



United States Department of the Treasury
Financial Crimes Enforcement Network

FinCEN Advisory

Subject:
**Introducing
The FinCEN
Advisory**

Date:
**March
1996**

Advisory:
Vol. 1, Issue 1

From FinCEN's Director

This advisory is the first in a recurring series designed for the financial, regulatory and law enforcement communities. Subsequent advisories will describe trends and developments related to money laundering and financial crime.

FinCEN's goal is to serve the interests of all its customers—providing intelligence and analysis for case support to federal, state, local and international law enforcement and regulators while also providing the financial communities with the information they need to help us prevent and detect financial crime.

The advisories are founded on two basic points that are central to Treasury's counter-money laundering programs. First, criminals need to use financial institutions to launder money and often deliberately structure their transactions to appear legitimate in order to avoid detection. Therefore, financial institutions are in a unique position to assess transactions which lack commercial justification or cannot be explained by normal commerce. It would be nearly impossible to do our job without the help of businesses who see money launderers first and up close—that is, banks and other financial institutions.

FinCEN relies on financial institutions to collect meaningful information—an effective program for detection and prevention of money laundering cannot succeed unless we enlist their cooperation and support. Recently, FinCEN took a number of steps to reduce unnecessary regulatory burdens on the financial community while, at the same time, improve the quality of information available to law enforcement. Some regulations or proposed regulations were eliminated altogether; the Currency Transaction Report (CTR) was redesigned, eliminating 30 percent of the information previously collected; and we are working to substantially reduce the number of CTRs which have to be filed. As a result of a cooperative effort with the regulatory community, the process by which banks report suspicious activity has also been drastically simplified.

Second, working in partnership with the financial community requires that we provide it with the information it needs to help us prevent and detect financial crime—information which describes the trends and patterns revealed through the investigatory and regulatory process.

What should bankers look for when they review transactions? What warning signs of money laundering should regulators look for when examining a financial institution? What are the clues that may indicate money laundering? What measures can be taken to disrupt criminal activity—using banks and other financial

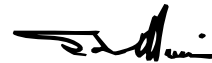


institutions to launder their illegally-gained profits? These are the difficult questions we will strive to answer.

The advisories, as well as other FinCEN publications, are designed to attempt to describe those clues and developments which may indicate criminal financial activity. We will need your advice. What situations are you seeing which should be made known to our readers? What topic is of particular interest to your organization? How can we best reach our goal of information exchange?

Advisories will convey different types of information. Some advisories will focus on general trends and developments that you, in the financial, regulatory and law enforcement communities should know. Other advisories will focus on the effect of those developments on specific obligations under the Bank Secrecy Act (BSA).

This first advisory lays out our plan and offers an overview of financial crime, financial investigation, and the Treasury's approach to those subjects. In future advisories, FinCEN will tell you what we are learning from our work with law enforcement and financial institution regulators. At the same time, we encourage you to make suggestions and share information



Stanley E. Morris
Director

Basic Facts about Money Laundering and FinCEN

Why is it important?

With few exceptions, criminals are motivated by one thing—profit. Greed drives the criminal, and the end result is that illegally-gained money must be introduced into a nation's legitimate financial systems. In just the United States alone, estimates of the amount of drug profits moving through the financial systems have been as high as \$100 billion.

Money laundering involves disguising assets so they can be used without detection of the illegal activity that produced them. This process has devastating social and economic consequences. For one thing, money laundering provides the fuel for drug dealers, terrorists, arms dealers, and other criminals to operate and expand their operations. Criminals manipulate financial systems in the United States and abroad to further a wide range of illicit activities. Left unchecked, money laundering can erode the integrity of our nation's and the world's financial institutions.

Why do we need financial investigations?

Financial investigations are essential if we are to beat criminals at their trade. Following the money leads to the top leadership of criminal organizations. But financial investigations are extremely complex and often difficult to carry out. First,

it takes many years of working in the financial industry to understand all its intricacies. Second, no single agency possesses a sufficiently broad or cross-jurisdictional focus and information base to track financial movements. Finally, the sheer size, variety, and pace of change of the financial sector make financial investigations even more difficult. The tools of the money launderer range from complex financial transactions, carried out through webs of wire transfers and networks of shell companies, to old-fashioned, if increasingly inventive, currency smuggling. As soon as law enforcement learns the intricacies of a new laundering technique and takes action to disrupt the activity, the launderers replace the scheme with yet another, more sophisticated method.

How has Treasury addressed the problem?

The Treasury has designated FinCEN as one of the primary agencies to formulate, oversee and implement policies to prevent and detect money laundering. It serves as the link among law enforcement, financial and regulatory communities. FinCEN accomplishes these objectives in several ways. It uses the Bank Secrecy Act (BSA) to implement comprehensive programs that go beyond currency to all financial activity and requires reporting and recordkeeping by banks and other financial institutions to preserve a financial trail for investigators to follow as they track criminals and their assets. The BSA also requires reporting of large and/or suspicious transactions that could trigger investigations.

FinCEN provides case support to its law enforcement customers—federal, state, local and international investigators—in the form of information and intelligence analyses. This information assists law enforcement in building investigations and developing new strategies to combat money laundering. Just as importantly, these reports form the core of information which is provided to FinCEN's other customers—the financial and regulatory communities—who can integrate this information into their compliance and regulatory programs. From these and other intelligence sources, FinCEN will produce advisories and other publications.

FinCEN Staff

FinCEN's unique staffing both reflects and sustains its mission. The majority of its 200 employees are permanent FinCEN personnel, including intelligence analysts, as well as specialists in the financial industry and computer field. In addition, about 40 long-term detailees are assigned to FinCEN from 21 different regulatory and law enforcement agencies.



Statutory Provisions

The Bank Secrecy Act (BSA), Pub. L. 91-508, as amended, codified at 12 U.S.C. 1829b, 12 U.S.C. 1951-1959, and 31 U.S.C. 5311-5330, authorizes the Secretary of the Treasury, *inter alia*, to issue regulations requiring financial institutions to keep records and file reports that are determined to have a high degree of usefulness in criminal, tax, and regulatory matters, and to implement counter-money laundering programs and compliance procedures. Regulations implementing Title II of the BSA (codified at 31 U.S.C. 5311-5330), appear at 31 CFR Part 103. The authority of the Secretary to administer the BSA has been delegated to the Director of FinCEN.

FinCEN Advisory is a product of the Financial Crimes Enforcement Network, U.S. Department of the Treasury, 2070 Chain Bridge Road, Vienna VA 22182, (703) 905-3773. Questions or comments regarding the contents of the FinCEN Advisory should be addressed to the Office of Communications, FinCEN. Information may also be faxed to (703) 905-3885.