

At a Glance

H.R. 2514, COUNTER Act of 2019

As ordered reported by the House Committee on Financial Services on May 9, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2024	2020-2029
Direct Spending (Outlays)	1	11	28
Revenues	19	104	226
Deficit Effect	-18	-93	-198
Spending Subject to Appropriation (Outlays)	16	247	not estimated

Statutory pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Cannot Determine Costs

The bill would

- Require the Financial Crimes Enforcement Network (FinCEN) to take steps to improve its communications with financial institutions and coordinate with federal financial regulators
- Require training for federal financial examiners in enforcing laws aimed at money laundering and the financing of terrorism
- Require federal financial regulators to establish innovation labs
- Reauthorize the International Affairs Technical Assistance office in the Department of the Treasury
- Establish a new FinCEN whistleblower program for the Bank Secrecy Act (BSA)
- Prohibit violators of the BSA from deducting attorney’s fees and court costs on their tax returns
- Direct the Department of the Treasury to issue several rules that would impose mandates on private entities

Estimated budgetary effects would primarily stem from

- Additional actions required of FinCEN and federal financial regulators
- Increased fees and assessments paid to federal regulatory agencies
- An increase in tax liability by prohibiting deductions of attorney’s fees for violators of the BSA

Detailed estimate begins on the next page.



Bill Summary

H.R. 2514 would change how the government enforces the Bank Secrecy Act. The bill also would direct the staff of the federal financial regulators to attend additional training on enforcing the BSA and on efforts to counter money laundering.¹

Estimated Federal Cost

The estimated budgetary effect of H.R. 2514 is shown in Table 1. The costs of the legislation fall within budget functions 150 (international affairs), 370 (commerce and housing credit), 750 (administration of justice), and 800 (general government).

Table 1.
Estimated Budgetary Effects of H.R. 2514

	By Fiscal Year, Millions of Dollars										2020- 2024	2020- 2029
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		
Increases in Direct Spending												
Estimated Budget Authority	3	3	2	2	2	3	3	4	4	4	13	30
Estimated Outlays	1	3	3	2	2	2	3	4	4	4	11	28
Increases in Revenues												
Estimated Revenues	19	20	21	21	22	23	24	24	25	25	104	226
Net Decrease in the Deficit From Changes in Direct Spending and Revenues												
Effect on the Deficit	-18	-17	-18	-19	-20	-21	-21	-20	-21	-21	-93	-198
Increases in Spending Subject to Appropriation												
Estimated Authorization	72	67	67	68	68	n.e.	n.e.	n.e.	n.e.	n.e.	342	n.e.
Estimated Outlays	16	41	61	64	65	n.e.	n.e.	n.e.	n.e.	n.e.	247	n.e.
Memorandum:												
Increases in Revenues from Whistleblower Program ^a	0	0	0	1	1	2	3	3	3	3	2	16

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation

Components may not sum to totals because of rounding; n.e. = not estimated.

- a. The Conference Report for the Balanced Budget Act of 1997 (Public Law 105-33) established a series of scorekeeping rules that guide what budget effects are attributed to proposed legislation. Rule 14 states that “no increase in receipts or decrease in direct spending will be scored as a result of a provision of a law that provides direct spending for administrative or program management activities.” Thus, any estimated additional penalties that may be collected under the proposed expansion to the Whistleblower program cannot be attributed to this bill for Congressional scorekeeping purposes.

1. Federal financial regulators include the Board of Governors of the Federal Reserve System, the Commodity Futures Trading Commission (CFTC), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Securities and Exchange Commission (SEC).



Basis of Estimate

For this estimate, CBO assumes that H.R. 2514 will be enacted near the end of 2019.

Direct Spending

CBO estimates that enacting H.R. 2514 would increase direct spending by \$28 million over the 2020-2029 period mostly for costs to federal financial regulators.

The operating costs for several financial regulators (the FDIC, the NCUA, and the OCC) are classified in the federal budget as direct spending. The NCUA and the OCC collect fees from financial institutions to offset their operating costs; those fees are considered reductions in direct spending. The FDIC pays its operating costs from the Deposit Insurance Fund (DIF). Costs incurred by the Federal Reserve reduce remittances to the Treasury (such remittances are recorded as revenues). Costs for the CFTC, the SEC, and the Treasury are subject to the availability of annual appropriations. However, the SEC is authorized under current law to collect fees sufficient to offset its annual appropriation.

Federal Financial Regulators. In total, CBO estimates that enacting H.R. 2514 would increase gross direct spending by \$87 million over the 2020-2029 period for the FDIC, the NCUA and the OCC to implement the bill. Of that spending, \$62 million would be offset by fees levied by the NCUA and the OCC. CBO estimates that, on net, budget deficits would increase by \$25 million under the bill over the 2020-2029 period.

Examiner Training. H.R. 2514 would require federal financial examiners who review compliance with the BSA to attend at least 10 hours of annual training on enforcing laws that prohibit money laundering and laws related to the financing of terrorism. Together, those agencies and the Federal Reserve employ approximately 7,000 examiners who would require additional training under the bill. Using information from several of the affected agencies, CBO estimates that additional staff would be needed by the FDIC, the NCUA, and the OCC to fulfill duties that otherwise would have been completed by examiners while they were being trained. CBO estimates that each agency would require, on average, five additional staff at an average cost of \$250,000 to implement the requirement. Thus, enacting the bill would increase gross direct spending by \$36 million and net direct spending by \$10 million over the 2020-2029 period.

Innovation Labs. H.R. 2514 would require each federal financial regulator to establish an innovation lab to provide information and support to private entities regarding new approaches that may be used to comply with the BSA. Using information from the affected agencies, CBO estimates that they each would require, on average, about four additional employees to meet those requirements increasing gross direct spending by \$33 million and net direct spending by \$10 million over the 2020-2029 period.

Other Costs. The bill would require federal financial regulators to consult with the Treasury on several reports, update bank examination manuals, and appoint a civil liberties and



privacy officer. CBO estimates that implementing those requirements would increase gross direct spending by \$18 million and net direct spending by \$5 million over the 2020-2029 period.

Whistleblower Program. H.R. 2514 would direct the Financial Crimes Enforcement Network to establish a new whistleblower program that would award a portion of penalties collected for violation of the BSA to people who provide information leading to the imposition of penalties. Based on information from FinCEN and an analysis of similar programs at the SEC and the CFTC, CBO estimates enacting the program would cost about \$1 million each year starting in 2027, the year in which CBO expects the final regulations would be in place and the whistleblower program would be fully operational. Over the 2020-2029 period, CBO estimates, the award program would increase direct spending by \$3 million.

Revenues

CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting H.R. 2514 would, on net, increase revenues by \$226 million over the 2020-2029 period.

Tax Deductions. The bill would prohibit businesses and individuals from deducting attorney's fees and court costs related to Bank Secrecy Act settlements on their tax returns. JCT estimates that enacting this provision would increase revenues by \$256 million over the 2020-2029 period.

Federal Reserve. The Federal Reserve would be subject to the same requirements under H.R. 2514 as other federal financial regulators as discussed earlier. Using information from the Federal Reserve, CBO estimates that the additional training and creating an innovation lab would cost about \$3 million each year and would thus decrease revenues by \$30 million over the 2020-2029 period.

Whistleblower Program. CBO expects that implementing the proposed FinCEN whistleblower program would increase revenues from penalties. However, under Congressional scorekeeping rules, the estimated increase in revenues from whistleblower rewards that we estimate would result from providing additional mandatory funds cannot be used to offset that increased spending.² CBO estimates that the “nonscoreable” revenues from this provision would total \$16 million over the 2020-2029 period. That estimate is based on an assessment of past FinCEN enforcement actions and on an evaluation of similar whistleblower programs at the SEC and the CFTC.

2. The Conference Report for the Balanced Budget Act of 1997 (Public Law 105-33) established a series of scorekeeping rules that guide what budgetary effects are attributed to proposed legislation. Rule 14 states that “no increase in receipts or decrease in direct spending will be scored as a result of a provision of a law that provides direct spending for administrative or program management activities.”

**Spending Subject to Appropriation**

CBO estimates that implementing H.R. 2514 would cost \$247 million over the 2019-2024 period, assuming appropriation of the necessary amounts (see Table 2).

Table 2.
Estimated Increases in Spending Subject to Appropriation Under H.R. 2514

	By Fiscal Year, Millions of Dollars					2020-2024
	2020	2021	2022	2023	2024	
Technical Assistance						
Estimated Authorization	60	60	60	60	60	300
Estimated Outlays	5	34	54	57	57	207
FinCEN						
Estimated Authorization	6	6	6	7	7	32
Estimated Outlays	5	6	6	7	7	31
Reports						
Estimated Authorization	6	*	*	*	*	7
Estimated Outlays	5	1	*	*	*	7
CFTC and SEC						
Estimated Authorization	*	*	*	*	*	2
Estimated Outlays	*	*	*	*	*	2
Total Changes						
Estimated Authorization	72	67	67	68	68	342
Estimated Outlays	16	41	61	64	65	247

Components may not sum to totals because of rounding.

CFTC = Commodity Futures Trading Commission; FinCEN = Financial Crimes Enforcement Network; SEC = Securities and Exchange Commission.

Technical Assistance. Over the 2020-2024 period the bill would authorize the appropriation of twice the amount appropriated in 2019 to the Treasury (\$30 million) to help foster international cooperation in combating money laundering and terrorism. Based on the funding for the current program, CBO estimates that the legislation would authorize the appropriation of \$60 million annually and cost \$207 million over the 2020-2024 period and \$93 million after 2024, assuming appropriation of the authorized amounts.

FinCEN. H.R. 2514 would require FinCEN to increase outreach to financial institutions, publish information about its use of reports filed by those institutions, and initiate a project to support the use of new technology to improve compliance with the BSA. Using information from FinCEN, CBO estimates that implementing those provisions would cost \$31 million over the 2020-2024 period, mostly to hire additional staff.

Reports. H.R. 2514 would require FinCEN, the Department of the Treasury, and other agencies to prepare a total of 15 reports to the Congress on money laundering and financial reporting. Based on the cost of similar activities, CBO estimates preparing those reports would cost about \$7 million over the 2020-2024 period.



CFTC and SEC. CBO estimates that the CFTC would spend about \$2 million over the 2020-2024 period to hire two employees at an annual cost of \$240,000 per employee. Such spending would be subject to the availability of appropriated funds.

CBO estimates that the SEC would spend about \$3 million over the 2020-2024 period to hire two employees at approximately \$260,000 per employee. Such spending would be subject to the availability of discretionary funds. However, the SEC is authorized to collect fees sufficient to offset its annual appropriation. Assuming future appropriation actions consistent with that authority, CBO estimates that that the net effect on discretionary spending would be negligible.

Pay-As-You-Go Considerations:

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in Table 3.

Table 3.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 2514

	By Fiscal Year, Millions of Dollars										2020-2024	2020-2029
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		
	Net Decrease in the Deficit											
Pay-As-You-Go Effect	-18	-17	-18	-19	-20	-21	-21	-20	-21	-21	-93	-198
Memorandum:												
Changes in Outlays	1	3	3	2	2	2	3	4	4	4	11	28
Changes in Revenues	19	20	21	21	22	23	24	24	25	25	104	226

Increase in Long-Term Deficits: None.

Mandates

CBO has determined that the nontax provisions of H.R. 2514 contain private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO cannot determine whether the aggregate cost of those mandates would exceed the threshold established in UMRA for private-sector mandates (\$164 million in 2019, adjusted annually for inflation).

H.R. 2514 would direct the Department of Treasury to issue several rules that would impose mandates on private-sector entities subject to the BSA. The costs to comply with the mandates would include expenses incurred to meet new reporting and other requirements set out in the bill. Because the Treasury Department has not yet established those rules, CBO cannot determine whether the cost to comply with the mandates would exceed UMRA's private-sector threshold.



Specifically, H.R. 2514 would require the Treasury Department to issue regulations establishing:

- Protections for some whistleblowing employees by prohibiting employers from dismissing or disciplining employees for disclosing violations of laws enforced by FinCEN;
- Requirements that antiquities dealers comply with the BSA;
- Requirements that some commercial real estate companies report beneficial ownership information to FinCEN for transactions within a geographic region and over a specific dollar threshold, which would be determined by the department; and
- Requirements for how to install new technology designed by financial institutions to facilitate compliance with the BSA.

If federal regulatory agencies increased fees to offset the costs associated with implementing the bill, H.R. 2514 would increase the cost of an existing mandate on financial institutions required to pay those assessments and fees. CBO estimates that the incremental cost of the mandate would average less than \$10 million annually over the 2019-2024 period.

H.R. 2514 contains no intergovernmental mandates as defined in UMRA.

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