

Union Calendar No. 373

105TH CONGRESS
2^D SESSION

H. R. 1756

[Report No. 105-608, Part I]

To amend chapter 53 of title 31, United States Code, to require the development and implementation by the Secretary of the Treasury of a national money laundering and related financial crimes strategy to combat money laundering and related financial crimes, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 3, 1997

Ms. VELÁZQUEZ (for herself, Mr. LEACH, Mr. GONZALEZ, and Mr. BACHUS) introduced the following bill; which was referred to the Committee on Banking and Financial Services, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

JUNE 25, 1998

Reported from the Committee on Banking and Financial Services with an amendment

[Strike out all after the enacting clause and insert the part printed in *italic*]

JUNE 25, 1998

Referral to the Committee on the Judiciary extended for a period ending not later than July 31, 1998

JULY 31, 1998

Additional sponsors: Mr. SCHUMER, Mr. HINCHEY, Mr. ENGEL, and Mr. ACKERMAN

JULY 31, 1998

Committee on the Judiciary discharged; committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To amend chapter 53 of title 31, United States Code, to require the development and implementation by the Secretary of the Treasury of a national money laundering and related financial crimes strategy to combat money laundering and related financial crimes, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 *This Act may be cited as the “Money Laundering and*
 5 *Financial Crimes Strategy Act of 1998”.*

6 **SEC. 2. MONEY LAUNDERING AND RELATED FINANCIAL**
 7 **CRIMES.**

8 *(a) IN GENERAL.—Chapter 53 of title 31, United*
 9 *States Code is amended by adding at the end the following*
 10 *new subchapter:*

11 **“SUBCHAPTER III—MONEY LAUNDERING AND**
 12 **RELATED FINANCIAL CRIMES**

13 **“§ 5340. Definitions**

14 *“For purposes of this subchapter, the following defini-*
 15 *tions shall apply:*

16 **“(1) DEPARTMENT OF THE TREASURY LAW EN-**
 17 **FORCEMENT ORGANIZATIONS.—The term ‘Department**

1 of the Treasury law enforcement organizations’ has
2 the meaning given to such term in section 9703(p)(1).

3 “(2) *MONEY LAUNDERING AND RELATED FINAN-*
4 *CIAL CRIME.*—The term ‘money laundering and relat-
5 ed financial crime’ means an offense under sub-
6 chapter II of this chapter, chapter II of title I of Pub-
7 lic Law 91–508 (12 U.S.C. 1951, et seq.; commonly
8 referred to as the ‘Bank Secrecy Act’), or section
9 1956, 1957, or 1960 of title 18 or any related Federal,
10 State, or local criminal offense.

11 “(3) *SECRETARY.*—The term ‘Secretary’ means
12 the Secretary of the Treasury.

13 “(4) *ATTORNEY GENERAL.*—The term ‘Attorney
14 General’ means the Attorney General of the United
15 States.

16 “PART 1—*NATIONAL MONEY LAUNDERING AND RELATED*
17 *FINANCIAL CRIMES STRATEGY*

18 “§5341. *National money laundering and related fi-*
19 *nancial crimes strategy*

20 “(a) *DEVELOPMENT AND TRANSMITTAL TO CON-*
21 *GRESS.*—

22 “(1) *DEVELOPMENT.*—The President, acting
23 through the Secretary and in consultation with the
24 Attorney General, shall develop a national strategy

1 *for combating money laundering and related finan-*
2 *cial crimes.*

3 “(2) *TRANSMITTAL TO CONGRESS.*—*By February*
4 *1 of 1999, 2000, 2001, 2002, and 2003, the President*
5 *shall submit a national strategy developed in accord-*
6 *ance with paragraph (1) to the Congress.*

7 “(3) *SEPARATE PRESENTATION OF CLASSIFIED*
8 *MATERIAL.*—*Any part of the strategy that involves in-*
9 *formation which is properly classified under criteria*
10 *established by Executive Order shall be submitted to*
11 *the Congress separately.*

12 “(b) *DEVELOPMENT OF STRATEGY.*—*The national*
13 *strategy for combating money laundering and related fi-*
14 *nancial crimes shall address any area the President, acting*
15 *through the Secretary and in consultation with the Attorney*
16 *General, considers appropriate, including the following:*

17 “(1) *GOALS, OBJECTIVES, AND PRIORITIES.*—
18 *Comprehensive, research-based goals, objectives, and*
19 *priorities for reducing money laundering and related*
20 *financial crime in the United States.*

21 “(2) *PREVENTION.*—*Coordination of regulatory*
22 *and other efforts to prevent the exploitation of finan-*
23 *cial systems in the United States for money launder-*
24 *ing and related financial crimes, including a require-*
25 *ment that the Secretary shall—*

1 “(A) regularly review enforcement efforts
2 under this subchapter and other provisions of
3 law and, when appropriate, modify existing reg-
4 ulations or prescribe new regulations for pur-
5 poses of preventing such criminal activity; and

6 “(B) coordinate prevention efforts and other
7 enforcement action with the Board of Governors
8 of the Federal Reserve System, the Securities and
9 Exchange Commission, the Federal Trade Com-
10 mission, other Federal banking agencies, and the
11 National Credit Union Administration Board.

12 “(3) *DETECTION INITIATIVES.*—A description of
13 operational initiatives to improve detection of money
14 laundering and related financial crimes.

15 “(4) *ENHANCEMENT OF THE ROLE OF THE PRI-*
16 *VATE FINANCIAL SECTOR IN PREVENTION.*—A descrip-
17 tion of the enhanced partnership between the private
18 financial sector and law enforcement agencies with
19 regard to the prevention and detection of money laun-
20 dering and related financial crimes, including pro-
21 viding incentives to strengthen internal controls and
22 to adopt on an industrywide basis more effective poli-
23 cies.

24 “(5) *INTERGOVERNMENTAL COOPERATION.*—A
25 description of—

1 “(A) cooperative efforts between the Federal
2 Government and State and local officials, in-
3 cluding State and local prosecutors and other
4 law enforcement officials; and

5 “(B) cooperative efforts among the several
6 States and between State and local officials, in-
7 cluding State and local prosecutors and other
8 law enforcement officials,
9 for financial crimes control which could be utilized or
10 should be encouraged.

11 “(6) *PROJECT AND BUDGET PRIORITIES.*—A 3-
12 year projection for program and budget priorities and
13 achievable projects for reductions in financial crimes.

14 “(7) *ASSESSMENT OF FUNDING.*—A complete as-
15 sessment of how the proposed budget is intended to
16 implement the strategy and whether the funding levels
17 contained in the proposed budget are sufficient to im-
18 plement the strategy.

19 “(8) *DESIGNATED AREAS.*—A description of geo-
20 graphical areas designated as ‘high-risk money laun-
21 dering and related financial crime areas’ in accord-
22 ance with, but not limited to, section 5342.

23 “(9) *PERSONS CONSULTED.*—Persons or officers
24 consulted by the Secretary pursuant to subsection (d).

1 “(10) *DATA REGARDING TRENDS IN MONEY*
2 *LAUNDERING AND RELATED FINANCIAL CRIMES.*—*The*
3 *need for additional information necessary for the pur-*
4 *pose of developing and analyzing data in order to as-*
5 *certain financial crime trends.*

6 “(11) *IMPROVED COMMUNICATIONS SYSTEMS.*—*A*
7 *plan for enhancing the compatibility of automated in-*
8 *formation and facilitating access of the Federal Gov-*
9 *ernment and State and local governments to timely,*
10 *accurate, and complete information.*

11 “(c) *EFFECTIVENESS REPORT.*—*At the time each na-*
12 *tional strategy for combating financial crimes is transmit-*
13 *ted by the President to the Congress (other than the 1st*
14 *transmission of any such strategy) pursuant to subsection*
15 *(a), the Secretary shall submit a report containing an eval-*
16 *uation of the effectiveness of policies to combat money laun-*
17 *dering and related financial crimes.*

18 “(d) *CONSULTATIONS.*—*In addition to the consulta-*
19 *tions required under this section with the Attorney General,*
20 *in developing the national strategy for combating money*
21 *laundering and related financial crimes, the Secretary shall*
22 *consult with—*

23 “(1) *the Board of Governors of the Federal Re-*
24 *serve System and other Federal banking agencies and*
25 *the National Credit Union Administration Board;*

1 “(2) *State and local officials, including State*
2 *and local prosecutors;*

3 “(3) *the Securities and Exchange Commission;*

4 “(4) *the Commodities and Futures Trading*
5 *Commission;*

6 “(5) *the Director of the Office of National Drug*
7 *Control Policy, with respect to money laundering and*
8 *related financial crimes involving the proceeds of*
9 *drug trafficking;*

10 “(6) *the Chief of the United States Postal Inspec-*
11 *tion Service;*

12 “(7) *to the extent appropriate, State and local*
13 *officials responsible for financial institution and fi-*
14 *nancial market regulation;*

15 “(8) *any other State or local government author-*
16 *ity, to the extent appropriate;*

17 “(9) *any other Federal Government authority or*
18 *instrumentality, to the extent appropriate; and*

19 “(10) *representatives of the private financial*
20 *services sector, to the extent appropriate.*

21 **“§ 5342. High-risk money laundering and related fi-**
22 **nancial crime areas**

23 “(a) *FINDINGS AND PURPOSE.—*

24 “(1) *FINDINGS.—The Congress finds the follow-*
25 *ing:*

1 “(A) Money laundering and related finan-
2 cial crimes frequently appear to be concentrated
3 in particular geographic areas, financial sys-
4 tems, industry sectors, or financial institutions.

5 “(B) While the Secretary has the respon-
6 sibility to act with regard to Federal offenses
7 which are being committed in a particular local-
8 ity or are directed at a single institution, be-
9 cause modern financial systems and institutions
10 are interconnected to a degree which was not
11 possible until recently, money laundering and
12 other related financial crimes are likely to have
13 local, State, national, and international effects
14 wherever they are committed.

15 “(2) PURPOSE AND OBJECTIVE.—It is the pur-
16 pose of this section to provide a mechanism for des-
17 ignating any area where money laundering or a re-
18 lated financial crime appears to be occurring at a
19 higher than average rate such that—

20 “(A) a comprehensive approach to the prob-
21 lem of such crime in such area can be developed,
22 in cooperation with State and local law enforce-
23 ment agencies, which utilizes the authority of the
24 Secretary to prevent such activity; or

1 “(B) such area can be targeted for law en-
2 forcement action.

3 “(b) *ELEMENT OF NATIONAL STRATEGY.*—The des-
4 ignation of certain areas as areas in which money launder-
5 ing and related financial crimes are extensive or present
6 a substantial risk shall be an element of the national strat-
7 egy developed pursuant to section 5341(b).

8 “(c) *DESIGNATION OF AREAS.*—

9 “(1) *DESIGNATION BY SECRETARY.*—The Sec-
10 retary, after taking into consideration the factors
11 specified in subsection (d), shall designate any geo-
12 graphical area, industry, sector, or institution in the
13 United States in which money laundering and related
14 financial crimes are extensive or present a substantial
15 risk as a ‘high-risk money laundering and related fi-
16 nancial crimes area’.

17 “(2) *CASE-BY-CASE DETERMINATION IN CON-*
18 *SULTATION WITH THE ATTORNEY GENERAL.*—In addi-
19 tion to the factors specified in subsection (d), any des-
20 ignation of any area under paragraph (1) shall be
21 made on the basis of a determination by the Sec-
22 retary, in consultation with the Attorney General,
23 that the particular area, industry, sector, or institu-
24 tion is being victimized by, or is particularly vulner-

1 *able to, money laundering and related financial*
2 *crimes.*

3 “(3) *SPECIFIC INITIATIVES.*—*Any head of a de-*
4 *partment, bureau, or law enforcement agency, includ-*
5 *ing any State or local prosecutor, involved in the de-*
6 *tection, prevention, and suppression of money laun-*
7 *dering and related financial crimes and any State or*
8 *local official or prosecutor may submit—*

9 “(A) *a written request for the designation of*
10 *any area as a high-risk money laundering and*
11 *related financial crimes area; or*

12 “(B) *a written request for funding under*
13 *section 5351 for a specific prevention or enforce-*
14 *ment initiative, or to determine the extent of fi-*
15 *nancial criminal activity, in an area.*

16 “(d) *FACTORS.*—*In considering the designation of any*
17 *area as a high-risk money laundering and related financial*
18 *crimes area, the Secretary shall, to the extent appropriate*
19 *and in consultation with the Attorney General, take into*
20 *account the following factors:*

21 “(1) *The population of the area.*

22 “(2) *The number of bank and nonbank financial*
23 *institution transactions which originate in such area*
24 *or involve institutions located in such area.*

1 “(3) *The number of stock or commodities trans-*
2 *actions which originate in such area or involve insti-*
3 *tutions located in such area.*

4 “(4) *Whether the area is a key transportation*
5 *hub with any international ports or airports or an*
6 *extensive highway system.*

7 “(5) *Whether the area is an international center*
8 *for banking or commerce.*

9 “(6) *The extent to which financial crimes and fi-*
10 *nancial crime-related activities in such area are hav-*
11 *ing a harmful impact in other areas of the country.*

12 “(7) *The number or nature of requests for infor-*
13 *mation or analytical assistance which—*

14 “(A) *are made to the analytical component*
15 *of the Department of the Treasury; and*

16 “(B) *originate from law enforcement or reg-*
17 *ulatory authorities located in such area or in-*
18 *volve institutions or businesses located in such*
19 *area or residents of such area.*

20 “(8) *The volume or nature of suspicious activity*
21 *reports originating in the area.*

22 “(9) *The volume or nature of currency trans-*
23 *action reports or reports of cross-border movements of*
24 *currency or monetary instruments originating in the*
25 *area.*

1 “(10) Whether, and how often, the area has been
2 the subject of a geographical targeting order.

3 “(11) Observed changes in trends and patterns of
4 money laundering activity.

5 “(12) Unusual patterns, anomalies, growth, or
6 other changes in the volume or nature of core eco-
7 nomic statistics or indicators.

8 “(13) Statistics or indicators of unusual or un-
9 explained volumes of cash transactions.

10 “(14) Unusual patterns, anomalies, or changes
11 in the volume or nature of transactions conducted
12 through financial institutions operating within or
13 outside the United States.

14 “(15) The extent to which State and local gov-
15 ernments and State and local law enforcement agen-
16 cies have committed resources to respond to the finan-
17 cial crime problem in the area and the degree to
18 which the commitment of such resources reflects a de-
19 termination by such government and agencies to ad-
20 dress the problem aggressively.

21 “(16) The extent to which a significant increase
22 in the allocation of Federal resources to combat finan-
23 cial crimes in such area is necessary to provide an
24 adequate State and local response to financial crimes
25 and financial crime-related activities in such area.

1 “(d) *CONTRACTING.*—*The Secretary may employ any*
2 *necessary staff and may enter into contracts or agreements*
3 *with Federal and State law enforcement agencies to delegate*
4 *authority for the execution of grants and for such other ac-*
5 *tivities necessary to carry out this chapter.*

6 “**§ 5352. Program authorization**

7 “(a) *GRANT ELIGIBILITY.*—*To be eligible to receive an*
8 *initial grant or a renewal grant under this part, a State*
9 *or local law enforcement agency or prosecutor shall meet*
10 *each of the following criteria:*

11 “(1) *APPLICATION.*—*The State or local law en-*
12 *forcement agency or prosecutor shall submit an appli-*
13 *cation to the Secretary in accordance with section*
14 *5353(a)(2).*

15 “(2) *ACCOUNTABILITY.*—*The State or local law*
16 *enforcement agency or prosecutor shall—*

17 “(A) *establish a system to measure and re-*
18 *port outcomes—*

19 “(i) *consistent with common indicators*
20 *and evaluation protocols established by the*
21 *Secretary, in consultation with the Attorney*
22 *General; and*

23 “(ii) *approved by the Secretary;*

24 “(B) *conduct biennial surveys (or incor-*
25 *porate local surveys in existence at the time of*

1 *the evaluation) to measure the progress and effec-*
2 *tiveness of the coalition; and*

3 “(C) *provide assurances that the entity con-*
4 *ducting an evaluation under this paragraph, or*
5 *from which the applicant receives information,*
6 *has experience in gathering data related to*
7 *money laundering and related financial crimes.*

8 “(b) *GRANT AMOUNTS.—*

9 “(1) *GRANTS.—*

10 “(A) *IN GENERAL.—Subject to subpara-*
11 *graph (D), for a fiscal year, the Secretary of the*
12 *Treasury, in consultation with the Attorney Gen-*
13 *eral, may grant to an eligible applicant under*
14 *this section for that fiscal year, an amount deter-*
15 *mined by the Secretary of the Treasury, in con-*
16 *sultation with the Attorney General, to be appro-*
17 *priate.*

18 “(B) *SUSPENSION OF GRANTS.—If such*
19 *grant recipient fails to continue to meet the cri-*
20 *teria specified in subsection (a), the Secretary*
21 *may suspend the grant, after providing written*
22 *notice to the grant recipient and an opportunity*
23 *to appeal.*

24 “(C) *RENEWAL GRANTS.—Subject to sub-*
25 *paragraph (D), the Secretary may award a re-*

1 *newal grant to a grant recipient under this sub-*
2 *paragraph for each fiscal year following the fis-*
3 *cal year for which an initial grant is awarded.*

4 “(D) *LIMITATION.*—*The amount of a grant*
5 *award under this paragraph may not exceed*
6 *\$750,000 for a fiscal year.*

7 “(2) *GRANT AWARDS.*—

8 “(A) *IN GENERAL.*—*Except as provided in*
9 *subparagraph (B), the Secretary may, with re-*
10 *spect to a community, make a grant to 1 eligible*
11 *applicant that represents that community.*

12 “(B) *EXCEPTION.*—*The Secretary may*
13 *make a grant to more than 1 eligible applicant*
14 *that represent a community if—*

15 “(i) *the eligible coalitions demonstrate*
16 *that the coalitions are collaborating with*
17 *one another; and*

18 “(ii) *each of the coalitions has inde-*
19 *pendently met the requirements set forth in*
20 *subsection (a).*

21 “(c) *CONDITION RELATING TO PROCEEDS OF ASSET*
22 *FORFEITURES.*—

23 “(1) *IN GENERAL.*—*No grant may be made or*
24 *renewed under this part to any State or local law en-*
25 *forcement agency or prosecutor unless the agency or*

1 “(1) *APPLICATION PROCESS.*—*The Secretary*
2 *shall issue requests for proposal, as necessary, regard-*
3 *ing, with respect to the grants awarded under section*
4 *5352, the application process, grant renewal, and sus-*
5 *pension or withholding of renewal grants. Each ap-*
6 *plication under this paragraph shall be in writing*
7 *and shall be subject to review by the Secretary.*

8 “(2) *REPORTING.*—*The Secretary shall, to the*
9 *maximum extent practicable and in a manner con-*
10 *sistent with applicable law, minimize reporting re-*
11 *quirements by a grant recipient and expedite any ap-*
12 *plication for a renewal grant made under this part.*

13 “(b) *ACTIVITIES OF SECRETARY.*—*The Secretary*
14 *may—*

15 “(1) *evaluate the utility of specific initiatives re-*
16 *lating to the purposes of the program;*

17 “(2) *conduct an evaluation of the program; and*

18 “(3) *disseminate information described in this*
19 *subsection to—*

20 “(A) *eligible State local law enforcement*
21 *agencies or prosecutors; and*

22 “(B) *the general public.*

1 **“§ 5354. Grants for fighting money laundering and re-**
 2 **lated financial crimes**

3 “(a) *IN GENERAL.*— *After the end of the 1-year period*
 4 *beginning on the date the 1st national strategy for combat-*
 5 *ing money laundering and related financial crimes is sub-*
 6 *mitted to the Congress in accordance with section 5341, and*
 7 *subject to subsection (b), the Secretary may review, select,*
 8 *and award grants for State or local law enforcement agen-*
 9 *cies and prosecutors to provide funding necessary to inves-*
 10 *tigate and prosecute money laundering and related finan-*
 11 *cial crimes in high-risk money laundering and related fi-*
 12 *nancial crime areas.*

13 “(b) *SPECIAL PREFERENCE.*—*Special preference shall*
 14 *be given to applications submitted to the Secretary which*
 15 *demonstrate collaborative efforts of 2 or more State and*
 16 *local law enforcement agencies or prosecutors who have a*
 17 *history of Federal, State, and local cooperative law enforce-*
 18 *ment and prosecutorial efforts in responding to such crimi-*
 19 *nal activity.*

20 **“§ 5355. Authorization of appropriations**

21 “*There are authorized to be appropriated the following*
 22 *amounts for the following fiscal years to carry out the pur-*
 23 *poses of this subchapter:*

“For fiscal year:	The amount authorized is:
1999	\$5,000,000.
2000	\$7,500,000.
2001	\$10,000,000.

<i>For fiscal year:</i>	<i>The amount authorized is:</i>
2002	\$12,500,000.
2003	\$15,000,000.”.

1 (b) *CLERICAL AMENDMENT.*—*The table of subchapters*
2 *for chapter 53 of title 31, United States Code, is amended*
3 *by adding at the end the following item:*

“*SUBCHAPTER III—MONEY LAUNDERING AND RELATED FINANCIAL
CRIMES*

“5340. *Definitions.*

“*PART 1—NATIONAL MONEY LAUNDERING AND RELATED FINANCIAL CRIMES
STRATEGY*

“5341. *National money laundering and related financial crimes strategy.*

“5342. *High-risk money laundering and related financial crime areas.*

“*PART 2—FINANCIAL CRIME-FREE COMMUNITIES SUPPORT PROGRAM*

“5351. *Establishment of financial crime-free communities support program.*

“5352. *Program authorization.*

“5353. *Information collection and dissemination with respect to grant recipients.*

“5354. *Grants for fighting money laundering and related financial crimes.*

“5355. *Authorization of appropriations.”.*

4 (c) *REPORT AND RECOMMENDATIONS.*—*Before the end*
5 *of the 5-year period beginning on the date the 1st national*
6 *strategy for combating money laundering and related fi-*
7 *ncial crimes is submitted to the Congress pursuant to sec-*
8 *tion 5341(a)(1) of title 31, United States Code (as added*
9 *by section 2(a) of this Act), the Secretary of the Treasury*
10 *shall submit a report to the Committee on Banking and*
11 *Financial Services of the House of Representatives and the*
12 *Committee on Banking, Housing, and Urban Affairs of the*
13 *Senate on the effectiveness of and the need for the designa-*
14 *tion of areas, under section 5342 of title 31, United States*
15 *Code (as added by such section 2(a)), as high-risk money*
16 *laundering and related financial crime areas, together with*

- 1 *such recommendations for legislation as the Secretary may*
- 2 *determine to be appropriate to carry out the purposes of*
- 3 *such section.*

Union Calendar No. 373

105TH CONGRESS
2^D SESSION

H. R. 1756

[Report No. 105-608, Part I]

A BILL

To amend chapter 53 of title 31, United States Code, to require the development and implementation by the Secretary of the Treasury of a national money laundering and related financial crimes strategy to combat money laundering and related financial crimes, and for other purposes.

JULY 31, 1998

Committee on the Judiciary discharged; committed to the Committee of the Whole House on the State of the Union and ordered to be printed