Department of the Treasury Financial Crimes Enforcement Network

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

Section I – Budget Request

A – Mission Statement

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.

B – Summary of the Request

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 law enforcement and other regulatory partners;
- Serving as the U.S. Financial Intelligence Unit (FIU) and maintaining a network of information sharing with FIUs in 151 partner countries;
- Receiving millions of new financial reports each year;
- Securing and maintaining a database of over 190 million reports;
- Analyzing and disseminating financial intelligence to federal, state, and local law enforcement, federal and state regulators, foreign FIUs, and industry;
- Bringing together the disparate interests of law enforcement, FIUs, regulatory partners, and industry.

1.1 – Appropriations Detail Table

Dollars in Thousands

Financial Crimes Enforcement Network Appropriated Resources	FY 2016 Enacted		FY 2017 Annualized CR		FY 2018 Request		FY 2017 to FY 2018 Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
BSA Administration and Analysis	278	$112,979	338	$112,764	332	$112,764	(6)	$0	-1.78%	0.00%
Subtotal New Appropriated Resources	**278**	**$112,979**	**338**	**$112,764**	**332**	**$112,764**	**(6)**	**$0**	**-1.78%**	**0.00%**
Other Resources:										
Reimbursables	1	$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	0.00%	-0.00%
Subtotal Other Resources	**1**	**$3,500**	**1**	**$3,500**	**1**	**$3,500**	**0**	**$0**	**0.00%**	**-0.00%**
Total Budgetary Resources	**279**	**$116,479**	**339**	**$116,264**	**333**	**$116,264**	**(6)**	**$0**	**1.77%**	**-0.00%**

Note: FY 2016 is showing actual FTE usage. The 338 Direct FTE in FY 2017 is a reduction from 343 enacted in FY 2016 due to the absorption of the 2017 pay raise and 2016 pay annualization.

1.2 – Budget Adjustments Table

Dollars in Thousands

Financial Crimes Enforcement Network (FINCEN)	FTE	Amount
FY 2017 Annualized CR	338	$112,764
Changes to Base:		
Maintaining Current Levels (MCLs):	-	$2,276
Pay-Raise	-	$783
Pay Annualization	-	$287
Non-Pay	-	$1,206
Efficiency Savings	-	($1,206)
Efficiency Savings	-	($1,206)
Subtotal Changes to Base	-	$1,070
Total FY 2018 Base	338	$113,834
Program Changes:		
Program Decreases	(6)	($1,070)
Program Staffing Reductions	(6)	($1,070)
Subtotal Program Changes	(6)	($1,070)
Total FY 2018 Request	332	$112,764

Note: The 338 FTE in FY 2017 is a reduction from 343 enacted in FY 2016 due to the absorption of the 2017 pay raise and 2016 pay annualization.

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) ....+$2,276,000 / +0 FTE
Pay Raise +$783,000 / +0 FTE
Funds are requested for the proposed January 2018 pay-raise.

Pay Annualization +$287,000 / +0 FTE
Funds are requested for annualization of the January 2017 pay-raise.

Non-Pay +$1,206,000 / +0 FTE
Funds are requested for non-labor expenses such as travel, contracts, rent, contracts, supplies, and equipment.

Efficiency Savings ....-$1,206,000 / +0 FTE
Efficiency Savings -$1,206,000 / +0 FTE
These efficiencies are a result of reductions in printing and savings realized through re-evaluated or negotiated contracts.

Program Decreases ....-$1,070,000 / -6 FTE
Program Staffing Reductions -$1,070,000 / -6 FTE
This reduction will be taken across several FinCEN program areas. FinCEN will evaluate open positions for possible absorption of workload associated with positions lost through attrition.

1.3 – Operating Levels Table

Dollars in Thousands

Financial Crimes Enforcement Network (FinCEN) Object Classification	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request
11.1 - Full-time permanent	41,115	41,817	42,136
11.3 - Other than full-time permanent	408	408	408
11.5 - Other personnel compensation	205	205	205
11.9 - Total personnel compensation	**41,728**	**42,430**	**42,749**
12.0 - Personnel benefits	12,259	12,260	11,941
Total Personnel and Compensation Benefits	**$53,987**	**$54,690**	**$54,690**
21.0 - Travel and transportation of persons	607	615	628
23.1 - Rental payments to GSA	4,380	4,130	4,151
23.2 - Rental payments to others	31	32	32
23.3 - Communication, utilities, and misc charges	1,649	1,670	1,705
24.0 - Printing and reproduction	200	207	172
25.1 - Advisory and assistance services	1,097	1,097	1,097
25.2 - Other services from non-Federal sources	14,864	15,873	15,778
25.3 - Other goods and services from Federal sources	9,132	9,496	9,698
25.4 - Operation and maintenance of facilities	740	0	0
25.6 - Medical care	171	174	174
25.7 - Operation and maintenance of equipment	18,629	17,979	17,811
26.0 - Supplies and materials	319	326	333
31.0 - Equipment	7,173	6,475	6,495
Total Non-Personnel	**$58,992**	**$58,074**	**$58,074**
Subtotal New Budgetary Resources	**$112,979**	**$112,764**	**$112,764**
FTE	**279**	**338**	**332**

This table includes total annually appropriated funding (enacted for FY 2016, FY 2017 Annualized CR and FY 2018 request).

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY **FINANCIAL CRIMES ENFORCEMENT NETWORK** Federal Funds SALARIES AND EXPENSES *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 $10,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, $112,764,000, of which not to exceed $34,335,000 shall remain available until September 30, 2020.* Note.—A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.	

E – Legislative Proposals
FinCEN has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

FinCEN develops and issues regulations under the BSA; enforces compliance with the BSA in partnership with regulatory partners and as the sole BSA regulator across numerous industries; receives BSA reports and maintains a database; analyzes and disseminates financial intelligence to federal, state, and local law enforcement, federal and state regulators, foreign FIUs, and industry; and serves as the U.S. FIU and maintains a network of information sharing with FIUs in partner countries. The FY 2018-2022 Treasury strategic plan is under development, and the FY 2019 annual performance report and plan will update FinCEN alignment to Treasury priorities.

In FY 2016 FinCEN had several noteworthy accomplishments. Some highlights are FinCEN: used financial intelligence to identify foreign terrorist fighters facilitation networks; proactively supported efforts to counter terror financing by supporting Paris and Brussels terrorist attack investigations and the Orlando shooting investigation; assisted DOJ in recovering $1.3 billion in tax-evasion penalties that started in 2014 and these recoveries lead to 78 non-prosecution agreements with 80 Swiss banks; launched a geographic targeting order in Florida that contributed to the arrests and pending arrests of 22 alleged co-conspirators in a complex money laundering scheme with ties to the Mexican Sinaloa drug cartel; issued final rule under section 311 of the Patriot Act to further restrict North Korea's access to the U.S. financial system; issued two Financial Action Task Force enhanced advisories that identified jurisdictions with anti-money laundering/countering the financing of terrorism (AML/CFT) deficiencies and two cyber-threat related advisories to financial institutions regarding e-mail compromise fraud schemes; produced the Customer Due Diligence final rule that requires identification of beneficial owners; and issued six penalties totaling $8,660,000.

FinCEN's FY 2017 and FY 2018 priorities include target examination and enforcement efforts to high risk and priority areas, with increased focus on money services businesses; expand understanding and analysis of illicit networks, institutions, jurisdictions, and schemes, with emphasis on national security threats and terrorist groups such as ISIS; 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.

B – Budget and Performance by Budget Activity

2.1.1 BSA Administration and Analysis Resources and Measures
Dollars in Thousands

BSA Administration and Analysis Budget Activity							
Resource Level	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request
Appropriated Resources	$110,788	$104,993	$112,000	$112,000	$112,979	$112,764	$112,764
Reimbursables Resources	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Budget Activity Total	$113,788	$107,993	$115,000	$115,000	$115,979	$115,764	$115,764
FTE (Actual)	301	302	279	276	279	339	333

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
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	90.0	80.0	81.0	83.0	84.0	84.0	85.0	86.0	
Percentage of AML/CFT Supervisors Who Indicate That FinCEN's Enforcement Actions Have Resulted in Increased Compliance by Covered Financial Institutions	N/A	N/A	81.0	88.0	94.0	89.0	94.0	95.0	
Percentage of Customers Finding that FinCEN's Analytic Products and Advanced Research Positively Affected Investigations, Operations, or Understanding of Threats to the Financial System	N/A	N/A	N/A	95.0	95.0	95.0	95.0	95.0	
Percentage of Stakeholders Finding FinCEN's Information Sharing Has Contributed to Their Organization's Responsibilities	N/A	N/A	89.0	91.0	91.0	92.0	92.0	92.0	
Percentage of Users Satisfied with FinCEN Information Sharing Systems	N/A	N/A	78.0	80.0	83.0	80.0	84.0	84.0	

BSA Administration and Analysis Budget and Performance
($112,764,000 from direct appropriations, $3,000,000 from reimbursable resources):
<u>Description of Performance:</u>
FinCEN conducts annual surveys of users on the utility and value of FinCEN's information, analysis, and systems. The results provide valuable feedback on FinCEN's performance safeguarding the financial system from illicit use, combatting money laundering and promoting national security.

FinCEN tracks the percentage of users finding that financial intelligence collected by FinCEN pursuant to its regulations provides valuable information to safeguard the financial system, combat money laundering, and counter terrorist financing. This measure supports FinCEN Strategic Objective 1.1 to adopt strong AML/CFT regulatory safeguards. In FY 2016, FinCEN met its target of 84 percent, with 84 percent finding value. FinCEN attained this result by continued emphasis on on-line training for users of the FinCEN Query tool for their unique cases and situations. The target increases to 85 percent and 86 percent in FY 2017 and FY 2018.

FinCEN tracks the percentage of AML/CFT supervisors who indicate that FinCEN's enforcement actions have resulted in increased compliance by covered financial institutions. This measure supports FinCEN Strategic Objective 1.2 to implement and enforce AML/CFT regulatory authorities and employ targeted financial measures against priority threats. In FY 2016, FinCEN surpassed its target of 89 percent with 94 percent finding enforcement actions have resulted in increased compliance. FinCEN was able to achieve this by successfully pursuing enforcement actions and outreach. The target is 94 percent in FY 2017 and increases to 95 percent in FY 2018.

This new measure is the percentage of customers finding FinCEN's analytic products and advanced research positively affected investigations, operations, or understanding of threats to the financial system. This measure supports FinCEN Strategic Objective 1.3 to use research, analysis, and advanced analytics to identify and explain priority threats to the financial system. In FY 2015 and FY 2016, 95 percent of respondents found the analytic products and research had a positive impact. The FY 2017 and FY 2018 targets are set at 95 percent.

FinCEN measures the percentage of stakeholders finding FinCEN's information sharing has contributed to their organization's responsibilities. This supports FinCEN Strategic Objective 2.1 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. In FY 2016, FinCEN narrowly missed its target of 92 percent with 91 percent finding the information sharing helpful. FinCEN will maximize the sharing of financial intelligence between FinCEN and its domestic and foreign partners in government and private industry to attain future targets. The FY 2017 and FY 2018 targets are 92.

FinCEN tracks the percentage of users satisfied with FinCEN information sharing systems. This measure supports FinCEN Strategic Objective 2.2 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. The measure is based on survey responses

and represents user satisfaction with the BSA E-Filing System, FinCEN Query, and the Egmont Secure Web. In FY 2016, FinCEN exceeded its target of 80 percent with 83 percent of the users satisfied with information sharing systems. FinCEN strives to provide systems with fast response times. FinCEN also continues to receive positive feedback on the usefulness of the data it provides, as well as knowledgeable and courteous user support. In FY 2017 and FY 2018 targets are set at 84.

C – Changes in Performance Measures

Performance Measure or Indicator	Proposed Change and Justification
1. 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 (discontinue)	Propose to stop reporting this metric because FinCEN refined the measure name and methodology to more accurately reflect what the analytics products are intended to do, i.e. be useful to a wide range of customers and have impact, such as identify new leads or provide previously unknown information. The discontinued measure will be replaced by the percentage of customers finding FinCEN's analytic products and advanced research positively affected investigations, operations, or understanding of threats to the financial system.

Section III – Additional Information

A – 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 2016. To successfully fulfill its mission, FinCEN relies on secure, advanced 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 maintaining and building upon flexible and innovative technical solutions. The BSA IT Modernization investment entire lifecycle cost, which includes the year the investment started (2010) through BY+4 (2021), is $332 million (including FTE) and the FY 2018 cost is $27.58 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.
This website also contains a digital copy of this document.