

Statement of Congresswoman Sue Kelly House Financial Services Committee Hearing on Dismantling the Financial Infrastructure of Global Terrorism

Thank you Mr. Oxley for holding this hearing on dismantling the financial infrastructure of global terrorism. As a New Yorker and the Chairwoman of the Oversight and Investigations Subcommittee I want to do everything possible to thwart the scourge of terrorism. President Bush has stated that drying up and freezing terrorist assets is among the highest priorities of the Administration and considers this at the same level as military action against Osama Bin Laden and his Al Qaeda terrorist organization. I wholeheartedly agree with this assessment and am committed to the continual work it will entail to ensure we have the most effective law in place.

The task we have set before us is difficult and will take a great deal of effort to realize. The ancient money exchange system of “hawala” makes this effort all the more difficult since it is virtually impossible to detect. Hawala -- an Arabic word that means “word of mouth” – is an international underground economic system by which financial operators in different locations honor each others’ financial obligations by making payments wherever needed. In essence, hawala continues because people continue to look for ways to avoid taxes and tariff in their efforts to send funds to people in other countries. Such activities have no apparent victim other than a government and involves people who are legitimate businessmen in every other way. Hence, everyone involved in the transaction profits. There is no movement of money between countries hence no taxes or tariffs are paid. I wonder how we can possibly detect such transactions and what we can do to stop such activity?

The Administration has sent to us their proposal on addressing the problem of money laundering. Of the many good components of this package, our goal is to greatly increase our ability to measure the effectiveness of anti-money laundering efforts. While I have read reports from the General Accounting Office and Treasury about past efforts to combat money laundering, there is currently no uniform money laundering case reporting system. Without such a system our

perception of the problem is obscured and we lose opportunities to focus our efforts on the most effective enforcement of our laws.

In the past twenty-two days I have read countless articles attempting to outline the financial history of the terrorists activities before the attack. Unfortunately, many of these reports have contained conflicting information about how much money the terrorists had in the accounts they opened and how they may have financed their activities. It is my hope that the witnesses before us today will be able to share with us the best information possible to help us understand how these terrorists conducted their financing so we can design legislation that will severely limit their ability to function.

I want to briefly thank our distinguished witnesses, who have taken time out of their incredibly busy schedules to join us here today and discuss these issues with us. The Oversight and Investigations Subcommittee will continue to diligently examine the issues that surround terrorist financing and money laundering, considering what we can do to prevent future acts of terrorism.