

# Financial Crimes Enforcement Network

FY 2016  
President's Budget

February 2, 2015

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## Section 1 – Purpose

### 1A – Mission Statement

The mission of the 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 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
	Enacted		Enacted		Request		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>New Appropriated Resources:</b>										
BSA Administration and Analysis	345	112,000	345	112,000	343	112,979	(2)	979	-0.58%	0.87%
<b>Subtotal New Appropriated Resources</b>	<b>345</b>	<b>\$112,000</b>	<b>345</b>	<b>\$112,000</b>	<b>343</b>	<b>\$112,979</b>	<b>(2)</b>	<b>\$979</b>	<b>-0.58%</b>	<b>0.87%</b>
<b>Other Resources:</b>										
Reimbursables	1	2,000	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%
Unobligated Balances from Prior Years	0	41,000	0	50,000	0	50,000	0	0	0.00%	0.00%
<b>Subtotal Other Resources</b>	<b>1</b>	<b>\$43,500</b>	<b>1</b>	<b>\$53,500</b>	<b>1</b>	<b>\$53,500</b>	<b>0</b>	<b>\$0</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Total Budgetary Resources</b>	<b>346</b>	<b>\$155,500</b>	<b>346</b>	<b>\$165,500</b>	<b>344</b>	<b>\$166,479</b>	<b>(2)</b>	<b>\$979</b>	<b>-0.58%</b>	<b>0.59%</b>

### 1B – Vision, Priorities and Context

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 more than 130 partner countries; receiving millions of new financial reports each year; securing and maintaining a database of over 170 million reports; and analyzing and disseminating financial intelligence to federal, state, and local law enforcement, federal and state regulators, foreign FIUs, and industry; 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 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 supports the following Treasury strategic objectives: 4.1 Identify priority threats to the financial system using intelligence analysis and outreach to the financial sector; 4.2 Develop, implement, and enforce sanctions and other targeted financial measures; and 4.4 Protect the integrity of the financial system by implementing, promoting, and enforcing anti-money laundering and counterterrorism financing standards.

FinCEN's activities and efforts are linked to Treasury's strategic goal, the above-mentioned Treasury strategic objectives, 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 between FinCEN and its domestic and foreign partners in government and private industry.

FinCEN also supports the Agency Priority Goal (APG) to employ a proactive, intelligence driven approach to focus enforcement efforts against high priority threats by September 30, 2015. This goal is aligned to Treasury strategic objective 4.4. FinCEN will leverage new technology, FinCEN data, analytical resources, tools, and methodologies to identify high priority threats compromising the financial system. FinCEN will use this intelligence to focus its own enforcement efforts against high priority threats, and assess civil monetary penalties, impose injunctions, issue special measures under Section 311 of the USA PATRIOT Act, and apply geographic targeting orders, as appropriate. FinCEN will also use this intelligence to help focus the enforcement actions of partner law enforcement and regulatory agencies in the U.S. and abroad.

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 2014 include:

- Issued advisories to help Ukraine combat corruption and recover stolen assets;
- Issued two administrative rulings that expanded upon guidance to clarify applicability of BSA to administrators and exchangers of convertible currency and provided reference information to partners on emerging payment systems;
- Issued guidance that clarifies reporting and customer due diligence expectations for financial institutions seeking to provide services to marijuana businesses;
- Identified 517 crypto-currencies in various stages of development, including some with novel technological developments that FinCEN is currently assessing. FinCEN continues to

track entity ownership, jurisdiction, Internet Protocols, and other information globally from BSA data and open source data. FinCEN also tracks new currencies in development, their developers, and their exchangers;

- Provided immediate and sustained analytic support to the FBI and DOJ for ongoing efforts to stem capital flight from Ukraine;
- Continued support of high priority health and tax fraud investigations, including identification of key links to third-party money launderers;
- Promoted voluntary use of 314(b) authorities. Section 314(b) of the USA PATRIOT Act provides financial institutions with the ability to share information with one another, under safe harbor that offers protections from liability, in order to identify and report potential money laundering or terrorist activities; and
- Hosted a delegation of senior officials from the China Anti-money Laundering Monitoring and Analysis Center (CAMLMAC) and the Anti-money Laundering Bureau, the two offices that comprise FIU-China. A segment of the discussions focused on identifying next steps in CAMLMAC's application for membership into the Egmont Group of FIUs.

To meet its priorities in FY 2015 and FY 2016, FinCEN will:

- Adopt strong anti-money laundering and counterterrorism financing (AML/CFT) regulatory safeguards;<sup>1</sup>
- Implement and enforce AML/CFT regulatory authorities and employ targeted financial measures against priority threats;
- Use research, analysis, and advanced analytics to identify and explain priority threats to the financial system;
- 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<sup>1</sup>; and
- Develop and support effective technology systems to collect and analyze financial intelligence from private industry and share it with domestic and foreign government partners.

In terms of the larger operating environment, FinCEN contributes to efforts across all levels of government to focus resources on various external factors that threaten the financial system. Some of these factors include cyber threats, transnational organized crime, fraud against U.S. government programs, and transnational security threats, such as rogue regimes and terrorist organizations. These are serious threats to the nation and the financial system that demand strong public-private sector partnerships to ensure the appropriate laws and regulations are in place, and to leverage resources in a fiscally responsible manner.

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<sup>1</sup> Directly supports the Strategic Objective Annual Review (SOAR) next steps.

## **Section 2 – Budget Adjustments and Appropriation Language**

### **2.1 – Budget Adjustments Table**

Dollars in Thousands

<b>Financial Crimes Enforcement Network</b>	<b>FTE</b>	<b>Amount</b>
<b>FY 2015 Enacted</b>	<b>345</b>	<b>\$112,000</b>
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$1,896
Pay-Raise	-	\$521
Pay Annualization	-	\$133
FERS Contribution Increase	-	\$191
Non-Pay	-	\$1,051
Efficiency Savings:	-	(\$726)
Efficiency Savings	-	(\$726)
Subtotal Changes to Base	-	\$1,170
<b>FY 2016 Base</b>	<b>345</b>	<b>\$113,170</b>
Program Changes:		
Program Decreases:	(2)	(\$191)
Administrative Staffing Reduction	(2)	(\$191)
Program Increases:	-	-
<b>FY 2016 Request</b>	<b>343</b>	<b>\$112,979</b>

### **2A – Budget Increases and Decreases Description**

**Maintaining Current Levels (MCLs) ..... +\$1,896,000 / +0 FTE**

Pay-Raise +\$521,000 / +0 FTE

Funds are requested for the proposed January 2016 pay-raise.

Pay Annualization +\$133,000 / +0 FTE

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

FERS Contribution Increase +\$191,000 / +0 FTE

Funds are requested for an increase in agency contributions for Federal Employees Retirement System (FERS) employees.

Non-Pay +\$1,051,000 / +0 FTE

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

**Efficiency Savings ..... -\$726,000 / +0 FTE**

Efficiency Savings -\$726,000 / +0 FTE

These efficiencies are a result of reductions in travel, printing, and savings realized through re-evaluated or negotiated contracts.

**Program Decreases ..... -\$191,000 / -2 FTE**

Administrative Staffing Reduction -\$191,000 / -2 FTE

FinCEN will redistribute the workload of two administrative positions lost through attrition.

## 2.2 – Operating Levels Table

Dollars in Thousands

Financial Crimes Enforcement Network Object Classification	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
11.1 - Full-time permanent	32,396	40,597	41,115
11.3 - Other than full-time permanent	362	408	408
11.5 - Other personnel compensation	486	205	205
11.9 - Personnel Compensation (Total)	33,244	41,210	41,728
12.0 - Personnel benefits	9,695	12,123	12,259
<b>Total Personnel and Compensation Benefits</b>	<b>\$42,939</b>	<b>\$53,333</b>	<b>\$53,987</b>
21.0 - Travel and transportation of persons	524	777	607
23.1 - Rental payments to GSA	4,835	4,304	4,380
23.2 - Rental payments to others	28	30	31
23.3 - Communication, utilities, and misc charges	1,720	1,629	1,649
24.0 - Printing and reproduction	72	263	200
25.1 - Advisory and assistance services	2,405	1,097	1,097
25.2 - Other services	14,685	15,129	14,864
25.3 - Other purchases of goods & serv frm Govt accounts	9,603	8,791	9,132
25.4 - Operation and maintenance of facilities	0	740	740
25.6 - Medical care	174	168	171
25.7 - Operation and maintenance of equip	20,931	18,535	18,629
26.0 - Supplies and materials	272	315	319
31.0 - Equipment	3,764	6,889	7,173
<b>Total Non-Personnel</b>	<b>59,013</b>	<b>58,667</b>	<b>58,992</b>
<b>Subtotal New Appropriated Resources</b>	<b>\$101,952</b>	<b>\$112,000</b>	<b>\$112,979</b>
<b>Budget Activities:</b>			
BSA Administration and Analysis	153,417	165,500	166,479
<b>Total Budgetary Resources<sup>1</sup></b>	<b>\$153,417<sup>1</sup></b>	<b>\$165,500</b>	<b>\$166,479</b>

<b>FTE</b>	<b>280</b>	<b>346</b>	<b>344</b>
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<sup>1</sup> FY 2014 Actual includes annual appropriations, available multi-year appropriations, reimbursable resources, offsetting collections, and user fees.

**2B – Appropriations Language and Explanation of Changes**

<b>Appropriations Language</b>	<b>Explanation of Changes</b>
<p style="text-align: center;">DEPARTMENT OF THE TREASURY FINANCIAL CRIMES ENFORCEMENT NETWORK Federal Funds</p> <p style="text-align: center;"><b>SALARIES AND EXPENSES:</b></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 \$10,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, [2017] <i>2018</i>. (<i>Department of the Treasury Appropriations Act, 2015.</i>)</p>	

**2C – Legislative Proposals**

FinCEN has no legislative proposals.

## **Section 3 – Budget and Performance Plan**

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### **3A – BSA Administration and Analysis**

*(\$112,979,000 from direct appropriations, and \$3,000,000 from reimbursable resources):*

The programs funded by this budget activity support Treasury Strategic Goal 4: “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 FIUs, and industry; and serve as the U.S. FIU and maintaining network of information sharing with FIUs in partner countries. The goal owner for this budget activity is the Director of FinCEN.

To support the Treasury Strategic Objective 4.4 and FinCEN Strategic Objective 1.1 to adopt strong AML/CFT regulatory safeguards, FinCEN tracked 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. 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, or provided information for an investigative or examination report. In FY 2014, 81 percent of users found the financial intelligence useful, which did not meet the target of 84 percent. To meet future targets FinCEN will put greater emphasis on both in-person and on-line training that will better assist users in understanding and utilizing the FinCEN Query tool for their unique cases and situations. Additionally, FinCEN will try to identify and address any agency specific issues that might have contributed to lower scores. This should result in at least 82 percent of the respondents finding value in BSA data in FY 2015 and 83 percent in FY 2016.

To support the Treasury Strategic Objectives 4.2 and 4.4 and FinCEN Strategic Objective 1.2 to implement and enforce AML/CFT regulatory authorities and employ targeted financial measures against priority threats, FinCEN tracked 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 agreements 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 set a baseline of 81 percent in FY 2014. In FY 2015 and 2016, targets are set at 80 percent until more trend data is available to better assess appropriate targets.

To support the Treasury Strategic Objective 4.1 and the FinCEN Strategic Objective 1.3 to use research, analysis, and advanced analytics to identify and explain priority threats to the financial system, FinCEN tracks the percentage of domestic law enforcement finding FinCEN's analytic reports contribute to the detection and deterrence of financial crime. In FY 2014, FinCEN discontinued this measure as it found the measure does not represent the new analytical products. FinCEN has increased its emphasis on the production of new products.

To support the Treasury Strategic Objective 4.1 and the 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, FinCEN measured the percentage of stakeholders finding FinCEN's information sharing has contributed to their organization's responsibilities. This measure examines the survey responses of customers who have had contact with FinCEN to exchange information, including industry, regulators, and law enforcement, both domestic and foreign. 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 baselined the results of this measure in FY 2014 with 89 percent finding information sharing valuable. FinCEN attributes this performance to high levels of satisfaction of domestic customers with the 314(a) program and responses received from regulatory Help Line calls. The FinCEN Resource Center will maintain this momentum through an intensive training program, rigorous quality control measures, and intra-agency coordination. The 314(a) Program will see improvements through outreach to targeted groups of financial institutions and FinCEN will enhance information sharing with industry, regulators, law enforcement and foreign Financial Intelligence Units (FIUs). In FY 2015 the target result of this measure is 89 percent finding information sharing valuable and in FY 2016 the target is 90 percent.

To support the Treasury Strategic Objective 4.1 and the FinCEN Strategic Objective 2.2, 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 tracked the percentage of users satisfied with FinCEN information sharing systems. This is a composite survey measure and represents the users' satisfaction with the BSA E-Filing System, FinCEN Portal and Query, and the Egmont Secure Web. Starting with industry, FinCEN collects and maintains BSA reports filed by financial institutions and other filers. In turn, FinCEN provides authorized users (including Treasury and TFI) access to a query system containing 11 years of BSA data; 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. In FY 2014 the baseline score was 78 percent of users were satisfied with FinCEN's information sharing systems. FinCEN attributes this to performance to high levels of satisfaction with the Egmont Secure Web (ESW) that shares information with foreign FIUs and the E-Filing system used to submit financial reports. To meet future targets FinCEN will work with its query users to

improve satisfaction with this system. The FY 2015 target is 78 percent and FY 2016 is 80 percent.

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

Dollars in Thousands

<b>BSA Administration and Analysis Budget Activity</b>								
<b>Resource Level</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
	<b>Enacted</b>	<b>Enacted</b>	<b>Enacted</b>	<b>Enacted</b>	<b>Enacted</b>	<b>Enacted</b>	<b>Enacted</b>	<b>Request</b>
Appropriated Resources	\$91,465	\$111,010	\$110,788	\$110,788	\$104,993	\$112,000	\$112,000	\$112,979
Reimbursable Resources	\$8,000	\$20,000	\$20,000	\$20,000	\$3,000	\$2,000	\$3,000	\$3,000
<b>Budget Activity Total</b>	<b>\$99,465</b>	<b>\$131,010</b>	<b>\$130,788</b>	<b>\$130,788</b>	<b>\$107,993</b>	<b>\$114,000</b>	<b>\$115,000</b>	<b>\$115,979</b>

<b>Measure</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Target</b>	<b>Target</b>
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	N/A	N/A	N/A	81.0	80.0	80.0
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	83.0	81.0	Disc	Disc	Disc
Percentage of Stakeholders Finding FinCEN's Information Sharing Has Contributed to Their Organization's Responsibilities	N/A	N/A	N/A	N/A	N/A	89.0	89.0	90.0
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	87.0	89.0	90.0	80.0	81.0	82.0	83.0
Percentage of Users Satisfied with FinCEN Information Sharing Systems	N/A	N/A	N/A	N/A	N/A	78.0	78.0	80.0

Key: DISC - Discontinued and B – Baseline

## **Section 4 – Supplemental Information**

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### **4A – Summary of Capital Investments**

As the administrator of the BSA, FinCEN receives valuable information reported and collected under BSA requirements, which totaled approximately 19 million filings in FY 2014. 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 maintaining and building upon flexible and innovative technical solutions. In FY 2014, FinCEN successfully completed all project milestones associated with the 4-year development effort associated with its BSA IT Modernization Program. The BSA IT Modernization investment full life cycle cost (10 years) is \$300.4 million (including FTE) and the FY 2016 costs are \$27.6 million (including FTE).

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and 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.