U.S. senators pledged Tuesday to swiftly advance legislation that would enhance the ability of federal prosecutors to obtain confidential records from foreign banks and allow them to impose temporary asset freezes on suspected criminals, among other new powers.

Under the Combating Money Laundering, Terrorist Financing, and Counterfeiting Act, foreign lenders would risk losing their U.S. correspondent accounts if they fail to comply with a Treasury or Justice Department subpoena for data on clients that may be under criminal investigation or civil forfeiture action in the United States.

"An assertion that compliance with the subpoena would conflict with a provision of foreign secrecy or confidentiality law shall not be a basis for quashing or modifying the subpoena," the draft legislation states.

The bill, which was introduced in May by Sen. Chuck Grassley (R-IA) and enjoys bipartisan support, would also criminalize attempts to obscure the individuals or entities that ultimately own or control accounts or assets at U.S. financial institutions.

Anyone found to have knowingly concealed, falsified, or misrepresented an ownership or controlling stake in an account or assets to a financial institution would face a maximum sentence of 10 years in prison and a $1 million fine.

The same penalties would apply to anyone caught obscuring from a financial institution's view that a senior foreign political figure, or his or her close relatives or associates, own or control an aggregate of at least $1,000,000 in assets involved in one or more transactions.

"The United States is one of easiest places in the world for terrorists, human traffickers and corrupt foreign politicians to hide illicit money. We'd like to change that," Sen. Dianne Feinstein (D-CA), one of the bill's five cosponsors, said at the hearing.

Individuals who move funds internationally to evade U.S. taxes could be charged with money laundering under the legislation.

Federal judges would be empowered by the proposal to freeze the assets of defendants accused of moving undeclared assets across borders for at least 30 days to allow U.S. investigators time to determine whether or not the funds are legitimate.

The legislation would address "critical gaps" in the existing anti-money laundering and counterterrorist financing regime, U.S. Deputy Attorney General Kenneth Blanco said Tuesday before members of the Senate Judiciary Committee, which Grassley chairs.

"The administration and the Department of Justice support congressional efforts to strengthen our authorities and fight money laundering," said Blanco, who is set to take over as the director of the Financial Crimes Enforcement Network, or FinCEN, by the end of this year.

Federal officials would also be authorized to seize undeclared prepaid cards holding $10,000 or more at U.S. borders, airports and other ports of entry, and use wiretaps in support of investigations into suspected money-laundering and counterfeiting operations.

Penalties for smuggling bulk cash and illegally transferring funds through money services businesses and unlicensed hawala networks would also increase under the legislation, which includes measures to crack down on attempts to comingle illicit and licit gains to conceal the former.

At the hearing, Jennifer Fowler, the Treasury Department's Deputy Assistant Secretary for Terrorist Financing and Financial Crimes, separately outlined steps her office is taking to strengthen U.S. regulations against money laundering and terrorist financing.

Those steps include the department's first-ever assessment of risks tied to attempts to finance weapons of mass
destruction, as well as updates of earlier national risk assessments to account for a number of issues, including the widespread termination of banking and remittance channels to and from high-risk jurisdictions to avoid legal and regulatory exposure, Fowler said.

“We are also evaluating various options for collecting beneficial ownership at the time of company formation … and are actively reviewing how we can improve the Bank Secrecy Act reporting requirements.”

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By Valentina Pasquali