

Annual Report

Financial Crimes Enforcement Network

Fiscal Year 2009



Mission Statement

FinCEN's mission is to enhance U.S. national security, deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems.

Message from the Director



In 2009, the Financial Crimes Enforcement Network (FinCEN) continued to make important contributions to the nation's fight against money laundering, terrorist financing, fraud, tax evasion, waste and abuse in government programs, and other illicit financial activity. The common elements are criminal profit motives and the need to conceal the movement of money. By following the money, we can deter and detect criminals. We continue to build upon previous success as more Federal, State, and local law enforcement and regulatory agencies are leveraging the resources that FinCEN provides to complement or expand their own investigative capabilities.

America's economic well-being depends on a financial system grounded in a solid foundation of trust, transparency, and integrity. To that end, FinCEN's purpose is to combat money laundering, fraud, and other persistent criminal threats to this foundation. In difficult economic times, these contributions to market integrity are as important as ever. FinCEN is privileged to administer the Bank Secrecy Act (BSA) and to regulate for anti-money laundering purposes the thousands of financial institutions upon which the government depends to provide valuable information to defeat criminal threats. We are also entrusted with safeguarding that valuable information. In the past year, we have continued to develop innovative ways to use and share this information with our Federal, State, local, and international law enforcement and regulatory partners, while safeguarding its confidentiality.

FinCEN continues to more efficiently use the information it collects, and this *Annual Report* provides many details of our achievements. Sharing BSA information, and comparing it with information held by other agencies, such as a State Attorney General's database of consumer complaints, results in a cumulative pool of information that is much more powerful, more useful, and more relevant than its constituent pieces. FinCEN offers our government partners the tools and the expertise to allow them to leverage the information they already possess. We then take this concept one step further: by facilitating the sharing of information about subjects of investigations in one State with other investigators nationwide, we stop criminals from being able to evade capture and prosecution simply by crossing State lines. Our information

Message from the Director

ensures that law enforcement can see the whole picture, even when criminals try to evade prosecution by acting in multiple jurisdictions. Criminals know no borders. Internationally, as the financial intelligence unit (FIU) for the United States, we share appropriate information with other members of the Egmont Group of 116 FIUs, adding a global perspective to FinCEN's resources.

Moreover, FinCEN's national and international network scope enables us to see across the street, across the nation, or across the globe to identify trends and share information on emerging illicit practices. A person suspected of fraud in Connecticut may also be under suspicion in California and South America. That person may use any means to intermediate ill-gotten gains – laundering the proceeds of crimes through any type of financial institution, be it a bank, securities firm, casino, or another kind of institution. Assembling information on that suspect, facilitated by FinCEN, will make capture more likely, make the evidence developed against that alleged criminal more potent, and increase opportunities to seize assets and retribute victims. Centralizing and networking this information through FinCEN is a force multiplier that can merge parallel investigations or alert investigators to previously unknown leads.

This past year, an example of our networking and leveraging capabilities came to national attention. In April 2009, the Administration announced a multi-agency crackdown on foreclosure rescue scams and loan modification fraud, aligning responses from Federal law enforcement agencies, State investigators and prosecutors, civil enforcement authorities, and the private sector. FinCEN is at the center in supporting this effort because of its long experience with mortgage fraud and its unique capacity to network and facilitate information sharing. In September, along with Attorney General Eric Holder, Housing and Urban Development Secretary Shaun Donovan, Federal Trade Commission Chairman Jon Leibowitz, and 12 State Attorneys General, I represented FinCEN at a meeting at which Treasury Secretary Timothy F. Geithner shared an update on the Administration's progress toward the goals it announced in April. We also discussed emerging trends in our respective industries, as well as strategies to combat consumer fraud in the housing markets and to further build upon this concerted approach to fight financial crime.

Message from the Director

The information that we collect under the BSA and share with our partners is only as good as the training, dedication, and commitment of the thousands of financial professionals who provide it. Last year, we targeted our financial institution outreach efforts to learn more about the challenges they face in complying with our regulations. We visited the nation's largest depository institutions with the goal of broadening our understanding of financial industry practices, and learning what information institutions need in order to effectively implement their anti-money laundering programs. We issued a [report](#)¹ in October that summarizes the information FinCEN obtained from candid conversations with individual financial institutions to better understand the practical implications of FinCEN's regulatory requirements and ways that, working together with the financial industry, we can better achieve the common goal of protecting the financial system from criminal abuse. We conducted similar meetings with some of the nation's largest money services businesses (MSBs), and in 2010, we plan to broaden our outreach by focusing on smaller and mid-sized banks to build upon knowledge gained from FinCEN's previous program of meetings and informational visits with the larger financial institutions.

Processing, utilizing, protecting, and sharing our information requires a great commitment of talent, time, and technological expertise. With regard to technological modernization, 2009 was an important year for FinCEN. We continue to make information technology (IT) modernization our top management priority. We have had great success in encouraging financial institutions to file their reports electronically. E-filing is much more efficient and cost-effective than antiquated paper filing. We have begun a multiyear effort to modernize our technical capacity and develop the tools and technology so that FinCEN and its partners can more quickly obtain leads and make investigative connections to fight financial crime. Our ongoing investments in advanced IT, with the benefits leveraged across the hundreds of agencies we support, will make profound and lasting contributions to our mission for years to come.

Last year, FinCEN also hit an important personnel milestone. At fiscal year's end, we had 327 employees on our team, more than ever before, dedicated to enhancing U.S. national security, deterring and detecting

1. http://www.fincen.gov/news_room/rp/reports/pdf/Bank_Report.pdf

Message from the Director

criminal activity, and safeguarding financial systems from abuse by promoting transparency in the U.S. and international financial systems. Next year, we look forward to making further advances as we continue our drive toward improvement, efficiency, and excellence.

James H. Freis, Jr.
Director
December 2009



On September 17, 2009, Treasury Secretary Timothy F. Geithner hosted a meeting of high-ranking Federal officials and attorneys general from 12 states to discuss emerging trends and strategies to combat fraud against consumers in the housing markets as well as best practices to bolster coordination across State and Federal agencies. Seated from left to right: Federal Trade Commission Chairman Jon Leibowitz, Secretary Geithner, U.S. Attorney General Eric Holder, Housing and Urban Development Secretary Shaun Donovan, FinCEN Director James H. Freis, Jr., Maryland Attorney General Doug Gansler, Illinois Attorney General Lisa Madigan, and Connecticut Attorney General Richard Blumenthal.

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Abbreviations Used in This Report

ACFE	Association of Certified Fraud Examiners
AML	Anti-Money Laundering
ANPRM	Advance Notice of Proposed Rulemaking
BSA	Bank Secrecy Act
BSA E-Filing	Bank Secrecy Act Electronic Filing System
BSAAG	Bank Secrecy Act Advisory Group
CARD Act	Credit Card Accountability, Responsibility, and Disclosure Act of 2009
CFT	Counter-Terrorist Financing
CFTC	Commodity Futures Trading Commission
CMIR	Report of International Transportation of Currency or Monetary Instruments
CSBS	Conference of State Bank Supervisors
CTR	Currency Transaction Report
CTR-C	Currency Transaction Report by Casinos
DOEP	Designation of Exempt Person
E-Filing	Electronic Filing
ESW	Egmont Secure Web
FATF	Financial Action Task Force
FBAR	Report of Foreign Bank and Financial Accounts
FBI	Federal Bureau of Investigation
FinCEN	Financial Crimes Enforcement Network
FinCEN / IRS 8300	Report of Cash Payments Over \$10,000 Received in Trade/Business

Abbreviations Used in This Report

FIU	Financial Intelligence Unit
FRB	Board of Governors of the Federal Reserve System
FSRB	FATF-Style Regional Body
FTC	Federal Trade Commission
G-20	Group of Twenty
GAO	Government Accountability Office
HAMP	Home Affordable Modification Program
HIFCA	High Intensity Financial Crime Area
HUD	U.S. Department of Housing and Urban Development
ICE	U.S. Immigration and Customs Enforcement
INCSR	International Narcotics Control Strategy Report
IRS	Internal Revenue Service
IRS-CI	Internal Revenue Service, Criminal Investigation
IT	Information Technology
MSB	Money Services Business
MTRA	Money Transmitter Regulators Association
MOU	Memorandum of Understanding
NAT SAR	National Suspicious Activity Report Review Team
NPRM	Notice of Proposed Rulemaking
OCC	Office of the Comptroller of the Currency
OIG	Office of Inspector General
PIIP	Public-Private Investment Program

Abbreviations Used in This Report

SAR	Suspicious Activity Report
SAR-C	Suspicious Activity Report by Casinos and Card Clubs
SAR-DI	Suspicious Activity Report by Depository Institutions
SAR-MSB	Suspicious Activity Report by Money Services Businesses
SAR-SF	Suspicious Activity Report by the Securities and Futures Industries
SEC	Securities and Exchange Commission
SIGTARP	Special Inspector General for the Troubled Asset Relief Program
STR	Suspicious Transaction Report
TALF	Term Asset-Backed Securities Loan Facility
TARP	Troubled Asset Relief Program
TFI	Office of Terrorism and Financial Intelligence (Department of the Treasury)
USAO	U.S. Attorneys' Offices
USA PATRIOT Act	Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism
USPIS	U.S. Postal Inspection Service
WebCBRS	Web Currency and Banking Retrieval System

About the Financial Crimes Enforcement Network

The Financial Crimes Enforcement Network (FinCEN) is a bureau of the U.S. Department of the Treasury. The Director of FinCEN reports to the Treasury Under Secretary for Terrorism and Financial Intelligence. FinCEN's mission is to enhance U.S. national security, deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems.

FinCEN carries out its mission as a market integrity regulator of the financial industry by receiving and maintaining financial transactions data; analyzing and disseminating that data for law enforcement purposes; and building global cooperation with counterpart organizations in other countries and with international bodies.

Specifically, FinCEN administers the Bank Secrecy Act (BSA) of 1970², 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 Secretary of the Treasury has delegated administration of the BSA to FinCEN.

Additionally, Congress has given FinCEN certain duties and responsibilities for the central collection, analysis, and dissemination of BSA and other data in support of government and financial industry partners at the Federal, State, local and international levels. To fulfill its responsibilities, FinCEN:

- Issues and interprets regulations authorized by 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, dissemination, and protection of data filed under BSA reporting requirements;
- Maintains a government-wide access service to the BSA data and networks users with overlapping interests;
- Supports law enforcement investigations and prosecutions; and
- Conducts analysis to support policymakers; law enforcement, regulatory, and intelligence agencies; and the financial industry.

2. The Bank Secrecy Act is codified at 12 U.S.C. 1829b, 12 U.S.C. 1951-1959, 31 U.S.C. 5311-5314 and 5316-5332 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 participates in anti-terrorism and anti-money laundering initiatives with FIU 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.

The basic concept underlying FinCEN's core activities is "follow the money."

The primary motive of criminals is financial gain, and they leave financial trails as they try to launder the proceeds of crimes or attempt to spend their ill-gotten profits. Law enforcement agencies successfully use similar techniques, including searching information collected by FinCEN from the financial industry, to investigate and seek to hold accountable a broad range of criminals, including perpetrators of fraud, tax evaders, and narcotics traffickers. More recently, the techniques used to follow money trails have also been applied to investigating and disrupting terrorist groups, which often depend on financial and other support networks.

History of the Financial Crimes Enforcement Network

The U.S. Department of the Treasury established the Financial Crimes Enforcement Network (FinCEN) in 1990. FinCEN's initial charge was to support law enforcement by establishing a government-wide financial intelligence and analysis network. That responsibility is still at the core of FinCEN's operations. FinCEN oversees the maintenance of a database with approximately 180 million records of financial transactions and other reports. This data represents the most broadly relied upon and largest source of financial intelligence available to law enforcement authorities at the Federal, State, and local level. FinCEN analyzes this data and makes it available to other government agencies for use in law enforcement, regulatory, and national security matters.

In 1994, the Secretary of the Treasury delegated to the Director of FinCEN authority to administer Title II of the BSA. FinCEN's operations subsequently expanded to include regulatory responsibilities. The following year, 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. By then, FinCEN had already established a large and growing network of law enforcement agencies, regulators, and international representatives who benefited greatly from analysis of financial transaction information reported under the BSA.

The USA PATRIOT Act of 2001 amended and broadened the scope of the BSA to include a focus on additional financial industry sectors and on the financing of terrorism. The Act significantly expanded FinCEN's authorities and established the organization as a bureau within the Department of the Treasury.

In 2004, the Treasury Department established a new Office of Terrorism and Financial Intelligence (TFI) to integrate the Department's information and intelligence streams, including BSA data and analysis, and authorities for cutting the lines of financial support to international terrorists. The Director of FinCEN reports to the Under Secretary for TFI. Within the TFI structure, FinCEN directly supports the Department's strategic goal of preventing terrorism and promoting the nation's security through strengthened international financial systems. FinCEN also contributes to each of the other Treasury Department strategic goals in promoting proper use of government finances, market integrity as an essential component for financial stability and economic growth, and efficient management and organization.

Bank Secrecy Act Reporting in Fiscal Year 2009

About 16.7 million reports were filed pursuant to BSA requirements in fiscal year 2009. BSA recordkeeping and reporting requirements help to detect and deter all types of illicit activity, including money laundering, the financing of terrorist activity, and many types of fraud. BSA reports create a financial trail that law enforcement and intelligence agencies can use to track criminals, their activities, and their assets. Recordkeeping and reporting requirements work hand-in-hand with the BSA's anti-money laundering program requirements, which help financial institutions protect themselves from criminal abuse by identifying and mitigating the risks inherent in their operations.

Financial industry sectors subject to BSA reporting requirements include – but are not limited to – depository institutions (e.g., banks, credit unions, and thrifts); broker-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, precious stones, or jewels.

A variety of reports are submitted under the BSA (see box on page 6), but the majority of reports filed are of two types:

Identifying Suspicious Activity across Financial Sectors

“Criminal actors may attempt to exploit any vulnerability to commit fraud and launder money through a range of financial institutions. The interconnected nature of suspicious activity across multiple financial sectors covered by FinCEN’s Bank Secrecy Act regulations underscores the immense value of combining insights from the different sectors for the purpose of detecting and thwarting criminal activity.”

James H. Freis, Jr.

Director, FinCEN

News Release: FinCEN Report Shows Connection with Mortgage Fraud and Other Financial Crime

March 16, 2009

Bank Secrecy Act Reporting in Fiscal Year 2009

- 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. Based on preliminary data, about 14.9 million CTRs were filed in fiscal year 2009, compared to about 16 million in fiscal year 2008. Part of the decline is likely due to FinCEN's efforts to modify reporting requirements and exemption processes so that financial institutions focus on the reports most relevant to law enforcement.
- 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 because they reflect activity considered problematic or unusual by depository institutions, casinos, money services businesses, securities broker-dealers, mutual funds, futures commission merchants, introducing brokers in commodities, and insurance companies. 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. About 1.3 million SARs were filed in fiscal year 2009, slightly more than the number filed in fiscal year 2008.

Bank Secrecy Act Reporting in Fiscal Year 2009

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 by Depository Institutions (SAR-DI)
- 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)
NOTE: Insurance Companies also file using the SAR-SF
- Registration of Money Services Business

The latest versions of these forms are available at www.fincen.gov.

Based on preliminary figures for October 1, 2009, the total number of BSA reports filed in fiscal year 2009 was lower than the approximately 18 million filed in fiscal year 2008. Filings of all types of reports except SARs declined from numbers filed in fiscal year 2008. (See table.)

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 (e-filing) of BSA reports.³ During the last 2 months of fiscal year 2009, 82 percent of reports were e-filed, compared with 71 percent during the last 2 months of fiscal year 2008. The following table shows preliminary reporting figures for fiscal years 2007-2009 for each type of BSA report.

3. For more information on the benefits of BSA E-Filing and how to register to electronically file BSA reports, please see FinCEN's October 2009 SAR Activity Review – Trends, Tips and Issues, page 16. http://www.fincen.gov/news_room/rp/files/sar_tti_16.pdf

Bank Secrecy Act Reporting in Fiscal Year 2009

Bank Secrecy Act Filings by Type, Fiscal Years 2007 - 2009⁴

Type of Form	FY 2007	FY 2008	FY 2009
Currency Transaction Report (all types)	16,219,434	16,082,776	14,909,716
Suspicious Activity Report (for all covered industries)	1,157,468	1,318,984	1,321,848
Report of Foreign Bank and Financial Accounts	320,937	344,967	276,386
Registration of Money Services Business	18,380	21,102	19,234
Designation of Exempt Person ⁵	63,632	53,675	32,117
Report of Cash Payments Over \$10,000 Received in a Trade or Business (Form 8300)	173,027	184,305	180,801
Total ⁶	17,952,878	18,005,809	16,740,102

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4. Source: Internal Revenue Service Enterprise Computing Center – Detroit, figures as of October 3, 2007, October 1, 2008, and October 1, 2009.
 5. The Designation of Exempt Person form enables depository institutions (banks, savings associations, thrift institutions, and credit unions) to use CTR exemption rules to eliminate the reporting obligation for transactions by business customers with routine needs for currency. In December 2008, FinCEN issued a final rule streamlining CTR exemption processes, partly by eliminating the previous requirement to file this form annually for certain trusted customers.
 6. In addition, U.S. Customs and Border Protection, U.S. Department of Homeland Security, reported that approximately 166,300 Reports of International Transportation of Currency or Monetary Instruments were filed in fiscal year 2009. These paper reports are not included in the total or in e-filing calculations.
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The Value of SARs

“FinCEN, law enforcement agencies, and financial regulators use SARs in investigations and financial institution examinations and have taken steps in recent years to make better use of them. FinCEN uses SARs to provide public and nonpublic analytical products to law enforcement agencies and depository institution regulators. Some federal law enforcement agencies have facilitated complex analyses by using SAR data with their own data sets. Federal, state, and local law enforcement agencies collaborate to review and start investigations based on SARs filed in their areas. Regulators use SARs in their examination process to assess compliance and take action against abuse by depository institution insiders.”

**Government Accountability Office Report GAO-09-226: Suspicious Activity Report Use Is Increasing, but FinCEN Needs to Further Develop and Document Its Form Revision Process
February 2009**

FinCEN Guiding Goals and Principles

The Financial Crimes Enforcement Network's Strategic Plan for Fiscal Years 2008-2012 sets forth three outcome goals, a management goal, and five cross-cutting principles. Together, these guide FinCEN's operations. FinCEN's outcome goals are stated below:

Outcome Goal 1:	Financial systems resistant to abuse by money launderers, terrorists and their financial supporters, and other perpetrators of financial crime.
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Outcome Goal 2:	Detection and deterrence of money laundering, terrorism financing, and other illicit activity.
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Outcome Goal 3:	Efficient management, safeguarding, and use of BSA information.
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In pursuing these goals, FinCEN is guided by the following five principles:

- Efficiency and Effectiveness
- Creating Value
- Partnerships and Collaboration
- A Global Perspective
- Advanced Technology.

FinCEN also has a management goal: FinCEN's mission is accomplished by high-performing employees and managers operating in a stimulating and responsible work environment.

These goals and principles reflect FinCEN's role as a regulatory agency, its responsibilities for combating money laundering and the financing of terrorism, and its 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.

This report describes major FinCEN accomplishments toward its outcome and management goals in fiscal year 2009. It also shows key measures of FinCEN's performance.

Outcome Goal 1:

Financial systems resistant to abuse by money launderers, terrorists and their financial supporters, and other perpetrators of financial crime.

The BSA requires a wide variety of financial institutions to establish anti-money laundering and customer identification programs, and to implement processes and systems for data reporting and recordkeeping related to certain kinds of financial transactions. These requirements increase transparency as a way to prevent criminals from abusing the legitimate financial systems. Criminal abuse of financial services and products undermines the integrity of financial markets, both in the United States and abroad.

Institutions covered by the BSA include depository institutions, money services businesses, broker-dealers in securities, mutual funds, futures commission merchants, introducing brokers in commodities, insurance companies, casinos, dealers in precious metals, precious stones and jewels, and other financial services providers. Because numerous national financial systems are so closely entwined in today's global economy, FinCEN also seeks to protect U.S. interests by supporting and encouraging stronger anti-money laundering policies and programs worldwide.

Major accomplishments in fiscal year 2009 are described below:

Simplified CTR Exemption Requirements

As the Government Accountability Office (GAO) highlighted in its February 2008 report, CTRs provide unique and reliable information essential to supporting investigations and detecting criminal activity. In its continuous effort to increase the efficiency and effectiveness of BSA regulations, FinCEN has recognized that financial institutions might have customers with a legitimate business purpose for conducting transactions in currency, and that CTRs filed on these transactions are not likely to be highly useful to law enforcement. FinCEN also recognized that reasonable modification of the CTR exemption process could allow financial institutions to more efficiently exempt these customers from currency transaction reporting.

In early December 2008, FinCEN announced a final rule simplifying the requirements for depository institutions to exempt eligible customers from the requirement to report transactions in currency in excess of \$10,000. To support this change, FinCEN issued guidance in early April 2009 to enable depository institutions to more easily determine and document certain business customers' eligibility for exemption from currency transaction reporting. FinCEN issued

Outcome Goal 1 continued...

additional guidance in August 2009 to help banks determine whether a customer is eligible for exemption. This guidance provides examples and answers to commonly asked questions regarding the final rule.

FinCEN also published an educational pamphlet on the CTR reporting requirement. Financial institutions can use this resource to help address questions frequently asked by their customers. The pamphlet, which can be provided to customers, is available on the [Depository Institutions](#)⁷ section of FinCEN's Web site. It uses plain language to explain the CTR reporting requirement to those who may not be familiar with a financial institution's obligations under the BSA.

Improvements in Regulation of Money Services Businesses

FinCEN took multiple actions relating to money services businesses (MSBs) in fiscal year 2009, promoting consistent, efficient and effective administration of the BSA.

In December 2008, FinCEN announced the release of a manual for examiners of MSBs. The *Bank Secrecy Act/Anti-Money Laundering Examination Manual for Money Services Businesses* provides guidance to officials examining MSBs for compliance with the requirements of the BSA. It aims to enhance BSA examiners' ability to perform risk-based examinations of

MSBs, provide a resource to further the consistency of BSA examination procedures, provide a summary of BSA compliance requirements and exam procedures to the MSB industry, and facilitate the efficient allocation of exam resources between Federal and State BSA regulators. The manual contains an overview of anti-money laundering (AML) program requirements, BSA/AML risks and risk management expectations, sound industry practices, and examination procedures. The manual's risk-based approach empowers the examiner to decide what examination procedures are necessary to evaluate whether the MSB's AML program is adequate to ensure compliance with requirements of the BSA. The manual also contains an industry overview section, developed in collaboration with industry representatives.

Several organizations collaborated on this manual to ensure consistency in the application of BSA requirements, including the IRS, which under delegated authority from FinCEN examines MSBs for compliance with the BSA. Others that helped FinCEN develop the manual were State agencies responsible for MSB regulation, the Money Transmitter Regulators Association (MTRA), and the Conference of State Bank Supervisors (CSBS). This collaborative effort directly supported FinCEN's commitment to working with the IRS, State regulators, and Federal functional regulators to

7. http://www.fincen.gov/financial_institutions/di/

Outcome Goal 1 continued...

address many issues dealing with MSB oversight and MSBs' access to banking services. Following the release of the manual, FinCEN and the IRS held several conference calls for the MSB industry to discuss the general outline and procedures included in the examination manual.

In April 2009, FinCEN transferred all online [resources for MSBs](#)⁸ to the "Financial Institutions" section of its Web site (www.fincen.gov). This change makes all BSA information related to the MSB industry available in one place, consistent with the approach for all other regulated industry sectors. All information formerly available on www.msb.gov was transferred, and users who attempt to access the former site are redirected automatically to the new location.

FinCEN announced in May 2009 a proposal to revise the definition of an MSB by describing with more clarity the type of financial activity that will subject a business to the BSA's implementing rules. The proposal would incorporate past FinCEN rulings and policy determinations into the regulatory text and would make it easier for MSBs to determine their responsibilities.

Currently, a person must conduct \$1,000 of transactions per person per day to meet one definitional threshold of an MSB. This applies to all categories of MSBs except

for "money transmitter." This proposal solicited comments on either raising or lowering the definitional threshold. It also proposes to ensure that a foreign-located entity engaging in MSB activities within the United States is regulated as an MSB. Accordingly, the proposed rule clarifies that certain foreign-located entities engaging in MSB activities within the United States, such as having U.S. customers or transmitting money to, or from, U.S. recipients, are subject to the BSA rules.

This proposed rulemaking also solicited comments on stored value issues in an effort to better inform future rulemaking confined to providers of stored value. In May 2009, President Obama signed the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act of 2009. Section 503 of the CARD Act directs that FinCEN, as administrator of the BSA, issue regulations regarding the sale, issuance, redemption, or international transport of stored value, including stored value cards, within 270 days. During fiscal year 2009, FinCEN worked with our regulatory and law enforcement partners on implementing this mandate.

8. http://www.fincen.gov/financial_institutions/msb/

FinCEN Releases Manual to Aid Examiners of Money Services Businesses

“This manual represents the collaborative efforts of many dedicated partners. It will be a valuable resource to both the financial industry and government agencies in promoting our common goals of protecting financial institutions from criminal abuse. Rules, and expectations for implementation, that are transparent to everyone lead to better compliance, which results in better information to aid law enforcement officials in their investigations of potential money laundering, terrorist financing, and other criminal activity.”

James H. Freis, Jr.
Director, FinCEN
December 9, 2008

“The new manual is an important tool to protect MSBs from the abuses of money laundering and other financial crimes. This manual will foster further consistency among regulators as well as assist MSBs in their efforts to comply with the law.”

Beth Elfrey
Director of Fraud/BSA, IRS Small Business and Self Employed Division
December 9, 2008

Feedback on Impact of New and Revised Regulations

Upholding its commitment to provide feedback to regulated industries within 18 months of the effective date of new regulations or significant regulatory changes, FinCEN released an assessment of Currency Transaction Reports by Casinos (CTR-Cs) filed between July 1, 2006, and June 30, 2008. The number of CTR-Cs fell by more than a third after FinCEN reduced reporting

requirements on certain categories of casino transactions that it had determined do not pose a significant risk for money laundering, terrorist financing, or tax evasion. The drop in CTR-C filings confirms the expected results of the 2007 rule change to promote more efficient allocation of resources by the casino industry and the government, while effectively providing law enforcement with the information necessary to pursue the common goals of fighting crime, terrorist financing, and other illicit

Outcome Goal 1 continued...

activity. The assessment also evaluated the quality of CTR-C filings. Higher quality CTR-C reporting increases usefulness to law enforcement in criminal, tax, regulatory, and counter-terrorism investigations.

In another example of its commitment to providing affected industries with written feedback, FinCEN released a report on the impact of final rules concerning Special Due Diligence Programs for Certain Foreign Accounts. In 2007, FinCEN issued a final rule implementing the enhanced due diligence provisions of Section 312 of the USA PATRIOT Act, requiring that covered financial institutions apply risk-based procedures to the accounts of three categories of foreign banks. The 2007 rule supplemented the Special Due Diligence Final Rule published in 2006, which implemented due diligence requirements for correspondent accounts for foreign financial institutions. The report found that the Special Due Diligence requirements of the 2006 Rule and 2007 Rule (with respect to enhanced due diligence) appear to have been understood by covered financial institutions, and initial indications showed financial institutions are generally implementing them as intended. The information received from industry, regulators, and SAR filings is consistent with expectations for a risk-based approach to BSA compliance.

BSA Guidance for Covered Industries

Through substantive guidance for financial institutions, FinCEN provided clarification of BSA requirements and applications, as well as suggestions for correcting common filing errors and guides to “red flags” that may indicate suspicious activity.

- Guidance (FAQs) on Casino Recordkeeping, Reporting, and Compliance Program Requirements (09/30/2009)
- Guidance on Determining Eligibility for Exemption from Currency Transaction Reporting Requirements (08/31/2009)
- Guidance on the Scope of Permissible Information Sharing Covered by Section 314(b) Safe Harbor of the USA PATRIOT Act (06/16/2009)
- Guidance on Supporting Information Suitable for Determining the Portion of a Business Customer’s Annual Gross Revenues that Is Derived from Activities Ineligible for Exemption from Currency Transaction Reporting Requirements (04/27/2009)
- Guidance to Financial Institutions on Filing Suspicious Activity Reports regarding Loan Modification/Foreclosure Rescue Scams (04/06/2009)
- DOEP Form completion under the revised CTR exemption rule (01/15/2009)

Outcome Goal 1 continued...

- Updated Notice to Certain MSBs - Registration Renewal for Certain Money Services Businesses is 12/31/2008 (01/09/2009)
- Notice to Certain Registered MSBs - Registration Renewal Deadline for Certain Money Services Businesses is 12/31/2008 (11/13/2008)

FinCEN Advisories for Covered Industries

FinCEN issued several advisories related to specific money laundering, fraud, and terrorist financing risks.

- FIN-2009-A005 – Withdrawal of Advisory FIN-2008-A003 (3/20/2008) - Guidance to Financial Institutions on the Money Laundering Threat Involving the Turkish Cypriot Administered Area of Cyprus (07/23/2009)
- FIN-2009-A004 – Guidance to Financial Institutions Based on the Financial Action Task Force Statement on Anti-Money Laundering and Counter-Terrorist Financing Risks Posed by Iran, Uzbekistan, Turkmenistan, Pakistan, and São Tomé and Príncipe (07/10/2009)
- FIN-2009-A003 – Advisory on Structuring by Casino Patrons and Personnel (07/01/2009)
- FIN-2009-A002 – North Korea Government Agencies' and Front Companies' Involvement in Illicit Financial Activities (06/18/2009)

- FIN-2009-A001 – Guidance to Financial Institutions on Filing Suspicious Activity Reports regarding Loan Modification/Foreclosure Rescue Scams (04/06/2009)

Administrative Rulings

FinCEN responded to 44 correspondence requests for interpretive guidance and administrative rulings clarifying application of BSA regulations to specific situations. In many cases, these responses clarified definitions of covered entities. Administrative rulings published during the year are listed below:

- FIN-2009-R002 – Treatment of Deposits by Armored Cars for Currency Transaction Report (CTR) Purposes (08/13/2009)
- FIN-2008-R013 – Whether a Non-Listed Insurance Company May Be Exempted from Currency Transaction Reporting (05/07/2009)
- FIN-2009-R001 – Whether Certain Operations of a Service Provider to Prepaid Stored Value Program Participants is a Money Services Business (03/10/2009)
- FIN-2008-R012 – Whether a Money Services Business Must Establish and Maintain Separate Deposit Accounts for its Separate Check Cashing and Money Transmission Lines of Business (03/10/2009)

Outcome Goal 1 continued...

- FIN-2008-R011 – Whether a Company that Engages in Microfinance is a Money Services Business (02/20/2009)
- FIN-2008-R010 – Whether a Company that Engages in Certain Operations as an Authorized Agent for Collection of Social Security and Veteran Benefits is a Money Services Business (02/20/2009)
- FIN-2008-R009 – Whether a Company that Offers a Loan Acceleration Product for Consumer Financing is a Money Services Business (01/12/2009)

SAR Activity Reviews

In conjunction with the Bank Secrecy Act Advisory Group (see page 63), FinCEN published two issues of *The SAR Activity Review – Trends, Tips and Issues*, and two issues of its companion, *The SAR Activity Review – By the Numbers*. *The SAR Activity Review – Trends, Tips and Issues* provides feedback on specific trends and patterns derived from analysis of SAR data and how SARs are used by law enforcement and regulatory agencies. It also provides guidance and tips to filers on SAR preparation. *The SAR Activity Review – By the Numbers* provides broader feedback to industry on trends and patterns derived from analysis of SAR data, including feedback on the number of SARs filed, and State filing patterns.

This year, FinCEN began focusing every other issue of *The SAR Activity Review – Trends, Tips and Issues* on a theme, such as a specific industry. The May 2009

edition concentrated on the securities and futures industries. Articles included an assessment of SARs filed by the securities and futures industries, as well as information from staff of the Securities and Exchange Commission (SEC) on how to file SARs, the SEC's use of SARs, and the consequences to regulated institutions for failure to file. An article by staff from the SEC and the Financial Industry Regulatory Authority looked at how securities regulators review SARs during examinations. The issue included an industry viewpoint on how broker-dealers can ensure effective SAR programs. FinCEN's Office of Enforcement discussed why covered financial institutions should consider seeking global resolution to potential enforcement actions. FinCEN also provided guidance on identifying and reporting suspicious transactions for introducing and clearing brokerage firms and SAR form completion when reporting identity theft.

Every issue of *The SAR Activity Review – Trends, Tips and Issues* contains case examples in which BSA data supported law enforcement investigations. Law enforcement officials use BSA records to help investigate a variety of crimes, including tax evasion, narcotics trafficking, and identity theft. FinCEN has posted to its Web site an archive of all of the case examples that have been published in the current and previous editions of *The SAR Activity Review – Trends, Tips and Issues*. The list is organized according to type of BSA form used in the investigation, type of

industry involved, and type of violation committed. The cases described in the archive demonstrate the usefulness of BSA reports to law enforcement. FinCEN is committed to ensuring that requirements for covered financial industries are efficient in their application, yet remain extremely effective in their service to law enforcement investigators.

Support for BSA Filers

FinCEN realizes that clear guidance and prompt support need to be available to BSA filers and others involved in implementing the BSA regulatory regime. Accordingly, FinCEN operates a BSA Resource Center (1-800-949-2732) that provides support for covered institutions with questions on BSA regulatory and compliance matters. FinCEN tracks questions asked by those who contact the BSA Resource Center to identify important concerns and trends with respect to BSA compliance, and to identify areas where FinCEN may need to clarify current regulations, rulings, or guidance. Resource Center staff also monitor a BSA "Hotline" (1-866-556-3974) to assist covered institutions in reporting suspicious activity concerning terrorist financing in an expedited (i.e., time-critical) fashion. In fiscal year 2009, the Resource Center logged 8,384 calls, an increase over the 8,250 logged the year before. Based on these calls, Resource Center staff developed guidance for FinCEN staff about specific topics of interest and the need to provide additional information and clarification to industry.

Regulatory Compliance Information-Sharing Activities

FinCEN has signed memoranda of understanding (MOUs) with 8 Federal regulators and 47 State regulatory agencies to ensure that information about compliance issues is exchanged between FinCEN and the entities charged with examining for BSA compliance. As part of that exchange of information, examining authorities notify FinCEN of institutions with significant incidents of BSA non-compliance. In the last year, FinCEN processed 274 cases based on these notifications from regulators and from institutions that self-reported incidents of non-compliance.

The MOUs also require FinCEN to assist entities with identifying BSA compliance deficiencies. To meet this obligation, FinCEN employs technology to identify errors of which regulators may be unaware. In 2009, FinCEN referred 106 matters to regulatory authorities for a variety of compliance issues. The ultimate goal of this program is to alert examiners to deficiencies so that they may work with the institution to resolve the issues.

In January 2009, FinCEN signed an MOU with the Commodity Futures Trading Commission (CFTC), the eighth MOU with Federal regulators. In February, the CFTC acknowledged FinCEN's assistance and the value of BSA information in two cases involving investment schemes.

State Data Profiles

FinCEN develops and disseminates state-specific BSA Data Profiles for State supervisory agencies with which it has information sharing MOUs. These products highlight BSA filing trends and patterns within those states, and FinCEN has received positive feedback from various State agencies. The entire set of State profiles is provided to the five Federal banking agencies, the SEC, the CFTC, and the IRS.

The 53 data profiles developed in fiscal year 2009 contain BSA numerical representations nationwide, as well as those of individual states, and include information on BSA data filing trends, maps, charts, and diagrams depicting the top characterizations of suspicious activity reported by depository institutions. They also include exhibits derived from mortgage loan fraud SARs filed in 2008 and information on registered and unregistered MSBs.

Enforcement Actions

FinCEN works with appropriate regulatory and law enforcement agencies to administer enforcement actions in cases of egregious violation of BSA requirements.⁹ This year, FinCEN and the Office of the Comptroller of the Currency (OCC) assessed concurrent civil money penalties, each \$5 million, against the New York Branch of Doha Bank, Doha, Qatar, for past violations of the BSA. In assessing the penalty, FinCEN determined that the branch failed to implement an adequate system of internal controls to ensure compliance with the BSA and manage the risk of money laundering or other suspicious activity, and failed to conduct independent testing to allow for the timely identification and correction of BSA compliance deficiencies. The branch, without admitting or denying the allegations, consented to payment of the civil money penalties, to be satisfied by a single payment of \$5 million to the U.S. Department of the Treasury.

9. In a speech before the American Bankers Association / American Bar Association annual Money Laundering Enforcement Conference in October 2008, Director Freis discussed FinCEN's enforcement authority. http://www.fincen.gov/news_room/speech/pdf/20081020.pdf

FinCEN Works with Many Partners to Pursue Its Mission

“...our success in pursuing our mission of fighting money laundering, terrorist financing, and financial fraud depends on the dedicated men and women of FinCEN and our ability to listen to our law enforcement customers and our industry partners. But, we could not wholly perform our mission without strong partnerships with the industries that fall under the Bank Secrecy Act regulations as well as our colleagues in the Federal and State financial regulatory agencies, and our international, Federal, State, and local law enforcement partners.”

James H. Freis, Jr.

Director, FinCEN

Remarks before the Association of Certified Fraud Examiners

20th Annual Fraud Conference

July 13, 2009

Outreach to Financial Institutions

In fiscal year 2009, FinCEN expanded its outreach efforts to U.S. financial institutions to learn more about how their anti-money laundering programs operate. Multi-disciplinary teams from across FinCEN visited these institutions. Knowledge gained through these meetings enhances FinCEN's efforts to ensure that consistent application of, examination for, and enforcement of the BSA, are based on sound knowledge of banking practices and the challenges of implementing anti-money laundering programs. Universally, the institutions expressed appreciation that FinCEN is committed to learning about their programs and challenges. These

interactions are promoting better understanding from both sides as to how we can better pursue our common goals of enhancing national security and market integrity.

Meetings with the largest depository institutions concluded in fiscal year 2009, and in October, FinCEN issued a public [report](#)¹⁰ on its outreach effort to this group. FinCEN also held outreach meetings with some of the nation's largest MSBs during the year, and FinCEN representatives met with the Big Four accounting firms to gain from their unique perspectives in advising the financial industry on risks and regulatory responsibilities. In 2010, FinCEN plans to broaden its outreach efforts by focusing on smaller and mid-sized banks.

10. http://www.fincen.gov/news_room/rp/reports/pdf/Bank_Report.pdf

Praise for FinCEN's Outreach Initiative

"We greatly enjoyed the outreach effort, and appreciated the interest that FinCEN took in our processes, systems, tools, etc."

"This [Report on Outreach to Large Depository Institutions] is a great document... Please give my professional and personal thanks to the many good people at FinCEN that have worked so hard on this effort."

Executive Vice President at a large depository institution
In private communications with FinCEN
August 10, 2009 and September 24, 2009

Proposed Rules and Guidance for SAR Sharing and Confidentiality

FinCEN announced March 3, 2009, a Notice of Proposed Rulemaking (NPRM) that would enhance BSA regulations regarding SAR confidentiality. This proposal, which was developed jointly with the five Federal Banking Agencies, and in consultation with the SEC and the CFTC, would strengthen the protection of SARs that financial institutions file with FinCEN. Concurrently, FinCEN issued proposed guidance regarding SAR sharing with affiliates.

The proposed guidance would permit certain affiliates of depository institutions as well as broker-dealers in securities, mutual funds, futures commission merchants, and introducing brokers in commodities to share SARs with an affiliate, provided that the affiliate is subject to a SAR regulation issued by FinCEN or the Federal Banking Agencies. This would help financial institutions better facilitate compliance with

the applicable requirements of the BSA and more effectively implement enterprise-wide risk management.

The proposed guidance would stress the importance of SAR confidentiality and would pave the way for responsible sharing of SARs within institutions' corporate structures. Under the proposed guidance, a financial institution that has filed a SAR would be able to share that SAR, or any information that would reveal the existence of the SAR, with certain affiliates. Although the proposed guidance is limited to SAR sharing among domestic affiliates, FinCEN continues to work with its international counterpart financial intelligence units to address the more complex issues involved with sharing similar information across borders.

Proposal to Better Organize BSA Regulations

In November 2008, FinCEN published an NPRM to move BSA regulations to a new chapter in the Code of Federal Regulations

Outcome Goal 1 continued...

(CFR) as part of its efforts to make the administration of the BSA more efficient and effective. Moving the BSA regulations to a new chapter and organizing the chapter by financial industry would create a user-friendly way to find regulations. This organization within the new chapter would also allow for the renumbering of the regulations in a manner that would make finding regulatory requirements easier than under the numbering system used in the existing regulations.

FinCEN's regulations are currently included in the CFR as Part 103 in Chapter I under "Title 31, Money and Finance: Treasury." FinCEN proposed to reorganize and renumber its regulations into a new tenth chapter of Title 31 that would appear as "Title 31 Chapter X – Financial Crimes Enforcement Network." Making the regulatory obligations clearer in structure and more readily accessible is designed to facilitate compliance and thereby advance the purposes of the BSA.

Proposal to Streamline Mutual Fund BSA Requirements

In June 2009, FinCEN issued an NPRM that would require mutual funds to file currency transaction reports (CTRs). The proposed rule would replace a mutual fund's requirement to file IRS/FinCEN Form 8300 with a requirement to file a CTR. Both forms document a transaction in currency above \$10,000, but differ in some technical aspects.

If adopted, this proposal will bring the mutual fund industry into greater conformity with the rest of the financial industry, which currently files CTRs. The proposal would also free mutual funds from having to report applicable transactions involving certain negotiable instruments. Moving to the CTR filing requirement would reduce paperwork for mutual funds and help FinCEN more directly identify suspicious activity involving money laundering and fraud.

To make the change, FinCEN is proposing to include mutual funds within the general definition of "financial institution" in rules implementing the BSA. This would subject mutual funds to the scope of rules that require the filing of CTRs and the creation, retention, and transmittal of records or information on transmittals of funds and other specified transactions. This change would streamline their reporting requirements, and make the information they provide more quickly available and more consistently formatted for use by law enforcement investigators.

Proposal to Extend BSA Regulations to Non-Bank Residential Mortgage Lenders and Originators

Furthering its efforts to combat fraud and protect the integrity of the global financial system, FinCEN issued an Advance Notice of Proposed Rulemaking (ANPRM) in July 2009 to solicit public comment on the possible application of

Outcome Goal 1 continued...

anti-money laundering programs and SAR regulations to non-bank residential mortgage lenders and originators.

SAR analysis conducted for FinCEN's latest mortgage fraud reports showed that non-bank mortgage lenders and originators initiated many of the mortgages that were associated with SAR filings. In addition, although its focus is limited to gathering information relevant to the possible AML responsibilities of this industry sector, this ANPRM complements ongoing regulatory reform and consumer protection initiatives, as regulators and consumer protection agencies also benefit from the data provided by SARs.

Support to the FATF and G-20

Throughout the year, FinCEN staff contributed to the work of the Financial Action Task Force (FATF). The FATF is an inter-governmental policymaking body whose purpose is to establish international standards, and to develop and promote policies, both at national and international levels, to combat money laundering and

the financing of terrorism. FinCEN staff participated in the triennial FATF Plenary and Working Group meetings. Further, FinCEN contributed to discussions, among others, on cost effective analysis and risk-based approaches to anti-money laundering and counter-terrorism financing in the money services business and insurance industries. In addition, FinCEN is participating in preparations for FATF's next round of mutual evaluations and discussions of proliferation finance, cover payments, and typology information.

FinCEN also contributed to the Department of the Treasury's participation in the meetings of the Group of Twenty (G-20), the primary forum for promoting discussion between industrial and key emerging-market countries on issues related to global economic stability. The G-20 leaders have noted the need to promote greater sharing of anti-money laundering and counter-terrorism financing information across jurisdictions. Promoting market integrity is an integral part of broader G-20 efforts to achieve financial stability and economic growth.

International Coalition to Address Security Threats

"Because financial measures are most effective when imposed as part of a broad-based effort with the support of the largest possible international coalition, we are working closely with our allies...."

Stuart A. Levey

Treasury Under Secretary for Terrorism and Financial Intelligence

Written Testimony on Minimizing Potential Threats from Iran

Before the Senate Committee on Banking, Housing, and Urban Affairs

October 6, 2009

Fiscal Year 2009 Accomplishments and Performance Measures

Outcome Goal 1 continued...

Performance Measures for Outcome Goal 1: Financial systems resistant to abuse by money launderers, terrorists and their financial supporters, and other perpetrators of financial crime

Performance Measure	FY 2008	FY 2009 Target	FY 2009 Q4 Actual
Percentage of federal and state regulatory agencies with memoranda of understanding/ information sharing agreements	41%	45%	43%
Percentage of private industry or financial institution customers finding FinCEN's SAR Activity Review products highly valuable	75%	76%	73%
Percentage of Regulatory Resource Center customers rating the guidance received as understandable	94%	At least 90%	94%
Average time to process enforcement matters (years)	0.7	1.0	1.0
Percentage of FinCEN's compliance MOU holders finding FinCEN's information exchange valuable to improve the BSA consistency and compliance of the financial system	64%	66%	82%
Percentage of bank examinations conducted by the Federal Banking Agencies indicating a systemic failure of the anti-money laundering program rule (performance indicator) ¹¹	2.5%	5.2%	2.1%

11. Figures are based on data reported to FinCEN by Federal banking regulators under terms of their MOUs with FinCEN. The regulators have 45 days to submit their data to FinCEN after the end of the quarter. Because performance measures data are calculated within 30 days after the end of a quarter, figures shown for fiscal year 2008 and 2009 are calculated from the previous quarter's reports. Due to this lag in data, the year-end figure is based on the three fiscal year 2009 quarters available at the fiscal year-end.

Outcome Goal 2: Detection and deterrence of money laundering, terrorism financing, and other illicit activity.

FinCEN supports domestic law enforcement agencies and other authorities seeking to counter criminal abuse of the financial system by providing research, analytical reports, and assistance with investigations and law enforcement initiatives. FinCEN is uniquely positioned to provide such support based on its expertise in financial crimes and financial systems; analysis of BSA information and other financial transaction data; and networking of law enforcement, regulatory, and financial industry partners.

In addition to focusing on money laundering and terrorism financing, FinCEN consistently works to combat other financial crimes. In fiscal year 2009, FinCEN's accomplishments in detecting and deterring illicit activity strongly supported cooperative government efforts to combat fraudulent mortgage loan modification and foreclosure rescue scams and to deter and detect fraud in other Federal financial stability initiatives. While often viewed as separate criminal enterprises, acts of money laundering and acts of fraud are interconnected as criminals attempt to integrate financial gains from fraudulent activity into the financial system.

Because criminals do not respect national borders, FinCEN works closely with other countries to detect and deter crime. In fiscal year 2009, FinCEN completed a

record number of research requests from other FIUs, solicited information from other nations' FIUs related to crimes being investigated in the United States, and enhanced its partnerships with strategic international counterparts.

Home Loan Modification and Foreclosure "Rescue" Scams

In the wake of the nation's subprime lending crisis and economic challenges, many homeowners have encountered significant difficulty in making their mortgage payments. There has also been an increase in fraudulent loan modification and foreclosure "rescue" schemes that attempt to take advantage of homeowners in desperate situations. Under the pretense of helping homeowners modify their mortgage obligations, these schemes cause homeowners to lose money, equity, and often the home itself.

On April 6, 2009, Treasury Secretary Timothy F. Geithner announced a new coordinated and proactive effort, led at Treasury by FinCEN, to combat fraudulent loan modification schemes and coordinate ongoing efforts across a range of Federal and State agencies to investigate fraud and assist with enforcement and prosecutions. He was joined in this announcement by the U.S. Attorney General, the Secretary

Outcome Goal 2 continued...

of Housing and Urban Development (HUD), the Chairman of the Federal Trade Commission (FTC), and the Illinois Attorney General.

That same day, FinCEN issued an [advisory](#)¹² to help financial institutions spot questionable loan modification schemes and report them to law enforcement. The advisory provides “red flags” for financial institutions that may

indicate a loan modification or foreclosure rescue scam and warrant the filing of a SAR. A key request in the advisory is that financial institutions include the term “foreclosure rescue scam” in the narrative sections of all relevant SARs. Including this term enables law enforcement to more easily search for and identify fraudulent activity when reviewing SAR information, which assists in focusing investigative resources.

Support for Foreclosure Rescue and Loan Modification Scam Efforts

“I believe that, if implemented appropriately, the FinCEN-led Foreclosure Rescue Scam & Loan Modification effort will help both law enforcement combat fraud and consumers avoid scams. I appreciate the Obama Administration’s efforts, and I urge every law enforcement agency, including the Department of Justice, to coordinate with FinCEN as we attempt to safeguard our financial system from fraud and prosecute those who break the law.”

Senator Christopher Dodd
Chair, Senate Committee on Banking, Housing, and Urban Affairs
Senate Floor Debate
April 22, 2009

Working with the law enforcement and regulatory communities, FinCEN utilized information provided by the financial industry and other information supplied by participating agencies to identify possible loan modification fraud suspects for civil and criminal investigations, and to

help law enforcement agencies coordinate their efforts to bring wrongdoers to justice. This initiative also aims to ensure that the resources of multiple investigative and prosecutorial agencies are focused in the most efficient way.

12. http://www.fincen.gov/statutes_regs/guidance/html/fin-2009-a001.html

Outcome Goal 2 continued...

From the inception of the initiative in April through the end of the fiscal year, FinCEN opened 88 loan modification and foreclosure rescue scam cases with approximately 500 suspects. Fifty-eight of these cases, involving hundreds of suspects and more than a thousand BSA reports, were referred to law enforcement investigators. Specific FinCEN activities included the following:

- Proactively identified potential perpetrators named in approximately 500 SARs, developed targeting packages, and made referrals to law enforcement for investigation and prosecution. Conducted a strategic study of the same 500 SARs to identify trends and patterns.
- Identified and studied patterns in the nearly 200 SARs that have been filed after issuance of the April 6 advisory that contained “foreclosure rescue” in the narrative section as requested in the advisory.
- Provided case support to FTC, HUD-OIG, State prosecutors, and other agencies on their loan modification investigations.
- Identified and referred SARs associated with TARP’s Home Affordable Modification Program to the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP).

- Undertook outreach initiatives with traditional FinCEN partners and worked to establish new relationships to build an internal database of both suspects and perpetrators. This database enables FinCEN to serve as a networking and de-confliction center, to provide direct case support, and to retrieve perpetrator information for a consolidated list to be shared with participating agencies.

At a follow-up meeting on September 17, 2009, Secretary Geithner hosted Attorney General Eric Holder, HUD Secretary Shaun Donovan, FTC Chairman Jon Leibowitz, FinCEN Director James H. Freis, Jr., and Attorneys General from 12 states to discuss emerging trends and proactive strategies to combat fraud against consumers in the housing markets, as well as best practices to bolster coordination across State and Federal agencies. During the meeting, the FTC announced two new law enforcement actions in a continuing crackdown on mortgage foreclosure rescue and loan modification scams, bringing to 22 the number of these cases the Commission has filed since the housing crisis began. The FTC also announced developments in similar pending mortgage-related actions, several of them involving coordinated case work with FinCEN.

Federal, State Partners Announce Multi-Agency Crackdown Targeting Foreclosure Rescue Scams, Loan Modification Fraud - April 6, 2009

“The Administration’s Making Home Affordable program is a critical piece of our efforts to stabilize the financial system and ensure that it works with our efforts to grow the economy. American homeowners desperately need the relief this program offers, but the very last thing they need is to be taken advantage of as they try to hold on to their homes. This Administration is deeply committed not just to providing at-risk homeowners with assistance but also to cracking down on anyone who seeks to defraud them.” – Timothy F. Geithner, Secretary of the Treasury

“For millions of Americans, the dream of home ownership has become a nightmare because of the unscrupulous actions of individuals and companies who exploit the misfortune of others. The Department of Justice’s message is simple: if you discriminate against borrowers or prey on vulnerable homeowners with fraudulent mortgage schemes, we will find you, and we will punish you.” – Eric Holder, Attorney General of the United States

“We’re enforcing the law against these scam artists who are deceiving consumers while they’re down; we’re putting others on notice that unless they change their ways, they’re next; and we’re working with other government agencies, non-profits, and mortgage servicers to reach out to our neighbors in distress with the details of how and where to get help.” – Jon Leibowitz, Chairman of the Federal Trade Commission

“We have families on the edge of foreclosure that are being offered things that are too good to be true, and we will take every measure we can to educate and protect consumers and homeowners, bring these scams to light, and work to prevent con artists from exploiting the housing crisis.” – Shaun Donovan, Secretary of the U.S. Department of Housing and Urban Development

“By combining our powers, state and federal authorities are sending a clear message to these mortgage rescue scammers: It is not a question of if we’ll come after you; it is only a question of when.” – Lisa Madigan, Illinois Attorney General

Analyses of Mortgage Fraud Issues

FinCEN's first published study noting the emergence of mortgage fraud was in 2003.¹³ Since late 2006, FinCEN has published four analytical reports for regulators and law enforcement, and to better inform the financial industry about the risks of mortgage loan fraud. The third and fourth of these reports were issued in fiscal year 2009.

In February 2009, FinCEN released an updated mortgage fraud analysis showing that SARs filed on suspected mortgage fraud increased 44 percent in the 12 months ending in June 2008 compared with the prior year. The report, *Filing Trends in Mortgage Loan Fraud*¹⁴, indicated that the continued rate of growth in mortgage fraud SAR filings underscores the increased vigilance and awareness of financial institutions, particularly as they continue to try to mitigate possible credit losses. One of the trends FinCEN identified in this analysis was the increase in mortgage fraud detection in connection with mortgage purchasers sending home loans back to originators for repurchase.

In March 2009, FinCEN released an additional mortgage loan fraud study, *Mortgage Loan Fraud Connections with Other Financial Crime*.¹⁵ This was FinCEN's

first study of the interrelationships of possible illicit actors across different financial sectors. The report shows that subjects reported for suspected mortgage loan fraud may also be involved in other financial crimes such as check fraud, money laundering, stock manipulation, structuring to avoid currency transaction reporting requirements, and others. The study was based on approximately 156,000 mortgage fraud subjects identified in SARs filed by depository institutions. FinCEN found that 2,360 of these individuals were also named as subjects in 3,680 SARs filed by money services businesses, securities and futures firms, insurance companies, and casinos.

Support for FBI Mortgage Fraud Initiative

Based on their experience in mortgage fraud-related issues, FinCEN analysts this year continued to work with the FBI on a major initiative involving investigations of a variety of mortgage fraud activities and suspects. FinCEN aims to help the FBI target its resources on the most significant fraudulent operations and to leverage analytical techniques and expertise across its field offices. FinCEN staff supported the initiative through analyses based on BSA data, particularly SAR reports, and knowledge of the potential types of criminal activity and possible participants in mortgage fraud.

13. *The SAR Activity Review, Trends, Tips and Issues* (Issue 6), http://www.fincen.gov/news_room/rp/files/sar_tti_06.pdf

14. http://www.fincen.gov/news_room/nr/pdf/20090225a.pdf

15. http://www.fincen.gov/news_room/rp/files/mortgage_fraud.pdf

Partnering with Other Agencies to Fight Mortgage Fraud

“As is true across our criminal programs, our partnerships with other federal, state and local law enforcement agencies greatly enhance our effectiveness. Building upon our successful task force model, we have established Mortgage Fraud Task Forces across the country. These task forces are concentrated in areas at high risk for mortgage fraud. Partners vary across the country, but typically include Housing and Urban Development Office of Inspector General (HUD-OIG), the U.S. Postal Inspection Service (USPIS), the Internal Revenue Service (IRS), the Financial Crimes Enforcement Network (FinCEN), the Federal Deposit Insurance Corporation, and State and local law enforcement agencies. This multi-agency approach means additional resources for identifying perpetrators of fraud and additional prosecutive options for bringing them to justice. The option of pursuing federal or state charges is particularly beneficial in high-volume markets.”

Robert Mueller

Director, Federal Bureau of Investigation

Testimony before the Senate Judiciary Committee

September 16, 2009

Detecting and Deterring Fraud in Troubled Asset Relief Program

In March 2009, FinCEN became a member of a new multi-agency task force set up by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), in coordination with the Special Inspector General for the Board of Governors of the Federal Reserve System (FRB-OIG). This task force, which consists of both civil and criminal law enforcement agencies, is working proactively to stay ahead of criminal efforts to exploit efforts to stabilize the U.S. financial system.

The task force seeks to deter, detect, and investigate instances of fraud in

the Term Asset-Backed Securities Loan Facility (TALF) program and the Public-Private Investment Program (PPIP). Both programs are part of TARP.

FinCEN committed its unique authorities and capabilities to this task force to ensure that the financial industry remains vigilant and provides law enforcement with the lead information they need to aggressively root out fraud while promoting legitimate economic activity. Other TALF/PPIP Task Force members include the FBI, U.S. Immigration and Customs Enforcement (ICE), the Internal Revenue Service, Criminal Investigation (IRS-CI), the Securities and Exchange Commission (SEC), and the U.S. Postal Inspection Service (USPIS).

Progress against Mortgage Loan Fraud and Loan Modification Fraud

On September 17, 2009, three Cabinet Secretaries, the Chairman of the Federal Trade Commission, the Director of FinCEN, and 12 State Attorneys General held an unprecedented meeting at the Department of the Treasury to discuss mortgage loan and loan modification fraud. Attending Cabinet officials were Treasury Secretary Timothy Geithner, HUD Secretary Shaun Donovan, and U.S. Attorney General Eric Holder. The following facts and figures were cited at that meeting:

- *As of July 31, the FBI had more than 2,600 pending mortgage fraud cases under investigation around the country, up from approximately 1,600 such investigations in 2008. – Attorney General Eric Holder*
- *In 2009, the FTC brought more than two dozen cases against more than 100 defendants for foreclosure rescue scams and stimulus scams. – FTC Chairman Jon Leibowitz*
- *The State of Illinois has filed 28 loan modification cases impacting 2,300 homeowners. Millions of dollars have been recovered, and the State has 250 ongoing investigations. It has received over 15,000 calls to a homeowners help line put in place August of 2008. – Illinois Attorney General Lisa Madigan*
- *The State of Maryland recently prosecuted 23 loan modification fraud cases and has “hundreds more” in the pipeline. – Maryland Attorney General Douglas Gansler*
- *20 states have enacted legislation that prohibits charging advance fees for loan modification services, and the FTC is considering a national measure. – Several speakers, including FTC Chairman Leibowitz*

On November 17, 2009, President Obama created an interagency Financial Fraud Enforcement Task Force by Executive Order, naming FinCEN among the participants. Secretary of the Treasury Timothy Geithner issued the following statement prepared for delivery at a news conference announcing the Task Force:

“In April we announced an inter-agency approach to combat loan modification fraud by moving early and preemptively in a coordinated manner.

Since then, Treasury’s Financial Crimes Enforcement Network has pursued more than 100 cases, partnering with 31 state attorneys general who are aggressively cracking down on mortgage fraud and are shutting down suspect companies.

State Attorney Generals are shutting down the operations, in part because of our efforts to increase coordination among federal and state agencies.”

Outcome Goal 2 continued...

Support for Law Enforcement Investigations and Prosecutions

In addition to supporting investigations of mortgage loan fraud and loan modification fraud, FinCEN provided analytical support for a wide range of other cases being investigated by Federal, State, and local law enforcement agencies and other authorities. FinCEN analysts also supported U.S. Attorneys' Offices prosecuting a number of cases.

SAR Review Teams

FinCEN is a member of the National SAR Review Team (NAT SAR), organized by the Asset Forfeiture and Money Laundering Section of the Department of Justice to identify significant targets with an international or multi-jurisdictional nexus through a systematic review of SARs. Using various analytical tools and law enforcement databases, FinCEN's NAT SAR support team reviews a broad range of SAR filings and compares them with other BSA data to identify large networks that would otherwise go undetected. FinCEN's analyses in support of NAT SAR have focused on a broad range of SAR classifications, including SARs filed by casinos and by the securities and futures industries. Based on these analyses, FinCEN has submitted multiple cases to the NAT SAR for further investigative consideration. FinCEN also reviews the SAR filings from a strategic perspective to identify emerging patterns and trends that will allow FinCEN to develop intelligence reports or advisories.

FinCEN staff also continued to work closely with the Northern Virginia SAR Review Team. Staff members participated in the monthly review of SARs filed in the ZIP codes within the team's jurisdiction and provided technical assistance on BSA information. During the year, the team presented a case study at FinCEN that described investigative approaches and prosecutorial issues related to a money laundering case identified through a SAR.

FinCEN continues to work with the Department of Justice, Internal Revenue Service – Criminal Investigation, and other law enforcement agencies to promote better and more consistent utilization of SARs in initiating and supplementing investigations and prosecutions of criminal activity through review teams and task forces across the country.

HIFCA Support

FinCEN's six High Intensity Financial Crime Area (HIFCA) liaisons continued to work closely with Federal, State, and local law enforcement in their geographic regions. HIFCA liaisons are located in New York City, Los Angeles, San Francisco, Chicago, the Southwest border, and Puerto Rico. These FinCEN staff supported investigations and law enforcement initiatives in their areas by providing analytical support based on BSA data. They worked with the SAR review teams in their locations, regularly reviewed SARs, and made presentations to law enforcement on the use of SARs and other BSA data.

Two Large Virginia Investigations Supported by FinCEN Make Headlines

Two ongoing, large-scale Virginia cases supported by FinCEN made headlines in fiscal year 2009. FinCEN analysts analyzed BSA data for the investigations and provided database support for the massive amount of information involved. The following information is based on press releases issued by the [United States Attorney's Office, Eastern District of Virginia](#) on July 17, September 10, and September 18, 2009, and by the [Fairfax County Police Department](#) on September 24, 2009:

Visa Fraud: In July and September 2009, the United States Attorney's Office, Eastern District of Virginia, announced that two leaders of a wide-spread visa fraud conspiracy in Hampton Roads, Virginia, were each sentenced to more than 6 years in prison. The two were instrumental in fraudulently obtaining more than 3,800 foreign labor visas, defrauding the government of millions of dollars in payroll taxes, charging visa recipients fees, and causing them to live in dirty, overcrowded stash houses. Twenty-three people have been convicted in this scheme. Both leaders pleaded guilty to committing visa fraud, tax fraud, and money laundering. An immigration attorney involved in the scheme has also pled guilty to conspiracy involving visa fraud and inducing aliens to come to the United States illegally.

A dedicated task force aimed at dismantling this criminal organization was set up in August 2007. FinCEN was a member of the task force, along with Immigration and Customs Enforcement (ICE); the Internal Revenue Service; the U.S. State Department's Bureau of Diplomatic Security; the U.S. Department of Labor; the U.S. Postal Inspection Service; the FBI's Norfolk Field Office; the Naval Criminal Investigative Service; and the Virginia Beach Police Department.

Mortgage Fraud: The Fairfax County Police Department, in conjunction with the FBI, announced on September 24 that it had arrested 20 suspects in an elaborate mortgage fraud operation. Detectives and agents had been investigating the activity since November 2007. The arrests, which marked the end of the first phase of the investigation, related to 35 houses valued at \$20 million. Over 200 properties may be involved, and the estimated real estate value of the remaining homes is over \$100 million.

Several of those arrested had allegedly acted in the capacity of real estate agents, mortgage brokers, and subcontractors. Suspects allegedly approached "straw buyers" with annual incomes of less than \$25,000, compensated them for the use of their personal information, and used numerous bank accounts to "float" money into the straw buyers' accounts so they could qualify for loans over \$600,000. Purchased houses were torn down and rebuilt into mansions sold to a second "straw buyer" for twice the original amount. Meanwhile, the large new homes were used as boarding houses.

Fairfax County Police publicly thanked the Washington Field Office of the FBI, the United States Attorney's Office, the Fairfax County Code Enforcement Strike Team, Fairfax County Sheriff's Office, Virginia Department of Taxation, Fairfax County Commonwealth Attorney's Office, ICE, the United States Postal Service, and FinCEN for participating in the investigation.

Outcome Goal 2 continued...

Working Groups and Task Forces with Domestic Law Enforcement and Regulators

During the year, FinCEN actively supported a number of anti-fraud task forces made up of domestic law enforcement agencies and regulators. Examples of these include the:

- **Bank Fraud Working Group:** This national, interagency working group led by the U.S. Department of Justice promotes enhanced communication between the Federal law enforcement and financial institution regulatory communities. The group seeks to improve coordination between law enforcement agencies and regulators in the investigation and prosecution of financial institution fraud.
- **Mortgage Fraud Working Group:** This subgroup of the Bank Fraud Working Group acts as a coordinating body that explores important issues regarding mortgage and subprime lending fraud. Recent issues have included foreclosure rescue scams and identification of large-scale industry insiders and criminal enterprises conducting systemic mortgage fraud.
- **Payments Fraud Working Group:** Made up of regulators and law enforcement agencies, this group seeks to detect and/or mitigate retail payments risk issues.

Sample Feedback from Officials Receiving FinCEN Law Enforcement Case Support

“The work was excellent and accurate. I find it very useful to investigators. I would love to have you guys with us!” Received 3/6/2009

“Great job. Due to the chart provided by FinCEN, our intelligence people were able to use that as a solid starting point and have now been able to expand the number of potential subjects that used a straw man to purchase 77 properties totaling over 20 million dollars. . . . Wanted to let you know that the chart you made for me is part of the basis for a CCE charge (continuing criminal enterprise count) for one of the targets. Also, we were able to add all the properties (from the companies you found) into the indictment and there are currently ten lis pendens in place against these parcels of real estate valued at about 7-8 million. You guys are the best.” Received 4/16/2009

“I want to congratulate you for an excellent job. The report, visuals, and spreadsheet you sent me were what I was expecting and more. The response time was perfect; and I know you have a lot of work with the Mortgage Fraud initiative.” Received 6/16/2009

“Very thorough analysis. I am impressed.” Received 7/1/2009

Outcome Goal 2 continued...

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 communicate with over 45,000 points of contact at more than 20,000 financial institutions to locate accounts and transactions of persons and entities that may be involved in terrorism or significant money laundering activities. The accompanying box shows numbers, types, and results of 314(a) requests processed since the program began in 2002.

FinCEN receives requests from Federal law enforcement and upon review and approval, posts the case information on the 314(a) Secure Information Sharing System and notifies the financial institutions that the new information has been posted. The requests contain subject and business names, addresses, and as much identifying data as possible to assist the financial institutions in searching their records. The financial institutions must 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 report any positive matches to FinCEN.

314(a) Program Data

November 1, 2002 - October 28, 2009

Total requests for information - 1,061

Number of Federal law enforcement agencies submitting requests - 24

Types of requests:

- Terrorism/terrorist financing - 320
- Money laundering - 741

Number of subjects of interest identified in requests - 10,157

Total subject matches received from financial institutions - 67,476
(66,438 positive and 1,038 inconclusive)

Outcome Goal 2 continued...

FinCEN also continues to broaden its efforts to share sensitive information with financial institutions, both to help them better understand and mitigate risk and vulnerabilities and with respect to specific cases.

Law Enforcement Reference Manuals

To help investigators expand their knowledge of new technologies and payment systems, as well as ways to use BSA data in investigations, FinCEN publishes reference manuals available only to law enforcement agencies. Each comprehensive manual in this series provides an overview of specific financial and payment transaction processes, the corresponding transaction records, ways to work productively with the financial services industry on investigations, and common methods used to decipher records, conduct analysis, and extrapolate data. The manuals are developed in close consultation with financial industry service providers and various law enforcement agencies. FinCEN disseminates these manuals throughout the law enforcement community, and they are posted on secure online sites for widespread access by law enforcement.

In 2009, FinCEN worked closely with a major money services business to generate an extensive reference manual describing that company's operations and transaction record processes. FinCEN also published another comprehensive reference manual that addresses the many

uses of BSA data in law enforcement investigations. The manual offers multiple sample methods and techniques for effectively researching, summarizing, and analyzing BSA data.

FinCEN Networking Bulletin

In fiscal year 2009, FinCEN launched the *FinCEN Networking Bulletin* (formerly called the Green Paper), a new information periodical for law enforcement. *Networking Bulletins* are succinct overviews of cutting edge developments in financial mechanisms and related services. Additionally, the series provides perspectives on existing financial mechanisms that may be of interest to investigative officials. Each issue is designed to quickly enhance law enforcement community awareness of the challenges and vulnerabilities posed by emerging technologies and mainstream financial systems. The *Networking Bulletins* describe how financial services and products operate, what information is generated by transactions and where it can be collected and retrieved, ways to contact organizations and obtain data, related activities reported in BSA data, and potential challenges. Two issues were published in fiscal year 2009.

Training Programs for U.S. Law Enforcement

FinCEN also provides extensive subject matter training sessions and modules for law enforcement. Based upon growing customer demand, 20 sessions were

Outcome Goal 2 continued...

presented to Federal, State, and local agencies during the year. The training consisted of extensive instruction for investigative officials on bank and centralized system funds transfers, negotiable instruments, Internet payment systems, and MSB money transfers. Each comprehensive session also included training modules geared toward enhancing officials' ability to conduct financial investigations by enabling them to better understand key financial and payment systems, trace financial trails, and conduct document analysis.

The training often entailed customized blocks of instruction tailored to support the needs of various law enforcement audiences for various venues. This included law enforcement academy training, various money laundering conferences, and in-service agency training.

FinCEN has two representatives at the Federal Law Enforcement Training Center, the consolidated training center for Federal, State, and local law enforcement agents, where many receive their first insights into financial investigations and utilization of BSA data. Also, FinCEN's HIFCA representatives (see page 31) provide ongoing training and support. Additionally, training is a component of the services FinCEN provides when implementing a memorandum of understanding for new law enforcement users to access BSA data.

In fiscal year 2009, FinCEN launched a new training support initiative called

the Reference Material Training Support Network that expands its ability to help meet law enforcement needs for training on financial mechanisms. Through this initiative, FinCEN provides a variety of training support services, such as helping to plan and organize blocks of instruction and providing copies of reference materials and detailed training guides to training coordinators. To date, FinCEN has established partnerships to provide such support to over a dozen law enforcement agencies that maintain 27 active law enforcement training courses and/or conference series.

Mexico and Southwest Border Issues

In fiscal year 2009, the U.S. Government made renewed commitments to disrupt arms smuggling and money laundering across the U.S.-Mexico border, target narcotics cartels, and combat other cross-border crime. Through prior cooperative efforts with domestic law enforcement agencies along the Southwest border and ongoing partnerships with Mexican authorities, FinCEN has developed expertise concerning patterns of criminal activity and money flows in this area. Ways that FinCEN applied this expertise during the year included:

- Organizing an information-sharing seminar for key financial institutions on the subject of illicit activity on the Southwest border. The seminar was coordinated with Federal law enforcement and other Federal agencies.

Outcome Goal 2 continued...

- Issuing a Financial Intelligence Advisory for law enforcement agencies on recent shifts in U.S. dollar repatriation from Mexico. This advisory updated a FinCEN study on Mexican currency repatriation published in December 2007.
- Conducting a number of joint projects with the Mexican FIU to identify potential crime vulnerabilities and investigative targets.

Tactical Information Exchanges with Financial Intelligence Units

As part of its information-sharing with Egmont Group members, FinCEN responds to requests for research from counterpart financial intelligence units (FIUs) in other jurisdictions around the world. These requests have increased every year since 2000. In fiscal year 2009, FinCEN received 1,141 requests from 89 FIUs, an 11 percent increase over the 1,024 requests received from 90 FIUs in fiscal year 2008. The increase is a testament to greater international information-sharing to combat money laundering, terrorism financing, and other financial crimes. FinCEN completed 1,027 research requests for 84 FIUs in fiscal year 2009, compared with 1,013 completed for 87 FIUs in fiscal year 2008. A large part of this increase can be attributed to FinCEN's proactive efforts to reach out to and better inform law enforcement agencies about how FinCEN can support them in investigations and prosecutions.

Additionally, FinCEN has increased its dissemination to FIU counterparts of information that might be relevant for law enforcement in their jurisdictions.

As the nation's FIU, FinCEN serves as the point of contact for domestic law enforcement and regulatory agencies seeking information from other FIUs. FinCEN received 261 such requests from domestic law enforcement and regulatory agencies in fiscal year 2009 and referred them to 86 different FIUs. Because some requests involved multiple countries, the 261 requests resulted in a total of 491 referrals to FIUs. These figures represent a 27 percent increase over the 205 requests from domestic law enforcement and regulatory authorities sent to 78 FIUs in 387 separate referrals in fiscal year 2008.

In fiscal year 2009, FinCEN signed memoranda of understanding for information exchanges with FIUs in the following countries: Bermuda, Moldova, Montenegro, Serbia, South Africa, and Ukraine.

Analyses of International Issues

During the year, FinCEN expanded its efforts in the area of strategic and issue analysis on international topics, with a particular emphasis on joint work with other FIUs. FinCEN worked with a number of FIUs and other entities on issues such as fraud, tax evasion, and corruption. Activities of note in fiscal year 2009 included:

Outcome Goal 2 continued...

- **Analysis of BSA Data.** FinCEN expanded its efforts in monitoring BSA data and other currency flow data to identify trends and patterns involving foreign countries.
 - **Report on Bond Swaps.** FinCEN issued a report for law enforcement agencies explaining a complex money laundering method involving foreign bond swaps.
 - **Financial Coalition Against Child Pornography.** FinCEN participates in this coalition with other U.S. Government and industry representatives. The group's purpose is to increase the risks and decrease the profitability associated with child pornography disseminated through the Internet.
 - **International Mass Marketing Fraud.** In support of the DOJ-led, multilateral Mass Marketing Fraud Working Group, FinCEN researched BSA data to identify the extent of SAR reporting relating to mass marketing fraud. FinCEN and other participating members of the group are preparing an international threat assessment for law enforcement on this topic.
- operating in multiple jurisdictions face when seeking to implement enterprise-wide anti-money laundering and counter-terrorist financing (AML/CFT) policies. An enterprise-wide approach is consistent with the way many financial institutions manage other types of risk and allows a financial institution to avoid duplication, lower costs, and better allocate resources to the greatest AML/CFT risks.
- Multi-jurisdictional institutions are required to comply with the laws and rules that exist in each individual jurisdiction to protect sensitive information. Some of these rules may relate to data protection or privacy; other rules may relate to maintaining the confidentiality of Suspicious Transaction Reports (STRs), the term many countries use to describe the equivalent of U.S. SARs. These protections may impede a financial institution's ability to share certain information across borders on an enterprise-wide basis when such information flow might otherwise enable the institution to protect itself better from money laundering or terrorist financing threats. For this reason, it is important to find an appropriate balance where competing policy interests might overlap.

Egmont Group Suspicious Transaction Report Sharing Initiative

During fiscal year 2009, FinCEN helped to raise awareness at the Egmont Group and the Financial Action Task Force (FATF) of hindrances that financial institutions

At its May 2008 plenary meeting, the Egmont Group agreed to examine the issue of limitations on global financial institutions' ability to operate AML/CFT programs on an enterprise-wide basis due to legal limitations on sharing STRs and related information. The plenary decided to circulate a questionnaire to all

Outcome Goal 2 continued...

Egmont FIUs to gather further information about the laws and policies in member jurisdictions. FinCEN administered the survey for the Egmont Group. The results were discussed at the May 2009 Egmont Group plenary, which resolved that further review was necessary in light of the range of approaches across jurisdictions.

A subgroup of Egmont FIUs was established to discuss the findings of the survey and the various approaches taken to STR sharing in order to identify the key operational issues and impacts. The subgroup will distill the key issues to provide a unique FIU perspective on the operational aspects involved with associated risks to the AML/CFT systems in each jurisdiction. The subgroup also will explore avenues for bringing these issues to the attention of the Egmont Group membership and wider AML/CFT audience. FinCEN intends to play an active role in this subgroup over the coming years.

International Visits and Engagements

Under the auspices of the Egmont Group, FinCEN continued to play a leadership role in reaching out to other FIUs to further collaboration at an operational level. For example, during fiscal year 2009, FinCEN hosted delegations from the FIUs of Armenia, Moldova, the Philippines, South Africa, and Turkey for week-long visits to discuss issues of mutual interest.

FinCEN also hosted shorter visits from delegations from foreign FIUs and law enforcement agencies, among others. During the year, 38 international delegations visited FinCEN. Many of these visits occurred as part of the Department of State's International Visitor Leadership Program.

Assessments

FIUs seeking membership in the Egmont Group must first be assessed by sponsoring member FIUs in order to ensure that their AML/CFT regimes and operational programs meet established criteria. FinCEN plays a key role in the assessments of the FIUs it co-sponsors for Egmont Group membership. FinCEN also participates in technical assistance needs assessments and FATF and FATF-style regional body (FSRB) mutual evaluations of member states. During fiscal year 2009, FinCEN:

- Conducted an FIU assessment of Saudi Arabia, which joined the Egmont Group in May 2009 under U.S. co-sponsorship;
- Participated in FATF and FSRB mutual evaluations of Ghana, Bosnia, and Guatemala; and
- Participated in a U.S. Government technical needs assessment of a foreign jurisdiction.

Egmont Technology Enhancements

FinCEN developed and maintains the Egmont Secure Web (ESW) to facilitate communication and information sharing among Egmont Group member FIUs. In fiscal year 2009, FinCEN upgraded the ESW by adding Internet-based social networking communities for FIUs from all over the world. The new capabilities are part of a “Collaboration and Communities Portal” program.

This program features state-of-the-art Web 2.0 Technologies that enable Egmont members to use secure communities for collaboration on sensitive special projects, as well as to improve how each of the five Egmont working groups (see page 65) manages and shares documents. For example, if the FIU from the United Kingdom is working on a sensitive project that requires the participation of the FIUs from the Netherlands and Germany, the initiating FIU can set up a secure community that will be accessible only by its invited members. No other FIU will be able to access the community without the host’s permission. A pilot program with the new capabilities was provided to Egmont’s IT and Operational Working Groups in October 2008, and the production system was deployed at the Egmont Group Plenary in 2009.

During the year, FinCEN also developed an electronic system for the 2009 biennial census of Egmont Group members. The census provides an overall picture of the Egmont Group by gathering detailed information about the size, structure, and operations of its member FIUs.

International Narcotics Control Strategy Report

The International Narcotics Control Strategy Report (INCSR) is an annual report by the Department of State to Congress prepared in accordance with the Foreign Assistance Act. The report describes the efforts of key countries to attack all aspects of the international drug trade and money laundering. In the past year, FinCEN was a major contributor to the development of summary reports on 95 countries. These summaries appear in Volume II of the fiscal year 2009 INCSR, which covers money laundering and financial crimes issues.

Outcome Goal 2 continued...

Performance Measures for Goal 2: Detection and Deterrence of Money Laundering, Terrorism Financing and Other Illicit Activity

Performance Measures	FY 2008 Actual	FY 2009 Target	FY 2009 Q4
Percentage of domestic law enforcement and foreign FIUs finding FinCEN's analytic reports highly valuable	83%	80%	81%
Percentage of complex analytic work completed by FinCEN analysts ¹⁶	27%	39%	44%
Median time taken from date of receipt of Financial Institution Hotline Tip SARs, to transmittal of the information to law enforcement or the intelligence community	3 days	15 days	3 days
Percentage of countries/jurisdictions connected to the Egmont Secure Web	98%	98%	99%

16. "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.

Outcome Goal 3:	Efficient management, safeguarding, and use of BSA information.
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FinCEN is committed to an efficient enterprise-wide approach for managing and safeguarding the valuable information reported and collected under BSA requirements. In this effort, FinCEN works closely with BSA data filers, data users, and the IRS, which receives BSA information through a partnership with FinCEN. In recent years, FinCEN has significantly increased the number of authorized law enforcement and regulatory authorities with electronic access to BSA data so that they can more efficiently leverage FinCEN's capabilities to enhance their own investigatory efforts. The number of users of BSA data continues to grow: More than 10,000 users had access to the BSA data through FinCEN's secure Web-based system at the end of fiscal year 2009, compared with 9,649 a year earlier.

Because of the importance of the unique financial data collected under the BSA, FinCEN recognizes the critical need to maximize its appropriate use and simplify processes for filing, retrieval, and analysis. In the past year, FinCEN made significant enhancements to the system through which BSA forms are electronically filed, and enhanced the online system through which law enforcement accesses BSA data. It also completed the first planning stages of a multi-year BSA Information Technology (IT) Modernization effort aimed at better serving its stakeholders through technological advances.

Improvements to the BSA E-Filing System

FinCEN continues to promote and support the electronic filing of BSA information to increase the timeliness of data availability, reduce the cost of paper processing, and improve data quality. The Bank Secrecy Act Electronic Filing System (BSA E-Filing) is a Web-based system that is user-ID and password protected. BSA E-Filing facilitates financial industry efforts to comply with reporting and recordkeeping requirements as a way to enhance speed, economy, and data quality. FinCEN focused a number of efforts on improving and increasing electronic filing in fiscal year 2009.

In November 2008, FinCEN deployed new system enhancements to the batch validation process of the BSA E-Filing system specifically for Currency Transaction Reports (CTRs) and CTRs for casinos, which together account for approximately 90 percent of all filings. These enhancements aim to improve data quality by providing detailed error notifications to filers upon submission. This ensures that the data submitted is properly formatted and provides information back to the filer on the types of errors encountered, so that errors found during the process can be corrected in a timely manner. It also reduces the number of errors that may delay the detection of suspicious or criminal activity.

Outcome Goal 3 continued...

In keeping with its efforts to make BSA filing requirements more secure, efficient, and effective, FinCEN successfully transitioned all financial institutions submitting BSA data via magnetic media tapes and diskettes to BSA E-Filing by December 31, 2008. This increased the total number of electronic filings by nearly 11 percent. To accommodate the growing number of electronic filers due to the retirement of the magnetic media program, FinCEN enhanced the BSA E-Filing architecture by adding multiple Web servers, load balancers, and an upgraded database. Another system enhancement further protected the BSA E-Filing System from malicious code – a high-priority security vulnerability.

In June 2009, the BSA E-Filing System transitioned to the use of Adobe forms. Benefits of using Adobe forms include improved form usability and enhanced validation. To allow current filers an opportunity to become familiar with and transition to the new forms, the system will continue to accept and process the former version of the forms through December 31, 2009.

On September 12, 2009, FinCEN implemented a process of acknowledgements for suspicious activity reports (SARs) filed electronically through the BSA E-Filing System. This functionality provides filers with a document control number as an acknowledgement of receipt for a submitted SAR. The BSA E-Filing System allows filers to self-register to receive SAR acknowledgement files when they are ready to begin processing.

Approximately 82 percent of BSA reports were electronically filed during fiscal year 2009, up from 71 percent in fiscal year 2008. The cost per e-filed report was \$.16 in fiscal year 2009, just above the \$.15 target cost. This slight increase was due to higher-than-expected operations and management support costs associated with several BSA E-Filing System improvements implemented in fiscal year 2009. Filing volume increases did not offset increases in those costs during the year.

Access to BSA Data

BSA reports filed by financial institutions are the cornerstone of the U.S. Government's efforts to disrupt illicit financial activity. FinCEN works to ensure that BSA data is available for authorized Federal, State, and local law enforcement users. During fiscal year 2009, the number of authorized users climbed to 10,072.

In April 2009, FinCEN deployed a new registration process for WebCBRS, the online system through which law enforcement accesses BSA data. The new streamlined process maximizes efficiency and effectiveness by reducing paperwork, minimizing data entry, improving turnaround time, and increasing customer satisfaction. The previous paper-driven process took on average 3 weeks. Reengineering the process reduced the turnaround time for new account creation and distribution to approximately 5 days, and virtually eliminated manual data entry at FinCEN. This gain in efficiency is essential to FinCEN's ability to continue to support projected growth in demand from new agencies.

Outcome Goal 3 continued...

In additional fiscal year 2009 efforts to support client agencies and users, FinCEN took the following actions:

- Continued its efforts to maximize BSA access for U.S. Attorneys' Offices (USAOs), prioritizing USAO requests for BSA access and developing BSA Trend Analysis reports for USAO districts to highlight BSA filings and value. At the end of fiscal year 2009, FinCEN had 78 MOUs in place with USAOs around the country to enable them to access the BSA data to support their prosecutions of criminals.
- Expanded law enforcement access to BSA data through the Platform Program. This program provides onsite access to FinCEN systems for designated personnel in the Washington, D.C. area who are conducting research for their agency's investigations. Thirty-four Federal law enforcement agencies currently participate in this program.

BSA IT Modernization

FinCEN's BSA IT Modernization Initiative is a joint effort of FinCEN, the IRS, and the Treasury Department to provide a modernized information technology foundation to collect, analyze, and share BSA data. Modernization is a critical component of government efforts to ensure the transparency of U.S. financial systems, detect and deter crime, strengthen national security, and achieve economic stability and growth. The benefits of this centralized investment will be leveraged across the

hundreds of Federal, State, and local agencies that rely on FinCEN and BSA data.

The Modernization Initiative aims to develop a reliable and secure enterprise-wide BSA information management and analysis framework that will provide better systems for data filers and data users, enhance data integrity, and improve analytical tools. Among other benefits, the Modernization Initiative is expected to enable law enforcement and regulatory users to better focus their resources on high priority activities identified through data analysis, thereby leveraging FinCEN's investment in this effort.

FinCEN is using a robust, repeatable IT System Development Life Cycle methodology for the Modernization Initiative. In fiscal year 2009, FinCEN completed the program initiation work required by this methodology. This included documenting program management processes, business needs, and IT solution development direction for the rest of the program. Examples of this documentation include the Enterprise Business System Requirements Report, the Enterprise System Validation and Verification Plan, and the Enterprise Transition Management Plan. FinCEN's Integrated Project Team (comprised of representatives across the Bureau) and the Data Management Council (comprised of Federal law enforcement agencies, regulators, and FinCEN representatives) participated in identifying and validating data used in several of the enterprise-level documents, including business concept and requirements reports.

Support for BSA IT Modernization

“FinCEN is currently going through a process of modernizing and upgrading their technologies so they are better equipped to monitor, detect and battle crimes in the 21st century. We need these efforts to support continued success. Investing in FinCEN’s IT modernization will provide a greater capability of identifying those who have misrepresented the health and size of their investments to their clients. It will provide the necessary tools for analyzing financial information and detecting criminal wrongdoing. And finally, this measure will provide needed support in coordination with Federal, State and local law enforcement. Especially in this time of economic crisis, our government agencies need the best information possible to confront these important issues of financial and economic security, and FinCEN can be that helper.”

Representative Erik Paulsen
U.S. House of Representatives
Floor Debate
July 16, 2009

Improvements to FinCEN’s Infrastructure

FinCEN’s hardware and network infrastructure serves as the foundation that allows it to host many of the systems and applications on which FinCEN analysts and its law enforcement partners rely. A robust infrastructure is required to ensure continuity of operations and to prepare to accommodate the modernized environment envisioned by the BSA IT Modernization Initiative. FinCEN is in the process of implementing a 5-year optimization plan for its infrastructure, which entails replacing old hardware and software with more current technologies.

BSA Data Security

Committed to safeguarding the security of BSA data, FinCEN continues to review its BSA data access programs and to enhance security measures in response to the intensified government-wide focus on information security and protection of consumers’ personal identity information. Increased awareness of the value of BSA information to detect financial crimes or oversee BSA compliance has resulted in more requests for access. As the fiscal year closed, FinCEN had more than 300 memoranda of understanding with external client agencies. In order to safeguard BSA data, FinCEN conducts

Outcome Goal 3 continued...

onsite inspections at each agency to assess the proper and efficient use and security of BSA information, legitimate and documented purposes for utilization and re-dissemination, and appropriate retention/destruction procedures.

Improvements in Data Quality

FinCEN continued to play a leadership role in coordinating the activities of the

interagency Data Management Council and the Data Management Framework to maximize BSA data quality and value. FinCEN also employed its BSA forms change management process to ensure all expiring BSA forms were addressed, as well as to conduct discussions on possible ways to streamline data collection in a modernized, technical environment.

Performance Measures for Outcome Goal 3: Efficient Management, Safeguarding, and Use of BSA Information

Performance Measures	FY 2008	FY 2009 Target	FY 2009 Q 4
Number of users directly accessing BSA data	9,649	10,000	10,072
Share of BSA filings submitted electronically	71%	67%	82%
Number of largest BSA report filers using E-Filing	386	454	486
Cost per BSA Form E-Filed	0.13	0.15	0.16
Percentage of customers satisfied with BSA E-Filing	93%	At least 90%	94%
Percentage of customers satisfied with WebCBRS and Secure Outreach ¹⁷	81%	81%	74%

17. WebCBRS is the IRS online system for access to filed BSA data. Secure Outreach is a secure system used to document data access by FinCEN customers. In fiscal year 2009, 74 percent of surveyed customers expressed satisfaction with WebCBRS and Secure Outreach, lower than FinCEN's target of 81 percent. A possible reason for this gap is that the increase in WebCBRS users created a higher level of data traffic that congested existing communication cables and slowed performance. FinCEN has since upgraded the cables to allow for greater data flow. FinCEN will continue to provide timely and effective support to users of WebCBRS and Secure Outreach to improve customer satisfaction.

Cross-Cutting Principles

The chart below provides examples showing how FinCEN’s fiscal year 2009 accomplishments in each of its three outcome goal areas supported the cross-cutting principles stated in FinCEN’s strategic plan for 2008 – 2012:

Cross-Cutting Principles	Goal 1 Accomplishments (pages 10 - 23)	Goal 2 Accomplishments (pages 24 - 41)	Goal 3 Accomplishments (pages 42 - 46)
Efficiency & Effectiveness	<p>Issued Final Rule to simplify CTR exemption requirements</p> <p>Consolidated information for all industries subject to BSA reporting and recordkeeping requirements on www.fincen.gov</p> <p>Proposed rule to reorganize BSA regulations under Chapter X of CFR</p> <p>Proposed rule to revise definition of an MSB</p> <p>Proposed rule and guidance for SAR sharing and confidentiality</p> <p>Proposed rule to streamline mutual fund BSA requirements</p> <p>Proposed rule to extend BSA regulations to non-bank residential mortgage lenders and originators</p>	<p>Delivered strategic analyses to law enforcement and regulatory partners to help them target their resources to areas of greater risks</p> <p>Coordinated a targeted Treasury effort to deter and combat fraudulent loan modification schemes, aiming to ensure that resources of multiple investigative and prosecutorial agencies are focused in the most efficient way</p> <p>Renewed focus on networking a range of law enforcement agencies that may be investigating the same target</p>	<p>Increased BSA filing efficiency through improvements to BSA E-Filing System</p> <p>Developed new, streamlined registration process for law enforcement’s online access to BSA data (WebCBRS)</p> <p>Continued efforts to maximize access to BSA data for U.S. Attorneys’ Offices</p> <p>Continued work toward more efficient BSA forms change management process</p>

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Cross-Cutting Principles

continued...

Cross-Cutting Principles	Goal 1 Accomplishments (pages 10 - 23)	Goal 2 Accomplishments (pages 24 - 41)	Goal 3 Accomplishments (pages 42 - 46)
<p>Creating Value</p>	<p>Provided feedback to casino industry on regulatory changes</p> <p>Provided feedback on impact of final rules concerning Special Due Diligence Programs for Certain Foreign Accounts</p> <p>Provided guidance, advisories, and administrative rulings for regulated industries</p> <p>Published analyses for state and Federal regulators; Conducted financial institution research for regulators with MOUs</p>	<p>Issued strategic analyses related to mortgage fraud</p> <p>Developed strategic global studies analyzing financial mechanisms that may be used for cross-border financial crime</p> <p>Provided Reference Manuals, <i>Networking Bulletins</i>, and training for law enforcement</p>	<p>Developed criteria and new MOUs to allow access to BSA data</p>
<p>Partnerships</p>	<p>Conducted outreach to largest financial institutions</p> <p>Coordinated with the OCC on a BSA enforcement action</p> <p>Collaborated with the IRS, State agencies, and Federal functional regulators to issue MSB examination materials</p>	<p>Supported U.S. law enforcement, SAR Review Teams, and HIFCAs</p> <p>Provided support to FBI's mortgage fraud initiative</p> <p>Identified and referred SARs associated with Housing Affordable Modification Program to SIGTARP</p>	<p>Coordinated BSA data management activities with IRS, interagency Data Management Council, and other stakeholders</p>

table continues on next page...

Cross-Cutting Principles

continued...

Cross-Cutting Principles	Goal 1 Accomplishments (pages 10 - 23)	Goal 2 Accomplishments (pages 24 - 41)	Goal 3 Accomplishments (pages 42 - 46)
Global Perspective	<p>Participated in international AML / CFT activities with FATF</p> <p>Contributed to Treasury's participation in G-20 meetings</p>	<p>Conducted information exchanges and strategic analysis with other FIUs</p> <p>Supported U.S. law enforcement efforts related to Mexico</p> <p>Developed and assessed FIUs</p> <p>Supported international task forces to combat crimes crossing national borders</p>	<p>Enhanced Egmont technology¹⁸</p>
Advanced Technology	<p>Employed technology to identify BSA compliance deficiencies; referred these matters to regulators under the terms of our MOUs</p>	<p>Facilitated information exchanges between Federal law enforcement and financial institutions through the secure 314(a) system</p>	<p>Continued steps toward BSA IT modernization</p> <p>Gathered stakeholder input to improve FinCEN's infrastructure</p>

18. Described and measured under Goal 2, but executed as part of FinCEN's information technology efforts.

Management Goal

FinCEN seeks to build the stimulating, forward-looking, and diverse work environment needed to recruit and retain highly-skilled employees. FinCEN is further committed to ensuring that employees have the skills needed to efficiently and effectively perform the many responsibilities with which the bureau is charged. Employees also need to be prepared to respond quickly to changes in the regulatory framework, law enforcement priorities, and financial crime and terrorism financing patterns. During fiscal year 2009, FinCEN took a number of steps toward these goals.

Recruitment and Hiring

The number of permanent, full-time staff reached a record-high of 327 at the end of fiscal year 2009, reflecting a leadership focus on attracting and retaining a high performing workforce. Streamlined recruitment and hiring processes and a reduction in turnover contributed to the increase.

For example, in the past, all vacancy announcements advertised specific positions, and the requirements for those positions were often very specialized. As a result, multiple announcements were needed, and candidate response was sometimes low, because relatively few people could meet the narrow qualifications. This year, in contrast, FinCEN developed a vacancy announcement for a FinCEN Financial Transaction Analyst, a generic posting designed to attract applicants with varied backgrounds suitable for a variety of positions at FinCEN. The announcement attracted more applicants than did the more specific postings and produced a pool of applicants qualified to fill multiple positions. In addition, FinCEN used an online recruiting tool for most of its recruitment and continued to focus on reducing average time required for pre-employment actions. These and other proactive steps led to a reduction in the time positions were left vacant, resulting in the overall increase in the number of employees on board.

Management Goal

Continued...

Permanent, Full-Time Staff

	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009
Employees on board ¹⁹	299	290	298	327
New hires	50	39	38	51
Departures	42	46	30	22

Diversity Profile, September 30, 2009

	Male	Female	Total
Total employees	50.44%	49.56%	100%
Hispanic/Latino	2.35%	2.35%	4.7%
White	39.59%	30.21%	69.8%
Black/African American	5.57%	12.90%	18.47 %
American Indian/Alaska Native	0%	.29%	.29%
Asian	2.64%	3.52%	6.16%
Employees with Disabilities	Not Available	Not Available	5.57%

19. All figures as of September 30

Management Goal

Continued...

Staff Training and Development

To ensure that staff members possess the skills and knowledge needed to perform their jobs, keep their skills current, and prepare for advancement, FinCEN makes both internal and external training available to all employees. In fiscal year 2009, FinCEN expanded the quality and quantity of staff training and development to build skills and foster a fully engaged workforce.

- For new employees, FinCEN expanded its orientation process to a broader on-boarding approach. Supervisors are engaged prior to the arrival of new employees so that appropriate preparation and welcoming activities occur. New employee orientation is now enhanced by follow-on training provided 2 to 3 weeks after the employee's arrival.
 - FinCEN's *Employee Guide* was made available to all employees to help them better understand policies, procedures and benefits, and to accelerate their ability to fully function in their positions. The online Guide contains reference materials and content not available elsewhere, and clarifies a variety of bureau procedures and instructions.
 - In-house training opportunities increased during the year. Fourteen technical skills training courses were brought in-house for FinCEN's analysts and regulatory specialists.
- The courses focused on high-level analysis, writing, and supervisory assessment of analytical products. Delivery of FinCEN's 1-week Bank Secrecy Act Training Program was increased to three times per year to meet expanding needs. Eight additional job skills training courses were provided in-house to FinCEN employees.
- Two speaker series continued in fiscal year 2009. The Distinguished Speaker Series featured officials from outside FinCEN with special expertise in domestic and international policy issues, Federal and private sector financial programs, and other topics related to FinCEN's activities. An in-house series, ShopTalk, featured presentations by employees and law enforcement agency representatives at FinCEN with expertise on topics relevant to other staff.
 - FinCEN continued to assess requirements for its mission-critical occupations. In fiscal year 2009, skills were reassessed for Intelligence Research Specialists and Regulatory Specialists. Results of those skills gap assessments prompted revisions to the corresponding training development plans and led to an increase in essential in-house training to close skill gaps.
 - FinCEN's Rotational Assignment Program continued to be another important method for skills enhancement and sharing expertise

Management Goal

Continued...

within and outside the Bureau. In fiscal year 2009, 12 FinCEN offices made rotational opportunities available, and 18 employees furthered their learning and career development while enhancing communication with and knowledge of rotation destinations.

Leadership Development

With the goal of driving continuous improvement in employee performance and engagement, FinCEN in fiscal year 2009 launched a comprehensive plan to strengthen the skills of its current leaders and to promote leadership skills at all levels. The program included 360-degree assessments for executives and supervisors, mandatory training for new supervisors, and a requirement that each manager complete 24 hours of supervisory or leadership-focused continuing education annually. In-house training was provided for supervisors on coaching and mentoring skills, relationship building, performance management, conflict resolution, and change management. A monthly Leadership Newsletter was created to help supervisors find courses to meet their continuing education requirement.

FinCEN also created a Supervisor's Toolkit, designed for both new and experienced supervisors. This online resource includes checklists, summary charts, explanations and links to information that supervisors need to perform their jobs.

To serve both supervisors and potential leaders, FinCEN's new bimonthly Leadership Webinar Series made a range of topics available to all employees. In addition, five employees were competitively selected for long-term leadership development programs, and in-house instruction was delivered to help non-supervisors develop leadership skills and to empower all employees to take initiative to accomplish the Bureau's mission.

Organizational Structure

FinCEN made two organizational structure changes during the year in order to more efficiently and effectively align staff resources with high priority operational goals:

- To reflect the growing scope and importance of FinCEN's global activities, two offices with international responsibilities were combined to form a new International Programs Division. These offices, with about 40 staff members, were formerly part of FinCEN's Analysis and Liaison Division. By operating within the new structure, International Programs Division staff will be better positioned to fulfill FinCEN's growing global responsibilities. The Associate Director of the International Programs Division will also ensure the inclusion of a global perspective within the Bureau's executive management team.

Management Goal

Continued...

- To improve customer service to domestic law enforcement, steps were taken to realign the offices within the Analysis and Liaison Division, which is staffed with analysts, agents, and other personnel who directly serve the law enforcement community. In addition, a new office was established to focus on proactive and strategic analysis for law enforcement. These changes will become effective at the beginning of fiscal year 2010.

In addition, FinCEN received authorization to establish two new Senior Executive Service positions, Associate Director for the International Programs Division and Deputy Associate Director for the Regulatory Policy and Programs Division, FinCEN's largest division. The latter will serve as the primary liaison with the eight Federal agencies carrying out delegated compliance examination responsibilities and with State supervisors performing analogous functions. Investments in these key executive positions are designed to enhance operational and leadership effectiveness in areas with growing responsibilities and external mandates.

Managers and Non-supervisory Employees²⁰

	September 30, 2006	September 30, 2007	September 30, 2008	September 30, 2009
Senior Executive Service	4	5	7	8
Other Managers	24	23	31	37
Non-supervisory Employees	271	262	260	282

20. Permanent, full-time employees

Management Goal

Continued...

Internal Policies and Procedures

FinCEN maintains a system of internal directives that provide policy and process directions for Bureau operations. Eleven new or revised directives were put into effect during fiscal year 2009, and another nine were in draft or review stages at year's end. These new directives aim to strengthen FinCEN's policies and procedures to ensure efficient, effective, secure, and equitable operations, including ensuring consistency with Treasury Department and Administration policies and mandates. Topics addressed by directives adopted during the year included processes related to acquisitions, human resources, the Freedom of Information and Privacy Acts, telework, and employee fitness.

Financial Management

Prudent financial management is an ongoing Bureau priority. As a steward of public resources, FinCEN seeks to ensure that management control systems provide reasonable assurance of compliance with the Federal Managers Financial Integrity Act.

FinCEN's financial statements are audited yearly by an independent certified public accounting firm. FinCEN received an unqualified audit opinion for its fiscal year 2008 financial statements. FinCEN financial statement audit reports are publicly available on the [Office of Inspector General](#)²¹ section of the U.S. Treasury Department's Web site.

21. <http://www.treasury.gov/inspector-general/audit-reports/2009/by-date.shtml>

Organizational Units and Executive Officials

The Financial Crimes Enforcement Network includes the Office of the Director and five 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 names 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 March 2007. William F. Baity has been FinCEN's Deputy Director, the Bureau's Chief Operating Officer, since January 1995.

The Office of the Director establishes, oversees, and implements policies for FinCEN to carry out its mission. In addition to the Director and Deputy Director, this unit includes the Chief of Staff, Office of Security, Office of Outreach and Workplace Solutions, Office of Public Affairs, and Congressional Liaison.

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, interagency information sharing, the use of information in enforcement operations and proceedings, international law relating to anti-money laundering efforts, and administrative law. The office also provides advice and training on ethics issues.

Bill Bradley was named Chief Counsel in February 2008.

Association of Certified Fraud Examiners Presents Cressey Award to FinCEN Director

In July 2009, the Association of Certified Fraud Examiners (ACFE) presented FinCEN Director James H. Freis, Jr. with its Cressey Award. The award is named after the late Dr. Donald R. Cressey, one of the country's foremost experts on fraud and a founder of the ACFE. It is the ACFE's highest honor, and is bestowed annually for a lifetime of achievement in the detection and deterrence of fraud.

In presenting the award, the ACFE noted that FinCEN helps to control fraud by overseeing policies to detect and prevent money laundering and terrorist financing. FinCEN also supports the law enforcement, regulatory and intelligence communities through sharing and analysis of financial intelligence.

Analysis and Liaison Division

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
- Serving as FinCEN's liaison with domestic law enforcement agencies and providing direct, secure access to BSA data for domestic law enforcement and regulatory agencies.

The Division's analytic products range in complexity from traditional subject-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. The Division is comprised of the following offices: Liaison Services, Special Programs Development, Law Enforcement Support, Intelligence Support, and beginning October 2009, Trend and Issue Analysis.

Nicholas Colucci was named Associate Director of the Analysis and Liaison Division in March 2009.

International Programs Division

The International Programs Division works to establish and strengthen mechanisms for the exchange of information globally, and to engage, encourage, and support international partners in taking necessary steps to construct regimes to combat money laundering, terrorist financing, and other financial crimes. The Division, through the Office of Global Liaison and the Office of Global Support, responds to requests for information from FIUs that are members of the Egmont Group, acts as a conduit for information requests from domestic law enforcement to foreign FIUs, and produces strategic analytical products on topics of international interest.

Bess Michael became Associate Director for the International Programs Division in September 2009.

Organizational Units and Executive Officials

Management Programs Division

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

Jamal El-Hindi has served as Associate Director of the Regulatory Policy and Programs Division since May 2006.

Technology Solutions and Services Division

The Technology Solutions and Services Division, headed by FinCEN's 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. The Division now consists of the following five offices: Customer Relations Management, Safeguards and Assurance, Product Management & Delivery, Infrastructure Operations & Hosting, and Enterprise Architecture & IT Modernization.

Amy Taylor was selected as the Chief Information Officer and Associate Director for the Technology Solutions and Services Division in May 2008.

Number of Employees by Division

Division	September 30, 2007	September 30, 2008	September 30, 2009
Office of the Director	21	25	21
Office of Chief Counsel	9	11	12
Analysis and Liaison ²²	98	98	77
International Programs	N/A	N/A	42
Management Programs	40	40	46
Regulatory Policy and Programs	77	83	90
Technology Solutions and Services	45	41	39
Total	290	298	327

22. In fiscal year 2009, two offices formerly in the Analysis and Liaison Division were combined to form a new International Programs Division. As a result, the number of employees in the Analysis and Liaison Division declined.

Publications and Reports

The following publications, all issued in fiscal year 2009, are available to the public through the Financial Crimes Enforcement Network's Web site, www.fincen.gov:

- *Financial Crimes Enforcement Network Annual Report for Fiscal Year 2008*
- *SAR Activity Review - Trends, Tips and Issues – Issue 14 (October 2008) and Issue 15 (May 2009)*
- *SAR Activity Review - By the Numbers – Issue 11 (November 2008) and Issue 12 (July 2009)*
- *Special Due Diligence Programs for Certain Foreign Accounts: An Assessment of the Final Rule Implementing Enhanced Due Diligence Provisions for Accounts of Certain Foreign Banks Issued August 9, 2007 (March 2009)*
- *Mortgage Loan Fraud Connections with Other Financial Crime (March 2009)*
- *Filing Trends in Mortgage Loan Fraud (February 2009)*
- *An Assessment of Currency Transaction Reports Filed by Casinos between July 1, 2006 and June 30, 2008 (December 2008)*
- *Bank Secrecy Act / Anti-Money Laundering Examination Manual for Money Services Businesses and Sample MSB Examination Manual Work Program (December 2008)*

Earlier issues of many of the publications above are also available on our Web site, www.fincen.gov.

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

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

Government Accountability Office Audits

- GAO-09-195: Further Actions Needed to Address Risks to Bank Secrecy Act Data
- GAO-09-226: Bank Secrecy Act: Suspicious Activity Report Use Is Increasing, but FinCEN Needs to Further Develop and Document Its Form Revision Process
- GAO-09-227: Bank Secrecy Act: Federal Agencies Should Take Action to Further Improve Coordination and Information-Sharing Efforts
- GAO-09-794: Combating Illicit Financing: Treasury's Office of Terrorism and Financial Intelligence Could Manage More Effectively to Achieve Its Mission
- GAO-09-883: Combating Terrorism: U.S. Agencies Report Progress Countering Terrorism and Its Financing in Saudi Arabia, but Continued Focus on Counter Terrorism Financing Efforts Needed

Internal Assessments

- Public Transportation Incentive Program

Budget, Appropriations, and Oversight

History of President's Budget Requests and Appropriations, Fiscal Years 2007 - 2009

(Dollars in thousands)

	FY 2007	FY 2008	FY 2009
President's Budget Request	\$89,794	\$85,844	\$91,335
Final Appropriated Enacted Level	\$73,216 ²³	\$85,844	\$91,465

Authorizing and Appropriating Committees

The following Congressional Committees and Subcommittees have authorizing and appropriations responsibilities for FinCEN 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)

23. A full-year continuing resolution essentially maintained the fiscal year 2007 budget at the fiscal year 2006 level.

Key Partners

FinCEN works closely with regulatory, law enforcement, private sector, and international partners. The Bank Secrecy Act Advisory Group (described below) provides a key forum for FinCEN's domestic constituencies to discuss pertinent issues, and to offer feedback and recommendations for improving BSA records and reports. FinCEN works closely with its international partners through direct information sharing agreements as well as through organizations such as the Egmont Group and the Financial Action Task Force.

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
- U.S. Commodity Futures Trading Commission

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

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 recordkeeping and reporting requirements can be improved. The BSAAG meets twice each year in Washington, D.C. The Director of FinCEN chairs the BSAAG, which is not subject to the Federal Advisory Committee Act.

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 December 2008, FinCEN published a Federal Register Notice soliciting applicants for 11 vacancies on the BSAAG. Eight of the selected applicants were members that were renewed for an additional 3-year term, and three of the selections are new to the BSAAG.

Key Partners

Bank Secrecy Act Advisory Group

The BSAAG utilizes a variety of permanent and ad hoc subcommittees to identify and analyze relevant issues. These subcommittees focus on: issues in banking; stored value products; cross border wire transfers; privacy/security issues; non-bank financial institutions issues; issues in the insurance industry;

IT 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 FinCEN's stakeholders about the preparation, use, and value of SARs.

Key Partners

The Egmont Group

The Egmont Group is an international body made up of member financial intelligence units (FIUs), which are central, national agencies responsible for receiving, analyzing, and disseminating to, and as permitted, requesting from, the competent authorities disclosures of financial information. FIUs play a key role in the global fight against money laundering, the financing of terrorism, and other financial crime by transforming financial transaction data into financial intelligence.

FinCEN and 14 other FIUs established the Egmont Group in 1995 as an informal network for sharing information about money laundering. Since then, the Egmont Group has grown markedly and has evolved from an informal network into a formal, self-sustaining, internationally recognized entity. A permanent Secretariat for the Group was established in Toronto, Canada, in 2007. The Egmont Group's evolution has strengthened information exchanges and international cooperation to combat anti-money laundering and the financing of terrorism.

The Egmont Group held its 17th Plenary in Doha, Qatar, in May 2009. During the meeting, nine FIUs from the following jurisdictions were admitted as new members of the Group: Fiji, Kyrgyzstan, Macao, Malawi, Mongolia, Saudi Arabia, Senegal, Sri Lanka, and St. Lucia. Total

membership in the Egmont Group now stands at 116 FIUs. During 2009, the chair of the Egmont Group was passed from the head of the FIU of Australia to the head of the FIU of Mexico.

Topics addressed at the Plenary included an ongoing Egmont Group initiative to enhance the sharing of suspicious transaction reports consistent with efforts to promote enterprise-wide risk management across multiple jurisdictions. FinCEN administered a survey of FIUs on practices in this area in fiscal year 2009 and continues to play a major role in this initiative.

Training sessions offered during the Plenary focused on a variety of operational topics, including statistical analysis; methods used to launder money through casinos, real estate, and cash couriers; methodologies and countermeasures relating to aspects of electronic money laundering and trade-based money laundering; and good practices and impediments for FIU feedback to reporting entities and the protection of data as a challenge for such feedback.

FinCEN supports the Egmont Group in a variety of ways. It sponsors new FIUs for membership in the Group and provides

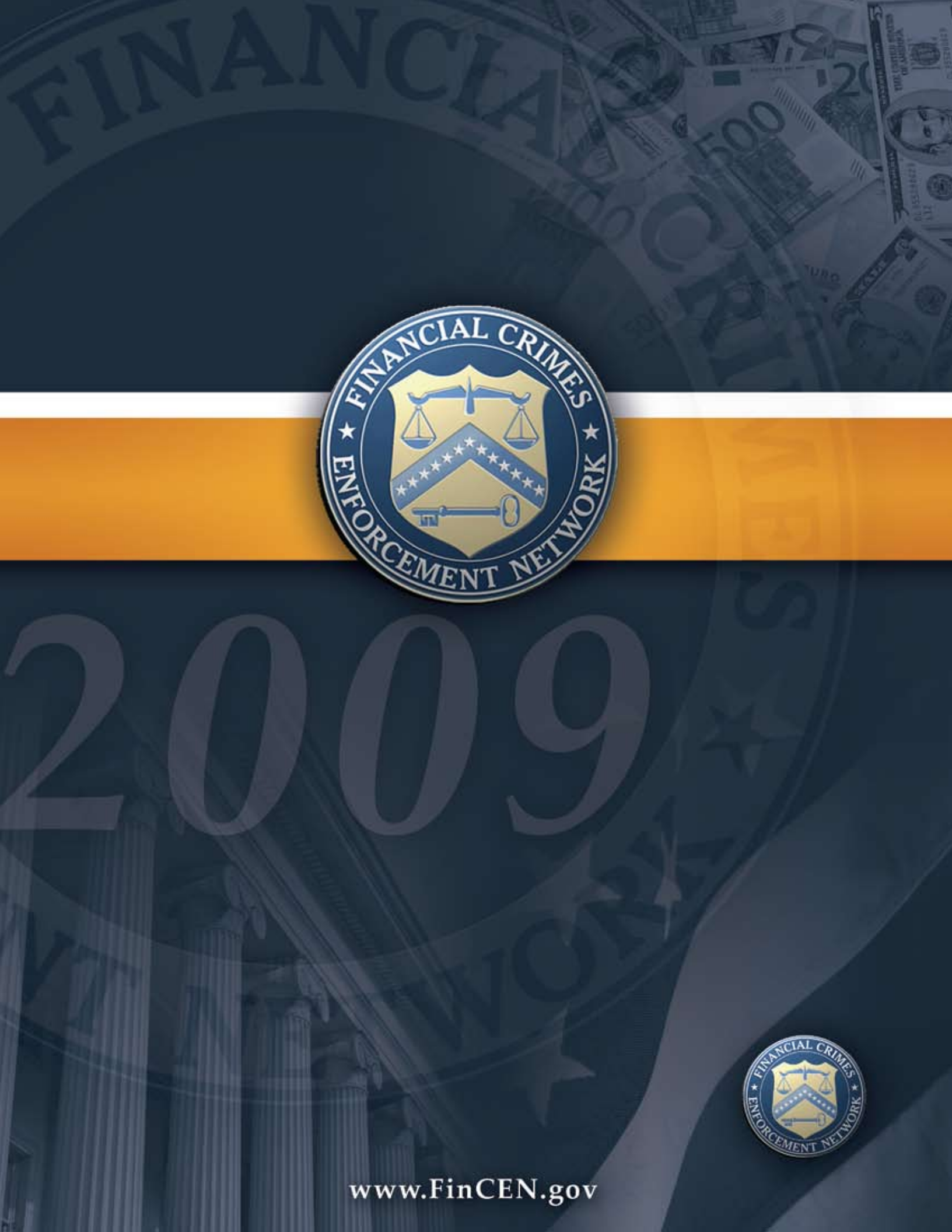
Key Partners

The Egmont Group continued...

and maintains the Egmont Secure Web, a secure internet system used for FIU-to-FIU information exchanges. As the administrator of the Egmont Secure Web, FinCEN serves as a permanent representative on the Egmont Committee, the consultative and coordination mechanism for Egmont's Working Groups and governing body. FinCEN also developed – and until recently, maintained – the Egmont Group's public Web site, <http://www.egmontgroup.org>.

FinCEN participates in all of the organization's five Working Groups, which are described below:

- The Outreach Working Group seeks to expand membership in the Egmont Group by identifying candidates and FIU sponsors to work with them to ensure compliance with international standards. The Working Group also coordinates with other international organizations to promote outreach in those areas of the world which need increased attention and resources. In line with the strategic and operational significance of the sub-Saharan African region, the Outreach Working Group is currently working with regional and international partner organizations to provide outreach, training, and development assistance to FIUs in that region.
- The Legal Working Group aims to protect the FIU-specific character of the Egmont Group and to enhance the mutual cooperation and information exchange between FIUs. The Legal Working Group reviews the candidacy of potential members and handles all legal aspects and matters of principle within Egmont, including member compliance with Egmont Group standards.
- The Operational Working Group seeks to bring FIUs together to work on cases and strategic projects. Current initiatives include an FIU information exchange project, a concept paper on the impact of the financial crisis on financial crime being developed in conjunction with the Wolfsberg Group of financial institutions, and a terrorist financing paper containing sanitized cases with red flags and indicators.
- The Information Technology Working Group examines new software applications that might facilitate analytical work and focuses on such issues as data standards and security. The Group also works to enhance the capabilities of the Egmont Secure Web, the secure internet system used for FIU-to-FIU information exchange.
- The Training Working Group identifies training needs and opportunities for FIU personnel and conducts training seminars for Egmont members and non-members. Training programs focus on areas of particular interest to Egmont members, including tactical analysis, mutual evaluation training, terrorism financing, and best practices in management.



2009



www.FinCEN.gov