

# United States Senate

WASHINGTON, DC 20510

**FOR IMMEDIATE RELEASE**

March 9, 2000

**CONTACT:** Cathie Levine  
(202)224-7433

**Testimony  
Senator Charles E. Schumer**

**House Banking Committee  
Hearing on Money Laundering  
March 9, 2000**

Thank you Chairman Leach. I want to commend you for your leadership on this issue. It's not an exaggeration to say that it's largely due to your efforts that industry and regulators are finally recognizing the importance of money laundering.

And I thank the rest of the Committee. It's good to be back in the old Committee room, even if for only a little while.

I'd like to divide my remarks into three parts. First, outlining the problem. Second, a brief discussion of the Leach-Schumer-Coverdell proposal. And third, my comments on the Treasury proposal.

Over the last year, this Committee has conducted a vigorous, ongoing investigation into money transfers from Russia through US financial institutions that has cast a sharp and indicting light on the business of money laundering by U.S. financial institutions. It's important that we do everything we can to fight money laundering domestically if we expect to exercise leadership on this issue internationally.

But the reality is that the laundering of money through U.S. banks is a drop in the bucket compared to the huge sums that are transferred and hidden in offshore banking centers located in places as far flung as the tiny islands of the Pacific.

It's in these mostly obscure places -- like Vanuatu and Nauru in the South Pacific, St. Vincent, Anguilla and the Cayman Islands in the Caribbean -- that much of the estimated \$4.8 trillion in hidden assets is stashed. And according to Treasury's Financial Crimes Enforcement Network--FinCEN-- nearly all of that money is hidden to cover up some crime -- whether it's the relatively benign crime of tax evasion or the more ruthless crimes of international drug smuggling, terrorism, organized crime and the illegal financing of military regimes.

The reason offshore banks are magnets for the lion's share of illegal money is very simple. They offer a service that U.S. banks and other reputable institutions around the world

don't: total secrecy. The common thread in these offshore financial centers are laws that make it a crime to divulge any information about the bank officers, depositors, transfers, or any financial activity relating to banks to law enforcement --without exception.

So a drug dealer, terrorist or tax evader who wants total inoculation from the law will put his dollars in these banks, not in American institutions where the risk of getting caught is much greater.

In exchange for total secrecy, these offshore jurisdictions charge a fee. The island of Anguilla, for example, charges \$60,000 to open a bank and \$20,000 per year to keep it there. False credit cards, bogus country passports, and phony nobility titles intended to hide identity and even bestow a thin veneer of respectability are sold a la carte.

Today, Anguilla, with a population of 11,000 has 300 chartered banks. By comparison, New York State, the financial center of the universe, has 154 chartered banks.

The Cayman Islands, which has recently enacted stricter standards in order to stem the flow of illegal money is still the fifth largest banking center in the world behind New York, London, Tokyo and Hong Kong.

One reason for the growth in offshore money laundering is the Internet. The Internet allows fast, anonymous, and cheap movement of money around the globe at the click of a mouse.

Typing "offshore" into Yahoo search engine produces 30,074 sites designed to attract dirty money.

Some of these sites are incredibly brazen.

This is [www.offshoresecrets.com](http://www.offshoresecrets.com). As you can see, this Website offers an offshore coronate bank account in an unnamed "baltic state" and boasts that "no country, especially not the EU or the US, have the powers to request or coerce information from the authorities." And they note that "the almost universal need for producing documentary proof that you are a 'fit' person to operate a bank account has been virtually eliminated...."

And there are thousands of these sites that say "Yes! I want to order my own bank now!" It shows you just how pervasive money laundering has become.

And yet, despite the fact that the nexus of every international crime is money laundering, very little has been accomplished to stop it. Mostly because law enforcement is on its own to fight another country's domestic laws. But the US has leverage to compel countries to change their laws and Leach-Schumer-Coverdell would apply that pressure.

There are three fundamental provisions in Leach-Schumer-Coverdell that would give law enforcement the upper hand in combating money laundering.

First, it isolates offshore jurisdictions. Banks incorporated in countries with completely opaque bank secrecy laws should not be allowed to participate in the U.S. financial system or transact with U.S. financial institutions. Simply put, there is no excuse for giving a jurisdiction that does not have a mutual legal assistance treaty with the US access to the US banking system.

Second, it expands the list of offenses that count as money laundering to include corruption. By broadening the list we can investigate and take action in cases where foreign governments or dictators seek to use U.S. financial institutions to plunder and hide assets.

Third, it requires U.S. institutions to determine the true owners of foreign accounts. U.S. banks should follow the same due diligence in determining the true identities of foreign account holders that they use with U.S. customers.

This provision more than any other has generated concerns in the financial services industry – some legitimate and some misplaced – because of the difficulties in determining ownership. And whether these difficulties warrant greater flexibility in the implementation is certainly an open question.

I want to commend the Treasury Department for their efforts to further this debate. This is the first time since I was elected to office 20 years ago that a Treasury Secretary has focused so keenly on this issue and certainly the first time he has gone so far as to propose money laundering legislation. I respect their efforts.

But as much as I was looking forward to the unveiling of their proposal, I have to admit I was disappointed. Not because I don't agree with their proposals, because I think it includes the tools necessary for a comprehensive strategy to fight money laundering. But because it renders those tools impotent by making their use discretionary.

In my years as a legislator, I've observed time and again that in the international arena, discretion is usually a code word for delay and avoid.

The drug certification process is a good example of where the best intentions produce the worst outcome. Discretion in evaluating whether a country receives certification means that every year, we routinely ignore reality for the sake of diplomacy. And as a result, countries that don't meet the standards are recertified and the drug trade continues to flourish.

Why should we **not** be discretionary? Because we know their sole – and only -- purpose is money laundering. What discretion do we need?

When the State Department argues against cutting off the Bahamas by saying that we'll lose their vote in the UN, their argument will almost always prevail.

So if I were to guess, I'd say that money laundering in most Administrations would follow a path of diplomacy because it is hard to find the strength necessary to buck the interests that benefit from the dollar flows from offshore jurisdictions.

So unless we make it mandatory to cut off these jurisdictions that flagrantly violate international standards against money laundering mandatory, it's my guess that the not much will be done.

Despite my opposition to a highly discretionary approach, I think there's a lot we agree on. And I thank Treasury for introducing a bill that we can use as a foundation to build on.

My colleague Senator Coverdell and I look forward to strengthening the Treasury proposal and passing a bill with teeth that will put this \$800 billion industry out of business.

I want to thank you again, Chairman Leach for your leadership on this issue. You've been an excellent ally, and I look forward to working with you and your Committee.

###



Location: http://www.offshoresecrets.com/

- ▶ Bank Accounts
- ▶ Debit cards
- ▶ Credit Cards
- ▶ IBC's & Corporations
- ▶ Trusts & Foundations
- ▶ Bank Charters
- ▶ Mail Forwarding
- ▶ Merchant Accounts
- ▶ IC Products
- ▶ Learning Center
- ▶ Opportunities
- ▶ Valuable Links
- ▶ Free Newsletter
- ▶ Our P&P Key
- ▶ Affiliate Program
- ▶ Privacy Policy
- ▶ Spam Alert
- ▶ About Us
- ▶ Contact Us
- ▶ Order Forms

# The Offshore Secrets Network

Fast. Safe. Private. & Affordable Offshore Services

## Offshore Bank Charters

click the flag for more info on The Nation



**Class "A" License Bank in First Nation, US\$60,000** (Minimum capital required: \$250,000)



**European Country, Class A Banking License, \$44,500** (Minimum Capital Required: \$10,000)



**EU Country, Savings Bank, \$22,500** (Great prestigious image; no further capital requirements)



**NAURU, Non-Resident License, \$19,900** (Minimum capital required: \$100,000)



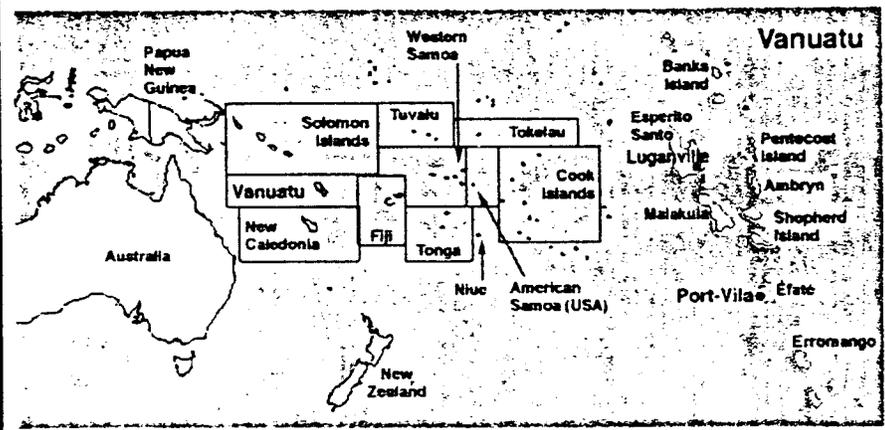
**VANUATU, Non-Resident License, \$19,500** (Minimum capital required: \$150,000)

### Services and Add-Ons for Existing Banks

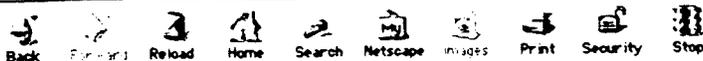


VANUATU, Non-Resident License, \$19,500

This is another jurisdiction which has indicated it is willing to receive applications for restricted banking licenses. Banking in Vanuatu is governed by the Banking Regulation, which provides for two types of licenses, namely resident and non-resident. A non-resident license allows the bank to carry on a banking business outside Vanuatu. Non-resident banks are restricted from advertising or soliciting funds from the general public, but here again a subsidiary finance company may be established which in turn can solicit funds and advertise. The minimum capital requirement of a non-resident bank is \$150,000 or equivalent in any major currency. Applications can be processed within 8-10 weeks.



**YES! I WANT TO ORDER MY OWN BANK NOW!**

Location: <http://www.offshoresecrets.com/banking/latvia.html>

## Offshore Corporate Bank Accounts

### The "Asset Protector" Baltic Corporate Account

One of the banks that The Offshore Secrets Network is working with is located in a major Baltic State and is one of the major banking institutions of that country.

This Baltic State has realized that there is a growing international need for banking services which offer a maximum of convenience and a minimum of documentation. As it has become the Switzerland of the North in banking terms, this Baltic State has placed itself in a most unique position in the international financial market.

From a security and confidentiality aspect the bank is the first and only one to receive a FIVE STAR rating and has scored the highest among many offshore banks that The Offshore Secrets Network has been associated with, thanks to the unique laws which prohibit even the State Police from gaining access to account information.

No country, especially not the EU or the US, have the powers to request or coerce information from the authorities. Years of dominance and a language barrier have assured that financial "spies" are thin on the ground and as far as we are aware there are no formal links to any covert US agencies operating in most of the world's offshore jurisdictions.

In addition to these tight banking laws, the requirements for both simplicity and privacy in opening and operating accounts has been heeded in the country and especially at the Bank.

The almost universal need for producing documentary proof that you are a "fit" person to operate a bank account has been virtually eliminated and accounts opened with the Bank need nothing more than a signature, a street address and one piece of ID.

Excellent English is spoken by the Bank staff and both phone, fax and computer communications are as good as anywhere in the world.

### SERVICES PROVIDED

Many banking services are available for clients wanting to maintain confidentiality in their transactions and who want to protect their assets. Deposits to these accounts can be made through SWIFT transfers, checks, money orders and even through WESTERN UNION money transfers (the money arrives at the bank instantly).

The Bank has a worldwide network of correspondent banks. A list will be sent to you when the account is opened.

Upon account opening you automatically qualify for a CIPFUSMAESTRO ATM Debit Card REGARDLESS OF YOUR CREDIT HISTORY. The card is accepted at more than 200,000 ATM machine locations and more than 1.3 million POS Terminals worldwide. NO SECURITY DEPOSIT HAS TO BE MADE TO GET THE DEBIT CARD.

The Bank charges 0.5% for purchases made with the card and 1.5% for ATM withdrawals.

The corporate and personal accounts are linked with "Client Bank Software" which is a PC software package that enables you to form all your banking functions electronically, from your own PC.

It offers features that make it easy for you to communicate with your Bank 24 hours a day, 7 days a week, 365 days a year from anywhere on the planet.

- You can send instructions to the Bank without leaving your home or office
- You can receive balance reports
- You can create and send messages to the Bank
- When using a portable computer, operate your account from anywhere

All documents you send to the Bank are supplied with your unique digital signature and are encrypted. The documents coming to you from the Bank are encrypted to you as well.

### COST:

The Offshore Secrets Network charges a one time fee of \$850.00 US to establish a corporate or individual account. The fee includes the account opening fee, the Client Bank Software and the International Debit Card.

Due to the International nature of the Account & Debit Card, to order one the Bank will need a Notarized photo copy of your ID.

ALL ACCOUNTS OPENED WITHIN 14 DAYS OF RECEIPT OF FUNDS

### Frequently asked questions

**Yes! ORDER your offshore bank account now...**

Location: <http://offshoreinfo.com/banking.html>

# Offshore Financial Freedom



BBB Member

## Services

[IBCs](#)  
[Trusts](#)  
[Bank Accounts](#)

## Products

[Books](#)  
[Videos/Audio](#)  
[Free Report](#)

## Miscellaneous

[What's New](#)  
[Links](#)  
[Articles](#)  
[FAQs](#)  
[Message Board](#)

**Tell a friend**  
 about this site

Search:

 Exact Match

Join Our Mailing List



## Offshore Bank Accounts

Here we aim to offer our clients, both private and corporate, a complete range of banking facilities including ordinary corporate offshore accounts, no-reference electronically managed accounts, high yield savings accounts, and 100% anonymous personal accounts.

The need for I.D. to open a bank account is a major draw-back to anyone, private individual or corporate, who wishes to retain as low a profile as possible in these days of invasive governments - we have done our best to reduce or eliminate this for you with our close association with the Bank we work closely with.

Whatever the reason for 'going offshore', there are now many jurisdictions overflowing with banks who are only too happy to take your money. And most are quite safe, perfectly respectable and as good as your bank at home in many respects. Whatever their advantages though, offshore accounts are usually as bureaucratically ridden as those at home when it comes to opening them! Two forms of ID please! A bank reference from your existing bank please! It'll be 2 to 3 weeks until we process these for you!

There are also a number of less welcome and more insidious problems with many offshore jurisdictions. Many countries have a strong resentment against anyone who tries to move their money to offshore locations and will try all manner of tricks to 'bring it back home'! Covert infiltration of many banking institutions is rife, and many jurisdictions are very vulnerable to coercion under the dubious terms of international agreements like;

**MLAT (Mutual Legal Aid Treaty) - "tell us about A, B and C and we'll help you with X, Y and Z" is common.**

While the banks we deal with have not been associated with known 'leaks' there does remain the possibility that those located in jurisdictions with a strong US presence or indeed US owned banks are more likely to be subject to covert pressure to reveal account-holder's and signatory's details.

Having said that, the banking laws in the countries we choose to do business with do ensure high security :

### Offshore Banking Products Available :

CYPRUS - Personal or Corporate Accounts

Numbered Accounts

Truly Anonymous Accounts (no id needed)

Czech Sparbuchs

Anonymous Visa / Trust Pack