



Financial Crimes Enforcement Network

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Topics

- FinCEN mission
- Office of Compliance
- Office of Enforcement
- BSA Data & Suspicious Activity Reporting
- FinCEN Products/Sources of Feedback
- FinCEN Rulemaking



FinCEN Mission Statement

The mission of the Financial Crimes Enforcement Network 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 Mission Statement

We do this by:

- Administering the Bank Secrecy Act;
- Supporting law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence;
- Building global cooperation with our counterpart financial intelligence units; and
- Networking people, ideas, and information.



Office of Compliance Mission

- The office works to ensure industry compliance with the BSA through supporting, overseeing, and working in partnership with agencies and organizations directly examining financial institutions for BSA compliance.
- The primary mechanism for obtaining information about examination activities and findings of other agencies and organizations is the information sharing agreement or “Memorandum of Understanding.”



Office of Compliance

Memoranda of Understanding

Intention – Two-way information sharing

- FinCEN – administrator of the BSA
- FBAs (banking supervisors), SEC, CFTC, IRS, State supervisors

Ultimate Goal

- Improve and enhance interagency coordination and cooperation



Memoranda of Understanding (con't)

Information Provided by Agencies:

- Annual Summary Report
- Program Documents
- Quarterly Aggregate Reports
- Special BSA Examination Project Information
- Notice of Institutions with Significant BSA Violations or Deficiencies



Memoranda of Understanding (con't)

Information Provided by FinCEN:

- Quarterly Aggregate Reports
- Notice and Status of Possible Enforcement Actions
- Analytical Products
- Assistance in Identifying Institutions with BSA Compliance Deficiencies
- Referrals and Advisories



Frequent Examination Problem Areas

- Policies, Procedures, Internal Controls
- Independent Testing
- Customer Identification Program
- Suspicious Activity Reporting (Policies; Filing)
- Training
- 314(a) Searches



Compliance & Enforcement Actions

- Office of Compliance
 - No Action
 - Monitor
 - Notification Letter
 - Referral to Enforcement – Committee

- Office of Enforcement
 - Similar Actions
 - Civil Money Penalty



Office of Enforcement Mission

- Goals:
- --Sanction egregious violations of the BSA
- --Compel corrective action
- Deter future non-compliance
- --Educate and provide guidance to financial institutions through the exercise of enforcement authority.



Referral to FinCEN

- Under its Memorandum of Understanding with FinCEN, a federal (or state) financial regulator notifies FinCEN of an enforcement action, or the discovery of a significant BSA violation or deficiency.
- FinCEN and the financial regulator(s) cooperate in determining whether to issue a civil money penalty.



FinCEN Jurisdiction

- All Financial Institutions under BSA
- FinCEN/FBA MOU
 - Significant Findings
 - Referred to FinCEN
- State MOUs
- Other Federal Regulators – SEC, CFTC
- Other Regulatory/Supervisory Authorities
- Non-bank financial institutions



Office of Enforcement

Factors for Civil Money Penalties

- Severity of Violations (number, time span, rate of failure)
- Nature of Violations (systemic, repetitive/isolated, willful)
- Corrective Action Taken
- Method of Discovery
- Cooperation with Authorities/Other Authorities' Actions
- Prior Compliance History
- Institution Size and Financial Health



Joint Enforcement Actions

- Joint Civil Action with Regulators

- Civil FinCEN and Regulators' Actions Concurrent with DOJ Criminal Actions
 - Most Effective Results
 - Close Coordination
 - Functional Regulator – FinCEN
 - Pursue Hand-in-Hand When Possible



Goals of the Bank Secrecy Act

- Increase the transparency of the U.S. financial system so that money laundering, terrorist financing, and other financial crime can be deterred, detected, and, ultimately, prevented

- The BSA accomplishes this by requiring:
 - Anti-money laundering programs tailored to the unique risks posed by each financial institution's business operations; and
 - Reports and records of certain information that is highly relevant and useful in the detection, deterrence, and investigation of financial crime.

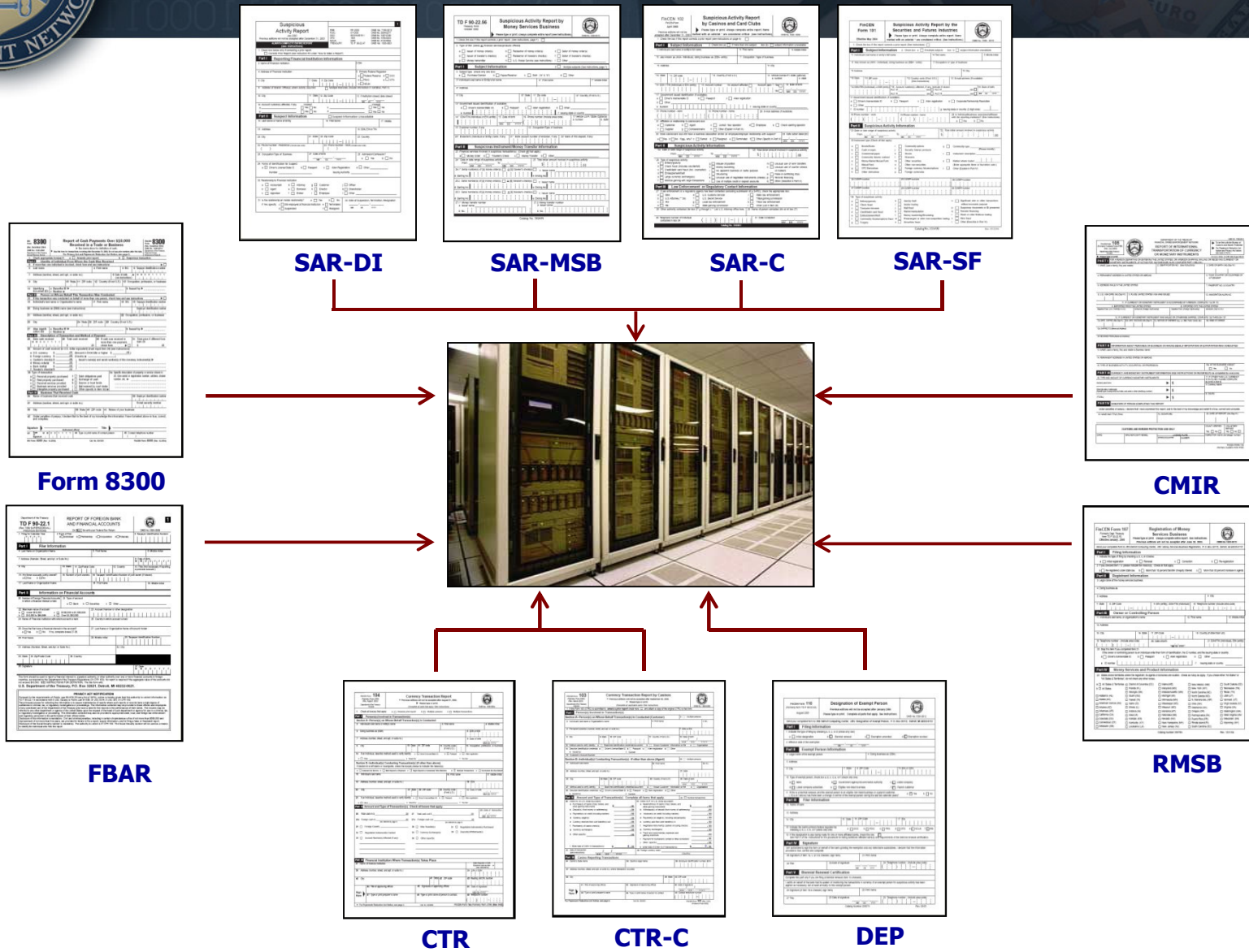


Value of BSA Data

- Provides Tip-Off to Law Enforcement
- Illuminates Unknown Identifying Information and Relationships
- Enables Strategic Analysis of Trends through Analyzing BSA Data as a Whole
- Provides Powerful Deterrence Factor



BSA Data – the Total Picture





How FinCEN Uses BSA Data

In support of the investigative efforts of our law enforcement and regulatory partners

- Both domestically and internationally
- Advanced Targeting and Analysis

To conduct industry threat assessments and vulnerability studies

- Mortgage Loan Fraud
- Commercial Real Estate Industry Assessment

In development of regulatory policy and action

- Helping to uncover where new regulations may be needed
- Identifying Non-Compliance



SAR Filings – All forms

■ Depository Institutions	4,142,180
1 April 1996 – 31 December 2008	
■ Money Services Businesses	2,501,686
1 October 2002 – 31 December 2008	
■ Casinos & Card Clubs	50,102
October 1997 – 31 December 2008	
■ Securities & Futures Industries	53,022
1 January 2003 – 31 December 2008	



Top 10 States Reporting – DIs –

1 Apr 1996 – 31 Dec 2008

■ California	(958,752)	23.17%
■ New York	(440,229)	10.64%
■ Texas	(254,689)	6.15%
■ Florida	(243,896)	5.89%
■ Illinois	(140,994)	3.41%
■ Delaware	(137,604)	3.33%
■ New Jersey	(126,384)	3.05%
■ Ohio	(115,246)	2.78%
■ Pennsylvania	(112,719)	2.72%
■ Arizona	(109,828)	2.65%
		Total 63.80%



Classification of Reported Activity – DIs – 1 April 1996 – 31 Dec 2008

■ BSA/Structuring/ML	2,229,815	46.84%
■ Check Fraud	489,509	10.28%
■ Other	431,715	9.07%
■ Mortgage Loan Fraud	230,697	4.85%
■ Credit Card Fraud	224,108	4.71%
■ Counterfeit Check	217,705	4.57%
■ Check Kiting	172,071	3.61%
■ Identity Theft (July 2003)	139,696	2.93%
■ False Statement	138,398	2.91%
■ Consumer Loan Fraud	95,141	2.00%
■ Defalcation/Embezzlement	77,870	1.64%



Classification of Reported Activity (cont)

■ Blank/Unknown	68,951	1.45%
■ Wire Transfer Fraud	53,590	1.13%
■ Misuse of Position/Self Dealing	42,781	<1%
■ Mysterious Disappearance	34,704	<1%
■ Debit Card Fraud	29,976	<1%
■ Commercial Loan Fraud	24,314	<1%
■ Counterfeit Instrument (Other)	18,879	<1%
■ Counterfeit Credit/Debit Card	17,318	<1%
■ Computer Intrusion (June 2000)	15,714	<1%
■ Terrorist Financing	4,369	<1%
■ Bribery/Gratuity	3,512	<1%



Improving Your SAR Filings

- Consider E-Filing
 - Batch and Discreet E-Filers have a lower rate of errors than paper filers

- Ensure you are completing “Critical Fields” according to Form Instructions and FinCEN Guidance

- Include Activity or Branch Location in SAR Filings

- Remember your Audience

- Review SAR Narratives for completeness



E-filing

- Streamlined Bank Secrecy Act reporting processes
- Faster routing of acknowledgements back to financial institutions
- Faster dissemination of Alerts information to financial institutions and law enforcement agencies
- Free enrollment
- Reduction in filing errors – automated form validation
- Highest security - more secure than mailing paper or tapes



FinCEN Products/Sources of Feedback

- The SAR Activity Review, Trends, Tips, and Issues
- SAR Activity Review – By the Numbers
- SAR reporting guidance
- Advisories/Bulletins/FAQs/Fact Sheets
- Analytic Assessments – Mortgage Loan Fraud, Corporate Vehicles, Insurance Industry
- FinCEN web site – Law Enforcement Cases and Success Stories



FinCEN Rulemaking

- **Final rule** – Expansion of Special Information Sharing Procedures To Deter Money Laundering and Terrorist Activity (314a program)

- **Pending**
 - Anti-Money Laundering Program and Suspicious Activity Report Requirements for Non-Bank Residential Mortgage Lenders and Originators
 - Amendment to the Bank Secrecy Act Regulations; Defining Mutual Funds as Financial Institutions
 - Amendment to the Bank Secrecy Act Regulations – Definitions and Other Regulations Relating to Money Services Businesses
 - Confidentiality of Suspicious Activity Reports
 - Transfer and Reorganization of Bank Secrecy Act Regulations
 - Amendment to the Bank Secrecy Act Regulations—Reports of Foreign Financial Accounts



Contact Information

FinCEN Regulatory Helpline

1-800-949-2732

Financial Institutions Hotline

1-866-556-3974

www.fincen.gov