



**House
Legislative
Analysis
Section**

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**MONITORING MONEY
LAUNDERING ACTIVITIES**

**House Bill 5516 as enrolled
Public Act 183 of 2002
Sponsor: Rep. Dale Sheltrown**

**House Bill 5517 as enrolled
Public Act 184 of 2002
Sponsor: Rep. Mary D. Waters**

**House Bill 5518 as enrolled
Public Act 185 of 2002
Sponsor: Rep. William McConico**

**Senate Bill 1007 as enrolled
Public Act 247 of 2002
Sponsor: Sen. Gary Peters**

**House Committee: Insurance and
Financial Services
Senate Committee: Banking and
Financial Institutions**

Second Analysis (7-25-02)

House Bills 5516-5518 and Senate Bill 1007 (7-25-02)

THE APPARENT PROBLEM:

Federal and state money laundering prohibitions have been in place for many years and financial institutions have had various reporting requirements for transactions involving large sums of money or transactions with overseas banks. However, the events of September 11, 2001 brought these laws under close scrutiny to see if they were effective in stopping the flow of funds used to support terrorist activities. The U.S.A. Patriot Act, enacted last November, amended federal banking laws to require the filing of transaction reports on specified transactions as a way of monitoring possible money laundering activities of terrorist organizations or individual terrorists. Additionally, under a federal executive order, all state and federal credit unions and other financial institutions must freeze accounts of members and account holders whose names appear on a specially designated nationals list maintained by the Office of Foreign Assets Control (OFAC) within the Department of Treasury. Financial institutions that do not comply with the required reporting criteria may be subject to civil fines of up to

\$250,000 per account and criminal penalties of up to \$1 million in fines and/or up to 12 years imprisonment.

It has been suggested that requiring financial institutions to supply the Department of State Police with a copy of each transaction report that is filed with the U.S. Department of Treasury could provide timely alerts as to possible money laundering activities occurring in the state.

THE CONTENT OF THE BILLS:

The bills would amend various banking laws to require a financial institution to file with the Department of State Police a duplicate copy of any transaction required to be filed under 31 U.S.C. 5313 to 5318 (created by the U.S.A. Patriot Act). The duplicate copy would have to be filed within 24 hours of when it was filed with the federal authorities.

Further, the federal legislation states that financial institutions complying with the reporting requirements are not civilly liable to an account holder or member for a disclosure authorized under the federal regulations, or for failure to notify the person involved in the transaction of the disclosure or any other person. A similar provision in the bills would specify that except for a violation of the federal reporting requirements, a financial institution, director, officer, employee, or agent of the financial institution would not be liable in any civil or governmental action for the filing of a copy of the transaction report with the state police or for the failure to notify the account holder or any other person of the filing.

House Bill 5516 would amend the Banking Code (MCL 487.14406). House Bill 5517 would similarly amend Public Act 285 of 1925 (MCL 490.16c), which regulates credit unions, and House Bill 5518 would amend the Savings and Loan Act (MCL 491.1135). Senate Bill 1007 would amend the Savings Bank Act (MCL 487.3514).

The bills would take effect May 1, 2002.

BACKGROUND INFORMATION:

The bills are part of a multi-bill, bi-partisan and bi-cameral attempt to address various issues raised by the September 11, 2001 terrorist attack on the World Trade Center and the Pentagon.

FISCAL IMPLICATIONS:

According to the Senate Fiscal Agency, the bills would have no fiscal impact on state or local government. (4-9-02)

ARGUMENTS:

For:

The bills would not place any undue burden on banks or credit unions. Under federal law, financial institutions are required to report on banking transactions meeting specified criteria. The U.S. Department of Treasury can then monitor this information for patterns that may reveal criminal activity such as money laundering by terrorist organizations. The bills would require only that a financial institution file a duplicate copy of the transaction report with the Michigan State Police. The bills also create protection from civil lawsuits by bank account holders or credit union members as

long as the institution follows the federal reporting criteria. This would mirror a similar provision in the federal law. Allowing the state police to receive timely financial transaction reports will aid state law enforcement officers in their efforts to track violations of current state money laundering laws and proposed amendments to those laws relating to terrorism that are contained in the anti-terrorism legislation currently under consideration in the legislature.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.