From:	Nat Venkataraman
To:	Comments, Regulation
Subject:	Attention: BSA-SAR Database
Date:	Tuesday, December 14, 2010 10:21:27 PM

Hello,

As a provider of financial crime software to 150 of the world's largest financial institutions across Banking, Brokerage, Insurance, and MSB segments, Norkom Technologies has been asked by a number of our customers to help them evaluate the impacts of the proposed changes to the BSA-SAR database. In that spirit, we thought it would be worthwhile to also share our inputs with FinCEN directly, and to request the opportunity to engage further in the dialog as the requirements take shape. Our customers look to us, as well as to FinCEN, for guidance on the nature, timing, cost, and backwards compatibility impact of the proposed changes – so we believe this is in the interests of all concerned. Please find attached some preliminary inputs based on the information published to date. For follow up, please do not hesitate to contact me using the contact information below.

Regards
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Attention: BSA-SAR Database

Part 1. Introduction

1.1. About Norkom Technologies

Norkom Technologies is a market-leading provider of financial crime and compliance solutions to the global financial services industry. Norkom's innovative solutions allow financial institutions to take swift and intelligent action, control their defenses, and continually refine and update their strategies to defend against individuals and organizations engaged in financial fraud and money laundering.

Norkom's suite of financial crime and compliance solutions combine a unique technology platform, deep domain expertise and extensive client experience. Norkom helps financial institutions in over 100 countries to reduce monetary losses, protect their brands and reputations, improve regulatory compliance and operational efficiencies, and lower the costs of information technology.

1.2. Overview

FinCEN recently proposed an upgrade to their BSA E-Filing database. As part of this modernization program, FinCEN is also proposed changing the data required for disclosures. Major changes in the proposal include –

1. A single SAR disclosure in place of the four currently in use today (i.e. SAR-DI, SAR-SF, SAR-MSB and SAR-Casinos)

2. An update to the Adobe forms based E-File to dynamically restrict certain data elements based on what the user has selected while filling the form (with an option to show all elements)

3. A number of new fields covering information that was not collected in the past

4. A smaller narrative requirement, with the facility to include Excel attachments

5. An unspecified change in the underlying database structure, moving towards more modern data structures like XML

1.3. Feedback to FinCEN

FinCEN has a 60 day comment period, ending on December 14, 2010, where relevant organizations are invited to provide general feedback as well as inputs on the following:

1. Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility

2. Accuracy of the agency's estimate of the burden of the collection of information

3. Ways to enhance quality, utility and clarity of the information to be collected

4. Ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology

5. Estimates of capital or start-up costs and costs of operation, maintenance and purchase of services to provide information

Part 2. Comments

The impact of the proposed changes on the various filing options is described below. *Note that there is an assumption that there is an underlying case management system that is used for actual compilation of the case and disclosure*.

2.1. Impact on the case management system

1. Since batch E-Filing (and presumably other forms of filing including discrete E-Filing) usually involves an underlying case management system to manage the various cases and produce the batch E-File, the proposed changes will have a significant impact on the case management system. The changes will be in the following areas:

    a. Screens

    b. Validations

    c. Workflows

    d. Integration with third-party systems

    e. Data storage (schema)

    f. Batch E-File generation

    g. Support for attachments

    Impact = High

2. There are also backwards compatibility/migration issues to consider. The following aspects

have to be taken into account:

a. The existing SARs will not be compatible with the proposed SARs because of –

i. Differences in fields between the two

ii. Smaller size of the narrative in the proposed SAR

iii. Support for attachments in the proposed SAR

b. For SARs that have been filed but have not crossed the mandatory storage requirement, the financial institution will need to keep the original SAR screens operational in case they have to review older cases and for audit purposes

c. The existing SAR screens may also be needed for handling "continuing activity" cases, since a continuing activity SAR filed in the new format would likely cause confusion to financial Institution's users and FinCEN investigators due to differences in the two formats. Clear guidance would need to be provided by FinCEN on how to deal with such cases.

d. Reporting would become more of a challenge since the existing SAR requirements and the proposed requirements will involve different underlying schemas.

Impact = High

3. The SAR acknowledgements will also be severely impacted, since they are keyed off records that may no longer exist. So the acknowledgements screens, workflows, validations and parsing will all have to change.

Impact = High

Summary

This is the area of largest impact and effort estimates for financial institutions and software vendors to support the changes would be very high. Precise effort estimates are difficult to provide without further guidance in areas like migration, acknowledgements etc.

2.2. Impact on paper filing

1. It is not clear if the paper filing option will be available in the future. If the options are available, there are a number of challenges to consider, such as:

a. New paper forms will have to be designed for each disclosure type, while somehow providing an option to use all fields OR a single paper form will be provided that has all the fields in the discrete forms. Clearly, either approach will make things more difficult for both the financial institution *AND* FinCEN, when compared to the current approach.

b. The new proposal includes data elements that will be derived from third party data – something that would either not be possible in the paper form, or will require additional work on the part of the investigator to get the necessary information.

2. If the paper form is eliminated, the impact of this change will be:

a. *Financial Institutions (FIs) that currently don't use E-Filing* will need to change their processes and systems to support the new approach.

Impact = High for FIs that don't use E-Filing, low for others

b. FIs won't have a backup approach for storing and filing SARs

Impact = Low

c. Investigators who are used to reviewing SARs by printing out paper forms will no longer be able to do so

Impact = Low

Summary

The effect of this change will primarily be felt by institutions that don't do E-Filing. The effect on institutions that currently do E-Filing will be relatively small.

2.3. Impact on discrete E-Filing using Adobe forms

1. The proposed changes are best suited to this approach. The proposal dovetails smoothly with the current process for discrete E-Filing.

2. This approach needs to provide a satisfactory way of saving "pre-populated" fields. Otherwise, there will be a significant cost for users to enter the same pieces of information (such as Filing institution information, Reporting Institution information) that remain unchanged from one disclosure to the next. ***Given that the current approach uses a proprietary Adobe Lifecycle Designer format***, it will be difficult to provide a software based solution for pre-population.

   Impact = Medium to High

Summary

The primary cost to Financial Institutions that use discrete E-Filing will depend on the "pre-population" aspect, which can make this system much more difficult to use than in the past. There will be an impact on the underlying case management system, as described earlier.

2.4. Impact on batch E-Filing (manual and SDTM)

1. The impact of the proposed changes to the file format will depend on the actual file format selected by FinCEN. A standard format like text or XML would impose only a small burden on financial institutions and/or software providers. If a proprietary format is used, such as was done in the case of discrete E-Filing with Adobe forms, the cost for supporting such a format cannot be quantified without further details but will likely impose a significant burden on financial institutions and/or software providers, due to the cost of development, testing etc

   Impact = Medium to High

Summary

The primary cost will be in the area of supporting the proposed file format. There will be an impact on the underlying case management system, as described earlier.

Part 3. Responses to FinCEN's specific questions

1. Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility?

   - This is best answered by the agency and/or the various financial institutions.

2. Accuracy of the agency's estimate of the burden of the collection of information

   - The agency has estimated 1 hour for filling in the form and 1 hour for record keeping. The

accuracy of this estimate depends on the type of system used by the financial institution.

- If the FI has a case management system to manage the information, and the case is a simple one, the estimated amount of time is adequate.

- If the FI does not have a case management system, and the case is a simple one, the amount of time will likely exceed the above estimates.

- If the case is of moderate or high complexity, the time taken to collect the associated information can be a lot longer (in the order of days for highly complex cases). For example, a 10,000 word narrative would involve several hours of work, at the very least, to research the required information and input the information into the case management system.

- Once the information has been collected, the actual act of filling in the form and for record-keeping is quite small if a case management system is used.

- Overall, we estimate the average amount of time to fill in the form and for recordkeeping to be substantially more than 2 hours for a majority of the SARs filed with FinCEN..

3. Ways to enhance quality, utility and clarity of the information to be collected

- Enhancing quality and utility of the information collected is best answered by the agency and/or the various financial institutions.

- In the area of clarity, the agency would benefit the most around getting a properly formatted narrative that is easy to read. Two options are being considered by FinCEN – Text and Attachments

- A comprehensible text narrative would need to support formatting like carriage returns, bold, italics, paragraphs etc. The current batch E-File does not support any of these. An XML or a more advanced text based format would be more useful, but the agency needs to avoid implementing a proprietary approach which would end up being very expensive and difficult for financial institutions and their software vendors to support and maintain. Simplicity is recommended here, i.e. the use of text, html or xml.

- Attachments would help provide properly formatted information. Again, communicating narratives through commonly used word processing tools like Microsoft Word would make it easier for financial institutions as compared to formats like Microsoft Excel, which limit the type and nature of data that can be provided. Furthermore, multiple attachment formats need to be allowed, such as Microsoft Word, OpenOffice Writer (open source), HTML and Text.

4. Ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology

- The most effective way to minimize the burden of the collection of information on respondents is the use of a case management system by the respondent.

- Automated collection techniques are useful and save time, but can be a significant cost burden to a financial system depending on the nature of the information source. As before, if the information source supports open standards like web services, has high availability and is cheap or free to access, this will have the least impact on the financial institution and the case management system.

5. Estimates of capital or start-up costs and costs of operation, maintenance and purchase of services to provide information

- This information is best provided by the various financial institutions, which need to factor

in the cost of the number of investigators, infrastructure, software tools, migration etc.

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