

Ronald Reagan Presidential Library
Digital Library Collections

This is a PDF of a folder from our textual collections.

Collection: Bledsoe, Ralph C.: Files
Folder Title: [Drug Abuse Policy - August 1986] (9)
Box: 22

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

1 “(a) IN GENERAL.--For the purpose of any investigation
2 which, in the opinion of the Secretary, is necessary and
3 proper to--

4 “(1) the reporting of monetary instruments,
5 transactions, or transportation under chapter 53 of
6 subchapter II of title 31, United States Code; or

7 “(2) the enforcement of the Bank Secrecy Act (Public
8 Law 91-508);

9 the Secretary may administer oaths and affirmations, subpoena
10 witnesses, compel their attendance, take evidence, and
11 require the production of records (including books, papers,
12 documents, and tangible things which constitute or contain
13 evidence) relevant or material to the investigation. The
14 attendance of witnesses and the production of records may be
15 required from any place within the customs territory of the
16 United States, except that a witness shall not be required to
17 appear at any hearing distant more than 100 miles from the
18 place where he was served with subpoena. Witnesses summoned by
19 the Secretary shall be paid the same fees and mileage that
20 are paid witnesses in the courts of the United States. Oaths
21 and affirmations may be made at any place subject to the
22 jurisdiction of the United States.

23 “(b) SERVICE OF SUBPENA; PROOF OF SERVICE.--A subpoena of
24 the Secretary may be served by any person designated in the
25 subpoena to serve it. Service upon a natural person may be

1 made by personal delivery of the subpoena to him. Service may
2 be made upon a domestic or foreign corporation or upon a
3 partnership or other unincorporated association which is
4 subject to suit under a common name, by delivering the
5 subpoena to an officer, a managing or general agent, or to any
6 other agent authorized by appointment or by law to receive
7 service of process. The affidavit of the person serving the
8 subpoena entered on a true copy thereof by the person serving
9 it shall be proof of service.

10 (c) CONTEMPT PROCEEDINGS.--In case of contumacy by, or
11 refusal to obey a subpoena issued to, any person, the
12 Secretary of the Treasury may invoke the aid of any court of
13 the United States within the jurisdiction of which the
14 investigation is carried on or of which the subpoenaed person
15 is an inhabitant, carries on business or may be found, to
16 compel compliance with the subpoena of the Secretary. The
17 court may issue an order requiring the subpoenaed person to
18 appear before the Secretary of the Treasury there to produce
19 records, if so ordered, or to give testimony touching the
20 matter under investigation and to pay the costs of the
21 proceeding. Any failure to obey the order of the court may be
22 punished by the court as a contempt thereof. All process in
23 any such case may be served in the judicial district whereof
24 the subpoenaed person is an inhabitant or where he may be
25 found.''. .

1 (b) REPEAL.--The Act entitled ``An Act to authorize
2 subpenas in connection with the enforcement of the narcotic
3 laws, and for other purposes'', approved August 11, 1955 (21
4 U.S.C. 967-969), is repealed.

5 SEC. 131. UNDERCOVER INVESTIGATIVE OPERATIONS OF THE CUSTOMS
6 SERVICE.

7 (a) CERTIFICATION REQUIRED FOR EXEMPTION OF UNDERCOVER
8 OPERATIONS FROM CERTAIN LAWS.--with respect to any undercover
9 investigative operation of the United States Customs Service
10 (hereinafter in this section referred to as the ``Service'')
11 which is necessary for the detection and prosecution of
12 offenses against the United States which are within the
13 jurisdiction of the Secretary of the Treasury--

14 (1) sums authorized to be appropriated for the
15 Service may be used--

16 (A) to purchase property, buildings, and other
17 facilities, and to lease space, within the United
18 States, the District of Columbia, and the territories
19 and possessions of the United States without regard
20 to--

21 (i) sections 1341 and 3324 of title 31,
22 United States Code,

23 (ii) sections 3732(a) and 3741 of the Revised
24 Statutes of the United States (41 U.S.C. 11(a)
25 and 22),

1 (iii) section 305 of the Act of June 30, 1949
2 (63 Stat. 396; 41 U.S.C. 255),

3 (iv) the third undesignated paragraph under
4 the heading ``Miscellaneous`` of the Act of March
5 3, 1877 (19 Stat. 370; 40 U.S.C. 34), and

6 (v) section 304(a) and (c) of the Federal
7 Property and Administrative Services Act of 1949
8 (41 U.S.C. 254(a) and (c)), and

9 (B) to establish or to acquire proprietary
10 corporations or business entities as part of the
11 undercover operation, and to operate such
12 corporations or business entities on a commercial
13 basis, without regard to sections 9102 and 9103 of
14 title 31, United States Code;

15 (2) sums authorized to be appropriated for the
16 Service and the proceeds from the undercover operation,
17 may be deposited in banks or other financial institutions
18 without regard to the provisions of section 648 of title
19 18, United States Code, and section 3302 of title 31,
20 United States Code; and

21 (3) the proceeds from the undercover operation may be
22 used to offset necessary and reasonable expenses incurred
23 in such operation without regard to the provisions of
24 section 3302 of title 31, United States Code;

25 only upon the written certification of the Commissioner of

1 Customs (or, if designated by the Commissioner the Deputy or
2 an Assistant Commissioner) that any action authorized by
3 paragraph (1), (2), or (3) of this subsection is necessary
4 for the conduct of such undercover operation.

5 (b) LIQUIDATION OF CORPORATIONS AND BUSINESS
6 ENTITIES.--If a corporation or business entity established or
7 acquired as part of an undercover operation under paragraph
8 (1)(B) of subsection (a) with a net value over \$50,000 is to
9 be liquidated, sold, or otherwise disposed of, the Service,
10 as much in advance as the Commissioner or his designee
11 determines is practicable, shall report the circumstances to
12 the Secretary of the Treasury and the Comptroller General.
13 The proceeds of the liquidation, sale, or other disposition,
14 after obligations are met, shall be deposited in the Treasury
15 of the United States as miscellaneous receipts.

16 (c) DEPOSIT OF PROCEEDS.--As soon as the proceeds from an
17 undercover investigative operation with respect to which an
18 action is authorized and carried out under paragraphs (2) and
19 (3) of subsection (a) are no longer necessary for the conduct
20 of such operation, such proceeds or the balance of such
21 proceeds remaining at the time shall be deposited into the
22 Treasury of the United States as miscellaneous receipts.

23 (d) AUDITS.--(1) The Customs Service shall conduct a
24 detailed financial audit of each undercover investigative
25 operation which is closed in each fiscal year, and

1 (A) submit the results of the audit in writing to the
2 Secretary of the Treasury; and

3 (B) not later than 180 days after such undercover
4 operation is closed, submit a report to the Congress
5 concerning such audit.

6 (2) The Customs Service shall also submit a report
7 annually to the Congress specifying as to its undercover
8 investigative operations--

9 (A) the number, by programs, of undercover
10 investigative operations pending as of the end of the 1-
11 year period for which such report is submitted;

12 (B) the number, by programs, of undercover
13 investigative operations commenced in the 1-year period
14 preceding the period for which such report is submitted;
15 and

16 (C) the number, by programs, of undercover
17 investigative operations closed in the 1-year period
18 preceding the period for which such report is submitted
19 and, with respect to each such closed undercover
20 operation, the results obtained and any civil claims made
21 with respect thereto.

22 (e) DEFINITIONS.--For purposes of subsection (d)--

23 (1) The term ``closed`` refers to the earliest point
24 in time at which--

25 (A) all criminal proceedings (other than appeals)

1 are concluded, or

2 (B) covert activities are concluded, whichever
3 occurs later.

4 (2) The term ``employees`` means employees, as
5 defined in section 2105 of title 5 of the United States
6 Code, of the Customs Service.

7 (3) The terms ``undercover investigative operation``
8 and ``undercover operation`` mean any undercover
9 investigative operation of the Customs Service (other
10 than a foreign counterintelligence undercover
11 investigative operation)--

12 (A) in which--

13 (i) the gross receipts (excluding interest
14 earned) exceed \$50,000, or

15 (ii) expenditures (other than expenditures
16 for salaries of employees) exceed \$150,000; and

17 (B) which is exempt from section 3302 or 9102 of
18 title 31, United States Code;

19 except that subparagraphs (A) and (B) shall not apply
20 with respect to the report required under paragraph (2)
21 of subsection (d).

22 **SEC. 132. EFFECTIVE DATE.**

23 The amendments made by this subtitle shall take effect on
24 the 15th day after the date of the enactment of this Act. Any
25 amendment made by this subtitle that imposes or increases a

1 civil or criminal penalty applies only with respect to
2 violations committed on or after such 15th day.

3 Subtitle C--Customs Forfeiture Fund

4 SEC. 141. CUSTOMS FORFEITURE FUND.

5 (a) AMENDMENT.--Section 613a (19 U.S.C. 1613b) is
6 amended--

7 (1) by amending subsection (a)--

8 (A) by striking out ``1987`` in the first
9 sentence and inserting ``1991``;

10 (B) by inserting ``(including investigative costs
11 leading to seizures)`` after ``seizure`` in paragraph
12 (1);

13 (C) by inserting ``and`` after the semicolon at
14 the end of paragraph (4);

15 (D) by striking out paragraph (5);

16 (E) by redesignating paragraph (6) as paragraph
17 (5); and

18 (F) by amending the last sentence to read as
19 follows:

20 ``In addition to the purposes described in paragraphs (1)
21 through (5), the fund is available for--

22 `` (i) purchases by the Customs Service of evidence
23 of--

24 `` (I) smuggling of controlled substances, and

25 `` (II) violations of the currency and foreign

1 transaction reporting requirements of chapter 51 of
2 title 31, United States Code, if there is a
3 substantial probability that the violations of these
4 requirements are related to the smuggling of
5 controlled substances;

6 ``(ii) the equipping for law enforcement functions of
7 any vessel, vehicle, or aircraft available for official
8 use by the Customs Service;

9 ``(iii) the reimbursement, at the discretion of the
10 Secretary, of private citizens for expenses incurred by
11 them in cooperating with the Customs Service in
12 investigations and undercover law enforcement operations;
13 and

14 ``(iv) the publicizing of the availability of rewards
15 under section 619.''; and

16 (2) by amending subsection (f) to read as follows:

17 ``(f)(1) There are authorized to be appropriated from the
18 fund for each of the fiscal years beginning with fiscal year
19 1987 not more than \$20,000,000.

20 ``(2) At the end of each of fiscal years 1987, 1988,
21 1989, and 1990, any amount in the fund in excess of
22 \$20,000,000 shall be deposited in the general fund of the
23 Treasury. At the end of fiscal year 1991, any amount
24 remaining in the fund shall be deposited in the general fund
25 of the Treasury, and the fund shall cease to exist.''. .

1 (b) EFFECTIVE DATE.--The amendments made by subsection
2 (a) shall take effect October 1, 1986.

318m
new

3 TITLE II--CUSTOMS SERVICE AUTHORIZATIONS, MISCELLANEOUS
4 CUSTOMS PROVISIONS, AND AMENDMENTS TO THE CONTROLLED
5 SUBSTANCES IMPORT AND EXPORT ACT

6 Subtitle A--Customs Service Authorizations

7 SEC. 201. AUTHORIZATION OF APPROPRIATIONS FOR FISCAL YEAR
8 1987 FOR THE UNITED STATES CUSTOMS SERVICE.

9 Section 301(b) of the Customs Procedural Reform and
10 Simplification Act of 1978 (19 U.S.C. 2075(b)) is amended as
11 follows:

12 (b)(1) There are authorized to be appropriated to the
13 Department of the Treasury not to exceed \$1,145,131,000 for
14 the salaries and expenses of the United States Customs
15 Service for fiscal year 1987; of which--

16 (A) \$749,131,000 is for salaries and expenses to
17 maintain current operating levels, and includes such sums
18 as may be necessary to complete the testing of the
19 prototype of the automatic license plate reader program
20 and to implement that program;

21 (B) \$99,300,000 is for the salaries and expenses of
22 additional personnel to be used in carrying out drug
23 enforcement activities; and

24 (C) \$296,700,000 is for the operation and
25 maintenance of the air interdiction program of the

1 Service, of which--

2 (i) \$219,500,000 is for additional aircraft,
3 communications enhancements, and command, control,
4 communications, and intelligence centers, and

5 (ii) \$350,000 is for a feasibility and
6 application study for a low-level radar detection
7 system in collaboration with the Los Alamos National
8 Laboratory.

9 (2) No part of any sum that is appropriated under the
10 authority of paragraph (1) may be used to close any port of
11 entry at which, during fiscal year 1986--

12 (A) not less than 2,500 merchandise entries
13 (including informal entries) were made; and

14 (B) not less than \$1,500,000 in customs revenues
15 were assessed."

16 Subtitle B--Miscellaneous Customs Amendments

17 SEC. 211. TREATMENT OF HOVERING VESSELS.

18 Section 201 of the Act of August 5, 1935 (19 U.S.C.
19 1432a) is amended by inserting after "hovering vessel" the
20 following: "or to have received merchandise while in the
21 customs waters beyond the territorial sea or while on the
22 high seas,".

23 SEC. 212. RECREATIONAL VESSEL LICENSES.

24 Section 12109(b) of title 46, United States Code, is
25 amended by adding at the end thereof the following new

1 sentence: ``Such vessel must, however, comply with all
2 customs requirements for reporting arrival under section 433
3 of the Tariff Act of 1930 (19 U.S.C. 1433) and all persons
4 aboard such a pleasure vessel shall be subject to all
5 applicable customs regulations.'`.

6 SEC. 213. ASSISTANCE FOR CUSTOMS OFFICERS.

7 Section 3071 of the Revised Statutes of the United States
8 (19 U.S.C. 507) is amended to read as follows:

9 ``SEC. 3071. (a) Any customs officer who needs assistance
10 in making any arrest, search, or seizure that is authorized
11 under any law that is enforced or administered by customs
12 officers may, after identifying himself or herself as a
13 customs officer, demand the assistance of any person. Any
14 person who, without reasonable excuse, neglects or refuses to
15 assist a customs officer after proper demand under this
16 subsection is guilty of a misdemeanor and subject to a fine
17 of not more than \$1,000.

18 `` (b) Any person, not an officer or employee of the
19 United States, who renders assistance in good faith upon the
20 request of a customs officer shall not be held liable for any
21 civil damages as a result of the rendering of such assistance
22 where the assisting person acts as an ordinary, reasonably
23 prudent person would have acted under the same or similar
24 circumstances.'`.

25 Subtitle C--Amendments to the Controlled Substances Import

1 and Export Act

2 SEC. 221. POSSESSION, MANUFACTURE, OR DISTRIBUTION FOR
3 PURPOSES OF UNLAWFUL IMPORTATION.

4 Section 1009 of the Controlled Substances Import and
5 Export Act (21 U.S.C. 959) is amended to read as follows:

6 ``SEC. 1009. POSSESSION, MANUFACTURE OR DISTRIBUTION FOR
7 PURPOSES OF UNLAWFUL IMPORTATION.

8 `` (a) It shall be unlawful for any person to manufacture
9 or distribute a controlled substance in schedule I or III--

10 `` (1) intending that such substance be unlawfully
11 imported in the United States or into waters within a
12 distance of twelve miles of its coast; or

13 `` (2) knowing that such substance will be unlawfully
14 imported into the United States or into waters within a
15 distance of 12 miles of its coast.

16 `` (b) It shall be unlawful for any United States citizen
17 on board any aircraft, or any person on board an aircraft
18 owned by a United States citizen or registered in the United
19 States, to manufacture or distribute or possess with intent
20 to manufacture or distribute a controlled substance.

21 `` (c) This section is intended to reach acts of
22 manufacture or distribution committed outside the territorial
23 jurisdiction of the United States. Any person who violates
24 this section shall be tried in the United States district
25 court at the point of entry where such person enters the

1 United States, or in the United States District Court for the
2 District of Columbia." .

3 SEC. 222. PENALTIES FOR SERIOUS TRAFFICKERS; AMENDMENTS TO
4 SECTION 1010(b) OF THE CONTROLLED SUBSTANCES
5 IMPORT AND EXPORT ACT.

6 (a) SECTION 1010(b)(1) AMENDMENT.--Section 1010(b)(1) of
7 the Controlled Substances Import and Export Act (21 U.S.C.
8 960(b)(1)) is amended to read as follows:

9 (b)(1) In the case of a violation of subsection (a) of
10 this section involving a quantity and amount of a controlled
11 substance specified in section 401(b)(1)(D), such person
12 shall be sentenced (i) in the case of a first offense, to a
13 term of imprisonment of not less than 10 years and not more
14 than 30 years, and a fine of not more than \$2,000,000, or
15 both in the case of an individual, or to a fine of not more
16 than \$5,000,000, in the case of a person other than an
17 individual, and (ii) in the case of a second or subsequent
18 offense, to imprisonment of not less than 20 years, or to
19 imprisonment for life, and a fine of not more than
20 \$4,000,000, or both in the case of an individual, or to a
21 fine of not more than \$10,000,000, in the case of a person
22 other than an individual." .

23 (b) SECTION 1010(b) AMENDMENT.--Section 1010(b) of the
24 Controlled Substances Import and Export Act (21 U.S.C.
25 960(b)) is amended by adding at the end of the subsection the

1 following new paragraph:

2 “(4) In the case of a violation of subsection (a) of
3 this section involving a quantity and amount of a controlled
4 substance specified in section 401(b)(1)(A), such person
5 shall be sentenced to a term of imprisonment of not less than
6 5 and not more than 20 years, a fine of not more than
7 \$2,000,000, or both if such person is an individual, or to a
8 fine of not more than \$5,000,000 if such person is other than
9 an individual. In the case of a second or subsequent offense
10 under this paragraph, such person shall be sentenced to a
11 term of imprisonment of not less than 10 years and not more
12 than 40 years, and a fine of not more than \$4,000,000, or
13 both in the case of an individual, or to a fine of not more
14 than \$10,000,000, in the case of a person other than an
15 individual. Imposition or execution of a sentence of
16 imprisonment under this paragraph shall not be suspended,
17 probation shall not be granted, and the person so sentenced
18 shall not be eligible for parole with respect to that
19 sentence. Any sentence imposing a term of imprisonment under
20 this paragraph shall, in the absence of such a prior
21 conviction, impose a special parole term of at least 4 years
22 in addition to such term of imprisonment and shall, if there
23 was such a prior conviction, impose a special parole term of
24 at least 8 years in addition to such term of imprisonment.”.

25 SEC. 223. FINE INCREASE AMENDMENT TO SECTION 1010(b)(2) OF

1 THE CONTROLLED SUBSTANCES IMPORT AND EXPORT
2 ACT.

3 Section 1010(b)(2) of the Controlled Substances Import
4 and Export Act (21 U.S.C. 960(b)(2)) is amended in the first
5 sentence by striking out ``\$125,000, or both`` and inserting
6 in lieu thereof. ``\$500,000, or both if such person is an
7 individual, or shall be fined not more than \$2,000,000 if
8 such person is other than an individual``.

9 SEC. 224. FINE INCREASE AMENDMENT TO SECTION 1010(b)(3) OF
10 THE CONTROLLED SUBSTANCES IMPORT AND EXPORT
11 ACT.

12 Section 1010(b)(3) of the Controlled Substances Import
13 and Export Act (21 U.S.C. 960(b)(3)) is amended in the first
14 sentence by striking out ``\$50,000, or both`` and inserting
15 in lieu thereof ``\$250,000, or both if such person is an
16 individual, or shall be fined not more than \$1,000,000 if
17 such person is other than an individual``.

18 SEC. 225. FINE INCREASE AMENDMENT TO SECTION 1011(2) OF THE
19 CONTROLLED SUBSTANCES IMPORT AND EXPORT ACT.

20 Section 1011(2) of the Controlled Substances Import and
21 Export Act (21 U.S.C. 961(2)) is amended by striking out
22 ``\$25,000 or both`` and inserting in lieu thereof ``\$100,000,
23 or both if such person is an individual or a fine of \$500,000
24 if such person is other than an individual``.

25 SEC. 226. SPECIAL TERM OF IMPRISONMENT FOR CERTAIN OFFENSES

1 UNDER CONTROLLED SUBSTANCES IMPORT AND EXPORT
2 ACT RESULTING IN DEATH OR SERIOUS BODILY
3 INJURY.

4 (a) IN GENERAL.--The Controlled Substances Import and
5 Export Act (21 U.S.C. 951 et seq.) is amended by adding at
6 the end the following new section:

7 ``SPECIAL TERM OF IMPRISONMENT FOR CERTAIN OFFENSES RESULTING
8 IN DEATH OR SERIOUS BODILY INJURY

9 ``SEC. 1018. In the case of an offense under subsection
10 (b)(1) or subsection (b) (4) of section 1010 of this title,
11 from which death or serious bodily injury results, the
12 defendant shall be sentenced (in addition to any fine
13 otherwise applicable under such subsection) to imprisonment
14 for any term of not less than 20 years, or to imprisonment
15 for life. As used in this section, the term `serious bodily
16 injury` means bodily injury which involves a substantial risk
17 of death, unconsciousness, extreme physical pain, protracted
18 and obvious disfigurement, or protracted loss or impairment
19 of the function of a bodily member, organ, or mental
20 faculty.``.

21 (b) TECHNICAL AMENDMENT.--The table of contents for the
22 Comprehensive Drug Abuse Prevention and Control Act of 1970
23 is amended by inserting after the item relating to section
24 1017 the following new item:

``Sec. 1018. Special term of imprisonment for certain

offenses resulting in death or serious bodily injury.

1 TITLE III--DENIAL OF TRADE BENEFITS TO UNCOOPERATIVE DRUG

2 SOURCE NATIONS

3 SEC. 301. SHORT TITLE.

4 This title may be cited as the ``Narcotics Control Trade
5 Act``.

6 SEC. 302. DETERMINATIONS REGARDING UNCOOPERATIVE DRUG SOURCE
7 NATIONS.

8 (a) ANNUAL DETERMINATION.--The President, after taking
9 into account the factors set forth in subsection (b), shall
10 determine if any foreign country, during any fiscal year
11 commencing after September 30, 1986--

12 (1) was a direct or indirect source of one or more
13 illicit narcotic and psychotropic drugs and other
14 controlled substances that is significantly affecting the
15 United States; and

16 (2) did not cooperate with the United States
17 Government in preventing narcotic and psychotropic drugs
18 and other controlled substances from significantly
19 affecting the United States.

20 (b) FACTORS.--For purposes of making a determination
21 under subsection (a) regarding a foreign country, the
22 President shall take into account the capabilities, effort,
23 and progress of that country in--

1 (1) limiting legal narcotic crop production to levels
2 required for legal purposes;

3 (2) licensing legal narcotic crop production and
4 effectively controlling it to prevent significant
5 diversion to the illicit traffic;

6 (3) limiting the legal manufacture of narcotic and
7 psychotropic drugs and other controlled substances to
8 levels required for medical purposes and effectively
9 controlled manufacture to prevent significant diversion
10 to the illicit traffic;

11 (4) detecting and eradicating the illicit cultivation
12 of narcotic crops, and

13 (5) suppressing the illicit manufacture, processing,
14 and traffic of narcotic and psychotropic drugs, under the
15 control of the Single Convention of Narcotic Drugs of
16 1961 as amended by the 1972 Amending Protocol or the
17 Controlled Substances Act of 1970 or the Convention on
18 Psychotropic Substances of 1971.

19 (c) REPORT OF DETERMINATIONS--The President shall submit
20 to each House of the Congress the name of each foreign
21 country regarding which an affirmative determination is made
22 under subsection (a). The submission must be made on the
23 first day on which both Houses are in session after the close
24 of the fiscal year with respect to which the determination is
25 made.

1 SEC. 303. TARIFF TREATMENT OF PRODUCTS OF UNCOOPERATIVE DRUG
2 SOURCE NATIONS.

3 (a) REQUIRED ACTION BY PRESIDENT.--The President shall,
4 with respect to each foreign country regarding which an
5 affirmative determination is made under section 302(a) and to
6 the extent considered necessary by the President to achieve
7 the purposes of this title--

8 (1) deny to any or all of the products of that
9 country tariff treatment under the Generalized System of
10 Preferences, the Caribbean Basin Economic Recovery Act,
11 or any other law providing preferential tariff treatment;

12 (2) apply to any or all of the dutiable products of
13 that country an additional duty at a rate not to exceed
14 50 percent ad valorem or the specific rate equivalent;

15 (3) apply to one or more duty-free products of that
16 country a duty at a rate not to exceed 50 percent ad
17 valorem; or

18 (4) take any combination of the actions described in
19 paragraphs (1), (2), and (3).

20 (b) DURATION OF ACTION.--The action taken by the
21 President under subsection (a) shall apply to the products of
22 a foreign country that are entered, or withdrawn from
23 warehouse for consumption, during the period that--

24 (1) begins on October 1 of the fiscal year occurring
25 after the fiscal year with respect to which an

1 affirmative determination regarding that country was made
2 under section 302(a); and

3 (2) ends on the day on which the determination is
4 cancelled under section 305.

5 **SEC. 304. PROGRESS REPORTS.**

6 The President shall include as a part of the annual
7 report required under section 481(e)(1) of the Foreign
8 Assistance Act of 1961 (22 U.S.C. 2291(e)(1)) an evaluation
9 of progress that each major drug source nation has made
10 during the reporting period in achieving the objectives set
11 forth in section 302(b).

12 **SEC. 305. CANCELLATION OF DETERMINATIONS.**

13 If the President considers that a foreign country
14 regarding which an affirmative determination was made under
15 section 302(a) has made significant progress, and will
16 continue to make progress, in remedying those acts, programs,
17 or policies on which that determination was based, the
18 President may cancel the determination. The President must
19 immediately notify each House of Congress of each
20 cancellation made under this section.

21 **SEC. 306. DEFINITION.**

22 For purposes of this title, the term "narcotic and
23 psychotropic drugs and other controlled substances" has the
24 same meaning as is given that term in section 481(i)(3) of
25 the Foreign Assistance Act of 1961 (22 U.S.C. 2291(i)(3)).

1 SEC. 307. CONFORMING AMENDMENTS.

2 (a) GENERALIZED SYSTEM OF PREFERENCES.--Section 502(b) of
3 the Trade Act of 1974 (19 U.S.C. 2462(b)) is amended--

4 (1) by striking out paragraph (5);

5 (2) by redesignating paragraphs (6), (7), and (8) as
6 paragraphs (5), (6), and (7); and

7 (4) by striking out `` (5), `` in the last sentence.

8 (b) CARIBBEAN BASIN ECONOMIC RECOVERY.--Section 212(b) of
9 the Caribbean Basin Economic Recovery Act (19 U.S.C. 2702(b))
10 is amended--

11 (1) by inserting ``and`` after the semicolon at the
12 end of paragraph (5);

13 (2) by striking out paragraph (6); and

14 (3) by redesignating paragraph (7) as paragraph (6).

99th CONGRESS
2nd SESSION

(Original signature of Member)

H.R. 5406

Insert
title
here
☞

A BILL TO PROVIDE FOR COAST GUARD DRUG INTERDICTION
AND LAW ENFORCMENT

IN THE HOUSE OF REPRESENTATIVES

AUGUST 12, 1986

Insert
sponsor's
names
here
☞

Mr. Jones of North Carolina (for himself and Mr. Davis)

A BILL

A BILL TO PROVIDE FOR COAST GUARD DRUG INTERDICTION
AND LAW ENFORCEMENT

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

1 TITLE IV--COAST GUARD DRUG INTERDICTION AND LAW ENFORCEMENT

2 SEC. 401. SHORT TITLE.

3 This title may be cited as the ``Coast Guard Drug
4 Interdiction and Law Enforcement Act of 1986``.

5 SEC. 402. FINDINGS AND POLICY.

6 (a) FINDINGS.--Congress finds that--

7 (1) the Coast Guard is responsible for carrying out a
8 variety of important missions in behalf of the security,
9 safety, and economic and environmental well-being of the
10 United States;

11 (2) among the high priority missions of the Coast
12 Guard are search and rescue, maritime law enforcement,
13 military readiness, and marine safety;

14 (3) there currently exists an imbalance between the
15 responsibilities of the Coast Guard and the personnel and
16 material resources available to the Coast Guard; and

17 (4) the Coast Guard will therefore require a
18 significant increase in resources if it is to carry out
19 its missions at a level the public expects and the
20 national interest demands.

21 (b) POLICY.--It is the sense of Congress that--

22 (1) the Coast Guard should be accorded the resources
23 necessary to significantly increase its ability to
24 interdict the illegal transportation of drugs into the
25 United States without causing a reduction in the ability

1 of the Coast Guard to carry out its other missions; and
 2 (2) if given adequate resources, the Coast Guard is
 3 the agency of the Federal Government that is best
 4 qualified to carry out drug interdiction and law
 5 enforcement operations upon the high seas and waters over
 6 which the United States has jurisdiction, and to carry
 7 out maritime air surveillance^voperations over the high
 8 seas that are required to support drug law enforcement
 9 activities in the United States.

SEC. 403. MARITIME AIR SURVEILLANCE AND INTERDICTION

Title 14, United States Code, is amended as follows:

(1) Section 2 is amended by striking "United States;" the first place it appears and inserting "United States; shall engage in maritime air surveillance or interdiction to enforce or assist in the enforcement of the laws of the United States;".

(2) Section 89 is amended to read as follows:

"§89. Law enforcement

"(a)(1) To prevent, detect, and suppress violations of laws of the United States, the Secretary may --

"(A) in the case of a vessel subject to the jurisdiction, or to the operation of law, of the United States, make inquiries, examinations, inspections, searches, seizures, and arrests on the high seas and waters subject to the jurisdiction of the United States;

"(B) in the case of an aircraft subject to the jurisdiction, or to the operation of law, of the United States, make inquiries, examinations, inspections, searches, and seizures of the aircraft or order the aircraft to a landing area; or

"(C) take any other lawful action.

"(2) For the purposes of this section, a commissioned, warrant, and petty officer of the Coast Guard may --

"(A) order a vessel to stop or an aircraft to a landing area;

"(B) at any time go on board a vessel or aircraft subject to the jurisdiction, or to the operation of a law, of the United States;

"(C) address inquiries to those on board;

"(D) examine the vessel's or aircraft's documents and records;

"(E) examine, inspect, and search the vessel or aircraft;

"(F) use all necessary force to compel compliance; and

"(G) take any other lawful action."

"(b)(1) When the inquiries, examinations, inspections, or searches indicate that a violation of the laws of the United States making an individual subject to arrest is being, or has been, committed by an individual, the commissioned, warrant, or petty officer shall --

"(A) arrest the individual;

"(B) if escaping to shore or from a landing area, pursue and arrest the individual on shore or at the landing area; and

"(C) take any other lawful action.

"(2) The vessel or aircraft or any part of the goods on the vessel or aircraft, or both, shall be seized when --

"(A) probable cause exists that a violation of the laws of the United States has been committed rendering the vessel, aircraft, or goods on the vessel or aircraft liable to forfeiture; or

"(B) if necessary, seizure is required to secure a civil penalty.

"(c) When a commissioned, warrant, or petty officer of the Coast Guard is engaged under the authority contained in this section, the officer is --

"(1) deemed to be acting as an agent of the particular department, agency, or instrumentality of the United States Government charged with the administration of the particular law; and

"(2) subject to the rules and regulations prescribed by that department, agency, or instrumentality with respect to the enforcement of that law.

"(d) This section is in addition to any powers conferred by law on those commissioned, warrant, or petty officers and does not limit any powers conferred by law on those commissioned, warrant, or petty officers, or any other officers of the United States."

(3) Chapter 37 is amended as follows:

(a) Item 637 of the analysis of the chapter is amended to read as follows:

"637. Stopping vessels or aircraft; immunity of Coast Guard officers."

(b) The caption of section 637 is amended to read as follows:

"§637. Stopping vessels or aircraft; immunity of Coast Guard officers"; and

(c) Section 637 is amended as follows:

(i) Strike "Whenever any vessel liable to seizure or examination does not bring-to," and insert "When a vessel or aircraft is subject to the law enforcement actions authorized by section 89 of this title and does not stop or land,"; and

(ii) Strike "fire at or into such vessel or aircraft which does not bring-to." and insert "fire at or into the vessel or aircraft that does not stop or land."

20 SEC. 404. AUTHORIZATION OF FUNDS.

21 (a) Funds are authorized to be appropriated for necessary
22 expenses of the Coast Guard for fiscal years 1987 and 1988 as
23 follows:

24 (1) For the operation and maintenance of additional
25 personnel and equipment, \$66,000,000 for fiscal year 1987

1 and \$66,000,000 for fiscal year 1988, to remain available
2 until expended.

3 (2) For the acquisition of additional equipment and
4 related capital improvements, \$84,000,000 for fiscal year
5 1987 and \$84,000,000 for fiscal year 1988, to remain
6 available until expended.

"(b) In order to carry out the purposes of this Act,
the Coast Guard may --

(1) recruit and train 1,500 additional active duty
military personnel;

(2) procure secure communications equipment, as needed,
for cutters, shore stations, and aircraft;

(3) operate and maintain four surveillance aircraft, if
made available by the Navy;

(4) procure, operate and maintain sea-based aerostat
balloons;

(5) equip eight HU-25A Falcon jet aircraft with air to
air radar; and

(6) take any other lawful action deemed necessary by the Secretary of Transportation or the Commandant, including the coordination of drug law enforcement activities with state, local, or other government authorities as provided under section 141 of title 14, United States Code."

7 **SEC. 405. AUTHORIZATION ENHANCEMENT.**

8 Amounts or personnel authorized by this Act are in
9 addition to any other amounts or personnel strengths
10 authorized for the Coast Guard for any fiscal year.

LUNDIN077

H. R. 5358

Introduced Aug. 7., referred solely to Banking HLC

99TH CONGRESS
2D SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

Rangel, Caccia, Levin

Mr. LUNDINE (for himself and Mr. _____) introduced the following bill; which was referred to the Committee on _____

A BILL

To facilitate the interdiction of narcotic drugs, controlled substances, and material for their manufacture from entry into the United States, reduce or eliminate the original production of narcotic drugs, controlled substances and material for their manufacture in other countries, to ensure the development and implementation of eradication programs in countries cultivating, producing, and exporting controlled substances, and for other purposes.

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

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the ``Drug Eradication Act of
3 1986``.

4 SEC. 2. FINDING AND PURPOSES.

5 (a) FINDINGS.--The Congress hereby finds the following:

6 (1) The illegal use of controlled substances by
7 citizens of the United States represents a clear,
8 present, and growing danger to the health, well-being,
9 and productivity of the American people.

10 (2) More than \$100,000,000,000 of controlled
11 substances will be sold and used by Americans in 1986 and
12 expenditures on such controlled substances will continue
13 to rise at a rate of \$10,000,000,000 per year unless
14 effective action is taken to reduce and eliminate
15 international commerce in such substances.

16 (3) Most of the controlled substances used in the
17 United States are cultivated and produced in and exported
18 from 14 developing countries to which the multilateral
19 development banks make loans.

20 (4) The monetary earnings from participation in
21 international trade in controlled substances has directly
22 contributed to the growth of an underground economy in
23 these countries which inhibits realization of legitimate
24 foreign exchange earnings and thereby exacerbates the
25 international debt crisis and the long-term economic

1 development of the developing countries.

2 (5) In order to achieve a reduction in controlled
3 substance abuse in the United States, priority must be
4 given to improved interdiction efforts, including more
5 effective interception of controlled substances being
6 imported into the United States from foreign nations, and
7 reductions in the cultivation of controlled substances or
8 raw materials for such substances in foreign nations and
9 the United States.

10 (6) Certain nations are so economically dependent on
11 commerce involving drugs and controlled substances that
12 economic, legal, and administrative assistance must be
13 targeted to those nations to wean them of their economic
14 drug dependency.

15 (7) The United States Government should take steps to
16 encourage nations in which controlled substances are
17 produced or from which controlled substances are exported
18 to develop effective programs to stop such production and
19 exportation and to seek other means of economic
20 livelihood.

21 (8) The multilateral development banks are the
22 largest single source of development finance and
23 influential providers of advice in helping establish
24 development priorities for the developing countries.

25 (9) The United States retains considerable influence

1 in the multilateral development banks and should
2 therefore use such influence to urge these institutions
3 to place increased emphasis in their lending programs and
4 use their considerable policy leverage to address the
5 problem of cultivation of controlled substances and the
6 raw materials for production of such substances.

7 (b) DECLARATION OF PURPOSE.--The Congress declares that
8 the purpose of this Act is to--

9 (1) eradicate drug cultivation and production in
10 developing countries; and

11 (2) stimulate effective action to ensure the
12 development and implementation of long-term economic
13 strategies to promote growth in developing countries
14 which is not dependent on drug trade.

15 SEC. 3. NATIONAL DRUG ERADICATION PROGRAMS IN DEVELOPING
16 COUNTRIES.

17 (a) ESTABLISHMENT OF NATIONAL DRUG ERADICATION
18 PROGRAMS.--The United States Government, in connection with
19 its voice and vote in the International Bank for
20 Reconstruction and Development, the International Development
21 Association, the Inter-American Development Bank, the African
22 Development Bank, and the Asian Development Bank (hereinafter
23 in this section referred to as the "multilateral development
24 banks"), shall promote the development and implementation,
25 by countries in which narcotic drugs and other controlled

1 substances are cultivated or produced or from which such
2 drugs or substances are exported, of clear and feasible
3 programs for the reduction and eventual eradication of
4 narcotic drugs and other controlled substances in such
5 countries.

6 (b) CRITERIA FOR PROGRAMS.--The drug eradication program
7 developed by each country referred to in subsection (a) shall
8 include--

9 (1) a detailed description of the manner in which
10 precise reductions in the amount of narcotic drugs and
11 other controlled substances known to be cultivated or
12 produced in such country will be made;

13 (2) a timetable indicating the times by which the
14 reductions described in paragraph (1) will be made; and

15 (3) a description of alternate economic activities
16 which could be implemented with the assistance and
17 support of the multilateral development banks to replace
18 the economic benefits derived from the cultivation and
19 production of controlled substances.

20 (c) MDB ASSISTANCE FOR DEVELOPMENT AND IMPLEMENTATION OF
21 PROGRAMS.--The Secretary of the Treasury shall instruct the
22 United States Executive Directors of the multilateral
23 development banks to initiate discussions with other
24 directors of their respective banks and to propose that all
25 possible assistance be provided to each country referred to

1 in subsection (a) in developing and implementing the drug
2 eradication program described in subsection (a), including
3 technical assistance, assistance in conducting feasibility
4 studies and economic analyses, and assistance for alternate
5 economic activities described in subsection (b)(3).

6 (d) DEA CERTIFICATION OF PROGRAM.--The Administrator of
7 the Drug Enforcement Administration, in consultation with the
8 Secretary of State, shall--

9 (1) examine the drug eradication program developed by
10 any country referred to in subsection (a) to determine
11 whether such drug eradication program is adequate to meet
12 the purposes of this Act; and

13 (2) if the program is determined to be adequate for
14 such purposes, certify to the Secretary of the Treasury
15 that such determination has been made.

16 (e) ANNUAL EDA REVIEW OF PROGRAM.--After a drug
17 eradication program has been certified under subsection (d),
18 the Administrator of the Drug Enforcement Administration, in
19 consultation with the Secretary of State, shall--

20 (1) review on an annual basis the implementation and
21 operation of the drug eradication program to determine
22 whether adequate progress has been made in meeting the
23 goals and the timetable established under such program;
24 and

25 (2) if adequate progress is determined to have been

1 made, certify to the Secretary of the Treasury that such
2 determination has been made.

3 (f) EXECUTIVE DIRECTORS TO VOTE AGAINST LOANS TO
4 COUNTRIES WHICH FAIL TO DEVELOP DRUG ERADICATION
5 PROGRAMS.--If, by the end of the 1-year period beginning on
6 the date of the enactment of this Act, the Secretary of the
7 Treasury has not received certification under subsection (d)

8 that a country referred to in subsection (a) has developed an
9 adequate drug eradication program, the Secretary shall
10 instruct the United States Executive Directors of the
11 multilateral development banks to vote against loans or other
12 utilization of funds of the respective banks for the benefit
13 of such country until such time as the Secretary instructs
14 such Directors that such certification has been received.

15 (g) EXECUTIVE DIRECTORS TO VOTE AGAINST LOANS TO
16 COUNTRIES WHICH FAIL TO CARRY OUT DRUG ERADICATION
17 PROGRAMS.--If, by the end of any calendar year beginning
18 after the 1-year period described in subsection (f), the
19 Secretary of the Treasury has not received certification
20 under subsection (e) (with respect to such year) that a
21 country referred to in subsection (a) is making adequate
22 progress in carrying out its drug eradication program, the
23 Secretary shall instruct the United States Executive
24 Directors of the multilateral development banks to vote
25 against loans or other utilization of funds of the respective

1 banks for the benefit of such country until such time as the
2 Secretary instructs such Directors that such certification
3 has been received.

4 (h) INCREASES IN MULTILATERAL DEVELOPMENT BANK LENDING
5 FOR CROP SUBSTITUTION PROJECTS.--The Secretary of the
6 Treasury shall instruct the United States Executive Directors
7 of the multilateral development banks to initiate discussions
8 with other Directors of their respective banks and to propose
9 that each such bank increase the amount of lending by such
10 bank for crop substitution programs which will provide an
11 economic alternative for the cultivation or production of
12 narcotic drugs or other controlled substances in countries
13 referred to in subsection (a), to the extent such countries
14 develop and maintain adequate drug eradication programs.

15 (i) NAC REPORT REQUIREMENT.--The Secretary of the
16 Treasury shall include in the annual report to the Congress
17 by the National Advisory Council on International Monetary
18 and Financial Policies a detailed accounting of the manner in
19 which and the extent to which the requirements of this
20 section have been carried out.

21 (j) DEFINITIONS.--For purposes of this section, the terms
22 "controlled substance", "narcotic drug", and "Drug
23 Enforcement Administration" have the meanings given to such
24 terms in section 102 of the Controlled Substances Act (21
25 U.S.C 802).

1 SEC. 4. CONFORMING AMENDMENTS.

2 (a) INTERNATIONAL DEVELOPMENT ASSOCIATION ACT
3 AMENDMENT.--Section 13 of the International Development
4 Association Act (22 U.S.C. 284 et seq.) is amended--

5 (1) by striking out ``the President has made a
6 determination, and so notified`` and inserting in lieu
7 thereof ``the Administrator of the Drug Enforcement
8 Administration, in consultation with the Secretary of
9 State, has certified to``; and

10 (2) by striking out ``the President determines, and
11 so notifies`` and inserting in lieu thereof ``the
12 Administrator of the Drug Enforcement Administration, in
13 consultation with the Secretary of State, certifies to``.

14 (b) INTER-AMERICAN BANK ACT AMENDMENT.--Section 22 of the
15 Inter-American Development Bank Act (22 U.S.C. 283 et seq.)
16 is amended--

17 (1) by striking out ``the President has made a
18 determination, and so notified`` and inserting in lieu
19 thereof ``the Administrator of the Drug Enforcement
20 Administration, in consultation with the Secretary of
21 State, has certified to``; and

22 (2) by striking out ``the President determines, and
23 so notifies`` and inserting in lieu thereof ``the
24 Administrator of the Drug Enforcement Administration, in
25 consultation with the Secretary of State, certifies to``.

1 (c) ASIAN DEVELOPMENT BANK ACT AMENDMENT.--Section 19 of
2 the Asian Development Bank Act (22 U.S.C. 285) is amended--

3 (1) by striking out ``the President has made a
4 determination, and so notified`` and inserting in lieu
5 thereof ``the Administrator of the Drug Enforcement
6 Administration, in consultation with the Secretary of
7 State, has certified to``; and

8 (2) by striking out ``the President determines, and
9 so notifies`` and inserting in lieu thereof ``the
10 Administrator of the Drug Enforcement Administration, in
11 consultation with the Secretary of State, certifies to``.

12 (d) AFRICAN DEVELOPMENT BANK ACT AMENDMENT.--The African
13 Development Bank Act (22 U.S.C. 290i et seq.) is amended by
14 adding at the end thereof the following new section:

15 ``SEC. 1343. PREVENTION OF EXPORTS OF CONTROLLED SUBSTANCES
16 OR SALE TO UNITED STATES PERSONNEL.

17 ``The Secretary of the Treasury shall instruct the United
18 States Executive Director of the African Development Bank to
19 vote against any loan or other utilization of funds of the
20 Bank for the benefit of any country with respect to which the
21 Administrator of the Drug Enforcement Administration, in
22 consultation with the Secretary of State, has certified to
23 the Secretary of the Treasury that the government of such
24 country has failed to take adequate steps to prevent narcotic
25 drugs and other controlled substances (as such terms are

1 defined by the Controlled Substances Act) produced or
2 processed (in whole or in part) in or transported through
3 such country from being sold illegally within the
4 jurisdiction of such country to United States Government
5 personnel or their dependents, or from entering the United
6 States unlawfully. Such instruction shall remain in effect
7 until the Administrator of the Drug Enforcement
8 Administration, in consultation with the Secretary of State,
9 certifies to the Secretary of the Treasury that the
10 government of such country has taken adequate steps to
11 prevent such sale or entry of narcotic drugs and other
12 controlled substances."

COMPREHENSIVE MONEY LAUNDERING PREVENTION ACT

AUGUST 5, 1986.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

MR. ST GERMAIN, from the Committee on Banking, Finance and Urban Affairs, submitted the following

REPORT

[To accompany H.R. 5176]

[Including cost estimate of the Congressional Budget Office]

together with

SUPPLEMENTAL VIEWS

The Committee on Banking, Finance and Urban Affairs, to whom was referred the bill (H.R. 5176) to amend title 31, United States Code, to establish new requirements and procedures in order to combat money laundering, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Comprehensive Money Laundering Prevention Act".

SEC. 2. STRUCTURING TRANSACTIONS TO EVADE REPORTING REQUIREMENTS PROHIBITED.

(a) IN GENERAL.—Subchapter II of chapter 53 of title 31, United States Code (relating to records and reports on monetary instruments transactions) is amended by adding at the end thereof the following new section:

"§ 5324. Structuring transactions to evade reporting requirement prohibited

"No person shall—

"(1) cause or attempt to cause a domestic financial institution to fail to file a report required under section 5313(a);

"(2) cause or attempt to cause a domestic financial institution to file a report required under section 5313(a) that contains a material omission or misstatement of fact; or

"(3) structure or assist in structuring, or attempt to structure or assist in structuring, any transaction with one or more domestic financial institutions for the purpose of evading the reporting requirements of section 5313(a) with respect to such transaction."

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

"5324. Structuring transactions to evade reporting requirement prohibited."

SEC. 1. SEIZURE AND CIVIL FORFEITURE OF MONETARY INSTRUMENTS.

(a) FAILURE TO REPORT EXPORT OR IMPORT OF MONETARY INSTRUMENT.—The first sentence of section 5317(c) of title 31, United States Code (relating to seizure and forfeiture of monetary instruments in foreign commerce) is amended to read as follows: "If a report required under section 5316 with respect to any monetary instrument is not filed (or if filed, contains a material omission or misstatement of fact), the instrument and any interest in property, including a deposit in a financial institution, traceable to such instrument may be seized and forfeited to the United States Government."

(b) SEIZURE AND CIVIL FORFEITURE OF MONETARY INSTRUMENTS INVOLVED IN STRUCTURED TRANSACTION VIOLATION.—Section 5317 of title 31, United States Code, is amended by adding at the end thereof the following new subsection:

"(d) SEIZURE AND CIVIL FORFEITURE OF MONETARY INSTRUMENTS INVOLVED IN STRUCTURED TRANSACTION VIOLATION.—

"(1) IN GENERAL.—Any—

"(A) United States coins or currency (or such other monetary instrument as the Secretary of the Treasury may prescribe by regulation) involved in any violation of section 5313(a) or 5324; and

"(B) interest in property, including a deposit in a financial institution, traceable to such coins or currency (or other monetary instrument), may be seized and forfeited to the United States Government in the manner provided in subchapter C of chapter 75 of the Internal Revenue Code of 1954.

"(2) EXCEPTION.—Paragraph (1) shall not apply if the owner of the property or the interest in property otherwise subject to seizure and forfeiture under paragraph (1) is—

"(A) a bona fide purchaser for value who took without notice of the violation;

"(B) a depository institution (as such term is defined in section 19(b)(1)(A) of the Federal Reserve Act); or

"(C) a financial institution regulated by the Securities and Exchange Commission.

"(3) HOLDS ON PROPERTY HELD BY FINANCIAL INSTITUTIONS.—Any—

"(A) United States coins or currency (and such other monetary instruments as the Secretary of the Treasury may prescribe by regulation); and

"(B) other interest in property, including any deposit,

which is in the possession or custody of any financial institution shall be held by such financial institution for a period of 15 days upon receipt of notice (in such form and in such manner as the Secretary shall prescribe) from the Secretary of the Treasury's intent to seize such coin or currency, instrument, or other property under this subsection.

"(4) SEIZURE OF PROPERTY HELD BY FINANCIAL INSTITUTIONS.—Upon a showing by the Secretary of the Treasury that there is probable cause to believe that any coin or currency, monetary instrument, or other interest in property, including any deposit, which is in the possession or custody of any financial institution is subject to forfeiture under paragraph (1), the district court of the United States for the district in which such property is held may issue an order authorizing the Secretary to seize such property.

"(5) EXEMPTION FROM LIABILITY FOR IMPOSITION OF HOLD.—The United States, any agency, department, or employee of the United States, any financial institution, and any officer, director, or employee of a financial institution shall be exempt from any liability to any other person which may otherwise arise for interest, damages, or any other type of compensation or relief, including injunctive and declaratory relief, in connection with or as a result of a hold being placed upon any property under paragraph (3).

(b) LIABILITY OF FINANCIAL INSTITUTION TO THE UNITED STATES FOR FAILURE TO COMPLY.—Any financial institution which—

"(A) receives a notice under paragraph (3) with respect to any property interest in property; and

"(B) after receipt of such notice, fails or refuses to hold, without reasonable cause, such property or interests until the earlier of—

"(i) the expiration of the 15-day period described in paragraph (3);

"(ii) the presentation by the Secretary of a court order issued under paragraph (4),

shall be liable to the United States for an amount which is equal to the value of the property or interests which such institution failed or refused to hold."

(c) TECHNICAL AND CONFORMING AMENDMENTS TO INTERNAL REVENUE CODE OF 1954.—

(1) Section 7302 of the Internal Revenue Code of 1954 (relating to property seized in violation of internal revenue laws) is amended by adding at the end thereof the following new sentence: "The second and fourth sentences hereby extended to coins, currency, and other monetary instruments (and to interests in property traceable to such instruments) seized pursuant to section 5317 of title 31, United States Code."

(2) The heading for such section 7302 is amended by inserting "OR TITLE 31, UNITED STATES CODE" after "REVENUE LAWS".

(3) Section 7321 of the Internal Revenue Code of 1954 (relating to authority to seize property subject to forfeiture) is amended by inserting "and any coins, currency, or other monetary instrument (and any interest in property traceable to such instrument) subject to forfeiture under section 5317 of title 31, United States Code," after "this title".

(4) Section 7327 of the Internal Revenue Code of 1954 (relating to applicability of customs laws) is amended by inserting "and to forfeitures of coins, currency, and other monetary instruments (or interests in property traceable to such instruments) incurred or alleged to have been incurred under section 5317 of title 31, United States Code (except that, in the case of forfeitures under such section 5317, the customs laws shall apply only to the extent such laws are not inconsistent with any applicable provision of such section)" before the period.

(5) Section 7608(b)(1) of the Internal Revenue Code of 1954 (relating to authority of internal revenue enforcement officers to enforce certain internal revenue laws) is amended—

(A) by striking out "internal revenue laws or" and inserting in lieu thereof "internal revenue laws,"; and

(B) by inserting ", or any provision of section 5317 of title 31, United States Code, relating to seizures and forfeitures of coins, currency, or other monetary instruments (and interests in property traceable to such instruments)" after "responsible".

(6) Section 7608(b)(2) of the Internal Revenue Code of 1954 (relating to functions authorized to be performed by internal revenue enforcement officers) is amended—

(A) by adding at the end thereof the following new subparagraph:

"(D) to make seizures of coins, currency, and other monetary instruments (and interests in property traceable to such instruments) subject to forfeiture under section 5317 of title 31, United States Code.";

(B) by striking out "and" at the end of subparagraph (B); and

(C) by striking out the period at the end of subparagraph (C) and inserting in lieu thereof "; and".

(7) The item relating to section 7302 in the table of sections for part I of subchapter C of chapter 75 of the Internal Revenue Code of 1954 is amended by inserting "or title 31, United States Code" after "revenue laws".

SEC. 4. CIVIL MONEY PENALTY FOR STRUCTURED TRANSACTION VIOLATION.

(a) IN GENERAL.—Section 5321(a) of title 31, United States Code, is amended by adding at the end thereof the following new paragraph:

"(4) STRUCTURED TRANSACTION VIOLATION.—

"(A) PENALTY AUTHORIZED.—The Secretary of the Treasury may impose a civil money penalty on any person who knowingly or with reckless disregard for the provisions of section 5324 violates any provision of section 5324.

"(B) MAXIMUM AMOUNT LIMITATION.—The amount of any civil money penalty imposed under subparagraph (A) shall not exceed the amount of the coins or currency (or such other monetary instruments as the Secretary may prescribe) involved in the transaction with respect to which such penalty is imposed.

(C) COORDINATION WITH FORFEITURE PROVISION.—The money penalty imposed by the Secretary under subparagraph (A) shall be reduced by the amount of any forfeiture to the United States under section 5317(d) in connection with the transaction with respect to which such penalty is imposed."

(b) CONFORMING AMENDMENT.—Section 5321(c) of title 31, United States Code, is amended by striking out "section 5317(b)" and inserting in lieu thereof "subsection (c) or (d) of section 5317".

SEC. 8. BANKING REGULATORY AGENCY SUPERVISION OF RECORDKEEPING SYSTEMS.

(a) INSURED BANKS.—

(1) IN GENERAL.—Section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818) is amended by adding at the end thereof the following new subsection:

"(a) COMPLIANCE WITH MONETARY TRANSACTION RECORDKEEPING AND REPORT REQUIREMENTS.—

"(1) COMPLIANCE PROCEDURES REQUIRED.—Each appropriate Federal banking agency shall prescribe regulations requiring insured banks to establish and maintain procedures reasonably designed to assure and monitor the compliance of such banks with the requirements of subchapter II of chapter 53 of title 31, United States Code.

"(2) EXAMINATIONS OF BANK TO INCLUDE REVIEW OF COMPLIANCE PROCEDURES.—

"(A) IN GENERAL.—Each examination of an insured bank by the appropriate Federal banking agency shall include a review of the procedures required to be established and maintained under paragraph (1).

"(B) EXAM REPORT REQUIREMENT.—The report of examination shall describe any problem with the procedures maintained by the insured bank.

"(3) ORDER TO COMPLY WITH REQUIREMENTS.—If the appropriate Federal banking agency determines that an insured bank—

"(A) has failed to establish and maintain the procedures described in paragraph (1); or

"(B) has failed to correct any problem with the procedures maintained by such bank which was previously reported to the bank by such agency, the agency shall issue an order in the manner prescribed in subsection (b) or (c) requiring such bank to cease and desist from its violation of this subsection or regulations prescribed under this subsection."

(2) CIVIL MONEY PENALTIES FOR FAILURE TO MAINTAIN COMPLIANCE PROCEDURES.—Section 8(i)(2)(i) of the Federal Deposit Insurance Act (12 U.S.C. 1818(i)(2)(i)) is amended by striking out "subsection (b) or (c)" and inserting in lieu thereof "subsection (b), (c), or (a)".

(b) INSTITUTIONS REGULATED BY THE BANK BOARD.—

(1) IN GENERAL.—Section 5(d) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(d)) is amended by adding at the end thereof the following new paragraph:

"(16) COMPLIANCE WITH MONETARY TRANSACTION RECORDKEEPING AND REPORT REQUIREMENTS.—

"(A) COMPLIANCE PROCEDURES REQUIRED.—The Board shall prescribe regulations requiring associations to establish and maintain procedures reasonably designed to assure and monitor the compliance of such associations with the requirements of subchapter II of chapter 53 of title 31, United States Code.

"(B) EXAMINATIONS OF ASSOCIATIONS TO INCLUDE REVIEW OF COMPLIANCE PROCEDURES.—

"(i) IN GENERAL.—Each examination of an association by the Board shall include a review of the procedures required to be established and maintained under subparagraph (A).

"(ii) EXAM REPORT REQUIREMENT.—The report of examination shall describe any problem with the procedures maintained by the association.

"(C) ORDER TO COMPLY WITH REQUIREMENTS.—If the Board determines that an association—

"(i) has failed to establish and maintain the procedures described in subparagraph (A); or

"(ii) has failed to correct any problem with the procedures maintained by such association which was previously reported to the association by the Board,

the Board shall issue an order in the manner prescribed in paragraph (2) or (3) requiring such association to cease and desist from its violation of this paragraph or regulations prescribed under this paragraph."

Section 1464(d)(8)(B)(i) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(d)(8)(B)(i)) is amended by striking out "paragraph (2) or (3)" and inserting in lieu thereof "paragraph (2), (3), or (16)".

(c) INSURED THIRIFT INSTITUTIONS.—

(1) IN GENERAL.—Section 407 of the National Housing Act (12 U.S.C. 1707) is amended by adding at the end thereof the following new subsection:

"(8) COMPLIANCE WITH MONETARY TRANSACTION RECORDKEEPING AND REPORT REQUIREMENTS.—

"(1) COMPLIANCE PROCEDURES REQUIRED.—The Corporation shall prescribe regulations requiring insured institutions to establish and maintain procedures reasonably designed to assure and monitor the compliance of such institutions with the requirements of subchapter II of chapter 53 of title 31, United States Code.

"(2) EXAMINATIONS OF INSTITUTIONS TO INCLUDE REVIEW OF COMPLIANCE PROCEDURES.—

"(A) IN GENERAL.—Each examination of an insured institution by the Corporation shall include a review of the procedures required to be established and maintained under paragraph (1).

"(B) EXAM REPORT REQUIREMENT.—The report of examination shall describe any problem with the procedures maintained by the insured institution.

"(3) ORDER TO COMPLY WITH REQUIREMENTS.—If the Corporation determines that an insured institution—

"(A) has failed to establish and maintain the procedures described in paragraph (1); or

"(B) has failed to correct any problem with the procedures maintained by such institution which was previously reported to the institution by the Corporation,

the Corporation shall issue an order in the manner prescribed in subsection (b) or (f) requiring such institution to cease and desist from its violation of this section or regulations prescribed under this subsection."

(2) CIVIL MONEY PENALTIES FOR FAILURE TO MAINTAIN COMPLIANCE PROCEDURES.—Section 407(k)(3)(A) of the National Housing Act (12 U.S.C. 1707(k)(3)(A)) is amended by striking out "subsection (e) or (f) of this section shall forfeit" and inserting in lieu thereof "subsection (e), (f), or (a) of this section shall forfeit".

(d) INSURED CREDIT UNIONS.—

(1) IN GENERAL.—Section 206 of the Federal Credit Union Act (12 U.S.C. 1766) is amended by adding at the end thereof the following new subsection:

"(q) COMPLIANCE WITH MONETARY TRANSACTION RECORDKEEPING AND REPORT REQUIREMENTS.—

"(1) COMPLIANCE PROCEDURES REQUIRED.—The Board shall prescribe regulations requiring insured credit unions to establish and maintain procedures reasonably designed to assure and monitor the compliance of such credit unions with the requirements of subchapter II of chapter 53 of title 31, United States Code.

"(2) EXAMINATIONS OF CREDIT UNIONS TO INCLUDE REVIEW OF COMPLIANCE PROCEDURES.—

"(A) IN GENERAL.—Each examination of an insured credit union by the Board shall include a review of the procedures required to be established and maintained under paragraph (1).

"(B) EXAM REPORT REQUIREMENT.—The report of examination shall describe any problem with the procedures maintained by the credit union.

"(3) ORDER TO COMPLY WITH REQUIREMENTS.—If the Board determines that an insured credit union—

"(A) has failed to establish and maintain the procedures described in paragraph (1); or

"(B) has failed to correct any problem with the procedures maintained by such credit union which was previously reported to the credit union by the Board,

the Board shall issue an order in the manner prescribed in subsection (a) or (f) requiring such credit union to cease and desist from its violation of this section or regulations prescribed under this subsection."

(2) CIVIL MONEY PENALTIES FOR FAILURE TO MAINTAIN COMPLIANCE PROCEDURES.—Section 206(k)(2)(A) of the Federal Credit Union Act (12 U.S.C. 1766(k)(2)(A)) is amended by striking out "subsection (e) or (f) of this section shall forfeit" and inserting in lieu thereof "subsection (e), (f), or (a) of this section shall forfeit".

1786(k)(2)(A) (as in effect on July 1, 1986) is amended by striking out "subsection (e) or (f)" and inserting in lieu thereof "subsection (e), (f), or (g)".

SEC. 4. FINANCIAL INSTITUTIONS AND MONETARY INSTRUMENTS.

(a) **DEFINITION OF FINANCIAL INSTITUTIONS INCLUDES FOREIGN SUBSIDIARIES OF U.S. INSTITUTIONS.**—Section 5312(a)(2) of title 31, United States Code (defining financial institutions) is amended—

(1) by redesignating subparagraphs (T) and (U) as subparagraphs (U) and (V), respectively; and

(2) by inserting after subparagraph (S) the following new subparagraph:

"(T) any foreign subsidiary or affiliate, as defined by the Secretary of the Treasury, of any entity described in this paragraph;"

(b) **DEFINITION OF MONETARY INSTRUMENTS INCLUDES SUCH OTHER TRANSFERS AS THE SECRETARY MAY PRESCRIBE.**—Section 5312(a)(3) of title 31, United States Code (defining monetary instruments) is amended—

(1) by adding at the end thereof the following new subparagraph:

"(C) as the Secretary may prescribe by regulation, any transfer of funds;"

(2) by striking out "and" at the end of subparagraph (A); and

(3) by striking out the period at the end of subparagraph (B) and inserting in lieu thereof "; and".

(c) **UNITED STATES AGENCIES INCLUDES THE POSTAL SERVICE.**—Section 5312(a)(2)(U) of title 31, United States Code (defining financial institutions) (as redesignated by subsection (a)) is amended by inserting before the semicolon at the end the following: ", including the United States Postal Service".

SEC. 7. ADDITIONAL REVIEW TIME UNDER THE CHANGE IN BANK CONTROL ACT AND CHANGE IN SAVINGS AND LOAN CONTROL ACT.

(a) **CHANGE IN BANK CONTROL AMENDMENTS.**—

(1) **INITIAL EXTENSION AT DISCRETION OF AGENCY.**—The first sentence of section 7(j)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)(1)) is amended by striking out "or extending for up to another thirty days" and inserting in lieu thereof "or, in the discretion of the agency, extending for an additional 30 days".

(2) **ADDITIONAL EXTENSIONS IN CASE OF INCOMPLETE OR INACCURATE NOTICE OR TO CONTINUE INVESTIGATION.**—The second sentence of section 7(j)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)(1)) is amended to read as follows: "The period for disapproval under the preceding sentence may be extended not to exceed 2 additional times for not more than 45 days each time if—

"(A) the agency determines that any acquiring party has not furnished all the information required under paragraph (6);

"(B) in the agency's judgment, any material information submitted is substantially inaccurate;

"(C) the agency has been unable to complete the investigation of an acquiring party under paragraph (2)(B) because of any delay caused by, or the inadequate cooperation of, such acquiring party; or

"(D) the agency determines that additional time is needed to investigate and determine that no acquiring party has a record of failing to comply with the requirements of subchapter II of chapter 53 of title 31, United States Code.".

(b) **CHANGE IN SAVINGS AND LOAN CONTROL AMENDMENTS.**—

(1) **INITIAL EXTENSION AT DISCRETION OF AGENCY.**—The first sentence of section 407(q)(1) of the National Housing Act (12 U.S.C. 1730(q)(1)) is amended by striking out "or extending up to another thirty days" and inserting in lieu thereof "or, in the discretion of the Corporation, extending for an additional 30 days".

(2) **ADDITIONAL EXTENSIONS IN CASE OF INCOMPLETE OR INACCURATE NOTICE OR TO CONTINUE INVESTIGATION.**—The second sentence of section 407(q)(1) of the National Housing Act (12 U.S.C. 1730(q)(1)) is amended to read as follows: "The period for disapproval under the preceding sentence may be extended not to exceed 2 additional times for not more than 45 days each time if—

"(A) the Corporation determines that any acquiring party has not furnished all the information required under paragraph (6);

"(B) in the Corporation's judgment, any material information submitted is substantially inaccurate;

"(C) the Corporation has been unable to complete the investigation of an acquiring party under paragraph (2)(B) because of any delay caused by, or the inadequate cooperation of, such acquiring party; or

"(D) the Corporation determines that additional time is needed to invest and determine that no acquiring party has a record of failing to comply with the requirements of subchapter II of chapter 53 of title 31, United States Code.

SEC. 8. MONETARY TRANSACTION RECORDKEEPING AND REPORTING AMENDMENTS.

(a) **SECRETARY AUTHORIZED TO REQUIRE RECORDKEEPING FOR DOMESTIC COIN CURRENCY TRANSACTIONS.**—Subchapter II of chapter 53 of title 31, United States Code (relating to records and reports on monetary instruments transactions amended by section 2(a)) is amended by adding at the end thereof the following section:

"§ 5325. Records of certain domestic coin and currency transactions

"(a) **RECORDS AUTHORIZED TO BE REQUIRED UNDER PARTICULAR CIRCUMSTANCES.**—Under such circumstances as the Secretary of the Treasury may prescribe by regulation, the Secretary may issue an order requiring any domestic financial institution—

"(1) to obtain such information as the Secretary may describe in such order concerning—

"(A) any transaction in which such financial institution is involved the payment, receipt, or transfer of United States coins or currency such other monetary instruments as the Secretary may describe in such order in amounts or denominations of \$3,000 or more; and

"(B) any other person participating in such transaction;

"(2) to maintain a record of such information for such period of time as the Secretary may require; and

"(3) to file a report with respect to any transaction described in paragraph (1)(A) in the manner and to the extent specified in the order.

"(b) **RECORDS REQUIRED FOR CERTAIN CASH TRANSACTIONS INVOLVING MORE THAN \$3,000.**—

"(1) **IN GENERAL.**—Whenever a domestic financial institution issues or sells a bank check, cashier's check, traveler's check, or money order in connection with a transaction which involves United States coins or currency in amounts or denominations of more than \$3,000, such financial institution shall—

"(A) prepare and maintain, on a form prescribed by the Secretary of the Treasury, a record containing the information described in paragraph (1) with respect to each such transaction;

"(B) obtain any information which is necessary for such record from the person to whom such check or money order is issued or sold; and

"(C) obtain the signature of such person on such record.

"(2) **INFORMATION REQUIRED TO BE OBTAINED FOR RECORD.**—The record required to be prepared under paragraph (1) with respect to any transaction shall contain the following information:

"(A) The identity of the person to whom a check or money order described in paragraph (1) is issued or sold.

"(B) The date, amount, number, and type of such check or money order.

"(C) The method of payment for such check or money order by the person to whom such check or money order is issued or sold.

"(D) The aggregate amount of checks or money orders described in paragraph (1) which were issued or sold to or on behalf of such person (by such financial institution) on the business day on which such transaction occurred to the extent such aggregate amount exceeds \$10,000.

"(E) The name of the payee of such check or money order.

"(F) Such other information as the Secretary may prescribe.

"(3) **REPORT REQUIRED IN CERTAIN CASES.**—

"(A) **IN GENERAL.**—If, in the case of a transaction with respect to which a record is required to be prepared by a financial institution under paragraph (1)—

"(i) the aggregate amount described in paragraph (2)(D) is greater than \$10,000; or

"(ii) the person to whom a check or money order described in paragraph (1) is issued or sold refuses to provide the information necessary to determine such aggregate amount,

the transaction shall be treated as a transaction with respect to which a report is required to be filed under section 5313(a).

"(B) **RECORD REQUIRED TO BE FILED WITH REPORT.**—The record prepared under paragraph (1) shall be filed with the report required under subparagraph (A) of this paragraph.

"(C) NOTICE OF FAILURE TO PROVIDE AGGREGATE AMOUNT.—If a report is required under this paragraph because the person described in subparagraph (A)(ii) refused to provide the information required for purposes of paragraph (2)(D), the report shall include a notice of such refusal."

(b) INFORMATION REQUIREMENTS.—Subchapter II of chapter 53 of title 31, United States Code (as amended by subsection (a)) is amended by adding at the end thereof the following new section:

"§ 5326. Information requirements

"In each case in which a person is required to provide any information to a domestic financial institution or other person under any provision of this subchapter or any regulation prescribed under this subchapter, the information provided by such person shall be complete and accurate with respect to all material facts."

(c) CLERICAL AMENDMENT.—The table of sections for chapter 53 of title 31, United States Code (as amended by section 2(b)) is amended by adding at the end thereof the following new items:

"5325. Records of certain domestic coin and currency transactions.

"5326. Information requirements."

SEC. 9. CLARIFICATION OF "STATE OF MIND" STANDARD IN EFFECT FOR CIVIL MONEY AND CRIMINAL PENALTIES.

(a) CIVIL MONEY PENALTIES.—Section 5321(a)(1) of title 31, United States Code, is amended by striking out "willfully violating" and inserting in lieu thereof "who knowingly or with reckless disregard for a provision of this subchapter violates".

(b) CRIMINAL PENALTIES.—Subsections (a) and (b) of section 5322 of title 31, United States Code, are each amended by striking out "willfully" and inserting in lieu thereof "knowingly".

SEC. 10. AMENDMENTS TO THE RIGHT TO FINANCIAL PRIVACY ACT.

(a) CLARIFICATION OF RIGHT OF FINANCIAL INSTITUTIONS TO REPORT SUSPECTED VIOLATIONS.—Section 1103(c) of the Right to Financial Privacy Act of 1978 (12 U.S.C. 3403(c)) is amended by adding at the end thereof the following new sentences: "The information which a financial institution, or any officer, employee, or agent of a financial institution, may provide under this subsection shall be limited to the names, addresses, and account numbers of persons, information concerning the persons and acts involved in any possible violation, and the nature of and a description of the possible violation. No information provided under this subsection may include financial records or, except to the extent provided in the preceding sentence, information identified with, or identifiable as being derived from, the financial record of any particular customer. Such information may be so disclosed notwithstanding the constitution of any State or any State or local law."

(b) FINANCIAL RECORDS OF INSIDERS.—Section 1113 of the Right to Financial Privacy Act of 1978 (12 U.S.C. 3413) is amended by adding at the end thereof the following new subsection:

"(1) CRIMES AGAINST FINANCIAL INSTITUTIONS BY INSIDERS.—Nothing in this title shall prohibit any financial institution or supervisory agency from providing any financial record of any officer, director, employee, or controlling shareholder (within the meaning of subparagraph (A) or (B) of section 2(a)(2) of the Bank Holding Company Act of 1956 or subparagraph (A) or (B) of section 408(a)(2) of the National Housing Act) of such institution to the Attorney General of the United States; to a State law enforcement agency, or, in the case of a possible violation of subchapter II of chapter 53 of title 31, United States Code, to the Secretary of the Treasury if there is reason to believe that such record is relevant to a possible violation by such individual of—

"(1) any law relating to crimes against financial institutions or supervisory agencies by directors, officers, employees, or controlling shareholders of financial institutions; or

"(2) any provision of subchapter II of chapter 53 of title 31, United States Code."

SEC. 11. COMPLIANCE AUTHORITY FOR SECRETARY OF THE TREASURY AND RELATED MATTERS.

(a) IN GENERAL.—Section 5318 of title 31, United States Code, is amended—

(1) by inserting "(a) GENERAL POWERS OF SECRETARY.—" before "The Secretary of the Treasury";

(2) in paragraph (1), by inserting "except as provided in subsection (b)(2)," before "delegate";

(3) by striking out "and" at the end of paragraph (2);

(4) by inserting after paragraph (2) the following:

"(3) examine any books, papers, records, or other data of financial institution relevant to the recordkeeping or reporting requirements of this subchapter.

"(4) summon a financial institution, an officer or employee of a financial institution (including a former officer or employee), or any person having possession, custody, or care of the reports and records required under this subchapter to appear before the Secretary of the Treasury or his delegate at a place named in the summons and to produce such books, papers, records, or other data, and to give testimony, under oath, as may be relevant or material to an investigation described in subsection (b); and";

(5) by redesignating paragraph (3) as paragraph (5); and

(6) by adding at the end the following new subsections:

"(b) LIMITATIONS ON SUMMONS POWER.—

"(1) SCOPE OF POWER.—The Secretary of the Treasury may take any action described in paragraph (3) or (4) of subsection (a) only in connection with investigations for the purpose of civil enforcement of violations of this subchapter or section 21 of the Federal Deposit Insurance Act, section 411 of the National Housing Act, or chapter 2 of Public Law 91-508 (12 U.S.C. 1951 et seq.) or any regulation under any such provision.

"(2) AUTHORITY TO ISSUE.—A summons may be issued under subsection (a) only by, or with the approval of, the Secretary of the Treasury or a superior level delegate of the Secretary of the Treasury.

"(c) ADMINISTRATIVE ASPECTS OF SUMMONS.—

"(1) PRODUCTION AT DESIGNATED SITE.—A summons issued pursuant to this section may require that books, papers, records, or other data stored or maintained at any place be produced at any designated location in any State or in any territory or other place subject to the jurisdiction of the United States not more than 500 miles distant from any place where the financial institution or person conducts business in the United States.

"(2) FEES AND TRAVEL EXPENSES.—Persons summoned under this section shall be paid the same fees and mileage for travel in the United States that are payable to witnesses in the courts of the United States.

"(3) NO LIABILITY FOR EXPENSES.—The United States shall not be liable for expenses, other than an expense described in paragraph (2), incurred in connection with the production of books, papers, records, or other data under this section.

"(d) SERVICE OF SUMMONS.—Service of a summons issued under this section shall be by registered mail or in such other manner calculated to give actual notice. The Secretary may prescribe by regulation.

"(e) CONTEMPT OR REFUSAL.—

"(1) REFERRAL TO ATTORNEY GENERAL.—In case of contumacy by a person summoned under paragraph (3) or (4) of subsection (a) or a refusal of such person to obey such summons, the Secretary of the Treasury shall refer the matter to the Attorney General.

"(2) JURISDICTION OF COURT.—The Attorney General may invoke the jurisdiction of any court of the United States within the jurisdiction of which—

"(A) the investigation which gave rise to the summons is being conducted;

"(B) the person summoned is an inhabitant; or

"(C) the person summoned carries on business or may be found,

to compel compliance with the summons.

"(3) COURT ORDER.—The court may issue an order requiring the person summoned to appear before the Secretary or his delegate to produce books, papers, records, and other data, to give testimony as may be necessary to explain such material was compiled and maintained, and to pay the costs of the proceeding.

"(4) FAILURE TO COMPLY WITH ORDER.—Any failure to obey the order of the court may be punished by the court as a contempt thereof.

"(5) SERVICE OF PROCESS.—All process in any case under this subsection shall be served in any judicial district in which such person may be found."

(b) CONFORMING AMENDMENT.—Sections 5321 and 5322 of title 31, United States Code, are each amended by striking out "5318(2)" each place such term appears and inserting in lieu thereof "5318(a)(2)".

SEC. 12. AMENDMENTS RELATING TO EXEMPTIONS GRANTED FOR MONETARY TRANSACTIONS REPORTING REQUIREMENTS.

Section 5318 of title 31, United States Code (as amended by section 11) is amended by adding at the end thereof the following new subsections:

"(f) REVIEW OF EXEMPTIONS.—In any case in which there is a change in management or control of a financial institution, the Secretary of the Treasury shall review each currently outstanding exemption granted by such institution under subsection (a)(3) not later than 30 days after the date such change in management or control occurs.

"(g) WRITTEN AND SIGNED STATEMENT REQUIRED.—No person shall qualify for an exemption under subsection (a)(5) unless the relevant financial institution—

"(1) prepares and maintains a statement which—

"(A) describes in detail the reasons why such person is qualified for such exemption; and

"(B) contains the signature of such person; and

"(2) certifies to the Secretary that such person is qualified for such exemption."

SEC. 13. PENALTIES FOR FAILURE TO COMPLY WITH CERTAIN RECORDKEEPING REQUIREMENTS.

(a) INSURED BANKS.—Section 21 of the Federal Deposit Insurance Act (12 U.S.C. 1829b) is amended by adding at the end thereof the following new subsection:

"(j) CIVIL AND CRIMINAL PENALTIES.—

"(1) CIVIL PENALTY.—Any insured bank and any director, officer, or employee of an insured bank who knowingly or with reckless disregard for any regulation prescribed under subsection (b) of this section violates any such regulation shall be liable to the United States for a civil penalty of not more than \$10,000. Any penalty imposed under this paragraph shall be assessed, mitigated, and collected in the manner provided in subsections (b) and (c) of section 5321 of title 31, United States Code.

"(2) CRIMINAL PENALTY.—Whoever knowingly violates subsection (b) of this section or any regulation prescribed under such subsection shall be fined not more than \$250,000 or imprisoned for not more than 5 years, or both."

(b) INSURED INSTITUTIONS.—Section 411 of the National Housing Act (12 U.S.C. 1730d) is amended by adding at the end thereof the following new sentence: "The penalties provided in subsection (j) of section 21 of the Federal Deposit Insurance Act for violations of any regulation prescribed under subsection (b) of such section shall apply with respect to any violation of any regulation prescribed under this section which corresponds to the regulation prescribed under such subsection (b)."

SEC. 14. EXTENSION OF TIME LIMITATIONS FOR ASSESSMENT OF CIVIL PENALTY.

(a) IN GENERAL.—Section 5321(b) of title 31, United States Code, is amended to read as follows:

"(b) TIME LIMITATIONS FOR ASSESSMENTS AND COMMENCEMENT OF CIVIL ACTIONS.—

"(1) ASSESSMENTS.—The Secretary of the Treasury may assess a civil penalty under subsection (a) at any time before the end of the 6-year period beginning on the date of the transaction with respect to which the penalty is assessed.

"(2) CIVIL ACTIONS.—The Secretary may commence a civil action to recover a civil penalty assessed under subsection (a) at any time before the end of the 2-year period beginning on the later of—

"(A) the date the penalty was assessed; or

"(B) the date any judgment becomes final in any criminal action under section 5322 in connection with the same transaction with respect to which the penalty is assessed."

SEC. 15. DUTY TO INVESTIGATE APPLICANTS FOR CHANGE IN CONTROL APPROVAL.

(a) CHANGE IN BANK CONTROL AMENDMENTS.—Section 7(j)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)(2)) is amended—

(1) by striking out "(2)" and inserting in lieu thereof "(2)(A) NOTICE TO STATE AGENCY.—"; and

(2) by adding at the end thereof the following new subparagraphs:

"(B) INVESTIGATION OF PRINCIPALS REQUIRED.—Upon receiving any notice under this subsection, the appropriate Federal banking agency shall—

"(i) conduct an investigation of the competence, experience, integrity, and financial ability of each person named in a notice of a proposed acquisition as a person by whom or for whom such acquisition is to be made; and

"(ii) make an independent determination of the accuracy and completeness of any information described in paragraph (6) with respect to such person.

"(C) REPORT.—The appropriate Federal banking agency shall prepare a written report of any investigation under subparagraph (B) which shall contain, at a minimum, a summary of the results of such investigation. The agency shall retain such written report as a record of the agency."

(b) CHANGE IN SAVINGS AND LOAN CONTROL AMENDMENTS.—Section 407(q)(2) National Housing Act (12 U.S.C. 1730(q)(2)) is amended—

(1) by striking out "(2)" and inserting in lieu thereof "(2)(A) NOTICE TO AGENCY.—"; and

(2) by adding at the end thereof the following new subparagraphs:

"(B) INVESTIGATION OF PRINCIPALS REQUIRED.—Upon receiving any notice under this subsection, the Corporation shall—

"(i) conduct an investigation of the competence, experience, integrity, and financial ability of each person named in a notice of a proposed acquisition as a person by whom or for whom such acquisition is to be made; and

"(ii) make an independent determination of the accuracy and completeness of any information described in paragraph (6) with respect to such person.

"(C) REPORT.—The Corporation shall prepare a written report of any investigation under subparagraph (B) which shall contain, at a minimum, a summary of the results of such investigation. The Corporation shall retain such written report as a record of the Corporation."

SEC. 16. PUBLIC COMMENT ON CHANGE OF CONTROL NOTICES.

(a) CHANGE IN BANK CONTROL AMENDMENTS.—Section 7(j)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)(2)) is amended by adding after subparagraph (a) as added by section 15(a)(2) the following new subparagraph:

"(D) PUBLIC COMMENT.—Upon receiving notice of a proposed acquisition, the appropriate Federal banking agency shall, within a reasonable period of time—

"(i) publish the name of the insured bank proposed to be acquired and the name of each person identified in such notice as a person by whom or for whom such acquisition is to be made; and

"(ii) solicit public comment on such proposed acquisition, particularly persons in the geographic area where the bank proposed to be acquired is located, before final consideration of such notice by the agency, unless the agency determines in writing that such disclosure or solicitation would seriously threaten the safety or soundness of such bank."

(b) CHANGE IN SAVINGS AND LOAN CONTROL AMENDMENTS.—Section 407(q)(2) National Housing Act (12 U.S.C. 1730(q)(2)) is amended by adding after subparagraph (C) as added by section 15(b)(2) the following new subparagraph:

"(D) PUBLIC COMMENT.—Upon receiving notice of a proposed acquisition, the Corporation shall, within a reasonable period of time—

"(i) publish the name of the insured institution proposed to be acquired and the name of each person identified in such notice as a person by whom or for whom such acquisition is to be made; and

"(ii) solicit public comment on such proposed acquisition, particularly persons in the geographic area where the institution proposed to be acquired is located, before final consideration of such notice by the Corporation, unless the Corporation determines in writing that such disclosure or solicitation would seriously threaten the safety or soundness of such institution."

SEC. 17. INVESTIGATIONS AND ENFORCEMENT UNDER THE CHANGE IN CONTROL ACTS.

(a) CHANGE IN BANK CONTROL AMENDMENTS.—Section 7(j) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)) is amended—

(1) by redesignating paragraphs (15) and (16) as paragraphs (16) and (17) respectively; and

(2) by inserting after paragraph (14) the following new paragraph:

"(15) INVESTIGATIVE AND ENFORCEMENT AUTHORITY.—

"(A) INVESTIGATIONS.—The appropriate Federal banking agency may exercise any authority vested in such agency under section 8(n) in the course of conducting any investigation under paragraph (2)(B) or any other investigation within the agency, in its discretion, determines it necessary to determine whether a person has filed inaccurate, incomplete, or misleading information under subsection or otherwise is violating, has violated, or is about to violate any provision of this subsection or any regulation prescribed under this subsection.

"(B) ENFORCEMENT.—Whenever it appears to the appropriate Federal banking agency that any person is violating, has violated, or is about to violate any provision of this subsection or any regulation prescribed under this subsection, the agency may, in its discretion, apply to the appropriate district court of the United States or the United States court of any territory for—

"(i) a temporary or permanent injunction or restraining order enjoining such person from violating this subsection or any regulation prescribed under this subsection; or

"(ii) such other equitable relief as may be necessary to prevent any such violation (including divestiture).

"(C) JURISDICTION.—

"(i) The district courts of the United States and the United States courts in any territory shall have the same jurisdiction and power in connection with any exercise of any authority by the appropriate Federal banking agency under subparagraph (A) as such courts have under section 8(n).

"(ii) The district courts of the United States and the United States courts of any territory shall have jurisdiction and power to issue any injunction or restraining order or grant any equitable relief described in subparagraph (B). When appropriate, any injunction, order, or other equitable relief granted under this paragraph shall be granted without requiring the posting of any bond."

(b) CHANGE IN SAVINGS AND LOAN CONTROL AMENDMENTS.—Section 407(q) of the National Housing Act (12 U.S.C. 1730(q)) is amended—

(1) by redesignating paragraphs (16) and (17) as paragraphs (17) and (18), respectively; and

(2) by inserting after paragraph (15) the following new paragraph:

"(16) INVESTIGATIVE AND ENFORCEMENT AUTHORITY.—

"(A) INVESTIGATIONS.—The Corporation may exercise any authority vested in the Corporation under paragraph (2) or (3) of subsection (m) in the course of conducting any investigation under paragraph (2)(B) or any other investigation which the Corporation, in its discretion, determines is necessary to determine whether any person has filed inaccurate, incomplete, or misleading information under this subsection or otherwise is violating, has violated, or is about to violate any provision of this subsection or any regulation prescribed under this subsection.

"(B) ENFORCEMENT.—Whenever it appears to the Corporation that any person is violating, has violated, or is about to violate any provision of this subsection or any regulation prescribed under this subsection, the agency may, in its discretion, apply to the appropriate district court of the United States or the United States court of any territory for—

"(i) a temporary or permanent injunction or restraining order enjoining such person from violating this subsection or any regulation prescribed under this subsection; or

"(ii) such other equitable relief as may be necessary to prevent any such violation (including divestiture).

"(C) JURISDICTION.—

"(i) The district courts of the United States and the United States courts in any territory shall have the same jurisdiction and power in connection with any exercise of any authority by the Corporation under subparagraph (A) as such courts have under paragraph (2) or (3) of subsection (m).

"(ii) The district courts of the United States and the United States courts of any territory shall have jurisdiction and power to issue any injunction or restraining order or grant any equitable relief described in subparagraph (B). When appropriate, any injunction, order, or other equitable relief under this paragraph shall be granted without requiring the posting of any bond."

SEC. 18. DISCUSSIONS TO DEVELOP INTERNATIONAL INFORMATION EXCHANGE SYSTEM TO ELIMINATE MONEY LAUNDERING.

(a) IN GENERAL.—The Secretary of the Treasury, in consultation with the Board of Governors of the Federal Reserve System, shall initiate discussions with the central banks or other appropriate governmental authorities of other countries and propose that an information exchange system be established to assist the efforts of each participating country to eliminate the international flow of money derived from illicit drug operations and other criminal activities.

(b) REPORT REQUIRED.—Before the end of the 9-month period beginning on the date of the enactment of this Act, the Secretary of the Treasury shall prepare and transmit a report to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate on the results of negotiations initiated pursuant to subsection (a).

SEC. 19. INCREASE IN MAXIMUM CRIMINAL FINE FOR CERTAIN OFFENSES.

Section 5322(b) of title 31, United States Code, is amended by striking out "\$500,000" and inserting in lieu thereof "\$1,000,000 if the person is an individual (and not more than \$5,000,000 in any other case)".

SEC. 20. REGULATIONS RELATING TO CUMULATION OF OFFENSES FOR FAILURE TO REPORT EXPORT OR IMPORT OF MONEY.

Section 5316 of title 31, United States Code, is amended by adding at the end the following new subsection:

"(d) CUMULATION OF CLOSELY RELATED EVENTS.—The Secretary of the Treasury may prescribe regulations under this section defining the term 'at one time' for purposes of subsection (a). Such regulations may permit the cumulation of closely related events in order that such events may collectively be considered to occur at one time for the purposes of subsection (a)."

SEC. 21. EFFECTIVE DATES.

(a) The amendments made by sections 2 and 8 shall apply with respect to transactions for the payment, receipt, or transfer of United States coins or currency or other monetary instruments completed after the end of the 3-month period beginning on the date of the enactment of this Act.

(b) The amendments made by sections 3 and 4 shall apply with respect to transactions committed after the end of the 3-month period beginning on the date of the enactment of this Act.

(c) The regulations required to be prescribed under the amendments made by section 5 shall take effect at the end of the 3-month period beginning on the date of the enactment of this Act.

(d) The amendments made by sections 9, 13, 14, and 19 shall apply with respect to violations committed after the date of the enactment of this Act.

(e) The amendments made by sections 7, 15, 16, and 17 shall apply with respect to notices of proposed acquisitions filed after the date of the enactment of this Act.

(f) Any regulation prescribed under the amendments made by section 20 shall apply with respect to transactions completed after the effective date of such regulations.

HISTORY AND NEED FOR THE LEGISLATION

H.R. 5176, the Comprehensive Money Laundering Prevention Act, was ordered reported, with amendments, by the Banking Committee by a vote of 47-0 on July 22, 1986. Prior to the Committee action, the Subcommittee on Financial Institutions Supervision, Regulation and Insurance considered H.R. 5176 and ordered the bill reported to the full Committee unanimously, by voice vote on July 17, 1986, following adoption of four amendments.

Prior to the Committee markup, four days of comprehensive legislative hearings were held on H.R. 5176 by the Subcommittee on Financial Institutions Supervision, Regulation and Insurance. Congressman J.J. Pickle, Chairman of the Subcommittee on Financial Institutions Supervision, Regulation and Insurance, was the Subcommittee lead-off witness. The Committee has incorporated certain provisions of his bill, H.R. 4537, including those provisions relating to the structuring of currency transactions and the seizure and forfeiture of certain assets obtained by illegal means.

The Subcommittee heard 15 witnesses during its four day hearings, including a Federal Reserve Board Governor, and representatives from the IRS Criminal Investigation and Examination Divisions, Federal Home Loan Bank Board, Federal Deposit Insurance Corporation, Office of Comptroller of the Currency, Drug Enforcement Administration, the former Executive Director of the President's Commission on Organized Crime, American Bar Association, American Bankers Association, Association of the Banks of the City of New York, an Assistant U.S. Attorney, and a former money launderer. Written testimony was also received from the American Civil Liberties Union.

In addition, the Administration's position on money laundering was articulated by the testimony of the Department of Justice.

PROPOSED PUBLIC WORKS AND TRANSPORTATION TITLE TO DRUG BILL
AUGUST 12, 1986

1 TITLE VII--COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
2 SEC. 701. STATE ENFORCEMENT OF LAWS RELATING TO AIRCRAFT
3 REGISTRATION.

4 (a) IN GENERAL.--Section 902(b) of the Federal Aviation
5 Act of 1958 (49 U.S.C. App 1472(b)) is amended by adding at
6 the end the following new paragraph:

7 (3) Nothing in this subsection or in any other
8 provision of this Act shall preclude a State from
9 establishing criminal penalties, including providing for
10 forfeiture or seizure of aircraft, for a person who--

11 (A) knowingly and willfully forges, counterfeits,
12 alters, or falsely makes an aircraft registration
13 certificate,

14 (B) knowingly sells, uses, attempts to use, or
15 possesses with intent to use a fraudulent aircraft
16 registration certificate,

17 (C) knowingly and willfully displays or causes to
18 be displayed on any aircraft any marks that are false or
19 misleading as to the nationality or registration of the
20 aircraft, or

21 (D) obtains an aircraft registration certificate
22 from the Administrator by knowingly and willfully

1 falsifying, concealing, or covering up a material fact,
2 or making a false, fictitious, or fraudulent statement or
3 representation, or making or using any false writing or
4 document knowing the writing or document to contain any
5 false, fictitious, or fraudulent statement or entry.".

6 (b) INSPECTION.--Section 501 of the Federal Aviation Act
7 of 1958 (49 U.S.C. App. 1401) is amended by adding at the end
8 the following new subsection:

9 "INSPECTION BY LAW ENFORCEMENT OFFICERS

10 "(g) The operator of an aircraft shall make available
11 for inspection an aircraft's certificate or registration upon
12 request by a Federal, State, or local law enforcement
13 officer.".

14 (c) CONFORMING AMENDMENT.--That portion of the table of
15 contents contained in the first section of the Federal
16 Aviation Act of 1958 which appears under the side heading
17 "Sec. 501. Registration of aircraft nationality."
18 is amended by adding at the end the following:

19 "(g) Inspection by law enforcement officers.".

20 SEC. 702. CRIMINAL PENALTIES.

21 (a) IN GENERAL.--Subsection (q) of section 902 of the
22 Federal Aviation Act of 1958 (49 U.S.C. App. 1472(q)) is
23 amended to read as follows:

"VIOLATIONS IN CONNECTION WITH TRANSPORTATION OF CONTROLLED
SUBSTANCES

1 “(q)(1) It shall be unlawful, in connection with
2 transportation described in paragraph (2) and with knowledge
3 of such transportation, for any person--

4 “(A) who is the owner of an aircraft eligible for
5 registration under section 501, to knowingly and
6 willfully operate, attempt to operate, or permit any
7 other person to operate such aircraft if the aircraft is
8 not registered under section 501 or the certificate of
9 registration of the aircraft is suspended or revoked;

10 “(B) to operate or attempt to operate an aircraft
11 eligible for registration under section 501 knowing
12 either that such aircraft is not registered under section
13 501 or that the certificate of registration is suspended
14 or revoked;

15 “(C) to knowingly and willfully serve, or attempt to
16 serve, in any capacity as an airman without a valid
17 airman certificate authorizing him to serve in such a
18 capacity;

19 “(D) to knowingly and willfully employ for service
20 or utilize any airman who does not possess a valid airman
21 certificate authorizing him to serve in such capacity;

22 “(E) to knowingly and willfully operate an aircraft
23 in violation of any rule, regulation, or requirement
24 issued by the Administrator with respect to the display
25 of navigation or anticollision lights; or