



**REMARKS OF JENNIFER SHASKY CALVERY
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**AMERICAN BANKERS ASSOCIATION/AMERICAN BAR ASSOCIATION
MONEY LAUNDERING ENFORCEMENT CONFERENCE**

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Good morning. I want to start by thanking our hosts, the **AMERICAN BANKERS ASSOCIATION AND THE AMERICAN BAR ASSOCIATION**, for the opportunity to join you at this year's conference.

As you can imagine, my first couple months as the new Director of FinCEN have been busy, as I get to know the organization and our incredibly talented employees. I am meeting individually with each and every employee to get their thoughts and ideas of where FinCEN is and where they would like to see it go. As of today, I have met with over 130 employees and will continue those meetings until I have met with each and every one of our more than 300 employees. As all of you know, FinCEN is an organization with an amazing team and an amazing mission, and my job is to give our people the tools and support they need to accomplish our mission.

In addition to focusing internally, I have been meeting with FinCEN's partners in law enforcement, on the regulatory side, and with industry stakeholders. I have talked with many of you who are here today, and I look forward to talking with more of you in the coming months. These meetings have been invaluable in understanding where FinCEN is and where it should go in the future.

So, what have I learned?

First and foremost, I have confirmed what I already suspected: that without the important public-private partnership with financial institutions—with all of you—much of what FinCEN and more broadly law enforcement does would not be possible. In my former role at the Department of Justice as the Chief of the Asset Forfeiture and Money Laundering Section (AFMLS), I was one of FinCEN's stakeholders. In that role, and more broadly in my 15 years as a criminal prosecutor, I saw first-hand the importance of financial analysis and “following the money” to successfully prosecuting criminal cases. The Bank Secrecy Act reports filed by your institutions are a critical component to fighting some of the most serious criminal and national

security threats facing the United States, including Mexican drug trafficking organizations and transnational criminal organizations; terrorist organizations and proliferators of weapons of mass destruction; foreign corrupt officials and rogue regimes; multi-billion dollar frauds against government programs; and other financial crimes that impact the stability of the U.S. financial system. You are often the first line of defense in our effort to make our world and country safer. You need to know that your work, in this regard, is appreciated.

I would like to share with you some recent feedback from the FBI about the value of Suspicious Activity Report information to the fight against terrorism:

The FBI “relies tremendously” on SAR information to “support its current investigations” and to “identify subjects we may have missed.” We “depend on the financial institution SAR information” being “complete and accurate.”

“For example, after bin Laden was taken care of, we searched all SARs referencing Abbottabad, Pakistan. If the institution had written a SAR concerning something in Abbottabad, but had only stated Pakistan, then we would have missed it, and that SAR would not have been reviewed.”

“As a matter of fact, our search did have one SAR referencing Abbottabad [that] also contained a telephone number with that individual. Our check of the SAR and telephone number determined the subject had called a telephone number in Abbottabad that had also been called by a telephone recovered from bin Laden’s compound. That is worth us looking at. If the financial institution had not included the phone number, we would not have made a connection and no further review would have been done.”

Your financial institutions are the eyes and ears in the fight against terrorists and other bad guys. We depend on you. I am committed to working with you to maximize our ability to be effective partners and colleagues.

So what about FinCEN in particular? What role does FinCEN have in this partnership other than receiving and collecting this intelligence? As you all know, FinCEN has one of the broadest missions in the U.S. Government. Rather than try to address all aspects here today, I wanted to touch on four areas and give you a sense of my vision for the FinCEN of the 21st Century. These areas are: (1) Information Technology; (2) FinCEN Analytics; (3) Compliance and Enforcement; and (4) Regulatory Policy.

Information Technology

FinCEN’s Bank Secrecy Act IT Modernization Program is the most significant technology effort undertaken in the bureau’s history. It provides a foundation to collect, store, safeguard, analyze, and share the data collected by your financial institutions. 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. And it will allow FinCEN to take its analysis to the next level.

I am proud to tell you that our IT Modernization Program is on-time and on-budget. This is a testament to the amazing team at FinCEN. I am also proud that we have engaged stakeholder groups, including industry, law enforcement, and regulatory partners, balancing a variety of competing interests in this effort. We have not done this in a vacuum. We will continue to depend on you for critical feedback and partnership.

This fall, we began rolling out an important component of the IT Modernization Program – FinCEN Query. FinCEN Query is the new search tool for FinCEN’s law enforcement and regulatory partners. As our stakeholders are onboarded to this new system, they will discover how it improves their ability to access and analyze BSA data. FinCEN Query allows users to easily access, query, and analyze 11 years of BSA data; apply filters to narrow search results; and utilize enhanced data capabilities. Our users will now be able to look at the information more comprehensively, and we are excited to work with them in making sure that your filings become more valuable than ever before in this new system.

As part of our modernization efforts, FinCEN mandated the electronic filing of FinCEN reports through its E-Filing system as of July 1, 2012. E-Filing enhances the quality of FinCEN’s electronic data for analytic purposes. E-Filing helps law enforcement tremendously. It makes BSA reports searchable in FinCEN Query by law enforcement in two days, rather than two weeks if filed on paper. E-Filing reduces environmental waste from paper reports. And in times of fiscal austerity, E-filing will save the U.S. Government millions of dollars by eliminating the costs of paper processing and manual entry of information.

In addition, financial institutions will be required to utilize the new FinCEN reports, both the CTR and SAR, by April 1, 2013. I would note that these new reports were specifically developed to work with the new FinCEN Query system that we just rolled out. The modernized IT system is driven by the data collection instead of form design. The new FinCEN reports allow us, law enforcement and regulators to slice and dice the information submitted in a much more advanced way.

The modernized IT system also incorporates additional data elements for certain fields on the new CTR and SAR. Some of the data elements will trigger third-party data enhancements after the new reports are received by FinCEN, such as postal geographic validation of entries in address fields, which will help ensure consistency in reporting and allow users of FinCEN's Query system to benefit from the enhanced information. All of these updates to the IT system will allow more advanced and sophisticated querying for our law enforcement and regulatory partners. So, I urge financial institutions, especially those that utilize the discrete version of the FinCEN reports, to begin using the new FinCEN reports as soon as possible.

FinCEN Analytics

FinCEN is responsible for receiving BSA reports and making them available to our law enforcement and regulatory partners. But our responsibility does not stop there. FinCEN is also a leader in the analysis of BSA data and financial intelligence. Our advanced analytic tools and highly skilled analysts play a unique role in analyzing and integrating BSA data and other information to identify illicit finance networks, compromised financial institutions and jurisdictions,

and current methods and schemes for illicit finance. We do this well now. But, we can do better, and I am committed to making this a central role for FinCEN in the 21st Century.

What does this look like in the near future? Let's assume that your financial institution files a SAR identifying financial transactions associated with a Mexican drug trafficking organization (DTO). FinCEN analysts use our advanced analytical tools to identify additional targets related to that organization. We might also find that entities laundering money for the organization, and revealed by BSA analysis, also are laundering money for other Mexican DTOs. All of this information would be pushed out to law enforcement to aid active investigations and suggest new ones, both in the form of tactical intelligence and in the form of broader integrated products that tie together threats that before had seemed separate. These data also could be used to inform future compliance efforts and advisories to aid private industry in avoiding dealings with such parties.

FinCEN is already doing similar work in the health care fraud arena. These schemes defraud the U.S. government billions of dollars each year. In response to this significant threat, FinCEN analysts have partnered closely with the Health Care Fraud Prevention and Enforcement Action Team. This Team includes investigators and prosecutors from the Department of Justice and the Department of Health and Human Services (HHS). They identify complex, large-scale fraud schemes and the most egregious individual perpetrators and criminal organizations defrauding the health care system. In 2012, FinCEN analysts provided analytical support to more than 200 health care fraud cases and analyzed approximately 140,000 BSA reports. We also provided crucial analysis identifying the third-party money launderers who support the fraud rings. In providing feedback on the importance of the BSA Reports and FinCEN Analytics to their efforts, law enforcement noted that for each third-party money launderer they were able to prosecute, several health care fraud rings were disrupted, as they tend to use common money launderers. FinCEN is proud of the role its analytics provided in identifying these pinch points.

Compliance and Enforcement

Prior to my arrival at FinCEN, there was a lot of speculation that hiring a prosecutor from the Department of Justice signaled a significant ramp-up of enforcement. While I understand that speculation, I hope you can see from my remarks today that enforcement is not my only concern. That being said, let's not kid ourselves. FinCEN's work in BSA compliance and enforcement is critically important and we have a strong and increasing role to play in this area.

And, to be frank, this is a role that you should want us to play. We are working to level the playing field. We want to make sure everyone is playing by the same rules, which not only improves the overall AML system in the United States and makes the United States safer from organized crime and terrorism, but also rewards those actors who do put in the time and money to get it right by forcing those that have decided to cut corners to pay a price for that choice.

Regulatory Policy

I know your institutions are spending a great deal of time and money on compliance programs. I think it is worth it. But we need to pay attention and ask ourselves if the money you are spending is being spent in the right ways. Industry and others have asked questions: How does industry effort on compliance risk compare with illicit financing risk? What is the delta between

them? I cannot answer these questions alone. We need to answer the questions together – regulators, law enforcement, and industry. Undersecretary David Cohen yesterday spoke about an interagency AML task force that Treasury is spearheading to consider our AML framework and how it is working.

Consistent with this, at my first meeting of the Bank Secrecy Act Advisory Group or “BSAAG” last month, I proposed a “Delta Team” to take a hard look at the Delta issue. I will be co-chairing this new BSAAG subcommittee with Bank of America, and I have invited other BSAAG members to join us. For those of you who may be asking how to participate in BSAAG, we publish a notice in the Federal Register asking for applications to join this Advisory Group. We will likely be asking for applications in the next couple months, so continue to watch the Federal Register as well as our Web site for more information.

The purpose of the Delta Team is for industry, regulators, and law enforcement to come together and examine the space between compliance risks and illicit financing risks. The goal is to reduce the variance between the two. To the extent we are successful, we will be building a smarter, more effective, and more cost efficient system. If we are successful we will have our eyes squarely on the ball, protecting our financial system from illicit finance and combating serious criminal and national security threats. I have some initial thoughts on what we need to examine to get there. In fact, I have a list of questions we need to answer together. Including:

- Where do financial institutions, regulators, and law enforcement see the greatest current illicit financing risks, or possible future illicit financing vulnerabilities, to the financial system?
- Where do financial institutions and regulators see the greatest AML/CFT regulatory risk?
- Where do financial institutions, regulators and law enforcement see the greatest AML/CFT regulatory compliance breakdowns and challenges?
- Can some regulatory risk be lessened via specific identification of—and industry/government agreement on—lower risk customers, products, or transactions? If so, which types of customers, products, or transactions should we consider to be lower risk? How would such an effort fit within a risk-based approach?
- What are the most effective illicit financing risk identification and risk mitigation processes and measures that financial institutions are implementing? How can FinCEN, regulators, and law enforcement provide greater support for such processes and measures?
- What are the least effective AML/CFT processes and measures that governmental authorities are requiring financial institutions to take? How might financial institutions better direct their resources to address current and future illicit financing risks? How can governmental authorities facilitate a more effective use of compliance resources?

- What additional information do financial institutions need to enhance their ability to implement effective AML/CFT measures and controls? How should FinCEN, law enforcement, and regulators communicate this information to the financial community?

We will answer these and other questions together to ensure that we have a system that makes sense. And I for one am looking forward to that dialogue.

Conclusion

FinCEN is a critical partner in the fight against money laundering and terrorist financing. Our talented and dedicated team is committed to that mission. We have an incredible opportunity to serve the American public and to contribute to the safety of this country and the world. FinCEN will meet the challenges ahead working together with you, law enforcement, and our regulatory partners. Thank you once again for inviting me here to speak with you today.