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Analysis of Suspicious Activity Report (SAR) Inquiries Received by FinCEN's Regulatory Helpline

By FinCEN's Office of Outreach Resources

FinCEN operates a Regulatory Helpline that provides assistance for financial institutions seeking clarification of their obligations under FinCEN's regulations implementing the Bank Secrecy Act (BSA) and certain requirements of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act and other statutory authorities.¹⁰ This article provides financial institutions with guidance and instruction regarding the proper completion of the new FinCEN Suspicious Activity Report (FinCEN SAR). The article specifically addresses common inquiries that the Regulatory Helpline received regarding completion of the FinCEN SAR and provides a compilation of additional helpful guidance and instruction.

FinCEN SAR Filing Guidance and Instructions

Between July 1, 2011 and June 30, 2012, the Regulatory Helpline received 1,690 inquiries associated with FinCEN's SAR regulations or requesting assistance in filing a SAR. Since March 29, 2012, when financial institutions began submitting the FinCEN SAR using FinCEN's BSA E-Filing System, approximately one in four of all SAR inquiries have been directly associated with completion of the FinCEN SAR.

Effect of FinCEN SAR on existing regulatory obligations

A common theme among these FinCEN SAR inquiries was uncertainty regarding the status of FinCEN's SAR regulations and compliance requirements. Financial institutions repeatedly sought reassurance that the underlying reporting obligations had not changed with the issuance of the new, electronic-only FinCEN SAR. FinCEN publicly clarified this fact by issuing [guidance](#) on the use of new FinCEN

10. Financial institutions can contact FinCEN's Regulatory Helpline at 800-949-2732 or by e-mailing BSA_Resource_Center@fincen.gov.

SAR (and FinCEN Currency Transaction Report or CTR) when the new reports began to be accepted. Specifically, the guidance noted that the FinCEN SAR (and FinCEN CTR) “does not create new obligations or otherwise change existing statutory and regulatory expectations of financial institutions.”

Deadlines for adopting the FinCEN SAR and mandatory e-filing

Following the initial release of the [technical specifications](#) for the new FinCEN SAR on September 29, 2011, and the [proposal](#) mandating the electronic filing of reports submitted to FinCEN, industry raised concerns in its [comments](#) to the mandatory e-filing proposal regarding the potential challenge on meeting both requirements simultaneously no later than June 30, 2012. FinCEN provided substantial clarification on the interplay of these two separate, but related requirements in a [notice](#) that established the deadline by which financial institutions must adopt the electronic-only FinCEN SAR to be March 31, 2013, while restating the expectation that mandatory e-filing would be required as of July 1, 2012. That notice also made clear that until March 31, 2013, financial institutions could continue to file the older or “legacy” versions of the industry-specific SARs. However, institutions may begin filing on the FinCEN SAR prior to March 31, 2013. The [final notice](#) establishing the requirement of mandatory electronic filing for all reports submitted to FinCEN, with certain limited exemptions, cemented that deadline as July 1, 2012.

As of July 1, 2012, therefore, all financial institutions, unless granted a specific limited-time exemption from FinCEN, must file all SARs electronically. Institutions filing paper SARs will be informed of their error and may be subject to civil money penalties for continued reporting requirement violations. Starting April 1, 2013, all financial institutions must file the FinCEN SAR. At that point, no electronically filed legacy SARs will be accepted.

Common filing assistance inquiries

To assist financial institutions in their adoption of the new FinCEN SAR, FinCEN’s Regulatory Helpline and E-Filing Help Desk have been responding to a variety of technical and regulatory-related inquiries regarding the new report. The remainder of this article provides helpful guidance, instructions, and other information for financial institutions regarding the appropriate way to complete a FinCEN SAR. In particular, we focus on how to complete a specific “Step” or “Item” with the new FinCEN SAR, much of which can be found in the guidance documents and notices highlighted earlier in this article or within Appendix C of the FinCEN SAR

technical specifications that are located at <http://bsaefiling.fincen.treas.gov/news/FinCENSARElectronicFilingRequirements.pdf>. Financial institutions are also able to review and download the test copy of the FinCEN SAR to assist in their efforts to adopt the new standard format by accessing FinCEN's BSA E-Filing System user test site at <http://sdtmut.fincen.treas.gov/news/SuspiciousActivityReport.pdf>. Additionally, this publication includes another helpful [article](#) providing general guidance on compliance with FinCEN's requirements when using a FinCEN SAR and a further [article](#) explaining how to complete a well-written FinCEN SAR narrative. Finally, FinCEN has made available a recorded webinar addressing most of the same questions and areas of guidance for completing the FinCEN SAR included in this article <http://www.fincen.gov/whatsnew/html/20120928.html>.

Miscellaneous inquiries related to all Steps and/or Items

- **When do you check the "Unknown" box?** Financial institutions should file all FinCEN Reports with complete and correct information. However, if an Item is unknown, leave that Item blank and check the "Unknown" box.
- **Are Items without an asterisk required to be completed?** Items with an asterisk ("*" or Items displaying a "yellow" field) are critical fields that the filer is required to complete before the FinCEN Report can be submitted electronically. If an Item does not have an asterisk, it is not a critical field. However, financial institutions should file all FinCEN Reports with complete and correct information. As noted above, if an Item is unknown for a critical field, the institution must check the associated "Unknown" box or the electronic filing cannot be submitted.
- **What if the report requires multiple Steps or Items of the same section, such as branch information, subject information, and financial institution information?** If a particular FinCEN SAR requires multiple Steps and/or Items of the same section, the filer would click the "+" button to create additional Steps and/or Items. Batch filers would add additional records of the same type. For example, there would be multiple 2C records for activity occurring at multiple branch locations, multiple 4A records to accommodate more than one suspect, and multiple 2B records if more than one financial institution was involved.

- **How do you enter data that is formatted, such as phone numbers and identifying numbers?** Enter all identifying numbers as a single text string without formatting or special characters such as hyphens or periods. The below example demonstrates how a phone number would appear.

The screenshot shows the 'Part I Subject Information' section of a FinCEN SAR form. The form is titled 'Part I Subject Information 1 of 1'. It includes the following fields and options:

- 2 Check:** ☐ if entity, ☐ if all critical* subject information is unavailable (Does not include item 24)
- *3 Individual's last name or entity's legal name:** ☐ Unknown [Text field]
- *4 First name:** ☐ Unknown [Text field]
- 5 Middle name/initial:** [Text field]
- Suffix:** [Text field]
- Gender:** [Dropdown menu]
- *16 Date of birth:** ☐ Unknown [Text field]
- 6 Alternate name, e.g., AKA - individual or trade name, DBA - entity:** [Text field with add/remove buttons]
- 7a NAICS Code:** [Dropdown menu]
- 7 Occupation or type of business:** [Text field]
- *13 TIN:** ☐ Unknown [Text field]
- 14 TIN type:** [Dropdown menu]
- 18 Phone number:** [Text field with add/remove buttons, containing '8009492732']
- Ext.:** [Text field]
- 17 Type:** [Dropdown menu]
- 19 E-mail address:** [Text field with add/remove buttons]
- 19a Website (URL) address:** [Text field with add/remove buttons]

- **When/How do you file a report for continuing activity?** In the May 2012 SAR Activity Review (Issue 21), FinCEN provided guidance on regulatory obligations regarding filing a SAR on continuing activity which explain the timing of when the activity should be reported and the deadlines for the SARs. http://www.fincen.gov/news_room/rp/files/sar_tti_21.pdf.

The FinCEN SAR has made the reporting of continuing activity easier for filers. In Item 1 (Filing Type), filers must check the “Continuing activity report” box to denote that the report is on continuing activity. The filer should include the prior report Document Control Number or File Number to associate the current filing with the past report.

Suspicious Activity Report

Item 1 - Filing Type (check all that apply). Select "Initial report" if this is the first report filed on the suspicious activity. SARs filed as a result of a historical or other review of past transactional activity, either directed by a regulatory authority or conducted as a financial institution initiative, must always be initial reports. Select "Correct/amend prior report" if the report corrects or amends a previously filed report. Select "Continuing activity report" if this report involves suspicious activity reported on one or more previous reports. Continuing reports should be filed at least every 90 days on continuing suspicious activity. If this report is being jointly filed with another financial institution, select "Joint report" in addition to selecting the appropriate box(es) for the type of filing mentioned above. Filers must clearly identify in Part V which Part III financial institutions are the joint filers on the SAR. If "Correct/amend prior report" is selected and/or "Continuing activity report" is selected, enter the Document Control Number (DCN) or the BSA Identifier (BSAI) assigned to the previous SAR by FinCEN or the internal control/file number assigned to the previous SAR by the filer.

Filing Name: Continuing Activity SAR #1

*1 Filing Type (Check all that apply):
☐ Initial report
☒ Continuing activity report
☐ Joint report

Prior report document control/file number: 31000000000000

Attachment: [Empty field]

Buttons: Add Attachment, Delete Attachment, View/Save Attachment

Then, in Item 28 (Cumulative amount), filers can enter both the amount associated with the suspicious activity being reported within the filing but also separately enter the cumulative amount for all the continuing activity (note: this Item is only applicable when the "Continuing activity report" box is checked in Item 1).

Suspicious Activity Report

Part II Suspicious Activity Information

*26 Amount involved in this report ☐ Amount Unknown ☐ No amount involved \$ 33,457.00

*27 Date or date range of suspicious activity for this report From 08/08/2012 To 08/27/2012

28 Cumulative amount (only applicable when "Continuing activity report" is checked in Item 1) \$ 234,564.00

When completing item 29 through 38, check all that apply

29 Structuring

a ☐ Alters transaction to avoid BSA recordkeeping requirement
b ☐ Alters transaction to avoid CTR requirement
c ☐ Multiple transactions below CTR threshold
d ☐ Suspicious inquiry by customer regarding BSA reporting or recordkeeping requirements

Inquiries related to Items in Step 1 (Filing Institution Contact Information)

- **“Type of financial institution” (Item 82)** – Select the option that identifies the type of financial institution entered in Item 79 (Filer name). If none of the options apply, select “Other” and enter a brief description in the associated text field.

If the financial institution is a non-bank residential mortgage lender or originator, select “Other” and enter “NON-BANK RESIDENTIAL MORTGAGE” in the associated text field. If the financial institution is a dealer in precious metals, stones, or jewels, select option “Other” and enter “DEALER IN PRECIOUS METALS STONES JEWELS” in the associated text field.

- **“Primary federal regulator” (Item 78)** – Select the appropriate option from the drop-down list to identify the Primary Federal Regulator or BSA Examiner of the filing institution. If more than one regulator option could apply, select the regulator that has primary responsibility for enforcing compliance with the BSA. If Item 82 option “Casino/Card Club,” “Insurance Company,” or “MSB” is selected, the Item 78 entry must be “Internal Revenue Service (IRS).” If the financial institution filing the FinCEN SAR is subject to U.S. law and none of the other codes apply,

as may be the case¹¹ for non-bank residential mortgage lenders or originators, the entry must be “Internal Revenue Service (IRS).” If the FinCEN SAR is being filed by a government agency or if the financial institution filing the FinCEN SAR is not subject to U.S. law, the entry must be “Not Applicable”.

- **“Financial institution identification” (Item 84)** – Select the option that identifies the financial institution entered in Item 79 (Filer name) and enter the identifying number in the text field. If “Research, Statistics, Supervision and Discount (RSSD)” is selected, but the identifying number is unknown, the information can be accessed at the Federal Financial Institutions Examination Council (FFIEC) Web Site at <http://www.ffiec.gov/find/callreportsub.htm>.
- **Address information for filing institution (Items 85-89)** – Enter the permanent street address for the financial institution entered in Item 79 (Filer name).
- **“Internal control/file number” (Item 91)** – To avoid an illegal disclosure of a FinCEN SAR, financial institutions often assign a unique internal control number/file number to each report, which law enforcement or regulatory agencies can reference without disclosing the existence or content of a particular FinCEN SAR. Use this field to reference any such assigned unique control number for the SAR.
- **“Law Enforcement (LE) contact information” (Items 92-95)** – If an LE agency was informed of the suspicious activity, enter the LE agency’s contact information in Items 92-95.
- **“Filing institution contact office” (Item 96)** – Enter the name of the filing institution contact office where additional information about the FinCEN SAR or supporting documentation can be requested.
- **“Filing institution contact phone number” (Item 97)** – Enter the contact office telephone number and extension (if there is an extension).

Inquiries related to Items in Step 2 (Filing Institution Where Activity Occurred)

- **“Type of financial institution” (Item 47)** – See Item 82 in Step 1 for answer to similar question.

11. See FinCEN Administrative Ruling [FIN-2012-R005](#) for clarification regarding the primary federal regulator of certain non-bank mortgage lenders and originators that are subsidiaries of federally regulated banks.

- **“Primary federal regulator” (Item 48)** – See Item 78 in Step 1 for answer to similar question.
- **“Financial institution identification” (Item 51)** – See Item 84 in Step 1 for answer to similar question.
- **“Financial institution’s role in transaction” (Item 52)** – Check the box that describes the financial institution’s role in the transactions identified in the suspicious activity as it pertains to the products or instruments checked in Items 39 and 40 (if both apply, check “Both”). For example, a money services business (MSB) selling money orders would choose “Selling location” while the same MSB would choose “Paying location” if it cashed the money orders involved in the suspicious activity. If the MSB both sold and cashed the money orders involved in the suspicious activity, it would select “Both”. If neither choice is appropriate, please leave this Item blank.
- **Address information for where the activity occurred (Items 57-61)** – Enter the permanent street address for the financial institution entered in Item 53 (Legal name of financial institution). Leave Item 59 (State) blank if the state is unknown or the country is not the United States, Canada, or Mexico.
- **“Internal control/file number” (Item 62)** – See Item 91 in Step 1 for answer to similar question.
- **“Branch’s role in transaction” (Item 64)** – See Item 52 in Step 2 for answer to similar question.
- **Address information for branch where activity occurred (Items 65-70)** – Enter the permanent street address for branch. If no branch was involved in the suspicious activity, check “If no branch activity involved, check this box” and leave Items 64-70 blank.

Inquiries related to Items in Step 3 (Subject Information)

- **Who is the subject? (Items 3-5)** – A subject is an individual or other entity potentially involved in the suspicious activity. Enter the individual’s full name or the entity’s legal name (for example, the legal name is the name on the articles of incorporation or other document that established the entity). Do not abbreviate names unless an abbreviation is part of the legal name.

- **“NAICS Code” (Item 7a)** – Select the option that best identifies the occupation or type of business entered in Item 7 (Occupation or type of business). Filers can access the FinCEN-approved list of North American Industry Classification System (NAICS) codes from the BSA E-Filing Web Site at <http://bsaefiling.fincen.treas.gov/main.html>. If no selection from the NAICS code is appropriate, use a specific descriptive word or phrase, such as “Carpenter” or “Retired Carpenter” (but not simply “Retired”) on the “Occupation” field and do not select a NAICS code.
- **“Relationship of the subject to an institution” (Item 21)** – If the subject has a relationship with a financial institution or individual listed in Step 1 or 2 of the FinCEN SAR, enter the financial institution’s TIN in Item 21a (Institution EIN). Then select all options (21b through 21l) that describe the relationship. If the relationship is not covered by any of these options, select option 21z (Other) and enter a brief description of the relationship(s) in the “Other” text field.
- **“Status of the relationship” (Item 22)** – If Items 21h (Director), 21i (Employee), 21k (Officer), or 21l (Owner or Controlling Shareholder) is selected, indicate the status of relationship.
- **“Financial institution TIN and account number(s) affected that are related to subject” (Item 24)** – Enter information about any accounts involved in the suspicious activity that are related to the subject entered in Step 3 (Subject Information). An account is related to a subject if the subject owns the account, has control over the account, or conducted activity in or through an account the subject does not own or control. If no account has been identified as being related to the suspicious activity, check the “No known accounts involved” box. If the account is located at a foreign financial institution, check the “Non-U.S. Financial Institution” box. Enter all identifying numbers as a single text string without formatting or special characters such as hyphens or periods. If multiple financial institution TINs or accounts numbers are affected, the filer would click the “+” button to create additional Items.
- **“Subject’s role in suspicious activity” (Item 25)** – Select the Item from the drop down menu that describes the subject’s role in the suspicious activity as it pertains to the products or instruments checked in Items 39 and 40 (note: if both apply, check “Both”).

Inquiries related to Items in Step 4 (Suspicious Activity Information)

- **“Date or date range of suspicious activity for this report” (Item 27)** – Enter the suspicious activity date or date range for this report. If the suspicious activity occurred on a single day, enter that date in field 27a “From” and leave field 27b “To” blank. If the suspicious activity occurred on multiple days, enter the earliest date of suspicious activity in field 27a and the most recent date of suspicious activity in field 27b. If the exact date(s) of the suspicious activity is (are) unknown, enter a date range that the filer believes will encompass the date(s) of the suspicious activity.
- **What is the suspicious activity? (Items 29-40)** – Select all options that apply to the type of suspicious activity being reported. If a category applies but none of the options apply, check the “Other” box in that category and briefly describe the type of suspicious activity in the associated text field.

For example, if a financial institution needs to file a FinCEN SAR on kiting, they would check the “Other” box in Item 31 (Fraud) and type the word “Kiting” in the associated text field. For kiting associated with the use of checks, a financial institution also would select the “Check” box in Item 31 (Fraud).

FinCEN SAR.pdf - Adobe Reader

Please fill out the following form. You can save data typed into the form.

31 Fraud (Type)

a ☐ ACH d ☐ Consumer loan g ☐ Mail j ☐ Wire

b ☐ Business loan e ☐ Credit/Debit card h ☐ Mass-marketing z ☒ Other

c ☒ Check f ☐ Healthcare i ☐ Pyramid scheme

32 Casinos

a ☐ Inquiry about end of business day d ☐ Suspicious use of counter checks or markers

b ☐ Minimal gaming with large transactions z ☐ Other

c ☐ Suspicious intra-casino funds transfers

33 Money Laundering

a ☐ Exchange small bills for large bills or vice versa h ☐ Suspicious use of multiple accounts

b ☐ Suspicion concerning the physical condition of funds i ☐ Suspicious use of noncash monetary instruments

c ☐ Suspicion concerning the source of funds j ☐ Suspicious use of third-party transactors (straw-man)

d ☐ Suspicious designation of beneficiaries, assignees or joint owners k ☐ Trade Based Money Laundering/Black Market Peso Exchange

e ☐ Suspicious EFT/wire transfers l ☐ Transaction out of pattern for customer(s)

f ☐ Suspicious exchange of currencies z ☐ Other

g ☐ Suspicious receipt of government payments/benefits

34 Identification/Documentation

a ☐ Changes spelling or arrangement of name d ☐ Refused or avoided request for documentation

Inquiries related to Step 5 (Narrative)

- **What is required when describing the suspicious activity identified?** The narrative is critical to understanding the suspicious activity being reported. How the narrative is written may determine whether the suspicious activity is clearly understood by investigators. Filers must complete the narrative in English and provide a clear, complete, and concise description of the suspicious activity. This narrative should include the data provided in the FinCEN SAR and any other information necessary to explain the suspicious activity. To assist, readers will find a separate [article](#) in the Issues & Guidance section of this issue that provides further guidance on constructing a SAR narrative.

Useful Links for completing the new FinCEN SAR

- Filing FinCEN’s new Currency Transaction Report and Suspicious Activity Report (FIN-2012-G002) - http://www.fincen.gov/statutes_regs/guidance/html/FIN-2012-G002.html

- FinCEN Suspicious Activity Report (FinCEN SAR) Electronic Filing Requirements - <http://bsaefiling.fincen.treas.gov/news/FinCENSARElectronicFilingRequirements.pdf>

Suspicious Activity Report (SAR): Back to the Basics

By FinCEN's Office of Outreach Resources

SAR Basics

FinCEN is issuing a reminder to filing financial institutions of the importance of an accurate and complete Suspicious Activity Report. The SAR serves as a valuable investigative tool by providing information regarding previously unidentified accounts, potential illicit movement of monies and terrorist financing, and general lead information for financial crimes investigations. Filers and users of SARs are reminded that SARs are confidential. Similarly, information that would reveal the existence or non-existence of a SAR is confidential.

SAR Preparation

FinCEN, in consultation with other relevant federal regulatory authorities, has issued a guidance package¹² designed to assist financial institutions in the preparation of SARs and to improve the quality of information provided in SAR narratives.

SAR Narrative

The SAR Narrative remains a critical component of a SAR filing. However, with the flexibility of the suspicious activity section it was determined that fewer characters were necessary in the narrative section of the new SAR. Thus, the number of narrative characters has been limited to 17,000 characters (as compared to between approximately 39,000 and 49,000 characters in the legacy forms – depending on the SAR type). However, the narrative section allows filers to include an attachment that the financial institution believes would be useful to law enforcement.

12. http://www.fincen.gov/statutes_regs/guidance/html/FIN-2012-G002.html

Spreadsheet Attachments

The new SAR will accept a single, 1MB limited, comma separated value (CSV) attachment as part of the report. The CSV is a standard Microsoft file format that aids in reporting tabular data into a file format. This capability allows an institution to include data (such as specific financial transactions and funds transfers or other analytics), which is more readable and usable in this format than it would be if otherwise included in the narrative. Such an attachment will be considered a part of the narrative and is not considered to be a substitute for the narrative. As with other information that may be prepared in connection with the filing of a SAR, it can also be considered supporting documentation when not attached to the SAR and should be accorded confidentiality to the extent that it indicates the existence of a SAR.

Characterizations of Suspicious Activity

The new SAR is designed to accommodate the different types of industries that will file these reports. As such, the new SAR contains certain sections of suspicious activity characterizations which will generally be most relevant to a specific industry. When the filing institution's industry is selected in the discrete version of the report, other industries will be shaded out to signify a non-applicable status.¹³

In addition, the FinCEN's new SAR includes a number of additional data elements pertaining to the type of suspicious activity and the financial services involved. The decision to include these additional data elements in the FinCEN SAR arose from extensive discussions with law enforcement officials. It was determined that the inclusion of such elements would facilitate more effective use of the information collected in the reports. FinCEN acknowledges that the expansion of these characterizations may create the need for clarification on how to select among the choices provided to depict the activity, as well as how to describe this information in Part V, the narrative.

13. As an example, if the filer is a broker-dealer, then insurance and casino selections may be grayed out; if the filer is a depository institution, then casino and the broker-dealer selections are grayed out. The full implementation of this capability is still being developed. Filers may choose to enable and use these fields, as necessary, for example, in reporting activity that involves affiliated institutions across industry sectors. Institutions that batch file their reports may not have this feature, based on software design.

Critical Fields

Certain fields in the new SAR are marked as “critical” for technical filing purposes; for discrete filers, the BSA E-Filing System will not accept filings in which these fields are left blank.¹⁴ For these items, the filing institution must either provide the requested information or affirmatively check the “unknown” (Unk.) box if that box is provided for in a critical field. This unknown box will supersede FinCEN’s previous guidance requesting that filers input “NOT APPLICABLE,” “UNKNOWN,” “NONE,” or “XX” in certain fields. For those fields that are not marked as “critical” for technical filing purposes, the BSA E-Filing System will accept reports in which these fields have been left blank. FinCEN expects that financial institutions will provide the most complete filing information available within each report consistent with existing regulatory expectations regardless of whether or not the individual fields are deemed critical for technical filing purposes (i.e., filers must either select the “unknown” box or input the correct information on the report even if the field is not considered a critical field.)

Gender Field

FinCEN has been asked for guidance on the “Gender” Field (Item 4 of Part I: Subject Information). Based on feedback from law enforcement officials, information related to the gender of the subject could be an important characteristic for query purposes. However, FinCEN has not designated the “Gender” field as mandatory.

NAICS Code

FinCEN has also been asked for guidance on the use of the North American Industry Classification System (NAICS) code field (Item 7a). Law enforcement officials have indicated that the NAICS code is beneficial in SAR data. Note: financial institutions are not required to become familiar with NAICS codes, as the appropriate list of codes is contained in a drop down menu that automatically populates the field. In addition, use of a NAICS code is not mandatory, and a financial institution may still provide a text response with respect to this information.

14. Batch filers will be notified via the acknowledgement process that critical field errors were made and should be corrected.

Fields Related to Internet Presence

The FinCEN SAR includes certain new elements related to the internet presence of subjects and suspicious activity, specifically the “E-mail address” and “Website (URL) address” fields within Part I: Subject Information and “IP address (if available),” in Part II: Suspicious Activity Information. These are items which many filers have previously included in the narratives of the legacy SARs in the context of describing suspicious activity. For example, to show that suspected criminal activity was being conducted from a specific internet site location. By providing a discrete space into which such information may additionally be entered, the new reports will facilitate FinCEN’s and law enforcement’s ability to make connections between elements reported across separate filings and external data sources. In doing so, FinCEN does not intend to create any obligation or expectation that financial institutions would collect this information as a matter of course. The narrative section of the report may be used to provide more information as to how an internet presence relates to the suspicious activity or to provide any other relevant email or IP addresses that may pertain to non-subjects.¹⁵

Writing Effective SAR Narratives

By FinCEN’s Office of Outreach Resources

When preparing a Suspicious Activity Report (SAR), filers complete fields on the SAR that contain information about the subject(s) of the filing, such as their name and address, and the activity being reported, such as the characterization of the suspicious activity. They also report other information such as when the activity occurred, the dollar amount involved, and other information that help users of the data identify the filer, and identify, investigate or analyze the activity being reported. The narrative is a critical part of the SAR because it is the where the filer can summarize and provide a more detailed description of the activity being reported. For that reason, it is essential that the narrative be clear, complete and thorough.

In this article we include examples of SARs reporting more routine activity that a filer might identify – potentially unregistered MSB customers and counterfeit checks. We explain why a particular example is more or less effective as a SAR narrative.

15. http://www.fincen.gov/statutes_regs/guidance/pdf/FIN-2012-G002.pdf

The Importance of the SAR Narrative

As noted in the article *Suspicious Activity Report: [Back to the Basics](#)*, the size of the narrative field has been reduced in the FinCEN SAR. Other sections of the FinCEN SAR have been expanded to allow for filers to provide additional information in those parts of the report, such as additional check boxes to characterize the suspicious activity being reported. Even though, as noted, the narrative remains a critical part of the FinCEN SAR, filers should consider the reduced size of the narrative section, and the expanded fields in other parts of the form, and utilize the narrative in such a manner as to maximize the value of the information being provided in that section.

When writing a narrative, filers should aim to expand upon the information provided in the other parts of the FinCEN SAR and provide any additional information needed to address five essential elements of information – *who? what? when? where?* and *why?* – about the suspicious activity being reported:

Who is conducting the suspicious activity?

Part I of the SAR instructs the filer to provide specific information about the subject(s) of the filing. In the SAR narrative, the filer can further describe the suspect(s), such as occupational information, including position or title, and the nature of the suspect's business. The SAR narrative should also include any known relationships among subjects reported on the SAR or businesses identified in the narrative. While detailed subject information may not always be available (i.e., situations involving non-account holders), filers should include as much information as is known to them about the subject(s).

What instruments, methods or mechanisms are being used to facilitate the suspect transaction(s)?

An effective SAR narrative describes how the subject(s) conducted the illicit activity, including what instruments, methods or mechanisms were used. For example, whether shell companies were suspected as being either the sender or beneficiary of a wire transfer, or whether the subject(s) used the Internet or Remote Deposit Capture to initiate the activity.

When did the suspicious activity take place?

If the activity takes place over a period of time, indicate when the suspicious activity first occurred and the history of the suspected illicit activity. To better understand the history and nature of the activity, and the flow of funds, filers should provide information on each individual transaction (i.e., dates and amounts.) The ability to include attachments in the new FinCEN SAR can help filers in providing this data in a more user friendly format than allowed for in the legacy SAR.

Where did the suspicious activity take place?

Filers should indicate any offices or branches of their financial institution that the suspicious activity occurred at or through, and provide the addresses of those locations. Filers should also specify whether the activity involved a foreign jurisdiction, such as funds wired overseas, and the foreign jurisdiction and/or financial institution involved, as well as any account numbers associated with the subject of the suspect transaction(s).

Why does the filer think the activity is suspicious?

In answering this question, a filer should describe why the transaction is unusual for the customer or why the activity created a red flag for the filer or triggered an alert within their system. These answers will vary based on the filer's institution type (for example, a depository institution vs. an insurance company) and so a filer should also consider the types of products and services they offer, what they know about the type of accounts the customer has with the institution and the normally expected business activity of the customer (if they are a customer of the filer), and why this is not normal or expected activity.

Reporting Potentially Unregistered MSBs

More effective SAR narrative:

A review of activity in an account for Stop In, Inc. indicates a possible unregistered or unlicensed money services business. This review was conducted based on a report indicating unusual or potentially suspicious activity based on the customer profile. Stop In, Inc. has been a bank customer since 5/21/2011. Business checking account number 580214566 was reviewed for this case. The account was opened at the Lake Road branch on 5/21/2011. Samuel Jones is an authorized signer on this account. Transaction activity from 5/21/2011 to 8/13/2011 was reviewed and revealed 49 deposits totaling \$87,856.40. The deposits included 23 third party checks. Deposits also included nine personal checks for more than \$1,000. Two third party checks have been returned for \$1,785 and \$2,205. Cash made up 15% of all dollars deposited and almost 68% of all dollars withdrawn from the account during the period of this review. No wire transfers were detected. Account activity does not show the expected business expenditures for utilities and rent. Research via the internet and through commercial database sources revealed no additional pertinent information about the customer. Bank records revealed Stop In, Inc. doing business as a convenience store, Stop-In Food Mart, at Rt. 1 and Lake Road. Per bank records, Stop In, Inc.'s taxpayer identification number is 01-2345677. Bank records also revealed that neither Stop In, Inc. nor Stop-In Food Mart is registered with FinCEN as a money services business. They are licensed by the state of Virginia to cash checks. The business account was closed for failing to indicate it was operating as an MSB, a violation of bank account opening policy. Supporting documentation is available upon request. For assistance, contact the AML/Fraud Unit at 888-999-7777, or amlfraud@xbank.com. Please reference AML Case 2011-XXX.

Why this SAR narrative is more effective:

This SAR narrative explains why the filer believed the customer was an unregistered check casher by the type of activity occurring in the account (deposits of third party checks and checks over \$1,000, and large cash withdrawals). The filer describes when the activity occurred and the transaction amounts involved. The filer also provides details about the customer, including its legal name and the name under which it conducts business, the businesses address, type of business, the date the

account was opened, the account number and its licensing and registration status at the time of this filing. The filer also identifies at which branch the customer banked, who should be contacted at the bank for supporting documentation, and how to reference the case.

Less effective SAR narrative:

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, 2011 to August 1, 2011, 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, 2012, ABC Corporation does not appear on FinCEN's MSB registration list.

Why this SAR narrative is less effective:

This SAR reported the subject as a potential dealer in foreign exchange, and indicates that the subject is being used to repatriate funds to Venezuela, but it does not describe how this is occurring or what led the filer to suspect it was occurring. What in the filer's monitoring system drew their attention to the payments sent to the subject by XYZ LLC – were they not expected business transactions, or not from an expected source of funds? What did ABC Corporation do with the funds once they were received? What was it about these payments that led to the filer to suspect it was being used to repatriate funds to Venezuela? More detail will help users of the data better understand the nature of the suspected illicit activity and how it is occurring, and can help identify additional potential suspects or links to other illicit activity.

Reporting Counterfeit Check Activity

More effective SAR narrative:

On June 22, 2010, East Valley Bank, a subsidiary of Mountain Bank, referred this counterfeit check activity to the Mountain Bank Compliance Department involving an account held in the name of Daniel Alan Parker, account number 20808156. Account number 20808156 was opened on May 14, 2010 with an initial deposit of \$500. On June 5, 2010, Mr. Parker deposited a check in the amount of \$295,650.20, payable to Daniel Parker, Dallas, TX, from Texas Title, Inc. Escrow Account as maker, drawn on Central Bank ("Central"), routing and transit number 99990008, account number 6786812882. Mr. Parker requested and received \$8,500 in cash from the deposit. On June 14, 2010 a bank employee responsible for reviewing large transactions suggested that the teller request the return of the \$8,500 cash given to Mr. Parker until the check was paid by Central. Mr. Parker stated that he would be "more than happy" to return the funds but could not return to the bank until possibly June 17. In the meantime, the teller contacted Central Bank to verify the check and was told that the funds were available at that time. On June 22, Central Bank notified East Valley Bank that the check was fraudulent. The teller again contacted Mr. Parker and requested the return of funds provided to him from the deposit. Mr. Parker stated that he had become uncomfortable about the validity of the check after speaking to the teller and that he had contacted Central Bank. He believed his call to Central prompted them to notify East Valley of the fraudulent item. The teller again asked Mr. Parker to return the funds. Contrary to his earlier agreement, Mr. Parker informed the teller that he could not return the funds as he had already used the funds to pay medical bills. Mr. Parker assured the teller that he was expecting a wire transfer that would be in excess of the amount of the counterfeit check. As of July 29, 2010, no such wire transfer has been received and the account remains overdrawn. It appears as though Texas Title, Inc or an individual purporting to represent such company, counterfeited such check in an attempt to defraud Mr. Parker and/or East Valley Bank. It also appears as though Mr. Parker made false statements to bank employees regarding the existence of an anticipated wire transfer in an attempt to defraud the bank. East Valley anticipates a loss in the amount of \$7,300, the negative balance of Mr. Parker's account. SAR supporting documentation retained includes internal correspondence, copy of the counterfeit check and account statements.

Why this SAR narrative is more effective:

This narrative describes how the subject opened the account on May 14 with a small deposit followed very shortly by a large deposit that led to the subsequent suspicious activity. The filer explains the source of the funds and how they came to learn that the check was fraudulent. They also explain in detail their exchanges with the subject and the subject's actions that led them to believe that he might be a party to the suspicious activity.

Less effective SAR narrative:

The purpose of this SAR is to report a counterfeit check payable to Mark Evans for \$14,620 was deposited into the sole account of Mary Louise Evans, Charter State Bank account number 65697142, on 4/5/11. The check was drawn on the National Bank account of Dynamic Tech, Inc. The maker of the check is Elizabeth Thomas. Mark Evans endorsed the check over to Mary Louise Evans. A hold was placed on the funds. On 4/13/11 the check was returned unpaid as unable to locate. National Bank confirmed the check is counterfeit. Mark Evans stated he received the check via FedEx from Alex Jones as payment for a vehicle he had listed for sale on Craigslist. No loss was sustained due to the hold.

Why this SAR narrative is less effective:

This SAR listed only the account holder, Mary Louise Evans, as the subject; however, the narrative does not describe the account holder's role in the activity being reported – other than being the recipient of the endorsed check. As described in this narrative, Mark Evans, Elizabeth Thomas and/or Alex Jones would seem to be subjects in this reported activity and the bank should have considered listing them as subjects as well, with as much information as is known on those subjects. This narrative also does not explain the connection between the check being drawn on Dynamic Tech and the sale of a vehicle through an Internet site and why this is relevant.

Use of key terms

Using clear, concise terms assists users of FinCEN data in identifying the suspicious activity being described in the SAR narrative. Certain FinCEN Advisories have recommended the use of key terms to identify particular activities, such as use of the term "tax refund fraud" described in FinCEN Advisory-FIN-2012-A005,

Tax Refund Fraud and Related Identity Theft. The use of short, concise phrases, such as “unregistered MSB” or “unlicensed check casher,” is also helpful in more quickly identifying activity being reported. Additional information on key terms is available at http://www.fincen.gov/news_room/advisory/AdvisoryKeyTerms.html.

Use of attachments

Filers using the legacy SAR forms cannot include attachments when filing a SAR. The new FinCEN SAR will allow filers to include a single, comma separated value (CSV) attachment with their SAR filing. This attachment would be part of the narrative, but not a substitute for the narrative. The attachment functionality will allow filers to include data, such as a list of counterfeit checks, in a more readable and usable format. The file can also be considered supporting documentation when not attached to the SAR.

For additional information on the new SAR, see the articles “[SAR Activity Review: Back to the Basics](#)” and “[Analysis of Suspicious Activity Report \(SAR\) Inquiries Received by FinCEN’s Regulatory Helpline](#)” included in this issue. Additional information on the new SAR and the new CTR can also be found on FinCEN’s website at <http://www.fincen.gov/whatsnew/html/20120329.html>.