

Suspicious Activity Report: How Good Can It Get?

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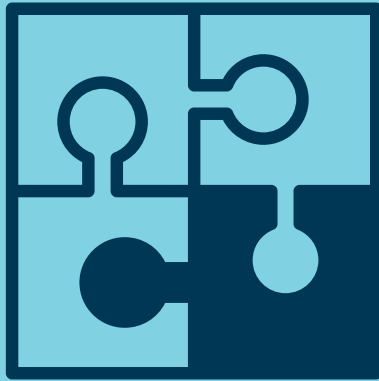
To report or not to report?

Why

What

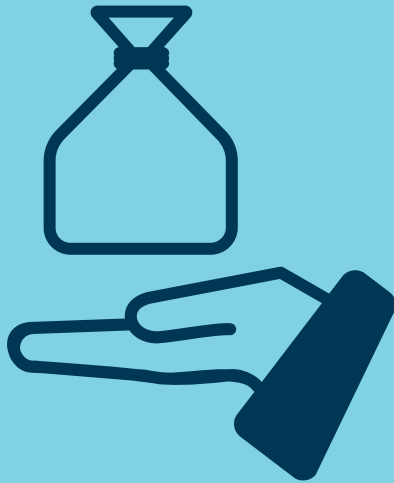
How

SAR/STR: definition



SAR is a piece of information which **alerts** Law Enforcement that a certain client or customer activity is in some way **suspicious** and might indicate **money laundering** or **terrorist financing**

The value of SAR

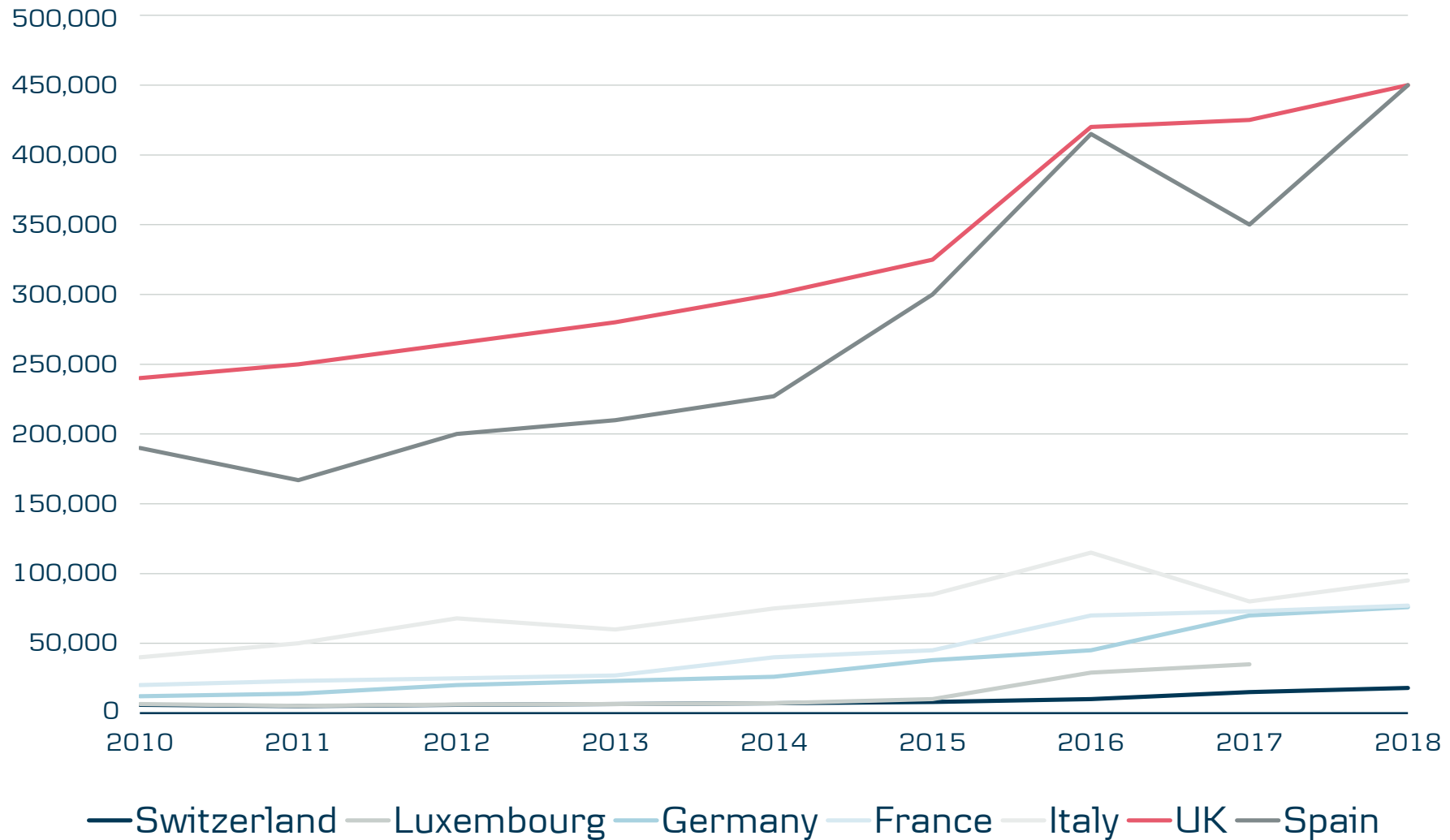


A single SAR may be used several times by several different users for different purposes:

- provides **intelligence** about criminal methods
- **informs** tax authority about taxation
- **notifies** local police about fraud or theft
- **reports** a regulatory issue or a weakness in a financial product to a government institution

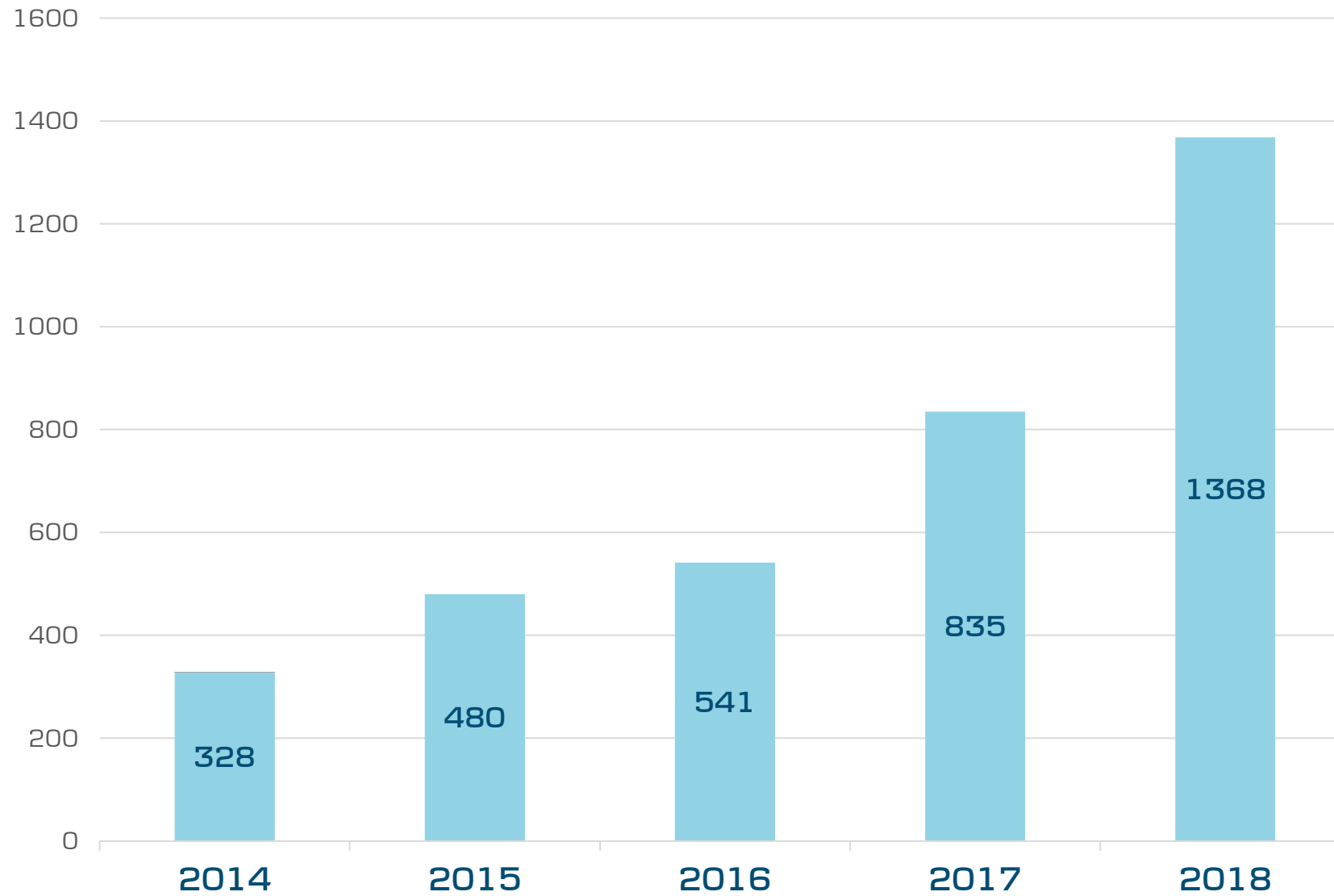
What

SARs volumes in Europe



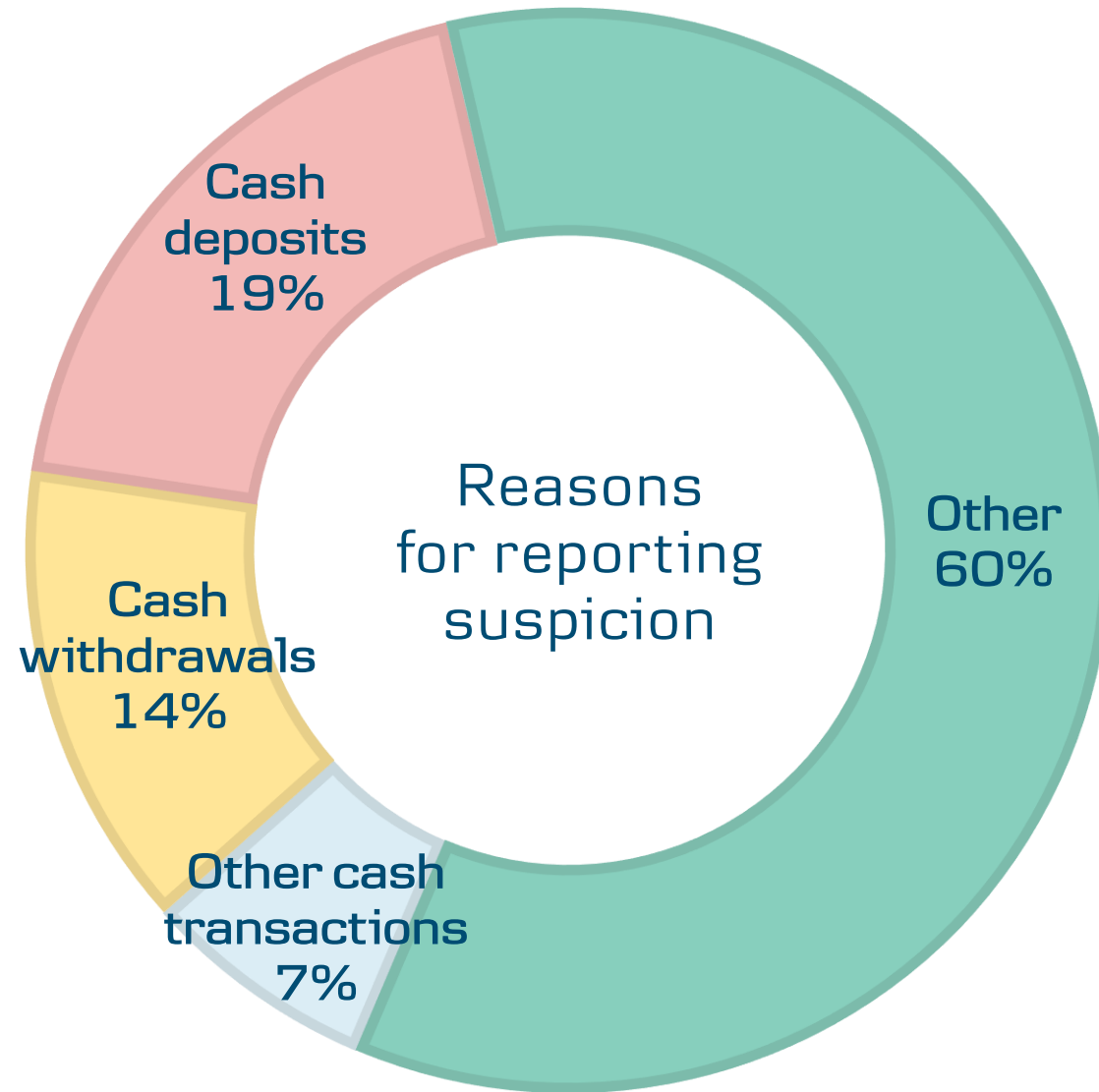
What

SARs volumes in Lithuania



What

Reasons for SARs



What

79%

sales transactions in
the euro area were carried out
In physical cash

Why

Interesting facts related to SARs

- based on interviews with past and present FIUs heads, **80 - 90% of SAR has no operational value** to the active law enforcement investigations
- fewer than **1% of criminal funds** flowing through the international financial system every year are believed to be **frozen and confiscated by Law Enforcement**
- **85% to 95% of the financial crime control leaders** disagreed that the current framework for reporting suspicious conduct is effectively discovering and disrupting crime

Note: the estimated total global spend by the private sector on AML controls in 2017 was \$8.2 billion

How

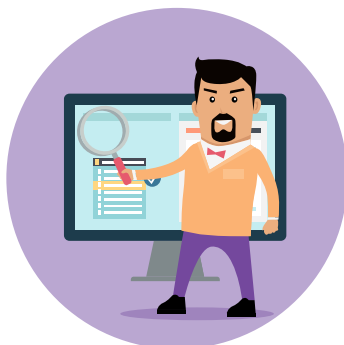
The SAR lifecycle



*Group-wide
risk assessment*



*Know Your
Customer &
Customer risk
assessment*



*Transaction
monitoring & ODD*



*Financial crime
suspicion*



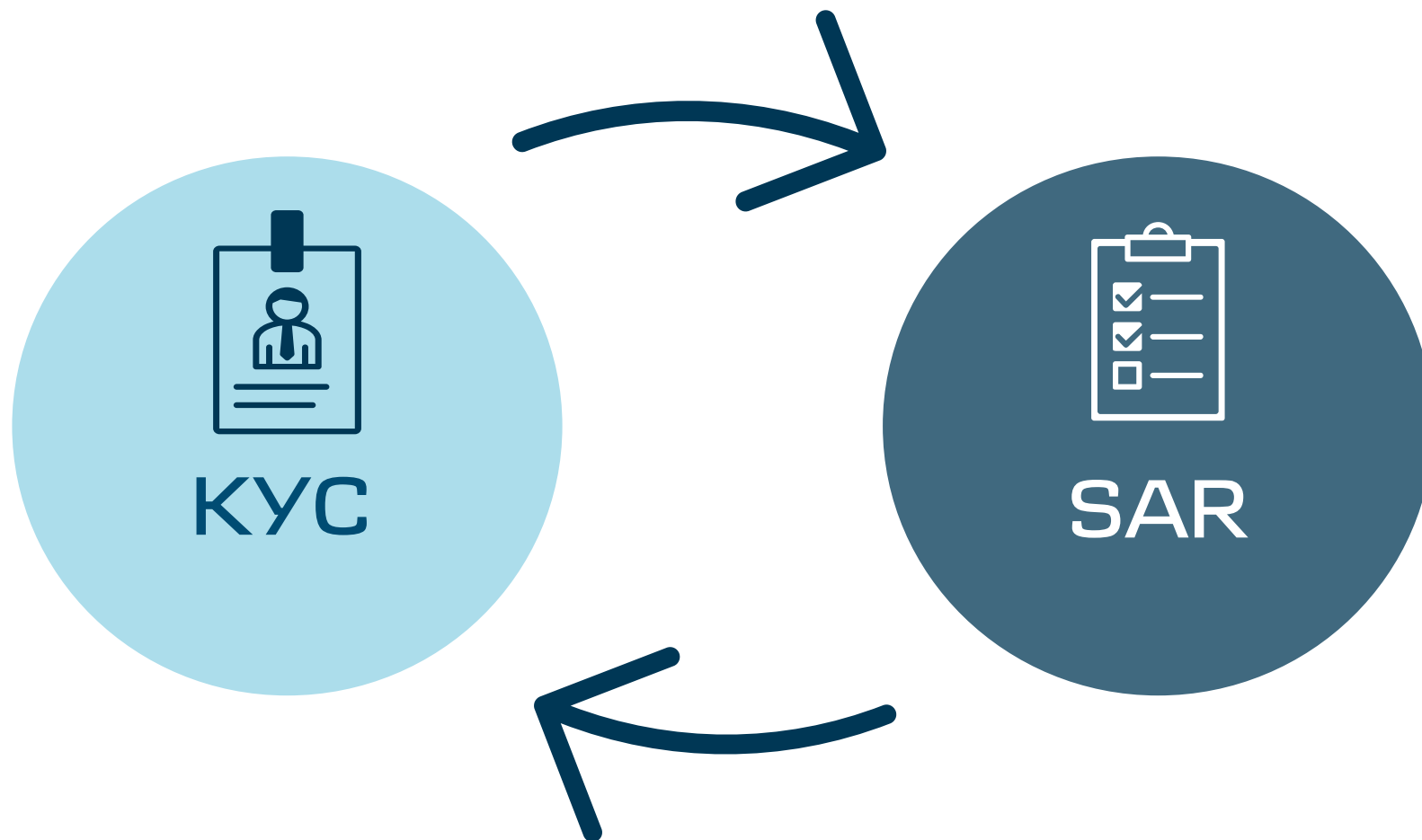
*Suspicious Activity
Report*



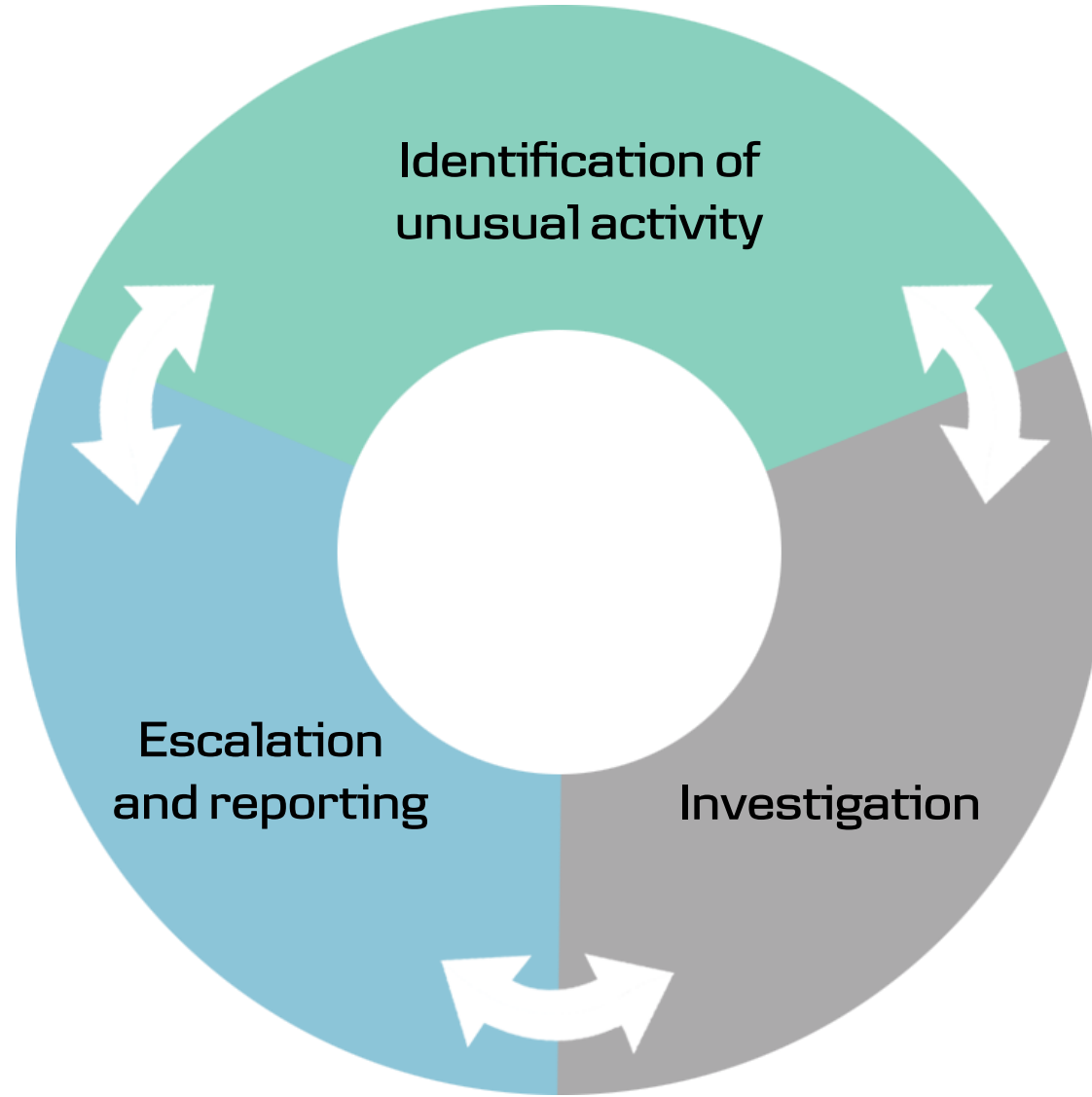
*Police
investigation and
charge*

What

KYC and SAR interrelationship



How



How

Proper conclusion: recommendation of “Five W’s”

- Who is involved? (Who is doing what?)
- Why is the activity unusual? (Why are you suspicious?)
- What happened?

If relevant, also

- When did it happen? (When circumstances arise?)
- Where did it happen?

If relevant, also

- How they are doing it? (How circumstances arise?)

How

The main focus of attention – the conclusion: tips and tricks

Focus on what is *unusual and suspicious*

Provide *a chronological sequence* of events

The language should be *easy to understand* – avoid acronyms and jargon

Do not *speculate*

Conclusion should be *brief and factual*

Link relevant *indicators* to the SAR

Why

Main reasons for poor quality of SARs

Conclusion *does not correlate* with the investigation

Weak collaboration between the MLRO and Business

Not contacting customers or asking for documents

No references to the sources used in the investigation

Inadequate arguments for the conclusion

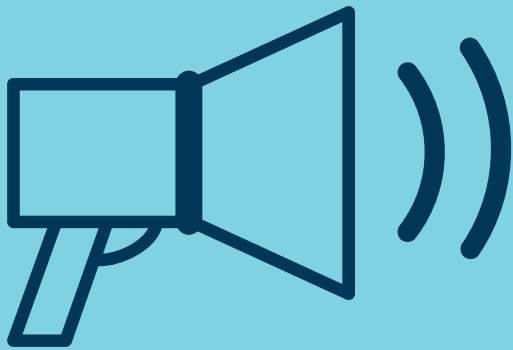
The duration of the investigation is *too long*

Why

Remember – SAR is not a “guided bomb”



SAR is not a “guided bomb” which is performed with principle “fire-and-forget” and does not require further attention



“Tipping off” is the process of letting the customer know directly or indirectly that she/he is or might be a subject of a suspicion and reporting to law enforcement. Tipping off can occur at any stage, starting from the initial contact with the customer asking to clarify the activity or even after reporting the suspicions to MLRO or FIU.

“Tipping-off” can include such scenarios:

Changing the way the communication with the customer

Disclosing the information about the investigation to non-related persons even if these are colleagues from the same financial institution

Directly informing the customer about the suspicions

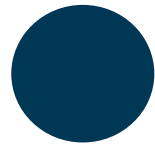
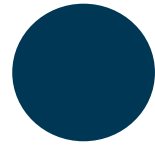
How

“Tipping-off”: do’s and don’ts

DO’s

Including a paragraph about the institution’s obligations under the money laundering legislation in your standard client information request

Requesting the customer for information and documentation which would prove the source of cash before depositing the amount into an account

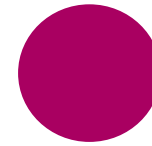
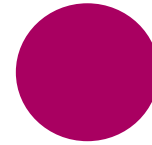


DON'Ts

Asking the customer to update their contact and KYC related information by explaining that the FI is asking to do so based on a request received from the FIU

Sending the customer a request for transaction documentation. It is specified in the e-mail that the FI will report the case to FIU if the documents are not provided

Telling the customer that a certain service can’t be provided because of the previous SAR on the customer’s transactions



How

SAR: how good can it get?

Danske Bank

Money laundering is a dirty business



Money laundering isn't always obvious, but the consequences are severe. If you miss the signs, you could be fined or prosecuted. Don't dirty your reputation. Submit a SAR if you are suspicious.

Dirty money. Know the signs, report the crime.

flagitup.campaign.gov.uk

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Thank you!