

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA 94105

January 10, 2003

**BANKING SUPERVISION AND REGULATION:
GUIDELINES FOR FILING
SUSPICIOUS ACTIVITY REPORTS**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Suspicious Activity Report Filing Requirements for Nonbank Subsidiaries of Bank Holding Companies and State Member Banks (SR 02-24)

Under the Board's current suspicious activity reporting rules that are set forth in Regulations H, K, and Y, state member banks and bank holding companies, their nonbank subsidiaries and the U.S. offices of foreign banking organizations supervised by the Federal Reserve must file SARs to report known or suspected violations of law and activities relating to suspected money laundering or violations of the Bank Secrecy Act (BSA).

The BSA (31 U.S.C. § 5318(g)) authorizes the U.S. Department of the Treasury to adopt suspicious activity reporting requirements for financial institutions. Since the passage of the USA PATRIOT Act, the Treasury Department has utilized this authority to adopt suspicious activity reporting requirements for securities broker-dealers (See 67 *Federal Register* 44048; July 1, 2002). These reporting requirements, which were effective on January 1, 2003, will apply to all securities broker-dealers, including those that are subsidiaries of bank holding companies and state member banks, and will require reports to be filed on a new SAR-SF form. The Treasury Department also has adopted a final rule that requires certain money services businesses, such as sellers of traveler's checks and money transmitters, to file reports of suspicious activities. The Treasury Department also has proposed to impose suspicious activity reporting requirements on insurance companies (See 67 *Federal Register* 64067; Oct. 17, 2002), and these rules also will apply to insurance companies that are affiliated with a bank holding company or state member bank. Consequently, certain nonbank entities covered by the Board's SAR regulations could be subject to two separate suspicious activity reporting requirements that technically require duplicative filings.

Board staff believes that a nonbank subsidiary of a bank holding company or state member bank that is subject to suspicious activity reporting requirements imposed by a separately applicable Treasury regulation satisfies the Board's SAR filing requirements if the nonbank subsidiary files suspicious activity reports in accordance with the applicable Treasury regulation. Board staff expects that the Board's regulations will be revised in early 2003 to reflect the fact that the Treasury Department has adopted suspicious activity reporting requirements that apply (or will apply) to certain types of nonbank subsidiaries of bank holding companies and state member banks.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>. Paper copies of the Board's notice (**SR 02-24**) are available from our Corporate Services Department. To request copies to be sent by mail, please call (415) 974-2060.

For additional information about suspicious activity report filing, please contact our Banking Supervision and Regulation Department at (415) 974-3318.

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