

105TH CONGRESS  
1ST SESSION

# H. R. 1756

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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## 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

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## 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Money Laundering and  
3 Financial Crimes Strategy Act of 1997”.

4 **SEC. 2. MONEY LAUNDERING AND RELATED FINANCIAL**  
5 **CRIMES.**

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

9 **“Subchapter III—Money Laundering and**  
10 **Related Financial Crimes**

11 **“SEC. 5341. DEFINITIONS.**

12 “For purposes of this subtitle, the following defini-  
13 tions shall apply:

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

19 “(2) MONEY LAUNDERING AND RELATED FI-  
20 NANCIAL CRIME.—The term ‘money laundering and  
21 related financial crime’ means an offense under this  
22 subchapter, chapter II of title I of Public Law 91–  
23 508 (12 U.S.C. 1951, et seq.; commonly referred to  
24 as the ‘Bank Secrecy Act’), or section 1956, 1957,  
25 or 1960 of title 18 or any related Federal, State, or  
26 local criminal offense.

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

3   **“SEC. 5342. NATIONAL MONEY LAUNDERING AND RELATED**  
4                                   **FINANCIAL CRIMES STRATEGY.**

5           “(a) DEVELOPMENT AND SUBMISSION TO CON-  
6 GRESS.—

7           “(1) BIENNIAL STRATEGY.—Before the end of  
8           the 180-day period beginning on the date of the en-  
9           actment of this subtitle and before February 1 of  
10          every 2d subsequent year, the President, acting  
11          through the Secretary, shall develop a national strat-  
12          egy for combating money laundering and related fi-  
13          nancial crimes which shall be submitted to the Con-  
14          gress.

15          “(2) SEPARATE PRESENTATION OF CLASSIFIED  
16          MATERIAL.—Any part of the strategy that involves  
17          information which is properly classified under cri-  
18          teria established by Executive Order shall be submit-  
19          ted to the Congress separately.

20          “(b) DEVELOPMENT OF STRATEGY.—The national  
21          strategy for combating money laundering and related fi-  
22          nancial crimes shall address any area the President, acting  
23          through the Secretary, considers appropriate, including  
24          the following:

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

5           “(2) PREVENTION.—Coordination of regulatory  
6           and other efforts to prevent the exploitation of fi-  
7           nancial systems in the United States for money  
8           laundering and related financial crimes, including a  
9           requirement that the Secretary shall—

10           “(A) regularly review enforcement efforts  
11           under this subchapter and other provisions of  
12           law and, when appropriate, modify existing reg-  
13           ulations or prescribe new regulations for pur-  
14           poses of preventing such criminal activity; and

15           “(B) coordinate prevention efforts and  
16           other enforcement action with the Board of  
17           Governors of the Federal Reserve System, the  
18           Securities and Exchange Commission, the Fed-  
19           eral Trade Commission, other Federal banking  
20           agencies, and the National Credit Union Ad-  
21           ministration Board.

22           “(3) DETECTION INITIATIVES.—A description  
23           of operational initiatives to improve detection of  
24           money laundering and related financial crimes.

1           “(4) ENHANCEMENT OF THE ROLE OF THE  
2 PRIVATE FINANCIAL SECTOR IN PREVENTION.—A  
3 description of the enhanced partnership between the  
4 private financial sector and law enforcement agen-  
5 cies with regard to the prevention and detection of  
6 money laundering and related financial crimes, in-  
7 cluding providing incentives to strengthen internal  
8 controls and to adopt on an industrywide basis more  
9 effective policies.

10           “(5) INTERGOVERNMENTAL COOPERATION.—A  
11 description of—

12                   “(A) cooperative efforts between the Fed-  
13 eral Government and State and local officials,  
14 including State and local prosecutors and other  
15 law enforcement officials; and

16                   “(B) cooperative efforts among the several  
17 States and between State and local officials, in-  
18 cluding State and local prosecutors and other  
19 law enforcement officials,  
20 for financial crimes control which could be utilized  
21 or should be encouraged.

22           “(6) PROJECT AND BUDGET PRIORITIES.—A 3-  
23 year projection for program and budget priorities  
24 and achievable projects for reductions in financial  
25 crimes.

1           “(7) ASSESSMENT OF FUNDING.—A complete  
2           assessment of how the proposed budget is intended  
3           to implement the strategy and whether the funding  
4           levels contained in the proposed budget are sufficient  
5           to implement the strategy.

6           “(8) DESIGNATED AREAS.—A description of  
7           geographical areas designated as ‘high-risk money  
8           laundering and related financial crime areas’ in ac-  
9           cordance with, but not limited to, section 5343.

10           (9) PERSONS CONSULTED.—Persons or officers  
11           consulted by the Secretary pursuant to subsection  
12           (d).

13           “(10) DATA REGARDING TRENDS IN MONEY  
14           LAUNDERING AND RELATED FINANCIAL CRIMES.—  
15           The need for additional information necessary for  
16           the purpose of developing and analyzing data in  
17           order to ascertain financial crime trends.

18           “(11) IMPROVED COMMUNICATIONS SYSTEMS.—  
19           A plan for enhancing the compatibility of automated  
20           information and facilitating access of the Federal  
21           Government and State and local governments to  
22           timely, accurate, and complete information.

23           “(c) EFFECTIVENESS REPORT.—At the time each bi-  
24           ennial national strategy for combating financial crimes is  
25           transmitted by the President to the Congress (other than

1 the 1st transmission of any such strategy) pursuant to  
2 subsection (a), the Secretary shall submit a report con-  
3 taining an evaluation of the effectiveness of policies to  
4 combat money laundering and related financial crimes.

5 “(d) CONSULTATIONS.—In developing the national  
6 strategy for combating money laundering and related fi-  
7 nancial crimes, the Secretary shall consult with—

8 “(1) Department of the Treasury law enforce-  
9 ment organizations involved in the detection, preven-  
10 tion, and suppression of money laundering and relat-  
11 ed financial crimes;

12 “(2) the Attorney General;

13 “(3) the Board of Governors of the Federal Re-  
14 serve System and other Federal banking agencies  
15 and the National Credit Union Administration  
16 Board;

17 “(4) State and local officials, including State  
18 and local prosecutors;

19 “(5) the Securities and Exchange Commission;

20 “(6) the Commodities and Futures Trading  
21 Commission;

22 “(7) to the extent appropriate, State and local  
23 officials responsible for financial institution and fi-  
24 nancial market regulation;

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

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

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

7   **“SEC. 5343. HIGH-RISK MONEY LAUNDERING AND RELATED**  
8                           **FINANCIAL CRIME AREAS.**

9           “(a) FINDINGS AND PURPOSE.—

10           “(1) FINDINGS.—The Congress finds the fol-  
11           lowing:

12                   “(A) Money laundering and related finan-  
13                   cial crimes frequently appear to be concentrated  
14                   in particular geographic areas, financial sys-  
15                   tems, industry sectors, or financial institutions.

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



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

6                   “(A) a comprehensive approach to the  
7                   problem of such crime in such area can be de-  
8                   veloped, in cooperation with State and local law  
9                   enforcement agencies, which utilizes the author-  
10                  ity of the Secretary to prevent such activity; or

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

13           “(b) ELEMENT OF NATIONAL STRATEGY.—The des-  
14           ignation of certain areas as areas in which money launder-  
15           ing and related financial crimes are extensive or present  
16           a substantial risk shall be an element of the national strat-  
17           egy developed pursuant to section 5342(b).

18           “(c) DESIGNATION OF AREAS.—

19                   “(1) DESIGNATION BY SECRETARY.—The Sec-  
20                   retary, after taking into consideration the factors  
21                   specified in subsection (d), shall designate any geo-  
22                   graphical area, industry, sector, or institution in the  
23                   United States in which money laundering and relat-  
24                   ed financial crimes are extensive or present a sub-

1       stantial risk as a ‘high-risk money laundering and  
2       related financial crimes area’.

3               “(2) CASE-BY-CASE DETERMINATION.—In addi-  
4       tion to the factors specified in subsection (d), any  
5       designation of any area under paragraph (1) shall be  
6       made on the basis of a determination by the Sec-  
7       retary that the particular area, industry, sector, or  
8       institution is being victimized by, or is particularly  
9       vulnerable to, money laundering and related finan-  
10      cial crimes.

11              “(3) SPECIFIC INITIATIVES.—Any head of a de-  
12      partment, bureau, or law enforcement agency, in-  
13      cluding any State or local prosecutor, involved in the  
14      detection, prevention, and suppression of money  
15      laundering and related financial crimes and any  
16      State or local official or prosecutor may submit—

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

20                      “(B) a written request for funding under  
21                      section 5345 for a specific prevention or en-  
22                      forcement initiative, or to determine the extent  
23                      of financial criminal activity, in an area.

24              “(d) FACTORS.—In considering the designation of  
25      any area as a high-risk money laundering and related fi-

1 nancial crimes area, the Secretary shall, to the extent ap-  
2 propriate, take into account the following factors:

3           “(1) The population of the area and the demo-  
4 graphics of the population.

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

8           “(3) The number of stock or commodities  
9 transactions which originate in such area or involve  
10 institutions located in such area.

11           “(4) Whether the area is a key transportation  
12 hub with any international ports or airports or an  
13 extensive highway system.

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

16           “(6) The extent to which financial crimes and  
17 financial crime-related activities in such area are  
18 having a harmful impact in other areas of the coun-  
19 try.

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

22                   “(A) are made to the analytical component  
23 of the Department of the Treasury; and

24                   “(B) originate from law enforcement or  
25 regulatory authorities located in such area or

1           involve institutions or businesses located in such  
2           area or residents of such area.

3           “(8) Whether the area is or has been the sub-  
4           ject of active money laundering investigations.

5           “(9) The volume or nature of suspicious activity  
6           reports originating in the area.

7           “(10) The volume or nature of currency trans-  
8           action reports or reports of cross-border movements  
9           of currency or monetary instruments originating in  
10          the area.

11          “(11) Whether, and how often, the area has  
12          been the subject of a geographical targeting order  
13          under section 5326 before being considered for such  
14          designation.

15          “(12) Observed changes in trends and patterns  
16          of money laundering activity.

17          “(13) Unusual patterns, anomalies, growth, or  
18          other changes in the volume or nature of core eco-  
19          nomic statistics or indicators.

20          “(14) Statistics or indicators of unusual or un-  
21          explained volumes of cash transactions.

22          “(15) Unusual patterns, anomalies, or changes  
23          in the volume or nature of transactions conducted  
24          through financial institutions operating within or  
25          outside the United States.

1           “(16) The extent to which State and local gov-  
2           ernments and State and local law enforcement agen-  
3           cies have committed resources to respond to the fi-  
4           nancial crime problem in the area and the degree to  
5           which the commitment of such resources reflects a  
6           determination by such government and agencies to  
7           address the problem aggressively.

8           “(17) The extent to which a significant increase  
9           in the allocation of Federal resources to combat fi-  
10          nancial crimes in such area is necessary to provide  
11          an adequate State and local response to financial  
12          crimes and financial crime-related activities in such  
13          area.

14   **“SEC. 5344. DESIGNATION OF LEAD AGENCY.**

15          “(a) IN GENERAL.—The Secretary shall coordinate  
16          and develop a national strategy for combating money laun-  
17          dering and financial crimes.

18          “(b) FEDERAL RESPONSES AUTHORIZED.—With re-  
19          spect to any area designated under section 5343 as a high-  
20          risk money laundering and related financial crimes area,  
21          the Secretary may take the following initiatives:

22                  “(1) Recommend increases in Federal assist-  
23                  ance which the Secretary determines is necessary to  
24                  combat financial crimes in such areas.

1           “(2) Establish joint cooperative efforts, and co-  
2           ordinate enforcement activities, among Federal law  
3           enforcement organizations involved in the detection,  
4           prevention, and suppression of money laundering  
5           and related financial crimes and State and local law  
6           enforcement agencies with respect to financial  
7           crimes in such area.

8   **“SEC. 5345. GRANTS FOR FIGHTING MONEY LAUNDERING**  
9                                   **AND RELATED FINANCIAL CRIMES.**

10           “(a) PROGRAM AUTHORIZED.—

11                   “(1) IN GENERAL.—After the end of the 1-year  
12           period beginning on the date the 1st national strat-  
13           egy for combating money laundering and related fi-  
14           nancial crimes is submitted to the Congress in ac-  
15           cordance with section 5342, and subject to sub-  
16           section (b), the Secretary may review, select, and  
17           award grants for State or local law enforcement  
18           agencies and prosecutors to provide funding nec-  
19           essary to investigate and prosecute money launder-  
20           ing and related financial crimes in high-risk money  
21           laundering and related financial crime areas.

22                   “(2) SPECIAL PREFERENCE.—Special pref-  
23           erence shall be given to applications submitted to the  
24           Secretary which demonstrate collaborative efforts of  
25           2 or more State and local law enforcement agencies

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

4 “(b) AUTHORIZATION.—There are authorized to be  
 5 appropriated such sums as may be necessary for fiscal  
 6 years beginning after fiscal year 1998 to carry out this  
 7 section.”.

8 (b) CLERICAL AMENDMENT.—The table of sub-  
 9 chapters for chapter 53 of title 31, United States Code,  
 10 is amended by adding at the end the following items relat-  
 11 ing to the subchapter added by subsection (a) of this sec-  
 12 tion:

“SUBCHAPTER III—MONEY LAUNDERING AND RELATED FINANCIAL CRIMES

“Sec. 5341. Definitions.

“Sec. 5342. National money laundering and related financial crimes strat-  
 egy.

“Sec. 5343. High-intensity and high-risk money laundering and related fi-  
 nancial crime areas.

“Sec. 5344. Designation of lead agency.

“Sec. 5345. Grants for fighting money laundering and related financial  
 crimes.”.

13 **SEC. 3. BUDGETS FOR LAW ENFORCEMENT ACTIVITIES RE-**  
 14 **LATING TO MONEY LAUNDERING AND RELAT-**  
 15 **ED FINANCIAL CRIMES.**

16 Section 1105 of title 31, United States Code, is  
 17 amended by adding at the end the following new sub-  
 18 section:

19 “(h) The Director of the Office of Management and  
 20 Budget shall establish the funding for law enforcement ac-

1 tivities with respect to money laundering and related fi-  
2 nancial crimes for each applicable department or agency  
3 as a separate object class in each budget annually submit-  
4 ted to the Congress under this section.”.

5 (b) REPORT AND RECOMMENDATIONS.—Before the  
6 end of the 5-year period beginning on the date the 1st  
7 national strategy for combating money laundering and re-  
8 lated financial crimes is submitted to the Congress pursu-  
9 ant to section 5342(a)(1) of title 31, United States Code,  
10 the Secretary of the Treasury shall submit a report to the  
11 Committee on Banking and Financial Services of the  
12 House of Representatives and the Committee on Banking,  
13 Housing, and Urban Affairs of the Senate on the effective-  
14 ness of and the need for the designation of areas, under  
15 section 5343 of title 31, United States Code (as added  
16 by section 2(a) of this Act), as high-risk money laundering  
17 and related financial crime areas, together with such rec-  
18 ommendations for legislation as the Secretary may deter-  
19 mine to be appropriate to carry out the purposes of such  
20 section.

○