Subcommittee on Crime and Terrorism
Hearing on "Combating International Organized Crime: Evaluating Current Authorities, Tools, and Resources"
Questions of Senator Richard J. Durbin

<u>Question for Assistant Secretary for Terrorist Financing Daniel Glaser</u>

1. I have long been concerned about organized retail crime ("ORC"), a serious problem that has links to international organized crime. ORC involves the coordinated theft of large amounts of items from retail stores by professional shoplifters called "boosters." Boosters then deliver the items to "fences", or middlemen who deliver the goods to warehouses operated by organized retail theft rings. At these warehouse locations, teams of workers re-label, re-package, or modify items, often storing them in substandard conditions. Organized retail theft rings then resell their stolen merchandise at flea markets, swap-meets, and Internet marketplace sites. As ICE has previously indicated, "ORC rings are very sophisticated, compartmentalized and operate similar to criminal organizations involved in drug trafficking or human smuggling. Furthermore, transnational criminal syndicates such as Eastern European street gangs and organized crime elements have become increasingly involved, and utilize traditional money laundering techniques to conceal their profits."

   Retailers and the FBI estimate that organized retail crime costs retailers tens of billions of dollars per year and deprives states of hundreds of millions of dollars in lost sales tax revenues. The proceeds of organized retail theft can be used to finance other forms of crime, including gang activity, drug trafficking and terrorism.

   Please discuss the steps the Treasury Department is taking to combat organized retail crime.

The Treasury Department is committed to deterring and detecting all forms of financial crimes, including organized retail crimes (ORC). The Bank Secrecy Act (BSA) and implementing regulations cast a wide net in this regard and impose information collection and reporting requirements on financial and non-financial institutions and on individuals, generating information useful to law enforcement, such as U.S. Immigration and Customs Enforcement, Homeland Security Investigations Special Agents, investigating ORC and other criminal activity. The BSA database currently holds approximately 180 million records of financial transactions and other reports. Criminals encounter the information collection and reporting requirements of the BSA when they attempt to spend, deposit, invest, or move illicit proceeds:

- *The BSA requires anyone engaged in a trade or business who accepts cash in an amount over $10,000 in one transaction or a series of related transactions to file with the Internal Revenue Service a Report of Cash Payments Over $10,000 Received in a Trade or Business. The report requires a description of the transaction, full identifying information of the parties involved, and whether the merchant believes the transaction to be suspicious.*
- *Depository institutions, securities broker-dealers, mutual funds, and futures commission merchants and introducing brokers have a similar filing obligation related to cash transactions, including cash deposits and withdrawals over $10,000. These financial*

institutions also are required to verify customer identification when they open an account, maintain transaction records, and report suspicious activity, as appropriate, to the Financial Crimes Enforcement Network (FinCEN). To the extent that the business practices of customers might lead a financial institution to suspect participation in illicit activity, such as participation in retail theft networks, law enforcement would have access to Suspicious Activity Reports filed with FinCEN.

- *Money services businesses (MSBs) are required to verify customer identification, maintain transaction records, and, file suspicious activity reports when they sell to one customer more than $3,000 in travelers checks or money orders, or initiate a wire transfer, above $3,000. MSBs responsible for prepaid access programs have the same obligations depending on certain criteria. Providers of open loop prepaid access, for example, that allow customers to move more than $1,000 a day, access funds internationally, reload at a non-depository source, or transfer value among the users, have full customer identification, recordkeeping, and reporting obligations.*
- *Individuals entering or leaving the United States with more than $10,000 in currency or monetary instruments, or who send the money through the mail, are required to file a Report of International Transportation of Currency or Monetary Instruments with the Bureau of Customs and Border Protection.*