A congressional proposal to overhaul U.S. anti-money laundering and counterterrorist financing rules saw a mixed reception from lawmakers and industry groups in a hearing Wednesday.

Draft legislation circulated this week by Reps. Steve Pearce (R-NM) and Blaine Luetkemeyer (R-MO) would raise the thresholds at which financial institutions must report cash transactions and suspicious activity to the Treasury Department from $10,000 to $30,000 and from $5,000 to $10,000 respectively.

Senior compliance officers, AML professionals and members of the House Financial Services Committee broadly praised the bill’s overall intent to upgrade and streamline Bank Secrecy Act reporting requirements, but questioned specific provisions.

According to Rep. Stephen Lynch (D-MA), the proposed framework may backfire by permitting criminals to deposit or withdraw as much as $179,000 a week in cash without triggering filings of currency transaction reports, or CTRs.

“I know it’s a 1972 standard so we need to change that … but we might want to take a more cautious approach,” Lynch said at the hearing.

If adopted, the Counter Terrorism and Illicit Finance Act would also authorize financial institutions to use an existing mechanism and safe harbor under the Patriot Act to exchange data on suspected crimes beyond money laundering and terrorist financing without exposing themselves to civil liability.

The bill would separately task the Treasury Department’s Financial Crimes Enforcement Network, or FinCEN, with obtaining personal identifying information on individuals that exercise “substantial control” or own a 25 percent stake of a corporation or legal liability company at the time of incorporation.

FinCEN’s customer due-diligence rule, currently set to take effect in May 2018, would be delayed and revised to reflect that banks would no longer be responsible for collecting beneficial-ownership data from their corporate clients.

Adjusted for inflation, the new CTR filing threshold would amount to nearly $60,000 today, while the SAR reporting floor, which dates back to 1996, would equal $7,500. Reps. Ed Royce (R-CA) and Nydia Velazquez (D-NY) wrote four month ago in a letter to Treasury Secretary Steven Mnuchin.

Scraping suspicious-activity reporting requirements for smaller transactions risks depriving law enforcement of crucial intelligence on small-scale fraud, terrorist financing and other frequently low-value financial crimes, John Byrne, former executive vice president of ACAMS said at the hearing.

Moreover, raising CTR thresholds would inform only marginal reductions of regulatory workloads for the financial services industry, which already uses automated systems to identify reportable transactions, said Byrne, now president of Condor Consulting, a Virginia-based anti-money laundering firm.

The measures discussed Wednesday largely build upon legislation pitched by Royce on Nov. 13, and separate bills introduced by Reps. Carolyn Maloney (D-NY) and Robert Pittenger (R-NC) in June and July respectively.

Royce’s AML and CTF Modernization Act would permit financial institutions to exchange information on suspicious activity with overseas affiliates in countries that are members of the Financial Action Task Force or its regional bodies, and have “adequate” data privacy and security protections.

The proposal by Pearce and Luetkemeyer would instead only prohibit enterprise-wide information sharing with jurisdictions subject to U.S. “countermeasures” or deemed unable to “reasonably protect” transferred data.

Financial institutions likely would assess a foreign jurisdiction’s data-related safeguards voluntarily, regardless of
whether legislation explicitly requires such determinations to be made, Bill Fox, Bank of America's global head of financial crimes compliance, told lawmakers Wednesday.

“These are reports about our customers, so we don’t want them out, we don’t want them leveraged in the wrong way,” Fox, who directed FinCEN from 2003 to 2006 said.

The Pearce and Luetkemeyer bill would restrict the bureau’s ability to share beneficial ownership information only to federal agencies in possession of a criminal subpoena or representing a foreign law-enforcement counterpart pursuant to an international treaty.

By contrast, the legislation Maloney introduced in June would permit FinCEN to provide the information to U.S. state and federal agencies pursuant to a civil or criminal subpoena.

Both bills would allow the bureau to share beneficial-ownership data with domestic financial institutions for due-diligence purposes.

A number of civil rights and industry organizations voiced their opposition to the bill’s data-exchange proposals shortly before the hearing.

The American Civil Liberties Union and other groups wrote in a letter to the committee that expanding the Patriot Act safe harbor provisions to all specified unlawful activities would inform “a dramatic increase in the sharing of Americans’ sensitive financial information without a warrant or court approval of any kind.”

The organizations also criticized Pearce and Luetkemeyer’s proposal to criminalize failures by corporate clients to submit accurate, complete and current beneficial ownership information, arguing that FinCEN’s definition of “beneficial owner” is both “overly broad and vague.”

“As a result, someone could be prosecuted for simply failing to understand what the law actually requires.”