

SPOTLIGHT ON BANK SECRECY ACT REPORTING

The Key Aspects of Regulatory Reporting and Recordkeeping Requirements

A Spotlight on Reporting Requirements for Covered Financial Institutions under the Bank Secrecy Act (BSA)

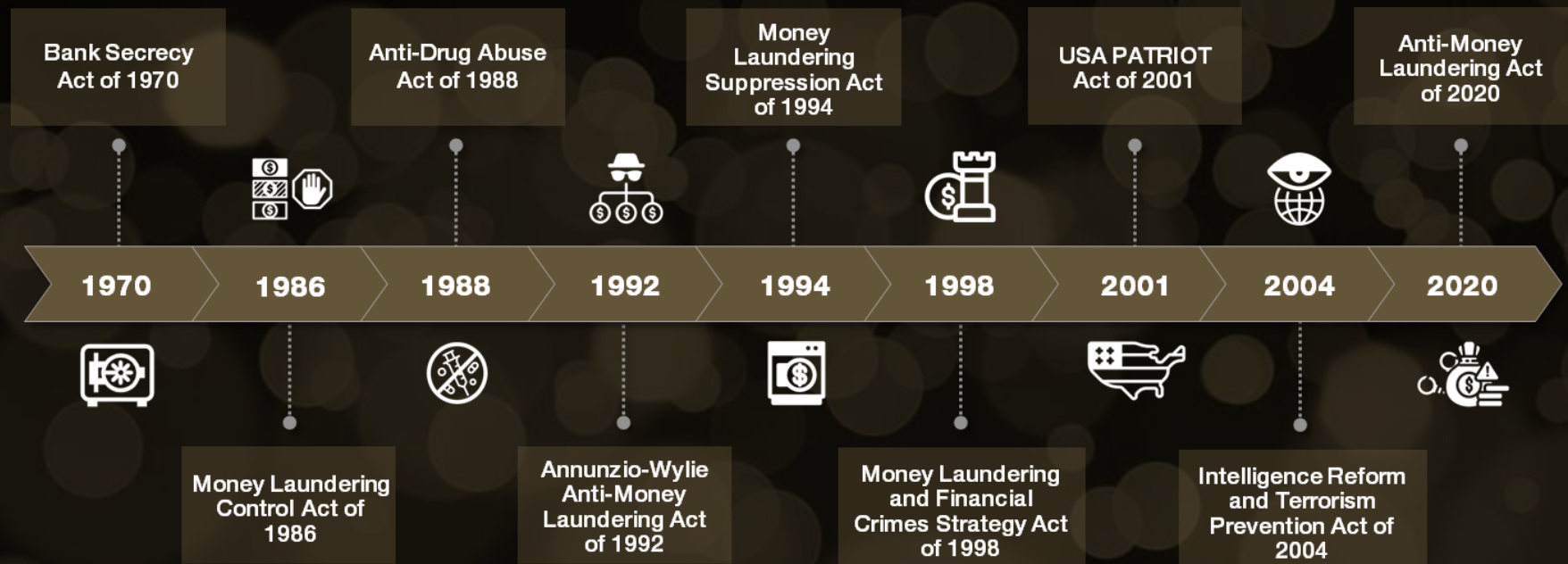


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What is the Bank Secrecy Act (BSA)?

The Bank Secrecy Act of 1970 (BSA) is the primary body of law and regulation addressing anti-money laundering (AML) in the United States (US). It requires regulated financial institutions (FIs) to detect, prevent, and report potential money laundering to government agencies. The BSA has evolved through the years to adapt to modern times, with the largest set of changes going into effect in January 2021 through the Anti-Money Laundering Act of 2020 (AMLA).



In today's complex financial landscape, regulatory reporting serves as a cornerstone of safeguarding the US financial system against money laundering, fraud, terrorist financing, and other illicit activities. For US-based financial institutions (FIs), understanding and complying with BSA is crucial. Moreover, most FI BSA compliance failures resulting in public civil penalties include noncompliance with reporting requirements.



Financial Institutions as Defined under the BSA

Under the definition of the BSA, you are within scope of its reporting and recordkeeping requirements if your business falls under the term “financial institution,” which includes the following:

1. An insured bank
2. A commercial bank or trust company
3. A private banker
4. An agency or branch of a foreign bank in the US
5. Credit unions
6. Thrift institutions
7. A broker or dealer registered with the Securities and Exchange Commission (SEC)
8. A broker or dealer in securities or commodities
9. An investment banker or investment company
10. A currency exchange or a business engaged in the exchange of currency, funds, or value that substitutes for currency or funds
11. An issuer, redeemer or cashier of travelers' checks, checks, money orders or similar instruments
12. An operator of a credit card system
13. An insurance company
14. A dealer of precious metals, stones or jewels
15. A pawnbroker
16. A loan or finance company
17. A travel agency
18. A telegraph company
19. A business engaged in vehicle sales, i.e. automobiles, airplanes and boats
20. A licensed sender of money or any person who engages in the business of transmission of currency, funds, or value that substitutes for currency, including any person who engages as a business in an informal money transfer system or any network of people who engage as a business in facilitating the transfer of money domestically or internationally outside of the conventional financial institutions system
21. Persons involved in real estate closings and settlements
22. The United States Postal Service (USPS)
23. An agency of the US Government or of a State or local government carrying out a duty or power of a business described in this paragraph
24. A licensed casino, gambling casino, or gaming establishment with an annual gaming revenue of more than \$1,000,000
25. Any business or agency which engages in any activity which the Secretary of the Treasury determines, by regulation, to be an activity which is similar to, related to, or a substitute for any activity in which any business described in this paragraph is authorized to engage
26. Any other business designated by the Secretary whose cash transactions have a high degree of usefulness in criminal, tax, or regulatory matters



Types of Monetary Instruments

Monetary instruments are often subject to specific recordkeeping and reporting requirements under regulations such as the BSA, particularly when transactions exceed designated thresholds, since they are considered equivalent to cash and can be used to transfer or exchange value. Monetary instruments include:

Currency

Coin and paper money that is designated as legal tender, circulates, and is customarily used and accepted as a medium of exchange in the country of issuance.



Traveler's Checks

Prepaid, fixed-amount negotiable instruments used as an alternative to cash, especially by travelers. Issued by financial institutions, they are globally accepted and can be replaced if lost or stolen.



Securities or Stock

Investment instruments that represent an ownership interest in a company (stock) or a creditor relationship (bonds or other debt instruments). Securities can include equity securities (e.g., common or preferred stock) and debt securities (e.g., bonds, notes).



MONETARY INSTRUMENTS

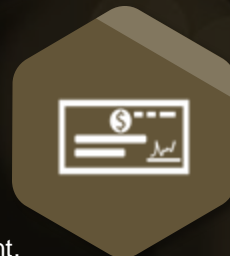


All Negotiable Instruments

Includes personal checks, business checks, official bank checks, cashier's checks, third-party checks, promissory notes that can be in bearer form, endorsed without restriction, made out to a fictitious payee or in a form wherein that title is passed upon delivery.

Incomplete instruments

A paper intended to be a negotiable instrument that has been signed, but is unfilled or is lacking an essential element, e.g. name of the payee.



Money Orders

A paper form of payment, similar to a check, which can be purchased at a variety of locations such as post offices, banks, credit unions, and even drugstores. Unlike a check, it is prepaid and will not bounce due to insufficient funds.



BSA Reporting and Recordkeeping Requirements

Under the BSA, the Department of Treasury is authorized to impose reporting and other requirements on FIs and other businesses with the objective of helping detect and prevent money laundering and terrorist financing. Below is a list of reporting and recordkeeping requirements for covered FIs:*













Report	Threshold	Trigger Event	Applicable Instrument	Filing Required?	Record-keeping Required?	Filing Deadline	Reporting Agency
For FIs – Suspicious Activity Report (SAR)	\$5,000+ or any suspicious activity	Suspected fraud, money laundering, terrorist financing, or insider abuse	Any financial instrument	✓	✓	Within 30 calendar days of detection	FinCEN
MSBs Only – Suspicious Activity Report (SAR)	\$2,000+ or any suspicious activity	Suspected fraud, money laundering, terrorist financing, or insider abuse	Any financial instrument	✓	✓	Within 30 calendar days of detection	FinCEN
Banks – Additional SAR Filing	<ul style="list-style-type: none"> Any insider abuse \$25,000+ regardless of potential suspect 	Suspected fraud, money laundering, terrorist financing, or insider abuse	Any financial instrument	✓	✓	Within 30 calendar days of detection	FinCEN
SARs for Continuing Activity	Any suspicious activity that continues after a SAR is filed	Continuing activity similar to initial SAR	Any financial instrument	✓	✓	On or before 120 days after detection (i.e. 90 days after SAR is filed)	FinCEN
Currency Transaction Report (CTR)	\$10,000+	Cash transactions, one direction, in aggregate (deposits, withdrawals, or transfers) in one day	Cash	✓	✓	Within 15 days of the transaction(s)	FinCEN
Foreign Bank Account Report (FBAR)	\$10,000+ (aggregate foreign account balance)	U.S. persons with foreign financial accounts	Foreign financial accounts	✓	✓	By April 15 each year; auto extension to October 15**	FinCEN

*The BSA does not cover Office of Foreign Assets Control (OFAC) reporting

** Monitor FinCEN-issued extensions based on world events.



BSA Reporting and Recordkeeping Requirements (continued)

Report	Threshold	Trigger Event	Applicable Instrument	Filing Required?	Record-keeping Required?	Filing Deadline	Reporting Agency
Travel Rule	\$3,000+	Wire transfers and fund transmittals between institutions	Wire transfers, fund transmittals			Must retain and share information immediately	FinCEN
Currency and Monetary Instrument Report (CMIR)	\$10,000+	Physical transportation of currency or monetary instruments into/out of the U.S.	Cash or monetary instruments			Upon transport (at border)	US Customs and Border Protection (CBP)
Reports of Cash Payments Over \$10,000 (Form 8300)	\$10,000+	Cash payments received in trade or business (including multiple related payments)	Cash			Within 15 days of receiving the payment	IRS and FinCEN
Monetary Instrument Log (MIL)	\$3,000+	Purchase of monetary instruments (e.g., cashier's checks, money orders) with cash	Monetary instruments (e.g., cashier's checks, money orders)			No formal filing, but records must be maintained	Internal Recordkeeping; Regulatory Review
Designation of Exempt Persons (DOEP)	Not applicable	Exemption of certain customers from CTR filing	Cash			When exemption is claimed	FinCEN
314(a) Information Sharing Request*	No specific threshold	Requests by law enforcement for information about specific persons or entities	Any financial instrument	 If matches are found		Within 14 days from posting date of request unless otherwise noted in the info request (Special Postings)	FinCEN

*Participation is limited to certain FIs.



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Compliance Program Management

Regulatory reporting is just a piece of the puzzle. An enterprise BSA compliance program is founded on the five (5) pillars of internal controls, training, a designated compliance officer, independent audit and customer due diligence. Stratis can help you develop, evaluate and implement a scale-appropriate AML and BSA compliance program suitable for your financial institution, ensuring that you stay ahead of evolving regulations, guidance, and enforcement.



Quality Assurance Assessment

Regulatory reports filed by financial institutions under the BSA are used both by domestic and international law enforcement agencies to identify, detect and prevent money laundering, making its accuracy and completeness crucial in criminal and regulatory matters. However, the financial institutions' regulatory reviews the quality of the BSA compliance program. Essentially, two different masters for each reporting requirement. Stratis can provide you with a detailed review and assessment of your data mapping, processes, procedures, and reporting, advise on improvements for timely and accurately reporting, and end-to-end testing to validate reports are filed compliantly.



Examination Management

Regulatory examinations determine whether a financial institution maintains an adequate risk-based BSA compliance program. Operational execution of the program is critical to examination success and ratings. Get ahead of annual examinations with pre-examination assessments to identify and remediate gaps early or post-examination remediation of findings and recommendations to offset limited internal resources. Stratis can help you prepare for examinations from first day letter, opening day presentation, ongoing regulator testing, exit meeting, board reporting, and corrective action remediation.





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