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BEFORE THE

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MONEY LAUNDERING ENFORCEMENT CONFERENCE

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Good afternoon. I'm very pleased to be speaking with you today. I have found that opportunities to engage in public-private dialogues of this sort are extremely important to our efforts to continue developing and maintaining an effective partnership. I have been the Director of the Financial Crimes Enforcement Network for seven months; long enough to have had the chance to assess the significant issues we are working to address and to formulate views on the strategic direction we need to take in order to maximize the impact of the Bank Secrecy Act regulatory scheme.

I also recognize that your industry is keenly interested in understanding more about the value of the Bank Secrecy Act data in order to assess whether we have struck the correct cost-benefit balance in implementing this program. I think this is an ideal forum to have a frank discussion of these issues, and provide you with feedback about what FinCEN – and others – are doing with the valuable information that all of you in the financial community provide.

FinCEN Overview

For those of you who may not be familiar with FinCEN, let me start with a brief overview of our agency. FinCEN's goal is to increase the transparency of the U.S. financial system so that money laundering, terrorist financing and other economic crime can be deterred, detected, investigated, prosecuted – and, ultimately, prevented. Our ability to tie together and integrate our regulatory, law enforcement and international efforts assists us to achieve consistency across our regulatory regime.

This is achieved through a broad range of interrelated activities, including administering the Bank Secrecy Act, supporting law enforcement, intelligence, and regulatory agencies through the sharing and analysis of financial intelligence, and building global cooperation and technical expertise among financial intelligence units throughout the world.

To accomplish the broad scope of our activities, FinCEN utilizes a team comprised of approximately 300 dedicated federal employees, including analysts, regulatory specialists, international specialists, technology experts, administrators, managers, and federal agents.

Because FinCEN is responsible for administering the Bank Secrecy Act, we bear the responsibility for ensuring that the Act is implemented in a way that achieves the policy aims intended by Congress. Recent amendments to this Act required us to expand and enhance our basic anti-money laundering regime to a wide range of industries, some of which previously had not been regulated in this manner. These industries include:

- Banking institutions
- Money Services Businesses, or MSBs
- Casinos
- Securities broker-dealers
- Futures commission merchants and introducing brokers in commodities
- Dealers in precious metals, precious stones, or jewels
- Certain Insurance companies and
- Mutual fund companies

Over the last year alone, for example, we have extended BSA anti-money laundering program requirements to dealers in precious metals, precious stones, or jewels and certain insurance companies; finalized proposed regulations regarding due diligence requirements in connection with foreign correspondent and private banking accounts; required mutual funds and certain insurance companies to report suspicious activity; and have issued important guidance to the money services business industry. Needless to say, the complexity and scope of the rules that we are working to implement present us with both unique challenges and opportunities.

For instance, following the publication of the final rule implementing the general due diligence requirements of section 312 of the USA PATRIOT Act regarding foreign correspondent accounts and private banking accounts established or maintained for non-U.S. persons, issues arose with respect to implementation of the rule by covered financial institutions. In particular, financial institutions in the securities and futures industries had difficulty interpreting their compliance obligations given the distinct legal, regulatory, and operational environments in which they operate. Most significantly, these institutions had difficulty determining which institutions were subject to compliance with the final rule in situations where more than one financial institution was involved in a common transaction.

To address this situation, we issued a 90-day extension of the applicability date of the final rule. We also published interpretive guidance specific to each industry to aid financial institutions with developing due diligence programs that comply with the final rule, which was developed after appropriate consideration of the distinct regulatory and operational frameworks in which these industries operate. We recognize that concerns surrounding the implementation of section 312 remain, and we will continue focusing our efforts on conducting outreach related to these new regulatory requirements.

Risk-Based Regulatory Scheme

As I mentioned at the beginning of my remarks, effective implementation of the BSA regulatory regime requires it to be based on the concept of building an effective partnership between the government and private sector. We approach this goal through a two-tiered approach. To begin with, financial institutions subject to the BSA must develop risk-based, anti-money laundering programs tailored to their businesses. In turn, it is our responsibility to provide guidance in this regard. Such programs include the development and implementation of policies, procedures, and internal controls needed to address money laundering, terrorist financing, and other risks posed by a financial institution's particular products, geographic locations served, and customer base. Secondly, financial institutions, as part of the implementation of their programs, must maintain records and report certain information to FinCEN that is important to the detection, deterrence and investigation of financial crime.

I want to emphasize the importance of this two-tiered approach. The anti-money laundering programs your financial institutions are putting into place provide your institutions with critical protection from abuse by money launderers, terrorist financiers and other sorts of illicit finance. Beyond that, these programs result in the collection and reporting of information through FinCEN to the larger U.S. Government, as well as State and local regulators and law enforcement, that has proved to be extremely valuable, not only in terms of specific investigations and case work, but in understanding systemic vulnerabilities and threats to the financial system.

The risk-based nature of this regulatory scheme also recognizes that financial institutions are in the best position to design anti-money laundering/counter-terrorist financing programs that address the specific risks that they face. You know your business and your clients better than any government agency, and you are in the best position to design systems tailored to your needs that will detect anomalies and areas of concern. However, although I firmly believe a risk-based system is the most efficient and flexible approach, I also recognize that the absence of "bright lines" presents its own set of implementation difficulties, particularly when we stop and recognize that post-9/11 BSA compliance is a relatively young system.

As a result, in order for this system to work, the government must provide guidance and feedback to the industry in a manner that supports your understanding of potential vulnerabilities, as well as effective ways to address those vulnerabilities. We

must also make clear to you the benefits that are derived from the information you are reporting.

Moreover, it is import for us to apply the concept of a risk-based regulatory scheme to our regulatory enforcement process as well. It is understandable that, when a civil money penalty is assessed against a financial institution, it has a ripple effect throughout the industry. However, if you examine the formal enforcement actions that have been taken, you will see that these are not transaction based actions. Formal actions were taken only where there was a systemic non-compliance, an egregious breakdown of an institution's BSA program. The fact is that only 0.3% of the exams conducted by federal banking regulators in Fiscal Year 2006 resulted in a formal enforcement action.

Ensuring that we strike the right balance between the cost and benefit of this regulatory regime is, in my view, one of FinCEN's central responsibilities. As we continue to work through the issues associated with implementing this regime, I do feel we are getting to the point where it is being tailored in a way that institutions understand how they can play their part, while at the same time permitting legitimate business to flow through the system.

Clearly, the success of this regime depends upon the government and financial institutions acting in true partnership – each committed to the goal of taking reasonable steps to ensure that the financial system is responsibly protected from criminals and terrorists through the development of appropriate programs and the sharing and dissemination of relevant information.

Information Sharing

This brings us to a consideration of what information is relevant and how best to exchange it. One way to accomplish increased information sharing is to more fully employ our current section 314(a) system. Pursuant to the regulations implementing section 314(a), federal law enforcement agencies, through FinCEN, can reach out to more than 45,000 points of contact at more than 27,000 financial institutions to locate accounts and transactions associated with persons who may be involved in terrorism or significant money laundering. We now are taking steps to provide more frequent alerts and advisories through the section 314(a) communications system, as well as to enhance the technology and security of the system, which we believe will result in improved programs and interdiction on the part of financial institutions.

In addition, we have collaborated with the federal banking agencies and the Office of Foreign Assets Control to develop, publish, and recently update an interagency Bank Secrecy Act/Anti-Money Laundering Examination Manual that is designed to ensure the consistent application of the BSA.

We are also engaged in other activities aimed at enhancing BSA compliance. For example, we are party to a memorandum of understanding with the Internal Revenue Service that provides for the routine exchange of information about BSA examination

activities, including the identification of IRS-examined financial institutions with significant BSA compliance deficiencies. We also have similar agreements with the five federal banking agencies and have negotiated 42 such MOUs – or information sharing agreements – with state and territorial supervisory agencies that examine for BSA/anti-money laundering compliance. Collection of such information will permit FinCEN to promote consistency in application of the BSA across industries, geographic regions, and regulators, to better understand vulnerabilities and compliance trends, and to target examination areas for regulators.

FinCEN analysts have also produced extensive official-use-only technical reference manuals to assist law enforcement in financial investigations. Examples include manuals on the mechanics of funds transfers, payment settlement, MSB operations and negotiable instrument transactions.

These reference manuals, produced in direct consultation with the financial industry to ensure their comprehensive depth and accuracy, provide FinCEN's law enforcement customers with practical guidance on investigating and analyzing financial trails, and deciphering complex records. This knowledge, in turn, helps law enforcement forge mutually productive contacts and better working relationships with the financial industry.

BSA Value

Turning to the value of the Bank Secrecy Act data itself, I think it is important to note, in this regard, that Suspicious Activity Reports and Currency Transaction Reports, as well as other BSA data, are not only valuable for use in specific cases under investigation, but when taken in the aggregate, are tremendously useful for more systemic analysis and targeting.

As an aside, because this has been a prominent issue recently, I'd like to note that SARs and CTRs should not be viewed as duplicative filings by financial institutions. Each provides its own set of value and intelligence that may initiate or assist in an investigation – again, both with respect to specific cases and when used for conducting broader vulnerability and threat assessments. While the value of the SAR narrative, in particular, cannot be underestimated, CTRs provide valuable data points that can help investigators piece together the timeline of financial activity spanning over a period of years. Moreover, CTRs have been extremely valuable in providing information on cases that did not appear "suspicious" at the time of the transactions.

I'd like to take a moment also to address the issue of defensive filing. While I have no doubt that some defensive filing does take place, in the aggregate, we are seeing quality SAR filings containing relevant information, not just on terrorist financing, but also on other types of illicit finance, such as narcotics trafficking, money laundering, and other fraud activity. Even after high profile enforcement actions are taken, when we would expect to see a spike in filing activity, after analyzing those spikes, we are finding

high-quality SARs being filed, likely as a result of financial institutions going back and reviewing their records from a new perspective.

The question, then, is how does the government use this data? FinCEN provides entire data sets to some federal agencies that have developed advanced information technology that enables them to combine other unique data sets in their possession with the BSA data, thereby maximizing the value they can extract from this data. Such agencies include the Federal Bureau of Investigation, Immigration and Customs Enforcement, the Drug Enforcement Administration's Fusion Center, and the United States Secret Service.

Earlier this spring, I testified with Mike Morehart, the FBI's Terrorist Financing Operations Section Chief, and Kevin Delli-Colli, Deputy Assistant Director, Financial and Trade Investigations with ICE, before the House Financial Services Committee. Both of these gentlemen emphasized the importance of BSA data to their respective missions, giving specific examples of its value. The bottom line, as demonstrated by their testimony, is that BSA data is integral to their important work. However, we need to become better at communicating this value more explicitly to you and other members of the financial services industry.

We recognize that we must communicate with our partners in the financial industry in a more reciprocal fashion, particularly in the area of terrorist financing, so you can do the job we have asked you to do more effectively, and appreciate the value of the information you provide to combating illicit finance. Granted, sharing relevant sensitive information with the private sector can be very difficult due to the risks of compromising sources and methods, however, we are actively working with our law enforcement partners to develop ways to accomplish this.

For instance, the FBI is making some very powerful associations with BSA data. The FBI recently reviewed SARs that were coded as suspected terrorist financing and matched these SARs against their active investigation case file. What they found is that 20 percent of those SARs actually contained subjects of open FBI terrorism investigations, which is incredibly impressive given the difficulty of detecting terrorist financing activity.

To have such a high correlation between SARs marked as "terrorist financing" and actual active FBI investigations into this activity tells me that there is a significant number of financial institutions that have become very attuned to and knowledgeable in detecting this kind of activity. And, of course, many SARs that do not correspond to already open cases provide valuable lead information regarding previously unknown suspect activity.

I have asked FinCEN analysts to begin studying these SARs and identifying the institutions that successfully filed the reports to determine if there are commonalities in the institutions' AML programs. If so, FinCEN will be able to relay appropriate information back to the overall industry, which can help enhance the AML programs of

other financial institutions. This is the kind of dynamic communication that I know you have been asking for and that we have been looking to provide.

Our partnership with law enforcement, which is increasingly focusing on proactive exploitation of BSA data, is confirming the value of this data in other ways. Recently, the Bureau examined the entire BSA database for relevance to counterterrorism investigative and intelligence matters. The review identified over 88,000 SARs and CTRs that bore some relationship to subjects of FBI terrorism investigations. Moreover, BSA data comprises a disproportionate share of the results derived from the FBI's queries into its consolidated database, far surpassing its percentage of the total database.

Ongoing Initiatives

Other initiatives that are increasing the way in which BSA data is being used, and hence its overall value, is FinCEN's stronger emphasis on producing more advanced analytic products. For example, analysis of BSA filing patterns enables us to produce geographic threat assessments that assist law enforcement agencies in allocating limited resources and understanding the nature of the illicit finance threat they face in their particular jurisdiction. By identifying increases – or decreases – in BSA filing activities in geographic areas, and collaborating with law enforcement to fuse this activity with field intelligence, we are able to determine where "hot spots" or vulnerabilities may exist. This enables law enforcement to adjust their resources accordingly, and to explore further the extent to which, as well as the reason why, certain financial activity was taking place in various geographic locations.

While conducting this kind of broad, strategic analysis of the BSA data, we also were able to identify numerous specific subjects of interest for law enforcement to follow-up on. This past year, FinCEN completed three such major geographic threat assessments along the U.S. Southwest border, spanning four states. These assessments were based on the analysis of more than 400,000 BSA reports filed in border counties, and resulted in the identification of potential money laundering hot spots and significant changes in financial activity for use by such agencies the Texas Department of Public Safety, the Department of Homeland Security, the El Paso Intelligence Center, the Office of National Drug Control Policy and the National Drug Intelligence Center.

This proactive analysis of BSA filings also supports our regulatory rulemaking process. Our regulatory policy specialists are able to use the data to help us uncover where new regulations may be needed or existing regulations modified. In addition, our regulatory policy specialists are able to use the valuable data provided by financial institutions to identify evolving trends in illicit finance, such as mortgage loan fraud and stored value product abuse, as well as to develop industry threat assessments.

Enhancing IT Capabilities

In addition to this important analysis of the BSA data, another key aspect of FinCEN's mission is to ensure timely and secure dissemination of the BSA information

to our law enforcement and regulatory users. FinCEN provides direct access to the BSA data through our Secure Outreach program to hundreds of participating law enforcement and regulatory agencies, comprising thousands of individual users from all 50 states.

FinCEN is continually working to provide assistance to its law enforcement and regulatory customers to enhance their access to the BSA data. Along these lines, we have been working with the IRS to roll-out the IRS-developed WebCBRS, a modern, web-based system, that provides a more user-friendly and intuitive database to access the BSA data.

FinCEN is also continuing efforts to ensure that the valuable data your institutions are reporting reaches our law enforcement and regulatory partners as rapidly and efficiently as possible. Therefore, FinCEN is working hard to encourage the electronic filing of BSA reports through our BSA E-filing system. If your financial institution has not yet availed itself of this electronic filing system, I hope you will consider doing so. BSA E-filing is faster, more accurate and more secure than paper or magnetic filing. It has the advantage, in most instances, of providing quick confirmation of receipt and less manual operations for filing institutions. Currently, 44% of all BSA reports are filed electronically, which is up significantly from last year's 24%, but still short of our goal of 60%.

While the electronic filing and secure access components of BSA Direct have been operational for a number of years, as you know, on July 10, 2006, I terminated the contract covering the Retrieval and Sharing component of BSA Direct.

It was a disappointment not to be able to achieve fully our vision of having a data warehouse that would allow us to improve data quality and employ other more advanced analytical technologies, but we are working hard to move forward.

FinCEN will initiate a re-planning effort for the retrieval and sharing portion of BSA Direct which will include strategic, technical, and resource planning, as well as stakeholder analysis. In addition, we will continue our efforts with the Internal Revenue Service to implement WebCBRS as an immediate means of meeting internal and customer needs for BSA data query and analysis tools. We have also created a project management office and a more rigorous strategy for analyzing information technology products and other products in order to move forward in a more strategic manner.

Money Services Businessess

Another significant issue that FinCEN has faced - and continues to face - relates to the money services business industry. As you know, there has been mounting concern among FinCEN and others at the Department of the Treasury, various financial regulators, and the money services business industry regarding the ability of money services businesses to establish and maintain banking services. Many banks have expressed uncertainty with respect to the appropriate steps they should take under the BSA to manage potential money laundering and terrorist financing risks associated with this

industry. At the same time, the money services business industry has expressed concern that misperceptions of risk have unfairly led to labeling them as "unbankable."

Individual decisions to terminate account relationships, when compounded across the U.S. banking system, have the potential to result in a serious restriction in available banking services to an entire market segment. The money services business industry provides valuable financial services, especially to individuals who may not have ready access to the formal banking sector.

Consequently, it is important that we maintain the ability of money services businesses that comply with BSA requirements and related state laws to do business through the formal financial system, subject to appropriate anti-money laundering controls. Equally important is ensuring that the money services business industry maintains the same level of transparency, including the implementation of a full range of anti-money laundering controls, as do other financial institutions. The risk created by the widespread termination of money services business account relationships is that these services are needed, and such action may drive this business "underground." This potential loss of transparency would, in our view, significantly damage our collective efforts to protect the U.S. financial system from financial crime – including terrorist financing. Clearly, resolving this issue is critical to safeguarding the financial system.

In March of 2005, the Non-Bank Financial Institutions and the Examination subcommittees of the Bank Secrecy Act Advisory Group jointly hosted a fact-finding meeting to solicit information from banks as well as money services businesses on issues surrounding the provision of banking services to the money services business industry. Subsequently, in April of 2005, FinCEN and the federal banking agencies issued interagency guidance to the banking industry on the provision of banking services to domestic money services businesses. FinCEN issued a companion advisory to money services businesses on what they should expect when obtaining and maintaining banking services.

We are continuing to work particularly closely with the IRS, but also with other federal and state regulators, law enforcement and the industry, with respect to the ongoing issues surrounding the provision of banking services to money services businesses. As our information sharing agreements with state regulators have now been in place for roughly a year, we are beginning a process of more communication and coordination to ensure better consistency and leveraging of examination resources. We are also working with the IRS, the Conference of State Bank Supervisors and the Money Transmitter Regulators Association to develop training materials for state MSB examiners.

In March 2006, we also published an advance notice of proposed rulemaking to seek additional information from the banking and money services business industries on this issue. The comment period initially closed in May, but was extended through July. During this time, we received well over a hundred comments that are posted on our website. We are currently in the process of finalizing our review and developing a

summary of these public comments, which have provided us a number of insights that we will consider. FinCEN is also considering holding additional regional fact-finding meetings with representatives of the banking and MSB industries to solicit further input on additional steps we should consider, as we endeavor to move forward on this issue in collaboration with the banking regulators.

As part of our education initiative, we are working to translate our MSB informational brochures into seven different languages. We hope to have these ready for distribution by the end of this year, at which time they can be ordered from our MSB website at www.msb.gov.

Our FinCEN analysts are also regularly reviewing SARs submitted on potential unregistered MSBs. We are using this information to better target our outreach efforts by working with our counterparts at the IRS to educate these entities on our MSB registration requirements as well as on their BSA/AML program requirements. We are also working closely with our law enforcement partners when they encounter potential unregistered MSBs or hawalas in order to use this information to focus our education initiatives. Because of these outreach efforts, we have begun to update our list of registered MSBs on a monthly basis.

As our experience with MSBs has shown, we must continually examine how we can more effectively tailor this regime to minimize the costs borne by financial institutions, while at the same time ensuring that the law enforcement, intelligence, and regulatory communities receive the information they need. I assure you that our law enforcement customers are using the information on a daily basis as they work to investigate, uncover, and disrupt the vast networks of money launderers, terrorist financiers and other criminals.

Cross Border Wire Transfers

I also would like to update you on our cross border wire transfer study. The Intelligence Reform and Terrorism Prevention Act of 2004, directs the Secretary of the Treasury to prescribe regulations to require the reporting to FinCEN of certain cross-border electronic transmittals of funds to help detect and prevent the proceeds of financial crimes and terrorist financing from flowing across America's borders. The Act requires the Secretary to issue these regulations by December of 2007, if he can certify that the technical capability to receive, store, analyze, and disseminate the information is in place prior to any such regulations taking effect. Finally, the Act also requires that, in preparation for implementing the regulation and data collection system, the Treasury Department study the feasibility of such a program and report its conclusions to Congress.

For the purposes of this study, FinCEN employed the Bank Secrecy Act Advisory Group to seek the views of members of the financial services industry, the federal financial regulatory agencies, and the federal law enforcement community. We also engaged separately with our partners in the law enforcement community through meetings with their representatives and through the distribution of surveys to those

agencies, in order to assess what value might be derived from such reporting in the context of their missions. And we have conducted similar meetings and surveys with our regulatory partners.

In addition, Canada and Australia already require the reporting of cross-border wire transfers to their Financial Intelligence Units (FINTRAC and AUSTRAC, respectively). Both FINTRAC and AUSTRAC have provided us with extensive assistance through demonstrations of their respective reporting systems and sharing their views of best practices and lessons learned from the design and implementation of their regimes.

Through these efforts, FinCEN has identified potential value in collecting cross-border electronic wire transfer information and potential avenues for combining that data with other BSA data. FinCEN has also identified a number of policy-related concerns implicated by the proposed requirement, which arose from feedback FinCEN has received from numerous financial industry representatives, policy makers within the Department of the Treasury, and the five federal banking agencies.

Chief among these concerns is how to protect the privacy of individuals about whom we collect information. Another significant concern is the costs U.S. financial institutions may incur in complying with such a reporting requirement. Finally, there is some concern about the potential impact of the proposed reporting requirement on the day-to-day operations of electronic funds transfer systems in the United States. Our feasibility study will outline these issues and propose an approach for addressing them.

International Efforts

I also know we are all in agreement that any successful effort to combat the problem of money laundering and terrorist financing must be addressed at a global level. In this regard, the establishment and efficient operation of Financial Intelligence Units (FIUs) has become a central tenet in the U.S. anti-money laundering strategy over the past decade, and the United States, through FinCEN, has played a lead role in the development of this international capacity.

There are currently more than 100 recognized FIUs around the globe, participants in what is known as “the Egmont Group.” These FIUs play an important function in support of each nation's anti-crime strategy, and an increasingly important link in international information sharing.

Egmont FIUs, at a minimum, are required to maintain databases of information on disclosures of suspicious financial transactions required by anti-money laundering laws and public records. They also add value to U.S. and foreign investigations by providing for the rapid and secure exchange of critical financial intelligence that generally would not be available as quickly via the usual formal channels. Use of the Egmont Secure Web, which is administered by FinCEN, provides the law enforcement and regulatory

community with a channel for exchanging sensitive information in a secure and expeditious manner.

In fact, based on information supplied by U.S. financial institutions under the BSA, FinCEN was able to use this process to share valuable financial information with Spain's FIU following the Madrid bombings. Similarly, following the United Kingdom's August 2006, discovery of a terrorist plot involving trans-Atlantic commercial airliners, FinCEN shared information with the UK FIU. The information shared in this instance arose from U.S. financial institutions that proactively queried their records based on suspect lists released publicly by foreign authorities, found relevant information, and provided the information to FinCEN under the BSA via FinCEN's Financial Institutions Hotline.

At the heart of the FIU process is the exchange of information as a means of overcoming the obstacles that inhibit cross-border investigations of illicit activity. In order to further promote this process, FinCEN also provides technical support to foreign FIUs in an attempt to increase the effectiveness of the international information available to us and our law enforcement partners. At the same time, we adhere to strict controls and safeguards that ensure that the information we exchange through the Egmont process is used only in an authorized manner, consistent with national provisions on privacy and data protection.

Outreach

It is also important for FinCEN to stay closely tuned to the private sector and law enforcement communities in order to provide meaningful feedback and relevant analysis to both groups. Along those lines, FinCEN has established briefing teams to demonstrate the value of the Bank Secrecy Act data to the various sectors of the financial community. In September, alone, we met with representatives of 12 state banking associations while they were visiting Washington, DC in order to provide feedback on how we are using the BSA data at FinCEN, as well as to share BSA filing profiles on activity taking place within their respective states.

Moreover, to ensure we maintain close contact with our law enforcement customer agencies, we hold monthly roundtable meetings with the major federal law enforcement agencies to discuss issues of mutual interest, share information, and assess the utility of BSA data.

FinCEN is also represented in six field locations that have been designated as High Intensity Financial Crime Areas, or "HIFCAs." These locations - New York, Chicago, northern and southern California, Puerto Rico, and along the southwest border – include senior FinCEN analysts who provide close support to the law enforcement agencies operating in those regions.

FinCEN's HIFCA representatives provide financial intelligence analysis in support of major field investigations, but they also conduct outreach to the financial

industry in their regions, and they tie together observations about regional trends and patterns. I should add that our HIFCA representatives participate in regionally based multi-agency "SAR Review Teams" that enable law enforcement and regulatory officials to coordinate their review and follow-up of SARs filed by the financial industry.

The FinCEN HIFCA representatives also interact with regionally based financial institutions and banking regulators for purposes of following up on SARs, sharing trends analysis, and becoming better acquainted with financial institutions' anti-money laundering programs and initiatives.

Conclusion

I would like to conclude today with one final thought. Outreach and dialogue are crucial to achieving transparency within the financial system. We must continue to work collaboratively to understand and take advantage of the benefits offered by having strong anti-money laundering and counter–terrorist financing programs in place, as well as the valuable information that arises from such programs.

You will see us partnering with our law enforcement customers more frequently in demonstrations of BSA value, as well as using that collaboration to give feedback, both to those who supply us with the BSA data and those who make use of the data, on better ways to collect, report and analyze that information.

I hope I have been successful in conveying to each of you that the BSA reports that you are filing with FinCEN are of great value in supporting the important missions and operations of our nation's law enforcement, regulatory and intelligence partners. Again, while that does not mean that every individual form that is filed will lead to an investigation or prosecution, I can assure you that, in the aggregate, the data that we are seeing come into our system is extremely useful. It is useful not only for purposes of individual case work, but also in conducting vulnerability and threat assessments and informing and shaping our regulatory scheme.

The challenge before us, now, is to continue our dialogue as we examine how to more effectively tailor this regime to minimize the costs borne by financial institutions while at the same time ensuring that we continue receiving the information we need to do our jobs. I am confident that, as our relatively young, post-911 regulatory system matures, it will become increasingly efficient and effective.

Thank you again for your time today.