

# *Annual Report*

Financial Crimes Enforcement Network

*Fiscal Year* **2008**



# Mission Statement

*FinCEN's mission is to enhance U.S. national security, deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems.*

# Message from the Director



In April of 2007, upon joining the Financial Crimes Enforcement Network (FinCEN) as the Director, I announced that I was going to take a fresh look at the way FinCEN carries out its mission as administrator of the Bank Secrecy Act (BSA). This included a review of the regulatory framework with a focus on ensuring that requirements on covered financial industries are efficient in their application, yet remain extremely effective in their service to law enforcement investigators, FinCEN analysts, and regulatory examiners. As I complete my second year at FinCEN, I am proud to report that FinCEN is making great strides in its ongoing initiatives toward maximizing efficiency and effectiveness.

As administrator of the BSA, FinCEN is charged with safeguarding the domestic financial system from illicit activity. FinCEN supports domestic law enforcement and regulatory agencies through the sharing of BSA information and analysis. The BSA reports, which we collect from our industry partners and protect in our database, enable investigators to solve crimes by following money trails. FinCEN analysts and others also use these reports strategically to identify broad trends, patterns, and vulnerabilities. FinCEN regulates the financial industry for anti-money laundering / counter-financing of terrorism (AML/CFT) purposes across the industry sectors of banking, securities, mutual funds, commodities, futures, insurance, money services businesses, casinos, and dealers in precious metals and jewelry. The resulting public-private sector partnership helps protect against those who would exploit the nation's financial system for illicit purposes.

FinCEN is actively taking steps to enhance this partnership. FinCEN is currently in the midst of an ongoing outreach initiative to meet individually with the nation's largest banks to learn more about how their AML programs operate in practice. In a similar outreach effort, we are meeting with the Big Four accounting firms to gain from their unique perspectives in advising the financial industry on risks and regulatory responsibilities. These interactions are promoting better understanding from both sides as to how we can better pursue our common goals of enhancing national security and market integrity. Once we complete this initial round with the largest depository institutions and the accounting firms, we will be reaching out to other industry segments, starting with money transmitters, for similar dialogue.

# *Message from the Director*

Our outreach efforts also have enabled us to better align risk-based approaches for protecting financial systems from abuse with the financial industry's commercial incentives. For example, we continue to add our voice to the growing realization of the importance of integrating anti-fraud and AML/CFT efforts to leverage resources as well as to serve important public policy goals. To support such integration, FinCEN this year published an updated Mortgage Loan Fraud report. FinCEN's ongoing work on mortgage fraud issues has been a recognized success at all levels of industry, the regulatory community, and law enforcement.

Not very long ago, FinCEN faced basic questions from the financial industry about whether the BSA data was useful to law enforcement. Through strategic outreach, FinCEN has demonstrated the undeniable value of BSA data and changed the nature of those discussions. Our maturing dialogue with the industry now focuses on how to most efficiently collect, report, and use this valuable information.

In fiscal year 2008, FinCEN also demonstrated its commitment to providing quality feedback and useful information to both the users and providers of BSA information. In support of this commitment, and in addition to other outreach initiatives, FinCEN launched an enhanced website in May. We recognize that efficient, effective, and timely communication is vital to achieving our common mission of protecting the financial system.

In our efforts toward increasing the efficiency of our market integrity regulations while maintaining the usefulness of BSA reports to law enforcement, FinCEN announced a proposal to simplify significantly the current requirements for depository institutions to exempt their eligible customers from currency transaction reporting. In a Notice of Proposed Rulemaking and request for comments, FinCEN is seeking to amend the BSA regulation allowing depository institutions to exempt certain persons from the requirement to report transactions in currency in excess of \$10,000, in accordance with the Government Accountability Office's (GAO's) February 2008 recommendations and FinCEN's independent research on the underlying issues. FinCEN's evaluation of CTR reporting has shown areas where reasonable changes such as this can be made to avoid potentially duplicative financial industry filing requirements.

# *Message from the Director*

As the nation's financial intelligence unit (FIU), FinCEN works to strengthen the resistance of international financial systems to criminal exploitation, supports and enhances the capacity of FIUs around the globe, and serves as a channel through which domestic law enforcement agencies can seek from other countries information related to crimes they are investigating. In fiscal year 2008, we increased strategic projects with our counterpart FIUs as part of global initiatives to combat transnational crime. For example, we worked with the Mexican and Canadian FIUs to analyze currency flows across our borders and thus combat criminal activity of mutual concern. FIU partnerships in such projects protect the public from serious crime and terrorist acts that threaten multiple nations.

We also took actions in fiscal year 2008 to enhance the integrity, security, and confidentiality of the valuable BSA data. Because of the sensitive nature of BSA reports, FinCEN is committed to safeguarding the data by controlling user access, establishing clear guidelines for data use and security, and monitoring use. Our multi-year information technology (IT) modernization effort seeks to incorporate technological advances to better serve and communicate with stakeholders and to maximize operating efficiency.

As we begin fiscal year 2009, FinCEN will continue to work closely with other regulators and with our partners in the financial industry and law enforcement arena to create value for all.

I am proud of the many accomplishments of FinCEN's nearly 300 employees during fiscal year 2008, and look forward to the many opportunities fiscal year 2009 holds for additional successes.

James H. Freis, Jr.  
Director  
December 2008

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# About the Financial Crimes Enforcement Network

The Financial Crimes Enforcement Network (FinCEN) is a bureau of the U.S. Department of the Treasury. The Director of FinCEN reports to the Under Secretary for Terrorism and Financial Intelligence (TFI), one of three Under Secretaries within the Treasury Department. FinCEN plays two key roles in U.S. efforts to keep the world's financial systems accessible to legitimate users while detecting and deterring those who wish to exploit these systems for illegal purposes.

First, FinCEN administers the Bank Secrecy Act (BSA)<sup>1</sup>, as amended by Title III of the USA PATRIOT Act of 2001 and other legislation. The BSA is the nation's first and most comprehensive federal anti-money laundering and counter-terrorism financing statute. In brief, the BSA authorizes the Secretary of the Treasury – who in turn, has delegated this authority to the Director of FinCEN – to issue regulations requiring banks and other financial institutions to take a number of precautions against financial crime. These include setting up anti-money laundering programs and filing reports that have been determined to have a high degree of usefulness in criminal, tax, and regulatory investigations and proceedings, and certain intelligence and counter-terrorism matters.

Under its delegated authority and direct statutory mandate as administrator of the BSA, FinCEN:

- Issues and interprets regulations authorized by the statute;
- Supports and enforces compliance with BSA regulations;
- Supports, coordinates, and analyzes data regarding compliance examination functions delegated to other federal regulators;
- Manages the collection, processing, storage, and dissemination of data filed under BSA reporting requirements;
- Maintains a government-wide access service to the BSA data and networks users with overlapping interests; and
- Conducts analysis to support policy makers; law enforcement, regulatory, and intelligence agencies; and the financial industry.

In addition, FinCEN serves as the financial intelligence unit (FIU) for the United States. An FIU is a central, national agency responsible for receiving, analyzing, and disseminating to, and as permitted, requesting from, the competent authorities disclosures of financial information:

- i) concerning suspected proceeds of crime and potential financing of terrorism; or
- ii) required by national legislation or regulation, in order to combat money laundering and terrorism financing.

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1. The Bank Secrecy Act is the popular name for the federal financial reporting, recordkeeping and anti-money laundering requirements and prohibitions codified at 12 U.S.C. 1829b, 12 U.S.C. 1951-1959, and 31 U.S.C. 5311-5332. FinCEN regulations implementing the Bank Secrecy Act can be found at 31 CFR Part 103..

# About the Financial Crimes Enforcement Network

As one of the world's leading FIUs, FinCEN participates in anti-terrorism and anti-money laundering initiatives with FIU counterparts around the world. FinCEN also works to strengthen

other countries' efforts to deter and detect financial crime and promotes international information-sharing to combat financial crime.

To learn more about the Financial Crimes Enforcement Network, visit [www.fincen.gov](http://www.fincen.gov).

## The Need for Financial System Vigilance

*“As stewards of the financial system, we must always keep one step ahead of criminals to help protect our economic and national security. This includes remaining vigilant in protecting the financial system from abuse while continuing to address the current financial market turmoil.”*

Henry M. Paulson, Jr.  
Secretary of the Treasury  
Statement to the Bank Secrecy Act Advisory Group Plenary  
October 22, 2008



# History of the Financial Crimes Enforcement Network

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- 1990** The U.S. Department of the Treasury established the Financial Crimes Enforcement Network (FinCEN). Its initial charge was to support law enforcement by establishing a government-wide financial intelligence and analysis network.
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- 1994** The Secretary of the Treasury delegated to the Director of FinCEN authority to administer Title II of the BSA. FinCEN's operations subsequently expanded to include regulatory responsibilities.
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- 1995** FinCEN was one of 15 financial intelligence units from around the world that met to establish the Egmont Group, an information-sharing network to combat money laundering and other financial crimes that cross national borders.
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- 2001** The USA PATRIOT Act amended and broadened the scope of the BSA to include additional financial industry sectors and a focus on the financing of terrorism. The Act significantly expanded FinCEN's authorities and established the organization as a bureau within the Department of the Treasury.
- 
- 2004** The Treasury Department established a new Office of Terrorism and Financial Intelligence (TFI) to integrate the Department's information and intelligence streams, including BSA data and analysis, and authorities for cutting the lines of financial support to international terrorists. The Director of FinCEN reports to the Under Secretary for TFI. Within the TFI structure, FinCEN contributes to the Department's strategic goal of preventing terrorism and promoting the Nation's security through strengthened international financial systems.

## The Value of Counter-Terrorist Financing Efforts

*"The real value of all of our counter-terrorist financing efforts is that they provide us with another means of maintaining persistent pressure on terrorist networks. Terrorist networks and organizations require real financing to survive. The support they require goes far beyond funding attacks. They need money to pay operatives, support their families, indoctrinate and recruit new members, train, travel, and bribe officials. When we restrict the flow of funds to terrorist groups or disrupt a link in their financing chain, we can have an impact."*

Stuart Levey

Treasury Department Under Secretary, Terrorism and Financial Intelligence  
Testimony before the Senate Committee on Finance

April 1, 2008

# Bank Secrecy Act Reporting in Fiscal Year 2008

Slightly more than 18 million reports were filed under the BSA's recordkeeping and reporting requirements in fiscal year 2008. These reports increase transparency in the financial system and help to create a financial trail that law enforcement and intelligence agencies can use to track criminals, their activities, and their assets. Recordkeeping and reporting requirements work hand-in-glove with the BSA's anti-money laundering program requirement, which helps financial institutions protect themselves, and thus the U.S. financial system, from criminal abuse by helping to identify and mitigate the risks inherent in their operations.

A range of financial industry sectors are subject to BSA reporting requirements. These include – but are not limited to – depository institutions (e.g., banks, credit unions, and thrifts); broker-dealers in securities; mutual funds; futures commission merchants and introducing brokers in commodities; money services businesses (e.g., money transmitters; issuers, sellers, and redeemers of money orders, travelers' checks, and stored value; currency dealers and exchangers; check cashers; and the U.S. Postal Service); casinos and card clubs; insurance companies; and dealers in precious metals, precious stones, or jewels.

A variety of reports are required under the BSA. (See box.) The reports filed most often are:

- Currency Transaction Reports (CTRs), which are filed in connection with cash deposits, withdrawals, exchanges of currency, or other payments or transfers by, through, or to a financial institution involving a transaction (or multiple transactions by or on behalf of the same person) in currency exceeding \$10,000. Currency transaction reporting requirements are a key impediment to criminal attempts to legitimize the proceeds of crime.
- Suspicious Activity Reports (SARs), which are filed in connection with transactions that financial institutions know, suspect, or have reason to believe may be related to illicit activity. These reports are especially valuable to law enforcement and intelligence agencies because they reflect activity considered problematic or unusual by depository institutions, casinos, money services businesses, securities broker-dealers, mutual funds, futures commission merchants, introducing brokers in commodities, and insurance companies. SARs contain sensitive information and, consequently, may be disclosed and disseminated only under strict guidelines. Unauthorized disclosure of SARs is a violation of criminal law.

# Bank Secrecy Act Reporting in Fiscal Year 2008

## Bank Secrecy Act Reports

- Currency Transaction Report (CTR)
- Currency Transaction Report by Casinos (CTR-C)
- Designation of Exempt Person
- Report of Foreign Bank and Financial Accounts (FBAR)
- Report of International Transportation of Currency or Monetary Instruments (CMIR - Collected by U.S. Customs and Border Protection)
- Report of Cash Payments over \$10,000 Received in a Trade or Business (8300)
- Suspicious Activity Report by Depository Institutions (SAR-DI)
- Suspicious Activity Report by a Money Services Business (SAR-MSB)
- Suspicious Activity Report by Casinos and Card Clubs (SAR-C)
- Suspicious Activity Report by Securities and Futures Industries (SAR-SF)  
NOTE: Insurance Companies also file using the SAR-SF
- Registration of Money Services Business

The latest versions of these forms are available at [www.fincen.gov](http://www.fincen.gov).

The Internal Revenue Service's Enterprise Computing Center, located in Detroit, Michigan, receives BSA reports through a partnership with FinCEN. Preliminary Enterprise Computing Center figures for October 1, 2008 show that the number of BSA reports filed in fiscal year 2008 was slightly more than 18 million, compared to about 17.9 million in fiscal year 2007. The number of Suspicious Activity

Reports, Reports of Foreign Bank and Financial Accounts, Registrations of Money Services Business, and Reports of Cash Payments Over \$10,000 Received in a Trade or Business all rose from the numbers filed in fiscal year 2007. The number of Currency Transaction Reports and Designations of Exempt Persons filed declined slightly from numbers filed in fiscal year 2007.

# Bank Secrecy Act Reporting in Fiscal Year 2008

To improve data quality and accelerate the secure flow of information from financial institution filers to law enforcement and regulatory agencies, FinCEN encourages electronic filing of BSA reports. In fiscal year 2008, about 67 percent of BSA reports were E-Filed, compared with about 55 percent E-Filed in fiscal year 2007. During the last 2 months of fiscal year 2008, 71 percent of

the reports were E-Filed, compared with 59 percent during the last 2 months of fiscal year 2007. FinCEN uses the two most recent months of E-filing activity to calculate the performance measure for percentage E-Filed.

The following chart compares preliminary reporting figures for fiscal years 2007 and 2008 for each type of BSA report.

## Bank Secrecy Act Filings by Type, Fiscal Years 2007 - 2008<sup>2</sup>

Type of Form	Filed in FY 2007	Filed in FY 2008
Currency Transaction Report (all types)	16,219,434	16,082,776
Suspicious Activity Report (for all covered industries)	1,157,468	1,318,984
Report of Foreign Bank and Financial Accounts	320,937	344,967
Registration of Money Services Business	18,380	21,102
Designation of Exempt Person <sup>3</sup>	63,632	53,675
Report of Cash Payments Over \$10,000 Received in a Trade or Business (Form 8300)	173,027	184,305
Total <sup>4</sup>	17,952,878	18,005,809

2. Source: Internal Revenue Service Enterprise Computing Center – Detroit, figures as of October 3, 2007 and October 1, 2008.

3. The Designation of Exempt Person form enables depository institutions (banks, savings associations, thrift institutions, and credit unions) to use Currency Transaction Report exemption rules to eliminate the reporting obligation for transactions by business customers with routine needs for currency.

4. In addition, U.S. Customs and Border Protection, U.S. Department of Homeland Security, reported that approximately 177,209 Reports of International Transportation of Currency or Monetary Instruments were filed in fiscal year 2008. These paper reports are not included in the total or in E-Filing calculations.

# Bank Secrecy Act Reporting in Fiscal Year 2008

## Value of BSA Currency Transaction Reports (CTRs)

*“According to federal, state, and local law enforcement officials, CTRs provide unique and reliable information essential to a variety of efforts, and recent advances in technology have enhanced law enforcement agencies’ ability to use CTR data by integrating it with other information. In addition to supporting specific investigations, CTR requirements aid law enforcement by forcing criminals attempting to avoid reportable transactions to act in ways that increase chances of detection through other methods.”*

Government Accountability Office Report GAO-08-355:  
Bank Secrecy Act: Increased Use of Exemption Provisions Could Reduce  
Currency Transaction Reporting While Maintaining Usefulness to Law  
Enforcement Efforts  
February 2008

## Value of BSA Data

*“Records produced and maintained pursuant to the Bank Secrecy Act are especially vital weapons in our arsenal - particularly Suspicious Activity Reports and Currency Transaction Reports. Every single one of our terrorism investigations has a financial sub-file and one of the first things on our checklist is to query FinCEN for BSA reports that match the subject. You would be amazed at how much valuable intelligence they produce - especially SARs and CTRs.”*

John S. Pistole  
Deputy Director, FBI  
American Bankers Association / American Bar Association Money  
Laundering Enforcement Conference  
October 22, 2007

# FinCEN Outcome Goals and Cross-Cutting Principles

**T**he Financial Crimes Enforcement Network's Strategic Plan for Fiscal Years 2008-2012 outlines three outcome goals plus a management goal, and highlights five cross-cutting principles:

**Outcome Goal 1:** Financial systems resistant to abuse by money launderers, terrorists and their financial supporters, and other perpetrators of financial crime.

**Outcome Goal 2:** Detection and deterrence of money laundering, terrorism financing, and other illicit activity.

**Outcome Goal 3:** Efficient management, safeguarding, and use of BSA information.

**Management Goal:** FinCEN's mission is accomplished by high-performing employees and managers operating in a stimulating and responsible work environment.

The following five cross-cutting principles serve as the foundation for all FinCEN operations:

- Efficiency and Effectiveness
- Creating Value
- Partnerships and Collaboration
- A Global Perspective
- Advanced Technology

Adherence to these principles enables FinCEN employees to work across organizational lines to weave strategic activities into a coherent whole.

These goals and principles reflect our role as a regulatory agency, our responsibilities for combating money laundering and the financing of terrorism, and our long-range vision for providing law enforcement and regulatory agencies with better access to BSA data while supporting these agencies with more sophisticated and unique analyses. The strategic plan is available at [www.fincen.gov](http://www.fincen.gov).

This report lists major FinCEN accomplishments toward its outcome and management goals in fiscal year 2008.

## Outcome Goal 1:

Financial systems resistant to abuse by money launderers, terrorists and their financial supporters, and other perpetrators of financial crime.

The BSA requires a wide variety of financial institutions to establish anti-money laundering programs, customer identification programs, and processes and systems for data reporting and recordkeeping related to certain kinds of financial transactions. These market integrity requirements increase transparency as a way to prevent criminals from abusing the nation's legitimate financial systems. Criminal access to financial services and products, whether to fund terrorist operations or to hide the proceeds of drug trafficking or other crimes, directly threatens U.S. national security, public safety, and the integrity of financial institutions.

FinCEN's goal is to reduce the vulnerability of U.S. depository institutions, money services businesses, broker-dealers in securities, mutual funds, futures commission merchants, introducing brokers in commodities, insurance companies, casinos, dealers in precious metals, precious stones

and jewels, and other financial services providers to criminal abuse. Because numerous national financial systems are so closely entwined in today's global economy, FinCEN also seeks to protect U.S. interests by supporting and encouraging stronger counter-terrorism financing and anti-money laundering policies and programs worldwide.

In fiscal year 2008, FinCEN's accomplishments toward meeting this goal went hand-in-hand with an initiative to enhance regulatory efficiency and effectiveness first announced by Treasury Secretary Henry Paulson at FinCEN in June 2007. In line with this initiative, FinCEN put new emphasis on providing guidance and feedback to regulated industries and reaching out to specific financial institutions and industries to learn more about the practical implications of regulatory requirements. Major accomplishments are described below:

### Simplified CTR Exemption Requirements

In April 2008, FinCEN announced a proposal to significantly simplify the requirements for depository institutions to exempt their eligible customers from currency transaction reporting. In a report published in early 2008, the GAO found that CTRs provide unique and reliable information essential to supporting investigations and detecting criminal activity. CTR information

contributes to pattern and trend analysis that may be indicative of money laundering and other financial crimes. The GAO also made recommendations concerning the processes for CTR exemptions. FinCEN's proposal, issued as a Notice of Proposed Rulemaking with request for comments, seeks to simplify the exemption process in accordance with the GAO recommendations and FinCEN's independent research on the underlying issues.

### FinCEN's Regulatory Efficiency and Effectiveness Initiative

*"...We are constantly examining our regulatory system to ensure it is as efficient and effective as possible. In that regard, on June 22, 2007, Secretary Paulson announced the first in a series of ongoing initiatives to promote the efficiency and effectiveness of the AML/CFT regulatory framework. FinCEN has been working with the Federal Banking Agencies and other government authorities, and in the coming months will be taking public steps in the areas previewed by the Secretary, including discussing the results of our efforts with the banking regulators to enhance risk-scoping in the bank examination process; proposing a clearer and more tailored regulatory definition of money services businesses; and proposing a restructured set of regulations to enable covered industries to focus more quickly on rules that apply specifically to them. Moreover, FinCEN continues to provide feedback to the financial industry on the usefulness to law enforcement of reported information and through analytical studies, guidance, and advisories to help financial institutions better target their risk control activities."*

Stuart Levey

Treasury Department Under Secretary, Terrorism and Financial Intelligence  
Testimony before the Senate Committee on Finance  
April 1, 2008



### Feedback on Impact of New and Revised Regulations

In fiscal year 2007, FinCEN made a commitment to provide affected industries with written feedback on the effects of rule changes within 18 months of the effective date of new regulations or significant regulatory changes. *Insurance Industry Suspicious Activity Reporting: An Assessment of Suspicious Activity Report Filings* was the first example of this feedback. To develop the report, FinCEN analysts read and reviewed each of the 641 SARs filed by insurance companies between May 2, 2006 and May

1, 2007, the first year of their reporting obligation. The report, published in April 2008 and available at [www.fincen.gov](http://www.fincen.gov), included such information as the largest filing states for corporate entities and individuals, the occupations and roles of subjects named in the SARs, patterns in the type of suspicious activity reported, and errors made in reporting.

Well received by regulators and by the insurance industry, the report showed that consistent with data from all other financial services industries, insurance company filers most commonly cited “BSA/Money Laundering/Structuring” as the characterization of suspicious activity.

### Praise for FinCEN’s Insurance Report

*“FinCEN’s [insurance] report gives valuable guidance on how to improve SAR narratives for law enforcement. The collective information provides a tangible training tool for life insurers and their compliance departments. With this information at hand, the life insurance industry will be able to more efficiently and effectively fulfill its anti-money laundering responsibilities under the Bank Secrecy Act. The content, tables, maps and appendices are clear and user-friendly.*

*“Your leadership in establishing the first industry “look-back” is commendable. This process will be invaluable to other industries as similar assessments are completed in the future. This action reflects government regulation at its best, and prevents gaps between regulatory requirements and industry practices. The outreach and responsiveness of you and your colleagues at FinCEN has enhanced life insurers’ ability to develop operational anti-money laundering programs.”*

Carl B. Wilkerson  
Vice President and Chief Counsel Securities and Litigation  
American Council of Life Insurers  
(Letter to Director Freis, June 6, 2008)

## Outcome Goal 1 continued...

Analysis of SAR narratives revealed that the most frequently identified subject of the suspicious activity, when such a designation was made, had a direct relationship to the policy or account (the applicant, insured party, beneficiary, etc.); less commonly reported were insurance insiders, such as an agent or broker, or someone serving in a gatekeeper role, such as an accountant or lawyer.

The most commonly described suspicious activity involved the use of multiple money orders or checks for premium and loan payments, followed by early or excessive borrowing, structuring/money laundering, early termination of a policy or annuity and significant transaction with no apparent economic purpose. The report concluded that, with few exceptions, the quality of SAR narratives provided by insurance companies has been good.

### **Proposal to Better Organize BSA Regulations**

In October 2008, FinCEN published a proposal to reorganize regulations under Chapter X of the Code of Federal Regulations (CFR) as part of its efforts to make the administration of the BSA more efficient and effective. The proposal would simplify BSA rules and regulations by centralizing them in a new chapter of the CFR, and would streamline the BSA regulations into general and industry-specific parts, ensuring that a financial institution will be able to identify its obligations under the BSA in a more organized and understandable manner.

The current organizational structure of FinCEN regulations developed over many years, during which Congress expanded FinCEN's authority to address a very broad range of financial industries. As a result, the regulations are not organized optimally, making them somewhat difficult to navigate, particularly for those industries most recently brought under the scope of the BSA. FinCEN's regulations are currently included in the CFR as Part 103 in Chapter I under "Title 31, Money and Finance: Treasury." FinCEN is proposing to reorganize and renumber its regulations into a new tenth chapter of Title 31 which would appear as "Title 31 Chapter X – Financial Crimes Enforcement Network." In making BSA regulations more accessible, this effort serves FinCEN's important anti-money laundering mission by facilitating compliance by financial institutions

### **BSA Guidance for Covered Industries**

In fiscal year 2008, FinCEN provided substantive BSA guidance for depository institutions, money services businesses, casinos, and dealers in precious metals, precious stones, or jewels. This guidance, listed below, provided clarifications of BSA requirements and applications, as well as suggestions for correcting common filing errors and guides to "red flags" that may indicate suspicious activity.

- Guidance on Application of the Definition of Money Transmitter to Brokers and Dealers in Currency and Other Commodities (09/12/2008)

# Fiscal Year 2008 Accomplishments and Performance Measures

## Outcome Goal 1 continued...

- Guidance on Recognizing Suspicious Activity – Red Flags for Casinos and Card Clubs (08/01/2008)
- Preparation Guidelines for Use of Special Response “XX” in FinCEN Form 109, Suspicious Activity Report by Money Services Business (05/02/2008)
- Guidance to Financial Institutions on Filing Suspicious Activity Reports Regarding the Proceeds of Foreign Corruption (04/17/2008)
- Frequently Asked Questions regarding Anti-Money Laundering Program and Suspicious Activity Reporting Requirements for Insurance Companies (03/20/2008)
- Guidance for Dealers, Including Certain Retailers, of Precious Metals, Precious Stones, or Jewels, on Conducting a Risk Assessment of Their Foreign Suppliers (03/10/2008)
- Customer Identification Program Rule No-Action Position Respecting Broker-Dealers Operating Under Fully Disclosed Clearing Agreements According to Certain Functional Allocations (03/04/2008)
- Guidance – Application of Correspondent Account Rules to the Presentation of Negotiable Instruments Received by a Covered Financial Institution for Payment (01/30/2008)
- Guidance – Application of the Definition of Money Services Business to Certain Owner-Operators of Automated Teller Machines Offering Limited Services (12/03/2007)
- Frequently Asked Questions for Casinos Regarding Recordkeeping, Reporting and Compliance Program Requirements (11/14/2007)
- Guidance to Financial Institutions on the Increasing Money Laundering Threat Involving Illicit Iranian Activity (10/16/2007)
- Reference – Suggestions for Addressing Common Errors Noted in Suspicious Activity Reporting (10/10/2007)

## Administrative Rulings

In fiscal year 2008, FinCEN responded to 62 correspondence requests for interpretive guidance and administrative rulings clarifying application of BSA regulations to specific situations; this was a 34 percent increase in responses over fiscal year 2007. In many cases, these responses clarified definitions of covered entities. Administrative Rulings published during the year are listed below:

- FIN-2008-R008 – Bank Secrecy Act Obligations of a U.S. Clearing Broker-Dealer Establishing a Fully Disclosed Clearing Relationship with a Foreign Financial Institution (06/18/2008)
- FIN-2008-R007 – Whether a Certain Operation Protecting On-line Personal Financial Information is a Money Transmitter (06/11/2008)

## Outcome Goal 1 continued...

- FIN-2008-R006 – Whether an Authorized Agent for the Receipt of Utility Payments is a Money Transmitter (06/11/2008)
- FIN-2008-R005 – Whether Certain Reloadable Card Operations are Money Services Businesses (05/19/2008)
- FIN-2008-R004 – Whether a Foreign Exchange Consultant is a Currency Dealer or Exchanger or Money Transmitter (05/09/2008)
- FIN-2008-R003 – Whether a Person That is Engaged in the Business of Foreign Exchange Risk Management is a Currency Dealer or Exchanger or Money Transmitter (05/09/2008)
- FIN-2008-R002 – Whether a Foreign Exchange Dealer is a Currency Dealer or Exchanger or Money Transmitter (05/09/2008)
- FIN-2008-R001 (Replaces FIN-2006-R003) – Reporting of Certain Currency Transactions for Sole Proprietorships and Legal Entities Operating Under a “Doing Business As” (“DBA”) Name (01/25/2008)
- FIN-2007-R002 – Whether a Business that Cashes Checks Payable to Customers to Apply Proceeds to the Repayment of Customers’ Obligations is a Money Services Business (01/10/2008)

- FIN-2007-R001 – Whether a Publicly Traded Company that Cashes Its Own Checks Issued to Loan Customers Is a Money Services Business (01/08/2008)

### **SAR Activity Review and By the Numbers**

During the year, FinCEN published two issues of *The SAR Activity Review, Trends, Tips and Issues*, and two issues of its companion, *The SAR Activity Review – By the Numbers*. These publications provide feedback to industry on the number of SARs filed, state filing patterns, how SARs are used, and trends and patterns derived from analysis of SAR data.

Every issue of *The SAR Activity Review* contains case examples in which BSA data supported law enforcement investigations. Law enforcement officials use BSA records to help investigate a variety of crimes, including tax evasion, narcotics trafficking and identity theft. FinCEN has released on its website an archive of all of the case examples that have been published in the current and previous editions of *The SAR Activity Review*. The list is organized according to type of BSA form used in the investigation, type of industry involved, and type of violation committed.

The cases described in the archive demonstrate the usefulness of BSA reports to law enforcement. FinCEN is committed to ensuring that requirements

## Outcome Goal 1 continued...

for covered financial industries are efficient in their application, yet remain extremely effective in their service to law enforcement investigators.

### Support for BSA Filers

FinCEN realizes that quick, clear guidance and support need to be available to BSA filers and others involved in implementing the BSA regulatory regime. Accordingly, FinCEN operates a BSA Resource Center that provides support for covered institutions with questions on BSA regulatory and compliance matters. FinCEN tracks questions asked by those who contact the BSA Resource Center to identify important concerns and trends with respect to BSA compliance and to identify areas where FinCEN may need to clarify current regulations, rulings or guidance. Resource Center staff also monitor a BSA "Hotline" to assist covered institutions in reporting suspicious activity concerning terrorist financing in an expedited (i.e., time-critical) fashion. In fiscal year 2008, the Resource Center logged 8,250 calls.

### Beneficial Ownership Survey

In fiscal year 2008, FinCEN surveyed various financial institutions to assess industry practices for collecting and maintaining beneficial ownership information about business customers. At year end, FinCEN was analyzing the extensive data gathered from the survey. This information will help us

identify the practical aspects of, and challenges relating to, maintenance of beneficial ownership information and enhance our understanding of whether financial institutions, law enforcement, and our regulatory partners would benefit from FinCEN guidance or other action in this area.

### State Data Profiles

In May 2007, FinCEN developed and disseminated the first state-specific BSA Data Profiles for state supervisory agencies with which it has information-sharing Memoranda of Understanding (MOUs). A four-section, 26-page product highlighted BSA filing trends and patterns within those states. FinCEN received positive feedback from various state agencies for the 2007 effort and, as a result, plans to continue to provide this product annually.

New content was added to the 2008 State BSA Data Profiles, partially based on feedback from last year's products. The 2008 packages include enhanced and expanded exhibits incorporating intricate graphing, thematic mapping, and infusing of statistical data to depict each state's suspicious activity and currency transaction reporting trends. This year's product integrated U.S. Census Bureau population data and added maps illustrating national SAR filing trends and new trends analysis exhibits dedicated to mortgage loan fraud; CTR filing patterns of depository institutions and,

where applicable, casinos; and graphs of registered and possible unregistered money services businesses (MSBs). The 46 profiles, plus analyses for states and territories without MOUs with FinCEN, were aggregated into consolidated packages and provided to the Federal banking supervisors and the IRS.

### Regulatory Compliance Information Sharing Activities

FinCEN has signed MOUs with seven federal regulators and 46 state regulatory agencies to ensure that information about compliance issues is exchanged between FinCEN and the entities charged with examining for BSA compliance. As part of that exchange of information, examining authorities agreed to notify FinCEN of institutions with significant incidents of BSA non-compliance. In the last year, FinCEN processed 265 cases based on these notifications from regulators and from institutions that self-reported incidents of non-compliance.

The MOUs also require FinCEN to assist entities with identifying BSA compliance deficiencies. To meet this obligation, FinCEN employs technology to identify errors of which regulators may be unaware. In 2008, we referred 84 matters to regulatory authorities for a variety of compliance issues. The ultimate goal of this program is to alert examiners to deficiencies so that they may work with the institution to resolve the issues.

### Enforcement Actions

Working closely with appropriate regulatory and law enforcement agencies, FinCEN took enforcement actions during the year in three cases of egregious violation of BSA requirements.

- FinCEN and the Department of Justice announced concurrent actions against a money services business headquartered in California. FinCEN assessed a \$12 million civil money penalty against Sigue Corporation and Sigue, LLC for violations of the BSA. Sigue entered into a deferred prosecution agreement with the Department of Justice for failing to maintain an effective anti-money laundering program. FinCEN's penalty was deemed satisfied by a portion of Sigue's \$15 million payment to the Department of Justice.
- FinCEN and the Office of the Comptroller of the Currency announced the assessment of concurrent civil money penalties, each \$15 million, against the New York branch of United Bank for Africa, PLC, for violations of the BSA. Without admitting or denying the allegations, the branch consented to the payment of the civil money penalties, which was deemed satisfied by a single payment of \$15 million to the U.S. Department of the Treasury.

## Outcome Goal 1 continued...

- FinCEN took action against a money services business in Florida. FinCEN assessed a \$12,000 civil money penalty against El Noa Noa Corporation for violations of the BSA. El Noa Noa failed to establish and implement a reasonably designed anti-money laundering program. Without admitting or denying the allegations, El Noa Noa consented to the payment of the civil money penalty, which was deemed satisfied by two payments to the Department of the Treasury.

### The Objectives and Conduct of Bank Secrecy Act Enforcement

*“Effective enforcement is based on the just and consistent application of the rules and enforcement penalties. Misperceptions about these matters will erode the trust and confidence in our financial system that the BSA seeks to protect. In this regard, FinCEN’s general policy is to reserve civil money penalties for the most significant and systemic violations of the BSA. This is a view that I believe the banking industry shares. While lesser BSA infractions should not be ignored, FinCEN has other vehicles to address these deficiencies outside of the context of enforcement.”*

*“By way of example, FinCEN’s enforcement statistics reflect that FinCEN penalizes financial institutions rarely, and only when appropriate. To illustrate further, FinCEN has assessed three civil money penalties under the BSA this year, and only one involved a bank. In 2007, FinCEN assessed five civil money penalties, two against banks. To put these figures into context, there are tens-of-thousands of financial institutions subject to the BSA, including over 17,000 depository institutions.”*

James H. Freis, Jr.  
Director, FinCEN  
American Bankers Association / American Bar Association Money  
Laundering Enforcement Conference  
October 20, 2008

### **Website Redesign**

To better serve the BSA community, FinCEN in fiscal year 2008 launched a redesigned website that emphasizes the bureau's commitment to providing quality feedback and useful information to both the users and providers of BSA information. The public website's content was extensively reorganized and supplemented to provide a more user-friendly, informative, and educational communications tool.

FinCEN's redesigned website has a standardized format and restructured navigation to make it easier for users to find information quickly. Convenient industry headings (Depository Institutions, Casinos, Money Services Businesses, Insurance Industry, Securities and Futures, Precious Metals/Jewelry) allow financial institutions to click on one place to view news, rules, guidance, and other regulatory information specific to each industry. "Quick links" have been added to most pages to allow for fast navigation to useful supplemental information. Based on input from the financial industry, some of the most-requested information is now listed on the home page and other items are more efficiently categorized. Case examples of law enforcement successes facilitated by BSA information are more prominently displayed and easier to retrieve. The feedback that FinCEN has received on its new website has been overwhelmingly positive.

### **Risk Evaluations**

FinCEN led an effort designed to enhance the risk-based approach to BSA anti-money laundering (AML) examination through the development of new tools and guidance. Reaching out to study how different regulatory agencies approach risk scoping, FinCEN held meetings with the Federal banking agencies to better understand how they identify risk through the scoping process and subsequently direct their examination resources. FinCEN and the federal banking agencies also looked internationally to see how foreign counterparts approach the challenges of a risk-based system. This exchange of information about risk-scoping tools and processes revealed the strengths of various approaches, providing opportunities to identify short-term enhancements with a view toward longer-term possibilities.

This evaluation builds upon the successful efforts of FinCEN and the Federal banking agencies to ensure a more consistent approach to conducting BSA/AML examinations through the Federal Financial Institutions Examination Council (FFIEC) BSA/AML Examination Manual. Working together to provide examiners with additional objective information aids them in the risk-scoping process, with a view toward concentrating both examiner and financial institution resources where risks are greatest to avoid both government and industry expenditures that are not commensurate with actual risk..



### **Outreach to Financial Institutions**

During the year, FinCEN launched an initiative to visit the largest depository institutions in the U.S. in order to learn more about how their AML programs operate. This knowledge will enhance FinCEN's ability to ensure that the BSA regulatory program, and efforts to ensure consistent application of, examination for, and enforcement of the BSA, are based on sound knowledge of banking practices and the challenges of implementing AML programs. Multi-disciplinary teams from across FinCEN visited these institutions.

Universally, the institutions expressed appreciation that FinCEN is committed to learning about their programs and challenges. Once the meetings with the largest institutions have concluded, FinCEN will visit other industry groups in a similar fashion.

### **International Anti-Money Laundering and Counter-Terrorism Financing Efforts**

Throughout the year, FinCEN staff participated in a variety of multilateral efforts to strengthen anti-money laundering and counter-terrorism financing programs and initiatives, including those of the United States. For example, in May 2008, Director Freis participated in the Egmont Group Plenary in Seoul, Korea, where he led a discussion

of the issues faced by financial institutions operating in multiple jurisdictions who seek to implement enterprise-wide AML/CFT policies. This enterprise-wide approach is consistent with the way many financial institutions manage other types of risk and allows a financial institution to avoid duplication, lower costs, and in theory, to better allocate resources to the greatest AML/CFT risks.

These multi-jurisdictional institutions are required to comply with the laws and rules that exist in each individual jurisdiction with respect to the protection of sensitive information. Some of these rules may relate to data privacy; other rules may relate to maintaining the confidentiality of Suspicious Transaction Reports, the equivalent of U.S. SARs. Such protections may impede a financial institution's ability to share certain information across borders on an enterprise-wide basis when such information flow might otherwise enable the institution to protect itself better from money laundering or terrorist financing threats. At the end of the fiscal year, FinCEN led through the Egmont Group of financial intelligence units a survey to identify laws, perceptions, or other factors that limit the sharing of information within a private financial institution that operates in multiple jurisdictions — whether through branches in different locations, or separate corporate entities, including subsidiaries and affiliates under a common ownership structure.

# *Fiscal Year 2008 Accomplishments and Performance Measures*

## *Outcome Goal 1 continued...*

FinCEN staff contributed to a number of other multi-national fora focusing on anti-money laundering and counter terrorism financing. These included meetings of the 3+1 Security Group in South America, the Egmont Group working groups, the Financial Action Task Force (FATF) and its committees, and several FATF-style regional bodies (FSRBs). The FSRBs included the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL); the Asia/Pacific Group on

Money Laundering (APG); the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG); the Middle East and North Africa Financial Action Task Force (MENAFATF); the Intergovernmental Action Group against Money Laundering in Africa; the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG); the Financial Action Task Force on Money Laundering in South America (GAFISUD); and the Caribbean Financial Action Task Force (CFATF).

# Fiscal Year 2008 Accomplishments and Performance Measures

## Outcome Goal 1 continued...

### Performance Measures for Outcome Goal 1: Financial systems resistant to abuse by money launderers, terrorists and their financial supporters, and other perpetrators of financial crime

FinCEN tracks progress toward its strategic goals through a variety of performance measures. This report shows key Outcome Goal measures.

Performance Measure	FY 2007	FY 2008 Target	FY 2008 Q4 Actual
Percentage of federal and state regulatory agencies with memoranda of understanding/information sharing agreements	New	40%	41% 53/130
Percentage of private industry or financial institution customers finding FinCEN's <i>SAR Activity Review</i> products highly valuable	71%	74%	75%
Percentage of Regulatory Resource Center customers rating the guidance received as understandable	91%	At least 90%	94%
Average time to process enforcement matters (years)	1.1	1.0	0.7
Percentage of FinCEN's compliance MOU holders finding FinCEN's information exchange valuable to improve the BSA consistency and compliance of the financial system	New	Establish baseline	64%
Percentage of bank examinations conducted by the Federal Banking Agencies indicating a systemic failure of the anti-money laundering program rule (performance indicator) <sup>5</sup>	5.1%	5.2%	2.5%

5. Figures are based on data reported to FinCEN by Federal banking regulators under terms of their MOUs with FinCEN. The regulators have 45 days to submit their data to FinCEN after the end of the quarter. Because performance measures data are calculated within 30 days after the end of a quarter, figures shown for fiscal year 2007 and 2008 are calculated from the previous quarter's reports.

## Outcome Goal 2:

Detection and deterrence of money laundering, terrorism financing, and other illicit activity.

Since its establishment in 1990, FinCEN has supported domestic law enforcement agencies and other authorities seeking to detect and deter crime by providing research, analytical reports, and assistance with investigations and law enforcement initiatives. In addition, FinCEN supports the detection and deterrence of international crime, including financing of terrorism, by providing products and services to law enforcement agencies, the intelligence community, foreign FIUs, and other authorities.

In fiscal year 2008, FinCEN continued this thrust by developing new analytical products and providing investigative support and strategic support to detect and deter criminal activity. FinCEN is uniquely positioned to provide such support based on its expertise in financial crimes and financial systems, analysis of BSA information and other financial transaction data, and networking of law enforcement, regulatory, and financial industry partners.

Specifically, FinCEN produced periodicals, reports, and reference manuals on emerging and existing financial systems, flows, and mechanisms. Analytical findings that allow regulated institutions to better target risks and vulnerabilities were also provided to the financial industry.

## Strategic Analysis Related to Mortgage and Real Estate Fraud

In the face of the nation's major housing industry crisis, FinCEN provided analytic expertise and support for both regulators and law enforcement in the areas of mortgage loan and residential real estate fraud.

In April, FinCEN released a key strategic analytical report that was an update to its November 2006 mortgage loan fraud assessment, based upon analysis of SARs filed by the financial industry. The previous study examined a statistical sample of SARs reporting mortgage fraud filed between April 1996 and March 2006, which FinCEN initiated based upon the leading indicator of upticks in mortgage loan fraud filings starting in 2004. FinCEN continues to monitor mortgage fraud trends and has spoken on the issue at over one hundred events with the financial industry, regulators and law enforcement.

In May, FinCEN published a strategic report on money laundering methods and trends in the residential real estate industry. The latest in a series of reports based upon analysis of SARs, this report is intended to help raise awareness of vulnerability and to assist financial institutions to better recognize risk and

## Outcome Goal 2 continued...

thus provide better information to law enforcement in order to combat criminal activity. The report identifies several transactional typologies and associated

illicit activities that may be perpetrated by individuals or groups seeking to launder funds via residential property transactions.

### Praise for FinCEN's Mortgage Loan Fraud Analysis

*"FinCEN's periodic trend analysis publications, as exemplified by the FinCEN Mortgage Loan Fraud Update, are a worthwhile ancillary benefit of the SAR process that holds up a mirror to industry experience, enabling financial institutions to learn from the aggregated reporting of all. The [mortgage fraud] Update demonstrates that in this period of mortgage crisis we also have witnessed a substantial increase in fraudulent activity that targets both lenders and borrowers."*

Richard Riese, Senior Vice President of the American Bankers Association's Center for Regulatory Compliance  
April 3, 2008

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*"[This study] is an excellent example of the value of suspicious activity reporting. These types of SAR-based assessments are not only of benefit to law enforcement in assessing crime problems and trends, they also provide valuable feedback to the financial institutions who report the information."*

Sharon Ormsby, Section Chief of the Financial Crimes Section,  
Criminal Investigation Division of the FBI  
April 3, 2008

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*"Fraud is a growing concern for all mortgage lenders, one which hurts everyone involved in the mortgage process, lenders and consumers alike. This report is the authoritative source for data on fraud perpetrated against mortgage lenders and one which our members rely heavily on to spot trends and stay one step ahead of the fraudsters. We look forward to continuing to work with law enforcement to reduce or eliminate mortgage fraud."*

Kieran P. Quinn, CMB, Chairman of the Mortgage Bankers Association  
April 3, 2008

### **Analytical Support for FBI Mortgage Fraud Initiative**

Based on their expertise in mortgage fraud-related issues, FinCEN analysts began working with the FBI this year on a major initiative involving investigations of a variety of mortgage fraud activities and suspects. FinCEN staff supported the initiative through analyses based on BSA data, particularly SARs, and knowledge of the potential types of criminal activity and possible participants in mortgage fraud. Some officials view SAR filings as the single most important source for law enforcement in investigating and prosecuting mortgage fraud related crimes.

### **Threat Assessments**

In fiscal year 2008, FinCEN completed several threat assessments based on BSA and other data for law enforcement. While these assessments are not public, general subject matters included the following:

- A study of the cross border movement of currency between the United States and Mexico, as well as factors affecting trends in currency returned, or repatriated, from Mexico.
- An assessment that identified an extensive nationwide trade-based money laundering scheme. Research linked those involved in the U.S. to individuals in the Middle East through the flow of money and commodities.

- A study of the increasing flow of euro banknotes from foreign jurisdictions to and through the United States.

### **Cooperative Efforts with CBP and ICE Related to Mexican Narcotics and Smuggling**

In fiscal year 2008, FinCEN worked closely with Customs and Border Protection (CBP), Immigration and Customs Enforcement (ICE), the Drug Enforcement Administration (DEA), and other U.S. law enforcement agencies on joint projects to identify specific money laundering activities associated with Mexican narcotics cartels and alien smuggling organizations. These initiatives, which included coordination with Mexican counterparts, demonstrate that agencies with different missions and data sources can successfully integrate and exploit resources to advance their common goals.

### **SAR Review Teams**

FinCEN is a member of the National SAR Review Team (NAT SAR) organized by the Department of Justice to identify significant targets with an international or multi-jurisdictional nexus through a systematic review of SARs. FinCEN's National SAR support team has focused specifically on SARs filed by casinos and the securities and futures industries. These filings are reviewed using analytical tools and compared to other BSA filings to identify large networks that would normally go undetected. FinCEN also reviews the SAR filings

## Outcome Goal 2 continued...

from a strategic perspective to identify emerging patterns and trends that will allow us to develop intelligence reports or advisories. Based on these criteria we have submitted multiple cases to the NAT SAR for investigative review and we will continue to develop significant targets that demonstrate our ability to research and analyze BSA data for possible money laundering activity.

FinCEN staff also worked closely with the Northern Virginia SAR Review Team. Staff members participated in the monthly review of SARs filed in the ZIP codes within the team's jurisdiction and provided technical assistance on BSA information, such as the nuances regarding the filing of forms, to the team and to Assistant U.S. Attorneys in the Eastern District of Virginia. As a result, the Northern Virginia SAR review team shared investigative results and presentations that addressed the utility and value of BSA and helped formulate a crucial part of FinCEN's feedback to the private sector.

### **Information Exchanges between Federal Law Enforcement and Financial Institutions**

In a program authorized by Section 314(a) of the USA PATRIOT Act, FinCEN provides a mechanism through which federal law enforcement agencies can reach out to over 45,000 points of contact at more than 27,000 financial institutions to locate accounts and transactions of individuals, entities, and organizations

engaged in or reasonably suspected, based on credible evidence, of engaging in terrorist acts or money laundering activities. FinCEN receives requests from federal law enforcement and upon review, sends requests to designated contacts within financial institutions across the country once every 2 weeks via a secure Internet website. The requests contain subject and business names, addresses, and as much identifying data as possible to assist the financial industry in searching their records. The financial institutions must query their records for data matches, including accounts maintained by the named subject during the preceding 12 months and transactions conducted within the last 6 months. Financial institutions have 2 weeks from the transmission date of the request to respond to 314(a) requests.

In FY 2008, FinCEN transmitted 164 federal law enforcement sensitive information requests to financial institutions via the 314(a) system. The accompanying box shows details about 314(a) requests since the program began in 2002.

FinCEN has initiated a 314(a) "case study" feedback program to display the value of this program in major investigations. Case examples are identified, developed, and shared directly with the financial industry to illustrate how the use of 314(a) often leads to significant investigative "breakthroughs" by identifying unknown accounts, transactions, assets, subject associations, and other relevant data. Similarly, the

## Outcome Goal 2 continued...

case studies provide typology insights showing how criminals are misusing financial systems in terrorism financing and money laundering related cases.

During the year, FinCEN also launched the first phase of an enhancement project for the Secure Information Sharing

System (SISS) used to transmit 314(a) requests from Federal law enforcement officials to financial institutions. Once completed, this enhancement will allow financial institution points of contact, regulators, and FinCEN to generate user activity reports.

### 314(a) Program Data

November 1, 2002 - September 23, 2008

*Total requests for information: 868*

*Number of federal law enforcement agencies submitting requests: 18*

*Types of requests:*

- Terrorism/terrorist financing - 284
- Money laundering - 584

*Number of subjects of interest identified in requests - 7,824*

### Results:

*Total subject matches received from financial institutions - 51,992 (50,954 positive and 1,038 inconclusive)*

*Outcomes described in feedback received for approximately 52 percent of requests:*

- New accounts identified - 3,051
- Transactions identified - 3,614
- Formal Follow-ups 2,523
- Formal Actions Taken - 311
- Convictions - 47
- Total dollars located - \$54,401,753.64



### **HIFCA Support**

FinCEN's six High Intensity Financial Crimes Area (HIFCA) liaisons continued to work closely with federal, state, and local law enforcement within their geographic boundaries. One role, which continued to evolve for the HIFCA program, entailed the refinement of the SAR review process to be more formalized and focused. To that end, the HIFCA liaisons worked with their respective SAR review teams, which include major federal law enforcement agencies, along with the state and local law enforcement within these locations. During this past fiscal year, the liaisons regularly reviewed SARs and educated law enforcement on the use of SARs and other BSA data.

Additionally, FinCEN's HIFCA staff continued to provide operational support for federal, state and local law enforcement. They supplied analytical results to agents and analysts proactively or in response to direct requests. The analytical support consisted of in-depth research and analysis of subjects and activities. The HIFCA staff gave presentations on the utilization of the BSA data, conducted inspections on the use and security of the BSA data by MOU holders, and responded to questions regarding BSA data raised by law enforcement officials in their areas.

### **Law Enforcement Reference Manuals**

FinCEN continued its ongoing law enforcement reference manual series exploring various types of payment systems. These extensive manuals, which are available only to law enforcement agencies, provide investigative officials with an overview of transaction processes, the corresponding transaction records, ways to work productively with the industry on investigations, and common methods used to decipher records, conduct analysis, and extrapolate data. The manuals were developed in close consultation with financial industry service providers and various law enforcement agencies. Based upon high demand, FinCEN has disseminated several thousand manuals throughout the law enforcement community. They have also been posted on various online conduits for widespread access by law enforcement.

### **Green Papers on Emerging Technologies**

In fiscal year 2008, FinCEN launched the FinCEN Green Paper, a new information periodical for law enforcement. Green Papers are succinct overviews of cutting edge developments in financial mechanisms and related services. They are designed to quickly enhance law enforcement community awareness of the challenges and vulnerabilities being posed by emerging technologies. Green Papers describe how emerging financial

services and products operate, what information is generated and where it can be collected and retrieved, ways to contact the emerging industry sector, related activities reported in BSA data, and potential challenges.

### **Training Programs for U.S. Law Enforcement**

FinCEN has also provided extensive subject matter training sessions and modules for law enforcement. Based upon growing customer demand, 15 sessions were presented to federal agencies, an increase from last year. The training consisted of extensive instruction for investigative officials on bank and centralized system funds transfers, negotiable instruments, Internet payment systems, and MSB money transfers. Each comprehensive session also included training modules geared toward enhancing officials' ability to conduct financial investigations by enabling them to better understand key financial systems, trace financial trails, and conduct document analysis.

The training often entailed customized blocks of instruction tailored to support the needs of various law enforcement audiences for various venues. This included law enforcement academy training, various money laundering conferences, and in-service agency training.

### **Information Exchanges with FIUs**

As part of its information-sharing with Egmont Group members, FinCEN responds to requests for research from other financial intelligence units (FIUs). These requests have increased every year since 2000. In fiscal year 2008, FinCEN received 1,024 requests from 90 FIUs, a 20 percent increase over the 856 requests received from 87 FIUs in fiscal year 2007. The rise has been spurred by the growing number of FIUs, as well as by greater international information-sharing to combat money laundering, terrorism financing, and other financial crimes. FinCEN completed 1,013 research requests for 87 FIUs in fiscal year 2008, significantly more than the 949 completed for 81 FIUs in fiscal year 2007.

As the nation's FIU, FinCEN serves as the point of contact for domestic law enforcement and regulatory agencies seeking information from other FIUs. We received 205 such requests from domestic law enforcement and regulatory agencies in fiscal year 2008 and referred them to 78 different FIUs. Because some requests required information from multiple FIUs, the 205 requests resulted in a total of 387 referrals to FIUs. These figures represent a 23 percent increase over the 167 requests from domestic law enforcement and regulatory authorities sent to 82 FIUs in 323 separate referrals in fiscal year 2007.

## Outcome Goal 2 continued...

In fiscal year 2008, FinCEN signed Memoranda of Understanding for information exchanges with FIUs in the following countries: Albania, Bulgaria, Croatia, Indonesia and Taiwan.

### **Strategic Analysis Efforts with Other Financial Intelligence Units**

During the year, FinCEN worked to enhance existing information-sharing relationships with historic FIU partners as well as to develop new bilateral and multilateral partnerships with a number of foreign FIUs sharing common interests. As one example of this initiative, FinCEN launched a number of strategic studies to assess illicit currency flows across key borders. These included:

- Working with the Mexican and Canadian FIUs to analyze cross border currency flows and explore other means of cross-border value transfers.
- Working with the FIU in Spain to begin analyzing the flow of Euros into and out of the U.S and to conduct strategic analysis of money laundering typologies.
- Obtaining cross-border wire data from the Colombian FIU, which FinCEN is analyzing for potential links to identified drug trafficking/money laundering organizations and broad trends.
- Completing the first step in a strategic project on illicit money flows through West Africa. Analysis continues and we anticipate developing several collaborative strategic and tactical products with several FIU partners.

### Fighting Transnational Crime through Financial Intelligence

*“Criminals and terrorists do not respect laws; we should not expect them to respect borders. Financial markets are global. Financial intelligence can help governments turn vulnerabilities to our advantage in efforts to protect the public from serious crime and terrorist acts. We must use this powerful tool available to us to extend law enforcement’s reach beyond jurisdictional limitations through transnational cooperation.*

*“An international consensus has emerged that a key role in such efforts should be played by a designated central agency to serve as each jurisdiction’s financial intelligence unit. FIUs can bridge the gap by receiving certain information from financial institutions subject to controls and protections; and applying their expertise to develop financial intelligence that is accessible and applicable to law enforcement investigations. FIUs have been given unique legal authority and have developed the infrastructure necessary to transcend jurisdictional borders to appropriately share financial intelligence. Benefits from such sharing have been well proven in tactical support of actual law enforcement investigations. Now it is time to unleash the potential for proactive information sharing and joint strategic analytical work. In our increasingly globalized world, we must take FIU information sharing to this higher plane to realize its potential to further transnational efforts to combat the global threats of money laundering, terrorist financing, and other illicit activity.”*

James H. Freis, Jr.

Director, FinCEN

Academic Session of the Committee on International Monetary Law of the International Law Association (MOCOMILA) in Salamanca, Spain

April 25, 2008

### FIU Development

During the past year, FinCEN continued to play a leadership role in helping other countries develop and strengthen their FIUs. For example, FinCEN:

- Mentored the new Nigerian FIU to provide guidance on regulatory, analytical, and information technology-related matters.
- Sponsored the Kuwaiti FIU for membership in the Egmont Group and co-sponsored the FIUs from Saudi Arabia and Afghanistan for membership. Sponsorship and co-sponsorship include providing training and technical assistance, and advising developing FIUs on international and Egmont standards for membership.
- Provided analytical training for 61 FIU staff and related officials from Afghanistan, Kazakhstan, Kuwait, Netherlands, Nigeria, and Uzbekistan, as well as regional training in Mexico City for FIU representatives from Belize, Colombia, El Salvador, Guatemala, Honduras, Mexico and Panama.

### FIU Assessments

FIUs seeking membership in the Egmont Group must first be assessed by sponsoring member FIUs in order to ensure the strength of their regulatory regimes and that their operational programs meet established criteria.

FinCEN participates with foreign and domestic organizations and agencies to conduct such assessments, including Egmont FIU sponsorship assessments, technical assistance needs assessments, financial systems assessments, and Financial Action Task Force (FATF) and FATF-style regional body (FSRB) mutual evaluations of member states. During fiscal year 2008, FinCEN assisted the Nigerian FIU in preparing for an FSRB mutual evaluation and conducted a number of informal pre-assessment visits for foreign FIUs seeking Egmont membership.

### Egmont Technology Enhancements

FinCEN developed and maintains the Egmont Secure Web (ESW) to facilitate communication and information sharing among Egmont Group members. In fiscal year 2008, FinCEN connected the ESW to [FIU.net](#), a European Union (EU) wide area network tool for FIU communications. This integration, which became available during the Egmont Plenary meeting in May 2008, provides an additional means of secure Internet communication between [FIU.net](#) users and non-EU members of the Egmont Group. This will streamline user work flow by eliminating the current need to access both systems separately.

FinCEN also developed an Egmont Money Laundering and Trends and Indicators database that will enable the FIUs to provide a means of sharing

## Outcome Goal 2 continued...

sanitized historical case information that aids Egmont member analysts in the identification, analysis, and tracking of case trends and indicators. Each case record will provide summaries as well as analytical details of goods, services, and money flows without disclosing the actual subjects, institution names or other types of sensitive information used in building a case.

The database was completed in fiscal year 2008 in collaboration with members of the Egmont Operational Working Group and the Information Technology Working Group. After the database system was developed, a select group of Egmont FIU members tested it and produced feedback for changes and/or corrections. The system was rolled out during a training session at the 2008 Egmont Plenary.

### Performance Measures for Goal 2: Detection and Deterrence of Money Laundering, Terrorism Financing and Other Illicit Activity

Performance Measures	FY 2007	FY 2008 Target	FY 2008 Q4
Percentage of domestic law enforcement and foreign FIUs finding FinCEN's analytic reports highly valuable	82%	79%	83%
Percentage of complex analytic work completed by FinCEN analysts <sup>6</sup>	33%	38%	27%
Median time taken from date of receipt of Financial Institution Hotline Tip SARs, to transmittal of the information to law enforcement or the intelligence community	7 days	16 days	3 days
Percentage of countries/jurisdictions connected to the Egmont Secure Web	98% 104/106	98% 104/106	98% 104/106

6 "Complex" products include synthesis of data from multiple sources, interpretation of findings and recommendations for action and/or policy. Examples are geographic threat assessments, analyses of money laundering/illicit financing methodologies, analytic support for major law enforcement investigations, and analysis of BSA compliance patterns. FinCEN is increasingly focusing resources on products requiring unique and specialized analysis. However, the percentage declined in FY 2008 as FinCEN completed a record number of basic research requests for FIUs.

## Outcome Goal 3: Efficient management, safeguarding, and use of BSA information.

As administrator of the BSA, FinCEN is entrusted with receiving the valuable information reported and collected under BSA requirements. FinCEN is committed to an efficient enterprise-wide approach for managing and safeguarding this unique body of financial data. In this effort, FinCEN works closely with BSA data filers, data users, and the IRS, which receives BSA reports through a partnership with FinCEN.

BSA information is used to support policy decisions, strengthen law enforcement investigations and initiatives, expand knowledge of emerging financial crime patterns and methodologies, map international money flows, and identify criminal assets. Because of the importance of the information collected under the BSA, FinCEN recognizes the critical need to maximize the appropriate use of BSA data and simplify processes for filing, retrieval, and analysis.

In recent years, FinCEN has significantly increased the number of authorized law enforcement and regulatory authorities with electronic access to BSA reports, so that they can more efficiently use the information to develop policy and to detect and deter crime. The number of users of BSA data continues to grow: More than 9,600 users had access to the BSA data through FinCEN's secure web-based system at the end of FY 2008, compared with 8,402 a year earlier.

Expanded access has strengthened FinCEN's commitment to ensure that technology for storing and exchanging the information is secure and that users safeguard the information in the public trust. Fiscal year 2008 accomplishments supporting these goals included the following:

### **E-Filing & Retirement of Magnetic Media**

FinCEN continues to promote and support the electronic filing of BSA reports to increase timeliness of data availability, reduce the cost of paper processing, and improve data quality. The BSA E-Filing system also facilitates financial industry efforts to comply with reporting and recordkeeping requirements as a way to enhance speed, economy, and data quality.

FinCEN focused a number of efforts on improving and increasing electronic filing in FY08. The first major milestone for this initiative was the July announcement and preparation to retire the magnetic media submission option available to financial institutions for BSA filing by December 31, 2008. Prior to the announcement, the bureau updated the BSA E-Filing website and E-Filing instructions and other documentation. FinCEN also communicated with the public about the retirement and sources of help in transitioning to the BSA E-Filing system.

## Outcome Goal 3 continued...

As part of the preparation for magnetic media retirement, FinCEN streamlined the process for adding new system users who batch file BSA reports. Specifically, the process for issuing a Transmitter Control Code (TCC), which is required for filers who batch file BSA data, was updated to reduce the testing process time for financial institutions transitioning to BSA E-Filing. This enhancement reduced turnaround time from 60 days to 7 days, roughly an 85 percent reduction. The new process will help future users and current magnetic media users transitioning from tapes and diskettes by the end of the 2008 calendar year.

To accommodate the growing number of users, FinCEN enhanced the BSA E-Filing architecture by adding multiple web servers, load balancers, and an upgraded database. Another system enhancement further protected the BSA E-Filing system from malicious code, a high priority security vulnerability.

FinCEN also introduced technology that will reject E-Filed Currency Transaction Reports that have file integrity issues before they are loaded into the current system of record. If the file submitted contains file integrity issues and cannot be loaded into the current system of record, the filer receives a rejection notice via e-mail immediately after submission.

Approximately 71 percent of BSA reports were electronically filed during the last 2 months of fiscal year 2008, up from 59 percent during the corresponding months in fiscal year 2007. Increased E-Filing

improved cost efficiency; the cost per E-Filed report was \$.13 in fiscal year 2008, compared with \$.14 in fiscal year 2007.

### Access to BSA Data

As the number of authorized users climbed to 9,649 over the year, FinCEN reviewed and updated its standards and processes for granting access to BSA data. The review resulted in the development of standardized criteria for granting access to data, clearer language for MOUs governing data access, updates to all MOU attachments, and increased emphasis on data security. FinCEN also began to transition existing MOU holders to the new MOU language. Updated online training modules, which new users must complete before they gain access to BSA data, were developed for law enforcement users. The modules cover security and legal issues, navigation through the access screens, and frequently asked questions regarding BSA data access. FinCEN also began to develop new online training modules for regulatory agencies during the year.

In additional fiscal year 2008 efforts to support client agencies and users, FinCEN took the following actions:

- Initiated an effort to maximize BSA access for U.S. Attorneys' Offices (USAOs). This effort included prioritizing USAO requests for BSA access and developing BSA Trend Analysis reports for USAO districts to highlight BSA filings and value. As a result, FinCEN completed 26 new MOUs with USAOs.



## Outcome Goal 3 continued...

- Expanded law enforcement BSA data access, to include several Offices of Inspector General, through the Platform Program. This program provides on-site access to FinCEN systems for designated personnel conducting research for their agency's investigations. FinCEN also increased the number of Platform agencies that document their purpose for using BSA data as part of the access process.
- Provided instruction to users for efficiently downloading BSA data to Microsoft Excel or Access for their own analysis.

### BSA Data Security

Safeguarding the security of BSA data has always been of paramount importance to FinCEN because of the potential negative consequences to both individuals and the system that could result from a compromise. In line with this priority, we reviewed our BSA data access programs and took steps to enhance security measures in response to the intensified government-wide focus on information security and protection of consumers' personally identifiable information. Security language was enhanced in MOUs for data access, User Agreements, and FinCEN's BSA Information Access Security Plan. These documents outline the security protocols that must be implemented and followed to ensure that BSA information is properly safeguarded.

Increased awareness of the value of BSA information to detect financial crimes or oversee BSA compliance has resulted in more requests for access. As the year closed, FinCEN had more than 300 MOUs with external client agencies. In order to safeguard BSA data, FinCEN conducts on-site inspections at each agency to assess the proper and efficient use and security of BSA information, legitimate and documented purposes for utilization and re-dissemination, and appropriate retention/destruction procedures. In conjunction with our review of the BSA access process, we reviewed our inspection protocols and adapted these processes to emphasize BSA security when conducting inspections and providing training. FinCEN also monitored customer downloads of BSA information, reviewed usage audit trails, trained external users to conduct queries, and communicated frequently with external contacts. These measures are designed to detect security concerns so that they can be quickly resolved and to promote the protection of BSA data as its use becomes broader and more innovative.

### BSA IT Modernization

In fiscal year 2008, FinCEN continued efforts to modernize its BSA IT infrastructure and better serve both the business and technical needs of BSA data filers and data users. Activities undertaken during the year included developing use cases that determine what

BSA data customers access, how many users they have, how often they conduct analysis, what other data sources they use along with the BSA, and how quickly they need responses. FinCEN's goals are to maximize data integrity, increase the value of BSA data provided to users, simplify filing and dissemination, strengthen stakeholder relationships, and reduce operations and maintenance costs. A high-level steering committee made up of Treasury and IRS officials and FinCEN Director James H. Freis, Jr. was set up to provide oversight for modernization efforts.

FinCEN also awarded a 5-year contract (1 base year with 4 option years) to enhance its IT capabilities. The contractor will provide the full range of IT services, custom applications maintenance support, and infrastructure support.

### **Forms Change Management**

During the year, FinCEN continued to play a leadership role in the interagency Data Management Council and the Data Management Framework established in fiscal year 2007 to maximize BSA data quality and value. Building upon this success, FinCEN formalized the BSA forms change management process. This process, which involves multiple stakeholders inside and outside the bureau, will improve the ability of BSA data filers, processors/administrators and users to implement changes successfully and on schedule and improve communication regarding BSA form changes and their impact to the filing community. Revised versions of the following BSA forms became effective on September 1, 2008: Currency Transaction Report for Casinos and Card Clubs, and Registration of Money Services Business.

## Outcome Goal 3 continued...

### Performance Measures for Outcome Goal 3: Efficient Management, Safeguarding, and Use of BSA Information

Performance Measures	FY 2007	FY 2008 Target	FY 2008 Q 4
Number of users directly accessing BSA data	8,402	8,000	9,649
Share of BSA filings submitted electronically	59%	63%	71%
Number of largest BSA report filers using E-Filing	320	374	386
Cost per BSA Form E-Filed	0.14	0.15	0.13
Percentage of customers satisfied with BSA E-Filing	94%	At least 90%	93%
Percentage of customers satisfied with WebCBRS and Secure Outreach <sup>7</sup>	New	Established Baseline	81%

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<sup>7</sup> WebCBRS is the IRS online system for access to filed BSA data. Secure Outreach is a secure system used to document data access by FinCEN customers.

**Management Goal:** FinCEN's mission is accomplished by high-performing employees and managers operating in a stimulating and responsible work environment.

**F**inCEN, which has approximately 300 employees, is a small bureau with a large span of activity. Consequently, FinCEN is committed to ensuring that its employees have the skills needed to efficiently and effectively fulfill the many functions with which the bureau is charged and to respond quickly to changes in the regulatory framework, law enforcement priorities, and financial crime and terrorism financing patterns. Further, FinCEN seeks to build the stimulating, forward-looking, and responsible work environment needed to recruit and retain highly-skilled employees. During fiscal year 2008, FinCEN took a number of steps toward these goals.

## Staff Training and Development

FinCEN is committed to efficiently and effectively delivering training to ensure that employees possess the skills and knowledge needed to perform their jobs, keep those skills current, and have opportunities to prepare for advancement. In fiscal year 2008, FinCEN:

- Provided 287 training opportunities for employees, including technical or job skills training for 333 employees, and management skills training for

all managers. Training included external programs, programs developed in-house to address critical performance requirements, and onsite programs that sourced instructor-led, on-line, webinar, and teleconference training.

- Completed competency gap assessments for mission-critical analysts, law enforcement liaisons, and regulatory program specialists to focus training and development needs for employees and managers.
- Provided new rotational opportunities within and beyond the bureau to advance employees' professional and career development.
- Continued two speaker series for FinCEN employees originally established in fiscal year 2007: The Distinguished Speaker Series featured officials from outside FinCEN with special expertise in policy issues, financial transactions, financial crimes, and other topics related to FinCEN's activities. The second series, Shop Talk, featured employees and law enforcement agency representatives at FinCEN who spoke about their own areas of expertise.

### **Leadership Development**

FinCEN continues to strengthen the skills of its current leaders, expand opportunities to develop future leaders, and promote leadership skills at all staff levels. The Leadership Development Directive, formalized this year, defines essential training for new managers and continuing education requirements for all managers. FinCEN training staff actively participated in government-wide and Treasury-sponsored leadership development programs, provided courses and extended opportunities for leadership development for all grade levels, and continued the in-house SMART (Stimulate Managers Reflective Thinking) program. The recently-completed competency assessments and the new rotational assignment program foster leadership as well as professional development.

### **Treasury Learning Management System**

FinCEN deployed the Treasury-wide Learning Management System to enable employees to manage their own learning and supervisors to electronically manage

subordinates' learning requests and progress. Employees can now access training opportunities, on-line courses, external training requests, and their own training histories 24 hours a day, 7 days a week. The system efficiently disseminates bureau-wide announcements of training and professional development linked to necessary actions, mandatory training, and OPM-required data. The system's searchable knowledge repository also provides full access to unabridged contents of 20,000 books on business and technical topics.

### **Recruitment**

To pursue its management aim of attracting and developing a high-performing, diverse work force, FinCEN expanded both its online and in-person efforts to recruit workers at all levels. A priority during the year was filling 10 new management positions established to enhance performance management, ensure high-quality products and services, and reduce overly large spans of supervisory control. Six of these positions were filled by high-performing internal candidates.

# Fiscal Year 2008 Accomplishments and Performance Measures

## Management Goal continued...

### Financial Crimes Enforcement Network Staff<sup>8</sup>

	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
Employees on board (as of end of fiscal year)	299	290	299
New hires	50	39	37
Departures	42	46	30

### Diversity Profile, September 30, 2008

	Male	Female	Total
Total employees	49%	51%	100%
Hispanic/Latino	1.9%	2.59%	4.49%
White	37.9%	31.1%	69%
Black/African American	6.49%	12.9%	19.39 %
American Indian/Alaska Native	0%	.64%	.64%
Asian	2.9%	3.24%	6.14%
Employees with Disabilities	Not Available	Not Available	4.22%

### Managers and Non-supervisory Employees

	September 30, 2006	September 30, 2007	September 30, 2008
Senior Executive Service	4	5	7
Other Managers	24	23	31
Non-supervisory Employees	271	262	261

<sup>8</sup> All figures as of September 30

### **Internal Policies & Procedures**

FinCEN maintains a system of internal directives that provide policy and process directions for bureau operations. Eighteen new or revised directives were put into effect during the year, and another 22 were in draft or review stages at year's end. These new directives aim to strengthen FinCEN's policies and procedures to ensure efficient, effective, secure, and equitable operations. Topics addressed by directives adopted during the year included BSA data management processes, IT security, processes for entering and departing employees, leadership development, support for equal employment opportunity and diversity, processes for responding to speaker requests, visitor escort policies, training procurement policies and processes, environmental stewardship, and use of travel cards.

### **Infrastructure Improvement**

FinCEN upgraded its technology infrastructure by transitioning over 100 staff to a new remote access system with upgraded security and new hardware and software designed to ensure greater stability. This effort included extensive testing to ensure that all of FinCEN's applications work remotely and training all the employees on how to use the new process. The upgrade provides an improved platform for teleworking by eligible employees.

### **Enterprise Content Management**

To improve operating efficiencies and leverage resources, FinCEN is working with the Treasury Department's Office of Foreign Assets Control and with the Internal Revenue Service to develop an Enterprise Content Management (ECM) program. During the year, FinCEN helped to complete a Concept of Operations (CONOPS) for the new program. The ECM is expected to improve productivity by automating document flows and work processes and to reduce costs by eliminating print, distribution, and physical storage activities. The CONOPS establishes the direction and scope of the ECM effort by describing current and future business processes and related ECM capability needs.

### **Financial Management**

Prudent financial management is an ongoing bureau priority. As stewards of public resources, FinCEN ensured that management control systems provided reasonable assurance of compliance with the Federal Managers Financial Integrity Act.

# Cross-Cutting Principles

The chart below provides examples showing how FinCEN’s fiscal year 2008 accomplishments in each of its three outcome goal areas supported the cross-cutting principles stated in FinCEN’s strategic plan for 2008 – 2012:

Cross-Cutting Principles	Goal 1 Accomplishments (pages 9 - 21)	Goal 2 Accomplishments (pages 22 - 32)	Goal 3 Accomplishments (pages 33 - 37)
<b>Efficiency &amp; Effectiveness</b>	<p>Proposed rule to simplify CTR exemption requirements</p> <p>Re-designed website</p> <p>Completed planning and organizational work for proposal to reorganize regulations under Chapter X of CFR</p>	<p>Reduced median time from receipt of SARs via FinCEN’s “Hotline” to transmittal of those SARs to law enforcement</p>	<p>Increased BSA filing efficiency and reduced costs through increased E-Filing and retirement of filing via magnetic media</p> <p>Developed new criteria and processes for granting access to BSA data</p> <p>Developed new ways to safeguard BSA data</p> <p>Instituted more efficient BSA forms change management process</p>

*table continues on next page...*



# Cross-Cutting Principles

*continued...*

Cross-Cutting Principles	Goal 1 Accomplishments (pages 9 - 21)	Goal 2 Accomplishments (pages 22 - 32)	Goal 3 Accomplishments (pages 33 - 37)
<b>Creating Value</b>	<p>Provided feedback to insurance industry on regulatory changes</p> <p>Provided guidance and Administrative Rulings for regulated industries</p> <p>Published analyses for state and federal regulators; conducted financial institution research for regulators with MOUs</p> <p>Initiated risk-scoping study and beneficial ownership survey</p>	<p>Published strategic analysis related to mortgage and real estate fraud</p> <p>Threat assessments</p> <p>Reference Manuals, Green Papers &amp; training for law enforcement</p>	<p>Developed criteria and new MOUs to allow access to BSA data</p>

*table continues on next page...*

# Cross-Cutting Principles

*continued...*

Cross-Cutting Principles	Goal 1 Accomplishments (pages 9 - 21)	Goal 2 Accomplishments (pages 22 - 32)	Goal 3 Accomplishments (pages 33 - 37)
<b>Partnerships</b>	<p>Conducted outreach to largest financial institutions</p> <p>Coordinated BSA enforcement actions with other agencies</p> <p>Coordinated with regulators, law enforcement agencies, and industry through BSAAG and other forums</p>	<p>Supported U.S. law enforcement, SAR Review Teams and HIFCAs</p> <p>Enabled law enforcement to reach out to depository institutions through 314(a) program</p>	<p>Coordinated BSA data management activities with IRS, interagency Data Management Council, and other stakeholders</p>
<b>Global Perspective</b>	<p>Participated in international AML / CFT activities with FATF and FSRBs</p> <p>Began survey of legal impediments to SAR sharing within institutions that operate in multiple jurisdictions</p>	<p>Conducted information exchanges and strategic analysis with other FIUs</p> <p>Supported U.S. law enforcement efforts related to Mexico</p> <p>Developed and assessed FIUs</p>	<p>Enhanced Egmont technology<sup>9</sup></p>
<b>Advanced Technology</b>	<p>Announced retirement of mag media filing to increase E-Filing</p>	<p>Enhanced secure 314(a) system</p>	<p>Continued steps toward BSA IT modernization</p>

<sup>9</sup> Described and measured under Goal 2 but executed as part of FinCEN's information technology efforts.

# Organizational Units and Executive Officials

The Financial Crimes Enforcement Network includes the Office of the Director and four major operating divisions. In addition, the Office of Chief Counsel, which reports to the U.S. Department of the Treasury, provides legal services for FinCEN. Descriptions of these units and names of key officials follow:

## Office of the Director

The Office of the Director is made up of FinCEN's top executives and support staff. James H. Freis, Jr. was appointed as FinCEN's Director in April 2007. William F. Baity has been FinCEN's Deputy Director since January 1995.

The Office of the Director establishes, oversees, and implements policies to detect and prevent money laundering and terrorist financing. In addition to the Director and Deputy Director, this unit includes the Chief of Staff, Office of Security, Office of Outreach and Workplace Solutions, and Office of Public Affairs.

## Office of Chief Counsel

The attorneys and support staff of the Office of Chief Counsel provide legal advice to FinCEN officials on issues relating to the administration of the BSA, domestic and international aspects of information law, inter-agency information sharing, the use of information in enforcement operations and proceedings, international law relating to counter-money laundering efforts, administrative law, employment law, procurement and fiscal law, and Freedom of Information Act appeals. The office also provides advice and training on ethics issues.

Bill Bradley was named Chief Counsel in February 2008.

## Number of On-board Employees by Division

Division	September 30, 2006	September 30, 2007	September 30, 2008
Office of the Director	26	21	25
Office of Chief Counsel	9	9	11
Analysis and Liaison	109	98	99
Management Programs	39	40	40
Regulatory Policy and Programs	76	77	83
Technology Solutions and Services	40	45	41
Total	299	290	299

## Analysis and Liaison Division

As Administrator of the BSA, FinCEN collects and analyzes data that is highly valuable in combating terrorism and investigating money laundering and other financial crime. FinCEN's Analysis and Liaison Division is responsible for:

- Analyzing BSA data and other information to produce analytic products supporting the needs of domestic law enforcement, intelligence, and foreign financial intelligence unit customers, and
- Serving as FinCEN's liaison with domestic law enforcement agencies and with counterpart FIUs in other countries, providing direct, secure access to BSA data for domestic law enforcement and regulatory agencies.

The Division's analytic products range in complexity from traditional subject-related reports to policy-level assessments of financial crimes threats. Consistent with FinCEN's strategic plan, analytic resources are transitioning toward more sophisticated analysis that reflects FinCEN's unique expertise in BSA data. The Division is comprised of the following offices: International Programs, Liaison Services, Special Programs Development, Law Enforcement Support, and Intelligence Support.

James Murphy was named Acting Associate Director of the Analysis and Liaison Division in September 2008.

## Management Programs Division and Chief Financial Officer

The Management Programs Division is headed by FinCEN's Chief Financial Officer, who is responsible for assuring the integrity of fiscal and property accountability and the implementation of sound accounting, reporting, and financial management policies. The Division also provides planning, human resources, training, and other operational services critical to the bureau. The Division includes the following units: Financial Management, Acquisitions Management, Management Services, Human Resources, Training, and Project Management.

Diane K. Wade has served as Associate Director and Chief Financial Officer since November 2004.

# *Organizational Units and Executive Officials*

## **Regulatory Policy and Programs Division**

Pursuant to FinCEN's authority to administer the BSA, and in conjunction with the other divisions, FinCEN's Regulatory Policy and Programs Division issues regulations, regulatory rulings, and interpretive guidance; assists state and federal regulatory agencies to more consistently and robustly examine financial institutions for BSA compliance; takes appropriate enforcement action against financial institutions that violate the BSA; engages in outreach to financial institutions, law enforcement authorities, and regulatory agencies; and provides comprehensive analytical support. The Division is comprised of the following offices: Regulatory Policy, Compliance, Enforcement, Outreach Resources, and Regulatory Analysis.

Jamal El-Hindi has served as Associate Director of the Regulatory Policy and Programs Division since May 2006.

## **Technology Solutions and Services Division and Chief Information Officer**

The Technology Solutions and Services Division (TSSD), headed by FinCEN's Chief Information Officer, performs a variety of roles related to the collection and processing of BSA data and manages the technical infrastructure supporting FinCEN's day-to-day operations. FinCEN realigned its IT workforce in fiscal year 2007 and reengineered its service delivery model to place a greater emphasis on BSA data requirements and integrity, internal and external stakeholder customer service, and IT modernization. TSSD now consists of the following five offices: Customer Relations Management, Safeguards and Assurance, Product Management & Delivery, Infrastructure Operations & Hosting, and Enterprise Architecture & IT Modernization.

Amy Taylor was selected as the Chief Information Officer and Associate Director for TSSD in May 2008.

# Fiscal Year 2008 Major Publications and Reports

The following publications are available to the public through the Financial Crimes Enforcement Network website, [www.fincen.gov](http://www.fincen.gov):

- *Financial Crimes Enforcement Network Strategic Plan for Fiscal Years 2008-2012*
- *Financial Crimes Enforcement Network Annual Report for Fiscal Year 2007*
- *SAR Activity Review – Trends, Tips and Issues – Issue 12 (October 2007) and Issue 13 (May 2008)*
- *SAR Activity Review – By the Numbers – Issue 9 (February 2008) and Issue 10 (May 2008)*
- *Suspected Money Laundering in the Residential Real Estate Industry: An Assessment Based Upon Suspicious Activity Report Filing Analysis (May 2008)*
- *Mortgage Loan Fraud: An Update of Trends based Upon an Analysis of Suspicious Activity Reports (April 2008)*
- *Insurance Industry Suspicious Activity Reporting: An Assessment of Suspicious Activity Report Filings (April 2008)*

Earlier issues of the serial publications above are also available on our website, [www.fincen.gov](http://www.fincen.gov).

For further information about these publications, e-mail [webmaster@fincen.gov](mailto:webmaster@fincen.gov), call (703) 905-3591, or write to:

Financial Crimes Enforcement Network  
Post Office Box 39  
Vienna, VA 22183-0039

# Program Evaluations

## Government Accountability Office Audits

### *Completed in FY 2008:*

- GAO-08-355: Increased Use of Exemption Provisions Could Reduce Currency Transaction Reporting While Maintaining Usefulness to Law Enforcement Efforts
- GAO-08-1058: USA PATRIOT Act: Better Interagency Coordination and Implementing Guidance for Section 311 Could Improve U.S. Anti-Money Laundering Efforts

## Treasury Office of Inspector General Audits

### *Completed in FY 2008:*

- OIG-08-033: BANK SECRECY ACT: FinCEN Has Taken Action to Improve Its Program to Register Money Services Businesses (Corrective Action Verification on OIG-05-050) April 25, 2008

- OIG-08-030: TERRORIST FINANCING/MONEY LAUNDERING: Responsibility for Bank Secrecy Act Is Spread Across Many Organizations
- OIG-08-023: FY 2007 and FY 2006 Financial Statements

## Internal Assessments

### Completed in FY 2008:

- Receipt of Supplies

# Budget, Appropriations, and Oversight

## History of President's Budget Requests and Appropriations, Fiscal Years 2006 - 2008

(Dollars in thousands)

	FY 2006	FY 2007	FY 2008
President's Budget Request	\$73,630	\$89,794	\$85,844
Final Appropriated Enacted Level	\$72,894	\$73,216 <sup>10</sup>	\$85,844

<sup>10</sup> A full-year continuing resolution essentially maintained the budget at the FY 2006 level.

### Authorizing and Appropriating Committees

The following Congressional Committees and Subcommittees have authorizing and appropriations responsibilities for FinCEN operations.

#### *U.S. House of Representatives*

- House Committee on Financial Services (Authorizing Committee)

- House Committee on Appropriations, Subcommittee on Financial Services and General Government (Appropriating Committee)

#### *U.S. Senate*

- Senate Committee on Banking, Housing, and Urban Affairs (Authorizing Committee)
- Senate Committee on Appropriations, Subcommittee on Financial Services and General Government (Appropriating Committee)

### Continued Emphasis on Counter-Terrorist Financing and Money Laundering

*“For the Office of Terrorism and Financial Intelligence, including the Financial Crimes Enforcement Network - known as FinCEN - the budget requests \$153 million for fiscal year 2009, compared to \$142.6 million last year, an increase of over \$10 million. I’m pleased to see Treasury continues to emphasize strategies to counter terrorist financing and money laundering.”*

Senator Richard J. Durbin (D-Ill.)

Hearing on the Fiscal Year 2009 Budget for the Department of the Treasury  
March 5, 2008



# Key Partners

**F**inCEN works closely with regulatory, law enforcement, private sector, and international partners. The Bank Secrecy Act Advisory Group (described below) provides a key forum for all of these constituencies to discuss pertinent issues together, and offer feedback and recommendations on improvements to the BSA. Organizations with which we have strong working relationships include the federal and various state supervisory agencies, the Financial Action Task Force, and the Egmont Group.

## Federal Regulatory Agencies

Responsibility for conducting BSA compliance examinations has been delegated to the following federal agencies:

- Federal Deposit Insurance Corporation
- Board of Governors of the Federal Reserve System
- Office of the Comptroller of the Currency (U.S. Department of the Treasury)
- Internal Revenue Service, Small Business/Self-Employed Division (U.S. Department of the Treasury)
- Office of Thrift Supervision (U.S. Department of the Treasury)
- National Credit Union Administration
- U.S. Securities and Exchange Commission
- U.S. Commodity Futures Trading Commission

FinCEN assists and supports these agencies to promote effective and uniform application of the BSA regulations.

## Bank Secrecy Act Advisory Group

Congress established the Bank Secrecy Act Advisory Group (BSAAG) in 1992 to enable the financial services industry and law enforcement to advise the Secretary of the Treasury on ways to enhance the utility of BSA records and reports. Since 1994, the BSAAG has served as a forum for industry, regulators, and law enforcement to communicate about how SARs and other BSA reports are used by law enforcement and how recordkeeping and reporting requirements can be improved. The Director of FinCEN chairs the BSAAG, which is not subject to the Federal Advisory Committee Act.

The BSAAG meets twice each year in Washington, D.C. Since the enactment of the USA PATRIOT Act of 2001, which expanded BSA requirements to new industries, FinCEN has been taking steps to ensure that group membership continues to fully and fairly reflect the entire BSA constituency through a new public application process. In fiscal year 2008, FinCEN published a Federal Register Notice soliciting applicants for 14 vacancies on the BSAAG. Six of the selected applicants were members that were renewed for an additional three-year term and eight of the selections are new to the BSAAG.

# Key Partners

The BSAAG utilizes a variety of permanent and ad hoc subcommittees to identify and analyze relevant issues. A new subcommittee focusing on issues related to stored value products was established this year. Other subcommittees focus on: issues in banking; cross border wire transfers; privacy/security issues; non-bank

financial institutions issues; issues in the insurance industry; IT issues; securities/futures issues; and law enforcement issues. The BSAAG also co-chairs publication of *The SAR Activity Review – Trends, Tips & Issues*, which provides information to FinCEN’s stakeholders about the preparation, use, and value of SARs.

## BSAAG - “An Important Voice in the Financial System”

*“I appreciate the hard work by the advisory group in helping to make the financial sector inhospitable to bad actors and their illicit funds. Terrorists, criminals, proliferators and other dangerous actors are continuously looking for cracks in our regulatory framework through which to move or store their funds without detection....”*

*“As representatives of the financial industry, regulatory community, and law enforcement, the advisory group is an important voice in the financial system. We will continue to work as partners to ensure that our financial system is safe, sound, and secure from abuse.”*

Henry M. Paulson, Jr.  
Secretary of the Treasury  
Statement to the Bank Secrecy Act Advisory Group Plenary  
October 22, 2008

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*“The sound public policy choices made over time relating to our BSA regulatory regime reaffirm the significance of an effective partnership between the government and private sector that Congress intended. We both have essential roles to play as we work together to fight money laundering, terrorist financing and other illicit activity.”*

James H. Freis, Jr.  
Director, FinCEN  
Florida International Bankers Association  
February 2008

# The Egmont Group

The Egmont Group is an international body made up of member financial intelligence units (FIUs). FIUs are an essential component of the international fight against money laundering, the financing of terrorism, and related crime. Their ability to transform data into financial intelligence is a key element in the fight against money laundering and the financing of terrorism.

The Group is named after the Egmont-Arenberg Palace in Brussels, where 15 FIUs first met in 1995 to establish an informal network for sharing information about money laundering. Based on actions taken in fiscal year 2007, the Egmont Group is now a formal international body with a permanent Secretariat located in Toronto, Canada. By the end of fiscal year 2008, total membership had grown to 108 FIUs.

FinCEN has played a major role in promoting the multilateral work of the Egmont Group by helping other countries develop their FIUs and assisting already-established units to strengthen anti-terrorist financing and money laundering policies and programs. FinCEN sponsors new FIUs for membership in the group and provides and maintains a secure web system through which Egmont members can exchange information. FinCEN also developed and maintains the Egmont Group's public website:

<http://www.egmontgroup.org>.

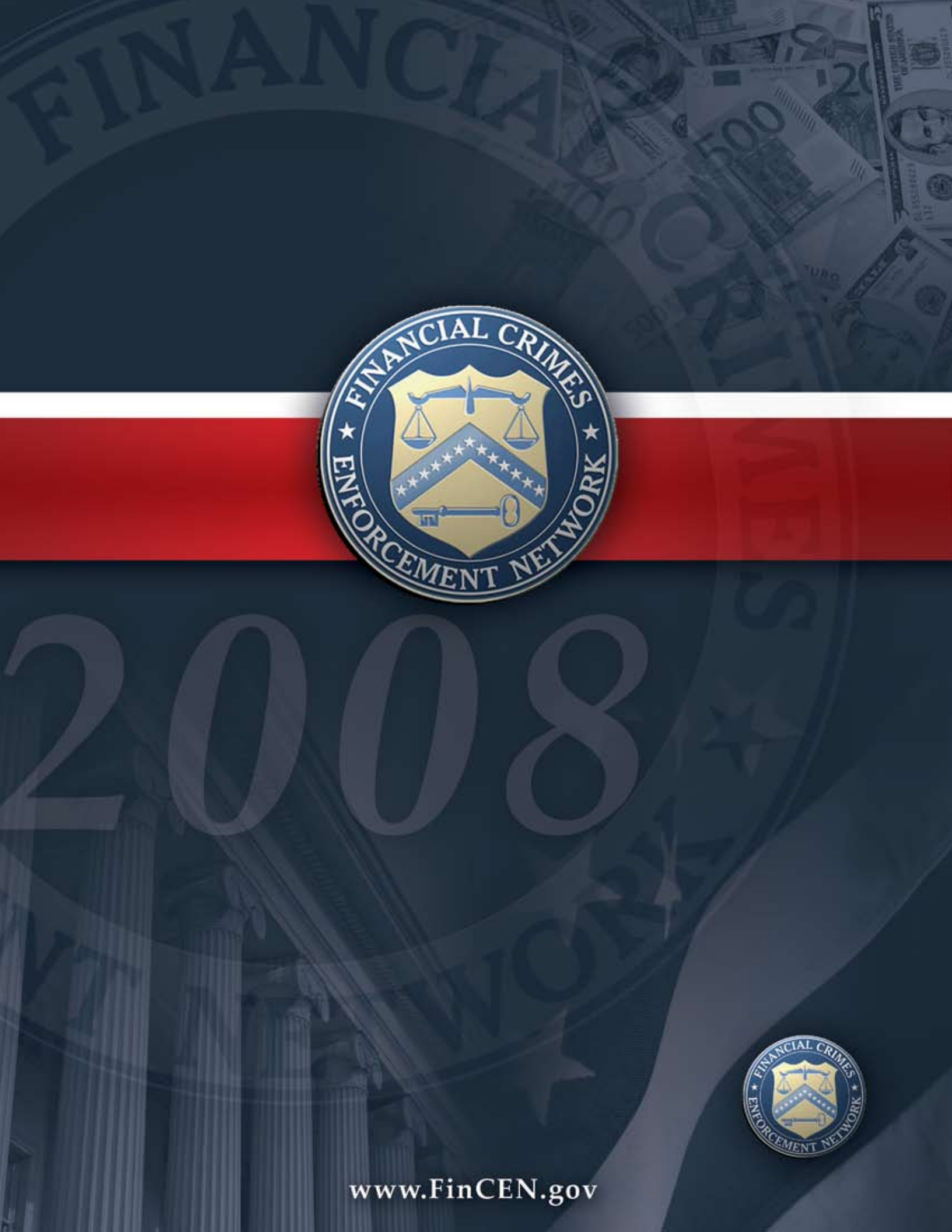
The 2008 Plenary of the Egmont Group was held in Seoul, Korea, the first time the Plenary has been held in Asia. During the meeting, the FIUs of Moldova and the Turks and Caicos Islands were admitted as new members of the Egmont Group. The Plenary was attended by approximately 250 people from over 85 Egmont members, five candidate/observer FIUs, and numerous international bodies. Attendees included incoming Financial Action Task Force (FATF) president Antonio Gustavo Rodriguez (the head of Brazil's FIU), who committed to closer cooperation between the Egmont Group, FATF and the FATF-style Regional Bodies.

One of the major principles of the Egmont Group is to enhance the potential for bilateral and multilateral international collaboration in strategic analysis among the FIUs. During the Plenary, attendees received training on methods used to finance terrorism, money laundering methodologies and countermeasures relating to aspects of cross border wire transfers, and use of information technology to enhance the operational efficiency of an FIU. The Egmont Group also launched an initiative with emphasis on strategic analysis of the financial aspects of corruption and politically exposed persons (PEPs).

# The Egmont Group

FinCEN's Deputy Director is a member of the Egmont Committee, which coordinates Egmont Group activities. FinCEN also provides staff support for Egmont's five Working Groups, which are described below:

- The Outreach Working Group seeks to create a global network of financial intelligence units by identifying candidates for membership and FIU sponsors to work with them to ensure that they meet international standards. The group also coordinates with other international organizations to promote outreach in those areas of the world which need increased attention and resources.
- The Legal Working Group reviews the candidacy of potential members and handles all legal aspects and matters of principle within Egmont, including member compliance with Egmont Group standards.
- The Operational Working Group seeks to bring FIUs together to work on cases and strategic projects. Current initiatives involve cash based money laundering and terrorist financing, E-Money laundering, and a guidance paper which focuses on threats to the financial markets posed by corrupt international politically exposed persons.
- The Information Technology Working Group examines new software applications that might facilitate analytical work and focuses on such issues as data standards, and security. The Group also works to enhance the capabilities of the Egmont Secure Web, the secure internet system used for FIU-to-FIU information exchange.
- The Training Working Group identifies, plans, coordinates, and implements training opportunities for financial intelligence unit personnel. Training focuses on areas of particular interest to Egmont members, including tactical analysis, mutual evaluation training, terrorism financing, and best practices in management. The group also maintains a database of sanitized cases for training purposes, and coordinates these cases with a money laundering and trends database developed jointly between the Operational and IT Working Groups.



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