

Written in the SARs - Effective SAR Narratives

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Agenda

- Introduction-State of SARs
- Plot Setting-Case Study –
- Building Blocks – The SAR Narratives
- SAR Best Practices
- Coordination with Law Enforcement
- Key Takeaways

Current Consumption of SARs:

- 500 federal, state, local LE and regulatory agencies with access
- Over 11,000 active users
- 149 SAR Review Teams with at least one in each state, DC, and Puerto Rico.
- Over 10 million queries of the BSA database within the past five years
- 20% of FBI investigations utilize BSA data (60% for organized crime cases)
- 1,900 SARs filed each year designated as terrorist financing each year.
- 25 of 97 recent domestic terrorism cases reviewed by FinCEN had BSA reporting prior to the target's arrest.

Source: Prepared Remarks of FinCEN Director Kenneth A. Blanco, 11th Annual Las Vegas AML Conference (August 14, 2018)

Mechanics of a SAR Team:

- Each runs independently and covers defined geographic region
- Will have a lead federal agency responsible for SAR download
- Meet monthly or quarterly
- First level review of SARs typically occurs prior to meeting
- Team may have thresholds for transaction amounts
- Other “soft” criteria: criminal history, type of business, unique pattern
- Post-meeting: members will run queries in BSA database, conduct additional due diligence and request supporting documentation

Case Study: “Operation California Smokestack”

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SAR Narratives

- Intro Paragraph
- Background Paragraph
- Transaction
- Conclusion
- Supporting Documents

SAR Narratives - Intro

Introductory Paragraph – Start your narrative with a hook.

- Engage your reader with a strong introduction identifying
- Date(s) of suspicious activity
- Subjects
- Total amount of suspicious activity
- Relevant negative news (if applicable)
- Red flags present or other factors that are important to the case
- **Why** is the activity suspicious

SAR Narratives - Background

Background Paragraph - identify the subject who is conducting the activity and provide as much information known about them

- Identify the following in the background paragraph:
 - Full subject identifiers (Name, DOB, Alien #, SS#, Email)
 - Occupation and/or nature of business
 - Beneficial Ownership
 - Relationship between subjects
 - Bank account(s) and supplemental/secondary accounts holders
 - Date account(s) opened and/or closed
 - IP addresses or emails
 - Identify and establish relationship between subjects and how they were found (i.e. external research)

SAR Narratives - Transaction

Transaction Paragraph - describe the suspicious activity in a logical sequence

- Dates activity occurred and in what accounts
- Amount(s) of suspicious transactions
- Where the suspicious activity occurred
- How was the illicit activity conducted
- What methods or mechanisms were used to facilitate the activity (i.e. wires, RDC, etc.)
- Logical sequence for flow of funds
- Identify all illicit transactions
- Explain if non-illicit transactions were included
- Source of funds or purpose of withdrawals
- Use Key Words (i.e. funneling, structuring, tax evasion, terrorism)

SAR Narratives - Conclusion

Conclusion Paragraph – Provide a clear and concise summary of the suspicious activity and how it happened.

- Bring it all together in 2-3 sentences
- Justify Why you are coming to this conclusion
- Include additional information to help summarize the **Why**

Best Practices for Writing SAR Narratives

DO

- Include **Why** the activity suspicious in the introduction paragraph
- Incorporate key words
- Identify debits and credits separately
- Clearly state Who completes the transactions
- Focus on red flags and flow of funds
- Identify the customers as SUBJECTS
- Implement a standard format for your institution

DON'T

- Include unnecessary or extraneous information
- Include how the activity was found (ex: review of cash reports, alert monitoring, etc.)
- Address the history or profile of the bank (If you do – include it at the end)
- Provide incorrect characterization of suspicious activity
- Use Bank jargon or acronyms
- Address internal policies and procedures

Best Practices for Writing SAR Narratives

DO

- Provide some specifics in the Introduction
- State why you find the activity suspicious (may be obvious to you, but not reader)
- Be especially detailed on cases with LE interest
- Be proactive with LE before writing, when possible
- Include any particular or unusual details that may set your SAR apart from others

DON'T

- Over-summarize in Introduction
- Sacrifice your SAR quality for quantity
- Miss opportunity to learn pertinent information from LE concerning their investigation
- Only call LE contact after filing (exception follow up cases)

Coordination With Law Enforcement

In some instances, law enforcement may reach out after a SAR filing if the following activities are suspected:

- Terrorist financing or matters of national security
- Human/Sex trafficking
- Drug trafficking
- Large dollar amounts being moved in and out of an account
- Large dollar tax evasion

Law Enforcement may also:

- Request a briefing with the Bank regarding the activity observed
- Request the accounts remain open
- Send a subpoena regarding additional documents
- Send 314(a)
- Freeze accounts or assets
- Seize accounts or assets

Coordination with Law Enforcement

The Bank may wish to:

- Coordinate with the internal legal counsel, if applicable
- Coordinate with other institutions in the area to share best practices (with out sharing confidential information)
- Work with Law Enforcement by attending or hosting out reach events with the FBI, DHS, or other agencies
- Discuss with employees who have relationships with various government agencies

Questions

