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At a hearing of the Senate Banking, Housing & Urban Affairs Committee, Sen. Richard Shelby made the following statement:

Statement of Richard Shelby

U.S. Senate Committee on Banking, Housing, and Urban Affairs

"An Update on Money Services Businesses Under Bank Secrecy and USA PATRIOT Regulation"

This morning, the Committee will hear testimony from representatives of the banking and money services industries, as well as from the government agencies that regulate them, on the rapidly growing problem of what, for lack of a better term, we'll call "the unbanking of MSBs.

Money Services Businesses include wire transmitters, check cashers, sellers and redeemers of money orders, and currency exchangers. MSBs are a large and vital part of the global economy. It is estimated that the international market for remittances by itself is as much as \$80 billion per year. That is money generally earned in developed countries by foreign nationals that is wired home to family members in less developed countries. It is an large and important component of those countries' economies, and has helped hundreds of thousands if not millions of otherwise desperately poor families to earn vitally-needed currency.

Even more than within the formal banking system, however, MSBs are vulnerable to abuse by criminals and terrorist organizations. It is by now well known, of course, that much of the money that supported the terrorists that carried out the horrible attacks of September 11, 2001, was wired to them from the Persian Gulf, specifically the Emirate of Dubai. It is not only al-Qaeda, though, that moves cash around via money transmitters. The Times of London reported on April 3 of this year that Hezbollah has routinely provided funding to Palestinian terrorist organizations via money transmitters. The Times quotes a captured member of Palestinian Islamic Jihad as stating, with respect to Hezbollah support for Palestinian terrorist groups:

"They would send Islamic Jihad money in amounts of something like \$4,000," said [the 27-year old leader of that organization]. "It's easy - they just use Western Union".

And it's not just terrorists. Drug traffickers, too, routinely exploit the vast MSB world to move the proceeds of their criminal activity. Exactly one year ago, a DEA-led Organized Crime Drug Enforcement Task Force in Texas concluded a major investigations, Operation Candy Box that involved the use of wire transfer services to launder and move money.

Concurrently, an FBI-led investigation, also in Texas and dubbed Operation Foreign Exchange, resulted in the filing of six criminal complaints charging seven individuals with money laundering and violations of the Bank Secrecy Act.

Enhanced scrutiny and oversight of MSBs, then, was and remains fully warranted. Unfortunately, the very nature of many MSBs, in effect, their global reach, ease and reliability, has increased perceptions of them as high risk by the banks with whom they have to maintain accounts in order to do business. Banks, in turn, have been dumping, or "unbanking," their MSB accounts. And they are doing this in a major way. MSBs, a vital component of the global financial system, are at risk of being driven out of business, or, more ominously, underground.

And that brings us to the subject of today's hearing, the latest in the Banking Committee's ongoing examination of money laundering and terror financing. How do we regulate MSBs sufficient to ensure they are not abused by criminals and terrorists? How do MSBs police themselves, in conformity with anti-money laundering and Bank Secrecy Act statutes and regulations? And how do banks regain the level of confidence in the first two questions to feel comfortable banking MSBs? It is the Committee's hope that the witnesses testifying this morning will help us understand the scale of the problem and what to do about it.

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