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MONEY LAUNDERING

Panel Backs House Bill On Monitoring Of Finances

By ADAM CLYMER

WASHINGTON, Oct. 11 — A House committee overwhelmingly approved broad new legislation today to combat money laundering, including a provision to require financial institutions to identify large depositors.

The 62-to-1 vote for the bill in the Financial Services Committee suggested it would move smoothly through the House, possibly Friday.

The bill is quite similar to a Senate measure taken up tonight and all but certain to pass. The legislation, which also would empower the secretary of the treasury to prohibit United States financial institutions from doing business with dubious foreign banks, could become law soon.

The measure, which was proposed earlier but faced strong opposition from bankers, gained strong impetus from disclosures of how money reached terrorists involved in last month's suicide bombings at the World Trade Center and the Pentagon.

Representative Michael G. Oxley, the Ohio Republican who heads the House committee, said, "We are discovering how easily the terrorists used American dollars and the world-class services of the American financial system to underwrite their deadly operations. They used credit cards, automated teller machines, checking accounts, international wire transfers and large amounts of cash to transact business, all without raising alarm in the financial community."

"After September 11, all that must change," Mr. Oxley said.

Representative John J. LaFalce of New York, the committee's senior Democrat and a sponsor of last year's version of this bill, said after

*Despite protests by
banks, support for
more disclosure.*

passage that without it the country would be fighting "terrorism with one hand tied behind our back."

"With passage of this legislation," Mr. LaFalce said, "our law enforcement becomes armed with the appropriate arsenal of tools to either cut off or trace the lifeblood of terrorism: money."

The major difference between the two bills is that the House measure seeks to thwart Internet gambling, which Federal Bureau of Investigation officials told the committee had developed into a major route for money laundering. The bill prohibits gambling interests from accepting credit cards, electronic fund transfers and checks from American banks, which could be ordered to stop doing business with gambling companies.

This section drew the only heated debate in today's session, with opponents like Representative Barney Frank, Democrat of Massachusetts, saying it represented the "nanny state" trying to suppress gambling because it disapproved.

Representative Mike Rogers, Republican of Michigan, disagreed, saying "This is about targeting terrorism."

The provision survived on a 37-to-25 vote, but could face further opposition.

Another major provision of the bill would toughen laws against smuggling currency out of the country and provide for forfeiture of smuggled cash in amounts of \$10,000 or more.

The major new responsibility imposed on United States banks, and United States branches of foreign banks, is higher "due diligence" standards to determine who controlled private banking accounts of \$1 million for a foreign person.

The same requirement would cover correspondent accounts from offshore or foreign banks from nations determined to pose high risks of money laundering.

American banks would be flatly prohibited from doing business with "shell banks," institutions that have no physical presence in any country.

The bill also gives the treasury secretary authority to establish regulations governing "concentration accounts" to make sure that they are not used to hide the identity of customers. The measure also makes it illegal to raise money for terrorist organizations.

Like the Senate bill, the House one seeks supervision of the nearly paperless banks called hawalas that operate in the Middle East and Asia — and that send money back and forth to the United States.

The only committee member to vote against the bill was Representative Ron Paul, Republican of Texas. The entire bill, Mr. Paul said, was "more a war on financial privacy than a war on terrorism."