

109TH CONGRESS  
2D SESSION

# H. R. 5341

---

IN THE SENATE OF THE UNITED STATES

JUNE 28, 2006

Received; read twice and referred to the Committee on Banking, Housing, and  
Urban Affairs

---

## AN ACT

To amend section 5313 of title 31, United States Code,  
to reform certain requirements for reporting cash trans-  
actions, 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 “Seasoned Customer  
3 CTR Exemption Act of 2006”.

4 **SEC. 2. EXCEPTION FROM CURRENCY TRANSACTION RE-**  
5 **PORTS FOR SEASONED CUSTOMERS.**

6       (a) FINDINGS.—The Congress finds as follows:

7           (1) The completion of and filing of currency  
8 transaction reports under section 5313 of title 31,  
9 United States Code, poses a compliance burden on  
10 the financial industry.

11           (2) Due to the nature of the transactions or the  
12 persons and entities conducting such transactions,  
13 some reports as currently filed may not be relevant  
14 to the detection, deterrence, or investigation of fi-  
15 nancial crimes, including money laundering and the  
16 financing of terrorism.

17           (3) However, the data contained in such reports  
18 can provide valuable context for the analysis of other  
19 data derived pursuant to subchapter II of chapter  
20 53 of title 31, United States Code, as well as inves-  
21 tigative data, which provide invaluable and indispen-  
22 sable information supporting efforts to combat  
23 money laundering and other financial crimes.

24           (4) An appropriate exemption process from the  
25 reporting requirements for certain currency trans-  
26 actions that are of little or no value to ongoing ef-

1        forts of law enforcement agencies, financial regu-  
2        latory agencies, and the financial services industry  
3        to investigate, detect, or deter financial crimes would  
4        continue to fulfill the compelling need to produce  
5        and provide meaningful information to policy-mak-  
6        ers, financial regulators, law enforcement, and intel-  
7        ligence agencies, while potentially lowering the com-  
8        pliance burden placed on financial institutions by the  
9        need to file such reports.

10            (5) The Secretary of the Treasury has by regu-  
11        lation, and in accordance with section 5313 of title  
12        31, United States Code, implemented a process by  
13        which institutions may seek exemptions from filing  
14        certain currency transaction reports based on appro-  
15        priate circumstances; however, the financial industry  
16        has not taken full advantage of these provisions and  
17        has contended that they are unduly burdensome.

18            (6) The act of providing notice to the Secretary  
19        of the Treasury of designations of exemption—

20            (A) provides meaningful information to law  
21        enforcement officials on exempt customers and  
22        enables law enforcement to obtain account in-  
23        formation through appropriate legal process;  
24        and

1 (B) complements other sections of title 31,  
2 United States Code, whereby law enforcement  
3 can locate financial institutions with relevant  
4 records relating to a person of investigative in-  
5 terest, such as information requests made pur-  
6 suant to regulations implementing section  
7 314(a) of the USA PATRIOT Act of 2001.

8 (7) A designation of exemption has no effect on  
9 requirements for depository institutions to apply the  
10 full range of anti-money laundering controls required  
11 under subchapter II of chapter 53 of title 31, United  
12 States Code, and related provisions of law, including  
13 the requirement to apply the customer identification  
14 program pursuant to section 5326 of such title, and  
15 the requirement to identify, monitor, and, if appro-  
16 priate, report suspicious activity in accordance with  
17 section 5318(g) of such title.

18 (8) The Federal banking agencies and the Fi-  
19 nancial Crimes Enforcement Network have recently  
20 provided guidance through the Federal Financial In-  
21 stitutions Examination Council Bank Secrecy Act/  
22 Anti-Money Laundering Examination Manual on ap-  
23 plying appropriate levels of due diligence and identi-  
24 fying suspicious activity by the types of cash-inten-

1 sive businesses that generally will be subject to ex-  
2 emption.

3 (b) SEASONED CUSTOMER EXEMPTION.—Section  
4 5313(e) of title 31, United States Code, is amended to  
5 read as follows:

6 “(e) QUALIFIED CUSTOMER EXEMPTION.—

7 “(1) IN GENERAL.—Before the end of the 270-  
8 day period beginning on the date of the enactment  
9 of the Seasoned Customer CTR Exemption Act of  
10 2006, the Secretary of the Treasury shall prescribe  
11 regulations that exempt any depository institution  
12 from filing a report pursuant to this section in a  
13 transaction for the payment, receipt, or transfer of  
14 United States coins or currency (or other monetary  
15 instruments the Secretary of the Treasury pre-  
16 scribes) with a qualified customer of the depository  
17 institution.

18 “(2) QUALIFIED CUSTOMER DEFINED.—For  
19 purposes of this section, the term ‘qualified cus-  
20 tomer’, with respect to a depository institution, has  
21 such meaning as the Secretary of the Treasury shall  
22 prescribe, which shall include any person that—

23 “(A) is incorporated or organized under  
24 the laws of the United States or any State, in-  
25 cluding a sole proprietorship (as defined in 31

1 C.F.R. 103.22(d)(6)(vii), as in effect on May  
2 10, 2006), or is registered as and eligible to do  
3 business within the United States or a State;

4 “(B) has maintained a deposit account  
5 with the depository institution for at least 12  
6 months; and

7 “(C) has engaged, using such account, in  
8 multiple currency transactions that are subject  
9 to the reporting requirements of subsection (a).

10 “(3) REGULATIONS.—

11 “(A) IN GENERAL.—The Secretary of the  
12 Treasury shall prescribe regulations requiring a  
13 depository institution to file a 1-time notice of  
14 designation of exemption for each qualified cus-  
15 tomer of the depository institution.

16 “(B) FORM AND CONTENT OF EXEMPTION  
17 NOTICE.—The Secretary shall by regulation  
18 prescribe the form, manner, content, and timing  
19 of the qualified customer exemption notice and  
20 such notice shall include information sufficient  
21 to identify the qualified customer and the ac-  
22 counts of the customer.

23 “(C) AUTHORITY OF SECRETARY.—

24 “(i) IN GENERAL.—The Secretary  
25 may suspend, reject, or revoke any quali-

1           fied customer exemption notice, in accord-  
2           ance with criteria prescribed by the Sec-  
3           retary by regulation.

4           “(ii) CONDITIONS.—The Secretary  
5           may establish conditions, in accordance  
6           with criteria prescribed by regulation,  
7           under which exempt qualified customers of  
8           an insured depository institution that is  
9           merged with or acquired by another in-  
10          sured depository institution will continue  
11          to be treated as designated exempt quali-  
12          fied customers of the surviving or acquir-  
13          ing institution.”.

14          (c) 3-YEAR REVIEW AND REPORT.—Before the end  
15          of the 3-year period beginning on the date of the enact-  
16          ment of this Act, the Secretary of the Treasury, in con-  
17          sultation with the Attorney General, the Secretary of  
18          Homeland Security, the Federal banking agencies, the  
19          banking industry, and such other persons as the Secretary  
20          deems appropriate, shall evaluate the operations and effect  
21          of the provisions of the amendment made by subsection  
22          (a) and make recommendations to Congress as to any leg-  
23          islative action with respect to such provision as the Sec-  
24          retary may determine to be appropriate.

1 **SEC. 3. PERIODIC REVIEW OF REPORTING THRESHOLD**  
2 **AND ADJUSTMENT FOR INFLATION.**

3 Section 5318 of title 31, United States Code, is  
4 amended by adding at the end the following new sub-  
5 section:

6 “(o) PERIODIC REVIEW OF REPORTING THRESHOLD  
7 AND ADJUSTMENT FOR INFLATION.—

8 “(1) IN GENERAL.—Before the end of the 90-  
9 day period beginning on the date of the enactment  
10 of the Seasoned Customer CTR Exemption Act of  
11 2006 and at least every 5 years after the end of  
12 such period, the Secretary of the Treasury shall—

13 “(A) review the continuing appropriate-  
14 ness, relevance, and utility of each threshold  
15 amount or denomination established by the Sec-  
16 retary, in the Secretary’s discretion, for any re-  
17 port required by the Secretary under this sub-  
18 chapter; and

19 “(B) adjust each such amount, at such  
20 time and in such manner as the Secretary con-  
21 siders appropriate, for any inflation that the  
22 Secretary determines has occurred since the  
23 date any such amount was established or last  
24 adjusted, as the case may be.

25 “(2) REPORT.—Before the end of the 60-day  
26 period beginning upon the completion of any review



1 by the Secretary of the Treasury under paragraph  
2 (1), the Secretary shall submit a report to the Con-  
3 gress containing the findings and conclusions of the  
4 Secretary in connection with such review, together  
5 with an explanation for any adjustment, or lack of  
6 adjustment, of any threshold amount or denomina-  
7 tion by the Secretary as a result of such review, in-  
8 cluding the adjustment for inflation.”.

Passed the House of Representatives June 27, 2006.

Attest:

KAREN L. HAAS,

*Clerk.*