

Questions for the Record  
Before the House Committee on Financial  
Services Subcommittee on National Security, Illicit Finance,  
and International Financial Institutions  
Hearing on “Modernizing the BSA for Financial Crime in the 21st Century”

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June 15, 2026

**Questions from Representative John Rose (R-TN):**

1. As you may know, my bill, H.R. 533 the *Bank Privacy Reform Act*, would reform the Bank Secrecy Act by keeping in place the requirements that financial institutions maintain customer records, but repealing provisions that compel banks to automatically report Americans’ financial information to the government without a warrant. I believe the federal government should not be able to routinely access consumers’ transaction history unless it first satisfies the Fourth Amendment’s protections against unreasonable searches. From your perspective, do the current BSA reporting mandates for things like Currency Transaction Reports and Suspicious Activity Reports amount to warrantless financial surveillance that conflicts with the Fourth Amendment, and would reforms along the lines of my bill better align our anti-money-laundering regime with Americans’ constitutional right to financial privacy
  - a. The current Bank Secrecy Action reporting mandates amount to warrantless surveillance. Banks and other financial institutions are required to provide sensitive financial information to law enforcement without so much as the government knocking on the door. The currency transaction report (CTR) does not even require suspicion of wrongdoing. The sole “charge” is that a customer simple used “too much” money. This level of financial surveillance absolutely conflicts with the spirit of the Fourth Amendment.

The approach taken in the *Bank Privacy Reform Act* would better align our anti-money laundering regime with Americans' constitutional right to financial privacy.<sup>1</sup>

2. GAO found that between 2014 and 2023, law enforcement agencies accessed only about 5.4 percent of Currency Transaction Reports filed in FinCEN's BSA portal, which means the vast majority are never even looked at by investigators. We have financial institutions pouring enormous time and money into filing these reports, burdens that fall disproportionately on smaller community banks and credit unions, while at the same time Americans' constitutional rights are implicated by mass reporting of their private financial data that the government largely does not use. In your view, what specific steps should Congress and regulators take to reduce the volume of low-value reports that financial institutions must send, so that both we better protect citizens' privacy and ensure that the information that is reported is actually useful and used by law enforcement?
  - a. Despite the damage that has been done, Congress has three main options to carve out a new path—a path rejecting warrantless surveillance and embracing financial privacy. Because politics are never an easy matter to navigate, these options start small and end large so that policymakers can know and understand the full suite of available choices.

At a minimum, all of the thresholds for reports required under the Bank Secrecy Act could be adjusted for inflation. That includes suspicious activity reports (SARs), currency transaction reports (CTRs), reports on foreign bank and financial accounts (FBARs), currency and other monetary instrument reports (CMIRs) and Form 8300 Reports. Some members of Congress have introduced legislation in recent years to get near this goal, but more support is needed to make this change a reality.<sup>2</sup> Given that one could buy two corvettes for \$10,000 when the Bank Secrecy Act was first established, it is clear we are talking about a very different number today.

Another option would be for Congress to go further and eliminate the reporting requirements entirely.<sup>3</sup> This option is important because adjusting the thresholds is akin to treating the symptom instead of the cause. The Fourth Amendment does not say people have a right to be secure in their papers *unless* it involves a lot of

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<sup>1</sup> John Rose, "Rep. Rose Introduces the Bank Privacy Reform Act to Stop the Government from Warrantless Surveillance of the American People," October 11, 2022, <https://johnrose.house.gov/media/press-releases/rep-rose-introduces-bank-privacy-reform-act-stop-government-warrantless>.

<sup>2</sup> Barry Loudermilk, "Rep. Loudermilk Reintroduces Legislation to Modernize Financial Reporting and Protect Consumer Privacy," March 4, 2025, <https://loudermilk.house.gov/rep-loudermilk-reintroduces-legislation-to-modernize-financial-reporting-and-protect-consumer-privacy/>; John Kennedy, "Kennedy, Tim Scott Introduce Bill to Cut Red Tape, Update 1970s Financial Reporting Standards," October 21, 2025, <https://www.kennedy.senate.gov/public/2025/10/kennedy-tim-scott-introduce-bill-to-cut-red-tape-update-1970s-financial-reporting-standards>; Mike Lee, "Lee Introduces the Saving Privacy Act to Protect Americans' Financial Data," September 25, 2024, <https://www.lee.senate.gov/2024/9/lee-introduces-the-saving-privacy-act-to-protect-americans-financial-data>.

<sup>3</sup> John Rose, "Rep. Rose Introduces the Bank Privacy Reform Act to Stop the Government from Warrantless Surveillance of the American People," October 11, 2022, <https://johnrose.house.gov/media/press-releases/rep-rose-introduces-bank-privacy-reform-act-stop-government-warrantless>.

money. If Congress were to take this option, law enforcement would still be able to go after criminals. They would just need to get a warrant to prove they have a legitimate need for someone's records.

The largest option is for Congress to repeal the Bank Secrecy Act regime. Even without the reporting requirements in option two or with higher thresholds in option one, issues like know-your-customer requirements, transnational repression, derisking, and debanking all tie back to the Bank Secrecy Act.<sup>4</sup> Therefore, a full repeal would be the most comprehensive step. Let banks decide what information they need, who they do business with, what risks they take, and when the government should be alerted. It would still be illegal to knowingly assist criminal activity and law enforcement would still be able to get a warrant should an investigation justify it.

Aside from these core reforms, Congress should apply stricter requirements to FinCEN's required reporting (e.g., the requirements it ignores from the Anti-Money Laundering Act of 2020), expand FinCEN's obligation to report key statistics, eliminate 26 USC Section 6050I, protect peer-to-peer transactions, and strengthen the Right to Financial Privacy Act.<sup>5</sup>

3. Could you describe the benefits of leveraging artificial intelligence to identify suspicious activity in financial transactions? And as more institutions adopt these tools, how do we ensure these AI systems are designed and supervised so they are not simply incentivized to flood the government with ever more records that are erroneously flagged as suspicious, instead of improving the accuracy and usefulness of the reports that are filed?
  - a. The use of artificial intelligence in identifying suspicious activity in financial transactions provides both costs and benefits.

In terms of benefits, it is possible that artificial intelligence could be used to drastically cut down on meaningless reports. Congress could eliminate threshold level reports (e.g., the currency transaction report) entirely and solely rely on the identification of potentially criminal activity. Doing so could drastically reduce both privacy violations and compliance costs.

In terms of costs, however, it's possible that the use of artificial intelligence could also drastically worsen privacy violations. Some commenters have argued that it is impossible for the government to review every Bank Secrecy Act report and therefore the privacy violations taking place are less than it seems. While I take

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<sup>4</sup> Jorge Jraissati, "Combatting Transnational Repression: Evidence for Reforming AML/CFT Laws," Economic Inclusion Group, January 2025, <https://econinclusion.com/wp-content/uploads/2025/02/IRI.pdf>; Nicholas Anthony, "Understanding Debanking: Evaluating Governmental, Operational, Political, and Religious Financial Account Closures," Cato Institute, January 8, 2026, <https://www.cato.org/policy-analysis/understanding-debanking-evaluating-governmental-operational-political-religious>; Nicholas Anthony, "Banks Are Narcising on You Because Congress Forces Them To," Reason, January 28, 2025, <https://reason.com/2025/01/25/the-banks-are-narcising-on-you/>.

<sup>5</sup> Nicholas Anthony, "The Right to Financial Privacy: Crafting a Better Framework for Financial Privacy in the Digital Age," Cato Institute, May 2, 2023, <https://www.cato.org/policy-analysis/right-financial-privacy>.

issue with this argument, the use of artificial intelligence could lead to even more financial surveillance. For example, the filing of defensive suspicious activity reports could become even worse if financial institutions begin to worry about previously unseen considerations.<sup>6</sup>

Balancing the costs and benefits is of the utmost importance. On the one hand, we may see the rise of a system that reduces privacy violations while increasing the identification of actual criminal activity. On the other hand, we may see the rise of the widest financial surveillance system ever created.

**Questions from Representative Maxine Waters (D-CA):**

1. Which of the following options best describes your self-identified race? (you may choose more than one)
  - a. White or Caucasian
  - b. Black or African American
  - c. Hispanic/Latinx
  - d. Asian
  - e. Middle Eastern/North African
  - f. Choose not to answer
    - i. Respectfully, I choose not to answer as I prefer to maintain my privacy. I am happy to discuss this matter in person, but I'd prefer sensitive information to not be part of the public record so that I may protect my privacy and the privacy of others who may not wish to disclose their status.
2. Which of the following options best describes your gender identity?
  - a. Woman
  - b. Man
  - c. Non-binary
  - d. Transgender Man
  - e. Transgender Woman
  - f. Choose not to answer
    - i. Respectfully, I choose not to answer as I prefer to maintain my privacy. I am happy to discuss this matter in person, but I'd prefer sensitive information to not be part of the public record so that I may protect my privacy and the privacy of others who may not wish to disclose their status.
  - g. Prefer to self-describe (please specify)

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<sup>6</sup> “Defensive reporting” refers to when financial institutions file reports that they know are unlikely to be necessary but do so anywhere out of fear of regulatory retaliation should an issue ever arise in the future.