Securities Industry Association
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Via Electronic Mail

July 26, 2005

Regulatory Policy and Programs Division
Financial Crimes Enforcement Network
Department of the Treasury
P.O. Box 39
Vienna, VA 22183

Attention: PRA Comments – SAR Securities and Futures Industry Form

Re: Proposed Revisions to Suspicious Activity Report by the Securities and Futures Industries (SAR-SF)

Ladies and Gentlemen:

The Securities Industry Association ("SIA")[1] appreciates this opportunity to comment on the proposed revisions to form "SAR-SF" issued by the Financial Crimes Enforcement Network ("FinCEN") of the Department of the Treasury. 70 *Fed. Reg.* 30514 (May 26, 2005). The SAR-SF form is used by the securities and futures industries to report suspicious activity. We support the proposed revisions and have outlined below some additional recommendations.

The revisions proposed by FinCEN are technical and editorial. We agree with FinCEN that these changes will help simplify the SAR-SF Form. We also have some recommendations that we think will enhance the effectiveness of suspicious activity reporting and make the SAR form simpler to use. We made these and other

[1] The Securities Industry Association, established in 1972 through the merger of the Association of Stock Exchange Firms and the Investment Banker's Association, brings together the shared interests of nearly 600 securities firms to accomplish common goals. SIA member-firms (including investment banks, broker-dealers and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. According to the Bureau of Labor Statistics, the U.S. securities industry employs nearly 800,000 individuals. Industry personnel manage the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2004, the industry generated an estimated $227.5 billion in domestic revenue and an estimated $305 billion in global revenues. (More information about SIA is available on its home page: www.sia.com.)

recommendations when the SAR-SF form was initially proposed. *See* SIA Comment Letter dated October 4, 2002.

Our recommendations are as follows:

- **Comments on Part II, Suspicious Activity Information**

  - Box 30, Type of suspicious activity --

    Box "r. Wash or other fictitious trading" is often a form of market manipulation and more generally is characterized as a securities fraud. Therefore, this category is already covered by box l, "market manipulation" and box n, "securities fraud." Because it is often difficult to distinguish wash or fictitious trading from other types of market manipulation, we believe this additional box will cause unnecessary confusion, and should be omitted.

    Box "s. Wire fraud" – Because it is often difficult to distinguish wire fraud from mail fraud, we recommend combining these two types of activities in a single box ("mail/wire fraud").

  - Box 51, "type of institution or individual" – We believe this section may cause confusion and should be clarified. It is not clear whether Treasury intended financial institutions to select every box that applies to their business operations, or instead to choose just one box. Nor is it clear which box a self-clearing broker-dealer should check. The form should also reflect that a clearing firm and an introducing firm may file one form.

- **Comments on Part VI, Suspicious Activity Information - Narrative**

We recommend, as we did in our earlier letter, that the narrative section not require information that is already required by the earlier sections of the form. Eliminating these redundancies will make suspicious activity reporting more efficient. For instance, the information required by item "g" (where the possible violation of law(s) took place) is largely covered by Part IV of the form, which requires the name and address of the financial institution and additional branches involved. Item "d" requires identification of who benefited from the transaction. This information should only be required in the narrative section if there is additional relevant information that is not included in Part 1, which requires information regarding the subject.

We also recommend that firms not be required to report the status of a related litigation as required by item "i." Requiring firms to report the "status" of pending litigation could require disclosure of confidential or privileged information and might trigger concerns or issues involving waiver of the attorney-client privilege. Reporting the name of a related litigation and the court where the action is pending should be sufficient.

If you wish to receive additional information related to our comments, please feel free to contact the undersigned.

Sincerely,

Alan E. Sorcher
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Associate General Counsel
Securities Industry Association
(202) 216-2000

cc: Ms. Susan Lang, Financial Crimes
Enforcement Network (via email)