

# *Annual Report*

Financial Crimes Enforcement Network

*Fiscal Year 2010*



# *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



Just over 20 years ago, on April 25, 1990, then-Treasury Secretary Nicholas F. Brady established the Financial Crimes Enforcement Network (FinCEN). The new organization would combat money laundering, track illicit financing and serve as a nexus for information gathering and sharing among Federal, State, and local law enforcement agencies. At the time, it was a challenging and novel concept, with innovative approaches both to leveraging information technology and “following the money.” Since then, the FinCEN story has been one of achievement and success. FinCEN has evolved over the last two decades to include new responsibilities to help combat terrorist financing, fraud, and other increasingly sophisticated financial crimes.

In 1994, FinCEN assumed its role as a financial institution regulator charged with administering the Bank Secrecy Act of 1970 (BSA). It then revolutionized the international tracking of transnational criminals through data sharing by joining with the financial intelligence units (FIUs) from 15 other nations to found the Egmont Group. In 2001, FinCEN became a bureau within the Department of the Treasury and was assigned the task of regulating many more thousands of different financial institutions. This small bureau, of roughly 325 professionals, has the challenging but important task of writing and coordinating the enforcement of anti-money laundering (AML) rules for over 100,000 banks, credit unions, money services businesses (MSBs), insurance companies, securities brokers, casinos, mutual funds, precious metal dealers, and other financial institutions that face the risk of being used by criminals to support enterprises ranging from drug cartels, mortgage fraud rings, terrorist finance networks, immigrant smuggling, and much more.

Established as the informational center of mass for BSA data, FinCEN is where the financial industry, law enforcement, and regulators meet with common purpose to protect the integrity of the financial system. To be effective, FinCEN must establish and maintain relationships to both share information and encourage others to share information. Because of its small size, FinCEN has arranged examinations to be conducted by Federal and State banking and securities regulators, and for some industries, by the Internal Revenue Service (IRS). As such, the

# *Message from the Director*

bureau does not have the same day-to-day interaction with financial institutions that most financial regulators do. To help compensate for that fact and to increase understanding of the challenges that industry faces in meeting BSA requirements and fighting financial crime, in 2010 FinCEN continued to pursue its “outreach initiative.” FinCEN began this initiative to methodically seek out and meet with representatives of the various financial sectors it regulates. It holds both one-on-one discussions and town hall-style meetings as a way to properly understand how the industry works in practice as well as to better understand how industry sees FinCEN regulations as financial institutions implement them on a practical basis. Our goal, wherever possible, is to align our regulatory requirements with their commercial incentives. This is the best way to ensure that law enforcement gets high quality and timely information on suspected criminal activity that the private sector is uniquely positioned to observe.

The more that we can work together with the industry, the more it serves our joint goals. This is particularly applicable to “know-your-customer” programs. Knowing your customers, their needs, desired outcomes, and the source of their money, should be gained not in a vacuum of regulatory requirements, but as part of better service to those customers.

FinCEN started its outreach with the largest banks in the country and released a public report about those meetings in October 2009. For its next step, FinCEN reached out to MSBs, reflected in its report this past summer. Currently FinCEN is reaching out to community banks, credit unions, and smaller depository institutions. As a direct response to these meetings, FinCEN has prioritized some of its efforts and better tailored some of its “red flags” guidance products that it issues to the industry. Universally, the BSA/AML compliance teams within each of the banks participating in the outreach initiative expressed appreciation that FinCEN is committed to learning about their programs and efforts to do the right thing.

This past year, FinCEN also continued its efforts to address two major conduits for domestic and international money transfer that present potential for illicit abuse -- prepaid access to funds via cards or electronic devices and the cross border electronic transmission of funds. In June 2010, FinCEN announced a proposed rule that seeks greater transparency for prepaid access providers, and would establish

# *Message from the Director*

a more comprehensive regulatory framework for non-bank prepaid access mechanisms. In September 2010, FinCEN announced a proposed rulemaking that would require certain depository institutions and MSBs to affirmatively provide records to FinCEN of certain cross-border electronic transmittals of funds currently subject to FinCEN's recordkeeping obligations.

Fiscal year 2010 saw the largest ever civil money penalty that FinCEN has imposed -- \$110 million against Wachovia Bank, which previously was one of the largest and most sophisticated banks in the world. A coordinated effort by the U.S. Attorney's Office for the Southern District of Florida, the Office of the Comptroller of the Currency (OCC), the Drug Enforcement Agency (DEA), the Internal Revenue Service-Criminal Investigation Division (IRS-CI), and FinCEN determined, among other things, that Wachovia failed to effectively monitor for potential money laundering activity more than \$420 billion in foreign financial transactions.

FinCEN's key networking utility has been shown through its collaborations with the Financial Fraud Enforcement Task Force (FFETF). President Obama established the FFETF in November 2009 to hold accountable those who helped bring about the last financial crisis, and to prevent another crisis from happening. The task force is improving efforts across the government and with State and local partners to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, recover proceeds for victims, and address financial discrimination in the lending and financial markets. FinCEN has been actively involved in these efforts, as Suspicious Activity Reports (SARs) are one of the best sources of lead information for law enforcement in fighting financial crime, and because of FinCEN's ability to build upon our existing network of support to law enforcement at the Federal, State, and local levels and the financial regulators. Of the three Task Force committees enumerated in President Obama's Executive Order, FinCEN serves together with the Justice Department's Executive Office for United States Attorneys as co-chair of the Training and Information Sharing Committee.

This close affiliation with the FFETF has allowed FinCEN to broaden and enhance its anti-fraud efforts and gain recognition for its efforts to partner with other U.S. Government agencies to combat home loan

# *Message from the Director*

modification and foreclosure rescue scams (building upon FinCEN's 2009 interagency initiative), and home equity conversion mortgage (reverse mortgage) scams that target the elderly. FinCEN has also established a leading role in protecting U.S. taxpayers by detecting and deterring fraud against the Troubled Asset Relief Program (TARP) and combating Medicare fraud through its work with the Department of Justice (DOJ) and the Department of Health and Human Services (HHS) to assist the Health Care Fraud Prevention and Enforcement Action Team (HEAT).

FinCEN has also continued to enhance and expand its international assistance and information sharing by pursuing some major initiatives and forging powerful partnerships. By cooperating with domestic law enforcement agencies along the U.S.'s Southwest border and maintaining and strengthening its close partnership with Mexican authorities, FinCEN has greatly contributed to the fight against illegal criminal drug money flowing across our common border. With our Mexican partners, we have studied the flow of money, targeted criminals, and advised U.S. banks on what methods they need to watch for so that they may further assist in the battle against dangerous criminal drug gangs.

The key to everything we do is sharing the extremely valuable information that private financial institutions responsibly provide. To do that, we need to have and utilize modern technology, and, to that end, in 2010 FinCEN proceeded with its multi-year IT modernization effort. FinCEN continues to meet its information technology modernization milestones and is committing the necessary time, staff, and resources to ensure that our law enforcement partners quickly and conveniently have access to the best possible information that we and our industry partners can provide.

FinCEN looks forward to the coming decades and, with the assistance and dedication of its talented staff, intends to surpass its past record of success and meet the new challenges of the coming years.

James H. Freis, Jr.  
Director  
December 2010

# Message from the Director



*On June 17, 2010, Attorney General Eric Holder announced the results of a nationwide effort, Operation Stolen Dreams, which targeted mortgage fraud perpetrators throughout the country. The sweep, organized by the interagency Financial Fraud Enforcement Task Force (FFETF), was the largest collective enforcement effort to date in confronting mortgage fraud. Standing from left to right: FinCEN Director James H. Freis, Jr., Chief Postal Inspector William Gilligan, Illinois Attorney General Lisa Madigan, FBI Director Robert Mueller, U.S. Attorney General Eric Holder, HUD Inspector General Kenneth M. Donohue, FTC Commissioner Edith Ramirez, Special Agent in Charge of the U.S. Secret Service Criminal Investigative Division Kenneth Jenkins, and IRS-CI Deputy Director Sallie Cooper.*

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# *Abbreviations Used in This Report*

<b>AML</b>	Anti-Money Laundering
<b>BSA</b>	Bank Secrecy Act
<b>BSA E-Filing</b>	Bank Secrecy Act Electronic Filing System
<b>BSAAG</b>	Bank Secrecy Act Advisory Group
<b>CBETF</b>	Cross-Border Electronic Transmittals of Funds
<b>CFT</b>	Counter-Financing of Terrorism
<b>CFTC</b>	Commodity Futures Trading Commission
<b>CMIR</b>	Report of International Transportation of Currency or Monetary Instruments
<b>CNBV</b>	Comisión Nacional Bancaria y de Valores (Mexico)
<b>CSBS</b>	Conference of State Bank Supervisors
<b>CTR</b>	Currency Transaction Report
<b>CTR-C</b>	Currency Transaction Report by Casinos
<b>DEA</b>	Drug Enforcement Administration (U.S. Department of Justice)
<b>DFI</b>	Department of Financial Institutions (California)
<b>DOEP</b>	Designation of Exempt Person
<b>DOJ</b>	U.S. Department of Justice
<b>DMC</b>	Data Management Council
<b>E-Filing</b>	Electronic Filing
<b>EOUSA</b>	Executive Office for United States Attorneys (U.S. Department of Justice)
<b>ESW</b>	Egmont Secure Web
<b>Europol</b>	European Law Enforcement Agency

# *Abbreviations Used in This Report*

<b>FATF</b>	Financial Action Task Force
<b>FBAR</b>	Report of Foreign Bank and Financial Accounts
<b>FBI</b>	Federal Bureau of Investigation
<b>FDIC</b>	Federal Deposit Insurance Corporation
<b>FERRET</b>	Forensic, Evaluation, Research, Recovery, and Enforcement Team (Office of the Special Inspector General for Iraq Reconstruction)
<b>FFETF</b>	Financial Fraud Enforcement Task Force
<b>FFIEC</b>	Federal Financial Institutions Examination Council
<b>FHA</b>	Federal Housing Administration
<b>FinCEN</b>	Financial Crimes Enforcement Network
<b>FinCEN/IRS Form 8300</b>	Report of Cash Over \$10,000 Received in Trade/Business
<b>FIU</b>	Financial Intelligence Unit
<b>FRB</b>	Board of Governors of the Federal Reserve System
<b>FSRB</b>	FATF-Style Regional Body
<b>GAO</b>	Government Accountability Office
<b>HAMP</b>	Home Affordable Modification Program
<b>HEAT</b>	Health Care Fraud Prevention and Enforcement Action Team
<b>HECM</b>	Home Equity Conversion Mortgage
<b>HHS</b>	U.S. Department of Health and Human Services
<b>HIDTA</b>	High Intensity Drug Trafficking Area
<b>HIFCA</b>	High Intensity Financial Crime Area

# *Abbreviations Used in This Report*

<b>HUD</b>	U.S. Department of Housing and Urban Development
<b>ICE</b>	U.S. Immigration and Customs Enforcement
<b>INCSR</b>	International Narcotics Control Strategy Report
<b>IRS</b>	Internal Revenue Service
<b>IRS-CI</b>	Internal Revenue Service, Criminal Investigation
<b>IRS SB/SE</b>	Internal Revenue Service, Small Business/Self-Employed Division
<b>IT</b>	Information Technology
<b>IVTS</b>	Informal Value Transfer Systems
<b>MOU</b>	Memorandum of Understanding
<b>MSB</b>	Money Services Business
<b>NAAG</b>	National Association of State Attorneys General
<b>NDAAs</b>	National District Attorneys Association
<b>NAFCU</b>	National Association of Federal Credit Unions
<b>NAT SAR</b>	National Suspicious Activity Report Review Team
<b>OCC</b>	Office of the Comptroller of the Currency
<b>OFAC</b>	Office of Foreign Assets Control (U.S. Department of the Treasury)
<b>OIG</b>	Office of Inspector General
<b>ONDCP</b>	Office of National Drug Control Policy
<b>OTP</b>	Office of Tax Policy (U.S. Department of the Treasury)
<b>OTS</b>	Office of Thrift Supervision (U.S. Department of the Treasury)

# *Abbreviations Used in This Report*

<b>ORA</b>	Organizational Risk Assessment
<b>PPIP</b>	Public-Private Investment Program
<b>SAR</b>	Suspicious Activity Report
<b>SAR-C</b>	Suspicious Activity Report by Casinos and Card Clubs
<b>SAR-DI</b>	Suspicious Activity Report by Depository Institutions
<b>SAR-MSB</b>	Suspicious Activity Report by Money Services Businesses
<b>SAR-SF</b>	Suspicious Activity Report by the Securities and Futures Industries
<b>SEC</b>	U.S. Securities and Exchange Commission
<b>SIGIR</b>	Special Inspector General for Iraq Reconstruction
<b>SIGTARP</b>	Special Inspector General for the Troubled Asset Relief Program
<b>TALF</b>	Term Asset-Backed Securities Loan Facility
<b>TARP</b>	Troubled Asset Relief Program
<b>U.S.-EU MLAT</b>	Agreement on Mutual Legal Assistance between the United States and the European Union
<b>USAO</b>	U.S. Attorneys' Offices
<b>USA PATRIOT Act</b>	Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism
<b>USPIS</b>	U.S. Postal Inspection Service
<b>WebCBRS</b>	Web Currency and Banking Retrieval System

# About the Financial Crimes Enforcement Network

**F**inCEN is a bureau of the U.S. Department of the Treasury. The Director of FinCEN is appointed by the Secretary of the Treasury and reports to the Treasury Under Secretary for Terrorism and Financial Intelligence. 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.

FinCEN carries out its mission by receiving and maintaining financial transactions data; analyzing and disseminating that data for law enforcement purposes; and building global cooperation with counterpart organizations in other countries and with international bodies.

Specifically, FinCEN administers the Bank Secrecy Act of 1970 (BSA), as amended by Title III of the USA PATRIOT Act of 2001 and other legislation.<sup>1</sup> The BSA is the nation's first and most comprehensive Federal AML and counter-terrorism financing statute. In brief, the BSA authorizes the Secretary of the Treasury to issue regulations requiring banks and other financial institutions to take a number of precautions against financial crime, including the establishment of AML programs and the filing of 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. The Secretary of the Treasury has delegated administration of the BSA to FinCEN.

Congress has given FinCEN certain duties and responsibilities for the central collection, analysis, and dissemination of BSA and other data in support of government and financial industry partners at the Federal, State, local and international levels. To fulfill its responsibilities, FinCEN:

- Issues and interprets regulations authorized by 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, dissemination, and protection of data filed under BSA reporting requirements;
- Maintains a government-wide access service to BSA data and networks users with overlapping interests;
- Supports law enforcement investigations and prosecutions; and
- Conducts analysis to support policymakers; law enforcement, regulatory, and intelligence agencies; foreign financial intelligence units (FIUs); and the financial industry.

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1. The BSA is codified at 12 U.S.C. 1829b, 12 U.S.C. 1951-1959, 31 U.S.C. 5311-5314 and 5316-5332 with implementing regulations at 31 C.F.R. Part 103.

# About the Financial Crimes Enforcement Network

FinCEN serves as the FIU for the United States and is one of 120 FIUs making up the Egmont Group, an international entity focused on information sharing and cooperation among FIUs. 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.

As one of the world's leading FIUs, FinCEN exchanges financial information with FIU counterparts around the world in support of U.S. and foreign financial crime investigations.

The basic concept underlying FinCEN's core activities is "follow the money." The primary motive of criminals is financial gain, and they leave financial trails as they try to launder the proceeds of crimes or attempt to spend their ill-gotten profits. Law enforcement agencies successfully use similar techniques, including searching information collected by FinCEN from the financial industry, to investigate and hold accountable a broad range of criminals, including perpetrators of fraud, tax evaders, and narcotics traffickers. More recently, the techniques used to follow money trails also have been applied to investigating and disrupting terrorist groups, which often depend on financial and other support networks.

To learn more about FinCEN, visit [www.fincen.gov](http://www.fincen.gov).

# *History of the Financial Crimes Enforcement Network*

The U.S. Department of the Treasury established FinCEN in 1990. FinCEN's initial charge was to support law enforcement by establishing a government-wide financial intelligence and analysis network. That responsibility is still at the core of FinCEN's operations. FinCEN oversees the maintenance of a database with approximately 180 million records of financial transactions and other reports. This data represents the most broadly relied upon and largest source of financial intelligence available to law enforcement authorities at the Federal, State, and local level. FinCEN analyzes this data and makes it available to other government agencies for use in criminal law enforcement, tax, and regulatory investigations and proceedings, and certain intelligence and counter-terrorism matters.

In 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. The following year, FinCEN was one of 15 FIUs 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. By then, FinCEN had already established a large and growing network of law enforcement agencies, regulators, and international representatives who benefited greatly from analysis of financial transaction information reported under the BSA.

The USA PATRIOT Act of 2001 amended and broadened the scope of the BSA to include a focus on additional financial industry sectors and 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.

In 2004, the Treasury Department established a new Office of Terrorism and Financial Intelligence (TFI). The Director of FinCEN reports to the Under Secretary for Terrorism and Financial Intelligence. FinCEN directly supports the Department's and TFI's strategic goal of preventing terrorism and promoting the nation's security through strengthened international financial systems. FinCEN also contributes to each of the other Treasury Department strategic goals by promoting proper use of government finances, promoting market integrity as an essential component for financial stability and economic growth, and exercising efficient management and organization.

## Protecting the U.S. and International Financial Systems from Abuse

*“Our overall aim is to build a system to combat organized crime and white-collar crime and to deter and prevent the use of secret foreign bank accounts for tax fraud and their use to screen from view a wide variety of criminally related financial activities, and to conceal and cleanse criminal wealth.*

*“This administration recognizes the widespread moral decay that would result if these practices are permitted to continue and expand. We are determined to do something about them.”*

Statement of Eugene T. Rossides  
Former Assistant Secretary of the Treasury for Enforcement and Operations  
Senate Hearing on Foreign Bank Secrecy  
June 9, 1970

### Passage of the Currency and Foreign Transactions Reporting Act

*(now known as the BSA)*

12 U.S.C. 1951(b)

1970

*“It is the purpose of this chapter to require the maintenance of appropriate types of records and the making of appropriate reports by such businesses in the United States where such records or reports have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings.”*

Pub. L. 91-508, title I, Sec. 121, Oct. 26, 1970, 84 Stat. 1116



1990

## Establishment of FinCEN

*“The mission of FinCEN is to provide a governmentwide, multi-source intelligence and analytical network in support of the detection, investigation, and prosecution of domestic and international money laundering and other financial crimes by Federal, State, local, and foreign law enforcement agencies.”*

Robert Rubin

Former Secretary of the Treasury

Department of the Treasury Order: Establishment of the Financial Crimes Enforcement Network [105-08]

April 25, 1990

2010

## 40<sup>th</sup> Anniversary of the BSA, 20<sup>th</sup> Anniversary of FinCEN

*“FinCEN was created to be the bridge between law enforcement agencies and the financial industry. Our prescient designers saw the need for a central repository of financial intelligence that would collect, protect, and analyze the valuable information that industry could provide and then share it with law enforcement agencies, which at the time were holding several disparate and unconnected databases of their own. At the time a novel concept, the connections that FinCEN made, and the investigatory efficiency it provided, allowed users of the data to avoid duplicative efforts and to target their resources more effectively.”*

James H. Freis, Jr.

Director, FinCEN

*The SAR Activity Review - Trends, Tips & Issues (Issue 17)*

May 2010

# History of the Financial Crimes Enforcement Network



## DEPARTMENT OF THE TREASURY ORDER

DATE: April 25, 1990

NUMBER: 105-08

SUBJECT: Establishment of the Financial Crimes Enforcement Network

By virtue of the authority vested in me as the Secretary of the Treasury, including authority in 31 U.S.C. 321(b), it is ordered that:

1. The Financial Crimes Enforcement Network ("FincEN") is hereby established as an office in the Office of the Assistant Secretary (Enforcement). The Director of FincEN shall report directly to, and operate under guidelines and policies established by, the Assistant Secretary (Enforcement). Staff assistance and advice on day-to-day matters and policy issues shall be provided to FincEN by the Deputy Assistant Secretary (Law Enforcement) and staff. Close coordination between the FincEN staff and the Deputy Assistant Secretary (Law Enforcement) and staff will be required.
2. The mission of FincEN is to provide a governmentwide, multi-source intelligence and analytical network in support of the detection, investigation, and prosecution of domestic and international money laundering and other financial crimes by Federal, State, local, and foreign law enforcement agencies.
3. The Director of FincEN is responsible for:
  - a. directing a core staff composed of Departmental Offices employees and other personnel detailed to FincEN, including experts from the U.S. Customs Service, the Internal Revenue Service, other Federal law enforcement bureaus, financial institution regulatory agencies, and private industry to centralize and combine expertise on both the national and international financial systems and the detection and prevention of money laundering and other financial crimes;
  - b. advising and making recommendations on matters relating to financial intelligence and other financial criminal activity to the Assistant Secretary (Enforcement);
  - c. maintaining a governmentwide data access service, with access, in accordance with applicable legal requirements, to:
    - (1) information collected by Treasury, including report information filed under the Bank Secrecy Act and section 6050I of the Internal Revenue Code;

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# History of the Financial Crimes Enforcement Network

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(2) information regarding national and international currency flows;

(3) other records and data maintained by other Federal, State, local, and foreign agencies, including financial and other records developed in specific cases; and

(4) other privately and publicly available information;

d. analyzing and disseminating the available data in accordance with applicable legal requirements and policies and guidelines established by the Assistant Secretary (Enforcement) to:

(1) identify possible criminal targets to appropriate Federal, State, local, and foreign law enforcement agencies;

(2) support ongoing criminal financial investigations and prosecutions and related proceedings, including civil and criminal tax and forfeiture proceedings;

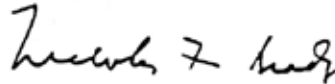
(3) identify possible instances of non-compliance with the Bank Secrecy Act to Federal agencies with delegated responsibility for Bank Secrecy Act compliance;

(4) evaluate and recommend possible uses of special currency reporting under 31 U.S.C. 5326; and

(5) determine emerging trends and methods in money laundering and other financial crimes.

e. establishing a financial crimes communications center to furnish law enforcement authorities with intelligence information related to ongoing investigations and undercover operations; and

f. furnishing research, analytical, and informational services to financial institutions, financial institution regulators, and Federal, State, local, and foreign law enforcement authorities in accordance with policies and guidelines established by the Assistant Secretary (Enforcement) in the interest of detection, prevention, and prosecution of money laundering and other financial crimes.



Nicholas F. Brady  
Secretary of the Treasury

# Bank Secrecy Act Reporting in Fiscal Year 2010

**B**SA recordkeeping and reporting requirements help to detect and deter all types of illicit activity, including money laundering, the financing of terrorist activity, and many types of fraud. BSA reports create a financial trail that law enforcement and intelligence agencies use to track criminals and terrorist networks, their activities, and their assets. Recordkeeping and reporting requirements work hand-in-hand with the BSA's AML program requirements, which help financial institutions protect themselves from criminal abuse by identifying and mitigating the risks inherent in their operations. Financial institutions filed approximately 16.2 million reports pursuant to BSA requirements in fiscal year 2010.

Financial industry sectors subject to BSA reporting requirements 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, traveler's 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.

## The Value of BSA Data

*“The financial data collected from financial institutions by FinCEN has proven to be of considerable value in money laundering, terrorist financing and other financial crimes investigations by law enforcement. When combined with other data collected by law enforcement and the intelligence community, BSA data assists investigators in connecting the dots in their investigations by allowing for a more complete identification of the particular subjects with information such as personal information, previously unknown addresses, businesses and personal associations, banking patterns, travel patterns, and communication methods.”*

**Charles M. Steele**  
Deputy Director, FinCEN  
Statement before the U.S. House of Representatives, Committee on Ways  
and Means  
May 19, 2010

# Bank Secrecy Act Reporting in Fiscal Year 2010

A variety of reports are submitted under the BSA, but the majority of reports filed are of two types:

- Currency Transaction Reports (CTRs) 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. Based on preliminary data, about 14 million CTRs were filed in fiscal year 2010, compared to about 14.9 million in fiscal year 2009.
- Suspicious Activity Reports (SARs) are filed in connection with transactions that financial institutions know, suspect, or have reason to suspect may be related to illicit activity. These reports are especially valuable to law enforcement because they reflect activity considered problematic or unusual by depository institutions, casinos, MSBs, 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 may lead to criminal penalties. About 1.3 million SARs were filed in fiscal year 2010, slightly less than the number filed in fiscal year 2009.

# Bank Secrecy Act Reporting in Fiscal Year 2010

## 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).

Based on preliminary figures as of October 1, 2010, there were fewer total BSA reports filed in fiscal year 2010 than in fiscal year 2009. This is due primarily to FinCEN's regulatory change in January 2009 to increase the availability of exemptions from mandatory CTR reporting (see details on page 20). SAR reporting by depository institutions also slightly declined for the first time since the reporting obligation came into effect in 1996. Together, these outcomes

represent successful efforts by FinCEN to work with the financial industry to focus on reporting the information most valuable to law enforcement.

# Bank Secrecy Act Reporting in Fiscal Year 2010

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 (e-filing) of BSA reports.<sup>2</sup> During the last 2 months of fiscal year 2010, about 83 percent of reports were e-filed, compared

with 82 percent during the last 2 months of fiscal year 2009. The following table shows preliminary reporting figures for fiscal years 2008-2010 for each type of BSA report.

**Bank Secrecy Act Filings by Type, Fiscal Years 2008 - 2010<sup>3</sup>**

Type of Form	FY 2008	FY 2009	FY 2010
Currency Transaction Report (all types)	16,082,776	14,909,716	14,065,871
Suspicious Activity Report (for all covered industries)	1,318,984	1,321,848	1,319,984
Report of Foreign Bank and Financial Accounts	344,967	276,386	594,488
Registration of Money Services Business <sup>4</sup>	21,102	19,234	20,302
Designation of Exempt Person <sup>5</sup>	53,675	32,117	22,990
Report of Cash Payments Over \$10,000 Received in a Trade or Business (Form 8300)	184,305	180,801	174,023
Total <sup>6</sup>	18,005,809	16,740,102	16,197,658

2. For more information on how to register to electronically file BSA reports, please see FinCEN's brochure on the benefits of using the BSA E-Filing System, [http://www.fincen.gov/news\\_room/nr/pdf/20100416.pdf](http://www.fincen.gov/news_room/nr/pdf/20100416.pdf).
3. Source: IRS Enterprise Computing Center – Detroit, figures as of October 1, 2008; October 1, 2009; and October 1, 2010.
4. The total number of forms for each fiscal year includes new MSB registrations as well as renewals. Filers have the option to indicate on the form whether it is an initial registration, a renewal, a correction of a prior filing, or a re-registration.
5. The Designation of Exempt Person form enables depository institutions (banks, savings associations, thrift institutions, and credit unions) to use CTR exemption rules to eliminate the reporting obligation for transactions by business customers with routine needs for currency. In December 2008, FinCEN issued a final rule streamlining CTR exemption processes, partly by eliminating the previous requirement to file this form annually for certain customers that pose a diminished risk of money laundering or other illicit activity.
6. In addition, U.S. Customs and Border Protection, U.S. Department of Homeland Security, reported that 192,137 Reports of International Transportation of Currency or Monetary Instruments were filed in fiscal year 2010. These paper reports are not included in the total or in e-filing calculations.

# FinCEN Guiding Goals and Principles

FinCEN's *Strategic Plan for Fiscal Years 2008-2012*<sup>7</sup> sets forth three outcome goals, a management goal, and five cross-cutting principles. Together, these goals and principles guide FinCEN's operations, and reflect FinCEN's role as a regulatory agency, its responsibilities for combating money laundering and the financing of terrorism, and its long-range vision for providing law enforcement and regulatory agencies with better access to the BSA data while supporting these agencies with more sophisticated and unique analyses. FinCEN's goals are stated below:

<b>Outcome Goal 1:</b>	Financial systems resistant to abuse by money launderers, terrorists and their financial supporters, and other perpetrators of financial crime
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<b>Outcome Goal 2:</b>	Detection and deterrence of money laundering, terrorism financing, and other illicit activity
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<b>Outcome Goal 3:</b>	Efficient management, safeguarding, and use of BSA information
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<b>Management Goal:</b>	FinCEN's mission is accomplished by high-performing employees and managers operating in a stimulating and responsible work environment.
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In pursuing these goals, FinCEN is guided by the following five principles:

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

This report describes major FinCEN accomplishments toward its outcome and management goals in fiscal year 2010. It also shows key measures of FinCEN's performance.

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7. FinCEN's Strategic Plan is available at [http://www.fincen.gov/news\\_room/rp/files/strategic\\_plan\\_2008.pdf](http://www.fincen.gov/news_room/rp/files/strategic_plan_2008.pdf).



<b>Outcome Goal 1:</b>	Financial systems resistant to abuse by money launderers, terrorists and their financial supporters, and other perpetrators of financial crime
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Under the BSA, a wide variety of financial institutions must establish AML and customer identification programs, and implement processes and systems for data reporting and recordkeeping related to certain financial transactions. Institutions covered by the BSA include depository institutions, MSBs, 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. FinCEN recently announced a final rule that will reorganize its rules and regulations into a new, tenth chapter of Title 31 which will appear as "Title 31 Chapter X – Financial Crimes Enforcement Network." The rule streamlines the BSA regulations into general and industry-specific parts, ensuring that a financial institution can identify its obligations under the BSA in a more organized and understandable manner. The rule is not intended to make any substantive changes to regulations implementing the BSA. By making the regulations more understandable, however, FinCEN expects to improve industry compliance. FinCEN will implement the new Chapter X on March 1, 2011, and until that time, the regulations remain under 31 CFR Part 103.

FinCEN aims to lessen the vulnerability of the financial industry to perpetrators of financial crime. BSA requirements increase transparency as a way to prevent criminals from abusing legitimate financial systems. Criminal abuse of financial services and products undermines the integrity of financial markets, both in the United States and abroad. Because international financial systems are so closely entwined in today's global economy, FinCEN also seeks to protect U.S. interests by supporting and encouraging stronger AML policies and programs worldwide.

Major accomplishments in fiscal year 2010 are described below:

## Outreach to Financial Institutions

FinCEN continues to expand its outreach efforts to a variety of industries that fall under BSA regulatory requirements. In fiscal year 2010, multi-disciplinary teams from across FinCEN visited financial institutions to learn more about how their AML programs operate. Knowledge gained through these ongoing meetings enhances FinCEN's efforts to ensure that consistent application of, examination for, and enforcement of the BSA are based on sound knowledge of banking practices and the challenges of implementing AML

## Outcome Goal 1 continued...

programs. Multiple institutions expressed appreciation that FinCEN is committed to learning about their programs and compliance efforts. This outreach assists in FinCEN's ongoing work with the financial industry as institutions strive to comply with their responsibility to report certain information and suspicious activities to FinCEN, as well as FinCEN's responsibility to ensure this useful information is made available to law enforcement, as appropriate. These interactions are promoting better understanding from all sides as to how we can better pursue our common goals of enhancing national security and market integrity.

In November 2009, Director Freis addressed the Tennessee Bankers Association's Bank Security and Risk Management Conference in Nashville; in March 2010, he participated in a roundtable with California bankers; and in September 2010, he addressed credit union members attending the National Association of Federal Credit Unions

(NAFCU) Washington Conference. In June 2010, Deputy Director Steele participated in a town hall meeting with approximately 20 Chicago area depository institutions. In July 2010, Director Freis participated in a town hall sponsored by the Minnesota Bankers Association, and in September 2010, FinCEN hosted a town hall for credit unions that had volunteered to participate in our outreach to financial institutions with assets under \$5 billion.

In October 2009, FinCEN issued a public report on its meetings with the largest depository institutions, and in July 2010, FinCEN issued a public report on its meetings with the nation's largest MSBs.<sup>8</sup> Meetings continue with smaller depository institutions that have less than \$5 billion in assets, and FinCEN is conducting a more limited outreach effort with the insurance industry.

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8. Reports highlighting information gathered as part of FinCEN's outreach initiative are located at [http://www.fincen.gov/news\\_room/rp/financial\\_institutions\\_outreach\\_initiative.html](http://www.fincen.gov/news_room/rp/financial_institutions_outreach_initiative.html).

### Director Freis Participates in Roundtable with California Bankers

Director Freis joined 30-40 California bank chief executive officers on March 30, 2010, at a California Department of Financial Institutions (DFI) roundtable discussion, hosted by DFI Commissioner William Haraf and co-sponsored by the California Bankers Association. He presented examples of FinCEN's efforts to use large sets of information to help identify and target mortgage fraud and related criminal activity in California, and provided the following remarks regarding the value of BSA data and FinCEN's ongoing support to the state's investigative efforts:

*“After nearly twenty years of partnership with financial institutions and more than 300 law enforcement, intelligence, and regulatory agencies, FinCEN remains as committed as ever to fighting money laundering and financial crimes.*

*“Information financial institutions provide through the BSA and file with FinCEN can be the tip-off that starts an investigation, or when an investigation is underway, add significant value by pointing to the identities of previously unknown subjects. Some of the most innovative uses of the information are in helping law enforcement to proactively target their resources to the areas of greatest risk.*

*“A banker's good instincts can, and do, result in the contribution of critical information that serves to set investigatory wheels in motion to track down suspected criminal activity.”*

### Ongoing Dialogue with the Financial Industry

“A strong partnership is needed between the financial industry and our government to fight money laundering, terrorist financing, fraud and other financial crimes. An effective partnership requires an open and ongoing *dialogue* among the partners,” said FinCEN Director James H. Freis, Jr., in prepared remarks delivered at the American Bankers Association / American Bar Association Money Laundering Enforcement Conference in October 2009. The following excerpts from FinCEN’s reports exemplify its strong and effective partnership with the financial industry:

“...FinCEN found that MSBs place significant emphasis on agent oversight and compliance. An overarching theme discussed by the MSBs was that maintaining their reputation and the trust of their customers is the core objective of their business models, and that being in compliance with BSA regulations is consistent with their business model.”

- Financial Institutions Outreach Initiative: Report on Outreach to Money Services Businesses (July 2010)

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“The meetings allowed FinCEN to learn about the MSBs’ programs and challenges, and there was an open and earnest exchange of information and ideas.”

“During one of the meetings, the MSB’s president and CEO stated that FinCEN’s outreach initiative was valuable, and stated that this was the first time he had seen an initiative of this nature (i.e. regulator visits outside of the compliance context).”

- Financial Institutions Outreach Initiative: Report on Outreach to Money Services Businesses (July 2010)

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“Universally, the BSA/AML compliance teams within each of the banks participating in the outreach initiative expressed appreciation that FinCEN is committed to learning about their programs and challenges. In fact, one bank expressed their interest in having this type of outreach occur on an ongoing basis. There was an open and earnest exchange of information and ideas, and FinCEN will take into close consideration the feedback and ideas presented by the banks.”

- Financial Institutions Outreach Initiative: Report on Outreach to Large Depository Institutions (October 2009)

### Improvements in Regulation of MSBs

FinCEN took multiple actions in fiscal year 2010 to reduce the vulnerability of MSBs to help curb money laundering and terrorist financing.

In June 2010, FinCEN announced a proposed rule that seeks greater transparency for prepaid access providers, and would establish a more comprehensive regulatory framework for non-bank prepaid access. The proposed rule focuses on prepaid programs that pose the greatest potential risks of money laundering and terrorist financing. It was developed in close cooperation with law enforcement and regulatory authorities.

The proposal was mandated under the Credit Card Accountability, Responsibility and Disclosure Act of 2009, and covers prepaid devices such as plastic cards, mobile phones, electronic serial numbers, key fobs and/or other mechanisms that provide a portal to funds that have been paid for in advance and are retrievable and transferable.

FinCEN has applied a limited regulatory framework since 1999 to certain prepaid products as part of the MSB regulations applicable to sellers, issuers, and redeemers of stored value. Under the proposal, non-bank providers of prepaid access would be subject to comprehensive BSA regulations similar to depository institutions. To make BSA reports and records valuable and meaningful, the

proposed changes impose obligations on the party within any given prepaid access transaction chain with predominant oversight and control, as well as others who might be in a position to provide meaningful information to regulators and law enforcement, such as prepaid access sellers. The changes were intended to address regulatory gaps that have resulted from the proliferation of prepaid innovations over the last 10 years and their increasing use as accepted payment methods.

Among the features of the proposal are:

- Renaming “stored value” as “prepaid access” without intending to broaden or narrow the term and defining the term to allow for future changes in technology and prepaid devices;
- Deleting the terms “issuer” and “redeemer” of stored value and adding the terms “provider” and “seller”;
- Placing registration requirements on providers of prepaid access and suspicious activity reporting, customer information recordkeeping, and new transactional recordkeeping requirements on both providers and sellers of prepaid access; and
- Exempting certain categories of prepaid access products and services posing lower risks of money laundering and terrorist financing from certain requirements.

## Outcome Goal 1 continued...

FinCEN continued its training and other efforts to promote the use by delegated IRS Small Business/Self-Employed (IRS SB/SE) compliance examiners and State regulators of the *Bank Secrecy Act/Anti-Money Laundering Examination Manual for Money Services Businesses*. In July 2010, FinCEN announced the availability of the Spanish-language version of the manual, intended for use by U.S.-based MSBs.<sup>9</sup> Similar to the English-language version, the new manual enhances BSA examiners' ability to perform risk-based examinations of MSBs, provides a resource to enhance the consistency of BSA examination procedure, and provides a summary of BSA compliance requirements and exam procedures for the MSB industry. FinCEN also offers a Spanish-language educational pamphlet on the currency transaction reporting requirement that serves to help address questions frequently asked by financial institutions' customers regarding the BSA.<sup>10</sup>

In addition, FinCEN announced the availability of Somali language brochures to facilitate MSBs' ability to more easily comply with the requirements of the BSA. The materials cover BSA compliance obligations, currency

transaction reporting, and suspicious activity reporting. The Somali language brochures are in addition to outreach materials for MSBs that are already available in English, as well as in Spanish, Chinese, Vietnamese, Korean, Arabic, Farsi, and Russian.<sup>11</sup> These materials are intended to enhance FinCEN's outreach efforts to communities with significant numbers of MSBs.

### Final Rule Streamlines Mutual Fund BSA Requirements

FinCEN finalized an amendment that placed mutual funds within the general definition of "financial institution" in regulations implementing the BSA. By being defined as such, mutual funds are now required to file CTRs and are subject to additional recordkeeping requirements. The amendment replaced a mutual fund requirement to file FinCEN/IRS Form 8300 – Report of Cash Payments Over \$10,000 Received in a Trade or Business – with a requirement to file a CTR. Both forms document a transaction in currency above \$10,000, but differ in some technical aspects.

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9. [http://www.fincen.gov/news\\_room/rp/files/MSB\\_Exam\\_Manual\\_Spanish.pdf](http://www.fincen.gov/news_room/rp/files/MSB_Exam_Manual_Spanish.pdf)

10. [http://www.fincen.gov/whatsnew/pdf/espanol\\_CTRPamphlet.pdf](http://www.fincen.gov/whatsnew/pdf/espanol_CTRPamphlet.pdf)

11. [http://www.fincen.gov/financial\\_institutions/msb/materials.html](http://www.fincen.gov/financial_institutions/msb/materials.html)

## Outcome Goal 1 continued...

This amendment brought the mutual fund industry into greater conformity with the rest of the financial industry, which currently files CTRs. It was intended to streamline mutual funds' reporting requirements and make the information they provide more quickly available, and formatted more consistently for use by law enforcement investigators. This change should reduce unnecessary paperwork for mutual funds, helping FinCEN and the mutual fund industry to focus attention on the information most needed to fight money laundering, fraud, and other financial crime.

### **Proposed Regulatory Requirement Regarding Cross-Border Electronic Transmittals of Funds**

In September 2010, FinCEN announced a proposed rulemaking that would require certain depository institutions and MSBs to affirmatively provide records to FinCEN of certain cross-border electronic transmittals of funds (CBETF). Current regulations already require that these financial institutions maintain and make available, but not affirmatively report, essentially the same CBETF information. The proposal will produce valuable data for law enforcement agencies by having first-in and last-out depository institutions report all such transmittals

of funds. MSBs that conduct CBETF will be required to report international transactions equal to or in excess of \$1,000. FinCEN estimates that fewer than 300 depository institutions and 700 MSBs will be subject to this requirement.

FinCEN also proposed to require an annual filing by all depository institutions of a list of taxpayer identification numbers of accountholders who transmitted or received a CBETF. This additional information will facilitate the utilization of the CBETF data, in particular as part of efforts to combat tax evasion by those who would seek to hide assets in offshore accounts.

FinCEN conducted an extensive study of the technical feasibility to the government of imposing such a requirement, and in January 2007, FinCEN published a congressionally mandated report<sup>12</sup> that affirmed the feasibility of the reporting system. With the participation of both the financial services industry and law enforcement, FinCEN conducted a follow-on study<sup>13</sup> to determine and quantify both the benefits to the public of the system and the costs to parties affected by any such potential regulatory requirement.

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12. *Feasibility of a Cross-Border Electronic Funds Transfer Reporting System under the Bank Secrecy Act* (January 2007), [http://www.fincen.gov/news\\_room/rp/files/cross\\_border.html](http://www.fincen.gov/news_room/rp/files/cross_border.html)

13. *Implications and Benefits of Cross-Border Funds Transmittal Reporting* (January 2009), [http://www.fincen.gov/news\\_room/rp/rulings/pdf/ImplicationsAndBenefitsOfCBFTR.pdf](http://www.fincen.gov/news_room/rp/rulings/pdf/ImplicationsAndBenefitsOfCBFTR.pdf)

### Proposal to Amend Reporting of Foreign Financial Accounts

FinCEN worked closely with the Department of the Treasury, Office of Tax Policy (OTP), and the IRS to issue a proposed rulemaking seeking to amend BSA regulations regarding the Report of Foreign Bank and Financial Accounts (FBAR). The FBAR form is used to report a financial interest in, or signature or other authority over, one or more financial accounts in foreign countries. The rule would clarify which persons will be required to file reports and which accounts will be reportable. In addition, the rule would exempt certain persons with signature or other authority over foreign financial accounts from filing reports and would include provisions intended to prevent U.S. persons from avoiding this reporting requirement.

When filed, FBARs become part of the BSA database. They are used in combination with other BSA reports to provide law enforcement and regulatory investigators with valuable information to fight financial crime.

### Feedback on Impact of New and Revised Regulations

Providing feedback to filers of BSA forms promotes better information for law enforcement and helps shape future industry compliance efforts. FinCEN upheld its commitment to provide written feedback to regulated industries through the release of the following studies:

- FinCEN published an assessment of the second year of SAR filings by the insurance industry.<sup>14</sup> FinCEN analysts examined SARs that insurance companies filed from May 2, 2007, through April 30, 2008. Analysts compared the results with a similar study of the first year of required reporting by segments of the insurance industry (May 2, 2006, through May 1, 2007). Insurance companies submitted 1,917 SARs in the first two years of mandatory suspicious activity reporting. The assessment examined trends, highlighted observed suspicious activities, and offered feedback on the quality of reports. FinCEN continues to support insurance industry BSA compliance efforts, and anticipates that the level and quality of filings will increase as compliance programs evolve.
- In July 2010, FinCEN released an assessment<sup>15</sup> on the impact of an

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14. *Insurance Industry Suspicious Activity Reporting: An Assessment of Suspicious Activity Report Filings* (January 2010), [http://www.fincen.gov/news\\_room/rp/files/Insurance\\_update\\_pub.pdf](http://www.fincen.gov/news_room/rp/files/Insurance_update_pub.pdf)

15. *Designation of Exempt Person (DOEP) & Currency Transaction Reporting (CTR): Assessing the Impact of Amendments to the CTR Exemption Rules Implemented on January 5, 2009* (July 2010), [http://www.fincen.gov/news\\_room/rp/files/18thMonthLookbackReport.pdf](http://www.fincen.gov/news_room/rp/files/18thMonthLookbackReport.pdf)



amendment to the CTR exemption rules, which was implemented on January 5, 2009. The rule was intended to simplify the process by which financial institutions exempt the transactions of certain customers from the requirement to report transactions in currency in excess of \$10,000. The rule also aimed to reduce the cost of the exemption process to depository institutions while enhancing the value and utility of CTR filings for investigative purposes. These needs were highlighted in a 2008 Government Accountability Office (GAO) report. This assessment met FinCEN's ongoing commitment to provide written feedback to affected industries within 18 months of the effective date of new regulations or significant changes to existing regulations, and discussed the steps FinCEN has taken toward addressing the issues raised by the GAO. FinCEN's assessment showed that fewer CTR filings are being made on transactions of limited or no use to law enforcement, while higher value CTRs are becoming easier to identify. Overall, CTR filings fell nearly 12 percent from 15.5 million in 2008 to 13.7 million in 2009, but certain classes of valuable filings increased. FinCEN's efforts to address CTR filing issues have been effective, and have resulted in financial institutions continuing to provide even more useful and targeted information to assist law enforcement.

## Beneficial Ownership Guidance

In March 2010, FinCEN issued guidance on obtaining and retaining beneficial ownership information. The guidance clarified and consolidated regulatory expectations for obtaining beneficial ownership information for certain accounts and customer relationships. FinCEN worked closely with its regulatory partners to develop the guidance, which was issued jointly with the Federal banking agencies and the Securities and Exchange Commission (SEC). The guidance reiterated that a financial institution should know its customers and the risks those customers present. It specified that if an institution sees heightened risks with an account or customer, it should conduct enhanced due diligence.

Information on beneficial ownership in account relationships provides another tool for financial institutions to better understand and address money laundering and terrorist financing risks, protect themselves from criminal activity, and assist law enforcement with investigations and prosecutions. Financial investigations consistently have demonstrated the importance of beneficial ownership information in identifying and investigating a broad range of financial crime, including money laundering, terrorist financing, tax evasion, and sanctions evasion. FinCEN and other components of the Department

of the Treasury are leading efforts to continue studying whether additional steps with respect to obtaining accurate beneficial ownership information may be required to enhance the transparency of the financial system, protect financial institutions from financial crime, and promote reporting of suspicious activity as required under the BSA.

### **BSA Guidance for Financial Institutions**

Through substantive guidance for financial institutions, FinCEN provided clarification of BSA requirements, as well as suggestions for correcting common filing errors.

- FIN-2010-G003 – Casino or Card Club Compliance Program Assessment (06/30/2010)
- FIN-2010-G002 – Casino or Card Club Risk-Based Compliance Indicators (06/30/2010)
- FIN-2010-G001 – Joint Guidance on Obtaining and Retaining Beneficial Ownership Information (03/05/2010)
- FIN-2009-G005 – Requirements for Correcting Errors in Electronically Batch-Filed Suspicious Activity Reports (12/10/2009)

### **FinCEN Advisories for Financial Institutions**

FinCEN issued several advisories related to specific money laundering, fraud, and terrorist financing risks, intended to clarify issues or respond to questions of general applicability that arise under BSA regulations:

- FIN-2010-A011– Guidance to Financial Institutions on Informal Value Transfer Systems (IVTS) (09/01/2010)
- FIN-2010-A010 – Guidance to Financial Institutions Based on the Financial Action Task Force Public Statement on Anti-Money Laundering and Counter-Terrorist Financing Risks (07/16/2010)
- FIN-2010-A009 – Guidance to Financial Institutions Based on the Financial Action Task Force Publication on Anti-Money Laundering and Counter-Terrorist Financing Risks posed by Angola; Antigua and Barbuda; Azerbaijan; Bolivia; Ecuador; Ethiopia; Greece; Indonesia, Kenya; Morocco; Burma (Myanmar); Nepal; Nigeria; Pakistan; Paraguay; Qatar; Sri Lanka; Sudan; Syria; Thailand; Trinidad and Tobago; Turkey; Turkmenistan; Ukraine; and Yemen (7/16/2010)
- FIN-2010-A008 – Update on the Continuing Illicit Finance Threat Emanating From Iran (06/22/2010)

# *Fiscal Year 2010 Accomplishments and Performance Measures*

## *Outcome Goal 1 continued...*

- FIN-2010-A007 – Newly Released Mexican Regulations Imposing Restrictions on Mexican Banks for Transactions in U.S. Currency (06/21/2010)
- FIN-2010-A006 – Updated Advisory to Financial Institutions on Filing Suspicious Activity Reports Regarding Loan Modification/Foreclosure Rescue Scams (06/17/2010)
- FIN-2010-A005 – Advisory to Financial Institutions on Filing Suspicious Activity Reports Regarding Home Equity Conversion Mortgage Fraud Schemes (04/27/2010)
- FIN-2010-A004 – Withdrawal of Advisory FIN-2008-A004 (03/20/2008) Guidance to Financial Institutions on the Money Laundering Threat Involving the Republic of Uzbekistan (03/29/2010)
- FIN-2010-A003 – Guidance to Financial Institutions Based on the Financial Action Task Force Publication on Anti-Money Laundering and Counter-Terrorist Financing Risks posed by Antigua and Barbuda; Azerbaijan; Bolivia; Greece; Indonesia, Kenya; Morocco; Burma; Nepal; Nigeria; Paraguay; Qatar; Sri Lanka; Sudan; Syria; Trinidad and Tobago; Thailand; Turkey; Ukraine; and Yemen (03/18/2010)
- FIN-2010-A002 – FinCEN Advisory: Guidance to Financial Institutions Based on the Financial Action Task Force Public Statement on Anti-Money Laundering and Counter-Terrorist Financing Risks (03/18/2010)
- FIN-2010-A001 – FinCEN Advisory to Financial Institutions on Filing Suspicious Activity Reports regarding Trade-based Money Laundering (02/18/2010)
- FIN-2009-A007 – Guidance to Financial Institutions Based on the Financial Action Task Force Statement on Anti-Money Laundering and Counter-Terrorist Financing Risks Posed by Iran, Uzbekistan, Turkmenistan, Pakistan, and São Tomé and Príncipe (10/28/2009)
- FIN-2009-A006 – FinCEN Advisory to Financial Institutions on Filing Suspicious Activity Reports Regarding TARP-Related Programs (10/14/2009)

### Iran Policy in the Aftermath of U.N. Sanctions

“...The Treasury Department today published a public advisory that explains the financial provisions of UNSCR 1929 and provides guidance on steps that can be taken to mitigate the tremendous risks underscored by the Security Council. Implementation of the financial provisions of the Resolution and its predecessors will be consequential, provided that countries implement them robustly and faithfully. The implementation of these provisions will also assist financial institutions around the world to avoid the risks associated with business that supports the Iranian government’s proliferation activity and support for terrorism.”

Stuart Levey

Treasury Under Secretary for Terrorism and Financial Intelligence  
Written Testimony before the Senate Foreign Relations Committee  
June 22, 2010

### Administrative Rulings

FinCEN responded to four correspondence requests for interpretive guidance and administrative rulings regarding the application of BSA regulations to specific situations. In many cases, these responses clarified definitions of entities subject to BSA requirements. Effective December 17, 2009, FinCEN amended its procedures for publicly issuing administrative rulings relating to the BSA. To disseminate its interpretations more timely and efficiently, FinCEN now publishes administrative rulings on its Web site. This promotes uniform application and compliance with the BSA and distributes information to the public more broadly and more expediently than publication in the *Federal Register*.

Administrative rulings published during the year are listed below:

- FIN-2010-R002 – Application of Section 311 Special Measures to the payment of current and future potential obligation of a US customer (06/08/2010)
- FIN-2010-R001 – Application of Section 311 Special measures to Payments under a Stand-By Letter of Credit (06/08/2010)
- FIN FIN-2009-R004 – Determination of Money Services Business Status and Obligations Under the Funds Transfer Recordkeeping Rule, and Request for Regulatory Relief (01/19/2010)
- FIN-2009-R003 – Customer Identification Program Rule – Address Confidentiality Programs (01/12/2010)

### SAR Activity Reviews

In coordination with the Bank Secrecy Act Advisory Group (see page 81), every year FinCEN publishes two issues of *The SAR Activity Review – Trends, Tips & Issues*, and two issues of its companion, *The SAR Activity Review – By the Numbers*. *The SAR Activity Review – Trends, Tips & Issues* provides analysis on specific trends and patterns derived from SAR data, and describes how SARs are used by law enforcement and regulatory agencies. It also provides guidance and tips to filers on SAR preparation. *The SAR Activity Review – By the Numbers* provides broader feedback to industry on trends and patterns derived from analysis of SAR data, including the number of SARs filed, and State filing patterns.

Once a year, an issue of *The SAR Activity Review – Trends, Tips & Issues* focuses on a specific industry or theme. Issue 17, released in May 2010, concentrated on the casino and gaming industry. Articles included an assessment of SARs filed by casinos and card clubs and an analysis of inquiries from casinos and card clubs regarding suspicious activity reporting requirements. An article by IRS staff described how examiners use BSA data to scope and plan casino examinations. The issue included industry viewpoints on how casinos and card clubs can detect suspicious activity and implement effective AML programs. FinCEN also provided guidance on applying a risk-based approach to the development and implementation of a solid BSA compliance program.

Every issue of *The SAR Activity Review – Trends, Tips & Issues* contains case examples in which BSA data supported law enforcement investigations. The cases demonstrate the importance of BSA reports to law enforcement. Law enforcement officials use BSA records to help investigate a variety of crimes, including tax evasion, narcotics trafficking, and identity theft. FinCEN is committed to ensuring that requirements for the financial industry are efficient in their application, yet remain extremely effective in their service to law enforcement investigators.

FinCEN has posted to its Web site an archive of all of the case examples that have been published in the current and previous editions of *The SAR Activity Review – Trends, Tips & Issues*. The list is organized according to type of BSA form used in the investigation, type of industry involved, and type of violation committed. In June 2010, FinCEN implemented a new Web function that allows users to search the case examples for key words or phrases.

### Support for BSA Filers

Providing meaningful, clear guidance and prompt support to BSA filers and others involved in implementing the BSA regulatory regime is essential. Accordingly, FinCEN operates a BSA

### Fraud Detection at Casinos

*“Fraud and other suspicious activity can take on many forms and there isn’t a net big enough to capture or detect the numerous vehicles used by individuals seeking to outsmart the government. Casinos need to rely on the eyes and ears of their staff, electronic/computer reports generated by the casino’s table games and slot management systems, and a comprehensive audit review in order to effectively implement its AML program.”*

**Thomas A. Peterman**

Senior Vice President and General Counsel, MGM Grand Hotel & Casino  
and

**Peggy Zimmer Jacobs**

Executive Director - Casino Controller and Compliance Officer, MGM Grand  
Hotel & Casino

*SAR Activity Review - Trends, Tips & Issues (Issue 17)*

Resource Center Regulatory Helpline (1-800-949-2732) that provides support for financial institutions with questions on BSA regulatory and compliance matters. Resource Center staff also monitors a BSA “Hotline” (1-866-556-3974) to assist financial institutions in reporting suspicious activity concerning terrorist financing in a time-critical fashion. 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. In fiscal year 2010, the Resource Center logged 8,178 calls, a slight decrease over the 8,384 logged the previous year. Based on these calls, Resource Center staff developed guidance for FinCEN staff

about specific topics of interest and the need to provide additional information and clarification to industry.

In addition, in fiscal year 2010, FinCEN launched a new Web page that provides direct links to useful and accessible information for addressing the most common and important questions that are asked of FinCEN’s Regulatory Helpline. The “Regulatory Helpline Hot Topics” page<sup>16</sup> is updated regularly to reflect the changing nature of the questions regarding BSA/AML obligations. Recent topics have included information on registering as an MSB, determining eligibility for CTR exemptions, responding to a civil subpoena for a SAR, and the benefits of using the Bank

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16. <http://www.fincen.gov/hotTopics.html>

Secrecy Act Electronic Filing System (BSA E-Filing).<sup>17</sup>

FinCEN encourages financial institutions to electronically file BSA reports, and in April 2010 issued a brochure highlighting the benefits of BSA E-Filing – the free, Web-based system that allows financial institutions to electronically file a variety of BSA forms.<sup>18</sup> FinCEN is committed to working with financial institutions to increase their understanding of the value that E-Filing provides, accomplishing joint efforts to get important information relating to money laundering and terrorist financing to law enforcement in the quickest manner possible.

In another example of support to BSA filers, FinCEN announced in November 2009 the availability in Spanish of an educational pamphlet on currency transaction reporting. The brochure, first released in English in February 2009, addresses frequently asked questions posed by customers of financial institutions regarding the BSA requirement to report transactions that exceed \$10,000 in currency. In May 2009, FinCEN also released a similar CTR brochure specifically for use by casinos. Financial institutions can download all three versions of the brochure on FinCEN's Web site.<sup>19</sup>

## Regulatory Compliance Information-Sharing Activities

FinCEN has signed memoranda of understanding (MOUs) with 7 Federal regulators, the IRS, and 51 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 notify FinCEN of institutions with significant incidents of BSA non-compliance. In the last year, FinCEN processed 242 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 2010, FinCEN referred 86 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.

FinCEN continues its partnership with the Conference of State Bank Supervisors (CSBS) to promote consistent

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17. For more information on BSA E-Filing, see page 57. The BSA E-Filing homepage is located at <http://bsaefiling.fincen.treas.gov/main.html>

18. [http://www.fincen.gov/whatsnew/pdf/E-File\\_Brochure.pdf](http://www.fincen.gov/whatsnew/pdf/E-File_Brochure.pdf)

19. <http://www.fincen.gov/whatsnew/html/20090224.html>

## Outcome Goal 1 continued...

and coordinated efforts among State regulators. Director Freis met with State bank commissioners at CSBS meetings in Washington, D.C. and in Boston over the course of the year.

### State Data Profiles

FinCEN develops and disseminates state-specific BSA Data Profiles for State supervisory agencies with which it has information sharing MOUs. These products, for which FinCEN has received positive feedback from various State agencies, highlight BSA filing trends and patterns within those states. The entire set of State profiles is provided to the five Federal banking agencies, the SEC, the CFTC, and the IRS.

The 53 data profiles developed in fiscal year 2010 contain BSA numerical representations nationwide, as well as those of individual states, and include information on BSA data filing trends, maps, charts, and diagrams depicting the top characterizations of suspicious activity reported by depository institutions. They also include exhibits derived from mortgage loan fraud SARs filed in 2009 and information on registered and unregistered MSBs.

### Enforcement Actions

FinCEN works with appropriate regulatory and law enforcement agencies in cases of egregious violation of BSA requirements. FinCEN looks at the totality of the circumstances in determining the appropriate penalty in

each enforcement action. In fiscal year 2010, FinCEN imposed penalties in the following cases:

- In March 2010, FinCEN announced the assessment of a civil money penalty in the amount of \$110 million against Wachovia Bank. The action represents the largest penalty action to date against a financial institution by FinCEN for violations of the BSA. The investigation and resulting civil money penalty was part of a coordinated effort with the U.S. Attorney's Office for the Southern District of Florida, the OCC, the DEA, and the IRS-CI. A joint investigation determined that from 2004 to 2008, Wachovia violated AML program requirements, suspicious activity reporting requirements, and Section 312 of the USA PATRIOT Act. Wachovia failed to implement an effective AML program reasonably designed to identify and report transactions that exhibited indicia of money laundering or other suspicious activity, considering the types of products and services offered by the Bank, the volume and scope of its business, and the nature of its customers. As a result, Wachovia failed to timely file thousands of SARs and CTRs, thus greatly diminishing the value of the reports to law enforcement and regulatory agencies.
- FinCEN and the Federal Deposit Insurance Corporation (FDIC) assessed concurrent civil money



## Outcome Goal 1 continued...

- penalties of \$25,000 against Eurobank, San Juan, Puerto Rico. Eurobank failed to implement an adequate AML program and monitor accounts for suspicious activity, relative to the types of products and services, volume of business, and nature of customers at the bank. The civil money penalty is the result of deficiencies and transactions that occurred at the bank between April 2005 and December 2008.
- FinCEN assessed a civil money penalty of \$1 million against Pamrapo Savings Bank, S.L.A., of Bayonne, N.J. for violating BSA requirements. Pamrapo's lack of internal controls combined with unqualified BSA compliance personnel, relatively non-existent training and deficient independent testing resulted in a wholly ineffective BSA compliance program. This led to the bank's failure to file a substantial number of CTRs and SARs in an accurate and timely manner. The investigation and resulting civil money penalty by FinCEN was part of a coordinated effort with the U.S. Attorney's Office for the District of New Jersey, the Asset Forfeiture and Money Laundering Section of the U.S. Department of Justice (DOJ), and the Office of Thrift Supervision (OTS). FinCEN's assessment is in addition to forfeiture and civil money penalty actions by the DOJ and OTS, respectively, in March 2010.
  - In September 2010, FinCEN assessed a civil money penalty of \$50,000 against Pinnacle Capital Markets, LLC, of Raleigh, N.C., for BSA violations. FinCEN determined that Pinnacle failed to establish and implement an adequate AML program, establish an adequate due diligence program for foreign correspondent accounts, obtain and verify required customer identification program information for account holders, and establish and implement adequate procedures for monitoring suspicious transactions that led to the failure to file SARs. Pinnacle, without admitting or denying the allegations, consented to payment. The penalty was satisfied by two \$25,000 payments to the Department of the Treasury, which included the payment of a concurrent assessment of \$25,000 by the SEC for violations of the Securities Exchange Act of 1934.

### U.S. Government Takes Action against Wachovia

*“Corporate citizens, no matter how big or powerful, must be held accountable for their actions. Today’s historic agreement makes it clear that such conduct will not be tolerated and imposes the largest penalty in any BSA case prosecuted to date.”*

- Jeffrey H. Sloman, U.S. Attorney

*“As this case demonstrates, financial institutions - no matter how large - will be held accountable when they allow dirty money to pollute the U.S. banking system. With billions of dollars flowing through our financial institutions each day, it is imperative that banks maintain robust anti-money laundering controls to identify possible illegal activity.”*

- Lanny A. Breuer, Assistant Attorney General, Criminal Division

*“DEA Agents and our law enforcement partners investigating a multi-national drug trafficking organization were able to seize drugs and identify the associated financial trail. Diligent investigative work exposed how this organization capitalized on weak anti-money laundering practices at Wachovia to further their drug trafficking abilities.”*

- Mark R. Trouville, Special Agent in Charge, DEA, Miami Field Division

*“By failing to maintain an adequate anti-money laundering program, Wachovia disregarded numerous financial transactions that should have raised ‘red flags’ and caused their bank to act as a conduit to launder money.”*

- Daniel W. Auer, Special Agent in Charge, IRS-CI, Miami

*“The practices targeted by today’s enforcement actions reflect a totally unacceptable breakdown in the standards expected of banks’ anti-money laundering systems and compliance. Today’s actions by the OCC and other agencies demonstrate our firm commitment to the highest standards of compliance in this arena and the success of continued coordinated efforts*

*by the Department of Justice, OCC, and FinCEN to ensure compliance with the requirements of the Bank Secrecy Act. Financial institutions must maintain anti-money laundering compliance programs and policies that are adequate to identify, analyze and report suspicious activity and are commensurate with the risks being undertaken. With these actions, we are sending another strong message that we will not tolerate use of the U.S. financial system to launder illegal monies.”*

- John C. Dugan, Comptroller of the Currency

*“In the recent past, Wachovia was the fourth largest commercial bank in the United States, and held itself out as a global leader in correspondent banking. During FinCEN’s joint investigation with our law enforcement and regulatory agency partners, it became evident that, despite such a prominent role in the domestic and international banking sectors and accompanying resources, Wachovia did not institute systems, controls and other measures to manage risk commensurate with the scope and magnitude of its products, services and business lines, particularly foreign correspondent banking.”*

- James H. Freis, Jr., Director of FinCEN

Source: Wachovia Enters Into Deferred Prosecution Agreement  
(Department of Justice News Release, March 17, 2010;  
<http://www.justice.gov/usao/fls/PressReleases/100317-02.html>)

## Collaborative Efforts to update the BSA/AML Manual

As administrator of the BSA, FinCEN worked closely with the Federal Financial Institutions Examination Council (FFIEC) to release a revised *Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination*

*Manual*.<sup>20</sup> The revised manual reflects the ongoing commitment of the Federal and State banking agencies to provide current and consistent guidance on risk-based policies, procedures, and processes for banking organizations to comply with the BSA and safeguard operations from money laundering and terrorist

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20. The FFIEC is composed of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the State Liaison Committee. The 2010 version of the manual is located on the FFIEC BSA/AML InfoBase at: [http://www.ffiec.gov/bsa\\_aml\\_infobase/default.htm](http://www.ffiec.gov/bsa_aml_infobase/default.htm).

## *Outcome Goal 1 continued...*

financing. The updated version clarifies supervisory expectations since it was last released in 2007. The revisions draw upon feedback from the banking industry and examination staff. Banking industry representatives continue to express appreciation for this transparent approach to regulatory expectations beginning with the publication of the first manual in 2005. FinCEN and the Office of Foreign Assets Control (OFAC) collaborated on revisions addressing compliance with BSA regulations and OFAC sanctions programs.

### **Support to the FATF**

Throughout the year, FinCEN contributed to the work of the Financial Action Task Force (FATF). The FATF is an inter-governmental policymaking body whose purpose is to establish international standards, and to develop and promote policies, both at national and international levels, to combat money laundering and the financing of terrorism. FinCEN participated in the FATF Plenary and Working Group meetings, as well as FATF inter-sessional meetings. Further, FinCEN contributed to discussions, among others, on senior foreign political figures, proliferation finance, wire transfers, and international cooperation, and operational issues relating to FIUs. In addition, FinCEN continues to participate in preparations for FATF's next round of mutual evaluations and discussions on typology information.

Moreover, FinCEN continues to publish advisories to inform banks and other financial institutions operating in the United States of the risks associated with deficiencies in the AML and counter-terrorist financing regimes of jurisdictions identified by FATF in its public statements.

FinCEN also contributed to FATF's Reference Guide and Information Note on the use of the FATF Recommendations to support the fight against corruption. The leaders of the Group of Twenty Finance Ministers and Central Bank Governors have asked the FATF to help detect the proceeds of corruption and deter corruption offences by strengthening the FATF Recommendations, taking corruption issues into account in the process. The FATF has therefore developed an information note to raise public awareness on how the use of the FATF Recommendations can help combat corruption; FinCEN participated in the discussion and development of the note.

# Fiscal Year 2010 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

Performance Measure	FY 2009	FY 2010 Target	FY 2010
Percentage of Federal and State regulatory agencies with memoranda of understanding/ information sharing agreements	43%	46%	46%
Percentage of private industry or financial institution customers finding FinCEN's SAR Activity Review products highly valuable	73%	75%	82%
Percentage of Regulatory Resource Center customers rating the guidance received as understandable	94%	At least 90%	92%
Average time to process enforcement matters (years)	1.0	1.0	0.8
Percentage of FinCEN's compliance MOU holders finding FinCEN's information exchange valuable to improve BSA consistency and compliance of the financial system	82%	68%	86%
Percentage of bank examinations conducted by the Federal Banking Agencies indicating a systemic failure of the AML program rule (performance indicator)	2.1%	5.2%	1.6%*

\*Figures are based on data reported to FinCEN by Federal banking regulators under the terms of their MOUs with FinCEN. The regulators have 45 days from the end of a fiscal quarter to submit their data for the quarter. Because performance measures data are calculated within 30 days after the end of a quarter, figures shown for fiscal years 2009 and 2010 are based on the first three quarters of each fiscal year.

## Outcome Goal 2:

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

FinCEN is uniquely positioned to provide support to domestic law enforcement agencies and other authorities seeking to counter criminal abuse of the financial system, 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. FinCEN provides research, analytical reports, and assistance with investigations and prosecutions. In fiscal year 2010, FinCEN increased the number of research requests for domestic law enforcement by more than 50 percent over the preceding year.

As a member of the Financial Fraud Enforcement Task Force (FFETF), FinCEN contributed to U.S. Government efforts to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force is composed of representatives from a broad range of Federal agencies, regulatory authorities, inspectors general, and State and local law enforcement, and is the broadest coalition of law enforcement, investigatory, and regulatory agencies ever assembled to combat fraud. In fiscal year 2010, FinCEN assisted Task Force agencies by identifying fraud against elderly and distressed homeowners and government programs, such as the Federal Housing Administration (FHA) and its Home

Equity Conversion Mortgage (HECM) program, Home Affordable Modification Program (HAMP), and other programs under the Troubled Asset Relief Program (TARP). FinCEN also produced strategic analytical reports and related advisories on mortgage fraud and foreclosure rescue scams. FinCEN's findings support law enforcement investigations and regulatory enforcement actions, and allow regulated institutions to better target risks and vulnerabilities.

As the FIU of the United States, FinCEN works closely with its international FIU counterparts to detect and deter financial crime. In fiscal year 2010, FinCEN completed a record number of research reports in response to requests from other FIUs. At the same time, FinCEN worked closely with other jurisdictions' FIUs to obtain foreign FIU information related to financial crime investigations in the United States. FinCEN supports the detection and deterrence of transnational crime, including the financing of terrorism, by providing products and services to law enforcement agencies, the intelligence community, foreign FIUs, and other authorities.

### FFETF

President Obama established the FFETF in November 2009 to hold accountable those who helped bring about the last financial crisis, and to prevent another crisis from happening. FinCEN is playing an active role within the FFETF at both the committee and working group levels, building upon its experience in fighting financial crime and longstanding relationships in sharing information with other government agencies. Of the three Task Force committees enumerated in the President's Executive Order, FinCEN serves together with the Justice Department's Executive Office for United States Attorneys as co-chair of the Training and Information Sharing Committee.

FinCEN has had a dynamic role in the FFETF anti-mortgage fraud initiative through information sharing based on SAR data, and support to law enforcement investigations and prosecutions. SARs are one of the best sources of lead information for law enforcement in fighting financial crime. In February 2010, the FFETF began holding mortgage fraud "summits" to meet with community members, banking, mortgage/real estate industry representatives, and law enforcement officials to discuss the problem of mortgage fraud from a national, state, and local perspective. FinCEN participated in all of the summits, which were held in Miami, Phoenix, Detroit, Fresno, and Los Angeles. FinCEN supported

these summits by providing analytical packages. The products included a state overview of SAR filings alone; an overview of BSA data combined with Department of Housing and Urban Development (HUD) data on loan defaults, FHA claims, and HECMs (also known as reverse mortgages); and lead information on potential targets. FinCEN has proactively worked to share information and investigative techniques to leverage among multiple Federal, State, and local agencies as well as across the country, strategies that work to detect criminals and hold them accountable.

### Agencies Work Together to Fight Mortgage Fraud

*“Mortgage Fraud continues to pose a significant threat to lenders, investors, residential real estate values, and the U.S. economy.*

*“The FBI compiles data on Mortgage Fraud through Suspicious Activity Reports (SARs) filed by financial institutions through the Financial Crimes Enforcement Network (FinCEN), and through reports generated by the Department of Housing and Urban Development (HUD) Office of Inspector General (OIG). The FBI also receives and shares information pertaining to Mortgage Fraud through its national and regional working groups, as well as complaints from the industry at large.”*

**Kevin L. Perkins**

Assistant Director, Federal Bureau of Investigation, Criminal Investigative Division  
Written Testimony before the Senate Judiciary Committee  
December 9, 2009

### Analyses of Mortgage Fraud SARs

FinCEN first focused on analyzing trends and patterns related to mortgage fraud in 2002, in the context of an effort to identify areas of potential concern in the sale and management of real estate. In the November 2003 *SAR Activity Review – Trends, Tips & Issues*, FinCEN announced some of the results of two related FinCEN strategic analytical studies focused on SARs filed in 2001 and 2002.<sup>21</sup> Since late 2006, FinCEN has published several

separate analytical reports to better inform the financial industry and law enforcement about the risks of mortgage loan fraud.

In October 2009, FinCEN released an update to its prior mortgage loan fraud studies as part of the 16th issue of *The SAR Activity Review – Trends, Tips & Issues*.<sup>22</sup> This update looked at filings during the first 6 months of 2009 and provided new information on subject roles and geographic locations. Two illustrations provided rankings by

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21. *The SAR Activity Review, Trends, Tips & Issues* (Issue 6), [http://www.fincen.gov/news\\_room/rp/files/sar\\_tti\\_06.pdf](http://www.fincen.gov/news_room/rp/files/sar_tti_06.pdf)

22. *The SAR Activity Review, Trends, Tips & Issues* (Issue 16), [http://www.fincen.gov/news\\_room/rp/files/sar\\_tti\\_16.pdf](http://www.fincen.gov/news_room/rp/files/sar_tti_16.pdf)



## Outcome Goal 2 continued...

state and metropolitan areas for subject locations reported during this period. In addition, the update provided information on the secondary activities reported along with mortgage loan fraud in the SAR filings. From January 1 to June 30, 2009, filers submitted 32,926 mortgage loan fraud SARs, a slight increase over the 32,660 mortgage loan fraud SARs filed in the same period in 2008.<sup>23</sup>

In February 2010, FinCEN issued an analysis of SARs related to mortgage loan fraud reported in the third quarter of 2009.<sup>24</sup> The analysis found that in SARs indicating suspicious activity by loan modification or foreclosure specialists, filers most commonly reported two types of schemes. First, subjects conned homeowners into signing quit-claim deeds to their properties and then sold their homes to straw borrowers; the homeowners subsequently received eviction notices. Second, others falsely claimed affiliations with lenders to convince distressed homeowners to pay large advance fees for modification services, but failed to take any action on the homeowners' behalf.

In July 2010, FinCEN issued an analysis of SARs received in the fourth quarter of calendar year 2009 that related to mortgage fraud.<sup>25</sup> Mortgage fraud SARs filed in 2009 grew 4 percent compared with the number of mortgage fraud SARs filed in 2008. In the fourth quarter of 2009 alone, filings increased 6 percent over the same period in 2008. The report also listed where mortgage fraud SARs are most common by state, by county, and by metropolitan area.

### Home Loan Modification and Foreclosure Rescue Scams

On April 6, 2009, Treasury Secretary Timothy F. Geithner announced a coordinated and proactive effort, led at Treasury by FinCEN, to combat fraudulent loan modification schemes and coordinate ongoing efforts across a range of Federal and State agencies to investigate fraud and assist with enforcement and prosecutions. On that day, FinCEN issued an advisory<sup>26</sup> that provided guidance to financial institutions on filing SARs reporting these suspected activities.

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23. The volume of SAR filings for the given period does not directly correlate to the number or timing of suspected fraudulent incidents, as explained in FinCEN's March 2009 report, *Mortgage Loan Fraud Connections with Other Financial Crime: An Evaluation of Suspicious Activity Reports Filed by Money Services Businesses, Securities, and Futures Firms, Insurance Companies and Casinos*, [http://www.fincen.gov/news\\_room/rp/files/mortgage\\_fraud.pdf](http://www.fincen.gov/news_room/rp/files/mortgage_fraud.pdf).
  24. *Mortgage Loan Fraud Update: Suspicious Activity Report Filings from July 1-September 30, 2009*, [http://www.fincen.gov/news\\_room/rp/files/MLF\\_Update.pdf](http://www.fincen.gov/news_room/rp/files/MLF_Update.pdf).
  25. *Mortgage Loan Fraud Update: Suspicious Activity Report Filings from October 1 – December 31, 2009*, <http://www.fincen.gov/pdf/MLF%20Update.pdf>.
  26. [http://www.fincen.gov/statutes\\_regs/guidance/pdf/fin-2009-a001.pdf](http://www.fincen.gov/statutes_regs/guidance/pdf/fin-2009-a001.pdf).
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## Outcome Goal 2 continued...

In June 2010, FinCEN released its first public analysis of SARs containing information about potential foreclosure rescue scams. The report, *Loan Modification and Foreclosure Rescue Scams – Evolving Trends and Patterns in Bank Secrecy Act Reporting*,<sup>27</sup> involved an analysis of more than 3,500 SARs filed from 2004 through 2009, of which the great majority, 3,000, were filed in 2009. The report also revealed information on the impact of FinCEN's April 2009 advisory, which provided indicators of loan modification/foreclosure rescue fraud, and requested that filers include the term "foreclosure rescue scam" in the SAR's narrative section to assist law enforcement in identifying applicable filings. It appears that the advisory resulted in significantly increased filings, however, FinCEN analysts found that filers continued to use a variety of descriptive terms for loan modification/foreclosure rescue scams. As a result, FinCEN issued updated guidance<sup>28</sup> in June 2010 to the financial industry concerning new scam techniques that financial professionals should watch for and report. Including "foreclosure rescue scam" in the narrative enables law enforcement to search for and identify fraudulent activity more easily when reviewing SAR information, which assists in focusing investigative resources.

Early reports of loan modification/foreclosure rescue scams identified subjects purporting to be loan

modification or foreclosure rescue specialists. These subjects targeted financially troubled homeowners with promises of assistance. The scams described in later reports reflected an evolution into "advance fee schemes," in which purported loan modification or foreclosure rescue specialists promised to arrange modification of a homeowner's mortgage for more favorable repayment terms. Following receipt of large advance fees, scammers rarely, if ever, provided any service. FinCEN will continue monitoring SARs reporting suspected loan modification/foreclosure rescue scams and will publish findings in future reports.

FinCEN also provided direct case support on foreclosure rescue/loan modification scam cases, created a repository within its existing database of information related to both suspects and perpetrators associated with loan modification/foreclosure rescue scams and disseminated a perpetrator list to law enforcement on a quarterly basis. Additionally, in recognition of the impact of loan modification/foreclosure rescue scams on the states, and the critical role of state authorities in combating this type of crime, FinCEN provided outreach to state-based organizations through the National Association of Attorneys General (NAAG) and the National District Attorneys Association (NDAA), and provided training and case support for their efforts.

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27. [http://www.fincen.gov/news\\_room/rp/files/MLFLoanMODForeclosure.pdf](http://www.fincen.gov/news_room/rp/files/MLFLoanMODForeclosure.pdf)

28. [http://www.fincen.gov/statutes\\_regs/guidance/pdf/fin-2010-a006.pdf](http://www.fincen.gov/statutes_regs/guidance/pdf/fin-2010-a006.pdf)

### Scams Involving the HUD FHA's HECM Program

The difficult economic environment and associated financial uncertainty has resulted in an increasing number of senior citizen homeowners accessing equity in their homes through reverse-mortgage programs as a way to ease their financial situation. As a result, senior citizen homeowners who use equity conversion programs to meet their financial needs are increasingly becoming a target for scammers. Given this increased potential for fraud, FinCEN, in consultation with the HUD-OIG and the U.S. Secret Service, issued an advisory in April 2010 to highlight reverse mortgage fraud schemes potentially related to the FHA's HECM program so that financial institutions may better assist law enforcement when filing SARs. The advisory provided examples of common scams and potential "red flags" of fraudulent activity related to HECMs. The advisory highlighted trends that law enforcement and HUD-OIG officials identified involving thefts from seniors by family members, loan officers, appraisers, and others, as well as the use of unsuspecting seniors in property flipping schemes. The advisory also suggested key words for financial institutions to use when completing SARs involving fraud related to the HECM program so that FinCEN analysts can more easily identify and further warn law enforcement of possible fraud. In

issuing the HECM fraud advisory, FinCEN, HUD, law enforcement, and other government agencies are actively working with financial institutions to help reduce the incidence of HECM fraud and victimization.

### Detecting and Deterring Fraud in the TARP

FinCEN is a member of the multi-agency task force set up by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), in coordination with the Special Inspector General for the Board of Governors of the Federal Reserve System (FRB-OIG). This task force, which consists of civil and criminal law enforcement agencies, works proactively to stay ahead of criminals who are attempting to exploit efforts to stabilize the U.S. financial system. The task force seeks to deter, detect, and investigate instances of fraud in the Term Asset-Backed Securities Loan Facility (TALF) program and the Public-Private Investment Program (PPIP). Both programs are part of TARP.

FinCEN has committed its unique authorities and capabilities to this task force to ensure that the financial industry remains vigilant and provides law enforcement officials with the lead information they need to aggressively root out fraud while promoting legitimate economic activity. Other TALF/PPIP Task Force members include the FBI, U.S.

## Outcome Goal 2 continued...

Immigration and Customs Enforcement (ICE), the IRS, IRS-CI, the SEC, and the U.S. Postal Inspection Service (USPIS). FinCEN monitors incoming SARs for referrals on subjects benefitting directly or indirectly from TARP programs. In fiscal year 2010, FinCEN provided regular updates to SIGTARP and other FFETF members on suspected abuses of TARP programs.

In October 2009, FinCEN issued an advisory to financial institutions regarding suspicious activity potentially related to the TARP programs, so that financial institutions may better assist law enforcement when filing. This advisory supported the Department of the Treasury's broader efforts to ensure that U.S. financial institutions are not used as conduits for illicit activity. The advisory provided descriptions of TARP-related programs, described some potential indicators of suspicious TARP-related activities, and requested that financial institutions check the appropriate box on the SAR form to indicate the type of suspicious activity and include the term "SIGTARP" in the narrative portion of the SAR. The advisory also requested that the Suspect/Subject Information Section of the SAR include all information available for each party suspected of engaging in the suspicious activity, including information such as individual or company name, address, phone number, and any other identifying information. Vigilance by financial institutions together with law enforcement efforts to combat illicit

activity are important to allowing the Financial Stability Plan programs to serve their purpose of laying the foundation for economic recovery.

### **Detecting and Deterring Fraud Associated with the Reconstruction of Iraq**

FinCEN also works with the Office of the Special Inspector General for Iraq Reconstruction (SIGIR). Established in 2004, SIGIR is responsible for overseeing the use and detection of potential misuse of funds associated with reconstruction and rehabilitation activities in Iraq. FinCEN provides support to SIGIR's investigations.

### Support to the Special Inspector General for Iraq Reconstruction

*“... FERRET [Forensic, Evaluation, Research, Recovery, and Enforcement Team] is a sensitive investigative program that utilizes investigative and audit techniques combining sophisticated data analysis combined with traditional investigative technique and coordination with other organizations such as the Financial Crimes Enforcement Network (FinCEN) within the Department of the Treasury. FINCEN supports SIGIR in its efforts to investigate financial crimes by providing access to financial data, analysis and case support. Tens of thousands of records are being reviewed in the context of the Iraq reconstruction program, an effort that has so far led to 45 open investigations involving 60 subjects.”*

**Ginger M. Cruz**

Deputy Inspector General, Office of the Special Inspector General for Iraq Reconstruction

Written Testimony before the Commission on Wartime Contracting in Iraq and Afghanistan

May 24, 2010

### Support for Health Care Fraud Investigations

The widespread growth of health care fraud throughout the United States and its related costs have increased the focus of Federal law enforcement, which implemented a national strategy to combat this crisis in May 2009. The Health Care Fraud Prevention and Enforcement Action Team (HEAT) includes investigators and prosecutors from DOJ and the Department of Health and Human Services (HHS) working to strengthen existing programs, investigate fraud, and invest in new resources and

technology to prevent future fraud, waste, and abuse. FinCEN is partnering closely with law enforcement to identify increasingly complex large-scale fraud schemes and the most egregious individual perpetrators and organized groups defrauding the health care system through BSA data analysis and BSA/claims data analysis for specific geographic locations. This process allows FinCEN analysts to examine the data that has been provided by HHS and the queried BSA data that has direct relevance to the supplied data. In fiscal year 2010, FinCEN supported some of the most high-profile health care fraud investigations in the country.

## Outcome Goal 2 continued...

### Support for Law Enforcement Investigations and Prosecutions

In addition to supporting investigations of mortgage loan fraud and loan modification fraud, FinCEN provided analytical support for a wide range of other cases being investigated by Federal, State, and local law enforcement agencies and other authorities. FinCEN analysts also supported U.S. Attorneys' Offices

prosecuting a number of cases. FinCEN supported regional Mortgage Fraud Task Forces by providing strategic information on mortgage fraud hotspots within local jurisdictions. FinCEN assisted the Executive Office for United States Attorneys (EOUSA) in identifying areas in greatest need of additional resources for combating mortgage fraud, by identifying areas with high concentrations of suspected fraud.

### Investigations Supported by FinCEN Make Headlines

*The Department of Justice (DOJ) noted FinCEN's assistance in several investigations in fiscal year 2010. FinCEN staff analyzed BSA data for the investigations and provided database support. The following information is based on DOJ press releases. Both prosecutions are part of the FFETF's work to wage aggressive, coordinated, and proactive efforts to investigate and prosecute financial crimes:*

**Members of a Reverse Mortgage Fraud Ring Plead Guilty:** On April 8, 2010, the U.S. Attorney's Office for the Northern District of Georgia announced the guilty pleas of two individuals accused of mortgage fraud. Kelsey Torrey Hull, 38, and Jonathan Alfred Kimpson, 27, both of Lithonia, Georgia, pleaded guilty in Federal district court to a conspiracy to defraud reverse mortgage lenders and the FHA insurer of the loans. Hull pleaded guilty to an additional bank fraud charge involving mortgage fraud, and Kimpson pleaded to an additional identity theft charge.

The defendants faked the required seniors' down payments needed to qualify for the FHA-insured purchase money reverses. They did this through bogus "gift" letters from "relatives" in amounts between \$50,000 and \$105,000. They also used fake "HUD-1" Settlement Statements purporting to document the sale of the seniors' non-existent assets. All down payments were actually supplied by the defendants, not the senior citizens, to be returned to the defendants upon the reverse loan closings, along with profits substantially in

excess of the true sales prices of the properties. The return of funds to the defendants was disguised as either seller proceeds or lien payoffs. All such fraudulently obtained reverse mortgages included inflated appraisals.

Kimpson's plea to aggravated identity theft relates to his use of the stolen identity of realtors and their password to falsify Georgia Multiple Listing Service (MLS) records to create fake property listings and sales at inflated amounts in support of many of the fraudulent appraisals. Hull also committed refi-reverse fraud by transferring properties into seniors' names to obtain refi-reverse mortgages at fraudulently inflated amounts. He thereby avoided the down payment requirement for purchase money reverses, and was able to divert loan proceeds to his shell companies, disguised as lien payoffs.

Source: *Two Members of Reverse Mortgage Fraud Ring Plead Guilty* (FBI press release, April 8, 2010; <http://atlanta.fbi.gov/dojpressrel/pressrel10/atl040810.htm>)

***Fraud Scheme Leads to Failure of Prominent Bank:*** Lee Bentley Farkas, the former chairman of a private mortgage lending company, Taylor, Bean & Whitaker (TBW), was arrested June 15, 2010, in Ocala, Fla., and charged in a 16-count indictment for his alleged role in a more than \$1.9 billion fraud scheme that contributed to the failures of Colonial Bank, one of the 50 largest banks in the United States in 2009, and TBW, one of the largest privately held mortgage lending companies in the United States in 2009.

An indictment unsealed in U.S. District Court for the Eastern District of Virginia charges Farkas, of Ocala, Fla., with one count of conspiracy to commit bank, wire and securities fraud; six counts of bank fraud; six counts of wire fraud; and three counts of securities fraud. The indictment also seeks approximately \$22 million in forfeiture from Farkas. According to the indictment and a motion seeking Farkas's detention filed in U.S. District Court for the Middle District of Florida, Farkas and his co-conspirators allegedly engaged in a scheme to misappropriate more than \$400 million from Colonial Bank's Mortgage Warehouse Lending Division in Orlando, Fla., and approximately \$1.5 billion from Ocala Funding, a mortgage lending facility

controlled by TBW. Farkas and his co-conspirators allegedly misappropriated this money to cover TBW's operating losses. According to the government motion seeking Farkas's detention, the fraud scheme contributed to the failures of Colonial Bank and TBW. The indictment further alleges that Farkas and his co-conspirators committed wire and securities fraud in connection with their attempt to convince the U.S. Government to provide Colonial Bank with approximately \$553 million in TARP funds. (An indictment is merely a charge, and the defendant is presumed innocent until proven guilty.)

In a related action, the SEC filed an enforcement action against Farkas in the Eastern District of Virginia.

*Source: Former Chairman of Taylor, Bean & Whitaker Indicted for His Role in a More Than \$1.9 Billion Fraud Scheme That Contributed to the Failure of Colonial Bank*

(DOJ press release, June 16, 2010;

<http://www.justice.gov/opa/pr/2010/June/10-crm-703.html>)



### Support to SAR Review Teams HIFCA Support

FinCEN increased support to domestic law enforcement efforts to utilize SAR information for the purpose of detecting and investigating significant financial criminal activity. Already a member of the National SAR Review Team (NAT SAR), organized by the Asset Forfeiture and Money Laundering Section of the DOJ to detect and investigate significant targets with an international or multi-jurisdictional nexus, FinCEN expanded support in 2010 to provide SAR trend and pattern analysis for local SAR review teams located in over 95 domestic jurisdictions. FinCEN worked with DOJ and IRS-CI to survey local SAR review teams to determine their criteria for selecting certain SARs every month for review. FinCEN began receiving SAR document control numbers from the teams in August 2010. Using various analytical tools and law enforcement databases, FinCEN will review these and other SAR filings and compare them with other BSA data to identify large networks or interconnections that would otherwise go undetected. This information will allow FinCEN to further identify trends and patterns in BSA data, and aid in demonstrating the value of BSA data to financial institutions and focusing their efforts on the information most useful to law enforcement.

FinCEN's six High Intensity Financial Crimes Area (HIFCA) liaisons continued to work closely with Federal, State, and local law enforcement in their geographic regions. HIFCA liaisons are located in New York City, Los Angeles, San Francisco, Chicago, the Southwest border, and Puerto Rico. These FinCEN staff supported investigations and law enforcement initiatives in their areas by providing analytical support based on BSA data. They worked with the SAR review teams in their locations, regularly reviewed SARs, and made presentations to law enforcement on the use of SARs and other BSA data.

In addition to the direct investigative case support that is provided, examples of FinCEN HIFCA representatives' efforts include:

- Worked to develop a Suspicious Activity Report (SAR)/Case Docket Interface for the U.S. Attorney's Office (USAO) of the Northern District of Illinois. The process cross references SARs with active USAO cases. The interface provides an easy way for the USAO to identify financial reports related to ongoing prosecutions. Initial cross referencing results were positive and the USAO is evaluating feedback. It is expected that once the interface is finalized, the process will be shared for broader utilization. Similar capabilities are an important component of FinCEN's multi-year IT modernization efforts.

## Outcome Goal 2 continued...

- Played a pivotal role in the development and execution of an Area Law Enforcement Global Financial Focus Forum, a very successful law enforcement seminar at which FinCEN personnel provided a number of presentations. The seminar was attended by more than 225 law enforcement personnel from 40 state, local, and federal agencies. FinCEN presentations covered cross border wire transfers utilizing correspondent accounts, Egmont requests and Section 314(a) of the USA PATRIOT Act.
- Coordinated a mortgage fraud presentation for Chicago law enforcement. The meeting, which was co-sponsored by FinCEN and the local HUD-OIG, included a presentation utilizing Bank Secrecy Act and Housing and Urban Development Single Family Housing data to demonstrate mortgage fraud activity prevalence.

In April 2010, FinCEN launched an effort with the support of the Office of National Drug Control Policy (ONDCP) to more consistently engage with and support financial aspects of investigations in the High Intensity Drug Trafficking Areas (HIDTAs). A focus of the coming year will be training analysts and ensuring ongoing points of contact in the interagency coordinating groups in the HIDTAs.

## Working Groups and Task Forces with Domestic Law Enforcement and Regulators

During the year, FinCEN actively supported a number of anti-fraud task forces made up of domestic law enforcement agencies and regulators. Examples of these follow:

- **Bank Fraud Working Group:** This national, interagency working group led by the DOJ, promotes enhanced communication between the Federal law enforcement and financial institution regulatory communities. The group seeks to improve coordination between law enforcement agencies and regulators in the investigation and prosecution of financial institution fraud.
- **Payments Fraud Working Group:** Made up of regulators and law enforcement agencies, this group seeks to detect and/or mitigate retail payments risk issues.

### **Information Exchanges between Federal, State, Local, and International Law Enforcement and Financial Institutions**

In a program authorized by Section 314(a) of the USA PATRIOT Act, FinCEN provides a mechanism through which law enforcement agencies can communicate with more than 45,000 points of contact at more than 20,000 financial institutions to locate accounts and transactions of persons and entities that may be involved in terrorism or significant money laundering activities. FinCEN receives requests from law enforcement and upon review and approval, posts the case information on the 314(a) Secure Information Sharing System and notifies the financial institutions that the new information has been posted. The requests contain subject and business names, addresses, and as much identifying data as possible to assist the financial institutions 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 report any positive matches to FinCEN.

FinCEN continues to expand upon its efforts to share sensitive information with financial institutions to help them

better understand and mitigate risks and vulnerabilities with respect to specific cases. In February 2010, FinCEN issued a final rule to conform its successful 314(a) program with agreements with certain foreign jurisdictions, specifically the Agreement on Mutual Legal Assistance between the United States and the European Union (U.S.-EU MLAT). The regulation allows law enforcement agencies of such jurisdictions to submit information requests concerning significant money laundering or terrorist finance investigations to U.S. financial institutions through FinCEN. Expanding the program greatly benefits the United States by granting U.S. Federal law enforcement agencies reciprocal rights to obtain information about suspect accounts in EU member states.

The regulatory changes also permitted U.S. State and local law enforcement agencies to have the same access to the program that previously has only been available to Federal law enforcement agencies. 314(a) information requests enable agencies to discover whether a financial institution has established an account or conducted a transaction with a person reasonably suspected, based on credible evidence, of engaging in terrorist activity or significant money laundering. Armed with that limited, but important information, agencies can follow up with much more targeted subpoenas, interviews, or other law enforcement tools to advance the investigation. This will increase the quality of analytical support FinCEN provides to law enforcement.

## Outcome Goal 2 continued...

The box below shows numbers, types, and results of 314(a) requests processed since the program began in 2002.

**314(a) Program Data**  
November 1, 2002 - November 2, 2010

Total requests for information - 1,294

Number of Federal law enforcement agencies submitting requests - 28

Types of requests:

- Terrorism/terrorist financing - 353
- Money laundering - 941

Number of subjects of interest identified in requests - 12,504

Total subject matches received from financial institutions - 84,134  
(83,096 positive and 1,038 inconclusive)

### FinCEN Reference Manuals

To help investigators (including agents, analysts, forfeiture specialists, examiners, prosecutors, and other experts) expand their knowledge of new technologies and payment systems, as well as ways to use BSA data in investigations, FinCEN publishes reference manuals available only to members of the law enforcement, intelligence, and regulatory exam communities. Each comprehensive manual in this series provides an overview of specific financial and payment transaction processes, the corresponding transaction records, ways to work productively with the financial services industry on investigations, and common methods used to decipher

records, conduct analysis, and extrapolate data. The manuals are developed in close consultation with financial industry service providers and various law enforcement agencies. FinCEN disseminates these manuals at all levels of government (Federal, State, and local), and they are posted on secure online sites for widespread access by investigators.

In fiscal year 2010, FinCEN worked closely with two major prepaid access card providers to generate extensive reference manuals describing the companies' operations and transaction record processes. The manuals offer multiple sample methods and techniques for effectively researching and analyzing BSA data. FinCEN also completed an

update to a previously published manual on funds transfers, with particular emphasis placed upon comprehending cross-border funds transfers traversing correspondent account networks. The manuals offer multiple sample methods and techniques for effectively analyzing financial documents and related BSA data to trace financial trails.

### **FinCEN Networking Bulletin**

In fiscal year 2010, FinCEN produced an information periodical for investigators on money transfer data analysis as part of its *Networking Bulletin* series. Each *Networking Bulletin* offers a succinct overview of cutting edge developments in financial mechanisms and related services. Additionally, the series provides perspectives on existing financial mechanisms that may be of interest to investigative officials. Each issue is designed to quickly enhance the law enforcement community's awareness of the challenges and vulnerabilities posed by emerging technologies and mainstream financial systems. The series describes how financial services and products operate, what information is generated by transactions and where it can be collected and retrieved, ways to contact organizations and obtain data, related activities reported in BSA data, and potential challenges. The bulletins are also intended to solicit input from the field on their ongoing observations, in order to better network awareness of the given issues. FinCEN's reference manuals and *Networking Bulletin* publications are

available to investigative officials free of charge from FinCEN.

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

FinCEN provides a variety of training modules for law enforcement. Based upon growing customer demand, more than 100 outreach sessions were presented to Federal, State, and local agencies during fiscal year 2010. The training ranged from overviews of FinCEN products and services to hands-on WebCBRS database training and extensive subject matter training sessions 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 and payment 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. Similarly, training presentations were provided to financial industry symposiums hosted by law enforcement and regulatory authorities. These presentations focused upon illustrating

the benefits of cooperation with the financial industry, such as case studies revealing the immense contributions of information provided through the 314(a) program to major investigations.

FinCEN has a representative at the Federal Law Enforcement Training Center, the consolidated training center for Federal, State, and local law enforcement agents, where many receive their first insights into financial investigations and utilization of BSA data. Also, FinCEN's HIFCA representatives (see page 45) provide ongoing training and support. Additionally, training is a component of the services FinCEN provides when implementing an MOU for new law enforcement users to access BSA data.

Through its Reference Material Training Support Network, FinCEN provides a variety of services, such as helping to plan and organize blocks of instruction and providing copies of reference materials and detailed guides to training coordinators. The network expands FinCEN's ability to help meet law enforcement needs for training on financial mechanisms. To date, FinCEN has established partnerships to provide such support to over a dozen law enforcement agencies that maintain 27 active law enforcement training courses and/or conference series.

## Mexico and Southwest Border Issues

In fiscal year 2010, the U.S. Government continued with efforts to disrupt arms smuggling and money laundering across the U.S.-Mexico border, target narcotics cartels, and combat other cross-border crime. FinCEN aligned its efforts with the Administration's 2009 National Southwest Border Counternarcotics Strategy and actively participated in efforts to evaluate progress and develop future priorities. Through cooperative efforts with domestic law enforcement agencies along the Southwest border and ongoing partnerships with Mexican authorities, FinCEN has developed expertise concerning patterns of criminal activity and money flows in this area. FinCEN applied this expertise during the year in many ways.

FinCEN conducted a joint study with the Mexican FIU that examined the flow of U.S. dollars between the United States and Mexico. This project exemplified high-level bilateral collaboration between FIUs to enhance mutual understanding of financial crime trends and vulnerabilities, and to distinguish them from the large volume of legitimate economic transactions between the two countries. The analytical effort also identified four tactical targets that FinCEN and the Mexican FIU jointly referred to U.S. and Mexican law enforcement agencies for investigative follow-up.

## *Outcome Goal 2 continued...*

FinCEN issued an advisory to U.S. financial institutions to assist them in understanding how the U.S. financial system may be affected by a change in Mexican AML regulations, restricting the amount of physical cash denominated in U.S. dollars that Mexican financial institutions may receive. These new Mexican regulations are intended to mitigate risks of laundering proceeds of crime tied to narcotics trafficking and organized crime. In addition, FinCEN issued three financial intelligence advisories for law enforcement related to Mexico/Southwest border issues. One advisory pertained to SARs submitted by MSBs, and the other two pertained to cross-border currency flows and the potential impacts of the new Mexican AML regulations.

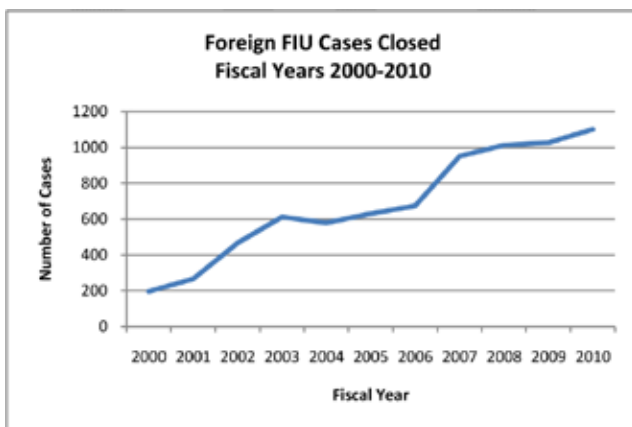
FinCEN participated as an honorary member of the Southwest Border Anti-Money Laundering Alliance, sponsored by the Arizona Attorney General's office. FinCEN also participated as a member of the U.S.–Mexico Customs Bilateral Strategic Plan Enforcement Working Group, a bilateral task force formed to coordinate enforcement and investigative efforts related to contraband smuggling, money laundering, and commercial and customs fraud.

FinCEN worked with its law enforcement partners and international counterparts to combat cross-border financial crimes. For example, FinCEN relocated a full-time employee to Mexico to work with Mexican authorities to

promote information exchange on financial crimes. In June 2010, FinCEN coordinated with law enforcement and other Federal agencies to organize an information sharing seminar for key financial institutions on illicit activity along the Southwest border. FinCEN also regularized its cooperation with its Mexican counterparts responsible for AML regulation, the Comisión Nacional Bancaria y de Valores (CNBV).

### Tactical Information Exchange with FIUs

As the nation's FIU, FinCEN responds to requests for research from counterpart FIUs in other jurisdictions around the world. In addition, FinCEN and other FIUs send and receive spontaneous disclosures of information based on internal analysis of reports submitted by regulated entities.



FinCEN is one of the most active FIUs in the world in terms of exchanging information with counterpart FIUs. The demand for FinCEN's services from foreign FIUs has expanded dramatically over the past decade, increasing from 199 requests and spontaneous disclosures in fiscal year 2000 to 1,109 requests and disclosures in fiscal year 2010. In terms of output, FinCEN closed 1,101 cases in fiscal year 2010, compared with 1,027 cases in fiscal year 2009 (see graph above). In addition to this expansion in output, FinCEN's average time to close foreign FIU cases in fiscal year 2010 decreased

by 15 percent relative to the previous year, keeping close to the Egmont Group's recommended best practices of responding within 30 days.

In addition to supporting foreign FIUs, FinCEN also obtains information from foreign FIUs to support investigations by U.S. law enforcement and regulatory agencies. FinCEN received 286 such requests from domestic law enforcement and regulatory agencies in fiscal year 2010 and referred them to 97 different FIUs. Because some requests involved multiple jurisdictions, the 286 requests resulted in a total of 588 referrals to FIUs. By comparison, domestic law enforcement and regulatory authorities made 261 requests in fiscal year 2009, resulting in 491 separate referrals to 84 FIUs. The increase in outgoing requests in support of U.S. law enforcement investigations reflects FinCEN's proactive efforts to encourage criminal investigations and prosecutors to more actively utilize this unique service provided by FinCEN.

### Strategic Analysis of International Issues

During the year, FinCEN continued its efforts in the area of strategic and issue analysis on international topics, with a particular emphasis on joint work with other FIUs. For example, FinCEN worked with domestic law enforcement and foreign FIUs on projects to identify illicit activity, including unregistered MSBs and tax evasion. Another series of projects involved sharing information with



## Outcome Goal 2 continued...

foreign FIUs to identify illicit cash courier activity. FinCEN also researched BSA data to identify the extent of SAR reporting relating to mass marketing fraud as part of its participation in the International Mass-Marketing Fraud Working Group. In June 2010, that Group announced the release of its threat assessment on international mass marketing fraud. This assessment was developed in collaboration with the Department of Justice, as well as law enforcement, regulatory, and consumer agencies in Australia, Belgium, Canada, EUROPOL, the Netherlands, Nigeria, and the United Kingdom, to provide governments and the public with a current assessment of the nature and scope of the threat that mass-marketing fraud poses around the world. FinCEN researched Bank Secrecy Act data to identify the extent of SAR reporting relating to mass marketing fraud.

### International Engagements

FinCEN continued to engage with foreign FIUs and other counterparts on analytical, regulatory, and operational issues in order to strengthen information-sharing mechanisms and increase international collaboration. For example, during fiscal year 2010, FinCEN hosted delegations from Afghanistan, Australia, Brazil, Canada, Mexico, Senegal, and South Korea for extended visits to discuss issues of mutual interest. FinCEN also assigned several staff members to work on a rotating basis in Afghanistan to support U.S. and Afghan authorities' work in the area of financial crime.

FinCEN also hosted 32 delegations from foreign FIUs, law enforcement agencies, and other entities for shorter visits. Several of these visits occurred as part of the Department of State's International Visitor Leadership Program.

FinCEN staff served on U.S. interagency delegations to the meetings of the eight FATF-style regional bodies (FSRBs), providing expertise on FIU-related issues. In fiscal year 2010, FinCEN staff members served on the evaluation teams for the mutual evaluations of two jurisdictions – Ghana and Guatemala.

In fiscal year 2010, FinCEN signed MOUs for information exchanges with the FIUs of Colombia, India, and Peru.

### Egmont Group Activities

In cooperation with the Malaysian FIU, FinCEN completed its co-sponsorship of the Afghan FIU, known as the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA), into the Egmont Group. FinTRACA became a member of the Egmont Group in June 2010, allowing it to engage with the other 119 FIUs that form the global network for the sharing of financial intelligence. The multi-year sponsorship process culminated with an on-site assessment of FinTRACA to ensure that the unit complied with Egmont Group standards. FinTRACA's membership in the Egmont Group will benefit law enforcement

## Outcome Goal 2 continued...

agencies in the U.S. and throughout the world by facilitating the exchange of information through FIU channels.

FinCEN continued its work in the Egmont Group to promote effective information sharing, playing a key role on projects relating to cross-border, enterprise-wide suspicious transaction information sharing within the financial sector and FIU issues relating to FATF recommendations and mutual evaluations.

FinCEN developed and maintains the Egmont Secure Web (ESW) to facilitate communication and information sharing among Egmont Group member FIUs. FinCEN upgraded the ESW in 2009 by adding secure networking communities for FIUs from all over the world. In fiscal year 2010, the communities were used mainly for bilateral purposes, but efforts are underway to use them to aid in the day-to-day administration of the Egmont Secretariat, the Egmont Committee, and all of the working groups.

### **International Narcotics Control Strategy Report**

The International Narcotics Control Strategy Report (INCSR) is an annual report by the Department of State to Congress prepared in accordance with the Foreign Assistance Act. The report describes the efforts of key countries to

attack all aspects of the international drug trade and money laundering. In the past year, FinCEN contributed to the development of summary reports on 137 jurisdictions. These summaries appear in Volume II of the fiscal year 2010 INCSR, which covers money laundering and financial crime issues.

### Support for FinCEN's International Work

*“FinCEN works with every major administrative department to detect fraud and abuse, from the Federal Housing Authority trying to help identify bad lenders to Health and Human Services to - to root out fraud in the reimbursement process. FinCEN opens up its database and provides essential information in numerous cases each year.*

*“FinCEN’s responsibility was also broadened under the 2001 Patriot Act, which expanded the Bank Secrecy Act to include money laundering and terrorist financing. FinCEN plays a dual role in supporting domestic law enforcement and intelligence agencies from sharing the analysis of financial intelligence, while simultaneously building that global cooperation with our counterparties in FIUs, Financial Intelligence Units, around the world.*

*“In my travels abroad to the Middle East and other regions I’ve been able to meet with FIUs in the variety of countries to view FinCEN’s international work firsthand. As the co-chair of the Task Force on Terrorist Financing and Anti-proliferation I’ve visited countries like Morocco, Tunisia, Jordan, Afghanistan. We’ve worked together in the West Bank. We’ve got some problems in Gaza as well. And I am just very thankful to FinCEN’s help and guidance on all - in all those important places, doing important work to combat the flow of illicit funds to terrorist organizations.”*

**Rep. Stephen F. Lynch (D-Mass.)**  
**U.S. House of Representatives, Committee on Financial Services,**  
**Subcommittee on Oversight and Investigations**  
**Oversight Hearing**  
**April 28, 2010**

# Fiscal Year 2010 Accomplishments and Performance Measures

## Outcome Goal 2 continued...

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

Performance Measures	FY 2009	FY 2010 Target	FY 2010
Percentage of domestic law enforcement and foreign FIUs finding FinCEN's analytic reports highly valuable	81%	81%	80%
Percentage of complex analytic work completed by FinCEN analysts	44%	39%	50%
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	3 days	5 days	2 days
Percentage of countries/jurisdictions connected to the Egmont Secure Web	99%	98%	99%

<b>Outcome Goal 3:</b>	Efficient management, safeguarding, and use of BSA information
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A reliable, technical infrastructure is crucial to supporting FinCEN's statutory mandate for the collection, storage, safeguarding, analysis, and appropriate dissemination of the data collected under the BSA. FinCEN recognizes the critical need to simplify processes for the filing, retrieval, and analysis of this unique financial data. In this effort, FinCEN continues to progress on a multi-year BSA Information Technology (IT) Modernization effort aimed at better serving its stakeholders through technological advances. It also has made significant enhancements to the system through which BSA forms are electronically filed.

FinCEN is committed to efficiently managing and safeguarding valuable BSA data, and works closely with BSA data filers, data users, and the IRS to achieve this.<sup>29</sup> The number of authorized law enforcement and regulatory authorities with electronic access to BSA data continued to increase in fiscal year 2010. More than 11,000 users had access to the BSA data through FinCEN's secure Web-based system at the end of fiscal year 2010, compared with 10,072 a year earlier.

## Improvements to the BSA E-Filing System

BSA E-Filing is a free, secure, Web-based system that allows financial institutions subject to BSA reporting requirements to electronically file a variety of forms.<sup>30</sup> Filers have the option to submit forms one-by-one or in batches. FinCEN encourages financial institutions to electronically file BSA forms.

Recent enhancements to the BSA E-Filing System support the Department of the Treasury's flagship initiative of moving toward a paperless Treasury, as well as make strides toward improving data quality. This effort also supports the Administration's "green" initiatives. In December 2009, FinCEN implemented data validation on all batch-filed SARs. Now, filers receive e-mail notifications when there are errors in their submitted batch files. FinCEN issued guidance to assist filers in correcting identified errors and preventing errors in future submissions.

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29. The IRS receives and stores BSA information through a partnership with FinCEN.

30. The BSA E-Filing homepage is located at <http://bsaefiling.fincen.treas.gov>

## Outcome Goal 3 continued...

FinCEN is committed to working with financial institutions to increase their understanding of the value of E-Filing and issued a brochure<sup>31</sup> in April 2010 that highlighted its benefits. Electronically filing BSA information provides cost savings for the government and improves response to users of BSA data. E-Filing increases the timeliness of data availability, reduces the cost of paper processing, and improves data quality, allowing for more reliable strategic analysis of the data. This accomplishes joint efforts to get important information relating to money laundering and terrorist financing to law enforcement in the quickest manner possible. Through BSA E-Filing, forms are available to and searchable by law enforcement in 2 days, rather than up to 11 days if filed on paper.

During fiscal year 2010, FinCEN developed a new system that collects and stores data from FinCEN's E-Filing system and provides trending information via reports on BSA electronic filing error patterns. This system allows FinCEN staff to run queries on several months of data for comparative purposes. The new system also benefits the filing community and Federal banking regulators. Beginning in September 2010,

BSA E-Filing supervisory users began receiving filer feedback reports produced by the system at the beginning of each month, providing the previous month's information, as well as filing statistics for the calendar year. These reports are available to individual supervisory users via secure e-mail to help identify error trends. Filers may then address these issues as a proactive approach to improve filing quality.

Approximately 83 percent of BSA reports were electronically filed during fiscal year 2010, up from 82 percent in fiscal year 2009. That figure understates the overall progress in moving toward E-filing over the past year due to other regulatory steps, notably the increased availability of exemptions from CTR filing requirements (see page 20) to decrease the number of reports from financial institutions that are of less value to law enforcement. The cost to the government per E-filed report was \$0.10 in fiscal year 2010, well below the \$0.15 target cost. In comparison, in 2006 approximately 48 percent were filed electronically at a cost of \$0.22 per report.

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31. [http://www.fincen.gov/whatsnew/pdf/E-File\\_Brochure.pdf](http://www.fincen.gov/whatsnew/pdf/E-File_Brochure.pdf)

### Benefits of Using the BSA E-Filing System

- A streamlined BSA form submission process
- Faster routing of information, protecting the financial system from illicit actors and activities
- Greater data security and privacy, compared with paper forms and traditional mail delivery
- Long-term cost savings to both financial institutions and the government
- Features not available to paper filers

### BSA IT Modernization

FinCEN's BSA IT Modernization initiative is a Treasury effort to provide a modernized information technology foundation to collect, store, safeguard, analyze, and share BSA data. Modernization is a critical component of government efforts to ensure the transparency of U.S. financial systems, detect and deter crime, strengthen national security, and achieve economic stability and growth. The benefits of this investment will be leveraged across the hundreds of Federal, State, and local agencies that rely on FinCEN and BSA data. The Modernization Initiative aims to develop a reliable and secure BSA information management and analysis framework that will provide better tools for filers and users, enhance data integrity, and provide improved analytical capability. FinCEN's BSA IT modernization efforts will improve BSA data quality, as well as its ability

to securely share the BSA data and IT systems with its law enforcement and regulatory partners. FinCEN has developed an organizational change management strategy to focus on several key areas. These include assessing, monitoring, and mitigating challenges; engaging and communicating with stakeholders; aligning and mobilizing leadership and staff; preparing and equipping the workforce for changes ahead; as well as monitoring potential organizational impacts.

In fiscal year 2010, FinCEN began the process of completing an executive-level organizational risk assessment (ORA). Information collected during the ORA enabled a fact-based assessment to be made of the major organizational risks and enablers impacting the program. The first phase of the ORA began in February with the scheduling and interviewing of FinCEN's leadership. Additional phases of the ORA are being executed targeting

## Outcome Goal 3 continued...

different stakeholder audiences, both internal and external to FinCEN to assure a more holistic viewpoint of impacted stakeholders.

The BSA IT Modernization Program completed a significant milestone in fiscal year 2010. Achieving this milestone allowed FinCEN to baseline its requirements (business and technical) before moving into the next phase, which is the design of the future IT systems. In addition, FinCEN has completed the design and installation of the IT

development and testing infrastructure and is in the process of procuring the necessary hardware and software for the production and disaster recovery infrastructure. Currently, FinCEN is in the design phase of the program and on track to meet its first major milestone, which is the deployment of a new analytical tool for its analysts. The coming year will see the design and steps to begin building the system of record that will house the reports filed under FinCEN regulations.

### Why modernize? Technology is FinCEN's Core Mission

#### 31 U.S.C. § 5311 Bank Secrecy Act (BSA)

It is the purpose of the [BSA] to require certain reports or records where they have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings, or in the conduct of intelligence or counterintelligence activities, including analysis, to protect against international terrorism.

#### 31 U.S.C. § 310 Financial Crimes Enforcement Network

- (b) (2) Duties and powers.— The duties and powers of the Director are as follows:
- (B) Maintain a government-wide data access service, with access, in accordance with applicable legal requirements, to the following:
    - (i) Information collected by the Department of the Treasury, including report information filed under [the BSA].
    - (ii) Information regarding national and international currency flows.
    - (iii) Other records and data maintained by other Federal, State, local, and foreign agencies, including financial and other records developed in specific cases.
    - (iv) Other privately and publicly available information.



### BSA Data Security

FinCEN continues to review its BSA data access programs and to enhance security measures in coordination with the intensified government-wide focus on information security and protection of consumers' personal identity information. 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 fiscal year closed, FinCEN had 334 memoranda of understanding with external client agencies. In order to safeguard BSA data, FinCEN conducts periodic onsite 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.

### Access to BSA Data

BSA reports filed by financial institutions are the cornerstone of the U.S. Government's efforts to disrupt illicit financial activity. FinCEN works to ensure that BSA data is available for authorized Federal, State, and local law enforcement users, as they leverage FinCEN's capabilities to enhance investigatory efforts. During fiscal year 2010, the number of authorized users climbed to 11,527.

In additional fiscal year 2010 efforts to support client agencies and users, FinCEN took the following actions:

- Continued its efforts to maximize BSA access for U.S. Attorneys' Offices (USAOs), prioritizing USAO requests for BSA access and developing BSA Trend Analysis reports for USAO districts to highlight BSA filings and value. At the end of fiscal year 2010, FinCEN had 80 MOUs in place with USAOs around the country to enable them to access the BSA data to support their prosecutions of criminals.
- Provided law enforcement agencies access to BSA data through the Platform Program. This program provides onsite access to FinCEN systems for designated personnel in the Washington, D.C. area who are conducting research for their agency's investigations. Thirty-six Federal law enforcement agencies currently participate in this program.
- Networked investigative agencies working cases with commonality of subjects more than 700 times. FinCEN networks by contacting investigative personnel in respective agencies and providing them contact information for other agency personnel. Networking can help law enforcement by facilitating information sharing, avoiding potential negative impacts on other cases, and maximizing resources.

### Webinars

In fiscal year 2010, FinCEN acquired the use of a webinar service. Webinars present a time-efficient and cost-effective way to facilitate online communication between a small number of presenters and a remote audience of up to 1,000 participants. Two of the technology's key capabilities are presentations and training sessions. Presenters display information on their computer screen, which then becomes visible to all participants. The webinar software enables interaction between the presenter and the audience and allows the presenter to control the participants' verbal commentary either via the keyboard or audio connection. Audio connectivity is available via landline telephone conferencing or via Internet phone connectivity.

FinCEN has already begun conducting webinars, and will continue to seek innovative ways to use this technology. In fiscal year 2010, FinCEN officials conducted webinars for training remote law enforcement users on the use of the online system through which law enforcement accesses BSA data. FinCEN's webinars are cited in the Department of the Treasury's Open Government Plan as an example of the Administration's innovative use of technology.<sup>32</sup>

### Improvements in Data Quality

In fiscal year 2010, FinCEN continued to play a leadership role in coordinating the activities of the interagency Data Management Council (DMC) and the Data Management Framework to maximize BSA data quality and value. The DMC consists of users of data collected by FinCEN, both within the Bureau and representatives of the law enforcement and regulatory communities. FinCEN's BSA Forms Integrated Project team worked on how to improve upon and streamline the collection of BSA data. The development of a new data repository under the BSA IT Modernization Program allows FinCEN to pursue these streamlining efforts. In fiscal year 2010, the team looked for improvements to the collection of SAR data and conducted working sessions with the DMC to discuss and validate the new SAR collection tool, prior to the request for broader public comment.<sup>33</sup>

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32. [http://www.treasury.gov/open/Documents/open\\_government\\_plan.pdf](http://www.treasury.gov/open/Documents/open_government_plan.pdf)

33. <http://edocket.access.gpo.gov/2010/pdf/2010-26038.pdf>

# Fiscal Year 2010 Accomplishments and Performance Measures

## Outcome Goal 3 continued...

### Performance Measures for Outcome Goal 3: Efficient management, safeguarding, and use of BSA information

Performance Measures	FY 2009	FY 2010 Target	FY 2010
Number of users directly accessing BSA data	10,072	10,000	11,527
Share of BSA filings submitted electronically	82%	71%	83%
Number of largest BSA report filers using E-Filing	486	534	542
Cost per BSA Form E-Filed	0.16	0.15	0.10
Percentage of customers satisfied with BSA E-Filing	94%	At Least 90%	96%
Percentage of customers satisfied with direct access to the BSA	74%	74%	74%
Percentage of direct access users finding that BSA data provides valuable information toward the detection and deterrence of financial crime and the transparency and protection of financial systems	86%	N/A	87%

# Cross-Cutting Principles

The chart below provides examples showing how FinCEN’s fiscal year 2010 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 13 - 33)	Goal 2 Accomplishments (pages 34 - 56)	Goal 3 Accomplishments (pages 57 - 63)
<b>Efficiency &amp; Effectiveness</b>	<p>Issued final rule to reorganize BSA regulations under Chapter X of CFR</p> <p>Issued final rule streamlining mutual fund BSA requirements</p> <p>Proposed rule regarding prepaid access programs posing the highest risks of money laundering and terrorist financing</p> <p>Proposed regulatory requirement regarding cross-border transmittals of funds</p> <p>Proposed rule to amend the reporting of foreign financial accounts</p>	<p>Delivered strategic analyses to law enforcement and regulatory partners to help target resources to areas of greatest risk</p> <p>Increased the number of responses to law enforcement by more than 50%</p> <p>Increased the number of complex analytical products to 50%</p> <p>Decreased average time to close FIU cases by 15%, even as the number of cases rose nearly 7%</p>	<p>Increased BSA filing efficiency through improvements to the BSA E-Filing System</p> <p>Continued work toward more efficient BSA forms through the change management process</p> <p>Identified areas where IT modernization can leverage and centralize the needs of external users</p>

*table continues on next page...*

# Cross-Cutting Principles

*continued...*

Cross-Cutting Principles	Goal 1 Accomplishments (pages 13 - 33)	Goal 2 Accomplishments (pages 34 - 56)	Goal 3 Accomplishments (pages 57 - 63)
<p><b>Creating Value</b></p>	<p>Provided guidance, advisories, and administrative rulings for regulated industries</p> <p>Released assessment of SAR filings by the insurance industry</p> <p>Released assessment on the impact of a 2009 amendment to CTR exemption rules</p> <p>Provided analyses for State and Federal regulators; Conducted financial institution research for regulators with MOUs</p>	<p>Issued strategic analyses related to mortgage fraud</p> <p>Provided reference manuals, <i>Networking Bulletins</i>, and training for law enforcement</p> <p>Integrated civil enforcement authorities where appropriate with criminal investigations</p>	<p>Developed filer feedback reports for E-Filing supervisory users to improve filing quality</p> <p>Increased analytical focus on integrating external datasets and analysis of large amounts of BSA data beyond the capacities of law enforcement investigators</p>

*table continues on next page...*

# Cross-Cutting Principles

*continued...*

Cross-Cutting Principles	Goal 1 Accomplishments (pages 13 - 33)	Goal 2 Accomplishments (pages 34 - 56)	Goal 3 Accomplishments (pages 57 - 63)
<p><b>Partnerships</b></p>	<p>Conducted outreach to financial institutions</p> <p>Coordinated efforts with other Federal agencies on BSA enforcement actions</p> <p>Collaborated with the FFIEC to revise BSA/AML examination manual</p> <p>Actively engaged the BSAAG and its subcommittees</p>	<p>Actively involved with the FFETF</p> <p>Provided support to DOJ's mortgage fraud initiative</p> <p>Participated on task force set up by SIGTARP, in coordination with FRB-OIG</p> <p>Provided support to SIGIR's investigations</p> <p>Provided support to law enforcement agencies, SAR Review Teams, and HIFCAs</p> <p>Worked with DOJ and IRS-CID to support local SAR Review Teams</p> <p>Continued leadership role in the Egmont Group of FIUs</p>	<p>Played a leadership role in coordinating the activities of the interagency Data Management Council</p> <p>Shared insights and IT strategies with other U.S. Government agencies and foreign FIUs</p>

*table continues on next page...*

# Cross-Cutting Principles

*continued...*

Cross-Cutting Principles	Goal 1 Accomplishments (pages 13 - 33)	Goal 2 Accomplishments (pages 34 - 56)	Goal 3 Accomplishments (pages 57 - 63)
<p><b>Global Perspective</b></p>	<p>Supported FATF discussions of AML/CFT vulnerabilities</p> <p>Increased level of interaction with foreign AML regulators</p> <p>Launched sharing of insights among Egmont Group FIUs with regulatory responsibilities</p>	<p>Conducted information exchanges and strategic analyses with other FIUs</p> <p>Conducted a joint study with the Mexican FIU examining the flow of U.S. dollars between the United States and Mexico</p> <p>Provided support to international task forces to combat crimes crossing national borders</p> <p>Issued final rule to conform 314(a) program with agreements with certain foreign jurisdictions</p>	<p>Hosted and administered the Egmont Secure Web on behalf of the Egmont Group of FIUs<sup>34</sup></p> <p>Increased utilization of technology to bridge between in-person meetings</p>
<p><b>Advanced Technology</b></p>	<p>Launched a new Web page providing direct links to information for addressing most common questions received by the Regulatory Helpline</p>	<p>Facilitated information exchanges between Federal law enforcement and financial institutions through the secure 314(a) system</p>	<p>Began conducting webinars for training remote law enforcement users on WebCBRS</p> <p>Continued steps toward BSA IT modernization</p>

34. Described and measured under Goal 2, but executed as part of FinCEN's IT efforts.

# Management Goal

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

FinCEN is committed to ensuring that its employees have the skills needed to efficiently and effectively perform the multiple responsibilities of the bureau. FinCEN seeks to build the stimulating, forward-looking, and diverse work environment needed to recruit and retain such highly skilled employees. Employees need to be prepared to respond quickly to changes in the regulatory framework, law enforcement priorities, and financial crime and terrorism financing patterns. During fiscal year 2010, FinCEN took a number of steps toward these goals.

In addition, FinCEN continued to use an online recruiting tool for all recruitment and continued to focus on reducing average time required for pre-employment actions. These and other proactive steps continue to lead to a reduction in the time positions are vacant, resulting in FinCEN maintaining essentially full employment within budgetary constraints.

## Recruitment and Hiring

There were 322 permanent, full-time staff members at the close of the fiscal year. This reflects FinCEN's continued leadership focus on attracting and retaining a high performing workforce, and streamlined recruitment and hiring processes.

FinCEN also initiated an aggressive and successful summer student volunteer intern program, facilitating 14 student volunteers during fiscal year 2010.



# Management Goal

Continued...

## Permanent, Full-Time Staff

	FY 2008	FY 2009	FY 2010
Employees on board <sup>35</sup>	298	327	322
New hires	38	51	11
Departures	30	22	16

## Diversity Profile as of September 30, 2010

	Male	Female	Total
Total employees	50.73%	49.27%	100%
Hispanic/Latino	1.76%	2.05%	3.81%
White	41.06%	30.79%	71.85%
Black/African American	4.69%	12.61%	17.3%
American Indian/Alaska Native	0.29%	0.29%	0.58%
Asian	2.64%	3.23%	5.87%
Employees with Disabilities	Not available	Not available	6.45%

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35. All figures as of September 30

# Management Goal

*Continued...*

## **Staff Training and Development**

FinCEN fosters a learning culture by consistently offering high quality training that addresses defined needs. This year technical skills training focused on enhancing the analytic skills of FinCEN's workforce. Seventeen analytic training programs were developed and delivered in-house, including a comprehensive 2-week program on Strategic Intelligence Analysis. Four courses were conducted for FinCEN's project managers and contracting officers technical representatives to strengthen project management and acquisitions skills.

Ten employees participated in FinCEN's Rotational Assignment Program by accepting opportunities within and outside of FinCEN. Nine offices announced rotations, including two offices that offered continuous opportunities. One employee completed a rotational assignment outside of FinCEN. These assignments provided leadership experience and the opportunity to develop collaboration and communication skills.

FinCEN embarked on a number of activities to enhance employee engagement. Each Division conducted at least one team building exercise. Two divisions held team-wide Myers Briggs Type Indicator workshops that highlighted communication style similarities and differences to improve team dynamics. Other teams held off-

site team building activities focused on personal leadership and its relationship to teambuilding. The inaugural session of Speed of Trust was conducted in August with one division. This world renowned program to make dramatic changes in organizations will be implemented across the bureau in fiscal year 2011.

## **Leadership Development**

FinCEN continuously works to strengthen the skills of its current leaders and promotes development of leadership skills at all levels. In fiscal year 2010, the bureau launched two new leadership development programs: executive coaching and mentoring. Senior leaders received individual executive coaching on a regular basis. The mentoring program, which will continue into fiscal year 2011, includes 10 pairs of mentor/mentees and one floating mentor. Mentoring pairs meet individually on a regular basis and the group meets quarterly to share best practices.

# Management Goal

Continued...

FinCEN launched the *Thought Leader Series* in fiscal year 2010 to offer new perspectives on leadership and stimulate employees' thinking. Each quarter, a prominent author speaks to FinCEN, shares thoughts from a newly released book, and responds to questions. Employees had the opportunity to hear from a Pulitzer Prize winning author as part of the new series.

FinCEN assessed its Leadership Development Program by surveying

supervisors about the current program, convening a focus group of supervisors to review and recommend best practices, and conducting individual interviews with each Associate Director. Results of the assessment prompted changes to the Leadership Webinar Series, modifications to the mandatory training requirements and creation of kits to increase supervisors' awareness of resources designed especially for them.

## Managers and Non-supervisory Employees<sup>36</sup>

	September 30, 2008	September 30, 2009	September 30, 2010
Senior Executive Service	7	8	9
Other Managers	31	37	38
Non-supervisory Employees	261	282	275

## Promoting Open Government

FinCEN officials are promoting a culture of Open Government through the creation of an internal Web page, intended to provide employees with information about the Administration's Open Government Initiative. The page provides a central location where

employees can easily find guidelines and policies related to the Open Government initiative, as well as useful external links, and examples of other agencies' successful Open Government programs.

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36. Permanent, full-time employees

# Management Goal

*Continued...*

## **Environmental Stewardship**

FinCEN has adopted a policy of seeking to achieve its mission in an environmentally sound and sustainable manner. In support of this, in fiscal year 2010, FinCEN implemented power management for all FinCEN computers, which will save energy, help protect the environment, and bring the bureau into compliance with Executive Order 13514 on Electronics Stewardship.

In another accomplishment, FinCEN donated 61 monitors, 15 Laptop Computers and more than 3,900 pounds of other electronic equipment for recycling, thus contributing to the Department of the Treasury winning the award for Facility Level Participation in the Electronics Reuse and Recycling Campaign.

## **Financial Management**

Prudent financial management is an ongoing bureau priority. As a steward of public resources, FinCEN seeks to ensure that management control systems provide reasonable assurance of compliance with the Federal Managers Financial Integrity Act.

FinCEN's financial statements are audited yearly by an independent certified public accounting firm. FinCEN's fiscal year 2009 financial statements presented fairly, in all material respects, the bureau's financial position and conformed with U.S. generally accepted accounting principles. The financial statement audit reports are publicly available on the Office of Inspector General<sup>37</sup> section of the U.S. Treasury Department's Web site. FinCEN received an unqualified opinion on its financial statements for fiscal year 2010, marking the fifth consecutive unqualified opinion since 2006 – the first year FinCEN's financial statements were audited.

FinCEN successfully met all contracting standards and measures set forth by Treasury's Office of the Procurement Executive. In addition, FinCEN was one of only three Treasury bureaus to achieve targets in every small business category, and FinCEN exceeded each goal. FinCEN also exceeded by 100 percent the Office of Management and Budget's mandated 3.5 percent saving of all fiscal year 2010 acquisition dollars.

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37. [http://www.treasury.gov/about/organizational-structure/ig/Pages/audit\\_reports\\_index.aspx](http://www.treasury.gov/about/organizational-structure/ig/Pages/audit_reports_index.aspx)

# Organizational Units and Executive Officials

**F**inCEN includes the Office of the Director and five 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. This office establishes, oversees, and implements policies for FinCEN to carry out its mission. In addition to the Director and Deputy Director, this unit includes the Office of Security, Office of Outreach and Workplace Solutions, Office of Public Affairs, and Congressional Liaison.

James H. Freis, Jr. was appointed as FinCEN's Director in March 2007. Charles M. Steele was named Deputy Director, upon the retirement of William F. Baity in January 2010.

## 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, interagency information sharing, the use of information in enforcement operations and proceedings, international law relating to AML efforts, and administrative law. The office also provides advice and training on ethics issues.

Bill Bradley was named Chief Counsel in February 2008.

## Analysis and Liaison Division

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 and intelligence community customers; and
- Serving as FinCEN's liaison with domestic law enforcement agencies and 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 crime threats. Consistent with FinCEN's strategic plan, analytic resources are transitioning toward more sophisticated analysis that reflects FinCEN's unique expertise in BSA data and in combining large datasets. The Division is comprised of the following offices: Liaison Services, Special Programs Development, Law Enforcement Support, Intelligence

Support, and Trend and Issue Analysis (which was formed in October 2009).

Nicholas Colucci was named Associate Director of the Analysis and Liaison Division in March 2009.

## International Programs Division

The International Programs Division works to establish and strengthen mechanisms for the exchange of information globally, and to engage, encourage, and support international partners in taking necessary steps to construct regimes to combat money laundering, terrorist financing, and other financial crimes. The Division, through the Office of Global Liaison, the Office of Global Support, and the Strategic Analysis Group, produces research reports in response to requests for information from Egmont Group FIUs, obtains financial information from Egmont Group FIUs to support domestic law enforcement and regulatory partners, and produces strategic analytical products on topics of international interest.

Bess Michael became Associate Director for the International Programs Division in September 2009.

## Management Programs Division

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.

## 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 Federal and State 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

The Technology Solutions and Services Division, 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. The Division 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 the Technology Solutions and Services Division in May 2008.

# Organizational Units and Executive Officials

## Number of Employees by Division

Division	September 30, 2008	September 30, 2009	September 30, 2010
Office of the Director	25	21	21
Office of Chief Counsel	11	12	12
Analysis and Liaison <sup>38</sup>	98	77	74
International Programs	N/A	42	44
Management Programs	40	46	49
Regulatory Policy and Programs	83	90	83
Technology Solutions and Services	41	39	39
<b>Total</b>	<b>298</b>	<b>327</b>	<b>322</b>

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38. In fiscal year 2009, two offices formerly in the Analysis and Liaison Division were combined to form a new International Programs Division. As a result, the number of employees in the Analysis and Liaison Division declined.



# Publications and Reports

The following publications, all issued in fiscal year 2010, are available to the public on FinCEN's Web site, [www.fincen.gov](http://www.fincen.gov):

- *Mortgage Loan Fraud Update: Suspicious Activity Report Filings from October 1-December 31, 2009* (July 2010)
- *MSB Brochures in Somali on Bank Secrecy Act Requirements, Reporting Suspicious Activity, and Money Laundering Prevention* (July 2010)
- *Bank Secrecy Act / Anti-Money Laundering Examination Manual for Money Services Businesses [Spanish version]* (July 2010)
- *Financial Institutions Outreach Initiative: Report on Outreach to Money Services Businesses* (July 2010)
- *Designation of Exempt Person (DOEP) & Currency Transaction Reporting (CTR): Assessing the Impact of Amendments to the CTR Exemption Rules Implemented on January 5, 2009* (July 2010)
- *Mortgage Loan Fraud: Loan Modification and Foreclosure Rescue Scams – Evolving Trends and Patterns in Bank Secrecy Act Reporting* (June 2010)
- *SAR Activity Review - By the Numbers – Issue 13* (January 2010) and *Issue 14* (June 2010)
- *SAR Activity Review - Trends, Tips & Issues – Issue 16* (October 2009) and *Issue 17* (May 2010)
- *BSA E-Filing Brochure: How FinCEN's E-Filing System Can Help Your Organization* (April 2010)
- *Mortgage Loan Fraud Update: Suspicious Activity Report Filings from July 1-September 30, 2009* (February 2010)
- *Insurance Industry Suspicious Activity Reporting - An Assessment of the Second Year of Suspicious Activity Report Filings* (January 2010)
- *Financial Crimes Enforcement Network Annual Report for Fiscal Year 2009* (December 2009)
- *Notice to Customers: A CTR Reference Guide [Spanish version]* (November 2009)
- *Financial Institutions Outreach Initiative: Report on Outreach to Large Depository Institutions* (October 2009)

Earlier issues of many of the publications above are also available on [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 2010:*

- GAO-10-141: Anti-Money Laundering: Improved Communication Could Enhance the Support FinCEN Provides to Law Enforcement
- GAO-10-787: Homeownership Preservation: Federal Multi-Agency Efforts to Combat Foreclosure Rescue Schemes Are Underway, but Weaknesses in Planning May Limit Progress
- GAO-10-983: Moving Illegal Proceeds: Challenges Exist in the Federal Government's Effort to Stem Cross-Border Currency Smuggling

## Treasury Office of Inspector General Audits

### *Completed in FY 2010:*

- OIG-10-030: SAR Data Quality Requires FinCEN's Continued Attention

### *Underway in FY 2010:*

- BSA Direct Contract
- BSA IT Modernization

## Internal Assessments

### *Completed in FY 2010:*

- Travel Card Monitoring Procedures

# Budget, Appropriations, and Oversight

## History of President's Budget Requests and Appropriations, Fiscal Years 2008 - 2010

(Dollars in thousands)

	FY 2008	FY 2009	FY 2010
President's Budget Request	\$85,844	\$91,335	\$102,760
Final Appropriated Enacted Level	\$85,844	\$91,465	\$111,010

### 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)

### Praise for FinCEN's Work

*"...I just think members need to get over there, like I have, sit down with FinCEN, get to know what they are doing and the scope of their work and you'd be very pleased with the work that they are doing. They are doing unbelievable work over at FinCEN."*

Rep. Stephen F. Lynch (D-Mass.)

Member of the House Committee on Financial Services (Authorizing Committee)

September 28, 2010

# Key Partners

## Regulatory Agencies & Law Enforcement

**F**inCEN works closely with regulatory, law enforcement, private sector, and international partners. Organizations with which FinCEN has a strong working relationship include the Federal regulatory agencies, law enforcement, the Bank Secrecy Act Advisory Group (BSAAG), and the Egmont Group of FIUs. The BSAAG provides a key forum for FinCEN's domestic constituencies to discuss pertinent issues and to offer feedback and recommendations for improving BSA records and reports. FinCEN interacts with its international partners through the Egmont Group, as well as through direct information sharing agreements.

### Regulatory Agencies

Responsibility for conducting BSA compliance examinations has been delegated to the following Federal regulatory agencies with respect to the financial institutions they supervise:

- Federal Deposit Insurance Corporation
- Board of Governors of the Federal Reserve System
- Office of the Comptroller of the Currency
- Office of Thrift Supervision
- National Credit Union Administration
- U.S. Securities and Exchange Commission
- U.S. Commodity Futures Trading Commission

FinCEN has delegated compliance examination activities for regulated financial institutions without a Federal regulator to the IRS-SB/SE. FinCEN assists and supports all of these agencies to promote effective and uniform application of BSA regulations, and they refer to FinCEN cases of significant non-compliance. FinCEN retains responsibility for enforcement actions for violations of the BSA and FinCEN's implementing regulations.

FinCEN also works closely with State regulators to promote BSA compliance by the financial institutions they supervise.

### Law Enforcement

FinCEN partners with members of the law enforcement community utilizing a number of mechanisms to facilitate broad customer access and input. FinCEN has relationships with the largest Federal law enforcement agencies through direct information sharing agreements and full-time detailed assignments at FinCEN and with the U.S. Attorneys' Offices through the FFETF, information sharing agreements, and DOJ's National Advocacy Center. Similarly, the Gateway Coordinator Program facilitates data access and information sharing with all 50 states and major local authorities throughout the country. FinCEN supports these agencies' investigative efforts and works with them on potential BSA-related issues.

# Key Partners

## Bank Secrecy Act Advisory Group

### Bank Secrecy Act Advisory Group

Congress established the 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 BSAAG meets twice each year in Washington, D.C., and the subcommittees continue their work throughout the year. The Director of FinCEN chairs the BSAAG, which is exempt from the Federal Advisory Committee Act.

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 public application process. In January 2010, FinCEN published a notice in the Federal Register soliciting applicants for 11 vacancies on the BSAAG. Three of the selected applicants were members that were renewed for an additional 3-year term, and eight of the selections were new to the BSAAG.

The BSAAG utilizes a variety of permanent and ad hoc subcommittees to identify and analyze relevant issues.

These subcommittees focus on issues related to the banking industry; prepaid access products; cross-border wire transfers; privacy/security; non-bank financial institutions; the insurance industry; IT; the securities and futures industry; SARs; and law enforcement. 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 (see page 25).

# Key Partners

## The Egmont Group

### The Egmont Group

The Egmont Group is an international body made up of FIUs, which are central, national agencies responsible for receiving, analyzing, and disseminating disclosures of financial information.

FIUs play a key role in the global fight against money laundering, the financing of terrorism, and other financial crime by transforming financial transaction data into financial intelligence. FIUs have a unique authority to share financial intelligence to help law enforcement combat transnational crime.

FinCEN and 14 other FIUs established the Egmont Group in 1995 as an informal network for sharing information about money laundering. Since then, the Egmont Group has grown markedly and has evolved from an informal network into a self-sustaining, internationally recognized entity. A permanent Secretariat for the Group was established in Toronto, Canada in 2007. The Egmont Group's evolution has strengthened information exchange and international cooperation to combat AML and the financing of terrorism.

FinCEN supports the Egmont Group in a variety of ways. It sponsors new FIUs for membership in the Group and provides and maintains the Egmont Secure Web (ESW), a secure internet system used for FIU-to-FIU information exchanges. As the administrator of the ESW, FinCEN serves as a permanent representative on the Egmont Committee, the consultative

and coordination mechanism for Egmont's Working Groups and governing body. FinCEN also developed the Egmont Group's public Web site, <http://www.egmontgroup.org>, transferring maintenance of the site to the Egmont Secretariat in 2009.

FinCEN participates in all of the organization's five Working Groups, which are described below:

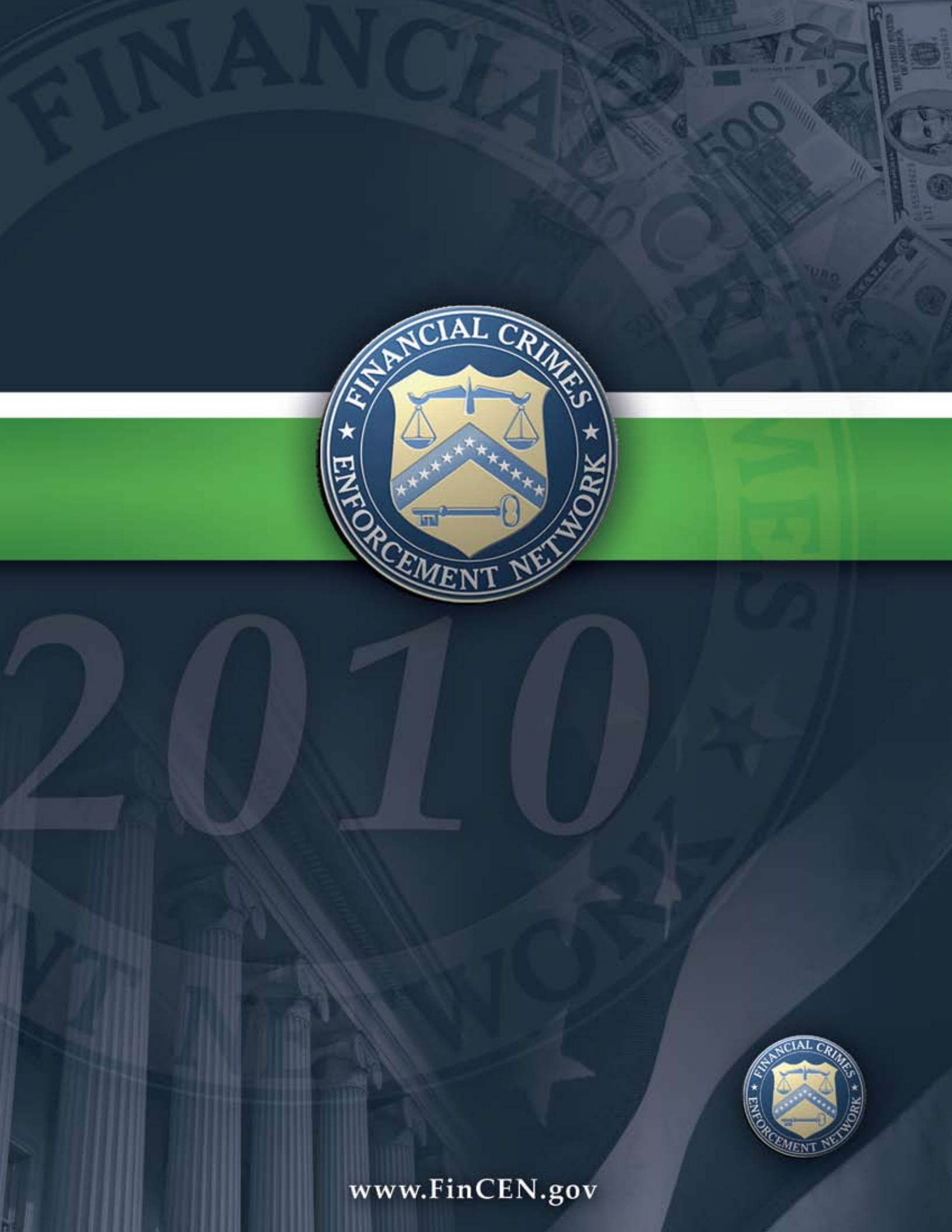
- The Outreach Working Group seeks to expand membership in the Egmont Group by identifying candidates and FIU sponsors to work with them to ensure compliance with international standards. The Working Group also coordinates with other international organizations to promote outreach in those areas of the world which need increased attention and resources. In line with the strategic and operational significance of the sub-Saharan African region, the Outreach Working Group is currently working with regional and international partner organizations to provide outreach, training, and development assistance to FIUs in that region.
- The Legal Working Group aims to protect the FIU-specific character of the Egmont Group and to enhance the mutual cooperation and information exchange between FIUs. 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.

# Key Partners

## *The Egmont Group continued...*

- The Operational Working Group seeks to bring FIUs together to work on cases and strategic projects. Current initiatives include an examination of the enhancements of FIU information exchange and a study of the impact of the financial crisis on anti-money laundering systems within the financial sector.
  - 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 ESW, the secure internet system used for FIU-to-FIU information exchange.
  - The Training Working Group identifies training needs and opportunities for FIU personnel and conducts training seminars for Egmont members and non-members. Training programs focus on areas of particular interest to Egmont members, including tactical analysis, mutual evaluation training, and best practices in management.
- Some of the key topics of this year's Plenary in which FinCEN played an active role were related to tactical and strategic analysis of financial information, working with financial regulators and supervisors to strengthen the broader AML/CFT framework within each jurisdiction, best practices in FIU security, and further discussion of the Egmont Group project looking at the benefits and risks of allowing global financial institutions to share within their corporate structure information related to suspicious activity as part of an enterprise-wide risk management strategy. In addition, FinCEN signed an MOU with the host FIU of Colombia, memorializing ongoing close cooperation in the exchange of information for AML/CFT purposes.

The Egmont Group held its 18th Plenary in Cartagena, Colombia in June 2010. This year's Plenary saw the admission of the FIUs of Afghanistan, Cameroon, Ivory Coast, and Uruguay, bringing the Egmont Group membership to 120. The Chair of the Egmont Group was passed from the Head of the FIU of Mexico to the Deputy Head of the Belgian FIU.



2010



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