

105TH CONGRESS
2^D SESSION

H. R. 1756

AN ACT

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.

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AN ACT

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 defi-
15 nitions shall apply:

16 “(1) DEPARTMENT OF THE TREASURY LAW EN-
17 FORCEMENT ORGANIZATIONS.—The term ‘Depart-
18 ment of the Treasury law enforcement organizations’
19 has the meaning given to such term in section
20 9703(p)(1).

21 “(2) MONEY LAUNDERING AND RELATED FI-
22 NANCIAL CRIME.—The term ‘money laundering and
23 related financial crime’ means an offense under sub-
24 chapter II of this chapter, chapter II of title I of
25 Public Law 91–508 (12 U.S.C. 1951, et seq.; com-

1 monly referred to as the ‘Bank Secrecy Act’), or sec-
2 tion 1956, 1957, or 1960 of title 18 or any related
3 Federal, State, or local criminal offense.

4 “(3) SECRETARY.—The term ‘Secretary’ means
5 the Secretary of the Treasury.

6 “(4) ATTORNEY GENERAL.—The term ‘Attor-
7 ney General’ means the Attorney General of the
8 United States.

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

11 “§ 5341. **National money laundering and related fi-
12 nancial crimes strategy**

13 “(a) DEVELOPMENT AND TRANSMITTAL TO CON-
14 GRESS.—

15 “(1) DEVELOPMENT.—The President, acting
16 through the Secretary and in consultation with the
17 Attorney General, shall develop a national strategy
18 for combating money laundering and related finan-
19 cial crimes.

20 “(2) TRANSMITTAL TO CONGRESS.—By Feb-
21 ruary 1 of 1999, 2000, 2001, 2002, and 2003, the
22 President shall submit a national strategy developed
23 in accordance with paragraph (1) to the Congress.

24 “(3) SEPARATE PRESENTATION OF CLASSIFIED
25 MATERIAL.—Any part of the strategy that involves

1 information which is properly classified under cri-
2 teria established by Executive Order shall be submit-
3 ted to the Congress separately in classified form.

4 “(b) DEVELOPMENT OF STRATEGY.—The national
5 strategy for combating money laundering and related fi-
6 nancial crimes shall address any area the President, acting
7 through the Secretary and in consultation with the Attor-
8 ney General, considers appropriate, including the follow-
9 ing:

10 “(1) GOALS, OBJECTIVES, AND PRIORITIES.—
11 Comprehensive, research-based goals, objectives, and
12 priorities for reducing money laundering and related
13 financial crime in the United States.

14 “(2) PREVENTION.—Coordination of regulatory
15 and other efforts to prevent the exploitation of fi-
16 nancial systems in the United States for money
17 laundering and related financial crimes, including a
18 requirement that the Secretary shall—

19 “(A) regularly review enforcement efforts
20 under this subchapter and other provisions of
21 law and, when appropriate, modify existing reg-
22 ulations or prescribe new regulations for pur-
23 poses of preventing such criminal activity; and

24 “(B) coordinate prevention efforts and
25 other enforcement action with the Board of

1 Governors of the Federal Reserve System, the
2 Securities and Exchange Commission, the Fed-
3 eral Trade Commission, other Federal banking
4 agencies, the National Credit Union Adminis-
5 tration Board, and such other Federal agencies
6 as the Secretary, in consultation with the Attor-
7 ney General, determines to be appropriate.

8 “(3) DETECTION AND PROSECUTION INITIA-
9 TIVES.—A description of operational initiatives to
10 improve detection and prosecution of money launder-
11 ing and related financial crimes and the seizure and
12 forfeiture of proceeds and instrumentalities derived
13 from such crimes.

14 “(4) ENHANCEMENT OF THE ROLE OF THE
15 PRIVATE FINANCIAL SECTOR IN PREVENTION.—The
16 enhancement of partnerships between the private fi-
17 nancial sector and law enforcement agencies with re-
18 gard to the prevention and detection of money laun-
19 dering and related financial crimes, including provid-
20 ing incentives to strengthen internal controls and to
21 adopt on an industrywide basis more effective poli-
22 cies.

23 “(5) ENHANCEMENT OF INTERGOVERNMENTAL
24 COOPERATION.—The enhancement of—

1 “(A) cooperative efforts between the Fed-
2 eral Government and State and local officials,
3 including 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
10 or should be encouraged.

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

15 “(7) ASSESSMENT OF FUNDING.—A complete
16 assessment of how the proposed budget is intended
17 to implement the strategy and whether the funding
18 levels contained in the proposed budget are sufficient
19 to implement the strategy.

20 “(8) DESIGNATED AREAS.—A description of
21 geographical areas designated as ‘high-risk money
22 laundering and related financial crime areas’ in ac-
23 cordance with, but not limited to, section 5342.

1 “(9) PERSONS CONSULTED.—Persons or offi-
2 cers consulted by the Secretary pursuant to sub-
3 section (d).

4 “(10) DATA REGARDING TRENDS IN MONEY
5 LAUNDERING AND RELATED FINANCIAL CRIMES.—
6 The need for additional information necessary for
7 the purpose of developing and analyzing data in
8 order to ascertain financial crime trends.

9 “(11) IMPROVED COMMUNICATIONS SYSTEMS.—
10 A plan for enhancing the compatibility of automated
11 information and facilitating access of the Federal
12 Government and State and local governments to
13 timely, accurate, and complete information.

14 “(c) EFFECTIVENESS REPORT.—At the time each
15 national strategy for combating financial crimes is trans-
16 mitted by the President to the Congress (other than the
17 1st transmission of any such strategy) pursuant to sub-
18 section (a), the Secretary shall submit a report containing
19 an evaluation of the effectiveness of policies to combat
20 money laundering and related financial crimes.

21 “(d) CONSULTATIONS.—In addition to the consulta-
22 tions required under this section with the Attorney Gen-
23 eral, in developing the national strategy for combating
24 money laundering and related financial crimes, the Sec-
25 retary shall consult with—

1 “(1) the Board of Governors of the Federal Re-
2 serve System and other Federal banking agencies
3 and the National Credit Union Administration
4 Board;

5 “(2) State and local officials, including State
6 and local prosecutors;

7 “(3) the Securities and Exchange Commission;

8 “(4) the Commodities and Futures Trading
9 Commission;

10 “(5) the Director of the Office of National
11 Drug Control Policy, with respect to money launder-
12 ing and related financial crimes involving the pro-
13 ceeds of drug trafficking;

14 “(6) the Chief of the United States Postal In-
15 spection Service;

16 “(7) to the extent appropriate, State and local
17 officials responsible for financial institution and fi-
18 nancial market regulation;

19 “(8) any other State or local government au-
20 thority, to the extent appropriate;

21 “(9) any other Federal Government authority
22 or instrumentality, to the extent appropriate; and

23 “(10) representatives of the private financial
24 services sector, to the extent appropriate.

1 **“§ 5342. High-risk money laundering and related fi-**
2 **nancial crime areas**

3 “(a) FINDINGS AND PURPOSE.—

4 “(1) FINDINGS.—The Congress finds the fol-
5 lowing:

6 “(A) Money laundering and related finan-
7 cial crimes frequently appear to be concentrated
8 in particular geographic areas, financial sys-
9 tems, industry sectors, or financial institutions.

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

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

25 “(A) a comprehensive approach to the
26 problem of such crime in such area can be de-

1 veloped, in cooperation with State and local law
2 enforcement agencies, which utilizes the author-
3 ity of the Secretary to prevent such activity; or

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

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

11 “(c) DESIGNATION OF AREAS.—

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

20 “(2) CASE-BY-CASE DETERMINATION IN CON-
21 SULTATION WITH THE ATTORNEY GENERAL.—In ad-
22 dition to the factors specified in subsection (d), any
23 designation of any area under paragraph (1) shall be
24 made on the basis of a determination by the Sec-
25 retary, in consultation with the Attorney General,

1 that the particular area, industry, sector, or institu-
2 tion is being victimized by, or is particularly vulner-
3 able to, money laundering and related financial
4 crimes.

5 “(3) SPECIFIC INITIATIVES.—Any head of a de-
6 partment, bureau, or law enforcement agency, in-
7 cluding any State or local prosecutor, involved in the
8 detection, prevention, and suppression of money
9 laundering and related financial crimes and any
10 State or local official or prosecutor may submit—

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

14 “(B) a written request for funding under
15 section 5351 for a specific prevention or en-
16 forcement initiative, or to determine the extent
17 of financial criminal activity, in an area.

18 “(d) FACTORS.—In considering the designation of
19 any area as a high-risk money laundering and related fi-
20 nancial crimes area, the Secretary shall, to the extent ap-
21 propriate and in consultation with the Attorney General,
22 take into account the following factors:

23 “(1) The population of the area.

1 “(2) The number of bank and nonbank finan-
2 cial institution transactions which originate in such
3 area or involve institutions located in such area.

4 “(3) The number of stock or commodities
5 transactions which originate in such area or involve
6 institutions located in such area.

7 “(4) Whether the area is a key transportation
8 hub with any international ports or airports or an
9 extensive highway system.

10 “(5) Whether the area is an international cen-
11 ter for banking or commerce.

12 “(6) The extent to which financial crimes and
13 financial crime-related activities in such area are
14 having a harmful impact in other areas of the coun-
15 try.

16 “(7) The number or nature of requests for in-
17 formation or analytical assistance which—

18 “(A) are made to the analytical component
19 of the Department of the Treasury; and

20 “(B) originate from law enforcement or
21 regulatory authorities located in such area or
22 involve institutions or businesses located in such
23 area or residents of such area.

24 “(8) The volume or nature of suspicious activity
25 reports originating in the area.

1 “(9) The volume or nature of currency trans-
2 action reports or reports of cross-border movements
3 of currency or monetary instruments originating in,
4 or transported through, the area.

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

7 “(11) Observed changes in trends and patterns
8 of money laundering activity.

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

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

14 “(14) Unusual patterns, anomalies, or changes
15 in the volume or nature of transactions conducted
16 through financial institutions operating within or
17 outside the United States.

18 “(15) The extent to which State and local gov-
19 ernments and State and local law enforcement agen-
20 cies have committed resources to respond to the fi-
21 nancial crime problem in the area and the degree to
22 which the commitment of such resources reflects a
23 determination by such government and agencies to
24 address the problem aggressively.

1 “(16) The extent to which a significant increase
2 in the allocation of Federal resources to combat fi-
3 nancial crimes in such area is necessary to provide
4 an adequate State and local response to financial
5 crimes and financial crime-related activities in such
6 area.

7 “PART 2—FINANCIAL CRIME-FREE COMMUNITIES

8 SUPPORT PROGRAM

9 “§ 5351. **Establishment of financial crime-free commu-**
10 **nities support program**

11 “(a) ESTABLISHMENT.—The Secretary of the Treas-
12 ury, in consultation with the Attorney General, shall es-
13 tablish a program to support local law enforcement efforts
14 in the development and implementation of a program for
15 the detection, prevention, and suppression of money laun-
16 dering and related financial crimes.

17 “(b) PROGRAM.—In carrying out the program, the
18 Secretary of the Treasury, in consultation with the Attor-
19 ney General, shall—

20 “(1) make and track grants to grant recipients;

21 “(2) provide for technical assistance and train-
22 ing, data collection, and dissemination of informa-
23 tion on state-of-the-art practices that the Secretary
24 determines to be effective in detecting, preventing,

1 and suppressing money laundering and related fi-
2 nancial crimes; and

3 “(3) provide for the general administration of
4 the program.

5 “(c) ADMINISTRATION.—The Secretary shall appoint
6 an administrator to carry out the program.

7 “(d) CONTRACTING.—The Secretary may employ any
8 necessary staff and may enter into contracts or agree-
9 ments with Federal and State law enforcement agencies
10 to delegate authority for the execution of grants and for
11 such other activities necessary to carry out this chapter.

12 **“§ 5352. Program authorization**

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

17 “(1) APPLICATION.—The State or local law en-
18 forcement agency or prosecutor shall submit an ap-
19 plication to the Secretary in accordance with section
20 5353(a)(2).

21 “(2) ACCOUNTABILITY.—The State or local law
22 enforcement agency or prosecutor shall—

23 “(A) establish a system to measure and re-
24 port outcomes—

1 “(i) consistent with common indica-
2 tors and evaluation protocols established
3 by the Secretary, in consultation with the
4 Attorney General; and

5 “(ii) approved by the Secretary;

6 “(B) conduct biennial surveys (or incor-
7 porate local surveys in existence at the time of
8 the evaluation) to measure the progress and ef-
9 fectiveness of the coalition; and

10 “(C) provide assurances that the entity
11 conducting an evaluation under this paragraph,
12 or from which the applicant receives informa-
13 tion, has experience in gathering data related to
14 money laundering and related financial crimes.

15 “(b) GRANT AMOUNTS.—

16 “(1) GRANTS.—

17 “(A) IN GENERAL.—Subject to subpara-
18 graph (D), for a fiscal year, the Secretary of
19 the Treasury, in consultation with the Attorney
20 General, may grant to an eligible applicant
21 under this section for that fiscal year, an
22 amount determined by the Secretary of the
23 Treasury, in consultation with the Attorney
24 General, to be appropriate.

1 “(B) SUSPENSION OF GRANTS.—If such
2 grant recipient fails to continue to meet the cri-
3 teria specified in subsection (a), the Secretary
4 may suspend the grant, after providing written
5 notice to the grant recipient and an opportunity
6 to appeal.

7 “(C) RENEWAL GRANTS.—Subject to sub-
8 paragraph (D), the Secretary may award a re-
9 newal grant to a grant recipient under this sub-
10 paragraph for each fiscal year following the fis-
11 cal year for which an initial grant is awarded.

12 “(D) LIMITATION.—The amount of a
13 grant award under this paragraph may not ex-
14 ceed \$750,000 for a fiscal year.

15 “(2) GRANT AWARDS.—

16 “(A) IN GENERAL.—Except as provided in
17 subparagraph (B), the Secretary may, with re-
18 spect to a community, make a grant to 1 eligi-
19 ble applicant that represents that community.

20 “(B) EXCEPTION.—The Secretary may
21 make a grant to more than 1 eligible applicant
22 that represent a community if—

23 “(i) the eligible coalitions demonstrate
24 that the coalitions are collaborating with
25 one another; and

1 “(ii) each of the coalitions has inde-
2 pendently met the requirements set forth
3 in subsection (a).

4 “(c) CONDITION RELATING TO PROCEEDS OF ASSET
5 FORFEITURES.—

6 “(1) IN GENERAL.—No grant may be made or
7 renewed under this part to any State or local law en-
8 forcement agency or prosecutor unless the agency or
9 prosecutor agrees to donate to the Secretary of the
10 Treasury for the program established under this
11 part any amount received by such agency or pros-
12 ecutor (after the grant is made) pursuant to any
13 criminal or civil forfeiture under chapter 46 of title
14 18, United States Code, or any similar provision of
15 State law.

16 “(2) SCOPE OF APPLICATION.—Paragraph (1)
17 shall not apply to any amount received by a State
18 or local law enforcement agency or prosecutor pursu-
19 ant to any criminal or civil forfeiture referred to in
20 such paragraph in excess of the aggregate amount of
21 grants received by such agency or prosecutor under
22 this part.

23 “(d) ROLLING GRANT APPLICATION PERIODS.—In
24 establishing the program under this part, the Secretary

1 shall take such action as may be necessary to ensure, to
2 the extent practicable, that—

3 “(1) applications for grants under this part
4 may be filed at any time during a fiscal year; and

5 “(2) some portion of the funds appropriated
6 under this part for any such fiscal year will remain
7 available for grant applications filed later in the fis-
8 cal year.

9 **“§ 5353. Information collection and dissemination**
10 **with respect to grant recipients**

11 “(a) APPLICANT AND GRANTEE INFORMATION.—

12 “(1) APPLICATION PROCESS.—The Secretary
13 shall issue requests for proposal, as necessary, re-
14 garding, with respect to the grants awarded under
15 section 5352, the application process, grant renewal,
16 and suspension or withholding of renewal grants.
17 Each application under this paragraph shall be in
18 writing and shall be subject to review by the Sec-
19 retary.

20 “(2) REPORTING.—The Secretary shall, to the
21 maximum extent practicable and in a manner con-
22 sistent with applicable law, minimize reporting re-
23 quirements by a grant recipient and expedite any ap-
24 plication for a renewal grant made under this part.

1 “(b) ACTIVITIES OF SECRETARY.—The Secretary
2 may—

3 “(1) evaluate the utility of specific initiatives
4 relating to the purposes of the program;

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

6 “(3) disseminate information described in this
7 subsection to—

8 “(A) eligible State local law enforcement
9 agencies or prosecutors; and

10 “(B) the general public.

11 **“§ 5354. Grants for fighting money laundering and re-**
12 **lated financial crimes**

13 “(a) IN GENERAL.— After the end of the 1-year pe-
14 riod beginning on the date the 1st national strategy for
15 combating money laundering and related financial crimes
16 is submitted to the Congress in accordance with section
17 5341, and subject to subsection (b), the Secretary may
18 review, select, and award grants for State or local law en-
19 forcement agencies and prosecutors to provide funding
20 necessary to investigate and prosecute money laundering
21 and related financial crimes in high-risk money laundering
22 and related financial crime areas.

23 “(b) SPECIAL PREFERENCE.—Special preference
24 shall be given to applications submitted to the Secretary
25 which demonstrate collaborative efforts of 2 or more State

1 and local law enforcement agencies or prosecutors who
 2 have a history of Federal, State, and local cooperative law
 3 enforcement and prosecutorial efforts in responding to
 4 such criminal activity.

5 **“§ 5355. Authorization of appropriations**

6 “There are authorized to be appropriated the follow-
 7 ing amounts for the following fiscal years to carry out the
 8 purposes of this subchapter:

“For fiscal year:	The amount authorized is:
1999	\$5,000,000.
2000	\$7,500,000.
2001	\$10,000,000.
2002	\$12,500,000.
2003	\$15,000,000.”.

9 (b) CLERICAL AMENDMENT.—The table of sub-
 10 chapters for chapter 53 of title 31, United States Code,
 11 is amended 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 recipi-
 ents.

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

“5355. Authorization of appropriations.”.

12 (c) REPORT AND RECOMMENDATIONS.—Before the
 13 end of the 5-year period beginning on the date the 1st

1 national strategy for combating money laundering and re-
2 lated financial crimes is submitted to the Congress pursu-
3 ant to section 5341(a)(1) of title 31, United States Code
4 (as added by section 2(a) of this Act), the Secretary of
5 the Treasury, in consultation with the Attorney General,
6 shall submit a report to the Committee on Banking and
7 Financial Services and the Committee on the Judiciary of
8 the House of Representatives and the Committee on
9 Banking, Housing, and Urban Affairs and the Committee
10 on the Judiciary of the Senate on the effectiveness of and
11 the need for the designation of areas, under section 5342
12 of title 31, United States Code (as added by such section
13 2(a)), as high-risk money laundering and related financial
14 crime areas, together with recommendations for such leg-
15 islation as the Secretary and the Attorney General may
16 determine to be appropriate to carry out the purposes of
17 such section.

Passed the House of Representatives October 5,
1998.

Attest:

Clerk.