



OECD International Academy for Tax Crime Investigation

Investigative Techniques for the Effective Use of Banking Information



SAR GENERATION & PROCESSING AND AVAILABLE INTELLIGENCE

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Discussion Topics

- SAR Characteristics
- Useful Information from Financial Institutions beyond the SAR
- Internal AML Department weaknesses
- Common Money Laundering Techniques
- SAR Investigation and filing process
- Shortcomings and pitfalls



SAR Characteristics

- Typically contains basis for concern and suspicion
- Includes names of focal entity/-ies (i.e. “Suspect”)
- Includes relevant information as to amount and dates of potential suspicious activity.
- This typically includes a report or “narrative.”
- Supporting documentation may or may not be provided.
- SARs can be filed individually or in batch form.
- Basis for reporting a SAR depends on the laws and regulations of the particular country. In the US, for example, many more SARs are filed as the definition of suspicious activity is more broadly defined.
- When a financial institution files a SAR, it is not passing judgment that criminal activity has occurred. Rather, it is reporting activity to law enforcement that does not make reasonable business sense or has suspicious characteristics to alert and assist law enforcement in their investigation.



Useful Information from Financial Institutions beyond the SAR

- Customer profile (name, date of birth, addresses, location(s), telephone numbers, emails, key employees, nature of business/occupation, etc.
- Financial Statements
- Size and scope, including locations of person or business
- Financial products and services utilized
- Means and mediums of transacting
- All transaction activity directly or indirectly connected to financial institution



Useful Information from Financial Institutions beyond the SAR (Continued).

- Names and addresses of counterparties, suppliers, buyers as well as scope of business with them.
- Knowledge of business with other financial institutions, accountants, lawyers, jurisdictions.
- Communication with customer that may contain important information
- Names of key bank personnel knowledgeable of customer and customer activity.
- Internal documents to financial institution that may be important in understanding customer and risks from a financial institution.



Internal AML Department Weaknesses

- Development and maintenance of AML programs is very expensive. Banks are reluctant to expend significant amounts as this erodes net income.
- Regulatory pressure often compels banks to adequately develop, enhance and maintain AML programs.
- Many automated transaction monitoring systems are not properly calibrated; do not employ optimal monitoring scenarios; not integrated between automation and human expertise; and do not link to case management systems.
- Many systems are designed to meet certain rule thresholds rather than proper patterning to generate the alerts. Many AML investigators only review and investigate based on the specific rule triggered.

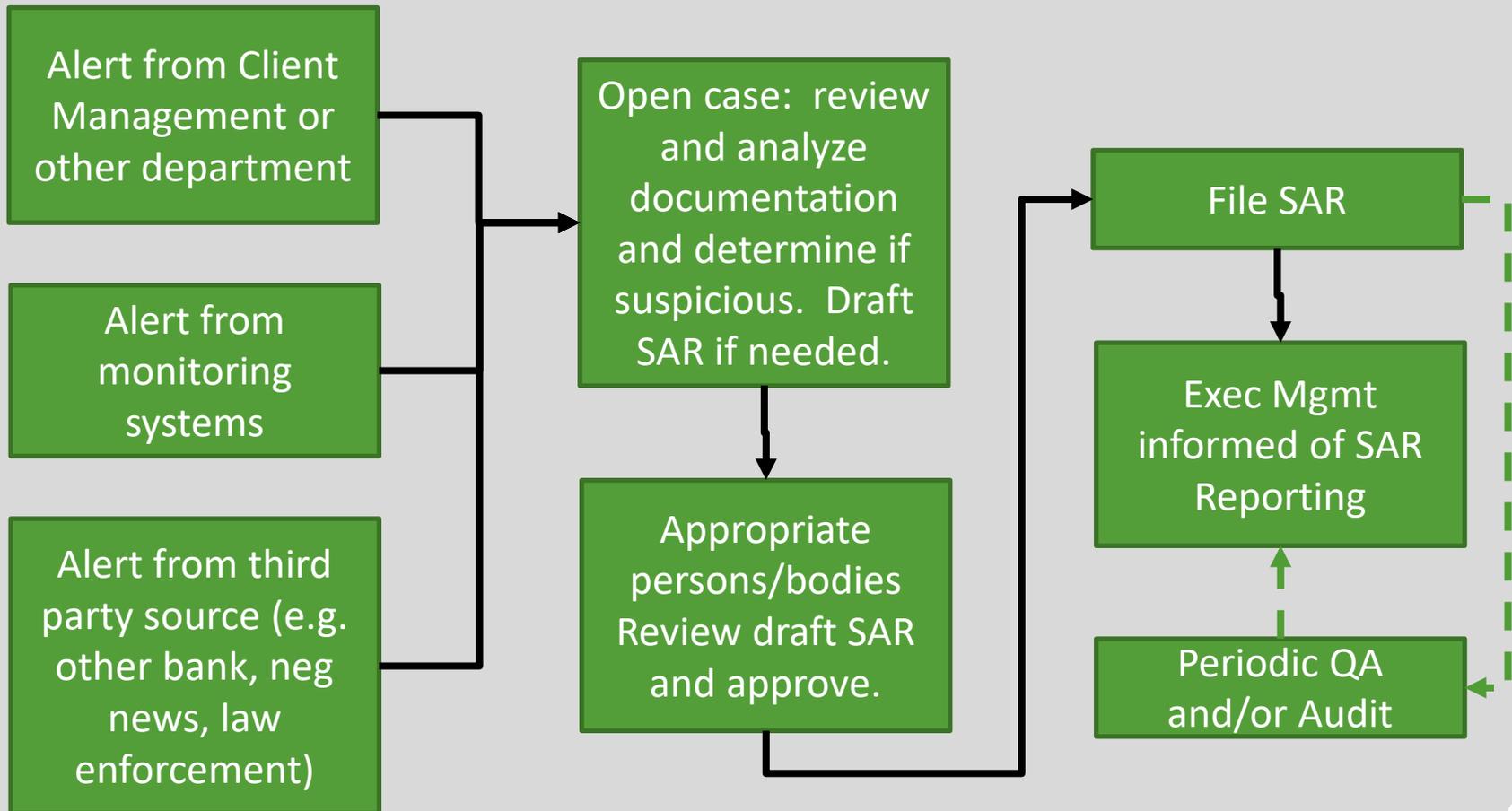


Internal AML Department Weaknesses (continued).

- Many AML investigators are not properly trained to conduct a financial investigation.
- Time requirements to file SARs do not provide sufficient time to conduct a fulsome investigation.
- Regulatory pressure and/or legal constraints restrict the ability and willingness of banks to cooperate and collaborate.



Basic SAR Investigation & Filing Process





Pitfalls and Shortcomings

- SAR reports/narratives vary in terms of quality and detail that is useful in an investigation.
- Some AML officers and/or their employers are limited to the information accessible to them.
- Bank conflicts of interest often place AML officers in compromising situations.
- AML officers are often not properly trained in conducting an investigation. Though they are often expert in the applicable laws, regulations and program requirements, AML officers often do not understand banking products and services or how they work.
- AML Officers are often scapegoats at the expense of others in the financial institution.



Final Note

- Despite the weaknesses, pitfalls and shortcomings, SARs are an excellent means of obtaining information pertaining to a new or existing case.
- Regardless of the quality of the SAR, financial institutions possess a wealth of important information, much of which is not available within governments or other third-party sources and are therefore critical as sources of information for any money laundering investigation. The challenge is to know who to request the information from and what to ask.



If you are interested in exploring the possibilities for collaboration and strengthening your abilities...

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