

Financial Crimes Enforcement Network

FY 2015
President's Budget

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Section 1 – Purpose

1A – Mission Statement

The mission of Financial Crimes Enforcement Network (FinCEN) is to safeguard the financial system from illicit use, and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

1.1 – Appropriations Detail Table

Dollars in Thousands

Financial Crimes Enforcement Network Appropriated Resources	FY 2013		FY 2014		FY 2015		FY 2014 to FY 2015			
	Operating Level		Enacted		Request		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
BSA Administration and Analysis	300	104,993	345	112,000	345	108,661	0	(3,339)	0.00%	-2.98%
Subtotal New Appropriated Resources	300	\$104,993	345	\$112,000	345	\$108,661	0	(\$3,339)	0.00%	-2.98%
Other Resources:										
Reimbursables	2	3,000	1	3,000	1	3,000	0	0	0.00%	0.00%
Recovery from Prior Years	0	500	0	500	0	500	0	0	NA	0.00%
Unobligated Balances from Prior Years	0	31,000	0	40,000	0	40,000	0	0	NA	0.00%
Subtotal Other Resources	2	\$34,500	1	\$43,500	1	\$43,500	0	\$0	0.00%	0.00%
Total Budgetary Resources	302	\$139,493	346	\$155,500	346	\$152,161	0	(\$3,339)	0.00%	-2.15%

1B – Vision, Priorities and Context

FinCEN is a bureau in the U.S. Department of the Treasury. FinCEN directly supports the Department’s strategic goal to “Safeguard the financial system and use financial measures to counter national security threats.” The Director of FinCEN reports to the Under Secretary for Terrorism and Financial Intelligence (TFI). FinCEN’s activities and efforts are linked to Treasury’s strategic goal and the following bureau strategic goals:

- Safeguard the financial system from evolving money laundering and national security threats; and
- Maximize the sharing of financial intelligence by and between FinCEN, and its domestic and foreign partners in government and private industry.

In carrying out its mission, FinCEN has numerous statutory areas of responsibility: developing and issuing regulations under the Bank Secrecy Act (BSA); enforcing compliance with the BSA in partnership with regulatory partners; serving as the U.S. Financial Intelligence Unit (FIU) along with a network of FIUs in more than 130 partner countries; receiving millions of new BSA reports each year and maintaining a database of over 170 million reports; analyzing and disseminating financial intelligence to law enforcement, regulators, and other foreign FIUs; and bringing together the disparate interests of law enforcement, FIU, regulatory partners, and industry.

FinCEN designs its BSA regulatory defenses to protect national security and safeguard the financial system. The nation's financial institutions execute these defenses on a daily basis. This strong public-private partnership is critical in protecting the financial system from money laundering and other illicit activity. FinCEN is a leader in the analysis of the BSA data and dissemination of financial intelligence. This capability is now further strengthened by BSA IT Modernization, allowing FinCEN's highly skilled analysts to enhance BSA analysis and integration with other information. In addition, FinCEN is also expanding its BSA enforcement efforts to employ an intelligence-driven approach focusing on high-risk illicit use of the financial system. FinCEN will proactively investigate persons and entities that violate the BSA using a wide range of enforcement tools.

FinCEN's priorities include:

- Target examination and enforcement efforts to high priority areas;
- Expand understanding and analysis of illicit networks, institutions, jurisdictions, and schemes;
- Ensure the BSA regulatory structure effectively and efficiently targets illicit financing risks;
- Manage the efficient collection, processing, and retrieval of BSA data; and
- Foster strong public-private partnerships with the financial industry.

FinCEN's accomplishments in FY 2013 include:

- Completed an in-depth assessment and began implementation of a FinCEN reorganization that ensures the bureau is aligned to meet Treasury and TFI priorities and takes advantage of the synergies from the modernized BSA system;
- Joined other Federal and state agencies in imposing a \$1.9 billion enforcement action against HSBC, the largest combined BSA and anti-money laundering (AML) penalty ever imposed against any financial institution;
- Imposed a \$15 million civil monetary penalty against First Bank of Delaware for failing to mitigate risk related to third-party payment processors engaged in defrauding vulnerable populations.
- Issued interpretive guidance to clarify applicability of BSA to administrators and exchangers of convertible currency and provided reference information to partners on emerging payment systems;
- Implemented new processes to identify and deter money laundering through targeted enforcement actions;
- Continued support of high priority health and tax fraud investigations, including identification of key links to third-party money launderers;
- Tripled the use of Section 311 actions against financial institutions of primary money laundering concern;
- Provided immediate support to the FBI for an ongoing terrorism investigation to identify links and associations in the BSA filings, expedite Egmont requests, and facilitate 314a outreach; and
- Completed the BSA IT Modernization Program, including user access to FinCEN Query, mandatory electronic filing, advanced analytical tools, and alerts capability (automatic matching) between BSA data and incoming requests.

To meet its priorities in FY 2014 and FY 2015, FinCEN will:

- Enhance enforcement of BSA violations across all classes and sizes of financial institutions subject to FinCEN oversight, through improved identification of targets and illicit finance risks and use of injunction actions against individuals as appropriate;
- Target examination efforts in high priority areas based on an intelligence-driven approach;
- Support criminal investigations and prosecutions through financial expertise and advanced analytical tools across large data sets;
- Develop analytic products on emerging payment mechanisms serving as avenues for the movement of illicit funds;
- Engage with priority countries and international bodies to support financial crime investigations through global exchange of financial intelligence;
- Enhance law enforcement and private sector collaboration to mitigate money laundering and financial crime threats employed by transnational criminal organizations; and
- Use predictive analysis to identify and target illicit networks, institutions, jurisdictions, and schemes.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Financial Crimes Enforcement Network	FTE	Amount
FY 2014 Enacted	345	\$112,000
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$1,987
Pay-Raise	-	\$588
FERS Contribution Increase	-	\$488
Non-Pay	-	\$911
Non-Recurring Costs:	-	(\$4,146)
One-Time Information Technology Investment	-	(\$2,146)
Enhanced Advanced Analytics SAS Support	-	(\$2,000)
Subtotal Changes to Base	-	(\$2,159)
Total FY 2015 Base	345	\$109,841
Program Changes:		
Program Decreases:	-	(\$1,180)
Contract Efficiencies	-	(\$1,180)
Total FY 2015 Request	345	\$108,661

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$1,987,000 / +0 FTE
Pay-Raise +\$588,000 / +0 FTE

Funds are requested for the January 2015 pay-raise and the annualization of the 2014 pay-raise.

FERS Contribution Increase +\$488,000 / +0 FTE

Funds are requested for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +\$911,000 / +0 FTE

Funds are requested for non-labor costs such as travel, contracts, rent, supplies, and equipment.

Non-Recurring Costs -\$4,146,000 / +0 FTE
One-Time Information Technology Investment -\$2,146,000 / +0 FTE

Funding that was used in FY 2014 to upgrade information technology and evaluate new technology innovations is non-recurred. For example, FinCEN invested in new technology during FY 2014 to evaluate a proof of concept for a new storage technology to meet increasing storage demands.

Enhanced Advanced Analytics SAS Support -\$2,000,000 / +0 FTE

Funding that was used to expand SAS advanced analytical contractor support is non-recurred. This one-time investment allowed FinCEN to strengthen the organization's use of new BSA IT Modernization analytical capabilities. This support allowed FinCEN to exploit financial

intelligence data and proactively identify targets through the development and refinement of text mining or data extracts.

Program Decreases-\$1,180,000 / +0 FTE

Contract Efficiencies -\$1,180,000 / +0 FTE

Savings are expected to result from continued evaluation of contracts for strategic sourcing and negotiation of more advantageous contract terms. FinCEN will also reduce commercial database contracts and contract case support. The commercial databases are used as one of the components in the intelligence analysis reports and include sources such as Lexis/Nexis, Clear, and Dun/Bradstreet. The contract case support provides research of persons/businesses and other related information using BSA data for FIU partners who are not permitted direct access to the BSA data. To achieve these efficiency savings, FinCEN will examine all contracts and ensure reductions minimize impact to its mission.

2.2 – Operating Levels Table

Dollars in Thousands

Financial Crimes Enforcement Network Object Classification	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
11.1 - Full-time permanent	33,671	40,141	40,597
11.3 - Other than full-time permanent	349	408	408
11.5 - Other personnel compensation	472	205	205
11.9 - Personnel Compensation (Total)	34,492	40,754	41,210
12.0 - Personnel benefits	9,825	11,503	12,123
Total Personnel and Compensation Benefits	\$44,317	\$52,257	\$53,333
21.0 - Travel and transportation of persons	498	770	777
23.1 - Rental payments to GSA	4,866	5,085	5,151
23.2 - Rental payments to others	24	901	902
23.3 - Communication, utilities, and misc charges	1,302	1,612	1,629
24.0 - Printing and reproduction	84	258	263
25.1 - Advisory and assistance services	3,798	1,097	1,097
25.2 - Other services	8,596	15,090	12,612
25.3 - Other purchases of goods & serv frm Govt accounts	9,593	7,623	7,919
25.4 - Operation and maintenance of facilities	114	740	740
25.6 - Medical care	168	166	168
25.7 - Operation and maintenance of equip	18,182	18,453	17,945
26.0 - Supplies and materials	298	310	315
31.0 – Equipment	5,502	7,638	5,810
Total Non-Personnel	53,025	59,743	55,328
Subtotal New Appropriated Resources	\$97,342	\$112,000	\$108,661
Budget Activities:			
BSA Administration and Analysis	139,493	155,500	152,161
Total Budgetary Resources	\$139,493	\$155,500	\$152,161
FTE	302	346	346

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY FINANCIAL CRIMES ENFORCEMENT NETWORK Federal Funds</p> <p style="text-align: center;">SALARIES AND EXPENSES:</p> <p>For necessary expenses of the Financial Crimes Enforcement Network, including hire of passenger motor vehicles; travel and training expenses of non-Federal and foreign government personnel to attend meetings and training concerned with domestic and foreign financial intelligence activities, law enforcement, and financial regulation; services authorized by 5 U.S.C. 3109; not to exceed \$14,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, [\$112,000,000,] \$108,661,000, of which not to exceed \$34,335,000 shall remain available until September 30, [2016] 2017. (<i>Department of the Treasury Appropriations Act, 2014.</i>)</p>	

2C – Legislative Proposals

FinCEN has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – BSA Administration and Analysis

(\$108,661,000 from direct appropriations, and \$3,000,000 from reimbursable resources):

The programs funded by this budget activity support the Treasury strategic goal to safeguard the financial system and use financial measures to counter national security threats. This activity comprises FinCEN's efforts to develop and issue regulations under the Bank Secrecy Act (BSA); enforce compliance with the BSA in partnership with regulatory partners and as the sole BSA regulator across numerous industries; receive BSA reports and maintain a database; analyze and disseminate financial intelligence to Federal, state, and local law enforcement, Federal and state regulators, foreign financial intelligence units, and industry; and serve as the United States FIU and maintaining network of information sharing with FIUs in partner countries.

FinCEN supports the following Treasury strategic objectives:

- Identify priority threats to the financial system using intelligence analysis and outreach to the financial sector;
- Develop, implement, and enforce sanctions and other targeted financial measures; and
- Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards.

The goal owner for this budget activity is the Director of FinCEN.

To support the FinCEN objective to adopt strong anti-money laundering and counterterrorism financing regulatory authorities, FinCEN tracks the percentage of users finding that financial intelligence collected by FinCEN pursuant its regulations provides valuable information to safeguard the financial system, combat money laundering, and counter terrorist financing. The survey looks at the value of FinCEN data, such as whether the data provided unknown information, supplemented or expanded known information, verified information, helped identify new leads, opened a new investigation or examination, supported an existing investigation or examination, and provided information for an investigative or examination report. In FY 2013, 80 percent of customers found the FinCEN data provides valuable information. FinCEN did not to meet its target of 90 percent. We believe that the decrease in percentage of customers finding FinCEN's BSA data provides valuable information was impacted by the limited experience that users had with FinCEN's new BSA query tool. Most users had access to the new FinCEN Query tool for only a few months prior to completion of this survey. It is understandable that our users would need more time to transition adjust to our new system and, unfortunately, that the transition period coincided with our performance survey schedule. Our plan going forward is to place greater emphasis on both in-person and on-line training that will better assist our users in understanding and utilizing the new FinCEN Query tool for their unique cases and situations. Additionally, we will try to identify and address any agency specific issues that might have contributed to lower scores. This should result in at least 85 percent of the respondents finding value in BSA data in FY 2014, with a FY 2015 target of 90 percent.

To support the FinCEN objective to implement and enforce AML/CFT regulatory authorities and employ targeted financial measures against priority threats, FinCEN will track the percentage of AML/CFT supervisors who indicate that FinCEN's enforcement actions have resulted in

increased compliance by covered financial institutions. This measure examines the survey responses of state and Federal financial regulatory agencies with information sharing agreements. The MOUs require the financial regulators to share examination results and provide a variety of statistical data on their examination results. The survey asks the respondents to rate the impact of enforcement actions on the level of compliance observed by examiners. This is a meaningful measure of the link between enforcement actions and financial institution compliance with the BSA reporting. Lax financial institution compliance with the BSA would negatively impact the quality of the financial data and ability to safeguard the financial system from illicit activity. FinCEN will baseline the results in FY 2014 and set appropriate future targets.

To support the FinCEN objective to use research, analysis, and advanced analytics to identify and explain priority threats to the financial system, FinCEN tracks the percentage of customers finding that FinCEN's research, analysis, and advanced analytics contribute to the safeguarding of the financial system, combating money laundering, and counter terrorist financing. In FY 2013, FinCEN scored 81 percent, narrowly missing its target of 83 percent finding the domestic analytic reports valuable. FinCEN attributes this lower score to declines in satisfaction with proactive products resulting from its focus on other mission related priorities and types of products. FinCEN created an analyst working group to review its customers/product types and make recommendations for enhancements and broader dissemination for greater impact. FinCEN has also increased its emphasis on production of proactive products and believes it will be able to achieve a higher percentage of customers who find its analytical products valuable with more focused products and targeted dissemination in the future. The FY 2015 target is 84 percent. FinCEN expects to achieve this target by focusing on proactive products.

To support the FinCEN objective to implement and manage programs to effectively network, coordinate, and share financial intelligence between FinCEN and its domestic and foreign partners in government and private industry, FinCEN will measure the percentage of stakeholders finding FinCEN's information sharing has contributed to their organization's responsibilities. This measure examines the survey responses of the FinCEN customers who have had contact with the FinCEN's liaison division to exchange information. This includes industry, regulators, and law enforcement, both domestic and foreign partners. This is a new composite measure that consists of the following questions: Call center guidance response was understandable; rate the usefulness of the 314(a) requests FinCEN processed on behalf of your agency for investigations of financial crimes or money laundering; how satisfied are you with the information sharing you have with FinCEN; and over the past 12 months how satisfied are you with FinCEN. This is a meaningful measure as it tracks FinCEN's efforts to share financial intelligence. FinCEN will baseline the results in FY 2014 and set appropriate future targets.

To support the FinCEN objective to develop and support effective technology systems to collect and analyze financial intelligence from private industry and share it with domestic and foreign government partners, FinCEN will track the percentage of users satisfied with FinCEN information sharing systems. This measure is a composite survey measure and represents the users' satisfaction with the technology systems. This measure tracks satisfaction with BSA E-

Filing, FinCEN Query, and the Egmont Secure Web questions. Starting with industry, FinCEN collects and maintains BSA reports filed by financial institutions and other filers. In turn, FinCEN provides internal users (including Treasury and TFI), and external law enforcement and regulatory users access to a query system containing 11 years of BSA data; provides internal users with a tool to conduct advanced analysis; and provides foreign FIUs in the Egmont Group with a secure system for exchanging financial intelligence to combat money laundering and terrorist financing. This measure is meaningful because the technology allows authorized persons to more readily access BSA information and better enable them to conduct investigations more efficiently and effectively. FinCEN will baseline this information in FY 2014 and set appropriate future targets.

3.1.1 – BSA Administration and Analysis Budget Activity Budget and Performance Plan

Dollars in Thousands

BSA Administration and Analysis Budget Activity								
Resource Level	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Enacted	Enacted	Enacted	Enacted	Enacted	Operating Level	Enacted	Request
Appropriated Resources	\$85,844	\$91,465	\$111,010	\$110,788	\$110,788	\$104,993	\$112,000	\$108,661
Reimbursable Resources	\$1,541	\$8,000	\$20,000	\$20,000	\$20,000	\$3,000	\$3,000	\$3,000
Budget Activity Total	\$70,147	\$89,353	\$99,494	\$108,976	\$130,788	\$107,993	\$115,000	\$111,661

Measure	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
Percentage of Users Finding That the Financial Intelligence Collected by FinCEN Pursuant its Regulations Provides Valuable Information to Safeguard the Financial System, Combat Money Laundering, and Counter Terrorist Financing	N/A	N/A	87.0	89.0	90.0	80.0	84.0	85.0
Percentage of Customers Finding FinCEN's Research, Analysis, and Advanced Analytics Contribute to the Safeguarding of the Financial System, Combating Money Laundering, and Counter Terrorist Financing	N/A	N/A	80.0	86.0	83.0	81.0	82.0	84.0
Percentage of AML/CFT Supervisors Who Indicate that FinCEN's Enforcement actions Have Resulted in Increased Compliance by Covered Financial Institutions	New	New	New	New	New	New	Baseline	TBD
Percentage of Stakeholders Finding FinCEN's Information Sharing Has Contributed to Their Organization's Responsibilities	New	New	New	New	New	New	Baseline	TBD
Percentage of Users Satisfied with FinCEN Information Sharing Systems	New	New	New	New	New	New	Baseline	TBD
Percentage of Financial Regulators Finding Information Exchanged with FinCEN Under MOUs Valuable to Improve BSA Consistency and Compliance*	64.0	82.0	86.0	92.0	93.0	88.0	DISC	DISC
Percentage of Foreign FIUs Finding FinCEN's Analytic Reports Provide Valuable Information Towards the Detection and Deterrence of Financial Crime*	N/A	N/A	90.0	92.0	82.0	92.0	DISC	DISC
Percentage of Regulatory Helpline Customers Understanding BSA Guidance*	94.0	94.0	92.0	92.0	89.0	92.0	DISC	DISC

Key: DISC – Discontinued and B-Baseline

*FinCEN has changed its measures to align to the new strategic plan.

Section 4 – Supplemental Information

4A – Summary of Capital Investments

As the administrator of the BSA, FinCEN receives valuable information reported and collected under BSA requirements, which totaled approximately 18.5 million filings in FY 2013. The bureau's mission is to safeguard the financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities. FinCEN's mission supports Treasury's strategic goal to protect our national security through targeted financial actions. To successfully fulfill its mission, FinCEN relies on secure, advanced information technology (IT) to manage the collection, processing, storage, and dissemination of BSA information that contributes to the soundness and confidence in America's financial system.

FinCEN's IT strategy takes into account the growing need for financial institutions to meet obligations as efficiently as possible, while ensuring that FinCEN and law enforcement agencies receive accurate, timely, and reliable BSA information to track money trails, identify money laundering, and unravel terrorist financing networks. FinCEN's IT strategy focuses on the critical need to improve the quality and accessibility of its data and increase responsiveness to stakeholders by introducing and maintaining flexible and innovative technical solutions. FinCEN has successfully completed all FY2010-FY2013 project milestones associated with its BSA IT Modernization Program and will complete the remaining development effort in 2014. The BSA IT Modernization investment full life cycle cost (10 years) is \$300.4 million (including FTE) and the FY 2015 costs are \$27.6 million (including FTE).

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed/downloaded at: <http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>