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FEDERAL DEPOSIT INSURANCE CORPORATION

STATEMENT ON

THE ENFORCEMENT AND UTILIZATION OF THE BANK SECRECY ACT,

PRESENTED TO *the House*

SUBCOMMITTEE ON GENERAL OVERSIGHT AND RENEGOTIATION  
U.S. HOUSE OF REPRESENTATIVES

BY

*J*  
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FEDERAL DEPOSIT INSURANCE CORPORATION

10:00 A.M.  
WEDNESDAY, JUNE 20, 1984

ROOM 2128 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, D.C.

Mr. Chairman, we appreciate the opportunity to testify this morning and to inform you of the significant progress we are making in promoting bank compliance with the Bank Secrecy Act.

Bank compliance with the currency reporting requirements has improved steadily over the past couple of years. Almost without exception, banks under FDIC supervision now have adequate internal systems designed to avoid systemic violations of the Act, and, for the most part, bankers are genuinely committed to complying with the Act.

Our Regional Offices report positive changes in the attitudes of bankers toward the Bank Secrecy Act. These attitudes and changes are especially evident in Florida, where the recent successful prosecution of Great American Bank of Dade County was widely publicized. Other Regions report similar findings.

In today's environment, bankers place a high moral value on their responsibilities under the Bank Secrecy Act. This has come about, in large part, from the intensified Federal effort to improve the effectiveness of the Act, but a major force has been public opinion, shaped in recent years by the publicity given to criminal proceedings against banks, bankers and others associated with drug traffickers. Education has also played an important role. As bankers and the public better understand that the reported transactions are useful and, indeed, critical to the successful prosecution of drug dealers and organized criminals, compliance with the Act will continue to improve.

The FDIC's efforts, combined with those of the other Federal agencies involved in the enforcement of the Bank Secrecy Act, are yielding positive results. The cooperative environment is better and more productive now than at any time in the past.

Just recently, a long and difficult investigation and prosecution successfully resulted in a guilty plea by Great American Bank of Dade County, Miami, Florida. In 1980, the Project Greenback Task Force identified this bank as a probable violator of the currency reporting requirements and FDIC was asked to investigate. During his first visit to the bank, the FDIC examiner discovered some rather unusual activity. Numerous loan checks in large amounts were being exchanged for currency brought into the bank by individuals who were later discovered to be associated with illegal drug activity. On and off for more than two years, an FDIC examiner assisted in the criminal investigation that ultimately led to the bank's guilty plea.

In a letter to FDIC Chairman Isaac from U.S. Attorney Stanley Marcus, the FDIC examiner was commended for his invaluable assistance in obtaining the guilty plea of Great American Bank itself. The discovery and termination of a money laundering operation that washed over 94 million dollars in a fourteen-month period was directly attributed to the efforts of the FDIC examiner.

Mr. Marcus characterized this case as having a direct impact upon the government's efforts to combat the laundering of narcotics money through the nation's

banking system. The case makes it clear beyond a doubt that the government agencies responsible for the safety and soundness of our banks will not tolerate the knowing manipulation of narcotics money and that such activities will be pursued to the utmost extent of the law.

The Great American Bank case exemplifies the interagency cooperation that is now taking place in the enforcement of the Bank Secrecy Act. The case required the close cooperation of many agencies -- the FDIC, the Treasury Department, Customs, IRS, the Department of Justice, and the Drug Enforcement Administration. While the investigation and legal proceedings were time consuming and arduous, the outcome was positive and widely publicized. As a result, bankers who may have believed they would only receive a "slap on the wrist" for willfully violating the Act should be substantially deterred from any such notion.

The FDIC is committed to enforcing the Bank Secrecy Act and has accorded bank compliance with the currency reporting requirements a high priority. Although tremendous demands are currently being made on our resources, we will continue to provide assistance when asked by the Treasury Department in connection with the criminal investigations of FDIC-supervised banks.

Thank you.