

**AMENDMENT TO THE RULES COMMITTEE PRINT**  
**119-33**  
**OFFERED BY MR. LYNCH OF MASSACHUSETTS**

In subtitle B of title XVII, add at the end the following:

1 **SEC. 17\_\_\_ . DUE DILIGENCE FOR UNITED STATES BANKING**  
2 **ACCOUNTS INVOLVING DOMESTIC POLITI-**  
3 **CALLY EXPOSED PERSONS.**

4 (a) FINDINGS.—The Congress finds the following:

5 (1) Politically exposed persons or PEPs are in-  
6 dividuals entrusted with or having held prominent  
7 public functions and their family members and close  
8 associates. The PEPs designation applies to a class  
9 of people who, given their higher level of access to  
10 political decision making and influence, are recog-  
11 nized as posing a higher risk for money laundering  
12 and corruption.

13 (2) In the case of domestic PEPs, the risk also  
14 includes the potential of bribery for illicit foreign in-  
15 fluence peddling. Such malign influence as a foreign  
16 policy tactic has been shown to have increased expo-  
17 nentially over the last decade. The German Marshall  
18 Fund found in its report “Covert Foreign Money:

1 Financial Loopholes Exploited by Authoritarians to  
2 Fund Political Interference in Democracies” that in  
3 the last few years, the United States has become  
4 “the most common target of malign finance—hit  
5 more than 25 times”.

6 (3) The PEPs designation is used by financial  
7 institutions, and in some countries, by non-financial  
8 businesses and persons (DNFBPs), who are re-  
9 quired under anti-money laundering and counter-ter-  
10 rorism jurisprudence to conduct customer due dili-  
11 gence when a new or existing customer seeks to con-  
12 duct certain regulated financial transactions.

13 (4) In the most recent (2016) Financial Action  
14 Task Force (FATF) mutual evaluation of the  
15 United States, the United States was critiqued for  
16 only having a foreign, not domestic, PEP classifica-  
17 tion that requires financial institutions to conduct  
18 additional customer due diligence.

19 (5) The FATF guidance indicates that financial  
20 institutions and DNFBPs “must take reasonable  
21 measures to determine whether a customer or bene-  
22 ficial owner is a domestic PEP, and then assess the  
23 risk of the business relationship. For higher risk  
24 business relationships with domestic PEPs. . . fi-

1        nancial institutions should take additional measures  
2        consistent with those applicable to foreign PEPs.”.

3            (6) The U.S. Department of the Treasury’s  
4        May 2022 “National Strategy for Combating Ter-  
5        rorist and Other Illicit Financing”, found that “. . .  
6        corruption at home and abroad undermines the rule  
7        of law and transparency, erodes public trust in key  
8        institutions, and can allow authoritarian leaders to  
9        hide their illicit wealth and undermine global secu-  
10       rity and stability.”.

11           (7) This is also supported by Treasury’s “Anti-  
12        Money Laundering and Countering the Financing of  
13        Terrorism National Priorities” from June 2021,  
14        which identified corruption as one of eight predicate  
15        crimes associated with money laundering: “As ex-  
16        plained in the National Security Study Memo-  
17        randum issued by President Biden on June 3, 2021,  
18        corruption fuels instability and conflict and under-  
19        mines economic growth. It has been estimated that  
20        corruption reduces global gross domestic product by  
21        between 2 and 5 percent. Corruption, both domestic  
22        and foreign, threatens U.S. national security by  
23        eroding citizens’ faith in government, distorting  
24        economies, and weakening democratic institutions.”.

1 (b) IN GENERAL.—Section 5318 of title 31, United  
2 States Code, is amended by adding at the end the fol-  
3 lowing:

4 “(r) DUE DILIGENCE FOR UNITED STATES BANKING  
5 ACCOUNTS INVOLVING DOMESTIC POLITICALLY EXPOSED  
6 PERSONS.—

7 “(1) DUE DILIGENCE POLICIES, PROCEDURES,  
8 AND CONTROLS.—

9 “(A) IN GENERAL.—Each financial institu-  
10 tion that establishes, maintains, administers, or  
11 manages a banking account for a domestic po-  
12 litically exposed person, including a domestic  
13 politically exposed person residing outside of  
14 the United States, shall establish appropriate,  
15 specific, and, where necessary, enhanced, due  
16 diligence policies, procedures, and controls that  
17 are reasonably designed to detect and report in-  
18 stances of money laundering and corruption  
19 through those accounts.

20 “(B) POLICIES, PROCEDURES, AND CON-  
21 TROLS.—The enhanced due diligence policies,  
22 procedures, and controls required under sub-  
23 paragraph (A) shall, at a minimum, ensure that  
24 a financial institution takes reasonable steps to  
25 conduct enhanced scrutiny of a banking account

1 described under subparagraph (A) to guard  
2 against money laundering and corruption and  
3 report any suspicious transactions under sub-  
4 section (g).

5 “(C) RISK-BASED CONTROLS.—In identi-  
6 fying, monitoring, and designing controls for  
7 banking accounts and transactions under this  
8 paragraph, a financial institution shall ensure  
9 such controls are risk-based, in order to ac-  
10 count for the fact that risks presented by do-  
11 mestic politically exposed persons vary by cus-  
12 tomer, product, service, location, and industry.

13 “(2) MINIMUM STANDARDS FOR BANKING AC-  
14 COUNTS.—If a banking account is requested or  
15 maintained by, or on behalf of, a domestic politically  
16 exposed person, then the due diligence policies, pro-  
17 cedures, and controls required under paragraph (1)  
18 shall, at a minimum, ensure that the financial insti-  
19 tution takes reasonable steps—

20 “(A) to ascertain the identity of the nomi-  
21 nal and beneficial owners of, and the source of  
22 funds deposited into, such account as needed to  
23 guard against money laundering and corruption  
24 and report any suspicious transactions under  
25 subsection (g); and

1           “(B) to conduct enhanced scrutiny of such  
2           account, that is reasonably designed to detect  
3           and report transactions that may involve the  
4           proceeds of corruption.

5           “(3) DEFINITIONS.—

6           “(A) DOMESTIC POLITICALLY EXPOSED  
7           PERSON.—In this subsection:

8           “(i) IN GENERAL.—The term ‘domes-  
9           tic politically exposed person’ means—

10           “(I) a current or former Presi-  
11           dent or Member of Congress (as that  
12           term is defined in section 2106 of title  
13           5, United States Code), including a  
14           Vice President;

15           “(II) a current or former official  
16           in the Executive Branch required by  
17           law to be appointed by the President;

18           “(III) a current or former senior  
19           executive (as defined under section  
20           3132 of title 5, United States Code);

21           “(IV) a current or former special  
22           Government employee (as that term is  
23           defined in section 202 of title 18,  
24           United States Code) employed within  
25           the Executive Office of the President;

1                   “(V) a current or former justice  
2 or judge of the United States;

3                   “(VI) a senior official of a major  
4 domestic political party;

5                   “(VII) a senior executive of a do-  
6 mestic, Government-owned commercial  
7 enterprise;

8                   “(VIII) an immediate family  
9 member of an individual described  
10 under subclause (I), (II), (III), or  
11 (IV); and

12                   “(IX) any individual publicly  
13 known (or actually known by the rel-  
14 evant financial institution) to be a  
15 close personal or close professional as-  
16 sociate of an individual described  
17 under subclause (I), (II), (III), or  
18 (IV).

19                   “(ii) RULE OF APPLICATION.—

20                   “(I) IN GENERAL.—Clause (i)(II)  
21 shall only apply to an individual who  
22 serves as an elected or appointed offi-  
23 cial after the effective date of the  
24 rules issued by the Secretary of the  
25 Treasury to carry out this subsection.

1                   “(II) SENSE OF CONGRESS.—It  
2                   is the sense of Congress that financial  
3                   institutions should be aware of the in-  
4                   creased money laundering and corrup-  
5                   tion risks associated with individuals  
6                   who are former elected or politically-  
7                   appointed officials, even if such an in-  
8                   dividual is excluded from the defini-  
9                   tion of a domestic politically exposed  
10                  person by reason of subclause (I).

11                  “(B) IMMEDIATE FAMILY MEMBER.—With  
12                  respect to an individual, the term ‘immediate  
13                  family member’ means the individual’s spouse,  
14                  parents, siblings, spouse’s parents or siblings,  
15                  and children, whether through consanguinity,  
16                  adoption, marriage, or similar civil forms of  
17                  partnership.”.

18                  (c) RULEMAKING.—Not later than 360 days after the  
19                  date of enactment of this Act, the Secretary of the Treas-  
20                  ury, acting through the Director of the Financial Crimes  
21                  Enforcement Network and in consultation with the Fed-  
22                  eral functional regulators (as defined in section 509 of the  
23                  Gramm-Leach-Bliley Act (15 U.S.C. 6809)) and relevant  
24                  State financial regulators, shall issue rules to carry out

1 subsection (r) of section 5318 of title 31, United States  
2 Code, as added by subsection (b).

3 (d) DISCRETIONARY SURPLUS FUND.—

4 (1) IN GENERAL.—Subparagraph (A) of section  
5 7(a)(3) of the Federal Reserve Act (12 U.S.C.  
6 289(a)(3)(A)) is amended by reducing the dollar fig-  
7 ure described in such subparagraph by \$2,540,000.

8 (2) EFFECTIVE DATE.—The amendment made  
9 by paragraph (1) shall take effect on the last day of  
10 the first fiscal year that ends after the date of enact-  
11 ment of this Act.

