

OPENING STATEMENT OF SENATOR CHARLES E. GRASSLEY
SENATE CAUCUS ON INTERNATIONAL NARCOTICS CONTROL
“MONEY LAUNDERING AND BULK CASH SMUGGLING
ACROSS THE SOUTHWEST BORDER”

WEDNESDAY, MARCH 9, 2011

Madam Chairwoman, thank you for holding today's hearing. It is nice to be back as the Co-Chairman of the Senate Caucus on International Narcotics Control for the 112th Congress. I look forward to working together in the Caucus to highlight a number of important international and domestic drug policy issues.

Today's hearing addresses money laundering and bulk cash smuggling. It is fitting that we address this topic in our first hearing because it gets right to the heart of the problem we face from drug trafficking organizations (DTOs). Simply put, money laundering is a threat to our national security. The illicit proceeds that are funneled back to drug trafficking organizations in Mexico, Central, and South America continue to fuel organized crime at an unprecedented level. The violence associated with the illegal drug trade has a direct correlation with the profitability of the drug cartels. Without the illegal proceeds, these enterprises would not engage in the drug trade, or the various other criminal acts now associated with these organizations.

As Co-Chairman of this Caucus and as the Ranking Member of the Judiciary Committee, I have been concerned with efforts by terrorist organizations, organized criminal enterprises, and drug trafficking organizations to launder illicit proceeds. I have long advocated that we need to reform U.S. laws to focus on evolving trends in money laundering and illicit financial schemes. Money laundering is a serious threat to our national security because it undermines the financial stability of our nation by using legitimate financial institutions to hide illicit funds. The criminals and terrorists that launder illegal proceeds do so by exploiting our laws and institutions against us.

Some estimates have global money laundering and bulk cash smuggling between \$800 billion and \$2 trillion per year. While it is difficult to put an exact figure on total amount of money laundered across the Southwest Border, the Government Accountability Office estimates that bulk cash smuggling across the Southwest Border with Mexico is between \$18 billion and \$39 billion annually. That figure does not account for other forms of money laundering such as wire transfers, trade based money laundering, or other illicit forms of monetary transfer. Taken together, money laundering and bulk cash smuggling represent a huge vulnerability for all nations, and a boon for criminal, drug, and terrorist organizations.

This hearing provides us the opportunity to follow-up and build upon previous hearings the Caucus has held. It will allow us to continue our effort to address the increased violence and crime associated with the Mexican DTOs. We started examining

this issue back in March 2009 when we held a joint hearing with the Caucus and the Senate Judiciary Committee Subcommittee on Crime and Drugs. That hearing focused on law enforcement responses to the Mexican DTOs and was followed by a June 2010 Caucus hearing on rising violence in Mexico perpetrated by those cartels. At those hearings, we heard that the root cause of violence along the Southwest border is the DTOs. DTOs are not the drug cartels of yesterday that only sought to move drugs in and money out. DTOs are above all else, criminal enterprises interested in expanding their footprint to any available outlet, be it smuggling drugs, money, people, or weapons. DTOs are also vying for control of the lucrative criminal activity through specific corridors or sectors along the border and are fighting with other cartels to control these routes and the billions they bring in.

As we examine security issues related to money laundering and bulk cash smuggling, I am interested to hear from the witnesses what problems they see and potential solutions to them. I've always believed that the best way to stop criminals, drug dealers, and terrorists is to hit them where it hurts most, in their pocketbooks. We can't do this if we do not give our law enforcement agencies the tools they need to stop the flow of illicit money. We must ensure that our laws keep pace with the new and emerging trends these criminals and terrorists exploit to fund their endeavors.

I've heard from a number of law enforcement officials that we urgently need to update our money laundering laws to combat evolving trends. In response, I have prepared comprehensive money laundering legislation that I recently shared with Chairwoman Feinstein and plan to introduce shortly. My legislation is built upon ideas provided by federal law enforcement agencies. For example, I've heard concerns that bulk cash smugglers continue to use loopholes in our laws to evade prosecution. Further, I've heard that there are a host of procedural and definitional problems to combat money laundering, such as dealing with comingled funds, prosecutors being able to charge money laundering as a course of conduct, allowing wiretaps as an investigative tool for money laundering cases, and reverse money laundering operations.

My legislation would also simplify the laundry list of predicate offenses that give rise to money laundering offenses. It seems to me that the laundry list of predicate offenses our current criminal law has doesn't necessarily reflect a cohesive policy against money laundering. The legislation also includes a provision making tax evasion as a predicate offense for money laundering. Most importantly for this hearing, my bill would make prepaid access devices subject to anti-money laundering reporting requirements and would increase the penalty for bulk cash smuggling to ten years from the current five year term. I have heard a lot about the vulnerability we face with regard to prepaid access devices. There is a lot of debate about how these devices should be treated. Regardless of how we treat them, most every law enforcement agency agrees something needs to be done. I'm glad we have a witness here today from the Financial Crimes Enforcement Network at the Treasury Department to talk about their proposed regulation on this topic. I want to know why it has taken so long for this regulation to materialize

and why further delays are anticipated. I also want to know why the proposed regulation seemingly kicks the can down the road regarding cross-border reporting of these devices.

That said, I look forward to hearing the testimony from the witnesses and to the opportunity to question them about ways we can strengthen our efforts to attack this multi-faceted problem. Thank you.