

## Union Calendar No. 282

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5341

[Report No. 109-506]

To amend section 5313 of title 31, United States Code, to reform certain requirements for reporting cash transactions, and for other purposes.

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### IN THE HOUSE OF REPRESENTATIVES

MAY 10, 2006

Mr. BACHUS (for himself, Mr. FRANK of Massachusetts, Mr. HENSARLING, Mr. MOORE of Kansas, Mr. RENZI, Mrs. MALONEY, Mr. DAVIS of Kentucky, Mr. DAVIS of Alabama, Mr. SHAYS, Ms. HOOLEY, Mr. JONES of North Carolina, Mr. MATHESON, Mrs. BIGGERT, Mr. HINOJOSA, Mr. GARRETT of New Jersey, Ms. WASSERMAN SCHULTZ, Mr. NEUGEBAUER, Mr. CLAY, and Mrs. MCCARTHY) introduced the following bill; which was referred to the Committee on Financial Services

JUNE 19, 2006

Additional sponsors: Mr. FEENEY, Mr. PAUL, Mr. MCHENRY, and Mr. ISRAEL

JUNE 19, 2006

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

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

[For text of introduced bill, see copy of bill as introduced on May 10, 2006]

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## A BILL

To amend section 5313 of title 31, United States Code, to reform certain requirements for reporting cash transactions, and for other purposes.

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

3 **SEC. 1. SHORT TITLE.**

4        *This Act may be cited as the “Seasoned Customer CTR*  
5 *Exemption Act of 2006”.*

6 **SEC. 2. EXCEPTION FROM CURRENCY TRANSACTION RE-**  
7 **PORTS FOR SEASONED CUSTOMERS.**

8        (a) *FINDINGS.—The Congress finds as follows:*

9            (1) *The completion of and filing of currency*  
10 *transaction reports under section 5313 of title 31,*  
11 *United States Code, poses a compliance burden on the*  
12 *financial industry.*

13            (2) *Due to the nature of the transactions or the*  
14 *persons and entities conducting such transactions,*  
15 *some reports as currently filed may not be relevant to*  
16 *the detection, deterrence, or investigation of financial*  
17 *crimes, including money laundering and the financ-*  
18 *ing of terrorism.*

19            (3) *However, the data contained in such reports*  
20 *can provide valuable context for the analysis of other*  
21 *data derived pursuant to subchapter II of chapter 53*  
22 *of title 31, United States Code, as well as investiga-*  
23 *tive data, which provide invaluable and indispensable*  
24 *information supporting efforts to combat money laun-*  
25 *dering and other financial crimes.*

1           (4) *An appropriate exemption process from the*  
2 *reporting requirements for certain currency trans-*  
3 *actions that are of little or no value to ongoing efforts*  
4 *of law enforcement agencies, financial regulatory*  
5 *agencies, and the financial services industry to inves-*  
6 *tigate, detect, or deter financial crimes would con-*  
7 *tinue to fulfill the compelling need to produce and*  
8 *provide meaningful information to policy-makers, fi-*  
9 *nancial regulators, law enforcement, and intelligence*  
10 *agencies, while potentially lowering the compliance*  
11 *burden placed on financial institutions by the need to*  
12 *file such reports.*

13           (5) *The Secretary of the Treasury has by regula-*  
14 *tion, and in accordance with section 5313 of title 31,*  
15 *United States Code, implemented a process by which*  
16 *institutions may seek exemptions from filing certain*  
17 *currency transaction reports based on appropriate*  
18 *circumstances; however, the financial industry has*  
19 *not taken full advantage of these provisions and has*  
20 *contended that they are unduly burdensome.*

21           (6) *The act of providing notice to the Secretary*  
22 *of the Treasury of designations of exemption—*

23                   (A) *provides meaningful information to law*  
24 *enforcement officials on exempt customers and*

1           *enables law enforcement to obtain account infor-*  
2           *mation through appropriate legal process; and*

3           *(B) complements other sections of title 31,*  
4           *United States Code, whereby law enforcement*  
5           *can locate financial institutions with relevant*  
6           *records relating to a person of investigative in-*  
7           *terest, such as information requests made pursu-*  
8           *ant to regulations implementing section 314(a)*  
9           *of the USA PATRIOT Act of 2001.*

10           *(7) A designation of exemption has no effect on*  
11           *requirements for depository institutions to apply the*  
12           *full range of anti-money laundering controls required*  
13           *under subchapter II of chapter 53 of title 31, United*  
14           *States Code, and related provisions of law, including*  
15           *the requirement to apply the customer identification*  
16           *program pursuant to section 5326 of such title, and*  
17           *the requirement to identify, monitor, and, if appro-*  
18           *priate, report suspicious activity in accordance with*  
19           *section 5318(g) of such title.*

20           *(8) The Federal banking agencies and the Finan-*  
21           *cial Crimes Enforcement Network have recently pro-*  
22           *vided guidance through the Federal Financial Institu-*  
23           *tions Examination Council Bank Secrecy Act/Anti-*  
24           *Money Laundering Examination Manual on apply-*  
25           *ing appropriate levels of due diligence and identi-*

1 *fy*ing suspicious activity by the types of cash-inten-  
2 *sive* businesses that generally will be subject to exemp-  
3 *tion*.

4 (b) *SEASONED CUSTOMER EXEMPTION*.—Section  
5 5313(e) of title 31, United States Code, is amended to read  
6 as follows:

7 “(e) *QUALIFIED CUSTOMER EXEMPTION*.—

8 “(1) *IN GENERAL*.—Before the end of the 270-  
9 day period beginning on the date of the enactment of  
10 the Seasoned Customer CTR Exemption Act of 2006,  
11 the Secretary of the Treasury shall prescribe regula-  
12 tions that exempt any depository institution from fil-  
13 ing a report pursuant to this section in a transaction  
14 for the payment, receipt, or transfer of United States  
15 coins or currency (or other monetary instruments the  
16 Secretary of the Treasury prescribes) with a qualified  
17 customer of the depository institution.

18 “(2) *QUALIFIED CUSTOMER DEFINED*.—For pur-  
19 poses of this section, the term ‘qualified customer’,  
20 with respect to a depository institution, has such  
21 meaning as the Secretary of the Treasury shall pre-  
22 scribe, which shall include any person that—

23 “(A) is incorporated or organized under the  
24 laws of the United States or any State, includ-  
25 ing a sole proprietorship (as defined in 31

1           *C.F.R. 103.22(d)(6)(vii), as in effect on May 10,*  
2           *2006), or is registered as and eligible to do busi-*  
3           *ness within the United States or a State;*

4           *“(B) has maintained a deposit account with*  
5           *the depository institution for at least 12 months;*  
6           *and*

7           *“(C) has engaged, using such account, in*  
8           *multiple currency transactions that are subject*  
9           *to the reporting requirements of subsection (a).*

10          “(3) *REGULATIONS.—*

11           *“(A) IN GENERAL.—The Secretary of the*  
12           *Treasury shall prescribe regulations requiring a*  
13           *depository institution to file a 1-time notice of*  
14           *designation of exemption for each qualified cus-*  
15           *tomers of the depository institution.*

16           *“(B) FORM AND CONTENT OF EXEMPTION*  
17           *NOTICE.—The Secretary shall by regulation pre-*  
18           *scribe the form, manner, content, and timing of*  
19           *the qualified customer exemption notice and such*  
20           *notice shall include information sufficient to*  
21           *identify the qualified customer and the accounts*  
22           *of the customer.*

23           *“(C) AUTHORITY OF SECRETARY.—*

24           *“(i) IN GENERAL.—The Secretary may*  
25           *suspend, reject, or revoke any qualified cus-*

1            *to*mer exemption notice, in accordance with  
2            *criteria prescribed by the Secretary by regu-*  
3            *lation.*

4            “(ii) *CONDITIONS.—The Secretary*  
5            *may establish conditions, in accordance*  
6            *with criteria prescribed by regulation,*  
7            *under which exempt qualified customers of*  
8            *an insured depository institution that is*  
9            *merged with or acquired by another insured*  
10           *depository institution will continue to be*  
11           *treated as designated exempt qualified cus-*  
12           *tomers of the surviving or acquiring institu-*  
13           *tion.”.*

14           *(c) 3-YEAR REVIEW AND REPORT.—Before the end of*  
15           *the 3-year period beginning on the date of the enactment*  
16           *of this Act, the Secretary of the Treasury, in consultation*  
17           *with the Attorney General, the Secretary of Homeland Se-*  
18           *curity, the Federal banking agencies, the banking industry,*  
19           *and such other persons as the Secretary deems appropriate,*  
20           *shall evaluate the operations and effect of the provisions of*  
21           *the amendment made by subsection (a) and make rec-*  
22           *ommendations to Congress as to any legislative action with*  
23           *respect to such provision as the Secretary may determine*  
24           *to be appropriate.*

1 **SEC. 3. PERIODIC REVIEW OF REPORTING THRESHOLD AND**  
2 **ADJUSTMENT FOR INFLATION.**

3 *Section 5318 of title 31, United States Code, is amend-*  
4 *ed by adding at the end the following new subsection:*

5 *“(o) PERIODIC REVIEW OF REPORTING THRESHOLD*  
6 *AND ADJUSTMENT FOR INFLATION.—*

7 *“(1) IN GENERAL.—Before the end of the 90-day*  
8 *period beginning on the date of the enactment of the*  
9 *Seasoned Customer CTR Exemption Act of 2006 and*  
10 *at least every 5 years after the end of such period, the*  
11 *Secretary of the Treasury shall—*

12 *“(A) review the continuing appropriateness,*  
13 *relevance, and utility of each threshold amount*  
14 *or denomination established by the Secretary, in*  
15 *the Secretary’s discretion, for any report re-*  
16 *quired by the Secretary under this subchapter;*  
17 *and*

18 *“(B) adjust each such amount, at such time*  
19 *and in such manner as the Secretary considers*  
20 *appropriate, for any inflation that the Secretary*  
21 *determines has occurred since the date any such*  
22 *amount was established or last adjusted, as the*  
23 *case may be.*

24 *“(2) REPORT.—Before the end of the 60-day pe-*  
25 *riod beginning upon the completion of any review by*  
26 *the Secretary of the Treasury under paragraph (1),*

1     *the Secretary shall submit a report to the Congress*  
2     *containing the findings and conclusions of the Sec-*  
3     *retary in connection with such review, together with*  
4     *an explanation for any adjustment, or lack of adjust-*  
5     *ment, of any threshold amount or denomination by*  
6     *the Secretary as a result of such review, including the*  
7     *adjustment for inflation.”.*

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