

**Supporting Statement for the
Suspicious Activity Report
(FR 2230; OMB No. 7100-0212)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, with revision, the interagency Suspicious Activity Report (SAR) (FR 2230; OMB No. 7100-0212). Certain institutions supervised by the Board are required, pursuant to the Bank Secrecy Act (BSA) and the Board's regulations, to file a SAR to report known or suspected violations of federal law or a suspicious transaction related to a money laundering activity or a violation of the BSA. Institutions file a SAR electronically through a secure network created and maintained by the administrator of the BSA, the Department of the Treasury's Financial Crimes Enforcement Network (FinCEN).

The Board revised the FR 2230 to be consistent with changes implemented by FinCEN, which had added, removed, or revised several data fields on the electronically filed SAR. In addition, FinCEN had changed the file format for electronic submission of the SAR by batch filers from ASCII based fixed-length delimited file to an XML based file. The Board has not adopted any changes to the SAR regulatory reporting criteria. Institutions will continue to follow Regulation H (12 CFR 208.62) and filing instructions in determining when to file a report and what information should be included on the report. The Board does not anticipate any change to the burden hours per response. The estimated total annual burden for all Board supervised institutions is 439,520 hours.

Background and Justification

Since 1996, as mandated by the BSA, the federal banking agencies¹ and FinCEN have required certain types of financial institutions to report known or suspected violations of law and suspicious transactions. To fulfill these requirements, supervised banking organizations file SARs.² Law enforcement agencies use the information submitted in the reports to initiate investigations and the Board uses the information in the examination and oversight of supervised institutions.

The Board's suspicious activity reporting rules apply to state member banks, Edge and agreement corporations, certain U.S. branches, agencies, and representative offices of foreign

¹ The Board, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and National Credit Union Administration.

² In 1996, the Board together with the other federal banking agencies issued nearly identical regulations to implement the SAR process for banking organizations.

banks operating in the United States³ and bank holding companies or any nonbank subsidiary thereof, or a foreign bank that is subject to the BHC Act or any nonbank subsidiary of such foreign bank operating in the United States. The Board is only responsible for the paperwork burden imposed on these institutions. Other federal banking agencies account for the paperwork burden for the institutions they supervise.

Since 1996, the reports have been revised several times. In 2012, FinCEN developed the current SAR that combined all previous versions of paper SAR forms into one electronic collection. Use of the electronic SAR became mandatory on April 1, 2013, and is available through FinCEN's BSA E-Filing System.

Description of Information Collection

State member banks, bank holding companies and their nonbank subsidiaries, Edge and agreement corporations, and the U.S. branches and agencies, representative offices, and nonbank subsidiaries of foreign banks supervised by the Board follow the SAR instructions to determine when a SAR should be filed and what information should be included on the SAR. Banks provide the following information when completing a SAR: the name of the financial institution where the suspicious activity occurred; subject information such as name, date of birth, address, or occupation; information on the type of suspicious activity such as amount involved, type(s) of suspicious activity, or product types or mechanisms involved; and a narrative that provides a sufficient description of the activity reported as well as the basis for filing.

Reporting Criteria

A banking institution must report certain known or suspected violations of federal law and suspicious transactions. An institution is generally required to file a SAR with respect to:

- suspicious activity of any amount involving an insider
- violations aggregating \$5,000 or more where a suspect can be identified
- violations aggregating \$25,000 or more regardless of a potential suspect
- violations aggregating \$5,000 or more that involve potential money laundering or violations of the BSA

An institution need not file a SAR for an attempted or committed burglary or robbery reported to the appropriate law enforcement agencies.

³ See 12 CFR 208.62 (state member banks); 12 CFR 211.5(k) (Edge and agreement corporations); 12 CFR 211.24(f) (a branch, agency, or representative office of a foreign bank operating in the United States, except for a federal branch or a federal agency or a state branch that is insured by the Federal Deposit Insurance Corporation (FDIC)); 12 CFR 225.4(f) (bank holding companies, nonbank subsidiaries of a bank holding company, foreign banks subject to the Bank Holding Company Act, and nonbank subsidiaries of such a foreign bank). The Board's suspicious activity reporting rules do not apply to a branch or agency of a foreign bank operating in the United States if it is a federal branch or a federal agency or a state branch that is insured by the FDIC.

Proposed Revisions

On July 27, 2018, FinCEN implemented the new version 1.2 of the SAR, which added, removed, or revised several data fields.⁴ The FinCEN revisions added or modified types and subtypes of suspicious activities, added new fields related to IP address information, and added new cyber event indicators. These revisions were made to ensure the collection of appropriate and current information in order to aid law enforcement in combating cyber-events and cyber-enabled crime. The Board has adopted the revisions made by FinCEN. Please see the appendix for a detailed listing of all revisions. With respect to the file format changes for electronic submission, the BSA E-Filing System now only accepts the new SAR (v1.2) and the new XML based batch format.

Time Schedule for Information Collection

The Board's suspicious activity reporting rules require that a SAR be filed no later than 30 calendar days from the date of the initial detection of facts that may constitute a basis for filing a SAR. If no suspect can be identified, the time period for filing a SAR is extended to 60 days. Respondents file online: <https://bsaefiling.fincen.treas.gov/main.html>.

Legal Status

The FR 2230 is authorized pursuant to the Federal Reserve Act (12 U.S.C. 248(a)(1), 602, and 625), Federal Deposit Insurance Act (12 U.S.C. 1818(s)), Bank Holding Company Act of 1956 (12 U.S.C. 1844(c)), and International Banking Act of 1978 (12 U.S.C. 3105(c)(2) and 3106(a)). The FR 2230 is mandatory. SARs are confidential and exempt from Freedom of Information Act (FOIA) disclosure by 31 U.S.C. 5319, which specifically provides that SARs "are exempt from disclosure under section 552 of title 5" and FOIA exemption 3 (5 U.S.C. 552(b)(3)) (matters "specifically exempted from disclosure by statute").

Consultation Outside the Agency

As set forth above, the SAR was originally developed in 1996 by an interagency group that consisted of the federal banking agencies, U.S. Departments of Justice and Treasury, and several law enforcement agencies. The general framework of the SAR report and any revisions to the SAR data elements are discussed on an interagency basis. The current revisions to the SAR data elements were discussed in the interagency Data Management Council led by FinCEN, of which the Board is a member.

Public Comments

On February 5, 2019, the Board published an initial notice in the *Federal Register* (84 FR 1732) requesting public comment for 60 days on the extension, with revision, of the FR 2230. The comment period for this notice expired on April 8, 2019. The Board did not

⁴ The notice announcing the final submission to OMB was published in the *Federal Register* November 28, 2017 (82 FR 56325).

receive any comments. On May 15, 2019, the Board published a final notice in the *Federal Register* (84 FR 21777).

Estimate of Respondent Burden

The burden per institution varies depending on the nature of the activity reported. Between January 1, 2017, and December 31, 2017, 6,698 state member banks, bank and financial holding companies, Edge and agreement corporations, and U.S. branches and agencies, representative offices, and nonbank subsidiaries of foreign banks filed 293,013 SARs.⁵ Based on this data the annual reporting burden hours for all Federal Reserve regulated entities is estimated to be 439,520. Because there are no new regulatory requirements or changes to the requirements related to suspicious activity reporting, the Board believes that no additional burden is associated with these changes to the filing itself. These reporting requirements represent approximately 3.97 percent of the Board’s total paperwork burden.

FR 2230	<i>Estimated number of respondents⁶</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
All Respondents	6,698	43.75	1.5	439,520

The estimated total annual cost to the public for this information collection is \$25,316,352.⁷

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The cost to the Federal Reserve System is negligible. The Board, as well as the other federal supervisors of financial institutions, distributes the reporting form in electronic format. The Federal Reserve System has minimal data collection costs associated with SAR filings, as the filings go directly to FinCEN which acts as the data base manager for the federal banking agencies and makes the information available to the Board electronically.

⁵ Number of SARs received by FinCEN between January 1, 2017, and December 31, 2017, by institutions that listed the Federal Reserve as their regulator.

⁶ Of these respondents, 548 are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets), www.sba.gov/document/support--table-size-standards. The design of the FinCEN SAR is such that only the fields normally associated with the filing institution are displayed. This design minimizes the time required to complete the report and thus the impact on small businesses.

⁷ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$19, 45% Financial Managers at \$71, 15% Lawyers at \$69, and 10% Chief Executives at \$96). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2018*, published March 29, 2019, www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

Appendix

Detailed list of Revisions

Effective July 27, 2018, FinCEN has added, removed, or revised several electronic data fields in the SAR filed by financial institutions required to file such reports under the BSA. FinCEN did not propose any new regulatory requirements or changes to the requirements related to suspicious activity reporting. The data fields reflect the filing requirement for all filers of SARs. The changes to the SAR are described below by form Part.

Type of Filing

- Item 1e remove the reference to “document control number.”
- Add new item 2 “Filing Institution Note to FinCEN” followed by a text field with 100 character limit. This item allows the filer to identify reports filed in response to geographical targeting orders and BSA advisories etc.

Part I – Subject Information

- Item 24j, remove “no relationship to institution” option.

Part II – Suspicious Activity Information

- Items 32a and b, add “or cancels” to the current item.
- Item 32c, remove the current item.
- Item 34b add “Advanced Fee” and remove “Business loan.”
- Item 34i, remove “mass marketing” and replace with “Ponzi Scheme.”
- Item 34l, add “Securities Fraud.”
- Item 35, change the section title to “Gaming Activities.”
- Item 35a, replace the current item with “Chip walking.”
- Item 35b, replace the current item with “Minimal gaming with large transactions.”
- Item 35d, add “Unknown source of chips.”
- Item 36b, remove the current item and replace with “Funnel account.”
- Item 37d, add “Provided questionable or false identification.”
- Item 38g, insert “Human Trafficking/Smuggling.”
- Item 38i, remove the current item.
- Item 38p, add “Transaction(s) involving foreign high risk jurisdiction.”
- Item 38q, remove the current item.
- Item 40b, remove “wash trading” from current item and add as a new item e.
- Item 41a, add new “Application Fraud.”
- Item 41c, add “Foreclosure/Short sale fraud.”
- Item 41e, add “origination fraud” and remove “reverse mortgage fraud.”
- Item 42, add as new category “Cyber-event.”
- Add new item 42a, “Against the Financial Institution(s).”
- Add new item 42b, “Against the Financial Institution’s customer(s).”

- Add new item 42z, “Other” with the associated text field.
- Item 43n, remove the term “Penny Stocks.”
- Add item 48a, Date field (yyyy/mm/dd).
- Add item 48b, Time field (hh:mm:ss in UTC).
- Add new item 49, “Cyber-event Indicators” (Multiple entries up to 99).
- Add new item 49a, “Command & Control IP Address.”
- Add new item 49a1, event value text field.
- Add new item 49a2, event value text field, date associated with the event.
- Add new item 49a3, event value text field, timestamp associated with the event, UTC time hh:mm:ss.
- Add new item 49b, “Command & Control URL/Domain.”
- Add new item 49b1, event value text field.
- Add new item 49c, Malware MD5, Malware SHA–1, or Malware SHA–256.
- Add new item 49c1, event value text field.
- Add new item 49d, “Media Access Control (MAC) Address.”
- Add new item 49d1, event value text field.
- Add new item 49e, “Port.”
- Add new item 49e1, event value text field.
- Add new item 49f, “Suspicious Email Address.”
- Add new item 49f1, event value text field.
- Add new item 49g, “Suspicious Filename.”
- Add new item 49g1, event value text field.
- Add new item 49h, “Suspicious IP Address.”
- Add new item 49h1, event value text field.
- Add new item 49h2, event value Date associated with the event.
- Add new item 49h3, event value timestamp (UTC time hh:mm:ss).
- Add new item 49i, “Suspicious URL/Domain.”
- Add new item 49i1, event value text field.
- Add new item 49j, “Targeted System.”
- Add new item 49j1, event value text field.
- Add new item 49z, “Other” text field.
- Add new item 49z1, event value text field.

Part IV – Filing Institution Contact Information

- Increase the field length for Part IV, Item 93, “Designated contact office,” to 50 characters.