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116TH CONGRESS
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H. R. 2513

IN THE SENATE OF THE UNITED STATES

OCTOBER 23, 2019

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

AN ACT

To ensure that persons who form corporations or limited liability companies in the United States disclose the beneficial owners of those corporations or limited liability companies, in order to prevent wrongdoers from exploiting United States corporations and limited liability companies for criminal gain, to assist law enforcement in detecting, preventing, and punishing terrorism, money laundering, and other misconduct involving United States corporations and limited liability companies, and for other purposes.

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

DIVISION A—CORPORATE TRANSPARENCY ACT OF 2019

SECTION 1. SHORT TITLE.

(a) IN GENERAL.—This Act may be cited as the ''Corporate Transparency Act of 2019''.

(b) REFERENCES TO THIS ACT.—In this division—

(1) any reference to ''this Act'' shall be deemed a reference to ''this division''; and

(2) except as otherwise expressly provided, any reference to a section or other provision shall be deemed a reference to that section or other provision of this division.

SEC. 2. FINDINGS.

Congress finds the following:

(1) Nearly 2,000,000 corporations and limited liability companies are being formed under the laws of the States each year.

(2) Very few States require information about the beneficial owners of the corporations and limited liability companies formed under their laws.

(3) A person forming a corporation or limited liability company within the United States typically provides less information at the time of incorpora-

tion than is needed to obtain a bank account or driver's license and typically does not name a single beneficial owner.

(4) Criminals have exploited State formation procedures to conceal their identities when forming corporations or limited liability companies in the United States, and have then used the newly created entities to commit crimes affecting interstate and international commerce such as terrorism, proliferation financing, drug and human trafficking, money laundering, tax evasion, counterfeiting, piracy, securities fraud, financial fraud, and acts of foreign corruption.

(5) Law enforcement efforts to investigate corporations and limited liability companies suspected of committing crimes have been impeded by the lack of available beneficial ownership information, as documented in reports and testimony by officials from the Department of Justice, the Department of Homeland Security, the Department of the Treasury, and the Government Accountability Office, and others.

(6) In July 2006, the leading international antimoney laundering standard-setting body, the Financial Action Task Force on Money Laundering (in

this section referred to as the "FATF"), of which the United States is a member, issued a report that criticizes the United States for failing to comply with a FATF standard on the need to collect beneficial ownership information and urged the United States to correct this deficiency by July 2008. In December 2016, FATF issued another evaluation of the United States, which found that little progress has been made over the last ten years to address this problem. It identified the "lack of timely access to adequate, accurate and current beneficial ownership information" as a fundamental gap in United States efforts to combat money laundering and terrorist finance.

(7) In response to the 2006 FATF report, the United States has urged the States to obtain beneficial ownership information for the corporations and limited liability companies formed under the laws of such States.

(8) In contrast to practices in the United States, all 28 countries in the European Union are required to have corporate registries that include beneficial ownership information.

(9) To reduce the vulnerability of the United States to wrongdoing by United States corporations

and limited liability companies with hidden owners, to protect interstate and international commerce from criminals misusing United States corporations and limited liability companies, to strengthen law enforcement investigations of suspect corporations and limited liability companies, to set a clear, universal standard for State incorporation practices, and to bring the United States into compliance with international anti-money laundering standards, Federal legislation is needed to require the collection of beneficial ownership information for the corporations and limited liability companies formed under the laws of such States.

SEC. 3. TRANSPARENT INCORPORATION PRACTICES.

(a) IN GENERAL.—

(1) AMENDMENT TO THE BANK SECRECY ACT.—Chapter 53 of title 31, United States Code, is amended by inserting after section 5332 the following new section:

"§ 5333 Transparent incorporation practices

"(a) REPORTING REQUIREMENTS.—

"(1) BENEFICIAL OWNERSHIP REPORTING.—

"(A) IN GENERAL.—Each applicant to form a corporation or limited liability company under the laws of a State or Indian Tribe shall

file a report with FinCEN containing a list of the beneficial owners of the corporation or limited liability company that—

"(i) except as provided in paragraphs (3) and (4), and subject to paragraph (2), identifies each beneficial owner by—

"(I) full legal name;

"(II) date of birth;

"(III) current residential or business street address; and

"(IV) a unique identifying number from a non-expired passport issued by the United States, a non-expired personal identification card, or a non-expired driver's license issued by a State; and

"(ii) if the applicant is not a beneficial owner, also provides the identification information described in clause (i) relating to such applicant.

"(B) UPDATED INFORMATION.—Each corporation or limited liability company formed under the laws of a State or Indian Tribe shall—

"(i) submit to FinCEN an annual filing containing a list of—

"(I) the current beneficial owners of the corporation or limited liability company and the information described in subparagraph (A) for each such beneficial owner; and

"(II) any changes in the beneficial owners of the corporation or limited liability company during the previous year; and

"(ii) pursuant to any rule issued by the Secretary of the Treasury under subparagraph (C), update the list of the beneficial owners of the corporation or limited liability company within the time period prescribed by such rule.

"(C) RULEMAKING ON UPDATING INFORMATION.—Not later than 9 months after the completion of the study required under section 4(a)(1) of the Corporate Transparency Act of 2019, the Secretary of the Treasury shall consider the findings of such study and, if the Secretary determines it to be necessary or appropriate, issue a rule requiring corporations and

limited liability companies to update the list of the beneficial owners of the corporation or limited liability company within a specified amount of time after the date of any change in the list of beneficial owners or the information required to be provided relating to each beneficial owner.

"(D) STATE NOTIFICATION.—Each State in which a corporation or limited liability company is being formed shall notify each applicant of the requirements listed in subparagraphs (A) and (B).

"(2) CERTAIN BENEFICIAL OWNERS.—If an applicant to form a corporation or limited liability company or a beneficial owner, or similar agent of a corporation or limited liability company who is required to provide identification information under this subsection, does not have a nonexpired passport issued by the United States, a nonexpired personal identification card, or a non-expired driver's license issued by a State, each such person shall provide to FinCEN the full legal name, current residential or business street address, a unique identifying number from a non-expired passport issued by a foreign government, and a legible and credible copy of the pages of a non-expired passport issued by the gov-

ernment of a foreign country bearing a photograph, date of birth, and unique identifying information for each beneficial owner, and each application described in paragraph (1)(A) and each update described in paragraph (1)(B) shall include a written certification by a person residing in the State or Indian country under the jurisdiction of the Indian Tribe forming the entity that the applicant, corporation, or limited liability company—

"(A) has obtained for each such beneficial owner, a current residential or business street address and a legible and credible copy of the pages of a non-expired passport issued by the government of a foreign country bearing a photograph, date of birth, and unique identifying information for the person;

"(B) has verified the full legal name, address, and identity of each such person;

"(C) will provide the information described in subparagraph (A) and the proof of verification described in subparagraph (B) upon request of FinCEN; and

"(D) will retain the information and proof of verification under this paragraph until the end of the 5-year period beginning on the date

that the corporation or limited liability company terminates under the laws of the State or Indian Tribe.

"(3) EXEMPT ENTITIES.—

"(A) IN GENERAL.—With respect to an applicant to form a corporation or limited liability company under the laws of a State or Indian Tribe, if such entity is described in subparagraph (C) or (D) of subsection (d)(4) and will be exempt from the beneficial ownership disclosure requirements under this subsection, such applicant, or a prospective officer, director, or similar agent of the applicant, shall file a written certification with FinCEN—

"(i) identifying the specific provision of subsection (d)(4) under which the entity proposed to be formed would be exempt from the beneficial ownership disclosure requirements under paragraphs (1) and (2);

"(ii) stating that the entity proposed to be formed meets the requirements for an entity described under such provision of subsection (d)(4); and

"(iii) providing identification information for the applicant or prospective offi-

cer, director, or similar agent making the certification in the same manner as provided under paragraph (1) or (2).

"(B) EXISTING CORPORATIONS OR LIMITED LIABILITY COMPANIES.—On and after the date that is 2 years after the final regulations are issued to carry out this section, a corporation or limited liability company formed under the laws of the State or Indian Tribe before such date shall be subject to the requirements of this subsection unless an officer, director, or similar agent of the entity submits to FinCEN a written certification—

"(i) identifying the specific provision of subsection (d)(4) under which the entity is exempt from the requirements under paragraphs (1) and (2);

"(ii) stating that the entity meets the requirements for an entity described under such provision of subsection (d)(4); and

"(iii) providing identification information for the officer, director, or similar agent making the certification in the same manner as provided under paragraph (1) or (2).

"(C) EXEMPT ENTITIES HAVING OWNERSHIP INTEREST.—If an entity described in subparagraph (C) or (D) of subsection (d)(4) has or will have an ownership interest in a corporation or limited liability company formed or to be formed under the laws of a State or Indian Tribe, the applicant, corporation, or limited liability company in which the entity has or will have the ownership interest shall provide the information required under this subsection relating to the entity, except that the entity shall not be required to provide information regarding any natural person who has an ownership interest in, exercises substantial control over, or receives substantial economic benefits from the entity.

"(4) FINCEN ID NUMBERS.—

"(A) ISSUANCE OF FINCEN ID NUMBER.—

"(i) IN GENERAL.—FinCEN shall issue a FinCEN ID number to any individual who requests such a number and provides FinCEN with the information described under subclauses (I) through (IV) of paragraph (1)(A)(i).

"(ii) UPDATING OF INFORMATION.—An individual with a FinCEN ID number shall submit an annual filing with FinCEN updating any information described under subclauses (I) through (IV) of paragraph (1)(A)(i).

"(B) USE OF FINCEN ID NUMBER IN REPORTING REQUIREMENTS.—Any person required to report the information described under paragraph (1)(A)(i) with respect to an individual may instead report the FinCEN ID number of the individual.

"(C) TREATMENT OF INFORMATION SUBMITTED FOR FINCEN ID NUMBER.—For purposes of this section, any information submitted under subparagraph (A) shall be deemed to be beneficial ownership information.

"(5) RETENTION AND DISCLOSURE OF BENEFICIAL OWNERSHIP INFORMATION BY FINCEN.—

"(A) RETENTION OF INFORMATION.—Beneficial ownership information relating to each corporation or limited liability company formed under the laws of the State or Indian Tribe shall be maintained by FinCEN until the end of the 5-year period (or such other period of time

as the Secretary of the Treasury may, by rule, determine) beginning on the date that the corporation or limited liability company terminates.

"(B) DISCLOSURE OF INFORMATION.—Beneficial ownership information reported to FinCEN pursuant to this section shall be provided by FinCEN only upon receipt of—

"(i) subject to subparagraph (C), a request, through appropriate protocols, by a local, Tribal, State, or Federal law enforcement agency;

"(ii) a request made by a Federal agency on behalf of a law enforcement agency of another country under an international treaty, agreement, or convention, or an order under section 3512 of title 18 or section 1782 of title 28; or

"(iii) a request made by a financial institution, with customer consent, as part of the institution's compliance with due diligence requirements imposed under the Bank Secrecy Act, the USA PATRIOT Act, or other applicable Federal, State, or Tribal law.

"(C) APPROPRIATE PROTOCOLS.—

"(i) PRIVACY.—The protocols described in subparagraph (B)(i) shall—

"(I) protect the privacy of any beneficial ownership information provided by FinCEN to a local, Tribal, State, or Federal law enforcement agency;

"(II) ensure that a local, Tribal, State, or Federal law enforcement agency requesting beneficial ownership information has an existing investigatory basis for requesting such information;

"(III) ensure that access to beneficial ownership information is limited to authorized users at a local, Tribal, State, or Federal law enforcement agency who have undergone appropriate training, and refresher training no less than every two years, and that the identity of such authorized users is verified through appropriate mechanisms, such as two-factor authentication;

"(IV) include an audit trail of requests for beneficial ownership information by a local, Tribal, State, or Federal law enforcement agency, including, as necessary, information concerning queries made by authorized users at a local, Tribal, State, or Federal law enforcement agency;

"(V) require that every local, Tribal, State, or Federal law enforcement agency that receives beneficial ownership information from FinCEN conducts an annual audit to verify that the beneficial ownership information received from FinCEN has been accessed and used appropriately, and consistent with this paragraph; and

"(VI) require FinCEN to conduct an annual audit of every local, Tribal, State, or Federal law enforcement agency that has received beneficial ownership information to ensure that such agency has requested beneficial ownership information, and has used any beneficial ownership infor-

mation received from FinCEN, appropriately, and consistent with this paragraph.

"(ii) LIMITATION ON USE.—Beneficial ownership information provided to a local, Tribal, State, or Federal law enforcement agency under this paragraph may only be used for law enforcement, national security, or intelligence purposes.

"(D) ACCESS PROCEDURES.—FinCEN shall establish stringent procedures for the protection and proper use of beneficial ownership information disclosed pursuant to subparagraph (B), including procedures to ensure such information is not being inappropriately accessed or misused by law enforcement agencies.

"(E) REPORT TO CONGRESS.—FinCEN shall issue an annual report to Congress stating—

"(i) the number of times law enforcement agencies and financial institutions have accessed beneficial ownership information pursuant to subparagraph (B);

"(ii) the number of times beneficial ownership information reported to

FinCEN pursuant to this section was inappropriately accessed, and by whom; and

"(iii) the number of times beneficial ownership information was disclosed under subparagraph (B) pursuant to a subpoena.

"(F) DISCLOSURE OF NON-PII DATA.—Notwithstanding subparagraph (B), FinCEN may issue guidance and otherwise make materials available to financial institutions and the public using beneficial ownership information reported pursuant to this section if such information is aggregated in a manner that removes all personally identifiable information. For purposes of this subparagraph, 'personally identifiable information' includes information that would allow for the identification of a particular corporation or limited liability company.

"(b) NO BEARER SHARE CORPORATIONS OR LIMITED LIABILITY COMPANIES.—A corporation or limited liability company formed under the laws of a State or Indian Tribe may not issue a certificate in bearer form evidencing either a whole or fractional interest in the corporation or limited liability company.

"(c) PENALTIES.—

"(1) IN GENERAL.—It shall be unlawful for any person to affect interstate or foreign commerce by—

"(A) knowingly providing, or attempting to provide, false or fraudulent beneficial ownership information, including a false or fraudulent identifying photograph, to FinCEN in accordance with this section;

"(B) willfully failing to provide complete or updated beneficial ownership information to FinCEN in accordance with this section; or

"(C) knowingly disclosing the existence of a subpoena or other request for beneficial ownership information reported pursuant to this section, except—

"(i) to the extent necessary to fulfill the authorized request; or

"(ii) as authorized by the entity that issued the subpoena, or other request.

"(2) CIVIL AND CRIMINAL PENALTIES.—Any person who violates paragraph (1)—

"(A) shall be liable to the United States for a civil penalty of not more than $10,000; and

"(B) may be fined under title 18, United States Code, imprisoned for not more than 3 years, or both.

"(3) LIMITATION.—Any person who negligently violates paragraph (1) shall not be subject to civil or criminal penalties under paragraph (2).

"(4) WAIVER.—The Secretary of the Treasury may waive the penalty for violating paragraph (1) if the Secretary determines that the violation was due to reasonable cause and was not due to willful neglect.

"(5) CRIMINAL PENALTY FOR THE MISUSE OR UNAUTHORIZED DISCLOSURE OF BENEFICIAL OWNERSHIP INFORMATION.—The criminal penalties provided for under section 5322 shall apply to a violation of this section to the same extent as such criminal penalties apply to a violation described in section 5322, if the violation of this section consists of the misuse or unauthorized disclosure of beneficial ownership information.

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

"(1) APPLICANT.—The term 'applicant' means any natural person who files an application to form a corporation or limited liability company under the laws of a State or Indian Tribe.

"(2) 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.

"(3) BENEFICIAL OWNER.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'beneficial owner' means a natural person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise—

"(i) exercises substantial control over a corporation or limited liability company;

"(ii) owns 25 percent or more of the equity interests of a corporation or limited liability company; or

"(iii) receives substantial economic benefits from the assets of a corporation or limited liability company.

"(B) EXCEPTIONS.—The term 'beneficial owner' shall not include—

"(i) a minor child, as defined in the State or Indian Tribe in which the entity is formed;

"(ii) a person acting as a nominee, intermediary, custodian, or agent on behalf of another person;

"(iii) a person acting solely as an employee of a corporation or limited liability company and whose control over or economic benefits from the corporation or limited liability company derives solely from the employment status of the person;

"(iv) a person whose only interest in a corporation or limited liability company is through a right of inheritance; or

"(v) a creditor of a corporation or limited liability company, unless the creditor also meets the requirements of subparagraph (A).

"(C) SUBSTANTIAL ECONOMIC BENEFITS DEFINED.—

"(i) IN GENERAL.—For purposes of subparagraph (A)(ii), a natural person receives substantial economic benefits from the assets of a corporation or limited liabil-

ity company if the person has an entitlement to more than a specified percentage of the funds or assets of the corporation or limited liability company, which the Secretary of the Treasury shall, by rule, establish.

"(ii) RULEMAKING CRITERIA.—In establishing the percentage under clause (i), the Secretary of the Treasury shall seek to—

"(I) provide clarity to corporations and limited liability companies with respect to the identification and disclosure of a natural person who receives substantial economic benefits from the assets of a corporation or limited liability company; and

"(II) identify those natural persons who, as a result of the substantial economic benefits they receive from the assets of a corporation or limited liability company, exercise a dominant influence over such corporation or limited liability company.

"(4) CORPORATION; LIMITED LIABILITY COMPANY.—The terms 'corporation' and 'limited liability company'—

"(A) have the meanings given such terms under the laws of the applicable State or Indian Tribe;

"(B) include any non-United States entity eligible for registration or registered to do business as a corporation or limited liability company under the laws of the applicable State or Indian Tribe;

"(C) do not include any entity that is—

"(i) a business concern that is an issuer of a class of securities registered under section 12 of the Securities Exchange Act of 1934 (15 U.S.C. 781) or that is required to file reports under section 15(d) of that Act (15 U.S.C. 78o(d));

"(ii) a business concern constituted, sponsored, or chartered by a State or Indian Tribe, a political subdivision of a State or Indian Tribe, under an interstate compact between two or more States, by a department or agency of the United

States, or under the laws of the United States;

"(iii) a depository institution (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813));

"(iv) a credit union (as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752));

"(v) a bank holding company (as defined in section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841)) or a savings and loan holding company (as defined in section 10(a) of the Home Owners' Loan Act (12 U.S.C. 1467a(a));

"(vi) a broker or dealer (as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c)) that is registered under section 15 of the Securities Exchange Act of 1934 (15 U.S.C. 78o);

"(vii) an exchange or clearing agency (as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c)) that is registered under section 6 or 17A of the Securities Exchange Act of 1934 (15 U.S.C. 78f and 78q–1);

"(viii) an investment company (as defined in section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a–3)) or an investment adviser (as defined in section 202(11) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(11))), if the company or adviser is registered with the Securities and Exchange Commission, has filed an application for registration which has not been denied, under the Investment Company Act of 1940 (15 U.S.C. 80a–1 et seq.) or the Investment Adviser Act of 1940 (15 U.S.C. 80b–1 et seq.), or is an investment adviser described under section 203(l) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–3(l));

"(ix) an insurance company (as defined in section 2 of the Investment Company Act of 1940 (15 U.S.C. 80a–2));

"(x) a registered entity (as defined in section 1a of the Commodity Exchange Act (7 U.S.C. 1a)), or a futures commission merchant, introducing broker, commodity pool operator, or commodity trading advisor (as defined in section 1a of the Com-

modity Exchange Act (7 U.S.C. 1a)) that is registered with the Commodity Futures Trading Commission;

"(xi) a public accounting firm registered in accordance with section 102 of the Sarbanes-Oxley Act (15 U.S.C. 7212) or an entity controlling, controlled by, or under common control of such a firm;

"(xii) a public utility that provides telecommunications service, electrical power, natural gas, or water and sewer services, within the United States;

"(xiii) a church, charity, nonprofit entity, or other organization that is described in section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code of 1986, that has not been denied tax exempt status, and that has filed the most recently due annual information return with the Internal Revenue Service, if required to file such a return;

"(xiv) a financial market utility designated by the Financial Stability Oversight Council under section 804 of the

Dodd-Frank Wall Street Reform and Consumer Protection Act;

"(xv) an insurance producer (as defined in section 334 of the Gramm-Leach-Bliley Act);

"(xvi) any pooled investment vehicle that is operated or advised by a person described in clause (iii), (iv), (v), (vi), (viii), (ix), or (xi);

"(xvii) any business concern that—

"(I) employs more than 20 employees on a full-time basis in the United States;

"(II) files income tax returns in the United States demonstrating more than $5,000,000 in gross receipts or sales; and

"(III) has an operating presence at a physical office within the United States; or

"(xviii) any corporation or limited liability company formed and owned by an entity described in this clause or in clause (i), (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix),

(x), (xi), (xii), (xiii), (xiv), (xv), or (xvi); and

"(D) do not include any individual business concern or class of business concerns which the Secretary of the Treasury and the Attorney General of the United States have jointly determined, by rule of otherwise, to be exempt from the requirements of subsection (a), if the Secretary and the Attorney General jointly determine that requiring beneficial ownership information from the business concern would not serve the public interest and would not assist law enforcement efforts to detect, prevent, or prosecute terrorism, money laundering, tax evasion, or other misconduct.

"(5) FINCEN.—The term 'FinCEN' means the Financial Crimes Enforcement Network of the Department of the Treasury.

"(6) INDIAN COUNTRY.—The term 'Indian country' has the meaning given that term in section 1151 of title 18.

"(7) INDIAN TRIBE.—The term 'Indian Tribe' has the meaning given that term under section 102 of the Federally Recognized Indian Tribe List Act of 1994.

"(8) PERSONAL IDENTIFICATION CARD.—The term 'personal identification card' means an identification document issued by a State, Indian Tribe, or local government to an individual solely for the purpose of identification of that individual.

"(9) STATE.—The term 'State' means any State, commonwealth, territory, or possession of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, or the United States Virgin Islands.".

(2) RULEMAKING.—

(A) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Secretary of the Treasury shall issue regulations to carry out this Act and the amendments made by this Act, including, to the extent necessary, to clarify the definitions in section 5333(d) of title 31, United States Code.

(B) REVISION OF FINAL RULE.—Not later than 1 year after the date of enactment of this Act, the Secretary of the Treasury shall revise the final rule titled "Customer Due Diligence Requirements for Financial Institutions" (May 11, 2016; 81 Fed. Reg. 29397) to—

(i) bring the rule into conformance with this Act and the amendments made by this Act;

(ii) account for financial institutions' access to comprehensive beneficial ownership information filed by corporations and limited liability companies, under threat of civil and criminal penalties, under this Act and the amendments made by this Act; and

(iii) reduce any burdens on financial institutions that are, in light of the enactment of this Act and the amendments made by this Act, unnecessary or duplicative.

(3) CONFORMING AMENDMENTS.—Title 31, United States Code, is amended—

(A) in section 5321(a)—

(i) in paragraph (1), by striking "sections 5314 and 5315" each place it appears and inserting "sections 5314, 5315, and 5333"; and

(ii) in paragraph (6), by inserting "(except section 5333)" after "subchapter" each place it appears; and

(B) in section 5322, by striking "section 5315 or 5324" each place it appears and inserting "section 5315, 5324, or 5333".

(4) TABLE OF CONTENTS.—The table of contents of chapter 53 of title 31, United States Code, is amended by inserting after the item relating to section 5332 the following:

"5333. Transparent incorporation practices.".

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $20,000,000 for each of fiscal years 2020 and 2021 to the Financial Crimes Enforcement Network to carry out this Act and the amendments made by this Act.

(c) FEDERAL CONTRACTORS.—Not later than the first day of the first full fiscal year beginning at least 1 year after the date of the enactment of this Act, the Administrator for Federal Procurement Policy shall revise the Federal Acquisition Regulation maintained under section 1303(a)(1) of title 41, United States Code, to require any contractor or subcontractor who is subject to the requirement to disclose beneficial ownership information under section 5333 of title 31, United States Code, to provide the information required to be disclosed under such section to the Federal Government as part of any bid or proposal for a contract with a value threshold in excess

of the simplified acquisition threshold under section 134 of title 41, United States Code.

SEC. 4. STUDIES AND REPORTS.

(a) UPDATING OF BENEFICIAL OWNERSHIP INFORMATION.—

(1) STUDY.—The Secretary of the Treasury, in consultation with the Attorney General of the United States, shall conduct a study to evaluate—

(A) the necessity of a requirement for corporations and limited liability companies to update the list of their beneficial owners within a specified amount of time after the date of any change in the list of beneficial owners or the information required to be provided relating to each beneficial owner, taking into account the annual filings required under section 5333(a)(1)(B)(i) of title 31, United States Code, and the information contained in such annual filings; and

(B) the burden that a requirement to update the list of beneficial owners within a specified period of time after a change in such list of beneficial owners would impose on corporations and limited liability companies.

(2) REPORT.—Not later than 1 year after the date of enactment of this Act, the Secretary of the Treasury shall submit a report on the study required under paragraph (1) to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate.

(3) PUBLIC COMMENT.—The Secretary of the Treasury shall seek and consider public input, comments, and data in order to conduct the study required under subparagraph paragraph (1).

(b) OTHER LEGAL ENTITIES.—Not later than 2 years after the date of enactment of this Act, the Comptroller General of the United States shall conduct a study and submit to the Congress a report—

(1) identifying each State or Indian Tribe that has procedures that enable persons to form or register under the laws of the State or Indian Tribe partnerships, trusts, or other legal entities, and the nature of those procedures;

(2) identifying each State or Indian Tribe that requires persons seeking to form or register partnerships, trusts, or other legal entities under the laws of the State or Indian Tribe to provide information about the beneficial owners (as that term is defined

in section 5333(d)(1) of title 31, United States Code, as added by this Act) or beneficiaries of such entities, and the nature of the required information;

(3) evaluating whether the lack of available beneficial ownership information for partnerships, trusts, or other legal entities—

(A) raises concerns about the involvement of such entities in terrorism, money laundering, tax evasion, securities fraud, or other misconduct;

(B) has impeded investigations into entities suspected of such misconduct; and

(C) increases the costs to financial institutions of complying with due diligence requirements imposed under the Bank Secrecy Act, the USA PATRIOT Act, or other applicable Federal, State, or Tribal law; and

(4) evaluating whether the failure of the United States to require beneficial ownership information for partnerships and trusts formed or registered in the United States has elicited international criticism and what steps, if any, the United States has taken or is planning to take in response.

(c) EFFECTIVENESS OF INCORPORATION PRACTICES.—Not later than 5 years after the date of enact-

ment of this Act, the Comptroller General of the United States shall conduct a study and submit to the Congress a report assessing the effectiveness of incorporation practices implemented under this Act and the amendments made by this Act in—

(1) providing law enforcement agencies with prompt access to reliable, useful, and complete beneficial ownership information; and

(2) strengthening the capability of law enforcement agencies to combat incorporation abuses, civil and criminal misconduct, and detect, prevent, or punish terrorism, money laundering, tax evasion, or other misconduct.

(d) ANNUAL REPORT ON BENEFICIAL OWNERSHIP INFORMATION.—

(1) REPORT.—The Secretary of the Treasury shall issue an annual report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate with respect to the beneficial ownership information collected pursuant to section 5333 of title 31, United States Code, that contains—

(A) aggregate data on the number of beneficial owners per reporting corporation or limited liability company;

(B) the industries or type of business of each reporting corporation or limited liability company; and

(C) the locations of the beneficial owners.

(2) PRIVACY.—In issuing reports under paragraph (1), the Secretary shall not reveal the identities of beneficial owners or names of the reporting corporations or limited liability companies.

SEC. 5. DEFINITIONS.

In this Act, the terms ''Bank Secrecy Act'', ''beneficial owner'', ''corporation'', and ''limited liability company'' have the meaning given those terms, respectively, under section 5333(d) of title 31, United States Code.

DIVISION B—COUNTER ACT OF 2019

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Coordinating Oversight, Upgrading and Innovating Technology, 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. Pilot program on sharing of suspicious activity reports within a financial group.
Sec. 202. Sharing of compliance resources.
Sec. 203. GAO Study on feedback loops.
Sec. 204. FinCEN study on BSA value.
Sec. 205. Sharing of threat pattern and trend information.
Sec. 206. Modernization and upgrading whistleblower protections.
Sec. 207. Certain violators barred from serving on boards of United States financial institutions.
Sec. 208. Additional damages for repeat Bank Secrecy Act violators.
Sec. 209. Justice annual report on deferred and non-prosecution agreements.
Sec. 210. Return of profits and bonuses.
Sec. 211. Application of Bank Secrecy Act to dealers in antiquities.
Sec. 212. Geographic targeting order.
Sec. 213. Study and revisions to currency transaction reports and suspicious activity reports.
Sec. 214. 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. Testing methods rulemaking.
Sec. 305. FinCEN study on use of emerging technologies.
Sec. 306. Discretionary surplus funds.

1 (c) REFERENCES TO THIS ACT.—In this division—

2 (1) any reference to ''this Act'' shall be deemed

3 a reference to ''this division''; and

(2) except as otherwise expressly provided, any reference to a section or other provision shall be deemed a reference to that section or other provision of this division.

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 and" 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 Committee 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) SUPPORT FOR CAPACITY OF THE INTERNATIONAL MONETARY FUND TO PREVENT MONEY LAUNDERING AND FINANCING OF TERRORISM.—Title XVI of the International Financial Institutions Act (22 U.S.C. 262p et seq.) is amended by adding at the end the following:

"SEC. 1629. SUPPORT FOR CAPACITY OF THE INTERNATIONAL MONETARY FUND TO PREVENT MONEY LAUNDERING AND FINANCING OF TERRORISM.

''The Secretary of the Treasury shall instruct the United States Executive Director at the International Monetary Fund to support the increased use of the administrative budget of the Fund for technical assistance that strengthens the capacity of Fund members to prevent money laundering and the financing of terrorism.''.

(2) NATIONAL ADVISORY COUNCIL REPORT TO CONGRESS.—The Chairman of the National Advisory Council on International Monetary and Financial Policies shall include in the report required by section 1701 of the International Financial Institutions Act (22 U.S.C. 262r) a description of—

(A) the activities of the International Monetary Fund in the most recently completed fiscal 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 Attachés 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 par-

1 ticular those aimed at the establishment of effective anti-
2 money laundering and countering the financing of ter-
3 rorism regimes, in an amount equal to twice the amount
4 authorized for such purpose for fiscal year 2019.

5 (b) ACTIVITY AND EVALUATION REPORT.—Not later
6 than 360 days after enactment of this Act, and every year
7 thereafter for five years, the Secretary of the Treasury
8 shall issue a report to the Congress on the assistance (as
9 described under subsection (a)) of the Office of Technical
10 Assistance of the Department of the Treasury con-
11 taining—

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

16 (2) a description of technical assistance pro-
17 vided by the Office in the previous year, including
18 the objectives and delivery methods of the assist-
19 ance;

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

22 (4) a description of how technical assistance
23 provided by the Office complements, duplicates, or
24 otherwise affects or is affected by technical assist-
25 ance provided by the international financial institu-

tions (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 ac-

tions taken by FinCEN that require specific actions 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. The authority of the Secretary to enter into contracts under this subsection shall be in effect for each fiscal year only to the extent and in the amounts as are provided in advance in appropriations Acts.

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;

(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; and

(7) any best practices from the private sector that facilitate correspondent bank relationships.

(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 off 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 de-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 off 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, including territories and possessions of 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. 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) PILOT PROGRAM ON SHARING WITH FOREIGN BRANCHES, SUBSIDIARIES, AND AFFILIATES.—

"(A) IN GENERAL.—The Secretary of the Treasury shall issue rules establishing the pilot program described under subparagraph (B), subject to such controls and restrictions as the Director of the Financial Crimes Enforcement

Network determines appropriate, including controls and restrictions regarding participation by financial institutions and jurisdictions in the pilot program. 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 a 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 subparagraphs (A) and (C);

"(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—

"(i) the People's Republic of China;

"(ii) the Russian Federation; or

"(iii) a jurisdiction that—

"(I) is subject to countermeasures imposed by the Federal Government;

"(II) is a state sponsor of terrorism; or

"(III) the Secretary has determined cannot reasonably protect the privacy and confidentiality of such information or would otherwise use such information in a manner that is not consistent with the national interest of the United States.

"(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 Rep-

resentatives 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.

"(E) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed as limiting the Secretary's authority under provisions of law other than this paragraph to establish other permissible purposes or methods for a financial institution sharing reports (and information on such reports) under this subsection with the institution's foreign headquarters or with other branches of the same institution.

"(F) NOTICE OF USE OF OTHER AUTHORITY.—If the Secretary, pursuant to any author-

ity other than that provided under this paragraph, permits a financial institution to share information on reports under this subsection with a foreign branch, subsidiary, or affiliate located in a foreign jurisdiction, the Secretary shall notify the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of such permission and the applicable foreign jurisdiction.

"(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 re-

veal that the transaction has been reported''; 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,''.

(b) RULEMAKING.—Not later than the end of the 360-day 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. 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. 203. GAO 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 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 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. 204. 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

determinations 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. 205. 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 re-

ports 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. 206. 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, subject to amounts made available in advance by appropriation Acts, use 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, subject to amounts made available in advance by appropriation Acts, use 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 whistleblower to discuss evidence disclosed and rebuttals to the disclosure, and shall take into consideration—

"(i) the significance of the information provided by the whistleblower to the success of the covered judicial or administrative action;

"(ii) the degree of assistance provided by the whistleblower and any legal representative of the whistleblower in a covered judicial or administrative action;

"(iii) the mission of FinCEN in deterring violations of the law by making awards to whistleblowers who provide information that lead to the successful enforcement of such laws; and

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

"(2) DENIAL OF AWARD.—No award under subsection (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, officer, 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. 207. 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—

"(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 violation facilitated money laundering or the financing of terrorism.".

SEC. 208. ADDITIONAL DAMAGES FOR REPEAT BANK SECRECY 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 VIOLATORS.—In addition to any other fines permitted by this section 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 having previously committed a violation of a

criminal provision 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. 209. 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 Enforcement Network prior to entering into each such agreement.

(b) CLASSIFIED ANNEX.—Each report under subsection (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. 210. 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 section, be fined in an amount equal to the profit gained by such person by reason of such violation, as determined 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. 211. 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 and definitions should apply in determining which entities to regulate;

(C) an evaluation of which markets, by size, entity type, domestic or international geographical locations, or otherwise, should be subject to regulations, but only to the extent such markets are not already required to report on the trade of works of art or antiquities to the Federal Government;

(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. 212. 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. 213. 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.

1 (b) MODIFIED SARS STUDY AND DESIGN.—

2 (1) STUDY.—The Director of the Financial
3 Crimes Enforcement Network shall carry out a
4 study, in consultation with industry stakeholders (in-
5 cluding money services businesses, community
6 banks, and credit unions), regulators, and law en-
7 forcement, of the design of a modified suspicious ac-
8 tivity report form for certain customers and activi-
9 ties. Such study shall include—

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

13 (B) an evaluation of which customers or
14 transactions would be appropriate for a modi-
15 fied SAR, including—

16 (i) seasoned business customers;

17 (ii) financial technology (Fintech)
18 firms;

19 (iii) structuring transactions; and

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

23 (C) an analysis of the most effective meth-
24 ods to reduce the regulatory burden imposed on
25 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, regulatory burdens experienced by financial institutions, and the requirement for reports to have a ''high degree 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 containing—

(A) all findings and determinations made in carrying out the study required under subsection (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. The authority of the Director to enter into contracts under this paragraph shall be in effect for each fiscal year only to the extent and in the amounts as are provided in advance in appropriations Acts.

(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) 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. 214. 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 202, 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.—Subchapter II of chapter 53 of title 31, United States Code, is amended by adding at the end the following:

"§ 5333. 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:

"5333. 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:

"§ 5334. 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 en-

actment 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:

''5334. Innovation Council.''.

SEC. 304. TESTING METHODS 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) TESTING.—

''(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 related technology-internal processes (''new technology'') designed to facilitate compliance with the Bank Secrecy Act requirements, the standards by which financial institutions are to test new technology; and

"(B) in what instances or under what circumstance and criteria a financial institution may replace or terminate 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) 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, upon request.

"(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 collected 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 approaches, 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.

SEC. 306. DISCRETIONARY SURPLUS FUNDS.

(a) IN GENERAL.—Section 7(a)(3)(A) of the Federal Reserve Act (12 U.S.C. 289(a)(3)(A)) is amended by

1 striking "$6,825,000,000" and inserting
2 "$6,798,000,000".

3 (b) EFFECTIVE DATE.—The amendment made by
4 subsection (a) shall take effect on September 30, 2029.

Passed the House of Representatives October 22, 2019.

Attest: CHERYL L. JOHNSON,
Clerk.