

**REMARKS DELIVERED BY JOSEPH A. SMITH, Jr.  
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TO THE 3<sup>RD</sup> ANNUAL ANTI-TERRORIST  
FINANCE FORUM**

**SAS World Headquarters  
Cary, North Carolina**

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It is an honor to have been asked to speak to you today at the opening of this very important forum. My particular thanks to the organizers: Dan Soto, Megan Hodge, Scott Custer, Ron Day, Donna Morton and their colleagues at RBC Centura; Jim Candelmo and his colleagues at the US Attorney's Office for the Eastern District of North Carolina; Charles Bowman, Bill Fox, Lisa Grigg and John Byrne and their colleagues at Bank of America; and Dr. Goodnight, Barbara Anthony and the folks at SAS. We all owe them a debt of gratitude.

In discussing the fight against terrorism, it is easy enough to lapse into a litany of criticism. You've heard it all before, I'm sure: "The USA PATRIOT ACT was hastily adopted, sloppily drafted and is overly broad;" or "Compliance costs are eating us up;" or "How do you reconcile 'know your customer' with protecting consumer privacy;" or "We file hundreds of SARs but never hear a thing about how they are used, if at all." We also hear a lot about the impact that BSA / AML regulations are having on non-bank financial services firms, particularly the so-called MSBs.

While these criticisms should be listened to by compliance, regulatory and law enforcement officers, they cannot be allowed to obscure some fundamental truths: terrorism is real; terrorism is present and terrorism is not going away. Money laundering is a direct attack on the integrity of our financial system, putting it in the service of activities that are a direct attack on the health, security and integrity of our society. There may be disagreements among us about the best strategy or tactics to be employed in fighting the war on terror or on drugs, but there should be no disagreement about maintaining the rule of law. Contempt for the rule of law generally, and particularly as manifested in the actions of money launderers and terrorists, cannot be tolerated. We are in fact at war with these people and there is no substitute for victory.

Combating terrorist finance is a difficult activity in the best of circumstances. It is made more difficult by the fact that the stakeholders – the financial services industry, financial services regulators, and law enforcement – approach the problem from very different vantage points and with very different objectives. The industry views all regulatory compliance as a cost necessary to achieve its ultimate goal of optimum financial return. Financial services regulators seek first and foremost to maintain the safety and soundness of the regulated institutions and, in the case of banking organizations, to ensure that the needs of all communities served by the banks are met. Law enforcement seeks to ferret out and successfully prosecute violations of law.

The goals of the stakeholders that I have just sketched out are different, but they need not be irreconcilable. How do we reconcile them? By working together, by communicating with each other with an intention to understand each other, and by developing the personal relationships that lead to improved cooperation. In other words, by participating in activities of the kind that will take place here over the next day or so. As one stakeholder among the many present at this forum, I hope and believe that the time that is spent here will lead to a more coordinated and productive environment as we work together to combat terrorism.

I appreciate the opportunity of speaking with you today. Thank you very much for your attention.