

115TH CONGRESS
2D SESSION

H. R. 5664

To require a report on the possible exploitation of virtual currencies by terrorist actors, to authorize a competition program to identify regulatory solutions and develop technology with respect to counter terror threat financing, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 27, 2018

Miss RICE of New York (for herself and Mr. KING of New York) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Permanent Select Committee on Intelligence (Permanent Select), for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To require a report on the possible exploitation of virtual currencies by terrorist actors, to authorize a competition program to identify regulatory solutions and develop technology with respect to counter terror threat financing, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Stop Terrorist Use
5 of Virtual Currencies Act”.

1 **SEC. 2. FINDINGS.**

2 The Congress finds the following:

3 (1) Virtual currencies (VC) provide low-cost,
4 high-speed means for verified transactions.

5 (2) When used positively, VCs unite disparate
6 financial markets and provide a convenient means
7 for a number of constituencies, including the eco-
8 nomically marginalized, to conduct transactions
9 cheaply across large geographic expanses.

10 (3) Simultaneously, to the extent regulatory
11 frameworks are premised on institution-based trans-
12 actions, VCs could be exploited by terrorists and
13 cybercriminals to fund untraceable operations.

14 (4) According to the Center for New American
15 Security (CNAS), if VCs become sufficiently liquid
16 and easily convertible, and terrorist groups acquire
17 technical infrastructure needed to support VC activ-
18 ity at a significant scale, VCs could pose a highly
19 dangerous threat to the United States and its part-
20 ners.

21 (5) The Committee on Financial Services issued
22 a report entitled, “Stopping Terror Finance: Secur-
23 ing the U.S. Financial Sector” in December, 2016,
24 which includes numerous recommendations to en-
25 hance a whole-of-government approach towards
26 counter terrorist financing.

1 **SEC. 3. SENSE OF CONGRESS.**

2 It is the Sense of Congress that—

3 (1) to the extent current statutes require finan-
4 cial institutions to serve as the first line of defense
5 against illicit activity in the global financial system,
6 and that VCs specifically bypass such institutions,
7 the United States needs to adapt its financial regu-
8 latory framework to ensure adequate supervision of
9 financial activity;

10 (2) the President should develop principles to
11 prioritize counter terrorist financing among other
12 forms of illicit financial activity and provide rec-
13 ommendations to Congress to address this threat;

14 (3) such principles should include a focus on in-
15 novation and public-private partnership; and

16 (4) the Financial Crimes Enforcement Network
17 (FinCEN) should consider issuing more guidance
18 and facilitating the establishment of institutions pur-
19 suant to sections 314(a) and 314(b) of the USA PA-
20 TRIOT Act to facilitate greater information flow
21 within and among global banks.

22 **SEC. 4. REPORT.**

23 The President, acting through the Secretary of the
24 Treasury and the Director of National Intelligence, shall
25 report on the possible exploitation of virtual currencies by

1 terrorist actors. Such report shall include the following
2 elements:

3 (1) Recommendations to update the regulatory
4 oversight structure regarding virtual currencies to
5 address transactions that bypass financial institu-
6 tions, including banks, Money Services Businesses
7 (MSB), and other financial institutions subject to
8 regulation.

9 (2) Assessment of current efforts by Federal
10 departments and agencies to study and collect intel-
11 ligence against the terror finance threat and money
12 laundering methodologies.

13 (3) Identification of gaps between Federal and
14 State regulations which could be exploited for illicit
15 funding.

16 **SEC. 5. INNOVATION COMPETITION.**

17 (a) **AUTHORIZATION.**—In order to facilitate public-
18 private partnership to develop and enhance illicit finance
19 prevention systems, the Secretary of the Treasury may es-
20 tablish a program (referred to in this section as “the com-
21 petition”) to be known as the “Competition for Innovation
22 in Combating Illicit Terrorist Financing”.

23 (b) **ACTIVITIES SUPPORTED.**—The Competition may
24 carry out, through the provision of grants or an annual
25 reward, the following activities:

1 (1) COLLABORATIVE RESEARCH.—Provide
2 grants, for not more than two years, to engage stu-
3 dents, entrepreneurs, and financial experts to iden-
4 tify regulatory solutions with respect to the exploi-
5 tation of VCs by terrorists and other criminals.

6 (2) COMPETITION.—Establish an annual com-
7 petition for a reward of not more than \$500,000 to
8 any individual, team, or nongovernmental entity that
9 develops technologies to facilitate counter terror
10 threat financing, particularly that addresses the use
11 of VCs or emerging financial technology.

12 (c) MANAGEMENT.—

13 (1) IN GENERAL.—The Secretary of Treasury,
14 in consultation with the Director of National Intel-
15 ligence, shall promulgate guidelines for review of
16 grant applications to the Competition.

17 (2) REQUIREMENTS.—The guidelines required
18 under this subsection shall address, at a minimum,
19 the following:

20 (A) Criteria by which grants shall be se-
21 lected.

22 (B) Policies to ensure that grants are in
23 furtherance of United States security objectives.

24 (d) ACCEPTANCE OF FUNDS FROM OUTSIDE
25 SOURCES.—The Competition may accept funds from out-

1 side sources, including foreign governments, nongovern-
2 mental organizations, and private business entities and,
3 without further appropriation, use such funds to carry out
4 the purpose of the Competition.

5 (e) RULE OF CONSTRUCTION.—Nothing in this Act
6 may be construed to make any grant recipient an agent
7 or establishment of the United States Government.

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