

NCUA LETTER TO CREDIT UNIONS

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NCUA LETTER NO: 180

DATE: October 1995

DEAR BOARD OF DIRECTORS:

This letter is intended to inform you of certain changes to criminal referral reporting which will occur in the next few months. These changes will significantly reduce reporting burdens on credit unions. At the same time, we are confident the changes will result in more effective tracking, investigation and prosecution of criminal offenses against credit unions. We will notify you with the effective date of the new reporting requirements when one is determined.

You should also be aware that effective October 1, you can no longer report suspicious currency transactions to Treasury on that agency's CTR form, due to a change in that form. Your credit union should use the current criminal referral form to report suspicious currency transactions that would previously have been reported in the "suspicious" box on the old CTR form.

NCUA, the other financial regulatory agencies, the U.S. Department of Justice and the U.S. Department of the Treasury (Treasury) are working together to improve the criminal referral reporting process in the following ways:

- * replacement of each agencies' criminal referral form with a single interagency form called a Suspicious Activity Report (SAR);
- * elimination of duplicative filing requirements by melding the financial regulatory agencies' criminal referral reporting rules with the suspicious transaction reporting requirements on the current Currency Transaction Report (CTR) and Treasury's proposed suspicious transaction reporting regulation so that the filing of a single SAR fulfills all reporting obligations;
- * requiring the filing of the form only with a single repository, Treasury's Financial Crimes Enforcement Network (FinCEN), which will maintain the Suspicious Activity Reporting System (SARS) and oversee distribution of SARs to the various federal law enforcement and financial regulatory agencies;
- * eliminating the need to provide supporting documentation with the SAR;
- * making computer software available to assist in the preparation and filing of the SAR; and
- * raising the mandatory reporting thresholds thereby reducing the number of referrals that must be filed.

One of the major benefits from the new interagency suspicious activity reporting system is the use of a single uniform form adopted by each of the agencies and sent to a single location. Over the last several months, NCUA staff, working with federal law enforcement agencies, Treasury, and the other financial regulatory agencies developed a prototype of the new suspicious activity report. The new SAR will replace NCUA's and the other regulatory agencies' criminal referral forms and the reporting of suspicious transactions on Treasury's CTR.

In order to allow you to become familiar with the new suspicious activity reporting procedures, we have enclosed a copy of the prototype of the SAR for your information. You will note that the new reporting format is considerably simpler and more streamlined than previous referral forms used by NCUA and Treasury to report known or suspected violations of law and suspicious currency transactions. The prototype of the SAR should not be used until you receive instructions to do so from NCUA. Draft instructions are included with the proposed SAR. These instructions will be finalized and included in the SAR when it is issued. They will be prepared jointly by NCUA, the other financial institution regulators, and FinCEN.

The Federal Reserve, on behalf of the other financial regulators, is currently working on the development of computer software that will enable your credit union to prepare the new SAR using a computer and file it on various forms of magnetic media, such as disc or tape. Once completed this software will be available to credit unions. Should you wish to use your own in-house computer system to prepare the appropriate information for filing SARs by magnetic media, rather than using a hard copy of the new SAR or computer software, you may do so by using specifications that will be made available to you by Treasury, provided that you are able to develop a system that produces reports in the same electronic format as the SAR. You may obtain specifications by writing or calling Barbara Rosenberg, IRS Detroit Computing Center, 985 Michigan Avenue, Detroit, Michigan 48226, at (313) 234-1422. Those credit unions that currently file CTRs by magnetic tape will be receiving the specifications from the IRS Detroit Computing Center automatically.

Finally, we anticipate that, within the next 90 days, NCUA will modify its current criminal referral reporting regulation to reflect adoption of the SAR. The other financial regulatory agencies and Treasury are also expected to issue rules. The agencies and Treasury will then distribute a final SAR and begin the new reporting system. Until the new reporting system and SAR are finalized, your credit union should continue to use NCUA's current criminal referral form and follow its reporting instructions.

If you have any questions, please contact John K. Ianno in NCUA's Office of General Counsel. His telephone number is (703) 518-6540.

Norman E. D'Amours
Chairman of the Board

Enclosure