To prevent money laundering, the financing of terrorism, or other forms of illicit finance through United States real estate and vehicle transactions, including by Russian oligarchs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. WHITEHOUSE (for himself, Mr. CASSIDY, Ms. WARREN, and Mr. WICKER) introduced the following bill; which was read twice and referred to the Committee on ________

A BILL

To prevent money laundering, the financing of terrorism, or other forms of illicit finance through United States real estate and vehicle transactions, including by Russian oligarchs, 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
4 SECTION 1. SHORT TITLE.
5 This Act may be cited as the “Kleptocrat Liability
6 for Excessive Property Transactions and Ownership Act”
7 or the “KLEPTO Act”.
8
9 SEC. 2. DEFINITIONS.
10 In this Act:
(1) **ADMINISTRATOR.**—The term “Administrator” means the Administrator of the Federal Aviation Administration.

(2) **BANK SECRECY ACT.**—The term “Bank Secrecy Act” means—

(A) section 21 of the Federal Deposit Insurance Act (12 U.S.C. 1829b);

(B) chapter 2 of title I of Public Law 91–508 (12 U.S.C. 1951 et seq.); and

(C) subchapter II of chapter 53 of title 31, United States Code.

(3) **BENEFICIAL OWNER.**—The term “beneficial owner” has the meaning given the term in section 5336(a) of title 31, United States Code.

(4) **COVERED ENTITY.**—The term “covered entity” means a non-natural person, association, or arrangement, including any trust, partnership, foundation, corporation, limited liability company, or other public or private entity.

(5) **DIRECTOR.**—The term “Director” means the Director of FinCEN.

(6) **FINCEN.**—The term “FinCEN” means the Financial Crimes Enforcement Network of the Department of the Treasury.
(7) FOREIGN PERSON.—The term “foreign person” means an individual who is not—

(A) a United States person; or

(B) an alien lawfully admitted for permanent residence into the United States.

(8) REAL ESTATE PROFESSIONAL.—The term “real estate professional”—

(A) means a person described in section 5312(a)(2)(U) of title 31, United States Code; and

(B) may include a loan broker, lender, title insurance company, title insurance agent, escrow agent, developer, investment company, investment adviser, real estate investment trust, real estate agent, attorney, law firm, or other financial, real estate, or legal professional.

(9) SECRETARY.—The term “Secretary” means the Secretary of the Treasury.

(10) STATE.—The term “State” means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, the United States Virgin Islands, and any other commonwealth, territory, or possession of the United States.
(11) UNITED STATES PERSON.—The term “United States person” means a natural person who is a citizen of the United States or who owes permanent allegiance to the United States.

SEC. 3. ANTI-MONEY LAUNDERING SAFEGUARDS FOR REAL ESTATE TRANSACTIONS.

(a) RULEMAKING.—Not later than 1 year after the date of enactment of this Act, in conjunction with the authority under section 5318(a)(2) of title 31, United States Code, the Director shall issue a final rule to guard against money laundering, the financing of terrorism, or other forms of illicit finance through commercial and residential real estate transactions under the Bank Secrecy Act, including by—

(1) requiring real estate professionals to collect and report to the Director beneficial ownership information for each commercial and residential real estate transaction involving real estate located in a State and involving a buyer or seller that is a covered entity, regardless of the transfer price;

(2) in collecting and reporting the information under paragraph (1), defining commercial or residential real estate transactions to include direct and indirect transfers of real estate, including through the direct or indirect transfer of the ownership or
control of a covered entity that directly or indirectly
owns or controls the real estate that is the subject
of the transaction;

(3) establishing a system to determine which
real estate professionals must collect and report the
information under paragraph (1);

(4) requiring the Director to validate the inform-
information reported under paragraph (1);

(5) requiring real estate professionals reporting
information under paragraph (1) to take reasonable
measures to verify the accuracy of the information
reported under this subsection; and

(6) using the definition of “beneficial owner” in
section 5336(a) of title 31, United States Code.

(b) REPORT.—Not later than 360 days after the date
of enactment of this Act, the Secretary shall submit to
the appropriate congressional committees a report on how
digital ledger technology can be implemented to create a
tamper-proof permanent record of direct and indirect
transfers of real estate, including through direct or indi-
rect transfer of ownership or control of a covered entity
that directly or indirectly owns or controls the real estate
that is subject to the transaction.

(c) ANTI-MONEY LAUNDERING REQUIREMENTS FOR
REAL ESTATE PROFESSIONALS.—In the rule required
under subsection (a), the Director shall require the 1 or
more real estate professionals determined under sub-
section (a)(3) to—

(1) report suspicious transactions under section
5318(g)(1) of title 31, United States Code;

(2) establish anti-money laundering programs
under section 5318(h) of title 31, United States
Code;

(3) establish customer due diligence policies,
procedures, and controls under section 5318(i) of
title 31, United States Code; and

(4) establish written procedures reasonably de-
dsigned to identify and verify under section 5318(l) of
title 31, United States Code, the identity of cus-
tomers, including the beneficial owners of any cov-
ered entity, involved in commercial and residential
real estate transactions.

SEC. 4. REAL ESTATE PILOT PROGRAM.

(a) In General.—Not later than 2 years after the
date of enactment of this Act, the Secretary shall pilot
a comprehensive e-governance framework for the trans-
parency of commercial and residential real estate sales and
purchases in the United States, which shall—
(1) designate a pilot locale for the implementation of the pilot program after obtaining the consent of the relevant State; and

(2) design a cloud-based distributed ledger for real estate in the pilot locale, which shall—

(A) consist of a cloud-based network for digital governance that—

(i) provides real-time integrated information to users, which may include individuals, entities, and governments; and

(ii) allows users to conduct economic and other activity through an internet website or mobile application;

(B) be designed to minimize corruption and maximize transparency for persons engaged in real estate transactions, investment, assistance, and any other activities under section 3; and

(C) include the integration with other systems required under subsection (b) and the capabilities described in subsection (c).

(b) INTEGRATION WITH OTHER SYSTEMS.—The Secretary shall design the framework established under subsection (a) to be capable of integration with—
(1) the Bank Secretary Act databases maintained by FinCEN, including—

(A) the beneficial ownership information collected by FinCEN under Geographic Targeting Orders;

(B) the directory of beneficial ownership information collected under section 5336 of title 31, United States Code; and

(C) any other Bank Secretary Act database as determined by the Director;

(2) the sanctions lists maintained by the Department of the Treasury’s Office of Foreign Assets Control;

(3) the information exchanging systems of the Egmont Group of Financial Intelligence Units;

(4) the digital business registry databases of other countries;

(5) the real estate registries of States and political subdivisions of States;

(6) the beneficial ownership information collected under section 3(a); and

(7) any other system as determined by the Secretary.

(c) OTHER REQUIREMENTS.—
(1) **OPEN SOURCE.**—The Secretary shall ensure that the code used for the framework established under subsection (a) is open source and capable of being audited.

(2) **MULTI-LINGUAL FUNCTIONALITY.**—The Secretary shall ensure that the framework established under subsection (a) is functional in—

(A) English, Spanish, French, and Portuguese; and

(B) any other language as determined by the Secretary.

(3) **STANDARDS.**—The Secretary shall include in the framework established under subsection (a) standards for entities seeking to create their own e-governance systems.

**SEC. 5. CERTIFICATION OF AIRCRAFT REGISTRATION.**

(a) **IN GENERAL.**—Before approving a certificate of registration issued under section 44103 of title 49, United States Code, with a covered entity, the Administrator of the Federal Aviation Administration shall require the covered entity to—

(1) identify each beneficial owner of the covered entity by—

(A) name;
(B) current residential or business street address;

(C) a unique identifying number from a nonexpired passport issued by the United States or a nonexpired drivers license issued by a State or if neither is available, a legible and credible copy of the pages of a nonexpired passport issued by the government of a foreign country bearing a photograph, date of birth, and unique identifying information for the person;

(D) nationality; and

(E) the make, model, and serial number of the aircraft to be registered;

(2) in the case of a covered entity that is owned or controlled by more than 1 entity—

(A) identify how each entity relates to every other entity, including—

(i) the extent to which each entity holds an ownership interest in or exercises control over another entity; and

(ii) the relationship of each such entity with the beneficial owners who are natural persons; and
(B) identify each trust grantor, trustee, trust protector, and beneficiary of the covered entity that is a foreign person;

(3) in the case of a trust or association, identify the chain of control within the trust or association, including with respect to the beneficial owners, any trust grantor, trustee, trust protector, and beneficiary, and any association director, officer, or manager; and

(4) disclose to the Administrator any beneficial owner of the covered entity that is a foreign person.

(b) TIMING.—

(1) IN GENERAL.—The Administrator shall require a covered entity to provide the information described in subsection (a) when submitting an application for aircraft certification.

(2) EXISTING REGISTRANTS.—For a covered entity that submitted an application for aircraft certification prior to enactment of this Act, the Administrator shall require the covered entity to provide the information described in subsection (a) in a new submission to the Administrator not later than 180 days after the date of enactment of this Act.

(3) UPDATES.—The Administrator shall require a covered entity to update a submission of the infor-
mation described in subsection (a) not later than 60 days after the date of any change in—

(A) the list of beneficial owners of the covered entity; or

(B) the information required to be provided relating to each such beneficial owner.

SEC. 6. ANTI-MONEY LAUNDERING REQUIREMENTS FOR BUSINESSES ENGAGED IN VEHICLE SALES.

Not later than 1 year after the date of enactment of this Act, in conjunction with the authority under section 5318(a)(2) of title 31, United States Code, the Secretary shall issue a final rule that requires all businesses described in section 5312(a)(2)(T) of title 31, United States Code, to comply with the due diligence and reporting requirements applicable to financial institutions under subchapter II of chapter 53 of title 31, United States Code, including—

(1) reporting suspicious transactions under section 5318(g)(1) of title 31, United States Code;

(2) establishing anti-money laundering programs under section 5318(h) of title 31, United States Code;

(3) establishing customer due diligence policies, procedures, and controls under section 5318(i) of title 31, United States Code; and
(4) establishing written procedures reasonably
designed to identify and verify under section 5318(l)
of title 31, United States Code, the identity of cus-
tomers, including the beneficial owners of any cov-
ered entity, involved in a vehicle sale.

SEC. 7. BENEFICIAL OWNERSHIP DIRECTORY.

If an entity formed under the law of a foreign country
takes ownership or control of real estate located within
the United States through a real estate transaction carried
out by a real estate professional subject to this Act, and
if that entity would have qualified as a reporting company
under section 5336(a)(11)(A)(ii) of title 31, United States
Code, except that a State exempted the entity from a State
registration requirement because the only business of the
entity within the State is to purchase or hold real estate
within a State, that entity shall nevertheless be deemed
a reporting company under section 5336(a)(11)(A)(ii) of
such title and shall file the reports required under section
5336(b) of such title.

SEC. 8. APPLICABILITY.

This Act and the rules issued under this Act shall
apply to beneficial owners of covered entities regardless
of whether the covered entity is a reporting company, as
defined in section 5336(a) of title 31, United States Code.
SEC. 9. PROGRAM COST ESTIMATION.

Not later than 120 days after the date of enactment of this Act, the Secretary and the Administrator shall each submit to Congress a cost estimate for implementing this Act.

SEC. 10. EFFECTIVE DATE.

The effective date of each rule issued under this Act shall be 1 year after the date on which the final rule is issued.