

Financial Crimes Enforcement Network

# Annual Report

Fiscal Year 2007



# Mission Statement

**The mission of the Financial Crimes Enforcement Network is to safeguard the financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity.**

We achieve this mission by:

- Administering the Bank Secrecy Act;
- Supporting law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence;
- Building global cooperation with our counterpart financial intelligence units; and
- Networking people, ideas, and information.

# Message from the Director



When I became Director of the Financial Crimes Enforcement Network in April 2007, the valuable work of FinCEN was not new to me; I had worked very closely with FinCEN during my previous service in the Office of General Counsel at the Treasury Department (and had had my first dealings with FinCEN while serving at the Federal Reserve Bank of New York a decade before). Since joining the Bureau, however, I have gained a new respect for the many ways that FinCEN enhances U.S. national security and promotes financial stability while making the U.S. and international financial systems increasingly resistant

to abuse by money launderers, financial supporters of terrorism, and other perpetrators of crime.

FinCEN is charged with safeguarding the domestic financial system from illicit financial activity through the administration of the Bank Secrecy Act (BSA). In this role, FinCEN supports the domestic law enforcement and intelligence communities, as well as regulatory agencies, through the sharing of BSA information and analysis. The Bureau also serves as the nation's financial intelligence unit. In this capacity, FinCEN works to strengthen the resistance of international financial systems to criminal exploitation, supports and enhances the capacity of financial intelligence units around the globe, and serves as a channel through which domestic law enforcement agencies can seek from other countries information related to crimes they are investigating.

During fiscal year 2007, FinCEN saw major accomplishments in all these areas of activity. I am especially proud of our movement toward enhancing the efficiency and effectiveness of the BSA regulatory framework, a high priority initiative announced by Treasury Secretary Henry M. Paulson, Jr. at FinCEN in June. For example, we have strengthened our outreach to and communications with our industry partners as a way of ensuring an efficient and effective risk-based regulatory regime, and we have initiated consideration of a new, reorganized chapter in the Code of Federal Regulations so that distinct financial sectors can more easily and efficiently access all the regulations with which they specifically need to comply.

In other notable achievements during the year, FinCEN:

- Published BSA guidance for financial institutions that aimed to improve consistency in the interpretation and application of BSA regulations, and to reduce misperception of excessive regulatory expectations.

# Message from the Director

- Delivered complex analytical studies targeted to regulatory authorities and to law enforcement agencies.
- Developed the vision and strategy outlining our future enterprise-wide business transformation and information technology modernization program.
- Provided research support for a record number of foreign financial intelligence units engaged in law enforcement activities.

We look forward to many more successes in fiscal year 2008. Some of the priorities on which we will be focusing include working with the Federal banking regulators on the risk-scoping of BSA/AML examinations, clarifying the scope of entities subject to regulation as money services businesses, and making BSA regulations easier to locate and understand by re-issuing them in their own, reorganized chapter of the Code of Federal Regulations. We continue our focus on feedback to financial institutions to help them better allocate their resources consistent with risks and to help them provide the information most needed by law enforcement. Our analytical work will continue on current issues and emerging trends in areas such as mortgage fraud and threats to our nation's borders, increasingly in partnership with FinCEN's global counterparts.

I am very proud of FinCEN's approximately 300 employees for making these and other contributions to the public good, and I am glad to be working with them. In recognition of the importance of FinCEN's work force, we took steps this year to become a more efficient, effective, and stimulating organization where employees have enhanced opportunities to develop their potential. As we pursue our priorities for fiscal year 2008, the skills, talents, and dedication of FinCEN's employees will continue to be the key factors critical to our success.

James H. Freis, Jr.  
Director  
March 2008

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# About the Financial Crimes Enforcement Network

**T**he Financial Crimes Enforcement Network (FinCEN) is a bureau within the U.S. Department of the Treasury's Office of Terrorism and Financial Intelligence. FinCEN plays two key roles in U.S. efforts to keep the world's financial systems accessible to legitimate users while detecting and deterring those who wish to exploit these systems for illegal purposes.

First, FinCEN administers the Bank Secrecy Act (BSA) of 1970<sup>1</sup>, as amended by Title III of the USA PATRIOT Act of 2001 and other legislation. The BSA is the nation's first and most comprehensive federal anti-money laundering and counter-terrorism financing statute. In brief, the BSA authorizes the Secretary of the Treasury to issue regulations requiring banks and other financial institutions to take a number of precautions against financial crime, including setting up anti-money laundering programs and filing reports that have been determined to have a high degree of usefulness in criminal, tax, regulatory investigations and proceedings, and certain intelligence and counter-terrorism matters.

The Treasury Secretary has delegated administration of the BSA to FinCEN. To fulfill this responsibility, the Bureau:

- Issues and interprets regulations authorized by the statute;
- Supports and enforces compliance with BSA regulations;
- Supports, coordinates, and analyzes data regarding compliance examination functions delegated to other federal regulators;
- Manages the collection, processing, storage, and dissemination of data filed under BSA reporting requirements;
- Maintains a government-wide access service to the BSA data and networks users with overlapping interests; and
- Conducts analysis to support policy makers; law enforcement, regulatory, and intelligence agencies; and the financial industry.

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1. The Bank Secrecy Act is codified at 31 U.S.C. 5311-5330 with implementing regulations at 31 C.F.R. Part 103.

# About the Financial Crimes Enforcement Network

In addition, FinCEN serves as the financial intelligence unit (FIU) for the United States. An FIU is a central, national agency responsible for receiving, analyzing, and disseminating to, and as permitted, requesting from, the competent authorities disclosures of financial information:

- (i) concerning suspected proceeds of crime and potential financing of terrorism, or
- (ii) required by national legislation or regulation, in order to combat money laundering and terrorism financing.

As one of the world's leading FIUs, FinCEN coordinates with and

collaborates on anti-terrorism and anti-money laundering initiatives with financial intelligence unit counterparts around the world. FinCEN also works to strengthen other countries' efforts to deter and detect financial crime and promotes international information-sharing to combat financial crime.

To learn more about the Financial Crimes Enforcement Network, visit [www.fincen.gov](http://www.fincen.gov).

## Secretary of the Treasury's Focus on Security of the Financial System

"Throughout history, Treasury Secretaries have focused their efforts on promoting policies and actions to help ensure the safety and soundness of our financial system. Today, the Secretary must focus on the security of the financial system, as well as its safety and soundness.

Global financial flows are growing rapidly and greatly exceed the trade in goods and services. This is a positive trend; open finance and free trade enhance the economic security and prosperity of people in this country and around the world. But bad actors seek to abuse this global financial system to support their illicit purposes. The world of finance and the world of terror and weapons proliferation intersect through the same system that spreads prosperity at home and abroad."

Henry M. Paulson, Jr.  
Secretary of the Treasury  
Council on Foreign Relations  
June 14, 2007



- 1990** The U.S. Department of the Treasury established the **Financial Crimes Enforcement Network (FinCEN)**. Its initial charge was to support law enforcement by establishing a government-wide financial intelligence and analysis network.
- 1994** The Secretary of the Treasury delegated to the Director of FinCEN authority to administer Title II of the Bank Secrecy Act (BSA). FinCEN's operations subsequently expanded to include regulatory responsibilities.
- 1995** FinCEN was one of 15 financial intelligence units from around the world that met to establish the Egmont Group, an information-sharing network to combat money laundering and other financial crimes that cross national borders.
- 2001** The USA PATRIOT Act amended and broadened the scope of the BSA to include a focus on the financing of terrorism. The Act also gave FinCEN additional responsibilities and authorities and established the organization as a bureau within the Department of the Treasury.
- 2004** FinCEN became part of Treasury's new Office of Terrorism and Financial Intelligence, the Department's lead office for fighting the financial war on terror, combating financial crime, and enforcing economic sanctions against rogue nations.



**N**early 18 million reports were filed under the BSA's record keeping and reporting requirements in fiscal year 2007. These reports increase transparency in the financial system and help to create a financial trail that law enforcement and intelligence agencies can use to track criminals, their activities, and their assets. Record keeping and reporting requirements work hand-in-glove with the BSA's anti-money laundering program requirement, which helps financial institutions protect themselves, and thus the U.S. financial system, from criminal abuse by helping to identify and mitigate the risks inherent in their operations.

A range of financial industry sectors are subject to BSA reporting requirements. These include—but are not limited to—depository institutions (e.g., banks, credit unions, and thrifts); brokers or dealers in securities; mutual funds; futures commission merchants and introducing brokers in commodities; money services businesses (e.g., money transmitters; issuers, sellers, and redeemers of money orders, travelers' checks, and stored value; currency dealers and exchangers; check cashers; and the U.S. Postal Service); casinos and card clubs; insurance companies; and dealers in precious metals, stones, or jewels.

A variety of reports are required under the Bank Secrecy Act. (See box on next page.) The reports filed most often are:

- **Currency Transaction Reports (CTRs)**, which are filed in connection with cash deposits, withdrawals, exchanges of currency, or other payments or transfers by, through, or to a financial institution involving a transaction (or multiple transactions by or on behalf of the same person) in currency exceeding \$10,000. Currency transaction reporting requirements are a key impediment to criminal attempts to legitimize the proceeds of crime.
- **Suspicious Activity Reports (SARs)**, which are filed in connection with transactions that financial institutions know, suspect, or have reason to believe may be related to illicit activity. These reports are especially valuable to law enforcement and intelligence agencies because they reflect activity considered problematic or unusual by financial institutions, casinos, money services businesses, and the securities industry. SARs contain sensitive information and, consequently, may be disclosed and disseminated only under strict guidelines. Unauthorized disclosure of SARs is a violation of criminal law.

## Bank Secrecy Act Reports

- Currency Transaction Report (CTR)
- Currency Transaction Report by Casinos (CTR-C)
- Designation of Exempt Person
- Report of Foreign Bank and Financial Accounts (FBAR)
- Report of International Transportation of Currency or Monetary Instruments (CMIR - Collected by U.S. Customs and Border Protection)
- Report of Cash Payments over \$10,000 Received in a Trade or Business (8300)
- Suspicious Activity Report (SAR)
- Suspicious Activity Report by a Money Services Business ( SAR-MSB)
- Suspicious Activity Report by Casinos and Card Clubs (SAR-C)
- Suspicious Activity Report by Securities and Futures Industries (SAR-SF)
- Registration of Money Services Business

The latest versions of these forms are available at [www.irs.gov](#).

The Internal Revenue Service's Enterprise Computing Center – Detroit receives and processes BSA reports through a partnership with FinCEN. Preliminary Enterprise Computing Center figures for early October 2007 show that the number of BSA reports filed in fiscal year 2007 was approximately 17.9 million, compared to about 17.5 million in fiscal year 2006. Increases in the number of SARs and CTRs accounted for most of the rise. Nearly 1.2 million SARs were filed during the year.

To improve data quality and accelerate the secure flow of information from financial institution filers to law enforcement and regulatory agencies, FinCEN encourages electronic filing of BSA reports. In fiscal year 2007, about

55 percent of BSA reports were e-filed, compared with about 45 percent e-filed in fiscal year 2006. The percentage e-filed in the last 2 months of the year is one of FinCEN's performance measures. During the last 2 months of fiscal year 2007, 59 percent of the reports were e-filed, compared with 48 percent during the last 2 months of fiscal year 2006.

The following chart compares fiscal year 2006 reporting figures and preliminary fiscal year 2007 reporting figures for each type of BSA report.

# Bank Secrecy Act Reporting in Fiscal Year 2007

## Bank Secrecy Act Filings by Type, Fiscal Years 2006 - 2007<sup>2</sup>

Type of Form	Filed in FY 2006	Filed in FY 2007
Currency Transaction Report	15,946,725	16,219,434
Suspicious Activity Report (for all covered industries)	1,051,162	1,157,468
Report of Foreign Bank and Financial Accounts	287,469	320,937
Registration of Money Services Business	19,627	18,380
Designation of Exempt Person <sup>3</sup>	59,830	63,632
Report of Cash Payments Over \$10,000 Received in a Trade or Business (Form 8300)	152,329	173,027
<b>Total<sup>4</sup></b>	<b>17,517,142</b>	<b>17,952,878</b>

2. Internal Revenue Service Enterprise Computing Center - Detroit figures as of October 3, 2007.
3. The Designation of Exempt Person form enables depository institutions (banks, savings associations, thrift institutions, and credit unions) to use Currency Transaction Report exemption rules to eliminate the reporting obligation for transactions by business customers with routine needs for currency.
4. In addition, U.S. Customs and Border Protection, U.S. Department of Homeland Security, reported that approximately 161,692 Reports of International Transportation of Currency or Monetary Instruments were filed in FY 2007. These paper reports are not included in the total or in e-filing calculations.



# Financial Crimes Enforcement Network Strategic Goals

The Financial Crimes Enforcement Network's strategic plan for fiscal years 2006-2008 outlines four strategic goals plus a management goal:

**Goal 1:** Protect the financial system through effective administration of the Bank Secrecy Act.

**Goal 2:** Combat terrorism, money laundering, and other financial crime through analysis of BSA data and other relevant information.

**Goal 3:** Intensify international anti-money laundering collaboration through the global network of financial intelligence units.

**Goal 4:** Facilitate regulatory compliance, data management, and information through E-government.

**Management Goal:** Develop a more nimble and responsive management structure.

These goals reflect our role as a regulatory agency, our responsibilities for combating money laundering and the financing of terrorism, and our long-range vision for providing law enforcement and regulatory agencies with better access to the BSA data while supporting these agencies with more sophisticated and unique analyses. The strategic plan is available at [www.fincen.gov](http://www.fincen.gov).

This report lists major FinCEN accomplishments for each of these goals in fiscal year 2007.

# Major Accomplishments in Fiscal Year 2007





## **Goal 1: Effective Bank Secrecy Act Administration**

**F**inCEN has long sought to ensure the effectiveness of the BSA regulatory framework. This year, FinCEN bolstered those efforts with a new focus on increasing regulatory efficiency as well as effectiveness. The new initiative was publicly announced by Treasury Secretary Henry M. Paulson, Jr. in a public talk before FinCEN employees. The initiative is based on the following goals:

- Enhance the risk-based approach to BSA compliance and examination.
- Improve regulatory efficiency for money services businesses (MSBs).
- Consolidate BSA regulations to make them more intuitive and easier to locate in the Code of Federal Regulations (CFR).
- Provide additional quality feedback and analyses to industry and law enforcement, and provide written feedback to industries affected by new regulations or regulatory changes within 18 months.

FinCEN is now taking steps to reach these goals. At the same time, the Bureau is continuing its efforts to assure greater consistency in the application of, examination for, and enforcement of the BSA. Highlights of major accomplishments in fiscal year 2007 follow:

### **BSA Casino Rules Amended to Exempt Certain Currency Transactions**

In June 2007, FinCEN published a Final Rule amending BSA casino currency reporting requirements by exempting casinos from the requirement to file Currency Transaction Reports (CTRs) on jackpots from slot machines and video lottery terminals. The final rule also exempts reportable transactions in currency, under certain conditions, involving certain money plays and bills inserted into electronic gaming devices. This final regulation does not change the regulation requiring casinos to report all other transactions in currency of more than \$10,000.

# Major Accomplishments in Fiscal Year 2007

## GOAL 1: *Effective Bank Secrecy Act Administration*

### **Treasury Secretary Says Balanced Regulation is Key**

“When it comes to regulation, balance is key. And striking the right balance requires us to consider the economic implications of our actions. Excessive regulation slows innovation, imposes needless costs on investors, and stifles competitiveness and job creation. At the same time, we should not engage in a regulatory race to the bottom, seeking to eliminate necessary safeguards ...in a quest to reduce costs. The right regulatory balance should marry high standards of integrity and accountability with a strong foundation for innovation, growth, and competitiveness.”

Henry M. Paulson, Jr.,  
Secretary of the Treasury  
Economic Club of New York  
November 20, 2006

### **Final Rules Published Under USA PATRIOT Act Authority**

In March 2007, the Department of the Treasury barred Banco Delta Asia SARL (BDA) from accessing the U.S. financial system, either directly or indirectly, by finalizing a rule proposed by FinCEN in 2005 under Section 311 of the USA PATRIOT Act. FinCEN had found BDA to be of “primary money laundering concern,” citing the bank’s systemic failures to safeguard against money laundering and other financial crimes.

The final rule prohibits U.S. financial institutions from opening or maintaining correspondent accounts for or on behalf of BDA, which has been found to be providing North Korean clients access to the banking system with little oversight or control. The bank’s failure to address adequately the full scope of concerns described in the proposed rule laid the groundwork for the Treasury action.

In August, FinCEN published a final rule for Section 312 of the USA PATRIOT Act requiring anti-money laundering programs and special due diligence programs for certain foreign accounts. This rule applies to the accounts of three specific and relatively small categories of foreign banks, including those with an offshore banking license and banks operating in jurisdictions identified as high-risk by recognized international or U.S. Treasury Department determinations.

The rule states that U.S. financial institutions must identify, for due diligence purposes, the owners of these foreign banks if their shares are not publicly traded and also ascertain whether such foreign banks provide correspondent accounts to other foreign banks and therefore provide them with access to the U.S. financial system. In making their risk assessments, financial institutions should consider, among

# Major Accomplishments in Fiscal Year 2007

## GOAL 1: *Effective Bank Secrecy Act Administration*

other factors, the nature of the foreign bank's business, reasonably-available information on the foreign bank's anti-money laundering record, and

information on the nature of the foreign supervisory regulations under which the bank is operating.

### **Risks of Financial Institutions Doing Business with Foreign Entities**

"...the USA PATRIOT Act is to a large extent focused on the flow of funds from abroad. The premise is simple: if a U.S. financial institution chooses to do business with a foreign entity, there is a risk to be managed and it is incumbent upon the institution to identify and to mitigate or manage that risk. This approach is sensible, fair and smart: no one is smarter, more knowledgeable, or better qualified than they are to assess the unique risks to their businesses, and to tailor programs to manage and mitigate those risks. Foreign financial institutions seeking access to the U.S. market must be prepared to provide U.S. financial institutions with information sufficient for them to make the judgment that they are not being used by terrorists, criminals or corrupt high-level foreign political figures."

William F. Baity  
Deputy Director, FinCEN  
Florida International Bankers Association  
Anti-Money Laundering Conference  
February 14, 2007

# Major Accomplishments in Fiscal Year 2007

## GOAL 1: *Effective Bank Secrecy Act Administration*

### **Bank Secrecy Act Compliance**

This year, FinCEN continued to make progress toward assuring the effectiveness and consistency of BSA compliance activity in all covered industry sectors. The Bureau:

- Concluded information-sharing agreements with the Securities and Exchange Commission and the North Carolina Credit Union Division. This brings to 50 the total of such agreements with federal and state supervisory agencies that examine for compliance with the BSA or similar state regulations. The compliance data provided to FinCEN under these agreements enables FinCEN to better fulfill its obligation of administering the BSA and overseeing compliance with BSA programmatic, recordkeeping, and reporting requirements.
- Collaborated with the five federal banking agencies (see page 60), the Conference of State Bank Supervisors, and Treasury's Office of Foreign Assets Control to update the interagency Bank Secrecy Act/Anti-Money Laundering Examination Manual. The Examination Manual is designed to provide current and consistent guidance on risk-based policies, procedures, and processes for banking organizations to comply with the BSA and safeguard operations from money laundering

and terrorism financing. The Examination Manual was modified to further clarify supervisory expectations since its previous revision in 2006. Revisions drew upon feedback from the banking industry and examination staff.

- Processed 248 cases involving financial institutions with significant potential BSA violations or deficiencies that were referred to FinCEN pursuant to various federal and state information-sharing agreements.
- Referred 83 matters involving 119 financial institutions with potential BSA violations or deficiencies to agencies with which FinCEN has concluded information-sharing agreements.

### **Guidance and Advisories**

During the year, we issued significant guidance and advisories designed to improve consistency in the interpretation and application of BSA regulations and to reduce misperceptions concerning requirements. These issuances included:

- Frequently Asked Questions About Suspicious Activity Reporting Requirements for Mutual Funds (October 2006)
- Advisory – Potential Money Laundering Risks Related to Shell Companies (November 2006)

# Major Accomplishments in Fiscal Year 2007

## GOAL 1: *Effective Bank Secrecy Act Administration*

- Frequently Asked Questions About Customer Identification Programs and Banks Serving as Insurance Agents (December 2006)
- Guidance – Application of the Customer Identification Program Rule to Future Commission Merchants Operating as Executing and Clearing Brokers in Give-Up Arrangements (April 2007)
- Guidance – Requests by Law Enforcement for Financial Institutions to Maintain Accounts (June 2007)
- Guidance – Money Transmitter Report of Foreign Bank and Financial Accounts (FBAR) Filing Requirements (June 2007)
- Guidance – Suspicious Activity Report Supporting Documentation (June 2007)
- Guidance – Application of the Correspondent Account Rule to Executing Dealers Operating in Over-The-Counter Foreign Exchange and Derivatives Markets Pursuant to Prime Brokerage Arrangements (September 2007)

These publications are available on the FinCEN website, [www.fincen.gov](http://www.fincen.gov).

### **Outreach to Industry and Regulatory Partners**

In 2007, FinCEN strengthened its ability to clarify BSA requirements for regulated industries and regulatory partners by developing an organizational unit with primary responsibility for outreach and assistance. This unit operates the Financial Institutions Hotline and Regulatory Helpline call centers, coordinates initiatives of the Bank Secrecy Act Advisory Group (see page 59), supports speaking engagements to the financial industry and regulatory groups, and provides regulatory partners with information about the impact of BSA requirements.

During the year, FinCEN staff participated as speakers or panelists in 99 domestic and overseas outreach events. Examples included the following:

- FinCEN used information from law enforcement partners regarding potentially unregistered money services businesses (MSBs) to focus education initiatives for the MSB industry, a large and diverse universe of check cashers, money remitters, and others. To ensure that MSBs operated by non-native English speakers understand compliance requirements, FinCEN also translated MSB brochures into seven different languages: Arabic, Chinese, Farsi, Korean, Russian, Spanish, and Vietnamese.

# Major Accomplishments in Fiscal Year 2007

## GOAL 1: *Effective Bank Secrecy Act Administration*

- FinCEN worked with the Internal Revenue Service (IRS), and Nevada Gaming Control Board to offer a series of one-day BSA educational outreach sessions for Nevada casinos. The sessions covered BSA regulatory requirements for casinos, civil enforcement actions, the BSA examination process, money laundering, and casino criminal cases.
- In collaboration with the National Credit Union Administration, FinCEN co-hosted a web-based seminar. More than 2,000 members of the credit union industry participated in the “webinar,” which provided information and guidance about BSA obligations in this sector.

### **Regulatory Effectiveness and Efficiency**

“It is our focus to ensure that our regulatory scheme is efficient in its application, yet remains extremely effective in collecting the information that law enforcement investigators, FinCEN’s analysts, and the regulatory examiners need as they work to safeguard the financial system from the abuses of terrorist financing, money laundering, and other financial crimes.”

James H. Freis, Jr.  
Director, FinCEN  
Pan-American Congress on Asset Laundering and  
Financing Terrorism Prevention and Control  
Cartagena De Indias, Colombia  
July 27, 2007

# Major Accomplishments in Fiscal Year 2007

## GOAL 1: *Effective Bank Secrecy Act Administration*

### Summary of Bank Secrecy Act Form Revisions and Rule Making – Fiscal Year 2007

<b>Bank Secrecy Act form revised<sup>5</sup></b>	Suspicious Activity Report by a Money Services Business
<b>Bank Secrecy Act form rescinded</b>	The Currency Transaction Report by Casinos - Nevada was rescinded and is no longer acceptable; Nevada casinos now use the Currency Transaction Report by Casinos
<b>Bank Secrecy Act forms renewed without change</b>	Sixty-day and 30-day Federal Register notices were published to renew: <ul style="list-style-type: none"> <li>• The Currency Transaction Report</li> <li>• The Report of Cash Payments Over \$10,000 Received in a Trade or Business – Form 8300</li> </ul>
<b>New Bank Secrecy Act final rules issued</b>	<ul style="list-style-type: none"> <li>• Final Rule Amending Casino Currency Reporting Requirements</li> <li>• Section 312 Anti-Money Laundering and Special Due Diligence Programs for Certain Foreign Accounts</li> </ul>
<b>Bank Secrecy Act rules renewed without change</b>	Sixty-day and 30-day Federal Register notices were published to renew the USA PATRIOT Act Section 311 Special Measures Actions against: <ul style="list-style-type: none"> <li>• Banco Delta Asia</li> <li>• Commercial Bank of Syria and its Subsidiaries</li> </ul>

5. In FY 2006, Suspicious Activity Reports by depository institutions, the securities and futures industries, and casinos were revised, and a new Suspicious Activity Report by Insurance Companies was developed. These forms will be released following BSA database optimization.

# Major Accomplishments in Fiscal Year 2007

## GOAL 1: *Effective Bank Secrecy Act Administration*

### **Enforcement Activity**

To encourage greater compliance with BSA requirements in a variety of financial sectors, FinCEN took significant enforcement actions this year in situations involving egregious violations

of the BSA. Our dual goal in taking these actions was to resolve compliance issues in the institutions affected and to encourage other institutions within specific sectors to improve their anti-money laundering and suspicious activity reporting programs.

### **Civil Money Penalties Assessed in Fiscal Year 2007**

Working closely with appropriate regulatory and law enforcement agencies, FinCEN took the following enforcement actions during the year:

- FinCEN and the Office of the Comptroller of the Currency (OCC) assessed concurrent civil money penalties, each \$10 million, against Union Bank of California, N.A. (Union Bank) of San Francisco, California, for violations of the Bank Secrecy Act. The enforcement actions were part of coordinated actions with the U.S. Department of Justice. The OCC determined that Union Bank failed to adequately monitor certain Mexican casa de cambio accounts, failed to identify and file hundreds of suspicious activity reports in a timely manner, and failed to comply with the requirements of a Memorandum of Understanding it entered into in 2005, including the requirement that the bank improve its processes for identifying and reporting suspicious transactions. These failures resulted in the movement of millions of dollars of suspected proceeds of drug sales through certain casa de cambio accounts without detection or reporting of the suspicious transactions. In assessing a \$10 million civil money penalty, FinCEN determined that Union Bank failed to implement an adequate anti-money laundering program reasonably designed to identify and report transactions that exhibited indicia of money laundering or other suspicious activity, considering the types of products and services offered by the Bank, the volume of its business, and the nature of its customers.
- FinCEN and the Board of Governors of the Federal Reserve System concurrently assessed \$20 million in civil money penalties against American Express Bank International (AEBI) of Miami, Florida, for repeated failure, over the course of several years, to adequately respond to certain supervisory findings with respect to the effectiveness of the account monitoring controls



# Major Accomplishments in Fiscal Year 2007

## GOAL 1: *Effective Bank Secrecy Act Administration*

to ensure compliance with the Bank Secrecy Act. FinCEN also determined that AEBI failed to implement adequate internal controls, failed to conduct adequate independent testing and failed to designate compliance personnel to ensure compliance with the Bank Secrecy Act. FinCEN imposed a separate \$5 million civil money penalty against American Express Travel Related Services, Inc., a money services business located in Salt Lake City, Utah, for its violations of the Bank Secrecy Act. The orders were part of action coordinated with the U.S. Department of Justice.

- FinCEN, the Federal Deposit Insurance Corporation, and the Florida Office of Financial Regulation assessed civil money penalties totaling \$800,000 against Beach Bank of Miami, Florida, for violations of federal and state anti-money laundering laws and regulations.
- FinCEN assessed a \$2 million civil money penalty against The Foster Bank of Chicago, Illinois, for violations of the requirement to establish and implement an adequate anti-money laundering program, the requirements to report suspicious transactions and to file currency transaction reports, and the prohibition on structuring transactions.
- FinCEN, in conjunction with the Federal Deposit Insurance Corporation (FDIC) and the New York State Banking Department (NYSBD), assessed \$12 million in civil money penalties against Israel Discount Bank of New York (IDBNY) for violation of federal and state anti-money laundering laws and regulations. The assessment of civil money penalties followed a joint settlement between IDBNY and the New York County District Attorney's Office, NYSBD, and FDIC. FinCEN, FDIC, and NYSBD determined that Israel Discount Bank of New York failed to implement an adequate anti-money laundering program, with internal controls and appropriate measures to detect and report money laundering and other suspicious activity in a timely manner. The agencies found that the deficiencies in the bank's anti-money laundering program included failure to establish appropriate, specific due diligence policies, procedures and controls reasonably designed to detect and report instances of money laundering through its correspondent accounts for non-U.S. persons, as required by Section 312 of the USA PATRIOT Act and its implementing regulations.

# Major Accomplishments in Fiscal Year 2007

## GOAL 1: *Effective Bank Secrecy Act Administration*

### **Cross-Border Wire Transfers Study**

The Secretary of the Treasury transmitted to Congress FinCEN's study of the feasibility of requiring the reporting of certain cross-border electronic transmittals of funds to help detect and prevent the proceeds of financial crimes and terrorism financing from flowing across America's borders. The study was undertaken in line with the Intelligence Reform and Terrorism Prevention Act of 2004, which directed the Secretary of the Treasury to prescribe regulations to require the reporting to FinCEN of certain cross-border electronic funds transmittals.

The study concludes that the reporting of cross-border wire transfer data by financial institutions is technically feasible for the government and may be valuable to the government's efforts to combat money laundering and terrorist financing. The report further outlines an inclusive and incremental approach to resolving technical and policy issues that relate to whether and how to implement a regulatory requirement for the reporting of cross-border wire transfer data.

FinCEN has since undertaken a cost-benefit analysis to determine and quantify both the benefits to the public of such a system and the costs to all parties affected by any potential regulatory requirement. The financial services industry and law enforcement agencies are participating in the study. FinCEN is also working to ensure that all technical capacity and privacy concerns are addressed. This research will provide the foundation on which policy makers will make a final decision whether to implement such a requirement. If policy makers choose to proceed, that decision will be followed by an administrative rulemaking allowing for public comment.

# Major Accomplishments in Fiscal Year 2007

## GOAL 1: *Effective Bank Secrecy Act Administration*

### Key Performance Measures for Goal 1: Effective Administration of the Bank Secrecy Act

Measure	FY 2005	FY 2006	FY 2007 Target	FY 2007 Actual	FY 2008 Target
Number of federal and state regulatory agencies with which FinCEN has concluded memoranda of understanding/information-sharing agreements	41	48	50	50	N/A <sup>6</sup>
Percentage of Regulatory Resource Center customers rating the guidance received as understandable	New	94%	90%	91%	90%
Average time to process enforcement matters (years)	1.3	1.0	1.0	1.1	1.0
Percentage of bank examinations conducted by the Federal Banking Agencies indicating a systemic failure of the anti-money laundering program rule	7.9%	8.0%	Baseline	5.2%	5.2%

6. In FY 2008, this measure will be replaced by percentage of federal/state regulatory agencies supported by FinCEN to improve examination consistency and effectiveness.

# Major Accomplishments in Fiscal Year 2007



## Goal 2: Analysis and Information to Combat Financial Crime

**D**uring fiscal year 2007, FinCEN supported law enforcement, regulatory, and intelligence partners and foreign financial intelligence units through analyses and information aimed at meeting our mutual goals of combating terrorism, money laundering and other financial crimes, and threats to national and global security. We also supported policy makers by contributing analyses to the National Money Laundering Strategy published in May 2007 by the Departments of the Treasury, Justice, and Homeland Security. The 2007 Strategy addresses the priority threats and vulnerabilities identified in the Money Laundering Threat Assessment, a 2006 publication that included FinCEN analyses.

In undertaking analytical studies, FinCEN focused on producing high-impact, specialized, and unique financial intelligence analyses. We proactively identified individuals and networks associated with suspicious financial activity and referred that information to appropriate law enforcement agencies. To support law enforcement and regulatory agencies strategically, FinCEN assessed suspicious activity patterns in specific geographic areas and industries. To fulfill our responsibility of networking people and information, we also provided channels for communications

between law enforcement agencies and the financial sector. Major activities during the year are described below.

### Analytical Studies for Regulators

Using BSA data and other data sources, FinCEN developed a variety of analytical studies to support regulatory authorities and inform regulators of legal and compliance vulnerabilities. These studies included:

- A report on the misuse of shell companies (limited liability partnerships) for money laundering and other financial crime. Based on practices described in the report, FinCEN is working with financial institutions, state governments and appropriate trade groups to explore ways to address vulnerabilities in the state incorporation process. Of particular concern is the lack of public disclosure and transparency regarding beneficial ownership of shell companies and similar entities.
- BSA data profiles for 53 states and territories, including the District of Columbia, Puerto Rico and the U.S. Virgin Islands. These products support information-sharing agreements between FinCEN and state and federal regulators examining for BSA compliance. The profiles identify filing trends

## GOAL 2: Analysis

in each state and include cutting-edge visual representations of BSA data. Charts, graphs and thermal maps depict suspicious activity and currency transaction reporting trends. The profiles also include detailed information regarding mortgage loan fraud and potential unregistered money services businesses.

- Comprehensive reviews of 33 financial institutions. Fourteen of these reviews were requested by federal and state regulatory agencies under the terms of information-exchange agreements with FinCEN. Separate from the information-exchange process, FinCEN analysts examined compliance-related matters at eight other institutions and developed analytical products concerning another eleven institutions being considered for enforcement actions. These reviews combined research and analyses of BSA reports, commercial and law enforcement database records, and open source information. Regulatory partners use the comprehensive reports to determine compliance with BSA requirements.

### **Collaborative Efforts with Law Enforcement**

FinCEN continued to enhance its support to law enforcement agencies by focusing on actionable analyses targeted at high-priority money laundering and terrorist financing targets. This effort was

enhanced through collaborative efforts with other law enforcement agencies, the intelligence community, and other financial intelligence units to take full advantage of financial intelligence resources. FinCEN collaborated on analytical projects with key federal law enforcement agencies, such as the Federal Bureau of Investigation (FBI) Terrorist Financing Operations Section, the Drug Enforcement Administration, the Customs and Border Protection Tactical Analysis Group, and the Immigration and Customs Enforcement Financial and Trade Division. We also worked jointly with other analytical agencies, including the National Drug Intelligence Center.

For example, FinCEN analysts began a project with the FBI's Terrorist Financing Operations Section and the Foreign Terrorist Tracking Task Force to use BSA data and other data sets encapsulated in the FBI's Investigative Data Warehouse (IDW) for strategic purposes. Through analysis of these records, we expect to identify policy needs and compliance issues, and to provide valuable feedback to the regulated industries. A specific goal of this effort will be to identify any commonalities in anti-money laundering programs of the institutions that filed these SARs. Where commonalities are found, FinCEN will relay appropriate information back to the financial industry as a way to help other financial institutions improve their anti-money laundering programs.

# Major Accomplishments in Fiscal Year 2007

## GOAL 2: Analysis

We also assisted the Drug Enforcement Administration (DEA) in assessing the threat posed by the regulated casa de cambio and unregulated centro cambiario industries in Mexico through an evaluation of BSA and other financial records connected to these businesses. Our support to DEA was a corollary to FinCEN's advisory on casa de cambio-related activity issued to the financial community in fiscal year 2006.

We are collaborating with, and closely supporting, Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE) in their efforts to identify, interdict and investigate Southwest Border smuggling operations by providing targeting information on subjects initially identified from SARs-MSB and other BSA reports. After evaluation by CBP, these leads are referred to CBP and ICE field personnel for inspection and potential investigation. By the end of the year, FinCEN had made 38 referrals, CBP had followed up on these referrals by creating 238 subject records and 31 intelligence reports, and ICE had opened 11 active money laundering investigations.

### **Training and Information for Law Enforcement**

FinCEN also applied its extensive research capabilities and knowledge of financial industry mechanisms to develop and enhance comprehensive training modules and programs for law enforcement agencies on key financial mechanisms. Large-scale training sessions were provided for DEA, ATF,

ICE, NDIC, IRS, ONDCP, and major regional multi-agency conferences, such as the Southwest Border Money Laundering Conference. Ongoing assistance and consultation were also provided to federal law enforcement and regulatory officials on financial systems' operations, records interpretation, financial trail analyses, industry interaction, and analytical methodologies and strategies. To support these efforts, an internal working group was set up to expand FinCEN's knowledge bases on emerging value transfer systems and other payment mechanisms.

### **Information Exchanges between Federal Law Enforcement and Financial Institutions**

In a program authorized by Section 314(a) of the USA PATRIOT Act, FinCEN provides a mechanism through which federal law enforcement agencies can reach out to more than 45,000 points of contact at more than 27,000 financial institutions to locate accounts and transactions of individuals, entities, and organizations engaged in or reasonably suspected, based on credible evidence, of engaging in terrorist acts or money laundering activities. FinCEN receives requests from federal law enforcement and upon review, sends requests to designated contacts within financial institutions across the country once every 2 weeks via a secure Internet web site. The requests contain subject and business names, addresses, and as much identifying data as possible to assist the financial industry in searching their records. The financial institutions must

# Major Accomplishments in Fiscal Year 2007

## GOAL 2: *Analysis*

query their records for data matches, including accounts maintained by the named subject during the preceding 12 months and transactions conducted within the last 6 months. Financial institutions have 2 weeks from the transmission date of the request to respond to 314(a) requests.

In 2007, FinCEN transmitted 137 federal law enforcement sensitive information requests to financial institutions via the 314(a) system. The Bureau also collaborated with its law enforcement

customers to identify and offer to the financial industry enhanced feedback on the value of the 314(a) process to significant investigations. As part of this effort, FinCEN developed synopses of case examples that reveal how the 314(a) process provided breakthroughs for investigators in identifying transactions and accounts, and convey substantive typology observations.

The accompanying box shows details about 314(a) requests since the program began in 2002.



## GOAL 2: Analysis

### **314(a) Program Data November 1, 2002 – October 9, 2007**

Total requests for information: 710

Number of federal law enforcement agencies submitting requests: 20

Types of requests:

- Terrorism/terrorist financing – 250
- Money laundering – 460

Number of subjects of interest identified in requests – 6,180

#### **Results:**

Total subject matches received from financial institutions – 41,485 (40,447 positive and 1,038 inconclusive)

Outcomes described in feedback received for approximately 37 percent of requests:

- New accounts identified – 2,502
- Transactions identified – 3,543
- Grand Jury subpoenas – 1,717
- Search warrants – 41
- Administrative subpoenas/summons/other – 479
- Arrests – 129
- Indictments – 146
- Convictions – 16
- Total dollars located – \$46,982,753.64

Excerpts from Treasury Department Press Release  
May 3, 2007

### **2007 National Money Laundering Strategy Released**

The U.S. Departments of Treasury, Justice, and Homeland Security today joined together in issuing the 2007 National Money Laundering Strategy, a report detailing continued efforts to dismantle money laundering and terrorist financing networks and bring these criminals to justice.

The 2007 Strategy addresses the priority threats and vulnerabilities identified by the Money Laundering Threat Assessment released in 2006.... The Assessment – the first government-wide analysis of its kind – brought together the expertise of regulatory, law enforcement, and investigative officials from across the government, culminating in a comprehensive analysis of specific money laundering methods, patterns of abuse, geographical concentrations, and the associated legal and regulatory regimes.

The constant searching by criminals for new ways to launder and hide dirty money is evidence of our successful regulatory and law enforcement efforts to safeguard the banking system. With an aim at continuing these robust efforts, the 2007 Strategy places an emphasis on bolstering the efficiency of the anti-money laundering processes currently in place.

Additionally, the 2007 Strategy focuses on leveling the playing field internationally, helping to ensure U.S. financial institutions are not disadvantaged through the implementation of controls and standards to combat money laundering and terrorist financing. Indeed, money laundering is a global threat the United States is working to address through international bodies, including the Financial Action Task Force (FATF), and through direct private sector outreach in regions around the world.

## GOAL 2: Analysis

### **Analytical Products Supporting Law Enforcement and Intelligence**

We developed a number of analytical products specifically tailored to the needs of law enforcement and intelligence partners investigating terrorism financing. These included:

- An assessment of suspicious currency flows from the United States to a Middle Eastern country that focused on the interconnectivity between geographically disparate groups of individuals involved in the activity.
- An analytic approach for identifying and assessing targets for application of Treasury authorities in cases related to terrorism financing and money laundering operations that present a threat to the U.S. financial system.

### **Real Estate Sector Industry Analyses**

Over the year, FinCEN developed two analyses of Suspicious Activity Report (SAR) filing trends within the real estate industry. These were undertaken as economic warning signs were appearing in the real estate sector.

FinCEN's Mortgage Loan Fraud Assessment revealed that between 1996, when mortgage loan fraud was introduced as a characterization of suspicious activity, and 2005, the number of SARs pertaining to mortgage loan fraud increased 1,411 percent. Many of the SARs reviewed included more

than one characterization of suspicious activity in addition to mortgage fraud. "False statement" was the most reported activity in conjunction with mortgage loan fraud, while "identity theft" was the fastest growing secondary characterization reported.

FinCEN initiated the assessment to identify trends and patterns that may be useful to law enforcement, regulatory authorities, and financial institutions offering mortgage loan products. A follow-up study showed that between 2005 and 2006, suspicious activity reporting related to mortgage loan fraud increased 35 percent. FinCEN's findings are supported by the recent rise in the number of pending law enforcement cases involving mortgage loan fraud.

Another FinCEN assessment showed considerable growth in suspicious activity reporting related to money laundering in the commercial real estate industry. This analysis, based on SARs filed between 1996 and 2006, showed that filings began to accelerate in 2003-2004. This increase correlated with an expansion of the real estate market and closely tracked similar trends described in FinCEN's Mortgage Loan Fraud study.

FinCEN published the commercial real estate assessment in order to assist financial institutions in focusing their diligence and compliance efforts. Among its findings, FinCEN found that property management, real estate investment, realty, and real estate

# Major Accomplishments in Fiscal Year 2007

## GOAL 2: Analysis

development companies were the most commonly-reported entities associated with commercial real estate-related money laundering. The most frequently reported activity appears to be money laundering to promote tax evasion. There

also may be an increasing trend towards using commercial real estate-related accounts to launder money for politically exposed persons and for promoting informal value transfer systems.

### Analytic Products – Fiscal Years 2005 – 2007<sup>7</sup>

	FY 2005	FY 2006	FY 2007
“Complex” analytic products <sup>8</sup>	140	176	154
“Basic” analytic products <sup>9</sup>	1,298	1,284	1,601
Total analytic products completed by FinCEN employees and contractors	1,438	1,460	1,755

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7. Figures include products supporting law enforcement and regulatory agencies, including FIUs.
  8. “Complex” products include synthesis of data from multiple sources, interpretation of findings and recommendations for action and/or policy. Examples are geographic threat assessments, analyses of money laundering/illicit financing methodologies, analytic support for major law enforcement investigations, and analysis of BSA compliance patterns. FinCEN is increasingly focusing resources on products requiring unique and specialized analysis.
  9. “Basic” products consist of suspect-based database queries and reports requiring relatively straightforward interpretation of findings. These are often completed by contractors rather than by FinCEN analysts. The increase in such products in FY 2007 reflects the completion of a record number of inquiries from FIUs.

# Major Accomplishments in Fiscal Year 2007

## GOAL 2: Analysis

### Value of BSA Information

FinCEN is committed to ensuring that law enforcement agencies, regulatory partners, and the financial industries are aware of the value and uses of BSA data. FinCEN's analysts provided more than 50 presentations to industry members and associations, regulators, law enforcement representatives, and visiting foreign FIU dignitaries to explain the analytical use and value of BSA data and to demonstrate the analytical tools used at FinCEN. Additionally, two FinCEN employees provided BSA training and outreach to trainees at the Federal Law Enforcement Training Center in Glynco, Georgia, where they are assigned full-time. To reach a broader audience, a new series of articles on the value of BSA data was initiated in the May 2007 issue of the *SAR Activity Review – Trends, Tips &*

*Issues*. The first article in the series (see box below) cited uses of the data in law enforcement, BSA administration, and improving the quality of reporting.

In the law enforcement arena, we documented instances in which information from BSA reports was used to identify or build cases against individuals and networks who pleaded guilty to or were convicted of a wide variety of financial crimes, including money laundering, illegal transfer of funds to Iran, real estate fraud, embezzlement, illegal check cashing, drug trafficking, and insurance fraud. Cases were described in the SAR Activity Review and posted to FinCEN's Secure Outreach portal, a secure web system through which authorized law enforcement and regulatory users gain access to BSA data.

### Uses of SAR Data

Law enforcement and intelligence communities use SAR data in combination with other information collected through their investigations to link individuals and their activities, hinder activities, and prosecute the perpetrators. SARs have helped law enforcement uncover webs of criminal activity by linking ongoing investigations in multiple jurisdictions, as well as identifying activity associated with geographic areas of interest.

However, the value of data collected from SARs and other BSA data extends beyond simply alerting law enforcement to possible money laundering activities, terrorism financing, or other violations of law. The information collected is used to improve the effectiveness of SAR reporting, measure the impact of regulations on a particular industry, identify emerging trends and industry vulnerabilities, and determine appropriate action for non-compliance.

*SAR Activity Review – Trends, Tips & Issues*  
Issue 11, May 2007

# Major Accomplishments in Fiscal Year 2007

## GOAL 2: Analysis

### Key Performance Measures for Goal 2: Analysis to Combat Financial Crime

Measure	FY 2005	FY 2006	FY 2007 Target	FY 2007 Actual	FY 2008 Target
Percentage of domestic law enforcement and foreign FIUs finding FinCEN's analytic reports highly valuable	New	77%	78%	82%	79%
Median time taken from date of receipt of Financial Institution Hotline Tip SARs to transmittal to law enforcement or intelligence agency	35 days	19 days	25 days	19 days	20 days
Percentage of analytic work completed by FinCEN analysts <sup>10</sup> designated as "complex"	26%	45%	38%	33%	38%
Percentage of private industry or financial institution customers finding FinCEN SAR Activity Review products highly valuable	N/A	70%	72%	71%	74%

10. This measure excludes work done by contractors.

## Goal 3: Enhanced International Collaboration

**A**s the nation's financial intelligence unit (FIU), FinCEN has a strong global presence. The Bureau participates in and promotes international collaboration and information-sharing to detect and deter illicit financial activities, helps other countries develop their FIUs, and supports the work of the Egmont Group of FIUs. FinCEN also works with a wide range of multilateral bodies seeking to strengthen anti-money laundering and counter-terrorism financing programs and initiatives throughout the world. Fiscal year 2007 accomplishments in these areas are described below.

### Information Exchanges

As part of its information-sharing with Egmont Group members, FinCEN responds to requests for research from other FIUs. These requests have increased every year since 2000, reaching an all-time high of 855 in fiscal year 2007. The rise has been spurred by the growing number of FIUs, as well as by greater international information-sharing to combat money laundering, terrorist financing, and other crimes. In a strong effort to eliminate a backlog that developed as the number of requests grew, FinCEN completed 949 FIU research requests in fiscal year 2007, a record number that included requests received the previous year.

As the nation's FIU, FinCEN serves as the point of contact for domestic law enforcement agencies seeking information from other FIUs. We received 167 such requests from domestic law enforcement agencies in fiscal year 2007 and referred them to 82 different FIUs. Because some requests required information from multiple FIUs, the 167 requests resulted in a total of 323 referrals to FIUs. In fiscal year 2006, FinCEN received 131 requests from domestic law enforcement authorities and sent them to 80 FIUs in 322 separate referrals.

### Financial Intelligence Unit Development

During fiscal year 2007, the Financial Crimes Enforcement Network continued to play a leadership role in helping other countries develop and strengthen their financial intelligence units (FIUs). For example, we:

- Mentored the Nigerian FIU in an 8-month effort during which five FinCEN employees went to Nigeria to provide guidance to the new FIU on regulatory, analytical, and information technology-related matters.

# Major Accomplishments in Fiscal Year 2007

## GOAL 3: *International Collaboration*

- Co-sponsored 11 foreign FIUs for Egmont membership. Co-sponsorship includes providing training and technical assistance, and advising developing FIUs on international and Egmont standards for membership.
- Worked with the World Bank and the FIU of Canada (FINTRAC), to conduct a training conference for approximately 25 analysts and other staff from 12 FIUs in the Caribbean region. The conference included sessions on terrorism financing, informal value transfer systems, BSA data value, and international cooperation.
- Provided analytical training for FIU staff and related officials (Ministry of Interior, Customs, Prosecutors, etc.) from Bangladesh, Saudi Arabia, Afghanistan, Egypt, and Bosnia.
- An updated browser that can take advantage of advanced web features including secure e-mail integration with portal technology,
- Easier navigation and faster retrieval of information, and
- Capabilities for real-time collaboration and virtual meetings.

### **Assessments**

FIUs seeking membership in the Egmont Group must first be assessed by sponsoring member FIUs in order to ensure that the strength of their regulatory regimes and operational programs meet established criteria. (See page 61 for a description of the Egmont Group.) FinCEN participates with foreign and domestic organizations and agencies to conduct such assessments, including Egmont FIU sponsorship assessments, technical assistance needs assessments, financial systems assessments, and Financial Action Task Force (FATF) and FATF-style regional body (FSRB) mutual evaluations of member states.

During FY 2007, we conducted an on-site Egmont assessment of the FIU in Nigeria, a technical assistance needs assessment for Mexico, and financial systems assessments for Algeria, Bosnia, and Yemen. In addition, we used our expertise in the international financial arena to contribute to 101 country assessments on financial crimes, money laundering, and terrorism financing for the International Narcotics Control and Strategy Report published by the U.S. Department of State.

### **Egmont Secure Web**

FinCEN developed and maintains the Egmont Secure Web to facilitate communication and information sharing among Egmont Group members. In fiscal year 2007, we modernized the system's infrastructure and migrated all FIU users to the new system. The updated system features:

- State-of-the-art architecture, with better performance, reliability, and availability,
- Advanced security and streamlined use of tokens and digital certificates,



## GOAL 3: *International Collaboration*

### **Collaboration with Other Financial Intelligence Units**

We collaborated and communicated with many other FIUs and governments during fiscal year 2007 on efforts to strengthen counter-terrorism financing and anti-money laundering programs and policies worldwide. Enhanced understanding and knowledge of our foreign counterparts is often the key to facilitating information exchange and cooperation. For example, we:

- Conducted eight personnel exchanges with FIU personnel from Chile, Canada, Mexico, Saudi Arabia, Montenegro, Kosovo, Namibia, and Japan. Personnel exchanges enhance cooperation between FIUs by providing in-depth insight into the policies, programs, and structure of both FinCEN and the foreign FIU.
- Regularly contacted our foreign counterparts to facilitate the flow of information, answer questions, and seek resolutions to legal and policy obstacles that interfere with close cooperation between FIUs.
- Produced four collaborative analytical projects with foreign FIUs.

### **International Working Groups and Conferences**

Throughout the year, FinCEN staff participated in a number of multilateral fora to discuss ways to strengthen anti-money laundering and counter-terrorism financing programs and initiatives. Director James H. Freis, Jr. spoke at

the Pan-American Congress on Asset Laundering and Financing Terrorism Prevention and Control in Cartagena de Indias, Colombia, and Deputy Director William F. Baity addressed the Twenty Fifth International Symposium on Economic Crime at Cambridge in the United Kingdom. Other FinCEN staff participated in the Egmont Group Plenary and Working Group meetings, the Financial Action Task Force (FATF), the 3+1 Security Group in South America, the 4th Annual Hawala Conference, the Southeast Asia Regional Bulk Cash Smuggling and Cash Courier Training and Best Practices Workshop, and the Asia-Pacific Economic Cooperation Counter-Terrorism Financing Workshop.

FinCEN also participated in meetings of several FATF-style regional bodies (FSRBs), including the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL); the Asia/Pacific Group on Money Laundering (APG); the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG); the Middle East and North Africa Financial Action Task Force (MENAFATF); the Intergovernmental Action Group against Money Laundering in Africa; the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG); the Financial Action Task Force on Money Laundering in South America (GAFISUD); and the Caribbean Financial Action Task Force (CFATF).

### **U.S – Russia Working Group on Shell Companies**

FinCEN representatives with expertise in the financial vulnerabilities of limited liability (shell) companies participated in meetings of the U.S.-Russia working group on criminal activity relating to U.S.-based shell companies. This is a multi-agency group led by the Department of Justice. Other participants include the Federal Bureau of Investigation and several agencies of the Russian government, including the Russian FIU. The working group discusses ongoing law enforcement cases and targets of mutual interest involving shell companies.

### **Foreign Visitors**

FinCEN hosted 43 visits by representatives from 29 countries during fiscal year 2007. Visitors included FIU staff and other officials interested in FinCEN's operations and analytic tools. Visitors came from Poland, Sweden, Chile, Malaysia, Liberia, Argentina, Moldova, Japan, Brazil, Georgia, Kazakhstan, Austria, Thailand, Canada, Mexico, Nigeria, Latvia, Morocco, Austria, Italy, Saudi Arabia, Korea, Montenegro, Namibia, Uganda, Lebanon, Turkey, Hong Kong, and Spain. FinCEN also hosted representatives from the World Bank and Egmont Group Secretariat.

# Major Accomplishments in Fiscal Year 2007

## GOAL 3: *International Collaboration*

### Key Global Accomplishments, Fiscal Years 2005 - 2007

	FY 2005	FY 2006	FY 2007
Total number of financial intelligence units connected to Egmont Secure Web <sup>11</sup>	93 (out of 94)	98 (out of 100)	104 (out of 106)
Number of information requests to and from foreign jurisdictions to support law enforcement cases	1,022 <sup>12</sup>	1,002 <sup>13</sup>	1,272 <sup>14</sup>
Number of priority countries trained	19	10	18
Number of multinational fora in which FinCEN participated	N/A	15	19

11. Performance measure for FinCEN Strategic Goal 3: Intensify international anti-money laundering collaboration through the global network of financial intelligence units.

12. Total includes 645 closed cases from FIUs and 377 requests to FIUs.

13. Total includes 680 closed cases from FIUs and 322 requests to FIUs.

14. Total includes 949 closed cases from FIUs and 323 requests to FIUs.

# Major Accomplishments in Fiscal Year 2007



## **Goal 4: Data Management and Sharing Through E-Government**

**A**s the steward of the BSA data and the hub of a financial intelligence network, FinCEN is an information-driven organization. Fully integrated, secure, and high-performing systems based on proven technology are critical to both FinCEN's internal operations and its ability to exchange information with financial institutions, law enforcement agencies, regulators, FIUs, and other stakeholders.

In fiscal year 2007, FinCEN expanded electronic access to BSA data for authorized users, increased BSA e-filing, and began a BSA data management initiative to enhance BSA data quality and value. We also began planning a comprehensive, multi-year information technology (IT) modernization effort to incorporate technological advances to better serve and communicate with stakeholders and to maximize operating efficiency.

### **Access to BSA Data**

The number of authorized users of BSA data grew significantly during fiscal year 2007, as we expanded and improved our methods for providing that data to authorized law enforcement and regulatory agencies. More than 8,400 users had access to the BSA data through FinCEN's secure web-based

system at the end of FY 2007, compared with 4,683 a year earlier. Another 5,849 federal law enforcement officials reviewed and analyzed BSA data downloaded to their agencies.

### **BSA Data Security**

Because the BSA data contains sensitive information, FinCEN is committed to safeguarding the data by controlling user access, establishing clear guidelines for data use and security, and monitoring use. In fiscal year 2007, we conducted 61 on-site inspections to ensure safe and appropriate use.

### **E-Filing**

Electronic filing of BSA reports grew over the year as FinCEN continued to promote e-filing as a way to enhance speed, economy, and data quality. Approximately 59 percent of BSA reports were electronically filed during the last 2 months of fiscal year 2007, up from 48 percent during the corresponding months in fiscal year 2006. Increased e-filing improved cost efficiency, as the cost per e-filed report dropped from \$.22 in fiscal year 2006 to \$.14 in fiscal year 2007.

## GOAL 4: *E-Government*

### **BSA Data Management**

In FY 2007, FinCEN launched a BSA data management initiative to maximize BSA data quality and value. The initiative aims to more consistently identify, document, prioritize, and address BSA data requirements and quality issues. As part of the initiative, FinCEN established a Data Management Council to ensure that internal and external data users have clear means of identifying and communicating data issues, requirements, and business priorities; validating resolution of data issues; and jointly establishing priorities for taking data management actions. Council members include approximately 35 representatives from FinCEN, the regulatory and law enforcement communities, and the Internal Revenue Service (IRS), which collects and processes BSA data for FinCEN and uses that data for compliance reviews and criminal investigations.

### **Technology Modernization**

During the past year, FinCEN established an Integrated Product Team (IPT) to begin building the foundation for a major IT modernization effort slated to begin in fiscal year 2009. Comprised of representatives from across the Bureau, the IPT developed a vision and strategy for the IT modernization program. The goal of the modernization is to better serve both the business and technical needs of our stakeholders. Specifically, the modernization will:

- Maximize data integrity and increase the value of BSA information provided to FinCEN analysts and external customers.
- Increase organizational agility by enhancing and aligning business processes with technology.
- Strengthen stakeholder relations and collaboration via consistent customer interaction and enhanced feedback.
- Simplify interactions for filing, information dissemination, and other core services.
- Reduce operation and maintenance costs.

The IPT identified over 300 IT capabilities needed to support the modernization effort's two major initiatives:

- The BSA Information Management, Data Analysis, and Stakeholder Relationship initiative will maximize BSA data impact and filing efficiency. It will deliver innovative web-based services and e-filing technologies for optimizing data quality and reducing paper-based submission processes and workload. The initiative will also deploy advanced analytical and BSA data storage technologies, enrich and standardize BSA data to increase its value for state and federal partners, and integrate BSA data with other data sources.

# Major Accomplishments in Fiscal Year 2007

## GOAL 4: E-Government

- The Enterprise Content Management (ECM) initiative will make information more easily accessible so users may quickly and easily browse, search, and manage cases and view content and electronic documents. The ECM initiative is expected to improve productivity by automating work processes and reduce costs by eliminating print, distribution, and physical storage activities. The ECM initiative is a joint effort with IRS Criminal Investigation (IRS-CI) and the Office of Foreign Assets Control (OFAC).

### Key Performance Measures for Goal 4: Compliance, Data Management, and Information Sharing Through E-Government

Measure	FY 2005	FY 2006	FY 2007 Target	FY 2007 Actual	FY 2008 Target
Percentage of customers satisfied with BSA e-filing component	New	92%	90%	94%	90%
Number of users directly accessing BSA data	3,344	4,683	6,000	8,402	8,000
Share of BSA filings submitted electronically	29%	48%	58%	59%	63%
Cost per BSA form e-filed	\$0.32	\$0.22	\$0.15	\$0.14	\$0.15

# Major Accomplishments in Fiscal Year 2007





## **Management Goal:**

**Develop a more nimble and responsive management structure.**

Since gaining bureau status with passage of the USA PATRIOT Act in October 2001, FinCEN has been assuming many management and administrative functions formerly performed for the Bureau by larger organizations. During fiscal year 2007, FinCEN enhanced its management systems and processes for project management and portfolio management, human resources, financial management, staff development and training, and acquisitions. It also strengthened its technology infrastructure and internal communications.

### **Project and Portfolio Management**

Building on an effort that began last year, FinCEN expanded its new Project Management Office in fiscal year 2007. The Office provided intensive project management training for FinCEN employees, established procedures and resources for better managing Bureau projects, and provided mentoring and assistance for project managers. FinCEN established the Office to manage a portfolio of key projects and enhance project management skills across the Bureau through education, mentoring, and use of proven project management methodologies.

### **Recruitment and Hiring**

To pursue our management aim of attracting and developing a high-performing, diverse work force, we strengthened employee recruitment and hiring by implementing Career Connector, an online recruitment system. The system allows FinCEN to more efficiently recruit and hire employees with needed skills.

### **Staff Training and Development**

Assuring that both supervisory and non-supervisory employees have the skills and knowledge needed to perform their current jobs, keep those skills up to date, and have opportunities to prepare for advancement is an ongoing FinCEN priority. In FY 2007 we:

- Provided 263 training opportunities for our employees, including technical or job skills training for 338 employees and management skills training for all our managers. Training opportunities included external programs, as well as programs developed in-house to meet specific needs of a wide variety of FinCEN employees.
- Assessed competency gaps for mission-critical analysts and began competency assessments for two other employee groups.

## MANAGEMENT GOAL

- Developed a comprehensive program to provide basic and advanced training for our financial intelligence analysts. This included designing a comprehensive week-long BSA training course for new analysts and advanced modules on BSA-related training topics.

### Leadership Development

FinCEN took several actions to strengthen the skills of its current leaders, help develop future leaders, and promote leadership skills at all staff levels. We built a Leadership Development Model from the results of a competency assessment of managers and high-graded non-supervisory employees, participated actively in government-wide and Treasury-sponsored leadership development programs, and provided leadership training for non-managers. We also initiated the SMART (“Stimulate MANagers Reflective Thinking”) program, which regularly provides managers and high-graded non-supervisory employees access to new scholarly articles on leadership.

### Financial Management

Prudent financial management is an ongoing Bureau priority. As stewards of public resources, we ensured that management control systems provided reasonable assurance of compliance with the Federal Managers Financial Integrity Act.

### Acquisitions

During the year, FinCEN improved acquisitions processes and internal communications about those processes. To promote better acquisitions planning and operations, the acquisitions function was moved to report directly to FinCEN’s Chief Financial Officer. Acquisitions processes were documented and reviewed, some processes were streamlined, and new processes were implemented to ensure better execution of end-of-fiscal year contract renewal tasks. To help Bureau staff outside the acquisition function understand acquisition requirements, guides to federal purchasing requirements and FinCEN’s internal processes were developed and posted on the employee Intranet for ongoing reference.

### Infrastructure Improvement

FinCEN took major steps to modernize its technology infrastructure this year. Performance of the advanced tools used by FinCEN’s analysts was improved through enhanced database loading techniques and upgraded servers. These changes increased reliability and speed of large data queries, enhanced multi-tasking capabilities, and improved performance of applications. We also enhanced the performance of our e-mail system, updated word processing and other office applications on all internal workstations, strengthened security features, upgraded PDA devices, and expanded PDA service both domestically and internationally.

## MANAGEMENT GOAL

### Internal Communications

To improve communications and knowledge-sharing between employees in different FinCEN offices and divisions, we:

- Instituted two new speaker series for FinCEN employees: The Distinguished Speaker Series features officials from outside FinCEN with special expertise in policy issues, financial transactions, financial crimes, and other topics related to FinCEN's activities. The second series, Shop Talk, features employees and law enforcement agency representatives at FinCEN who speak about their own areas of expertise.
- Updated our employee Intranet with additional resources to make it more informative about internal activities and processes.
- Continued to hold quarterly Town Hall meetings to describe news of interest to all our employees and to publish an employee newsletter reporting our progress toward meeting our strategic goals.

### Fiscal Year 2007 Publications

The following publications are available on the Financial Crimes Enforcement Network website,

- *Financial Crimes Enforcement Network Annual Report for Fiscal Year 2006*
- *SAR Activity Review – Trends, Tips and Issues – Issue 11, May 2007*
- *SAR Activity Review – By the Numbers – Issue 8, June 2007*

Earlier issues of the publications above are also available on our website.

For further information about these publications, e-mail [webmaster@fincen.gov](mailto:webmaster@fincen.gov), call (703) 905-3591, or write to us:

Financial Crimes Enforcement Network  
Post Office Box 39  
Vienna, VA 22183-0039.

## MANAGEMENT GOAL

### **Financial Scam Warning**

FinCEN worked closely with law enforcement agencies during the year to identify the source of a scam in which individuals using the Treasury or FinCEN seal fraudulently identified themselves as Directors or Deputy Directors of FinCEN and attempted to get money or account information from recipients. FinCEN issued a warning notice to the public explaining how the scams work: In the "Stop Order" variation, fraudulent letters inform potential victims that an automatic stop order had been placed on a large sum of money that is being transferred to that person. Intended victims are told that a

"Clean Report on Funds" is required to obtain the funds being held. These letters instruct the potential victims to pay an agent/broker a fee to obtain a "Clean Report on Funds" so that the funds will be cleared and not confiscated by the "United States Treasury International Monetary Fund Policy."

FinCEN advised that these letters were NOT sent by FinCEN and that they represent a fraudulent attempt to elicit funds. Persons who received any similar letters or attempts to obtain account information or funds were requested to notify a state, local, and/or federal law enforcement agency.

**F**inCEN relies on internal and external evaluations to gauge program effectiveness and make improvements as needed. Listed below are key evaluations completed and underway during fiscal year 2007.

## Customer Surveys

FinCEN contracted with external organizations to conduct five independent customer surveys in areas related to the Bureau's performance measures. These surveys covered customers who use the BSA e-filing system, customers who contact our regulatory resource center for information and guidance, recipients of our analytic products, customers who access BSA data electronically through FinCEN's secure system, and financial institutions that receive the SAR Activity Review. Most surveys showed that customer satisfaction was higher than targeted. The table below shows targets and survey findings.

Survey	Target	Actual
Customers satisfied with BSA e-filing system	90%	94%
Regulatory Resource Center customers rating the guidance they received as understandable	90%	91%
Customers satisfied with the secure system for accessing BSA data	N/A <sup>15</sup>	74%
Customers finding FinCEN's analytic reports highly valuable	78%	82%
Financial institution customers finding the SAR Activity Review highly valuable	71%	70%

15. This was the first year this customer group was surveyed; 74% will serve as the baseline measure.

## **Government Accountability Office Audits**

### **Completed in FY 2007:**

- GAO-07-212: FinCEN and IRS Need to Improve and Better Coordinate Compliance and Data Management Efforts (December 2006)

### **Underway in FY 2007:**

- Review of CTR Filings

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

### **Underway in FY 2007:**

- Treasury's Administration of the Bank Secrecy Act
- FinCEN's Monitoring of SAR Data Quality
- BSA Direct Contract

## **Internal Assessments**

### **Completed in FY 2007:**

- Internal control review of employee separation process

## **Treasury Financial Management Assessment**

The Department of the Treasury sets standards for "green," "yellow," and "red" performance in financial management and regularly monitors key performance indicators. The following table shows FinCEN's fiscal year 2007 record in meeting the standards for "green" performance.

# Program Evaluations

## Fiscal Year 2007 Financial Performance

Financial Area	Treasury Standard for "Green"	FinCEN FY 2007 Average	FinCEN Score
Percent of cash reconciled to total	>99.99%	100%	Green
Percent of uncleared suspense transactions over 60 days	<10%	0%	Green
Percent of accounts receivable from public delinquent over 180 days	<10%	6.5%	Green
Percent of electronic vendor payments	96%	100%	Green
Percent non-credit card invoices paid on time	>98%	99.5%	Green
Percent of centrally billed travel cards with balances over 61 days past due	0%	0%	Green
Percent of individually billed travel cards with balances over 61 days past due	<2%	.5%	Green
Percent of purchase cards with balances over 61 days past due	0%	0%	Green





**T**he Financial Crimes Enforcement Network includes the Office of the Director and four major operating divisions. In addition, the Office of Chief Counsel, which reports to the U.S. Department of the Treasury, provides legal services for FinCEN. Descriptions of these units and biographies of key officials follow:

## Office of the Director

The Office of the Director is made up of FinCEN's top executives and support staff. **James H. Freis, Jr.** was appointed as FinCEN's Director in April 2007. **William F. Baity** has been FinCEN's Deputy Director since January 1995.

The Office of the Director establishes, oversees, and implements policies to detect and prevent money laundering and terrorist financing. In addition to the Director and Deputy Director, this unit includes the Chief of Staff, Office of Security, Office of Outreach and Workplace Solutions, and Office of Public Affairs.

## Office of Chief Counsel

The attorneys and support staff of the Office of Chief Counsel provide legal advice to FinCEN officials on issues relating to the administration of the BSA, domestic and international aspects of information law, inter-agency information sharing, the use of information in enforcement operations and proceedings, international law relating to counter-money laundering efforts, and administrative law. The office also provides advice and training on ethics issues.

**Cynthia Clark** has served as Acting Chief Counsel since September 2006.

## Analysis and Liaison Division

As Administrator of the BSA, FinCEN collects and analyzes data that is highly valuable in combating terrorism and investigating money laundering and other financial crime. FinCEN's Analysis and Liaison Division is responsible for:

- Analyzing BSA data and other information to produce analytic products supporting the needs of domestic law enforcement, intelligence, and foreign financial intelligence unit customers, and
- Liaison with domestic law enforcement agencies and with counterpart FIUs in other countries, and provision of direct, secure access to BSA data for domestic law enforcement and regulatory agencies.

The division's analytic products range in complexity from traditional suspect-related reports to policy-level assessments of financial crimes threats. Consistent with FinCEN's strategic plan, analytic resources are transitioning toward more sophisticated analysis that reflects FinCEN's unique expertise in BSA data.

**Karen Fleischer** became FinCEN's Acting Associate Director for Analysis in June 2007. Her predecessor was Patrick Conlon.

## **Management Programs Division and Chief Financial Officer**

The Management Programs Division is headed by FinCEN's Chief Financial Officer, who is responsible for assuring the integrity of fiscal and property accountability and the implementation of sound accounting, reporting, and financial management policies. The Division also provides planning, human resources, training, and other operational services critical to the Bureau. The Division includes the following units: Financial Management, Acquisitions Management, Management Services, Human Resources, Training, and Project Management.

**Diane K. Wade** has served as Associate Director and Chief Financial Officer since November 2004.

## **Regulatory Policy and Programs Division**

Pursuant to FinCEN's authority to administer the BSA, and in conjunction with the other divisions, FinCEN's Regulatory Policy and Programs Division issues regulations, regulatory rulings, and interpretive guidance; assists state and federal regulatory agencies to more consistently and robustly examine financial institutions for BSA compliance; takes appropriate enforcement action against financial institutions that violate the BSA; engages in outreach to financial institutions, law enforcement authorities, and regulatory agencies; and provides comprehensive analytical support through sophisticated data mining and complex analysis of BSA filings. The

Division is comprised of the following offices: Regulatory Policy, Compliance, Enforcement, Regulatory Analysis, and Outreach Resources.

**Jamal El-Hindi** was named Associate Director for Regulatory Policy and Programs in May 2006.

## **Technology Solutions and Services Division and Chief Information Officer**

The Technology Solutions and Services Division (TSSD), headed by our Chief Information Officer, performs a variety of roles related to the collection and processing of BSA data and manages the technical infrastructure supporting FinCEN's day-to-day operations. FinCEN realigned its IT workforce in fiscal year 2007 and reengineered its service delivery model to place a greater emphasis on BSA data requirements and integrity, internal and external stakeholder customer service, and IT modernization. Formerly known as the Information and Technology Division, TSSD now consists of the following five offices: Customer Relations Management, Safeguards & Assurance, Product Management & Delivery, Infrastructure Operations & Hosting, and Enterprise Architecture & IT Modernization.

**Edward J. Dorris** was selected as the Chief Information Officer and Associate Director for the Information and Technology Division in September 2006.

**A**s of September 30, 2007, FinCEN's staff totaled 290 employees, including 28 managers.

## Financial Crimes Enforcement Network Staff

	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007
Employees on board (as of end of fiscal year)	253	291	299	290
New hires	35	64	50	39
Departures	27	18	42	46

## Number of On-board Employees by Division

Division	September 30, 2004	September 30, 2005	September 30, 2006	September 30, 2007
Office of the Director	24	33	26	21
Office of Chief Counsel	11	11	9	9
Analytics <sup>16</sup>	82	83	N/A	N/A
Analysis and Liaison	N/A	N/A	109	98
Client Liaison and Services <sup>17</sup>	79	80	N/A	N/A
Information Technology <sup>18</sup>	N/A	N/A	40	45
Management Programs	32	35	39	40
Regulatory Policy and Programs	25	49	76	77
<b>Total</b>	<b>253</b>	<b>291</b>	<b>299</b>	<b>290</b>

16. The Analytics Division became the Analysis & Liaison Division in FY 2006 and was expanded to include employees formerly in the Client Liaison and Services Division who provide liaison services with law enforcement agencies and other financial intelligence units.

17. The Client Liaison and Services Division was disbanded in FY 2006. Employees from this Division moved into the new Analysis and Liaison Division or into the new Division of Information Technology.

18. The Information Technology Division became the Technology Solutions and Services Division in FY 2007.

## Managers and Non-supervisory Employees

	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007
Senior Executive Service	4	7	4	5
Other Managers	22	20	24	23
Nonsupervisory Employees	227	264	271	262

## Diversity Profile, September 30, 2007

	Male	Female	Total
Total employees	45%	55%	100%
Hispanic/Latino	.69%	2.09%	2.78%
White	36.01%	36.36%	72.37 %
Black/African American	6.29 %	12.23 %	18.52 %
American Indian/Alaska Native	0%	.69%	.69%
Asian	2.44%	3.14 %	5.58%
Employees with Disabilities	Not Available	Not Available	4.04%



## History of President's Budget Requests and Appropriations, Fiscal Years 2004 – 2007

(Dollars in thousands)

	FY 2004	FY 2005	FY 2006	FY 2007
President's Budget Request	\$57,571	\$64,502	\$73,630	\$89,794
Final Appropriated Enacted Level	\$57,231	\$71,922	\$72,894	\$73,216 <sup>19</sup>

### Authorizing and Appropriating Committees

The following Congressional Committees and Subcommittees have authorizing and appropriations responsibilities for our operations.

#### U.S. House of Representatives

- House Committee on Financial Services (Authorizing Committee)
- House Committee on Appropriations, Subcommittee on Financial Services and General Government (Appropriating Committee)

#### U.S. Senate

- Senate Committee on Banking, Housing, and Urban Affairs (Authorizing Committee)
- Senate Committee on Appropriations, Subcommittee on Financial Services and General Government (Appropriating Committee)

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19. A full-year continuing resolution essentially maintained the budget at the FY 2006 level.

# Key Partners





**F**inCEN works closely with regulatory, law enforcement, private sector, and international partners. Organizations with which we have strong working relationships include the Bank Secrecy Act Advisory Group, the federal supervisory agencies, and the Egmont Group, all described below.

## **Bank Secrecy Act Advisory Group**

Congress established the Bank Secrecy Act Advisory Group (BSAAG) in 1992 to enable the financial services industry and law enforcement to advise the Secretary of the Treasury on ways to enhance the utility of BSA records and reports. Since 1994, the BSAAG has served as a forum for industry, regulators, and law enforcement to communicate about how SARs and other BSA reports are used by law enforcement and how record keeping and reporting requirements can be improved. The Director of the FinCEN chairs the BSAAG, which is not subject to the Federal Advisory Committee Act.

The BSAAG meets twice each year in Washington, D.C. Since the enactment of the USA PATRIOT Act of 2001, which expanded BSA requirements to new industries, FinCEN has been taking

steps to ensure that group membership continues to fully and fairly reflect the entire BSA constituency through a new public application process. In fiscal year 2007, 10 new members replaced expiring members to make up the 51-member body.

The BSAAG utilizes a variety of permanent and ad hoc subcommittees to identify and analyze relevant issues. New subcommittees focusing on IT issues and issues in the insurance industry were established this year. Other subcommittees focus on: issues in banking; cross border wire transfers; privacy/security issues; non-bank financial institutions issues; securities/futures issues; and law enforcement issues. The BSAAG also co-chairs publication of *The SAR Activity Review—Trends, Tips & Issues*, which provides information to the financial community about the preparation, use, and value of SARs.

## **Federal Regulatory Agencies**

Responsibility for conducting BSA compliance examinations has been delegated to the following federal agencies:

- Federal Deposit Insurance Corporation
- Board of Governors of the Federal Reserve System
- Office of the Comptroller of the Currency (U.S. Department of the Treasury)
- Internal Revenue Service, Small Business/Self-Employed Division (U.S. Department of the Treasury)
- Office of Thrift Supervision (U.S. Department of the Treasury)
- National Credit Union Administration
- U.S. Securities and Exchange Commission
- Commodity Futures Trading Commission

FinCEN assists and supports these agencies to promote effective and uniform application of the BSA regulations.

## The Egmont Group

The Egmont Group is a global association of financial intelligence units (FIUs). The Group is named after the palace in Brussels where 15 FIUs first met in 1995 to establish an informal network for sharing information about money laundering. By the end of fiscal year 2007, total membership had grown to 106 FIUs.

FinCEN has played a major role in promoting the multilateral work of the Egmont Group by helping other countries develop their FIUs and assisting already-established units to strengthen anti-terrorist financing and money laundering policies and programs. We sponsor new FIUs for membership in the group and provide and maintain a secure web system through which Egmont members can exchange information. FinCEN also developed and maintains the Egmont Group's public website:

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

The 2007 Egmont Group Plenary held in Bermuda resulted in watershed agreements signaling a new level of maturity for the Egmont organization. Egmont member FIUs agreed to an overarching memorandum of understanding that creates a formal international body, took final steps to set up a permanent Secretariat located in Toronto, Canada, and agreed to a dues structure that will ensure the financial stability of the Egmont Group for the foreseeable future.

Additionally, Egmont agreed to set up processes for taking action, including disciplinary action from warning through suspension and up to expulsion, if any member FIU continually fails to meet anti-money laundering and counter-terrorism program standards. The Group also completed the migration to the newly revised Egmont Secure Web developed and supported by FinCEN.

FIUs admitted during the 2007 Plenary were the Financial Monitoring Center – Armenia; the Department of Financial Monitoring of the State Control Committee – Belarus; the Financial Intelligence Unit – India; the Financial Intelligence Unit – Nigeria; the Financial Intelligence Unit – Niue; and the Combating Money Laundering and Terrorism Financing Commission – Syria. All meet Egmont membership standards based on their policies and programs for countering money laundering and the financing of terrorism.

Ms. Bronwyn Somerville, formerly a consultant to the Secretariat of the Asia/Pacific Group on Money Laundering, has been appointed Executive Secretary of the new Egmont Secretariat. FinCEN will continue to support the Egmont Group in various ways including administration of the Egmont Secure Web and the Egmont Group public website.

# Key Partners

FinCEN's Deputy Director chairs the Egmont Committee, which coordinates Egmont Group activities. FinCEN also provides staff support for Egmont's five Working Groups, which are described below:

- The Outreach Working Group seeks to create a global network of financial intelligence units by identifying candidates for membership and FIU sponsors to work with them to ensure that they meet international standards.
- The Legal Working Group reviews the candidacy of potential members and handles all legal aspects and matters of principle within Egmont, including cooperation between FIUs.
- The Training Working Group identifies, plans, coordinates, and implements training opportunities for financial intelligence unit personnel. The Training Working Group has also published a collection of sanitized terrorism financing and money laundering cases that were used at the typology exercises of the Financial Action Task Force, an inter-governmental body that develops and promotes national and international policies to combat money laundering and terrorism financing, as well as by the World Bank and the United Nation's Office of Drug Control for training purposes.
- The Operational Working Group seeks to bring FIUs together to collaborate on cases and strategic projects such as insurance schemes and stored value.
- The Information Technology Working Group examines new software applications that might facilitate analytical work and focuses on such issues as data mining, information fusion, and security.









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