



Highlights of [GAO-10-609T](#), a testimony before the Subcommittee on Oversight and Investigations, Committee on Financial Services, House of Representatives

Why GAO Did This Study

To assist law enforcement agencies in their efforts to combat money laundering, terrorist financing, and other financial crimes, the Bank Secrecy Act (BSA) requires financial institutions to file suspicious activity reports (SAR) to inform the federal government of transactions related to possible violations of law or regulation. Depository institutions have been concerned about the resources required to file SARs and the extent to which SARs are used.

The Subcommittee asked GAO to discuss our February 2009 report on suspicious activity reporting. Specifically, this testimony discusses (1) factors affecting the number of SARs filed, (2) actions agencies have taken to improve the usefulness of SARs, (3) federal agencies' use of SARs, and (4) the effectiveness of the process used to revise SAR forms.

To respond to the request, GAO relied primarily on the February 2009 report titled *Bank Secrecy Act: Suspicious Activity Report Use Is Increasing, but FinCEN Needs to Further Develop and Document Its Form Revision Process* (GAO-09-226), and updated it with additional information provided by FinCEN. In that report, GAO recommended that FinCEN work to further develop a strategy that fully incorporates certain GAO-identified practices to enhance and sustain collaboration among federal agencies into the forms-change process.

View [GAO-10-609T](#) or [key components](#). For more information, contact Richard J. Hillman at (202) 512-8678 or hillmanr@gao.gov.

BANK SECRECY ACT

FinCEN Needs to Further Develop Its Form Revision Process for Suspicious Activity Reports

What GAO Found

In 2000 through 2008, total SAR filings by depository institutions increased from about 163,000 to 732,000 per year; representatives from federal regulators, law enforcement, and depository institutions with whom GAO spoke attributed the increase mainly to two factors. First, automated monitoring systems can flag multiple indicators of suspicious activities and identify significantly more unusual activity than manual monitoring. Second, several public enforcement actions against a few depository institutions prompted other institutions to look more closely at client and account activities. Other factors include institutions' greater awareness of and training on BSA requirements after September 11, 2001 and more regulator guidance for BSA examinations.

FinCEN and law enforcement agencies have taken actions to improve the quality of SAR filings and educate filers about their usefulness. Since 2000, FinCEN has issued written products with the purpose of making SAR filings more useful to law enforcement. FinCEN and federal law enforcement agency representatives regularly participate in outreach on BSA/anti-money laundering, including events focused on SARs. Law enforcement agency representatives said they also establish relationships with depository institutions to communicate with staff about crafting useful SAR narratives.

FinCEN, law enforcement agencies, and financial regulators use SARs in investigations and financial institution examinations and have taken steps in recent years to make better use of them. FinCEN uses SARs to provide public and nonpublic analytical products to law enforcement agencies and depository institution regulators. Some federal law enforcement agencies have facilitated complex analyses by using SAR data with their own data sets. Federal, state, and local law enforcement agencies collaborate to review and start investigations based on SARs filed in their areas. Regulators use SARs in their examination process to assess compliance and take action against abuse by depository institution insiders.

After revising a SAR form in 2006 that could not be used because of information technology limitations, in 2008, FinCEN developed a new process for revising BSA forms, including SARs, that may increase collaboration with some stakeholders, including some law enforcement groups concerned that certain of the 2006 revisions could be detrimental to investigations. Available documentation on the process did not detail the degree to which the new process would incorporate GAO-identified best practices for enhancing and sustaining federal agency collaboration. For example, it did not specify roles and responsibilities for stakeholders or depict monitoring, evaluating, and reporting mechanisms. According to FinCEN officials, it is taking some additional steps toward obtaining greater collaboration with law enforcement agency representatives, prosecutors, and multi-agency law enforcement teams and others to determine the contents of the form, but it is too soon to determine the effectiveness of the process.