

**Statement of Chairwoman Sue Kelly**  
**Subcommittee on Oversight and Investigations**  
**“Weapons of Mass Destruction: Stopping the Funding - the OFAC Role”**  
**February 16, 2006**

Today’s hearing is on the Treasury Department’s role in fighting the proliferation of Weapons of Mass Destruction. The spread of WMDs, particularly nuclear weapons, poses the gravest threat to the security of the United States and the peace of the world.

We know, then, that countries such as Iran must be dealt with. We have all heard the hateful and ominous rhetoric from the president of Iran, and we should all recognize the grave threat posed by their possession of weapons of mass destruction.

If Iran is successful, other nations will likely follow its example, and Iran itself could become a base for proliferation of WMD to enemies of the United States, including terrorist groups such as Hezbollah and Hamas.

Acquisition of WMD, particularly nuclear weapons, is an activity that states cannot easily undertake without assistance from nations that already possess this technology. Even the U.S.’s own Manhattan project, the first successful nuclear weapons program, required the technical skills not just of our own country but of industry from the British Empire and the best minds of Germany forced to flee because of Nazi persecution.

Recognizing the key role that foreign industry plays in WMD proliferation, President Bush signed Executive Order 13382, *Blocking Property of Weapons of Mass Destruction Proliferators and their supporters*. Under this order, 18 companies have been designated as supporters of proliferation: 6 companies in Iran, 11 in North Korea and 1 in Syria. This order strikes at proliferation by stopping these companies from having any access to the U.S. financial system.

This executive order is a powerful weapon to be used against WMD proliferators. It can only work to the extent that financial institutions and other government agencies cooperate with it.

Unfortunately, there have been reports that one of the largest financial institutions in the world, ABN Amro, had a deliberate policy of not reporting transactions with Iran to OFAC. There is a possibility that these transactions, going back to 1997, may have allowed Iranian companies now listed under EO 13382 to access the US economy.

Evasion of sanctions regimes by financial institutions endangers the United States and our allies, and must be treated in a way that reflects the severity of the crimes that are facilitated.

A recent article in the Wall Street Journal reported that more than 7 major financial institutions were withdrawing from trade with Iran because of increased regulatory monitoring. Several of them are under investigation, according to filings with the SEC, for possible violations of OFAC regulations while they did business with Iran.

This country should never tolerate businesses making money from hostile regimes that are working to develop weapons of mass destruction. We must make sure that the system we have in place for addressing that is not easily circumvented.

OFAC has an important responsibility in protecting our national security. I look forward to receiving the testimony of Director Werner and working with him to strengthen his agency.