

TERRORIST FINANCING AND MONEY LAUNDERING INVESTIGATIONS

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Good morning, Mr. Chairman. My name is Bonni Tischler. I am currently the Vice President for Transportation and Supply Chain Security at Pinkerton Consulting and Investigations. I retired as the Assistant Commissioner for Operations at U.S. Customs in June 2002 after 31 years of progressively more complex positions. Previous to that, I was the Assistant Commissioner for Investigations and a career Special Agent specializing in money laundering investigations. In 1980, I was privileged to have been at the forefront of anti-money laundering efforts in an era of virtually no applicable legislation with the exception of the Bank Secrecy Act. However, until the Money Laundering Act of 1986 was passed, there was no substantive specifically targeted law that could be used as an effective tool against organizations laundering money.

Money laundering is probably the third oldest crime with prostitution and smuggling tying at the number one position. The concept of money laundering is not complex, although, the methods, means and opportunities are only exceeded by one's imagination. Money laundering only involves disguising or concealing the source and origin of illicit funds. These funds include operational capital, which is used to fund the mechanics of a criminal scheme, and the potentially obscene profit which is, of course, why most financially driven crime is committed in the first place. Detection is, therefore, paramount to effectively disrupting a criminal enterprise.

Efficient and devastating acts of terrorism require a steady source of high level, efficiently concealed funding mechanisms. While terrorist organizations may be funded by contributions and gifts, criminal acts may also contribute to a steady influx of operational capital. The crime base could be the drug trade, which is certainly among the most lucrative structures, or it could include so called white collar crime such as fraud or counterfeit intellectual property schemes, which are perceived as not heinous and therefore, not deserving of draconian penalties.

In 1980, the Treasury Department, under the auspices of Customs and the IRS, initiated a prototype project known as Operation Greenback. Greenback was designed to identify and penetrate the reasons for the unusually high level of cash flow through the Federal Reserve in the South Florida area. The flow was found to be the direct result of the burgeoning drug trade in that region. At the onset, we thought we were only looking at narcotics smuggling organizations but as we progressed, it became apparent that what we were dealing with was a series of service organizations that were laundering money for one or more drug smuggling groups.

As Operation Greenback evolved, we found it necessary to add the Drug Enforcement Administration to the project, since at that time, the sole jurisdiction for Title 21, (narcotics trafficking), rested with that agency and since the crime was drug smuggling and trafficking, the DEA became a partner. The task force concept was successful and spawned other Greenback-styled investigations over the next several years. We found that putting together Customs, IRS and DEA expertise, along with prosecutorial support from the U.S. Attorney's offices, was successful in disrupting and prosecuting criminal organizations involved with money-laundering activities.

We were so successful that a number of congressional committees became interested in creating legislation specifically designed to target money laundering as a felony. In 1986, the vulnerability involved with not having an anti-money laundering law was resolved when legislation was initiated and passed by both houses. The law included a number of predicate offenses and as more offenses were added over the years, a number of federal agencies acquired the jurisdiction to investigate money-laundering offenses. Unfortunately, this did not always mean that the agencies acquiring substantive jurisdiction developed an actual ability to investigate money-laundering activities.

One of the most interesting tools developed to impact criminal organizations both from a substantive and subsequent money laundering perspective was the asset forfeiture additions to existing and newly planned legislation. Removing the assets of an organization immediately impacts their present and future operational capabilities as well

as their profit and loss statements. For instance, one can always replace smuggled drugs as a commodity, but it's hard to make up the seizure of cash or hard assets.

Some of the most successful financial cases such as Operation C-Chase (1988), also known as the BCCI (Bank of Credit and Commerce) case and Operation Casablanca (1998) were also examples of U.S. Customs initiated investigations that added elements of local, state and other federal agencies to bring about successful outcomes.

While combining jurisdictions of federal agencies is a force multiplier, duplication of similar projects is not, nor is it cost effective. An example of this is the proliferation of operational or intelligence driven money-laundering centers designed to do a similar job in identifying and analyzing intelligence and indicators of money-laundering activities. Usually, there is little or no passage of information to concerned agencies and therefore no feedback. Part of the problem is that in strictly based intelligence analysis centers, there is no real operational insight and often, a window of insight cut into an organization is not fully exploited because the operational day to day knowledge of an investigator is missing.

To summarize, my personal belief, based on a number of years experience in both the investigation and oversight of money-laundering related cases, is that a task force develops and brings to the table a synergistic and dynamic opportunity to eliminate illicit organizations, whether involved in drug smuggling or terrorist related activities. However, the potential for a powerful response to money laundering activities and substantive involved criminal activities can only be maximized in a completely transparent environment free from redundancy and agency duplication. Thank you for your attention to this very important matter before us today.