

SUSPICIOUS TRANSACTIONS REPORTING

APRIL 4, 2019

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SESSION 1

I. Welcome, Introductions & Overview

II. Basis for Investigating Potential Suspicious Transactions/Activity

II. BASIS FOR INVESTIGATING POTENTIALLY SUSPICIOUS TRANSACTIONS / ACTIVITY

As the accessibility to global financial markets has increased, the use of these markets for executing illegal transactions and activity has also increased.

As part of the global battle to identify, prevent and stop money laundering and terrorist financing, Anti-Money Laundering (“AML”) and Countering Terrorist Financing (“CTF”) laws and regulations have had to evolve. As a result, the laws and regulations requiring Financial Institutions to report potentially suspicious transactions/activity have changed.



Latvia



United Kingdom



Canada



United States

II. BASIS FOR INVESTIGATING POTENTIALLY SUSPICIOUS TRANSACTIONS / ACTIVITY

- A. Suspicious Transaction Report (“STR”) or Suspicious Activity Report (“SAR”) Basics:
1. Definition of a STR/SAR
Report prepared and submitted by a financial institution to report potentially suspicious transactions/activity.
 2. When to File a STR/SAR
 - a. Specific criteria varies from country to country
 - b. Similarities in the definition of and guidance for the identification of suspicious transactions and activity.
 3. Recipients of STRs/SARs
 - a. Country financial crime enforcement agency (e.g., Financial Investigations Unit)
 - b. Law enforcement.



II. BASIS FOR INVESTIGATING POTENTIALLY SUSPICIOUS TRANSACTIONS / ACTIVITY (CONTINUED)

B. Purpose of a SAR/STR

Even before the start of SAR/STR reporting law enforcement had seen a strong financial connection to crime.

1. Follow the Money

- a. Invaluable in identifying, investigating, and ultimately prosecuting criminals
- b. Prevents and deters crime.

2. Crime Exposure

a. Critical role in exposing the financial links to illicit activities:

- i. case-by-case
- ii. industrywide basis

b. Regulators, bank supervisory agencies, and law enforcement depend on STRs/SARs to identify, investigate, and analyze criminal activity.

II. BASIS FOR INVESTIGATING POTENTIALLY SUSPICIOUS TRANSACTIONS / ACTIVITY (CONTINUED)

C. Partnership

Public-private partnerships important for financial crime enforcement agencies and law enforcement in curtailing money laundering, terrorist financing and other illegal activities. STRs/SARs filings are an important part of this partnership.

Financial Institutions should:

1. Ensure that STRs/SARs are:
 - a. Detailed
 - b. Complete
 - c. Accurate

2. Avoid filing STRs/SARs to avoid regulatory criticism (i.e., Defensive STR/SAR Filing)



By Frits Ahlefeldt

III. Recent Regulatory Actions

III. RECENT REGULATORY ACTIONS

Recent Regulatory Actions – 2019/2018

A. Alpine Securities Corporation (Broker/Dealer)

1. Securities and Exchange Commission (SEC) enforcement action
2. Cleared transactions for microcap securities that were allegedly used in manipulative schemes
3. Liable for thousands of violations of its obligation to file SARS
4. Deficient SAR narratives



B. US Bancorp (\$650 million)

U.S. Bank failed to:

1. Establish and implement an adequate anti-money laundering (AML) program from 2011 to 2014;
2. Report suspicious activity from 2011 to 2014, and;
3. Adequately report currency transactions from 2014 to 2015.



III. RECENT REGULATORY ACTIONS (CONTINUED)

Recent Regulatory Actions – 2018 (cont'd)

D. Capital One - € 88 million (approx. \$100 million)



Capital One, N.A., and Capital One Bank (USA), N.A. were fined \$100 million for deficiencies in the bank's BSA/AML program. The deficiencies, also cited in 2015, included weaknesses in its compliance program and related controls; deficiencies in its risk assessment, remote deposit capture and correspondent banking processes; and failing to file suspicious activity reports.

E. UBS - € 13 million (approx. 14.5 million)



Deficiencies:

1. Policies and Procedures to Detect Suspicious Transactions
2. Due Diligence on Correspondent Accounts for Foreign Financial Institutions

IV. STR/SAR Confidentiality

IV. STR/SAR CONFIDENTIALITY

A. Confidentiality of STR/SAR Information

Information reported regarding suspicious activity is highly confidential.

1. Employees must never inform a customer that their activity has been reported.
2. Disclosing information to a customer may result in criminal prosecution and termination.
3. Some countries may permit the sharing of information in limited circumstances.



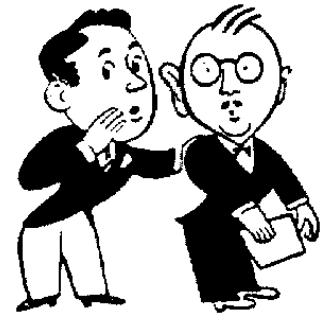
IV. STR/SAR CONFIDENTIALITY (CONT'D)

B. Tipping Off

“Tipping off” is - unauthorized disclosure of suspicious activity investigations and/or STR/SAR reporting. It occurs when an employee of a Financial Institution (or Law Enforcement) informs a person who is suspected of suspicious or criminal activity that they are the subject of (1) a STR/SAR or (2) an investigation.

Tipping off can:

1. Undermine ongoing and future investigations;
2. Prejudice an investigation; and
3. Threaten the safety and security of the institutions and individuals who file STR/SARs.



V. Identification of Potentially Suspicious Transactions/Activity

V. IDENTIFICATION OF POTENTIALLY SUSPICIOUS TRANSACTIONS / ACTIVITY

A. Definition of Suspicious Activity

Transaction activity that is:

1. Inconsistent with the subject's business or expected activity;
2. Conducted with counterparties with no known relationship with the subject;
3. Unusual or suspicious do to magnitude and frequency of the activity;
4. Consistent with a known Money Laundering/Terror Financing typology; and/or
5. Appearing to be designed to evade AML/CTF reporting.

B. Sources of potentially suspicious activity notification include:

1. Transaction Monitoring Alerts
2. Referrals from non-BSA/AML employees

All Financial Institution employees have the responsibility to identify and escalate potentially suspicious transactions/activity.

V. IDENTIFICATION OF POTENTIALLY SUSPICIOUS TRANSACTIONS / ACTIVITY (CONTINUED)

C. Suspicious Activity vs. Red Flags

Red Flags are

1. A sign of potentially suspicious activity and
2. Not a clear indication of ML/TF.



D. Red Flags:

1. General Categories
 - a. Customer who provide insufficient or suspicious information;
 - b. Customer's Profile
 - c. Customer who attempt to avoid reporting requirements;
 - d. Activities inconsistent with the customer's business
 - e. Customers use of certain products and services

“The Financial and Capital Market Commission’s Recommendations No. 152 of 25.09.2017” contains a list of Red Flags the may indicate suspicious activity.

V. IDENTIFICATION OF POTENTIALLY SUSPICIOUS TRANSACTIONS / ACTIVITY (CONTINUED)

D. Red Flags (cont'd)

2. Cross-Border Transactions

- a. Circumvention of regulatory requirements of home country;
- b. Layering involving multiple jurisdictions;
- c. Movement through tax haven/secretcy jurisdictions;
- d. Transactions/goods moving to a border country;
- e. Generation of fictitious expenses or income; or
- f. Concealment of illegal income in legitimate businesses.

V. IDENTIFICATION OF POTENTIALLY SUSPICIOUS TRANSACTIONS / ACTIVITY (CONTINUED)

D. Red Flags (cont'd)

3. Shell Company Red Flags:

- a. Business purpose of the company is unknown or unclear.
- b. Inability to obtain information needed to identify originators or beneficiaries of accounts or other banking activities.
- c. Payments to or from the company have no stated purpose.
- d. Transacting businesses have address inconsistencies.
- e. Unusually large number and variety of beneficiaries are receiving funds transfers from one company.
- f. Frequent involvement of multiple jurisdictions or beneficiaries located in higher-risk offshore financial centers.

V. IDENTIFICATION OF POTENTIALLY SUSPICIOUS TRANSACTIONS / ACTIVITY (CONTINUED)

D. Red Flags (cont'd)

4. Trade Finance Money Laundering Red Flags:

- a. Size of the shipment appears inconsistent the regular business activity;
- b. Shipment does not make economic sense;
- c. Type of goods shipped are designated as “high risk” for money laundering activities;
- d. Goods are being shipped to (or from) a jurisdiction designated as “high risk” for money laundering activities;
- e. Goods are transshipped through one or more jurisdictions for no apparent economic reason;
- f. Method of payment appears inconsistent with the risk characteristics of the transactions;
- g. Transaction involves the use of repeatedly amended or frequently extended letters of credit; and
- h. Attempts to disguise/circumvent countries involved in the actual trade.

V. IDENTIFICATION OF POTENTIALLY SUSPICIOUS TRANSACTIONS / ACTIVITY (CONTINUED)

D. Red Flags (cont'd)

5. Lending Red Flags

- a. Use of certificates of deposit as loan collateral.
- b. Sudden pay down or pay off a large loan.
- c. Reluctance to provide the purpose of the loan or the stated purpose is ambiguous.
- d. Loans that are paid by a third party.
- e. Use of loan proceeds to purchase, or pledge as collateral, real property in the name of a trustee, shell corporation, etc.
- f. Permanent financing of a large mortgage on an unusually short term.
- g. Attempt to “structure” a down payment or escrow money transaction to conceal the true source of funds used.
- h. Attempt to sever any paper trail connecting a loan with the security for that loan.
- i. Unusual loans to offshore customers or to companies incorporated in so-called “secrecy havens”.

VI. Identification of Reportable Currency Transactions

VI. IDENTIFICATION OF REPORTABLE CURRENCY TRANSACTIONS

A. Currency Transactions Reports

Many countries have requirements to report transactions/activity based on monetary amounts or triggers (i.e., currency transaction reporting). Latvian regulations require the filing of an Unusual Transaction Report (“UTR”) based on the following indicators:



1. Credit Institutions:

- a. A cash transaction in the amount of €60,000 and more (except disbursement of salaries, pensions and social benefits, credits and interbank transactions);
- b. A transaction in the amount of €2,000 and more, where coins or banknotes of small denominations are exchanged for banknotes of a higher denomination (or vice versa) or for other banknotes of the same denomination;

VI. IDENTIFICATION OF REPORTABLE CURRENCY TRANSACTIONS

A. Currency Transactions Reports

1. Credit Institutions (cont'd):

- c. A client withdraws €60,000 and more in cash using credit cards or other payment cards within a one month period;
- d. A non-customer who purchases or sells foreign currency in cash for a sum that is the equivalent of €8,000 and more;
- e. A customer or the beneficial owner of the customer and his transaction performed regarding which the credit institution has established, within the scope of the customer due diligence, publicly accessible information of negative nature which attests to a potential relation to proceeds of crime or their laundering or to terrorism or financing thereof; or
- f. Client makes a single payment in cash that is €15,000 and more.

VI. IDENTIFICATION OF REPORTABLE CURRENCY TRANSACTIONS (CONTINUED)

A. Currency Transactions Reports (cont'd)

B. Financial Institutions, including

1. Investment Brokerage Companies
Client makes a single payment in cash that is €15,000 and more
2. Insurance Companies (including pension funds)
 - i. Insurance premium installments or investments in a pension plan by a legal person, association or other entity located, formed or founded in a tax free or low tax country or territory named by the Cabinet of Ministers, and
 - ii. The amount of the premium is €40,000 and more.
3. Capital Companies (engaged in the purchase/sale of foreign currency)
Customer buys or sells foreign currency for in the amount of €8,000 and more
4. Companies that sell money orders and execute transfers (excluding credit institutions)
A single transaction of €40,000 and more

VII. Investigating Potentially Suspicious Transactions / Activity

VII.A. Financial Institution - Investigations

VII. A. FINANCIAL INSTITUTION - INVESTIGATIONS

Upon the identification of potentially suspicious activity, the Financial Institution should perform the following:

A. Analysis

1. Transactions should be sorted and analyzed in various ways to identify those patterns associated with known money laundering and terrorist financing activities.
2. Analyzing transactions assists in identifying:
 - a. Who conducted the transaction / activity?
 - b. What instruments were used?
 - c. Where did the transaction/activity occur?
 - d. Why is the transaction/activity unusual or not unusual?
 - e. Why is the transaction/activity suspicious or not suspicious?



VII. A. FINANCIAL INSTITUTION - INVESTIGATIONS (CONT'D)

B. Research

1. Internal Data Bases

1. Prior Potentially Suspicious Transactions/Activity Identified
2. KYC Files
3. Transaction Monitoring Alerts

2. External Data Bases

- a. Commercial Database Reports - Fee-based services.
- b. Internet
- c. World-Check or other similar vendors.

3. Country Registry Sites

4. Country Specific People Search Tools

5. Corporate Web Sites

VII. A. FINANCIAL INSTITUTION - INVESTIGATIONS (CONT'D)

B. Research

3. Internal Interviews

- a. Business Unit AML Staff
- b. Relationship Managers, Branch Managers and other client facing professionals
- c. Operational and Supporting Departments

4. Third Party Contacts (where permitted)

- a. Other financial institutions
- b. Investment Advisers
- c. Counterparties

VII.B. Law Enforcement Investigations

VII.B. LAW ENFORCEMENT INVESTIGATIONS

A. Preliminary Investigation

1. Subject of SAR/STR is researched against other SARs/STRs and CTRs
2. Other agency information is researched
3. Link Analysis
4. Information in SAR/STR is corroborated
5. Potential allegations identified

B. Full Scale Investigation Initiated

1. Surveillance
2. Search Warrants
3. Undercover Operations
4. Consensual Monitoring
5. Non-Consensual Monitoring
6. Subpoena other financial information
7. Conduct financial analysis
 - a. Source of funds
 - b. Application of funds
 - c. Additional accounts and activity

C. Interviews



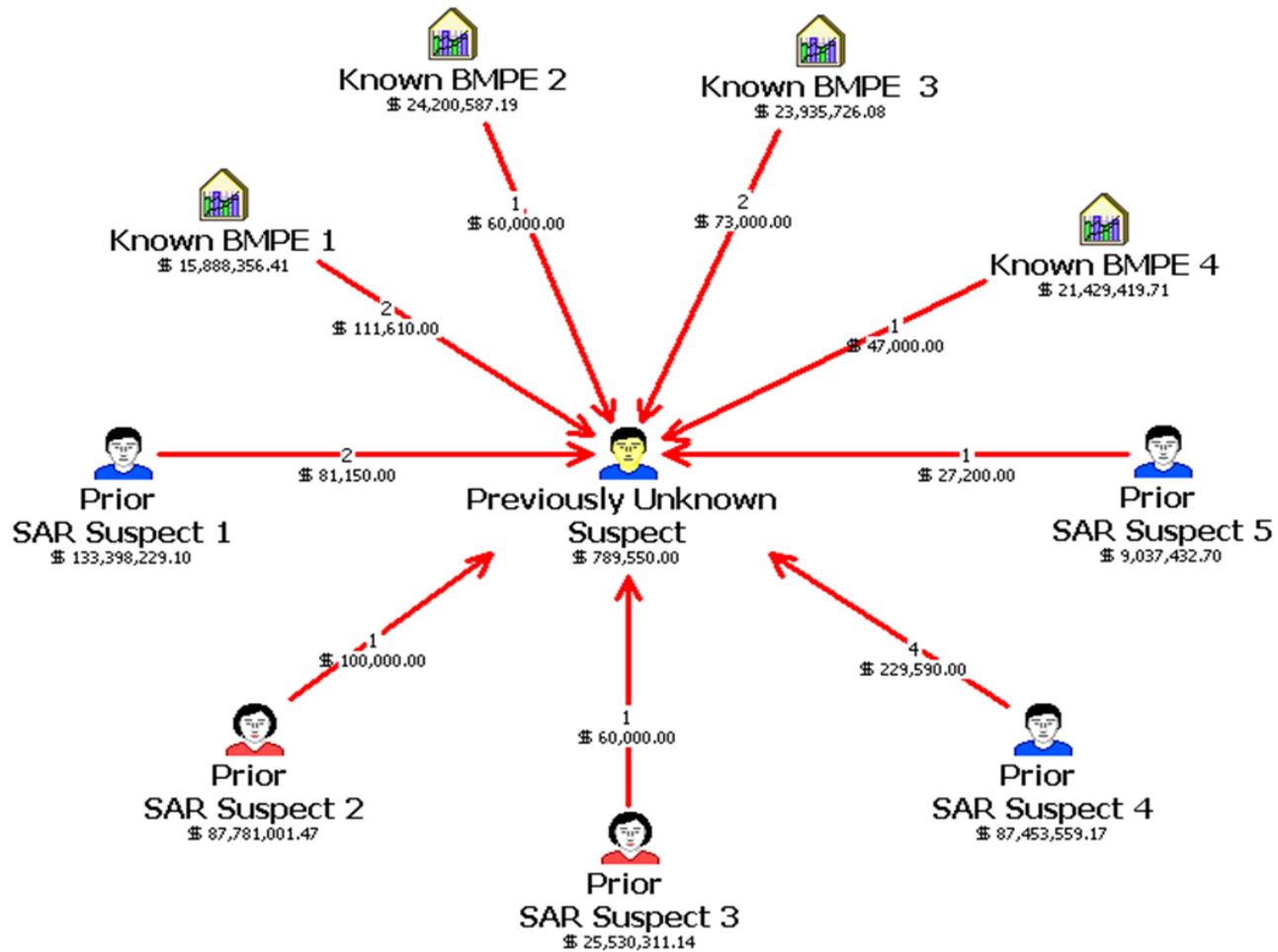
VIII. How Law Enforcement uses STRs/SARs in Investigations

VIII.HOW LAW ENFORCEMENT USES STRS/SARS IN INVESTIGATIONS

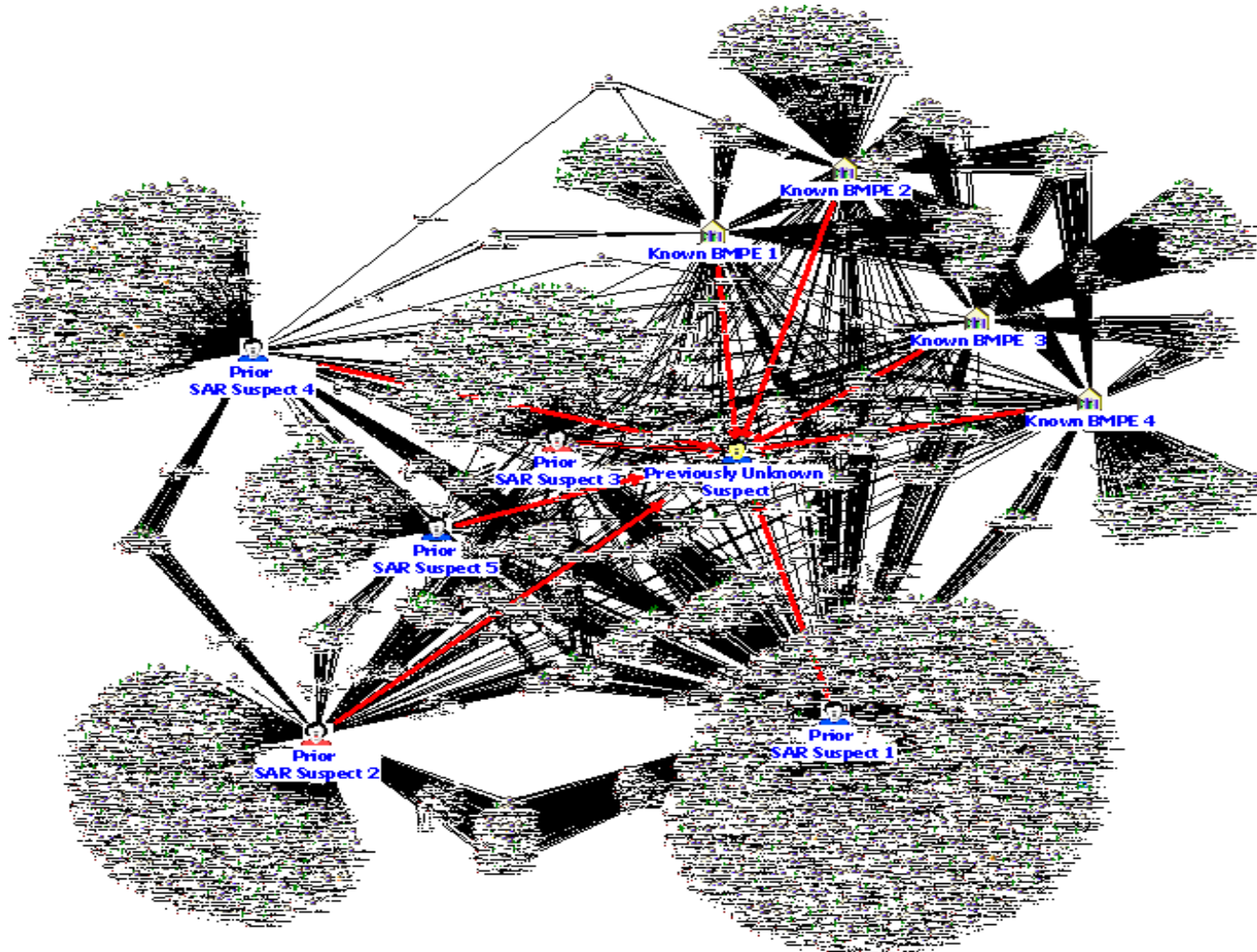
A. Law Enforcement Agencies use STRs/SARs to:

1. Aid in the identification of money laundering, terrorist financing and other crimes for the initiation of new investigations;
2. Provide leads, corroborate evidence and identify additional co-conspirators in on-going criminal cases;
3. Assess geographic areas of risk and identify trends in criminal activity;
4. Assist in the identification of assets for potential seizure, forfeiture and/or restitution;
5. Provide information to and cooperate with international and foreign authorities engaged in the prevention of money laundering and terrorism financing;
6. Analyze and research the methods used to money laundering and finance terrorism; and
7. Identify improvements to the methods used to detect or hinder money laundering and terrorist financing.

VIII.HOW LAW ENFORCEMENT USES STRS/SARS IN INVESTIGATIONS



VIII.HOW LAW ENFORCEMENT USES STRS/SARS IN INVESTIGATIONS



II. HOW LAW ENFORCEMENT USES STRS/SARS IN INVESTIGATIONS

B. STRs/SARs can be used to:

1. Deter potential money launderers by fear of identification, prosecution and loss of assets;
2. Develop guidance for Financial Institutions, financial crimes units and law enforcement in order to reduce the money laundering and terrorism financing possibilities;
3. Assist in the development of recommendations for improving AML and CTF laws and regulations,
4. Organize and execute risk assessments of laundering of proceeds derived from criminal activity and terrorism financing risk assessment and develop proposals for reducing the level of these risks.

And

Protect the integrity of the Bank by identifying criminal elements that can be barred from the Institution.

IX. Documenting the STR/SAR Decision Making Process

IX.DOCUMENTING THE STR/SAR DECISION MAKING PROCESS

- A. Elements of Documenting the Decision to File or Not to File a STR/SAR
 - 1. Summary of Relevant Collected Information
 - a. Account information;
 - b. Transaction/Financial data;
 - c. Negative News/World-Check or other vendor data;
 - d. Public Media; and
 - e. Other relevant records
 - 2. Observations and Recommendations
 - a. Investigative Findings (analysis of facts/collected information);
 - b. Recommendation (File or No Further Action (“NFA”)); and
 - c. Rationale for recommendation.
 - 3. Conciseness and Logical Presentation
 - a. Effective structure and effective use of schedules, summaries, tables, footnotes and appendices (when necessary);
 - b. Logical Presentation: Each sentence, paragraph and section of the report should develop the primary purpose.

IX. DOCUMENTING THE STR/SAR DECISION MAKING PROCESS (CONT'D)

B. Structure of the Decision Making Narrative

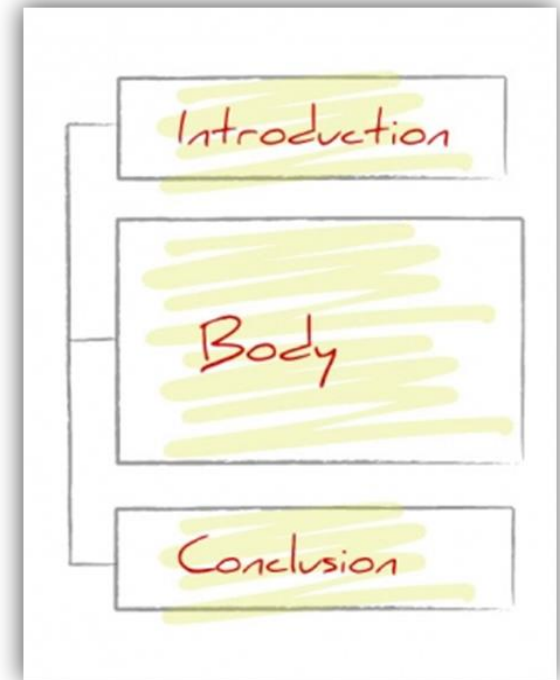
1. Introduction

- a. Identify the case;
- b. Describe alerted or referred activity;
- c. Indicate the date range of activity;
- d. Reference the rationale for the referral; and
- e. Identify the referring party.

2. Body

- a. Discuss the alerted or referred activity
- b. Provide analysis of the activity

The components of the body for a No Further Action (i.e., not to file) narrative will be briefer and more succinct than a STR/SAR Recommendation but should still include these major components.



IX. DOCUMENTING THE STR/SAR DECISION MAKING PROCESS (CONT'D)

B. Structure of the Decision Making Narrative (cont'd)

2. Body (cont'd)

c. Analysis

Details the transactions and activity including

- i. Who conducted the activity;
- ii. What instruments were used;
- iii. Where did the activity occur; and
- iv. Why is the activity is or is not suspicious.

d. Summary of Relevant Collected Information

- i. Account information;
- ii. Transaction/Financial data;
- iii. Negative News/World Check or other vendor data;
- iv. Public Media; and
- v. Relevant records.

IX. DOCUMENTING THE STR/SAR DECISION MAKING PROCESS (CONT'D)

B. Structure of the Decision Making Narrative (cont'd)

3. Conclusion

- a. Explain how all red flags were resolved (negate or support possible suspicious activity)
 - i. Characteristics of the subjects,
 - ii. Nature of the transactions, and
 - iii. Other available information reviewed

- b. Summarize the rationale for recommendation:
 - i. No further action is required
 - ii. Transaction/activity is suspicious and requires escalation.

The Narrative may ultimately form the basis for a STR/SAR and should be subject to secondary review.

IX. DOCUMENTING THE STR/SAR DECISION MAKING PROCESS (CONT'D)

C. Decision Making Narrative Review

The Narrative review should include:

1. Review the findings and recommendation;
2. Perform a QA check on the findings;
3. Review the decisioning process used in reaching a recommendation; and
4. Determine the next step for the investigation:
 - a. Agree with the recommendation not file a STR/SAR.
 - b. Request additional information or investigation; or
 - c. Agree with the recommendation and the drafting of a STR/SAR.

The STR/SAR should be reviewed for accuracy and completeness before filing.

IX. A. Investigative Notes - No Further Action Recommendation

IX.A. INVESTIGATIVE NOTES SAMPLE – NO FURTHER ACTION RECOMMENDATION

Investigative Notes - No Further Action Required

Sample Narrative A

A. Alerted Transaction Details

The alerted activity consists of an incoming wire from Phone Me LLC to PM FUND, LTD. Research indicates Phone Me LLC is a Mexican telecommunication company headquartered in Mexico City, Mexico. It is the fourth largest mobile network operator in terms of equity subscribers and one of the largest corporations in the world. The transfer indicates further credit to Phone Me LLC Account Number 1234.

A World Check media search of Phone Me LLC returned a match for potentially negative media. It appears the firm has a business relationship with an Iranian telecommunication firm. Additionally the wire details include "ATTN: John D. Doe" appears to be the treasurer of Phone Me LLC. Additionally a World Check of the name "John D. Doe" returned results for John Doe. This is only a partial name match, however the individual returned for the World Check match is a fugitive from justice in Argentina, and the ages of the fugitive and the treasurer of Phone Me LLC appear to be about 25 years apart. Alert promoted to case for further review of the originator's business practices and confirmation of identity on the ATTN party and a file was created.

B. Analysis and Summary of Collected Information

Research indicates Phone Me LLC is a Mexican telecommunication company headquartered in Mexico City, Mexico. It is the fourth largest mobile network operator in terms of equity subscribers and one of the largest corporations in the world.

IX.A. INVESTIGATIVE NOTES SAMPLE – NO FURTHER ACTION RECOMMENDATION (CONT'D)

Investigative Notes - No Further Action Required (cont'd)

Sample Narrative A Continued

C. Analysis and Summary of Collected Information

A World Check media search of Phone Me LLC returned a match for potentially negative media. World Check reports Phone Me LLC entered into roaming interconnections with Ring Iran along with some subsidiaries. Phone Me LLC's 20-F annual report discloses that several of Phone Me LLC's subsidiaries' have entered into roaming interconnection agreements with Ring Iran (a wireless telecommunication provider in Iran). However, the subsidiaries generate no revenue under the roaming agreements. Internet research regarding PM FUND LTD. confirmed it is an active investment vehicle for Phone Me LLC.

A World Check media search of "John D. Doe" returned a match for potentially negative media. However, additional internet research verified that "John D. Doe" is the treasurer of Phone Me LLC and not the individual referred to on the World Check partial match (files created).

A twelve month review of transactional activity for Phone Me LLC (period August 2017 – August 2018) was conducted and no transactions with Iran or any other suspicious activity was identified.

D. Findings and Conclusion

Phone Me LLC has an agreement with an Iranian cellular provider. However, research indicates the agreements do not economically benefit Phone Me LLC and only appear to provide roaming coverage for customers. The alerted activities consist of company to fund transfers that appear to be investment related activity by Phone Me LLC. Accordingly, the red flags for the alerted transaction have been resolved and No Further Action is required.

IX. B. Investigative Notes – STR/SAR Recommendation

IX.B. INVESTIGATIVE NOTES – STR/SAR RECOMMENDATION

Investigative Notes – STR/SAR Further Action Required

A. Introduction

1. Basis of STR/SAR and general description of the alleged suspicious activity.
2. Description of the Financial Institution customer account reviewed and the date range of the review.
3. Identification of the suspect and subjects of the STR/SAR.
4. Date range of the suspicious activity (different from the date range of the review).
5. STR/SAR amount and how it was derived.

A STR should only be filed on money from one side of a transaction

IX.B. INVESTIGATIVE – STR/SAR RECOMMENDATION (CONT'D)

Investigative Notes – STR/SAR Further Action Required (cont'd)

A. Introduction (cont'd)

6. Whether the STR is associated with any OFAC sanctioned countries, Specially Designated Nationals and Blocked Persons, or other government lists for individuals or organizations.
7. A summary of the suspicious patterns of behavior that initiated the STR/SAR.
8. How suspicious activity was initially detected (alert/referral).
 - a. If a referral, summarize the referral and state important points of referral.
 - b. If an alert, provide the date of the alerted activity.

IX.B. INVESTIGATIVE NOTES – STR/SAR RECOMMENDATION (CONT'D)

Investigative Notes – STR/SAR Further Action Required (cont'd)

B. Body

1. Account holders tenure with the bank and accounts used.
2. All relevant information concerning the parties that facilitated the suspicious transactions, including brief descriptions of negative news/public records/Lexis/World Check or other vendor findings on suspects and subjects.
3. Description of the accounts and transactions involved, including source of incoming funds and destination of outgoing funds.
4. Transaction and beneficiary information, providing as much information as possible.
5. Explanation of observed relationships and analysis of the suspicious activity.
6. A sample(s) or example(s) of suspicious transactions.

IX.B. INVESTIGATIVE NOTES – STR/SAR RECOMMENDATION (CONT'D)

Investigative Notes – STR/SAR Further Action Required (cont'd)

C. Conclusion

1. High-level summary of information previously mentioned.
2. Summary of the suspicious activity/pattern of activity.
 - a. Restate the dollar amount determination and how that number was derived.
 - b. Restate the date range of the suspicious activity.
3. Subsequent action taken by the bank such as exiting the subject, closing accounts or additional monitoring activity.
4. General description of additional information maintained in the files that may be available to law enforcement.

IX.B. INVESTIGATIVE NOTES – STR/SAR RECOMMENDATION (CONT'D)

Investigative Notes – STR/SAR Further Action Required (cont'd)

Sample Narrative A

A. Information

1. ABC Bank (the “Bank”) reviewed account number 123456, an account in the name of Waste Removal Mafia LLC, held at the Bank since 02/01/2013. The Bank observed the following suspicious activity in the account: (1) a pattern of activity consistent with potential structuring; (2) the wiring of funds through a high-risk geography with no nexus to the customer; (3) the possible use of shell corporations; (4) and the wiring of funds to third parties for no apparent legitimate business purpose.
2. STR/SAR Date Range: The date range of the reported activity begins on 02/01/2018; the date of the first transfer from Waste Removal Mafia LLC, and ends on 08/08/2018, the date of the last outgoing wire to Waste Removal Mafia LLC from Ukraine Shell LLC.
3. STR/SAR Amount: This STR/SAR is being filed in the amount of €68,600, which is derived from the total amount of the ten (10) wires conducted to account number 123456.

The primary suspect of this STR/SAR is the account holder, Waste Removal Mafia LLC. The following entity will be named as a subject in the STR/SAR: Wire originator Ukraine Shell LLC.

IX.B. INVESTIGATIVE NOTES – STR/SAR RECOMMENDATION (CONT'D)

Investigative Notes – STR/SAR Further Action Required (cont'd)

Sample Narrative A (Continued)

B. Analysis and Summary of Collected Information

Account number 123456 is an account held in the name of Waste Removal Mafia LLC opened on 02/01/2013. Waste Removal Mafia LLC is a waste management firm based in Anytown, New Jersey, USA. An internet search revealed that Ukraine Shell LLC, an entity appearing to be related to Waste Removal Mafia LLC, is a company that was created in Ukraine on 1/11/2016. The registered agent for the Ukraine Shell LLC is listed as KC, who is also the authorized signatory on the account for Waste Removal Mafia LLC. No additional information could be identified for Ukraine Shell LLC regarding its business activities.

Negative Media Checks and World Checks performed on Waste Removal Mafia LLC and Ukraine Shell LLC yielded no results. A review of Waste Removal Mafia LLC's KYC file determined that the company's anticipated activity is entirely U.S.-based. ISPNY conducted a twelve (12) month review of Waste Removal Mafia LLC's transactions and did not identify any further suspicious activity.

IX.B. INVESTIGATIVE NOTES – STR/SAR RECOMMENDATION (CONT'D)

Investigative Notes – STR/SAR Further Action Required (cont'd)

Sample Narrative A (Continued)

B. Analysis and Summary of Collected Information (cont'd)

Customer Details:

Account Number: 123456

Name: Waste Removal Mafia LLC

Address: 10101 Park Street, Anytown, New Jersey

Status: Open

Country of Residency: United States

A Request for Information (“RFI”) identified Waste Removal Mafia LLC claimed the purpose of these payments was for consulting services rendered. However, the originator to beneficiary reference field identified the payments as being for purchase of waste management equipment. Further, the RFI response did not provide any information regarding the customer’s business operations in Ukraine, which is not in line with the anticipated activity of the account.

IX.B. INVESTIGATIVE NOTES – STR/SAR RECOMMENDATION (CONT'D)

Investigative Notes – STR/SAR Further Action Required (cont'd)

Sample Narrative A (Continued)

C. Suspicious Outgoing Wire Activity

Between 02/01/2017 and 08/08/2018, Waste Removal Mafia LLC received 10 incoming wires from Ukraine Shell LLC, totaling €68,600:

02/01/2018	Ukraine Shell LLC	€9,500
02/04/2018	Ukraine Shell LLC	€4,500
02/05/2018	Ukraine Shell LLC	€6,500
05/13/2018	Ukraine Shell LLC	€8,600
05/15/2018	Ukraine Shell LLC	€3,500
05/16/2018	Ukraine Shell LLC	€9,500
07/22/2018	Ukraine Shell LLC	€9,500
07/24/2017	Ukraine Shell LLC	€4,500
08/06/2018	Ukraine Shell LLC	€7,200

IX.B. INVESTIGATIVE NOTES – STR/SAR RECOMMENDATION (CONT'D)

Investigative Notes – STR/SAR Further Action Required (cont'd)

Sample Narrative A (Continued)

D. Conclusion

In summary, Bank is filing a STR in the amount of €68,600 which is derived from the total amount of 10 wires received by account number 123456, accountholder Waste Removal Mafia LLC, from Ukrainian company Ukraine Shell LLC, which appears to be a shell corporation with a connection to Waste Removal Mafia LLC. Wires were sent in short succession in increments of less than €10,000, which appear to be structured to avoid reporting requirements. The Bank could not determine the business purpose of the transfers; further, information provided by the originator and beneficiary regarding the reasons for the transfers were conflicting, further raising suspicion of the purpose of the transfers. Further, conducting business in Ukraine is not in line with the anticipated activity of the customer.

X. STR/SAR Preparation and STR/SAR Filing on Continuing Activity

X.A. STR/SAR

X.A. STR/SAR PREPARATION

A. What to File/Key Elements of a STR/SAR Filing

1. Monetary Amount of the STR/SAR

The STR/SAR narrative must include the total or aggregated monetary amount of the suspicious activity reported.

- a. In determining the total or aggregated monetary amount of a STR/SAR, only include one side of the STR/SAR activity (e.g., all incoming suspicious activity or all outgoing suspicious activity).
- b. Choose the side of the transaction with the highest amount or the most egregious suspicious activity.

X.A. STR/SAR PREPARATION (CONT'D)

A. What to File/Key Elements of a STR/SAR Filing (cont'd)

2. Subjects/Suspects of a STR/SAR

Typically, the primary subject, the individual or entity primarily conducting the suspicious activity, is listed as the suspect on the electronic STR/SAR form.

Any additional individuals or entities involved in the suspicious activity are listed as subjects.

Persons who are victims of the suspicious activity are not subjects.

- a. Information on each known subject involved in the suspicious activity must be included in the STR/SAR.
- b. Information on all known subjects must be provided as well as the nature of the unknown subject(s).
- c. The STR/SAR must identify the subject's role in the suspicious activity.

X.A. STR/SAR PREPARATION (CONT'D)

A. What to File/Key Elements of a STR/SAR Filing (cont'd)

3. Date Range of the Suspicious Activity

The STR/SAR must identify the date range that the suspicious activity occurred.

- a. Enter the suspicious activity date or beginning suspicious activity date (if reporting a range of suspicious activity dates).
- b. If the exact date(s) is (are) unknown, enter a date range that is believed to encompass the date(s) of the suspicious activity.

X.A. STR/SAR PREPARATION (CONT'D)

A. What to File/Key Elements of a STR/SAR Filing (cont'd)

4. Types of Suspicious Activity

- a. The STR/SAR should list the type of suspicious activity that is the subject of the filing.
- b. If the categories provided do not apply:
 - i. “Other” should be used and
 - ii. A brief description of the type of suspicious activity included.
- c. A “Suspicious Activity Information – Narrative.” should be provided
- d. Suspicious activity may contain several subcomponents and may be included on an STR/SAR form
 - i. Structuring;
 - ii. Fraud;
 - iii. Identification/Documentation;
 - iv. Tax Evasion
 - v. Corrupt Payments
 - vi. Misappropriated or diverted funds
 - vii. Inappropriate use of shell company

X.A. STR/SAR PREPARATION (CONT'D)

A. What to File/Key Elements of a STR/SAR Filing (cont'd)

5. The STR/SAR Narrative

a. The STR/SAR narrative should

- i. Provide a clear, complete, and concise description of the activity,
- ii. Include what was unusual or irregular that caused suspicion and should
- iii. Include any other information necessary to explain the nature and circumstances of the suspicious activity.

b. Key elements of a STR/SAR narrative include but are not limited to:

- i. A description of the conduct or transaction(s) that caused suspicion.
- ii. An explanation of who benefited and how they benefited, financially or otherwise, from the activity.

X.A. STR/SAR PREPARATION (CONT'D)

A. What to File/Key Elements of a STR/SAR Filing (cont'd)

5. The STR/SAR Narrative (cont'd)

- b. Key elements of a STR/SAR narrative include but are not limited to (continued):
 - i. Indication of whether the suspicious activity is an isolated incident or related to other activity.
 - ii. A description of the nature of the losses and recoveries related to the suspicious activity,
 - iii. Identification of the foreign currency, country of issue, and the source or destination of the funds (if applicable).
 - iv. Indication of where the suspicious activity took place.
 - v. Identification of the names of financial institutions associated with account numbers.

X.A. STR/SAR PREPARATION (CONT'D)

A. What to File/Key Elements of a STR/SAR Filing (cont'd)

6. Supporting documentation for the STR/SAR

a. STR/SAR filers may include supporting

a. Supporting documentation must be available to appropriate authorities upon request.

X.A. STR/SAR PREPARATION (CONT'D)

B. Exigent Circumstances

In situations requiring immediate attention, the Financial Institution should immediately notify, by telephone, appropriate law enforcement and financial institution supervisory authorities in addition to filing a timely STR/SAR.

1. The STR/SAR narrative should include the details of the call to law enforcement.
2. The preparation and filing of such STRs/SARs to be expedited.
3. Examples may include:
 1. Terrorist activity (flight school, arms purchases, etc.)
 2. Kidnapping
 3. Possible OFAC violations
 4. Murder for hire
 5. Anything that poses imminent danger

X.B. STR/SAR Filing on Continuing Activity

X.B. STR/SAR FILING ON CONTINUING ACTIVITY (CONT'D)

A. Continuing Activity Reporting

A Continuing Activity Report (“CAR”) should be filed on suspicious activity that continues after an initial STR/SAR is filed.

1. CARs should be filed within a reasonable time period (e.g., at least every 90 days)
 - a. Until the suspicious activity ceases or
 - b. Financial Institution exits the relationship and is no longer privy to the activity.

2. CARs should include the information about all subjects involved in the suspicious activity and financial institutions where the activity occurred.

X.B. STR/SAR FILING ON CONTINUING ACTIVITY (CONT'D)

A. Continuing Activity Reporting (cont'd)

3. The continuing report narrative should include:

- a. Details of the suspicious activity for the period encompassed by the report, and
- b. Data from prior reports as is necessary to understand the activity.
- c. Identification of additional co-conspirators/entities

XI. Record Retention

XI. RECORD RETENTION

Financial Institutions are required to maintain the following records for five years after the termination of a business relationship or execution of an occasional transaction:

- A. All the information obtained within the scope of the customer due diligence:
 - 1. Information on the customer and its accounts,
 - 2. copies of documents attesting to the customer identification data,
 - 3. results of customer due diligence;
 - 4. information on all the payments made by the customer;
 - 5. correspondence with the customer, including electronic correspondence.

- B. Documents and information should be destroyed at the end of the required retention period.

- C. Regulatory agencies may extend the retention period for a time period not exceeding five years in order to prevent, discover or investigate the money laundering or terrorism financing

Chapter VI, Section 37 of the Law Storage, Updating and Destruction of Customer Due Diligence Documents.

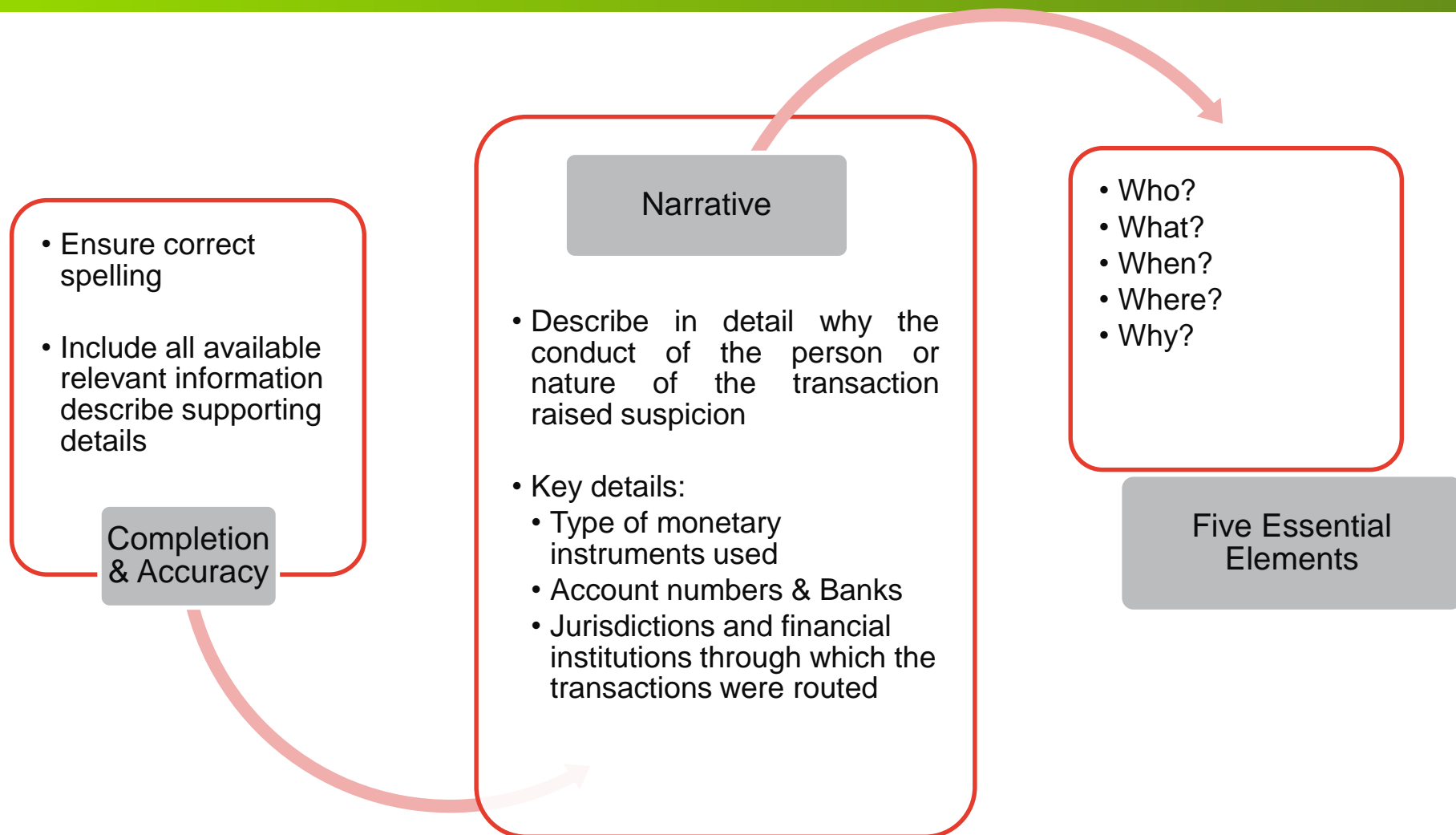
SESSION II

WELCOME BACK

I. Work Shops

I.A. STR/SAR Preparation Work Shop

I.A. STR/SAR PREPARATION WORK SHOP



I.A. STR/SAR PREPARATION WORK SHOP (CONT'D)

A. Case Study A

1. STR/SAR Narrative

“Company Night Fright was the originator of nine wires totaling €225,000. All of the wires were remitted to a Dubai based company. During the same period of time Company Night Fright deposited numerous third party checks from a variety of individuals, money orders payable to checks, and checks drawn on charitable organizations.

See attached schedule of transactional activity.”

2. Review Questions

- a. Is this STR narrative sufficient?
- b. Is this an appropriate opening paragraph?
- c. If so, why? If not, why not?
- d. Has the STR been sufficiently developed?
- e. What additional information would you like to add to this narrative?

I.A. STR/SAR PREPARATION WORK SHOP (CONT'D)

A. Case Study A (cont'd)

3. Review Comments:

This STR/SAR fails to provide specific details on the application of the suspect funds (the name, bank, and account number of the beneficiary, if identifiable). The STR/SAR also references an attachment, which is not available to the reader since supporting documents are not entered into the STR/SAR System database. (Please remember that attachments should not be sent with the STR. Rather, any supporting documentation should be described in the STR/SAR narrative and retained with the financial institution's case file.) The depository institution fails to provide any information concerning the relationship, if any, between the institution and the customer. Also, no specific transaction data is provided that identifies the dates and amounts of each wire transfer.

I.A. STR/SAR PREPARATION WORK SHOP (CONT'D)

B. Case Study B

1. STR/SAR Narrative

“A.) Copy of the questionable activity report (QAR) from Bank Secrecy Act Department outlining the suspected structuring of cash-in activity by our customer, Management Services, a management company for the period of 07/10/02 to 07/22/02. B.) Management Services, financially, via the suspected structuring of cash-in activity to avoid CTR reporting. C.) N.A. D.) See A. above. E.) N.A. F.) Downtown branch, 25 E. Third Street, Any town, SD 12345. G.) The activity consisted of 4 transactions for the month of July 2002. H.) N.A. I.) N.A. J.) To the best of my knowledge, no information has been excluded from this report. K.) Currency was involved. L.) 224-307711.”

2. Review Questions

- a. Is this STR narrative sufficient?
- b. Is this an appropriate opening paragraph?
- c. If so, why? If not, why not?
- d. Has the STR been sufficiently developed?
- e. What additional information would you like to add to this narrative?

I.A. STR/SAR PREPARATION WORK SHOP (CONT'D)

B. Case Study B (cont'd)

3. Review Comments:

Although the bank responds to the checklist found in the STR instructions, it fails to provide a chronological and complete account of the violation of law in order to explain the nature of the suspicious activity. The STR fails to identify specific examples of the structuring activity, including dates and amounts of the transactions. Additionally, the filing bank does not explain if the deposits were consistent with the expected transactions of the business. Finally, the narrative does not identify what happened to the funds after they were deposited into the bank account.

I.A. STR/SAR PREPARATION WORK SHOP (CONT'D)

C. STR/SAR Write-up - Exercise 1

1. Reason for escalation: RBW Bank Transaction Monitoring alert
 - a. Customer: MEG Company.
 - b. Address: ul. May d. 5, g. Moscow, Russia
 - c. Customer business: Exporter of cable and Internet software and infrastructure equipment
 - d. Account Number: 85672

2. Transaction detail:
 - a. Date: August 01, 2018
 - b. Originator: MEG Company
 - c. Originator Country: Russia
 - d. Amount: €60,000
 - e. Beneficiary: eBITS
 - f. Beneficiary Country: Cayman Islands

I.A. STR/SAR PREPARATION WORK SHOP (CONT'D)

C. STR/SAR Write-up - Exercise 1 (cont'd)

3. eBITS Research results:

a. Business: Bloomberg results state eBITS is a fund providing digital coin investment services.

b. Incorporated: July 01, 2018

c. Negative news:
eBITS CEO, Johnnie McEvil and his previous business eCOIN, is under investigation for facilitating money laundering related to Internet fraud schemes. The investigation was announced 07/15/2017 and eCOIN ceased operations on the same day.

d. World-Check results: Same as above

e. Beneficial owner: Johnnie McEvil (90%)
Remaining 10% unknown

4. RFI response: None received

I.A. STR/SAR PREPARATION WORK SHOP (CONT'D)

c. STR/SAR Write-up - Exercise 1 (cont'd)

5. MEG Company Research Results:

- a. Neg news: No results
- b. World-Check: No results
- c. KYC file: No inconsistencies

d. Transaction review:

Conducted for August 2017 – August 2018 identified the following unrelated, but suspicious activity:

A series of transfers occurring between ABC Cyprus Co., MEG Company, and DEF Cyprus Co. On March 15, 2018, ABC Cyprus Co transferred €1,200,000 to MEG Company for “product shipment”. On March 18, 2018, MEG Company transferred €1,150,000, DEF Cyprus Co. for “services rendered”; on April 29, 2018, ABC Cyprus Co transferred €4,500,000 to MEG Company for “cable products”; on May 2, 2018, MEG Company transferred €4,450,000 to DEF Cyprus Co for “services rendered.”

I.A. STR/SAR PREPARATION WORK SHOP (CONT'D)

c. STR/SAR Write-up - Exercise 1(cont'd)

6. ABC Panama Co. Research Results

- a. Business: Bloomberg results state company was established in July 2010 in Panama. No further info available.
- b. Negative news: No results
- c. Beneficial owner: Captain Corruption
- d. World-Check: Captain Corruption is a Senior Procurement Officer at the 100% State-Owned XYZ Inc., the Panamanian cable and Internet provider.

I.A. STR/SAR PREPARATION WORK SHOP (CONT'D)

c. STR/SAR Write-up - Exercise 1 (cont'd)

7. DEF Panama Co. Research Results

- a. Business: Bloomberg results state company was established in July 2010 in Panama. No further info available.
- b. Negative news: No results
- c. Beneficial owner: Captain Corruption
- d. World-Check: Captain Corruption is a Senior Procurement Officer at the 100% State-Owned XYZ Inc., the Panamanian cable and Internet provider.

I.A. STR/SAR PREPARATION WORK SHOP (CONT'D)

D. STR/SAR Write-up - Exercise 2

1. Reason for escalation: RBW Bank Transaction Monitoring alert
 - a. Customer: Happy Time Company
 - b. Address: Catedral 5, Distrito Federal, Cali, Colombia
 - c. Customer business: Manufacturer of small appliances
 - d. Account Number: 8675309

2. Transaction detail:
 - a. Date: November 02, 2018
 - b. Originator: Happy Time Company
 - c. Originator Country: Colombia
 - d. Amount: €100,000
 - e. Beneficiary: Pharma Inc.
 - f. Beneficiary Country: China

I.A. STR/SAR PREPARATION WORK SHOP (CONT'D)

c. STR/SAR Write-up - Exercise 2 (cont'd)

3. Happy Times Company Research Results:

- a. Neg news: No results
- b. World-Check: No results
- c. KYC file: No inconsistencies
- d. Transaction review:

Conducted for November 2017 – November 2018 identified the following suspicious activity:

A series of transfers occurring between Happy Times Company, Parts-R-Us Co., and Pharma Inc.. On March 15, 2018, Parts-R-Us Co. transferred €1,200,000 to Happy Times Company for “purchase refund”. On March 18, 2018, Happy Times Company transferred €1,150,000, Pharma Inc. for “services rendered”; on April 29, 2018, Parts-R-Us Co. transferred €4,500,000 to Happy Times Company for “purchase refund”; on May 2, 2018, Happy Times Company transferred €4,450,000 to Pharma Inc for “services rendered.”

I.A. STR/SAR PREPARATION WORK SHOP (CONT'D)

c. STR/SAR Write-up - Exercise 1(cont'd)

4. Pharma Inc. Research Results

- a. Business: Bloomberg results state Pharma Inc was established in Cayman Islands in July 2011. No further info available.
- a. Negative news: No Results
- b. Beneficial owner: Doug Kingpin
- c. World-Check: Doug Kingpin is a Senior Payments Officer at the Colombian Department of Social Prosperity.

5. RFI response: None received

I.A. STR/SAR PREPARATION WORK SHOP (CONT'D)

c. STR/SAR Write-up - Exercise 2 (cont'd)

6. Part-R-Us Co. Research Results

- a. Business: Bloomberg results state Part-R-Us Co. is a manufacturer of small appliance parts and incorporated in China in June 2011. No further info available.
- b. Negative news: Part-R-Us Co.'s CEO, Mary Lin, is under investigation for facilitating money laundering related to drug trafficking.
- c. Beneficial owner: Mary Lin (75%)
Pharma Inc. (25%)
- d. World-Check: Part-R-Us Co.'s CEO, Mary Lin, is under investigation for facilitating money laundering related to drug trafficking.

I.A. STR/SAR PREPARATION WORK SHOP

A. Common Areas/Tips for Improvement

The following is general guidance to remember when completing SARs:

1. Only include one scheme per STR/SAR; do not bundle multiple schemes;
2. Double-check the accuracy of the information on the STR/SAR Form;
3. Provide a clear indication of the research conducted on parties;
4. Provide an indication what, if any, action the Financial Institution has taken with regard to the account;
5. Include a summary of why the activity is suspicious;
6. Include a collective transactional activity and/or write up of the review conducted on past activity; and
7. Include any indications that activity is inconsistent with customer's expected activity

I.B. Law Enforcement Investigation Work Shop

I.B. Law Enforcement Investigation Work Shop

Use the attached SAR/STR Narratives to develop an investigative workplan. Consider the subject, potential criminal violations, affiliates, appropriate Investigative techniques, etc.

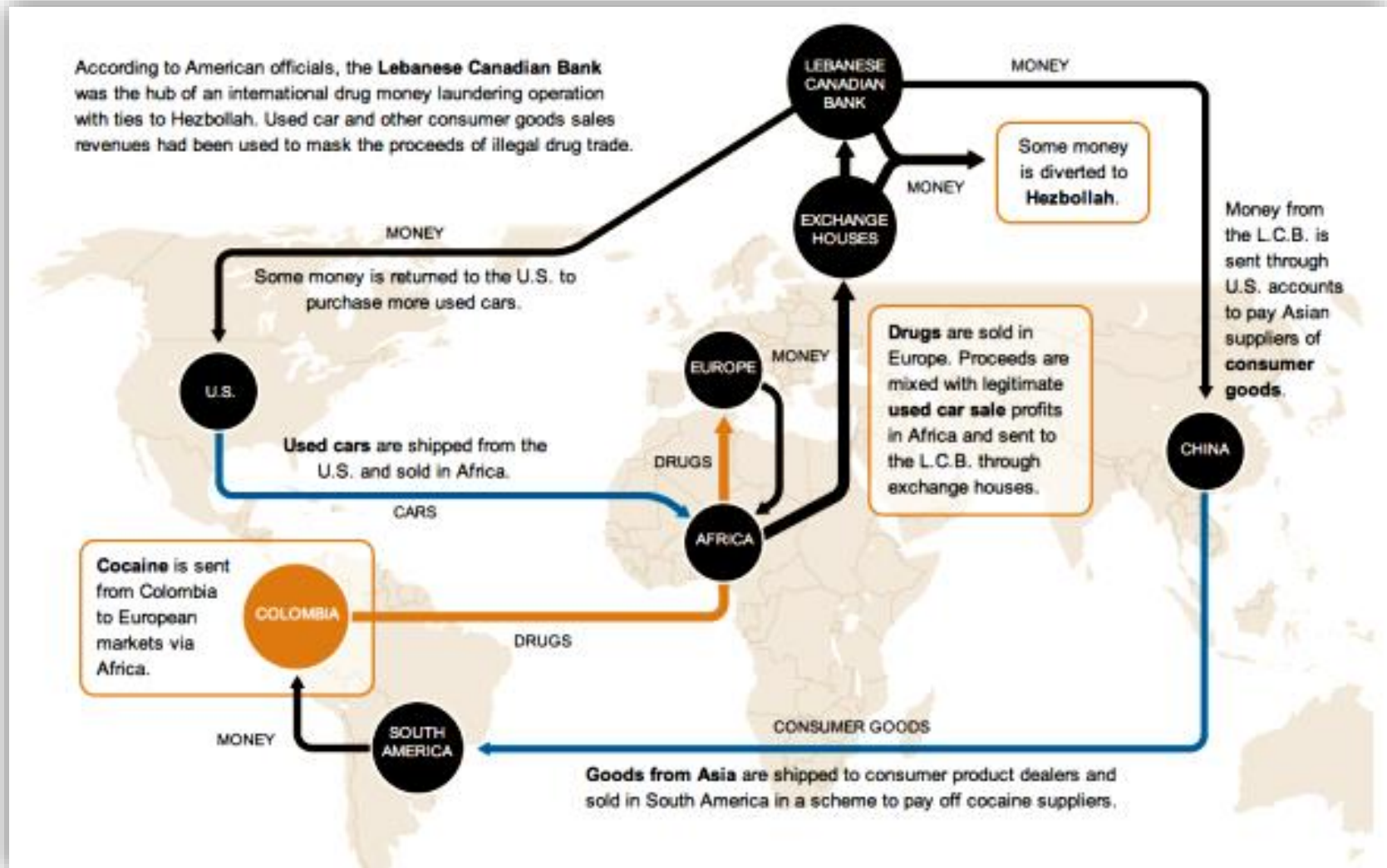
Investigative Plan may include:

- A. Covert Activity
- B. Research
- C. Search Warrants
- D. Interviews
- E. Analysis

II. Understanding the Importance of Tying the STR/SAR Process Together Between Banks and Law Enforcement

III. Appendices

APPENDIX A: EXAMPLE SCHEME



APPENDIX B: AML RESOURCES

- A. The Financial Action Task Force: <http://www.fatf-gafi.org/>
- B. The Wolfsburg Group: <http://www.wolfsberg-principles.com/>
- C. The Egmont Group: <https://egmontgroup.org/>
- D. The European Commission: https://ec.europa.eu/info/policies/justice-and-fundamental-rights/criminal-justice/anti-money-laundering-and-counter-terrorist-financing_en
- E. Financial and Capital Markets Commission: <http://www.fkfk.lv/en/>
- F. FinCEN BSA Guidance
[http://www.fincen.gov/statutes_regs/guidance/BSA/AML Examination](http://www.fincen.gov/statutes_regs/guidance/BSA/AML_Examination)
- G. FFIEC BSA Examination Manual
https://www.ffiec.gov/bsa_aml_infobase/pages_manual/manual_online.htm

APPENDIX C: THE EUROPEAN UNION FOURTH ANTI-MONEY LAUNDERING DIRECTIVE (AMLD4)

The European Union Fourth Anti-Money Laundering Directive (AMLD4)

The European Union adopted the first anti-money laundering Directive in 1990 in order to prevent the misuse of the financial system for the purpose of money laundering. This legislation has been constantly revised in order to mitigate risks relating to money laundering and terrorist financing. Directive (EU) 2015/849 on preventing the use of the financial system for money laundering or terrorist financing (4th Anti-Money Laundering Directive), enacted on 25 June 2015, states:

Member States shall require obliged entities, and, where applicable, their directors and employees, to cooperate fully by promptly: (a) informing the FIU, including by filing a report, on their own initiative, where the obliged entity knows, suspects or has reasonable grounds to suspect that funds, regardless of the amount involved, are the proceeds of criminal activity or are related to terrorist financing, and by promptly responding to requests by the FIU for additional information in such cases; and (b) providing the FIU, directly or indirectly, at its request, with all necessary information, in accordance with the procedures established by the applicable law. All suspicious transactions, including attempted transactions, shall be reported.

APPENDIX D: LAW ON THE PREVENTION OF LAUNDERING THE PROCEED FROM CRIMINAL ACTIVITY (MONEY LAUNDERING) AND OF TERRORIST FINANCING

Law on the Prevention of Laundering the Proceed from Criminal Activity (Money Laundering) and of Terrorist Financing

On July 17, 2008, the Parliament of the Republic of Latvia enacted the Law on the Prevention of Laundering the Proceed from Criminal Activity (Money Laundering) and of Terrorist Financing (the “AML Law”) effective August 13, 2008. The purpose of the AML Law is to prevent money laundering and terrorism financing and requires financial institutions to report unusual and suspicious transactions.

- A. The AML Law requires all institutions engaging in financial transactions to report unusual and suspicious activity and provides specific definitions and indicators for suspicious transactions and unusual transactions the require the filing of a STR/UTR:
 - 1. **Suspicious Transactions**
Transactions in which the funds may involved therein are directly or indirectly obtained in the result of a criminal offence or are related with terrorism financing, or an attempt to carry out such actions.
 - 2. **Unusual Transactions**
Transactions that comply with at least one indicator on the unusual transaction indicators list approved by the Cabinet of Ministers. The List contains transaction indicators of possible money laundering, terrorism financing or an attempt to carry out such actions.
- B. In September 2017, the Financial and Capital Market Commission issued “Recommendations to Credit Institutions for Identifying the “Red Flags” of Suspicious Transactions” that provides a list of red flags that may indicate a suspicious transaction.

APPENDIX E: REGULATION ON UNUSUAL TRANSACTION INDICATOR LIST AND PROCEDURES FOR REPORTING UNUSUAL AND SUSPICIOUS TRANSACTIONS”(NO.1071)

Regulation on Unusual Transaction Indicator List and Procedures for Reporting Unusual and Suspicious Transactions”(No.1071)

On December 22, 2008, the Cabinet of Ministers adopted “Regulations Regarding List of Unusual Transaction Indicators and the Procedures for Submitting Reports on Unusual and Suspicious Transactions” (No.1071) (the “Regulation”) that requires credit and financial institutions to report any unusual or suspicious transaction via a Suspicious Transaction Report (“STR”). The Regulation was issued pursuant to Section 30, Paragraph 2 of the AML Law.

- A. The Regulation defines unusual and suspicious transactions to include intended, initiated and executed transactions
- B. Provide Provisions
 1. Indicators of unusual and suspicious transactions (i.e., filing requirements)
 2. Procedures for reporting unusual and suspicious transactions
 3. Approved STR Forms
- A. STRs are filed with The Office for the Prevention of Laundering the Proceed from Criminal Activity (the “Control Office”). Credit and Financial Institutions are required to file STRs electronically using the Control Office’s “E-reporting System”.
- B. The Covered Institutions must notify the Control Office “without delay” of unusual and suspicious transactions and the STR must be filed by the reporting institution and no later than the following working day.

APPENDIX F: STR SAFE HARBOR

Safe Harbor for Filing STRs

Section 40 of the “Law on the Prevention of Laundering the Proceed from Criminal Activity (Money Laundering) and of Terrorist Financing” provides Financial Institutions, it’s management (members of the council or board and employees protection from legal liability, including civil liability, for all reports of unusual and suspicious transactions and activity made to the Control Service, including supporting documentation, regardless of whether such reports are filed pursuant to a regulatory requirement or on a voluntary basis.

APPENDIX G: THE UNITING & STRENGTHENING AMERICA BY PROVIDING APPROPRIATE TOOLS REQUIRED TO INTERCEPT AND OBSTRUCT TERRORISM ACT

USA PATRIOT Act Requirements

The Uniting & Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (“USA PATRIOT” Act) requires financial institutions to report any transaction (via a Suspicious Activity Report or “SAR”):

- A. That is conducted or attempted by, at, or through the financial institution;
- B. Involves or aggregates at least \$5,000; and
- C. That the financial institution knows, suspects, or has reason to suspect that the transaction or pattern of transactions of which the transaction is a part:
 - 1. Involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any Federal law or regulation or to avoid any transaction reporting requirement under Federal law or regulation;
 - 2. Is designed, whether through structuring or other means, to evade any requirement of the Bank Secrecy Act or any regulation promulgated under the Bank Secrecy Act;

APPENDIX G: THE UNITING & STRENGTHENING AMERICA BY PROVIDING APPROPRIATE TOOLS REQUIRED TO INTERCEPT AND OBSTRUCT TERRORISM ACT (CONT'D)

USA PATRIOT Act Requirements

3. Has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the financial institution knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction; or
4. Involves the use of the financial institution to facilitate criminal activity.

D. The following financial institutions are required to file SARs:

1. Banks (31 CFR § 1020.320) including Bank and Financial Holding Companies (12 CFR § 225.4);
2. Casinos and Card Clubs (31 CFR § 1021.320);
3. Money Services Businesses (31 CFR § 1022.320);
4. Brokers or Dealers in Securities (31 CFR § 1023.320);
5. Mutual Funds (31 CFR § 1024.320);
6. Insurance Companies (31 CFR § 1025.320);
7. Futures Commission Merchants and Introducing Brokers in Commodities (31 CFR § 1026.320); and
8. Residential Mortgage Lenders and Originators (31 CFR § 1029.320).