



Highlights of [GAO-08-355](#), a report to congressional committees

Why GAO Did This Study

To aid law enforcement efforts against financial crimes, under the Bank Secrecy Act (BSA) depository institutions must file the Treasury Department's Financial Crimes Enforcement Network's (FinCEN) currency transaction report (CTR) form on their customers' cash transactions of more than \$10,000. While FinCEN's regulations allow institutions to exempt certain customers, over 15 million CTRs were filed in 2006. Public Law 109-351 directed GAO to report on (1) the usefulness of CTRs to law enforcement; (2) depository institutions' costs of meeting CTR requirements; and (3) ways to encourage use of exemptions to avoid unnecessary CTRs. Among other things, GAO obtained data from FinCEN on CTRs and exemptions from 2004 to 2006, surveyed 115 state and local law enforcement agencies and 680 depository institutions, held structured interviews with officials of federal agencies and depository institutions, and reviewed relevant laws and regulations.

What GAO Recommends

GAO recommends that the Secretary of the Treasury direct FinCEN to consider routinely publishing summary information on CTR use, revise certain regulations that deter exemptions, and provide additional guidance and Web-based material to help depository institutions interpret exemption requirements. FinCEN concurred with our regulatory and guidance recommendations and stated that it will consider options for providing feedback on CTR use.

To view the full product, including the scope and methodology, click on [GAO-08-355](#). To view the results of GAO's surveys, click on [GAO-08-385SP](#). For more information, contact David G. Wood at (202) 512-6878 or woodd@gao.gov.

BANK SECRECY ACT

Increased Use of Exemption Provisions Could Reduce Currency Transaction Reporting While Maintaining Usefulness to Law Enforcement Efforts

What GAO Found

According to federal, state, and local law enforcement officials, CTRs provide unique and reliable information essential to a variety of efforts, and recent advances in technology have enhanced law enforcement agencies' ability to use CTR data by integrating it with other information. In addition to supporting specific investigations, CTR requirements aid law enforcement by forcing criminals attempting to avoid reportable transactions to act in ways that increase chances of detection through other methods. Linking law enforcement's use of CTRs to specific outcomes is difficult, however, because agencies do not track their use of CTRs, which are typically one of many information sources used in investigations. FinCEN does not routinely publish summary information on law enforcement uses of CTR data—as it does for other data required under the BSA—that could help depository institutions understand the value of CTRs.

While fewer than 30 of the largest U.S. depository institutions accounted for over half of new CTRs filed during the period GAO examined, all of the nation's approximately 17,000 institutions incur some costs to meet CTR requirements. Institutions must have processes and staff in place to identify when and if a CTR is required, as well as the ability to aggregate same-day cash transactions by or on behalf of the same person; file CTRs correctly; and, if desired, establish and maintain exemptions for certain customers. Institutions GAO contacted were generally unable to quantify these costs, in large part because they use the same processes and staff for other purposes. While automation has made CTR tasks less difficult, almost all institutions reported that they have not completely automated all steps, such as reviews of CTRs by institution officials.

GAO's work identified a number of factors that deter use of exemptions, as well as opportunities for increasing their use, thereby reducing the number of CTRs that are likely of little or no value to law enforcement efforts. As reasons for not exempting eligible customers, institutions cited uncertainty about the documentation required to demonstrate that some customers are in fact eligible, along with concern that federal banking regulators (who examine institutions for compliance with CTR requirements) would find fault. Institutions also cited as deterrents the need to meet FinCEN's regulatory requirements to (1) file an exemption form, and annually review the supporting data, particularly for hundreds of customers that are specifically exempted by statute; and (2) biennially renew eligibility for some customers—a process that as a practical matter duplicates the required annual reviews for those customers. Institution officials indicated that additional guidance from FinCEN, as well as Web-based material to help train their staff in making exemption determinations, could increase the use of exemptions. Removing regulatory deterrents and providing additional guidance and Web-based material could help depository institutions avoid filing unnecessary CTRs without harming law enforcement efforts.