

106TH CONGRESS
1ST SESSION

H. R. 1471

To eliminate money laundering in the private banking system, to require the Secretary of the Treasury to warn insured depository institutions of foreign countries in which there is a concentration of money laundering activities, to amend the Bank Holding Company Act of 1956 to require the Board of Governors of the Federal Reserve System to include money laundering activities in the consideration of applications under section 3 of such Act, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 15, 1999

Ms. WATERS introduced the following bill; which was referred to the
Committee on Banking and Financial Services

A BILL

To eliminate money laundering in the private banking system, to require the Secretary of the Treasury to warn insured depository institutions of foreign countries in which there is a concentration of money laundering activities, to amend the Bank Holding Company Act of 1956 to require the Board of Governors of the Federal Reserve System to include money laundering activities in the consideration of applications under section 3 of such Act, 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
3 Prevention Act of 1999”.

4 **SEC. 2. FINDINGS AND PURPOSES.**

5 (a) FINDINGS.—The Congress makes the following
6 findings:

7 (1) Money laundering is a serious problem: be-
8 tween \$100,000,000,000 and \$300,000,000,000 in
9 United States currency is “laundered” each year
10 and the total dollar amount involved in international
11 money laundering likely exceeds \$500,000,000,000.

12 (2) Money laundering is critical to the survival
13 of the illicit drug trade, which has annual worldwide
14 revenues of more than \$400,000,000,000, more than
15 8 percent of the total value of international trade.

16 (3) United States financial institutions are a
17 critical link in our efforts to combat money laun-
18 dering.

19 (4) Highly secretive and loosely regulated pri-
20 vate banking services that cater to wealthy clients
21 are particularly vulnerable to use by drug traffickers
22 for money laundering purposes, and it is estimated
23 that private banking services have banking assets
24 ranging from \$200,000,000,000 to
25 \$300,000,000,000.

1 (b) PURPOSES.—The purposes of this Act are as fol-
2 lows:

3 (1) To ensure that United States financial in-
4 stitutions make combating money laundering the
5 highest of priorities.

6 (2) To close the existing gaps in law that allow
7 money laundering to flourish in the private banking
8 system.

9 (3) To designate foreign high-intensity money
10 laundering areas for the purpose of targeting areas
11 of concentrated money laundering activities.

12 (4) To require the Board of Governors of the
13 Federal Reserve System to take into account money
14 laundering activities in the consideration of applica-
15 tions under section 3 of the Bank Holding Company
16 Act of 1956.

17 **SEC. 3. REPORT ON PRIVATE BANKING ACTIVITIES.**

18 (a) IN GENERAL.—Before the end of the 1-year pe-
19 riod beginning on the date of the enactment of this Act,
20 the Secretary of the Treasury, in consultation with the
21 Federal banking agencies (as defined in section 3(z) of
22 the Federal Deposit Insurance Act) shall submit a report
23 on private banking activities in the United States to the
24 Committee on Banking and Financial Services of the

1 House of Representatives and the Committee on Banking,
2 Housing, and Urban Affairs of the Senate.

3 (b) CONTENTS OF REPORT.—The report required
4 under subsection (a) shall include information on the fol-
5 lowing:

6 (1) The nature and extent of private banking
7 activities in the United States.

8 (2) Regulatory efforts to monitor private bank-
9 ing activities and ensure that such activities are con-
10 ducted in compliance with subchapter II of chapter
11 53 of title 31, United States Code, and section 21
12 of the Federal Deposit Insurance Act.

13 (3) The policies and procedures of depository
14 institutions that are designed to ensure compliance
15 by such institutions with the requirements of sub-
16 chapter II of chapter 53 of title 31, United States
17 Code, and section 21 of the Federal Deposit Insur-
18 ance Act.

19 (c) PRIVATE BANKING ACTIVITIES DEFINED.—For
20 purposes of this section, the term “private banking activi-
21 ties” includes, with respect to a financial institution, per-
22 sonalized services, such as money management, financial
23 advice, and investment services, that are provided to indi-
24 viduals with a high net worth and are not provided gen-
25 erally to all clients of the financial institution.

1 **SEC. 4. REQUIRE THAT ANTI-MONEY LAUNDERING PRO-**
 2 **GRAMS PROHIBIT MONEY LAUNDERING**
 3 **THROUGH CONCENTRATION ACCOUNTS AT**
 4 **FINANCIAL INSTITUTIONS BY REQUIRING**
 5 **THE AVAILABILITY OF CERTAIN ACCOUNT IN-**
 6 **FORMATION.**

7 Section 5318(h) of title 31, United States Code, is
 8 amended by adding at the end the following new para-
 9 graph:

10 “(3) AVAILABILITY OF CERTAIN ACCOUNT IN-
 11 FORMATION.—The Secretary of the Treasury shall
 12 prescribe regulations under this subsection which re-
 13 quire financial institutions to maintain all accounts
 14 in such a way as to ensure that—

15 “(A) the name of the account holder and
 16 the number of the account are associated with
 17 all account activity of the account holder; and

18 “(B) all such information is available for
 19 purposes of account supervision and law en-
 20 forcement.”

21 **SEC. 5. DESIGNATION OF FOREIGN HIGH-INTENSITY**
 22 **MONEY LAUNDERING AREAS.**

23 (a) IN GENERAL.—Subchapter III of chapter 53 of
 24 title 31, United States Code (as added by the Money
 25 Laundering and Financial Crimes Strategy Act of 1998)
 26 is amended by adding at the end the following new part:

1 “PART 3—INTERNATIONAL MONEY LAUNDERING AND
2 RELATED FINANCIAL CRIMES
3 **“§ 5361. Designation of foreign high-intensity money**
4 **laundering areas**

5 “(a) IN GENERAL.—The Secretary, in consultation
6 with the Federal banking agencies, shall develop criteria
7 for identifying areas outside the United States in which
8 money laundering activities are concentrated.

9 “(b) DESIGNATION.—The Secretary shall designate
10 as a high-intensity money laundering area any foreign
11 country in which there is an area identified, in accordance
12 with the criteria developed pursuant to subsection (a), as
13 an area in which money laundering activities are con-
14 centrated.

15 “(c) NOTICE AND WARNING.—Upon the designation,
16 under subsection (b), of a country as a high-intensity
17 money laundering area, the Secretary shall provide—

18 “(1) a written notice to each insured depository
19 institution (as defined in section 3 of the Federal
20 Deposit Insurance Act), and each depository institu-
21 tion holding company (as defined in such section 3)
22 that controls an insured depository institution, of
23 the identity of the country designated; and

1 “(2) a written warning that there is a con-
 2 centration of money laundering activity in such
 3 country.

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 item:

“PART 3—INTERNATIONAL MONEY LAUNDERING AND RELATED FINANCIAL
 CRIMES

“5361. Designation of foreign high-intensity money laundering areas.”.

7 **SEC. 6. DOUBLE THE CRIMINAL PENALTIES FOR VIOLA-**
 8 **TIONS INVOLVING HIGH-INTENSITY MONEY**
 9 **LAUNDERING AREAS.**

10 (a) IN GENERAL.—Section 5322 of title 31, United
 11 States Code, is amended by adding at the end the fol-
 12 lowing new subsection:

13 “(d) DOUBLED PENALTY.—The court may double
 14 the sentence of fine or imprisonment, or both, that could
 15 otherwise be imposed on any person for a violation de-
 16 scribed in subsection (a) or (b) if the person commits the
 17 violation with respect to a transaction involving a person
 18 in, a relationship maintained for a person in, or a trans-
 19 port of a monetary instrument involving a foreign country,
 20 knowing that a designation of the foreign country as a
 21 high-intensity money laundering area under section 5361
 22 was in effect at the time of the violation.”.

1 (b) EFFECTIVE DATE.—The amendment made by
 2 subsection (a) shall apply with respect to any violation
 3 committed on or after the date of the enactment of this
 4 Act.

5 **SEC. 7. AMENDMENT TO SECTION 3 OF THE BANK HOLDING**
 6 **COMPANY ACT OF 1956.**

7 (a) IN GENERAL.—Section 3(c) of the Bank Holding
 8 Company Act of 1956 (12 U.S.C. 1842(c)) is amended
 9 by adding at the end the following new paragraph:

10 “(6) MONEY LAUNDERING.—In every case—

11 “(A) the Board shall take into consider-
 12 ation the effectiveness of the company or com-
 13 panies in combating and preventing money
 14 laundering activities, including in overseas
 15 branches;

16 “(B) the Board shall not consider any ap-
 17 plication under this section involving any com-
 18 pany which is the subject of any—

19 “(i) pending Federal investigation of
 20 possible money laundering or other related
 21 financial crimes; or

22 “(ii) pending Federal prosecution for
 23 money laundering or other related financial
 24 crimes,

1 until such investigation or prosecution is com-
2 pleted and a finding is made, except that this
3 subparagraph shall not apply if the period for
4 such completion and the making of findings ex-
5 ceeds 3 years; and

6 “(C) the Board shall disapprove any appli-
7 cation under this section involving any company
8 which has been found criminally or civilly liable
9 for money laundering or any related financial
10 crime during the 5-year period preceding the
11 consideration of such application by the
12 Board.”.

13 (b) SCOPE OF APPLICATION.—The amendment made
14 by subsection (a) shall apply with respect to any applica-
15 tion submitted to the Board of Governors of the Federal
16 Reserve System under section 3 of the Bank Holding
17 Company Act of 1956 after December 31, 1997, which
18 has not been approved by the Board before the date of
19 the enactment of this Act.

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