

Public Law 105-310
105th Congress

An Act

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.

Oct. 30, 1998
[H.R. 1756]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Money Laundering and Financial Crimes Strategy Act of 1998”.

Money
Laundering and
Financial Crimes
Strategy Act of
1998.
31 USC 5301
note.

SEC. 2. MONEY LAUNDERING AND RELATED FINANCIAL CRIMES.

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

“SUBCHAPTER III—MONEY LAUNDERING AND RELATED
FINANCIAL CRIMES

“§ 5340. Definitions

“For purposes of this subchapter, the following definitions shall apply:

“(1) DEPARTMENT OF THE TREASURY LAW ENFORCEMENT ORGANIZATIONS.—The term ‘Department of the Treasury law enforcement organizations’ has the meaning given to such term in section 9703(p)(1).

“(2) MONEY LAUNDERING AND RELATED FINANCIAL CRIME.—The term ‘money laundering and related financial crime’—

“(A) means the movement of illicit cash or cash equivalent proceeds into, out of, or through the United States, or into, out of, or through United States financial institutions, as defined in section 5312 of title 31, United States Code; or

“(B) has the meaning given that term (or the term used for an equivalent offense) under State and local criminal statutes pertaining to the movement of illicit cash or cash equivalent proceeds.

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

“(4) ATTORNEY GENERAL.—The term ‘Attorney General’ means the Attorney General of the United States.

"PART 1—NATIONAL MONEY LAUNDERING AND RELATED FINANCIAL
CRIMES STRATEGY

**"§ 5341. National money laundering and related financial
crimes strategy**

President.

"(a) DEVELOPMENT AND TRANSMITTAL TO CONGRESS.—

"(1) DEVELOPMENT.—The President, acting through the Secretary and in consultation with the Attorney General, shall develop a national strategy for combating money laundering and related financial crimes.

"(2) TRANSMITTAL TO CONGRESS.—By February 1 of 1999, 2000, 2001, 2002, and 2003, the President shall submit a national strategy developed in accordance with paragraph (1) to the Congress.

"(3) SEPARATE PRESENTATION OF CLASSIFIED MATERIAL.—Any part of the strategy that involves information which is properly classified under criteria established by Executive Order shall be submitted to the Congress separately in classified form.

"(b) DEVELOPMENT OF STRATEGY.—The national strategy for combating money laundering and related financial crimes shall address any area the President, acting through the Secretary and in consultation with the Attorney General, considers appropriate, including the following:

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

"(2) PREVENTION.—Coordination of regulatory and other efforts to prevent the exploitation of financial systems in the United States for money laundering and related financial crimes, including a requirement that the Secretary shall—

Regulations.

"(A) regularly review enforcement efforts under this subchapter and other provisions of law and, when appropriate, modify existing regulations or prescribe new regulations for purposes of preventing such criminal activity; and

"(B) coordinate prevention efforts and other enforcement action with the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, the Federal Trade Commission, other Federal banking agencies, the National Credit Union Administration Board, and such other Federal agencies as the Secretary, in consultation with the Attorney General, determines to be appropriate.

"(3) DETECTION AND PROSECUTION INITIATIVES.—A description of operational initiatives to improve detection and prosecution of money laundering and related financial crimes and the seizure and forfeiture of proceeds and instrumentalities derived from such crimes.

"(4) ENHANCEMENT OF THE ROLE OF THE PRIVATE FINANCIAL SECTOR IN PREVENTION.—The enhancement of partnerships between the private financial sector and law enforcement agencies with regard to the prevention and detection of money laundering and related financial crimes, including providing incentives to strengthen internal controls and to adopt on an industrywide basis more effective policies.

“(5) ENHANCEMENT OF INTERGOVERNMENTAL COOPERATION.—The enhancement of—

“(A) cooperative efforts between the Federal Government and State and local officials, including State and local prosecutors and other law enforcement officials; and

“(B) cooperative efforts among the several States and between State and local officials, including State and local prosecutors and other law enforcement officials, for financial crimes control which could be utilized or should be encouraged.

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

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

“(8) DESIGNATED AREAS.—A description of geographical areas designated as ‘high-risk money laundering and related financial crime areas’ in accordance with, but not limited to, section 5342.

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

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

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

“(c) EFFECTIVENESS REPORT.—At the time each national strategy for combating financial crimes is transmitted by the President to the Congress (other than the first transmission of any such strategy) pursuant to subsection (a), the Secretary shall submit a report containing an evaluation of the effectiveness of policies to combat money laundering and related financial crimes.

“(d) CONSULTATIONS.—In addition to the consultations required under this section with the Attorney General, in developing the national strategy for combating money laundering and related financial crimes, the Secretary shall consult with—

“(1) the Board of Governors of the Federal Reserve System and other Federal banking agencies and the National Credit Union Administration Board;

“(2) State and local officials, including State and local prosecutors;

“(3) the Securities and Exchange Commission;

“(4) the Commodities and Futures Trading Commission;

“(5) the Director of the Office of National Drug Control Policy, with respect to money laundering and related financial crimes involving the proceeds of drug trafficking;

“(6) the Chief of the United States Postal Inspection Service;

“(7) to the extent appropriate, State and local officials responsible for financial institution and financial market regulation;

“(8) any other State or local government authority, to the extent appropriate;

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

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

“§ 5342. High-risk money laundering and related financial crime areas

“(a) FINDINGS AND PURPOSE.—

“(1) FINDINGS.—The Congress finds the following:

“(A) Money laundering and related financial crimes frequently appear to be concentrated in particular geographic areas, financial systems, industry sectors, or financial institutions.

“(B) While the Secretary has the responsibility to act with regard to Federal offenses which are being committed in a particular locality or are directed at a single institution, because modern financial systems and institutions are interconnected to a degree which was not possible until recently, money laundering and other related financial crimes are likely to have local, State, national, and international effects wherever they are committed.

“(2) PURPOSE AND OBJECTIVE.—It is the purpose of this section to provide a mechanism for designating any area where money laundering or a related financial crime appears to be occurring at a higher than average rate such that—

“(A) a comprehensive approach to the problem of such crime in such area can be developed, in cooperation with State and local law enforcement agencies, which utilizes the authority of the Secretary to prevent such activity; or

“(B) such area can be targeted for law enforcement action.

“(b) ELEMENT OF NATIONAL STRATEGY.—The designation of certain areas as areas in which money laundering and related financial crimes are extensive or present a substantial risk shall be an element of the national strategy developed pursuant to section 5341(b).

“(c) DESIGNATION OF AREAS.—

“(1) DESIGNATION BY SECRETARY.—The Secretary, after taking into consideration the factors specified in subsection (d), shall designate any geographical area, industry, sector, or institution in the United States in which money laundering and related financial crimes are extensive or present a substantial risk as a ‘high-risk money laundering and related financial crimes area’.

“(2) CASE-BY-CASE DETERMINATION IN CONSULTATION WITH THE ATTORNEY GENERAL.—In addition to the factors specified in subsection (d), any designation of any area under paragraph (1) shall be made on the basis of a determination by the Secretary, in consultation with the Attorney General, that the particular area, industry, sector, or institution is being victimized by, or is particularly vulnerable to, money laundering and related financial crimes.

“(3) SPECIFIC INITIATIVES.—Any head of a department, bureau, or law enforcement agency, including any State or

local prosecutor, involved in the detection, prevention, and suppression of money laundering and related financial crimes and any State or local official or prosecutor may submit—

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

“(B) a written request for funding under section 5351 for a specific prevention or enforcement initiative, or to determine the extent of financial criminal activity, in an area.

“(d) FACTORS.—In considering the designation of any area as a high-risk money laundering and related financial crimes area, the Secretary shall, to the extent appropriate and in consultation with the Attorney General, take into account the following factors:

“(1) The population of the area.

“(2) The number of bank and nonbank financial institution transactions which originate in such area or involve institutions located in such area.

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

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

“(5) Whether the area is an international center for banking or commerce.

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

“(7) The number or nature of requests for information or analytical assistance which—

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

“(B) originate from law enforcement or regulatory authorities located in such area or involve institutions or businesses located in such area or residents of such area.

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

“(9) The volume or nature of currency transaction reports or reports of cross-border movements of currency or monetary instruments originating in, or transported through, the area.

“(10) Whether, and how often, the area has been the subject of a geographical targeting order.

“(11) Observed changes in trends and patterns of money laundering activity.

“(12) Unusual patterns, anomalies, growth, or other changes in the volume or nature of core economic statistics or indicators.

“(13) Statistics or indicators of unusual or unexplained volumes of cash transactions.

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

“(15) The extent to which State and local governments and State and local law enforcement agencies have committed resources to respond to the financial crime problem in the area and the degree to which the commitment of such resources

reflects a determination by such government and agencies to address the problem aggressively.

“(16) The extent to which a significant increase in the allocation of Federal resources to combat financial crimes in such area is necessary to provide an adequate State and local response to financial crimes and financial crime-related activities in such area.

“PART 2—FINANCIAL CRIME-FREE COMMUNITIES SUPPORT PROGRAM

“§ 5351. Establishment of financial crime-free communities support program

“(a) **ESTABLISHMENT.**—The Secretary of the Treasury, in consultation with the Attorney General, shall establish a program to support local law enforcement efforts in the development and implementation of a program for the detection, prevention, and suppression of money laundering and related financial crimes.

“(b) **PROGRAM.**—In carrying out the program, the Secretary of the Treasury, in consultation with the Attorney General, shall—

“(1) make and track grants to grant recipients;

“(2) provide for technical assistance and training, data collection, and dissemination of information on state-of-the-art practices that the Secretary determines to be effective in detecting, preventing, and suppressing money laundering and related financial crimes; and

“(3) provide for the general administration of the program.

“(c) **ADMINISTRATION.**—The Secretary shall appoint an administrator to carry out the program.

“(d) **CONTRACTING.**—The Secretary may employ any necessary staff and may enter into contracts or agreements with Federal and State law enforcement agencies to delegate authority for the execution of grants and for such other activities necessary to carry out this chapter.

Grants.

“§ 5352. Program authorization

“(a) **GRANT ELIGIBILITY.**—To be eligible to receive an initial grant or a renewal grant under this part, a State or local law enforcement agency or prosecutor shall meet each of the following criteria:

“(1) **APPLICATION.**—The State or local law enforcement agency or prosecutor shall submit an application to the Secretary in accordance with section 5353(a)(2).

“(2) **ACCOUNTABILITY.**—The State or local law enforcement agency or prosecutor shall—

“(A) establish a system to measure and report outcomes—

“(i) consistent with common indicators and evaluation protocols established by the Secretary, in consultation with the Attorney General; and

“(ii) approved by the Secretary;

“(B) conduct biennial surveys (or incorporate local surveys in existence at the time of the evaluation) to measure the progress and effectiveness of the coalition; and

“(C) provide assurances that the entity conducting an evaluation under this paragraph, or from which the applicant receives information, has experience in gathering

data related to money laundering and related financial crimes.

“(b) GRANT AMOUNTS.—

“(1) GRANTS.—

“(A) IN GENERAL.—Subject to subparagraph (D), for a fiscal year, the Secretary of the Treasury, in consultation with the Attorney General, may grant to an eligible applicant under this section for that fiscal year, an amount determined by the Secretary of the Treasury, in consultation with the Attorney General, to be appropriate.

“(B) SUSPENSION OF GRANTS.—If such grant recipient fails to continue to meet the criteria specified in subsection (a), the Secretary may suspend the grant, after providing written notice to the grant recipient and an opportunity to appeal.

“(C) RENEWAL GRANTS.—Subject to subparagraph (D), the Secretary may award a renewal grant to a grant recipient under this subparagraph for each fiscal year following the fiscal year for which an initial grant is awarded.

“(D) LIMITATION.—The amount of a grant award under this paragraph may not exceed \$750,000 for a fiscal year.

“(2) GRANT AWARDS.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), the Secretary may, with respect to a community, make a grant to one eligible applicant that represents that community.

“(B) EXCEPTION.—The Secretary may make a grant to more than one eligible applicant that represent a community if—

“(i) the eligible coalitions demonstrate that the coalitions are collaborating with one another; and

“(ii) each of the coalitions has independently met the requirements set forth in subsection (a).

“(c) CONDITION RELATING TO PROCEEDS OF ASSET FORFEITURES.—

“(1) IN GENERAL.—No grant may be made or renewed under this part to any State or local law enforcement agency or prosecutor unless the agency or prosecutor agrees to donate to the Secretary of the Treasury for the program established under this part any amount received by such agency or prosecutor (after the grant is made) pursuant to any criminal or civil forfeiture under chapter 46 of title 18, United States Code, or any similar provision of State law.

“(2) SCOPE OF APPLICATION.—Paragraph (1) shall not apply to any amount received by a State or local law enforcement agency or prosecutor pursuant to any criminal or civil forfeiture referred to in such paragraph in excess of the aggregate amount of grants received by such agency or prosecutor under this part.

“(d) ROLLING GRANT APPLICATION PERIODS.—In establishing the program under this part, the Secretary shall take such action as may be necessary to ensure, to the extent practicable, that—

“(1) applications for grants under this part may be filed at any time during a fiscal year; and

“(2) some portion of the funds appropriated under this part for any such fiscal year will remain available for grant applications filed later in the fiscal year.

“§ 5353. Information collection and dissemination with respect to grant recipients

“(a) APPLICANT AND GRANTEE INFORMATION.—

“(1) APPLICATION PROCESS.—The Secretary shall issue requests for proposal, as necessary, regarding, with respect to the grants awarded under section 5352, the application process, grant renewal, and suspension or withholding of renewal grants. Each application under this paragraph shall be in writing and shall be subject to review by the Secretary.

“(2) REPORTING.—The Secretary shall, to the maximum extent practicable and in a manner consistent with applicable law, minimize reporting requirements by a grant recipient and expedite any application for a renewal grant made under this part.

“(b) ACTIVITIES OF SECRETARY.—The Secretary may—

“(1) evaluate the utility of specific initiatives relating to the purposes of the program;

“(2) conduct an evaluation of the program; and

“(3) disseminate information described in this subsection to—

“(A) eligible State local law enforcement agencies or prosecutors; and

“(B) the general public.

“§ 5354. Grants for fighting money laundering and related financial crimes

“(a) IN GENERAL.— After the end of the 1-year period beginning on the date the first national strategy for combating money laundering and related financial crimes is submitted to the Congress in accordance with section 5341, and subject to subsection (b), the Secretary may review, select, and award grants for State or local law enforcement agencies and prosecutors to provide funding necessary to investigate and prosecute money laundering and related financial crimes in high-risk money laundering and related financial crime areas.

“(b) SPECIAL PREFERENCE.—Special preference shall be given to applications submitted to the Secretary which demonstrate collaborative efforts of two or more State and local law enforcement agencies or prosecutors who have a history of Federal, State, and local cooperative law enforcement and prosecutorial efforts in responding to such criminal activity.

“§ 5355. Authorization of appropriations

“There are authorized to be appropriated the following amounts for the following fiscal years to carry out the purposes of this subchapter:

“For fiscal year:	The amount authorized is:
1999	\$5,000,000.
2000	\$7,500,000.
2001	\$10,000,000.
2002	\$12,500,000.
2003	\$15,000,000.”.

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

"SUBCHAPTER III—MONEY LAUNDERING AND RELATED FINANCIAL
CRIMES

"5340. Definitions.

"PART 1—NATIONAL MONEY LAUNDERING AND RELATED FINANCIAL CRIMES STRATEGY

"5341. National money laundering and related financial crimes strategy.

"5342. High-risk money laundering and related financial crime areas.

"PART 2—FINANCIAL CRIME-FREE COMMUNITIES SUPPORT PROGRAM

"5351. Establishment of financial crime-free communities support program.

"5352. Program authorization.

"5353. Information collection and dissemination with respect to grant recipients.

"5354. Grants for fighting money laundering and related financial crimes.

"5355. Authorization of appropriations."

(c) **REPORT AND RECOMMENDATIONS.**—Before the end of the 5-year period beginning on the date the first national strategy for combating money laundering and related financial crimes is submitted to the Congress pursuant to section 5341(a)(1) of title 31, United States Code (as added by section 2(a) of this Act), the Secretary of the Treasury, in consultation with the Attorney General, shall submit a report to the Committee on Banking and Financial Services and the Committee on the Judiciary of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs and the Committee on the Judiciary of the Senate on the effectiveness of and the need for the designation of areas, under section 5342 of title 31, United States Code (as added by such section 2(a)), as high-risk money laundering and related financial crime areas, together with recommendations for such legislation as the Secretary and the Attorney General may determine to be appropriate to carry out the purposes of such section.

31 USC 5342
note.

Approved October 30, 1998.

LEGISLATIVE HISTORY—H.R. 1756:

HOUSE REPORTS: No. 105-608, Pt. 1 (Comm. on Banking and Financial Services).
CONGRESSIONAL RECORD, Vol. 144 (1998):

Oct. 5, considered and passed House.

Oct. 15, considered and passed Senate, amended.

Oct. 16, House concurred in Senate amendment.