

Remarks of Michael T. Dougherty
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Homeland Security Business Executive Council
October 1, 2003

Good afternoon. I'm delighted to be here today. Some of your faces are becoming more familiar to me, having met many of you just a couple of weeks ago when I was here with Under Secretary Asa Hutchinson. Other faces look familiar, possibly from my private sector days working in the financial industry.

As a former partner with KPMG, I spent much of my time worrying about a number of the problems that may concern a lot of you in this room today: ***Financial security***. Not *personal* financial security, although I guess we all sweat about that enough. No, what those of us gathered in this room today are concerned about is the very ***integrity of our financial infrastructure***, the system that provides a foundation for any free-market society. Whether you are in the trade sector or the insurance industry, whether your business is old-fashioned banking or the brave new world of online commerce, the integrity of the systems by which you make your living is the cornerstone of your security.

And that's what I have come to speak to you about today. I want to have a conversation with you about what we can do, together in partnership, to protect the integrity of our financial infrastructure. I want to talk to you about a new program, launched by Secretary Ridge this summer, called Cornerstone.

The Cornerstone Program is a new approach to financial crime, run by a new law enforcement agency in the Department of Homeland Security. U.S. Immigration and Customs Enforcement, or ICE, as we are more commonly known, is the primary investigative arm of Homeland Security. ICE brings to bear the considerable authorities of the former U.S. Customs Service and the former Immigration and Naturalization Service, or INS. Collectively, with our more than 30 years of experience in combating financial crime, we represent a formidable force that aims to accomplish our mission, which is to detect vulnerabilities and prevent violations that threaten national security.

I want to take just a moment to emphasize that mission statement: ***To detect vulnerabilities and prevent violations of national security.*** Yes, we investigate crimes that have already occurred. But we bring a new philosophy to law enforcement. We want to spot the crimes ***before*** they happen. Or, more accurately, we want to detect the vulnerabilities in our national security, and shut them down before they can be exploited. And that's what Cornerstone is all about. Working with our partners in the private sector, we want to look for weaknesses in our financial infrastructure and its processes that some individual or some group – whether it's a narco-trafficker or a terrorist organization – can exploit. We want to stop these groups ***before*** they bilk your industry of millions. We want to stop them ***before*** they are able to launder criminal proceeds. We want to stop them ***before*** they do our country harm.

We want to deny terrorists and other criminal organizations access to the systems within the banking, commerce, insurance, and import-export industries that Americans use every day -- and the very systems that you spend your time working to protect. As Secretary Ridge stressed in announcing Cornerstone, "Money is the lifeblood of terrorist networks."

Our investigations have shown that today's criminal enterprises and terrorist networks are very adept at taking advantage of financial infrastructures and new technologies used to obtain and transfer the money they need to fund their operations. They are smuggling cigarettes, counterfeit merchandise and bulk cash outright. They are exploiting money services and banking systems. They are devising illicit insurance schemes. They are laundering money through otherwise legitimate American trade industries via the Black Market Peso Exchange. They are even using charities to launder money. And they have set their sites on cyber-smuggling initiatives -- using online-banking and payment services, for example, or e-commerce and electronic cash, in innovative schemes to launder money or move it to where they need it.

With Cornerstone, ICE is going to apply pressure wherever we can to cut off the flow of these illicit funds. And we need your help. This is what makes ICE different, makes Cornerstone different: We are looking to forge a genuine partnership between the U.S. government and the American private sector.

You have all read the many reports from the various business and industry associations calling for greater coordination and information-sharing between government and industry. You may have written some of them. It is the basic premise behind the founding of this organization, the Homeland Security Business Executive Council.

Here's the thing: **we agree**. Wholeheartedly. More than three-quarters of the critical infrastructure in this country is owned by private interests. In some respects, **you** -- the private sector -- are the cornerstone of homeland security. At ICE, we recognize this important fact. It is the very premise of Cornerstone.

So let's talk specifics. How do we establish this partnership? And, importantly, how do we, in law enforcement and government, live up to our side of the relationship? After all, banks and other private sector industries have long cooperated with government efforts by supplying reports of suspicious activity. But how often do you get something back? How do you get a return for your efforts? In the past, information too often has flowed only one way. Cornerstone changes that.

First, Cornerstone sets up a number of information-sharing vehicles that allows ICE to provide industries with the latest intelligence on the typologies, or developing trends, in financial crime. During the course of our investigations, ICE special agents spot trends in money laundering and other financial crimes and can

provide you with that information, along with assistance in protecting your business interests, before they are exploited. We are taking a multi-faceted approach to communicate that intelligence to you in a timely, consistent manner:

1. ***Tripwire***: Tripwire is a new quarterly publication – in fact, the inaugural edition is still in production – that ICE will send to our partners in the private sector and make available and accessible on the Web. Tripwire will provide the latest information and intelligence on criminal typologies. It will list “*red flag*” indicators that you would want to be aware of – ranging from information on real estate scams and fraudulent insurance schemes to offering advice on how to avoid becoming an unwitting victim of the Black Market Peso Exchange.
2. ***Cornerstone Web page***: Just this week, ICE launched its new website. The site is very much in its infancy and still requires a lot of work. But one of the projects we have in the hopper is to create a Cornerstone Web page. On this site, we will provide scrubbed information – not as specific as what you will find in Tripwire, but more current, because we will be able to update the Web site regularly to give you the latest and information as we get it and process it.
3. ***The SHARE program***: The Systematic Homeland Approach to Reducing Exploitation, or SHARE, brings together the broadest cross-section of private and governmental entities to discuss financial security. Working

with our colleagues in the Secret Service and the DHS Office of Private Sector Liaison, ICE will host semi-annual meetings with executive members of the financial and trade communities. We will bring our expertise from Cornerstone operations, while the Secret Service will bring its expertise on counterfeiting and identity theft, in order to share data and experiences about specific outcomes from DHS-wide financial crimes investigations. Our first meeting is set to take place this fall in New York.

As the SHARE conferences imply, we want to do more than just provide information. We want to pro-actively work with the private sector in a variety of settings, from exchanging ideas and information regarding the impact of government regulations and new approaches to combating financial crime, to launching an outreach effort to provide financial and trade sectors with the necessary skills to identify and develop strategies to detect suspect transactions indicative of criminal activity.

As part of the Cornerstone program, ICE has created a unit solely dedicated to providing training to the private sector on how to identify and prevent exploitation by criminal organizations. The unit is staffed with senior special agents who will provide expert training in various disciplines. And we plan to take this expertise on the road. In the coming weeks, ICE will introduce the Cornerstone program to regional markets around the country, setting up training seminars for industry officials. And to be clear, this won't be a

one-time effort. We are assigning special agents in every one of our 25 field offices whose sole responsibility will be to serve as full-time liaisons with the private sector. These agents, trained in financial investigations, will be reaching out to financial and trade entities in their regions to establish and maintain the partnerships that are crucial to the Cornerstone program. They will be your eyes and ears in the government, experienced agents who can provide you with the latest information you need about developing typologies of financial crime.

I trust that I have demonstrated ICE's very genuine commitment to developing this partnership. And now comes the part you've all been waiting for: ***What do we want from you?***

Honestly, not a whole lot more than your participation in the programs I have outlined today. The business of criminal investigations is largely a business of information gathering. In short, we need your input. We need your tips on suspicious activity, yes. But we also want your ideas on how best to combat the crimes that affect all of us in this room. And we want your front-line opinions and ideas about weaknesses that you see in the private sector. Armed with your insights, we will be better positioned to establish and implement best practices to detect and avoid vulnerabilities that could undermine the integrity of this country's financial infrastructure.

Let me give you just a few diverse examples of the types of cases we are trying to develop under Cornerstone, to illustrate how the assistance of the private sector has proven valuable, or could prove valuable, in future cases:

- Just a couple of weeks ago, a naturalized U.S. citizen living in Washington State was sentenced to eight months in prison for his role in transferring more than \$12 million in cash and goods to Iraq between 1996 and 2002. An investigation by ICE agents revealed that the Iraqi national had used overseas corporate accounts to facilitate the transfers, which violated U.S. and United Nations sanctions imposed on Iraq. The investigation was initiated after ICE received a tip from a corporate security officer.

- This past June, ICE agents arrested 11 individuals at seven different jewelry stores in Manhattan's diamond district for participating in an international money-laundering scheme. The arrests were the culmination of a long-term investigation that began when ICE agents were tipped off that Colombian drug cartels were laundering substantial amounts of money through the purchase, smuggling, and resale of gold and diamonds. Intelligence indicated that Colombian drug organizations were instructing their U.S. employees to purchase precious stones in New York with drug proceeds, then smuggle these items to Colombia, where they were resold to refiners for "clean" pesos that the traffickers could use risk-free.

- As part of Cornerstone, we have also established a pilot task force charged with investigating foreign leaders suspected of public corruption and financial crime. This Miami-based multi-agency task force—the first of its kind in the world—has already opened investigations into allegations of money laundering in six Latin American countries. Among the tools the task force has in its arsenal are powerful new authorities under the USA PATRIOT Act, which added several foreign corruption offenses to the list of predicates that facilitate a laundering prosecution. Anyone who questions how fighting corruption by foreign officials strengthens the security of our homeland, including our financial markets, only needs to look at Colombia and Peru.

In recent years, we have witnessed in both countries the emergence of a deadly link between terrorism, drug-trafficking and public corruption. Terrorists and drug traffickers join forces, and they buy corrupt public officials to facilitate their illegal activities, all of which undermines legitimate free-trade markets and economic stability in these nations.

As I mentioned at the outset, our goal at ICE is to use our unique financial expertise and legal authorities to combat all illegal activities that threaten our nation's security. One of the most effective ways of achieving this goal is by hitting criminals where it hurts most—in the wallet. The more we are able to cut off the flow of illicit money, the more we are can shut down financial fraud and, in turn, strengthen the integrity of our financial infrastructure. Which means that legitimate

business will thrive more successfully. With Operation Cornerstone, we have a strong foundation in place. I look forward to building on it with you.

Thank you. I welcome any questions you might have.