

Reporting With Ease

*Your Guide to
Suspicious Activity Reports*

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Introduction

Suspicious Activity Reports (SARs) are an invaluable tool in the fight against financial crime. As criminals target consumers and businesses with fraud scams and launder illicit proceeds, financial institutions are in a unique position to identify potentially suspicious transactions and report nefarious activity to maintain the integrity of the financial system.

“Suspicious activity reporting forms the cornerstone of the BSA reporting system. It is critical to the United States’ ability to utilize financial information to combat terrorism, terrorist financing, money laundering, and other financial crimes. Examiners and banks should recognize that the quality of SAR content is critical to the adequacy and effectiveness of the suspicious activity reporting system.”¹

Providing the Financial Crimes Enforcement Network (FinCEN) a clear and detailed report of potentially suspicious activity arms them with the information needed to share with law enforcement in the fight against financial crime. Filing correct and timely SARs equips officials with pertinent details that can help make or break their cases against nefarious criminals.

This resource is intended as an introduction to SARs, with insights on successfully completing a form, commonly encountered scenarios, and considerations for easier filing. It is not intended to replace the FFIEC BSA/AML Examination Manual² or FinCEN SAR Electronic Filing Requirements³. FinCEN’s online FAQ⁴ is a good resource to assist financial institutions in their use of the SAR.

Sources

¹⁻² FFIEC BSA/AML Manual – <https://bsaaml.ffiec.gov/manual/AssessingComplianceWithBSARegulatoryRequirements/04>

³ FinCEN SAR Electronic Filing Requirements – https://bsaefiling.fincen.treas.gov/docs/XMLUserGuide_FinCENSAR.pdf

⁴ FinCEN’s Online FAQ – www.fincen.gov/frequently-asked-questions-regarding-fincen-suspicious-activity-report-sar

What is a Suspicious Activity Report?

First introduced as the Currency and Foreign Transactions Reporting Act of 1970, the Bank Secrecy Act (BSA)⁵, “requires U.S. financial institutions to assist U.S. government agencies to detect and prevent money laundering.”⁶ The BSA is administered by FinCEN, whose mission is to “safeguard the financial system from the abuses of financial crime, including terrorist financing, money laundering and other illicit activity.”⁷

The BSA requires financial institutions to file and retain records useful in tracking tax, criminal, and other regulatory activities that may be suggestive of potential money laundering activities. Potentially suspicious activities, such as the use of structuring, funnel accounts, or money mules must be documented through regulatory reports and submitted to FinCEN to maintain regulatory compliance.⁸

The overlying purpose of the SAR is to report known or suspected violations of law or suspicious activity observed by financial institutions subject to the regulations of the BSA. SARs have been an essential tool to allow law enforcement to initiate or supplement major money laundering or terrorist financing investigations and other criminal cases. Information provided in SAR forms also helps authorities identify emerging trends and potential patterns associated with financial crimes. Actionable intelligence is vital to ensure that law enforcement can disrupt financial crime.⁹



Sources

⁵⁻⁶ *The Bank Secrecy Act (BSA), FinCEN* – www.fincen.gov/resources/statutes-and-regulations/bank-secrecy-act#:~:text=Specifically%2C%20the%20act%20requires%20financial,evasion%2C%20or%20other%20criminal%20activities

⁷ *FinCEN's History of Money Laundering Laws* – www.fincen.gov/history-anti-money-laundering-laws

⁸ *The Bank Secrecy Act (BSA), FinCEN* – www.fincen.gov/resources/statutes-and-regulations/bank-secrecy-act#:~:text=Specifically%2C%20the%20act%20requires%20financial,evasion%2C%20or%20other%20criminal%20activities

⁹ *Guidance on Preparing a Complete & Sufficient Suspicious Activity Report Narrative* – www.fincen.gov/sites/default/files/shared/sarnarrcompleguidfinal_112003.pdf

Red Flags for Potentially Suspicious Activity

The Federal Financial Institutions Examination Council (FFIEC)'s BSA/AML Examination Manual includes money laundering and terrorist financing red flag activities that, when encountered, warrant scrutiny to determine whether the activity is potentially suspicious or serves a reasonable business or legal purpose.¹⁰

Although these lists are not exhaustive, they may assist financial institutions and examiners in recognizing potential money laundering and terrorist financing schemes.



The following are some, but not all, of the red flags as defined by FFIEC:

Provision of Insufficient of Potentially Suspicious Info

- The customer use of unusual or suspicious identification documents that are unverifiable.
- The customer or business is reluctant, when establishing a new account, to provide complete information about the nature and purpose of its business, the names of its officers and directors.¹¹

Efforts to Avoid Reporting

- The customer attempts to persuade an employee not to file required reports and/or maintain required records.
- The customer makes small deposits, usually below \$3,000 that are then consolidated into a master account and transferred internationally, often to countries of concern.¹²

Transferring Funds

- The customer's funds are transferred in large, round dollar, hundred dollar, or thousand dollar amounts.
- The customer's funds are transferred in many small amounts, or deposits are made using checks and money orders. The transfers or deposits are then quickly wired to another city or country in a manner inconsistent with the business or history.¹³

Automated Clearing House (ACH)

- Non-customers making high-value ACH transactions through third-party service providers (TPSP).
- The TPSPs have an established history of violating ACH network rules, generating illegal transactions, and processing manipulated or fraudulent transactions.¹⁴

Sources

¹⁰⁻¹⁴ *BSA/AML Manual* – <https://bsaaml.ffiec.gov/manual/Appendices/07>

Red Flags for Potentially Suspicious Activity

Inconsistent Business Activity

- The transaction patterns show a sudden change inconsistent with regular business activities.
- The account holder has a large volume of cashier's checks, money orders, or funds deposited into, or purchased through, an account when the nature of the account holder's business appears inconsistent with such activity.¹⁵

Institution-to-Institution Transactions

- The customer's currency deposits quickly increase in frequency and size with no corresponding increase in noncurrency deposits.
- The true account holder's existing transactions are not able to be tracked by the financial institution.¹⁶

International Financial Institution Transactions

- The U.S. financial institution(s) sees an increase in sales or exchanges of large denomination U.S. bank notes to Mexican financial institution(s).
- The Mexican casas de cambio sends large volumes of small denomination U.S. banknotes to their U.S. accounts by way of armored vehicle or are sold directly to U.S. financial institution(s).¹⁷

Privately Owned Automated Teller Machines (ATMs)

- The activity levels are high in one ATM in comparison with other ATMs in comparable geographic and demographic locations.
- The source(s) of currency cannot be identified or confirmed.¹⁸

Shell Companies

- The beneficiaries of an account(s) are unable to be sufficiently identified due to an inability to obtain sufficient information.
- The company's payments — whether to or from the company — have no stated purpose, or do not reference goods or services in any way.¹⁹

Employees

- The employee appears to be living a lavish lifestyle that cannot be supported by their salary.
- The employee removes a hold placed on an account identified as suspicious so transactions can occur in the account.²⁰

Terrorist Financing

- The account of a business is making a large number of transfers, and there appears to be no logical economic purpose for the transfers, particularly when involving higher-risk locations.
- The account transfer funds are ordered in small amounts in a potential effort to avoid reporting requirements.²¹

Sources

¹⁵⁻²¹ BSA/AML Manual – <https://bsaaml.ffiec.gov/manual/Appendices/07>

Reporting Requirements

Threshold of Dollar Amounts

The Federal Deposit Insurance Corporation (FDIC) states:²² “Financial institutions are required to file a SAR in the following circumstances:

- Insider abuse involving any amount.
- Transactions aggregating \$5,000 or more where a suspect can be identified.
- Transactions aggregating \$25,000 or more regardless of potential suspects.
- Transactions aggregating \$5,000 or more that involve potential money laundering or violations of the BSA.”²³

Timelines for Filing

Financial institutions are required to file a SAR within 30 calendar days after the date of initial detection of facts constituting a basis for filing. This deadline may be increased by another 30 days to a total of 60 calendar days if a suspect is unable to be identified. FinCEN requires that financial institutions file an updated SAR at least every 90 days if the potentially suspicious activity is ongoing.²⁴

Record Retention

Financial institutions must maintain copies of any SAR filed and the original or business record equivalent of supporting documentation for up to five years from the date of filing. Supporting documentation is considered part of the SAR and must be retained and made available to authorized agencies upon request.²⁵

Sources

²²⁻²⁵ *FDIC Supervisory Insights* – www.fdic.gov/regulations/examinations/supervisory/insights/siwin07/article03_connecting.html#:~:text=Dollar%20Amount%20Thresholds%20%E2%80%93%20Banks%20are,and%20transactions%20aggregating%20%245%2C000%20or

Filing a SAR

Financial institutions use SARs to inform regulators of any potentially suspicious activity occurring in their accounts. Regulators and law enforcement officials use the information provided on SARs to track down and build cases against criminals. Most of the information required to complete a SAR may already exist in your case file — this information must be carefully transferred to the report itself.

When it comes to filing deadlines, FinCEN states:

“A FinCEN SAR shall be filed no later than 30 calendar days after the date of the initial detection by the reporting financial institution of facts that may constitute a basis for filing a report. If no suspect is identified on the date of such initial detection, a financial institution may delay filing a FinCEN SAR for an additional 30 calendar days to identify a suspect, but in no case shall reporting be delayed more than 60 calendar days after the date of such initial detection.”²⁶

Sources

²⁶ *FinCEN SAR Electronic Filing Instructions* – www.fincen.gov/sites/default/files/shared/FinCEN%20SAR%20ElectronicFilingInstructions-%20Stand%20Alone%20doc.pdf



Filing a SAR

Step 1: Filing in Institutional Contact Information²⁷

Under the Step 1 tab, you're required to fill out Part IV — Filing Institution Contact Information.

The screenshot shows the 'Suspicious Activity Report' interface with a navigation bar at the top containing tabs for 'Home', 'Step 1. Filing Institution Contact Information', 'Step 2. Financial Institution Where Activity Occurred', 'Step 3. Subject Information', 'Step 4. Suspicious Activity Information', and 'Step 5. Narrative'. The 'Step 1' tab is selected.

Below the navigation bar, the section 'Part IV Filing Institution Contact Information' is displayed. It contains the following fields and options:

- *79 Type of financial institution: A text input field.
- *75 Primary federal regulator: A text input field.
- *76 Filer name (Holding company, lead financial institution, or agency, if applicable): A text input field.
- *77 TIN: A text input field.
- *78 TIN type: A text input field.
- 80 Type of Securities and Futures institution or individual filing this report - check box(es) for functions that apply to this report: A grid of checkboxes for various roles, including:
 - Clearing broker-securities
 - Introducing broker-securities
 - SRO Securities
 - CPO/CTA
 - Investment Adviser
 - Subsidiary of financial/bank holding company
 - Execution-only broker securities
 - Investment company
 - Other
 - Futures Commission Merchant
 - Retail foreign exchange dealer
 - Holding company
 - Self-clearing broker securities
 - Introducing broker-commodities
 - SRO Futures
- 81 Financial institution identification: A section with 'Type' and 'Number' text input fields.
- *82 Address: A text input field.
- *83 City: A text input field.
- *84 State: A text input field.
- *85 ZIP/Postal Code: A text input field.
- *86 Country: A text input field.

Sources

²⁷ BSA E-Filing System – <https://bsaefiling.fincen.treas.gov/main.html>

Filing a SAR

Step 2: Information on Where the Suspicious Activity Occurred²⁸

This section identifies your financial institution as the location where the suspicious activity is alleged to have occurred. If the activity occurred in more than one branch, click the “+” button in the Branch Where Activity Occurred Information section to include additional branches.

The screenshot shows the 'Suspicious Activity Report' interface. At the top, there is a navigation bar with tabs for 'Home', 'Step 1. Filing Institution Contact Information', 'Step 2. Financial Institution Where Activity Occurred' (which is active), 'Step 3. Subject Information', 'Step 4. Suspicious Activity Information', and 'Step 5. Narrative'. Below the navigation bar, the section is titled 'Part III Information about Financial Institution Where Activity Occurred 1 of 1'. A question asks 'Would you like to insert all applicable filing institution information into Part III?' with a 'Yes' button. The form contains several sections: *51 Type of financial institution (with a yellow input field), *52 Primary federal regulator (with a yellow input field), 53 Type of gaming institution (with checkboxes for State licensed casino, Tribal authorized casino, Card club, and Other (specify) with a text input), 54 Type of Securities and Futures institution or individual where activity occurred - check box(es) that apply to this report (with multiple checkboxes for various roles like Clearing broker-securities, Introducing broker-securities, Execution-only broker securities, Investment Adviser, Futures Commission Merchant, Investment company, Holding company, Retail foreign exchange dealer, Introducing broker-commodities, and Self-clearing broker securities, plus a checkbox for Subsidiary of financial/bank holding company and an 'Other' text input), 55 Financial institution identification (with fields for Type and Number), and 56 Financial institution's role in transaction (with checkboxes for Selling location, Paying location, and Both).

Sources

²⁸ BSA E-Filing System – <https://bsaefiling.fincen.treas.gov/main.html>

Filing a SAR

Step 3: Subject Information²⁹

Part I of Step 3 allows you to identify the subject of the investigation.

Suspicious Activity Report

Home Step 1. Filing Institution Contact information Step 2. Financial Institution Where Activity Occurred **Step 3. Subject Information** Step 4. Suspicious Activity Information Step 5. Narrative

Part I Subject Information 1 of 1 + -

3 Check: ☐ if entity, ☐ if all critical* subject information is unavailable (Does not include item 24)

*4 Individual's last name or entity's legal name ☐ Unknown

*5 First name ☐ Unknown

6 Middle name/initial

7 Suffix 8 Gender

*19 Date of birth ☐ Unknown

9 Alternate name, e.g., AKA - individual or trade name, DBA - entity + -

10 Occupation or type of business

10a NAICS Code

*16 TIN ☐ Unknown 17 TIN type

21 Phone number + - Ext. 20 Type

22 E-mail address + -

Sources

²⁹ BSA E-Filing System – <https://bsaefiling.fincen.treas.gov/main.html>

Filing a SAR

Step 4: Describing the Action³⁰

Part II of Step 4 requires the specific information surrounding the suspicious activity — including the type of activity as well as the dollar amount involved.

Suspicious Activity Report

Home Step 1. Filing Institution Contact Information Step 2. Financial Institution Where Activity Occurred Step 3. Subject Information Step 4. Suspicious Activity Information Step 5. Narrative

Part II Suspicious Activity Information

*29 Amount involved in this report ☐ Amount Unknown ☐ No amount involved \$.00

*30 Date or date range of suspicious activity for this report From To

31 Cumulative amount (only applicable when "Continuing activity report" is checked in Item 1) \$.00

When completing item 32 through 42, check all that apply

32 Structuring

a ☐ Alters or cancels transaction to avoid BSA recordkeeping requirement d ☐ Transaction(s) below BSA recordkeeping threshold

b ☐ Alters or cancels transaction to avoid CTR requirement e ☐ Transaction(s) below CTR threshold

c ☐ Suspicious inquiry by customer regarding BSA reporting or recordkeeping requirements f ☐ Other

33 Terrorist Financing

a ☐ Known or suspected terrorist/terrorist organization z ☐ Other

34 Fraud

a ☐ ACH e ☐ Consumer loan i ☐ Mass-marketing m ☐ Wire

b ☐ Advance fee f ☐ Credit/Debit card Healthcare/Public or private j ☐ Ponzi scheme z ☐ Other

c ☐ Business loan g ☐ Health insurance k ☐ Pyramid scheme

d ☐ Check h ☐ Mail l ☐ Securities fraud

35 Gaming activities

a ☐ Chip walking d ☐ Unknown source of chips

b ☐ Minimal gaming with large transactions z ☐ Other

c ☐ Suspicious use of counter checks or markers

Sources

³⁰ BSA E-Filing System – <https://bsaefiling.fincen.treas.gov/main.html>

Filing a SAR

Step 5: Completing the SAR Narrative

SAR narratives are an essential part of the investigative process. Financial institutions must file SARs that are complete, sufficient, and timely. Because the SAR narrative serves as the only free text area for summarizing suspicious activity, the narrative section is “critical.” The care with which the narrative is written may make the difference in whether or not the described conduct and its possible criminal nature are clearly understood by law enforcement, and thus a failure to adequately describe the factors making a transaction or activity suspicious undermines the purpose of the SAR.³¹

To avoid this, FinCEN suggests you consider framing your SAR narrative around five key questions:

- Who is conducting the suspicious activity?
- What instruments or mechanisms are being used to facilitate the suspect transaction(s)?
- When did the suspicious activity take place?
- Why does the filer think the activity is suspicious?
- How did the suspicious activity occur?³²



Sources

³¹ BSA/AML Manual – <https://bsaaml.ffiec.gov/manual/Appendices/13>

³² Guidance on Preparing a Complete & Sufficient Suspicious Activity Report Narrative – www.fincen.gov/sites/default/files/shared/sarnarrcompletguidfinal_112003.pdf

The Benefits of SAR Automation

The process of manually reviewing core banking system reports to find potentially suspicious activity requires painstaking patience, multiple resources, and countless hours. And manually completing and submitting SARs can take even more time. Streamlining your process by switching to an automated system saves time and resources, thereby improving the efficiency and effectiveness of your SAR program.

Benefits include:

✓ Pre-Populated SAR Fields

An automated solution can auto-populate SARs with all the required information, thereby saving time and reducing the potential for costly errors. Simply complete the narrative section, enter any extra information you wish to provide, and submit directly to FinCEN.

✓ One Click E-Filing

Through automation, SARs can be quickly reviewed and submitted electronically to FinCEN. At the click of a button, you can queue the report for overnight E-Filing.

✓ Integrated Case Management

Automation allows for a fully integrated case management solution that lets you open an investigative case directly from an alert, attach applicable files, link entities and related suspicious activity, and fully document your investigation — right at your fingertips.

✓ SAR Workflows

By using an automated software solution that includes SAR workflow dashboards, you are offered a quick visual overview of the status of your reports — from incomplete to accepted by FinCEN.



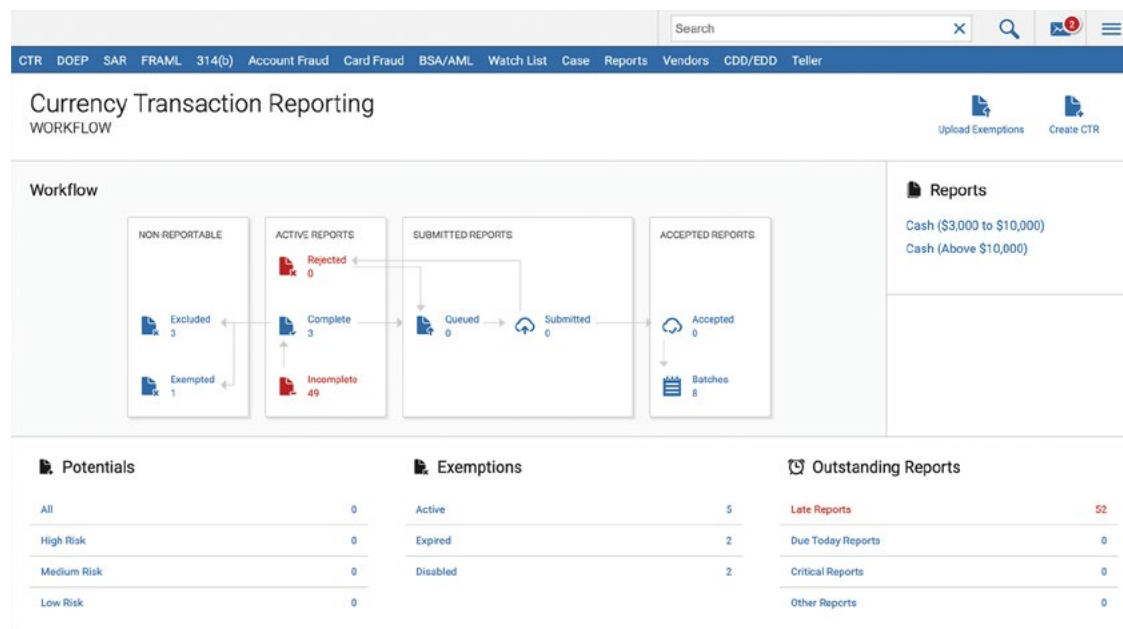
Reporting Charts

Reporting Charts

An automated solution can help you analyze your reporting history from multiple viewpoints. Data visualization tools can help you easily explore your SAR-related filings, cases, and alerts to uncover trends and performance indicators.

Customized Alert Generation

With an automated behavior-based system, any alerts you receive are likely to be genuinely suspicious, thereby reducing false positives and the time you've spent investigating them.



Common SAR Mistakes

Financial institutions must file complete, accurate, and timely SARs. Preparation errors and filing weaknesses, including late submissions, can often lead to a reduction in SAR effectiveness.

Common mistakes are:

- Incomplete or inaccurate data fields
- Insufficient SAR narratives
- Submitting late and untimely SARs

Considerations When Selecting an Automated Solution

✓ Risk-Rated Activity

Select an automated solution that produces risk-rated suspicious activity alerts, complete with evidence of the suspect activity.

✓ Organized Workflows

Consider an automated solution that provides you with an easy-to-follow workflow that prioritizes your reports by due date. Organized workflows, prioritized to-do lists, and on-time submissions improve the effectiveness and efficiency of your investigative process.

✓ Flexibility

There may be times when you need to add transactions, subjects, or other details to existing reports. Make sure to choose an automated solution flexible enough to permit any necessary changes.

✓ Get Connected

Consider a solution that offers a secure connection between your financial institution and FinCEN. This allows you to submit reports directly and immediately to FinCEN, preventing the hassles of filing through the BSA e-filing website, all but eliminating late filing.



Improve the Effectiveness and Efficiency of Your Regulatory Reporting with Verafin

SARs take time and resources to complete. For many institutions this process can be rife with errors.

Verafin's all-in-one solution streamlines the SAR filing process by automating the most time consuming and manual steps in a typical process. SAR submission to FinCEN is completely automated and frictionless, SAR review and re-filing is managed by an in-app workflow, and SAR forms and narratives are pre-populated using demographic data, transaction data, and case investigation outcomes.

With deep domain expertise from over twenty years of financial crime management experience, including regulatory reporting, our purpose-built anti-financial crime platform simplifies your data and presents you with a complete picture of customer risk, allowing investigators to focus on meaningful investigative work, expediting investigations and providing enriched, actionable intelligence to law enforcement.

Verafin is the industry leader in enterprise Financial Crime Management solutions, providing a cloud-based, secure software platform for Fraud Detection and Management, BSA/AML Compliance and Management, High-Risk Customer Management, and Information Sharing.

More than 3700 banks and credit unions use Verafin to effectively fight financial crime and comply with regulations. Leveraging its unique big data intelligence, visual storytelling, and collaborative investigation capabilities, Verafin significantly reduces false positive alerts, delivers context-rich insights and streamlines the daunting BSA/AML compliance processes that financial institutions face today.

Verafin is the exclusive provider for Texas Bankers Association, CUNA Strategic Services, and industry endorsements in 48 U.S. states.

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A STEP AHEAD