

Financial Crimes Enforcement  
Network

FY 2013

President's Budget  
Submission

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## Section 1 – Purpose

### 1A – Mission Statement

To enhance the integrity of financial systems by facilitating the detection and deterrence of financial crime.

### 1.1 – Appropriations Detail Table

Dollars in Thousands

Resources Available for Obligation	FY 2011 Enacted		FY 2012 Enacted		FY 2013 Request		% Change FY 2012 to FY 2013	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>New Appropriated Resources:</b>								
BSA Administration and Analysis	327	\$101,491	327	\$110,788	322	\$102,407	-1.53%	-7.56%
Regulatory Support Programs	-	9,297	-	-	-	-	0.00%	0.00%
<b>Subtotal New Appropriated Resources</b>	<b>327</b>	<b>\$110,788</b>	<b>327</b>	<b>\$110,788</b>	<b>322</b>	<b>\$102,407</b>	<b>-1.53%</b>	<b>-7.56%</b>
<b>Other Resources:</b>								
Reimbursables	1	\$20,000	1	\$3,000	1	\$3,000	0.00%	0.00%
Recovery from Prior Years	-	500	-	500	-	500	0.00%	0.00%
Unobligated Balances from PY	-	25,420	-	20,000	-	20,000	0.00%	0.00%
<b>Subtotal Other Resources</b>	<b>1</b>	<b>\$45,920</b>	<b>1</b>	<b>\$23,500</b>	<b>1</b>	<b>\$23,500</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Total Resources Available for Obligation</b>	<b>328</b>	<b>\$156,708</b>	<b>328</b>	<b>\$134,288</b>	<b>323</b>	<b>\$125,907</b>	<b>-1.52%</b>	<b>-6.24%</b>

### 1B – Mission Priorities and Context

The Financial Crimes Enforcement Network (FinCEN), a Treasury bureau reporting to the Under Secretary for Terrorism and Financial Intelligence, plays a key role in supporting the Department’s strategic goal to “protect our national security through targeted financial actions.” This role includes ensuring safer and more transparent U.S. and international financial systems through the administration of the Bank Secrecy Act (BSA). FinCEN furnishes analytical and financial expertise to support law enforcement investigations and prosecutions and to determine emerging trends in money laundering and other financial crimes. FinCEN also serves as the nation’s financial intelligence unit (FIU). An FIU serves as a national center to collect, analyze, disseminate, and exchange information pursuant to a country’s anti-money laundering/counter-terrorist financing (AML/CFT) legislation and regulations.

FinCEN’s activities and efforts are developed in coordination with federal, state, and international partners. These efforts are linked to the following bureau strategic goals:

- Financial systems are more transparent and resistant to financial crime;
- Analysis and information sharing contribute to the detection and deterrence of financial crime; and
- Financial reporting and data are useful, comprehensive, and secure.

In this environment of declining resources, FinCEN is uniquely positioned at the intersection of financial industry, regulators, law enforcement agencies, and global partners. FinCEN is able to network these different perspectives to bring comprehensive insights to the detection and deterrence of financial crime. This unique position allows FinCEN to develop and support multiple partnerships that have a broad national and international impact.

FinCEN’s accomplishments in FY 2011 include:

- Enhanced collaboration with law enforcement to identify sources of lead information, developed analysis criteria to more effectively leverage BSA data to identify potential non-compliant institutions, strengthened relationships with state regulators and enhanced effectiveness of examinations through greater engagement with and coordination of IRS and state efforts. This strategy has assisted FinCEN in taking action against money transmitters that have failed to register with FinCEN as well as against other non-compliant institutions, as warranted;
- Continued participation in the U.S. Government's coordinated attack on mortgage fraud by updating analyses of Suspicious Activity Reports (SARs) and issuing financial institution advisories to highlight current trends in residential and commercial mortgage loan fraud, and in loan modification and foreclosure rescue scams;
- Support for federal law enforcement efforts to combat health care fraud (HCF) by initiating an advanced targeting process to identify potential health care fraud perpetrators and to provide analytical support to investigations and prosecutions. This included work with several of the multi-agency Health Care Fraud Prevention and Enforcement Action Teams, participation in HCF related conferences/training sessions, and expansion of analytical support efforts to additional federal, state and local law enforcement agencies;
- Creation and dissemination of a large number of tactical financial intelligence reports to Egmont Group FIUs and managed case exchange with FIUs on behalf of U.S. law enforcement and regulatory agencies. These intelligence products are integral to domestic and foreign investigations of money laundering, financial fraud, and terrorist financing around the world; and
- Two releases of functionality through the deployment of a new, advanced analytical tool on the current technical platform to the FinCEN analysts as part of the BSA IT Modernization Program. In support of Treasury's Data Center Consolidation efforts, FinCEN worked with the Bureau of Public Debt to establish the first iteration of the modernized Production and Disaster Recovery environment. FinCEN also completed an initial, limited deployment of the new Registered User Portal, which will eventually serve as the entryway to all BSA programs and tools to the user community.

### **FY 2013 Priorities**

In FY 2013, FinCEN's priorities are to:

- Support the Presidential goal of encouraging economic growth by safeguarding the financial systems from abuse and promoting transparency in the U.S. and international financial systems;
- Enhance BSA regulatory compliance and enforcement through increased reliance on state regulatory agencies, strengthened relationships with law enforcement, and implementation of compliance strategies for newly regulated industries;
- Lead efforts to coordinate federal, state, and local efforts to combat fraud;
- Engage with priority countries and international bodies to strengthen mechanisms for global information exchange; and

- Efficiently manage the collection, processing, and retrieval of BSA data under the BSA IT Modernization program.

In order to achieve its priorities and continue to advance its strategic goals, FinCEN will improve its ability to strengthen financial system security and enhance U.S. national security. It will continue to ensure that financial systems are resistant to abuse and continue to develop analytical products and services to support law enforcement activities. To deter financial fraud and ensure the security of financial systems, FinCEN will:

- Continue to enhance proactive BSA compliance and enforcement through stronger relationships with state regulatory agencies, greater communication with law enforcement, strengthened analytics, and development of compliance strategies for newly regulated sectors;
- Continue to advance regulatory initiatives designed to further protect the U.S. financial system from abuse while balancing their impact on the financial industry. This would include carefully considering public comment on and weighing changes to proposed rules as appropriate;
- Expand and leverage law enforcement and private sector contacts in the Southwest Border and in other high threat jurisdictions for the purpose of developing and sharing real-time or actionable intelligence on related money laundering patterns, trends, and methods;
- Support law enforcement efforts to combat illicit activities through the fusion of investigative data with the BSA to provide complex analytical products that advance investigations and prosecutions;
- Expand joint analytical projects with foreign FIUs, particularly in the areas of proactive and strategic analysis. Just as FinCEN receives BSA reports, each FIU receives domestic reporting on financial activity. By working together, FinCEN and foreign FIUs can find connections in data streams relating to suspicious activity that otherwise would not be found;
- Continue to deploy modernized BSA information management and query/analysis capabilities to FinCEN analysts, law enforcement customers, and financial industry regulators to facilitate decision-making, increase the value of BSA information through increased data integrity and improved query/analytical tools, and move Treasury to the ultimate goal of being a “paperless” agency by mandating that BSA information is filed electronically. FinCEN will also begin working on the system design to accommodate the collection of cross border electronic funds transfer information; and
- Incorporate common requirements identified by law enforcement and regulatory agencies into the BSA IT Modernization project, which will be operational in FY 2013. These common requirements mitigate duplication of effort by these agencies further downstream. FinCEN will also seek to leverage the new IT capabilities to enhance longstanding efforts to help coordinate among various federal, state and local agencies that might be investigating related subjects or similar types of financial crime.]

## Section 2 – Budget Adjustments and Appropriation Language

### 2.1 – Budget Adjustments Table

Dollars in Thousands

<b>Financial Crimes Enforcement Network</b>	<b>FTE</b>	<b>Amount</b>
<b>FY 2012 Enacted</b>	<b>327</b>	<b>\$110,788</b>
Changes to Base:		
Adjustment to Request:	8	\$0
Adjustment for Transitioned BSA Collection and Processing Activities	8	\$0
Maintaining Current Levels (MCLs):	-	\$930
Maintaining Current Levels	-	\$930
Efficiency Savings:	(14)	(\$6,232)
Eliminate IT Legacy Systems	-	(\$3,047)
Administrative Staffing Efficiencies	(14)	(\$2,168)
Regulatory Efficiency Savings	-	(\$1,017)
Subtotal FY 2013 Changes to Base	(6)	(\$5,302)
<b>Total FY 2013 Base</b>	<b>321</b>	<b>\$105,486</b>
Program Changes:		
Program Decreases:	(23)	(\$9,871)
Redirect IRS Reimbursement for BSA Compliance	-	(\$5,925)
Reduce Intelligence Support to External Agencies	(6)	(\$968)
Reduce Field Law Enforcement Support	(3)	(\$683)
Program Staff Attrition	(14)	(\$2,295)
Reinvestments:	24	\$6,792
BSA Collection Processing and Retrieval Functions from IRS Reimbursement	12	\$2,675
Improve Industry Compliance and Enforcement from IRS Reimbursement	12	\$2,525
Cross Border System from IT Legacy System	-	\$1,592
<b>Total FY 2013 Request</b>	<b>322</b>	<b>\$102,407</b>

### 2A – Budget Increases and Decreases Description

**Adjustment to Request** ..... +\$0 / +8 FTE

*Adjustment for Transitioned BSA Collection and Processing Activities* +\$0 / +8 FTE

FinCEN will begin in FY 2012 to implement the transition of BSA collection and processing activities that have been previously performed by the IRS. Going forward, FinCEN will be responsible for BSA collection and processing, in conjunction with FinCEN's BSA IT Modernization. With this FTE adjustment, FinCEN will begin the consolidation of caller inquiries previously fielded by the IRS. FinCEN anticipates an increased call volume due to the implementation of the new unified BSA forms and mandated electronic filing. These activities are funded by redirecting \$1,725,000 previously reimbursed to IRS since FY 2001 for data entry and related support for money services business (MSB) registration and suspicious activity reporting.

**Maintaining Current Levels (MCLs)** ..... +\$930,000 / +0 FTE

Funds are requested for inflation adjustments (1.7 percent) in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment and health benefits and the increase in Federal Employees Retirement System participation. Funds are also requested for the proposed 2013 pay raise (0.5 percent).

**Efficiency Savings .....-\$6,232,000 / -14 FTE**

Eliminate IT Legacy Systems -\$3,047,000 / +0 FTE

This eliminates funding to maintain the legacy Secure Outreach and BSA E-Filing Systems. In FY 2012 and FY 2013, FinCEN will roll out new capabilities for the collection, processing and analysis of BSA data as part of its IT Modernization.

Administrative Staffing Efficiencies -\$2,168,000 / -14 FTE

These staffing efficiencies will be achieved through absorption of workload associated with positions lost through attrition and using a cross service provider, where cost effective.

Regulatory Efficiency Savings -\$1,017,000 / +0 FTE

FinCEN will achieve efficiency savings through targeted regulatory support efforts, centralization of MSB outreach activities, and change in distribution methodology for MSB brochure materials. The impact of these reductions will be mitigated through future consolidation of call centers; centralization of outreach activities; additional outreach support by FinCEN staff; and greater reliance on FinCEN's public website to distribute MSB materials, supporting Treasury's paperless initiative. |

**Program Decreases .....-\$9,871,000 / -23 FTE**

Redirect IRS Reimbursement for BSA Compliance -\$5,925,000 / +0 FTE

This decrease will redirect funding provided to the IRS for BSA compliance by FinCEN to carry out some delegated examinations for compliance with FinCEN regulations. Activities in support of BSA compliance are currently funded primarily through IRS direct appropriations. However, FinCEN also provides funding through an annual reimbursement to the IRS. As background, FinCEN delegated examination responsibility to federal financial regulators and to the IRS for compliance examination of financial institutions subject to BSA requirements that do not have a federal regulator. The financial institutions currently subject to examination by the IRS include MSBs; casinos; insurance companies; dealers in precious metals, precious stones, and jewels; operators of credit card systems; and certain non-federally regulated depository institutions. Collectively, these institutions generally are referred to as non-bank financial institutions (NBFIs). The supplemental funding provided by FinCEN began in FY 2001 when the MSB reporting requirements were expanded to include registration and suspicious activity reporting. Over the last 12 years, the BSA compliance examination program has evolved, along with the IRS's direct appropriation and organization structure for BSA compliance. FinCEN's FY 2013 legislative proposals would allow FinCEN to rely on one or more financial supervisors in each of the states to carry out BSA compliance examinations for their respective regulated institutions, including NBFIs. Collectively, these factors have changed the overall environment.

Reduce Intelligence Support to External Agencies -\$968,000 / -6 FTE

This decrease will reduce analytical support to external customers in support of their national security, counter terrorism financing, and law enforcement matters. FinCEN will continue to carry-out limited case support and support to FinCEN's analytical initiatives that require national security information. FinCEN will also provide access to BSA information for some external agencies through appropriate information sharing protocols.

Reduce Field Law Enforcement Support -\$683,000 / -3 FTE

Reductions are identified from discontinuance of a liaison position at the Federal Law Enforcement Training Center (FLETC), and from decreases in field positions located in High Intensity Financial Crime Areas (HIFCAs). FinCEN will continue to support law enforcement from its headquarters. FinCEN will continue to carry out limited case support and support FinCEN's analytical initiatives that require national security information.

Program Staff Attrition -\$2,295,000 / -14 FTE

This reduction will be taken across several FinCEN program areas. FinCEN will evaluate open positions for possible absorption of workload associated with positions lost through attrition. |

**Reinvestments ..... +\$6,792,000 / +24 FTE**  
BSA Collection Processing and Retrieval Functions from IRS Reimbursement +\$2,675,000 / +12 FTE

This reinvestment is needed to continue the transition of BSA collection and processing activities started in FY 2012 from the IRS to FinCEN. The BSA IT Modernization program provides the technology structure to allow FinCEN to mandate BSA E-filing. This new technology and the movement to unified Currency Transaction Report (CTR) and SAR forms for all types of financial institutions will eliminate most of the current BSA paper processing activities currently performed on FinCEN's behalf by the IRS. These changes necessitate consolidation and transfer of remaining activities to FinCEN to provide an efficient structure for responding to filer and caller inquiries related to BSA forms submission (except Foreign Bank and Financial Accounts (FBAR) and Form 8300 inquiries, for which IRS will retain responsibility due to its Title 26 tax implications). This consolidation is consistent with FinCEN's regulatory role as administrator of the BSA. In addition to eight FTE hired in FY 2012 outlined above, an additional \$2,675,000 is needed to complete this transfer and consolidation of functions which will be the responsibility of FinCEN going forward. These remaining activities include completion of efforts to consolidate caller inquiries related to BSA forms submission; filer error communications; forms suppression and mass correction requests; and coordinating BSA forms certification (for law enforcement) and court testimony requests.

Improve Industry Compliance and Enforcement from IRS Reimbursement +\$2,525,000 / +12 FTE

This reinvestment will allow FinCEN to better carry out its responsibilities to coordinate BSA compliance among all financial supervisory agencies exercising delegated examination authority, as well as state supervisory agencies and the IRS. Several changes have prompted FinCEN's need and ability to better coordinate NBFIs compliance examinations. First, the number of NBFIs has increased over the last decade with the implementation of BSA requirements for additional industries and additional sectors expected to come under regulatory requirements in FY 2012. Second, the enhanced analytic capabilities provided by the BSA IT Modernization will enable a more risk-based examination schedule and a more consistent and centralized approach to compliance across different industries. Third, legislative proposals in FinCEN's FY 2013 budget provide authority to rely on examinations conducted by state regulators for NBFIs lacking a federal regulator. FinCEN seeks to build upon the success of the BSA/Anti-Money Laundering (AML) examination manual developed in conjunction with the federal banking agencies to



develop more consistent examination procedures for other regulated sectors. FinCEN, the IRS, and state examiners have benefitted from more coordination and FinCEN's participation on examinations. FinCEN intends to continue along these lines and would increase reliance on state examinations in states with laws consistent with BSA requirements, allowing for better targeting of IRS and FinCEN resources on areas of greater risk, including those NBFIs not overseen by an empowered state regulator. This reinvestment will allow FinCEN to build upon previous success to improve BSA compliance examinations performed by the IRS and state examiners, and enable a more risk-based approach to examinations. Ninety-two percent of financial regulators rated the information exchange as valuable in FY 2011, which is an improvement from 86 percent in FY 2010. FinCEN attributes this increase in performance to better coordination of BSA compliance activities.

*Cross Border System from IT Legacy System +\$1,592,000 / +0 FTE*

This reinvestment will fund operations and maintenance support for the foundational infrastructure that captures cross border electronic funds transfer information (CBEFT). CBEFT requirements and solutions have evolved since the funding started in FY 2008. As reflected in the proposed rulemaking published in September 2010 which was based on discussions with the IRS, taxpayer identification numbers must now be reported under the rule. |

## 2.2 – Operating Levels Table

Dollars in thousands

Financial Crimes Enforcement Network	FY 2011		FY 2012		FY 2013	
	Actual	President's Budget	Enacted	Proposed	Proposed	Request
				Reprogra mmings	Operating Level	
<b>FTE</b>	<b>314</b>	<b>304</b>	<b>327</b>	<b>0</b>	<b>327</b>	<b>322</b>
<b>Object Classification</b>						
11.1 - Full-time permanent	35,032	34,314	37,130	0	37,130	35,944
11.3 - Other than full-time permanent	391	287	304	0	304	304
11.5 - Other personnel compensation	1,157	526	564	0	564	564
<b>11.9 Personnel Compensation (Total)</b>	<b>\$36,580</b>	<b>\$35,127</b>	<b>\$37,998</b>	<b>\$0</b>	<b>\$37,998</b>	<b>\$36,812</b>
12 - Personnel benefits	9,963	8,986	9,597	0	9,597	9,412
21 - Travel and transportation of persons	836	758	844	0	844	825
22 - Transportation of things	45	0	0	0	0	0
23.1 - Rental payments to GSA	5,090	5,424	5,379	0	5,379	5,851
23.2 - Rental payments to others	105	71	71	0	71	72
23.3 - Communication, utilities, and misc charges	1,252	1,313	1,415	0	1,415	1,423
24 - Printing and reproduction	267	263	459	0	459	513
25.1 - Advisory and assistance services	8,338	1,865	1,849	0	1,849	1,866
25.2 - Other services	6,856	7,969	13,064	0	13,064	24,066
25.3 - Other purchases of goods and services from Govt. accounts	13,985	14,415	14,595	0	14,595	6,628
25.4 - Operation and maintenance of facilities	0	0	737	0	737	737
25.6 - Medical care	167	158	156	0	156	174
25.7 - Operation and maintenance of equip	7,401	5,166	5,118	0	5,118	5,452
25.8 - Subsistence and support of persons	4	0	0	0	0	0
26 - Supplies and materials	230	431	450	0	450	448
31 - Equipment	13,766	2,351	19,056	0	19,056	8,128
32 - Land and structures	307	0	0	0	0	0
<b>Total Budget Authority</b>	<b>\$105,192</b>	<b>\$84,297</b>	<b>\$110,788</b>	<b>\$0</b>	<b>\$110,788</b>	<b>\$102,407</b>
<b>Budget Activities:</b>						
BSA Administration and Analysis	95,930	114,297	110,788	0	110,788	102,407
Regulatory Support Programs	9,262	0	0	0	0	0
<b>Total Budget Authority</b>	<b>\$105,192</b>	<b>\$114,297</b>	<b>\$110,788</b>	<b>\$0</b>	<b>\$110,788</b>	<b>\$102,407</b>

## 2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY FINANCIAL CRIMES ENFORCEMENT NETWORK</p> <p style="text-align: center;">Federal Funds</p> <p><b>SALARIES AND EXPENSES:</b></p> <p>For necessary expenses of the Financial Crimes Enforcement Network, including hire of passenger motor vehicles; travel and training expenses[, including for course development,] of non-Federal and foreign government personnel to attend meetings and training concerned with domestic and foreign financial intelligence activities, law enforcement, and financial regulation; not to exceed \$14,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, [\$110,788,000] \$102,407,000, of which not to exceed \$34,335,000 shall remain available until September 30, [2014] 2015: Provided, that funds appropriated in this account may be used to procure personal services contracts. (<i>Department of the Treasury Appropriations Act, 2012.</i>)</p>	

## 2C – Legislative Proposals

FinCEN is proposing three technical amendments to Titles 31 and 12 that would make improvements in two important areas. The first and second amendments provide authority to rely on examinations conducted by state supervisory agencies for nonbank financial institutions lacking a federal regulator, which would capture most nonbank financial institutions currently subject to Internal Revenue Service (IRS) examination as delegated through a memorandum of understanding (MOU). The third amendment increases information sharing between FinCEN and counterpart anti-money laundering/counter-terrorist financing regulators. Specifically, this amendment provides consistency between how FinCEN shares information in its capacity as a regulator and information sharing that currently exists between federal financial regulators and their foreign counterparts. The specific changes to the amendment language are outlined below.

*Sec. 116. Section 5318(a)(1) of Title 31, United States Code (relating to compliance, exemptions, and summons authority), is amended by - (1) Inserting after "appropriate" "federal or (in the case of financial institutions without a federal supervisor) state"; and (2) Inserting after "Service." , "In lieu of delegating such authority to a state supervisory agency, the Secretary is also authorized to rely on examinations conducted by a state supervisory agency of a category of financial institution. The Secretary may only rely on such state examinations if the Secretary determines that under the laws of the state, the category of financial institution is required to comply with this subchapter and regulations prescribed under this subchapter, or the state supervisory agency is authorized to ensure that the category of financial institution complies with this subchapter and regulations prescribed under this subchapter."*

*Sec. 117. Public Law 91-508, as amended (12 U.S.C. 1958 et seq.) is amended in section 128, by (1) Striking "sections 1730d (1) and" inserting in lieu thereof "section"; (2) Striking "bank supervisory agency, or other"; (3) Inserting after "appropriate" , "federal or (in the case of financial institutions without a federal supervisor) state"; and (4) Inserting after "agency." "In lieu of delegating such responsibility to a state supervisory agency, the Secretary is also authorized to rely on examinations conducted by a state supervisory agency of a category of financial institution. The Secretary may only rely on such state examinations if the Secretary determines that under the laws of the state, the category of financial institution is required to comply with this chapter and section 1829b (and regulations prescribed under this chapter and section 1829b), or the state supervisory agency is authorized to ensure that the category of financial institution complies with this chapter and section 1829b (and regulations prescribed under this chapter and section 1829b)."*

*Sec. 118. Section 310(b)(2)(E) of Title 31, United States Code (relating to the Financial Crimes Enforcement Network), is amended by inserting after "Federal" the first time that it appears, "and foreign".]*

## **Section 3 – Budget and Performance Report and Plan**

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### **3A – BSA Administration and Analysis**

*(\$102,407,000 from direct appropriations, and \$3,000,000 from reimbursable resources):*

The programs funded by this budget activity support the Treasury strategic goal to protect our national security through targeted financial actions. This activity comprises FinCEN's efforts to administer the BSA, including promulgating regulations; providing outreach and issuing guidance to the regulated industries; providing oversight of BSA compliance; initiating enforcement actions; and managing the information reported by the regulated industries, as well as BSA compliance of non-bank financial institutions.

Analytical programs include support to U.S. law enforcement and international FIUs in combating financial fraud and crime by facilitating the exchange of investigative information, including with foreign counterpart FIUs; identifying foreign and domestic financial fraud, money laundering, and terrorist financing trends, patterns, and techniques; and liaison with and support of intelligence initiatives within the intelligence community and within Treasury. This activity also incorporates efforts to support large-scale, complex law enforcement investigations involving financial fraud, terrorist financing, money laundering, and other financial crimes.

As administrator of the BSA, FinCEN must ensure the effective management, accessibility, dissemination, and use of the highly sensitive confidential information collected under the Act. FinCEN provides authorized law enforcement, regulatory, and intelligence agencies direct access to BSA information.

Global programs include support to international initiatives to educate other jurisdictions about the BSA regulatory regime; work to establish international anti-money laundering/counter-terrorist financing regulatory standards and norms; and efforts to improve the expertise and capabilities of personnel with anti-money laundering/counter-terrorist financing missions.

*Other Resources:* Offsetting collections and reimbursements totaling \$3,000,000 are collected from other agencies, including the Department of State for assistance to international partners, the Department of Defense for support of U.S. efforts in Afghanistan, and the Treasury Executive Office of Asset Forfeiture for projects to better support law enforcement. The goal owner for this budget activity is the Director of FinCEN, James H. Freis, Jr.

*Description of Performance:*

In the regulatory area, FinCEN surveys its compliance MOU holders to determine the impact of the information exchange to improve the consistency and compliance of the financial system with FinCEN's regulations implementing the BSA. In FY 2011, FinCEN met its target of 86 percent with 92 percent rating the information exchange valuable. FinCEN attributes a portion of this success to enhancements made to the products prepared for the state regulators. In FY 2013, the target is 88 percent. To meet future targets, FinCEN must continue to effectively support regulatory partners. FinCEN has proposed legislative amendments to allow for reliance on examinations conducted by a state supervisory agency for categories of institutions not subject to a federal regulator. If implemented, this statutory amendment could expand FinCEN's relationship with state regulatory agencies.

FinCEN's goal to provide financial institutions with understandable guidance is critical to institutions establishing anti-money laundering programs that comply with FinCEN's regulations. Understandable guidance will also contribute to protecting financial institutions and their customers from financial crime. In FY 2011, FinCEN's goal was to maintain a 90 percent satisfaction level, and FinCEN met its target with 92 percent. FinCEN attained this success by responding timely (within 24 hours of the inquiry) and providing a high level of service. In FY 2013, the target is to maintain 90 percent. Factors potentially affecting FinCEN's ability to achieve this goal include the planned centralization within FinCEN of outreach activities and call center and operational functions currently performed by IRS; additional outreach support for new industries as a result of FinCEN's ongoing regulatory and informational initiatives; possible increased call volume concerning the mandated e-filing proposal; and expected increases in inquiries associated with FinCEN initiatives involving IT modernization and increased communication to the MSB industry.

In the analytical area, FinCEN supports domestic law enforcement and international FIU partners by providing analyses of BSA information and measures the percentage of customers finding FinCEN's analytic reports highly valuable. In FY 2011, FinCEN discontinued the "percentage of domestic law enforcement and foreign financial intelligence units finding FinCEN's analytic reports highly valuable" and replaced it with two performance measures based on customer served, domestic law enforcement and foreign FIU customers. Breaking the measure out will enable FinCEN to better assess its performance and focus on the distinct needs of its domestic law enforcement and foreign FIU customers. The two measures closely tie to how BSA information is used by law enforcement and foreign FIUs to identify, investigate, and prevent abuse of the financial system.

The first measure looks at the value provided to the domestic law enforcement community. In FY 2010, FinCEN baselined this performance measure with 80 percent rating the analytic products as valuable. In FY 2011, 86 percent of the domestic law enforcement respondents rated the analytic products as valuable. FinCEN attributes this performance to its focus on increased communication with law enforcement partners; case support where FinCEN could add value to investigative efforts; and products and services developed to meet the needs of its customers. The FY 2013 target is to maintain a level of 80 percent. Once FinCEN has three years of trend data, future targets will be adjusted accordingly.

The second measure tracks the value of the analytic reports to foreign FIU customers. In FY 2010, FinCEN set a baseline for this measure of 90 percent. In FY 2011, 92 percent of foreign FIUs rated the analytic products as valuable. FinCEN attributes FIUs' high satisfaction with its analytical reports primarily to the quality, quantity, and timeliness of information provided. FinCEN's response time to FIU requests decreased from 41 days in FY 2009 to 32 days in FY 2011, approaching the Egmont Group goal of 30 days. FinCEN's bilateral and multilateral international liaison work enhances the sharing of information while building stronger relationships with foreign FIUs. In FY 2013, FinCEN has set a target level of 90 percent. Once FinCEN has three years of trend data, future targets will be adjusted accordingly.

In the efficient management, safeguarding, and use of BSA information, FinCEN began tracking the value of the BSA information to law enforcement and regulatory agency users with direct access to the BSA data. This is a composite measure compiled from survey results. The survey looks at the value of BSA data, such as whether the data provided unknown information, supplemented or expanded known information, verified information, helped identify new leads, opened a new investigation or examination, supported an existing investigation or examination, and provided information for an investigative or examination report. The FY 2011 actual for the percentage of customers finding the BSA data provides valuable information towards the detection and deterrence of financial crime was 89 percent, surpassing FinCEN's target of 86 percent. FinCEN attributes this performance to its efforts to ensure BSA information collected has a high degree of usefulness for criminal, tax, or regulatory purposes. FinCEN also provides training and access programs, which are designed to ensure understanding of the value of the data and maximize its utilization. The FY 2013 target is 90 percent. The modernized technical environment aims to further enhance the performance of this measure by maximizing data integrity and providing more robust and flexible query tools. The new BSA technical foundation will provide additional data quality checks and validations and more feedback to the filing community to continue FinCEN's goal of improving the quality of information. Once FinCEN has three years of trend data, future targets will be adjusted accordingly.]

### 3.1.1 – BSA Administration and Analysis Budget and Performance Report and Plan

Dollars in Thousands

#### BSA Administration and Analysis Budget Activity

Resource Level	FY 2006 Enacted	FY 2007 Enacted	FY 2008 Enacted	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Request
Appropriated Resources	\$64,458	\$64,780	\$76,889	\$82,287	\$101,694	\$101,491	\$110,788	\$102,407
Reimbursable Resources	\$4,473	\$1,541	\$1,541	\$6,000	\$20,000	\$20,000	\$3,000	\$3,000
<b>Total Resources</b>	<b>\$68,931</b>	<b>\$66,321</b>	<b>\$78,430</b>	<b>\$88,287</b>	<b>\$121,694</b>	<b>\$121,491</b>	<b>\$113,788</b>	<b>\$105,407</b>

<b>Budget Activity Total</b>	<b>\$68,931</b>	<b>\$66,321</b>	<b>\$78,430</b>	<b>\$88,287</b>	<b>\$121,694</b>	<b>\$121,491</b>	<b>\$113,788</b>	<b>\$105,407</b>
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Measure	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Target	FY 2013 Target
Percentage of customers finding the FinCEN data provides valuable information towards the detection and deterrence of financial crime	N/A	N/A	N/A	N/A	87.0	89.0	86.0	90.0
Percentage of domestic law enforcement finding FinCEN's analytic reports contribute to the detection and deterrence of financial crime	N/A	N/A	N/A	N/A	80.0	86.0	80.0	80.0
Percentage of financial regulators finding information exchanged with FinCEN under MOUs valuable to improve BSA consistency and compliance	N/A	N/A	64.0	82.0	86.0	92.0	88.0	88.0
Percentage of foreign FIUs finding FinCEN's analytic reports provide valuable information towards the detection and deterrence of financial crime	N/A	N/A	N/A	N/A	90.0	92.0	90.0	90.0
Percentage of regulatory helpline customers understanding BSA guidance	94.0	91.0	94.0	94.0	92.0	92.0	90.0	90.0

Key: DISC - Discontinued and B - Baseline



### 3B – Regulatory Support Programs

*(\$0 from direct appropriations):*

[This budget activity was eliminated in FY 2012. ]

#### 3.1.2 – Regulatory Support Programs Budget and Performance Report and Plan

Dollars in Thousands

##### Regulatory Support Programs Budget Activity

Resource Level	FY 2006 Enacted	FY 2007 Enacted	FY 2008 Enacted	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Request
Appropriated Resources	\$8,436	\$8,436	\$8,955	\$9,178	\$9,316	\$9,297	\$0	\$0
<b>Total Resources</b>	<b>\$8,436</b>	<b>\$8,436</b>	<b>\$8,955</b>	<b>\$9,178</b>	<b>\$9,316</b>	<b>\$9,297</b>	<b>\$0</b>	<b>\$0</b>
<b>Budget Activity Total</b>	<b>\$8,436</b>	<b>\$8,436</b>	<b>\$8,955</b>	<b>\$9,178</b>	<b>\$9,316</b>	<b>\$9,297</b>	<b>\$0</b>	<b>\$0</b>

[Detailed information about each performance measure, including definition, verification and validation](#) is available.

## **Section 4 – Supplemental Information**

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### **4A – Capital Investment Strategy**

As the administrator of the BSA, FinCEN receives valuable information reported and collected under BSA requirements, which totaled approximately 17 million filings in FY 2010. The bureau's mission is to enhance the integrity of financial systems by facilitating the detection and deterrence of financial crime. FinCEN's mission supports Treasury's strategic goal to protect our national security through targeted financial actions. To successfully fulfill its mission, FinCEN relies on secure, advanced information technology (IT) to manage the collection, processing, storage, and dissemination of BSA information that contributes to the soundness and confidence in America's financial system.

FinCEN's IT strategy takes into account the growing need for financial institutions to meet obligations as efficiently as possible, while ensuring that FinCEN and law enforcement agencies receive accurate, timely, and reliable BSA information to track money trails, identify money laundering, and unravel terrorist financing networks. FinCEN's IT strategy focuses on the critical need to improve the quality and accessibility of its data and increase responsiveness to stakeholders by introducing flexible and innovative technical solutions.

A major component of FinCEN's IT strategy is the bureau's information technology modernization vision and strategy (IT MV&S) and resulting enterprise transition strategy. IT MV&S serves as the roadmap for aligning its IT portfolio with its business objectives and processes and has resulted in the multi-year BSA IT Modernization program. By establishing an enterprise-wide information management and analysis framework, FinCEN, law enforcement, and financial industry regulators will be equipped with better decision-making abilities and increased value of BSA information through enhanced data integrity and analytical tools. BSA IT Modernization will help FinCEN move away from custom coded legacy applications, which are complex and difficult to maintain, to a more modern environment based on Commercial Off the Shelf (COTS) products and standardized data formats. FinCEN is supporting Treasury/OMB's goal of data center consolidation by hosting its production environments at the Bureau of Public Debt (BPD). In addition, FinCEN is working with OMB and the Program Manager for the Information Sharing Environment to develop National Information Exchange Model standards for data exchange with the law enforcement and intelligence communities.

The BSA IT Modernization effort helps move Treasury towards a "paperless" environment by mandating electronic filing and enabling future Treasury savings in paper-processing costs, while enabling industry savings due to the reduction of filing complexity. Moreover, with electronic filing, there are more checks and validations up front when BSA information is initially received, thus improving data quality.

Increasing the automated collection of BSA data also decreases the amount of time it takes to make critical information available to FinCEN and its stakeholders. Providing more reliable and valid data in pre-defined formats enables a higher confidence in the data and reduces the time to decipher and interpret data.

FinCEN has continued to consult and work closely with the federal law enforcement and regulatory users of the BSA data, and also with the financial industry with respect to regulatory filing requirements and capabilities. In so defining the "user requirements" to be implemented through the modernization, FinCEN was able to confirm similar needs and desires among supported agencies, notwithstanding their distinct missions. Wherever possible, FinCEN has sought to identify and prioritize opportunities to develop capabilities that will meet the needs of multiple agencies supported by FinCEN. As such, the BSA IT Modernization will not only deliver better quality data on a more timely basis and better accessibility to that data, but also will seek to centralize investments in capabilities where practicable. Without the centralization, individual users might seek downstream investments in duplicative or similar capabilities.

FinCEN is employing a System Development Life Cycle (SDLC) methodology and proven Program Management methodologies, such as the Project Management Body of Knowledge, to manage the BSA IT Modernization program. In addition to implementing proven processes, FinCEN has also established strong executive leadership and governance involving both internal and external stakeholders to provide oversight for the program.

The highest level of governance, the Modernization Executive Group (MEG), is comprised of the Treasury CIO, FinCEN Director, and IRS Deputy Commissioner for Operations and Maintenance.

FinCEN officially launched the BSA IT Modernization Program when it began using investment funds in May 2010. The FY 2013 base and request is \$23.75 million (including FTE) and the full life cycle cost (10 years) is \$267 million (including FTE). This Program is comprised of multiple projects and associated milestones, with delivery of those milestones occurring no more than six months apart in support of OMB's mandate to deliver results in timely modules. In support of this goal, some of the projects follow an iterative design and development approach, meaning that functionality is designed and developed incrementally over time, rather than waiting until all functionality has been designed before starting any development work. As such, the Program will be deploying functionality until the end of the investment. As functionality is released, it will immediately move into the operations and maintenance phase of the SDLC. Steady state for this investment begins in 2014.

FinCEN utilizes an Integrated Master Schedule (IMS) to depict all project activities, including cross project dependencies and resource loading. The IMS also serves as the foundation for conducting Earned Value Management, which effectively integrates the program's scope of work with schedule and cost elements for optimum project planning and control. The IMS will allow FinCEN to perform wellness analysis to help ensure adherence to "best practices", qualitative analysis to help ensure appropriate content, and performance analysis, such as critical path, schedule variance, and schedule trend analysis. These various analysis tools will help the bureau stay abreast of the cost and schedule for the program and take timely remedial actions as necessary.

Performance on the BSA IT Modernization Program is measured in several different ways. With regard to performance on the individual projects and milestones associated with the development and deployment activities, FinCEN's performance is measured monthly through the reporting

updates provided on the Federal IT Dashboard, which are monitored by the Treasury CIO and OMB. FinCEN has also established business and technical performance measures and associated targets to reflect whether or not FinCEN has successfully met specific objectives of the Program. These performance measures will also be updated in the Treasury CPIC system and subsequently reflected in the Federal IT Dashboard. Progress against the select measures will begin to be reported in FY 2012, with the majority of progress being realized once the Program moves into operations and maintenance in FY 2013.

[A summary of capital investment resources, including major information technology and non-technology investments](#) is available