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## **NMTA Bulletin – Volume 20 – Monday, September 5, 2005**

Dear Readers,

### **Picking Easy Targets**

Here is the relevant quote from *Storied Name Faces Feisty Rival In N.Y.'s District Attorney Race*, By E.J. Kessler, September 2, 2005 (<http://www.forward.com/articles/3894>):

*"Morgenthau vigorously defended his record on terrorism prosecutions, and his decision to prosecute some cases that might have come under the jurisdiction of federal authorities.*

*"The federal government often will not prosecute cases for political reasons," he said. "We don't have that problem." (sic)*

*He described two cases involving unlicensed money transmitters and legitimate New York banks that were laundering money for Middle Eastern terrorists, including some who were operating out of the South American Tri-Border Area. "Those are things the federal government I don't think was aware of and certainly wasn't going to do anything about," he said.*

*"I don't aspire to prosecute Bin Laden and his top henchmen, but terrorism requires money," he said. "What we're doing is trying to cut off the money supply.... We're not taking [these prosecutions] away from the federal government. We're doing it because it needs to be done."*

No, there are no clear lines drawn in this highly-charged anti-money laundering atmosphere. In his zeal to do good on a larger stage, Mr. Morgenthau may have unintentionally cut off more than just criminal money. I do not think Mr. Morgenthau necessarily exceeded his authority. I believe that, although he may have misconstrued his standing, the worst part was that he caused a lot of needless collateral damage.

The common theme we see repeated time and again, is misplaced zeal, illogical conclusions and ultimately counter-productive enforcement efforts. With no particular expertise in running a bank, Federal AML requirements, or the local history, norms and economics of Brazil and Uruguay, Mr. Morgenthau took it as his appointed duty to enforce the laws of two nations in South America, by holding US banks' feet to the fire. With no expertise in parallel markets, he ventured into a body of law, and even foreign nations' laws, that he was never meant to enforce, in the name of choking off Osama Bin Laden's money supply.

Should B of A have known Lespan S.A. better? Perhaps. Should Chase have shut down Beacon Hill? Of course. This is not the point. The point is that any mention of criminal charges in these matters, was over the top. And, if it is to be a money-laundering issue, yes, it had better be discussed at the Federal level.

The chilling effect that was created by even discussing the possible criminal prosecution of Bank of America and JPMorganChase, two august institutions, I believe in large part, resulted in those banks eventually closing our accounts. Bank of America held on as long as they could. Chase, perhaps lacking federal protection from Mr. Morgenthau at that time, got out sooner.

I guess everyone thinks they know best. That Mr. Morgenthau mentions it now in a campaign context, speaks volumes for his motivation at the time, and is only too typical of the political posturing that marks this debate.

Lumped in with unlicensed and foreign operators, we paid the price for others' mistakes on the AML battlefield, once again. This very erroneous leap, can only be explained as the banks' irresistible reaction to fear, whether it be fear of prosecutor or fear of regulator. Ironically, on some level, I agree with those banks' decision: a bank should not jeopardize its survival for a relatively unimportant business sector. Look what we, as a society, have done.

There is a lot of inadvertent damage that needs to be undone here. If the banks, or anyone in government, got or gave the wrong impression – if banks were never intended to shut down all licensed MSBs, then something has gone horribly wrong, and it will take more than benign pronouncements to fix. Under current conditions, the disincentive for banks is too strong now, the momentum too powerful, to choose otherwise.

I trust that government is not willing to stand by and see only the largest money transmitters retain their bank accounts. This would be an injustice in itself, and it is already happening. When it comes to closing MSB accounts, size matters.

If government is not willing to take us out of the high-risk category, nor set any limits on bank requirements or liability, then we need nothing less than a brand new set of national laws to protect the innocent. Despite what they say, regulators continue to hold banks responsible for monitoring our flows, for doing all the things a regulator should do. It is time for government to get serious and take responsibility for this public function, or stop this destructive kibitzing from the sidelines.

If they really never wanted banks to close our accounts, how does government explain the banks' rush to do so....overzealous, irrational compliance officers? All of them? That we are regarded as collateral damage, is unacceptable. Government knows that, with the contraction and eventual demise of the small to mid-size licensed money transmitter, large chunks of remittances would then flow underground, and this scenario therefore results in jeopardizing our national security. More on this next issue.

Regards,

-David

## **Company News and Trends**

### ***Research and Markets: The Burgeoning \$30.1 Billion Latin American ...***

Business Wire (press release) - San Francisco, CA, USA... In particular, the remittances sector is explored in depth, identifying characteristics of account holders as well as those unaffiliated with any bank. ...

[http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news\\_view&newsId=20050901005471&newsLang=en](http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20050901005471&newsLang=en)

***Banks File More Reports of Suspicious Activities***

August 28, 2005... By Harold Nedd... MSNBC - USA... Hawaii banks made 1,593 suspicious activity reports to the US Treasury Department's Financial Crimes Enforcement Network, which collects and analyzes the...

<http://msnbc.msn.com/id/9113710/>

***Banking on America*** (brief registration required -ed.)

August 27, 2005... by Jonathan Shikes Press-Enterprise - Riverside, CA, USA... Vizcaya Argentaria -- said it would focus on Hispanic immigrants who were familiar with its 1,600 branches in Mexico and used its money-transfer offices in the...

[http://www.pe.com/breakingnews/local/stories/PE\\_News\\_Local\\_D\\_bancomer28.3d1c639.html](http://www.pe.com/breakingnews/local/stories/PE_News_Local_D_bancomer28.3d1c639.html)

We have every confidence that Mr. Byrne's tenure will be marked by fairness to all customers. Congratulations, Mr. Byrne! -ed.

***John Byrne Joins Bank of America from ABA***

August 25, 2005...Yahoo News (press release) - USA... "John brings to the bank 20 years of experience in regulatory and educational efforts on money laundering, asset forfeiture, computer security, privacy, fraud...

<http://biz.yahoo.com/prnews/050825/clth041.html?.v=22>

**Opinion**

***Now that we know there's no conflict, we can breathe easy....***

From Treasury's June 16, 2004 Statement of Policy on Accepting Accounts From Foreign Governments, Foreign Embassies and Foreign Political Figures:

"It is the longstanding policy of the United States Department of the Treasury that persons residing or working in the United States should have access to U.S. banking services. This policy certainly encompasses the embassies and interests sections of foreign governments and their staffs.

It is also the policy of the United States Treasury Department that financial institutions comply with the Bank Secrecy Act, as amended by the USA PATRIOT Act, and its implementing regulations. Compliance with those provisions helps to safeguard our financial system from the abuses of money laundering and illicit finance, including terrorist activity financing.

These two policies are not in conflict. Financial institutions can provide appropriate banking services to the embassies and interests sections of foreign governments and their staffs in a manner that fulfills the needs of those foreign governments while satisfying the provisions of the Bank Secrecy Act."

Amen. -ed.

***Fernando Ferrer's Check List, A Better Deal For Immigrants***

Caribbean World Radio - New York, NY, USA... to the country," was the way he put it. Next was the question of remittances. With Caribbean immigrants sending back more than \$6...

[http://www.caribworldradio.com/cms/publish/article\\_577.php](http://www.caribworldradio.com/cms/publish/article_577.php)

### ***VIEW: The Significance of Remittance***

August 30, 2005... By Syed Mohammad Ali... Daily Times - Lahore, Pakistan... Tighter regulatory controls alone may reduce options and drive up the costs of remittance services for migrants, which is the last thing anyone wants. ...

[http://www.dailytimes.com.pk/default.asp?page=story\\_30-8-2005\\_pg3\\_6](http://www.dailytimes.com.pk/default.asp?page=story_30-8-2005_pg3_6)

### ***Bankers to Meet with Federal Regulators in Miami***

August 19, 2005... By Jim Freer... South Florida bankers will have a landmark meeting with regulators in Miami on Aug. 24, where they will likely discuss whether some large banks receive favored treatment on compliance with anti-money laundering laws.

<http://southflorida.bizjournals.com/southflorida/stories/2005/08/22/story6.html>

## **Related Areas**

### ***Bank Regulator Sues Spitzer for 'Interference'***

August 29, 05... By Dan Stempel... Westchester County Business Journal - White Plains, NY, USA... The Office of the Comptroller of the Currency (OCC) filed suit in June to stop Spitzer from inspecting the lending records of national banks using state laws. ...

[http://www.westchesterbj.com/current\\_issue/082905wrop03.html](http://www.westchesterbj.com/current_issue/082905wrop03.html)

### ***FDIC Mulls Insurance for Stored-Value Cards***

August 24, 2005... By Deborah Lagomarsino... Smartmoney.com (subscription) - USA ...is mulling new rules on providing deposit insurance protection for funds accessible through stored-value cards or other nontraditional access devices, such as...

[http://www.smartmoney.com/bn/on/index.cfm?story=ON-20050824-000457-0745&nav=pf\\_hp](http://www.smartmoney.com/bn/on/index.cfm?story=ON-20050824-000457-0745&nav=pf_hp)

### ***AmSouth Faces SEC Probe in Bisys Investigation***

August 24, 2005...Forbes - USA

Just last year, AmSouth got slapped with a \$10 million penalty by the Federal Reserve and the Treasury's financial crimes enforcement network over allegations...

<http://www.forbes.com/markets/equities/2005/08/24/amsouth-earnings-sec-0824markets16.html>

## **International News**

### ***Last Orders for Bar Banking?***

Issue: August 24 - 30, 2005... By Ray O'Hanlon... Irish Echo - New York, NY, USA... In a statement, Hart's office said that the congresswoman's amendment deals with the "potential threat" posed by money transactions conducted through "Hawalas..."

<http://www.irishecho.com/newspaper/story.cfm?id=16990>

### ***Step in the Right Direction for Anti-Money Laundering***

August 25, 2005... Karen Day...VNUNet.com - Haarlem, Netherlands

The original anti-money laundering regulations met with as much enthusiasm as a spell in chokey - and they really did threaten jail time for accountants. ...

<http://www.vnunet.com/accountancyage/analysis/2141535/step-right-direction>

### ***Migrant Workers Transfer \$1.3Bln Out of Russia in H1 2005***

August 30, 2005...MOSNEWS - Russia... that migrant workers have begun to receive higher salaries as result of overall economic growth and because they are using the money transfer services much...

<http://www.mosnews.com/money/2005/08/30/migrantmoney.shtml>

### ***Banco Santander Releases Pinochet Money to Chilean Government***

*(Subscription required)*

August 25, 2005... The government of Chile has received an unexpected bonus in its pursuit of the funds of former dictator Augusto Pinochet and his strawmen in various Miami international banks. Informed sources close to the Chilean government's effort...

<http://www.moneylaundering.com/NewsBriefDisplay.aspx?id=822>

### ***Government Wants Stronger Action Against Money Laundering***

August 28, 2005... Agencia Brasil - Brazil

Brasília - On Wednesday, president Luiz Inacio Lula da Silva presented a draft bill on money laundering to the country's chief prosecutor...

[http://internacional.radiobras.gov.br/ingles/materia\\_i\\_2004.php?materia=237188&q=1&editoria=](http://internacional.radiobras.gov.br/ingles/materia_i_2004.php?materia=237188&q=1&editoria=)

### ***Money-Laundering***

August 26 2005... by Ikram Sehgal... Media Monitors Network - CA, USA... be simultaneously tackled. Among the most important is to curb, if not altogether eliminate, money-laundering. Today Pakistan is...

<http://usa.mediamonitors.net/content/view/full/18437>

### ***Collecting Money through MoneyGram is Frustrating***

August 22, 2005... Ask your relatives not to send you money through MoneyGram if you do not have a passport, driver's license or voter's identity card, a GNA encounter at the SG-SSB Money Gram branch at Premier Towers, Accra on Monday, has revealed.

<http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=88555>

Also see:

#### ***Rejoinder: Collecting Money through Moneygram is Frustrating***

<http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=88764>

### ***Bahrain Firm Ties Up with ICICI***

August 28, 2005... By Soman Baby... Gulf Daily News - Manama, Bahrain... For its NRI customers, ICICI Bank has a range of money transfer services, which it offers through its partner exchange houses and banks, said Mr. Sharma. ...

<http://www.gulf-daily-news.com/Story.asp?Article=120556&Sn=BUSI&IssueID=28161>

### ***Gov't Expects Current Account Balance to Improve to \$2.2 B***

Manila Bulletin - Philippines... account balance to improve to a surplus \$2.2 billion next year on the back of the continued outstanding growth in Filipino migrant workers' remittances. ...

<http://www.mb.com.ph/BSNS2005082943000.html>

### ***Philippine GDP Growth Probably Accelerated to 1.5% in 2nd Qtr***

August 26, 2005... Bloomberg - USA

Philippine economic growth probably accelerated in the second quarter as improved harvests and record remittances from overseas workers...

<http://www.bloomberg.com/apps/news?pid=10000080&sid=alnhN7KypkYQ&refer=asia>

### ***ADB to Help Philippines Fight Money Laundering Crimes***

August 25 2005... Harold Doan and Associates (press release) - Rocklin, CA, USA. ADB is helping the Philippines strengthen its institutional capacity to combat money laundering through a technical assistance (TA) grant of \$400,000. ...

<http://www.harolddoan.com/modules.php?name=News&file=article&sid=5389>

## **Crimes and Cases**

### ***Second Russian UN Official Arrested in US on Money Laundering ...***

September 2, 2005...MOSNEWS – Russia... A Russian United Nations official was arrested by the FBI Thursday on money laundering charges, a federal law enforcement official said.  
<http://www.mosnews.com/news/2005/09/02/unnewarrest.shtml>

### ***Man Sentenced For Transferring Money to Bin Laden Bounty Hunter***

(Registration required)

August 27, 2005... San Jose Mercury News - United States... Green Beret who claimed to be working on a counterterrorism mission with the American government was a client of Alocozy's money-transfer business, Noor Money...  
[http://www.mercurynews.com/mld/mercurynews/news/local/states/california/northern\\_california/12489017.htm](http://www.mercurynews.com/mld/mercurynews/news/local/states/california/northern_california/12489017.htm)

### ***Ex-Broker Pleads Guilty in Drug \$ Case***

August 25, 2005... A former Lehman Brothers broker pleaded guilty to laundering \$11 million in drug money for the former governor of a Mexican state, the U.S. Attorney's Office for the Southern District of New York said Thursday.  
[http://money.cnn.com/2005/08/25/news/international/lehman\\_plea/](http://money.cnn.com/2005/08/25/news/international/lehman_plea/)

#### **Also See: *Ex-Lehman Broker Pleads Guilty to Money Laundering (Update1)***

August 25, 2005... Christopher Mumma... Bloomberg - USA... ``Lehman Brothers has a longstanding commitment to fighting money laundering," Lehman spokeswoman Hannah Burns said in an interview. ...  
[http://www.bloomberg.com/apps/news?pid=10000086&sid=aad95ZdPLmOo&refer=latin\\_america](http://www.bloomberg.com/apps/news?pid=10000086&sid=aad95ZdPLmOo&refer=latin_america)