
TOGETHER WE STANDâ€”DIVIDED WE FALL

Thoughts inspired by July 4 and an important change to U.S. sanctions law

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July 4th Should Make Us Think

Since we have just finished the Independence Day weekend, it is a good time to assess our continued efforts to ensure that the private and public sectors work together to defeat financial criminals engaging in money laundering or terrorism.

If you "google" the phrase in the title, you'll find a long history of the concept of working in concert to defeat a common enemy.

(Of course, knowing me and my penchant for song-based titles, you will also see references to a Pink Floyd song ("Hey you") and the lyrics to a 1970 song by the Brotherhood of Man.)

The key for anti-money laundering professionals is the various forums for all of us to pursue unity toward our common goal. I have used this blog before to stress the need to work with law enforcement. Now I want to add the defense sector to that important partnership.

I just returned from a two-day program for the private sector to share information on terrorist financing trends with government representatives at an event hosted by the U. S. Army National Ground Intelligence Center (NGIC) in cooperation with the U.S. Special Operations Command and the Department of Treasury. The theme, "Crime , Terror, and Insurgency: Exploring the Threat Finance Nexus" gave those of us in the private sector the opportunity to discuss banking practices and AML- related policies with government representatives who typically do not engage with our industry.

During several panel discussions, the government heard presentations from industry representatives, such as Mike Kelsey from Capital One and Jim Candelmo of Ally Bank, as well as terrorist financing expert Dennis Lormel. All explained issues from how to assess AML vulnerabilities from new banking products to financial investigation techniques. Industry speakers emphasized the notion of partnership and offered to continue the dialogue throughout the year.

I was particularly impressed by a private-sector keynote address that listed emerging threats to be understood and, eventually dealt with. These included:

- Virtual economies

- The U.S. dollar's uncertain future

- China as a global investor

- The growing political and economic influence of the world's increasing ranks of the wealthy-not just about nation states

- Global food security and investment returns

- The evolving landscape of compliance

- Cyber security

- Social networks and gaming risks

All of these risks have been discussed before but the value of covering them in a mixed audience of private and public sector representatives cannot be overstated.

The invitation to the private sector to discuss these issues in a non-classified setting was timely and well-received. Let's hope it continues so we can stay united.

A time to look at sanctions (again)

As I have also noted in my blogs, it is essential that AML professionals pay strict attention to AML-related issues such as sanctions, corruption, and financial crime.

On the sanctions front, all financial institutions should take the time to review and compare notes on compliance with the recently enacted "Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010," H.R. 2194.

A broad, bi-partisan group supported this change to the 1996 Iraq Sanctions Act. Among other things, the law contains provisions that sanction foreign banks that deal with Iran's Revolutionary Guard or other listed groups, such as Iranian banks that are involved with terrorism. According to House Foreign Affairs Committee Chairman Howard Berman (D-Calif.), "[f]oreign banks involved in facilitating such activities would be shut out of the U.S. financial system, and U.S. banks would not be allowed to deal with them." [Read a detailed statement from Berman explaining the Act.]

Specifically, the relevant part of the new measure prohibits or restricts U.S. banks from maintaining or opening accounts for a foreign financial institution once the Treasury Department finds that the institution knowingly engages in conduct that eases the Iranian government's acquisition or development of weapons of mass destruction or some other support for terrorist activities.

As President Obama said when he signed the legislation into law:

"Consistent with the [U.N.] Security Council mandate, this legislation strengthens existing sanctions, authorizes new ones, and supports our multilateral diplomatic strategy to address Iran's nuclear program. It makes it harder for the Iranian government to purchase refined petroleum and the goods, services, and materials to modernize Iran's oil and natural gas sector. It makes it harder for the Revolutionary Guards and banks that support Iran's nuclear programs and terrorism to engage in international finance."

The U.S. financial sector certainly supports the goal of this new law. The challenge for all of us is to ensure that the implementing regulations are crafted with significant input from all affected businesses so that we can assist our congressional and executive branch leaders in this important policy measure without harming legitimate banking practices.

We need to stay united on these efforts-an important concept in song, and reality.

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