

# **Writing Effective SAR Narratives**

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Financial institutions are required to monitor activity and file suspicious activity reports (SARs) with the Financial Crimes Enforcement Network (FinCEN) when suspicious activity is detected. SARs are an important tool used to assist U.S. government agencies in detecting and preventing money laundering, terrorist financing, and other criminal activity. To be an effective tool for law enforcement, SAR narratives should be clear and concise while still providing sufficient detail to allow law enforcement to understand the suspects involved and the nature of the activity.

During my tenure as an analyst reviewing SARs for the local SAR Task Force, I read hundreds of SARs submitted by financial institution. In my experience, writing an effective SAR can be achieved with a focus on the guidance from FinCEN, and most importantly by keeping in mind the audience the SAR has been written to address. They know nothing about your institution or your customer; so you should educate them with a well-written narrative.

FinCEN provided guidance stating SARs should address the five W's (who? what? when? where? why?) – and the “how?” of the suspicious activity. The narrative should tell the story reflected in Parts I – IV (Steps 1 – 4) of the SAR.

([https://www.fincen.gov/sites/default/files/shared/sarnarrcompletguidfinal\\_112003.pdf](https://www.fincen.gov/sites/default/files/shared/sarnarrcompletguidfinal_112003.pdf) ) The who? what? when? where? why? and how? of the suspicious activity should be documented in narrative format. An effective narrative will include an introductory paragraph that provides information on the financial institution filing the SARs, the subject(s) of the SAR, the account(s), the date range of the suspicious activity, the nature of the suspicious activity, and the total of the suspicious activity. It is also helpful to include the current balance in the accounts involved. The body of the narrative should describe the details of the activity, including transaction details, the role specific subjects played if more than one subject was identified and this was not addressed in the first paragraph. The final conclusion paragraph should indicate any follow-up planned by the institution such as plans to close the account(s), and any other information about the investigation that may be pertinent.

**Who conducted the suspicious activity?** The narrative should specify who conducted the suspicious transactions (if this information is known), which is also reflected in Part I (Subject Information) on the SAR. There should not be a Part I completed for an individual or entity who is the victim of fraud or scam, however, victims should be identified as such in the narrative. The narrative should provide known details about the subjects of the SAR such as their occupation or their relationship to an entity on whose behalf transactions were conducted. If there were multiple suspects identified, describe the nature of their relationship. If the transactions were conducted on behalf of an entity, information about the entity such as the business type should be included as well.

**What types of transactions were involved in the suspicious activity and what instruments were used?** What is the nature of the suspicious activity – does the Bank suspect the customer is structuring, engaging in terrorist financing, money laundering, has committed fraud or elder abuse, or something else? The SAR narrative should provide detail that reflects the information checked in Part II (Suspicious Activity Information) of the SAR. For example, did the customer conduct cash deposits or withdrawals, send or receive wire transfers, purchase monetary instruments, use a credit or debit card, etc? Were transactions conducted at one branch, different branches, via ATM, online?

**When did the suspicious transactions occur?** The date or range of dates, from the date of the first suspicious transaction through the last, should be noted in the narrative and in Part II Item 27 of the SAR. The aggregate amount of the suspicious activity is important and should be documented within the narrative and in Part II Item 26. It is also helpful to include information such as specific dates, transaction amounts, and transaction details in the narrative. This information should not be included within the narrative in a table format however. Banks may now attach documents such as spreadsheets, to SAR filings in cases where the transaction list is extensive. In the event that a document is attached, the narrative can refer to the attachment.

**Where did the activity take place?** This may include information about different branches, other financial institutions, or foreign jurisdictions involved in the transactions. For example, suspicious activity may involve the purchase of cashier's checks in cash at different branches of your bank, payable to the same individual which are then presented at another financial institution. Another example would be the deposit of cash or checks that don't appear to support a legitimate business or economic purpose, followed by wires to an individual or entity in a foreign country that is inconsistent with expectations for the customer.

**Why does the Bank think the activity is suspicious?** Provide information on why the Bank is filing the SAR and why you believe the activity is suspicious. For example, "The Bank is filing this SAR for structuring as the customer has conducted several large cash transactions in amounts just below the reporting threshold on consecutive or near consecutive days." Other examples of why activity may appear suspicious include, but are not limited to, the following:

- Transactions that do not appear to support a legitimate business or economic purpose
- Transactions that are inconsistent with expectations for the entity type and/or size
- Unregistered money services business (MSB) activity
- MRB activity (there are separate guidelines that address key words to be used when reporting this type of activity)
- Transactions designed to avoid actual or perceived reporting or recordkeeping requirements
- Rapid movement of funds such as cash in followed by wires out or incoming wires followed by cash withdrawals

**How did the suspicious activity occur?** Clearly and concisely describe how the suspicious activity occurred. It is particularly useful to describe the source and use of funds. If a customer structured cash withdrawals, what was the source of funds used to support those transactions? It is helpful to describe the overall activity in the account, clearly differentiating between overall activity and the suspicious activity that has been identified. If the account is for a commercial customer, does it appear that it is a legitimate business being used as a front for illegitimate activity, or is there no apparent legitimate business activity?

**An example of an effective SAR narrative follows:** ABC Bank is filing this SAR on the activity in the joint personal checking account of customers John Smith, an accountant and customer since 1/5/15, and Jane Smith, a marketing consultant and customer since 1/5/15. Checking account 1234567 was opened on 5/3/17 and currently has a balance of \$17,965.15. The Bank is filing the SAR for a total of \$50,000 in suspicious activity conducted during the period from 3/1/19 to 4/7/19. The suspicious activity consists of large check deposits from individuals, two of which appear to be related, that were followed by outgoing wires to the Cayman Islands. This activity is inconsistent with the customer's past activity and with expectations for a personal account, and does not appear to support a legitimate economic purpose. This activity may be indicative of money laundering. The transactions in question were conducted by John Smith.

Overall activity in the account includes routine and expected transactions for a personal account. This includes ACH credits for payroll, ACH credits for state and federal tax refunds, and the deposit of a small check payable to Jane from an individual that references "happy birthday." Debits included check and ACH transactions for expenses such as a mortgage, car, insurance and utility payments. There were several debit card transactions for purchases at retail stores including a grocery store, clothing store, pharmacy, and gas stations. Checks were written in small amounts to individuals that reference "lawn", "housekeeping" and "dog walking." The suspicious activity consists of the transactions noted below:

- 3/1/19 - deposit of \$11,000 check drawn on the account of Jim Doe at Big City Bank (account 23456)
- 3/17/19 - deposit of \$6,000 check drawn on the account of Jill Jones at Midtown Credit Union (account 3456789)
- 3/18/19 - outgoing wire for \$11,000 to the account of ABC Inc. at Cayman Bank in Grand Cayman, Cayman Islands (account 98765)

- 3/21/19 - deposit of \$8,000 check drawn on the account of Joe Jones at Midtown Credit Union (account 45678)
- 4/7/19 - outgoing wire for \$14,000 to the account of ABC Inc. at Cayman Bank in Grand Cayman, Cayman Islands (account 98765)

The nature of the relationship between the customers, the individuals who wrote the checks, and the entity in the Cayman Islands is not known. The account will continue to be monitored for suspicious activity. Please refer to case 40219A for any requests.

***Summary***

The narrative should provide the reader with a clear understanding of what transpired. It should tell the story of the suspicious activity in a manner that allows a reader who has no prior knowledge of the activity and who only has access to the SAR itself to be able to understand what suspicious activity the Bank is reporting, why the Bank believes the activity is suspicious, who is involved in the activity, when and where the activity occurred, and how the suspect(s) conducted the transactions.