

MFR 03010877

**Memorandum for the Record**

Event: Interview with Kevin Varney

Date: September 10, 2003

15

Doug Greenburg and John Roth met with Kevin Varney, who is a staff director of a group call Business Executives for national Security (BENS), a independent, non-partisan group of approximately 400 CEOs of businesses, dedicated to helping the government by bringing business practices to government, focusing on national security issues. BENS, starting in 2001, developed a "new threats" initiative" focusing on transnational threats that can not be easily deterred. As part of that, they have started a program on terrorist financing, designed to track and disrupt financial transactions. Most of that effort has been focused on looking at FinCEN and trying to figure out ways to make FinCEN work more efficiently.

This has involved a series of seminars with financial institutions in New York, Atlanta and San Francisco, in which BENS (as well as officials from FinCEN) assess ways to make the collection and dissemination of BSA data more efficient. Among the things that they learned:

- When banks file SARs, they are mailed or filed on magnetic tape to the Detroit Service Center, where they are then shipped to an Indian reservation out west and typed into the system. The data is then shipped back to Detroit, and then sent to FinCEN. The entire process takes about 60 to 90 days, on top of the time lag that the banks get (30 days) in filing them. Part of BENS efforts in this area was to reduce the time between the time the bank files the SAR and it is available to a cop.
- Banks complain that the definition of what activity is suspicious is vague and lacks clear indicators, and the banks are afraid of getting into trouble if they don't file [NB: Small at Citibank did not mention this.]

BENS decided to assist in developing prototypes for the faster dissemination of data. Included in this are procedures for electronic filing of data. Some of this is already taken care of by FinCEN's PACS system, which is a web-based system that allows financial institutions to file through the internet. Approximately 25-30 of banks file through these means. One of BENS suggestions is to require the filing of SARs this way at some point in the future. There is institutional resistance to this, however, in that approximately 2400 MSBs lack the technology to do this, and OMB would score it as too expensive, and more onerous rules would drive some money remitters underground.

In response, BENS proposed developing a telephone filing system for very small filers who lack a computer and a modem in order to streamline the data processes. They are partnering with the Wharton School of Business to develop this technology. Varney says that FinCEN is open to the idea of doing this kind of thing. BENS wants to design a system where the SAR essentially gets a simultaneous distribution to FinCEN, to the local agents and to headquarters agents.

Other projects include a user study of FinCEN analysts with an eye toward redesigning the SAR form to get more useful information. It asks the questions of analysts: How useful is the information you receive? What information do you need to make your job more effective? These questions had not been previously asked of FinCEN analysts, at least in a formal way. Additionally, BENS intends to conduct a customer survey of agents in the field, etc. to determine what information is useful to them.

Varney says that the FinCEN data mining tools are effective, but that there are some others, like ones developed by the NSA, that go much farther and can do a better job.