

Financial Crimes Enforcement Network

Program Summary by Budget Activity

Dollars in thousands

Appropriation	FY 2011	FY 2012	FY 2013	FY 2012 TO FY 2013	
	Enacted	Enacted	Request	\$ Change	% Change
BSA Administration and Analysis	\$101,491	\$110,788	\$102,407	(\$8,381)	(7.6%)
Regulatory Support Programs	\$9,297	\$0	\$0	\$0	NA
Subtotal, Financial Crimes Enforcement Network	\$110,788	\$110,788	\$102,407	(\$8,381)	(7.6%)
Offsetting Collections - Reimbursables	\$20,000	\$3,000	\$3,000	\$0	0%
Total Program Operating Level	\$130,788	\$113,788	\$105,407	(\$8,381)	(7.4%)
Direct FTE	327	327	322	(5)	(1.5%)
Reimbursable FTE	1	1	1	0	0%
Total FTE	328	328	323	(5)	(1.5%)

Summary

The mission of FinCEN, a Treasury bureau reporting to the Under Secretary for Terrorism and Financial Intelligence, is to enhance the integrity of financial systems by facilitating the detection and deterrence of financial crime. FinCEN fulfills its mission, goals and priorities by administering the Bank Secrecy Act (BSA); furnishing analytical and financial expertise to support law enforcement investigations and prosecutions; determining emerging trends in money laundering and other financial crimes; and serving as the nation's financial intelligence unit (FIU).

In FY 2013, FinCEN's priorities are to:

- Support the Presidential goal of encouraging economic growth by safeguarding the financial systems from abuse and promoting transparency in the U.S. and international financial systems;
- Enhance BSA regulatory compliance and enforcement through increased reliance on state regulatory agencies, strengthened relationships with law enforcement, and implementation of compliance strategies for newly regulated industries;

- Lead efforts to coordinate federal, state, and local efforts to combat fraud;
- Engage with priority countries and international bodies to strengthen mechanisms for global information exchange; and
- Efficiently manage the collection, processing, and retrieval of BSA data under the BSA IT Modernization program.

In this environment of declining resources, FinCEN is uniquely positioned at the intersection of financial industry, regulators, law enforcement agencies, and global partners. FinCEN is able to network these different perspectives to bring comprehensive insights to the detection and deterrence of financial crime. This unique position allows FinCEN to develop and support multiple partnerships that have a broad national and international impact.

FinCEN FY 2013 Budget Highlights

Dollars in thousands

Financial Crimes Enforcement Network	FTE	Amount
FY 2012 Enacted	327	\$110,788
Changes to Base:		
Adjustment to Request:	8	\$0
Adjustment for Transitioned BSA Collection and Processing Activities	8	\$0
Maintaining Current Levels (MCLs):	-	\$930
Maintaining Current Levels	-	\$930
Efficiency Savings:	(14)	(\$6,232)
Eliminate IT Legacy Systems	-	(\$3,047)
Administrative Staffing Efficiencies	(14)	(\$2,168)
Regulatory Efficiency Savings	-	(\$1,017)
Subtotal FY 2013 Changes to Base	(6)	(\$5,302)
Total FY 2013 Base	321	\$105,486
Program Changes:		
Program Decreases:	(23)	(\$9,871)
Redirect IRS Reimbursement for BSA Compliance	-	(\$5,925)
Reduce Intelligence Support to External Agencies	(6)	(\$968)
Reduce Field Law Enforcement Support	(3)	(\$683)
Program Staff Attrition	(14)	(\$2,295)
Reinvestments:	24	\$6,792
BSA Collection Processing and Retrieval Functions from IRS Reimbursement	12	\$2,675
Improve Industry Compliance and Enforcement from IRS Reimbursement	12	\$2,525
Cross Border System from IT Legacy System	-	\$1,592
Total FY 2013 Request	322	\$102,407

FY 2013 Budget Adjustments

FY 2012 Likely Enacted

The FY 2012 enacted direct appropriation for FinCEN is \$110,788,000.

Adjustment to Request

Adjustment for Transitioned BSA Collection and Processing Activities +\$0 / +8 FTE

FinCEN will begin in FY 2012 to implement the transition of BSA collection and processing activities that have been previously performed by the IRS. Going forward, FinCEN will be responsible for BSA collection and processing, in conjunction with FinCEN's BSA IT Modernization. With this FTE adjustment, FinCEN will begin the consolidation of caller inquiries previously

fielded by the IRS. FinCEN anticipates an increased call volume due to the implementation of the new unified BSA forms and mandated electronic filing. These activities are funded by redirecting \$1,725,000 previously reimbursed to IRS since FY 2001 for data entry and related support for money services business (MSB) registration and suspicious activity reporting.

Maintaining Current Levels (MCLs)

Maintaining Current Levels +\$930,000 / +0 FTE

Funds are requested for inflation adjustments (1.7 percent) in non-labor expenses such as GSA rent adjustments, postage, supplies, equipment, health benefits, and the increase in Federal Employees Retirement System participation. Funds are also requested for the proposed 2013 pay raise (0.5 percent).

Efficiency Savings

Eliminate IT Legacy Systems -\$3,047,000 / +0 FTE

This eliminates funding to maintain the legacy Secure Outreach and BSA E-Filing Systems. In FY 2012 and 2013, FinCEN will roll out new capabilities for the collection, processing and analysis of BSA data as part of its IT Modernization.

Administrative Staffing Efficiencies

-\$2,168,000 / -14 FTE

These staffing efficiencies will be achieved through absorption of workload associated with positions lost through attrition and using a cross service provider, where cost effective.

Regulatory Efficiency Savings -\$1,017 / +0 FTE

FinCEN will achieve efficiency savings through targeted regulatory support efforts, centralization of MSB outreach activities, and change in distribution methodology for MSB brochure materials. The impact of these reductions will be mitigated through future consolidation of call centers; centralization of outreach activities; additional outreach support

by FinCEN staff; and greater reliance on FinCEN's public website to distribute MSB materials, supporting Treasury's paperless initiative.

Program Decreases

Redirect IRS Reimbursement for BSA Compliance -\$5,925,000 / +0 FTE

This decrease will redirect funding provided to the IRS for BSA compliance by FinCEN to carry out some delegated examinations for compliance with FinCEN regulations. Activities in support of BSA compliance are currently funded primarily through IRS direct appropriations; however, FinCEN also provides funding through an annual reimbursement to IRS. The financial institutions currently subject to examination by the IRS are collectively referred to as non-bank financial institutions (NBFIs). Over the last 12 years, the BSA compliance examination program has evolved, along with IRS's direct appropriation and organization structure for BSA compliance. In addition, FinCEN's legislative proposal would allow the bureau to rely on one or more financial supervisors in each of the states to carry out BSA compliance examinations for their respective regulated institutions.

Reduce Intelligence Support to External Agencies -\$968,000 / -6 FTE

This decrease will reduce analytical support to external customers in support of their national security, counter terrorism financing, and law enforcement matters. FinCEN will continue to carry-out limited case support and support to FinCEN's analytical initiatives that require national security information. FinCEN will also provide access to BSA information for some external agencies through appropriate information sharing protocols.

Reduce Field Law Enforcement Support -\$683,000 / -3 FTE

Reductions are identified from discontinuance of a liaison position at the Federal Law Enforcement Training Center (FLETC), and

from decreases in field positions located in High Intensity Financial Crime Areas (HIFCAs). FinCEN will continue to support law enforcement from its headquarters. FinCEN will continue to carry out limited case support and support FinCEN's analytical initiatives that require national security information.

Program Staff Attrition -\$2,295,000 / -14 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.

Reinvestments

BSA Collection Processing and Retrieval Functions from IRS Reimbursement +\$2,675,000 / +12 FTE

This reinvestment is needed to complete the transition of BSA collection and processing activities started in FY 2012 from IRS to FinCEN. The BSA IT Modernization program provides the technology structure to allow FinCEN to mandate BSA E-filing and eliminate most of the current BSA paper processing activities currently performed on FinCEN's behalf by the IRS. These changes necessitate consolidation and transfer of remaining activities to FinCEN to provide an efficient structure for responding to filer and caller inquiries related to BSA forms submission (except Foreign Bank and Financial Accounts (FBAR) and Form 8300 inquiries, for which IRS will retain responsibility due to its Title 26 tax implications). This consolidation is consistent with FinCEN's regulatory role as administrator of the BSA.

Improve Industry Compliance and Enforcement from IRS Reimbursement +\$2,525,000 / +12 FTE

This reinvestment will allow FinCEN to better carry out its responsibilities to coordinate among all financial supervisory agencies exercising delegated examination authority, as

well as state supervisory agencies and the IRS. Several changes have prompted FinCEN's need and ability to better coordinate NBFIs compliance examinations. First, the number of NBFIs has increased over the last decade with the implementation of BSA requirements for additional industries. Second, the enhanced analytic capabilities provided by the BSA IT Modernization will enable a more risk-based examination schedule and a more consistent and centralized approach to compliance across different industries. Third, a legislative proposal in FinCEN's budget provides authority to rely on examinations conducted by state regulators for NBFIs lacking a federal regulator. FinCEN would increase reliance on state examinations where appropriate, allowing for better targeting of IRS and FinCEN resources on areas of greater risk.

*Cross Border System from IT Legacy System
+\$1,592,000 / +0 FTE*

This reinvestment will fund operations and maintenance for the foundational infrastructure that captures cross border electronic funds transfer information (CBEFT). CBEFT requirements and solutions have evolved since the funding started in FY 2008 as reflected in the proposed rulemaking published in September 2010, which based on discussions with the IRS, included the addition of taxpayer identification numbers as part of the information to be reported under the rule.

Explanation of Budget Activities

*BSA Administration and Analysis
(\$102,407,000 from direct appropriations,
\$3,000,000 from reimbursable resources)*

The programs funded by this budget activity support the Treasury strategic goal to protect our national security through targeted financial actions. This activity comprises FinCEN's efforts to administer the BSA, including promulgating regulations, providing outreach and issuing guidance to the regulated industries, providing oversight of BSA compliance, initiating enforcement actions, and, managing the information reported by the

regulated industries, as well as BSA compliance of non-bank financial institutions.

Analytical programs include support to U.S. law enforcement and international FIUs in combating financial fraud and crime by facilitating the exchange of investigative information, including with foreign counterpart FIUs; identifying foreign and domestic financial fraud, money laundering, and terrorist financing trends, patterns, and techniques; and liaison with and support of intelligence initiatives within the intelligence community and within Treasury. This activity also incorporates efforts to support large-scale, complex law enforcement investigations involving financial fraud, terrorist financing, money laundering, and other financial crimes.

As administrator of the BSA, FinCEN must ensure the effective management, accessibility, dissemination, and use of the highly sensitive confidential information collected under the Act. FinCEN provides authorized law enforcement, regulatory, and intelligence agencies direct access to BSA information.

Global programs include support to international initiatives to educate other jurisdictions about the BSA regulatory regime; work to establish international anti-money laundering/counter-terrorist financing regulatory standards and norms; and efforts to improve the expertise and capabilities of personnel with anti-money laundering/counter-terrorist financing missions.

Regulatory Support (\$0 from direct appropriations)

This budget activity was eliminated in FY 2012.

Legislative Proposals

FinCEN is proposing three technical amendments to Titles 31 and 12 (sections 116 to 118 of the proposed Treasury administrative provisions) that would make improvements in

two important areas. The first and second amendments provide authority to rely on examinations conducted by state supervisory agencies for NBFIs lacking a federal regulator, which would capture most nonbank financial institutions currently subject to IRS examination. The third amendment increases information sharing between FinCEN and

counterpart anti-money laundering/counterterrorist financing regulators. Specifically, this amendment provides consistency between how FinCEN shares information in its capacity as a regulator and information sharing that currently exists between federal financial regulators and their foreign counterparts.

FinCEN Performance by Budget Activity

Budget Activity	Performance Measure	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
		Actual	Actual	Actual	Target	Target
BSA Administration and Analysis	Percentage of customers finding the FinCEN data provides valuable information towards the detection and deterrence of financial crime	N/A	87.0	89.0	86.0	90.0
BSA Administration and Analysis	Percentage of domestic law enforcement finding FinCEN's analytic reports contribute to the detection and deterrence of financial crime	N/A	80.0	86.0	80.0	80.0
BSA Administration and Analysis	Percentage of foreign FIUs finding FinCEN's analytic reports provide valuable information towards the detection and deterrence of financial crime	N/A	90.0	92.0	90.0	90.0
BSA Administration and Analysis	Percentage of regulatory helpline customers understanding BSA guidance	94.0	92.0	92.0	90.0	90.0

Key: DISC - Discontinued and B - Baseline

Description of Performance

In the regulatory area, FinCEN's goal to provide financial institutions with understandable guidance is critical to institutions establishing anti-money laundering programs that comply with FinCEN's regulations. In FY 2011, FinCEN's goal was to maintain a 90 percent satisfaction level and FinCEN met its target with 92 percent.

In the analytical area, FinCEN supports domestic law enforcement and international FIU partners by providing analyses of BSA information, and measures the percentage of customers finding FinCEN's analytic reports highly valuable. The following two measures closely tie to how BSA information is used by law enforcement and foreign FIUs to identify, investigate, and prevent abuse of the financial system. The first measure looks at the value provided to the domestic law enforcement

community. In FY 2010, FinCEN baselined this performance measure with 80 percent rating the analytic products as valuable. In FY 2011, 86 percent of the domestic law enforcement respondents rated the analytic products as valuable. The second measure tracks the value of the analytic reports to foreign FIU customers. In FY 2010, FinCEN set a baseline for this measure of 90 percent. In FY 2011, 92 percent of foreign FIUs rated the analytic products as valuable.

In the efficient management, safeguarding, and use of BSA information, FinCEN began tracking the value of the BSA information to law enforcement and regulatory agency users with direct access to the BSA data. The survey looks at the value of BSA 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. The FY 2011 actual for the percentage of customers finding the BSA data provides valuable information towards the detection and deterrence of financial crime was 89 percent.