



Insurance Industry Suspicious Activity Reporting

An Assessment of
Suspicious Activity Report Filings
January 2010



Insurance Industry

Suspicious Activity Reporting

An Assessment of the Second Year
Suspicious Activity Report Filings

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Table of Contents

Purpose	1
Executive Summary	3
Background	7
Methodology	9
Research and Analysis	13
Significant Findings	27
Conclusions & Recommendations	47
Appendices	49

Purpose

This report details key findings of the Financial Crimes Enforcement Network's (FinCEN) assessment of Suspicious Activity Reports (SARs) filed from May 2, 2007, through April 30, 2008,¹ by insurance companies and includes some preliminary observations about SARs filed from May 2008 through October 2009. It compares the results through April 2008 with a similar study of the first year of required reporting by segments of the insurance industry (May 2, 2006, through May 1, 2007).² FinCEN analyzed insurance filings to identify typologies, patterns, and trends related to filing volume, filer location, subject details, characterizations of suspicious activities, insurance products, and other relevant information. Analysis includes summaries of SAR narratives identifying reported money laundering risks and vulnerabilities. In identifying potential trends, FinCEN reached out to representatives of the Bank Secrecy Act Advisory Group (BSAAG)³ to better understand what the industry is seeing with regard to these trends. That information is summarized in the **Significant Findings** section.

This report also offers insight into the quality of the SAR reporting. SAR narratives should make available clear, concise, and valuable information to law enforcement investigators. Providing feedback to filers promotes better information for law enforcement and helps shape future industry compliance efforts. In turn, insurers covered by Bank Secrecy Act (BSA) anti-money laundering requirements should ensure that their compliance programs enable them to detect and report the range of suspicious activities that they may encounter.

1. Because 2008 is a leap year, the dates of May 2, 2007–April 30, 2008, were chosen for this study to mirror the 365-day period covered by the first annual study.
2. [Insurance Industry Suspicious Activity Reporting: An Assessment of Suspicious Activity Report Filings](#) (April 2008).
3. The Annunzio-Wylie Anti-Money Laundering Act of 1992 required the Secretary of the Treasury to establish the Bank Secrecy Act Advisory Group ("BSAAG") as a forum for the financial services industry, law enforcement and regulators to advise the Secretary on ways to enhance the usefulness of Bank Secrecy Act ("BSA") reporting. Since 1994, the Advisory Group has served as a forum for these groups to communicate on the uses of Suspicious Activity Reports, Currency Transaction Reports and other BSA reports, and how recordkeeping and reporting requirements can be improved. The BSAAG utilizes a variety of permanent and ad hoc subcommittees to identify and analyze relevant issues.

Executive Summary

FinCEN's assessment of SARs filed by insurance companies in the one-year period from May 2, 2007, through April 30, 2008, finds that most filers are primarily reporting on various suspicious payment methods. Additionally, while SAR filings almost doubled in the second year of mandatory reporting, from 641 to 1,276 SARs, virtually half of the filings—628 reports—came from the subsidiaries of two parent companies. With a few exceptions, the quality of SARs provided by insurance companies continues to be good. However, the filing patterns, while not conclusive, may be an indication of significantly divergent approaches to meeting SAR filing requirements, with some institutions not yet demonstrating the breadth of focus that others have incorporated into their compliance programs.

Several types of suspicious activity were largely reported by one or two insurance companies, and rarely reported by the rest. For example, 48 of the 62 SARs describing early or excessive borrowing were filed by subsidiaries of two parent companies; however, the five leading SAR filers combined for only six such SARs. Likewise, 42 of the 65 reports of subjects making large withdrawals despite penalties came from just four parent companies, while the five leading SAR filers reported only three cases. This may be a reflection of the different products offered by insurance companies as well as the different markets in which they conduct their business. It may also, however, indicate significant divergence in the way some insurance companies are approaching SAR filing requirements. Notwithstanding these observations, the three most cited activity characterizations of each of the four top filing parent companies—excluding “Structuring/Money Laundering”—constituted over 90 percent of the SARs of each parent.

The top reported states based on subject location were New York, California, New Jersey, Florida and Texas. Policy holders and annuity owners continue to be the most reported subjects in the SAR filings for insurance products, and while most were individual subjects, business entities, trusts and retirement plans were also

reported as subjects. Ninety-four SARs named insurance insiders as subjects, primarily agents and brokers. Gatekeepers⁴, whose occupations may give them direct responsibility to manage money for others, such as accountants or lawyers, accounted for a total of 242 SARs.

The second year of insurance SAR filings revealed some potential trends in illicit activity. Some of the typologies evidenced in the narratives appeared very similar to classical examples of the money laundering stages of layering and integration.⁵ For example, as seen with the first year of mandatory reporting, many SARs again reported subjects using multiple cash equivalents (e.g., cashier's checks and money orders) from different banks and money services businesses to make insurance policy or annuity premium payments. Fewer reports cited customers willing to incur significant penalties for surrendering their annuity policy early. Approximately 43 percent (545 of the 1,276 SARs) identified one or more business owners or self-employed individuals as subjects.

The rate of increase in insurance company SAR filings have slowed in the period following this study (May, 2008 – October, 2009). During this period, 107 distinct filers submitted 2,109 SARs, 17 companies averaged at least 1 report per month, and 6 filers surpassed 100 reports. The highest volume by any one filer during this period was 281 SARs. Self-designated SAR-ICs increased dramatically in the third year of mandatory filings by the insurance industry.

4. For the purposes of this assessment, term also includes non-financial managers and/or executives of non-finance-related firms who exert some control over financial resources.

5. Money laundering is a process accomplished in three stages:

Placement: Requires physically moving and placing the funds into financial institutions or the retail economy. Depositing structured amounts of cash into the banking sector, and smuggling currency across international borders for further deposit, are common methods for placement.

Layering: Once the illicit funds have entered the financial system, multiple and sometimes complex financial transactions are conducted to further conceal their illegal nature, and to make it difficult to identify the source of the funds or maintain an audit trail. Purchasing monetary instruments (traveler's checks, banks drafts, money orders, letters of credit, securities, bonds, etc.) with other monetary instruments, transferring funds between accounts, and using wire transfers facilitate layering.

Integration: The illicit funds re-enter the economy disguised as legitimate business earnings (securities, businesses, real estate). Unnecessary loans may be obtained to disguise illicit funds as the proceeds of business loans.

One group of subjects, who shared numerous identifiable commonalities, including, in particular, owning or managing high cash generating businesses and using alternatives to traditional banking services, were identified in 483 SARs (38 percent of total filings), with the narratives describing Money Laundering/Structuring as the primary reason for the filings. Policy or annuity owners were most frequently named as the subject of the SARs, and more than half of the filings (58 percent) designated at least one subject as a business owner, often of cash-intensive businesses. The subjects frequently used personal checks in combination with cash equivalents to make premium or annuity payments, and filers indicated in some instances that the activity may have been indicative of attempts to evade taxes.

Certain life settlement products and third-party products, such as viaticals and stranger-owned life insurance, continue to be reported by insurance companies. While viaticals were excluded from the covered products under the final rules for the insurance industry, it is notable that the industry continues to identify potential suspicious activity related to these products. With regard to other non-covered products, the most frequently reported was term life insurance. The reasons cited for filings of non-covered products based on the SAR narratives ranged from money laundering/structuring to various types of fraud and matches to “watch lists.”

While some insurance companies had experience filing securities and futures SARs prior to the rule requiring SARs for covered life insurance products, some may not be focusing on the complete range of vulnerabilities associated with their covered products. FinCEN acknowledges that because the insurance industry files on a SAR form designed for the securities and futures industries (the SAR-SF), filers face limitations in identifying some suspicious activity on the form and as a result report on fewer types of activity than some other industries reporting on a form designed specifically for their industry. As such, FinCEN anticipates that the number of filings will continue to increase as AML compliance programs continue to evolve for the industry.

Background

The USA PATRIOT Act expanded the definition of “financial institution,” authorizing FinCEN to establish anti-money laundering regulations and SAR filing requirements for certain segments of the insurance industry. The SAR-filing regulation for insurance companies, which became effective on May 2, 2006, mandated SAR filing only for those insurers that issue or underwrite specified “covered” products.⁶ “Covered” products include permanent life insurance policies (other than group life insurance policies), annuity contracts (other than group annuity contracts), and any other insurance products with cash value or investment features.⁷

This is the fourth FinCEN study of SARs filed on activities related to insurance companies and/or insurance products.⁸ A report issued in February 2003 analyzed SARs filed between 1996 and 2002, related to life insurance products. In May 2007, FinCEN released an analysis of SARs filed in the 10-year period prior to May 2006, when insurance companies could voluntarily file a SAR identifying suspicious transactions involving insurance companies, insurance agents, or insurance brokers.⁹ In April 2008, FinCEN published an assessment of the first year of required SAR filing by segments of the insurance industry. This year’s publication reviews the second year of mandatory insurance company SAR reporting. It considers a wide range of factors relevant to insurers’ reporting of suspicious activities. The assessment’s findings and analyses should provide insurance companies further insight into reporting trends, product vulnerabilities, and the quality of insurance-related SARs.

6. 31 C.F.R. § 103.16.

7. 31 C.F.R. § 103.16(a)(4).

8. The SAR Activity Review, Trends, Tips and Issues, Issue #5 (February 2003) at http://www.fincen.gov/news_room/rp/files/sar_tti_05.pdf.

9. The SAR Activity Review, Trends, Tips and Issues, Issue # 11 (May 2007) at http://www.fincen.gov/news_room/rp/files/sar_tti_11.pdf.

Methodology

FinCEN used BSA database tools to retrieve all SARs filed by insurance companies and/or insurance carriers from May 2, 2007, to April 30, 2008. FinCEN instructed covered insurers to file on FinCEN Form 101: *Suspicious Activity Report by the Securities and Futures Industries* (SAR-SF) until an insurance-specific SAR form is published. Guidance also mandated that filers add “SAR-IC” in Field 36 (“Name of financial institution or sole proprietorship”)¹⁰ and begin the narrative field with the term, “Insurance SAR.”¹¹

During this study’s covered time period, filers submitted 13,581 SAR-SFs. Of these, 887 notated insurance SARs. A review of all 13,581 SAR-SFs identified an additional 298 records filed by insurance companies and dealing with insurance products. In order to provide complete feedback to the insurance industry, FinCEN analyzed all 1,185 insurance company SAR-SF filings (including those involving non-covered insurance products). Additionally, 91 SARs filed by or on behalf of insurance companies incorrectly used Treasury Form TD F 90-22.47: *Suspicious Activity Report* (SAR-DI).¹² This assessment includes these reports, bringing the total number of SARs analyzed to 1,276. FinCEN analysts grouped the 1,276 SARs by filer, and then grouped the filers by their ultimate parent companies. This study does not include SAR filings by investment companies handling annuities or SARs filed by banks related to insurance products or agents.

While the methodologies used in identifying SARs for this study and the study published in 2008 were similar, and some comparisons can be made between the trends and patterns of the two reports, this study does reflect changes as to how information contained in the filings was analyzed in the sections described below. As a result, direct comparisons cannot be made for these findings.

10. Various BSA filing systems truncate Field 36 after the first 25, 30, or 35 characters. The longer names of some filers makes it impossible to see everything entered in Field 36. However, of the 161 SAR-SFs with some portion of “SAR-IC” visible in Field 36, all but four filers also identified the record as an insurance SAR in the narrative.

11. http://www.fincen.gov/insurance_companies_faq.html.

12. SAR filings on TD F 90-22.47 by, or on behalf of, insurance companies were isolated by searching the database for key insurance-related terms, such as “insurance” or “annuity,” and identifying which of these were filed by insurance companies.

Subject Location

Due to a refinement in methodology, the breakdown of SAR subjects by states and territories of address, reflected in Graph 5, is not perfectly comparable to that appearing in the assessment of the first year of mandatory SAR filings.¹³ That assessment counted the number of SAR subjects with a given state of address and did not adjust for different variations of the same subject name. This study counts single subjects with different states of address once for each listed state of address.

Filings by Subject Occupation or Type of Business

Some of the disproportionate increases (from the assessment of the first year of mandatory filings) in number of SAR filings in certain categories in this section of the report are the result of changes in this assessment's data-categorization methodologies. For instance, the number of filings involving gatekeepers increased from 23 to 242. Much of this increase can be attributed to a change in the way this report defines the term "gatekeeper." Last year's study excluded "non-financial managers of non-finance-related firms." However, non-financial managers and executives in many types of non-finance-related firms can exert control over at least some of a firm's financial resources. Therefore, this year's study classifies all managers and executives as "gatekeepers."

This year's study also measured filings involving subject roles related to insurance products in a different way than the April 2008 assessment. Last year's study counted the number of SAR subjects that fell into one of the categories, such as applicant or beneficiary. For example, the number 355 in Table B1 of the Appendix represents the number of SAR subjects from last year's study classified as one or more of the listed life policy roles. This year's study counts the number of SARs with a subject in one or more of the listed roles. Therefore, the number 853 in Table 1 lists the total number of SARs from this year's study with one or more subjects characterized as one or more of the noted life policy roles.

13. See Graph B4 "Insurance Industry SAR Subjects by States & Territories May 2, 2006 – May 1, 2007" in Appendix B.

Filings Related to Insurance Insiders and Filings Related to Gatekeepers

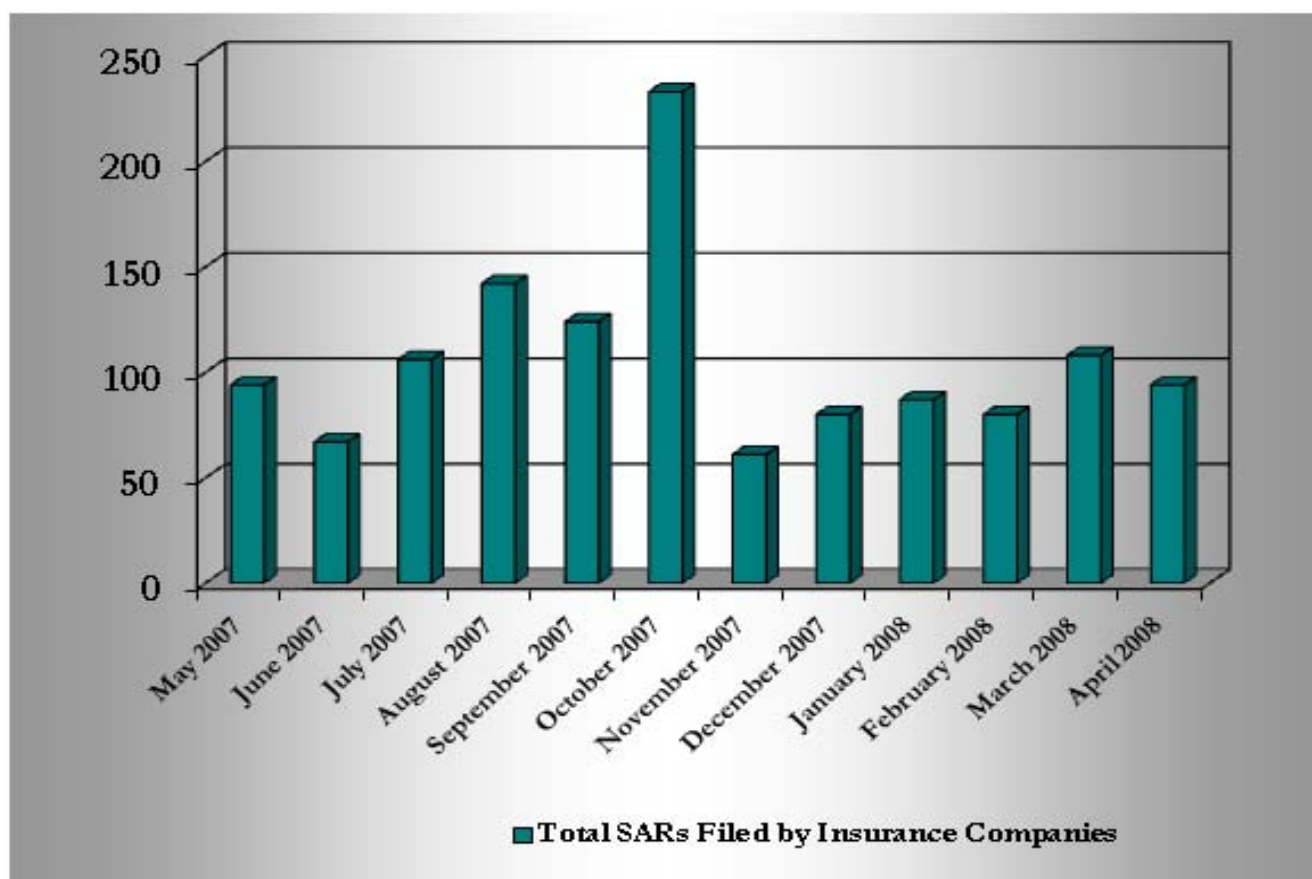
This study differs from the assessment of the first year of mandatory filings in the way it categorizes subject roles. The prior report categorized each SAR by all unique subject roles reported in the given filing. Thus, one subject may have been a policyholder/beneficiary and another may have been a policyholder/insured party. Based on this methodology, statistics generated would have counted each unique combination in a different category. As the number of SARs and potential combinations of role permutations increase, accounting for each subject in this way would become difficult to analyze. The methodology for this assessment did not categorize each subject by all the applicable roles. Rather, it accounted for all of the individual roles any subject may have played as reflected in a filing. Thus, a filing with one policyholder subject and ten beneficiary subjects would have counted the same way as a filing with one subject that was both a policyholder and a beneficiary.

Research & Analysis

The filings retrieved for the time period covered by this study encompass 1,276 known records using FinCEN Form 101 (SAR-SF) and form TD F 90-22.47 (SAR-DI). Various tables representing data for the total SAR filings follow. Graphs and tables from the first FinCEN annual review of insurance industry related SARs are included in Appendix B for comparisons or trend analysis.

Filings by Month

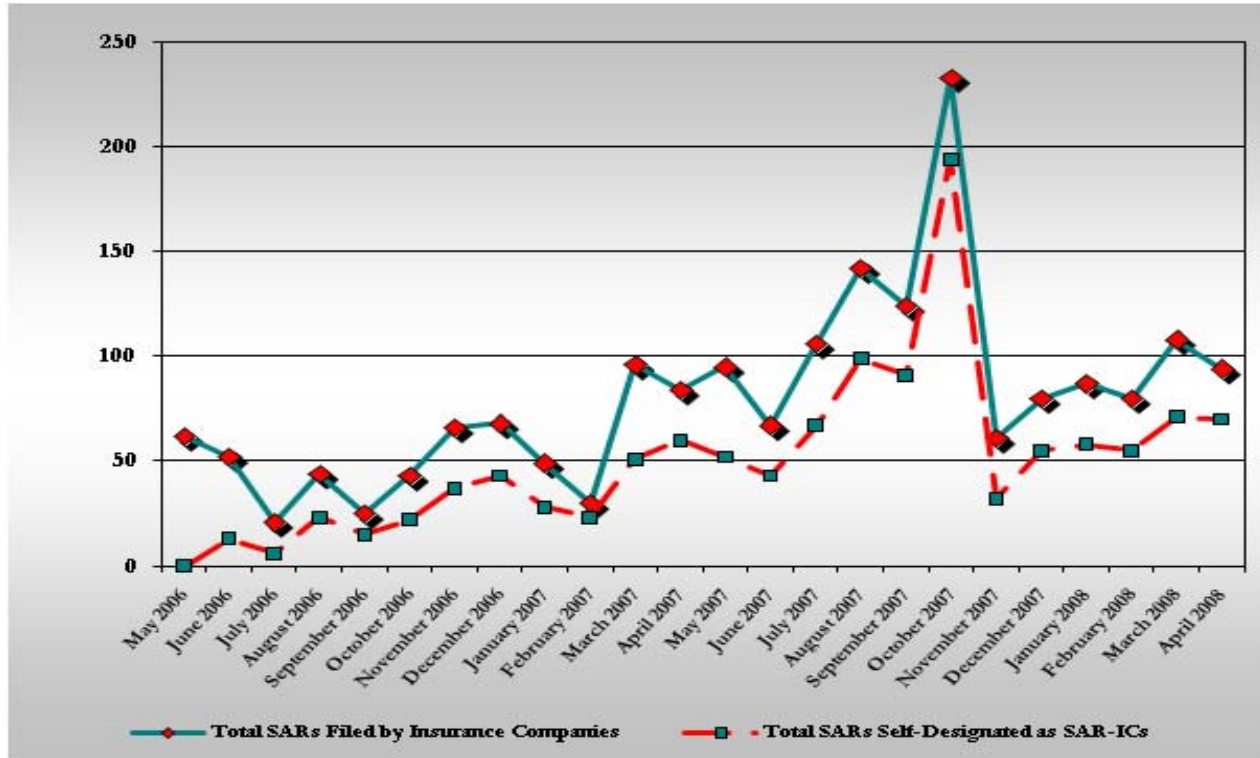
GRAPH 1
Insurance Industry Suspicious Activity Reports Filings per Month
May 2, 2007 - April 30, 2008



Filings increased sharply in October 2007 (comprising more than 18 percent of the second year’s total) before dropping significantly to the lowest monthly volume in November. The increased filings in the months of August, September, and October can be attributed, at least in part, to subsidiaries of one parent company. These subsidiaries filed 59 of 142 SARs for August 2007 (42 percent of the month’s total), 69 of the 124 SARs for September 2007 (56 percent of the month’s total) and 147 of the 233 SARs for October 2007 (63 percent of the month’s total). These 275 filings represent 59 percent of that parent company’s total for the year. The number of these filings with activity dates of more than 6 months before the filing date seems to indicate that, during these months, the parent or its subsidiaries may have performed reviews of earlier transactions.

Graph 2 shows the monthly breakdown for the first two years of mandatory filings by segments of the insurance industry, illustrating both total SARs filed and SARs self-designated as Insurance SARs (SAR-SFs designated as insurance industry SARs, henceforth referred to as “SAR-ICs”). As Graph 2 shows, most SARs from insurance companies designated themselves as SAR-ICs, but a significant percentage did not.

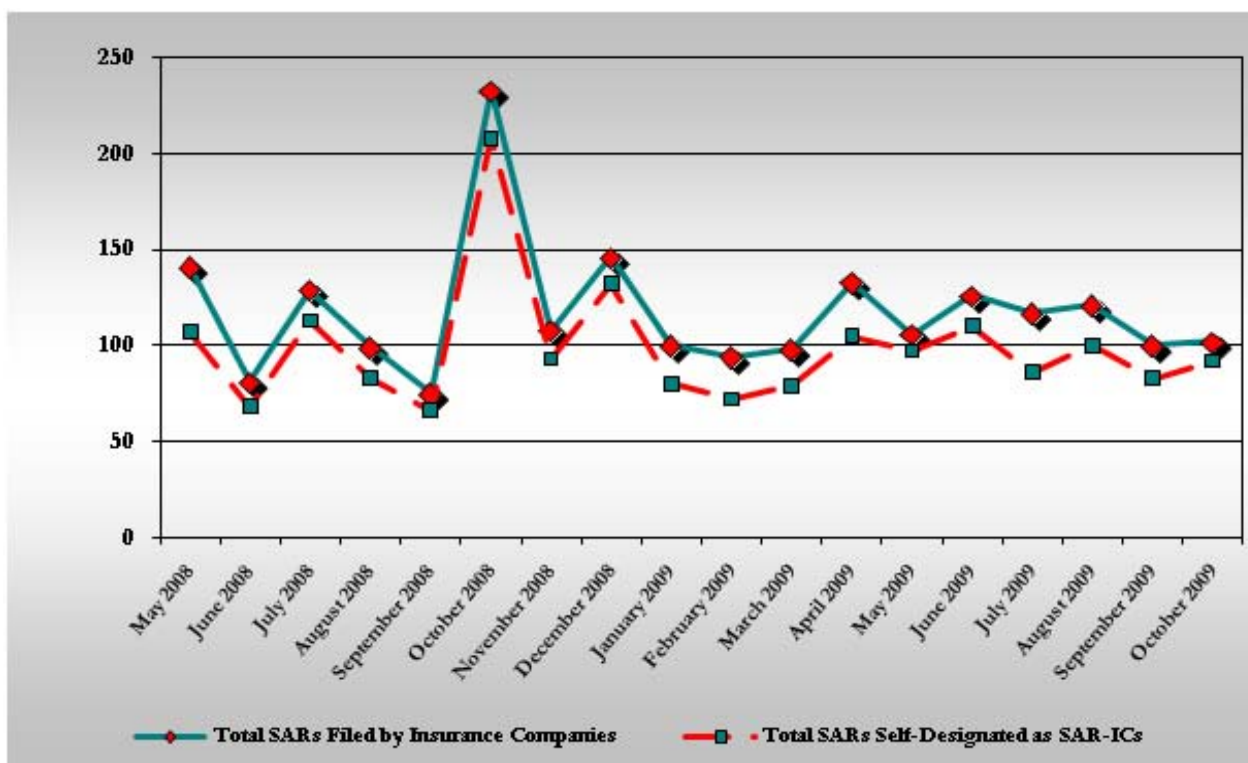
GRAPH 2
Insurance Industry SARs and Self-Designated SAR-ICs Filings per Month
 May 2, 2006 - April 30, 2008



Preliminary Feedback on SAR Filings for May 1, 2008, to October 31, 2009

Graph 3 represents a preliminary look at the total insurance industry SAR filing in the 18-month period from May 1, 2008, to October 31, 2009,¹⁴ including SARs that designated themselves as SAR-ICs.¹⁵ A comparison of Graph 2 and Graph 3 shows the percentage of self-designated SAR-ICs increased dramatically in the third year of mandatory filings by the insurance industry. In every month, at least 73.5 percent of the total filings designated themselves as SAR-ICs. Over the 18-month period, 84 percent (1,774 of 2,109 insurance company filings) were self-designated as SAR-ICs, reflecting greater consistency with respect to self identification of filings as SAR-IC.

GRAPH 3
Insurance Industry SARs and Self-Designated SAR-ICs Filings per Month
May 1, 2008 - October 31, 2009



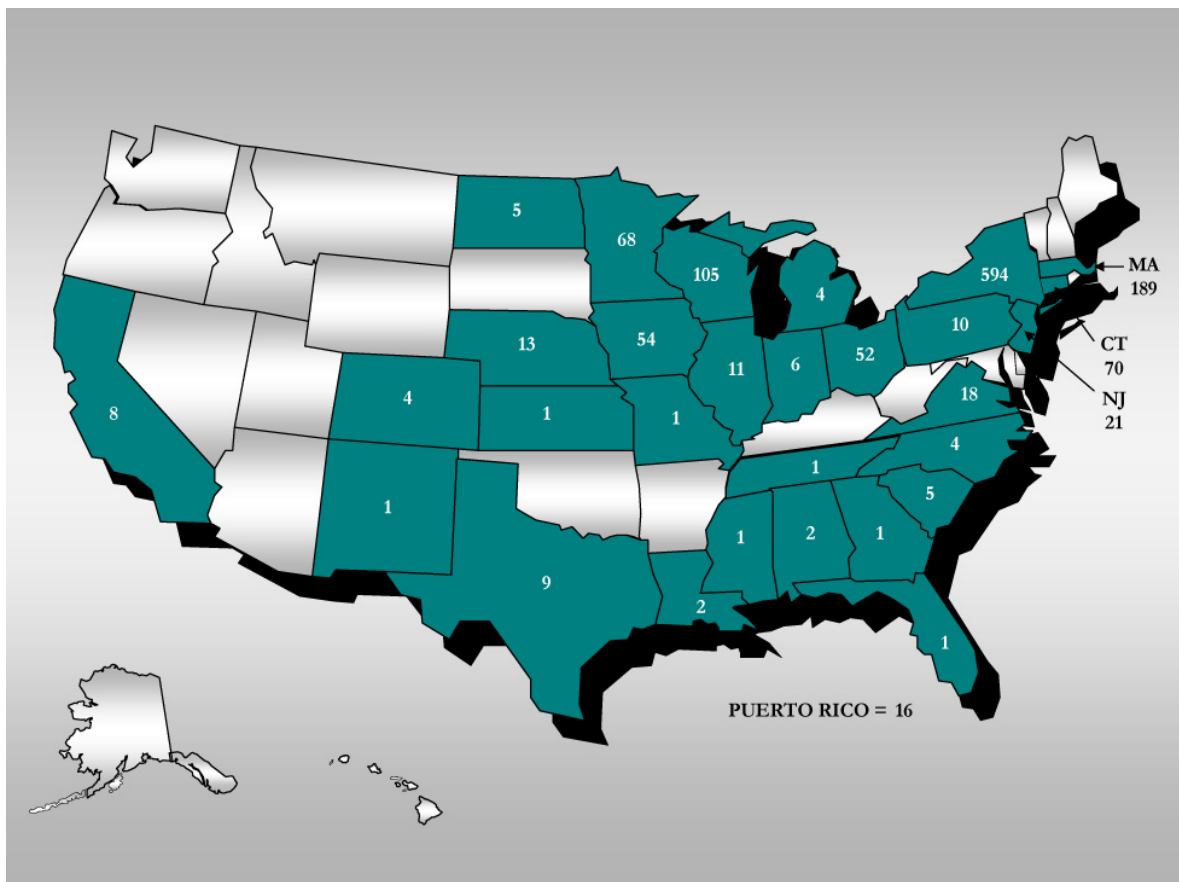
14. These filings constitute the first 18 full months of reporting after the release of FinCEN's first assessment of mandatory insurance industry filings in April 2008, [Insurance Industry Suspicious Activity Reporting: An Assessment of Suspicious Activity Report Filings](#) (April 2008).
15. The narratives of these filings have not been analyzed in detail.

Graph 3 also reflects another spike in filings in October 2008, though this increase did not occur as a result of a high volume of filings by any one filer, as was the case with the May 2007–April 2008 filings. During this period, 107 distinct filers submitted the 2,109 SARs filed during this 18-month period, 17 companies averaged at least 1 report per month, and 6 filers surpassed 100 reports. The highest volume by any one filer during this period was 281 SARs.

Filer Locations

Eighty-six distinct entities from twenty-eight states and Puerto Rico filed the 1,276 SARs covered by the 2007–2008 study. The five most frequent filer states of address—including New York (47 percent), Massachusetts (15 percent), Wisconsin (8 percent), Connecticut (5 percent), and Minnesota (5 percent)—accounted for 80 percent of these 1,276 SARs. Graph 4 displays the number of reports based on the state or territory of the filer’s address.

GRAPH 4
Insurance Industry SARs by States & Territories of Filer Address
 May 2, 2007 - April 30, 2008



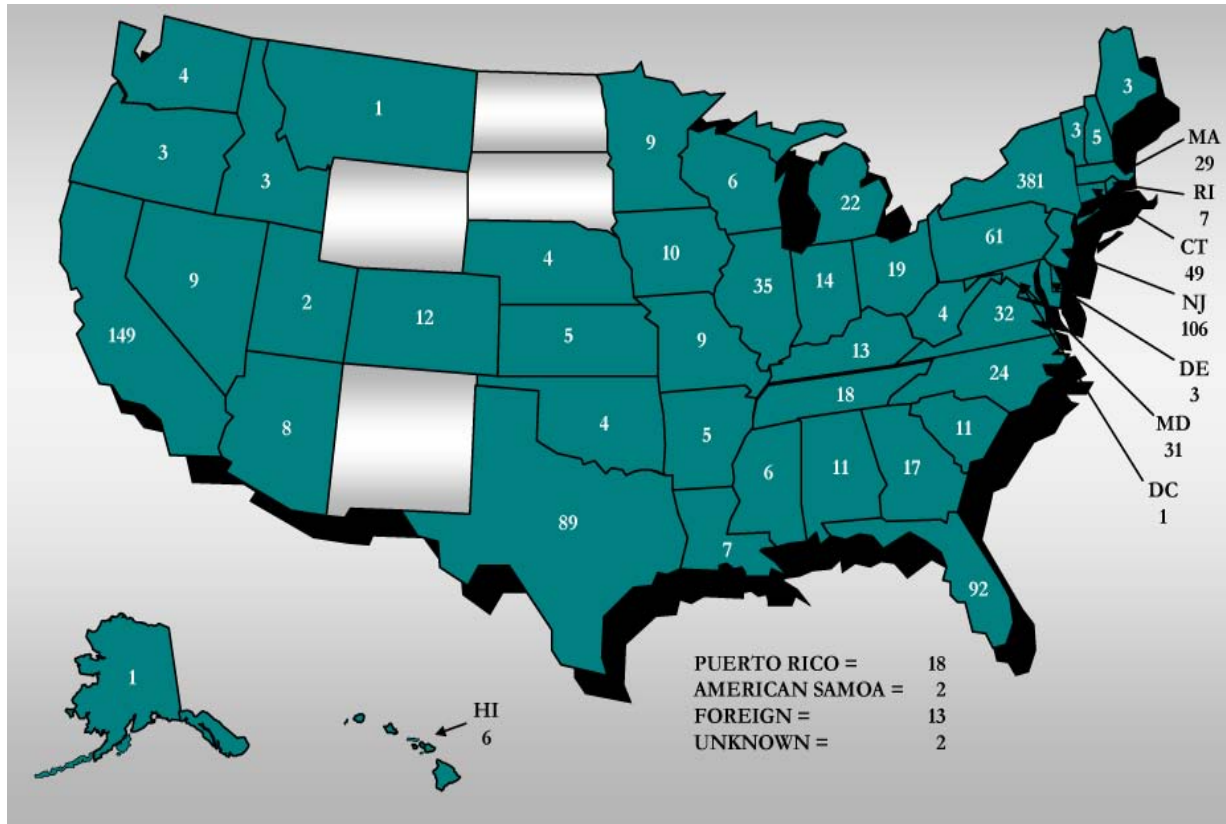
In comparison with statistics from the first year of filings, New York and Massachusetts exchanged positions as top filer state of address, with New York moving to first place, and Ohio went from third to seventh (behind Wisconsin, Connecticut, Minnesota, and Iowa) most frequently listed filer state of address. Wisconsin moved from fourth to third, and Connecticut moved from eighth place (where it was equal to Nebraska in number of filings) to fourth position. Minnesota replaced Iowa as the fifth most frequently listed filer state of address.

In each of the most frequently listed filer states of address, subsidiaries of one or two ultimate parent companies generated most of the filings. Subsidiaries of two parent companies filed 94 percent of the SARs listing New York as the filer's state of address. Subsidiaries of different single parent companies accounted for large percentages of reports listing filer addresses in the other four top states: Massachusetts (83 percent), Wisconsin (94 percent), Connecticut (91 percent), and Minnesota (93 percent). In many of these cases, a single subsidiary generated most of that parent's filings.

Subject Location

Given the potential vulnerabilities associated with some insurance products, suspected fraud or money laundering through such products is primarily detected after a policy or annuity is issued. Additionally, suspicious activity may take place in one location but be detected and reported in another. While insurance companies may offer their products through a number of distribution channels in a number of states, they may also centralize the processing unit and service center in one location. And while the filer locations offer a valid analytic metric, comparatively or by themselves, subject locations may provide more significant insight(s) into the geographic distribution of suspicious activities. Graph 5 depicts subject location as listed in the filings covered by this study.

GRAPH 5
Insurance Industry SAR Subjects by States & Territories of Address
 May 2, 2007 - April 30, 2008



The 1,276 reports discussed in this assessment named 1,399 subjects with addresses in 46 states, Puerto Rico, and American Samoa.¹⁶ The top five subject location states in this year’s assessment were New York (27 percent of subjects), California (11 percent of subjects), New Jersey (8 percent of subjects), Florida (7 percent of subjects), and Texas (6 percent of subjects). These were the top five subject location states in last year’s assessment as well, with only Florida and New Jersey reversing positions in ordinal rank.

16. FinCEN analysts used personally identifiable information to avoid counting recurring instances of the same subject with the same state of address. In instances where the recurrences could not be verified, all were treated as different subjects.

Filings by Subject Occupation or Type of Business

While individuals accounted for the majority of listed subjects in the SARs, filers also reported business entities, family trust funds and retirement plans as subjects. Approximately 44 percent, or 558 of the 1,276 SARs, identified a subject as one or more of the following: business owner, self-employed, trust, trustee, or investor.¹⁷ Almost all of these filings (545 of the 558 SARs) named one or more business owners or self-employed individuals as subjects. Ten additional filings named one or more physicians as subjects, without also classifying a subject in one of the previously mentioned categories. Many filings did not provide specific information about the occupations of one or more subjects, so occupation totals should be viewed as minimums.

In an attempt to identify potential trends, subjects of the 1,276 filings were divided into categories based in part on their occupation and in part on their relationship to the insurance product involved in the transaction. The data is derived from several sources on the SAR-SF: Field 7 (*“Occupation or type of Business”*), Field 20 (*“Is individual/business associated/affiliated with the reporting institution?”*), and the narrative section (Part VI).¹⁸

17. Percentage reflects entries in Field 7 (*“Occupation or Type of Business”*) and information derived from narratives.

18. The corresponding parts on Treasury Form TD F 90-22.47: Suspicious Activity Report (SAR-DI) are Field 26 (*“Occupation/Type of Business”*), Field 31 (*“Is the relationship an insider relationship?”*), and the narrative section (Part V).

The study characterizes the subjects based on their relationship to the insurance products. These include different instances and combinations of the following roles: policyholder, applicant, beneficiary, insured party, annuity owner, caregiver, and payer for other parties' annuities and policies. Table 1 includes summaries of the numbers of SARs that contain subjects in the previously described roles.

TABLE 1

Categorization of Subjects Identified in SAR Narratives: May 2, 2007 – April 30, 2008	
Role of Subject(s) Identified in Narratives	SARs
Life Insurance: Applicant, Beneficiary, Insured Party, Payer, Prospective Client, or Caregiver	853
Gatekeeper	242
Annuity: Annuitant, Applicant, Beneficiary, Owner, Payer, or Prospective Client	192
No Role of Subject Described or Identified	134
Insurance Insider	94

The following should be noted regarding this data:

First, this data does not compare directly with the occupational data derived solely from Field 7 (“*Occupation or Type of Business*”) on the SAR-SF or the corresponding Field 26 on the SAR-DI. Filers sometimes leave these fields blank. Filers also sometimes provide information in narratives that is different from the information they provide in these fields.

Second, the data does not directly compare with other information collected on the SAR form with reference to the specific instruments involved in the reported transactions. For example, analysis identified 214 filings that involved annuities (see Table 7). Table 1, however, shows 192 filings that named an annuitant, applicant, beneficiary, owner, payer, or prospective client (a prospective buyer of an annuity) as a subject in the narrative based on their relationship to an annuity. There are fewer annuity owners and applicants than annuity filings because some narratives placed more emphasis on a gatekeeper or insurance insider as the one whose suspicious activities were being characterized. The roles of the subjects in these filings would be classified as insurance insiders or gatekeepers even though the SAR may have involved an annuity.

Table 1 lists the total number of SARs from this year's study with one or more subjects characterized as one or more of the noted life policy roles. Tables 2 and 3 further break down the categories of roles played by subjects referenced in Table 1. These subcategories are based on information contained in the narrative; however, several roles, like policyholder, are generic. A subject characterized or described in a manner consistent with the role of policyholder in a narrative does not mean that he/she was neither the insured party nor beneficiary. In many instances, the narrative simply did not elaborate further on the subject's/subjects' role(s).

TABLE 2

Life Insurance Applicants, Beneficiaries, Policyholders, Insured Parties, Payers, Caregivers, and Prospective Clients: May 2, 2007 – April 30, 2008	
<i>Role of Subject Identified by the Narrative</i>	<i>SARs</i>
Policyholder/Owner	829
Insured Party	334
Non-Insured Party	94
Beneficiary	26
Policy Applicant/Prospective Client	12
Non-Beneficiary	10
Beneficiary – Viatical Sale	3
Apparently Unrelated Third-Party Payer for the Policy	2

TABLE 3

Annuity Annuitants, Applicants, Beneficiaries, Owners, Payers, or Prospective Clients: May 2, 2007 – April 30, 2008	
<i>Role of Subject Identified by the Narrative</i>	<i>SARs</i>
Annuity Owner	159
Annuitant	25
Beneficiary	18
Annuity Applicant/Prospective Client	16
Third-Party Payer	1

Filings Related to Insurance Insiders

Subject categories also include insurance insiders such as present or former employees of some insurance-related entity, including agents, brokers, and sales representatives. Subsidiaries of 24 ultimate parents filed a total of 94 SARs naming insurance insiders as subjects. Subsidiaries of three ultimate parents generated 43 (46 percent) of the 94 filings. Table 4 contains a breakdown of the subjects identified as insurance insiders.

TABLE 4

Insurance Insiders: May 2, 2007 – April 30, 2008	
<i>Role of Subject Identified by the Narrative</i>	SARs
Agent	54
Broker	18
Clerical/Sales/Employee	18
Viatical Life Settlements Company	4
Executive	2
Insurance Company	2
Unlicensed Agent/Broker	1

Despite the fact that the total number of filings for this assessment nearly doubled from the first assessment, the number of filings with insurance insider subjects only increased from 72 to 94. SARs named agents as subjects in 54 filings (57 percent of the total filings identifying one or more insurance insiders as subjects). Eighteen filings named an employee not covered in one of the other categories (*Clerical/Sales/Employee*), versus five from last year's study. Additionally, the number of filings involving brokers increased from 8 to 18.

Table 5 provides a list of narrative-derived reasons for filing the 94 SARs naming insiders as subjects.

TABLE 5

Narrative-Derived Reasons For Filings Naming Insiders as Subjects: May 2, 2007 – April 30, 2008	
<i>Reasons For Filing</i>	<i>Filings</i>
Money Laundering/Structuring	48
Early/Excessive Borrowing	20
Multiple Money Orders or Cash Equiv Used for Purchase	19
Embezzlement/Theft	18
Compliance Review	17
Forgery	12
Insurance Fraud	12
Investment Fraud	12
Subject of Law Enforcement Investigation	11
Check Fraud	9
Suspicious Documents or ID Presented	9
Suspicious Transfer/Loan to/Payments by Unrelated Third Party	9
Unusual Premium Payment Method	9
Mail Fraud	8
False Statements	6
Identity Theft / False Identity or SSN	6
Significant Transactions without Economic Purpose	6
Early Policy Termination/Annuity Redemption	5
Suspicious Insurable Interest	5
Suspicious Multiple Purchases	5
Unusual Viatical Sales	5
Multiple Money Orders or Cash Equiv Used for Loan Repayment	4
Large Withdrawal(s) Despite Penalty(-ties)	3
Suspicious Beneficiary and/or Ownership Changes	3
Suspicious Questions about Reporting Requirements	3
Personal Checks	2
Suspicious Designation of Beneficiary/Assignee	2
Suspicious Premium Overpayments/Contributions	2
Wire Transfer – International	2
Bribery/Gratuity	1
Media Reports of Illegal Activity	1
Potential Terrorist Financing	1

Refusal to Provide Verifying Information	1
Unusual Surrender Payment Request	1
Unusual Use of Free-Look Provision	1

The most frequent filing ultimate parent of SARs naming insurance insiders as subjects did so in 21 (52.5 percent) of its 40 SARs. The parent company's subsidiaries filed 17 (85 percent) of the 20 SARs that named an insider as a subject and discussed early/excessive borrowing as a reason for the filings. Twenty-nine (72.5 percent) of the forty SARs attributable to this parent designated early/excessive borrowing as the primary reason for the filing.

Filings Related to Gatekeepers

Subject categories also included gatekeepers, whose occupations may have given them direct responsibility to manage or guide money for others, such as accountants, lawyers, financial consultants, or company executives or managers.¹⁹ Table 6 breaks down the roles played by subjects identified as gatekeepers.

TABLE 6

Gatekeepers: May 2, 2007 – April 30, 2008	
Role of Subject Identified by the Narrative	SARs
VP/Sr. Executive/Manager	127
CEO/COO	43
Trustee	31
Financial Advisor	25
Accountant	20
Attorney	14
CFO	5
Agent of an Entity	3
Treasurer	3

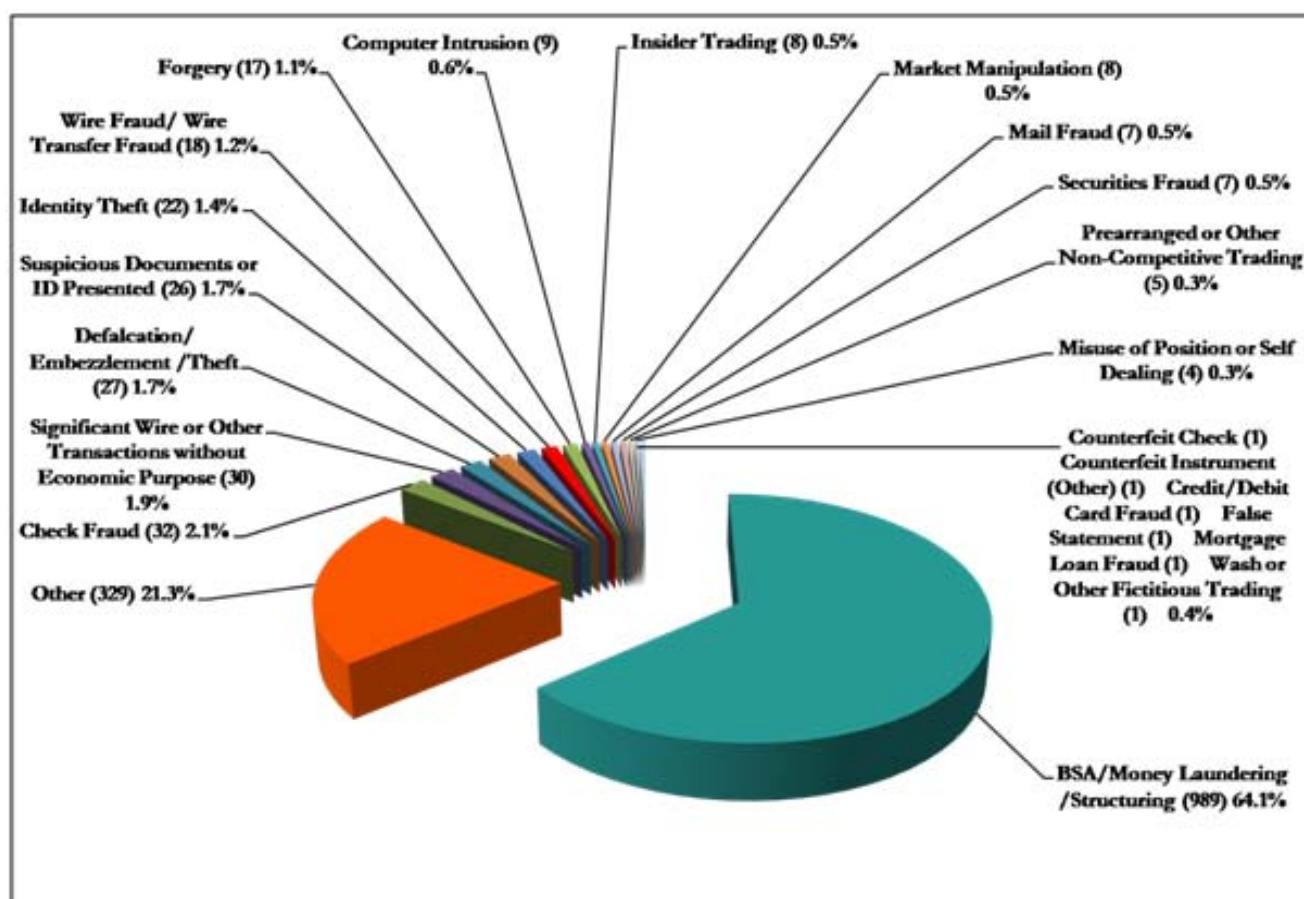
Total filings involving gatekeepers increased from 23 to 242 (from the April 2008 assessment). Much of this change can be attributed to the addition of non-financial managers and non-financial executives of non-finance firms, which constitute the 170 filings in the categories *V.P./Sr. Executive/Manager and CEO/COO*. The total number of filings naming attorneys, financial advisors, and accountants as subjects more than tripled, increasing from 18 to 59.

19. For the purposes of this study, a gatekeeper does not include insurance insiders.

Characterizations of Suspicious Activity²⁰

Graph 6 displays the most common types of suspicious activity reported in the second year of mandatory SAR reporting for segments of the insurance industry based on the activity(-ies) checked in Field 30 of the SAR-SF form (*Type of suspicious activity*) and Field 35 of the SAR-DI form (*Summary characterization of suspicious activity*).

GRAPH 6
Characterizations of Suspicious Activity Identified in SARs Filed by Insurance Companies
 May 2, 2007 - April 30, 2008



20. In some cases, due to their same or similar nature, summary characterizations were combined. For example: Bank Secrecy Act/Structuring/Money Laundering (TD F 90-47.22) and Money Laundering/Structuring (FinCEN Form 101) are presented as BSA/Money Laundering/Structuring. When the box is the same on both forms (Other) or uniquely represented (Securities Fraud), the characterization remains unchanged.

The most commonly listed Characterizations of Suspicious Activity (in whole or in part) were *BSA/Money Laundering/Structuring and Other* – the aggregated totals of which accounted for 85 percent of all reported suspected illicit activity. Comparatively, Securities and Futures Industries filings overall (since the inception of filings by that industry) list *Other* as first among reported violations and *Money Laundering/Structuring* second. While *BSA/Structuring and Other* are ranked one and two on the insurance industry SARs, these summary characterizations are ranked one and three overall in filings by depository institutions.

It should be noted that these characterizations are currently provided on forms not specifically tailored for the insurance industry.²¹ The future landscape of suspicious activity reporting should change when data is collected in a format that corrects this problem, providing a more accurate depiction of suspicious financial activity in the insurance sector.

21. Currently, insurance companies may also use FinCEN Form 8300, Reports of Cash Payment Over \$10,000 Received in a Trade or Business, as a means of reporting potential suspicious activity by checking Box 1b on the form and may use the Comments section on page 2 of the form to provide any additional information relevant to the transaction. Checking the suspicious activity box on Form 8300, however, does not relieve an insurance company of the requirement to file a suspicious activity report using the SAR-SF form when appropriate. On October 31, 2005, FinCEN published Frequently Asked Questions (www.fincen.gov/newsrelease10312005.html) on Anti-Money Laundering Program and Suspicious Activity Reporting Requirements for Insurance Companies which instructed filers to continue to use Form 8300 as appropriate (including the option to report potential suspicious activity) and to use the appropriate SAR form to report suspicious activity involving covered products (See Question 10).

Significant Findings

Analysis of Narratives

Product Types

Table 7 categorizes the products that were involved in the suspicious activities as described in the SAR narratives.

TABLE 7

Classification of Products Reported in Suspicious Activities: May 2, 2007 – April 30, 2008	
<i>Class of Product</i>	<i>SARs Identifying Use of Each Product</i>
Life Insurance	892
Annuities	214
No Insurance Product Identified	113
Unspecified and Other Insurance Products	94
Third-Party / Life-Settlement Products ²²	24
COLIs/BOLIs/COAs ²³	9
Property Insurance	7
Liability Insurance	2
Accidental Death and Dismemberment Insurance	1

In comparison with the April 2008 assessment, filings involving covered life insurance increased by 627 (237 percent) while those involving annuities decreased by 11 (5 percent). Much of these changes can be attributed to the filing activities of the leading filers. Only 42 of 811 SARs (5 percent of their total filings) by subsidiaries of the four ultimate parents with the most filings involved annuities. By comparison,

22. These include: viatical-settlement products, stranger-owned life insurance policies (STOLIs), speculator initiated life insurance policies (SPIN LIFE policies), and other products with similar features.

23. Corporate-owned life insurance policies (COLIs), business-owned life insurance policies (BOLIs), corporate-owned annuities (COAs), and charity-owned annuities (CHOAs).

these four ultimate parents' subsidiaries filed 659 SARs (81 percent of their total filings) involving life insurance. Subsidiaries of one parent submitted 47 (22 percent) of the annuity filings. Only seven parent companies accounted for 10 or more reports concerning annuity products.

Annuities

Insurance companies filed 214 SARs with narratives that described suspicious activity involving annuity contracts, of which 7 identified suspicious third-party annuity products or transactions. Two more SARs dealt with a corporate-owned annuity and a charity-owned annuity. Some SAR narratives referencing annuities identified whether they were variable or fixed. Table 8 shows that the number of variable annuities mentioned changed little (in comparison with the April 2008 assessment shown in Table B7 of Appendix B), and those referencing fixed annuities declined. Because many SAR narratives did not provide details about the features of the products described as annuities, analysis could not determine whether those products were variable or fixed annuities. For this study, flexible payment and single premium deferred annuities were also recorded.

TABLE 8

SARs Filed By Insurance Companies Involving Annuity Features: May 2, 2007 – April 30, 2008		
<i>Instrument</i>	<i>SARs</i>	<i>Self-Designated SAR-ICs</i>
Variable Annuity	75	33
Fixed Annuity	24	12
Flexible Payment Annuity	12	7
Single Premium Deferred Annuity	8	4

Eighty-three of the annuity-related SARs designated themselves as SAR-ICs. As Table 8 shows, the breakdown of annuity instruments in self-designated SAR-ICs had similar ratios to the instruments in all SARs.

Life Insurance Policies

Insurance companies filed 892 SARs with narratives that characterized suspicious activity involving life insurance policies, of which 17 identified suspicious life settlement products or transactions. Another seven SARs dealt with corporate-owned life insurance policies or business-owned life insurance policies. Table 9 breaks down the types of life insurance policy features that were part of the suspicious activity characterized in the SAR filings. The most common characterization involved policies with policy loans, described in 165 SARs, 119 of which designated themselves as insurance company SARs. Also common were whole life and universal life policies.

TABLE 9

SARs Filed By Insurance Companies Involving Life Insurance Features: May 2, 2007 – April 30, 2008		
<i>Characterization of Life Insurance Policy</i>	<i>SARs</i>	<i>Self-Designated SAR-ICs</i>
Life Insurance Policy with a Policy Loan	165	119
Whole Life Insurance Policy	96	73
Universal Life Insurance Policy	81	49
Variable Life Insurance Policy	63	34
Life Insurance Policy with a Paid-up Additional Rider	51	48
Term Life Insurance Policy	22	8
Variable Universal Life Policy – Group	1	1
Graded Death Life Insurance Policy	1	0

Table 10 illustrates the types of policies that were involved in life settlements or other third-party arrangements, as described in 33 SAR filings.

TABLE 10

Suspicious Activity Reports Involving Life Settlement Products or Transactions: May 2, 2007 – April 30, 2008		
<i>Characterization of Life Insurance Policy</i>	<i>SARs</i>	<i>Self-Designated SAR-ICs</i>
Universal Life Insurance Policy	12	7
Life Insurance Policy with a Policy Loan	4	4
Variable Life Insurance Policy	4	2
Whole Life Insurance Policy	3	2
Term Life Insurance Policy	2	0

Although the volume is low relative to the total SAR filings, the number of third party insurance settlements or arrangements is noticeably higher than the first year of mandatory insurance SAR reporting. The first year's numbers were inflated by one company that filed 17 SARs on a single viatical settlement of a term life policy. The numbers in Table 10 do not include 10 SARs that describe scams involving third-party investments in annuities with premium death benefits, which are described under *Death-Benefit Annuity Scams*, in the **Potential Trends** section.

Filings Involving Non-covered Products

Insurance companies filed a total of 37 SARs involving non-covered products that were not third-party or other life settlement products. Twenty two of these (59 percent) related to term life policies. Table 11 displays the non-covered (non-third party or other life settlement) products identified in SAR filings. The remaining 15 reports related to six other types of insurance products.

TABLE 11

SARs Involving Non-covered Products: May 2, 2007 – April 30, 2008	
<i>Insurance Product</i>	<i>SARs</i>
Term Life Insurance	22
Auto Insurance	6
Disability Account	4
Liability Insurance	2
Accidental Death & Dismemberment Insurance	1
Homeowners Insurance	1
Group Variable Universal Life Insurance	1

Table 12 indicates the reasons cited in the narratives of the 37 filings involving non-covered products that were not third-party or other life settlement products. Money Laundering/Structuring and the use of multiple cash equivalents to make payments constituted the most frequently cited reasons for filing SARs involving these products. Other frequently occurring reasons for filings included media reports of subjects' alleged illegal activities, the appearance of subjects on watch lists, and law enforcement investigations of subjects.

TABLE 12

Narrative Derived Reasons for SARs Involving Non-covered Products: May 2, 2007 – April 30, 2008	
<i>Reasons for Filing</i>	<i>SARs</i>
Money Laundering/Structuring	9
Multiple Money Orders or Cash Equivalents Used for Premium Payment(s)	9
Media Reports of Illegal Activity	8
Watch List – Government	7
Subject of Law Enforcement Investigation	6
Watch List – Other	5

Significant Transactions without Economic Purpose	3
Suspicious Premium Overpayments/Contributions	3
Early/Excessive Borrowing	2
Embezzlement/Theft	2
Financial Advisor Referral	2
Identity Theft/False Identity or SSN	2
Insurance Fraud	2
Multiple Money Orders or Cash Equiv Used for Loan Repayment(s)	2
Unusual Premium Payment Method	2
Check Fraud	1
Credit/Debit Card Fraud	1
False Statements	1
Investment Fraud	1
Suspicious Use of Personal Checks	1
Stated Purpose – Tax Evasion	1
Suspicious Beneficiary and/or Ownership Changes	1
Suspicious Multiple Purchases	1

An insurance company is not required to report the submission of false or fraudulent information to obtain a policy or make a claim unless the company has reason to believe that the false or fraudulent submission of information relates to money laundering or terrorist financing.²⁴ The instances of insurance fraud in Table 12 involved other covered activities. Both filing narratives alleged identity theft and/or use of false SSNs. One of the filing narratives described money laundering/structuring and the use of multiple cash equivalents. The other filing’s narrative described check fraud, the suspicious use of personal checks and suspicious purchases of multiple insurance products.

What generated the filings?

Because the SAR-SF form is not tailored to the insurance industry, analysts used SAR narratives in an attempt to identify the exact reason(s) for each filing. Using the list of characterizations of suspicious activities in the proposed dedicated SAR form for insurance companies as a reference, analysts divided the filings into categories

24. 31 C.F.R. § 103.16(d).

for statistical purposes. Table 13 includes a breakdown of the filing reasons derived from the narratives of the 1,276 filings. Insurance companies filed 1,265 of the reports. FinCEN systems generated the remaining 11 reports, on behalf of insurance companies, as a result of OFAC blocking reports.²⁵

TABLE 13

Narrative-Derived Reasons For Filings: May 2, 2007 – April 30, 2008	
<i>Reasons For Filing</i>	<i>Filings</i>
Money Laundering/Structuring	1,010
Multiple Money Orders or Cash Equiv Used for Premium Payment(s)	796
Unusual Premium Payment Method	256
Multiple Money Orders or Cash Equiv Used for Loan Repayment(s)	90
Large Withdrawal(s) Despite Penalty(-ties)	65
Early/Excessive Borrowing	62
Media Reports of Illegal Activity	61
Subject of Law Enforcement Investigation	49
Watch List — Non-Government	43
Embezzlement/Theft	42
Suspicious Transfer/Loan to/Payments by Unrelated Third Party	42
Significant Transactions without Economic Purpose	38
Suspicious Use of Personal Checks	35
Suspicious Premium Overpayments/Contributions	35
Compliance Review	33
Early Policy Termination/Annuity Redemption	33

25. OFAC blocking reports automatically generate Suspicious Activity Reports on behalf of insurance companies, containing the limited information used in the OFAC blocking report. See FinCEN Interpretive Release No. 2004-02 – “Unitary Filing of Suspicious Activity and Blocking Reports” (69 Federal Register 76847, December 23, 2004.) According to this FinCEN Interpretive Guidance, “reports filed with the Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) of blocked transactions ... will be deemed by FinCEN to fulfill the requirement to file suspicious activity reports on such transactions for purposes of FinCEN’s suspicious activity reporting rules. However, the filing of a blocking report with OFAC will not be deemed to satisfy a financial institution’s obligation to file a suspicious activity report if the transactions would be reportable under FinCEN’s suspicious activity reporting rules even if there were no OFAC match. Moreover, to the extent that the financial institution is in possession of information not included on the blocking report filed with OFAC, a separate suspicious activity report should be filed with FinCEN including that information.”

Financial Crimes Enforcement Network

Suspicious Documents or ID Presented	32
Identity Theft/False Identity or SSN	31
Watch List — Government	30
False Statements	27
Insurance Fraud	25
Investment Fraud	24
Check Fraud	22
Refusal to Provide Verifying Information	22
Forgery	20
Mail Fraud	15
Suspicious Beneficiary and/or Ownership Changes	15
Unusual Surrender Payment Request	14
Financial Advisor Referral	12
Suspicious Multiple Purchases	11
Little or No Product Performance Concern	10
Counterfeit Instrument	8
Suspicious Questions about Reporting Requirements	8
Wire Transfer — International	8
Stated Purpose — Tax Evasion	6
Suspicious Insurable Interest	6
Suspicious Designation of Beneficiary/Assignee	5
Unusual Use of Free-Look Provision	5
Unusual Viatical Sales	5
Potential Terrorist Financing	4
Wire Fraud	4
Stated Purpose — Concealing Assets from Legal Authorities	3
Bribery/Gratuity	2
Credit/Debit Card Fraud	2
Surrender Payments Sent/Forwarded/Cashed Abroad	2
Suspicious Request to Reinstate Surrendered Policy	2
Computer Intrusion	1
Mysterious Disappearance	1

The disproportionate increase from 84 to 1,010 for filings involving Structuring/Money Laundering as a narrative-derived reason can be attributed largely to a change in methodology in this year's study. Last year's assessment only counted those filings whose narratives declared structuring and/or money laundering to be the primary reason for a given filing. This year's methodology counted all filings whose narratives indicated activities that were related to structuring and/or money laundering.

Ultimate Parents Frequently Reporting on a Single Type of Activity

Companies that averaged filing at least one SAR per month tended to file primarily on one or two types of suspicious activities. Table 14 shows the percentage of SARs, for each ultimate parent, averaging more than one filing per month, that involved combinations of its three most frequently cited narrative-derived reasons for filing. The column with "Most Cited" identifies the percentage of a given ultimate parent's reports that discussed its *most frequently cited* narrative-derived reason for that parent's filings. The column "Two Most Cited" displays the total percentage of a parent's reports that identified *either of its two most frequently cited* narrative-derived reasons for filing. The column "Three Most Cited" follows this same pattern, with the total percentage of *any of the three most cited* narrative-derived reasons for an ultimate parent's filings. These statistics exclude Structuring/Money Laundering as one category in accounting for the three most frequently occurring narrative-derived reasons for each parent company's filings. Filers often cite Structuring/Money Laundering, and it can be too ambiguous to ascertain true information about those companies who primarily file on only a few activities.

TABLE 14

Ultimate Parents with 12 or More Filings: May 2, 2007 – April 30, 2008				
Ultimate Parent (By Number of Filings)	Filings	Percentage of Filings Naming Most Frequently Cited Narrative Reasons For a Given Filer		
		Most Cited	Two Most Cited	Three Most Cited
Ultimate Parent 1	467	87.58%	92.29%	92.51%
Ultimate Parent 2	161	83.58%	84.47%	95.65%
Ultimate Parent 3	99	92.93%	95.96%	95.96%
Ultimate Parent 4	84	80.95%	85.71%	91.67%
Ultimate Parent 5	69	69.57%	72.46%	76.81%
Ultimate Parent 6	64	29.69%	53.13%	57.81%
Ultimate Parent 7	56	69.64%	73.21%	75.00%
Ultimate Parent 8	40	72.50%	90.00%	90.00%
Ultimate Parent 9	32	46.88%	65.63%	81.25%
Ultimate Parent 10	23	34.78%	52.17%	69.57%
Ultimate Parent 11	23	52.17%	60.87%	65.22%
Ultimate Parent 12	21	90.48%	90.48%	90.48%
Ultimate Parent 13	13	23.08%	23.08%	30.77%

Seven of the eight ultimate parents with 40 or more SARs cited their most frequently recurring reason for filing SARs in at least 69 percent of their SAR narratives. Ten of the thirteen top filing ultimate parents provided one or more of their most frequently recurring three reasons for filing in at least 69 percent of their narratives.

Potential Trends

FinCEN has identified SARs that evidence two variations on a type of scam. According to these reports, these scams use investment funds to purchase insurance policies or variable annuities with death benefits on elderly individuals, sometimes without the knowledge of the insured.

Insurance Investment Scams

From May 2007–April 2008, three insurance companies filed SARs directly mentioning possible investor- or stranger-owned life insurance policies. The first filer reported an insurance agent under investigation for alleged insurance fraud “involving the sale of investor owned life insurance purportedly without the knowledge of the insured(s).” A second filer described rejecting an application for a \$10 million policy on an elderly woman when it could not verify her Social Security number, or her wealth and property claims. The report indicated that the policy, if granted, could potentially have been used for investor-owned life insurance. The third filer reported an individual applying for a large life insurance policy, who indicated already owning several other large policies, as well as having a pending application, all with different insurers. This filer noted evidence from its due diligence investigation that the subject may have been connected to a Federal fraud case. When contacting other insurance companies participating in the Section 314(b) information sharing program, the company with a pending application from the subject reportedly expressed concern that the subject could be attempting to establish a stranger-owned policy.

Death-Benefit Annuity Scams

A number of insurance companies filed SARs between May 2007 and April 2008 on complex scams, involving variable annuities with maximized death benefits. Ten reports from eight different filers detailed activities involving three different groups of alleged fraudsters. Each of these reports described the purchase of high value annuities by third party investors. Five different insurance companies reported on an investment agent located in a Mid-Atlantic state that was selling annuities on terminally ill individuals to investors located in the South. Three reports from two other filers told of several securities brokers in a Western state who appeared to be conducting the same activity locally. Another insurance company filed two reports on an agent who had similarly sold annuities to investors in the Northeast. Four of those annuitants had reportedly died shortly after the annuities were purchased. Annuitants were apparently unaware of these annuities. Some had been paid to sign papers for “funeral insurance,” while others denied having signed the papers.

In discussions with representatives from BSAAG member organizations, it was noted that, in some cases, the subjects of these SAR reports may have been attempting to establish life insurance policies and annuities through several companies either simultaneously or very close in time to one another. This activity could be the

result of subjects attempting to establish these life insurance policies and annuities with several companies, to either increase the proceeds that would be paid to beneficiaries or to hedge their bets against the possibility that one or more companies might reject the transaction.

In at least some of the filings the annuitant or insured was unaware of the activity being conducted in their name. These transactions often involved elderly or terminally ill persons or people who may not have understood the product or nature of the transaction. As a result, insurance companies may experience a relatively quick claim payment or request for return of premium, leading to speculation that such transactions could be part of a money laundering scheme or other type of fraud. Moreover, industry representatives also revealed instances where brokers received compensation equal to a percentage of the premium involved.²⁶

It should be noted that since it is not illegal to own more than one life insurance policy or annuity, simply attempting to purchase life insurance or annuities at multiple companies is not, in and of itself, indicative of suspicious activity. Likewise, it is important to understand that not all transactions involving these or similar products are to be considered suspicious.

Use of Cash Equivalents from Multiple Sources

As reported in the April 2008 assessment, owners of cash-intensive businesses used multiple cash equivalents from different banks and/or money services businesses to pay into policies and annuities. In a number of filings, subjects requested loans on the policies or annuities. In many cases, the subjects repaid the loans with multiple cash equivalents. A significant number of SARs reported instances of individuals making annuity or policy payments with combinations of multiple cash equivalents and a single personal or business check. Some subjects submitted cash equivalents along with a personal check that were drawn on multiple accounts. In most instances, the value of the instrument fell below one or more BSA reporting thresholds.

26. Analysis of SARs referencing “bonus” or “bonuses” in the narrative section identified four companies describing “bonus variable annuity” products, including two which described “bonus/interest” refunds totaling several hundred thousand dollars. One filer who reported a death benefit annuity as a possible investment scam indicated that the products chosen had a guaranteed bonus as part of the principal in the event that the annuitant died during the first year of the contract. Another filer described an agent selling multiple variable annuity contracts with the same owner but with different annuitants and described the amount involved in the transactions as a premium amount “plus a 5% bonus”. Other filings referencing bonuses in the narrative section could not be linked to these potential investment scams.

Other Notable Filing Trends

Analysis identified 483 SARs, or 38 percent of the total filings, where the subjects shared numerous identifiable commonalities, including, in particular, owning or managing high cash generating businesses and using alternatives to traditional banking services. Of these filings, 469 (97 percent) indicated Money Laundering/ Structuring in the narrative as a reason for the filing. Table 15 contains a breakdown of the five most frequent reasons provided by filers for these 469 filings.

TABLE 15

Narrative-Derived Reasons For Filings: May 2, 2007 – April 30, 2008	
<i>Reasons For Filing</i>	<i>SARs</i>
Multiple Money Orders or Checks Used for Payment or Loan Repayment	440
Unusual Premium Payment Method ²⁷	177
Suspicious Use of Personal Checks ²⁸	24
Suspicious Premium Overpayments/Contributions	18
Significant Transfer/Loan to/Payments by Unrelated Third Party	18

Policy or annuity owners were named as the subject of 472 (98 percent) of the 483 referenced SARs, with 452 (94 percent of the total) involving life insurance policies. Business owners were designated as the subjects in 274 (58 percent); managers or executives were described as the subject in 81 of the filings; and 24 filings named at least one “self-employed” subject. Because many filings did not provide information about subject occupations, these occupational statistics should be viewed as

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27. Most of these filings resulted from individuals submitting cash payments below different BSA thresholds or multiple instruments, often including a single personal or business check, below one or more BSA thresholds.
28. Most of these SARs resulted from subjects submitting payments consisting of personal checks, in amounts below one or more BSA thresholds, drawn on multiple accounts in the subjects’ names.

minimums. Subjects named as owners, managers, or executives of cash-intensive businesses and the frequent use of personal checks in combination with multiple cash equivalents were frequently cited by filers as possibly indicative of attempts to evade taxes.

Subsidiaries of 11 different parent companies filed SARs on the subjects of these 483 SARs. One ultimate parent company named such subjects in 75 percent of its filings. At least one subject with a New York, New Jersey, or Connecticut address was named in 244 (51 percent) of the 483 filings. One filer filed 12 SARs involving 20 designated subjects and other individuals after initiating an investigation on an agent. According to the filings, many subjects owned or managed high-cash generating businesses, such as restaurants, and had a net worth greater than \$1 million. Subjects submitted premium payments and loan repayments with a combination of multiple money orders and checks. The value of most of the instruments amounted to less than one or more BSA thresholds. Some of the subjects submitted personal checks drawn on the accounts of apparently unrelated third parties. Additionally, several filings discussed clients submitting personal checks from the agent. Other filers submitted SARs on subjects and third-party payers identified in these 12 filings.

On the basis of discussions with representatives from BSAAG member organizations, we assess that these filings can likely be attributed to the customer profiles as opposed to specific money laundering threats posed by life insurance or annuities. Certain filers may report on more of these transactions than others because of the particular markets in which they sell their products, and their policies regarding acceptable forms of payment. It should be noted though that some filers suspected that customers were engaging in apparent structuring involving the use of cash equivalents and that some subjects were also suspected of conducting such transactions to evade taxes.

There is also reason to believe that some policy/account holders are treating these insurance products as an alternative to traditional bank-issued savings accounts, due to the accumulation features of certain life insurance products. Such activity complicates the ability of filers to determine whether the persons engaged in the transaction(s) are merely conducting the transactions in a manner that is normal for those customers or, instead, are possibly engaged in deliberate attempts to structure or launder the proceeds of illicit activity or to evade taxes.

SARs Mentioning Potential Terrorist Financing

Four SARs were filed that potentially relate to terrorist financing. One SAR was previously cited concerning an investment agent suspected of being involved with death benefit annuity scams. The agent was also discovered by the filer to have been associated with a foundation linked to a designated foreign terrorist organization. Another report described an inquiry from a third-party structured settlement broker regarding the possible purchase of a “non-qualified structured settlement annuity.” According to the narrative, the broker said the payees of the settlement were American citizens and the payor was an “unnamed foreign terrorist organization” backed by an unfriendly foreign government. The broker refused to divulge the identities of any of the involved parties, “repeatedly stressed that the transaction was legitimate,” and cited an unnamed legal opinion that “indicated that no OFAC license was needed.” The broker provided no documentation, and later withdrew the proposal.

A third filer submitted a pair of connected reports. The first reported on two of its clients and their business. The insurance company had been served with a subpoena pursuant to a federal investigation of these subjects, and reported that one of them had an annuity account with the company. The second report was a follow-up on the same subjects, adding information from a news article that indicated the client had been charged with work on behalf of a charity that allegedly funded terrorists.

Leading Filers

Subsidiaries of the lead filing ultimate parent company submitted 467 SARs. This company’s subsidiaries filed 446 reports concerning life insurance and 14 involving annuities. The suspicious activity described most frequently in its narratives was money laundering or structuring, followed by activity involving multiple money orders or cash equivalents in payments, and activity involving unusual premium payment methods. The second highest volume of SARs, 161, came from subsidiaries of the most frequent filing ultimate parent in the April 2008 assessment. These subsidiaries generated 133 reports referencing life insurance and 19 referencing annuities. The most reported suspicious activity in the narratives involved money laundering or structuring, followed by activity involving multiple money orders or cash equivalents in payments, and activity involving unusual premium payment methods.

Quality of SAR Filings

A primary objective of this assessment was to evaluate the overall quality of filings by insurance companies and identify areas for reporting improvements. In addition to providing feedback to the affected industry, FinCEN also analyzes BSA filings to identify areas on which to focus its industry outreach and education efforts.

Compliance with Instructions When Completing the Narrative Section

The SAR-SF instructions state that preparers should “provide a clear, complete and chronological narrative description” of the activity that resulted in the filing. The narrative instructions provide a guide, lettered “a” through “v,” which is designed to help the preparer in completing the narrative section. The list of items in the instructions is meant to serve as a guiding list for preparers and not as individual questions to be answered. The April 2008 study identified six different insurance companies that filed a total of 48 SARs with narratives that contained the individual letters found in the instructions followed by answers to them. From May 2, 2007, through April 30, 2008, subsidiaries of four ultimate parent companies filed a total of 65 filings with letters and responses in SAR narratives. Preparing a narrative in this manner makes it less clear and comprehensible. Law enforcement officials who read these narratives must often refer back to the individual items in the checklist to determine which item corresponds to the answer provided in the narrative. Filers should avoid responding to items listed in the guidance as if they were individual questions to be answered. Additionally, some filers are still including disclaimers to their SAR narratives, which add no value, and should be omitted.

Duplicative Filings

Five insurance companies filed multiple SARs on a single instance of a suspicious activity, filing a separate report for each subject. One of these insurers generated a total of 40 SARs, of which 17 were unnecessary duplicate filings, on the same instances of suspicious activity. Last year’s study referenced the activities of this same filer due to 17 SAR-SFs filed on a single claim from a viatical settlement. All 17 filings had the same narrative that described the same transaction. For suspicious activity involving multiple subjects, filers should file one SAR listing all subjects associated with the suspicious activity.

Filing Errors

Subsidiaries of nine different ultimate parent companies filed a total of 80 SARs using the SAR-DI, contrary to FinCEN's instructions. Of these nine filers, three also filed SAR-SFs on insurance-related transactions. FinCEN also identified at least 22 SARs with additional errors not previously discussed in this study.²⁹

- In five filings, the dollar amount listed in Field 22 (*"Total dollar amount involved in suspicious activity"*) of the SAR did not match the amount related to suspicious transactions described in the narrative. In most of these instances, the filer questioned money entering a policy or annuity but only identified the dollar amount that left the policy or annuity in the form of redemptions or loans. In one instance, the filer listed the full payout value of the policy.
- Two SARs were filed without narratives, and another filing had an incoherent narrative.
- Two filings identified individuals as subjects who were not mentioned in the narratives.
- One narrative characterized checks drawn on a subject's own account and used to pay his premiums as being drawn on the account of an apparently unrelated third party.
- Four reports incorrectly identified or omitted the filer's state of address.
- At least two narratives provided contradictory information about subject occupations. A third filing provided a subject's occupation in a foreign language.
- One SAR listed the same subject as different subjects.
- At least one filing had an incorrect value for Field 21 (*"Date or date range of suspicious activity"*).
- At least one preparer misspelled the filing institution's name.
- An insurance company incorrectly identified itself in one SAR as an Agricultural trade option merchant under Field 51 (*"Type of institution or individual"*).

29. Analysts identified other instances where data supplied by insurance companies appeared to be erroneous; this section only describes those errors that were both identified and could be corroborated.

This list does not indicate systemic errors in insurance industry SAR filing. However, as conveyed in the 2008 report, it is critical that the information in a SAR filing be as accurate and complete as possible. FinCEN believes that a simple review of the prepared SAR would likely have alleviated these errors. Filers may also refer to previously published suggestions for addressing common errors noted in suspicious activity reporting³⁰ as well as guidance on preparing a complete and sufficient SAR narrative.³¹

Filings related to law enforcement investigations, media reports, or watch lists

Insurance companies filed 139 reports that resulted from media reports, law enforcement investigations, and commercial or government watch lists. Subsidiaries of one ultimate parent identified one or more of the above as primary reasons for 64 of their 69 total filings. Thirty-eight of these filings resulted from media reports or hits generated by commercial watch lists. One of these filings appeared to have been generated as a result of a subject having a conviction from the 1970s. Media monitoring services and watch lists may help filers detect potentially suspicious activities, though financial institutions are cautioned that such services are not, in and of themselves, indicative of a requirement to file a SAR.

Compliance with "SAR-IC" Guidelines

In guidance issued on May 31, 2006 (FIN-2006-G010),³² FinCEN instructed insurance companies to file reports of suspicious activity using FinCEN Form 101 (SAR-SF). The guidance also included instructions for identifying the filing as an insurance company SAR. Filers were instructed to add "SAR-IC" after the name of the institution (Part IV, Field 36), and begin the narrative (Part VI) with the term, "Insurance SAR"³³ to designate the report as an insurance company SAR, or SAR-IC. Filers correctly used the SAR-SF in approximately 94 percent of the reports submitted to FinCEN. The remainder utilized FinCEN Form TD F 90-22.47.

30. http://www.fincen.gov/SAR_Common_Errors_Web_Posting.html.

31. http://www.fincen.gov/sarnarrcompletguidfinal_112003.pdf.

32. www.fincen.gov/insurance_companies_faq.html.

33. See Frequently Asked Questions, Anti-Money Laundering Program and Suspicious Activity Reporting Requirements for Insurance Companies at http://www.fincen.gov/insurance_companies_faq.html.

From May 2, 2007, to April 30, 2008, insurance companies filed 1,185 SARs using the SAR-SF;³⁴ 161 (14 percent) of these filings included "SAR-IC" in Field 36. (Field 36 was truncated in some filings; however, a truncated form of "SAR-IC" was still visible.) The narratives of 883 (75 percent) indicated that they were insurance SARs. In total, 887 (75 percent) of the SAR-SFs were designated as SAR-ICs in Field 36 and/or the narrative.

34. This number does not count the SAR-DI filings by insurance companies, which by definition did not follow the guidance for filing SAR-ICs.

Conclusions & Recommendations

Insurance companies filed 1,276 SARs from May 2, 2007, through April 30, 2008. Companies that averaged filing at least one SAR per month tended, individually, to focus on one or two types of suspicious activity.

Filers checked *Money Laundering/Structuring* more frequently than any other characterization of suspicious activity. Many SARs that did not report *Money Laundering/Structuring* as a characterization of suspicious activity nonetheless described related activities in their narratives. The most commonly cited of these activities involved the use of multiple cash equivalents for premium and/or loan payments. Filing narratives also frequently discussed subjects paying premiums in an unusual manner—often by submitting cash and/or cash equivalents with checks—with instrument values below some BSA threshold. Notably, a few SARs discussed scams employing investment funds to purchase insurance policies or variable annuities with death benefits on the lives of elderly individuals.

As was the case in the April 2008 report, most subjects had a direct relationship to a policy, a contract, or an account (applicant, insured party, beneficiary, etc.). Subjects identified as having a gatekeeper role—such as managers, accountants, trustees, or attorneys—increased significantly due to the inclusion of non-financial managers and executives of non-finance firms in the definition of “gatekeeper.” The total number of filings naming insurance insider subjects (agent, broker, etc.) increased slightly, but the proportion of these filings to the total number of filings decreased.

Certain filer or subject states of address continued to have significantly more filings than others. Many of these filing patterns can be attributed to population demographics and/or the reporting patterns of particular parent companies (and their subsidiaries). However, these patterns do not necessarily indicate money laundering vulnerabilities related to the location of either the filer or the subject.

With a few exceptions, the quality of SARs provided by insurance companies continues to be good. Many filers also continue to improve their compliance with FinCEN guidance on designating a filing as an insurance SAR. An initial look into the third year of required filings showed further progress. However, some filings still have inconsistencies and errors.

All financial institutions covered under the BSA should be vigilant to ensure that their compliance programs enable them to detect and report the range of suspicious activities that they may encounter. All insurance companies should ensure that their reports are filed on the SAR-SF form; they should include "SAR-IC" in the first 35 characters of the filer name field; and, they should begin the narrative with the term "Insurance SAR."

Insurance companies submitted 1,917 SARs in the first two years of mandatory suspicious activity reporting. FinCEN anticipates that the level and quality of filings will increase as compliance programs evolve. FinCEN will continue to support insurance industry BSA compliance efforts. Insurance companies with BSA/AML-related questions can contact FinCEN's Regulatory Helpline at (800) 949-2732 for assistance.

Appendices

APPENDIX A - Guidance, Rules and News Releases Regarding the Insurance Industry

The following are links to previously released information regarding the insurance industry and its responsibilities under the Bank Secrecy Act. All of the information listed below currently appears on FinCEN's website – <http://www.fincen.gov>.

Anti-Money Laundering Program and Suspicious Activity Reporting Requirements for Insurance Companies (Guidance) – March 20, 2008 (<http://www.fincen.gov/fin-2008-g004.pdf>)

Financial Crimes Enforcement Network Amendment Regarding Financial Institutions Exempt from Establishing Anti-Money Laundering Programs (Final Rule) – January 11, 2008 (<http://www.fincen.gov/FedReg-1-11-08.pdf>)

Anti-Money Laundering Program and Suspicious Activity Reporting Requirements for Insurance Companies (Guidance) – May 31, 2006 (http://www.fincen.gov/insurance_companies_faq.pdf)

Requirement that Insurance Companies Report Suspicious Transactions (Final Rule) – November 3, 2005 (<http://www.fincen.gov/sarforinsurancecompany.pdf>)

Anti-Money Laundering Programs for Insurance Companies (Final Rule) – November 3, 2005 (<http://www.fincen.gov/amlforinsurancecompany.pdf>)

Suspicious Activity Report by Insurance Companies (Notice and Request for Comments) – November 3, 2005 (<http://www.fincen.gov/sarcomments10312005.pdf>)

Insurance Companies Required to Establish Anti-Money Laundering Programs and File Suspicious Activity Reports (News Release) – October 31, 2005
(<http://www.fincen.gov/newsrelease10312005.pdf>)

Anti-Money Laundering Programs for Insurance Companies (Correction to Notice of Proposed Rule) – November 12, 2002
(<http://www.fincen.gov/fedreginsurance111202.pdf>)

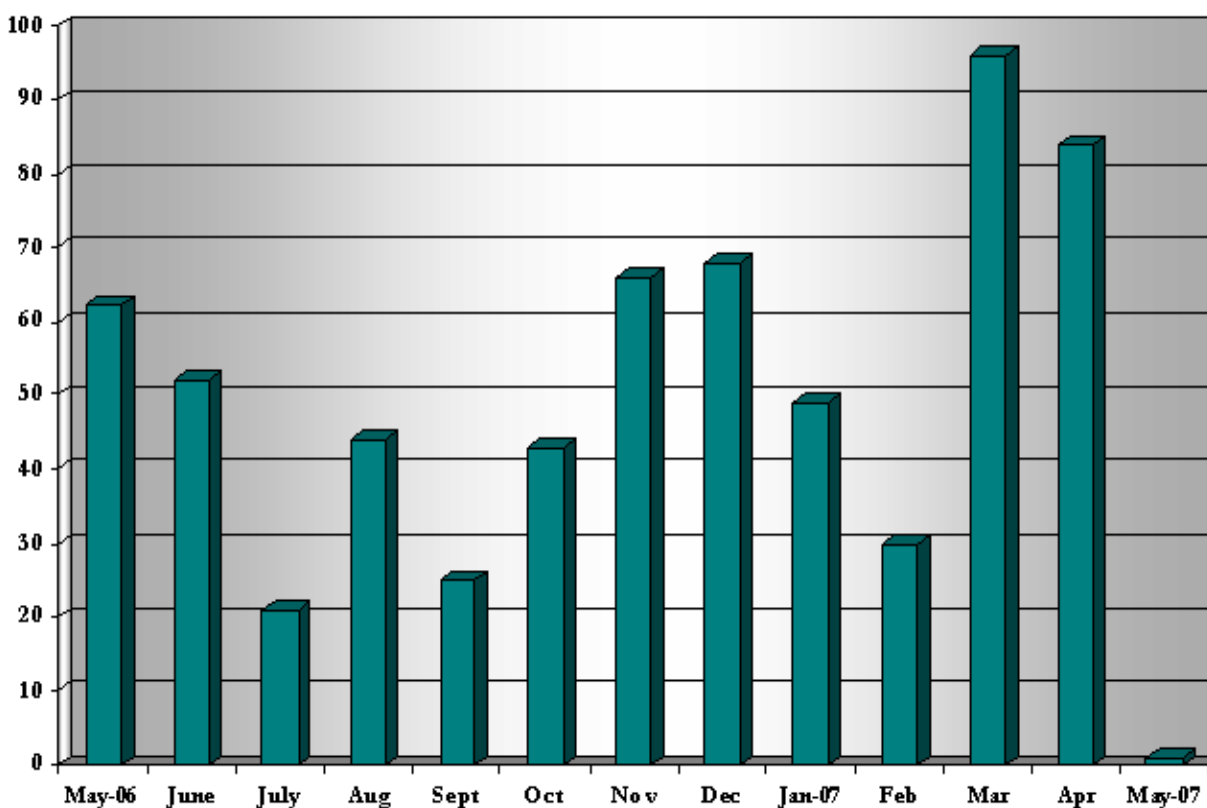
Requirement that Insurance Companies Report Suspicious Transactions (Notice of Proposed Rulemaking) – October 17, 2002
(http://www.fincen.gov/insurance_sar.pdf)

Anti-Money Laundering Programs for Insurance Companies (Notice of Proposed Rulemaking) – September 26, 2002
(<http://www.fincen.gov/352insurance.pdf>)

APPENDIX B - Tables and Charts from *Insurance Industry Suspicious Activity Reporting: An Assessment of Suspicious Activity Report Filings (April 2008)*

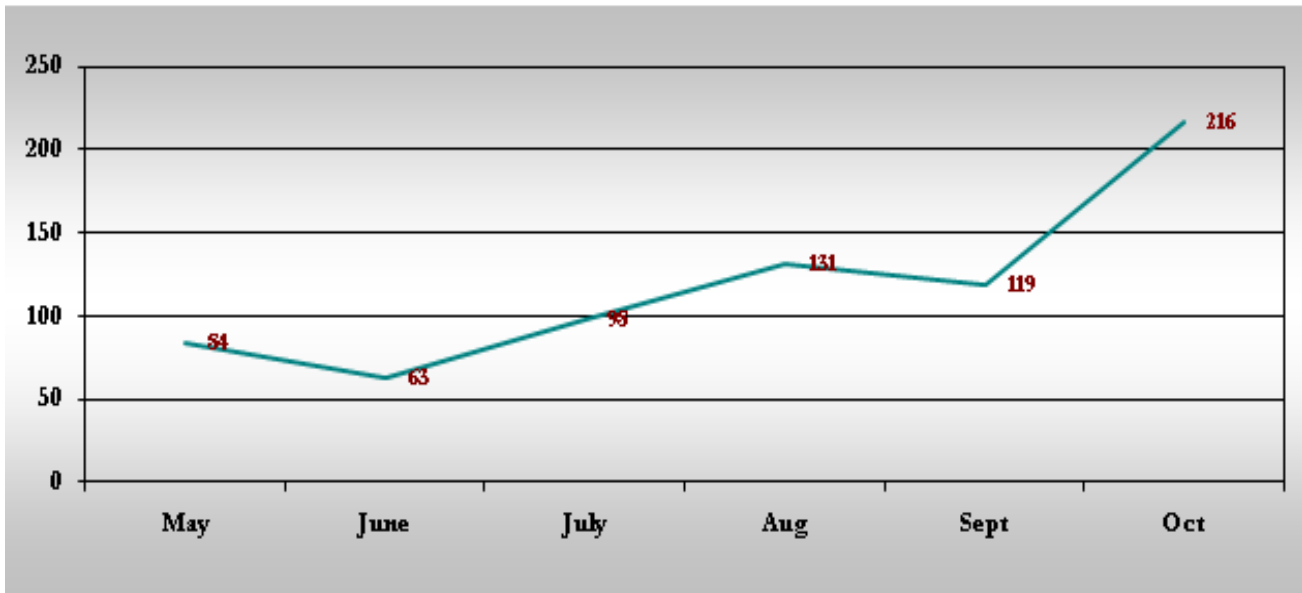
The following are tables and charts representing data from the initial *Insurance Industry Suspicious Activity Reporting: An Assessment of Suspicious Activity Report Filings (April 2008)*. For details about the methodology used to create these tables and charts, and for explanations of the data, please consult the initial study.

GRAPH B1³⁵
Insurance Industry Suspicious Activity Reports
May 2, 2006 - May 1, 2007

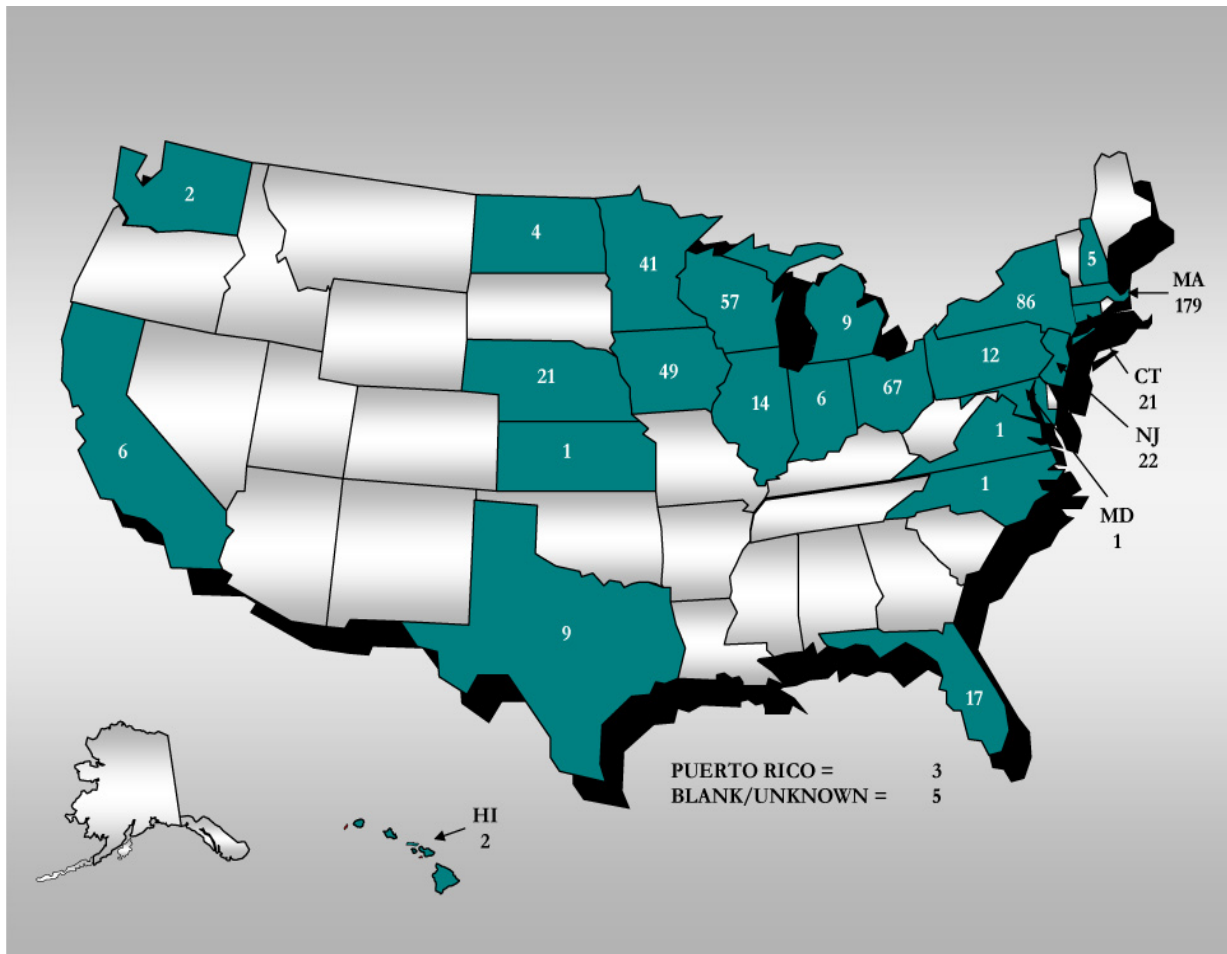


35. The single filing for the thirteenth month listed represents only the first day of May 2007 -- the date that completes the full 365-day, one-year cycle.

GRAPH B2
Insurance Industry Suspicious Activity Reports
May 2, 2007 - Oct 31, 2007

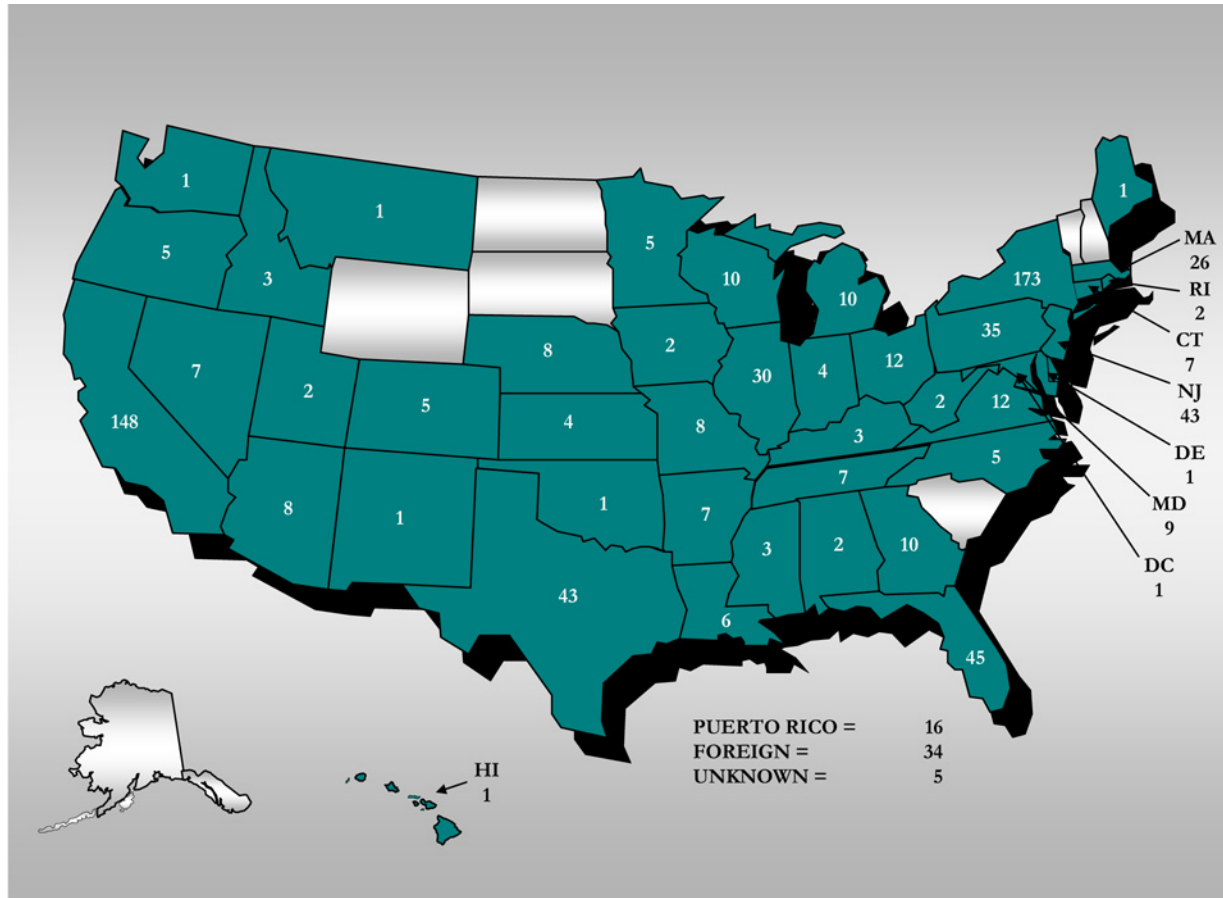


GRAPH B3
Insurance Industry SARs by States & Territories of Filer Address
 May 2, 2006 - May 1, 2007³⁶



36. Graph 3 “Insurance Industry SAR Filers by States & Territories May 2, 2006 – May 1, 2007” in *Insurance Industry Suspicious Activity Reporting: An Assessment of Suspicious Activity Report Filings* (April 2008)

GRAPH B4
Insurance Industry SAR Subjects by States & Territories of Address
 May 2, 2006 - May 1, 2007³⁷



37. Graph 4 “Insurance Industry SAR Subjects by States & Territories May 2, 2006 – May 1, 2007” in *Insurance Industry Suspicious Activity Reporting: An Assessment of Suspicious Activity Report Filings* (April 2008)

TABLE B1

Categorization of Subjects Identified in SAR Narratives	
<i>Role of Subject(s) Identified in Narratives</i>	<i>SAR Roles</i>
Life Policy Applicants, Beneficiaries, Insureds, Payers, and Caregivers	355
Annuity Owners or Applicants	197
Insurance Insiders	69
No Role of Subject Described or Identified	47
Gatekeepers	23

TABLE B2

Policy Applicants, Beneficiaries, Holders, Insured, Payers, and Caregivers	
<i>Role of Subject Identified by the Narrative</i>	<i>SARs</i>
Policy Holder	195
Policy Holder/Insured	73
Policy Holder/Beneficiary	23
Policy Applicant	21
Beneficiary – Viatical Sale ³⁸	19 ³⁹
Payer for the policy	15
Policy Holder/Non-Beneficiary	4
Policy Holder/Non-Insured	4
Caregiver for Accountholder	1
Total SAR Roles	355

38. A viatical is a contractual arrangement to purchase a life insurance policy from a terminally ill policy holder for a percentage of the face value. Viaticals are not covered products under the insurance rule. However, insurance companies may voluntarily file SARs and report suspicious activities that they wish to bring to law enforcement's attention whether or not they involve products specifically covered under the rule.

39. The actual number of SARs involving beneficiaries of viatical sales is better characterized as four rather than 19. One filer filed seventeen SARs on transactions from the same viatical settlement. Sixteen of these were filed on the beneficiaries of the settlement, and one was filed on the settlements company. These 17 filings would better be considered as one filing with 17 subjects.

TABLE B3

Annuity Owners and Applicants	
<i>Role of Subject Identified by the Narrative</i>	<i>SARs</i>
Annuity Owner	174
Annuity Applicant	23
Total SAR Roles	197

TABLE B4

Insurance Insiders	
<i>Role of Subject Identified by the Narrative</i>	<i>SARs</i>
Agent	48
Unspecified	5
Viatical Settlements Company	4 ⁴⁰
Insurance Broker	8
Unlicensed Agent	4
District Sales Manager	1
CFO	1
Treasurer	1
Total	72

TABLE B5

Gatekeepers	
<i>Role of Subject Identified by the Narrative</i>	<i>SARs</i>
Attorney	10
Financial Advisor	3
Accountant	5
Policy Holder	2 ⁴¹
Total	20

40. Three of the four filings mentioned the same viatical settlements company.

41. In three filings, a gatekeeper was actually the policy holder.

GRAPH B5
Characterizations of Suspicious Activity Identified in SARs
Filed by Insurance Companies
May 2, 2006 - May 1, 2007

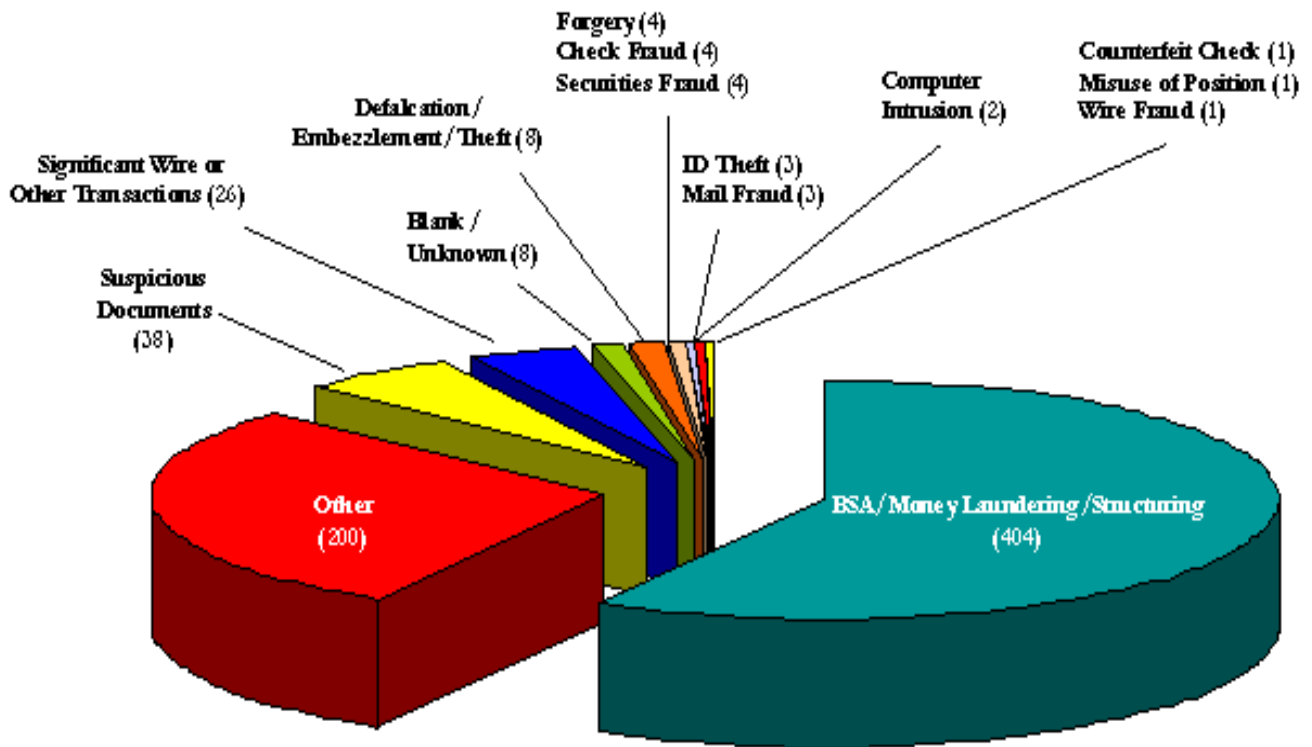


TABLE B6

Classification of Products Reported in Suspicious Activities	
<i>Class of Product</i>	<i>SARs Identifying Use of Each Product</i>
Life Insurance	265
Annuities	225
Unspecified and Other Insurance Products	73
No Insurance Product Identified	48
Life Insurance – Viatical Settlements	23
Liability Insurance	7
Property Insurance	3
Health Insurance	1
Worker's Compensation Insurance	1

TABLE B7

SARs Filed By Insurance Companies Involving Annuities			
<i>Instrument</i>	<i>SARs</i>	<i>Confirmed Insurance Filing</i>	<i>Unknown</i>
Annuity Contract	98	46	52
Variable Annuity	78	36	42
Fixed Annuity	39	33	6
Annuity Account	36	11	25
Totals	251	126	125

TABLE B8

Suspicious Activity Reports Involving Life Insurance Policies	
<i>Characterization of Life Insurance Policy</i>	<i>SARs</i>
Life Insurance Policy	147
Universal Life Insurance Policy	39
Variable Life Insurance Policy	28
Whole Life Insurance Policy	28
Term Life Insurance Policy	27
Life Insurance Policy with a Paid-up Additional Rider	10
Variable Universal Life Insurance Policy	8
Variable Universal Life Policy – Group	4
Variable Life Insurance Policy – Corporate-Owned	3

TABLE B9

Suspicious Activity Reports Involving Viatical Settlements	
<i>Policy Tied to Settlement</i>	SARs
Term Life Insurance Policy	19
Life Insurance	2
Variable Life Insurance Policy	1
Whole Life Insurance Policy	1

TABLE B10

Categorization of SARs Involving Non-covered Products	
<i>Reasons for The Filing</i>	SARs
Insurance Fraud	5
OFAC Blocking Report	3
Multiple Money Orders or Checks Used for Payment or Initial Purchase	2
Significant Transactions (Wire or Other) Without Economic Purpose	2
Media Reports of Illegal Activity	1
Money Laundering	1
Potential Terrorist Financing	1

TABLE B11

Narrative-Derived Reasons For Filings	
<i>Reasons For Filing</i>	SARs
Multiple Money Orders or Checks Used for Payment or Loan Repayment	274
Early/Excessive Borrowing	94
BSA/Structuring/Money Laundering	84
Early Policy Termination/Annuity Redemption	73
Significant Transactions (Wire Or Other) Without Economic Purpose	67
Commercial Watch List	27
Insurance Fraud	27
Subject of Law Enforcement Investigation	26


Financial Crimes Enforcement Network

Unusual Payment Method	26
Government Watch List ⁴²	20
Identity Theft	20
Unusual Viatical Sales	20
Suspicious Documents or ID Presented	18
Media Reports of Illegal Activity	17
Little or No Product Performance Concern	14
Suspicious Transfer, or Loan to, or Payments by Unrelated Third Party	11
Unusual Use of Free-Look Provision	10
Tax Evasion	9
Mail or Email Fraud	8
Self Dealing/Embezzlement	7
Potential Terrorist Financing	6
Unusual Surrender Payment Request	6
Early Request For Refund of Premiums Paid in Advance	5
Check Fraud	4
Fraudulent Documents Presented by Agent	4
Counterfeit Instruments	3
False Statements	3
Financial Advisor or Parent Company Referral	3
Forgery	2
Alleged Prime-Bank Scheme	1
Attempt to Avoid Filing IRS Form W-9	1
Compliance Review	1
Computer Intrusion	1
Internal Audit of an Agent	1
IRS Audit of Subject	1
Refusal to Provide Verifying Information	1
Suspicious Questions About BSA Reporting Requirements	1
Wire Fraud	1

42. This characterization appearing in SAR narratives and commonly used by industry filers may refer to names found in various lists issued by government agencies.

APPENDIX C - FinCEN Form 101: *Suspicious Activity Report by the Securities and Futures Industries (Effective May 2004)*

The following is FinCEN Form 101, which insurance companies are to use for filing SARs.

FinCEN Form 101 Effective May 2004	Suspicious Activity Report by the Securities and Futures Industries Please type or print. Always complete entire report. Items marked with an asterisk * are considered critical. (See instructions.)	 OMB No. 1506 - 0019
1 Check the box if this report corrects a prior report (See instructions) <input type="checkbox"/>		
Part I Subject Information 2 Check box a <input type="checkbox"/> if multiple subjects box b <input type="checkbox"/> subject information unavailable		
*3 Individual's last name or entity's full name		*4 First name
5 Middle initial		
6 Also known as (AKA - individual), doing business as (DBA - entity)		7 Occupation or type of business
*8 Address		*9 City
*10 State	*11 ZIP code	*12 Country code (If not U.S.) (See instructions)
		13 E-mail address (if available)
*14 SSN/ITIN (individual), or EIN (entity)	*15 Account number(s) affected, if any. Indicate if closed.	
	Acc't #	yes <input type="checkbox"/> Acc't #
	Acc't #	yes <input type="checkbox"/> Acc't #
		16 Date of birth
		MM DD YYYY
17 Government issued identification (if available)		
a <input type="checkbox"/> Driver's license/state ID b <input type="checkbox"/> Passport c <input type="checkbox"/> Alien registration d <input type="checkbox"/> Corporate/Partnership Resolution		
e <input type="checkbox"/> Other		
f ID number		g Issuing state or country (2 digit code)
18 Phone number - work		19 Phone number - home
() - - - - -		() - - - - -
20 Is individual/business associated/affiliated with the reporting institution? (See instructions)		
a <input type="checkbox"/> Yes b <input type="checkbox"/> No		
Part II Suspicious Activity Information		
*21 Date or date range of suspicious activity		*22 Total dollar amount involved in suspicious activity
From MM / DD / YYYY To MM / DD / YYYY		\$: , , , , , .00
23 Instrument type (Check all that apply)		
a <input type="checkbox"/> Bonds/Notes i <input type="checkbox"/> Commodity options q <input type="checkbox"/> Commodity type _____ (Please identify) b <input type="checkbox"/> Cash or equiv. j <input type="checkbox"/> Security futures products r <input type="checkbox"/> Instrument description _____ c <input type="checkbox"/> Commercial paper k <input type="checkbox"/> Stocks s <input type="checkbox"/> Market where traded _____ (Enter appropriate three or four-letter code.) d <input type="checkbox"/> Commodity futures contract l <input type="checkbox"/> Warrants t <input type="checkbox"/> Other (Explain in Part IV) e <input type="checkbox"/> Money Market Mutual Fund m <input type="checkbox"/> Other securities f <input type="checkbox"/> Mutual Fund n <input type="checkbox"/> Other non-securities g <input type="checkbox"/> OTC Derivatives o <input type="checkbox"/> Foreign currency futures/options h <input type="checkbox"/> Other derivatives p <input type="checkbox"/> Foreign currencies		
24 CUSIP* number	25 CUSIP* number	26 CUSIP* number
27 CUSIP* number	28 CUSIP* number	29 CUSIP* number
*30 Type of suspicious activity:		
a <input type="checkbox"/> Bribery/gratuity h <input type="checkbox"/> Identity theft o <input type="checkbox"/> Significant wire or other transactions without economic purpose b <input type="checkbox"/> Check fraud i <input type="checkbox"/> Insider trading p <input type="checkbox"/> Suspicious documents or ID presented c <input type="checkbox"/> Computer intrusion j <input type="checkbox"/> Mail fraud q <input type="checkbox"/> Terrorist financing d <input type="checkbox"/> Credit/debit card fraud k <input type="checkbox"/> Market manipulation r <input type="checkbox"/> Wash or other fictitious trading e <input type="checkbox"/> Embezzlement/theft l <input type="checkbox"/> Money laundering/Structuring s <input type="checkbox"/> Wire fraud f <input type="checkbox"/> Commodity futures/options fraud m <input type="checkbox"/> Prearranged or other non-competitive trading t <input type="checkbox"/> Other (Describe in Part VI) g <input type="checkbox"/> Forgery n <input type="checkbox"/> Securities fraud		

Catalog No. 35349U

Rev. 05/22/04

Part VI **Suspicious Activity Information - Narrative *** **3**

Explanation/description of suspicious activity(ies). This section of the report is critical. The care with which it is completed may determine whether or not the described activity and its possible criminal nature are clearly understood by investigators. Provide a clear, complete and chronological description (not exceeding this page and the next page) of the activity, including what is unusual, irregular or suspicious about the transaction(s), using the checklist below as a guide, as you prepare your account.

- a. Describe conduct that raised suspicion.
- b. Explain whether the transaction(s) was completed or only attempted.
- c. Describe supporting documentation (e.g. transaction records, new account information, tape recordings, E-mail messages, correspondence, etc.) and retain such documentation in your file for five years.
- d. Explain who benefited, financially or otherwise, from the transaction(s), how much, and how (if known).
- e. Describe and retain any admission or explanation of the transaction(s) provided by the subject(s) or other persons. Indicate to whom and when it was given.
- f. Describe and retain any evidence of cover-up or evidence of an attempt to deceive federal or state examiners, SRO, or others.
- g. Indicate where the possible violation of law(s) took place (e.g., main office, branch, other).
- h. Indicate whether the suspicious activity is an isolated incident or relates to another transaction.
- i. Indicate whether there is any related litigation. If so, specify the name of the litigation and the court where the action is pending.
- j. Recommend any further investigation that might assist law enforcement authorities.
- k. Indicate whether any information has been excluded from this report; if so, state reasons.
- l. Indicate whether U.S. or foreign currency and/or U.S. or foreign negotiable instrument(s) were involved. If foreign, provide the amount, name of currency, and country of origin.
- m. Indicate "Market where traded" and "Wire transfer identifier" information when appropriate.
- n. Indicate whether funds or assets were recovered and, if so, enter the dollar value of the recovery in whole dollars only.
- o. Indicate any additional account number(s), and any foreign bank(s) account number(s) which may be involved.
- p. Indicate for a foreign national any available information on subject's passport(s), visa(s), and/or identification card(s). Include date, country, city of issue, issuing authority, and nationality.
- q. Describe any suspicious activities that involve transfer of funds to or from a foreign country, or transactions in a foreign currency. Identify the country, sources and destinations of funds.
- r. Describe subject(s) position if employed by the financial institution.
- s. Indicate whether securities, futures, or options were involved. If so, list the type, CUSIP number or ISID number, and amount.
- t. Indicate the type of institution filing this report, if this is not clear from Part IV. For example, a n IA that is managing partner of a limited partnership that is acting as a hedge fund that detects suspicious activity tied in part to its hedge fund activities should note that it is operating as a hedge fund.
- u. Indicate, in instances when the subject or entity has a CRD or NF A number, what that number is.
- v. If correcting a prior report (box in Item I checked), complete the form in its entirety and note the corrected items here in Part VI.

Information already provided in earlier parts of this form need not necessarily be repeated if the meaning is clear.

Supporting documentation should not be filed with this report. Maintain the information for your files.

Tips on SAR form preparation and filing are available in the SAR Activity Review at www.fincen.gov/pub_reports.html
 Enter explanation/description in the space below. Continue on the next page if necessary.

Suspicious Activity Report Narrative (continued)

4

[Empty text area for Suspicious Activity Report Narrative]

Safe Harbor Federal law (31 U.S.C. 5318(g)(3)) provides complete protection from civil liability for all reports of suspicious transactions made to appropriate authorities, including supporting documentation, regardless of whether such reports are filed pursuant to this report's instructions or are filed on a voluntary basis. Specifically, the law provides that a financial institution, and its directors, officers, employees, and agents, that make a disclosure of any possible violation of law or regulation, including in connection with the preparation of suspicious activity reports, "shall not be liable to any person under any law or regulation of the United States, any constitution, law, or regulation of any State or political subdivision of any State, or under any contract or other legally enforceable agreement (including any arbitration agreement), for such disclosure or for any failure to provide notice of such disclosure to the person who is the subject of such disclosure or any other person identified in the disclosure."

Notification Prohibited Federal law (31 U.S.C. 5318(g)(2)) provides that a financial institution, and its directors, officers, employees, and agents who, voluntarily or by means of a suspicious activity report, report suspicious transactions to the government, may not notify any person involved in the transaction that the transaction has been reported.

In situations involving violations that require immediate attention, such as terrorist financing or ongoing money laundering schemes, the financial institution shall immediately notify by telephone an appropriate law enforcement authority in addition to filing a timely suspicious activity report.

When to file a report

1. Every broker or dealer in securities (BD), futures commission merchant (FCM), and introducing broker in commodities (IB-C) within the United States shall file with FinCEN, to the extent and in the manner required by 31 CFR 103.19 and 103.17, a report of any suspicious transaction relevant to a possible violation of law or regulation. A BD, FCM or IB-C may also file with FinCEN a report of any suspicious transaction that it believes is relevant to the possible violation of any law or regulation but whose reporting is not required by 31 CFR 103.19 or 103.17. A voluntary filing does not relieve a BD, FCM or IB-C from the responsibility of complying with any other reporting requirements imposed by the Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), a self-regulatory organization ("SRO") (as defined in section 3(a)(26) of the Securities Exchange Act of 1934, 15 U.S.C. 78c (a)(26)), or any registered futures association (RF A) or registered entity (RE) as these terms are defined in the Commodity Exchange Act (CEA) 7 U.S.C. 21 and 7 U.S.C. 1a(29).

2. A transaction requires reporting if it is conducted or attempted by, at, or through a BD, FCM or IB-C, it involves or aggregates funds or other assets of at least \$5,000, and the BD, FCM, or IB-C knows, suspects, or has reason to suspect that the

transaction (or a pattern of transactions of which the transaction is a part):

i. 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;

ii. Is designed, whether through structuring or other means, to evade any requirements of 31 CFR 103 or of any other regulations promulgated under the Bank Secrecy Act, Pub. L. 91-508, as amended, codified at 12 U.S.C. 1829b, 12 U.S.C. 1951-1959, and 31 U.S.C. 5311 - 5314, 5316 - 5332;

iii. 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 BD, FCM or IB-C knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction; or

iv. Involves use of the BD, FCM or IB-C to facilitate criminal activity.

3. The obligation to identify and properly and timely report a suspicious transaction rests with each BD, FCM, and IB-C involved in the transaction, provided that no more than one report is required to be filed by any of the BDs, FCMs, or IB-Cs involved in a particular transaction (so long as the report filed contains all relevant facts).

4. A SAR-SF shall be filed no later than 30 calendar days after the date of the initial detection by the reporting BD, FCM, or IB-C of facts that may constitute a basis for filing a SAR-SF. If no suspect is identified on the date of such initial detection, a BD, FCM, or IB-C may delay filing a SAR-SF for an additional 30 calendar days to identify a suspect, but in no case shall reporting be delayed more than 60 calendar days after the date of such initial detection. In situations involving violations that require immediate attention, such as terrorist financing or ongoing money laundering schemes, the BD, FCM, or IB-C shall immediately notify by telephone an appropriate law enforcement authority in addition to filing timely a SAR-SF. BDs, FCMs, or IB-Cs wishing voluntarily to report suspicious transactions that may relate to terrorist activity may call FinCEN's Financial Institutions Hotline at 1-866-556-3974 in addition to filing timely a SAR-SF. The BD, FCM, or IB-C may also, but is not required to, contact the SEC or the CFTC to report in such situations.

5. **Exceptions.** A BD, FCM, or IB-C is not required to file a SAR-SF to report:

i. A robbery or burglary committed or attempted that is reported to appropriate law enforcement authorities, or for lost, missing, counterfeit, or stolen securities with respect to which the BD files a report pursuant to the reporting requirements of 17 CFR 240.17f-1;

ii. A violation otherwise required to be reported on a SAR-SF: (a) of any of the federal securities laws or rules of an SRO by the BD or any of its officers, directors, employees or other registered representatives, other than a violation of 17 CFR 240.17a-8 or 17 CFR 405.4, so long as such violation is appropriately reported to the SEC or an SRO; or (b) under the CEA (7 U.S.C. 1 *et seq.*), the regulations of the CFTC (17 CFR Chpt 1), or the rules of any RF A or RE as those terms are defined in the CEA, 7 U.S.C. 21 and 7 U.S.C. 1a(29), by the FCM or IB-C or any of its officers, directors, employees or associated persons, other than a violation of 17 CFR 42.2 as long as such violation is appropriately reported to the CFTC or a RF A or RE.

6. The Bank Secrecy Act requires financial institutions to file currency transaction reports (CTRs) in accordance with the Department of the Treasury's implementing regulations (31 CFR Part 103). These regulations require a financial institution to file a CTR whenever a currency transaction exceeds \$10,000. If a currency transaction exceeds \$10,000 and is suspicious, the institution must file both a CTR (reporting the currency transaction) and a suspicious activity report (reporting the suspicious aspects of the transaction). If a currency transaction is \$10,000 or less and is suspicious, the institution should only file a suspicious activity report. Appropriate records must be maintained in each case.

See: 31 CFR Part 103; 17 CFR 240.17a-8; 17 CFR 405.4; 17 CFR 42.2

General Instructions

A. Abbreviations and Definitions

1. AKA-- also known as (individual)
2. ASE-- American Stock Exchange
3. BD-- Broker or Dealer in Securities
4. CBOE-- Chicago Board Options Exchange
5. CBOT-- Chicago Board of Trade
6. CME-- Chicago Mercantile Exchange
7. CPO-- Commodity Pool Operator
8. CRD-- Central Registration Depository
9. CFTC-- Commodity Futures Trading Commission
10. CTA-- Commodity Trading Advisor
11. CUSIP-- Committee on Uniform Securities ID Procedures
12. DEA-- Drug Enforcement Administration
13. DBA-- doing business as (entity)
14. EIN-- Employer Identification Number
15. EUREX--European Exchange
16. FBI-- Federal Bureau of Investigation
17. FCM-- Futures Commission Merchant
18. FINRA-- Financial Industry Reg. Auth.
19. IA-- Investment Adviser
20. IB-C-- Introducing Broker-Commodities
21. ICE-- Immigration & Customs Enforc.
22. IRS-- Internal Revenue Service
23. ITIN-- Individual taxpayer ID number
24. ISID-- International Securities ID Direct.
25. KCBOT-- Kansas City Board of Trade
26. LIFFE-- London International Financial Futures Exchange

- 27. MATIF-- Marche a Terme International de France.
- 28. MGEX-- Minneapolis Grain Exchange
- 29. NASDAQ--Nasdaq Stock Market
- 30. NFA-- National Futures Association
- 31. NYBOT-- New York Board of Trade (CSCE, CTN, FINEX, NYFE)
- 32. NYMEX--New York Mercantile Exchange
- 33. NYSE-- New York Stock Exchange
- 34. NQLX-- Nasdaq Liffe Markets
- 35. OTC-- Over-the-counter
- 36. PCX-- Pacific Exchange
- 37. PHLX-- Philadelphia Stock Exchange
- 38. RE-- Registered Entity
- 39. RFA-- Registered Futures Association
- 40. SEC-- Securities and Exchange Commission
- 41. SRO-- Self-Regulatory Organization
- 42. SSN-- social security number
- 43. USFE-- U. S. Futures Exchange

B. How to make a report:

1. This form should be e-filed through the Bank Secrecy Act E-Filing System. Go to <http://bsae.filing.fincen.treas.gov> to register. This form is also available for download on the Financial Crimes Enforcement Network's Web site at www.fincen.gov, or may be ordered by calling the IRS Forms Distribution Center at (800) 829-3676.

If not filed electronically, send each completed suspicious activity report to:

Detroit Computing Center
 Attn: SAR-SF
 P.O. Box 33980
 Detroit, MI 48232

2. While all items should be completed fully and accurately, items marked with an asterisk (*) are considered critical and must be completed according to the provisions of paragraph 3 below and any special item instructions.

3. If the information for a critical item marked with an asterisk (*) is not known or not applicable, enter special response "XX" as appropriate to complete the item. Non-asterisk fields should be left blank if the information is unknown or not applicable. NOTE: The XX response for unknown may not be used in item 21 (suspicious activity "From date"), the check boxes in item 30, and in Parts IV V or VI.

4. Complete each suspicious activity report by providing as much information as possible on initial and corrected reports.

5. Do not include supporting documentation with the suspicious activity report filed. Identify and retain a copy of the suspicious activity report and all supporting documentation (e.g. transaction records, new account information, tape recordings, E-mail messages, correspondence, etc.) or business record equivalent for your files for five (5) years from the date of the suspicious activity report. All supporting documentation must be made available to appropriate authorities upon request.

6. If more than one subject is being reported, make a copy of page 1, complete only the subject information in Part I, and attach the additional page(s) behind page 1. If more space is needed to complete any other item(s), identify that item in Part VI by "item number," and provide the additional information.

7. Type or complete the report using block written letters.

8. Enter all dates in MM/DD/YYYY format where MM=month, DD=day, and YYYY=year. Precede any single number with a zero, i.e., 01,02, etc.

9. List all Telephone numbers with (area code) first and then the seven numbers, using the format (XXX) XXX-XXXX. List international telephone and fax numbers in Part VI.

10. Always enter an individual's name by entering the last name, first name, and middle initial (if known). If a legal entity is listed, enter its name in the last name field and XX in the first name field.

11. Enter all identifying numbers (alien registration, Corporate/Partnership Resolution, CRD, CUSIP,* driver's license/state ID, EIN, ITIN, Foreign National ID, ISID, * NFAID, passport, SEC, and SSN, etc.) starting from left to right. Do not include spaces, dashes, or other punctuation. Use XX as appropriate to indicate unknown (see B3)

12. Enter all Post Office ZIP codes with at least the first five numbers (all nine (ZIP + 4)) if known and listed from left to right.

13. Enter all monetary amounts in U.S.Dollars. Use whole dollar amounts rounded up when necessary. Use this format: \$0,000,000.00. If foreign currency is involved, state name of currency and country of origin in Part VI.

14. **Addresses, general.** Enter the permanent street address, city, two letter state/territory abbreviation used by the U.S. Postal Service, and ZIP code (ZIP+4 if known) of the individual or entity. A post office box number should not be used for an individual, unless no other address is available. For an individual, also enter any apartment number or suite number, road or route number. If a P.O. Box is used for an entity, enter the street name, suite number, and road or route number. If the address of the individual or entity is in a foreign country, enter the city, province or state, postal code, and the name of the country (country codes may be found at www.fincen.gov/reg_bsaforms.html). Complete any part of the address that is known, even if the entire address is not known. If from the United States, leave country Item blank.

C. Specific Suspicious Activity Report Preparation Instructions

Item 1-- Type of report. Check Box if this report is filed to correct a previously filed SAR-SF. To correct a report, a new SAR-SF must be completed in its entirety. Note corrected items in Section VI (see line "v").

Part I Subject Information

Note: Enter information about the person(s) or entity involved that caused this report to be filed, not the victim of the activity.

Item 2 -- Multiple Subjects. If there are multiple subjects involved, check box "2a" and complete a separate Part I for each subject. Check box "2b" only if NO critical* subject information is available. If ANY subject information is available, record that information in Part I, leave box "2b" blank, and insert the appropriate special response "XX" in any critical item for which data is missing.

Items *3, *4, and 5--Name of Subject. See General Instruction B10. If the subject is an entity, enter the legal name in item 3, enter XX in item 4 and leave item 5 blank. If the entity is operated under a different trade or business name than its legal name, enter the entity's legal name in Item 3 (e.g., Smith Enterprises, Inc.) and the name of the business in Item 6 (e.g., Smith's Tours). If more than one Part I is required, make a copy of page 1 and provide the additional information.

Item 6-- Also known as, or doing business as. If a reporting institution has knowledge of a subject's separate "AKA" and/or entity's "DBA" name, enter it in Item 6.

Item 7-- Occupation/type of business. If known, identify the occupation, profession, or business that best describes the individual in Part I (e.g., attorney, car dealer, carpenter, doctor, farmer, plumber, truck driver, etc.). Do not use nondescript terms such as businessman, merchant, store owner (unless store's name is provided). If self employed, unemployed, or retired are used, add current/former profession if known (e.g. self-employed building contractor, unemployed teacher, retired attorney etc.). If the individual's business activities can be described more fully, provide the additional information in Part VI.

Items 8, 9, 10, 11, and 12-- *Address. See General Instructions B12 and B14.

Item 13-- E-mail address. Enter the subject's E-mail address if available.

Item *14-- SSN/ITIN (individual) or EIN (entity). See General Instruction B11 and definitions. If the subject named in Items 3 through 5 is a U.S. Citizen or an alien with a SSN, enter his or her SSN in Item 14. If that individual is an alien who has an ITIN, enter that number. If the subject is an entity, enter the EIN. If unknown, enter XX in the first two spaces.

Item *15-- Account number(s). See General Instruction B11. Enter up to four affected account numbers in or through which the suspicious activity occurred. If no account number is affected or the account number is unknown, enter XX in the first account number field. Check the "yes" box to indicate if the account is closed. If more than four accounts are affected, provide the additional information in Part VI.

Item 16-- Date of birth. See General Instruction B8. If an individual is named in Items 3 through 5, enter the date of birth. If the month and/or day is not available or unknown, fill in with zeros (e.g., "01/00/1969" indicates an unknown date in January, 1969).

Item 17-- *Government issued identification. See General Instruction B11. Check the appropriate box showing the type of document used to verify the subject's identity. Box "d" denotes that a corporate or partnership resolution was used to identify an entity. If you check box "e", "Other" be sure to specify the type of document used. In box "f", list the ID number of the identifying document. In box "g", list the issuing authority. If all information for item 17 is unknown, check box "e" and enter XX in the space provided for "other."

Items 18 & 19-- Telephone numbers. See General Instruction B9. List any additional number(s) (e.g., hotel, cell, fax, international etc.) in Part VI.

Item 20-- Institution association. Indicate whether the subject identified in Part I is, or was, associated with the reporting institution as an "associated person," as defined in section 3(a)(18) of the Securities Exchange Act of 1934 or CFTC rule 1.3(aa), or is, or was, "affiliated with" the reporting institution, as defined in the CFTC rule 4.7(a)(1)(g). If so, explain in Part VI.

Part II Suspicious Activity Information

Item 21-- *Date or date range of suspicious activity. See General Instruction B8. Enter the date of the reported activity in the "From" field. If more than one day, indicate the duration of the activity by entering the first date in the "From" field and the last date in the "To" field. If the same individual or organization conducts multiple or related activities within the 30 calendar day period after the date of initial detection, the reporting institution may consider reporting the suspicious transactions on one form, but only if doing so will fully describe what has occurred. A new report must be filed for other related suspicious transactions committed after the initial detection period. "XX" may not be used in the "From" date entry.

Item 22-- *Total dollar amount. See General Instruction B13. Enter the total dollar value of the funds or assets involved in the suspicious activity that is conducted by the same individual or organization within the 30 calendar day period after the date of initial detection. For multiple or related suspicious transactions, show the breakdown of this aggregated total in Part VI. For abuse by a person associated with the institution, the value of this item can be zero (0). Do not such any words as "thousand", "million", etc. For foreign currency, convert to U.S. Dollars. If unknown, enter XX.

Item 23-- Instrument type. Mark the type of instrument identified in Item 23. (Check all that apply.) In Item 23b, indicate U.S. Dollars only. For Item 23r, indicate currency if other than U.S. Dollars. For Item 23s, enter appropriate three or four letter code.

Items 24, 25, 26, 27, 28, and 29-- CUSIP * Numbers. Enter up to six (6) securities numbers. If more, enter additional in Part V I.

Item 30-- *Type of suspicious activity. Check the box(es) that identifies the suspicious activity. More than one box may be checked. Provide a brief explanation in Part VI of why each box is checked. If none of these items applies, mark "other" and provide in Part VI an explanation of the type of suspicious activity. Use of XX does not apply to this item.

Part III Law Enforcement or Regulatory Contact Information

Items 31, 32, and 33-- Contacting enforcement authorities. If no contact, go to Part IV. See General Instructions "A. Abbreviations and Definitions" for law enforcement and regulatory identities. If you have advised any law enforcement authority SRO, RF A, or RE-futures entity of the suspicious transactions by telephone or written communication, complete this section. If box "b" or boxes "l" through "r" are checked, provide the name of the authority contacted in Item 32. If no contact, leave Items 31-35 blank.

Item 34-- Telephone number of individual contacted. See General Instruction B9 for format.

Item 35-- Date contacted. See General Instruction B8 for format.

Part IV Reporting Financial Institution Information

Item 36-- *Name of financial institution or sole proprietorship. Enter the full legal name of the institution, i.e., the name shown on the charter or other document creating the entity and registered with the SEC or CFTC. If a sole proprietor, enter the business name of the proprietorship registered with the SEC or CFTC.

Item 37-- *Employer identification number. See General Instruction B11. Enter the reporting financial institution's EIN. If sole proprietor enter SSN or ITIN.

Items *38, *39, *40, and *41-- Address. See General Instruction B 14. This address should be of the principal office or headquarters in the United States.

Items 42, 43, 44, 45 and 46-- Additional address locations. See General Instruction B14. If more than one location is involved, e.g., branch office etc., provide the address of the location where the most significant portion of the suspicious transactions occurred. If more than two locations are involved check box 43 and list locations in Part VI.

Item 47-- Central Registration Depository number. See General Instruction B1 1. If none, leave blank.

Item 48-- SEC number. See General Instruction B11. This is a ten digit number including the prefix of either "8" or "008" depending on the system used. If none, leave blank.

Item 49-- NFA identification number. See General Instruction B11. If none, leave blank.

Item 50-- Joint/coordinated reporting. If this is a joint/coordinated report involving more than one individual/entity (see "When to file a report Item 3") check the appropriate box and provide the details in Part VI.

Item 51-- Type of reporting institution. Check all boxes that apply to this particular report. If none of these categories apply to you, explain in Part VI. The Federal Bureau of Public Debt, its agents, and any other federal agency issuers of Federal Securities should mark "U.S. Government broker/dealer." State or municipal issuers of municipal securities should mark "Municipal broker/dealer." A securities SRO, RF A, or RE-futures entity filing this form should identify the institution type as that of the member institution for which this report is being filed, and in Part V, (Items 52, 53, 54, 55, 56, and 57) identify the securities SRO, RF A or RE-futures entity individual to contact.

Part V Contact for assistance

Items 52, 53, and 54-- *Contact individual. See General Instruction B10.

Item 55-- *Title/Position. Enter the job title/position of the contact individual.

Item 56-- *Work telephone number. See General Instruction B 9.

Item 57-- *Date report prepared. See General Instruction B8.

Part VI * Suspicious Activity Information - Narrative See page 3 of the form for instructions.

Paperwork Reduction Act Notice:

The purpose of this form is to provide an effective means for financial institutions to notify appropriate law enforcement agencies of suspicious transactions that occur by, through, or at the financial institutions. This report is required by law, pursuant to authority contained in 31 U.S.C. 5318(g). Information collected on this report is confidential (31 U.S.C. 5318(g)). Federal securities and futures regulatory agencies and the U.S. Departments of Justice and Treasury, and other authorized authorities may use and share this information. Public reporting and recordkeeping burden for this form is estimated to average 45 minutes per response, and includes time to gather and maintain information for the required report, review the instructions, and complete the information collection. Send comments regarding this burden estimate, including suggestions for reducing the burden, to the Office of Management and Budget, Paperwork Reduction Project, Washington, DC 20503 and to the Financial Crimes Enforcement Network, Attn: Paperwork Reduction Act, P.O. Box 39, Vienna VA 22183-0039. The agency may not conduct or sponsor, and an organization (or a person) is not required to respond to, a collection of information unless it displays a currently valid OMB control number.



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