Tell the Story Right: A Workshop on Building Strong, Defensible SARs

THE PURPOSE OF A SAR

A record of what you knew, not a verdict on what happened

- A SAR is not the institution deciding someone is guilty, and it is not a referral asking law enforcement to make an arrest. an arrest.
- It is a factual account of what the institution observed and knew at the time the activity was identified, reported in the institution's own words.
- What law enforcement does with that information, whether they investigate, decline, or act months later, is entirely outside the institution's control and not the measure of whether the SAR did its job.
- FinCEN guidance asks every SAR narrative to answer who, what, when, where, why, and how, the same questions the institution would need to answer for itself internally.

Safe harbor under the Bank Secrecy Act (31 U.S.C. § 5318(g)(3)) protects a good-faith filing, even if the suspicion turns out to be wrong.

DIFFERENT SITUATIONS, DIFFERENT OUTCOMES

Not every investigation ends in a filing, and that is fine

Investigated, not filed

The red flag was resolved with a reasonable, documented explanation, verified against real information, not just accepted at face value.

This is a legitimate outcome, provided the reasoning is written down.

Investigated and filed

The activity could not be reasonably explained, and the facts known at the time supported a good-faith suspicion.

Also legitimate, for the same reason: the reasoning is written down.

The failure that gets cited is rarely "you didn't file." It is "you can't show us why."

THE REGULATORY LINE

What regulators can, and can't, do

Cannot

- Direct the institution to file a specific SAR
- Override a documented, reasonable judgment call
- Second-guess an individual decision made through a sound process

Can

- Cite a systemic breakdown in the process to identify and research suspicious activity
- Cite a pattern or practice of noncompliance with filing requirements
- Cite a significant or egregious individual failure

Per the Interagency Statement on Enforcement of BSA/AML Requirements.

In practice: front line had the facts but didn't pass them all along. The BSA officer didn't ask the follow-up question. A referral sat without follow-up. That is what gets written up.

THE TWO SOURCES

Where suspicious activity actually comes from

Systems

Transaction monitoring, thresholds, and scenario rules. Consistent, scalable, and tuned to the institution's own risk profile.

Blind to context: a conversation, a nervous customer, a document that doesn't look right.

People

Tellers, relationship managers, and operations staff who see and hear things no system ever will.

Only as reliable as what they've been trained to notice, and to actually report.

Neither source is sufficient alone. A program built on systems alone misses what only a person would catch, and the reverse.

THE TRAINING GAP

Systems are trained. Are your people?

- Monitoring systems get deliberate, documented attention: rules are tuned, thresholds are validated, and scenarios are tested against the institution's actual risk profile.
- Front-line staff rarely get that same deliberate treatment. "Report anything unusual" is not training, it is a slogan.
- Staff need to know exactly what facts matter: what was said, what was shown, what changed, and in what order, not just a feeling that something was off.
- A vague escalation today becomes an incomplete SAR narrative later, and an incomplete narrative is one of the most common findings examiners cite.

Closing the gap between a referral and a decision

- The referral from the front line or the system alert is a starting point, not a finished product.
- The BSA officer and investigative support team exist to fill the space between what was reported and what is needed to make a defensible decision.
- That means asking the follow-up question, pulling the additional account or transaction history, going back to the employee who filed the referral instead of taking it at face value.
- Dropping that follow-up, letting a referral sit, closing it without asking the obvious next question, is exactly the kind of process failure regulators can and do cite.

Case Studies and Group Discussion

CASE STUDY

Scenario: Unusual Transaction Pattern

A personal account holder, identified as a property manager by bank records, routinely makes deposits of approximately $100,000 into three accounts, his personal account and two real estate business accounts for which he is the signer. The deposits into all three accounts include checks and cash . When dividing up the deposits, the cash amounts into his personal account are between $9,000 and $9,950, while deposits into the business accounts exceed $10,000. CTRs are filed for each deposit on the aggregate cash deposit amounts. When the branch request additional information concerning the cash deposits into his personal account, the customer says that in addition to the property holdings of his businesses, he also owns property in his own name and that the cash is from rental income. A search of property holdings confirms that the customer owns multiple properties.

Discuss:

- **Which specific details point toward structuring rather than coincidence, and which details alone would not?**
- **Does the customer's explanation change the analysis and/or does the property search results provide enough information?**
- **What is the minimum documentation needed to support a decision to file, or not to file here?**

CASE STUDY

Scenario: Unusual Transaction Pattern

A personal account holder opens an account in November 2025, and an alert is generated for potential structuring in April 2026. In the first two months since account opening, transactional activity is minimal consisting of a few deposits totaling less than $2,000, an ATM withdrawal of $200 and a few debit card purchases totaling approximately $150. In January 2026, the customer deposits a cashier's check him $60,000 from a well-known financial institution where he is both the remitter and the payee. In February 2026, he purchases two cashier's checks one for $4,000 where he is the payee and another for $10,000, where someone with the same last name is the payee. In March 2026, he makes one small dollar check deposit and later that month he purchases a cashier's check to an unknown individual for $25,272 and makes a $10,000 cash withdrawal. In April 2026, he makes another $10,000 cash withdrawal.

Discuss:

- **Which specific details point toward structuring rather than coincidence, and which details alone would not?**
- **Is there any information that you would request from the customer that would assist you in determining if activity is suspicious?**
- **What is the minimum documentation needed to support a decision to file, or not to file here?**

CASE STUDY

Scenario: Elevated Customer Risk

A nail salon opens a business deposit account. At onboarding, enhanced due diligence flags the customer as higher risk given the cash-intensive business type and stated volume. For the year, activity matches what was expected but over the following year, cash deposits steadily decrease from the original profile. As a result, the customer risk rating system no longer identifies them as higher risk.

Discuss:

- **Did the account's ongoing monitoring actually match the risk rating assigned at onboarding, or did it drift?**
- **Could a decrease in higher risk expected activity which causes a customer's risk rating to drop below higher risk be a concern? If so, what is the concern?**
- **Do you have a process in place to review the reasons why a former higher risk customer is no longer higher risk?**
- **What is the minimum documentation needed to support a decision to file, or not to file here?**

STOUT

CASE STUDY

Scenario: Evolving Suspicious Activity

A customer opened an account eight years ago and their occupation is listed as a student. A review of historical activity revealed occasional periods of payroll deposits of approximately $2,500 per month and ordinary consumer spending. In a recent period, the bank observes: 20 incoming P2P payments totaling approximately $15,000. Payments come from unrelated individuals and payments range from roughly $300 to $1,500. The customer uses the funds for ordinary consumer spending. The activity is inconsistent with the customer's historical activity, stated occupation, and expected income.

Discuss:

- **How much weight should we give the customer's occupation being listed as "student" when the account was opened eight years ago?**
- **Are there indicators that the customer may be operating an undisclosed business rather than engaging in criminal activity?**
- **What information would you want before deciding whether the P2P activity is suspicious?**
- **What could legitimately explain 20 P2P payments totaling $15,000 from unrelated individuals?**
- **What is the minimum documentation needed to support a decision to file, or not to file here?**

REFERENCE

Key risk indicators worth tracking

Customer profile

Business type inconsistent with expected activity, rapid change in stated purpose, reluctance to provide provide ownership or source-of-funds funds detail.

Transaction pattern

Amounts clustered just under reporting thresholds, round-dollar activity, rapid movement of funds in and out with little residual balance.

Behavioral

A customer who directs staff on how to structure a transaction, unusual urgency, or inconsistent explanations across visits or channels.

Geographic

Activity tied to higher-risk jurisdictions, or a pattern that has no no clear connection to the customer's customer's stated business or residence.

No single indicator, on its own, tells the story. The narrative comes from how several of these combine.

COMMON MISSTEPS

What tends to go wrong in SAR decision-making

- Closing an alert because the customer's explanation "sounded reasonable," without verifying it against actual account activity.
- Treating a transaction that stays just under a reporting threshold as automatically not reportable.
- Filing a SAR with a boilerplate narrative that never states the specific facts that made the activity unusual.
- Letting a continuing-activity review date pass without a documented reassessment.
- Accepting a system alert score as the entire analysis, with no independent reasoning written down.

WHAT EXAMINERS ACTUALLY LOOK AT

Common scrutiny and lessons learned

- Examiners sample decisions not to file with the same rigor they apply to actual filings, the case file needs to hold up either way.
- A pattern of similar red flags, closed the same way, without documented reasoning, reads as a systemic gap rather than a series of independent judgment calls.
- Narratives that simply state "see attachment," or omit the method of operation, draw scrutiny even when the underlying filing decision was correct.
- The consistent lesson from enforcement actions: it is the process that gets cited, not any single judgment call made within a sound one.

Documenting a defensible SAR decision

What was observed.

The specific facts, not conclusions, in the order they came to light.

What was reviewed to verify or refute it.

Account history, the KYC file, prior alerts, and any customer explanation, checked against real information.

Who was consulted, and when.

Front line, relationship management, or a second reviewer, with dates.

Why the outcome follows from the above.

The reasoning connecting the facts to the decision to file or not, in plain language.

When it was written.

Contemporaneous with the decision, not reconstructed afterward to match the outcome.

Closing thought

A SAR reports what you knew. It doesn't decide what happens next.

Get the process right, systems tuned, people trained, gaps filled through real investigation, and the filing decision takes care of itself.

Questions & discussion