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Good Afternoon. It is great to be back in Miami. As some of you in the room may know, I have spent a good deal of time in this region this past month. In fact, my wife is beginning to get suspicious. Convincing her that I am working down here and not playing golf has not been easy. However, I think I have convinced her that addressing conferences like this is a very important part of the mission of the Financial Crimes Enforcement Network, and I would like to thank the Florida International Bankers Association and the Conference of State Bank Supervisors for extending the invitation for me to come here and speak to you this afternoon. I am especially grateful to Pat Roth, Executive Director of the Florida International Bankers Association and to Clemente Vazquez-Bello, the Coordinator for the Conference's timely and important agenda.

I am assuming many of you were in attendance when I had the privilege to address this conference last year. If you remember, the date was March 11th. It was the same day that a group of thugs detonated backpacks filled with explosives placed strategically on trains in the City of Madrid's busiest train station during the height of the morning rush hour. Hundreds of innocent men, women and children died that day. I remember the gasps in this audience when I announced that this unspeakable horror had been inflicted upon the good citizens of Madrid. It was a terrible reminder . . . a reminder of the feelings we all had surveying the dust and rubble that remained from the once proud towers in New York. It was a terrible reminder that our world has indeed changed.

I don't need to tell any of you in this room that the world has changed. The statute that my agency administers – the Bank Secrecy Act – has become part of this change. Only a few years ago there were serious efforts in the Congress to make suspicious activity reporting – the cornerstone of the Bank Secrecy Act's reporting regime – voluntary. Now, compliance with the Bank Secrecy Act's regulatory regime has become the number one issue for many in the financial industry, financial regulators and even law enforcement. A week does not go by where there is not an opportunity to attend a conference to discuss issues relating to the financing of terror, money laundering and the regimes aimed to address those problems. This change in profile for the Bank Secrecy Act reflects a realization that money matters. Whether we are using money trails as intelligence tools to identify, locate and bring to justice those persons who mean to do us harm, or whether we are attempting to choke off funds aimed at terrorist organizations or their sympathizers, or whether we are trying to remove criminal profit from a criminal enterprise, money matters. So, the changes in orientation that have occurred relating to the Bank Secrecy Act are, in my opinion, here to stay. I believe that is true because I

believe the Bank Secrecy Act and the regulatory regime implemented under that Act is critical to the protection of our nation's financial system. Indeed, I believe that the Bank Secrecy Act and the regulatory regime implemented under that Act are critical to our national security. It is for this reason that I don't mind spending so much time coming to speak to you and to listen to your ideas and concerns. Because ensuring that the government: policy makers; administrators; regulators; and law enforcement, all of whom have a little piece of the "Bank Secrecy Act" pie – implement this Act in a way that achieves the policy goals of the Act is vital to our national security. Listening to your ideas about how we can make this implementation better is crucial for us to get it right. I can assure you of one thing . . . we don't have all of the answers in Washington.

Today, rather than speak to you about many of the issues we usually talk about, I want to focus my attention on the international aspects of the Bank Secrecy Act, particularly the amendments to that Act that have been made by the U.S.A. PATRIOT Act. After all, this is the right audience for such a topic. Miami has become the crossroads between the United States and Latin America. And, Miami's financial services sector has been a key part of making South Florida such a vital, international and cosmopolitan region.

I don't need to tell you that many of the significant changes made to the Bank Secrecy Act by the USA PATRIOT Act were directed at transactions outside the United States. Even with the most cohesive of international coalitions, and the most sophisticated of enforcement capabilities, the risk of penetration of the international financial system remains real. We need knowledgeable gatekeepers, and the PATRIOT Act anoints some of you as the keepers of the gate to the U.S. financial system. The Act focuses on our financial borders, and compels the fiduciaries of U.S. financial institutions to know with whom they are doing business. At its core, it codifies best practices in establishing and monitoring cross-border commercial relationships and promotes the free exchange of information between government and the private sector in the pursuit of terrorist financing and money laundering.

I am the first to acknowledge that it is an imperfect antidote to terrorist financing - that at best, it is a proxy of a system of regulation passed in the immediate aftermath of September 11 to capture something new and unimagined - money intended to kill our neighbors in the heart of our homeland. But we, as is our duty and obligation, have chosen to "vote" with the proxy, acknowledging that the financial sector - each free standing and distinct regulated sector – is more knowledgeable and smarter than we are about the risks of corrupting, abusing or gaming the system. We have encouraged risk based anti-money laundering rules that leave substantial discretion, invite comment and encourage directional change.

Not surprisingly, the USA PATRIOT Act is almost singularly focused on the flow of funds from abroad. The premise is simple: if a U.S. financial institution chooses to do business with a foreign entity, there is some modicum of risk and it is incumbent upon the institution to mitigate or manage that risk. This regime is sensible, fair and smart. Indeed, as I have already said, few are better qualified to assess risk unique to their

business, and to tailor programs of maximum effect at minimum cost. Similarly, foreign financial institutions seeking access to the U.S. market must be prepared to provide U.S. financial enterprises with information sufficient to make the judgment that no one is being misled by terrorists, criminals or kleptocrats. The willingness to share such cross-border information is now a license required to do business in America. The key "international" provisions of the U.S.A. PATRIOT Act are known to most of you. The Act –

- Prohibits transactions with shell banks,
- Requires off shore banks to nominate agents for service of process,
- Authorizes interbank accounts to be frozen to reach the assets of terrorist suspects maintained abroad in correspondent banks,
- Requires enhanced due diligence for private banking accounts in excess of $1.0 million and when dealing with prominent political figures and their families,
- It further requires U.S. financial institutions to examine the quality of the regulatory regime abroad and publicly available information about institutions seeking to establish correspondent relationships and, finally
- Empowers the U.S. Government to subpoena records held abroad by any correspondent bank.

This regime places a great burden and responsibility on each of you. As draconian as this all sounds, I think it likely that many countries will follow suit with requirements for the surrender of information across borders. The international financial system is so completely stitched together today that it is impossible to protect the integrity of domestic commerce and to assure the security of citizens without reserving the right to examine the nature of cross border financial transactions. We have heard the concerns expressed by international institutions that the playing field is no longer level. I want to tell you today about what the U.S. Treasury and the Financial Crimes Enforcement Network are doing to ensure that not only the United States, but the world has a transparent financial system that is secure – to the extent that free commerce will allow – from the abuses of illicit finance and money laundering.

Working bilaterally and multilaterally, we are not only developing but monitoring compliance with international standards that will achieve a secure and transparent financial system. We devote a great deal of attention to assess countries objectively against international standards, provide capacity-building assistance for key countries that need it, and take steps to isolate those countries and institutions that refuse to facilitate terrorist financing. We are engaged in numerous international fora, including the United Nations, the G7, the G8, the G20, the Financial Action Task Force (FATF), several FATF-style regional bodies and the Egmont Group of financial intelligence units, all

working to raise the bar – or from many of your perspectives – level the playing field, relating to international financial transparency standards.

Treasury leads the U.S. delegation to the Financial Action Task Force, perhaps the most important multilateral government body on issues relating to money laundering and terrorist financing standards. The FATF was established in 1989 by a G-7 Summit in Paris. The FATF was given the responsibility of reviewing the actions of individual jurisdictions and by the international community, and setting out measures that needed to be taken to combat money laundering. In April 1990, less than one year after its creation, the FATF issued a report containing a set of Forty Recommendations. These Recommendations were the first internationally accepted, comprehensive plan of action to fight money laundering. They provided a set of counter-measures against money laundering covering the criminal justice system and law enforcement, the financial system and its regulation, and international cooperation. The "FATF Forty Recommendations" have formed the cornerstone for international standards to counter money laundering. In addition to promoting anti-money laundering standards worldwide, FATF member countries committed themselves to the discipline of multilateral monitoring and peer review. A self-assessment exercise and the mutual evaluation procedure are the primary instruments by which the FATF monitors progress made by member governments in implementing the FATF Recommendations. The United States is currently undergoing this assessment procedure and I can tell you it is incredibly rigorous.

But it all isn't about assessments and standards. In the late 1990's, the FATF engaged in a major undertaking to identify non-cooperative countries and territories in an effort to making the international standards real. The FATF developed a process to seek out critical weaknesses in anti-money laundering systems which served as obstacles to international co-operation in this area. The goal of this process was to reduce the vulnerability of the financial system to money laundering by ensuring that all financial centers adopted and implemented the international standards. In June 2000, the FATF identified fifteen jurisdictions as non-cooperating and over the ensuing years, certain countries were added to the list. This "naming and shaming" process worked. Many of the countries that were listed worked themselves off the list – and, at the same time, raised the global international standards against money laundering making the world's financial system more secure.

The work of the FATF has not remained static. In June 2003, the FATF updated its Forty Recommendations to reflect the changes which have occurred in efforts to counter money laundering. These revisions enhance international standards of financial transparency and accountability required to effectively combat money laundering and other financial crimes. The revised Forty Recommendations now cover shell banks, politically-exposed persons, correspondent banking, wire transfers, bearer shares, the regulation of trusts, the regulation of trust and company service providers, and the regulation of lawyers and accountants. These newly revised Recommendations were endorsed by the G-7 Finance Ministers in a public statement issued the same day that the revised Recommendations were adopted by FATF.

Moreover, shortly after September 11th, the FATF issued Eight Special Recommendations on Terrorist Financing. These recommendations relate to the freezing of terrorist-related assets; regulating and monitoring alternative remittance systems such as hawala; ensuring accurate and meaningful originator information on cross-border wire transfers, and protecting non-profit organizations from terrorist abuse. These efforts have significantly contributed to the fact that now scores of countries have begun to regulate informal banking systems like hawalas; include originator information on cross-border wire transfers; freeze and seize terrorist-related funds; overtly criminalize terrorist financing; and increase vigilance over charities. In a very real way, these efforts contribute to a safer and more transparent global financial system, and at the same time, level the playing field for U.S. financial institutions complying with the heightened regulatory standards in the United States.

For countries willing to try to adopt and live up to these standards, the United States is willing to help. Treasury and its bureaus are working hard to build technical capabilities in countries that need it. Other agencies – the Federal Reserve Board, the Departments of State and Justice also provide needed assistance in building systems and training personnel. After all, adopting global standards is one thing, implementing them is quite another. At any given time, Treasury has men and women from the IRS, the OCC, the OTS, the Office of Foreign Assets Control, my agency and Main Treasury on the ground training financial investigators, building regulatory and supervisory capacity, helping countries to build effective sanctions regimes, and helping countries to establish well run financial intelligence units.

For countries that are unwilling to adopt the global standards or implement them well, we also have tools to bring to bear. We advocate strongly in the FATF to threaten or use the "name and shame" process to coerce those who may not be so willing to join the rest of the global community in committing to a safe and transparent financial system. Now, with the enactment of Section 312 of the U.S.A. PATRIOT Act, the FATF "naming and shaming" process has automatic real world consequences, in that enhanced due diligence is now required for financial transactions connected to a country that is on the FATF's non-cooperating country or territory list.

Additionally, the Congress has given us a unilateral tool – found in Section 311 of the U.S.A. PATRIOT Act -- to coerce countries – or even institutions – that the Secretary of the Treasury finds are of primary money laundering concern to join the rest of the world in a commitment to a secure and transparent financial system. When a jurisdiction or institution is found to be of primary money laundering concern, we can impose certain "special measures" to protect our financial system from the weaknesses posed. These measures can include: recordkeeping or reporting of individual transaction; beneficial ownership information on U.S. accounts of foreign persons; identifying customers using correspondent accounts and even prohibiting or imposing conditions on the opening or maintaining in the U.S. of a correspondent or payable-through account for a foreign banking institution.

To date, we have used this tool against several foreign banks and jurisdictions and our action has had real world effect. For example, Burma has taken significant steps to reform its financial sector and adopt international standards. As reported in the press, our proposed institution of special measures against the Commercial Bank of Syria is making a difference, as is the threat of proposing to institute such measures against others. No country or institution wants to be cut off from the U.S. financial system. By taking action against those who are less willing to reform, we are – in a very real way – ensuring that the world's financial system is more secure and transparent and that U.S. financial institutions have a more level playing field when it comes to conducting business.

I'd like to wind up today with an anecdote that I thought might be apt for this audience. When I was at Treasury, I worked for a truly Great American, David Aufhauser, who had, among other things, responsibility for Treasury's terrorist financing efforts. David told me of the story he learned from George Schultz in a meeting while he was at Treasury, and I think this story has a great deal of relevance. Secretary Schultz, as you know, was Secretary of everything at some point - Director of the Office of Management & Budget, Secretary of Labor, Secretary of Treasury and Secretary of State. He had a particular fondness for the Treasury Department because the Coast Guard was still part of the Department during his time, and that meant that he had a fleet of jets and vessels at his command. His longest tenure, however, was at the State Department. He told this story:

After each new Ambassador was confirmed by the Senate, Secretary Schultz would invite them to his elaborate and impressive office on the seventh floor of the State Department. It was to be an occasion of congratulation, presentation, and the award of a Presidential commission in the presence of family and friends.

Schultz, however, had some mischief about him. He would invite each ambassador delegate to a corner of his office and tell them that they had yet one more test to pass before assuming the title of Ambassador. Now this came, mind you, after White House vetting, FBI investigations, hearings before the Senate Foreign Relations Committee, and full Senate confirmation. Most of us would have had enough of tests by then. Schultz led each Ambassador-designate to the corner of his office where he would then spin a detailed, beautifully appointed globe of the world and simply say, "point to your country."

In five years and a countless number of Ambassadors, only one candidate passed the test. It was Mike Mansfield, Ambassador-designate to Japan, a member of the United States Senate for thirty years, and a majority leader for close to a decade. Without missing a beat, Mansfield - who knew something of Schultz's mischief - stopped the spinning globe with his hand over the outline of the United States of America. "Here," he said, "this is my country."

That same sense of bearing and moral compass is at the center of your professional lives today. At the Financial Crimes Enforcement Network and the Treasury Department, we know and understand the commitments you all have made to not only

make our financial system more secure and transparent, but to make our world safer. I hope I have been able to convey to you today that we are working very hard at the same thing. And, I think we all should remember the Schultz story as the tugs and pulls of our collective work and world spin, sometimes seemingly out of orbit.