H. R. 2514


To make reforms to the Federal Bank Secrecy Act and anti-money laundering laws, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 3, 2019

Mr. CLEAVER introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committee on Ways and Means, 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

OCTOBER 21, 2019

Additional sponsors: Mr. STIVERS and Mrs. CAROLYN B. MALONEY of New York

OCTOBER 21, 2019

Reported from the Committee on Financial Services with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

OCTOBER 21, 2019

Committee on Ways and Means discharged; committed to the Committee of the Whole House on the State of the Union and ordered to be printed

[For text of introduced bill, see copy of bill as introduced on May 3, 2019]
A BILL

To make reforms to the Federal Bank Secrecy Act and anti-money laundering laws, and for other purposes.
Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “Co-
ordinating Oversight, Upgrading and Innovating Tech-
nology, and Examiner Reform Act of 2019” or the
“COUNTER Act of 2019”.

(b) TABLE OF CONTENTS.—The table of contents for
this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Bank Secrecy Act definition.

TITLE I—STRENGTHENING TREASURY

Sec. 101. Improving the definition and purpose of the Bank Secrecy Act.
Sec. 102. Special hiring authority.
Sec. 103. Civil Liberties and Privacy Officer.
Sec. 104. Civil Liberties and Privacy Council.
Sec. 105. International coordination.
Sec. 106. Treasury Attachés Program.
Sec. 107. Increasing technical assistance for international cooperation.
Sec. 108. FinCEN Domestic Liaisons.
Sec. 109. FinCEN Exchange.
Sec. 110. Study and strategy on trade-based money laundering.
Sec. 111. Study and strategy on de-risking.
Sec. 112. AML examination authority delegation study.
Sec. 113. Study and strategy on Chinese money laundering.

TITLE II—IMPROVING AML/CFT OVERSIGHT

Sec. 201. OECD pilot program on sharing of suspicious activity reports within
a financial group.
Sec. 202. Training for examiners on AML/CFT.
Sec. 203. Sharing of compliance resources.
Sec. 204. GAO Study on feedback loops.
Sec. 205. FinCEN study on BSA value.
Sec. 206. Sharing of threat pattern and trend information.
Sec. 207. Modernization and upgrading whistleblower protections.
Sec. 208. Certain violators barred from serving on boards of United States finan-
cial institutions.
Sec. 209. Additional damages for repeat Bank Secrecy Act violators.
Sec. 211. Return of profits and bonuses.
Sec. 212. Prohibition on tax deductions for attorney’s fees related to Bank Secrecy
Act settlements and court costs.
Sec. 213. Application of Bank Secrecy Act to dealers in antiquities.
Sec. 214. Geographic targeting order.
Sec. 215. Study and revisions to currency transaction reports and suspicious activity reports.
Sec. 216. Streamlining requirements for currency transaction reports and suspicious activity reports.

TITLE III—MODERNIZING THE AML SYSTEM

Sec. 301. Encouraging innovation in BSA compliance.
Sec. 302. Innovation Labs.
Sec. 303. Innovation Council.
Sec. 304. Parallel runs rulemaking.
Sec. 305. FinCEN study on use of emerging technologies.

SEC. 2. BANK SECRECY ACT DEFINITION.

Section 5312(a) of title 31, United States Code, is amended by adding at the end the following:

“(7) BANK SECRECY ACT.—The term ‘Bank Secrecy act’ means—

“(A) section 21 of the Federal Deposit Insurance Act;

“(B) chapter 2 of title I of Public Law 91–508; and

“(C) this subchapter.”.

TITLE I—STRENGTHENING TREASURY

SEC. 101. IMPROVING THE DEFINITION AND PURPOSE OF THE BANK SECRECY ACT.

Section 5311 of title 31, United States Code, is amended—

(1) by inserting “to protect our national security, to safeguard the integrity of the international financial system, and” before “to require”; and
(2) by inserting “to law enforcement” before “in criminal”.

SEC. 102. SPECIAL HIRING AUTHORITY.

(a) In General.—Section 310 of title 31, United States Code, is amended—

(1) by redesignating subsection (d) as subsection (g); and

(2) by inserting after subsection (c) the following:

“(d) SPECIAL HIRING AUTHORITY.—

“(1) In General.—The Secretary of the Treasury may appoint, without regard to the provisions of sections 3309 through 3318 of title 5, candidates directly to positions in the competitive service (as defined in section 2102 of that title) in FinCEN.

“(2) Primary Responsibilities.—The primary responsibility of candidates appointed pursuant to paragraph (1) shall be to provide substantive support in support of the duties described in subparagraphs (A), (B), (E), and (F) of subsection (b)(2).”.

(b) Report.—Not later than 360 days after the date of enactment of this Act, and every year thereafter for 7 years, the Director of the Financial Crimes Enforcement Network shall submit a report to the Committee on Financial Services of the House of Representatives and the Com-
mittee on Banking, Housing, and Urban Affairs of the Senate that includes—

(1) the number of new employees hired since the preceding report through the authorities described under section 310(d) of title 31, United States Code, along with position titles and associated pay grades for such hires; and

(2) a copy of any Federal Government survey of staff perspectives at the Office of Terrorism and Financial Intelligence, including findings regarding the Office and the Financial Crimes Enforcement Network from the most recently administered Federal Employee Viewpoint Survey.

SEC. 103. CIVIL LIBERTIES AND PRIVACY OFFICER.

(a) APPOINTMENT OF OFFICERS.—Not later than the end of the 3-month period beginning on the date of enactment of this Act, a Civil Liberties and Privacy Officer shall be appointed, from among individuals who are attorneys with expertise in data privacy laws—

(1) within each Federal functional regulator, by the head of the Federal functional regulator;

(2) within the Financial Crimes Enforcement Network, by the Secretary of the Treasury; and
(3) within the Internal Revenue Service Small Business and Self-Employed Tax Center, by the Secretary of the Treasury.

(b) DUTIES.—Each Civil Liberties and Privacy Officer shall, with respect to the applicable regulator, Network, or Center within which the Officer is located—

(1) be consulted each time Bank Secrecy Act or anti-money laundering regulations affecting civil liberties or privacy are developed or reviewed;

(2) be consulted on information-sharing programs, including those that provide access to personally identifiable information;

(3) ensure coordination and clarity between anti-money laundering, civil liberties, and privacy regulations;

(4) contribute to the evaluation and regulation of new technologies that may strengthen data privacy and the protection of personally identifiable information collected by each Federal functional regulator; and

(5) develop metrics of program success.

(c) DEFINITIONS.—For purposes of this section:

(1) BANK SECRECY ACT.—The term “Bank Secrecy Act” has the meaning given that term under section 5312 of title 31, United States Code.
(2) Federal functional regulator.—The term “Federal functional regulator” means the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Securities and Exchange Commission, and the Commodity Futures Trading Commission.

SEC. 104. CIVIL LIBERTIES AND PRIVACY COUNCIL.

(a) Establishment.—There is established the Civil Liberties and Privacy Council (hereinafter in this section referred to as the “Council”), which shall consist of the Civil Liberties and Privacy Officers appointed pursuant to section 103.

(b) Chair.—The Director of the Financial Crimes Enforcement Network shall serve as the Chair of the Council.

(c) Duty.—The members of the Council shall coordinate on activities related to their duties as Civil Liberties Privacy Officers, but may not supplant the individual agency determinations on civil liberties and privacy.

(d) Meetings.—The meetings of the Council—

(1) shall be at the call of the Chair, but in no case may the Council meet less than quarterly;

(2) may include open and partially closed sessions, as determined necessary by the Council; and
(3) shall include participation by public and private entities and law enforcement agencies.

(e) REPORT.—The Chair of the Council shall issue an annual report to the Congress on the program and policy activities, including the success of programs as measured by metrics of program success developed pursuant to section 103(b)(5), of the Council during the previous year and any legislative recommendations that the Council may have.

(f) NONAPPLICABILITY OF FACA.—The Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to the Council.

SEC. 105. INTERNATIONAL COORDINATION.

(a) IN GENERAL.—The Secretary of the Treasury shall work with the Secretary’s foreign counterparts, including through the Financial Action Task Force, the International Monetary Fund, the World Bank, the Egmont Group of Financial Intelligence Units, the Organisation for Economic Co-operation and Development, and the United Nations, to promote stronger anti-money laundering frameworks and enforcement of anti-money laundering laws.

(b) COOPERATION GOAL.—In carrying out subsection (a), the Secretary of the Treasury may work directly with foreign counterparts and other organizations where the goal of cooperation can best be met.

(c) INTERNATIONAL MONETARY FUND.—
1 (1) SUPPORT FOR CAPACITY OF THE INTER-
2 NATIONAL MONETARY FUND TO PREVENT MONEY
3 LAUNDERING AND FINANCING OF TERRORISM.—Title
4 XVI of the International Financial Institutions Act
5 (22 U.S.C. 262p et seq.) is amended by adding at the
6 end the following:
7 “SEC. 1629. SUPPORT FOR CAPACITY OF THE INTER-
8 NATIONAL MONETARY FUND TO PREVENT
9 MONEY LAUNDERING AND FINANCING OF
10 TERRORISM.
11 “The Secretary of the Treasury shall instruct the
12 United States Executive Director at the International Mon-
13 etary Fund to support the increased use of the administra-
14 tive budget of the Fund for technical assistance that
15 strengthens the capacity of Fund members to prevent money
16 laundering and the financing of terrorism.”.
17 (2) NATIONAL ADVISORY COUNCIL REPORT TO
18 CONGRESS.—The Chairman of the National Advisory
19 Council on International Monetary and Financial
20 Policies shall include in the report required by section
21 1701 of the International Financial Institutions Act
22 (22 U.S.C. 262r) a description of—
23 (A) the activities of the International Mone-
24 tary Fund in the most recently completed fiscal
25 year to provide technical assistance that
strengthens the capacity of Fund members to prevent money laundering and the financing of terrorism, and the effectiveness of the assistance; and

(B) the efficacy of efforts by the United States to support such technical assistance through the use of the Fund’s administrative budget, and the level of such support.

(3) SUNSET.—Effective on the date that is the end of the 4-year period beginning on the date of enactment of this Act, section 1629 of the International Financial Institutions Act, as added by paragraph (1), is repealed.

SEC. 106. TREASURY ATTACHÉS PROGRAM.

(a) IN GENERAL.—Title 31, United States Code, is amended by inserting after section 315 the following:

“§ 316. Treasury Attachés Program

“(a) IN GENERAL.—There is established the Treasury Attachés Program, under which the Secretary of the Treasury shall appoint employees of the Department of the Treasury, after nomination by the Director of the Financial Crimes Enforcement Network (‘FinCEN’), as a Treasury attaché, who shall—

“(1) be knowledgeable about the Bank Secrecy Act and anti-money laundering issues;
“(2) be co-located in a United States embassy;

“(3) perform outreach with respect to Bank Secrecy Act and anti-money laundering issues;

“(4) establish and maintain relationships with foreign counterparts, including employees of ministries of finance, central banks, and other relevant official entities;

“(5) conduct outreach to local and foreign financial institutions and other commercial actors, including—

“(A) information exchanges through FinCEN and FinCEN programs; and

“(B) soliciting buy-in and cooperation for the implementation of—

“(i) United States and multilateral sanctions; and

“(ii) international standards on anti-money laundering and the countering of the financing of terrorism; and

“(6) perform such other actions as the Secretary determines appropriate.

“(b) NUMBER OF ATTACHÉS.—The number of Treasury attachés appointed under this section at any one time shall be not fewer than 6 more employees than the number
of employees of the Department of the Treasury serving as Treasury attachés on March 1, 2019.

“(c) COMPENSATION.—Each Treasury attaché appointed under this section and located at a United States embassy shall receive compensation at the higher of—

“(1) the rate of compensation provided to a Foreign Service officer at a comparable career level serving at the same embassy; or

“(2) the rate of compensation the Treasury attaché would otherwise have received, absent the application of this subsection.

“(d) BANK SECRECY ACT DEFINED.—In this section, the term ‘Bank Secrecy Act’ has the meaning given that term under section 5312.”.

(b) CLERICAL AMENDMENT.—The table of contents for chapter 3 of title 31, United States Code, is amended by inserting after the item relating to section 315 the following:

“316. Treasury Attaché’s Program.”.

SEC. 107. INCREASING TECHNICAL ASSISTANCE FOR INTERNATIONAL COOPERATION.

(a) IN GENERAL.—There is authorized to be appropriated for each of fiscal years 2020 through 2024 to the Secretary of the Treasury for purposes of providing technical assistance that promotes compliance with international standards and best practices, including in particular those aimed at the establishment of effective anti-
money laundering and countering the financing of terrorism regimes, in an amount equal to twice the amount authorized for such purpose for fiscal year 2019.

(b) Activity and Evaluation Report.—Not later than 360 days after enactment of this Act, and every year thereafter for five years, the Secretary of the Treasury shall issue a report to the Congress on the assistance (as described under subsection (a)) of the Office of Technical Assistance of the Department of the Treasury containing—

(1) a narrative detailing the strategic goals of the Office in the previous year, with an explanation of how technical assistance provided in the previous year advances the goals;

(2) a description of technical assistance provided by the Office in the previous year, including the objectives and delivery methods of the assistance;

(3) a list of beneficiaries and providers (other than Office staff) of the technical assistance;

(4) a description of how technical assistance provided by the Office complements, duplicates, or otherwise affects or is affected by technical assistance provided by the international financial institutions (as defined under section 1701(c) of the International Financial Institutions Act); and
(5) a copy of any Federal Government survey of staff perspectives at the Office of Technical Assistance, including any findings regarding the Office from the most recently administered Federal Employee Viewpoint Survey.

SEC. 108. FINCEN DOMESTIC LIAISONS.

Section 310 of title 31, United States Code, as amended by section 102, is further amended by inserting after subsection (d) the following:

“(e) FINCEN DOMESTIC LIAISONS.—

“(1) IN GENERAL.—The Director of FinCEN shall appoint at least 6 senior FinCEN employees as FinCEN Domestic Liaisons, who shall—

“(A) each be assigned to focus on a specific region of the United States;

“(B) be located at an office in such region (or co-located at an office of the Board of Governors of the Federal Reserve System in such region); and

“(C) perform outreach to BSA officers at financial institutions (including non-bank financial institutions) and persons who are not financial institutions, especially with respect to actions taken by FinCEN that require specific ac-
tions by, or have specific effects on, such institutions or persons, as determined by the Director.

“(2) DEFINITIONS.—In this subsection:

“(A) BSA OFFICER.—The term ‘BSA officer’ means an employee of a financial institution whose primary job responsibility involves compliance with the Bank Secrecy Act, as such term is defined under section 5312.

“(B) FINANCIAL INSTITUTION.—The term ‘financial institution’ has the meaning given that term under section 5312.”

SEC. 109. FINCEN EXCHANGE.

Section 310 of title 31, United States Code, as amended by section 108, is further amended by inserting after subsection (e) the following:

“(f) FINCEN EXCHANGE.—

“(1) ESTABLISHMENT.—The FinCEN Exchange is hereby established within FinCEN, which shall consist of the FinCEN Exchange program of FinCEN in existence on the day before the date of enactment of this paragraph.

“(2) PURPOSE.—The FinCEN Exchange shall facilitate a voluntary public-private information sharing partnership among law enforcement, financial institutions, and FinCEN to—
“(A) effectively and efficiently combat money laundering, terrorism financing, organized crime, and other financial crimes;

“(B) protect the financial system from illicit use; and

“(C) promote national security.

“(3) REPORT.—

“(A) IN GENERAL.—Not later than one year after the date of enactment of this subsection, and annually thereafter for the next five years, the Secretary of the Treasury shall submit to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate a report containing—

“(i) an analysis of the efforts undertaken by the FinCEN Exchange and the results of such efforts;

“(ii) an analysis of the extent and effectiveness of the FinCEN Exchange, including any benefits realized by law enforcement from partnership with financial institutions; and

“(iii) any legislative, administrative, or other recommendations the Secretary
may have to strengthen FinCEN Exchange efforts.

“(B) CLASSIFIED ANNEX.—Each report under subparagraph (A) may include a classified annex.

“(4) INFORMATION SHARING REQUIREMENT.—Information shared pursuant to this subsection shall be shared in compliance with all other applicable Federal laws and regulations.

“(5) RULE OF CONSTRUCTION.—Nothing under this subsection may be construed to create new information sharing authorities related to the Bank Secrecy Act (as such term is defined under section 5312 of title 31, United States Code).

“(6) FINANCIAL INSTITUTION DEFINED.—In this subsection, the term ‘financial institution’ has the meaning given that term under section 5312.”.

SEC. 110. STUDY AND STRATEGY ON TRADE-BASED MONEY LAUNDERING.

(a) STUDY.—The Secretary of the Treasury shall carry out a study, in consultation with appropriate private sector stakeholders and Federal departments and agencies, on trade-based money laundering.

(b) REPORT.—Not later than the end of the 1-year period beginning on the date of the enactment of this Act,
the Secretary shall issue a report to the Congress containing—

(1) all findings and determinations made in carrying out the study required under subsection (a); and

(2) proposed strategies to combat trade-based money laundering.

(c) CLASSIFIED ANNEX.—The report required under this section may include a classified annex.

(d) CONTRACTING AUTHORITY.—The Secretary may contract with a private third-party to carry out the study required under this section.

SEC. 111. STUDY AND STRATEGY ON DE-RISKING.

(a) REVIEW.—The Secretary of the Treasury, in consultation with appropriate private sector stakeholders, examiners, and the Federal functional regulators (as defined under section 103) and other relevant stakeholders, shall undertake a formal review of—

(1) any adverse consequences of financial institutions de-risking entire categories of relationships, including charities, embassy accounts, money services businesses (as defined under section 1010.100(ff) of title 31, Code of Federal Regulations) and their agents, countries, international and domestic regions, and respondent banks;
(2) the reasons why financial institutions are engaging in de-risking;

(3) the association with and effects of de-risking on money laundering and financial crime actors and activities;

(4) the most appropriate ways to promote financial inclusion, particularly with respect to developing countries, while maintaining compliance with the Bank Secrecy Act, including an assessment of policy options to—

(A) more effectively tailor Federal actions and penalties to the size of foreign financial institutions and any capacity limitations of foreign governments; and

(B) reduce compliance costs that may lead to the adverse consequences described in paragraph (1);

(5) formal and informal feedback provided by examiners that may have led to de-risking; and

(6) the relationship between resources dedicated to compliance and overall sophistication of compliance efforts at entities that may be experiencing de-risking versus those that have not experienced de-risking.
(b) DE-RISKING STRATEGY.—The Secretary shall develop a strategy to reduce de-risking and adverse consequences related to de-risking.

(c) REPORT.—Not later than the end of the 1-year period beginning on the date of the enactment of this Act, the Secretary, in consultation with the Federal functional regulators and other relevant stakeholders, shall issue a report to the Congress containing—

(1) all findings and determinations made in carrying out the study required under subsection (a); and

(2) the strategy developed pursuant to subsection (b).

(d) DEFINITIONS.—In this section:

(1) DE-RISKING.—The term “de-risking” means the wholesale closing of accounts or limiting of financial services for a category of customer due to unsubstantiated risk as it relates to compliance with the Bank Secrecy Act.

(2) BSA TERMS.—The terms “Bank Secrecy Act” and “financial institution” have the meaning given those terms, respectively, under section 5312 of title 31, United States Code.
SEC. 112. AML EXAMINATION AUTHORITY DELEGATION

STUDY.

(a) STUDY.—The Secretary of the Treasury shall carry out a study on the Secretary’s delegation of examination authority under the Bank Secrecy Act, including—

(1) an evaluation of the efficacy of the delegation, especially with respect to the mission of the Bank Secrecy Act;

(2) whether the delegated agencies have appropriate resources to perform their delegated responsibilities; and

(3) whether the examiners in delegated agencies have sufficient training and support to perform their responsibilities.

(b) REPORT.—Not later than one year after the date of enactment of this Act, the Secretary of the Treasury shall submit to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate a report containing—

(1) all findings and determinations made in carrying out the study required under subsection (a); and

(2) recommendations to improve the efficacy of delegation authority, including the potential for delegation of any or all such authority where it may be appropriate.
(c) Bank Secrecy Act Defined.—The term “Bank Secrecy Act” has the meaning given that term under section 5312 of title 31, United States Code.

SEC. 113. Study and Strategy on Chinese Money Laundering.

(a) Study.—The Secretary of the Treasury shall carry out a study on the extent and effect of Chinese money laundering activities in the United States and worldwide.

(b) Strategy to Combat Chinese Money Laundering.—Upon the completion of the study required under subsection (a), the Secretary shall, in consultation with such other Federal departments and agencies as the Secretary determines appropriate, develop a strategy to combat Chinese money laundering activities.

(c) Report.—Not later than the end of the 1-year period beginning on the date of enactment of this Act, the Secretary of the Treasury shall issue a report to Congress containing—

(1) all findings and determinations made in carrying out the study required under subsection (a); and

(2) the strategy developed under subsection (b).
**TITLE II—IMPROVING AML/CFT OVERSIGHT**

**SEC. 201. OECD PILOT PROGRAM ON SHARING OF SUSPICIOUS ACTIVITY REPORTS WITHIN A FINANCIAL GROUP.**

(a) In General.—

(1) Sharing with foreign branches and affiliates.—Section 5318(g) of title 31, United States Code, is amended by adding at the end the following:

“(5) OECD pilot program on sharing with foreign branches, subsidiaries, and affiliates.—

“(A) In general.—Not later than 180 days after the date of the enactment of this paragraph, the Secretary of the Treasury shall issue rules, subject to such controls and restrictions as the Director of the Financial Crimes Enforcement Network determines appropriate, establishing the pilot program described under subparagraph (B). In prescribing such rules, the Secretary shall ensure that the sharing of information described under such subparagraph (B) is subject to appropriate standards and requirements regarding data security and the confidentiality of personally identifiable information.
“(B) Pilot program described.—The pilot program required under this paragraph shall—

“(i) permit any financial institution with a reporting obligation under this subsection to share reports (and information on such reports) under this subsection with the institution’s foreign branches, subsidiaries, and affiliates for the purpose of combating illicit finance risks, notwithstanding any other provision of law except subparagraph (C), but only if such foreign branch, subsidiary, or affiliate is located in a jurisdiction that is a member of the Organisation for Economic Co-operation and Development;

“(ii) terminate on the date that is five years after the date of enactment of this paragraph, except that the Secretary may extend the pilot program for up to two years upon submitting a report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate that includes—
“(I) a certification that the extension is in the national interest of the United States, with a detailed explanation of the reasons therefor;

“(II) an evaluation of the usefulness of the pilot program, including a detailed analysis of any illicit activity identified or prevented as a result of the program; and

“(III) a detailed legislative proposal providing for a long-term extension of the pilot program activities, including expected budgetary resources for the activities, if the Secretary determines that a long-term extension is appropriate.

“(C) PROHIBITION INVOLVING CERTAIN JURISDICTIONS.—In issuing the regulations required under subparagraph (A), the Secretary may not permit a financial institution to share information on reports under this subsection with a foreign branch, subsidiary, or affiliate located in a jurisdiction that—

“(i) is subject to countermeasures imposed by the Federal Government; or
“(ii) the Secretary has determined cannot reasonably protect the privacy and confidentiality of such information.

“(D) IMPLEMENTATION UPDATES.—Not later than 360 days after the date rules are issued under subparagraph (A), and annually thereafter for three years, the Secretary, or the Secretary’s designee, shall brief the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate on—

“(i) the degree of any information sharing permitted under the pilot program, and a description of criteria used by the Secretary to evaluate the appropriateness of the information sharing;

“(ii) the effectiveness of the pilot program in identifying or preventing the violation of a United States law or regulation, and mechanisms that may improve such effectiveness; and

“(iii) any recommendations to amend the design of the pilot program, or to include specific non-OECD jurisdictions in the program.
“(6) Treatment of foreign jurisdiction-originated reports.—A report received by a financial institution from a foreign affiliate with respect to a suspicious transaction relevant to a possible violation of law or regulation shall be subject to the same confidentiality requirements provided under this subsection for a report of a suspicious transaction described under paragraph (1).”.

(2) Notification prohibitions.—Section 5318(g)(2)(A) of title 31, United States Code, is amended—

(A) in clause (i), by inserting after “transaction has been reported” the following: “or otherwise reveal any information that would reveal that the transaction has been reported, including materials prepared or used by the financial institution for the purpose of identifying and detecting potentially suspicious activity”; and

(B) in clause (ii), by inserting after “transaction has been reported,” the following: “or otherwise reveal any information that would reveal that the transaction has been reported, including materials prepared or used by the financial institution for the purpose of identifying and detecting potentially suspicious activity,”.
(b) Rulemaking.—Not later than the end of the 1-year period beginning on the date of enactment of this Act, the Secretary of the Treasury shall issue regulations to carry out the amendments made by this section.

SEC. 202. TRAINING FOR EXAMINERS ON AML/CFT.

(a) In General.—Subchapter II of chapter 53 of title 31, United States Code, is amended by adding at the end the following:

“§ 5333. AML/CFT Training

“(a) Training Requirement.—Each Federal examiner reviewing compliance with the Bank Secrecy Act shall attend at least 10 hours of annual training on anti-money laundering (AML) and the countering of the financing of terrorism (CFT), including—

“(1) potential risk profiles and red flags that may be encountered during examinations;

“(2) financial crime patterns and trends;

“(3) the high-level context for why AML and CFT programs are necessary for law enforcement agencies and other national security agencies, and what risks the programs seek to mitigate; and

“(4) de-risking and its effect on the provision of financial services.

“(b) Training Materials and Standards.—The Secretary of the Treasury shall, in consultation with the
Financial Institutions Examination Council, the Financial Crimes Enforcement Network, and State, Federal, and Tribal law enforcement agencies, establish appropriate training materials and standards for use in the training required under subsection (a).”.

(b) Clerical Amendment.—The table of contents for chapter 53 of title 31, United States Code, is amended by inserting after the item relating to section 5332 the following:

“5333. AML/CFT Training.”.

SEC. 203. SHARING OF COMPLIANCE RESOURCES.

(a) In General.—Section 5318 of title 31, United States Code, is amended by adding at the end the following:

“(o) Sharing of Compliance Resources.—

“(1) Sharing permitted.—Two or more financial institutions may enter into collaborative arrangements in order to more efficiently comply with the requirements of this subchapter.

“(2) Outreach.—The Secretary of the Treasury and the appropriate supervising agencies shall carry out an outreach program to provide financial institutions with information, including best practices, with respect to the sharing of resources described under paragraph (1).”.
(b) Rule of Construction.—The amendment made by subsection (a) may not be construed to require financial institutions to share resources.

SEC. 204. GA O STUDY ON FEEDBACK LOOPS.

(a) Study.—The Comptroller General of the United States shall carry out a study on—

(1) best practices within the United States Government for providing feedback (“feedback loop”) to relevant parties (including regulated private entities) on the usage and usefulness of personally identifiable information (“PII”), sensitive-but-unclassified (“SBU”) data, or similar information provided by such parties to Government users of such information and data (including law enforcement or regulators); and

(2) any practices or standards inside or outside the United States for providing feedback through sensitive information and public-private partnership information sharing efforts, specifically related to efforts to combat money laundering and other forms of illicit finance.

(b) Report.—Not later than the end of the 18-month period beginning on the date of the enactment of this Act, the Comptroller General shall issue a report to the Committee on Banking, Housing, and Urban Affairs of the Sen-
ate and the Committee on Financial Services of the House of Representatives containing—

(1) all findings and determinations made in carrying out the study required under subsection (a);

(2) with respect to each of paragraphs (1) and (2) of subsection (a), any best practices or significant concerns identified by the Comptroller General, and their applicability to public-private partnerships and feedback loops with respect to U.S. efforts to combat money laundering and other forms of illicit finance; and

(3) recommendations to reduce or eliminate any unnecessary Government collection of the information described under subsection (a)(1).

SEC. 205. FINCEN STUDY ON BSA VALUE.

(a) STUDY.—The Director of the Financial Crimes Enforcement Network shall carry out a study on Bank Secrecy Act value.

(b) REPORT.—Not later than the end of the 30-day period beginning on the date the study under subsection (a) is completed, the Director shall issue a report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate containing all findings and deter-
minations made in carrying out the study required under this section.

(c) **CLASSIFIED ANNEX.**—The report required under this section may include a classified annex, if the Director determines it appropriate.

(d) **BANK SECRECY ACT DEFINED.**—For purposes of this section, the term “Bank Secrecy Act” has the meaning given that term under section 5312 of title 31, United States Code.

**SEC. 206. SHARING OF THREAT PATTERN AND TREND INFORMATION.**

Section 5318(g) of title 31, United States Code, as amended by section 201(a)(1), is further amended by adding at the end the following:

“(7) **SHARING OF THREAT PATTERN AND TREND INFORMATION.**—

“(A) **SAR ACTIVITY REVIEW.**—The Director of the Financial Crimes Enforcement Network shall restart publication of the ‘SAR Activity Review – Trends, Tips & Issues’, on not less than a semi-annual basis, to provide meaningful information about the preparation, use, and value of reports filed under this subsection by financial institutions, as well as other reports filed by financial institutions under the Bank Secrecy Act.
“(B) INCLUSION OF TYPOLOGIES.—In each publication described under subparagraph (A), the Director shall provide financial institutions with typologies, including data that can be adapted in algorithms (including for artificial intelligence and machine learning programs) where appropriate, on emerging money laundering and counter terror financing threat patterns and trends.

“(C) TYPOLOGY DEFINED.—For purposes of this paragraph, the term ‘typology’ means the various techniques used to launder money or finance terrorism.”.

SEC. 207. MODERNIZATION AND UPGRADING WHISTLEBLOWER PROTECTIONS.

(a) REWARDS.—Section 5323(d) of title 31, United States Code, is amended to read as follows:

“(d) SOURCE OF REWARDS.—For the purposes of paying a reward under this section, the Secretary may use, without further appropriation, criminal fine, civil penalty, or forfeiture amounts recovered based on the original information with respect to which the reward is being paid.”.

(b) WHISTLEBLOWER INCENTIVES.—

Chapter 53 of title 31, United States Code, is amended—
(1) by inserting after section 5323 the following:

§ 5323A. Whistleblower incentives

“(a) DEFINITIONS.—In this section:

“(1) COVERED JUDICIAL OR ADMINISTRATIVE ACTION.—The term ‘covered judicial or administrative action’ means any judicial or administrative action brought by FinCEN under the Bank Secrecy Act that results in monetary sanctions exceeding $1,000,000.

“(2) FinCEN.—The term ‘FinCEN’ means the Financial Crimes Enforcement Network.

“(3) MONETARY SANCTIONS.—The term ‘monetary sanctions’, when used with respect to any judicial or administrative action, means—

“(A) any monies, including penalties, disgorgement, and interest, ordered to be paid; and

“(B) any monies deposited into a disgorgement fund as a result of such action or any settlement of such action.

“(4) ORIGINAL INFORMATION.—The term ‘original information’ means information that—

“(A) is derived from the independent knowledge or analysis of a whistleblower;
“(B) is not known to FinCEN from any other source, unless the whistleblower is the original source of the information; and

“(C) is not exclusively derived from an allegation made in a judicial or administrative hearing, in a governmental report, hearing, audit, or investigation, or from the news media, unless the whistleblower is a source of the information.

“(5) RELATED ACTION.—The term ‘related action’, when used with respect to any judicial or administrative action brought by FinCEN, means any judicial or administrative action that is based upon original information provided by a whistleblower that led to the successful enforcement of the action.

“(6) SECRETARY.—The term ‘Secretary’ means the Secretary of the Treasury.

“(7) WHISTLEBLOWER.—The term ‘whistleblower’ means any individual who provides, or 2 or more individuals acting jointly who provide, information relating to a violation of laws enforced by FinCEN, in a manner established, by rule or regulation, by FinCEN.

“(b) AWARDS.—
“(1) IN GENERAL.—In any covered judicial or administrative action, or related action, the Secretary, under such rules as the Secretary may issue and subject to subsection (c), shall pay an award or awards to 1 or more whistleblowers who voluntarily provided original information to FinCEN that led to the successful enforcement of the covered judicial or administrative action, or related action, in an aggregate amount equal to not more than 30 percent, in total, of what has been collected of the monetary sanctions imposed in the action.

“(2) SOURCE OF AWARDS.—For the purposes of paying any award under paragraph (1), the Secretary may use, without further appropriation, monetary sanction amounts recovered based on the original information with respect to which the award is being paid.

“(c) DETERMINATION OF AMOUNT OF AWARD; DENIAL OF AWARD.—

“(1) DETERMINATION OF AMOUNT OF AWARD.—

“(A) DISCRETION.—The determination of the amount of an award made under subsection (b) shall be in the discretion of the Secretary.

“(B) CRITERIA.—In responding to a disclosure and determining the amount of an award
made, FinCEN staff shall meet with the whistle-
blower to discuss evidence disclosed and rebuttals
to the disclosure, and shall take into consider-
ation—

“(i) the significance of the information
provided by the whistleblower to the success
of the covered judicial or administrative ac-
tion;

“(ii) the degree of assistance provided
by the whistleblower and any legal rep-
resentative of the whistleblower in a covered
judicial or administrative action;

“(iii) the mission of FinCEN in deter-
ing violations of the law by making
awards to whistleblowers who provide infor-
mation that lead to the successful enforce-
ment of such laws; and

“(iv) such additional relevant factors
as the Secretary may establish by rule.

“(2) DENIAL OF AWARD.—No award under sub-
section (b) shall be made—

“(A) to any whistleblower who is, or was at
the time the whistleblower acquired the original
information submitted to FinCEN, a member, of-
center, or employee of—
“(i) an appropriate regulatory agency;
“(ii) the Department of Justice;
“(iii) a self-regulatory organization; or
“(iv) a law enforcement organization;
“(B) to any whistleblower who is convicted of a criminal violation, or who the Secretary has a reasonable basis to believe committed a criminal violation, related to the judicial or administrative action for which the whistleblower otherwise could receive an award under this section;
“(C) to any whistleblower who gains the information through the performance of an audit of financial statements required under the Bank Secrecy Act and for whom such submission would be contrary to its requirements; or
“(D) to any whistleblower who fails to submit information to FinCEN in such form as the Secretary may, by rule, require.
“(3) STATEMENT OF REASONS.—For any decision granting or denying an award, the Secretary shall provide to the whistleblower a statement of reasons that includes findings of fact and conclusions of law for all material issues.
“(d) REPRESENTATION.—
“(1) PERMITTED REPRESENTATION.—Any whistleblower who makes a claim for an award under subsection (b) may be represented by counsel.

“(2) REQUIRED REPRESENTATION.—

“(A) IN GENERAL.—Any whistleblower who anonymously makes a claim for an award under subsection (b) shall be represented by counsel if the whistleblower anonymously submits the information upon which the claim is based.

“(B) DISCLOSURE OF IDENTITY.—Prior to the payment of an award, a whistleblower shall disclose their identity and provide such other information as the Secretary may require, directly or through counsel for the whistleblower.

“(e) APPEALS.—Any determination made under this section, including whether, to whom, or in what amount to make awards, shall be in the discretion of the Secretary. Any such determination, except the determination of the amount of an award if the award was made in accordance with subsection (b), may be appealed to the appropriate court of appeals of the United States not more than 30 days after the determination is issued by the Secretary. The court shall review the determination made by the Secretary in accordance with section 706 of title 5.
“(f) EMPLOYEE PROTECTIONS.—The Secretary of the Treasury shall issue regulations protecting a whistleblower from retaliation, which shall be as close as practicable to the employee protections provided for under section 1057 of the Consumer Financial Protection Act of 2010.”; and 

(2) in the table of contents for such chapter, by inserting after the item relating to section 5323 the following new item:

“5323A. Whistleblower incentives.”.

SEC. 208. CERTAIN VIOLATORS BARRED FROM SERVING ON BOARDS OF UNITED STATES FINANCIAL INSTITUTIONS.

Section 5321 of title 31, United States Code, is amended by adding at the end the following:

“(f) CERTAIN VIOLATORS BARRED FROM SERVING ON BOARDS OF UNITED STATES FINANCIAL INSTITUTIONS.—

“(1) IN GENERAL.—An individual found to have committed an egregious violation of a provision of (or rule issued under) the Bank Secrecy Act shall be barred from serving on the board of directors of a United States financial institution for a 10-year period beginning on the date of such finding.

“(2) EGREGIOUS VIOLATION DEFINED.—With respect to an individual, the term ‘egregious violation’ means—

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“(A) a felony criminal violation for which
the individual was convicted; and

“(B) a civil violation where the individual
willfully committed such violation and the viola-
tion facilitated money laundering or the financ-
ing of terrorism.”.

SEC. 209. ADDITIONAL DAMAGES FOR REPEAT BANK SE-
CRECY ACT VIOLATORS.

(a) In General.—Section 5321 of title 31, United
States Code, as amended by section 208, is further amended
by adding at the end the following:

“(g) ADDITIONAL DAMAGES FOR REPEAT VIOLA-
TORS.—In addition to any other fines permitted by this sec-
tion and section 5322, with respect to a person who has
previously been convicted of a criminal provision of (or rule
issued under) the Bank Secrecy Act or who has admitted,
as part of a deferred- or non-prosecution agreement, to hav-
ing previously committed a violation of a criminal provi-
sion of (or rule issued under) the Bank Secrecy Act, the
Secretary may impose an additional civil penalty against
such person for each additional such violation in an
amount equal to up three times the profit gained or loss
avoided by such person as a result of the violation.”.

(b) PROSPECTIVE APPLICATION OF AMENDMENT.—For
purposes of determining whether a person has committed
a previous violation under section 5321(g) of title 31, United States Code, such determination shall only include violations occurring after the date of enactment of this Act.

SEC. 210. JUSTICE ANNUAL REPORT ON DEFERRED AND NON-PROSECUTION AGREEMENTS.

(a) ANNUAL REPORT.—The Attorney General shall issue an annual report, every year for the five years beginning on the date of enactment of this Act, to the Committees on Financial Services and the Judiciary of the House of Representatives and the Committees on Banking, Housing, and Urban Affairs and the Judiciary of the Senate containing—

(1) a list of deferred prosecution agreements and non-prosecution agreements that the Attorney General has entered into during the previous year with any person with respect to a violation or suspected violation of the Bank Secrecy Act;

(2) the justification for entering into each such agreement;

(3) the list of factors that were taken into account in determining that the Attorney General should enter into each such agreement; and

(4) the extent of coordination the Attorney General conducted with the Financial Crimes Enforce-
ment Network prior to entering into each such agree-
ment.

(b) **CLASSIFIED ANNEX.**—Each report under sub-
section (a) may include a classified annex.

(c) **BANK SECRECY ACT DEFINED.**—For purposes of
this section, the term “Bank Secrecy Act” has the meaning
given that term under section 5312 of title 31, United States
Code.

**SEC. 211. RETURN OF PROFITS AND BONUSES.**

(a) **IN GENERAL.**—Section 5322 of title 31, United
States Code, is amended by adding at the end the following:

“(e) **RETURN OF PROFITS AND BONUSES.**—A person
convicted of violating a provision of (or rule issued under)
the Bank Secrecy Act shall—

“(1) in addition to any other fine under this sec-
tion, be fined in an amount equal to the profit gained
by such person by reason of such violation, as deter-
mined by the court; and

“(2) if such person is an individual who was a
partner, director, officer, or employee of a financial
institution at the time the violation occurred, repay
to such financial institution any bonus paid to such
individual during the Federal fiscal year in which the
violation occurred or the Federal fiscal year after
which the violation occurred.”.
(b) Rule of Construction.—The amendment made by subsection (a) may not be construed to prohibit a financial institution from requiring the repayment of a bonus paid to a partner, director, officer, or employee if the financial institution determines that the partner, director, officer, or employee engaged in unethical, but non-criminal, activities.

SEC. 212. PROHIBITION ON TAX DEDUCTIONS FOR ATTORNEY’S FEES RELATED TO BANK SECRECY ACT SETTLEMENTS AND COURT COSTS.

Section 162(f) of the Internal Revenue Code of 1986 is amended by adding at the end the following:

“(7) Violations of the Bank Secrecy Act.—In the case of a payment described in paragraph (1) that is in relation to any violation of the Bank Secrecy Act (as defined under section 5312 of title 31, United States Code), no deduction shall be allowed under this chapter for attorney’s fees related to such payment.”.

SEC. 213. APPLICATION OF BANK SECRECY ACT TO DEALERS IN ANTIQUITIES.

(a) In General.—Section 5312(a)(2) of title 31, United States Code, is amended—

(1) in subparagraph (Y), by striking “or” at the end;
(2) by redesignating subparagraph (Z) as subparagraph (AA); and

(3) by inserting after subsection (Y) the following:

“(Z) a person trading or acting as an intermediary in the trade of antiquities, including an advisor, consultant or any other person who engages as a business in the solicitation of the sale of antiquities; or”.

(b) STUDY ON THE FACILITATION OF MONEY LAUNDERING AND TERROR FINANCE THROUGH THE TRADE OF WORKS OF ART OR ANTIQUITIES.—

(1) STUDY.—The Secretary of the Treasury, in coordination with Federal Bureau of Investigation, the Attorney General, and Homeland Security Investigations, shall perform a study on the facilitation of money laundering and terror finance through the trade of works of art or antiquities, including an analysis of—

(A) the extent to which the facilitation of money laundering and terror finance through the trade of works of art or antiquities may enter or affect the financial system of the United States, including any qualitative data or statistics;
(B) whether thresholds should apply in determining which entities to regulate;

(C) an evaluation of which markets, by size, domestic or international geographical locations, or otherwise, should be subject to regulations;

(D) an evaluation of whether certain exemptions should apply; and

(E) any other points of study or analysis the Secretary determines necessary or appropriate.

(2) REPORT.—Not later than the end of the 180-day period beginning on the date of the enactment of this Act, the Secretary of the Treasury shall issue a report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate containing all findings and determinations made in carrying out the study required under paragraph (1).

(c) RULEMAKING.—Not later than the end of the 180-day period beginning on the date the Secretary issues the report required under subsection (b)(2), the Secretary shall issue regulations to carry out the amendments made by subsection (a).
SEC. 214. GEOGRAPHIC TARGETING ORDER.

The Secretary of the Treasury shall issue a geographic targeting order, similar to the order issued by the Financial Crimes Enforcement Network on November 15, 2018, that—

(1) applies to commercial real estate to the same extent, with the exception of having the same thresholds, as the order issued by FinCEN on November 15, 2018, applies to residential real estate; and

(2) establishes a specific threshold for commercial real estate.

SEC. 215. STUDY AND REVISIONS TO CURRENCY TRANSACTION REPORTS AND SUSPICIOUS ACTIVITY REPORTS.

(a) Currency Transaction Reports.—

(1) CTR Indexed for Inflation.—

(A) In general.—Every 5 years after the date of enactment of this Act, the Secretary of the Treasury shall revise regulations issued with respect to section 5313 of title 31, United States Code, to update each $10,000 threshold amount in such regulation to reflect the change in the Consumer Price Index for All Urban Consumers published by the Department of Labor, rounded to the nearest $100. For purposes of calculating the change described in the previous sentence, the Secretary shall use $10,000 as the base amount
and the date of enactment of this Act as the base date.

(B) EXCEPTION.—Notwithstanding subparagraph (A), the Secretary may make appropriate adjustments to the threshold amounts described under subparagraph (A) in high-risk areas (e.g., High Intensity Financial Crime Areas or HIFCAs), if the Secretary has demonstrable evidence that shows a threshold raise would increase serious crimes, such as trafficking, or endanger national security.

(2) GAO CTR STUDY.—

(A) STUDY.—The Comptroller General of the United States shall carry out a study of currency transaction reports. Such study shall include—

(i) a review (carried out in consultation with the Secretary of the Treasury, the Financial Crimes Enforcement Network, the United States Attorney General, the State Attorneys General, and State, Tribal, and local law enforcement) of the effectiveness of the current currency transaction reporting regime;
(ii) an analysis of the importance of currency transaction reports to law enforcement; and

(iii) an analysis of the effects of raising the currency transaction report threshold.

(B) REPORT.—Not later than the end of the 1-year period beginning on the date of enactment of this Act, the Comptroller General shall issue a report to the Secretary of the Treasury and the Congress containing—

(i) all findings and determinations made in carrying out the study required under subparagraph (A); and

(ii) recommendations for improving the current currency transaction reporting regime.

(b) MODIFIED SARS STUDY AND DESIGN.—

(1) STUDY.—The Director of the Financial Crimes Enforcement Network shall carry out a study, in consultation with industry stakeholders (including community banks and credit unions), regulators, and law enforcement, of the design of a modified suspicious activity report form for certain customers and activities. Such study shall include—

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(A) an examination of appropriate optimal SARs thresholds to determine the level at which a modified SARs form could be employed;

(B) an evaluation of which customers or transactions would be appropriate for a modified SAR, including—

(i) seasoned business customers;

(ii) financial technology (Fintech) firms;

(iii) structuring transactions; and

(iv) any other customer or transaction that may be appropriate for a modified SAR; and

(C) an analysis of the most effective methods to reduce the regulatory burden imposed on financial institutions in complying with the Bank Secrecy Act, including an analysis of the effect of—

(i) modifying thresholds;

(ii) shortening forms;

(iii) combining Bank Secrecy Act forms;

(iv) filing reports in periodic batches; and
(v) any other method that may reduce
the regulatory burden.

(2) STUDY CONSIDERATIONS.—In carrying out
the study required under paragraph (1), the Director
shall seek to balance law enforcement priorities, regu-
lar burdens experienced by financial institutions,
and the requirement for reports to have a “high de-
gree of usefulness to law enforcement” under the Bank
Secrecy Act.

(3) REPORT.—Not later than the end of the 1-
year period beginning on the date of enactment of this
Act, the Director shall issue a report to Congress con-
taining—

(A) all findings and determinations made
in carrying out the study required under sub-
section (a); and

(B) sample designs of modified SARs forms
based on the study results.

(4) CONTRACTING AUTHORITY.—The Director
may contract with a private third-party to carry out
the study required under this subsection.

(c) DEFINITIONS.—For purposes of this section:

(1) BANK SECRECY ACT.—The term “Bank Se-
crecy Act” has the meaning given that term under
section 5312 of title 31, United States Code.
(2) REGULATORY BURDEN.—The term “regulatory burden” means the man-hours to complete filings, cost of data collection and analysis, and other considerations of chapter 35 of title 44, United States Code (commonly referred to as the Paperwork Reduction Act).

(3) SAR; SUSPICIOUS ACTIVITY REPORT.—The term “SAR” and “suspicious activity report” mean a report of a suspicious transaction under section 5318(g) of title 31, United States Code.

(4) SEASONED BUSINESS CUSTOMER.—The term “seasoned business customer”, shall have such meaning as the Secretary of the Treasury shall prescribe, which shall include any person that—

(A) is incorporated or organized under the laws of the United States or any State, or is registered as, licensed by, or otherwise eligible to do business within the United States, a State, or political subdivision of a State;

(B) has maintained an account with a financial institution for a length of time as determined by the Secretary; and

(C) meet such other requirements as the Secretary may determine necessary or appropriate.
SEC. 216. STREAMLINING REQUIREMENTS FOR CURRENCY TRANSACTION REPORTS AND SUSPICIOUS ACTIVITY REPORTS.

(a) REVIEW.—The Secretary of the Treasury (in consultation with Federal law enforcement agencies, the Director of National Intelligence, and the Federal functional regulators and in consultation with other relevant stakeholders) shall undertake a formal review of the current financial institution reporting requirements under the Bank Secrecy Act and its implementing regulations and propose changes to further reduce regulatory burdens, and ensure that the information provided is of a “high degree of usefulness” to law enforcement, as set forth under section 5311 of title 31, United States Code.

(b) CONTENTS.—The review required under subsection (a) shall include a study of—

(1) whether the timeframe for filing a suspicious activity report should be increased from 30 days;

(2) whether or not currency transaction report and suspicious activity report thresholds should be tied to inflation or otherwise periodically be adjusted;

(3) whether the circumstances under which a financial institution determines whether to file a “continuing suspicious activity report”, or the processes followed by a financial institution in determining
whether to file a “continuing suspicious activity report” (or both) can be narrowed;

(4) analyzing the fields designated as “critical” on the suspicious activity report form and whether the number of fields should be reduced;

(5) the increased use of exemption provisions to reduce currency transaction reports that are of little or no value to law enforcement efforts;

(6) the current financial institution reporting requirements under the Bank Secrecy Act and its implementing regulations and guidance; and

(7) such other items as the Secretary determines appropriate.

(c) REPORT.—Not later than the end of the one year period beginning on the date of the enactment of this Act, the Secretary of the Treasury, in consultation with law enforcement and persons subject to Bank Secrecy Act requirements, shall issue a report to the Congress containing all findings and determinations made in carrying out the review required under subsection (a).

(d) DEFINITIONS.—For purposes of this section:

(1) FEDERAL FUNCTIONAL REGULATOR.—The term “Federal functional regulator” has the meaning given that term under section 103.
(2) **OTHER TERMS.**—The terms “Bank Secrecy Act” and “financial institution” have the meaning given those terms, respectively, under section 5312 of title 31, United States Code.

**TITLE III—MODERNIZING THE AML SYSTEM**

**SEC. 301. ENCOURAGING INNOVATION IN BSA COMPLIANCE.**

Section 5318 of title 31, United States Code, as amended by section 203, is further amended by adding at the end the following:

“(p) **ENCOURAGING INNOVATION IN COMPLIANCE.**—

“(1) **IN GENERAL.**—The Federal functional regulators shall encourage financial institutions to consider, evaluate, and, where appropriate, responsibly implement innovative approaches to meet the requirements of this subchapter, including through the use of innovation pilot programs.

“(2) **EXEMPTIVE RELIEF.**—The Secretary, pursuant to subsection (a), may provide exemptions from the requirements of this subchapter if the Secretary determines such exemptions are necessary to facilitate the testing and potential use of new technologies and other innovations.

“(3) **RULE OF CONSTRUCTION.**—This subsection may not be construed to require financial institutions
to consider, evaluate, or implement innovative approaches to meet the requirements of the Bank Secrecy Act.

“(4) Federal functional regulator defined.—In this subsection, the term ‘Federal functional regulator’ means the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Securities and Exchange Commission, and the Commodity Futures Trading Commission.”.

SEC. 302. INNOVATION LABS.

(a) In general.—The table of contents for subchapter II of chapter 53 of title 31, United States Code, is amended by adding at the end the following:

“§ 5334. Innovation Labs

“(a) Establishment.—There is established within the Department of the Treasury and each Federal functional regulator an Innovation Lab.

“(b) Director.—The head of each Innovation Lab shall be a Director, to be appointed by the Secretary of the Treasury or the head of the Federal functional regulator, as applicable.

“(c) Duties.—The duties of the Innovation Lab shall be—
“(1) to provide outreach to law enforcement agencies, financial institutions, and other persons (including vendors and technology companies) with respect to innovation and new technologies that may be used to comply with the requirements of the Bank Secrecy Act;

“(2) to support the implementation of responsible innovation and new technology, in a manner that complies with the requirements of the Bank Secrecy Act;

“(3) to explore opportunities for public-private partnerships; and

“(4) to develop metrics of success.

“(d) FINCEN LAB.—The Innovation Lab established under subsection (a) within the Department of the Treasury shall be a lab within the Financial Crimes Enforcement Network.

“(e) FEDERAL FUNCTIONAL REGULATOR DEFINED.—In this subsection, the term ‘Federal functional regulator’ means the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Securities and Exchange Commission, and the Commodity Futures Trading Commission.”.
(b) **CLERICAL AMENDMENT.**—The table of contents for subchapter II of chapter 53 of title 31, United States Code, is amended by adding at the end the following:

“5334. Innovation Labs.”

**SEC. 303. INNOVATION COUNCIL.**

(a) **IN GENERAL.**—Subchapter II of chapter 53 of Title 31, United States Code, as amended by section 302, is further amended by adding at the end the following:

“§ 5335. Innovation Council

“(a) **ESTABLISHMENT.**—There is established the Innovation Council (hereinafter in this section referred to as the ‘Council’), which shall consist of each Director of an Innovation Lab established under section 5334 and the Director of the Financial Crimes Enforcement Network.

“(b) **CHAIR.**—The Director of the Innovation Lab of the Department of the Treasury shall serve as the Chair of the Council.

“(c) **DUTY.**—The members of the Council shall coordinate on activities related to innovation under the Bank Secrecy Act, but may not supplant individual agency determinations on innovation.

“(d) **MEETINGS.**—The meetings of the Council—

“(1) shall be at the call of the Chair, but in no case may the Council meet less than semi-annually;

“(2) may include open and closed sessions, as determined necessary by the Council; and
“(3) shall include participation by public and private entities and law enforcement agencies.

“(e) REPORT.—The Council shall issue an annual report, for each of the 7 years beginning on the date of enactment of this section, to the Secretary of the Treasury on the activities of the Council during the previous year, including the success of programs as measured by metrics of success developed pursuant to section 5334(c)(4), and any regulatory or legislative recommendations that the Council may have.”.

(b) CLERICAL AMENDMENT.—The table of contents for subchapter II of chapter 53 of title 31, United States Code, is amended by adding the end the following:

“5335. Innovation Council.”.

SEC. 304. PARALLEL RUNS RULEMAKING.

(a) IN GENERAL.—Section 5318 of title 31, United States Code, as amended by section 301, is further amended by adding at the end the following:

“(q) PARALLEL RUNS RULEMAKING.—

“(1) IN GENERAL.—The Secretary of the Treasury, in consultation with the head of each agency to which the Secretary has delegated duties or powers under subsection (a), shall issue a rule to specify—

“(A) with respect to technology and processes designed to facilitate compliance with the Bank Secrecy Act requirements, under what cir-
cumstances it is necessary for a financial institution to test new technology and processes alongside legacy technology and processes (‘parallel runs’);

“(B) if parallel runs are required, what standards must be met; and

“(C) in what instances or under what circumstance and criteria a financial institution may replace or terminate such legacy technology and processes for any examinable technology or process without the replacement or termination being determined an examination deficiency.

“(2) STANDARDS.—The standards described under paragraph (1)(B) may include—

“(A) an emphasis on using innovative approaches, such as machine learning, rather than rules-based systems;

“(B) risk-based back-testing of the regime to facilitate calibration of relevant systems;

“(C) requirements for appropriate data privacy and security; and

“(D) a requirement that the algorithms used by the regime be disclosed to the Financial Crimes Enforcement Network.
“(3) CONFIDENTIALITY OF ALGORITHMS.—If a financial institution or any director, officer, employee, or agent of any financial institution, voluntarily or pursuant to this subsection or any other authority, discloses the institution’s algorithms to a Government agency, such algorithms and any materials associated with the creation of such algorithms shall be considered confidential and not subject to public disclosure.”.

(b) UPDATE OF MANUAL.—The Financial Institutions Examination Council shall ensure—

(1) that any manual prepared by the Council is updated to reflect the rulemaking required by the amendment made by subsection (a); and

(2) that financial institutions are not penalized for the decisions based on such rulemaking to replace or terminate technology used for compliance with the Bank Secrecy Act (as defined under section 5312 of title 31, United States Code) or other anti-money laundering laws.

SEC. 305. FINCEN STUDY ON USE OF EMERGING TECHNOLOGIES.

(a) STUDY.—
(1) IN GENERAL.—The Director of the Financial Crimes Enforcement Network (‘‘FinCEN’’) shall carry out a study on—

(A) the status of implementation and internal use of emerging technologies, including artificial intelligence (‘‘AI’’), digital identity technologies, blockchain technologies, and other innovative technologies within FinCEN;

(B) whether AI, digital identity technologies, blockchain technologies, and other innovative technologies can be further leveraged to make FinCEN’s data analysis more efficient and effective; and

(C) how FinCEN could better utilize AI, digital identity technologies, blockchain technologies, and other innovative technologies to more actively analyze and disseminate the information it collects and stores to provide investigative leads to Federal, State, Tribal, and local law enforcement, and other Federal agencies (collective, ‘‘Agencies’’), and better support its ongoing investigations when referring a case to the Agencies.

(2) INCLUSION OF GTO DATA.—The study required under this subsection shall include data col-
lected through the Geographic Targeting Orders ("GTO") program.

(3) CONSULTATION.—In conducting the study required under this subsection, FinCEN shall consult with the Directors of the Innovations Labs established in section 302.

(b) REPORT.—Not later than the end of the 6-month period beginning on the date of the enactment of this Act, the Director shall issue a report to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives containing—

(1) all findings and determinations made in carrying out the study required under subsection (a);

(2) with respect to each of subparagraphs (A), (B) and (C) of subsection (a)(1), any best practices or significant concerns identified by the Director, and their applicability to AI, digital identity technologies, blockchain technologies, and other innovative technologies with respect to U.S. efforts to combat money laundering and other forms of illicit finance; and

(3) any policy recommendations that could facilitate and improve communication and coordination between the private sector, FinCEN, and Agencies through the implementation of innovative ap-
proaches, in order to meet their Bank Secrecy Act (as defined under section 5312 of title 31, United States Code) and anti-money laundering compliance obligations.
A BILL

[Report No. 116-245, Part I]

H. R. 2514

116th CONGRESS

Union Calendar No. 195

To make reforms to the Federal Bank Secrecy Act and anti-money laundering laws, and for other purposes.