

# *Annual Report*

Financial Crimes Enforcement Network

*Fiscal Year* **2011**



# 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.*

## **TFI Reflects Upon Anniversary of Terrorist Attacks, Continues to Combat Terrorist Financing**

*“The long arc of Treasury’s efforts to counter terrorist financing began before 9/11, with work by Secretaries Rubin, Summers, and O’Neill to combat money laundering.*

*After 9/11, it was evident that we needed a dedicated office to disrupt the funding networks to terrorist organizations. Secretary Snow established Treasury’s Office of Terrorism and Financial Intelligence, or TFI, and President Bush named Stuart Levey its first Under Secretary.*

*Stuart, together with a remarkably talented group of individuals, built a comprehensive strategy to combat terrorist financing, armed with an innovative, powerful set of tools. Their accomplishments have fundamentally changed and strengthened the way we fight terrorism.*

*That team - which is led today by David Cohen, Danny Glaser, Leslie Ireland, Adam Szubin and Jim Freis - continues to carry on the work that Stuart and Secretary Paulson were instrumental in establishing.”*

Timothy Geithner  
Secretary of the Treasury  
Remarks as Prepared for Delivery at the Department’s Counter-Terrorist  
Financing Symposium  
September 8, 2011

# Message from the Director



**T**he past year has been one of the most productive in FinCEN's history, and one of which the women and men of FinCEN can be justifiably proud.

Our successes can be attributed to fulfillment of our core mission in supporting law enforcement and protecting the integrity of the financial markets against criminal abuse. Fiscal year 2011, as well as looking ahead to 2012, will serve as a period of transformation as we dedicate significant time and effort to forward-looking investments – in technology and the people who use it, while solidifying existing and developing new partnerships – that will yield benefits for years to come.

As FinCEN celebrated the 20th anniversary of its establishment last year, we recalled the visionaries who conceived of a dedicated, data-driven network to link law enforcement at the Federal, State, and local levels; together with a broad range of financial institutions and the agencies that supervise them; both domestically and internationally; and to leverage their collective insights in furtherance of a common goal of protecting our people against the scourge of money laundering and other financial crime. Since time immemorial, we have known that money motivates almost all criminal behavior. The insight of these founders was how to better follow the money and turn financial information into financial intelligence to detect and deter criminal behavior. The greatest tribute to those visionaries is for FinCEN to bring their dreams to fruition, and in fiscal year 2011 the facts speak for themselves.

FinCEN is fundamentally a service organization to law enforcement, and, therefore, we measure our performance in relevant part by our ability to advance the missions of our respective law enforcement customers. FinCEN analysis at the strategic level supports intelligence-led efforts to more efficiently deploy law enforcement resources to combat threats, while case level analysis furthers specific criminal investigations and prosecutions. Even as we have focused for decades on expanding law enforcement access to, and utilization of, the financial transactions reporting that FinCEN collects and holds in the public trust, our collective experience has repeatedly and increasingly confirmed the value to law enforcement of analytical support by FinCEN's small yet

# *Message from the Director*

highly specialized team. This can best be understood in the context of the facts that a criminal investigator, even one specialized in financial crime, may spend years on all aspects of a case in which detailed financial transactions analysis comprises only a small percentage of the investigator's time (even if a critical component) in comparison to other duties involving surveillance, interrogation, evidence gathering, etc.

FinCEN dedicates its finite analytical resources to support those criminal investigations demanding advanced expertise in interpreting the ways money moves, involving large amounts of data, or novel situations where the insights from the specific investigation can be extrapolated and shared across the many agencies FinCEN supports. In this past year's survey of law enforcement, FinCEN's customers reported a 6 percentage point increase to 86 percent of them confirming that FinCEN's analytic reports contributed to the detection and deterrence of financial crime, for example by generating a new lead, providing information previously unknown, or resulting in the opening of a new investigation. This positive impact of FinCEN analytical support in individual cases – be they related to healthcare fraud, narcotics trafficking, or terrorist financing – was particularly noteworthy when viewed in conjunction with the increased number of cases supported: in fiscal year 2011, the number of law enforcement requests received was up 27 percent over 2010 and double that of only two years earlier in 2009.

On the regulatory front, FinCEN also delivered more substantive improvements than in perhaps any year in its history. FinCEN saw through to fruition the effort to reorganize our regulations in a more clear and straightforward way, and thereby also provide a logical framework for any future changes. The MSB rules were clarified to better reflect evolution of the industry and its oversight over the past dozen years. FinCEN also expanded its regulations to cover two new sectors: prepaid access and non-bank mortgage brokers and originators, which regulations will take full effect in 2012. The regulations over these two distinct and significant financial sectors address regulatory gaps that criminals have sought to exploit. In 2011, FinCEN also implemented a regulation in furtherance of the Comprehensive Iran Sanctions, Accountability, and Divestment Act, in addition to the abovementioned efforts to implement provisions of the Bank Secrecy Act.

# *Message from the Director*

What I am most proud about it is that our regulatory efforts in the past year have been more closely coordinated with law enforcement than ever before – at all stages, from prioritizing our efforts in light of risks, and in seeking to strike the right balance in promoting legitimate activity while making financial institutions more resistant to criminal abuse. This unprecedented level of coordination also continues in our advisories to financial institutions, where we have sought to develop red flags from actual law enforcement cases and our experience in interpreting them.

In the international arena, FinCEN continues to realize the vision of our predecessors, as well as gain commitments to do more for the future. The Egmont Group of financial intelligence units (FIUs) gained seven new members, swelling its ranks with representatives from 127 jurisdictions, while also committing to further strengthen the FIU channel for exchange of information. This underscores the global recognition of the importance both of anti-money laundering and counter-terrorist financing (AML/CFT) efforts, as well as the critical and unique role played by FIUs. More importantly, however, FinCEN exchanged case information in furtherance of actual law enforcement investigations with FIUs from almost 100 different jurisdictions. Egmont discussions have also increasingly included AML/CFT regulatory aspects, a reflection that FIUs from a majority of jurisdictions around the world now combine certain regulatory responsibilities as mutually reinforcing together with the traditional functions of collection, analysis, and dissemination to law enforcement of financial information.

Just 5 years ago, the foremost question raised by financial institutions was about AML/CFT reporting requirements – out of concern that reports were filed but rarely reviewed. The public record is now strong that the information reported by financial institutions is utilized carefully and wisely to protect our citizens and our economy. In past annual reports, I have highlighted our efforts to share more information with regulated institutions and promote communication and understanding in both directions. Today, there is a much more constructive dialogue about how both industry and the government can focus limited resources to the areas of greatest risk. FinCEN's outreach efforts with financial institutions have been an unqualified success, and we look forward to continuing them, as resources permit, in particular with newly regulated sectors.

# *Message from the Director*

FinCEN's investment in information technology continues. Following 3 years of planning, in 2010 FinCEN launched a multi-year IT modernization, moving through design and building phases in 2011. As this annual report is finalized for publication, FinCEN is preparing to assume for the first time the system of record of the reports filed pursuant to FinCEN regulations implementing the Bank Secrecy Act. With this milestone, FinCEN will also take over responsibilities related to industry reporting that the IRS has performed for the past forty years, while continuing the transition from paper to electronic filing. In 2012, FinCEN will begin synthesizing these reports with other information sources to make enhanced information and a broader range of data available to FinCEN analysts and external users, together with additional analytical tools. We look forward to employing new, more capable analytical tools not only in support of law enforcement, but also in developing a more risk-based approach to our compliance supervisory efforts, particularly as we seek to cover newly regulated sectors and to partner more closely with State supervisors. Further investments in the coming year will lead to future capacities to bring critical, more refined, and more timely information to the attention of targeted law enforcement personnel, and to further track the protection, use, and usefulness of that information.

In all of these achievements, FinCEN's greatest resource remains its people, and the relationships of trust they have earned with our partners across the country and across the globe. Their dedication and commitment to FinCEN's mission serves as a constant source of inspiration. As with many others in public service, in a time of fiscal constraints, we are called upon to do more with less. For the first time in FinCEN's history, our staff numbers declined, as we took a prudent posture to implement declining budgets. More than ever we need to focus on the unique value FinCEN can create, prioritize efforts among many opportunities, and manage expectations among many external stakeholders as to what we can reasonably achieve when we work together.

We begin 2012 with a long list of tasks, including investing in our people to prepare them to best put to use the expanded, IT-enabled environment being developed; promoting a more risk-based approach for facilitating compliance in expanded industry sectors; and engaging

# *Message from the Director*

with domestic and international partners committing increasing resources and prioritization to utilizing financial intelligence. I am sure that FinCEN will rise to these challenges, and am confident that we are at our strongest when we draw upon all of our authorities and know-how from the law enforcement support and regulatory sides, domestic and international.

James H. Freis, Jr.  
Director  
December 2011



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# *Abbreviations Used in This Report*

<b>AML</b>	Anti-Money Laundering
<b>BECA</b>	Best Egmont Case Award
<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>CFL</b>	Computers For Learning
<b>CFO</b>	Chief Financial Officer
<b>CFT</b>	Counter-Financing of Terrorism
<b>CFTC</b>	Commodity Futures Trading Commission
<b>CIA</b>	Central Intelligence Agency
<b>CIO</b>	Chief Information Officer
<b>CISADA</b>	Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010
<b>CMBS</b>	Commercial Mortgage Backed Securities
<b>CMIR</b>	Report of International Transportation of Currency or Monetary Instruments
<b>CNBV</b>	Comisión Nacional Bancaria y de Valores (Mexico)
<b>CREF</b>	Commercial Real Estate Fraud
<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>DMC</b>	Data Management Council
<b>DOEP</b>	Designation of Exempt Person
<b>DOJ</b>	U.S. Department of Justice

# *Abbreviations Used in This Report*

<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>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>FFETF</b>	Financial Fraud Enforcement Task Force
<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>FINRA</b>	Financial Industry Regulatory Authority
<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>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
<b>HUD</b>	U.S. Department of Housing and Urban Development

# *Abbreviations Used in This Report*

<b>ICE</b>	U.S. Immigration and Customs Enforcement
<b>IEEPA</b>	International Emergency Economic Powers Act
<b>INCSR</b>	International Narcotics Control Strategy Report
<b>IRGC</b>	Islamic Revolutionary Guard Corps (Iran)
<b>IRS</b>	Internal Revenue Service
<b>IRS-CI</b>	Internal Revenue Service, Criminal Investigation
<b>IT</b>	Information Technology
<b>LCB</b>	The Lebanese Canadian Bank
<b>MOU</b>	Memorandum of Understanding
<b>MSB</b>	Money Services Business
<b>MT</b>	Money Transmitter
<b>NAAG</b>	National Association of State Attorneys General
<b>NAT SAR</b>	National Suspicious Activity Report Review Team
<b>NDAAs</b>	National District Attorneys Association
<b>OCC</b>	Office of the Comptroller of the Currency
<b>OCDETF</b>	Organized Crime Drug Enforcement Task Force
<b>OFR</b>	Office of Financial Regulation (Florida)
<b>OIG</b>	Office of Inspector General
<b>ONDCP</b>	Office of National Drug Control Policy
<b>PEP</b>	Politically Exposed Person
<b>PPIP</b>	Public-Private Investment Program
<b>RMSB</b>	Registration of Money Services Business form
<b>SAR</b>	Suspicious Activity Report
<b>SAR-C</b>	Suspicious Activity Report by Casinos and Card Clubs

# *Abbreviations Used in This Report*

<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>SFDW</b>	Single Family Data Warehouse
<b>SIGIR</b>	Special Inspector General for Iraq Reconstruction
<b>SIGTARP</b>	Special Inspector General for the Troubled Asset Relief Program
<b>SMART</b>	Suspicious Mortgage Activity Review and Targeting
<b>STR</b>	Suspicious Transaction Report
<b>SWBAMLA</b>	Southwest Border Anti-Money Laundering Alliance
<b>SWB-ESG</b>	Southwest Border Executive Steering Group
<b>TALF</b>	Term Asset-Backed Securities Loan Facility
<b>TARP</b>	Troubled Asset Relief Program
<b>UIF</b>	Unidad de Inteligencia Financiera (Mexico)
<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>VAV</b>	Variable Air Volume
<b>WMD</b>	Weapons of Mass Destruction

# 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.

FinCEN exercises regulatory functions primarily under the Currency and Financial Transactions Reporting Act of 1970, as amended by Title III of the USA PATRIOT Act of 2001 and other legislation, which legislative framework is commonly referred to as the "Bank Secrecy Act" (BSA).<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 anti-money laundering (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 to the Director of FinCEN the authority to implement, administer, and enforce compliance with the BSA and associated regulations.

Congress has given FinCEN certain duties and responsibilities for the central collection, analysis, and dissemination of data reported under FinCEN's regulations and other related data in support of government and financial industry partners at the Federal, State, local and international levels. To fulfill its responsibilities toward the detection and deterrence of financial crime, FinCEN:

- Issues and interprets regulations authorized by statute;
- Supports and enforces compliance with those 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 FinCEN's reporting requirements;
- Maintains a government-wide access service to FinCEN's data, and networks users with overlapping interests;

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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. Chapter X (formerly published at 31 C.F.R. Part 103).

# About the Financial Crimes Enforcement Network

- Supports law enforcement investigations and prosecutions;
- Synthesizes data to recommend internal and external allocation of resources to areas of greatest financial crime risk;
- Shares information and coordinates with foreign financial intelligence unit (FIU) counterparts on AML/CFT efforts; and
- Conducts analysis to support policymakers; law enforcement, regulatory, and intelligence agencies; FIUs; and the financial industry.

FinCEN serves as the FIU for the United States and is one of 127 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 (and, as permitted, requesting), analyzing, and disseminating to 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. FinCEN partners with law enforcement at all levels of government and supports the nation's foreign policy and national security objectives. 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).

## Tracking Illicit Finance Advances Foreign Policy and National Security Objectives

*“Illicit finance, in its many forms, is a threat to the integrity of our financial system, both domestically and internationally. Combating illicit finance not only protects our financial system from abuse by money launderers, terrorist financiers, weapons proliferators and others engaged in financial crime, but it helps to advance our most critical foreign policy and national security objectives. The many tools that the Treasury Department can deploy - ranging from anti-money laundering regulatory oversight, to outreach to counterparts overseas, to deploying targeted financial measures focused on particular individuals and entities - play an integral role in responding to many of the challenges we face. Treasury’s unique capacity to understand financial flows and the operation of the financial system, analyze financial intelligence, map financial and material support networks, and take targeted, powerful actions are key to meeting these challenges.”*

**David Cohen**

**Under Secretary for Terrorism and Financial Intelligence, Department of the Treasury**

**Prepared remarks at his confirmation hearing before the Senate Committee on Banking, Housing, and Urban Affairs**

**May 3, 2011**



# 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 implement and administer regulatory functions under Title II of the BSA. Thus, 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.

# History of the Financial Crimes Enforcement Network

## FinCEN Launches Interactive Timeline

In October 2011, FinCEN launched an interactive timeline detailing its history over the past decades. The timeline can be viewed at

[http://www.fincen.gov/about\\_fincen/pdf/FincenOurStory.pdf](http://www.fincen.gov/about_fincen/pdf/FincenOurStory.pdf).

The image shows a screenshot of the 'History of the Financial Crimes Enforcement Network' interactive timeline. The main window displays a quote from Eugene T. Rossides, dated June 9, 1970, regarding the agency's mission to combat organized crime and white-collar crime. A vertical timeline on the right side of the window shows years from 1970 to 2011, with 1990 selected. Below the main window are two smaller preview windows. The left preview window shows the year 1990, detailing the establishment of FinCEN and its original mission statement. The right preview window shows the year 2011, detailing regulatory updates and the requirement for MSBs to register with FinCEN.

**History of the Financial Crimes Enforcement Network**  
*Protecting the U.S. and international financial systems by helping financial institutions serve customers, not criminals*

1970 1990 2011  
1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

*"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 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

**1990**

- Establishment of FinCEN [308C]
- Brian M. Brub leads FinCEN as its first director; focuses on analyzing data and tracking financial criminals
- Original Mission Statement

*"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 [307-08]  
April 23, 1990

- Original org chart [308E]
- Original FinCEN seal (above)

**2011**

- FinCEN streamlines its regulations and establishes its own chapter in the Code of Federal Regulations at 31 CFR Chapter X [308E]
- Providers and sellers of prepaid access programs must file SARs and maintain customer and transaction information records; providers must register with FinCEN as MSBs
- FinCEN issues final rule that more clearly defines which businesses qualify as MSBs and are therefore subject to AML rules under the BSA

**F**inCEN's 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. Reports filed pursuant to FinCEN's regulations implementing the BSA 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 FinCEN'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 17.1 million reports pursuant to these regulatory requirements in fiscal year 2011.

Financial industry sectors subject to FinCEN's 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 (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 FinCEN Data

*“One vital weapon in the war on mortgage fraud has been FinCEN’s regulation that requires banks to establish anti-money laundering programs and to file suspicious activity reports. Mortgage fraud SARs, when combined with other data, can provide critical leads for fraud investigations.”*

**Michael Stephens**

Former Acting Inspector General,

Department of Housing and Urban Development

In a comment letter regarding FinCEN’s proposal to apply FinCEN

regulations to non-bank mortgage originators

February 2, 2011

(Mr. Stephens is currently Principal Deputy Inspector General at the Office of Inspector General, Federal Housing Finance Agency.)

# Financial Institution Reporting in Fiscal Year 2011

A variety of reports are required under FinCEN's regulations, 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 14.8 million CTRs were filed in fiscal year 2011, compared with about 14 million in fiscal year 2010.
- 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 1.4 million SARs were filed in fiscal year 2011, compared with 1.3 million filed 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 version of these forms are available at [www.fincen.gov](http://www.fincen.gov).

# Financial Institution Reporting in Fiscal Year 2011

The increase in reporting over the previous year may be attributed in part to FinCEN's efforts to enhance financial institutions' understanding of and compliance with the reporting requirements.

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 reports.<sup>2</sup> During the last 2 months of fiscal year 2011, about 87 percent of reports were E-filed, compared with 83 percent during the last 2 months of fiscal year 2010. The following table shows preliminary reporting figures for fiscal years 2009-2011 for each type of report.

## Bank Secrecy Act Filings by Type, Fiscal Years 2009 - 2011<sup>3</sup>

Type of Form	FY 2009	FY 2010	FY 2011
Currency Transaction Report (all types)	14,909,716	14,065,871	14,826,316
Suspicious Activity Report (for all covered industries)	1,321,848	1,319,984	1,446,273
Report of Foreign Bank and Financial Accounts	276,386	594,488	618,134
Registration of Money Services Business <sup>4</sup>	19,234	20,302	20,315
Designation of Exempt Person <sup>5</sup>	32,117	22,990	18,616
Report of Cash Payments Over \$10,000 Received in a Trade or Business (Form 8300)	180,801	174,023	194,366
Total <sup>6</sup>	16,740,102	16,197,658	17,124,020

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, 2009; October 1, 2010; and 3. October 1, 2011.
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.
6. In addition, the U.S. Homeland Security Department's Customs and Border Protection agency reported that 197,969 Reports of International Transportation of Currency or Monetary Instruments were filed in fiscal year 2011. These paper reports are not included in the total or in E-filing calculations.

# FinCEN's 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 FinCEN 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 FinCEN's major accomplishments toward its outcome and management goals in fiscal year 2011. 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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Hundreds of thousands of financial institutions are subject to FinCEN's reporting and recordkeeping requirements. These include depository institutions (e.g., banks, credit unions and thrifts); brokers or dealers in securities; mutual funds; futures commission merchants; introducing brokers in commodities; insurance companies that issue or underwrite certain products; money services businesses (e.g., money transmitters; issuers and sellers of money orders and travelers' checks; check cashers; dealers in foreign exchange; and providers and sellers of prepaid access); casinos and card clubs; dealers in precious metals, stones, or jewels; and other financial institutions.

FinCEN's regulatory requirements increase transparency and help to prevent criminals from abusing legitimate financial systems. Criminal abuse of financial services and products undermines the integrity of domestic and international financial markets. FinCEN seeks to protect U.S. interests by supporting and encouraging stronger AML policies and programs worldwide. FinCEN's major accomplishments in fiscal year 2011 toward this goal are described below:

## Chapter X

In March 2011, FinCEN established its own chapter in the Code of Federal Regulations at 31 CFR Chapter X. FinCEN's rules were reorganized and renumbered and appear under "Title 31 Chapter X - Financial Crimes Enforcement Network." The reorganization streamlined FinCEN's regulations into general and industry-specific parts, making the regulatory obligations clearer in their structure and more accessible to affected financial institutions, and, thereby promoting compliance with these important rules. Prior to March 1, 2011, FinCEN's regulations were included in the CFR as Part 103 in Chapter I under "Title 31, Money and Finance: Treasury."

FinCEN also incorporated the appropriate Chapter X citations within the BSA forms and provided supporting documentation outlining the citation updates. FinCEN didn't make any substantive changes to its rules, and the updated citations within the forms did not create any new filing obligations. FinCEN has made available on its Web site a variety of supporting information, frequently asked questions, and tools to facilitate institutions' transition from the former structure to

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8. See [http://www.fincen.gov/statutes\\_regs/ChapterX/](http://www.fincen.gov/statutes_regs/ChapterX/).

## Outcome Goal 1 continued...

Chapter X.<sup>8</sup> This information was well received by the regulated industry, and the transition to the new numbering system of Chapter X proceeded smoothly.

### Changes in the Regulation of Money Services Businesses

FinCEN took multiple actions in fiscal year 2011 to reduce the vulnerability of MSBs to money laundering and terrorist financing.

In July 2011, FinCEN issued a final rule that more clearly defines which businesses qualify as MSBs and are subject to FinCEN's regulatory requirements. Many of the changes reflect clarifications and different industry practices that have evolved over the dozen years since FinCEN issued the first MSB regulations. The clarifications in the final rule should enable many entities to determine in a more straightforward way whether they are operating as MSBs subject to FinCEN's rules. An entity that engages in money transmission in any amount is subject to FinCEN's rules. The final rule ensures that certain foreign-located persons engaging in MSB activities within the United States are subject to FinCEN's rules as well. The final rule clarifies several other provisions, including:

- Revising MSB definitions to make clearer what activities subject a person to the rules pertaining to MSBs

- Updating the MSB definitions to reflect past guidance and rulings and current business operations and to accommodate evolving technologies and emerging lines of business
- Separating the provisions dealing with stored value from those dealing with issuers, sellers, and redeemers of traveler's checks and money orders in order to more readily accommodate changes to be implemented in FinCEN's Prepaid Access Rulemaking
- Making minimal nomenclature changes with respect to certain MSB categories to help clarify distinctions between them
- Replacing the term "currency dealer or exchanger" with the new term "dealer in foreign exchange," a term used to include the exchange of instruments other than currency as a category of MSB

Also in July 2011, FinCEN announced that the Registration of Money Services Business form (RMSB or FinCEN Form 107) is available for electronic filing. In August and September, FinCEN invited MSBs to participate in two Webinars that addressed their questions on the electronic filing of RMSBs and the final rule.

In April 2011, FinCEN requested that certain MSBs provide a list of their agents. An agent is a separate business entity from the principal that the principal authorizes, through a written agreement or otherwise, to sell its instruments or, in the case of funds transmission, to sell



## Outcome Goal 1 continued...

its send and receive transfer services. The request applied to MSBs whose registration form identified one or more agents authorized to conduct business on behalf of the MSB. Under FinCEN's regulations implementing the BSA, an MSB must prepare and maintain a list of its agents as of January 1 of each year and report the list to FinCEN upon request. FinCEN has made similar requests in the past but not to all registered MSBs that indicated having agents, as in this case. This information will better inform FinCEN of the agent population and further mission needs, both in supporting law enforcement and in focusing regulatory compliance efforts.

### Prepaid Access Final Rule

FinCEN issued a final rule in July 2011 that amended the MSB rules and established a more comprehensive regulatory approach for prepaid access. The rule put in place suspicious activity reporting, and customer and transactional information collection requirements for providers and sellers of certain types of prepaid access similar to other categories of MSBs, addressing regulatory gaps that have resulted from the proliferation of prepaid access innovations over the last 12 years and their increasing use as an accepted payment method. The final rule 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.

The final rule:

- Renames "stored value" as "prepaid access" to more aptly describe the underlying activity
- Adopts a targeted approach to regulating sellers of prepaid access products, focusing on the sale of prepaid access products whose inherent features or high dollar amounts pose heightened money laundering risks
- Exempts prepaid access products of \$1,000 or less and payroll products if they cannot be used internationally, do not permit transfers among users, and cannot be reloaded from a non-depository source
- Exempts closed loop prepaid access products (such as store gift cards) sold in amounts of \$2,000 or less
- Excludes government funded and pre-tax flexible spending for health and dependent care funded prepaid access programs
- Clarifies that a "provider" of "prepaid access" for a prepaid access program can be designated by agreement among the participants in the program or will be determined by their degree of oversight and control over the program – including organizing, offering, and administering the program. Providers are required to register with FinCEN.

### Emerging Payment Methods Can Create Vulnerabilities

*“The emergence of new payment methods in recent years has helped many people at home and abroad participate in the formal financial system for the first time, which helps us in the fight against money laundering and the financing of terrorism. Prepaid cards, mobile payments, and funds transfers via the Internet can bring added transparency to the financial system when they replace cash and transactions made through unlicensed service providers. However, new payment technologies can also create new vulnerabilities if these payment tools are not adequately covered by anti-money laundering and counter-terrorist financing regulations. To address that, we are working domestically and through the FATF to ensure that our safeguards keep pace with payment system innovations.”*

Daniel L. Glaser

Assistant Secretary for Terrorist Financing and Financial Crimes,

U.S. Department of the Treasury

Hearing on Combating Terrorism Post-9/11, before the House Financial Services Subcommittee on Oversight and Investigations

September 6, 2011

### SAR Confidentiality and SAR Sharing with Affiliates

In November 2010, FinCEN released a final rule, an advisory, two guidance documents, and a Notice of Availability of Guidance that together strengthened the scope of SAR confidentiality and expanded the ability of certain financial institutions to share SAR information with most affiliates. The regulations clarified the scope of the statutory prohibition against disclosure by a financial institution or by a government agency of a SAR or any information that would reveal the existence of a SAR. The advisory, intended for all BSA stakeholders (Federal and State regulatory agencies, law enforcement

officials, self-regulatory organizations, and financial institutions), emphasized the importance of confidentiality for maintaining a vigorous suspicious activity reporting regime, and encouraged these stakeholders to be vigilant in managing information sharing. The guidance for depository institutions and for the securities and futures industries interpreted a provision in the SAR confidentiality rules, and complemented FinCEN’s previous guidance, which permitted the sharing of SARs with head offices and parent companies. Under the new guidance, the sharing of a SAR with a domestic affiliate is permitted, provided that affiliate is itself subject to a SAR rule. The affiliates must be linked under a common ownership and cannot

themselves be the subject of the SAR. Under pre-existing guidance, FinCEN has long allowed a U.S banking location to share information with its foreign-based headquarters; otherwise, sharing with foreign affiliates is not permitted at this time. FinCEN developed the final rule, advisory, guidance, and notice in consultation with the Federal banking agencies, securities and futures regulators, and the IRS.

### **Final Rule Amending Reporting of Foreign Financial Accounts**

FinCEN issued a final rule in February 2011 that amended the regulations regarding the Report of Foreign Bank and Financial Accounts (FBAR), which has been required since 1972. 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 whose aggregate value is greater than \$10,000. These reports help track a range of financial crimes, and in particular, possible tax evasion.

The final rule explains whether an account is foreign and therefore reportable as a foreign financial account; revises the definition of “signature or other authority” to more clearly apply to individuals who have the authority to control the disposition of assets in the account by direct communication to the foreign financial institution; and explains that an officer or employee who files an FBAR because of signature

or other authority over the foreign financial account of their employer is not expected to personally maintain the records of the foreign financial accounts of their employer. FinCEN and the IRS later extended the FBAR filing deadline until June 30, 2012 for certain financial professionals with only signature authority over certain foreign financial accounts. In July 2011, FinCEN announced that FBARs may be filed electronically through FinCEN’s BSA E-Filing system, presenting filers with a convenient option to completing and mailing paper forms. Filers receive an acknowledgement of each report filed.

### **Withdrawal of Section 311 Action against Latvia’s VEF Banka**

In July 2011, FinCEN withdrew its April 2005 finding under Section 311 of the USA PATRIOT Act, which determined VEF Banka to be a financial institution of primary money laundering concern. FinCEN also withdrew the final rule against VEF Banka that imposed a special measure prohibiting U.S. financial institutions from opening or maintaining correspondent accounts in the United States for VEF Banka. At the time the final rule was issued in July 2006, FinCEN had determined that VEF was a banking resource for illicit shell companies in financial fraud rings. VEF had permitted ATM withdrawals in significant amounts, which is an essential component of the execution of large financial fraud schemes. Since that time, Latvian

## Outcome Goal 1 continued...

authorities have taken considerable steps to liquidate the bank, and FinCEN has determined that VEF no longer poses a significant money laundering threat to the United States.

### **Proposal to Require AML Plans for Non-Bank Mortgage Lenders**

In December 2010, FinCEN proposed a requirement that non-bank residential mortgage lenders and originators, like other types of financial institutions, establish AML programs and comply with SAR regulations. Under current regulations, the only mortgage originators that are required to file SARs are banks and other insured depository institutions. FinCEN believes that new regulations requiring non-bank residential mortgage lenders and originators to adopt AML programs and report suspicious transactions would be consistent with their due diligence responsibilities and information collection processes to assess creditworthiness in lending, and could augment FinCEN's initiatives to combat fraud and related crime in the residential housing markets.

Based on its ongoing work directly supporting criminal investigators and prosecutors in combating mortgage fraud, most notably with the Financial Fraud Enforcement Task Force (FFETF), FinCEN believes that this regulatory measure will help mitigate some of the vulnerabilities that criminals have exploited. Analysis of SARs shows that non-bank mortgage

lenders and originators initiated many of the mortgages that were associated with SAR filings. Comments from the public were due by February 7, 2011.

### **Proposal to Seek U.S. Banks' Assistance in Uncovering Iranian Financial Ties**

This past spring, FinCEN proposed regulations to implement section 104(e) of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA) to impose a reporting requirement on U.S. depository institutions that would be invoked, as necessary, to elicit information valuable in the implementation of CISADA. The proposed regulations would require a U.S. bank to report to FinCEN the following information about foreign banks for which the U.S. bank maintains a correspondent account:

- Whether the foreign bank maintains a correspondent account for an Iranian-linked financial institution designated under the International Emergency Economic Powers Act (IEEPA);
- Whether the foreign bank has processed one or more transfers of funds within the preceding 90 calendar days related to an Iranian-linked financial institution designated under IEEPA, other than through a correspondent account; or

## Outcome Goal 1 continued...

- Whether the foreign bank has processed one or more transfers of funds within the preceding 90 calendar days related to Iran's Islamic Revolutionary Guard Corps (IRGC) or any of its agents or affiliates designated under IEEPA.
- FIN-2011-G002 – Preparation Guidelines for completing the March 2011 version of FinCEN Form 101, Suspicious Activity Report by the Securities and Futures Industries (04/12/2011)

The proposed regulations would work in tandem with other financial provisions of CISADA to isolate financial institutions designated by the U.S. Government in connection with Iran's proliferation of weapons of mass destruction (WMD) or delivery systems for WMD, or in connection with its support for international terrorism. (FinCEN announced the final rule on October 5, 2011 in fiscal year 2012.<sup>9</sup>)

### Guidance

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

- FinCEN Notice (2011-2) – FBAR Filing Requirement – Extended Filing Date Relating to Officers or Employees of Investment Advisors Registered with the SEC (06/17/2011)
- FIN-2011-G001 – Preparation Guidelines for completing the March 2011 version of FinCEN Form 103, Currency Transaction Report by Casinos (04/12/2011)
- Interagency Guidance on Accepting Accounts from Foreign Embassies, Consulates and Missions (03/24/2011)
- FIN-2010-G005 – Sharing Suspicious Activity Reports by Securities Broker-Dealers, Mutual Funds, Futures Commission Merchants, and Introducing Brokers in Commodities with Certain U.S. Affiliates (11/23/2010)
- FIN-2010-G006 – Sharing Suspicious Activity Reports by Depository Institutions with Certain U.S. Affiliates (11/23/2010)
- FIN-2010-G004 – Funds “Travel” Regulations: Questions and Answers (Background Information and Notes) (11/09/2010)
- FinCEN Notice (2011-1) [Revised 06/06/11] - FBAR Filing Requirement– Extended Filing Date Related to Exceptions Described in 31 CFR 1010.350(f)(2) (05/31/2011)

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9. See [http://www.fincen.gov/news\\_room/nr/pdf/20111005.pdf](http://www.fincen.gov/news_room/nr/pdf/20111005.pdf).

### FinCEN Advisories

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 the regulations.

- FIN-2011-A013 – Guidance to Financial Institutions on the Commercial Bank of Syria (08/10/2011)
- FIN-2011-A012 – Guidance to Financial Institutions Based on the Financial Action Task Force Public Statement on Anti-Money Laundering and Counter-Terrorist Financing Risks (07/13/2011)
- FIN-2011-A011 – 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; Argentina; Bangladesh; Brunei Darussalam; Cambodia; Ecuador; Ghana; Honduras; Indonesia; Mongolia; Morocco; Namibia; Nepal; Nicaragua; Nigeria; Pakistan; Paraguay; Philippines; São Tomé and Príncipe; Sudan; Tajikistan; Tanzania; Thailand; Trinidad and Tobago; Turkmenistan; Ukraine; Venezuela; Vietnam; Yemen; and Zimbabwe; and the substantial AML/CFT improvements in Greece (07/13/2011)
- FIN-2011-A010 – Guidance to Financial Institutions on Recent Events in Syria (07/08/2011)
- FIN-2011-A009 – Information on Narcotics and Bulk Currency Corridors (04/21/2011)
- FIN-2011-A008 – Guidance to Financial Institutions on Transactions Involving Banking Activities by Entities Originating in the Transnistria Region of Moldova (04/15/2011)
- FIN-2011-A007 – Advisory on Activities Potentially Related to Commercial Real Estate Fraud (03/30/2011)
- FIN-2011-A006 – Guidance to Financial Institutions Based on the Financial Action Task Force Public Statement on Anti-Money Laundering and Counter-Terrorist Financing Risks (03/21/2011)
- FIN-2011-A005 – 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; Bangladesh; Bolivia; Ecuador; Ethiopia; Ghana; Greece; Honduras; Indonesia; Kenya; Morocco; Myanmar; Nepal; Nigeria; Pakistan; Paraguay; Philippines; São Tomé and Príncipe; Sri Lanka; Sudan; Syria; Tanzania; Thailand; Trinidad and Tobago; Turkey; Turkmenistan; Ukraine; Venezuela; Vietnam; and Yemen (03/21/2011)

## Outcome Goal 1 continued...

- FIN-2011-A004 – Guidance to Financial Institutions on Recent Events in Libya (02/24/2011)
- FIN-2011-A003 – Advisory to Financial Institutions on Filing Suspicious Activity Reports Regarding Elder Financial Exploitation (02/22/2011)
- FIN-2011-A002 – Guidance to Financial Institutions on Recent Events in Egypt (02/16/2011)
- FIN-2011-A001 – Guidance to Financial Institutions on Recent Events in Tunisia (01/20/2011)
- FIN-2010-A014 – Maintaining the Confidentiality of Suspicious Activity Reports (11/23/2010)
- FIN-2010-A013 – 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; Bangladesh; Bolivia; Ecuador; Ethiopia; Ghana; Greece; Honduras; Indonesia, Kenya; Morocco; Burma (Myanmar); Nepal; Nigeria; Pakistan; Paraguay; Philippines; São Tomé and Príncipe; Sri Lanka; Sudan; Syria; Tanzania; Thailand; Trinidad and Tobago; Turkey; Turkmenistan; Ukraine; Venezuela; Vietnam; and Yemen (11/18/2010)
- FIN-2010-A012 – Guidance to Financial Institutions Based on the Financial Action Task Force Public Statement on Anti-Money Laundering and Counter-Terrorist Financing Risks (11/18/2010)

## Administrative Rulings

FinCEN responds to requests for interpretive guidance and administrative rulings regarding the application of its regulations to specific situations. In many cases, these responses clarify definitions of covered entities. FinCEN publishes administrative rulings on its Web site to disseminate its interpretations more timely and efficiently. This promotes uniform application and compliance with the regulatory requirements, and distributes information to the public more broadly and expediently than publication in the *Federal Register*.

Administrative rulings published during the year are listed below:

- FIN-2011-R001 – FinCEN Form 105 – Currency and Other Monetary Instruments Report (04/07/2011)

## SAR Activity Reviews

Every year FinCEN publishes two issues of *The SAR Activity Review – By the Numbers*, and two issues of its companion, *The SAR Activity Review – Trends, Tips & Issues*. The reports are issued in coordination with the Bank Secrecy Act Advisory Group (BSAAG, see page 86). *The SAR Activity Review – By the Numbers* provides broad feedback derived from analysis of SAR data, including the number of SARs filed and State filing patterns. *The SAR Activity Review – Trends, Tips & Issues* provides analysis on specific trends and patterns derived from

## Outcome Goal 1 continued...

BSA reports, and describes how these and other FinCEN data and services are used by law enforcement and regulatory agencies. It also provides guidance and tips to filers on SAR preparation.

Every issue of *The SAR Activity Review – Trends, Tips & Issues* contains case examples in which FinCEN data supported law enforcement investigations. The cases demonstrate the importance of FinCEN data to law enforcement. Law enforcement officials use data from FinCEN to help investigate a variety of crimes, including tax evasion, narcotics trafficking, and identity theft. 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 report used in the investigation, type of industry involved, and type of suspicious activity reported. In addition, users can search the case examples for key words or phrases.

The spring issue of *The SAR Activity Review – Trends, Tips & Issues* typically focuses on a specific industry or topic. Issue 19, released in May 2011, concentrated on foreign corruption.

Articles included statistics on corruption-related SAR filings, such as SARs filed by depository institutions on politically exposed persons (PEPs), and SAR filings on senior foreign political figures and foreign corruption. In addition, the report featured a compilation of FinCEN's anti-corruption-related regulatory efforts and general regulatory requirements related to corruption and PEPs, and provided guidance on writing effective SAR narratives. An article by an Immigration and Customs Enforcement (ICE) supervisory special agent offered guidance to preparers on key pieces of information to include when filing SARs involving PEPs, and the chief of the Department of Justice's (DOJ's) Asset Forfeiture and Money Laundering Section listed the agency's priorities and initiatives targeting kleptocracy. Issue 19 also included industry viewpoints on practical considerations and controls for depository institutions when banking PEPs, especially regarding the challenges and limitations of identifying PEPs and determining relevant risks.



### PEPs Present Challenges for Financial Institutions

*“...banks face several challenges with banking PEPs. Most fall into the category of defining, identifying and risk ranking PEPs. There is no single solution for these challenges. Rather, each bank must assess its own risk profile and make risk-based decisions on how it will choose to define, identify and risk rank. What is most important is to be consistent, to document, and to manage expectations with internal auditors and examiners.”*

Michael Cho

Global Head, Anti-Money Laundering Compliance

Representing Northern Trust Financial Corporation on the Bank Secrecy Act Advisory Group

*The SAR Activity Review - Trends, Tips & Issues (Issue 19)*

May 2011

### Support for BSA Filers

Providing meaningful, clear guidance and prompt support to BSA filers and others involved in implementing FinCEN's regulatory regime is essential. Accordingly, FinCEN operates a BSA Resource Center Regulatory Helpline (1-800-949-2732) that provides support for institutions subject to FinCEN's rules with questions on regulatory and compliance matters. Resource Center staff also monitors a "Hotline" (1-866-556-3974) to assist covered 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 compliance, and to identify areas where FinCEN may need to clarify current regulations,

rulings, or guidance. In fiscal year 2011, the Resource Center logged 10,403 calls, a 28 percent increase over the 8,384 logged the previous year, largely due to FinCEN's request for MSBs agent information.

In addition, Resource Center staff members periodically update the Regulatory Helpline Hot Topics page<sup>10</sup> to reflect the changing nature of the questions regarding BSA/AML obligations. This Web page provides direct links to useful and accessible information for addressing the most common and important questions that are asked of FinCEN's Regulatory Helpline. Recent topics have included information on responding to FinCEN's requests for MSB agent information, transitioning to 31 CFR Chapter X, renewing an MSB registration, and the benefits of using the Bank Secrecy Act Electronic Filing System (BSA E-Filing).<sup>11</sup>

10. See <http://www.fincen.gov/hotTopics.html>.

11. For more information on BSA E-Filing, see [http://www.fincen.gov/whatsnew/pdf/E-File\\_Brochure.pdf](http://www.fincen.gov/whatsnew/pdf/E-File_Brochure.pdf). The BSA E-Filing homepage is located at <http://bsae filing.fincen.treas.gov/main.html>.

## Outcome Goal 1 continued...

FinCEN continues to strongly encourage financial institutions to electronically file reports, and in November 2010 held the first Webinar 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>12</sup> On July 18, 2011, FinCEN made available to filers the ability to register as an MSB or submit a Report of Foreign Bank and Financial Accounts (FBAR) through the BSA E-Filing System and held a Webinar to explain how to use the system for MSB registrations in August 2011.<sup>13</sup> In September 2011, FinCEN released the specifications for its new electronic-only SAR and CTR and issued a notice for comment on mandating the use of BSA E-Filing by the end of June 2012.<sup>14</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.

### Regulatory Compliance Information-Sharing Activities

FinCEN has signed memoranda of understanding (MOUs) with seven Federal regulators and 52 State regulatory agencies to ensure that information about

compliance issues is exchanged between FinCEN and the entities charged with examining for compliance with FinCEN's regulations. As part of that exchange of information, examining authorities notify FinCEN of institutions with significant incidents of non-compliance. In fiscal year 2011, FinCEN processed 281 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 compliance deficiencies. To meet this obligation, FinCEN employs technology to identify systemic BSA filing errors of which regulators may be unaware. In 2011, FinCEN referred 40 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, and thereby further the AML/CFT purposes underlying the compliance expectations.

### State Data Profiles

FinCEN develops and disseminates state-specific FinCEN Data Profiles for State supervisory agencies with which it has information sharing MOUs. These products, for which FinCEN has received

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12. See <http://www.fincen.gov/whatsnew/pdf/20101008.pdf>.

13. See [http://www.fincen.gov/news\\_room/nr/pdf/20110716.pdf](http://www.fincen.gov/news_room/nr/pdf/20110716.pdf), [http://www.fincen.gov/news\\_room/nr/pdf/20110717.pdf](http://www.fincen.gov/news_room/nr/pdf/20110717.pdf) and <http://www.fincen.gov/whatsnew/html/20110726.html>.

14. See [http://www.fincen.gov/news\\_room/nr/pdf/20110902.pdf](http://www.fincen.gov/news_room/nr/pdf/20110902.pdf) and [http://www.fincen.gov/news\\_room/nr/pdf/20110914.pdf](http://www.fincen.gov/news_room/nr/pdf/20110914.pdf).

## Outcome Goal 1 continued...

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 Federal banking agencies, the Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), and the IRS.

The 53 data profiles (which includes profiles for the District of Columbia and two U.S. territories, Puerto Rico and the U.S. Virgin Islands) developed in fiscal year 2011 contain 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 2011. In fiscal year 2011, FinCEN created and provided each state and the IRS with a separate State-specific MSB Data Profile, which contained reporting trends found in SAR-MSB filings and information on registered and unregistered MSBs.

### MSBs Must Register with FinCEN

*“Compliance with the registration requirements of the BSA, for money transmitters and MSBs in general, mitigates risk for this essential sector of the financial services industry. Through FinCEN’s education of and dialogue with the MSB community, operators of MSBs have increasingly recognized that BSA regulatory requirements are consistent with their business goals of providing services to legitimate customers while avoiding the risk of inadvertently facilitating criminal activity. But when persons fail to comply with the law, FinCEN will continue to seek out and apply our enforcement authorities, as appropriate.”*

James H. Freis, Jr.  
Director, FinCEN

Statement regarding civil money penalty against Baltic Financial Services  
December 16, 2010

### Enforcement Actions against Unregistered Money Transmitters

FinCEN has engaged in longstanding, dedicated efforts to reach out to the MSB industry and educate MSB owners of the importance of mandatory registration and other regulatory requirements. The registration of the MSB serves as a first step in establishing the compliance framework for applicable FinCEN regulations designed to help mitigate the risks of criminal abuse of MSBs for money laundering and terrorist financing as the MSB seeks to provide financial services to customers for legitimate purposes. FinCEN's MSB Registration List,<sup>15</sup> which is updated and posted on the Web site on a monthly basis, contains entities that have registered as MSBs. FinCEN annually drops from the list any entities that have not renewed their registrations by the deadline.

An entity acting as an MSB that fails to register as required is subject to civil money penalties and possible criminal prosecution. In fiscal year 2011, FinCEN used its authority to bring six enforcement actions against MSBs for registration violations:

- During September 2011, FinCEN assessed a civil money penalty of \$25,000 against Mohamed Mohamed-Abas Sheikh of Ann Arbor, Michigan

for violating BSA registration requirements and the BSA prohibition against structuring. Mohamed Sheikh violated BSA registration requirements while providing money transfer services primarily to and from Somalia and other countries located in West Africa. Additionally, Mohamed Sheikh structured, and assisted in structuring, cash deposits into a credit union account for the purpose of causing the credit union not to file currency transaction reports.

- In September 2011, FinCEN announced the assessment of a \$5,000 civil money penalty against a Georgia-based money transmitter for, among other violations, allowing its registration with FinCEN as a money transmitter to lapse for a period of several years. From November 2006 through December 2010, Altima, Inc. was engaged in the business of transmitting funds for persons located in the United States and abroad. The owner filed an initial registration of money services business form (RMSB) with FinCEN, but did not renew the registration until February 2010, resulting in a lapse of registration lasting more than 2 years. Affected money transmitters must comply with BSA registration requirements by filing an RMSB within 180 days after commencing operations, and renewing the registration every 2 years.

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15. See [http://www.fincen.gov/financial\\_institutions/msb/msbstateselector.html](http://www.fincen.gov/financial_institutions/msb/msbstateselector.html).

# *Fiscal Year 2011 Accomplishments and Performance Measures*

## *Outcome Goal 1 continued...*

- FinCEN assessed a \$25,000 civil money penalty against Victor Kaganov of Tigard, Oregon, in March 2011, for violating BSA requirements for money transmitters. FinCEN determined that Kaganov violated BSA registration, AML program, and SAR requirements while conducting an independent money transmitter business from his residence. For almost 7 years, Kaganov conducted more than 4,200 funds transfers in the United States, involving a total of more than \$172 million, to and from a number of locations in Europe and Asia. In a typical transaction, funds were wired into a U.S. bank account controlled by Kaganov, who instructed his bank to transmit the funds to a third party beneficiary. Kaganov repeatedly conducted business in violation of the BSA and outside the regulatory framework for money transmitters. The action resulted from coordination among FinCEN, DOJ's Organized Crime and Racketeering Section and its Asset Forfeiture and Money Laundering Section, the U.S. Attorney's Office for the District of Oregon, the FBI, and the U.S. Postal Inspection Service.
- Also in March 2011, FinCEN assessed civil money penalties totaling \$40,000 against brothers Omar Abukar Sufi and Mohamed Abukar Sufi, for non-compliance with BSA money transmitter registration requirements. The Sufi brothers, doing business as Halal Depot of Wyoming, Michigan operated a money transmission business at their grocery store by sending funds on behalf of their customers to beneficiaries in Yemen, Somalia, Sudan, Kenya, Saudi Arabia, Uganda, Ethiopia, Qatar, Europe and the United Arab Emirates. At no time did the Sufi brothers register with FinCEN as an MSB as required by the BSA.
- In December 2010, FinCEN assessed a civil money penalty against a New Jersey money transmitter for failing to act on a lapsed registration. The \$12,000 civil money penalty against Baltic Financial Services, Inc. of Montclair, New Jersey, was issued for non-compliance with BSA registration requirements applicable to money transmitters. For most of the time between January 2005 and September 2010, Baltic failed to maintain its registration with FinCEN despite actual knowledge of registration obligations imposed on independent money transmitters by the BSA. Furthermore, Baltic failed to respond in a timely manner when repeatedly reminded that its registration with FinCEN had lapsed, and continued to engage in money transmission without the benefit of registering under the BSA.

### Enforcement Actions for Failure to Register as a Money Services Business

*“In a small number of cases, some MSBs may seek to turn a blind eye to their compliance responsibilities. The entities that do not register, who do not identify themselves, may have customers involved in activity that should raise suspicion of possible criminal behavior. Over the past year, FinCEN used its authority to bring enforcement actions against several MSBs, primarily money transmitters, for registration violations, which involved monetary penalties in the thousands or tens of thousands of dollars. In some of these cases, we also took action for other compliance failures, such as failure to have an AML program, and structuring.”*

James H. Freis, Jr.  
Director, FinCEN

Remarks at Money Transmitter Regulators Association 2011 Annual  
Conference  
October 5, 2011

### Other Enforcement Actions

FinCEN works with appropriate regulatory and law enforcement agencies to administer enforcement actions in cases of egregious violation of the BSA and FinCEN’s regulatory requirements. FinCEN looks at the totality of the circumstances in determining the appropriate penalty in each enforcement action. In fiscal year 2011, FinCEN administered enforcement actions in the following cases:

- Along with the Federal Deposit Insurance Corporation (FDIC) and Florida’s Office of Financial Regulation (OFR), in August 2011, FinCEN assessed concurrent civil money penalties of \$10.9 million against Ocean Bank, Miami, Florida,

for violations of Federal and State BSA/AML laws and regulations. Ocean Bank, without admitting or denying the allegations, consented to payment of the civil money penalties, satisfied by a single payment to the U.S. Government. FinCEN, the FDIC, and the OFR determined that the bank failed to implement an effective BSA/AML compliance program with internal controls reasonably designed to detect and report money laundering and other suspicious activity in a timely manner. The bank failed to conduct adequate independent testing, particularly with respect to SAR requirements. In addition, the bank failed to sufficiently staff the BSA compliance function with appropriately trained staff to ensure compliance with BSA requirements.

# Fiscal Year 2011 Accomplishments and Performance Measures

## Outcome Goal 1 continued...

- In April 2011, FinCEN assessed a \$250,000 civil money penalty against the Lower Sioux Indian Community, doing business as Jackpot Junction Casino Hotel of Morton, Minnesota for violating BSA requirements for casinos. Without admitting or denying the allegations, the casino consented to the payment of civil money penalties assessed for violations of the AML program, reporting, and recordkeeping requirements of the BSA. For more than 3 years, the casino failed to implement internal controls related to gathering and recording required information for BSA reporting. In addition, it failed to conduct adequate independent testing and training for employees, among other BSA violations, and failed to develop and implement effective procedures for the preparation, review and filing of BSA reports, resulting in multiple failures to timely and accurately file CTRCs and SARCs.
- In March 2011, the OCC and FinCEN assessed concurrent civil money penalties of \$7 million against Pacific National Bank in Miami, Florida. The civil money penalties were satisfied by a single payment of \$7 million to the U.S. Department of the Treasury. FinCEN determined that Pacific failed to implement adequate internal controls and independent testing at a level of consistency necessary to assure compliance with BSA AML program and SAR requirements. The Bank lacked reasonably complete due diligence information for numerous customers, necessary to effectively monitor transactions and report suspicious activity in a timely manner, and filed numerous SARs on a delayed or incomplete basis. The OCC based its assessment on the bank's failure to comply with an OCC Consent Order and continued violations of the BSA and its implementing regulations. Specifically, the bank failed to adequately identify, monitor, and report suspicious activities, adequately monitor its foreign correspondent bank accounts, conduct sufficient due diligence, and adequately audit its high risk areas and the transactions conducted in those areas.
- In February 2011, the OCC and FinCEN assessed a civil money penalty against Zions First National Bank in Salt Lake City, Utah, for BSA violations. The bank consented to an \$8 million civil money penalty, which was concurrently assessed with the OCC and satisfied by a single payment of \$8 million to the U.S. Department of the Treasury. Zions violated BSA requirements by failing to establish and implement an effective AML program with respect to its foreign correspondent banking relationships with casas de cambio, banks, casas de bolsa, and foreign corporate customers, and failing to file timely SARs.

### Outreach to Financial Institutions

FinCEN continuously reaches out to a variety of industries that fall under its regulatory requirements. Under FinCEN's outreach initiative, multi-disciplinary teams from across FinCEN both hosted meetings and 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 its regulations, are based on sound knowledge of financial practices, financial crimes risks, and the challenges of implementing AML programs to mitigate those risks. Multiple institutions have expressed appreciation that FinCEN is committed to learning about their programs and challenges. 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 FinCEN can better pursue the goals of enhancing national security and market integrity.

In February 2011, FinCEN issued a public report on its meetings with depository institutions with less than \$5 billion in assets.<sup>16</sup> The report was based on information gathered from FinCEN's individual visits and town hall style meetings with more than 70 depository institutions including credit unions and community banks. Through this outreach effort, FinCEN found that depository institutions are increasingly integrating their anti-fraud and AML efforts. Also, these institutions were significantly engaging with law enforcement, but many institutions did not take full advantage of existing information sharing enabled by Section 314(b) of the USA PATRIOT Act to share information with their business peers and protect themselves and their customers from financial crime. Overall, institutions expressed comfort with their procedures and ability to promptly search and respond to FinCEN inquiries regarding investigations of terrorist financing and money laundering. Credit union officials discussed unique circumstances that affected their compliance with BSA requirements. Among these were shared branching, difficulties in expelling credit union members engaged in risky activity, growth, increasing diversity, geographic expansion of membership base, and an increasing amount of international transactions.

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16. See [http://www.fincen.gov/news\\_room/rp/reports/pdf/Banks\\_Under\\_\\$5B\\_Report.pdf](http://www.fincen.gov/news_room/rp/reports/pdf/Banks_Under_$5B_Report.pdf).



### FinCEN Continues Its Commitment to Reach Out to the Financial Industry

*“Historically, FinCEN has done a great deal of outreach to the financial industry to educate them on their regulatory responsibilities, working hard to strike a balance within our resource and budgetary limitations. I strongly believe that engaging in this type of outreach with the industry is fundamental to the work that FinCEN is doing.”*

James H. Freis, Jr.  
Director, FinCEN

Prepared remarks before the Mortgage Bankers Association’s National Fraud Issues Conference 2011

March 28, 2011

### Support to the FATF

Throughout the year, FinCEN staff contributed to the work of the Financial Action Task Force (FATF), 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.

In addition to participating in the 2011 FATF Working Groups, Plenary, and intercessional meetings, FinCEN made important contributions to FATF’s policymaking process by contributing substantive proposals to revise the FATF Standards,

as it relates to the preparation of the 4th Round of Mutual Evaluations. FinCEN also searched and analyzed corruption-related SAR data; initiated outreach to regulators and the banking industry to obtain insight into corruption-related issues; completed a FATF corruption-related questionnaire; as well as drafted articles that were included in the May 2011 *SAR Activity Review – Trends, Tips & Issues* focused on corruption (see information on FinCEN’s *SAR Activity Reviews* on page 18). FinCEN also supported FATF efforts by developing and publishing pass through advisories of FATF public statements (see FinCEN’s *Advisories* listed on page 17), to provide guidance to financial institutions.

# Fiscal Year 2011 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	FY 2011
Percentage of regulatory helpline customers understanding BSA guidance	94%	92%	92%
Percentage of financial regulators finding information exchanged with FinCEN under MOUs valuable to improve BSA consistency and compliance	82%	86%	92%

<b>Outcome Goal 2:</b>	Detection and deterrence of money laundering, terrorism financing, and other illicit activity
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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 2011, the number of research requests from domestic law enforcement increased by 27 percent over the preceding year.

As a member of several interagency task forces, FinCEN contributes to U.S. Government efforts to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. FinCEN also produces strategic analytical reports and related advisories to support law enforcement investigations and regulatory enforcement actions, and allow regulated institutions to better target risks and vulnerabilities.

FinCEN serves as the financial intelligence unit (FIU) of the United States, and works closely with its

international FIU counterparts to detect and deter financial crime. Analysis and sharing of financial information reported by private sector entities are two of the core elements of the international definition of a financial intelligence unit.

In fiscal year 2011, FinCEN referred a record number of requests for information to foreign counterparts to support U.S. financial crime investigations, resulting from FinCEN's focus on educating U.S. law enforcement of this unique and powerful FinCEN authority. FinCEN expanded a new program to develop and share spontaneous disclosures of financial information with foreign FIUs and U.S. law enforcement agencies. At the same time, FinCEN responded to a large number of analogous requests from foreign FIU counterparts. This past year, FinCEN worked with FIUs from almost 100 jurisdictions around the globe in furtherance of active criminal investigations and prosecutions. FinCEN supports the detection and deterrence of transnational organized crime, including the financing of terrorism, by providing products and services to law enforcement agencies, the intelligence community, foreign FIUs, and other authorities.

### Analyses of Mortgage Fraud SARs

FinCEN has a unique capacity to network and facilitate information sharing. As a result, FinCEN analysts continue to work with other Federal agencies on mortgage fraud investigations.

FinCEN staff provides support through analyses based on FinCEN's and other agencies' data and knowledge of the potential types of criminal activity and possible participants in mortgage fraud. FinCEN's first published study noting the emergence of mortgage fraud was in 2003, and it has since published numerous analytical reports for regulators and law enforcement, and to better inform the financial industry about the risks of mortgage loan fraud.<sup>17</sup> During fiscal year 2011, FinCEN issued six reports on SARs related to mortgage fraud. Law enforcement investigators have repeatedly confirmed that SARs reported through FinCEN are the most consistently valuable source of lead information across the country in developing and furthering efforts to hold mortgage fraudsters accountable.

In December 2010, FinCEN released two mortgage fraud reports, covering the first two quarters of calendar year 2010. Taken together, the reports show that SARs indicating mortgage fraud climbed

7 percent, rising to 35,135 in the first half of 2010 compared with 32,926 in the first half of 2009. In part, the increase can be attributed to increased attention to older loans spurred by repurchase demands. In the first quarter of 2010, 78 percent of reported activities occurred more than two years prior to filing, compared with 44 percent in the same period of 2009, showing a continued focus on loans originated from 2006 to 2008.

Just one month later in January 2011, FinCEN released a report analyzing SARs filed in the third quarter of 2010. The report showed that SARs characterized by filers as indicating possible mortgage fraud increased 2 percent to 16,693 in the third quarter of 2010, up from 16,339 mortgage fraud SARs in the third quarter of 2009. In addition, more than 80 percent of mortgage fraud SARs involved suspicious activity amounts under \$500,000.

In March 2011, FinCEN released a report analyzing SARs filed in the fourth quarter of 2010. This report also contained information and analysis on mortgage fraud related SARs filed in calendar year 2010. The full year data showed the number of SARs involving mortgage fraud increased 4 percent in 2010 to 70,472 compared with 67,507 filed in 2009. The report also showed that the growth rate of mortgage fraud

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17. 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. 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. All of FinCEN's mortgage fraud reports are located at [http://www.fincen.gov/news\\_room/rp/mortgagefraud.html](http://www.fincen.gov/news_room/rp/mortgagefraud.html).

## Outcome Goal 2 continued...

SARs has begun to slow over the last 2-3 years. Looking at just the fourth quarter of 2010, filers submitted 18,759 mortgage fraud SARs, which was a 1 percent decrease from the 18,884 filings over the same period in 2009. The report also found that references to bankruptcy have steadily increased over time in mortgage fraud SAR filings, and that filers called attention to debt elimination scams as one of the emerging practices. In addition, SAR filers in 2010 explicitly referenced “flopping” in 112 SARs. Flopping occurs when a foreclosed property is sold at an artificially low price to a straw buyer, who quickly sells the property at a higher price and pockets the difference. Anecdotal feedback on this practice from law enforcement and industry sources suggests that the volume of related mortgage fraud SARs is much lower than the actual number of suspected flopping incidents. The increasingly dated activities reported on SARs suggest a lack of emphasis on this type of activity.

Beginning with this report, FinCEN added new features that provide additional data and explanation of mortgage fraud SARs. Now, FinCEN’s mortgage fraud reports contain:

- More concise information on all states and the District of Columbia provided by links to spreadsheets
- An expanded metadata section containing reference information on the derivation and uses of this data

- Historical quarterly data going back through 2006 for almost 600 metropolitan statistical areas and approximately 960 counties in addition to the state data
- Trend analysis enabled by linking to electronic spreadsheets and historical data
- Ability to drill down to the county or city level revealing more concise information
- Maps – Calendar year SAR data provides a new perspective on year-over-year changes enabling more illustrative comparisons with prior years’ data

Coinciding with the release of this report, FinCEN launched a reorganized mortgage and real estate fraud Web page,<sup>18</sup> on which it introduced the enhanced mortgage fraud SAR datasets. FinCEN solicited feedback from the public on this new page to assist the bureau in posting future reports and datasets.

In June 2011, FinCEN released an analysis of SARs from the first quarter of 2011. It showed that the number of mortgage fraud SARs rose to 25,485, up 31 percent from 19,420 in the first quarter of 2010. FinCEN attributed the increase to large mortgage lenders conducting additional reviews after receiving demands to repurchase poorly performing mortgage loans. In the first quarter of 2011, 86 percent of mortgage fraud SARs reported activities that occurred more than 2 years prior to the filing of the SARs.

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18. See [http://www.fincen.gov/news\\_room/rp/mortgagefraud.html](http://www.fincen.gov/news_room/rp/mortgagefraud.html).

## Outcome Goal 2 continued...

FinCEN's report of mortgage fraud SARs filed in the second quarter of 2011 found that financial institutions filed 29,558 mortgage fraud SARs in the second quarter of the year, up from 15,727 filed in the same quarter of 2010. The report, released in September 2011, showed that misrepresenting income, occupancy, or debts and assets, followed by debt elimination scams and scams involving the fraudulent use of Social Security numbers, topped the types of suspicious activity reported by filers. FinCEN examined a subset of quarterly filings that reported suspicious activity occurring within 90 days of filing to better understand the latest trends in the reporting of suspected mortgage fraud. A large majority of the SARs examined in the second quarter involved mortgages closed during the height of the real estate bubble. The upward spike in second quarter numbers was directly attributable to mortgage repurchase demands and special filings generated by several institutions. For example, FinCEN noted that 81 percent of the mortgage fraud SARs filed during the quarter involved suspicious activities that occurred before 2008; 63 percent involved suspicious activities that occurred 4 or more years ago.

FinCEN will continue to focus going forward on quick dissemination of information related to changing and emerging trends in recent activity, in addition to our ongoing case and strategic support to law enforcement.

### Commercial Real Estate Financing Fraud

In March 2011, FinCEN released a strategic analytical report<sup>19</sup> on commercial real estate financing fraud.<sup>20</sup> FinCEN analysts reviewed SARs filed by depository institutions that called attention to possible fraud in the commercial real estate financing arena. The analysis found that reported incidences of suspicious activity in commercial real estate financing as reported by depository institutions almost tripled between 2007 and 2010.

In conjunction with the analysis, FinCEN also released an advisory to assist financial institutions in their efforts to help law enforcement target this fraud.<sup>21</sup> The advisory provided some examples of common commercial real estate fraud (CREF) schemes and suggested that financial institutions use the term "CREF" when completing SAR narratives involving potential commercial real estate fraud.

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19. See [http://www.fincen.gov/news\\_room/rp/files/Commercial%20Real%20Estate%20Financing%20Fraud%20FINAL%20508.pdf](http://www.fincen.gov/news_room/rp/files/Commercial%20Real%20Estate%20Financing%20Fraud%20FINAL%20508.pdf).

20. FinCEN previously analyzed SARs involving commercial real estate in an analysis released in 2006. The analysis focused on trends in the reporting of suspicious activity in key businesses and professions in the commercial real estate sector. It is located at [http://www.fincen.gov/news\\_room/rp/reports/pdf/CREassessment.pdf](http://www.fincen.gov/news_room/rp/reports/pdf/CREassessment.pdf).

21. See [http://www.fincen.gov/statutes\\_regs/guidance/pdf/FIN-2011-A007.pdf](http://www.fincen.gov/statutes_regs/guidance/pdf/FIN-2011-A007.pdf).

### Identifying Narcotics and Bulk Currency Corridors

FinCEN issued an advisory in April 2011 to alert financial institutions to narcotics and bulk currency corridors in the United States. The goal was to assist financial institutions in developing a better understanding of their own geographic locations, how these locations intersect with established flows of narcotics and bulk currency, and how geographic location may affect risks and thus obligations under FinCEN's rules to mitigate them. Illegal drug trafficking has created an established pattern of narcotics distribution channels and disposition of illicit funds. Narcotics and currency corridors have resulted in corresponding illicit financial activity, the likely goal of which is to limit the time and expense related to physically transporting illicit bulk currency. The advisory listed resources to help financial institutions determine if they are located either in a High Intensity Drug Trafficking Area (HIDTA) or in a region that is located in the supply chain for narcotics and bulk currency smuggling. The rapid flow of funds may span a large geographic area between the deposits and withdrawals, including instances where the deposit location is thousands of miles away from the withdrawal location. The currency deposits and withdrawals often have no apparent lawful or business purpose and do not reflect the stated occupation of the account holder. The deposit activity often occurs in areas in narcotics and bulk currency corridors and is withdrawn

in HIDTA regions. The withdrawal activity may include not only currency withdrawals, but purchasing of monetary instruments or initiation of international wire transfers. FinCEN reminded U.S. financial institutions of their requirement to report suspicious transactions conducted or attempted by, at, or through the U.S. financial institution.

### Elder Financial Exploitation

FinCEN issued an advisory in February 2011 to help financial institutions spot and report activities involving elder financial exploitation.<sup>22</sup> The advisory contained examples of indicators that abuse may be occurring and requested that financial institutions select the appropriate characterization of suspicious activity in the Suspicious Activity Information section of the SAR form and include the term "elder financial exploitation" in the narrative portion of all relevant SARs. Explicit mention of a particular term in the SAR greatly assists investigators in quickly identifying possible illicit activity. This reporting is meant to complement financial institutions' existing policies and procedures on reporting suspected elder financial exploitation to local and state authorities, to aid in the detection and deterrence by appropriate government authorities of criminal activities. The red flags noted in the advisory include both activity that may come to bank personnel attention through monitoring transaction activity and through interactions with customers or their caregivers.

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22. See [http://www.fincen.gov/statutes\\_regs/guidance/pdf/fin-2011-a003.pdf](http://www.fincen.gov/statutes_regs/guidance/pdf/fin-2011-a003.pdf).

## Outcome Goal 2 continued...

FinCEN developed this advisory in reaction to repeated concerns raised by smaller banks participating in FinCEN outreach efforts. FinCEN subsequently published an analytical report showing a tremendous increase in the six months following the advisory of bank reporting of suspected elder financial abuse. FinCEN is continuing its work with law enforcement to facilitate criminal investigations of those seeking to prey on the most vulnerable.

### SARs Reporting Identity Theft

During fiscal year 2011, FinCEN issued two reports on SARs reporting identity theft.<sup>23</sup> The first, issued in October 2010, analyzed SARs filed by depository institutions from January 1, 2003 through December 31, 2009.<sup>24</sup> It showed that while suspected cases of identity theft are on the rise, vigilant financial institution employees reportedly rejected more than half of fraudulent vehicle or student loans facilitated by identity theft prior to funding. The number of SARs characterized as “identity theft” rose 123 percent between 2004 and 2009. Though the report notes that credit card fraud was the most reported type of identity theft-facilitated financial fraud, reporting trends for that type were moderately down, while reporting trends of consumer loan fraud facilitated by identity theft were significantly up. About 27 percent of

sample SAR narratives reported that the victim of identity theft knew the subject of the SAR, who was usually a family member, friend, acquaintance, or employee working in the victim’s home. Victims reportedly discovered identity theft by reviewing their own account activity in about 28 percent of sample filings. The analysis also found that filers credited routine financial institution account monitoring with uncovering identity theft in nearly another 21 percent of SAR filings, and reviews of commercial databases at account initiation in 15 percent of filings.

The second report, issued in September 2011, analyzed SARs filed by securities and futures firms from January 1, 2005 through December 31, 2010.<sup>25</sup> It showed that identity thieves preferred to use stolen account identifiers to take over existing legitimate investment accounts rather than to set up new unauthorized accounts. As part of the analysis, FinCEN reached out to representatives of the Bank Secrecy Act Advisory Group (BSAAG) Securities and Futures Subcommittee for input regarding the types of information industry would find most useful. Compared to the first report, the average number of subjects named in SAR-SFs was lower than the average number named in SARs filed by depository institutions, likely because most investment transactions, whether legitimate or otherwise, are initiated and completed online, by phone, fax, or mail and rarely

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23. FinCEN defines identity theft as using identifying information unique to the rightful owner without the rightful owner’s permission.

24. See [http://www.fincen.gov/news\\_room/rp/reports/pdf/ID%20Theft.pdf](http://www.fincen.gov/news_room/rp/reports/pdf/ID%20Theft.pdf).

25. See [http://www.fincen.gov/news\\_room/rp/files/ID%20Theft%2011\\_508%20FINAL.pdf](http://www.fincen.gov/news_room/rp/files/ID%20Theft%2011_508%20FINAL.pdf).



## Outcome Goal 2 continued...

involve face-to-face contact with investment industry employees. In contrast, depository institution branch personnel are more likely to experience periodic face-to-face contact with the majority of their branch customers and other individuals intending to complete financial transactions.

### Financial Fraud Enforcement Task Force

President Obama established the Financial Fraud Enforcement Task Force (FFETF) to focus on the full array of corrupt conduct presented by the financial crisis. FinCEN continues to play 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. FinCEN serves together with the Justice Department's Executive Office for United States Attorneys as co-chair of the Training and Information Sharing Committee, one of the three Task Force committees enumerated in the President's Executive Order.

As SARs are one of the best sources of lead information for law enforcement in fighting financial crime, FinCEN plays a dynamic role in the FFETF's anti-mortgage fraud initiative through information sharing based on SAR data and support to investigations and prosecutions. FinCEN proactively works to share information and investigative techniques to leverage strategies among multiple Federal, State, and local agencies to detect criminals and hold them accountable.

### Coalition of Agencies Aggressively Combats Fraud

*"The financial crisis has impacted every American. It has presented not only fraud and deception in the finance and housing markets that helped fuel the crisis, but also the potential for fraudulent schemes to misuse the public's unprecedented investment in economic recovery. While we are aggressively confronting fraud born of the financial crisis, the reality is that we cannot prosecute our way out of the situation. Instead, we must address it with an equally broad and comprehensive enforcement response. This is the mission of the Financial Fraud Enforcement Task Force. ... While we have accomplished much in the first year of the Task Force, our work is far from complete. A healthy economy and, in these times, a full economic recovery, requires our continued vigilance in protecting American businesses and consumers from financial fraud. This Task Force has risen to the challenge and is prepared for the still difficult road ahead."*

Eric H. Holder Jr., Attorney General  
Chairman, Financial Fraud Enforcement Task Force  
Financial Fraud Enforcement Task Force *First Year Report*  
June 2011

### FFETF Includes FinCEN's Contributions in Its First Year Report

The FFETF noted in its annual report that FinCEN has provided substantial financial intelligence and analysis to the law enforcement community. For example:

- FinCEN provided numerous securities fraud referrals to the SEC's Office of Market Intelligence. The SEC opened at least one new enforcement case based on the December 2010 hedge fund referral report to the Office of Market Intelligence, and has used the information in dozens of ongoing hedge fund cases.
- FinCEN initiated a case study using the Financial Industry Regulatory Authority (FINRA) data to identify reported suspicious activities of registered securities members who were barred from the industry. Strategic reports were published on suspicious activities with commercial mortgage backed securities (CMBS) in October 2010.
- FinCEN prepared a report for the SEC Asset Management Unit on hedge funds reported in SAR filings, which contained more than 320 hedge fund firms and \$150 billion in suspicious activity.
- In February and March 2010, FinCEN provided research to the Iowa Attorney General's Office in support of a criminal case involving insider trading, market manipulation, check fraud and embezzlement. FinCEN identified \$5 million in reported suspicious activities, as well as 11 related accounts and numerous associated shell companies.
- In July and August 2010, FinCEN provided support for a joint FBI and SEC case involving interstate transactions of an unregistered security, manipulative and deceptive devices, mail fraud and wire fraud. FinCEN identified \$7 million in reported suspicious activities, 20 bank and credit union accounts and 3 casino accounts.
- From March through October 2010, FinCEN provided support to the Florida Attorney General's Office in support of a criminal investigation of a Ponzi scheme. FinCEN identified \$8 million in suspicious activities.
- In November 2010, FinCEN supported an IRS-CI case involving hedge fund portfolio managers suspected of defrauding investors. FinCEN identified \$85 million in reported suspicious activities, numerous hedge funds and associated individuals.
- FinCEN identified 451 Bank Secrecy Act (BSA) reports on 241 barred members that indicated \$382 million in suspicious financial activity, such as money laundering, forgery, market manipulation, hedge fund fraud, wire transfer fraud and embezzlement. A significant portion of this activity occurred after the members were barred from the securities industry.

Financial Fraud Enforcement Task Force's *First Year Report* (pages 4.35-4.36)  
June 2011

### **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. 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 continues to monitor SARs reporting suspected loan modification/foreclosure rescue scams. FinCEN also provides direct case support on foreclosure rescue/loan modification scam cases, and has created a repository within its existing database of information

related to both suspects and perpetrators associated with loan modification/foreclosure rescue scams. Additionally, FinCEN provided outreach to state-based organizations through the National Association of Attorneys General (NAAG) and the National District Attorneys Association (NDAA), and provides training and case support for their efforts.

### **Scams Involving the HUD FHA’s Home Equity Conversion Mortgage (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. FinCEN, HUD, law enforcement, and other government agencies are actively working with financial institutions to help reduce the incidence of HECM fraud and victimization.

### SMART Targets Mortgage Loan Fraud

The Office of Inspector General at the Department of Housing and Urban Development (HUD-OIG) and FinCEN formed the Suspicious Mortgage Activity Review and Targeting (SMART) Team in 2010 to proactively identify mortgage loan fraud schemes in the Federal Housing Administration's Single Family program through the analysis of mortgage loan fraud SARs and FHA-insured mortgages, in support of the FFETF, HUD-OIG, U.S. Secret Service, and FinCEN mortgage fraud efforts and initiatives.

The SMART Team discovered that nearly 100,000 mortgage loan fraud SARs were filed with a nexus to FHA insured loans. The SMART Team compared the FHAs mortgage database, the Single Family Data Warehouse (SFDW), to MLF SARs filed over the last several years. SMART then analyzed default, foreclosure, and claims data on borrowers and appraisers who were identified in MLF SARs, and used its analysis to identify dozens of potential criminal and civil investigations for HUD-OIG and U.S. Secret Service.

The SMART effort demonstrated to law enforcement how, using MLF SARs, the HUD-OIG could proactively detect mortgage fraud, and clearly illuminated how valuable MLF SARs are to HUD-OIG's ability to quickly detect mortgage fraud and help protect the FHA program from scammers.

### 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. Immigration and Customs Enforcement (ICE), the IRS, IRS-CI, the SEC, and the U.S. Postal Inspection Service (USPIS). FinCEN monitors incoming SARs for

## Outcome Goal 2 continued...

referrals on subjects benefitting directly or indirectly from TARP programs. FinCEN provides regular updates to SIGTARP and other FFETF members on suspected abuses of TARP programs. 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.

### **Support for Health Care Fraud Investigations**

The widespread growth of health care fraud throughout the United States and its related costs led Federal law enforcement to implement a national strategy to combat this crisis in May 2009. The Health Care Fraud Prevention and Enforcement Action Team (HEAT), which 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 partners closely with law enforcement to identify complex large-scale fraud schemes and the most egregious individual perpetrators and organized groups defrauding the health care system through FinCEN data analysis for specific geographic locations.

In fiscal year 2011, FinCEN completed 67 analytical/financial reports, analyzed over 175,000 BSA records concerning our increased analytical/investigative support

to partnership agencies on health care fraud. FinCEN provided case support to five federal and eight state and local agencies. On several occasions, FinCEN assisted with the analysis of bank records that further identified accounts and funds recovered through the asset forfeiture process. FinCEN assisted in the largest health care fraud takedown in history. In addition, several staff members completed specialized training related to health care fraud. These accomplishments far exceeded FinCEN's target goals. Additionally, a highly anticipated health care advisory was issued with very positive feedback concerning its use in future criminal cases.

### **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.

### Uncovering Financial Crime with FinCEN Data

*Financial data reported by financial institutions pursuant to FinCEN regulations has proven to be of considerable value in law enforcement's investigations of financial crimes. When combined with other data collected by law enforcement and the intelligence communities, FinCEN data assists investigators in connecting the dots by allowing for a more complete identification of the respective subjects through personal information; previously unknown addresses; businesses and personal associations; banking patterns; travel patterns; communication methods, etc. The following law enforcement cases were supported by FinCEN data:*

#### **SARs Aid Investigators in Auto Dealer Money Laundering Case**

SARs helped investigators take down an auto dealer and several associates involved in a drug trafficking and money laundering organization. During a 5-month investigation, Federal agents uncovered a scheme that involved cash purchases of cars by drug dealers above the \$10,000 reporting limit; the sales were recorded by the defendant as being under \$10,000 to avoid the reporting requirement. Local financial institutions filed multiple SARs describing the suspicious, frequent deposits by the defendant. SAR information gave investigators insight on the suspect's unusual bank deposit activity and helped identify two other accounts he was using. A Federal agent investigating the case said that information gained from the SARs was a big help in writing the affidavit, and overall very useful in this case. The agent estimated that his agency uses the FinCEN database in more than 95 percent of its cases.

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#### **SARs Describe Laundering Method of Drug Trafficking Organization**

Well-written SARs helped dismantle a multi-state trafficking network that diverted and illicitly sold thousands of prescription pain-killing tablets. The leaders of the conspiracy attempted to use various financial institutions to transfer funds and launder proceeds through several businesses. The financial institutions, including an issuer of reloadable debit cards, noticed that the transactions fell outside normal business practices and filed multiple SARs. In addition, a large depository institution noted that the transactions seemed inconsistent with the customer's business model, and appeared to be constructed to avoid reporting requirements. Investigators from several local and Federal agencies noted that SARs played an important role in revealing the network's financial underpinnings. Federal prosecutors unsealed charges against approximately two dozen individuals for their alleged involvement in the distribution of more than 6,000 pills and the laundering of more than \$1 million.

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### **SARs Lead to Arrests in Fraud Committed by Debt Collection Agency**

An alert bank noticed suspicious transactions associated with a debt collection agency and filed SARs that covered the period when the entity engaged in extensive fraud and money laundering. A SAR review team identified the reports, initiated an investigation, and arrested the perpetrators before they could victimize additional businesses and individuals. The SARs helped investigators track millions of dollars generated from the illicit activity and resulted in the recovery of nearly a million dollars in fraudulently generated gains.

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### **SAR Initiates Case that Leads to Guilty Pleas for Hiring Illegal Aliens**

In a case initiated from a SAR, Federal law enforcement officials uncovered two businesses that were hiring illegal aliens to furnish services to warehouses. The defendants hired illegal aliens and did not require documentation of their immigrant status or their lawful right to hold employment in the United States. A company hiring workers for one of the businesses requested Social Security numbers for the undocumented aliens. The defendants gave the company fraudulent Social Security numbers. The defendants paid the illegal aliens in cash and failed to subtract payroll tax and other deductions from their pay. The businesses' president and office manager withdrew cash from three banks in amounts under \$10,000 to avoid FinCEN reporting requirements in an attempt to disguise the illicit payments. All three banks filed SARs reporting structuring. The defendants pled guilty to hiring undocumented workers.

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### **Proactive Review of SARs Leads to Prison Sentences for Drug Kingpins**

Through a proactive review of SARs filed by depository institutions and MSBs, a Federal law enforcement agency identified a money laundering conspiracy, solely based on FinCEN data. The SARs detailed structured transactions, unusual withdrawals, and unexplained wire transfers. Many of the SAR narratives noted that the subjects made numerous, substantial deposits and withdrawals with no explanation for the source of the funds. In addition to moving money through various banks, the defendants used numerous individuals to structure money into MSBs and wire transfer money out to locations in the United States and Israel. One SAR-MSB noted that the transactions were through almost 100 MSBs. From the MSBs, the funds were transferred to various "business" locations linked to

the defendants. SARs, SAR-MSBs, and CTRs were all filed on the defendants, and the subsequent investigation uncovered more than \$2 million in cash and wire transfers from a drug-related money laundering conspiracy. The investigation proceeded with the help of local police, which included street-level surveillance. The primary subjects of the investigation were convicted of money laundering and each was sentenced to more than two decades in Federal prison.

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### **FinCEN Data Continues to Assist Mortgage Fraud Investigation**

Law enforcement authorities used FinCEN records extensively in an investigation that involved a large scale mortgage fraud scheme that resulted in major financial losses as well as numerous foreclosures. Investigators queried FinCEN data and found multiple relevant SARs. The results helped acquire a search warrant that was obtained due to the accumulation of SARs and interviews held with borrowers. Federal and local authorities arrested more than a dozen individuals linked to mortgage fraud operations that filed fraudulent loan applications with several banks and other lenders, generated millions of dollars in loan fees and real estate commissions, and caused millions of dollars in losses when the homes went into foreclosure because the purchasers were unable to make their monthly payments. Two separate indictments outlined schemes in which real estate professionals prepared mortgage applications that contained false information about borrowers' income, employment, assets, and intent to occupy the properties. In the first case, investigators estimated that the conspiracy was responsible for banks funding at least \$25 million in mortgages. In the second case, authorities believe that banks funded at least \$10 million based on fraudulent loan applications. FinCEN supported this investigation through its independent work and through its collaborations with the Financial Fraud Enforcement Task Force (FFETF).

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### **FinCEN Information Instrumental in Fraud Case**

In a case propelled by information found in FinCEN data, a man who operated two shell companies and supplied fake driver's licenses to underage teens pled guilty to numerous charges, including the production of false identification documents. Funds obtained through the defendant's illegal business were structured into bank accounts and laundered by purchasing assets. Notably, as soon as investigators became aware of the suspect's activity they queried FinCEN data and found details related to his criminal enterprise. Federal law enforcement



investigators repeatedly emphasized how important SARs were to the case. The investigators stated that through the use of records filed in compliance with FinCEN's regulations, they were able to conclude that the defendant was running a cash business. Information reported on a SAR described illicit business activity and laid the groundwork for various seizures. One SAR filed by a depository institution revealed fictitious company names, bank account information, and a witness to the fraud. In addition, information from the SAR led to the seizure of a sports car, a house, and approximately \$1 million in currency. Another SAR filed by a depository institution noted that the defendant's business transactions showed approximately three dozen currency deposits totaling more than \$175,000 within a 3-month period. The SAR also revealed debits from accounts showing expenditures such as entertainment expenses, gas station purchases, restaurant expenses, jewelry, and electronics purchases. Expected business debits, such as payrolls, office supplies, and tax payments, were not found.

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### **SARs Aid in Investigation of Theft from City Housing Authority**

Federal authorities charged two defendants with stealing more than \$1 million from a bank account belonging to a city housing authority. The pair used various methods, including prepaid access cards, to withdraw the stolen funds from the housing authority's account. The money in the account was designated to pay rent for the city's low-income residents. The case also involved alleged structuring and identity theft. The bank used electronic fraud detection software to discover the theft. The investigation started as a cyber case because the housing authority thought someone was hacking into its accounts after it noticed improper debits. As the investigation continued, it became clear that it was a bank fraud. The defendants were indicted on a charge of conspiracy to commit bank fraud. Several depository institutions and an MSB filed SARs that helped piece together transactions linked to the theft. A Federal agent investigating the case stated his agency used the FinCEN database to gather information on additional bank accounts, as well as other potential suspects.

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### **FinCEN Assistance and Data Lead to Conviction and Guilty Pleas for Procurement Fraud**

SARs, a 314(a) request, and Egmont networking significantly aided an investigation of contract fraud concerning U.S. munitions purchases. The defendants improperly obtained restricted ammunition through the use of foreign

accounts, shell corporations, and middlemen. Several financial institutions filed SARs describing suspicious wire transfers and the structuring of deposits, and these records led to critical evidence and leads. A Federal agency initiated a 314(a) request because one of the suspects had made large deposits in several bank accounts in the United States and was suspected of having overseas accounts to deposit the proceeds of fraudulent activity. The 314(a) request revealed additional account and transaction information previously unknown to investigators. Federal investigators requested all account activity on the defendants from Egmont Group FIU representatives in other countries, and this data significantly helped investigators make connections between the defendants and locate international bank accounts. A Federal grand jury indicted the defendants on wide-ranging fraud charges in connection with their provision of ammunition to American allies in the Middle East. Through FinCEN's assistance, and especially with the use of data reported under FinCEN's regulations, investigators learned of the connections between the defendants and that banks were actively watching them and their associates' accounts.

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### **SARs Lead to Conviction of Former Federal Agent for Wire and Bankruptcy Fraud**

A former Federal agent was found guilty at trial on various charges related to the purchase of real estate. The former agent allegedly fabricated information provided to financial institutions regarding his position and income. The case began when a Federal analyst was proactively examining SARs in connection with mortgage loan fraud investigations and recognized the subject of a SAR as a current Federal agent. The SAR narrative indicated that the defendant provided the filer with fraudulent statements concerning income and employment when applying for a mortgage loan. The institution claimed a loss of more than \$200,000. According to subsequent SARs, the defendant claimed to be president of a company, which did not exist. Other SARs on the defendant alleged suspected mortgage fraud, bank fraud, and wire transfer fraud. According law enforcement officials investigating the case, the defendant's criminal activity could have gone undetected without the information that was made available in the SARs.

### Support to SAR Review Teams

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 Department of Justice (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 for further investigative review every month. FinCEN began receiving SAR document control numbers from the teams in August 2010. Using various analytical tools and law enforcement databases, FinCEN is reviewing these and other SAR filings and comparing 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 data reported to FinCEN, and aid in demonstrating the value of this data reported to financial institutions and following their efforts on the information most useful to law enforcement.

### HIFCA Support

FinCEN's six High Intensity Financial Crimes Area (HIFCA) liaisons continue 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 FinCEN data. They worked with the SAR review teams and task forces in their locations, regularly reviewed SARs, and made presentations to law enforcement on the use of SARs and other data reported under FinCEN's regulations.

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

- FinCEN supported a joint Organized Crime Drug Enforcement Task Force (OCDETF) investigation into an Asian Organized Crime Group operating in Northern California involving the use of local card clubs to launder their illicit funds, and facilitate their criminal activities. FinCEN assisted investigators with the analysis of FinCEN data and provided other regulatory guidance relating to card club activities. This multi-agency investigative effort led to the indictment of 15 individual subjects and other additional subjects involved in card room operations.

## Outcome Goal 2 continued...

- A FinCEN analyst assigned to the Puerto Rico HIFCA provided case support to the OCDETF to help identify, disrupt and dismantle a large criminal organization known as “Los Cuarenta” (The Forties). A total of 114 individuals were arrested on charges of conspiracy to possess with the intent to distribute illegal and controlled substances, to include the forfeiture of \$20 million in cash and 50 properties located in the Barriada La Perla, San Juan, Puerto Rico.

### HIDTA Support

In fiscal year 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). In fiscal year 2011, FinCEN continued these efforts through the development of a basic and advanced training course at FinCEN for HIDTA analysts. Fourteen analysts from seven different HITDA locations attended this training. In addition, FinCEN developed, implemented and funded a program to allow for 30-day rotations to FinCEN for HITDA/NGB analysts in order to help increase the financial investigative acumen of the HIDTA/NGB analytical cadre. In all, 10 analysts from eight HIDTA locations participated in the 30-day rotations. Presentations

and meetings were held with ONDCP, HIDTA directors and NGB personnel to increase their awareness of FinCEN data and to provide support for narcotics related investigations. Finally, FinCEN contributed to the Southwest Border Counternarcotics Strategy and has a number of efforts that support the strategy.

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

During fiscal year 2011, 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.

## *Outcome Goal 2 continued...*

- Southwest Border Executive Steering Group (SWB-ESG): As a lead agency for several objectives in the National Southwest Border Counternarcotics Strategy, FinCEN is a member of the Southwest Border Executive Steering Group (SWB ESG), a group that includes senior leaders from over 20 Federal agencies involved in Southwest border security.
- Working closely with the Mexican and other FIUs in the region to monitor the impact of new regulations implemented by the Government of Mexico restricting U.S. dollar cash deposits at Mexican financial institutions
- Monitoring currency flows and Suspicious activity reporting related to the Mexican regulations on U.S. dollar cash

In 2011, FinCEN took on a greater role than in prior years as a SWB-ESG member. Specifically, FinCEN's work included:

- Analyzing money transmitter and FinCEN data for tactical targeting and conducting strategic level trend analysis
- Publishing a Notice of Proposed Rulemaking that would require certain U.S. banks and money services businesses to report cross-border electronic transmittals of funds to FinCEN

Additionally, FinCEN's SWB-ESG activities will focus on targeting the illicit use of MSBs and sharing financial investigative information and intelligence through the Organized Crime Drug Enforcement Task Force Fusion Center and further coordinate with Mexico on anti-money laundering regulatory efforts, international tax administration, and financial crime.

## Outcome Goal 2 continued...

### Multiple Defendants Charged with Racketeering, Extortion, and Narcotics Crimes Involving Casinos

SAN FRANCISCO – A Federal grand jury charged 15 individuals with committing racketeering, extortionate extension of credit, and narcotics offenses at and through two Bay Area casino card clubs. The indictment alleged that these individuals either at the casinos or through the use of the casinos' facilities. The working with defendants

### Former Chairman of Taylor, Bean & Whitaker Sentenced to 30 Years in Prison

WASHINGTON – The former chairman and owner of Taylor, Bean & Whitaker (TBW) was sentenced to 30 years in prison and ordered to forfeit approximately \$38.5 million for his role in a more than \$2.9 billion fraud scheme that contributed to the failure of TBW and Colonial Bank. The Department of Justice recognized the assistance of FinCEN in this case.

### Former Bank Official Convicted of Disclosing A SAR

RIVERSIDE, California – A former bank official was found guilty of disclosing the existence of a Suspicious Activity Report (SAR) filed with Federal officials, and then soliciting thousands of dollars in bribes to help the borrower deal with a possible criminal investigation related to the illegally disclosed SAR. The case was investigated by the Federal Bureau of Investigation, which received assistance from FinCEN. FinCEN believes the defendant is the first bank official in the nation to be convicted of criminal charges for revealing the existence of a SAR.

"SARs filed by financial institutions with FinCEN provide some of the most useful information available to government investigations or proceedings," according to FinCEN, and law enforcement depend on government officials alike. This information that come with betraying that trust, ignoring one's duty as an employee

### Marketers Charged with Billing Consumers without Their Consent

WASHINGTON – The Federal Trade Commission (FTC) charged two men and their companies with unfairly and deceptively billing consumers without their consent, and not providing promised refunds, in violation of Federal law. According to the FTC's complaint, the men and their companies obtained consumers' personal information from Web sites that claimed to match consumers with payday lenders, and then enrolled consumers, without their knowledge, in one or more of several worthless "continuity" programs. The FTC alleged that the defendants used consumers' bank account information, obtained through their payday loan applications, to create and deposit "remotely created checks" to pay for the continuity programs. The FTC thanked FinCEN for its help in bringing this case.



### **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 44,000 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. FinCEN's successful 314(a) program conforms 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). Law enforcement agencies of such jurisdictions submit information requests concerning significant money laundering or terrorist finance investigations to U.S. financial institutions through FinCEN. U.S. Federal law enforcement agencies have reciprocal rights to obtain information about suspect accounts in EU member states. U.S. State and local law enforcement agencies have the same access to the program that, prior to the issuance of a final rule in 2010, was only 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.

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

## Outcome Goal 2 continued...

### 314(a) Program Data

November 1, 2002 - October 26, 2011

Total requests for information - 1,526

Number of Federal law enforcement agencies submitting requests - 36

Number of State/local law enforcement agencies submitting requests - 12

Types of requests:

- Terrorism/terrorist financing - 378
- Money laundering - 1,148

Number of subjects of interest identified in requests - 15,741

Total subject matches received from financial institutions - 100,084  
(99,046 positive and 1,038 inconclusive)

### Information Exchanges between Financial Institutions

Section 314(b) of the USA PATRIOT Act allows certain financial institutions, after providing notice to FinCEN, to voluntarily share information with each other for the purpose of identifying and reporting possible money laundering or

terrorist financing under protection of legal safe harbor. While participation in the 314(b) information sharing program is voluntary, FinCEN encourages financial institutions to consider how voluntary information sharing could enable each institution to more effectively perform its AML and suspicious activity monitoring obligation.

### Information Sharing is Essential to Combating Financial Crime

*“Used properly, Section 314(b) expands the depth and scope of information available to firms in their effort to mitigate the risks posed by potential money launderers. In addition, firms that share information under Section 314(b) reduce their exposure to fraud and other costly financial crimes. Most important, as noted by Director Freis on a number of occasions, the act of sharing information between financial institutions is essential to combating financial crime and ultimately increasing the integrity of the financial system.”*

Jeffrey Halperin

Vice President, MetLife (Representing MetLife on the BSAAG)

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### **FinCEN Reference Manuals**

To help government investigators (including agents, analysts, forfeiture specialists, examiners, prosecutors, and other experts) expand their knowledge of new financial technologies and payment systems, as well as ways to use FinCEN 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 2011, FinCEN generated extensive reference manuals for investigators on mobile payments and interpreting SAR narratives referencing money transfers, funds transfers, and money orders. The manuals offer in-depth exploration of emerging payment systems from a law enforcement perspective and multiple sample methods and techniques for effectively researching and analyzing FinCEN data.

### **FinCEN Networking Bulletin**

In fiscal year 2011, FinCEN produced several additional products for investigators as part of its *Networking Bulletin* series. A comprehensive bulletin was produced which explains and provides extensive user guidance on FinCEN's 314(a) program and its expansion to domestic state and local and international law enforcement authorities. Another bulletin was produced on letters of credit which examines and sample illustrates how these financial instruments operate and explores associated vulnerabilities for criminal misuse. In addition to providing insights upon financial mechanisms and key FinCEN programs, 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 for free to investigative officials.

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

FinCEN provides a variety of training modules for law enforcement. More than 210 outreach sessions were presented to Federal, State, and local agencies during fiscal year 2011. The variety of training sessions included a basic overview of FinCEN and its products and services, reference manual specific topics, multi-day basic and advanced classes on understanding FinCEN data and utilization of that data in criminal investigations, as well as hands-on instruction on how to use the query tool.

## Outcome Goal 2 continued...

FinCEN's HIFCA representatives 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 FinCEN data.

### Financial Subject Matter Training Initiatives

FinCEN presented 50 reference manual related outreach sessions to Federal, State, and local agencies during fiscal year 2011. The sessions are each typically quite extensive and include hand out materials and training modules. Key recipients, such as the Drug Enforcement Administration (DEA), the Federal Bureau of Investigation (FBI), U.S. Immigration and Customs Enforcement (ICE), the Central Intelligence Agency (CIA), multi-agency HIDTA officials, law enforcement academies, and National Guard have consistently deemed these training presentations and the related materials as being the best they have ever received in the given topical realms, e.g., funds transfers, correspondent accounts, centralized processors, international money movement, prepaid cards, Internet payment systems, mobile payments, and FinCEN data analysis. In response to demand, FinCEN has videotaped some of its training sessions to enable further widespread availability and delivery. Through these onsite sessions, over the past fiscal year, FinCEN has been able to directly reach out to and, in person, substantively train several thousand law enforcement and intelligence community officials.

Similarly, FinCEN has *remotely* supported a large group of additional major training programs, currently a total of 35, through helping to organize blocks of training, offering consultation on training coverage and approaches, and providing its comprehensive reference materials e.g., to ongoing training initiatives being implemented DOJ AFMLS; FLETC; State Diplomatic Security Service; USSS; ICE; FBI; Regional Multi-Agency Task Forces.

The basic and advanced courses are 2 1/2 day courses that include sessions on the value of FinCEN data to investigations, use of the query tool, and practical exercises, as well as other FinCEN services that can enhance investigative efforts and IT Modernization. In fiscal year 2011, FinCEN held a total of seven basic and advanced user classes for 85 law enforcement attendees.

### Mexico and Southwest Border Issues

The U.S. Government continues with efforts to disrupt smuggling and money laundering across the U.S.-Mexico border, target narcotics cartels, and combat other cross-border crime. The Office of National Drug Control Policy released its latest *National Southwest Border Counternarcotics Strategy* in July 2011. This report is a key component of the Administration's unprecedented efforts to enhance security along the Southwest border. It outlines Federal, State, local, tribal, and international actions to reduce the flow of illicit drugs,

## *Outcome Goal 2 continued...*

cash, and weapons across the border. The Director of National Drug Control Policy oversees the implementation of the strategy, in coordination with the Department of Homeland Security, Office of Counternarcotics Enforcement, and the Department of Justice, Office of the Deputy Attorney General. FinCEN's cooperative efforts with domestic law enforcement agencies along the Southwest border and ongoing partnerships with Mexican authorities were highlighted in the report.

FinCEN has worked to expand direct support to U.S. law enforcement initiatives outlined in Chapter 6 of the National Southwest Border Counternarcotics Strategy by developing partnerships with key Southwest border task forces and Federal agencies. FinCEN developed a close relationship with the Southwest Border Anti-Money Laundering Alliance (SWBAMLA), which in 2010 provided FinCEN with money transmitter (MT) data received from Western Union as a result of a court settlement with the Arizona Attorney General. FinCEN is using the MT data in combination with other data reported to FinCEN to identify illicit MSB activity and cross-border currency flows in support of the SWBAMLA and IRS-CI task forces on the Southwest border, and to aid in the development of advanced analytical methods of target identification in partnership with the SWBAMLA. Analytical concepts and methods

developed through this partnership are intended to benefit all Federal agencies that use FinCEN and MT data.

In March 2011, FinCEN completed a comprehensive study of the effects of recent Mexican anti-money laundering regulations on the flow of U.S. dollar cash domestically and internationally, and on current money laundering trends and methods. FinCEN disseminated an Advisory on the study directly to over 500 law enforcement contacts and to a much larger community of stakeholders through FinCEN's Secure Outreach system and via law enforcement agency information sharing sites.

FinCEN and its Mexican FIU counterpart, the Unidad de Inteligencia Financiera (UIF), have increased their tactical- and strategic-level collaboration based on the reciprocal sharing of relevant financial data available to FinCEN and the UIF, to include joint examination of cross-border currency flows. FinCEN is also working with other FIUs to share information based on its experience working with the UIF.

FinCEN is also increasing collaboration with Mexican banking regulators, including the National Banking and Securities Commission (CNBV), to share information on AML requirements and compliance to strengthen the defenses of U.S. and Mexican financial institutions against money laundering.

### FinCEN Employee Wins 2011 Prestigious Service Award

Ann S. Martin, a senior intelligence research specialist in FinCEN's Analysis and Liaison Division, has worked bilaterally to detect and measure the laundering of billions of dollars from illicit drug sales in the United States through Mexican banks, helping to inform a decision taken by the Mexican government in 2010 to tighten financial rules and giving law enforcement new leads to pursue dangerous narcotics traffickers. In September 2011, she was honored for her achievements with the Samuel J. Heyman Service to America Medal, an awards program that pays tribute to America's dedicated Federal workforce. Honorees are chosen based on their commitment and innovation, as well as the impact of their work on addressing the needs of the nation.

Working with the Mexican government, Martin analyzed tens of thousands of transactions, and in 2010, documented that billions of dollar banknotes unexplained by legitimate sources were entering the Mexican banking system. The work of Martin and her counterparts provided empirical evidence to support the Mexican government's decision to issue new regulations restricting the amount of U.S. dollars that Mexican banks may receive. The new rules make it more difficult for criminals to launder their illicit funds through the Mexican financial system, and may lead them to take greater risks as they try to launder their illicit cash proceeds through other methods. Where there is more risk involved, law enforcement can often more easily detect criminal activity and catch illicit actors. These new regulations have led to a sharp decline in the deposits of U.S. currency in Mexican financial institutions. At the same time, FinCEN's work has provided American and Mexican law enforcement authorities with a number of leads into cross-border money laundering and transnational organized crime groups.

### Combating Transnational Organized Crime

FinCEN recognizes that financial crime is a global phenomenon transcending geographic borders, and partnerships with other nations and international bodies are essential in the detection of criminal proceeds. Since its establishment in 1990, FinCEN has played a significant role in the U.S. Government's efforts to

combat transnational organized crime. FinCEN carries out its mission to detect and deter criminal activity by providing investigative support to law enforcement, intelligence, and regulatory agencies, cooperating globally with counterpart FIUs, and using its regulatory authorities to make it more difficult for organized criminal groups to move money through the financial system.

## Outcome Goal 2 continued...

FinCEN exercises its authority under Section 311 of the USA PATRIOT Act, which allows for the imposition of special measures for jurisdictions, financial institutions, or international transactions of primary money laundering concern. In February 2011, the U.S. Department of the Treasury identified The Lebanese Canadian Bank SAL together with its subsidiaries (LCB) as a financial institution of primary money laundering concern for the bank's role in facilitating the money laundering activities of an international narcotics trafficking and money laundering network. FinCEN published a Notice of Proposed Rulemaking seeking to impose special measures upon LCB.

In July 2011, Director Freis participated with law enforcement agency heads in an event at the White House to launch the Administration's Strategy to Combat Transnational Organized Crime. This strategy seeks to build, balance, and integrate the tools to combat transnational organized crime threats to national and international security. The strategy also seeks to disrupt and dismantle transnational illicit networks and converging threats – and to urge the nation's foreign partners to do the same.

### **International Information Exchange and Analysis**

As the nation's FIU, FinCEN is part of a worldwide network of agencies designed to exchange financial intelligence derived largely from financial industry reporting.

FinCEN makes requests for information on behalf of Federal, State, and local law enforcement agencies, among others. At the same time, 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 proactive internal analysis.

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 1,019 requests and disclosures in fiscal year 2011. FinCEN decreased its average time to close foreign FIU cases in fiscal year 2011 by 9 percent relative to fiscal year 2010, thereby speeding the delivery of information to law enforcement and keeping close to the Egmont Group's best practice 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 312 such requests from 45 domestic law enforcement and regulatory agencies in fiscal year 2011, compared with 286 requests from 39 agencies in fiscal year 2010. FinCEN works with its counterparts to obtain information relevant to these requests, often working with multiple

## Outcome Goal 2 continued...

FIUs on a given request. 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 use this unique service.

FinCEN continues its efforts in the area of strategic analysis on international topics, with a particular emphasis on joint work with other FIUs. For example, in fiscal year 2011, FinCEN worked with domestic law enforcement and foreign FIUs on a range of projects with partners throughout the world. For example, FinCEN analyzed financial reporting related to jurisdictions in Central America and the Caribbean to identify changes in cash movements resulting from regulatory change in Mexico limiting deposits of U.S. dollars.

### International Engagements and Liaison Activity

FinCEN engages with foreign FIUs and other counterparts on analytical, regulatory, and operational issues in order to strengthen information sharing mechanisms and increase international collaboration. During fiscal year 2011, FinCEN hosted 19 foreign delegations for extended visits to discuss issues of mutual interest. FinCEN hosted 34 foreign delegations for shorter visits. Several of these visits occurred as part of the Department of State's International Visitor Leadership Program.

FinCEN supported the U.S. delegation to the FATF in its efforts to revise international standards concerning FIUs and international cooperation. FATF plans to publish an updated version of the 40 Recommendations and 9 Special Recommendations in 2012. FinCEN staff members serve on U.S. interagency delegations to the meetings of the eight FATF-style regional bodies (FSRBs), providing expertise on FIU-related issues.

### Egmont Group Activities

FinCEN continues its work in the Egmont Group to promote effective information sharing and networking. FinCEN played a key role on projects relating to cross-border, enterprise-wide suspicious transaction information sharing within the financial sector, compiling best practices in FIU security, and advising counterparts on FIU issues relating to FATF recommendations and mutual evaluations.

In February 2011, the Egmont Group published a White Paper, entitled *Enterprise-wide STR Sharing: Issues and Approaches*,<sup>26</sup> designed to elicit further multilateral discussion of the issues surrounding the international sharing and protection of Suspicious Transaction Reports (STRs), known as SARs in the United States. FinCEN was one of several FIUs that played an active role in the Egmont Group's study of this issue during the past three years which began with the

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26. See <http://www.egmontgroup.org/library/egmont-documents>.

## Outcome Goal 2 continued...

FinCEN Director raising the issue before the 2008 Egmont Group plenary. FinCEN initiated a survey of practices in Egmont member jurisdictions and later led a subgroup of FIUs that drafted the White Paper. FinCEN supports the multilateral pursuit and discussion of the various options presented by the White Paper.

In addition to its work on this issue in the Egmont Group, FinCEN in recent years has taken action in support of similar principles and premises to promote SAR sharing. After receiving comments from the financial industry, in November 2010 FinCEN finalized its rules to promote SAR confidentiality and provided guidance to permit SAR sharing among domestic affiliates, effective as of January 3, 2011 (see page 13).

Through their comments, some industry representatives expressed the desire that the FinCEN rules applicable to banks in the United States go further and allow international SAR sharing among financial institutions' affiliates. As explained in the White Paper, multiple jurisdictions would need to amend their respective legal frameworks for global banks to implement enterprise-wide approaches. FinCEN, in coordination with the Treasury Department, the Egmont Group, and its law enforcement and regulatory partners will continue to discuss SAR sharing issues with industry and international standard setting bodies, such as the FATF and the Basel Committee on Banking Supervision, to build upon the concepts developed in the White Paper.

### Cooperation among Governments is Crucial to Successful Information Sharing

*“Government-to-government cooperation underpins the Egmont Group, but it is also critical to the success of enterprise-wide STR sharing. In the end, it is governments that bear the ultimate responsibility for enforcing rules on the confidentiality of STRs. Therefore, any successful arrangement that allows an STR and related information to leave one jurisdiction for another necessarily involves government-to-government cooperation, whether explicit, implicit, or both.”*

**Bess Michael**

**Associate Director, FinCEN's International Programs Division**

**Prepared remarks before the Institute of International Bankers**

**Annual Anti-Money Laundering Seminar**

**May 23, 2011**

## Outcome Goal 2 continued...

### 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 126 jurisdictions. These summaries appear in Volume II of the 2011 INCSR, which covers money laundering and financial crime issues.<sup>27</sup> This information continues to be relied upon by financial institutions in their efforts to assess and mitigate risks.

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

Performance Measures	FY 2009	FY 2010	FY 2011
Percentage of domestic law enforcement finding FinCEN's analytic reports contribute to the detection and deterrence of financial crime	New	80%	86%
Percentage of foreign FIUs finding FinCEN's analytic reports provide valuable information towards the detection and deterrence of financial crime	New	90%	92%
Median transmittal time from receipt of terrorism related hotline tips	3 days	2 days	2 days

27. See <http://www.state.gov/p/inl/rls/nrcrpt/2011/index.htm>.



<b>Outcome Goal 3:</b>	Efficient management, safeguarding, and use of BSA information
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FinCEN recognizes that a reliable, technical infrastructure is crucial to supporting its statutory mandate for the collection, storage, safeguarding, analysis, and appropriate dissemination of data reported under FinCEN's regulations implementing the BSA. Such an infrastructure requires a simplified process 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. FinCEN continues to make significant enhancements to the system through which filers submit BSA forms electronically.

FinCEN is committed to efficiently managing and safeguarding its valuable data, and works closely with data filers, data users, and the IRS to achieve this goal.<sup>28</sup> The number of authorized law enforcement and regulatory authorities with electronic access to FinCEN data continued to increase in fiscal year 2011. At the end of the fiscal year, 12,256 users had access to the data through FinCEN's secure Web-based system, compared with 11,527 the previous year.

## IT Modernization

FinCEN's IT Modernization initiative is a Treasury effort to provide a modernized information technology foundation to collect, store, safeguard, analyze, and share data reported under FinCEN's regulations together with other relevant information. 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 the data it provides. The Modernization Initiative aims to develop a reliable and secure information management and analysis framework that will provide better tools for filers and users, enhance data integrity, and provide improved analytical capability. FinCEN's IT Modernization efforts will improve BSA data quality, as well as its ability to securely share this and other FinCEN 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,

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

## Outcome Goal 3 continued...

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.

FinCEN's Modernization program continues to make progress toward achieving defined objectives and milestones. This past fiscal year, FinCEN released a new analytical tool for its analysts, as well as established the necessary technical infrastructure to support the production and disaster recovery environments. FinCEN

also supports the Administration and Treasury's move towards a paperless environment by building the capability for filers to submit all forms electronically. FinCEN also began efforts to design and build the new system of record and associated query system through which its law enforcement and regulatory partners will access and search FinCEN data. Once completed, the new system will provide more robust, reactive query capabilities and the ability to perform integrated analysis. In addition, FinCEN continues to enhance the capabilities of its Bank Secrecy Act Electronic Filing System (BSA E-Filing).

### FinCEN Encourages Financial Institutions to Use BSA E-Filing

*"The E-Filing efforts are the most visible public side of the multi-year information technology modernization effort that FinCEN is currently undergoing to better support our own mission and leverage benefits to the hundreds of Federal, State and local law enforcement and regulatory agencies we serve."*

James H. Freis, Jr.  
Director, FinCEN

Prepared remarks before the American Bankers Association's 2011 National Conference for Community Bankers  
February 20, 2011

### E-Filing System Upgrades

BSA E-Filing is a free, secure, Web-based system that allows financial institutions subject to FinCEN's reporting requirements to electronically file a variety of forms.<sup>29</sup> Filers have the option to submit forms one-by-one or in batches. Electronically filing reports provides cost savings for the government and improves response to users of the 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. FinCEN has encouraged E-Filing in every appropriate communication and highlights the benefits of E-Filing in all presentations to industry.<sup>30</sup> E-Filing accomplishes joint efforts to get important information relating to money laundering and terrorist financing to law enforcement in the quickest manner possible. Through E-Filing, forms are available to and searchable by law enforcement in 2 days, rather than up to 11 days if filed on paper.

Approximately 87 percent of BSA reports were electronically filed during fiscal year 2011, up from 83 percent in fiscal year 2010.

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. In July 2011, FinCEN announced that the RMSB and FBAR forms could be E-filed. And in September 2011, FinCEN proposed that all FinCEN reports (with the practical exception of the Currency and Monetary Instrument Report [CMIR] that is filed by individuals crossing the U.S. border) be electronically filed by June 30, 2012.<sup>31</sup> Making E-Filing mandatory could potentially save U.S. taxpayers significant costs per year. FinCEN has also made available the technical specifications<sup>32</sup> to assist programmers in preparing their systems to E-file future large-batch filings of SARs and CTRs. As part of its overall technology improvement efforts, FinCEN is developing new universal reports to replace the current industry specific reports.

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

30. A brochure on the benefits of E-Filing is located at [http://www.fincen.gov/whatsnew/pdf/E-File\\_Brochure.pdf](http://www.fincen.gov/whatsnew/pdf/E-File_Brochure.pdf).

31. FinCEN has extended the deadline for financial institutions to adopt the new currency transaction and suspicious activity reports until March 31, 2013.

32. See [http://www.fincen.gov/forms/bsa\\_forms/](http://www.fincen.gov/forms/bsa_forms/).

### Filing Reports through the E-Filing system

#### Discrete, or single-report, Filing

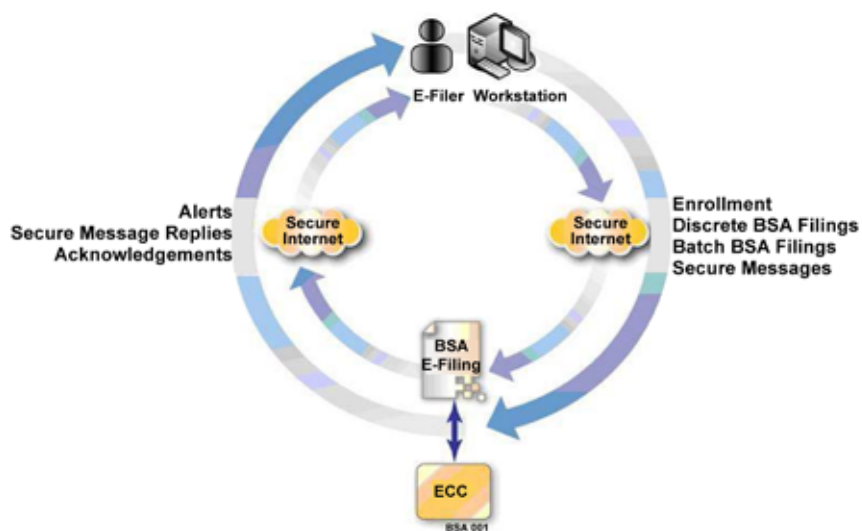
A solution for smaller institutions or those that only file small numbers of BSA reports

#### Batch Report Filing

A solution for medium-size or larger institutions or those that consistently file larger numbers of reports

#### System-to-System Filing (Secure Data Transfer Mode)

A batch filing solution for the largest filers



### Electronic Form Enhancements

The various reports that financial institutions submit to FinCEN for inclusion in the data repository provide the vast majority of the valuable information made available to law enforcement and regulatory investigators under the BSA. Over the years, regulatory requirements developed incrementally so that there came to be different paper forms for different financial industries such as the SAR-DI (for depository institutions),

the SAR-MSB (for MSBs), the SAR-SF (for the securities and futures industry), the SAR-C (for casinos), the CTR (for financial institutions other than casinos), and the CTR-C (for casinos). This form-dependent structure makes it difficult to change or modify data fields in the data repository, even though types of suspicious activity may evolve or become more, or less, prevalent. It also makes it difficult to analyze the data collected in search of meaningful trends across different industries. Electronic data can be more efficiently and

## Outcome Goal 3 continued...

effectively managed and be independent from the constraints of paper forms, industry-specific terminology, and inflexible data fields.

In anticipation of future technological advances and to provide law enforcement with more timely and more precise information, in fiscal year 2011, FinCEN began requesting comments from law enforcement, the financial industry, and the public concerning proposed data fields within the Designation of Exempt Person (DOEP), FinCEN SAR, and FinCEN CTR forms. The new electronic reports will be user friendly and similar to other commonly used Web-based forms. Depending on which industry the filer represents, he or she will be guided step-by-step to fill out the pertinent sections of the new forms. FinCEN did not propose any new regulatory requirements or changes related to current reporting requirements, but sought input on technical matters as FinCEN transitions from a system originally designed for the submission of paper forms to a modernized IT environment for electronic reporting.

### Webinars

FinCEN is committed to making efficient use of technology, such as Webinars, to better inform financial professionals

and the public about its activities that protect the financial system from criminal abuse. FinCEN 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.

In fiscal year 2011, FinCEN officials held four Webinars with the financial industry. The first was held in November 2010 and highlighted the benefits of enrolling in and using the BSA E-Filing System.<sup>33</sup> The second was held in August 2011 and focused on MSBs' use of the BSA E-Filing System to submit required forms (such as CTRs and SARs) as well as initial registrations, renewals, corrections, and re-registrations (as FinCEN announced in July 2011).<sup>34</sup> The third was held in September 2011 and pertained to the new regulatory requirements, the intent of the new requirements, and regulatory

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33. Content from the Webinar on the benefits of E-filing can be found at [http://www.fincen.gov/whatsnew/pdf/FinCENBSAEFilingWebinarPresentation\\_11-04-2010.pdf](http://www.fincen.gov/whatsnew/pdf/FinCENBSAEFilingWebinarPresentation_11-04-2010.pdf).

34. Content from the Webinar on the benefits of E-filing for MSBs can be found at [http://www.fincen.gov/financial\\_institutions/msb/pdf/The-Benefits-of-BSA-E-Filing-In-Focus-MSB.pdf](http://www.fincen.gov/financial_institutions/msb/pdf/The-Benefits-of-BSA-E-Filing-In-Focus-MSB.pdf).

## Outcome Goal 3 continued...

expectations related to the final rule on the definition of MSBs.<sup>35</sup> The MSB final rule, which FinCEN announced in July 2011, clarified what activities subject a person to FinCEN's rules pertaining to MSBs. The final rule ensured that certain foreign-located MSBs with U.S. customers are subject to FinCEN's rules. It also updated the MSB definitions to reflect past guidance and rulings, current business operations, evolving technologies, and merging lines of business. The fourth Webinar was also held in September 2011 and geared toward technical professionals who will be responsible for integrating the new CTR and SAR technical specifications into financial institution BSA E-Filing batch filing processes.<sup>36</sup>

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>37</sup> FinCEN will continue to seek innovative ways to use this technology.

### FinCEN Data Security

FinCEN continues to review its 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 information provided by FinCEN to detect financial crimes or oversee regulatory compliance has resulted in more requests for access. As of September 30, 2011, FinCEN had 342 memoranda of understanding with external client agencies. FinCEN conducts periodic onsite inspections at each agency to assess the proper and efficient use and security of FinCEN information, legitimate and documented purposes for utilization and re-dissemination, and appropriate retention/destruction procedures.

### Access to FinCEN Data

Reports required by and filed with FinCEN by financial institutions are the cornerstone of the U.S. Government's efforts to disrupt illicit financial activity. FinCEN works to ensure that the 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 2011, the number of authorized users climbed to 12,256.

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35. Content from the Webinar on the MSB final rule can be found at <http://treas.yorkcast.com/webcast/Viewer/?peid=dc6ae9061c3a41e6abcd7c0a75c10a171d>.

36. Content from the Webinar on the batch filing technical specifications for FinCEN's new CTR and SAR can be found at [http://www.fincen.gov/whatsnew/pdf/BSA\\_E-Filing\\_Technical\\_Specifications\\_Webinar\\_Presentation\\_Materials.pdf](http://www.fincen.gov/whatsnew/pdf/BSA_E-Filing_Technical_Specifications_Webinar_Presentation_Materials.pdf).

37. See <http://www.treasury.gov/open>.

In additional fiscal year 2011 efforts to support client agencies and users, FinCEN took the following actions:

- Continued its efforts to maximize FinCEN data access for U.S. Attorneys' Offices (USAOs), prioritizing USAO requests for access and developing Trend Analysis reports for USAO districts to highlight the value of this information. At the close of fiscal year 2011, FinCEN had 88 MOUs in place with USAOs around the country to enable them to access FinCEN information to support their prosecutions.
- Provided law enforcement agencies access to FinCEN 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. Forty-two Federal law enforcement agencies currently participate in this program.
- FinCEN networks agencies that appear to have overlapping interests 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.

### **Improvements in Data Quality**

In fiscal year 2011, 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 FinCEN 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 FinCEN data. The development of a new data repository under the IT Modernization Program allows FinCEN to pursue these streamlining efforts. In fiscal year 2011, the DMC met on a monthly basis and performed activities such as reviewing the new, proposed data elements for the Designation of Exempted Persons and Registration of Money Services Business collection tool, participating in design sessions for the new FinCEN Query tool, as well as providing feedback on the initial list of data elements to collect cross border wire transfer information.

## Outcome Goal 3 continued...

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

Performance Measures	FY 2009	FY 2010	FY 2011
Percentage of customers finding the BSA data provides valuable information towards the detection and deterrence of financial crime	New	87%	89%
Percentage of BSA filings submitted electronically	82%	83%	87%
Percentage of customers satisfied with the query system to access BSA data	74%	74%	75%



# Cross-Cutting Principles

The chart below provides examples showing how FinCEN's fiscal year 2011 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 10 - 29)	Goal 2 Accomplishments (pages 30 - 59)	Goal 3 Accomplishments (pages 60 - 67)
<b>Efficiency &amp; Effectiveness</b>	<p>Issued final rule to reorganize BSA regulations under Chapter X of CFR</p> <p>Finalized rule regarding prepaid access programs posing the highest risks of money laundering and terrorist financing</p> <p>Finalized rule to amend the reporting of foreign financial accounts</p> <p>Finalized rule on definition of an MSB</p> <p>Finalized rule on SAR confidentiality; issued guidance on SAR sharing</p> <p>Issued proposal to require AML plans for non-bank mortgage lenders</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 6 percent</p> <p>Decreased the number of complex analytical products to 8 percent</p> <p>Decreased average time to close FIU cases by 9 percent</p> <p>Median time from date of receipt of hotline tips on SARs to transmittal of the information to appropriate authorities remained steady at 2 days</p>	<p>Increased BSA filing efficiency through significant enhancements to the BSA E-Filing System; proceeded with moving away from a form or hard-coded system to a data-centric system</p> <p>Continued work toward more efficient BSA data collection tools through the Forms Change Management process</p> <p>Began introducing a new, robust analytical tool</p>

*table continues on next page...*

# Cross-Cutting Principles

*continued...*

Cross-Cutting Principles	Goal 1 Accomplishments (pages 10 - 29)	Goal 2 Accomplishments (pages 30 - 59)	Goal 3 Accomplishments (pages 60 - 67)
<p><b>Creating Value</b></p>	<p>Provided guidance, advisories, and administrative rulings for regulated industries</p> <p>Provided analyses for State and Federal regulators; Conducted financial institution research for regulators with MOUs</p> <p>Issued <i>SAR Activity Reviews</i> on trends and patterns derived from analysis of SAR data</p>	<p>Issued six 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 trend analysis reports for USAO districts to highlight BSA filings and value</p> <p>Coordinated activities of Data Management Council and Data Management Framework to maximize FinCEN data quality and value</p>

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# Cross-Cutting Principles

*continued...*

Cross-Cutting Principles	Goal 1 Accomplishments (pages 10 - 29)	Goal 2 Accomplishments (pages 30 - 59)	Goal 3 Accomplishments (pages 60 - 67)
<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>Actively engaged the BSAAG and its subcommittees</p> <p>Assisted regulatory agencies with identifying BSA compliance deficiencies</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>Increased collaboration with Mexican FIU and Mexican banking regulators</p>	<p>Collaborated with other Federal agencies as part of the Data Management Council</p> <p>Shared insights and IT strategies with other U.S. Government agencies and foreign FIUs</p>

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# Cross-Cutting Principles

*continued...*

Cross-Cutting Principles	Goal 1 Accomplishments (pages 10 - 29)	Goal 2 Accomplishments (pages 30 - 59)	Goal 3 Accomplishments (pages 60 - 67)
<b>Global Perspective</b>	<p>Supported FATF discussions of AML/ CFT vulnerabilities</p> <p>Increased level of interaction with foreign AML regulators</p> <p>Proposed regulations to seek U.S. banks' assistance in uncovering Iranian financial ties (under CISADA)</p>	<p>Conducted tactical information exchange with other FIUs in support of U.S. and foreign law enforcement agencies</p> <p>Provided support to international task forces to combat crimes crossing national borders</p> <p>Hosted foreign delegations to discuss issues of mutual interest</p> <p>Collaborated with Mexican financial intelligence unit to jointly examine cross-border currency flows</p>	<p>Hosted and administered the Egmont Secure Web on behalf of the Egmont Group of FIUs<sup>38</sup></p> <p>Increased utilization of technology to bridge between in-person meetings</p>
<b>Advanced Technology</b>	<p>Created Web page listing online resources to aid financial institutions in the transition from 31 CFR Part 103 to 31 CFR Chapter X</p> <p>Consistently updated Web site to reflect resources regarding questions asked of FinCEN's Regulatory Helpline</p>	<p>Facilitated information exchanges between law enforcement and financial institutions through the secure 314(a) system</p> <p>Utilized Webinars for law enforcement training</p>	<p>Conducted Webinars for financial institutions subject to the BSA</p> <p>Continued steps toward BSA IT modernization</p>

38. 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 2011, FinCEN took a number of steps toward these goals.

## Recruitment and Hiring

There were 303 permanent, full-time staff members at the close of the fiscal year. The decline in staffing over recent years reflects an effort by management to effectively plan in a constrained fiscal environment. FinCEN also initiated an aggressive and successful summer student volunteer intern program, facilitating a record 14 student volunteers during fiscal year 2011. 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.

# Management Goal

## Permanent, Full-Time Staff<sup>39</sup>

	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Employees on board	327	322	303
New hires	51	11	8
Departures	22	16	19

## Diversity Profile as of September 30, 2011

	Male	Female	Total
Total employees	49.00%	51.00%	100%
Hispanic/Latino	2.67%	2.00%	4.67%
White	39.00%	31.67%	70.67%
Black/African American	5.00%	12.67%	17.67%
American Indian/Alaska Native	0%	0.33%	0.33%
Asian	1.67%	3.67%	5.34%
Employees with Disabilities	Not available	Not available	6.67%

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39. All figures as of September 30

# Management Goal

## Staff Training and Development

FinCEN is committed to consistently providing quality training to ensure that employees possess the skills and knowledge needed to perform their jobs, keep those skills current, and have opportunities for advancement. In fiscal year 2011, FinCEN increased employees' mastery of new tools and techniques, fostered a bureau culture of trust and improved communication through specific skills training courses. FinCEN accomplished the following:

- Trained analysts to use the new Advanced Analytics Tool as part of the IT Modernization Project, and 19 analysts broadened their skills and raised their level of proficiency, another important analytic tool
- Delivered four courses to allow 10 employees to become certified in Configuration Management, an important Information Technology skill set
- Developed a project management curriculum of both in-house and other no-cost training to help FinCEN staff achieve the government project/program certification (FAC-P/PM)
- Used the Speed of Trust Program as a bureau-wide team building effort to improve communication and collaboration across organizational lines
- Chartered a FinCEN Toastmasters Club with 27 members, as part of an effort to improve public speaking skills

- Provided courses for employees, such as *Advanced Skills for Relationship Building, Managing Up, and Dealing with Difficult People*, to teach skills to better communicate, collaborate, empower individuals, and contribute to a trusting environment
- Continued its Rotational Assignments program to cross-train its employees

## Leadership Development

With the goal of driving continuous improvement in employee performance and engagement, FinCEN continued its 2009 comprehensive plan to strengthen the skills of its supervisors and to promote leadership skills at all levels. Priority efforts this year were enhancing leaders' skills through executive coaching; building leadership skills and knowledge in non-supervisors through mentoring, rotational, and development programs. Mandatory experiences for supervisors, such as the *Leading at the Speed of Trust* course and its 360-degree assessment tool, taught techniques to increase personal credibility and use behaviors that strengthen trust. All executives participated in a Treasury-wide, OPM conducted 360-degree assessment and used those results as the foundation for their executive coaching sessions. FinCEN continued its popular *Thought Leader Series* which presented authors of provocative leadership methods to all interested employees, to challenge predictable ideas and solutions.

# Management Goal

## Managers and Non-supervisory Employees<sup>40</sup>

	September 30, 2009	September 30, 2010	September 30, 2011
Senior Executive Service	8	9	8
Other Managers	37	38	43
Non-supervisory Employees	282	275	252

### Promoting Open Government

In January 2009, President Obama issued a memorandum directing the Attorney General to issue new guidelines governing the Freedom of Information Act. He also issued a separate memorandum, promoting transparency, public participation, and collaboration in government, and calling for the creation of an Open Government Directive, which the Office of Management and Budget announced in December 2009. The directive requires each Federal agency to take immediate, specific steps to promote transparency, participation, and collaboration.

In fiscal year 2011, FinCEN launched a Web page that highlights the bureau's commitment to open government.<sup>41</sup> The Web page provides concrete examples of FinCEN's adherence to the open government principles of transparency, participation, and collaboration. FinCEN

promotes these principles in its policies, rulemakings, programs, and partnerships with the regulatory and law enforcement communities.

As part of its commitment to open government, FinCEN published two datasets this year on Data.gov. Data.gov is a Web site dedicated to increasing the public's access to high value datasets generated by the Federal Government. Users can see the January 2011 issue of *The SAR Activity Review - By the Numbers* (Issue 15) as well as the enforcement actions that FinCEN has brought for violations of its rules.<sup>42</sup>

Regarding the Freedom of Information Act, FinCEN's Disclosure Office has increased the number of discretionary disclosures, and when records are required to be withheld by statute, the Disclosure Office provides more detailed information about the type of records withheld.

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40. Permanent, full-time employees

41. See <http://www.fincen.gov/fromHome/openGov.html>.

42. *The SAR Activity Review - By the Numbers* (Issue 15) is located on Data.gov at <http://www.data.gov/raw/4494>. FinCEN's enforcement actions are located on Data.gov at <http://explore.data.gov/d/8gmh-j3qr>.



# Management Goal

## 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 2011, FinCEN:

- Reduced the size of the fleet by 25 percent and replaced remaining vehicles with compact and hybrid sedans
- Reduced fuel consumption by 30 percent
- Started a Battery Recycling Program
- Installed new Variable Air Volume (VAV) boxes, which are 15 percent more energy efficient
- Increased employee telework participation to 59 percent
- Constructed 10 new offices using prefab walls made from recycled materials
- Donated two servers and 39 monitors to the Computers For Learning (CFL) Program, in support of the Federal Electronics Challenge Re-use and Recycle campaign
- Transferred 45 office chairs from GSAXcess®
- Reduced paper consumption by 22 percent and saved \$5,000 in paper cost

## 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 2011 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 section of the U.S. Treasury Department's Web site.<sup>43</sup> FinCEN received an unqualified opinion on its financial statements for fiscal year 2011, marking the sixth 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 exceeded targets in four difficult to achieve small business categories (small disadvantage business, woman-owned small business, historically underutilized business zone small business and service-disabled veteran-owned small business), and also exceeded by 5 percent the Office of Management and Budget's mandated 7 percent saving of all fiscal year 2011 acquisition dollars.

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43. See <http://www.treasury.gov/inspector-general/audit-reports>.

# 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 Office of General Counsel, 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 the Congressional Liaison.

James H. Freis, Jr. was appointed as FinCEN's Director in March 2007. Nicholas Colucci has served as Acting Deputy Director since the departure of former Deputy Director Charles M. Steele in August 2011.

## 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 regulatory functions implementing the BSA and other FinCEN statutory authorities, 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; serving as FinCEN's liaison with domestic law enforcement agencies; and providing direct, secure access to FinCEN 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, financial transactions, 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.

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

# Organizational Units and Executive Officials

## International Programs Division

The International Programs Division leads FinCEN's efforts to collaborate with international counterparts, with a focus on exchanging financial information with FIUs in the Egmont Group. The Division produces tactical analytical reports in response to requests for information from FIUs and obtains analogous information from FIUs in support of U.S. law enforcement and regulatory partners. The Division also produces strategic analytical products on topics of international interest. FinCEN facilitates this information exchange and analysis with foreign counterparts through a variety of bilateral engagements and a leadership role within the Egmont Group of FIUs. The Division is comprised of the Office of Global Liaison and the Office of Global Support.

Bess Michael became Associate Director of the International Programs Division in August 2009.

## Management Programs Division

The Management Programs Division provides all financial, planning and performance measurement, human resources, and logistical requirements, which are critical to the operations of the Bureau. The Associate Director also serves as the Chief Financial Officer (CFO) and as such, is responsible for assuring the integrity of the fiscal and property accountability and assuring the implementation of accounting, reporting, and financial management policies. The Division consists of the following six offices: Financial Management, Management Services, Human Resources, Training, Project Management, and Acquisition Management.

Diane Wade has served as the CFO and Associate Director for the Management Programs Division since November 2004.

# Organizational Units and Executive Officials

## Regulatory Policy and Programs Division

Pursuant to FinCEN's authority to exercise regulatory functions under the BSA and other statutory authorities, and in conjunction with the other divisions, FinCEN's Regulatory Policy and Programs Division issues regulations, 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 (CIO), performs a variety of roles related to the collection and processing of BSA and other 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 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 has served as the CIO and Associate Director for the Technology Solutions and Services Division since May 2008.

# Organizational Units and Executive Officials

## Number of Employees by Division

Division	September 30, 2009	September 30, 2010	September 30, 2011
Office of the Director	21	21	16
Office of Chief Counsel	12	12	12
Analysis and Liaison	77	74	70
International Programs	42	44	41
Management Programs	46	49	46
Regulatory Policy and Programs	90	83	80
Technology Solutions and Services	39	39	38
Total	327	322	303

# Publications and Reports

The publications below, all issued in fiscal year 2011, 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 in 2nd Quarter 2011* (September 2011)
- *Identity Theft: Trends, Patterns, and Typologies Based on Suspicious Activity Reports Filed by the Securities and Futures Industries, January 1, 2005 – December 31, 2010* (September 2011)
- *Mortgage Loan Fraud Update: Suspicious Activity Report Filings in 1st Quarter 2011* (June 2011)
- *SAR Activity Review - By the Numbers – Issue 15* (January 2011) and *Issue 16* (May 2011)
- *SAR Activity Review - Trends, Tips and Issues – Issue 18* (October 2010) and *Issue 19* (May 2011)
- *Commercial Real Estate Financing Fraud: Suspicious Activity Reports by Depository Institutions from January 1, 2007 – December 31, 2010* (March 2011)
- *Mortgage Loan Fraud SAR Filings In Fourth Quarter and Calendar Year 2010* (March 2011)
- *Financial Institutions Outreach Initiative: Report on Outreach to Depository Institutions with Assets Under \$5 Billion* (February 2011)
- *Mortgage Loan Fraud Update: Suspicious Activity Report Filings from July 1, 2010-September 30, 2010* (January 2011)
- *Financial Crimes Enforcement Network Annual Report for Fiscal Year 2010* (January 2011)
- *Mortgage Loan Fraud Update: Suspicious Activity Report Filings from April 1-June 30, 2010* (December 2010)
- *Mortgage Loan Fraud Update: Suspicious Activity Report Filings from January 1-March 31, 2010* (December 2010)
- *Identity Theft - Trends, Patterns, and Typologies Reported in Suspicious Activity Reports (SARs) Filed by Depository Institutions, January 1, 2003 – December 31, 2009* (October 2010)

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**

- GAO-11-73: Moving Illegal Proceeds: Challenges Exist in the Federal Government's Effort to Stem Cross-Border Currency Smuggling

## **Treasury Office of Inspector General Audits**

- OIG-11-057: The Failed and Costly BSA Direct R&S System Development Effort Provides Important Lessons for FinCEN's BSA Modernization Program
- OIG-11-049: Audit of the Financial Crimes Enforcement Network's Fiscal Years 2010 and 2009 Financial Statements

# Budget, Appropriations, and Oversight

## History of President's Budget Requests and Appropriations, Fiscal Years 2009 - 2011

(Dollars in thousands)

	FY 2009	FY 2010	FY 2011
President's Budget Request	\$91,335	\$102,760	\$100,419
Final Appropriated Enacted Level	\$91,465	\$111,010	\$110,788

### 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)



## FinCEN Follows the Money

*“Treasury’s Financial Crimes Enforcement Network, known as FinCEN, tracks the financial paper trail when a criminal tries to steal your identity, cash out the equity in your home or skim your credit card, and, again, when that criminal tries to wire your money abroad, blow your money on blackjack or even flee the country with a pocket full of diamonds, it’s Treasury’s FinCEN that follows the money to make sure crime doesn’t pay for terrorist financiers, organized crime, narcotics traffickers, Ponzi scheme operators and loan modification scammers. ... It seems to me that it has a significant role that’s being played in dealing with the use of our financial network by wrongdoers - criminals, drug traffickers, would-be terrorists.”*

Sen. Dick Durbin (D-Ill.)

Senate Committee on Appropriations, Subcommittee on Financial Services and  
General Government

Hearing on the Fiscal Year 2012 Budget Request for the Department of the  
Treasury

April 5, 2011

# Key Partners

**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 examinations for compliance with FinCEN's regulations 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
- 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 its 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 compliance by the financial institutions they supervise.

## Law Enforcement

FinCEN partners with members of the law enforcement community using 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 of law enforcement agents and analysts to work at FinCEN, and with the U.S. Attorneys' Offices as well as DOJ's headquarters, information sharing agreements, the Financial Fraud Enforcement Task Force, and DOJ's National Advocacy Center. Similarly, the Gateway Coordinator Program facilitates data access and information sharing with central law enforcement contacts in all 50 states and major local authorities throughout the country. FinCEN supports these agencies' investigative efforts and works with them on potential financial crime-related issues.

## SAR Information Aids FBI in Identifying Suspicious Activity Nationwide

*“In partnership with the Treasury Department’s Financial Crimes Enforcement Network (FinCEN) the FBI conducts ongoing outreach and education with our financial industry counterparts. The financial industry’s efforts and resources dedicated to detecting and reporting suspicious financial activities, through Suspicious Activity Reports (SARs), have been important components in our efforts to identify terrorist financing. SAR reporting is a critical tripwire to detect possible terrorist financiers as well as identifying associates of known terrorists. The analysis of SAR information aids in the development of an overall terrorist financing threat picture and can assist TFOS [Terrorist Financing Operations Section] in identifying trends or patterns of suspicious activity around the country. This information can also identify previously unknown associates of terrorism subjects.”*

**Ralph S. Boelter**

Acting Assistant Director, Counterterrorism Division,  
Federal Bureau of Investigation

Statement before a hearing of the Senate Judiciary Subcommittee on Crime and  
Terrorism

September 21, 2011

## 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 reports filed under BSA requirements, as well as to provide a forum for feedback to industry on the use of those reports. Since 1994, the BSAAG has served as a forum for industry, regulators, and law enforcement representatives 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 a range of 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 late December 2010, FinCEN published

# Key Partners

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, in particular, about the preparation, use, and value of SARs (see page 18).

## The Egmont Group

The Egmont Group is an international body of FIUs; FIUs are central, national agencies responsible for receiving, analyzing, and disseminating disclosures of information regarding possible financial crime. 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 several 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 money laundering 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 that facilitates communication and information sharing among Egmont Group member FIUs. 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>, but transferred maintenance of the site to the Egmont Secretariat in 2009.

# Key Partners

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 has successfully worked with regional and international partner organizations to provide outreach, training, and development assistance to FIUs in that region. A similar formal strategy is being developed for the Oceania 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.
- The Operational Working Group seeks to bring FIUs together to work on cases and strategic projects. Recent 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 referred to above.
- 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 and strategic analysis, mutual evaluation training, and best practices in management.

The Egmont Group held its 19<sup>th</sup> Plenary in Yerevan, Armenia in July 2011. There were more than 290 participants, representing FIUs from 99 jurisdictions and 10 international organizations. During the meetings, seven FIUs were admitted to the Egmont Group, bringing total membership to 127. The FIUs of Azerbaijan, Kazakhstan, Mali, Morocco, Samoa Islands, Solomon Islands, and Uzbekistan were endorsed as new members; the Chair of the Egmont Group confirmed that this was the

# Key Partners

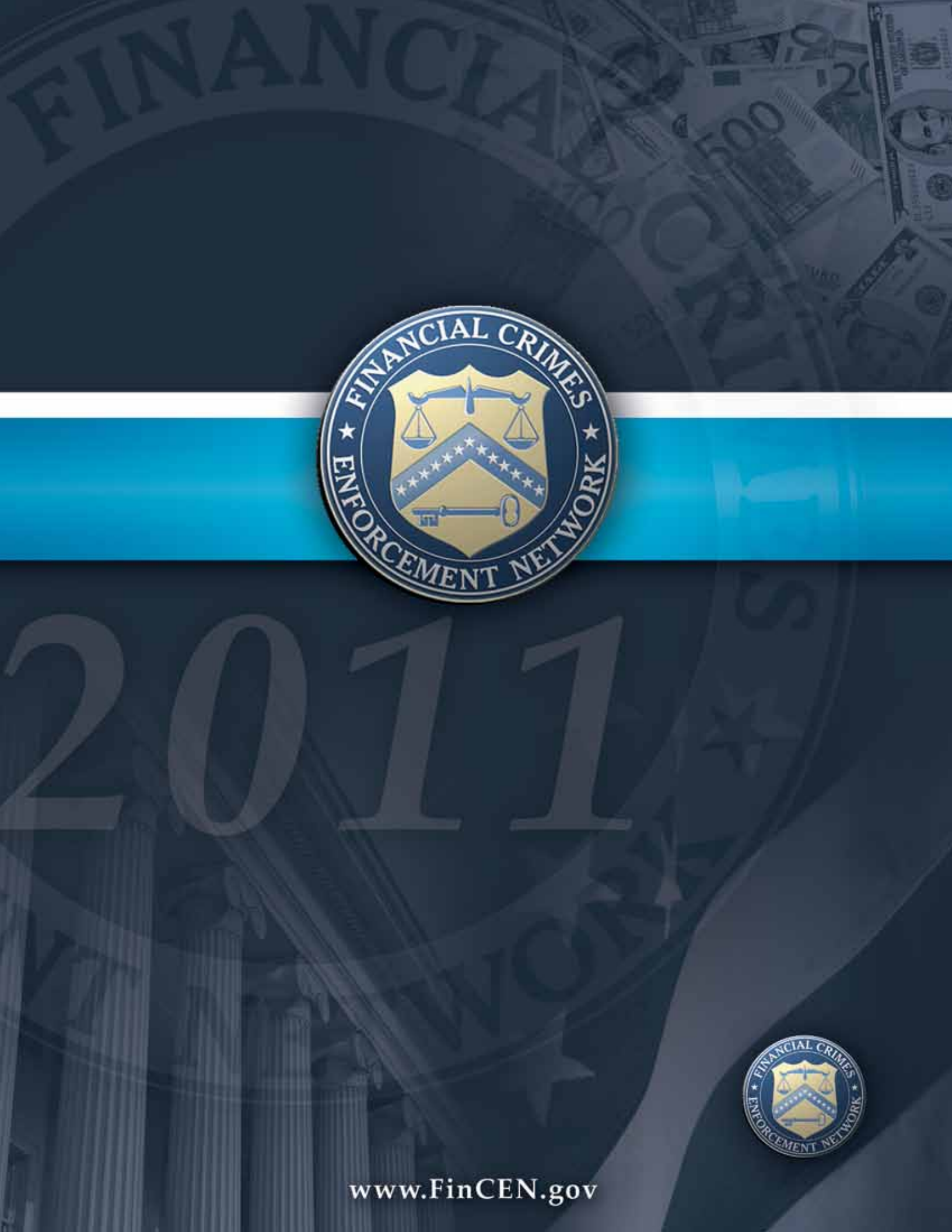
largest group of new members that had been admitted for some years and noted that these new members strengthen the global network of information sharing in areas of particular strategic and regional significance. In addition, 55 bilateral cooperation arrangements were signed between Egmont members.

A focus throughout plenary discussions was how to strengthen the FIU-to-FIU channels for the secure and confidential international exchange of information. The plenary included sessions devoted to combating corruption and asset recovery, and discussions on the impact that corruption can have on efforts to establish new FIUs and effectively carry out FIUs' missions. Other key topics of this year's plenary in which FinCEN played an active role were related to tactical and strategic analysis of financial information; facilitating increased cooperation and sharing of expertise among the growing number of FIUs that, like FinCEN, also have AML/CFT regulatory responsibilities; and best practices in FIU security protections. Training sessions focused on topics of operational concern to FIUs, such as the Egmont information exchange standards; new payment technologies and money laundering; the use of cross border wire transfer data; new trends in IT that may affect FIUs; and AML/CFT regulation of money remitters.

The inaugural Best Egmont Case Award (BECA) was awarded to the case submitted by the FIU of Finland (RAP-Finland). The Egmont Training Working Group designed the competition. To be considered for nomination, cases had to be from the last 3-5 years, the FIU had to have been crucial to the development of the case, and effective international or domestic collaboration had to have contributed to a successful outcome. Three finalists were selected from a total of 47 cases submitted by 31 FIUs. The BECA will be an annual event, and information about the winning case study will be made available on the Egmont Group Web site.<sup>44</sup>

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



2011



[www.FinCEN.gov](http://www.FinCEN.gov)