

**SUMMARY OF KEY
ANTI-MONEY LAUNDERING PROVISIONS
IN USA PATRIOT ACT
H.R. 3162/P.L. 107-56**

(1) Anti-Money Laundering Obligations of U.S. Financial Institutions

Anti-Money Laundering Programs (Sec. 352) Requires all U.S. financial institutions to establish anti-money laundering programs by April 2002, including banks, securities firms, insurance companies, credit card companies, investment companies, and money transmitters.

Customer Verification (Sec. 326) Requires all U.S. financial institutions to implement procedures to verify the identity of any person seeking to open an account, and requires all clients to comply with such procedures, under regulations to take effect by October 2002. Requires a Treasury report by April 2002 on the most effective way for U.S. financial institutions to verify the identity of foreign nationals seeking to open accounts.

Due Diligence (Sec. 312) Requires all U.S. financial institutions to exercise due diligence when opening or operating accounts for foreign financial institutions or wealthy foreign individuals, and to establish due diligence policies, procedures and controls by July 2002.

Shell Bank Ban (Sec. 313) Prohibits U.S. banks and securities firms from opening accounts for foreign shell banks that have no physical presence anywhere and no affiliation with another bank, and requires closure of any existing shell bank account by December 2001. Requires U.S. firms to take reasonable steps to ensure no foreign bank client is allowing a shell bank to utilize the foreign bank's U.S. account.

Suspicious Activity Reporting (Sec. 356) Requires all U.S. securities firms to report suspicious financial activity to U.S. law enforcement under regulations to be published by July 1, 2002; authorizes Treasury to issue regulations requiring suspicious activity reporting by commodity firms; and requires a report and recommendations by October 2002 on effective regulations applying anti-money laundering reporting and other requirements to investment companies.

Public-Private Cooperation (Sec. 314) Enables U.S. financial institutions, regulators and law enforcement to exchange information to deter money laundering and terrorism.

International Cooperation (Sec. 328, 330) Directs U.S. to negotiate with other countries to increase anti-money laundering and terrorist financing cooperation, ensure adequate record keeping of transactions and accounts related to money laundering or terrorism, and obtain adequate originator information on international wire transfers.

120 Hour Rule (Sec. 317) Requires U.S. banks to respond within 120 hours to a request by a federal banking agency for money laundering information.

Concentration Accounts (Sec. 325) Authorizes Treasury regulations to ensure that client funds moving through a financial institution's administrative accounts do not move anonymously, but are marked with the client name.

Currency Reporting (Sec. 365, 366) Requires non-financial trades and businesses to file currency reports with Treasury under regulations to be published by April 2002, and requires a Treasury report by October 2002 on expanding and improving currency reporting exemptions.

Commodity Firms and Credit Unions (Sec. 321) Clarifies that commodity firms and credit unions are "financial institutions" subject to Title 31's anti-money laundering provisions.

(2) Anti-Money Laundering Investigations, Civil and Criminal Proceedings, and Forfeitures

Money Laundering Designations (Sec. 311) Authorizes Treasury to designate specific foreign financial institutions, jurisdictions, transactions or accounts to be of "primary money laundering concern" and mandate special measures to restrict or prohibit access to the U.S. market.

Information Sharing (Sec. 330 and 905) Enables U.S. law enforcement and intelligence communities to share financial and foreign intelligence information to deter money laundering and terrorism.

Terrorism (Sec. 801-817) Modernizes anti-terrorism criminal statutes by, among other provisions, making it clear the crime includes bioterrorism, mass transit terrorist acts, cyberterrorism, harboring of terrorists and support for terrorists; that all terrorist crimes serve as predicate offenses for money laundering prosecutions; and that anti-money laundering provisions apply to all terrorists assets, including legally obtained funds, if intended for use in planning, committing or concealing a terrorist act.

Foreign Corruption (Sec. 315) Expands the list of crimes that can trigger U.S. money laundering prosecutions to include foreign corruption crimes such as bribery and misappropriation of funds.

Other Predicate Offenses (Sec. 315) Expands the list of crimes that can trigger U.S. money laundering prosecutions to include weapons smuggling, export control violations, certain computer crimes, bribery, and other extraditable offenses.

Bulk Cash Smuggling (Sec. 371-72) Makes smuggling large amounts of cash across U.S. borders a crime, and allows forfeiture of undeclared cash whose source and intended use cannot be established.

Money Transmitters (Sec. 373, 359) Makes it a crime to operate an unlicensed money transmitting business, applies anti-money laundering laws to informal money transmitters operating outside conventional systems, and requires a Treasury report by October 2002 on any additional laws needed with respect to informal money transmitters.

Long Arm Jurisdiction over Foreign Money Launderers (Sec. 317) Gives U.S. courts clear jurisdiction over persons who commit a money laundering offense through financial transactions that take place in whole or in part in the U.S., over foreign banks with U.S. accounts, and over foreign persons who convert to their personal use property that is the subject of a forfeiture order.

Foreign Money Laundering (Sec. 318, 322, 323, 1004) Makes it easier to prosecute and forfeit funds from money laundering offenses involving foreign persons or jurisdictions, including allowing U.S. prosecutions of money laundering through a foreign bank, barring corporations owned by fugitives from contesting U.S. money laundering forfeitures, clarifying the venue for prosecution cases, and authorizing U.S. courts to freeze U.S. assets to enforce foreign court judgments.

Legal Service of Foreign Banks (Sec. 319(b)) Requires foreign banks with U.S. accounts to designate a U.S. resident to accept legal service of a government subpoena or summons; allows U.S. to subpoena documents related to the foreign bank's U.S. account whether the documents are inside or outside the U.S.; and allows the Attorney General or Treasury Secretary to require closure of a foreign bank's U.S. account if the foreign bank ignores a government subpoena or summons.

Interbank Forfeiture (Sec. 319(a)) Closes a forfeiture loophole so that depositors' funds in a foreign bank's U.S. accounts are subject to the same forfeiture rules as depositors' funds in other U.S. bank accounts.

Federal Receivers (Sec. 317) Allows U.S. prosecutors and federal and state regulators to use court-appointed receivers in criminal and civil money laundering proceedings to locate and take custody of a defendant's assets wherever located.

Due Process Protection (Sec. 316) Authorizes any person whose property is confiscated as terrorist assets to contest the confiscation through civil proceedings in the United States.

Merger Consideration (Sec. 327) Requires U.S. bank regulators to consider when approving a bank merger or acquisition the anti-money laundering records of the banks involved.

Exclusion of Aliens (Sec. 1006) Permits U.S. to exclude any alien engaged in money laundering from the United States and requires establishment of a money laundering watch list for officials admitting aliens into the United States.

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