

105TH CONGRESS  
1ST SESSION

# S. 1003

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 SENATE OF THE UNITED STATES

JULY 10, 1997

Mr. GRASSLEY (for himself, Mr. D'AMATO, Mrs. FEINSTEIN, Mr. HUTCHINSON, Mr. GRAHAM, Mr. HAGEL, Mr. STEVENS, Mr. THURMOND, and Mr. FAIRCLOTH) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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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,*

3 **SECTION 1. SHORT TITLE.**

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

1 **SEC. 2. MONEY LAUNDERING AND RELATED FINANCIAL**  
 2 **CRIMES.**

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

6 **“Subchapter III—Money Laundering and**  
 7 **Related Financial Crimes**

8 **“SEC. 5341. DEFINITIONS.**

9 “For purposes of this subchapter, the following defi-  
 10 nitions shall apply:

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

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

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

1           “(4) STRATEGY.—The term ‘Strategy’ means  
 2           the National Strategy for Combating Money Laun-  
 3           dering and Related Financial Crimes developed in  
 4           accordance with section 5342.

5   **“SEC. 5342. NATIONAL MONEY LAUNDERING AND RELATED**  
 6           **FINANCIAL CRIMES STRATEGY.**

7           “(a) DEVELOPMENT AND SUBMISSION TO CON-  
 8   GRESS.—

9           “(1) DEVELOPMENT.—The President, acting  
 10          through the Secretary, shall coordinate and develop  
 11          a National Strategy for Combating Money Launder-  
 12          ing and Related Financial Crimes (hereafter in this  
 13          section referred to as the ‘Strategy’).

14          “(2) SUBMISSION TO CONGRESS.—On February  
 15          1 of fiscal years 1999 through 2003, the Secretary  
 16          shall submit the Strategy to Congress in written  
 17          form, in accordance with this subchapter.

18          “(3) SEPARATE PRESENTATION OF CLASSIFIED  
 19          MATERIAL.—Any part of the Strategy that involves  
 20          information which is properly classified under cri-  
 21          teria established by Executive order shall be submit-  
 22          ted to Congress separately.

23          “(4) CONTENTS.—Each Strategy submitted  
 24          under paragraph (2) shall include—

1           “(A) comprehensive, research-based, quan-  
2           tifiable goals for reducing money laundering  
3           and related financial crime in the United  
4           States;

5           “(B) 3-year budget projections for pro-  
6           gram and budget priorities to implement the  
7           Strategy;

8           “(C) a review of State and local strategies  
9           to control money laundering and other financial  
10          crimes to ensure that the United States pursues  
11          well-coordinated and effective money laundering  
12          and other financial crime controls at all levels  
13          of Government;

14          “(D) a description of existing operational  
15          initiatives to improve detection of money laun-  
16          dering and related financial crimes;

17          “(E) a description of the actions taken by  
18          the Secretary to achieve an enhanced partner-  
19          ship between the private financial sector and  
20          law enforcement agencies, as required under  
21          subsection (b)(3);

22          “(F) a description of—

23                 “(i) cooperative efforts between the  
24                 Federal Government and State and local  
25                 officials, including State and local prosecu-

1           tors and other law enforcement officials;  
2           and

3           “(ii) cooperative efforts among the  
4           several States and between State and local  
5           officials, including State and local prosecu-  
6           tors and other law enforcement officials,  
7           for financial crimes control which could be  
8           utilized or should be encouraged;

9           “(G) a complete assessment of how the  
10          proposed budget is intended to implement the  
11          Strategy, and whether the funding levels con-  
12          tained in the proposed budget are sufficient to  
13          implement the Strategy;

14          “(H) the level of compatibility of auto-  
15          mated information systems, including the ease  
16          of access of the Federal Government and State  
17          and local governments to timely, accurate, and  
18          complete information;

19          “(I) a list of persons or officers consulted  
20          by the Secretary pursuant to subsection (c);  
21          and

22          “(J) any other information necessary for  
23          the purpose of developing and analyzing data in  
24          order to ascertain financial crime trends.

1       “(b) DEVELOPMENT OF STRATEGY.—The Strategy  
2 shall address any area that the President, acting through  
3 the Secretary, considers appropriate, including the follow-  
4 ing:

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

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

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

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

1           “(3) ENHANCEMENT OF ROLE OF PRIVATE FI-  
2           NANCIAL SECTOR IN PREVENTION.—The Secretary  
3           shall pursue an 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           “(4) DESIGNATED AREAS.—A description of  
11           geographical areas designated as ‘high-risk money  
12           laundering and related financial crime areas’ in ac-  
13           cordance with section 5343.

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

19           “(6) IMPROVED COMMUNICATIONS SYSTEMS.—  
20           The compatibility of automated information and fa-  
21           cilitating access of the Federal Government and  
22           State and local governments to timely, accurate, and  
23           complete information, and what steps may be nec-  
24           essary to improve such access.

1       “(c) CONSULTATIONS.—In developing the Strategy,  
2 the Secretary shall consult with—

3               “(1) law enforcement organizations of the De-  
4 partment of the Treasury involved in the detection,  
5 prevention, and suppression of money laundering  
6 and related financial crimes;

7               “(2) the Attorney General;

8               “(3) the Board of Governors of the Federal Re-  
9 serve System, the National Credit Union Adminis-  
10 tration Board, and other Federal banking agencies;

11              “(4) State and local officials, including State  
12 and local prosecutors;

13              “(5) the Securities and Exchange Commission;

14              “(6) the Commodities and Futures Trading  
15 Commission;

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

3 “(a) FINDINGS AND PURPOSE.—

4 “(1) FINDINGS.—The Congress finds that—

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

10 “(B) while the Secretary has the respon-  
11 sibility to act with regard to Federal offenses  
12 committed in a particular locality or are di-  
13 rected at a single institution, because modern  
14 financial systems and institutions are inter-  
15 connected to a great degree, money laundering  
16 and other related financial crimes are likely to  
17 have local, State, national, and international ef-  
18 fects wherever they are committed.

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

24 “(A) a comprehensive approach to the  
25 problem of such crime in such area can be de-  
26 veloped, in cooperation with State and local law

1 enforcement agencies, which utilizes the author-  
2 ity of the Secretary to prevent such activity; or

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

5 “(b) ELEMENT OF NATIONAL STRATEGY.—The des-  
6 ignation of certain areas as areas in which money launder-  
7 ing and related financial crimes are extensive or present  
8 a substantial risk shall be an element of the Strategy de-  
9 veloped pursuant to section 5342.

10 “(c) DESIGNATION OF AREAS.—

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

19 “(2) SPECIFIC INITIATIVES.—Any head of a de-  
20 partment, bureau, or law enforcement agency, in-  
21 cluding any State or local prosecutor, involved in the  
22 detection, prevention, and suppression of money  
23 laundering and related financial crimes and any  
24 State or local official or prosecutor may submit a  
25 written request for the designation of any area as a

1 high-risk money laundering and related financial  
2 crimes area.

3 “(3) CASE-BY-CASE DETERMINATION.—In addi-  
4 tion to the factors specified in subsection (d), a des-  
5 ignation of any area under this subsection 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 “(d) FACTORS.—In designating an area as a high-  
12 risk money laundering and related financial crimes area  
13 under this section, the Secretary shall, to the extent ap-  
14 propriate, take into account—

15 “(1) the population of the area;

16 “(2) the number of bank and nonbank financial  
17 institution transactions that originate in such area  
18 or involve institutions located in such area;

19 “(3) the number of stock or commodities trans-  
20 actions that originate in such area or involve institu-  
21 tions located in such area;

22 “(4) whether the area is a key transportation  
23 hub with any international ports or airports or an  
24 extensive highway system;

1           “(5) whether the area is an international center  
2           for banking or commerce;

3           “(6) the extent to which financial crimes and fi-  
4           nancial crime-related activities in such area are hav-  
5           ing a harmful impact in other areas of the country;

6           “(7) the number or nature of requests for infor-  
7           mation or analytical assistance that—

8                   “(A) are made to the analytical component  
9                   of the Department of the Treasury; and

10                   “(B) originate from law enforcement or  
11                   regulatory authorities located in such area, or  
12                   involve institutions or businesses located in such  
13                   area or residents of such area;

14           “(8) whether the area is or has been the subject  
15           of active money laundering investigations;

16           “(9) the volume or nature of suspicious activity  
17           reports originating in the area;

18           “(10) the volume or nature of currency trans-  
19           action reports or reports of cross-border movements  
20           of currency or monetary instruments originating in  
21           the area;

22           “(11) whether, and how often, the area has  
23           been the subject of a geographical targeting order  
24           under section 5326 before being considered for such  
25           designation;

1           “(12) observed changes in trends and patterns  
2 of money laundering activity;

3           “(13) unusual patterns, anomalies, growth, or  
4 other changes in the volume or nature of core eco-  
5 nomic statistics or indicators;

6           “(14) statistics or indicators of unusual or un-  
7 explained volumes of cash transactions;

8           “(15) unusual patterns, anomalies, or changes  
9 in the volume or nature of transactions conducted  
10 through financial institutions operating within or  
11 outside the United States;

12           “(16) the extent to which State and local gov-  
13 ernments and State and local law enforcement agen-  
14 cies have committed resources to respond to the fi-  
15 nancial crime problem in the area and the degree to  
16 which the commitment of such resources reflects a  
17 determination by such government and agencies to  
18 address the problem aggressively;

19           “(17) the extent to which a significant increase  
20 in the allocation of Federal resources to combat fi-  
21 nancial crimes in such area is necessary to provide  
22 an adequate State and local response to financial  
23 crimes and financial crime-related activities in such  
24 area; and

1           “(18) such other factors as the Secretary con-  
2           siders relevant.

3   **“SEC. 5344. ASSISTANCE FOR FIGHTING MONEY LAUNDER-**  
4           **ING AND RELATED FINANCIAL CRIMES.**

5           “(a) GRANT PROGRAM AUTHORIZED.—

6           “(1) IN GENERAL.—After the end of the 1-year  
7           period beginning on the date on which the first  
8           Strategy is submitted to the Congress in accordance  
9           with section 5342, the Secretary may review, select,  
10          and award grants in accordance with this subchapter  
11          from among applications submitted under paragraph  
12          (2) to State or local law enforcement agencies and  
13          prosecutors in an area designated as a high-risk  
14          money laundering and related financial crimes area  
15          under section 5343. Such grants shall be used to  
16          provide funding necessary to investigate and pros-  
17          ecute money laundering and related financial crimes  
18          in those areas.

19          “(2) APPLICATION PROCESS.—The Secretary  
20          shall award grants under this subchapter upon re-  
21          ceipt of written application, in accordance with such  
22          terms and procedures as the Secretary may estab-  
23          lish.

24          “(3) SPECIAL PREFERENCE.—In awarding  
25          grants under this subsection, special preference shall

1 be given to applicants that represent collaborative ef-  
 2 forts of 2 or more State and local law enforcement  
 3 agencies or prosecutors who have a history of Fed-  
 4 eral, State, and local cooperative law enforcement  
 5 and prosecutorial efforts in responding to such  
 6 criminal activity.

7 “(b) OTHER ASSISTANCE AUTHORIZED.—Notwith-  
 8 standing whether a grant is awarded in an area designated  
 9 as a high-risk money laundering and related financial  
 10 crimes area, the Secretary may, in any such area—

11 “(1) recommend increases in Federal assistance  
 12 that the Secretary determines are necessary to com-  
 13 bat financial crimes in such areas; and

14 “(2) establish joint cooperative efforts and co-  
 15 ordinate enforcement activities among Federal law  
 16 enforcement organizations involved in the detection,  
 17 prevention, and suppression of money laundering  
 18 and related financial crimes and State and local law  
 19 enforcement agencies with respect to financial  
 20 crimes in such area.

21 **“SEC. 5345. AUTHORIZATION OF APPROPRIATIONS.**

22 “There are authorized to be appropriated to carry out  
 23 this subchapter, subject to an appropriations Act—

24 “(1) \$5,000,000 for fiscal year 1999;

25 “(2) \$7,500,000 for fiscal year 2000;

1 “(3) \$10,000,000 for fiscal year 2001;  
 2 “(4) \$12,500,000 for fiscal year 2002; and  
 3 “(5) \$15,000,000 for fiscal year 2003.”.

4 (b) CLERICAL AMENDMENT.—The table of sub-  
 5 chapters for chapter 53 of title 31, United States Code,  
 6 is amended by adding at the end the following items relat-  
 7 ing to the subchapter added by subsection (a) of this sec-  
 8 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-risk money laundering and related financial crime areas.

“Sec. 5344. Assistance for fighting money laundering and related financial  
 crimes.

“Sec. 5345. Authorization of appropriations.”.

9 **SEC. 3. BUDGETS FOR LAW ENFORCEMENT ACTIVITIES RE-**  
 10 **LATING TO MONEY LAUNDERING AND RELAT-**  
 11 **ED FINANCIAL CRIMES.**

12 Section 1105 of title 31, United States Code, is  
 13 amended by adding at the end the following new sub-  
 14 section:

15 “(h) TREATMENT OF FUNDING.—The Director of the  
 16 Office of Management and Budget shall establish the  
 17 funding for law enforcement activities with respect to  
 18 money laundering and related financial crimes for each ap-  
 19 plicable department or agency as a separate object class  
 20 in each budget annually submitted to the Congress under  
 21 this section.”.



1 **SEC. 4. REPORT AND RECOMMENDATIONS.**

2       Before the end of the 5-year period beginning on the  
3 date on which the first National Strategy for Combating  
4 Money Laundering and Related Financial Crimes is sub-  
5 mitted to the Congress pursuant to section 5342 of title  
6 31, United States Code (as added by this Act), the Sec-  
7 retary of the Treasury shall submit a report to the Com-  
8 mittee on Banking and Financial Services of the House  
9 of Representatives and the Committee on Banking, Hous-  
10 ing, and Urban Affairs of the Senate on the effectiveness  
11 of and the need for the designation of areas, under section  
12 5343 of title 31, United States Code (as added by this  
13 Act), as high-risk money laundering and related financial  
14 crime areas, together with such recommendations for leg-  
15 islation as the Secretary of the Treasury may determine  
16 to be appropriate to carry out the purposes of that section.

○