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Financial Crimes Enforcement Network

FinCENnews

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FINCEN ANNOUNCES SIMPLIFIED RULES FOR REPORTING SUSPICIOUS ACTIVITY

The U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) today issued proposed rules to simplify the process requiring banks to report suspicious transactions. The rules are issued under the authority of the Bank Secrecy Act (BSA), the core of Treasury's anti-money laundering efforts. The financial regulatory agencies have also issued notices under their authorities in order to establish a coordinated reporting system.

The proposed regulation is the centerpiece of Treasury's effort to change the focus of BSA anti-money laundering measures from the mechanical reporting of millions of large currency transactions to the judicious reporting of relatively fewer, but more significant, suspicious transactions. The proposed regulation will create a single centralized system for the reporting of suspicious transactions and information on known or suspected criminal violations involving financial institutions.

"The new process is an outgrowth of a working group composed of financial regulators, law enforcement and FinCEN personnel," said Stanley E. Morris, FinCEN's Director. "The end result is a single, automated process and database which will not only reduce the regulatory burden on the banking community, but also greatly increase the usefulness of information provided to the government and industry."

Since the early 1980s, banks have been required to file reports to alert regulators and law enforcement personnel of possible criminal activity affecting or conducted through those institutions. The banks reported these activities by filing multiple copies of Criminal Referral Forms (CRFs) with their respective federal regulators and law enforcement agencies. Banks were also encouraged to report suspicious transactions by marking a "suspicious" box on another form, the Currency Transaction Report (CTR). This reporting amounted to more than 150,000 forms filed by over 10,000 U.S. banks each year. Multiple filings imposed a considerable administrative burden on banks -- and on law enforcement agencies, which struggled to correlate the multiple filings and avoid overlap and confusion in their investigations.

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Under the proposed regulation, banks will be required to send only one form, the Suspicious Activity Report (SAR), to a single government agency--FinCEN. Also, the SAR may be filed in paper or magnetic format. The information will be input into the database by the Internal Revenue Service's Detroit Computing Center on behalf of FinCEN and the regulatory agencies. FinCEN will coordinate the information and make it available to law enforcement and regulatory agencies.

The new suspicious transaction regulations relate to a number of other FinCEN regulatory initiatives, including the development of "Know Your Customer" requirements, implementation of the revised, shortened CTR and giving banks greater discretion in determining which businesses they can exempt from filing CTRs.

"The new reporting procedures are the direct result of the government and the industry working together in partnership to make an incredibly complex process sensible and simple," Morris said. "By placing our emphasis on working smarter, the financial, regulatory and law enforcement communities will all benefit."

The final rules will be published with the Federal Register on Thursday, September 7. The notice includes an opportunity for a 30-day comment period in order for the financial community to express further its views on the proposed rules.

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(Editors and reporters: please see two diagrams attached which describe the current and proposed systems.)