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AML Whistleblowers Now Have More Appetizing Options

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On December 29, 2022, President Biden signed into law the Anti-Money Laundering Whistleblower Improvement Act. The law contains important enhancements to the Anti-Money Laundering Act, which created a whistleblower program for anti-money laundering enforcement, administered through the Treasury Department. Until now, although a whistleblower under this program could receive up to 30% of the monetary sanctions collected that exceeded $1 million, there has been no guaranteed minimum as provided for in several other whistleblower programs. The program also has been limited to violations of the Bank Secrecy Act and anti-money laundering laws.

The new legislation makes the program more palatable to whistleblowers in important ways. First, it adds a 10% minimum award for whistleblowers whose information leads to the collection of monetary sanctions that exceed the program's $1 million threshold. The maximum remains at 30%.

Next, the legislation expands both the pool of individuals who can qualify as whistleblowers and the range of violations on which whistleblowers can report. Previously, individuals serving in a compliance or audit function with an allegedly violating firm were ineligible to collect awards as whistleblowers. However, the new law removes this restriction.

In addition, the legislation adds violations of U.S. economic sanctions laws to the categories of violations that can give rise to anti-money laundering whistleblower awards. Therefore, whistleblowers can now collect awards for reporting on persons who are providing money, weapons, and technologies to sanctioned countries. In large part, this expansion was a direct and bipartisan response by lawmakers hungry to impose consequences on Russia for its invasion of Ukraine.

Finally, and to avoid taxpayer indigestion, Congress made the anti-money laundering whistleblower program self-funding through the establishment of a "Financial Integrity Fund," which can maintain a balance of up to $300 million and will come from fines collected by the departments of Justice and Treasury.

This new legislation serves as a good reminder to firms to review, and strengthen if necessary, their procedures for detecting and preventing anti-money laundering, Bank Secrecy Act, and sanction law violations.

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