

## Trends & Analysis

This section of *The SAR Activity Review – Trends, Tips & Issues* contains trend information, such as those identified through analysis of FinCEN reports and through information sharing under Section 314(b) of the USA PATRIOT Act.

### **Update: Elder Financial Exploitation** By FinCEN's Office of Regulatory Analysis

In February 2011, FinCEN issued FIN-2011-A003 (*Advisory to Financial Institutions on Filing Suspicious Activity Reports Regarding Elder Financial Exploitation*).<sup>1</sup> The advisory provides SAR filers a list of red flags that may potentially signal elder financial exploitation and specifically requests that filers include the term “elder financial exploitation” in the narratives of relevant SAR filings. The purpose of the Advisory was not only to help institutions detect suspected elder financial exploitation and report it using a standardized term; it was also to highlight how an institution’s ongoing efforts to fight elder financial exploitation can complement its AML program.

### Filing Trends

A comparison of the filing rates pre and post-advisory of SARs with narratives containing the two key search phrases “elder financial exploitation” and “elder financial abuse,”<sup>2</sup> shows a very significant increase in relevant filings post-advisory. Between March 1, 2011, and August 31, 2012, filers submitted 7,651<sup>3</sup> total SARs, a 382 percent increase from the 12-month period prior to the release of the advisory

1. See the Advisory, [http://www.fincen.gov/statutes\\_regs/guidance/pdf/fin-2011-a003.pdf](http://www.fincen.gov/statutes_regs/guidance/pdf/fin-2011-a003.pdf).
2. Although the advisory did not specifically instruct filers to use the latter term, FinCEN wanted to insure identification of all relevant SARs and thus included the additional phrase in the search.
3. These results include 6,026 suspicious activity report filings submitted by depository institutions (SARs), known as legacy SARs, 1,183 money services business filings (SAR-MSBs), 352 securities and futures industries filings (SAR-SFs) and 90 new unified SAR filings (FinCEN SARs). In March 2012 FinCEN began to accept voluntarily-filed unified SARs (FinCEN Form 111). FinCEN’s new SAR (and CTR) is designed to accommodate the different types of industries that will file this report. As such, the new SAR contains certain suspicious activity characterizations generally relevant to a specific industry. FinCEN located no casino and card club filings (SAR-Cs) that met the search criteria for this report.

## *Financial Crimes Enforcement Network*

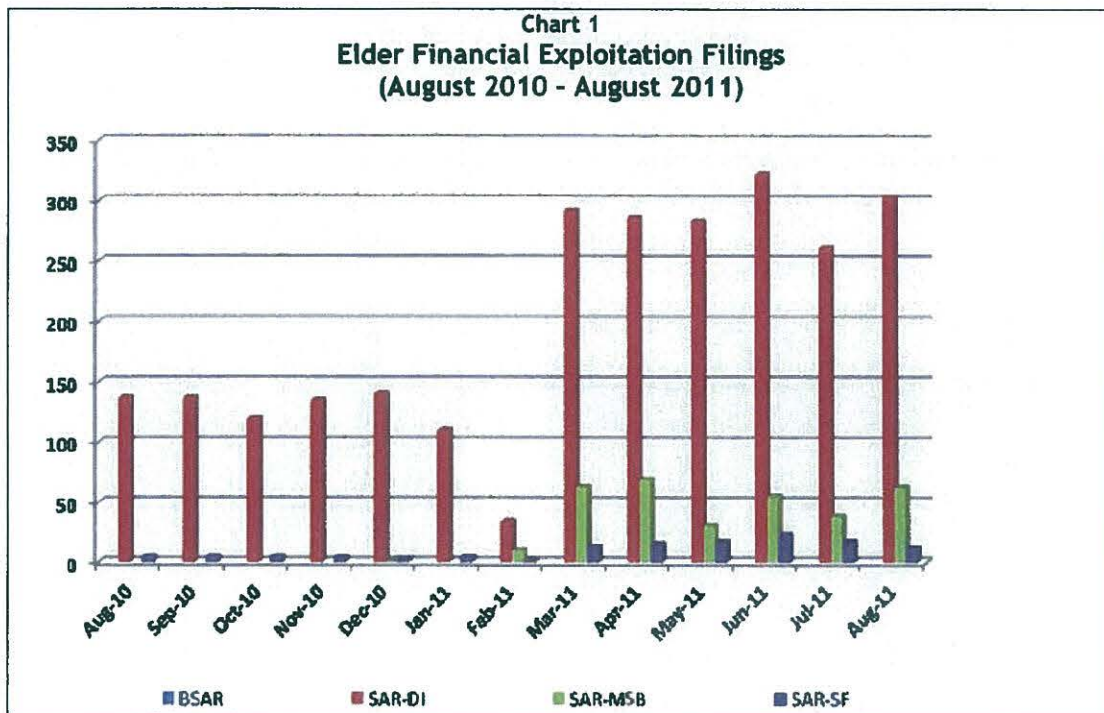
during which filers completed 1,589 relevant SARs. Post-advisory filing trends showing continued increases in filing incidences suggest that many filers have incorporated the relevant FinCEN guidance into their Bank Secrecy Act/Anti-Money Laundering (BSA/AML) suspicious activity and risk monitoring programs.

SARs generally reported patterns of financial exploitation perpetrated by a relative or caregiver against elderly victims. Narratives most frequently described the perpetrator coercing or cajoling the victim into completing financial transactions that benefited the perpetrator at the expense of the victim. In other instances, the perpetrator reportedly abused his/her power of attorney over the victim's account. Filers of SAR-MSBs most often reported unusual wire activity by their elderly customers, including multiple same-day wire transfers, sometimes from different agent locations, to different cities in the United States, as well as unusual wires to moderate and/or high-risk countries. These filings generally described the elderly customer falling victim to some type of scam. One particular sample SAR-SF detailed activity commonly referred to as a "sweetheart scam."<sup>4</sup>

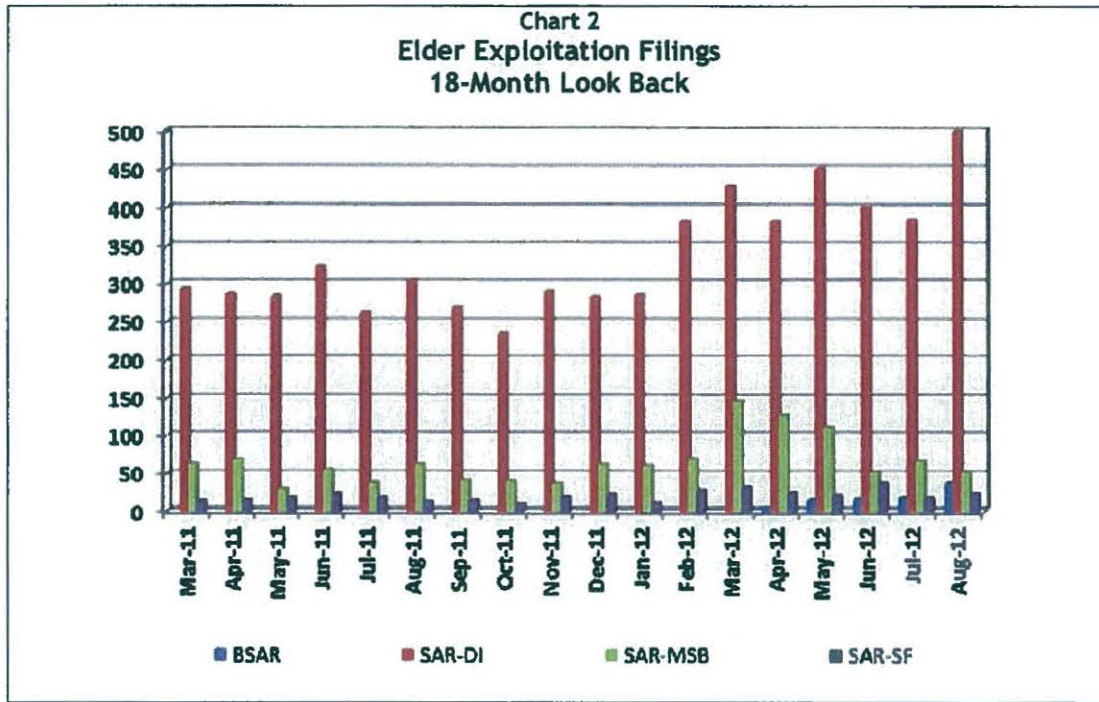
Chart 1 provides an overview of filing patterns six months before and six months after release of the advisory. Not counting the month FinCEN issued the advisory (February 2011), during the six-month period just prior to the advisory, filers submitted 806 filings (779 SARs, 1 SAR-MSB, and 27 SAR-SFs) compared to 2,161 (1,747 SARs, 317 SAR-MSBs, and 97 SAR-SFs) filed during the six-months following the advisory. Of special note is the increase in SAR-MSBs post advisory.

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4. A "sweetheart scam" involves the fraudster feigning romantic intentions towards a victim, thus gaining the victim's affection. The perpetrator then uses the goodwill engendered to defraud the victim. This fraud may impact the victim's financial accounts and/or identity security, and may even cause the victim to unwittingly facilitate financial fraud against others on the perpetrator's behalf.



Though it is not uncommon for relevant filings to increase in the period just after the release of an advisory, during the 18-month post advisory period (March 2011 through August 2012), the number of filings citing elder financial exploitation continued to trend higher. Chart 2 displays the 18-month post-advisory filing activity. This sustained trend upward suggests that many filers have incorporated FinCEN’s elder financial exploitation guidance into their suspicious activity and risk monitoring programs.



Depository Institutions filed 6,026 elder financial exploitation-related SARs in the 18 months post-advisory. In reviewing a representative sample of SARs, depository institution filers identified “abuse by a relative or caregiver” as the most reported characterization of suspicious activity, followed by “other suspicious activity types” that facilitated the financial exploitation, including identity theft, misuse of position or self-dealing, embezzlement/theft/disappearance of funds, check fraud, check kiting, and counterfeit debit/credit card.<sup>5</sup>

During the same period MSBs filed 1,183 elder financial exploitation SARs. MSBs commonly reported structuring as the characterization of suspicious activity, including the same individual(s) using multiple locations over a short time period, altering a transaction to avoid completing a funds transfer record for transactions of \$3,000 or more, or two or more individuals working together. MSBs also reported multiple types of fraud, including wire transfer, securities, mail, credit/debit card and check fraud. Filers reported elderly customers who were victims of scams, including lottery fraud, and various types of consumer fraud. In addition,

5. FinCEN also identified 90 relevant BSA/Unified Reports (BSAR FinCEN Form 111) filed during the same review period.

narratives described fraudsters trying to appeal to an elderly person's sense of compassion by relating fabricated stories describing the immediate financial needs of a fraudster's purported relative in medical distress or legal trouble. In most cases the MSB caught the activity, blocking transactions when it believed an elderly customer was not aware that he/she was falling victim to a probable scam.

Filers in the securities and futures industries reported elder financial exploitation in 352 reports during the review period, detailing abuse of elderly clients involving forgery, check fraud, suspicious documents or ID presented, wire fraud, identify theft, embezzlement/theft, and mail fraud.

## **Summary**

Monthly post-advisory filing numbers indicate that filers continued to increase their submissions of SARs related to elder financial exploitation more than a year and a half after issuance of the advisory. This trend suggests that many filers have incorporated FinCEN's elder financial exploitation guidance into their BSA/AML monitoring programs. Sample narratives showed filers checked "Other" most often as the characterization of suspicious activity when describing suspicious transactions involving elderly customers. Most narratives described the perpetrator engaged in identity theft, misuse of position or self-dealing, check kiting, counterfeit checks, or embezzlement/theft, to defraud elderly victims. Many SAR narratives revealed that filers were careful to assess suspicious transactions, often questioning an elderly customer if his transactions appeared out of character. These precautions usually spared the filer and the customer any significant losses.