

The SAR Activity Review – By the Numbers

Issue 17

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² Includes suspicious activity reported by a certain segment of the insurance industry (those insurance companies offering covered products), since May 2, 2006.

Introduction

Welcome to the seventeenth issue of *The SAR Activity Review – By the Numbers* (BTN). BTN is published once a year and incorporates numerical data covering a decade of Suspicious Activity Report (SAR) filings through the most recent twelve-month period, for each of the filing industries for which a form has been developed.³ *By the Numbers* serves as a companion piece to *The SAR Activity Review – Trends, Tips & Issues*, which provides information about the preparation, use, and utility of SARs.

In addition to numbers up through December 31, 2011, readers may also review various visual representations of data pertinent to States & Territories (as available) encompassing pie charts, bar diagrams, and line graphs. Moreover, as FinCEN transitions to an integrated forms environment, it is developing new, more informative models to illustrate data. Look for these enhancements in future BTN editions.

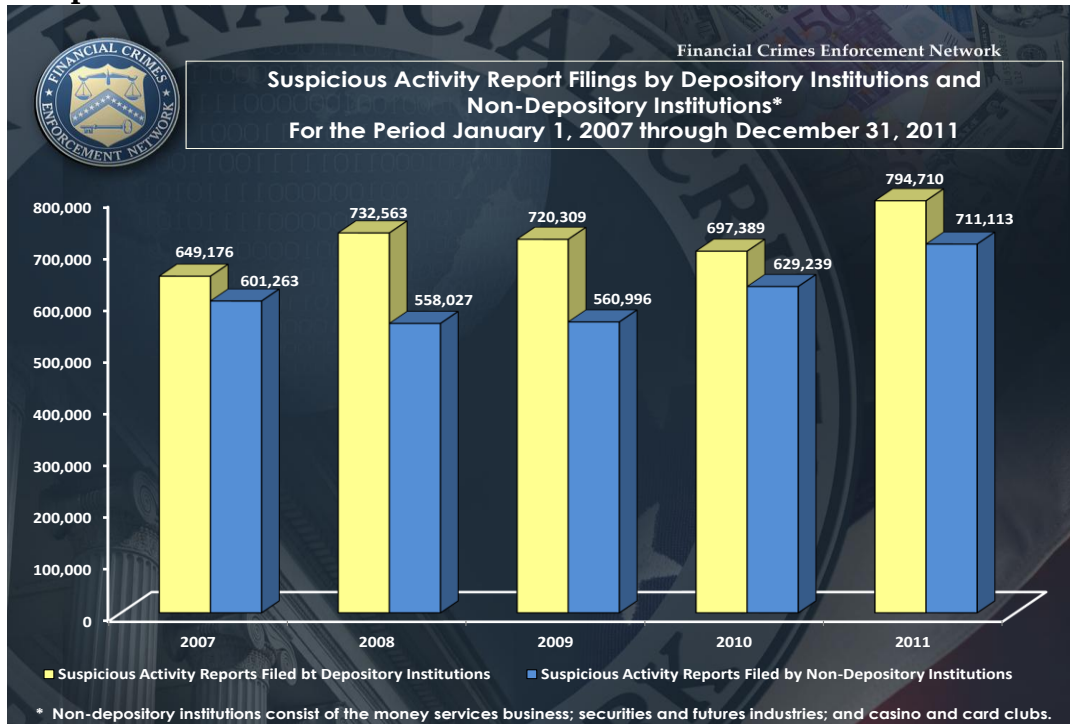
This edition of BTN will include new, interactive tables with geographic summaries at the county level to enhance State graphical displays (traditionally referred to as “heat maps”). Similarly, FinCEN is providing Metropolitan Statistical Area (MSA) summary tables of SAR data as well as spreadsheets illustrating filing rates and percentage changes for CY2010 & CY2011 Characterizations of Suspicious Activities by State & Territories. Such information (as applicable) may be accessed through highlighted hyperlinks within Exhibit 2 in each section provided.

ATTENTION: As viewers may have different operating systems, in order to access and view graphical data in its entirety, you must open the PowerPoint in SLIDE SHOW mode.

A review of the numerical data generated for Issue 17 shows that the total volume of all SARs within the Bank Secrecy Act (BSA) database experienced an increase of 13.5% in 2011 as compared to the previous year. In 2011, the number of depository institution SARs grew 14%, while non-depository institution SARs saw an increase of 13% for the corresponding twelve month period. Graph 1 depicts the comparisons of depository institution SARs and non-depository institution SARs over the last five years.

³ A SAR format for insurance companies has been released only recently in 2012. Therefore, through the period covered in this study, FinCEN instructed insurance companies to use FinCEN Form 101, Suspicious Activity Report by the Securities and Futures Industries. As a result, filing data for certain segments of the insurance industry are included in Section 4.

Graph 1



For the second year in a row, non-depository institutions filed approximately 47% of all SARs.

The following information incorporates both detailed numbers relative to reporting rates for specific SAR fixed fields as well as general observations of data for each type of form.

Form	Number of Suspicious Activity Report Filings by Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Depository Institution	273,823	288,343	381,671	522,655	567,080	649,176	732,563	720,309	697,389	794,710
Money Services Business	5,723	209,512	296,284	383,567	496,400	578,439	531,761	530,518	596,494	673,531
Casinos and Card Clubs	1,827	5,095	5,754	6,072	7,285	9,943	11,162	12,093	13,987	17,627
Securities & Futures Industries	-	4,267	5,705	6,936	8,129	12,881	15,104	18,385	18,758	19,955
Subtotal	281,373	507,217	689,414	919,230	1,078,894	1,250,439	1,290,590	1,281,305	1,326,628	1,505,823
Total	10,130,913									

Suspicious Activity Report by Depository Institution / TD F 90-22.47 (from January 1, 2002 through December 31, 2011)

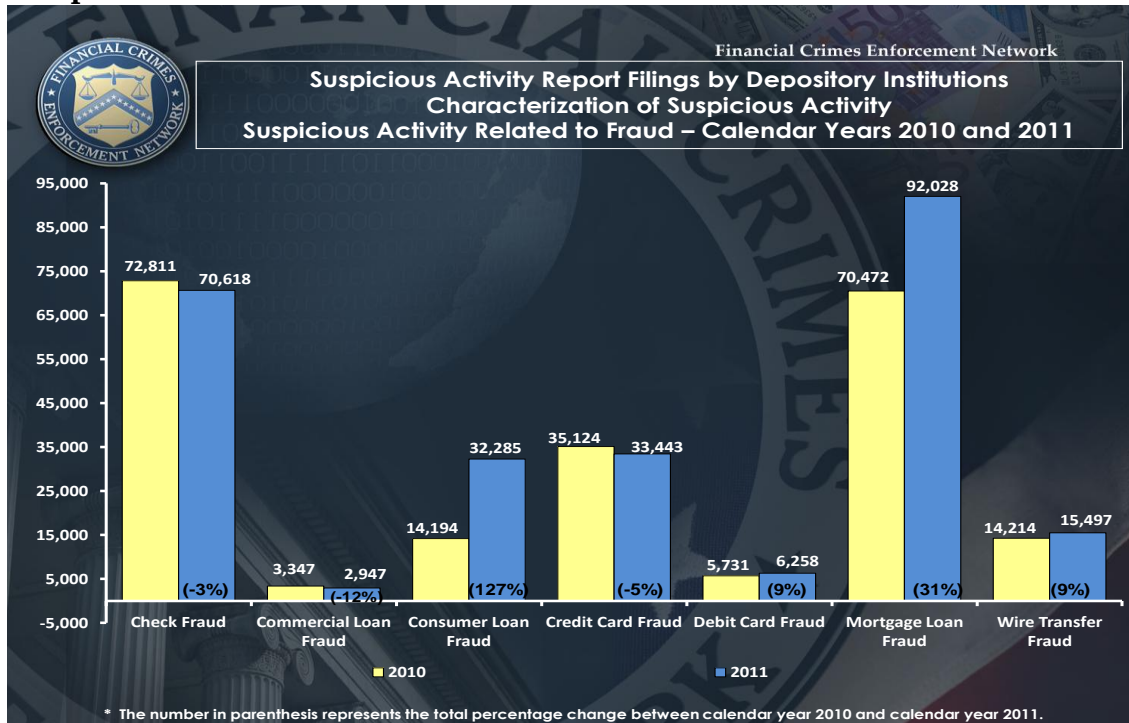
- Ten of twenty-one reportable suspicious activity categories saw increases in CY2011. Increases ranged from a high of 127% to less than one percent.
- In 2011, the summary characterization BSA/Structuring/Money Laundering showed an increase of approximately 15% as compared to the prior reporting period for this category.
- Reports of Terrorist Financing declined 14%, from 711 instances in 2010 to 609 for the same period in 2011.
- The number of depository institution SARs identifying Mortgage Loan Fraud as a Characterization of Suspicious Activity continued to rise (up 30.6% in calendar year 2011). Quite markedly, Mortgage Loan Fraud is the only summary characterization that has experienced an increase every year since 1996, with the past two years (2010 and 2011) accounting for nearly 37% of all noted instances of this specific activity for the last decade. Note that depository institutions may submit Mortgage Loan Fraud SARs well past the actual date of the activity. This upward spike in mortgage fraud counts is in predominant part attributable to mortgage repurchase demands and special filings generated by several institutions.⁴
- Of the eleven reportable suspicious activities that experienced decreases, none saw greater than Computer Intrusion, falling 21% in 2011 as compared to those filed in 2010. For the second year in a row, this drop is amongst the largest of any of the defined summary characterizations.
- Though having experienced decreases in 2009 and 2010, the number of reports indicating Consumer Loan Fraud (in whole or part) significantly rose in 2011, up 127% from the prior year.
- In 2011, the number of SARs in which filers identified the Primary Federal Regulator as Office of the Comptroller of the Currency (OCC) increased 25%, while reports indicating Office of Thrift Supervision (OTS) decreased 24%. Both the increase (OCC) and decrease (OTS) stem from the fact that the OTS became part of the OCC in July 2011.
- SARs indicating National Credit Union Administration (NCUA) as the Primary Federal Regulator continued to rise, up 6% in 2011 from the previous twelve months. This increase represents a continued trend upward for the NCUA, the only federal regulator that has shown an increase every year since 1998.
- The number of depository institution SARs identifying Check Kiting (in whole or part) continued to decline - experiencing a decrease in 2011 of 19% from the previous twelve months. Check Kiting is one of four summary characterizations that have experienced a decrease every year since 2009.
- Similarly, the two other check-related suspicious activities also saw declines during this time: Counterfeit Check (down 13%) and Check Fraud (down 3%).

⁴ For additional information gleaned from analysis of SARs involving suspected mortgage loan fraud (MLF), see FinCEN's 10 analytic MLF SAR assessments found at http://www.fincen.gov/news_room/rp/mortgagefraud.html.

- Fraud-related activities (Check Fraud, Commercial Loan Fraud, Consumer Loan Fraud, Credit Card Fraud, Debit Card Fraud, Mortgage Loan Fraud, and Wire Transfer Fraud) accounted for 27% of suspicious activities reported by depository institutions in 2011. This represents a slight increase in the number of instances reported (in whole or part) for fraud-related activities, as a group, for the same period in 2010.

Graph 2 illustrates comparisons of each fixed-field fraud-related activity reported in depository institution Suspicious Activity Reports filed in calendar years 2010 and 2011.

Graph 2



Other trends observed in depository institution SARs:

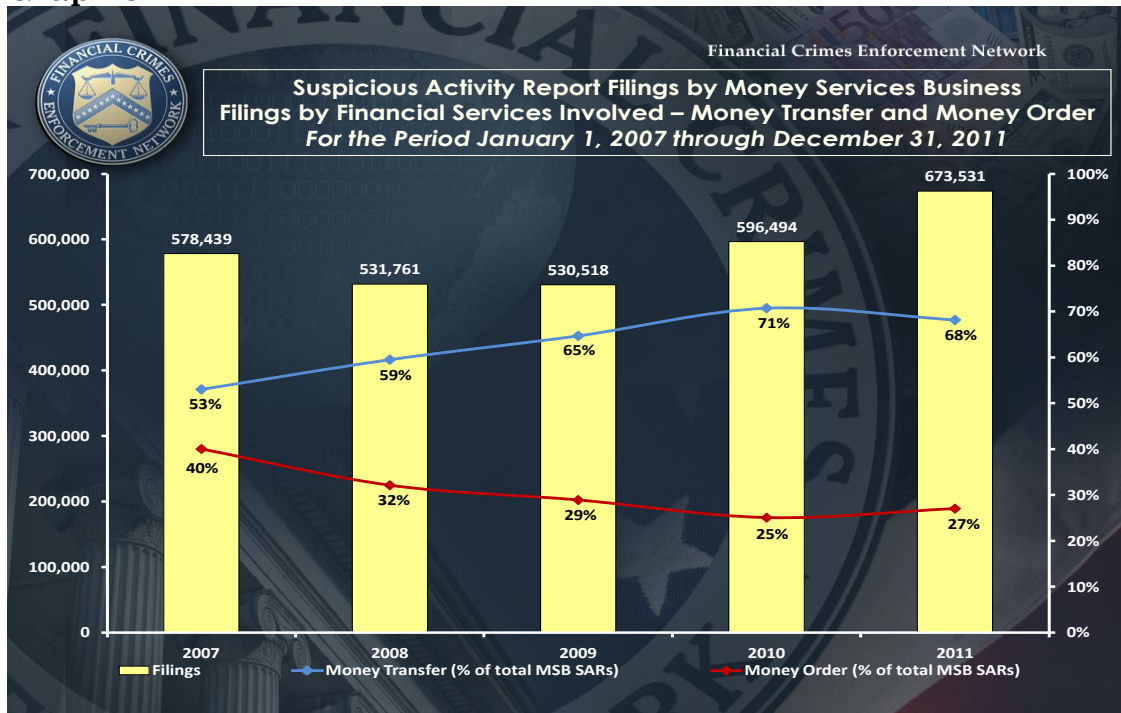
- The volume of SAR filings in 2011 represented a high over any previous calendar year (increasing 14% these last twelve months).
- Reports of Wire Transfer Fraud increased only 9% in the last twelve months, however calendar years 2010 and 2011 still accounted for 32% of all noted instances in filings submitted since 2002.
- Depository institution SARs listing Mysterious Disappearance jumped 35%, a noticeable contrast to the prior year of filing which saw a decrease of 16% for the same summary characterization.
- The number of depository institution SARs where the filer indicated Counterfeit Credit/Debit Card as a characterization rose 39% in 2011 compared to the previous year.

- The number of reports indicating Identity Theft fell for the third straight year, down 2% in 2011, almost 12% the year prior, and 9% in 2009. FinCEN added this summary characterization to Form TD F 90-22.47 in July 2003 and, since then, depository institutions have noted Identity Theft (in whole or part) 238,851 times, ranking it seventh amongst the 22 characterizations listed.
- Six of the twelve Relationship to Financial Institution types saw increases in CY2011, and five experienced double-digit growth. Of these, the most notable were Appraiser (+97%), Agent (+58%), and Borrower (+42%).

Suspicious Activity Report by Money Services Business / FinCEN Form 109⁵ (from October 1, 2002⁶ through December 31, 2011)

- As with depository institutions, suspicious activity filings by the MSB industry hit an all time high in calendar year 2011 with 673,531 SARs, up 13% from the prior year (77,000 more forms than submitted in the previous 12 months).
- MSB filers continued to overwhelmingly report money transfers and money orders in 2011 with both methods accounting for 95% of types of financial services related to suspicious activity since the mandated reporting of this industry. Graph 3 illustrates the filing rates for both categories since 2007.

Graph 3

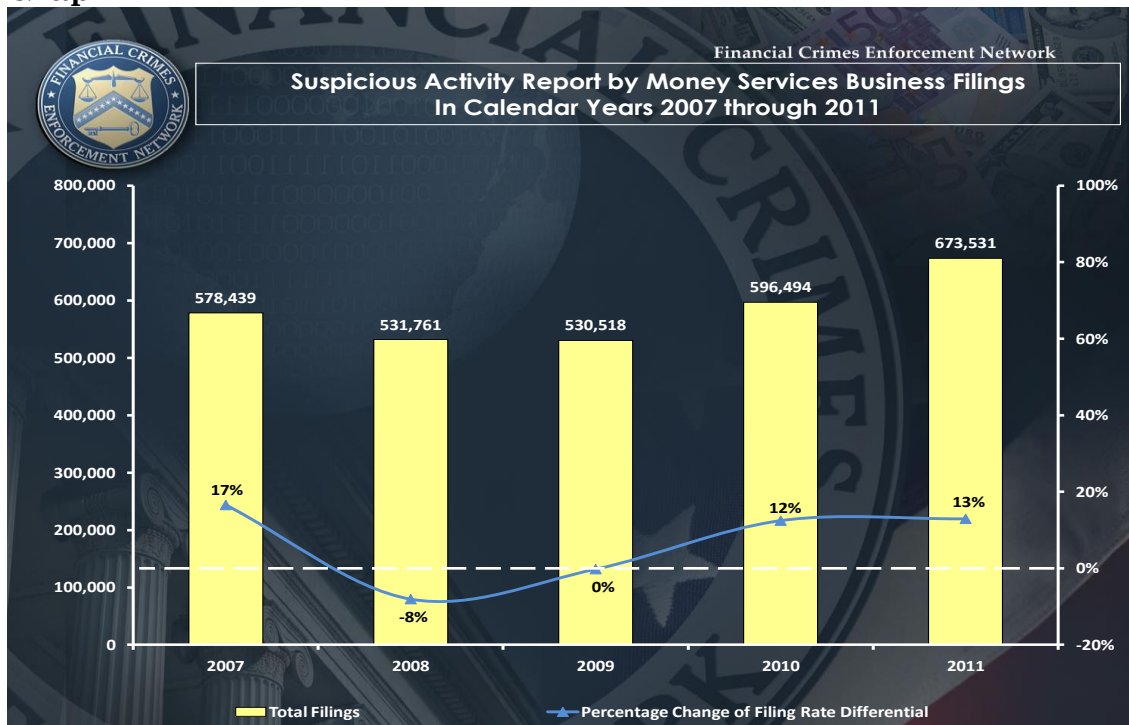


⁵ FinCEN Form 109 (formerly TD F 90-22.56), which replaced the original SAR-MSB form, became effective on March 31, 2007. Form 109 eliminated Field 2, Type of Filer. Therefore, SAR-MSB filings by Type of Filer have been removed as an exhibit in Section 2 of *By the Numbers*.

⁶ Although the mandatory suspicious activity reporting requirement for certain MSBs became effective on January 1, 2002, the Suspicious Activity Report by Money Services Business (SAR-MSB) form was not available for industry use until October 1, 2002. MSB filers reported suspicious activity on Form TD F 90-22.47 between January 1, 2002 and September 31, 2002. The filing data for that nine-month period is included in Section 1 of this report. Some filers continued using TD F 90-22.47 after the SAR-MSB form became effective on October 1, 2002. This filing data is also found in Section 1.

- After reaching its peak in 2008, Traveler’s Checks encountered its third straight year of decline in 2011 by decreasing 21% from the twelve months prior. This is the only Financial Services Involved category to experience a decrease in 2011.
- Of the Financial Services Involved category that saw an increase in 2011, Currency Exchange experienced the most notable rise, jumping 364% from the reported number of instances the year before.
- The volume of MSB SARs increased every year from 2003 through 2007, showed a slight decrease in 2008 (minus 8%) and little change in 2009 (declining less than 1%). Between 2007 and 2009 filing rate differentials declined significantly and saw a modest increase in 2009. In calendar years 2010 and 2011, filing rates showed double-digit increases, up 12% and 13%, respectively. Graph 4 illustrates MSB filing rates since 2007.

Graph 4

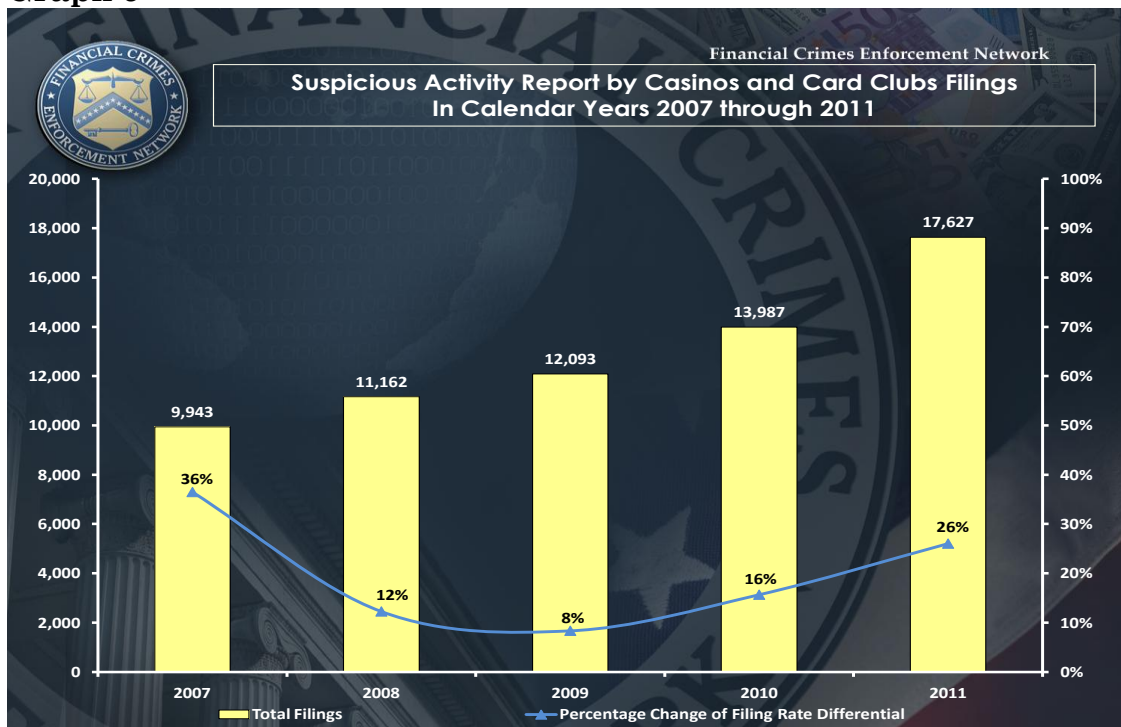


- Overall, reports of suspicious activity increased nearly 6% from the preceding year, with just as many defined characterizations up as down. Of these, only one experienced more than single-digit change in 2011: “Alters transaction to avoid filing a CTR from (over \$10,000)” (down 16% from the corresponding twelve month period).
- Reports citing “Individual(s) using multiple or false identification documents,” continued to drop in 2011 (down 8%) and is the only suspicious activity that has seen a decrease every year for the last four years.

Suspicious Activity Report by Casinos and Card Clubs / FinCEN Form 102 and, previously, TD F 90-22.49 (from January 1, 2002 through December 31, 2011)

- Calendar year 2011 represents the fifth straight year in which filings by all three types of gaming institutions saw increases, with State Licensed Casinos experiencing the largest of these (up 33%) from the year prior.
- The number of filings listing Card Clubs as the type of gaming institutions also saw a notable rise, growing 21% from 707 in 2010 to 858 in 2011.
- Since January 2002, casinos and card clubs have filed 90,845 SARs – the last three years of which accounted for nearly half (48%) of these reports. This year saw an increase of 26% over those filed in 2010. Graph 5 depicts Suspicious Activity Report filings since 2007.

Graph 5



- Twelve of the seventeen defined types of suspicious activity saw increases in 2011, with the following showing the most notable upward trend: No Apparent Business or Lawful Purpose (+95%), Structuring (+30%), and Minimal Gaming with Large Transactions (+28%). Numerically, Structuring continues to be the most cited activity by casinos and card clubs – accounting for more than 33% of reported activities overall.
- Similarly, but within a lesser sphere of reports concerned, Unusual Use of Wire Transfers (+238%) and Unusual Use of Negotiable Instruments (Checks) (+63%) also saw sizeable increases, going from 91 listed instances in 2010 to 308 in 2011, for the former activity, and from 407 in 2010 to 663 in 2011, for the latter.
- Check Fraud (Includes Counterfeit) was one of only four suspicious activities, and the largest of which, to experience decreases this year, falling over 19% with 495 references in 2011 as compared to 614 the year before.

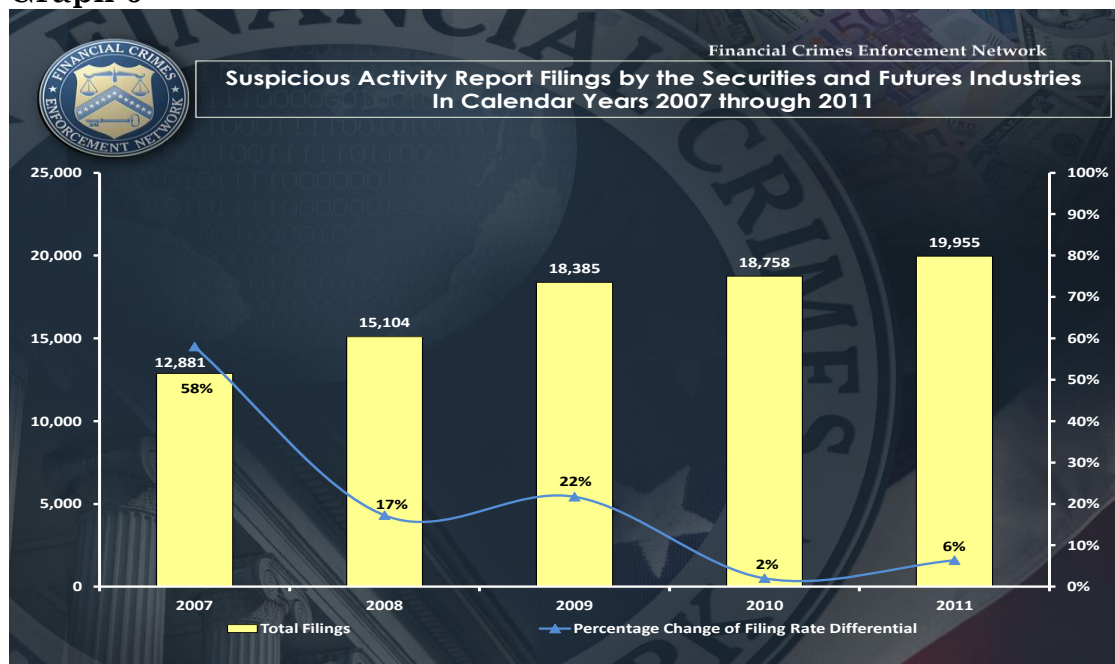
- Of the relationship types listed, Customer has been increasing every year since 2002, up 28% from the previous twelve months and accounting for 97% of Affiliation(s) or Relationship(s) to Casino/Card Club for CY2011.

Suspicious Activity Report by the Securities and Futures Industries / FinCEN Form 101 (from the mandated reporting date in January 1, 2003 through December 31, 2011)⁷

- Embezzlement/Theft saw the second largest gain of any of the suspicious activities reported in SAR-SF filings, rising 38% in CY2011. However, of the 21 Types of Suspicious Activity listed, Futures Fraud saw the biggest rise (up 85%) for the same year, increasing from 20 instances in 2010 to 37 instances in 2011.
- Likewise, Insider Trading (+34%) and Forgery (+19%) also experienced double-digit growth, making them the only two distinct activities that have continued to rise every year since 2003.
- Of those activity types showing a decrease, Bribery/Gratuity (down 74%) and Terrorist Financing (down 59%) both saw a sizeable drop between 2010 and 2011, with the former down from 69 reported instances last year to just 18 in 2011 and the latter falling from 46 instances in 2010 to a low of 19 twelve months later.
- Combined, Other, Money Laundering/Structuring and Significant Wire or Other Transactions Without Economic Purpose continue to represent just about half (47%) of the types of suspicious activity reported by the securities and futures industries – even though reported occurrences of Significant Wire or Other Transactions Without Economic Purpose fell 34% in 2011 compared to the year prior.
- Securities & futures industries SAR volume has increased every year since reporting began in 2003. Filing rate differentials reached their peak in 2007 (up 58%) and hit their low in 2010 with an increase of only 2% from the previous year of reporting. Graph 6 illustrates FinCEN Form 101 filing rates since 2007.

⁷ Includes suspicious activity reported by a certain segment of the insurance industry (those insurance companies offering covered products), since May 2, 2006.

Graph 6



- Of Filings by Instrument Type, the following saw the greatest change between CY2010 and CY2011: OTC Derivatives (98%) and Commodity Futures Contract (92%), with the former type up from 40 reported instances in 2010 to 79 the following year, and the latter listed 39 times in 2010 and 75 times twelve months later. Similarly, Other Non-Securities experienced an upswing in reporting, up 47%, rising from 76 reported instances in 2010 to 112 in 2011.
- Numerically, Cash or Equivalent as the Instrument Type (in whole or part) saw the biggest jump, having been noted 7,274 times in 2010 and 8,160 times in 2011 (representing an increase of 886, or 12%, from the year prior).
- Instrument Types that experienced a notable decrease in calendar year 2011 included Foreign Currency Futures (falling 62% from the year prior) and Security Futures Products (down 47%), down from 53 reported instances in 2010 to 28 in 2011.
- Nearly half as many “Types of Reporting Institution” increased as decreased in 2011, the following of which saw the biggest rises: Securities Dealer (+37.5%) and National Futures Association - up 142% (rising from 36 reported instances in 2010 to 87 in 2011).
- Types of reporting institutions that saw a decrease in CY2011 include Securities Floor Broker (down 68%), decreasing from 22 references in 2010 to 7 a year later, Futures Commission Merchant (down 62%), and Agricultural Trade Option Merchant, which experienced a sizeable decrease of 32% with 112 noted instances in 2011 (down from 165 the year before).

As always, we welcome your suggestions and comments. Questions regarding present, past, or future issues of *By the Numbers* may be directed to FinCEN’s Regulatory Policy and Programs Division, Office of Regulatory Analysis at (703) 905-3968 or by contacting webmaster@fincen.gov.