

The SAR Activity Review – By the Numbers

Issue 18

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² Includes suspicious activity reported by a certain segment of the insurance industry (those insurance companies offering covered products), since May 2, 2006.

Introduction

Welcome to the eighteenth issue of *The SAR Activity Review – By the Numbers* (BTN). BTN is published once a year and incorporates numerical data covering a decade of Suspicious Activity Report (SAR) filings through the most recent twelve-month period, for each of the filing industries for which a form has been developed.³ *By the Numbers* serves as a companion piece to *The SAR Activity Review – Trends, Tips & Issues*, which provides information about the preparation, use, and utility of SARs.

This issue represents the last full calendar year of data as obtained from the formerly-mandatory four SAR types (known as “legacy” reports): TD F 90-22.47 (Depository Institutions), FinCEN Form 109 (Money Services Business), FinCEN Form 102 (Casinos & Card Clubs), and FinCEN Form 101 (Securities & Futures Industries). In addition to numbers up through December 31, 2012, readers may also review various visual representations of data pertinent to States & Territories (as available) encompassing pie charts, bar diagrams, and line graphs.

As introduced in the last edition of BTN, this edition will include detailed data tables with geographic summaries at the county level to enhance State graphical displays (traditionally referred to as “heat maps”). Similarly, FinCEN is providing Metropolitan Statistical Area (MSA) summary tables of SAR data as well as spreadsheets illustrating filing rates and percentage changes for CY2011 & CY2012 Characterizations of Suspicious Activities by State & Territories. Such information (as applicable) may be accessed through highlighted hyperlinks within Exhibit 2 in each section provided.

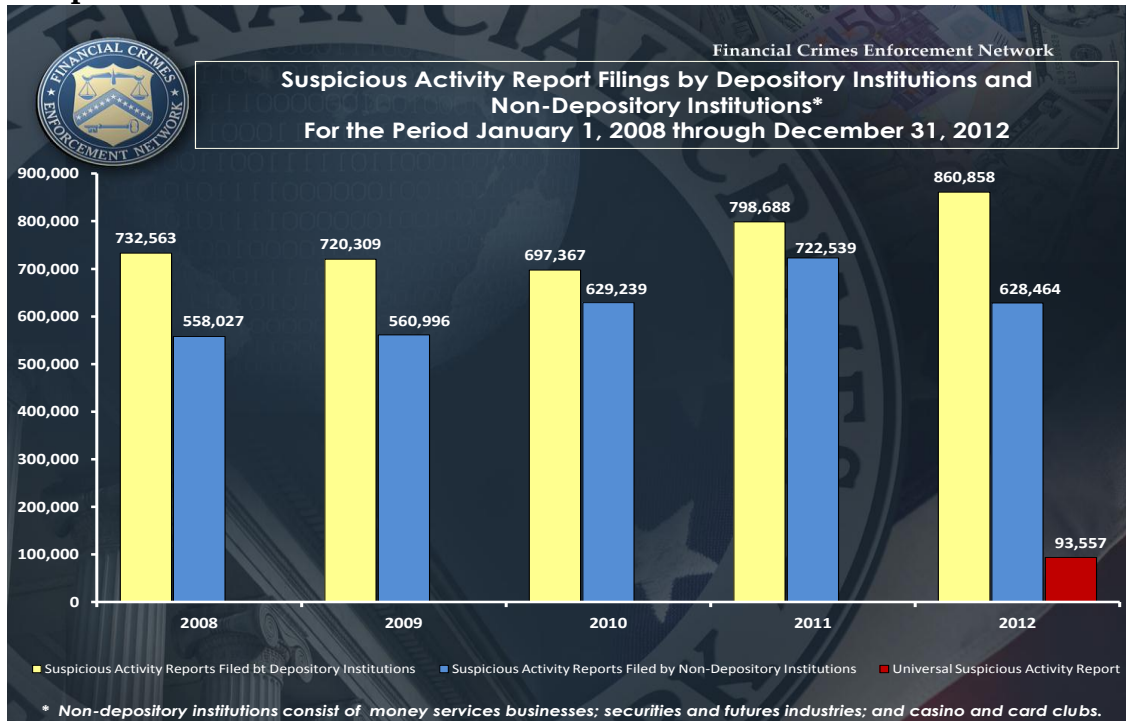
ATTENTION: As viewers may have different operating systems, in order to access and view graphical data in its entirety, you must open the PowerPoint in SLIDE SHOW mode.

A review of the numerical data generated for Issue 18 shows that the total volume of all SARs within the Bank Secrecy Act (BSA) database experienced an increase of 4% in 2012 as compared to the previous year. Legacy SARs experienced a decrease of 2% in 2012, while submissions of the new Universal SAR (FinCEN Form 111) introduced in March 2012 represented 6% of total SAR filings in 2012. The decrease in legacy SAR filings is to be expected as a result of some filers submitting the Universal rather than legacy form(s).⁴ In 2012, the number of legacy depository institution SARs grew approximately 8%, while legacy non-depository institution SARs saw a marked decrease of 13% for the corresponding twelve month period. Graph 1 depicts the comparisons of depository institution SARs and non-depository institution SARs over the last five years, as well as the new Universal SAR filings in 2012.

³ For the entire CY2012 period, insurance company filings may still be included in the analysis of SAR-SFs. As a result, filing data for certain segments of the insurance industry are included in Section 4.

⁴ FinCEN made available the new Universal SAR in March 2012, and mandated the use of the new SAR as of April 2013. As one-to-one correlations cannot be made between the legacy forms and the Universal SAR for most exhibits, this edition of BTN contains detailed analysis of the legacy reports. FinCEN plans to provide more detailed analysis of Universal SAR filings in a forthcoming future edition of BTN.

Graph 1



In 2012, non-depository institutions filed approximately 42% of all SARs, down 5% from the previous year.

The following information incorporates both detailed numbers relative to reporting rates for specific SAR fixed fields as well as general observations of data for each type of form.

Form	Number of Suspicious Activity Report Filings by Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Depository Institution	288,343	381,671	522,655	567,080	649,176	732,563	720,309	697,367	798,688	860,858
Money Services Business	209,512	296,284	383,567	496,400	578,439	531,761	530,518	596,494	685,009	585,874
Casinos and Card Clubs	5,095	5,754	6,072	7,285	9,943	11,162	12,093	13,987	17,627	21,282
Securities & Futures Industries	4,267	5,705	6,936	8,129	12,881	15,104	18,385	18,758	19,903	21,308
Universal SAR	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	93,557
Subtotal	507,217	689,414	919,230	1,078,894	1,250,439	1,290,590	1,281,305	1,326,606	1,521,227	1,582,879
Total	11,447,801									

Suspicious Activity Report by Depository Institution / TD F 90-22.47 (from January 1, 2003 through December 31, 2012)

- This calendar year the number of depository institution SARs identifying Mortgage Loan actually decreased by 29%. Until 2012, Mortgage Loan Fraud was the only summary characterization that had experienced an increase every year since 1996, with the past three years accounting for nearly 46% of all noted instances of this specific activity for the last decade.⁵
- Twelve of the twenty-one reportable suspicious activity categories saw growth in CY2012. Increases ranged from a high of 163% to less than one percent. Of these, the following characterizations saw the largest fluctuation: Identity Theft (+163%),⁶ Other (+63%),⁷ Computer Intrusion (+63%), Wire Transfer Fraud (+34%), and Counterfeit Credit/Debit Card (+27%).
- In addition to Mortgage Loan Fraud, Counterfeit Instrument (Other) experienced a noticeable decrease in CY2012 (down 21%), as did Bribery/Gratuity, falling 34%, from 301 instances in 2011 to 198 for the same period the year prior.
- Though having seen increases every year since 2003, the number of 2012 SARs indicating National Credit Union Administration (NCUA) as the Primary Federal Regulator showed a slight decline of 3% from the previous twelve months.
- Fraud-related activities (Check Fraud, Commercial Loan Fraud, Consumer Loan Fraud, Credit Card Fraud, Debit Card Fraud, Mortgage Loan Fraud, and Wire Transfer Fraud) accounted for 23% of all suspicious activities reported by depository institutions in 2012. This represents a modest decrease in the number of instances reported (in whole or part) for fraud-related activities, as a group, for the same period in 2011. However, only two of the seven fraud types saw a decline in reported activity for 2012, and each of these experiencing double-digit decreases: Mortgage Loan Fraud (-29%) and Commercial Loan Fraud (-19%).

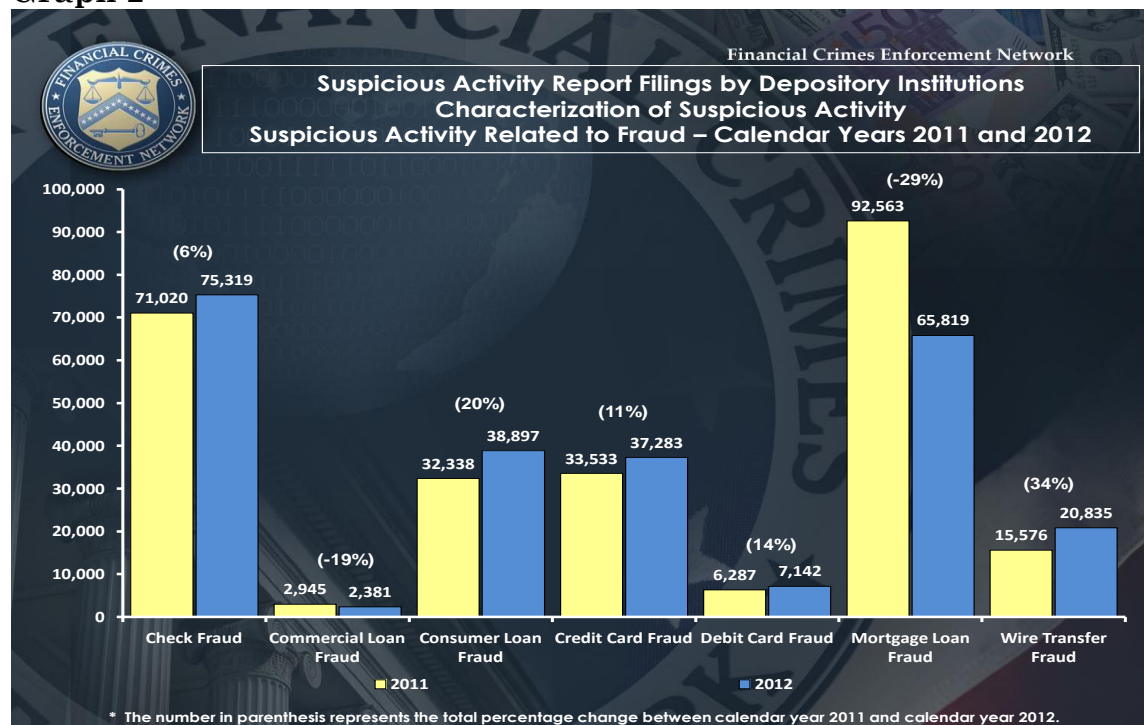
Graph 2 illustrates comparisons of each fraud-related activity reported in depository institution Suspicious Activity Reports filed in calendar years 2011 and 2012.

⁵ For additional information gleaned from analysis of SARs involving suspected mortgage loan fraud (MLF), see FinCEN's 8 analytic MLF SAR assessments found at http://www.fincen.gov/news_room/rp/mortgagefraud.html.

⁶ The increase in this characterization is predominately attributable to back filings.

⁷ The increase in this characterization is predominately attributable to back filings.

Graph 2



Other trends observed in depository institution SARs:

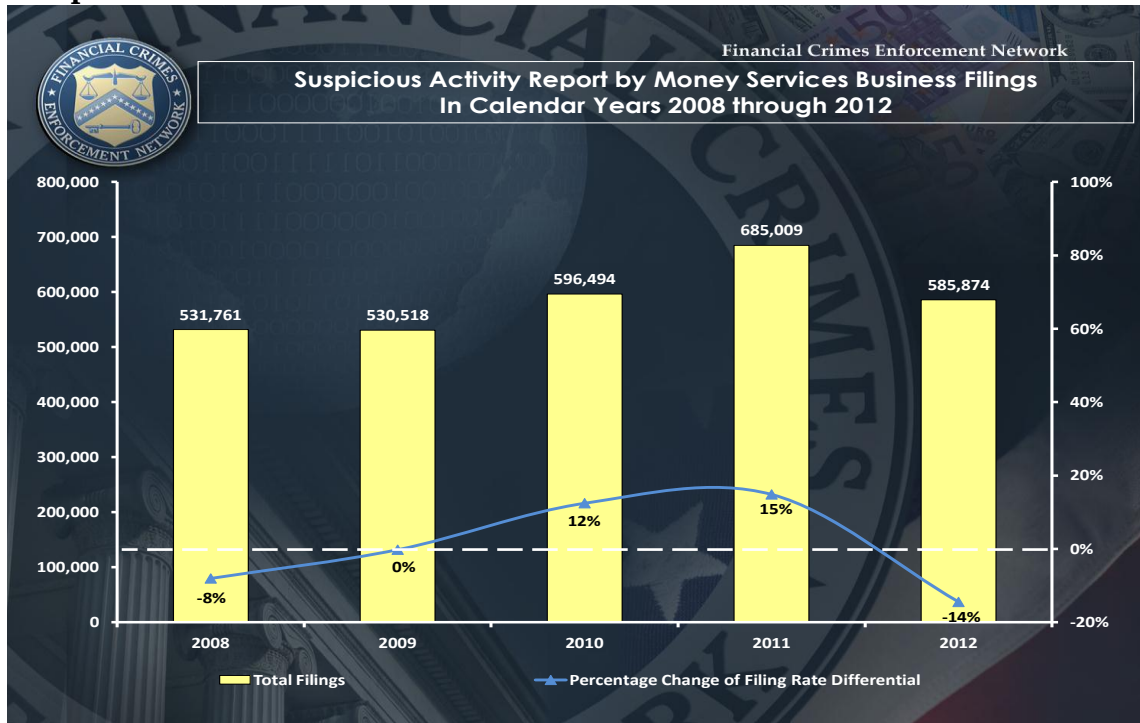
- The volume of SAR filings in 2012 increased 8% compared to the number of reports filed during the previous calendar year.
- Suspicious Activity Reports listing Mysterious Disappearance declined 12%, a noticeable contrast to the prior year of filing which saw an increase of 36% for the same summary characterization.
- Eight of the twelve defined Relationship to Financial Institution types saw decreases in CY2012, the most notable of which were: Appraiser (-44%), Director (-27%), Broker (-27%), and Shareholder (-22%).

Suspicious Activity Report by Money Services Business / FinCEN Form 109⁸ (from January 1, 2003 through December 31, 2012)

- Despite suspicious activity filings by the MSB industry hitting an all time high in CY2011, reporting saw a significant drop in 2012, down 14% from the prior year. Graph 3 illustrates MSB filing rates since 2008.

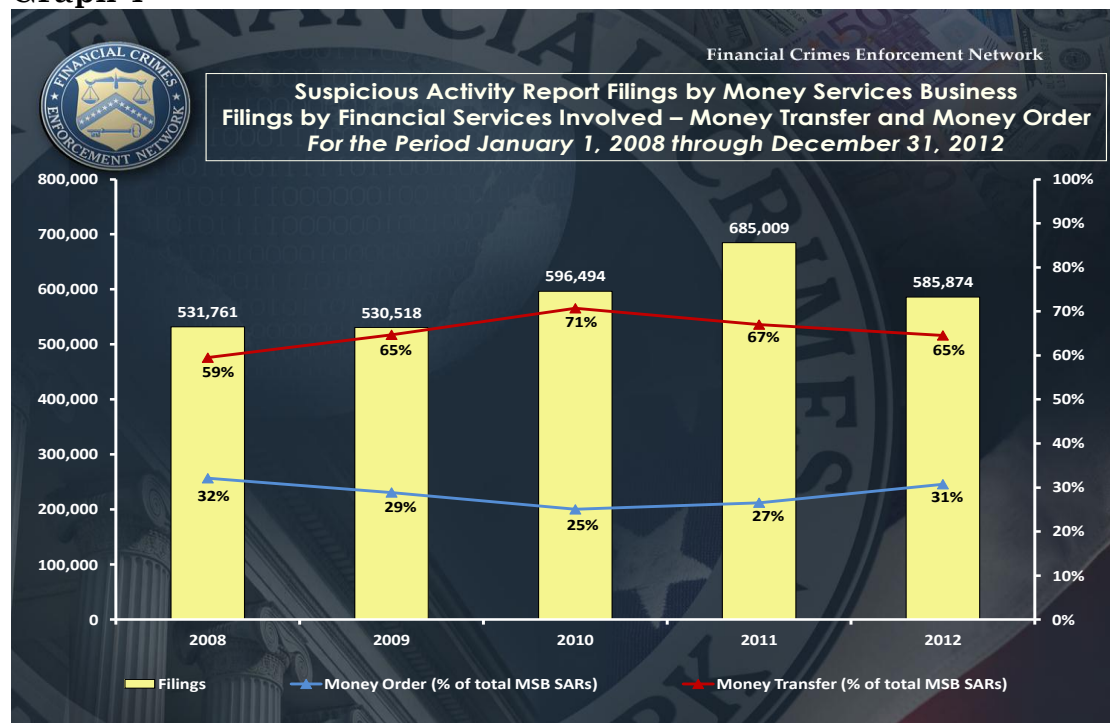
⁸ FinCEN Form 109 (formerly TD F 90-22.56), which replaced the original SAR-MSB form, became effective on March 31, 2007. Form 109 eliminated Field 2, Type of Filer. Therefore, SAR-MSB filings by Type of Filer have been removed as an exhibit in Section 2 of *By the Numbers*.

Graph 3



- Though seeing declines in 2012, MSB filers continued to report money transfers and money orders, with both methods accounting for 93% of types of financial services related to suspicious activity since 2003. Graph 4 illustrates the filing rates for both categories in relation to the overall number of MSB SARs for the last five years.

Graph 4



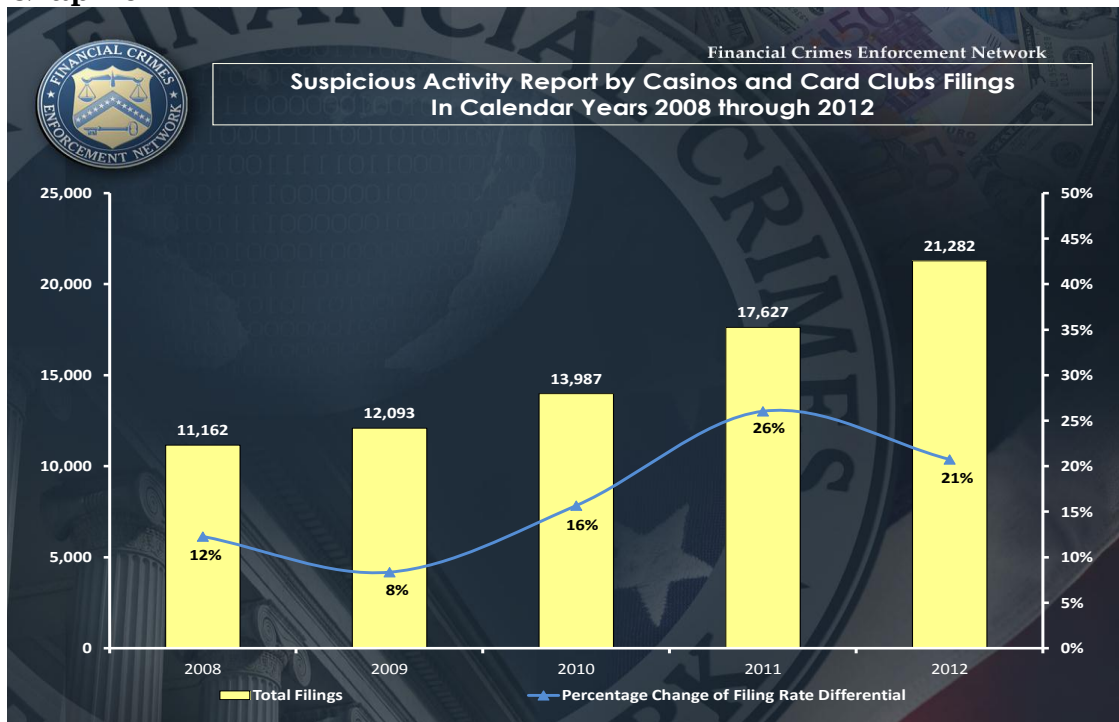
- In 2012, Currency Exchange experienced the most notable rise among the Financial Services Involved, jumping 175% from the reported number of instances the year before.
- All of the types of suspicious activity reported a decline during the 2012 calendar year, with all but two reporting double-digit decreases. Those that sustained the greatest drop offs during this filing period included: “Offers a bribe in the form of a tip/gratuity,” down 59% (going from 299 reported instances in 2011 to 122 the year following); “Exchanges small bills for large bills or vice versa,” down 52% (listed 156 times in 2012 and 324 the year previous); and “Two or more individuals using similar/same identification,” diminishing 34% for the same period twelve months prior.
- Marked decreases were also seen for “Alters transaction to avoid completing funds transfer record or money order or travelers check record (\$3,000 or more)” and “Alters transaction to avoid filing CTR form (more than \$10,000),” falling 27% and 25%, respectively.

Suspicious Activity Report by Casinos and Card Clubs / FinCEN Form 102 and, previously, TD F 90-22.49 (from January 1, 2003 through December 31, 2012)

- CY2012 represents the first time since 2002 in which SARs reporting Tribal Licensed Casino as the Type of Gaming Institution experienced a decrease, dropping 16% as compared to the number of reports filed during the previous calendar year.
- For the seventh consecutive year, listings of State Licensed Casino as the Type of Gaming Institution continue to rise, increasing 5% from the prior year.

- Similarly, the number of filings listing Card Clubs as the Type of Gaming Institution saw sustained growth, rising a notable 22% from 858 in 2011 to 1,050 in 2012.
- Since January 2003, casinos and card clubs have filed 110,300 SARs – the last two years of which accounted for 35% of these reports. This year saw an increase of 21% over those filed in 2011. Graph 5 depicts Suspicious Activity Report filings since 2008.

Graph 5

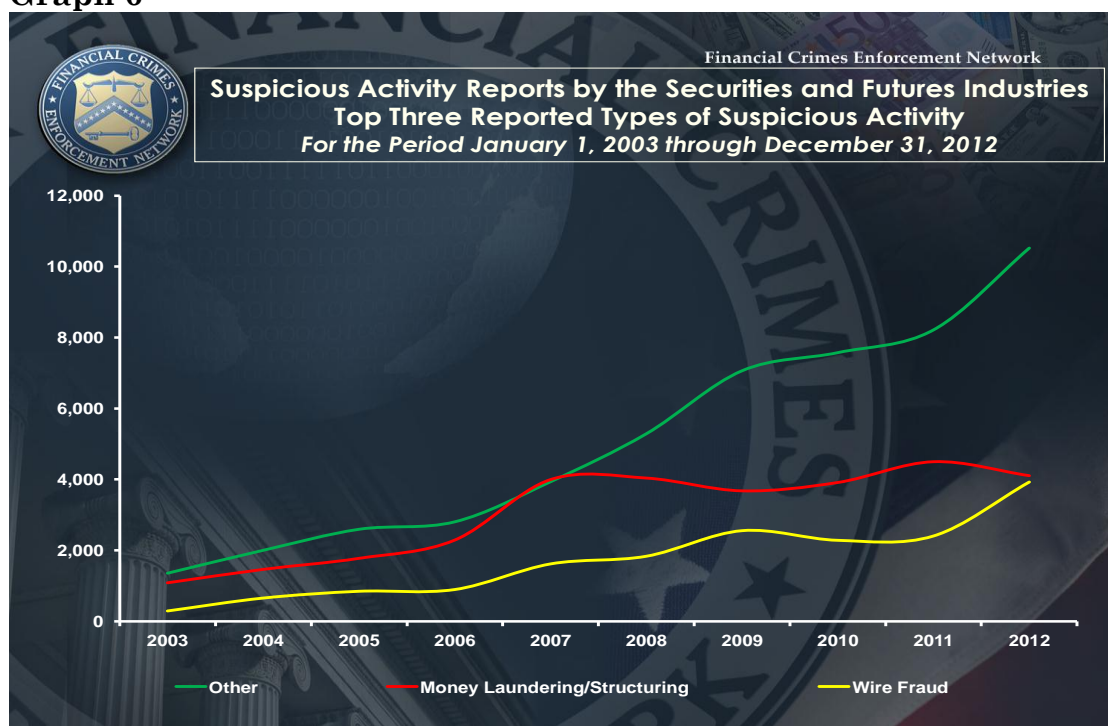


- Eleven of the seventeen defined types of suspicious activity saw increases in 2012, with the following showing the most prominent upward trend: Unusual Use of Negotiable Instruments (Checks) (+76%), Other (+32%), and No Apparent Business or Lawful Purpose (+22%).
- Equally, but within a lesser sphere of reports concerned, Unusual Use of Wire Transfers (+173%) and Embezzlement/Theft (+44%) also saw sizeable increases, going from 309 listed instances in 2011 to 844 in 2012, for the former activity, and from 71 in 2011 to 102 in 2012, for the latter.
- Numerically, Structuring continues to be the most cited activity by casinos and card clubs – accounting for more than 34% of reported activities overall.
- Of the relationship types listed, Customer has been increasing every year since 2003, up approximately 16% from the previous twelve months and accounting for 92% of Affiliation(s) or Relationship(s) to Casino/Card Club for CY2012.

Suspicious Activity Report by the Securities and Futures Industries / FinCEN Form 101 (from the mandated reporting date in January 1, 2003 through December 31, 2012)⁹

- The top three types of suspicious activity reported in securities and futures industries SARs since 2003 are shown in Graph 6. Reports characterizing *Other* have grown every year since 2003, with noteworthy increases in 2004 and 2007. In 2012, this activity saw a rise of 28% when compared to the previous twelve-months. For the same period, Wire Fraud increased by 63%, while SARs indicating Money Laundering/Structuring fell 9%.

Graph 6

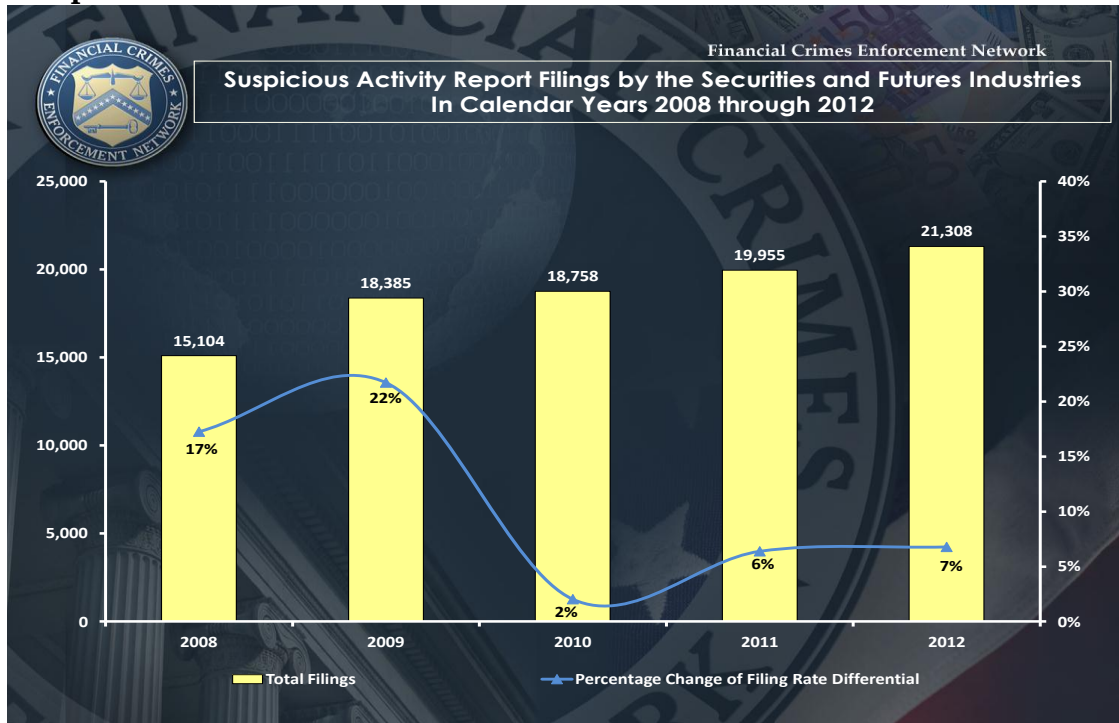


- Of the listed 20 Types of Suspicious Activity, more than half saw an increase. Of these, Computer Intrusion experienced the biggest rise (up 94%) in 2012 as compared to the year prior, going from 317 reported instances in 2011 to 614 in 2012.
- Equally, the activities of Identity Theft (+57%) and Embezzlement/Theft (+40%) also experienced double-digit growth in CY2012 when compared to the preceding filing period.
- Of those activity types showing a decrease, Securities Fraud and Market Manipulation sustained the greatest drop in the number of reported instances, falling 823 and 470, respectively.

⁹ Includes suspicious activity reported by a certain segment of the insurance industry (those insurance companies offering covered products), since May 2, 2006.

- The number of suspicious activity reports has increased every year since reporting began in 2003, with double-digit growth occurring every year up through 2009. Conversely, filing rate differentials have become noticeably stagnant over the past three years. Graph 7 illustrates FinCEN Form 101 filing rates since 2008.

Graph 7



- Only three of the 17 categories of Instrument Type showed an increase in 2012: Stocks (up 24%), Cash or Equivalent (up 9%), and Other Non-Securities (going from 111 reported instances in 2011 to 116 this year).
- Instrument Types that experienced a notable decrease in CY2012 included Foreign Currency Futures (falling 98%), down from 363 reported instances in 2011 to 7 in 2012, Foreign Currencies (down 75%), Warrants (down 58%), and Commodity Futures Contract (down 57%).
- Numerically, Cash or Equivalent (in whole or part) continues to be the most cited instrument type by the securities and futures industry – accounting for more than 42% of all reported instrument types in 2012.
- Several types of reporting institutions saw either an increase or decrease in the number of instances reported in 2012. Among the most notable rises and falls were: National Futures Association, experiencing a rise of over 700% (with 700 noted instances in 2012 and up from 87 the year before), and Futures Commission Merchant, which saw an increase of 94% with 982 instances in 2012 (up from 505 the previous twelve months). Conversely, Agriculture Trade Option Merchant (down over 95%), went from 112 references in 2011 to just 5 a year later.

As always, we welcome your suggestions and comments. Questions regarding present, past, or future issues of *By the Numbers* may be directed to FinCEN's Regulatory Policy and Programs Division, Office of Regulatory Analysis at (703) 905-3968 or by contacting webmaster@fincen.gov.