

The Financial Crimes Enforcement Network

Mission:

To safeguard the financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity.

Program Summary by Appropriations Account

(Dollars in Thousands)

Appropriation	FY 2005	FY 2006	FY 2007		
	Enacted	Enacted	President's Budget	Change	% Change
Salaries and Expenses	\$71,922	\$72,894	\$89,794	\$16,900	23.2%
BSA Administration & Analysis	63,635	64,458	81,143	16,685	25.9%
Regulatory Support Programs, including MSB	8,287	8,436	8,651	215	2.5%
Subtotal, Financial Crimes Enforcement Network	\$71,922	\$72,894	\$89,794	\$16,900	23.2%
Offsetting Collections - Reimbursables	1,541	3,541	1,541	(2,000)	-56.5%
Total Program Operating Level	\$73,463	\$76,435	\$91,335	\$14,900	19.5%

Overview

The Financial Crimes Enforcement Network (FinCEN), a bureau which reports to the Under Secretary, Office of Terrorism and Financial Intelligence, is the largest overt collector of financial intelligence in the United States. This is accomplished through the administration of the Bank Secrecy Act; supporting law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence; building global cooperation with counterpart financial intelligence units; and networking people, ideas, and information.

In FY 2005, FinCEN accomplished the following:

- Established and executed information sharing agreements with 41 federal and state regulatory agencies, which enables better understanding of industry compliance with the Bank Secrecy Act, and improves interagency cooperation in the areas of anti-money laundering and Bank Secrecy Act compliance,
- Hosted the 13th Egmont Plenary in June 2005, where membership in this global organization grew to more than 100 financial intelligence units,
- Managed development of the BSA Direct data warehouse, which will improve and streamline

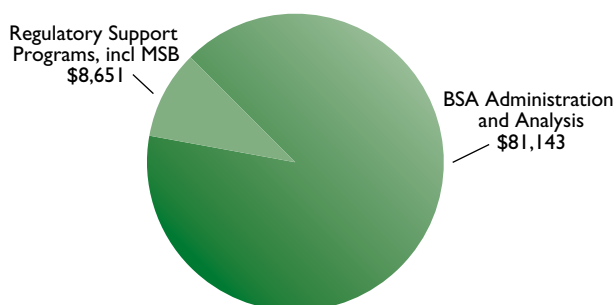
our customers' ability to access, and analyze data collected under the Bank Secrecy Act, and

- Initiated a feasibility study to outline options for collecting crossborder wire transfer data, which will be completed in FY 2006.

In FY 2007, FinCEN will continue to enhance its regulatory outreach and strengthen analytical capabilities, upgrade the BSA Direct reporting and retrieval component, and, pending the Treasury Secretary's approval of the feasibility study, begin development of a cross-border wire transfer reporting system. To accomplish these priorities, FinCEN requests \$89,794,000 in direct appropriations to support 352 FTE supplemented by \$1,541,000 in reimbursable resources for a total operating level of \$91,335,000.

FinCEN Funding by Budget Activity

(Dollars in Thousands)



Performance Highlights

To accomplish its strategic goals, FinCEN established priorities for FY 2007. First, FinCEN will strengthen efforts to oversee the effective and uniform application of the Bank Secrecy Act (BSA), aimed at reducing vulnerability of financial institutions to abuse by terrorists and other criminals. Second, in coordination with Treasury's Office of Intelligence and Analysis, FinCEN will enhance analysis of Bank Secrecy Act data and other relevant information to combat terrorism, money laundering, and other financial crime. Third, FinCEN will intensify international anti-money laundering collaboration through the global network of financial intelligence units, playing a leadership role in the Egmont process. Finally, FinCEN will continue to enhance technology to improve the collection and access to the Bank Secrecy Act data through integration of all processes into BSA Direct.

FinCEN will continue to work closely with its regulatory partners both domestically and internationally to expand and establish information sharing processes. In FY 2005, FinCEN made significant progress in expanding information sharing among its regulatory partners and international financial intelligence units. These accomplishments include the establishment of a BSA compliance office, issuance of revised BSA examination guidelines, participation in Financial Action Task Force (FATF) bodies for the Middle East, North Africa and Eurasia, and expansion of the Egmont Secure Web to an additional nine financial intelligence units. In addition, FinCEN assessed a civil money penalty against AmSouth Bank in the amount of \$10 million and Arab Bank for \$24 million.

In FY 2007, FinCEN will continue to expand coordination between federal and state regulatory agencies and financial service providers. FinCEN will establish Memoranda of Understanding to exchange compliance data with an additional seven regulatory agencies, bringing to 48 the number of agencies which have agreed to share Bank Secrecy

Act compliance data. FinCEN will also participate in conferences and other outreach activities to educate industries newly covered by the Bank Secrecy Act reporting regulations, process enforcement matters within one year, and issue regulatory guidance to financial institutions subject to the Bank Secrecy Act.

FinCEN analysts conduct research and analysis of BSA and other data to uncover money laundering, illicit finance and terrorist financing. In FY 2005, FinCEN increased production of complex analytic work from 1.6 percent in FY 2004 to 10 percent. In FY 2007, FinCEN will increase its production of complex analysis products to 50 percent, reduce the median time between the receipt of a financial institution hotline tip and the transmittal of information to the law enforcement and intelligence community and reduce the average financial institution compliance review time. On the international side, FinCEN will also increase the number of countries connected to the Egmont Security Web.

In addition to its regulatory and analytical roles, FinCEN collects data and shares this data with authorized law enforcement, regulatory and intelligence agencies. Agencies are provided direct access to financial data through BSA access systems. In FY 2005, FinCEN surpassed the target of 3,000 direct access users and FinCEN staff developed online training and testing modules for new users. Some of the goals for FY 2007 are to increase the number of users directly accessing the BSA data to 8,000, to achieve an 80 percent electronic filing rate, and to reduce the government's cost per electronic filing of BSA forms. In FY 2007, FinCEN will continue to integrate and modernize the various components of the BSA data collection and sharing systems. This includes upgrading the electronic filing component and expanding the access capacity to serve 400 concurrent users. The goal of this modernization effort is to improve the quality of the BSA data by preventing the omission of critical information, validating the information collected, and improving feedback on the use and utility of the data.

FinCEN Performance by Budget Activity

Budget Activity	Performance Measure	FY 2003	FY 2004	FY 2005		FY 2006	FY 2007
		Actual	Actual	Actual	Target Met?	Target	Target
Investigative Analysis and BSA administration	Average time to process enforcement matters (in Years) (E)	1.3	1	1.3	✗	1	1
	Percentage of customers finding FinCEN's analytic support valuable (%) (Oe)	n/a	n/a	73	✓	75	78
	Number of vulnerable industries covered by anti-money laundering regulations (Oe)	10	10	11	✗	Discontinued	Discontinued
	Number of users directly accessing BSA data through FinCEN's Gateway Process (Oe)	1,105	2,181	3,941	✓	Discontinued	Discontinued
	Percentage of users who rate the BSA Direct system satisfactory for their work requirements (Oe)	n/a	n/a	n/a	n/a	Baseline	TBD
	Number of federal and state regulatory agencies with which FinCEN has established MOU/information sharing agreements.	n/a	n/a	41	Baseline	45	48

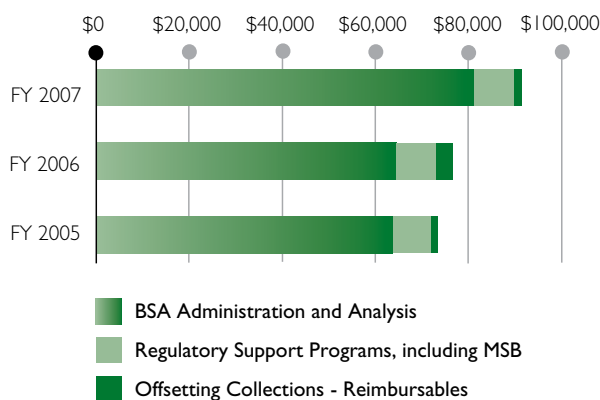
(E) = Efficiency Measure (Oe) = Outcome Measure (Ot) = Output Measure

Source of Funds

FinCEN requests \$89,794,000 in direct appropriations to support its activities in FY 2007 and \$1,541,000 from offsetting reimbursable agreements.

FinCEN Funding History

(Dollars in Thousands)



Budget Activities

Salaries and Expenses

BSA Administration and Analysis (\$81,143,000 from direct appropriations and \$1,541,000 from reimbursable agreements) FinCEN administers the Bank Secrecy Act through the promulgation of regulations, provides outreach and guidance to the regulated industries, initiates regulatory enforcement actions, and provides oversight of the compliance with the Bank Secrecy Act. FinCEN supports law enforcement and intelligence activities by linking the BSA data with other data to support policy decisions. FinCEN also facilitates the exchange and analysis of investigative information with foreign jurisdictions, and refers information that identifies suspicious financial activity. FinCEN is modernizing the systems that provide direct access to the BSA data to authorized law enforcement, regulatory, and intelligence agencies.

Regulatory Support Programs, including Money Services Businesses (\$8,651,000 from direct appropriations)

This activity supports requirements to strengthen anti-money laundering controls with the money

services industry, casinos, securities broker-dealers, and other industries with new program or reporting requirements under the Bank Secrecy Act. This budget activity also supports FinCEN's efforts with the Internal Revenue Service to ensure industry compliance and support the collection of BSA data in the money services industry.

FinCEN FY 2007 Budget Highlights

(Dollars in Thousands)

	Amount
FY 2005 Enacted	\$71,922
FY 2006 Appropriation (PL. 109-115)	73,630
Rescission (PL. 109-148)	(736)
FY 2006 Enacted	\$72,894
Current Services	
Adjustments to Maintain Current Levels	\$4,427
Annualization of FY 2006 Initiatives	2,498
Pay Annualization	229
Proposed Pay Raise	635
Non-Pay Inflation Adjustment	1,065
Program Reductions	(\$5,749)
Realignments to Enhance Critical Operations	(3,211)
Realignments to Strengthen Regulatory Oversight	(2,538)
Base Re-investments	5,749
Enhancements to Strengthen Critical Operations	3,211
Strengthen Regulatory Compliance and Oversight	2,538
Current Services Level	\$77,321
Program Adjustments	
Program Increases	12,473
Enhance BSA Direct, including electronic filing	2,473
Develop BSA Direct - Crossborder Wire Transfer System	10,000
FY 2007 President's Budget Request	\$89,794

FY 2007 Budget Adjustments

FY 2006 Enacted

Current FY 2006 estimate to fund salaries and expenses is \$72,894,000. FinCEN will invest at least \$500,000 of unexpended prior year funding to support the transition and modernization of BSA collection and dissemination processes or systems. Specifically, this includes a critical study

of the Internal Revenue Service's BSA collection and dissemination processes. This study is crucial to planning for transition of all BSA process from the Internal Revenue Service to the Financial Crimes Enforcement Network. Other related modernization and transition costs may be identified as FinCEN continues to roll out BSA Direct systems.

Current Services

Adjustments to Maintain Current Levels +1,929,000/0 FTE FinCEN requests \$229,000 to fund the FY 2007 cost of the January 2006 pay increase; \$635,000 to fund the proposed January 2007 pay raise and other labor related benefits; and \$1,065,000 for non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments.

Annualization of the FY 2006 Program Increases +\$2,498,000/+18 FTE This provides additional funding to annualize the staffing initiative approved in FY 2006. The increased staff enables the bureau to better assess and respond to the challenges posed by terrorist financiers and operatives, money launderers, and other perpetrators of financial crime against domestic and global financial systems. This includes: 1) enhance outreach to financial institutions newly covered by Bank Secrecy Act Regulations, and strengthen oversight of examination and enforcement activities; 2) strengthen analytical support services by building a secure support structure to fully integrate all data sources; 3) expand support to international financial intelligence units to facilitate information exchange and coordination, and increase technical support and training functions associated with expanding the Egmont secure network; and 4) upgrade Bank Secrecy Act filing environment by improving marketing and outreach for electronic filing and augment analytical tools to improve search capabilities.

Program Reductions

Realignments to Enhance Critical Operations -\$3,211,000/-19 FTE FinCEN continually reviews and reprioritizes its activities to meet critical mission requirements. Following a major reorganization in FY 2005, FinCEN realigned resources to better address the goals in its updated Strategic Plan. This included automating a number of data-related functions performed by contractors to facilitate

information sharing under Section 314(a) of the USA PATRIOT Act, retiring internal legacy systems whose functionality will be encompassed in the new BSA Direct system, reducing the number of supervisory staff by ten to create a more proportionate organizational structure, and consolidating duties of five administrative positions to improve operational efficiency.

Realignments to Strengthen Regulatory Oversight -\$2,538,000/-19 FTE As part of the reorganization completed in FY 2005, FinCEN reevaluated BSA compliance oversight activities in light of several high-profile enforcement actions. As a result of this review, FinCEN reassigned five personnel from regulatory policy to compliance oversight issues. Similarly, FinCEN also reprioritized analytical efforts by redirecting fourteen positions from law enforcement case analysis to analyze BSA data to identify potential regulatory compliance issues and analyze information obtained from the new regulatory information sharing agreements.

Base Reinvestments

Enhancements to Strengthen Critical Operations +\$3,211,000/+23 FTE FinCEN redirected contract funds from the automation of 314(a) functions to create four new positions to centralize compliance assistance for 314(a) activities, enhancing our information sharing program. FinCEN also redirected five staff supporting legacy systems that will be replaced, to strengthen BSA Direct project oversight and related activities. Most significantly, FinCEN redirected 10 employees from supervisory positions to higher priority operational functions throughout the organization, strengthening functions critical to achieving the revised strategic goals. Finally, FinCEN consolidated administrative activities and redeployed four positions to support the expanding workload associated with managing BSA Direct customer profiles.

Strengthen Regulatory Compliance and Oversight +\$2,538,000/+19 FTE FinCEN redirected staff to enhance compliance oversight functions both in the regulatory and analytical areas. Specifically, FinCEN redirected five regulatory policy staff to establish a dedicated staff to oversee Bank Secrecy Act compliance activities, forming the Office of

Compliance. In addition, FinCEN restructured investigative and strategic analytical functions and reassigned fourteen staff to form the Office of Regulatory support. This expanded support provides dedicated analytical support to enhance oversight through Bank Secrecy Act data analysis to identify potential regulatory compliance issues and systematic data quality inconsistencies.

Program Increases

Enhance BSA Direct +\$2,473,000/0 FTE To improve operations and align functional responsibilities, the Bank Secrecy Act (BSA) collection processes will transition over time from the Internal Revenue Service to the Financial Crimes Enforcement Network. In anticipation of this transition, FinCEN will enhance the BSA Direct system, including integration and enhancements to the BSA electronic filing component. These upgrades include reference number assignment, error notification or other correspondence, and improved editing of certain types of filing errors. The retrieval and sharing component that will become operational in FY 2006, will require system enhancements to accommodate anticipated growth in the user base. This increase supports growth within the user base as users are transitioned from other BSA access systems to BSA Direct.

BSA Direct - Cross-Border Wire Transfer System Initiative +\$10,000,000/0 FTE The Intelligence Reform Act of 2004, Section 6302, directed the Secretary of the Treasury to report to Congress on the necessity and feasibility of implementing technological systems to receive, store, exploit, and disseminate reports of certain cross-border electronic transmittals of funds. If the Secretary determines such systems are reasonably necessary to fight financial crime and feasible, a significant portion of the system development must occur in FY 2007 to meet the statutory completion deadline of December 2007. This will also include the prescription of regulations requiring appropriate financial institutions to submit such reports to FinCEN. As background, current data systems contain approximately 175 million individual reports (about 15 million per year). The proposed investment would require the capacity to receive, store, analyze, and disseminate tens of millions of additional reports per year. To meet

the high data storage and retrieval requirements associated with this report, FinCEN will expand several components of the BSA Direct System. The investment will significantly enhance our ability to support intelligence agencies and law enforcement customers in conducting complex financial investigations, enhance law enforcement's ability to punish and deter criminal activity, including terrorist financing, and improve the Department of the Treasury's ability to support future seizure and forfeiture activities.