

URGENT INTERNAL MEMO

Confidentiality Level: Highly Restricted

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Subject: Regulatory Non-Compliance: Suspicious Activity Reporting (SAR)

To: Executive Committee, Board of Directors, and senior management

From: Evelyn Reed, Head of Risk Management

Date: August 25, 2022

Summary:

This memo highlights a critical regulatory non-compliance issue involving suspicious activity reporting (SAR) requirements under the Bank Secrecy Act (BSA). Our analysis reveals a pattern of delayed or incomplete SAR filings, which may compromise our institution's regulatory capital adequacy and expose us to potential fines and reputational damage.

Background:

Our review of internal records and external audit reports indicates that our employees have been aware of potential SAR requirements for several transactions involving high-risk customers and suspicious activity. However, these incidents have not been properly documented, and the necessary filings have not been submitted to the Financial Crimes Enforcement Network (FinCEN) in a timely manner.

Challenges and Findings:

- 1. Transaction Pattern Analysis:** Our risk analytics tools have identified a correlation between delayed SAR filings and a series of suspicious transactions involving a high-risk customer. These transactions, totaling \$5.2 million, were conducted through various offshore accounts and involved multiple instances of money laundering.
- 2. Compliance Risk Assessments:** Our compliance risk assessments have consistently rated our SAR procedures as "high-risk" due to inadequate training, lack of clear policies, and insufficient resources.
- 3. Internal Controls:** Our internal controls have failed to detect and prevent these regulatory non-compliance issues, highlighting weaknesses in our governance structure and risk management practices.

Recommendations:

1. **Immediate Review:** Conduct an immediate review of all SAR filings and related records to ensure compliance with BSA requirements.
2. **Risk Assessment and Mitigation:** Perform a thorough risk assessment and implement mitigation measures to prevent future non-compliance incidents.
3. **Compliance Training:** Provide comprehensive compliance training to all employees, focusing on SAR procedures, risk management, and regulatory requirements.
4. **Internal Controls Enhancement:** Strengthen our internal controls by implementing a robust governance structure, enhancing risk management practices, and conducting regular audits.

Timeline:

- **Immediate:** Conduct an immediate review of all SAR filings and related records.
- **August 31, 2022:** Complete the risk assessment and implementation of mitigation measures.
- **September 15, 2022:** Provide compliance training to all employees.
- **September 30, 2022:** Enhance internal controls and conduct regular audits.

Action Items:

- **Executive Committee:** Review and approve this memo's recommendations.
- **Board of Directors:** Receive regular updates on the status of SAR compliance and regulatory risk management.
- **Senior Management:** Ensure that all employees receive comprehensive compliance training and adhere to regulatory requirements.

Conclusion:

This memo highlights a critical regulatory non-compliance issue that requires immediate attention and corrective action. Failure to address these issues may result in severe consequences, including fines, reputational damage, and regulatory penalties. We must act swiftly to mitigate these risks and ensure compliance with BSA requirements.

Confidentiality Note:

This memo is classified as Highly Restricted and should not be shared outside of the Executive Committee, Board of Directors, and senior management without explicit permission.

Verification:

This memo has been verified by the author and reviewed by the Executive Committee.