



**INDEPENDENT ARMORED CAR OPERATORS ASSOCIATION
CASH IN TRANSIT NETWORKING CONFERENCE
SUNDAY, MAY 18, 2014**

Good morning. I want to start by thanking the Independent Armored Car Operators Association for including FinCEN in its conference this year. I would like to start by just seeing a show of hands: Who here today has heard of the Financial Crimes Enforcement Network, known as FinCEN, or is familiar with what we do?

What is FinCEN?

For those of you that might not be familiar with the work being done at FinCEN, I wanted to spend my time today giving you a broad overview of our agency, how we do our work, and the important role armored car services play.

FinCEN is a part of the U.S. Department of the Treasury, and reports to the Office of Terrorism and Financial Intelligence. With approximately 350 employees, we are relatively small considering our broad responsibilities. Our mission is to safeguard the financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

FinCEN carries out this mission by receiving and maintaining valuable information provided by financial institutions and others; analyzing and disseminating this financial intelligence to law

enforcement and other stakeholders; and sharing financial intelligence with counterpart organizations in other countries.

So, where does FinCEN get its data? A key aspect of FinCEN's mission is to issue and administer regulations pursuant to this country's anti-money laundering and counter financing of terrorism laws. These laws require a broad range of U.S. financial institutions and others to assist U.S. government agencies in the detection and prevention of money laundering. Financial institutions do this by maintaining records and filing reports with FinCEN on suspicious or large cash transactions. And the term "financial institution" is quite broad. It includes:

- Traditional depository institutions like banks and credit unions;
- Money services businesses, such as Western Union, Money Gram, and PayPal;
- Casinos and some card clubs;
- Insurance companies;
- Securities and futures brokers;
- Mutual funds;
- Operators of credit card systems;
- Dealers in precious metals, stones, or jewels;
- Certain individuals and trades or businesses, transporting or accepting large amounts of cash;
- And, most notably for today's audience, and to the extent that they fall within any of the above categories, armored car services.

By a show of hands, how many people here knew that an armored car service, depending on the nature of the work it does, may be a financial institution with responsibility to help fight money laundering?

Collecting Financial Intelligence

I mentioned that financial institutions file certain reports with FinCEN, and I would like to discuss those briefly. There are three primary reports that FinCEN collects. The first is the Currency Transaction Report, known as the CTR. CTRs must be filed on all cash transactions exceeding \$10,000.

In 2013, there were over 15 million CTRs filed by financial institutions around the country, and roughly 10% involved instances where the financial institution indicated that an armored car service was involved in the transaction.

Many of you may be familiar with a CTR-related ruling issued by FinCEN in July 2013 that discussed the treatment of armored car service transactions conducted on behalf of financial institution customers or third parties for CTR purposes.

Prior to the release of this ruling, reporting institutions were required to provide identifying information – name, date of birth, Social Security number, and a government issued identification – for the armored car services employee who delivers or picks up currency, in one or more transaction that, in the aggregate, is over \$10,000 on behalf of the depository institution’s customer. However, the July 2013 ruling provided an exception to CTR data collection and aggregation requirements. We issued that ruling after determining with law enforcement that the problems arising with banks obtaining detailed information on the armored car services employees outweighed the benefit of that information. It was an example of how we balance the benefits of information collection with the burdens on industry.

The second report is called the Suspicious Activity Report (SAR). SARs are reports of suspicious transactions. While the dollar thresholds differ slightly by industry, generally speaking, if a financial institution “knows, suspects, or has reason to suspect” that any transaction or attempted transaction is suspicious, and it meets the applicable dollar

threshold level, a SAR is required. Last year, 1.6 million SARs were filed with FinCEN.

The last report is the Report of International Transportation of Currency or Monetary Instruments, known more commonly as the CMIR. A CMIR must be filed by any individual or business that takes any part in physically transporting or shipping/receiving more than \$10,000 in either currency or bearer negotiable instruments into or out of the United States.

FinCEN's CMIR regulations include a limited exemption for common carriers of currency, including armored car services, that applies when certain conditions are met. The exemption primarily applies when an armored car service is transporting the cash across a land border between a foreign person and a U.S. bank.

Taken together, FinCEN's financial intelligence includes nearly 190 million records like the ones I described. Without the financial institutions that report this information, FinCEN and our many partners would have little insight on the flow of illicit funds through our financial system. Your role is vital in our efforts to safeguard the financial system, combat money laundering, and promote national security.

Analyzing and Using the Financial Intelligence

FinCEN makes the raw financial reporting it collects directly available to more than 10,000 federal, state, and local law enforcement and regulatory users. We do this through a computer program that we call "FinCEN Query," which allows users to easily access, query, and analyze 11 years of financial intelligence; apply filters to narrow search results; and utilize enhanced data capabilities. And there is no question that they are using it to carry out their responsibilities to protect the American public. For example, just last Thursday, there were over 30,000 queries made of our financial reporting through FinCEN Query.

As you might expect, FinCEN's own Intelligence Division is a leader in the analysis of the raw reporting provided to us by financial institutions and others. Our advanced analytic tools and highly skilled analysts play a critical role in adding insight to the raw reporting so that law enforcement and other partners can take action against a full range of criminal and national security threats, as well as the money laundering and financing networks that support them.

FinCEN's analysts also work hard to stay on top of our constantly evolving financial system, including emerging payment systems like stored value cards, mobile payments, and digital currencies such as Bitcoin. But while we have had a great deal of focus on these new payment systems, one long-standing notion rings true: cash is still king – particularly when it comes to laundering criminal drug proceeds. And this is where a strong intersection between your industry and one of FinCEN's greatest priorities exists.

Bulk cash smuggling along the Southwest border, as well as the use of funnel accounts and trade based money laundering to move criminal proceeds generated by drug trafficking and other transnational criminal organizations, remains a significant threat and a high priority at FinCEN. Armored car services are well-positioned to help us identify and report activity that may be tied to the movement of such criminal proceeds. And FinCEN certainly does not want armored car services operating as conduits for such activity, even unwittingly.

Regulatory Policy

In addition to providing financial intelligence to law enforcement and helping law enforcement follow the financial trails, FinCEN also develops the policy to shape the regulatory requirements and to help clarify the financial industry's regulatory responsibilities.

I spoke earlier about the CMIR requirement, which again states that with limited exception, a CMIR must be filed by individuals or

businesses when physically transporting or shipping/receiving more than \$10,000 in either currency or bearer negotiable instruments into or out of the United States.

In reviewing CMIR filings submitted by common carriers of currency, including armored car services, FinCEN has noticed a significant number of errors and failures to file required reports. We are currently working to develop guidance to ensure that common carriers, and particularly armored car services understand their reporting obligations. Working with filers to improve upon the intelligence we receive will provide FinCEN and law enforcement with more visibility of cash flows across the border and strengthen our ability to combat organized crime.

The rules and guidance issued by FinCEN's Policy Division help financial institutions identify and manage risk; provide valuable information to law enforcement; and create the foundation of financial transparency required to deter, detect, and punish those who would abuse our financial system. It is, of course, critical that we design our laws and rules, as well as our oversight and examination efforts, to address the spectrum of risks that we face.

I mentioned earlier that FinCEN's rules apply to money services businesses. Depending on their business model, armored car services may fall under our rules as a particular type of money services business known as money transmitters. FinCEN interprets our exemptions strictly. Generally speaking, when armored car services are acting solely at the direction of a bank, they are exempted from the rules. And when they pick up currency, funds or other value that substitutes for currency from a person and deliver to that same person at another location or to an account of that same person, they are exempted from our rules. But when they are transmitting money in other contexts, the exemption does not apply, and they have to follow our anti-money laundering rules for money transmitters.

As we engage with your industry further, we understand that you may have questions about when and how our rules apply. We encourage you to call us with those questions. Some of you have taken advantage of the ability to ask FinCEN for an administrative ruling for clarity. In fact, within the past few weeks, FinCEN published one such ruling particular to your industry. The armored car service company asked whether simply providing a denomination exchange service to customers, i.e., delivering smaller or larger denomination notes or coins in exchange for the same amount of funds in other denominations made the armored car service a money transmitter. In that instance, it was not a money transmitter, but the ruling also notes circumstances in which the armored car service might have been a money transmitter. We ask that you read our regulations and guidance carefully and follow up with us if you have questions.

But issuing regulations and guidance only goes so far. When anti-money laundering (AML) safeguards are not effectively implemented and compliance lags, money launderers and other illicit actors freely abuse our financial system. A truly robust AML framework – one that hardens our financial system against the unrelenting efforts of transnational criminal organizations and other illicit actors, as well as their money laundering networks – requires effective AML program implementation by financial institutions that understand what is at stake not only for them, but for the financial system as a whole.

And where this understanding is lacking, strong enforcement efforts may be needed. Not only do such actions correct the bad behavior of those on the receiving end, they also ensure that financial institutions that have been diligent in their efforts do not lose business to competitors seeking to cut corners with respect to AML.

Liaison and Partnership

I want to wrap-up my remarks today by speaking about the importance of partnership. I know that in the recent past, FinCEN has

not engaged as actively with your industry. But this is going to change, and the change starts now. The role your industry plays within the financial system is a crucial one. We need to learn more about how your businesses operate and how your business models are changing. We also expect you to comply with applicable reporting and recordkeeping requirements.

But we also recognize that you may have questions about your requirements under the AML laws and we want to be accessible and develop an effective partnership. FinCEN has staff members present at a booth in the exhibition area and we hope you will stop by to visit and ask any questions you might have.

FinCEN's Resource Center is also available to you at any time by calling toll free to (800) 767-2825. You can also reach us by e-mail at FRC@fincen.gov. Can I get a show of hands to see if anyone joining us this morning has ever reached out to FinCEN's Resource Center? Our Resource Center responds to more than 26,000 phone calls and e-mail inquiries every year from financial institutions all over the country. So please do not hesitate to contact us.

From January 2013 to the present, FinCEN has received upwards of 200 inquiries regarding armored car services, many of which were from depository institutions seeking assistance with the proper way of filing a CTR when an armored car service is involved in the transaction being reported.

We have also received a number of inquiries on the July 2013 CTR ruling I mentioned earlier, requesting clarification on how the new ruling and the exceptive relief may apply to certain transactions. And we have also been reaching out to trade associations for the armored car services industry, including the National Armored Car Association, on these issues. Just as with other sectors of the financial community that fall within the scope of our regulations, our efforts to engage with the trade associations are in your interest. When we issue a regulation or

guidance, we take care to avoid unintended consequences, and we need active engagement from industry and their associations to help us get it right. We know that we ask much of you in our joint efforts to safeguard the financial system, combat money laundering, and promote national security. The better we understand your business and the better you understand our mission, the better our relationship will be.

All this is to say that we encourage you to please reach out to us if you have any questions. We are eager to learn from you, and we are looking forward to a stronger partnership with your industry going forward.

I would be happy to answer any questions you may have.

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