



1997 - 2002

Strategic Plan



United States Department of the Treasury
Financial Crimes Enforcement Network

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DIRECTOR'S MESSAGE

Protection of the financial system against crime is an essential task of the Department of the Treasury. One of the most important of those crimes is money laundering. Money laundering—whether by narcotics traffickers, weapons smugglers, or those engaged in fraud—fuels the engine of crime. It also corrupts the financial institutions and economies of which money launderers make use.

The Financial Crimes Enforcement Network (FinCEN) works to make the prevention, detection, and prosecution of money laundering more effective by adding to the knowledge and resources that law enforcement and regulatory agencies can use to fight financial crime. FinCEN's "support toolbox" or strategies includes:

- ◆ a broad-based network for information-sharing;
- ◆ application of technology to analyze and share information;
- ◆ the information collection and anti-money laundering authorities of the Bank Secrecy Act;
- ◆ concentrated and sophisticated intelligence analysis about trends and patterns in money laundering; and
- ◆ activities to foster international cooperation to deter and detect money laundering.

FinCEN's goal is to use its tools to enhance the work of others, i.e., it seeks to provide leverage for Federal, state,

local, and international law enforcement and regulatory agencies. And one of its own tenets is that effective leverage demands a thoughtful, flexible, and critically-reviewed long-term strategy, whose major elements are set out in the remainder of this document.

Because of its incredible breadth of responsibility, FinCEN has many stakeholders. It has thousands of law enforcement customers, regulates hundreds of thousands of financial institutions, and works globally to foster international cooperation against money laundering. We are asking these stakeholders to critique this strategic plan in order to help FinCEN do its job better. The plan has been posted on FinCEN's website and these strategies have been outlined at numerous meetings with our stakeholders, both from the private and public sectors. The suggestions of our stakeholders have and will guide our adjustments to this plan over the next five years.

We also ask them to think critically themselves about the relationship between strategic planning and the measurement of success. As we suggest below, the need for a new standard of measuring the magnitude of the problem is one of the most important challenges we face as we strive to combat organized crime and its ability to launder its proceeds.



Stanley E. Morris
Director

Financial Crimes Enforcement Network

INTRODUCTION

In order to understand FinCEN's approach to accomplishing its mission of combating money laundering, it's important to understand the complexity of the problem.

With few exceptions, criminals are motivated by one thing—profit. Greed drives the criminal, and the end result is that illegally-gained money must be introduced into the nation's legitimate financial systems. Money laundering involves disguising financial assets so that they can be used without detection of the illegal activity that produced them. Through money laundering, the criminal transforms the monetary proceeds derived from criminal activity into funds with an apparently legal source.

Money laundering is the fuel for drug dealers, terrorists, arms dealers, and other criminals to operate and expand their enterprises. Law enforcement must be able to “follow the money trail” made by criminal enterprises in order to unravel their illegal activities. And ultimately, following the money leads to the top of the criminal organization, and thus the dismantling of these enterprises.

The problem is enormous and extends far beyond hiding narcotics profits. The dimensions of the problem increase rapidly when one considers, for example, trade fraud and tax evasion. Bank, medical, and insurance

fraud also adds billions of dollars to the criminals' profits.

A Comprehensive Approach

If unchecked, money laundering has the ability to destabilize democratic systems and undermine economic and financial markets around the world. As commerce is globalized, so is crime. It is crucial that in a global economy, a comprehensive, international effort be waged to combat the threat.

As Secretary Rubin has said in the past: “In a global economy, a comprehensive, international effort is required to choke off the threat posed by money laundering. Also, the diffusion of responsibilities throughout government requires a coordinated and cooperative response within each government. In the United States, we have brought together elements of our Treasury, State and Justice Departments, and other agencies, to deal with the issue. Globally, other nations will similarly need to coordinate expertise from across a range of ministries.”

The coordinated and cooperative response described by Secretary Rubin is at the heart of FinCEN's mission. It serves as a network, bringing together diverse groups with specialized expertise. It helps coordinate the anti-money laundering efforts of federal, state, local, and foreign law enforcement and regulatory agencies.

With this network approach as background, FinCEN's objectives and strategies support one central goal:

Providing law enforcement support through information analysis and the creation of new information resources for the prevention, detection, and prosecution of money laundering.

This goal is, simply, to provide support and to create new and enhanced resources for law enforcement and regulatory agencies to use in the fight against money laundering—a fight that must involve not only all levels of government in this country and abroad but also the private financial community. To accomplish that goal, FinCEN relies on a set of strategies whose effective use comprise its primary program objectives.

Those strategies are:

For direct law enforcement support:

- < a broad-based network for information-sharing; and
- < application of technology to analyze and share information.

To build new law enforcement resources:

- < the information collection and anti-money laundering authorities of the Bank Secrecy Act;

- ◆ concentrated and sophisticated intelligence analysis; and
- ◆ fostering international cooperation in efforts to deter and detect money laundering.

Recognizing and exploiting the creative synergies that coordinated use of these strategies makes possible is a key to FinCEN's effectiveness in the seven years since its creation. FinCEN could not accomplish these strategies alone. It relies on its partners in law enforcement—at the Federal, state, and local levels, the regulatory community, the financial sector, and numerous organizations around the world. The work is too complex and far-reaching without the support and expertise of all the players.

An Overriding Objective

No assessment of an agency's or government's anti-money laundering programs can be a true gauge of its effectiveness, unless it is based on an understanding of the breadth of the problem being addressed. Although attempts have been made over the years by a number of countries and organizations to estimate the extent of money laundering, these studies have only exposed the lack of sufficient, available data and highlighted the need to develop a model or models for determining the magnitude of money laundering. Developing a viable methodology is an essential first step. An effective methodology would allow FinCEN and other U.S.

agencies to measure the success of their respective programs against an accurate magnitude estimate. Resources can then be channeled towards programs that work and allow for more targeted modification or elimination of those that do not.

FinCEN's overriding objective over the next few years, therefore, will be to construct a viable model for measuring

the magnitude of money laundering. The realization of this objective will then enable FinCEN to review all of its objectives within a more quantifiable context.

The development of a workable methodology will take time and funding. In the interim, FinCEN's measures reflect its effort to evaluate its programs based on its expertise and leadership in the field of anti-money laundering.

Mission
&
Goal

MISSION STATEMENT

The mission of the Financial Crimes Enforcement Network is to support and strengthen domestic and international anti-money laundering efforts and to foster interagency and global cooperation to that end through information collection, analysis and sharing, technological assistance, and innovative and cost-effective implementation of Treasury authorities.

GOAL

Providing law enforcement support through information analysis and the creation of new information resources for the prevention, detection, and prosecution of money laundering.

*Objectives,
Strategies
&
Performance
Measures*

NETWORK FOR TIMELY INFORMATION-SHARING

Objective 1: *For direct law enforcement support -- to operate a broad-based network for timely information-sharing.*

FinCEN's original mission centered on law enforcement case support. This remains our primary mission, but we have expanded it to include specially tailored forms of assistance—Direct Case Support; Platform Access; Artificial Intelligence Targeting System; Inter-agency Coordination Group Support; and Gateway. The following is a summary of these five categories.

Direct Case Support — FinCEN has provided almost 38,000 analytical case reports involving over 100,000 subjects to Federal, state and local law enforcement agencies. In 1996 alone, FinCEN provided direct assistance to law enforcement agencies on more than 7,600 requests for investigative information. Using advanced technology and countless data resources, FinCEN links together various aspects of a case, finding the missing pieces to the criminal puzzle.

FinCEN's compilation of databases provides one of the largest repositories of information available to law enforcement in this country. Our technology and expertise draws representatives from 17 agencies—the major Federal investigative agencies—in order to have direct access to our information.

Platform Access — FinCEN's support to law enforcement agencies is also provided through a "Platform" which is a way to permit others to use FinCEN's resources directly to carry out their work. FinCEN pioneered the "Platform" in 1994, offering training, office space and database access to employees of other Federal agencies. Platform personnel come to FinCEN on a part-time basis to work only on cases being conducted by their own agencies. FinCEN is currently assisting 43 Platform participants from 21 agencies. About 10 percent of FinCEN's casework in 1996 and 20 percent in 1997 was carried out through these Platforms.

Artificial Intelligence Targeting System — FinCEN's Artificial Intelligence (AI) system is yet another avenue available to law enforcement in the fight against money laundering. Through the employment of advanced AI technology, the system provides a cost effective and efficient way to locate suspicious activity in the tens of millions of Currency Transaction Reports (CTRs) required by the Bank Secrecy Act (BSA).

For the first time in the 25-year history of the Act, every reported financial transaction can be reviewed and evaluated. This unique blend of state-of-the-art technology within a user-friendly environment provides intelligence analysts and federal investigators with the ability to link ostensibly disparate banking transactions, producing hundreds of

leads for new investigations.

FinCEN's innovative system finds potential suspects during the AI analysis who might have otherwise gone undetected. This technology and the expertise of FinCEN's analysts essentially find the needles in the haystack. Since the creation of the system in 1993, it has matched more than 39 million BSA reports against the algorithms of the system, revealing over 3,500 subjects.

Support to the Interagency Coordination Group (ICG) — FinCEN also is supporting ICG whose purpose is to share money laundering intelligence in order to promote multi-agency money laundering investigations. The group includes the Internal Revenue Service (IRS), the U.S. Customs Service (USCS), the Drug Enforcement Administration (DEA), the Federal Bureau of Investigation (FBI), and the U.S. Postal Service (USPS). FinCEN and the Department of Justice's Criminal Division serve as advisors to the group. FinCEN provides a central site for the group's operations and the support of four personnel who provide research and analysis of the intelligence information generated by the group. This intelligence, coordinated in FinCEN's case lab, is then disseminated to case agents currently working major money laundering investigations in the field.

Through analyzing information provided by the ICG, FinCEN's case lab has identified more than 5,000 bank

accounts opened in the United States by Colombian/Mexican money launderers. By tailoring one of FinCEN's computer applications, these accounts have been linked to other accounts, providing additional intelligence.

Gateway — FinCEN's network also extends to state and local governments in order to ensure the widest possible anti-money laundering effort. Through a system called Gateway, state and local law enforcement agencies, using FinCEN-designed software, have direct on-line access to records filed under the BSA, the largest currency transaction reporting system in the world. BSA records contain information such as large currency transactions, casino transactions, international movements of currency, and foreign bank accounts. This information often provides invaluable assistance for investigators because it is not readily available from any other source.

Using FinCEN-designed software, the **Gateway** system saves investigative time and money because subscribing agencies can conduct their own research and not rely on the resources of an intermediary agency to obtain BSA records. All states and the District of Columbia are now on-line with the system. In FY 1996, Gateway processed 49,466 queries from 45 States.

Gateway electronically captures the information gathered on incoming inquiries and automatically compares this

information to subsequent and prior queries from Gateway customers. Since its inception, approximately 17,000 subjects have been identified through Gateway. In addition, Gateway users ask FinCEN to match about 600 new subjects each month against its other databases to identify potential parallel investigations. This technique enables FinCEN to assist state and local law enforcement agencies in coordinating their investigations among themselves and with federal agencies, through the sharing and exchanging of case data. In other words, FinCEN has the ability to “alert” one agency that another has an interest in their subject. In 1996, 356 “alerts” were given to agencies who had an interest in the same investigative subject.

FinCEN strives to find all the avenues—whether it be traditional data analysis, detailee support, Platform, Artificial Intelligence Targeting System, ICG Support, or Gateway—to leverage our resources to efficiently serve the greatest number of customers.

Strategies

- a) Assure that FinCEN’s information sources are the best available;
- b) Manage resources to ensure timely responses to law enforcement and regulatory (that is, an other agency) customer requests;
- c) Focus efforts to provide better customer support; and
- d) Monitor and adjust to evolving needs for information by the law enforcement and regulatory agencies and the financial community.

Performance Measures

Best Information Sources:

- ◆ Expand FinCEN’s database by 75 percent over the next five years and increase the number of subjects and businesses by 100 percent.

Manage Resources:

- ◆ Expand availability and usage of FinCEN’s databases by 50 percent over the next five years through programs such as Platform and Gateway.

Better Customer Support:

- ◆ Increase outreach efforts to stakeholders by 15 percent per year.
- ◆ Through training and resource enhancement, increase by 80 percent over the next five years the number of FinCEN analysts capable of performing second tier, complex case research.

Monitor and Adjust:

- ◆ Maintain quarterly meetings of Treasury Law Enforcement Liaison Group (20 meetings or more).
- ◆ Establish and implement a stake-

holder evaluation system, to include holding 20 forums.

- ◆ Increase feedback forms (written evaluations of work products) by 10 percent per year.

STATE-OF-THE-ART TECHNOLOGY

Objective 2: *To use state-of-the-art technology for information sharing and analysis.*

FinCEN uses state-of-the-art technology to not only strengthen its own capabilities, but also to improve the means by which we provide investigative support and analysis to law enforcement. Our compilation of databases provides one of the largest repositories available to law enforcement in the country. FinCEN's use of advanced technology and countless data sources enables its analysts to link together various aspects of a case and find the missing pieces to a criminal puzzle.

Working closely with our stakeholders in the law enforcement, regulatory and financial communities, FinCEN strives to refine its reporting systems to ensure that the data we obtain is of real benefit to law enforcement and conforms to our burden reduction objectives for financial institutions. A good example of such an effort is the Suspicious Activity Reporting System (SARS) which focuses on information about transactions that appears to represent attempts to launder funds or violate the banking laws. The SAR system allows banks to report suspected criminal activity such as bank fraud, misdeeds by bank officials, tax fraud, check kiting, credit card fraud, embezzlement, or money laundering to one collection point.

SARS, which went into effect in April 1996, merged and revolutionized two older reporting systems that had been in place for over a decade. Under the old system, banks filed more than two million pieces of paper, usually through the mail, in order to report suspicious activity occurring at or through banks; separate filings were made with numerous law enforcement and regulatory agencies and no uniform mechanism for tracking the referrals (or even knowing that they had been made at each agency) existed.

This single centralized system allows more than a dozen federal law enforcement and regulatory agencies to use the information in these reports simultaneously. The single filing point for banks permits the rapid dissemination of reports to appropriate law enforcement agencies, provides for more comprehensive analyses of these reports, and results in better information about trends and patterns which is vital to Treasury enforcement efforts to address money laundering.

FinCEN adds more value to SAR data through the use of a sophisticated query system to search for and manipulate SAR data for proactive and reactive analysis. This "search engine" allows both the data and the narrative contained on a SAR report to be searched in a variety of ways which enable our analysts to identify trends and patterns in money laundering.

The system is administered by FinCEN in a unique partnership with the IRS Detroit Computing Center, federal law enforcement and the five bank regulatory agencies. In the context of technology, and keeping one step ahead of criminals, the SARS will significantly improve law enforcement's ability to detect, analyze and understand criminal financial activity. The users of the information--the IRS/CID, U.S. Customs, U.S. Secret Service, the FBI, the U.S. Attorneys, the federal bank regulators, state law enforcement agencies, and banking supervisors now have equal access to the data as soon as its processed.

In addition to our in-house technological capabilities and services, FinCEN has developed a sophisticated Intranet network of databases to link financial, law enforcement and commercial information to provide cost-effective and efficient measures ("one-stop shopping") for Federal, state and local law enforcement officials.

Recognizing the fact that money laundering is a global problem and cannot be addressed solely on a national basis, FinCEN is building new relationships with nearly 30 Financial Intelligence Units (FIUs) around the world. FinCEN, as the U.S. representative to this group, is using its technological expertise to coordinate the development of an International Secure Web System to provide a centralized information service.

Strategies

- a) Maintain and where necessary upgrade FinCEN's own technology base;
- b) Continue to explore developments in technology and computer theory (for example machine-based learning or data mining) that can be adopted to FinCEN's information-based activities; and
- c) Enhance arrangements for electronic information sharing between enforcement agencies domestically and internationally.

Performance Measures

Upgrading Databases:

- ◆ Provide effective manipulation of the SARs database to ensure that it is fully integrated. This measure is met by 100 percent success in integrating the suspicious activity reporting systems for banks, money services businesses, and various non-banks such as casinos and broker dealers. This merger would allow all SARs to be on-line for law enforcement use and analysis.
- ◆ Increase by 100 percent FinCEN's Artificial Intelligence System's ability (increased capacity and correlation speed) to house and analyze BSA information.

Developments in Technology:

- ◆ Introduce and expand data-mining capability by 100 percent to all major FinCEN databases suitable for such technology.
- ◆ Analyze and adapt three classified data analysis systems, as developed by the Intelligence Community, for use in the fight against financial crime.

Information Sharing:

- ◆ Increase by 100 percent the number of countries linked to a secure Internet system to facilitate information exchange and thus, investigative ability.
- ◆ As it relates to FinCEN's public Website, improve the currency of the information by 100 percent. Increase the number of "hits" on FinCEN Website by 100 percent.

EFFECTIVE USE OF THE BANK SECRECY ACT

Objective 3: *To build new law enforcement resources through effective use of the Bank Secrecy Act (BSA).*

The link between FinCEN's law enforcement mission and its regulatory activities is vital. An integral part of our law enforcement mission is to find ways to create and manage information needed by front-line investigators, prosecutors, and by policy makers. Our regulatory activities involve the effective use of the Bank Secrecy Act (BSA), administered by FinCEN, to require the preservation of information at financial institutions and, where appropriate, the reporting of that information.

The Congress enacted the BSA in October 1970 in response to increasing reports of people bringing bags full of illegally-obtained cash into banks for deposit. (Technically, the BSA is Titles I and II of P.L. 91-508, as amended. Title II is also called the Currency and Foreign Transactions Reporting Act.)

The BSA contains two basic sets of authorizing provisions which are put into effect by implementing regulations. The first set authorizes the Secretary of the Treasury (and in some places, the Secretary and the Federal Reserve Board jointly) to require banks and other financial institutions to retain records to assure that the details of financial transactions can be traced if investigators need to do so.

The second set of provisions authorizes the Secretary of the Treasury to require financial institutions and, in some cases, other businesses and private citizens to report financial transactions of certain types. The two most important reporting rules authorized in 1970 were the reporting by financial institutions of transactions in currency in excess of \$10,000 [using the Currency Transaction Report (CTR)] and the reporting of the transportation of currency and bearer instruments (in amounts initially in excess of \$5,000—now in excess of \$10,000) into or out of the United States [using the Report of International Transportation of Currency or Monetary Instruments (CMIR)].

The BSA has been amended many times since 1970, most recently by the Annunzio-Wylie Money Laundering Act ("Annunzio-Wylie") in 1992, and by the Money Laundering Suppression Act of 1994 (the "MLSA"). These amendments have given Treasury a wider variety of regulatory tools to combat money laundering.

While the banking industry has been the main focus of the BSA, another category of businesses, beyond the banks, have increasingly become the target of money launderers. These businesses, known as "money services businesses" (MSBs), refer to five distinct types of financial services: (1) money transmitters; (2) issuers of traveler's checks or money orders; (3) sellers or redeemers of traveler's checks or money orders; (4)

check cashers; and (5) retail currency exchanges. These types of financial services are complementary and are often provided together at a common location.

MSBs have been subject to basic BSA requirements, such as large currency reporting rules and basic record retention requirements. Now, in response to specific legislative mandates and to attack changed avenues of money laundering, FinCEN has proposed regulations which would impose comprehensive new requirements for the MSB industry. These provisions are derived, in part, from amendments made to the BSA in the Money Laundering Suppression Act of 1994.

FinCEN's regulatory program reflects two principles. First, effective anti-money laundering programs must address the needs of law enforcement without creating unnecessary burdens on the financial community. FinCEN works in partnership with banks and others to establish these policies and regulations to prevent and detect money laundering. Second, the BSA rules must be of use to and capable of audit and enforcement by other agencies — the five federal financial supervisory agencies (as well as in some cases state banking officials), the Securities and Exchange Commission, the Examination Division of the IRS, and Federal and state law enforcement agents and prosecutors.

The financial industry is a crucial

part of this picture. Anti-money laundering efforts cannot be successful in a professional world that separates enforcement and regulation, or the public and private sectors. FinCEN's philosophy is predicated on breaking down narrow and parochial thinking, striving to be more flexible and creative than criminal organizations. Thus, our strategies for prevention emphasize working with the legitimate businesses that see potential money launderers first, up close — that is, banks and other financial institutions, including the MSBs.

FinCEN's partnership effort is reflected in its close consultation with the Bank Secrecy Act Advisory Group (BSAAG). This Group, created in 1994, provides a forum for a frank exchange of views and fostering of increased cooperation and understanding between law enforcement and the financial community; it strives to identify ways for government and industry to work together to fight financial crime while reducing industry's regulatory burden. The group's members represent the financial services industry, from big banks to small ones, as well as the securities and casino industries and the MSBs, such as check cashers, money transmitters and traveler's check issuers. In addition, there is representation from state and federal law enforcement and regulatory authorities. The group discusses the problems of domestic and international money laundering and the programs created to fight financial crimes.

Both in the design and formulation of the details of regulatory proposals, FinCEN consults on a regular basis with officials in other federal enforcement and regulatory agencies, both within the Treasury and Department of Justice and, as stated above, with financial industry officials. State officials are also consulted where states have significant experience and primary regulatory responsibility.

It makes no sense to require information — and impose burdens on banks and others — if the information isn't essential to our anti-money laundering strategy. Burdensome regulations can have a negative impact on competition and can, therefore, be detrimental to the operations of banks and other types of financial institutions such as MSBs. FinCEN must support law enforcement and regulatory efforts to curtail money laundering, but it does not want to promulgate unnecessarily burdensome regulations whose costs will simply be passed on to legitimate customers.

To continue to challenge the financial criminal on all fronts, FinCEN recognizes that it must provide quality information to law enforcement by improving existing sources of information and developing new resources. As part of this effort, FinCEN has developed strategies to increasingly use the BSA in this endeavor. The achievement of the following objective requires an intensified effort to build and maintain partnerships with all of FinCEN's stakeholders:

law enforcement; the financial community; regulators and the Congress.

Strategies

- a) Monitor and adjust BSA rules to meet evolving needs for information by law enforcement and regulatory agencies;
- b) Make creative use of the administrative tools provided by the BSA, such as Geographic Targeting Orders (GTOs), applications for injunctive relief, and administrative requests for wire transfer data from banks and other financial institutions;
- c) Emphasize the reporting by financial institutions of suspicious activity and the use of such information by enforcement authorities;
- d) Adapt the rules of the BSA for effective application to industries other than banks, especially to emerging technologies for money movement and payment systems;
- e) Continue to invite and stimulate participation by all elements of the law enforcement, regulatory, and financial communities in the design of workable and cost-efficient, anti-money laundering rules; and

- f) Eliminate or reformulate unnecessarily burdensome information collection rules and compliance requirements.

Performance Measures

Monitor and Adjust:

- ◆ Provide direction and guidance to financial institutions in the completion and submission of SAR reports which will result in an overall 10 percent reduction in the number of SARs filed by banks annually between FY 1997 and FY 2002.
- ◆ Fully implement reporting requirements for MSBs by 1999, and evaluate these requirements to ensure their effective application by 2002.
- ◆ Adapt and expand coverage of the BSA to keep pace with all technological and commercial changes in the financial services industry.

Creative Use of Special Tools:

- ◆ Plan for and carry out unique and appropriate uses of the special tools of the BSA.

Reporting Suspicious Activity:

- ◆ Prepare and issue at least six FinCEN Advisories each year to banks, regulators, and law enforcement which focus on money laundering or financial crime related issues.

Adapt BSA Rules:

- ◆ Ensure e-money industry effectively establishes anti-money laundering controls by, in part, holding three international, interdisciplinary conferences and preparing three comprehensive analytical studies.

Stimulate Participation:

- ◆ Fully delegate civil penalty responsibilities to financial supervisory agencies and IRS, and establish an effective oversight regime by 2002.

Eliminate/Reformulate Requirements:

- ◆ Reduce overall CTR burden required of banks by 50 percent measured against the baseline as defined in Sec. 401 of the Money Laundering Suppression Act and reduce the reporting hours by 50 percent.

TRENDS AND PATTERNS OF MONEY LAUNDERING

Objective 4: *To build new law enforcement resources through focused and sophisticated analysis of the elements of major cases and of trends and patterns of money laundering and related financial crimes.*

One of FinCEN's key missions is to provide information about money laundering in ways which will assist our stakeholders in the financial community to direct their compliance efforts toward more effective money laundering prevention and detection while providing critical analytical support to our stakeholders in the law enforcement and regulatory communities.

The goal of FinCEN's analysts is to exploit every opportunity for intelligence and information gathering; to adopt the appropriate methodology for identifying and examining anomalies and patterns in money laundering, and to "add value" to this information through analysis and dissemination of our finds to FinCEN's stakeholders in the law enforcement, regulatory, and financial communities.

FinCEN recognizes the value and importance of encouraging the law enforcement community to share their experience and expertise and work together to identify new money laundering schemes. To this end, FinCEN provides an interagency forum for the study and presentation of major, multi-

jurisdictional money laundering investigations in which new trends and methods are identified.

Strategies

- a) Focus analytical efforts on identifying, understanding, and explaining information:
 - 1) derived from BSA filings;
 - 2) concerning major investigations, the patterns of underground financial activity revealed by those investigations, and potential counter-methods;
 - 3) regarding trends in suspicious activity for which reporting institutions should watch; and
 - 4) about the vulnerabilities of particular geographic areas, institutions, or transactions to abuse by money launderers.
- b) Develop new methods to mine for relevant data.
- c) Enhance the expertise of law enforcement agents and analysts working on money laundering investigations.
- d) Stimulate study and discussion among law enforcement and regulatory officials of the impact of such efforts on cooperative efforts to counter

money launderers.

Performance Measures

Building focused and sophisticated analysis (all strategies):

- ◆ Submit annual SAR System Year End Reports which describe the overall use and effectiveness of the SAR system. Each year's report will include a recommendations section, the response to which will be reported in the next year's report.
- ◆ Prepare and issue at least six FinCEN Advisories each year to banks, regulators, and law enforcement which focus on money laundering or financial crime related issues.
- ◆ Prepare and submit at least 15 proactive and/or directed law enforcement targeting packages each year based on analysis and information obtained from SAR system reporting. Customers will be surveyed for their comments and evaluation as to the use and effectiveness of the information. Satisfaction ratings will be expressed in a grade of at least "B+".
- ◆ Submit quarterly trend reports to banks, law enforcement, and regulators which highlight money laundering patterns and trends taken from analysis of SAR filings, as well as other sources of information.
- ◆ Issue at least one threat assessment each year based on either a geographic or an industry/issue basis. The assessment will include recommendations which can be implemented to reduce the subject area's potential for abuse.
- ◆ Provide direction and guidance to financial institutions in the completion and submission of SAR reports which will result in an overall 10 percent reduction in the number of SARs filed annually between FY 1997 and FY 2002.
- ◆ Conduct at least six partnership meetings each year which are targeted at law enforcement and money laundering related issues or cases.
- ◆ Participate in and contribute to at least five domestic partnership meetings, conferences, and/or forums each year which address law enforcement/money laundering related issues.
- ◆ Propose, direct, and/or provide direct support to at least three major anti-money laundering projects each year. Each project should result in disrupting a criminal enterprise's ability to launder money either in a particular geographic area or through a particular laundering method.

Mine for Relevant Data:

- ◆ Expand data-mining capability by 100 percent to all major FinCEN databases suitable for such technology.

STRENGTHEN INTERNATIONAL EFFORTS

Objective 5: *To strengthen international anti-money laundering efforts.*

Financial globalization coupled with the rapid pace of technology has created a borderless marketplace for money launderers. FinCEN is meeting these challenges by developing and fostering multilateral and bilateral initiatives aimed at whittling down the number of countries who are not cooperatively engaged in the fight against money laundering. Our principle efforts in the international effort include:

Financial Action Task Force (FATF) - FinCEN serves as the lead agency for coordinating the U.S. role within the Financial Action Task Force, the world's premier anti-money laundering organization. Created at the G-7 Economic Summit in 1989, the FATF is comprised of 26 countries. It is dedicated to promoting the development of effective anti-money laundering controls and enhanced cooperation in counter-money laundering efforts among its membership and around the globe. Under U.S. leadership, sister organizations such as the Caribbean Financial Task Force (CFATF) and the Asia/Pacific Group on Money Laundering have been established and the U.S. is actively encouraging the FATF to expand its work to other key regions such as Africa.

Finally, with strong encouragement from the United States, the current

President of the FATF has been developing contacts with the Multilateral Development Banks, such as Asian Development Bank and the Inter-American Development Bank.

Financial Intelligence Units and the Egmont - Financial Intelligence Units (FIUs) serve as the central focal point for countries' anti-money laundering efforts. Just five years ago, there were less than a handful of FIUs in the world. Today, there are at least 29 such units. Under the leadership of FinCEN, a core group of FIUs met for the first time in Brussels in 1995 and created an organization known as the Egmont Group. This group serves as an international network, fostering improved communication and interaction among FIUs in such areas as information sharing and training coordination.

The effort to increase communication among FIUs has been furthered by FinCEN's development of a secure web site. This web site permits members of the Egmont Group to access information on FIUs, money laundering trends, financial analysis tools, and technological developments. The website is not accessible to the public, therefore, members are able to share this information in a protected environment. We cannot emphasize strongly enough the importance we place on the expansion of financial intelligence units around the world. It is the embodiment of the network concept offering support to law enforcement nationally and internationally.

International Criminal Police Organization (Interpol) FinCEN also works closely with Interpol, an international organization established to facilitate information sharing and coordination among nations in worldwide criminal investigative matters. For example, the Secretary General of Interpol called upon FinCEN to lead an examination of the economic environment and factors that impact money laundering in 15 of 26 countries of the Former Soviet Union and Eastern Europe. Known as “Project Eastwash,” nine of the 15 reports have been completed. FinCEN and FOPAC’s combined efforts have generated the political will in several of these countries to begin establishing anti-money laundering regimes.

Summit of the Americas (SOA) - In December 1995, Treasury Secretary Rubin chaired a conference in Buenos Aires, Argentina, that was attended by Ministers from 29 of the 34 SOA nations. FinCEN led the year long effort to lay the groundwork for the Buenos Aires Conference by coordinating the development of a Communiqué—a document which commits each of the participating countries to take a series of steps to combat money laundering.

FinCEN, together with Treasury and other agencies, is playing a leading follow-up role. This effort includes offering coordinated training and assistance to SOA participating countries. The process is beginning to take effect.

At least 25 of the 34 Summit countries have taken positive steps toward implementing the communiqué by passing, amending or drafting legislation, or issuing related regulations.

United Nations: FinCEN also provides leadership in the anti-money laundering efforts of the United Nations Commission on Narcotic Drugs (UNCND), which is the central policy making body within the UN for dealing with all drug-related matters. In April 1996, the UNCND adopted a U.S.-sponsored, anti-money laundering resolution that encourages UN member states to require bank customer identification procedures and to broaden other anti-money laundering measures such as confiscation and asset forfeiture provisions, and stresses that the 40 Recommendations of the FATF are the international anti-money laundering standard.

Money laundering continues to pose a serious threat to the stability of individual nations. The role that the U.S. plays, both by itself and as part of multi-lateral efforts, is critical in setting effective standards in the fight against money laundering. FinCEN is at the forefront of this worldwide movement. We have found that it is important to share our expertise — as well as our mistakes — with our foreign counterparts. FinCEN representatives have visited five continents and more than 50 countries in the past three years urging these countries to take the money laundering threat seriously and adopt effective anti-money

laundering measures. We have also acted as host to 313 visitors representing 71 countries since the fall of 1995.

Strategies

- a) Sponsor or participate in international organizations and conferences which highlight the importance of global counter-money laundering efforts and promote the effective detection, prevention, and investigation of money laundering;
- b) Encourage and assist in the creation of financial intelligence units around the world that specialize in the collection and analysis of pertinent financial records in order to assist law enforcement authorities in tracking criminals' financial activities;
- c) Along with other agencies, conduct assessments of nations' commitments to combat money laundering as well as evaluate and assist in their efforts to develop and implement counter-money laundering programs (for example, Presidential Decision Directive 42); and
- d) Encourage the involvement of international financial institutions (World Bank, IMF, etc.) and other international authorities in the implementation of strategies

to fight money laundering and corruption.

Performance Measures

International Participation/Sponsorship:

- ◆ Establish, develop, and build regional "FATF-type" organizations to cover five regions within five years: Africa, South America, Eastern Europe/Former Soviet Union, Asia, Middle East.
- ◆ Ensure that the FATF 40 Recommendations are accepted worldwide as the international standard for anti-money laundering programs and policies, referenced and endorsed by international financial institutions, OECD, the United Nations, and other international fora.
- ◆ Participate in multiple international conferences each year; six of which FinCEN plays a major organizing role.

Creation and Support of FIUs:

- ◆ Increase the number of U.S. investigative case support requests for information made by FinCEN to foreign FIUs to 100 per year by 2002.
- ◆ Support the development of 25 new FIUs to become operational within five years.
- ◆ Establish 42 new Egmont Secure Website connections within five years.

Assessments:

- ◆ Issue at least one threat assessment each year based either on a geographic or an industry/issue basis. The assessment will include recommendations which can be implemented to reduce the subject area's potential for abuse.
- ◆ Ensure that 80 percent of the PDD-42 countries develop adequate money laundering controls within five years.
- ◆ Initiate and complete three "Project Eastwash" type situation assess-

ments on selected countries in the Asian region.

- ◆ Initiate and complete three "Project Eastwash" type situation assessments on selected African countries.

*Involvement of International Banks/
Authorities:*

- ◆ Ensure that international financial institutions establish anti-money laundering programs, including training and technical assistance initiatives in their good governance and anti-corruption efforts.

KEY EXTERNAL FACTORS

The Role of the Internal Revenue Service. The IRS plays a crucial role in administering the anti-money laundering regulations of the United States. Currently, the IRS devotes nearly 2,000 FTEs and at least \$75 million to Bank Secrecy Act (BSA) compliance and anti-money laundering programs. Without even considering future requirements, this commitment is inadequate to satisfy existing obligations.

The IRS maintains the Bank Secrecy Act database which contains over 100 million records and most recently has been expanded to include the new Suspicious Activity Report System (SARS). The information is made available to thousands of Federal, state, and local law enforcement agents and regulators to assist them in investigations and regulatory proceedings.

Equally important, the IRS possesses examination authority with respect to anti-money laundering compliance for casinos and money services businesses (MSBs), such as money order sellers and redeemers, money transmitters including electronic money providers, check cashers and currency exchangers. In all, there are estimated to be over 160,000 entities. In the immediate future, the IRS will be required to implement a Congressionally mandated national registration system for MSBs. In addition, the suspicious activity reporting rules, already applicable to banks, will be extended to broker-dealers, casinos, and money services businesses, raising the

complexity of the data requirements involved.

Technology. FinCEN's strength rests on its ability to rapidly adapt to the constantly changing world of money laundering through the application of state-of-the-art technology and its efforts to analyze data, identify trends and patterns, and develop anti-money laundering programs both domestically and internationally. Any reduction in resources would have a negative effect on FinCEN's ability to carry out this mission.

New Legislation. Any new or unforeseen legislative developments or legal challenges could impact the effective use of BSA authorities.

Rapid Expansion of Financial Services and Products. The revolutionary changes within the financial community itself creates perhaps the most significant set of external factors FinCEN confronts. The internationalization of finance and trade, combined with the breakdown of traditional walls between types of financial institutions, including the growth of the Internet will over time and, at unpredictable rates of speed, affect not only the nature of FinCEN's regulatory mission but, also and equally important, the sorts of data FinCEN is asked to analyze and the sorts of enforcement activities it is asked to support. Three years ago, virtually no one was concerned about advanced electronic payment systems; now they are of impor-

tance throughout the Treasury Department and in the banking community even though they are currently only at the trial stage. Similarly, the emphasis on MSBs, brought on not just by regulatory developments but by law enforcement requests for geographic targeting orders and the analysis of information stemming from those orders, has also reordered many of FinCEN's priorities. It is for these reasons that FinCEN's planning and daily operations emphasize the paramount need for flexibility, forward planning, and the creation of new information and inter-agency structures for meeting future enforcement requirements.

Delegation of Civil Penalties

Authorities to Regulators. Unresolved issues must be settled with financial regulators regarding the delegation of civil penalties.

Importance of Global Anti-Money Laundering Measures. There must continue to be dialogue with other

countries to stress the importance of developing and implementing effective and consistent global anti-money laundering measures. Any breakdown in these efforts could adversely impact the global trading and financial systems. Political commitment must be generated at the highest levels — in individual governments, multilateral groups, and international organizations such as the international development banks — in governments around the globe in order to ensure that effective anti-money laundering programs are in place and being aggressively implemented. In the borderless world of today's international financial systems, dirty money gravitates toward regions and countries with no or little safeguards against money laundering.

Resource Levels. Reduction of resources in any one area would have a severe impact on FinCEN's goal due to the close linkage between law enforcement, regulatory and international efforts.

Program Evaluations

As described earlier in the Introduction, FinCEN's overriding objective is to construct a viable model for measuring the magnitude of money laundering. An effective methodology would allow FinCEN and other U.S. agencies to measure the success of their respective programs against an accurate magnitude estimate. The realization of this objective will then enable FinCEN to evaluate all of its objectives within a more quantifiable context.

Objective 1: For direct law enforcement support — to operate a broad-based network for timely information-sharing.

In support of Objective 1, FinCEN will establish and implement a stakeholder evaluation system, and continue Treasury Law Enforcement Liaison Group meetings and customer feedback forms. FinCEN will also conduct an annual review of the usage of its databases and systems technologies.

Objective 2: To use state-of-the-art technology for information-sharing and analysis.

In support of Objective 2, FinCEN will prepare an annual report of the SAR reporting system which will include the progress it has made in developing the SAR database and its application of technology to manipulate the information in that database. FinCEN will also evaluate its technological progress with periodic studies of how its own programs compare to industry standards.

Objective 3: To build new law enforcement resources through effective

use of the Bank Secrecy Act.

In support of Objective 3, FinCEN will dedicate one meeting of the Bank Secrecy Act Advisory Group per year to review its use of the BSA. Additional forums such as the Money Laundering Working Group will also be dedicated to evaluation of the use of the BSA.

Objective 4: To build new law enforcement resources through focused and sophisticated analysis of the elements of major cases and of trends and patterns of money laundering and related financial crimes.

In support of Objective 4, FinCEN will prepare a SAR system report which will describe the overall use and effectiveness as measured in large part by its customers. The Treasury Law Enforcement Liaison Group will also be used to gain feedback on the effectiveness of FinCEN's ability to provide analysis as described in the Objective 4.

Objective 5: To strengthen international anti-money laundering efforts.

In support of Objective 5, FinCEN will remain an active member of international anti-money organizations, including the Organization of American States (OAS), the Financial Action Task Force (FATF), INTERPOL, and the Egmont Group. These organizations prepare annual reports which measure the progress of their members anti-money laundering efforts. FinCEN will continue to review and comment on these annual reports taking into serious consideration how its own programs compare to international standards.

CONCLUSION

The objectives and their accompanying strategies as described in this document are elements of FinCEN's overall plan to combat money laundering and other financial crimes. However, it is important each objective not be viewed as separate and independent from one another. These objectives are not mutually exclusive; they are specifically intended as an integrated part of

FinCEN's overall plan.

Furthermore, each objective is specifically designed to support, strengthen, leverage or "add value" to another. Therefore, each objective should be examined with this in mind. Taken together and as a whole, these objectives comprise FinCEN's systematic and comprehensive program to fulfill its broad-based, complex mission.