrat co-sponsors. In addition, a number of law enforcement and other groups have sent letters to the Committee to express their enthusiastic support of the bill. I will enter into the record the letters of support that have been sent to the Committee from the Federal Law Enforcement Officers Association, the National Association of Police Organizations, National Association of Assistant United States Attorneys, the National District Attorneys Association, the Fraternal Order of Police and the FACT Coalition.

Today, we will hear from a number of government witnesses and outside experts. They will hopefully shed more light on the scope of this problem, and give us useful feedback on what we can do to help. I welcome our witnesses, and look forward to all of their testimony today.