

Tips on Writing Suspicious Activity Report (SAR) Narratives

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Agenda

1. Background – Why SAR quality is critical
2. Who is reading your SAR?
3. How SARs make a difference
4. Write for your reader!
5. The Case Report – a valuable tool
6. Concluding comments and Q & A



Staggering Volume

2,503,204

SARs filed with FinCEN in 2020

9,591

SARs filed every business day (2020)

Source:

www.fincen.gov/reports/sar-stats

Data Quality is Critical



Data value is driven by **data quality**

→ Content and quality of a SAR is no different

When we understand:

- **WHO** is using the information,
- For **WHAT** purpose, and
- **HOW** it is obtained

We can craft SARs to make them most effective in their ultimate purpose: **fighting crime.**

Who is Reading Your SAR?

Majority of SARs are read by a person

SAR Review Teams

SAR Review Task Forces

FinCEN's data repository



SAR/BSA data is used extensively

- Over **12,000** agents, analysts, and investigators ~ over **350** unique federal, state, local, and tribal agencies
- Approximately **30,000 searches** of BSA data each day
- Average of **7.4 million queries** per year

“Your [BSA] reporting contributes critical information that is routinely analyzed, resulting in the identification of suspected criminal and terrorist activity, and the initiation of investigations. [BSA report filings] provide data that is responsive or useful to ongoing investigations, examinations, victim identification, analysis and network development, sanctions development, and U.S. national security activities, among many, many other uses that help protect our nation, deter crime, and save lives.”

Kenneth Blanco, FinCEN Director

SARs Make a Difference – Case Examples

Money-laundering expert arrested for laundering money



UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA

- v. -

BRUCE BAGLEY,

Defendant.

X

:

:

:

:

:

:

:

:

X

SEALED INDICTMENT

19 Cr.

19 CRIM 765

COUNT ONE

(Conspiracy to Commit Money Laundering)

The Grand Jury charges:

A name in a fax header message

Fm:GalaGeek.com To:GalaGeek.com (1619)

13:23 07/20/11GMT-05 Pg 01-01

Recipient Information:
To: GalaGeek.com
Fax#:
Subject:

FAX COVER SHEET

Write For Your Reader

If law enforcement is the SAR's reader – write it for their greatest benefit

Supply the most **critical** information:

Succinctly

Clearly

Logically

Objective: The reader can quickly grasp the nature of the case, how much money is involved, who are the key players, and what are the *nuances that make this suspicious*.

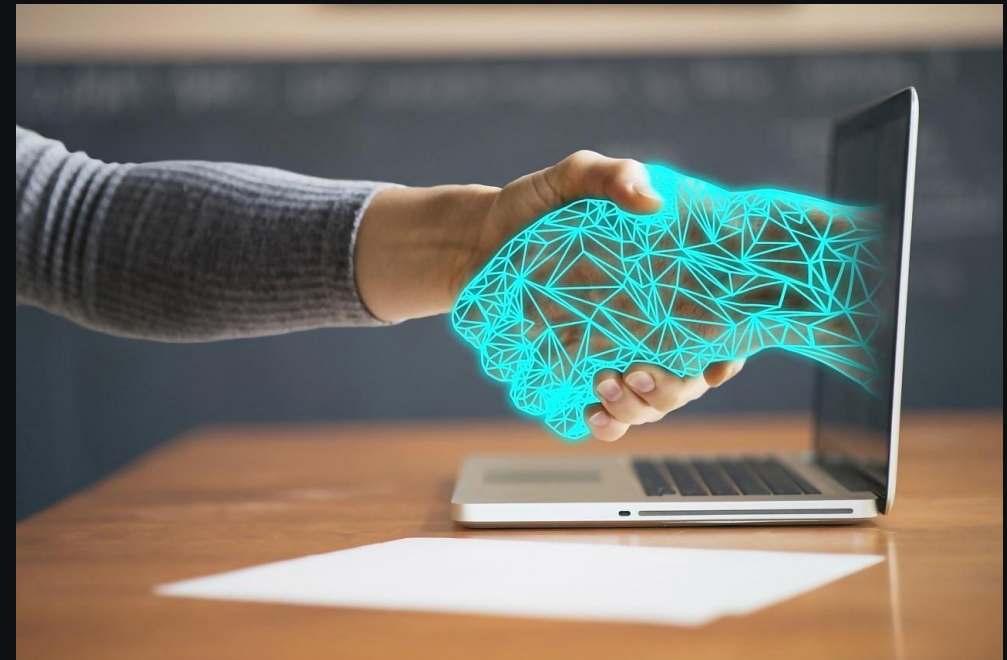
The Narrative is the Key

Form fields, checkboxes and dropdown lists are important:

- Captures foundational information (subjects' information, type of activity)
- Makes data capture and analysis more robust and granular
- Should be used judiciously

But the **Narrative** is key:

- Grabs the reader's attention
- Describes the nuances
- Use of keywords for data flagging



Describe the Nuances



Do:

- Summarize the activity, how it was detected, and why it's suspicious in the first sentence (or two)
- Describe elements not reflected in the names and numbers
 - Behavior or appearance
 - Comments made to bank personnel
- Explain why activity is out-of-pattern
- Explain any unusual transaction characteristics: amounts, timing, text messages on wire transfers
- Use simple, concise, active tense



Don't:

- Repeat information already reflected in other parts of the form
- Provide lengthy lists of transaction details
- Use verbose language and/or passive tense, such as "in the amount of" or "for the benefit of"
- Provide too little information



SAR Narrative Example

Here is an example of a poorly written SAR narrative – can you spot the problems with it?

First Federal Bank is filing this SAR in connection with possible suspicious payments to ABC Corporation originating from XYZ LLC. This review of the transactions that led to the filing of this SAR was prompted by an alert from the bank's payment monitoring system for Century Bank concerning transfers on behalf of its client XYZ LLC. Century Bank is a correspondent-banking client of First Federal. First Federal records reveal that from June 29, 2019 to August 1, 2019, 4 payments totaling \$13,675.21 were transmitted to ABC Corporation at Century Bank. ABC Corporation is being used to repatriate funds to Venezuela. As of March 2, 2019, ABC Corporation does not appear on FinCEN's MSB registration list.

Now for a Better Version...

Customer XYZ LLC, a local dry cleaner and laundry establishment, sent 4 outgoing wire transfers totaling \$13,675.21 within a 4-week period to an account at Banco de Venezuela (Caracas office) to beneficiary ABC Corporation, an apparent Panama-based shell company. These payments are highly out-of-pattern for XYZ LLC, which has never sent or received a single wire transfer in its 8 year history with the bank. XYZ LLC is a cash-intensive business and high-risk customer for whom the bank closely monitors all transaction activity.

ABC Corporation appears on Panama's national Companies Registry with a physical address matching that of a law firm in Panama City used by hundreds of other legal entities, per the bank's internet research. Mr. Roberto Alvarez (owner/sole member, XYZ LLC) has stated to bank personnel that the payments were for "purchases of cleaning supplies." The payments did not include any explanatory messages such as invoice numbers or other references as to purpose.

Complete transaction details are provided in the attachment to this SAR. Supporting documentation is available upon request.

Use Keywords to Help Data Mining

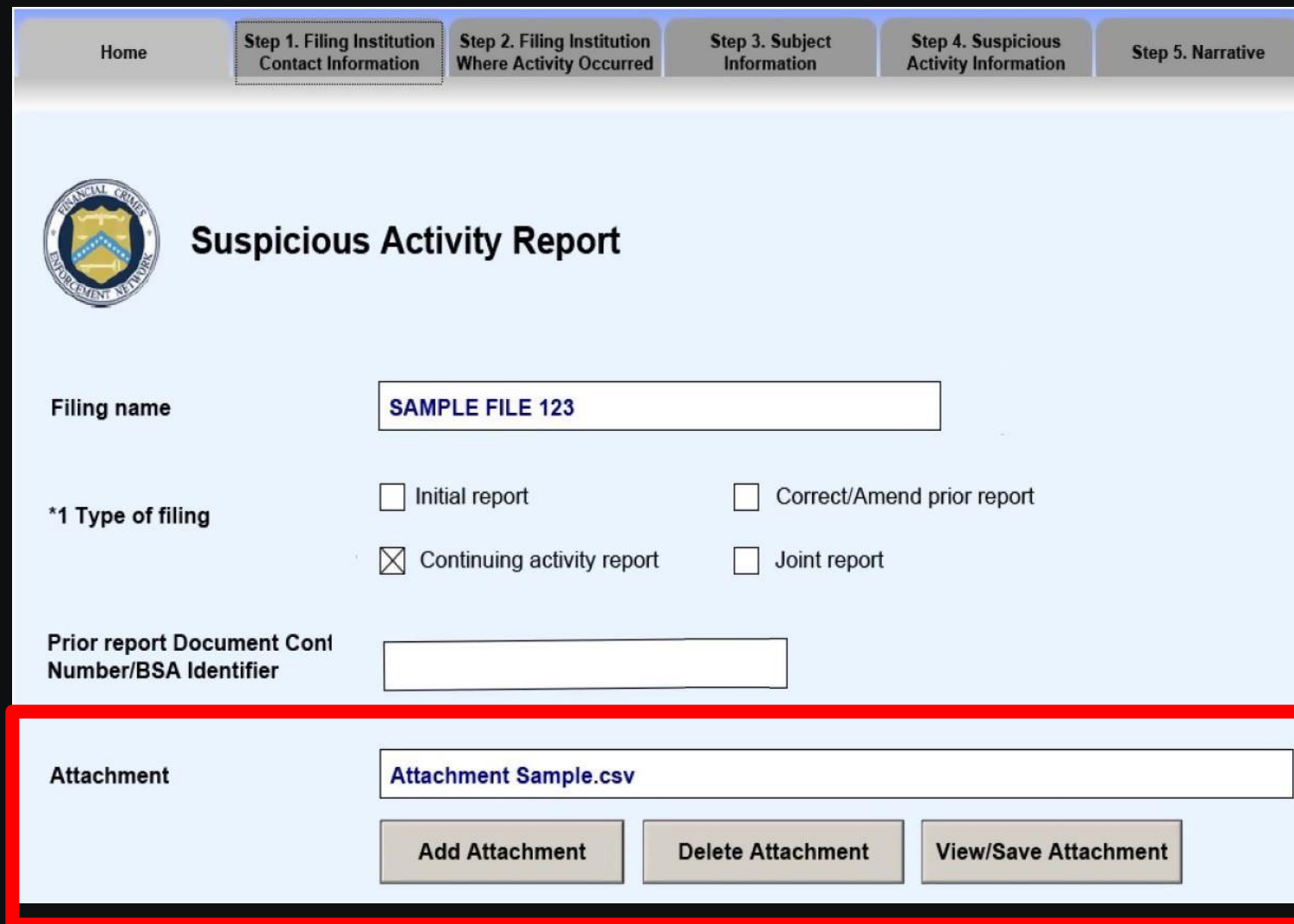
- Technically, “advisory key terms”
- First requested by FinCEN in 2008 – “foreign corruption”
- Now 32 different keywords listed – work them into the SAR narrative whenever applicable

| | | | |
|----------------------------|------------------------------|------------------------------------|----------------------------------|
| Foreclosure rescue scam | SKN passport | Bankruptcy | FHA |
| MX restriction | Tax refund fraud | CREF | BMPE |
| Advisory human smuggling | Payment processor | IVTS | TBML |
| Advisory human trafficking | Elder financial exploitation | BEC fraud | SIGTARP |
| Funnel account | Account takeover fraud | EAC fraud | HECM |
| Foreign corruption | Advisory real estate | South Sudan | CVC FIN-2019-A003 |
| Venezuelan corruption | Disaster related fraud | Venezuela Corruption FIN-2019-A002 | February 2020 FATF FIN-2020-A001 |
| Nicaragua FIN-2018-A005 | Iran FIN-2018-A006 | COVID19 FIN-2020-A002 | COVID19 MM FIN-2020-A003 |


See FinCEN’s website: www.fincen.gov/suspicious-activity-report-sar-advisory-key-terms

Use the Attachment Feature

- New feature with FinCEN's revised SAR form in April 2013
- One Microsoft Excel compatible .csv file only
- Provide minute details such as wire transfer parties, addresses, account numbers, intermediary banks, and reference fields
- Always mention the attachment in the SAR narrative!



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

 **Suspicious Activity Report**

Filing name

*1 Type of filing ☐ Initial report ☐ Correct/Amend prior report
☒ Continuing activity report ☐ Joint report

Prior report Document Control Number/BSA Identifier


Attachment

New or Continuing Activity SAR?

- Initial Report – “new”
- Continuing activity report – more of the same

FinCEN guidance: Each continuing activity SAR should include any new transactions occurring in a subsequent 90-day monitoring period since the most recent SAR filing.

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

 **Suspicious Activity Report**

Filing name

*1 Type of filing

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Prior report Document Cont Number/BSA Identifier

Attachment

Add Attachment Delete Attachment View/Save Attachment

New or Continuing Activity SAR?

But...what happens when the activity reoccurs, but **after** the 90-day monitoring period ends?

- No specific published FinCEN guidance
- The examiners' viewpoint
- What makes the SAR most useful to law enforcement?



“Additional Details Upon Request”

- The SAR and narrative section capture the highlights of a suspicious activity case

A suspicious activity case is so much more than checkbox categories, keywords and a summary.

- “Additional details available upon request” is standard in most SAR narratives



What will you provide to law enforcement should they ask for these “additional details”?

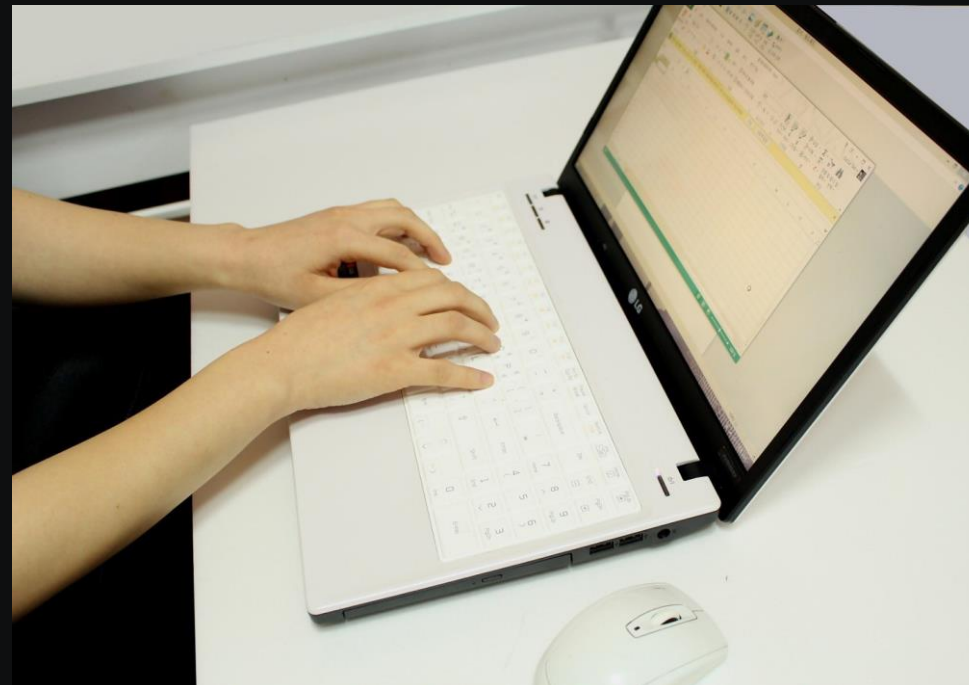
The Case Report – A Valuable Tool

Benefits:

- Allows the filing institution to quickly deliver on law enforcement's request for a SAR case's full details
- Helps management, internal SAR Review Committee members, regulatory examiners and internal auditors understand the nuances of the case
- Especially useful in continuing activity cases
- Designed by the financial institution to meet its unique needs
- May be templated and modified as needed
- Facilitates preparing the SAR form and cross-checking/review

What Would a Case Report Look Like?

- Use a standardized Case Report template as the starting point
- Modify where appropriate for each unique suspicious activity case
- Use the completed Case Report for all approvals prior to SAR form preparation
- **KEEP CONFIDENTIAL!**



Basic Case Report Sections

Section 1 - Basic reference information

- Customer name
- Date case opened
- Category of suspicious activity (cross-referencing the SAR form categories, perhaps)
- Case number

Section 2 - Detailed background information in narrative form

- How suspicious activity was detected
- What follow-up, research and/or customer inquiries were performed and by whom
- What prompted the SAR filing
- Background details about the customer and/or subjects involved
- References to other SARs on same customer

Basic Case Report Sections cont'd

Section 3 - Detailed transaction history

Check numbers, wire transfer details, payees/payors, beneficiaries/originators, all banks involved, all textual fields on wires/ACH

Section 4 - Law enforcement communications log

Track the date, name, title, contact details, and method of contact for each communication to or from any law enforcement representative regarding the case

Basic Case Report Sections cont'd

- ***Section 5 - SAR filing log***

- Tracking record to document all regulatory deadlines were met – especially important in ongoing cases
- Record these dates for each SAR:
 - ✓ Activity detected
 - ✓ Decision to file SAR
 - ✓ SAR filed
 - ✓ Due date of next continuing activity SAR due date (120 days from date of last SAR)
 - ✓ Start/end of each 90-day period
- BSA ID number for quick reference

- ***Section 6 - SAR narrative:***

- Much easier to draft the SAR narrative outside of the form itself (or form-generating software)
- Final narrative verbatim in the Case Report allows others reviewing and/or approving to read the narrative along with all supporting information.

The Case Report vs. Automated Environment

Question: Why the effort to create a standalone Case Report document when an automated suspicious activity monitoring/SAR case management system exists?

Answer: What is the automated system's level of detail and accessibility of SAR case data?

A Case Report provides high value when an automated system:

- Has limited capability to store freeform text notes; cannot print a full report of all notes entered
- Does not retain the SAR narrative as a separate field
- Cannot produce a summary report (with content like that of a Case Report) which can be provided to law enforcement, internal management, or examiners/auditors
- Cannot maintain specific records of law enforcement communications

Conclusion: Remember the “Why”

SARs are the ultimate reason for an anti-money laundering program.

Their primary purpose: to deliver information to law enforcement promptly, concisely and meaningfully.

- Your SAR will be read, so write for your reader
- Describe the nuances
- Narrative: clear, concise, and logical
- FinCEN’s keywords
- Use the attachment feature
- “New” vs. “continuing activity” reports
- Case Report for comprehensive supporting documentation



A Final Quote

I want [remind] you of the importance of what you do. You are a critical part of maintaining the integrity of our financial system, which is a critical part of maintaining respect for the rule of law. The work that you do every day enables law enforcement to identify and take action against illicit actors from terrorists, to rogue regimes, to drug lords, to kleptocrats, to human traffickers, to fraudsters ripping off the elderly and abusing our health care system, and many others. What you do saves lives directly, and makes our lives better.

Jamal El-Hindi, former FinCEN Deputy Director

Webinar Resources and Certificates

Certificates

If you attended the entire presentation, you will receive your certificate via email following the webinar from GoToWebcast.

Please note that ACAMS does not automatically add credits to members' profiles for non-ACAMS produced events. Attendees should provide their Certificate of Participation for certification or recertification purposes.

Webinar Resources

A link to the webinar recording and slides will be emailed to all within the next 7-10 days.

Resources will also be made available on www.alessa.com

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