

## Financial Crimes Enforcement Network

### Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	FY 2010 to FY 2012 \$ Change	% Change
BSA Administration and Analysis	\$101,694	\$101,694	\$84,297	(\$17,397)	(17.1%)
Regulatory Support Programs	\$9,316	\$9,316	\$0	(\$9,316)	(100.0%)
<b>Subtotal, Financial Crimes Enforcement Network</b>	<b>\$111,010</b>	<b>\$111,010</b>	<b>\$84,297</b>	<b>(\$26,713)</b>	<b>(24.1%)</b>
Offsetting Collections - Reimbursables	\$20,000	\$20,000	\$3,000	(\$17,000)	(85.0%)
Transfers	\$0	\$0	\$30,000	\$30,000	-
<b>Total Program Operating Level</b>	<b>\$131,010</b>	<b>\$131,010</b>	<b>\$117,297</b>	<b>(\$13,713)</b>	<b>(10.5%)</b>
Direct FTE	331	327	304	(27)	(8.2%)
Reimbursable FTE	1	1	1	-	-
<b>Total FTE</b>	<b>332</b>	<b>328</b>	<b>305</b>	<b>(27)</b>	<b>(8.1%)</b>

In FY 2012, the Regulatory Support Program budget activity is merged into the BSA Administration and Analysis budget activity.

### Summary

The mission of FinCEN, a bureau within Treasury's Office of Terrorism and Financial Intelligence, 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 fulfills its mission, goals and priorities by: administering the Bank Secrecy Act (BSA); supporting law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence; enhancing international anti-money laundering and counter-terrorist financing efforts and cooperation; and networking people, entities, ideas, and information.

The following priorities 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.

- Implement the BSA IT Modernization Program, using funds transferred from the Treasury Forfeiture Fund;

- Lead efforts to coordinate federal, state, and local efforts to combat fraud;
- Enhance the BSA regulatory compliance and enforcement strategy based on risks informed by analysis and law enforcement; and
- Engage with priority countries and international bodies to strengthen mechanisms for global information exchange.

The total resources required to support FinCEN for FY 2012 are \$117,297,000 including \$84,297,000 for direct appropriation, \$3,000,000 from offsetting collections and \$30,000,000 transferred from the Treasury Forfeiture Fund (see Administrative Provision Sec. 125) to continue the BSA IT modernization program.

## FinCEN FY 2012 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
<b>FY 2010 Enacted</b>	<b>\$111,010</b>
<b>FY 2011 Annualized CR Level</b>	<b>\$111,010</b>
Changes to Base:	
Adjustment to Reach Policy Level:	(\$11,038)
Adjustment to Reach FY 2011 President's Policy Level	(\$11,038)
Maintaining Current Levels (MCLs):	\$897
Maintaining Current Levels (MCLs)	\$897
Efficiencies, Savings & Base Reductions:	(\$13,570)
Base Reduction to BSA IT Modernization	(\$10,250)
Regulatory Support Efficiency Savings	(\$1,017)
Information Technology Efficiency Savings	(\$1,636)
Staffing Reduction from Attrition	(\$667)
Subtotal FY 2012 Changes to Base	(\$23,711)
<b>Total FY 2012 Base</b>	<b>\$87,299</b>
Program Changes:	
Program Decreases:	(\$3,002)
Reduce Field Law Enforcement Support	(\$683)
Reduce Intelligence Support to External Agencies	(\$968)
Consolidate State and Local Access to BSA Data	(\$1,351)
Subtotal FY 2012 Program Changes	(\$3,002)
<b>Total FY 2012 Request</b>	<b>\$84,297</b>
Transfers	\$30,000
<b>Total FY 2012 Request (Net)</b>	<b>\$114,297</b>

## FY 2012 Budget Adjustments

### FY 2011 Annualized CR Level

The FY 2011 Annualized CR Level for FinCEN is \$111,010,000.

### Adjustment to Reach Policy Level

*Adjustment to Reach FY 2011 President's Policy Level - \$11,038,000 / +0 FTE*

Adjustment from the FY 2011 Annualized Continuing Resolution (CR) Rate to reach the FY 2011 President's Policy Level. The President's Policy Level is equal to the FY 2011 President's Budget as adjusted for the proposed pay freeze.

### Maintaining Current Levels (MCLs)

*Maintaining Current Levels (MCLs)*

*+\$897,000 / +0 FTE*

Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment and health benefits and the increase in Federal

Employee Retirement System participation. No inflation adjustment is requested for pay in FY 2012.

### Efficiencies, Savings & Base Reductions

*Base Reduction to BSA IT Modernization - \$10,250,000 / +0 FTE*

BSA IT Modernization program will be funded with Forfeiture Fund surplus in FY 2012, thereby reducing the discretionary request by an additional \$10.250 million. Total project funding remains the same.

*Regulatory Support Efficiency Savings*

*-\$1,017,000 / +0 FTE*

FinCEN will achieve efficiency savings through targeted regulatory support efforts, centralization of money services business (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.

*Information Technology Efficiency Savings*

*-\$1,636,000 / +0 FTE*

In FY 2012, the BSA IT Modernization program will roll out new capabilities for BSA E-Filing and a new analytical tool. Therefore, FinCEN proposes to eliminate development funding for stand-alone system enhancements that could be rolled into the BSA IT Modernization umbrella during FY 2012. FinCEN will also achieve efficiencies through consolidation of information technology contracts, leveraging Treasury strategic sourcing initiatives, and other related efficiencies.

*Staffing Reduction from Attrition -\$667,000 / -5 FTE*

Reductions were identified from efficiencies achieved in administrative staffing support and absorption of workload associated with positions lost through attrition.

### **Program Decreases**

*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.

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

This reduction 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 external agencies through appropriate information sharing protocols.

*Consolidate State and Local Access to BSA Data -\$1,351,000 / -9 FTE*

This reduction will limit direct access to BSA data to only state coordinators, canceling 142 current state and local BSA direct access agreements for law enforcement and regulators. The state coordinators and FinCEN analysts would then be asked to provide access to the BSA by fulfilling query requests from those customers that previously had direct access. These actions allow FinCEN to reduce training, investigative and administrative support to state and local users, and inspections and monitoring of BSA data

for appropriate use.

### **Transfers**

*Proposed Transfer from TFF to Support BSA IT Modernization Continuing Efforts +\$30,000,000 / +0 FTE*

The BSA IT Modernization will be funded using a transfer from Treasury Forfeiture Fund (see Administrative Provisions Sec. 125) to support continuing development and maintenance. This transfer allows Treasury to use asset forfeiture to support the development of a tool that will support law enforcement's anti-money laundering and counter-terrorism financing efforts.

## **Explanation of Budget Activities**

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### **Salaries and Expenses**

*BSA Administration and Analysis (\$84,297,000 from direct appropriations, \$30,000,000 from transfers, and \$3,000,000 from reimbursable programs)*

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, with the Internal Revenue Service (IRS), managing the information filed 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 Financial Intelligence Units (FIUs) in combating financial fraud and crime by facilitating the exchange of investigative information; 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.

*Regulatory Support Programs (No funding)*  
 FinCEN is proposing to eliminate the separate budget activity for the Regulatory Support Program along with the related two year fund availability. This program has matured and is now an integrated part of FinCEN’s activities, thus the separate identification and extended funding availability is no longer required.

### Legislative Proposals

FinCEN is proposing five technical amendments to Titles 31 and 12 that would make improvements in four important areas. The first amendment provides authority to rely on examinations conducted by state supervisory agencies for nonbank financial institutions lacking a Federal regulator, which

would capture most nonbank financial institutions currently subject to IRS examination as delegated through a memorandum of understanding. The second amendment increases information sharing between FinCEN and counterpart anti-money laundering/counter-terrorist 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. The remaining amendments expand the universe of individuals covered by the prohibition on Suspicious Activity Report (SAR) disclosures and explicitly exempt all BSA data from disclosure under any state law or regulation providing public access to information. See sections 120-124 in the summary of appropriations chapter of this document for specific changes.

### FinCEN Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
U.S. & intl financial sys	Percentage of Customers Satisfied with the BSA E-Filing (Oe)	93.0	94.0	96.0	90.0	92.0
U.S. & intl financial sys	Percentage of Domestic Law Enforcement and Foreign Financial Intelligence Units Finding FinCEN's Analytical Reports Highly Valuable	83.0	81.0	80.0	80.0	80.0
U.S. & intl financial sys	Percentage of FinCEN's Regulatory Resource Center Customers Rating the Guidance Received as Understandable (Oe)	94.0	94.0	92.0	90.0	90.0

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, M - Management/Cust. Satisfaction, DISC - Discontinued, and B - Baseline

## Description of Performance

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In the regulatory area, FinCEN's goal to provide financial institutions with understandable guidance through the BSA Resource Center is critical to institutions establishing anti-money laundering programs that comply with the BSA. The FY 2010 goal was to maintain a 90 percent satisfaction level for customers rating the guidance as "understandable," and FinCEN surpassed its goal 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 measure closely ties to how BSA information is used by law enforcement and international FIUs to identify, investigate, and prevent abuse of the financial

system. In FY 2010, 80 percent of the respondents rated the analytic products as highly valuable. FinCEN narrowly missed its target of 81 percent. FinCEN attributes this to a need to enhance communication with and understanding of law enforcement partners' needs. FinCEN has developed a strategy to increase communication with law enforcement partners and will continue efforts to ensure its products and services meet those needs.

In the efficient management, safeguarding, and use of BSA information, FinCEN conducts a survey of the users of the BSA E-Filing system to determine the overall satisfaction level and to identify where improvements are needed. The FY 2010 target was to maintain at least a 90 percent satisfaction level, and FinCEN exceeded its target with 96 percent.