

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 1007 (as enrolled)
House Bill 5516 (Substitute H-2 as reported without amendment)
House Bill 5517 (Substitute H-2 as reported without amendment)
House Bill 5518 (Substitute H-2 as reported without amendment)
Sponsor: Senator Gary Peters (S.B. 1007)
Representative Dale Sheltrowne (H.B. 5516)
Representative Mary D. Waters (H.B. 5517)
Representative William McConico (H.B. 5518)
Senate Committee: Banking and Financial Institutions
House Committee: Insurance and Financial Services (House Bills 5516-5518)

Date Completed: 4-9-02

RATIONALE

Currently, there are Federal and state laws that criminalize the act of money laundering and establish reporting requirements for certain types of currency transactions and suspicious financial activity. In the aftermath of the terrorist attacks on September 11, 2001, however, there has been an increased focus on measures to close a number of perceived loopholes in the nation's financial record-keeping laws. According to an article in the *Seattle Times* (1-17-02), of the traces the 19 terrorist hijackers had left of their pre-attack plans, most were financial records such as international wire transfers, checking accounts, and cash-machine withdrawals.

As a result, on October 26, 2001, President Bush signed the USA Patriot Act, which enacted Federal banking law amendments relating to relationships between foreign persons and foreign business entities and U.S. financial institutions; verification of the identity of account customers; establishment of anti-money laundering programs (including mandatory reporting requirements) for financial institutions; and penalty increases for financial crimes.

To help prevent, detect, and prosecute future terrorism and international money laundering, it has been suggested that financial institutions in Michigan should be required to file with the Department of State Police, a copy of each transaction report that must be filed with the U.S. Secretary of the Treasury under the Federal law.

CONTENT

The bills would amend various statutes to require financial institutions to file with the Department of State Police, within 24 hours, a copy of a transaction report that the financial institutions were required to file under Sections 5313 to 5318 of Title 31 of the United States Code. Senate Bill 1007 (S-1) would amend the Savings Bank Act. House Bills 5516 (H-2) and 5517 (H-2) would amend the Banking Code and the credit union Act, respectively. House Bill 5518 (H-2) would amend the Savings and Loan Act, and would apply to domestic savings and loan associations and domestic savings banks ("associations"). The House bills would take effect May 1, 2002.

All of the bills also provide that, except for a violation of those sections of the U.S. Code, a bank, credit union, or association, or a director, officer, employee, or agent of those institutions would not be liable in any civil or governmental action for filing a copy of the transaction report with the Department of State Police or for failing to notify the account holder or any other person of the filing.

(Under Sections 5313 to 5318 of Title 31, the Secretary of the Treasury may require domestic financial institutions and U.S. citizens, residents, and businesses to file reports on transactions involving domestic coins and currency, foreign financial agencies, and foreign currency; and reports on exporting and importing monetary instruments.)

Proposed MCL 487.3514 (S.B. 1007)

Proposed MCL 487.14406 (H.B. 5516)
Proposed MCL 490.16c (H.B. 5517)
Proposed MCL 491.1135 (H.B. 5518)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

By requiring financial institutions to supply the Department of State Police with a copy of each transaction report that is filed with the Secretary of the Treasury (as required under Sections 5313 to 5318 of the U.S. Code), the bills could provide timely alerts as to possible money laundering activities occurring in the State. The bills would promote cooperation between financial institutions and law enforcement agencies in preventing financial counterfeiting, smuggling, and money laundering.

Legislative Analyst: Nobuko Nagata

FISCAL IMPACT

The bills would have no fiscal impact on State or local government.

Fiscal Analyst: Bruce Baker

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.