U.S. Terror Finance Task Force Hears Talk of Poor Data-Sharing with Banks

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By Colby Adams

The failure by U.S. agencies to properly instruct financial institutions on how to identify trade-based money laundering has impeded federal efforts to crack down on criminal networks, lawmakers and congressional witnesses said.

In a hearing Wednesday of the House Task Force to Investigate Terrorism Financing, lawmakers weighed the critique as part of a larger discussion of how terrorists and other criminals falsely invoice goods and divert cargo to avoid scrutiny by governmental officials and financial institutions.

The panel, which in June considered calls to impose new anti-money laundering controls on a host of businesses outside of the financial sector, has convened six times since its creation in March with the potential goal of proposing legislation.

To aid financial institutions tasked with identifying money launderers and terror financiers, federal agencies should aggregate intelligence gleaned from Bank Secrecy Act reports and related commercial data, and share their conclusions with industry, Rep. French Hill (R-AR) said during the hearing.

“We collect a lot of data but nobody does anything with it, and the very people [within banks] who could help us on a targeting basis aren’t privy to it. Instead of collecting all this hay, we just need to be told who the pin is and the banks can go and get it,” said Hill, who chaired a bank holding company in Little Rock before assuming office last year.

Federal officials, however, face tall hurdles to sharing sensitive information with the private sector, according to Louis Bock, a former senior special agent for Customs and Border Protection who testified at the hearing.

“You have to have such high clearance to [obtain classified intelligence], and then once you find the material, it’s such an arduous process to get it downgraded so others can view it,” said Bock, who advocated Wednesday for allowing the U.S. Financial Crimes Enforcement Network (FinCEN) to more freely distribute actionable information to banks.

The challenges are exacerbated by the fact that some financial institutions file regulatory reports that prove to be of little use to investigators, congressional witnesses said.

Banks are at times more concerned with avoiding “reputational” damage stemming from violations of anti-money laundering rules and sanctions than they are with proactively monitoring for trade-based schemes, according to Nikos Passas, a professor of criminology and criminal justice at Northeastern University.

“They aren’t looking for bad guys. They aren’t looking for terrorist financiers,” he said, during the hearing.

The U.S. Treasury Department reported in June that criminals exploit trade to move billions of dollars in illicit funds each year.
The schemes have particularly hurt developing nations, which have lost as much as $3 trillion to false invoicing and other trade-based money laundering methods, according to recent estimates by Washington, D.C.-based advocacy group Global Financial Integrity.

FinCEN in recent years has increasingly made use of geographical targeting orders to combat trade-related money laundering, though the measures have applied to non-financial firms rather than money transmitters and depository institutions.

In October 2014, the bureau ordered 50 Los Angeles-based fashion outlets to disclose currency transactions over $3,000 after investigators found $90 million in drug proceeds hidden at several of the retailers.

Spokespersons for FinCEN and U.S. Immigration and Customs Enforcement did not return inquiries by press time.