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OLL85-2369  
24 July 1985

MEMORANDUM FOR THE RECORD

FROM:

[Redacted]  
[Redacted]

Office of Legislative Liaison

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SUBJECT: Hearing on Money Laundering Legislation

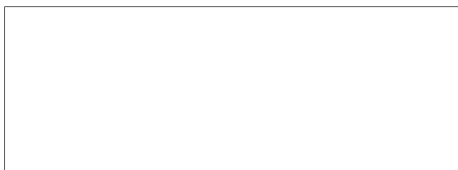
1. On 24 July 1985, I attended a hearing on money laundering conducted by the Subcommittee on Crime of the House Judiciary Committee. The purpose of the hearing was to review various legislative proposals that would criminalize the activity of money laundering. Representative Hughes, Chairman of the Subcommittee on Crime, and Representative Gekas conducted the hearing. Testifying before the Subcommittee was John Walker, Assistant Secretary of the Treasury; Jay Stevens, Associate Attorney General; and James Harmon, Executive Director to the President's Commission on Organized Crime.

2. The hearing began with Mr. Stevens' testimony regarding the Administration proposal. Mr. Stevens explained each section of the bill. In comparing the Administration's bill to the bill introduced by Congressman Hughes, Mr. Stevens noted that the Administration bill took a much more comprehensive approach to the problem. Mr. Walker's testimony focused on the section of the bill that removes certain prohibitions against banks disclosing financial information. Mr. Walker noted that this section, in combination with the section giving Treasury additional powers to seek financial data from banks, would significantly improve the ability of the government to monitor financial information. Finally, Mr. Harmon testified on the scope of money laundering activities by organized crime and their use of casinos to launder money.

3. Following the testimony of Messrs. Stevens, Walker and Harmon, Congressmen Hughes proceeded to ask a series of questions that focused on the scope of the Administration proposal. Congressman Hughes stated that the bill was so broad that it could apply to street robberies or other criminal acts that are normally covered by state law. The Congressman also

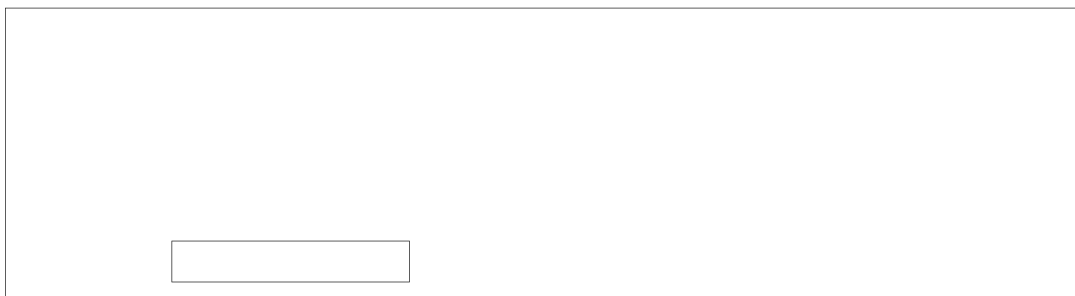
expressed concern that the scienter standard used in the bill was overbroad. Specifically, Congressman Hughes stated that the provision in the bill that punishes an individual who launders money in reckless disregard to whether the money is derived from an illegal source is overbroad since an individual may not be alert to the risk that the money is derived from an illegal source. Because of these concerns, the Congressman stated that the Committee would redraft the Administration proposal so as to narrow its scope.

4. Although the Administration proposal will probably be significantly narrowed in scope, the Agency's equities will still be protected under a more narrowly drafted bill since the promise by the Department of Justice to issue a Statement of Policy regarding the inapplicability of the Money Laundering bill to intelligence activities will not be affected by the proposed changes that Congressman Hughes is considering. I will, of course, continue to monitor the money laundering bills being considered by the Committee to ensure that intelligence activities will not be affected.



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