

# Reducing Terrorist Financing and Money Laundering: The Patriot Act and the Bank Secrecy Act

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## Abstract

After the terrorist attacks that took place on September 11th, 2001, the United States' anti terrorist attitude changed. It began implementing more rigorous public security measures, but these measures were not only physical, or in highly trafficked areas. Combatting terrorism can be done through currency. While investigating the attacks, officials found that Al Qaeda had used a large amount of laundered funds. U.S. officials took action by altering the Bank Secrecy Act and creating the Patriot Act.

This paper evaluates how these acts have greatly reduced the threat of money laundering and terrorist financing by:

- instituting stricter identification requirements
- increasing communication between the financial system and government
- requiring more financial monitoring.

## Introduction

If anti-money laundering policies were in place, how would Al Qaeda buy weapons or materials, or sustain themselves and their ideas? Stricter identification requirements, increased communication between the financial system and government, and increased financial monitoring of international funds transfers and activities could

- increase awareness
- help prevent future terrorist attacks both domestically and overseas.

These pertinent factors for creating an inhospitable environment for terrorist financing and money laundering were all brought forth by the Bank Secrecy Act and the Patriot Act. They each contributed to the issues at hand in different ways, and called for different changes individually, but together they helped stem the flow of cash to terrorist organizations that plot against the United States, and still contribute today.

## Identification, Communication, and Monitoring

### Stricter Identification Requirements

- The Bank Secrecy Act was amended to include new Customer Identification Programs (CIPs), which must be written out for each institution and require customers to present four forms of identification that include:
  - name
  - date of birth
  - address
  - taxpayer identification number or social security number
- Before this amendment, anyone could walk into any institution and open an account under any name they liked.

### Increased Communication Between the Government and the Financial System

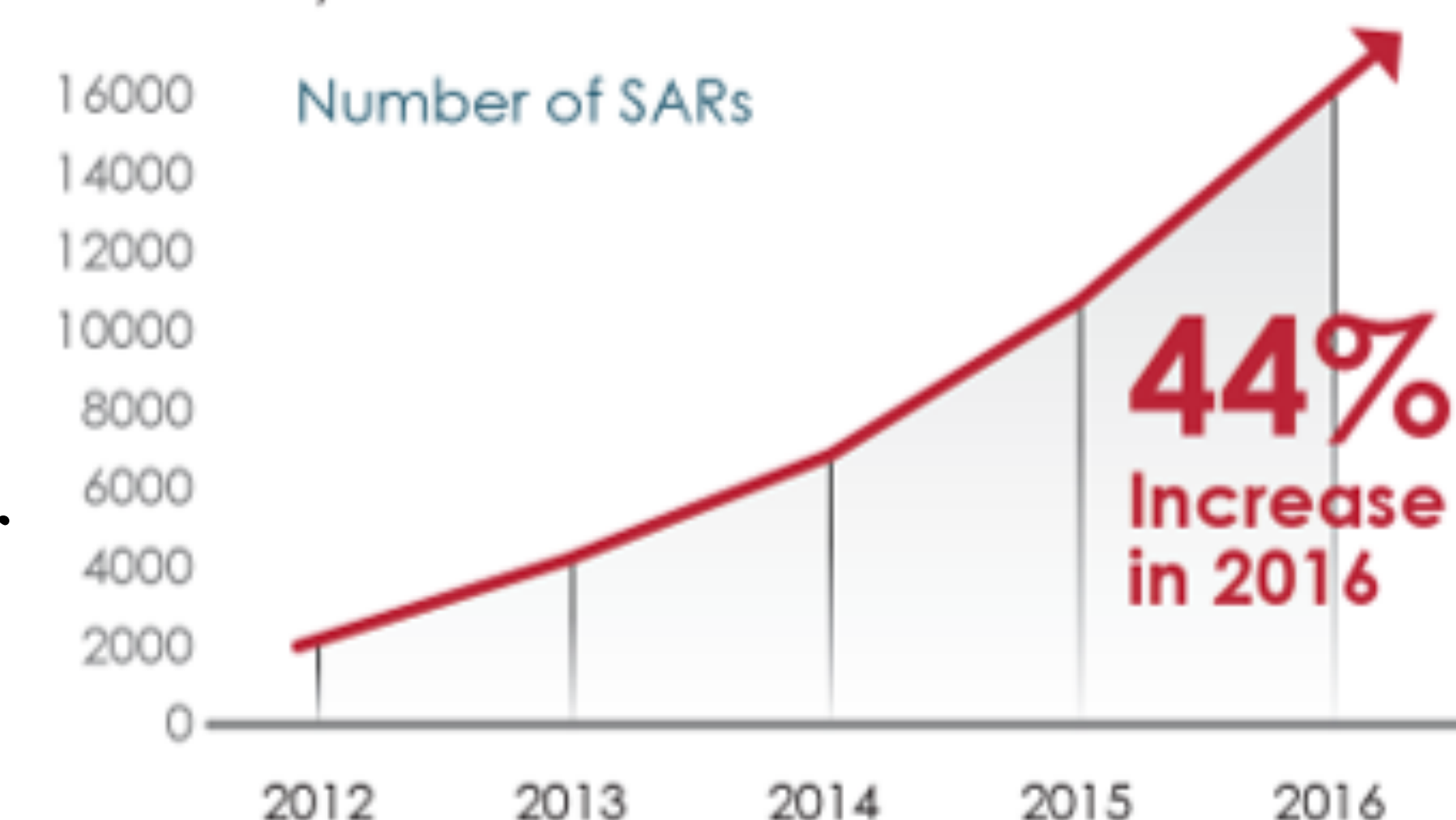
- Section 314(a) of the Patriot Act allows U.S. and International law enforcement to have “more than 37,000 points of contact at more than 16,000 financial institutions” to find accounts and transactions made by individuals that could be linked to money laundering or terrorism.
  - Submit detailed requests containing identifying information through FinCEN - Institution must search records for anything that matches.
- Section 314(b) of the Patriot Act “establishes a safe harbor from liability for a financial institution [...] that voluntarily chooses to share information with other financial institutions” in order to identify and report potential money laundering or terrorism to the proper authorities.

### Financial Monitoring

- The Bank Secrecy Act instituted the use of Suspicious Activity Reports (SARs), which are to be filed by financial institutions, and sent to financial regulators for further investigation.
  - Must be filed within 30 days of activity, but can be extended to 60 if no suspect has been identified.
- The time limit is significant and necessary to try and ensure that terrorist plans or other illicit activities could be thwarted before they were completed.

### Increased Prevalence of 314(b) References in SAR Narratives

The number of SARs wherein the utilization of the 314(b) Program was discussed in the narrative have increased steadily over the past five years. Calendar year 2016 saw an increase of 44 percent over calendar year 2015.



## Conclusion

Since September 11th, 2001, the United States Government's anti-terrorist policies have changed drastically. The Bank Secrecy Act instituted CIPs and strict identification requirements for patrons and customers of financial institutions across the nation, and instituted SARs in order to enhance financial monitoring techniques. The Patriot Act aids in preventing terrorist financing as well; it expanded reporting requirements to strengthen communication between reporting entities, and various types of financial institutions to share information and report individuals to the proper authorities if they are engaging in suspicious activities. This demonstrates the Acts' success and importance to help stop the ever growing threat of terrorism. Without policies like these, terrorist organizations would be allowed to grow and harm thousands of innocent people, as they did on September 11th, 2001. These policies continue to help in the fight against terrorist financing to this day, and will continue to evolve to accommodate the needs of the nation in the future. This fight cannot be won without the help of financial policies and regulations.

## References

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