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WEBINAR Q&A

# BSA/AML Common Questions Answered.

**Member Risk Rating · SAR Narratives · Board Training · Documentation**

*Presented in partnership with CU Risk Intelligence*

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**Key Questions Covered**

- Member Risk Rating Methods
- BSA Training Best Practices
- SAR Narrative Transaction Limits
- SAR Part III Completion Tips
- Risk Rating Documentation
- Verafin & AML Automation

Q1

# Member Risk Rating — Overview

*Best practice methods for risk scoring at account opening*

**Is there a best practice method in which to risk rate members and document it?**

This is completely up to the institution. From experience, if you don't have an automated AML system doing this for you, the recommended approach is to create a Member Due Diligence Questionnaire a list of questions assigned a numerical score, with categories of risk that total to an overall score determining the member's risk rating.

**The questionnaire should cover three core areas:**

### A — Membership

- Where does this person live? Someone opening an account at a CU but living far away with no local business ties is a red flag
- Is the application online or in-person? Online applications carry higher inherent risk
- Is the potential member a U.S. citizen? Non-citizens represent higher risk
- Is the potential member a PEP (Politically Exposed Person)? Yes = higher risk, EDD required
- ChexSystems or similar: Any negative history? Flag and review

### B — Products & Services

- What products and services is this member interested in?
- Certain products carry significantly higher inherent risk: remote deposit capture, wire transfers, P2P transfers (e.g., Zelle, Venmo)
- The product mix requested should factor directly into the total score
- Consider both the type and the anticipated frequency/volume of product use

### C — Expected Activity

- Geographic scope: out-of-state and international transactions carry higher inherent risk
- Large expected cash activity significantly increases the overall risk score
- High expected wire volume increases risk — document the stated business purpose
- Consider whether the stated activity makes sense for the member's profile

**Note:** The examples above are not a full scope of what should be considered — they are a starting framework. Each institution should tailor the questionnaire to its specific risk profile.

Q1

# Member Risk Rating — Scoring & Risk Tiers

*How scores map to risk categories and what each tier requires*

At the end of the questionnaire, all individual question scores are totaled to produce an overall due diligence score. This total determines the member's risk rating based on predefined ranges. A risk rating key should appear at the bottom of the questionnaire to clearly show how score ranges correspond to each risk category.

**0 – 8**
**Low Risk**

Standard account opening proceeds. No additional review required. Document the questionnaire score in the member file as a record of the risk rating assigned at account opening.

**9 – 14**
**Medium Risk**

Proceed with standard opening. Consider collecting additional supporting documentation. Increase post-opening monitoring frequency within your AML system based on the elevated score.

**15+**
**High Risk**

A secondary review or supervisory approval is required before the account can proceed. Enhanced Due Diligence (EDD) is mandatory. The account should not be opened until EDD documentation is completed and approved.

### Enhanced Due Diligence (EDD)

Members classified as high risk warrant EDD before any account proceeds. EDD requires deeper verification of identity, source of funds, and the nature of the relationship. Refer to FFIEC BSA/AML Examination Guidelines for full EDD requirements.

### Business vs. Consumer Questionnaires

Many institutions maintain separate due diligence questionnaires for business vs. consumer accounts. Business-specific items include type of business, physical location, ownership structure (UBO), and supplier/buyer geographic footprint.

Q2

# BSA Training — Timing & Board Requirements

*When should BSA/AML/OFAC training occur throughout the year?*

**Is there a specific time/month in the year they prefer training is done? In particular for the Board of Directors?**

## Regulatory Perspective

From a regulatory standpoint, no. BSA regulations do not specify a required time of year for training to occur. There is no mandated month, quarter, or frequency beyond the general expectation that BSA/AML/OFAC training be conducted at least annually for all relevant personnel.

### What regulators DO expect:

- Annual training for all BSA-relevant personnel including Board members
- Training documentation including date, attendees, content covered, and sign-off
- Board-level training demonstrating governance awareness of BSA/AML/OFAC obligations
- Consistent delivery — examiners look for a repeatable, documented annual program

## Audit / Best Practice Perspective

From an auditing standpoint, the Board of Directors is most commonly observed completing BSA/AML/OFAC training in Q1 or Q3. The most important factor is consistency pick a time of year and maintain it year over year.

### Practical Guidance:

- Anchor training to a standing Board meeting for example, many institutions use their August Board Meeting for annual BSA/AML/OFAC training
- Calendaring it in advance removes ambiguity and prevents the training from being pushed back or missed
- Maintain a training log: date, attendees (with signatures or attendance record), topic covered, and training provider or materials used
- Consider role-specific training front-line staff and BSA officers need deeper content than Board members who require awareness-level training

Q3

# SAR Narrative — Transaction Count Best Practices

*How many transactions should be listed directly in a SAR narrative?*

**Is there a limit or number that you would recommend for listed transactions in a SAR narrative?**

This is completely subjective — there is no official regulatory limit on the number of transactions that can or must appear in a SAR narrative. The decision is based entirely on professional judgment and what produces the clearest, most useful document for the examiner.

## 12–15

**The practical threshold**

If a SAR involves more than 12–15 transactions, use an attachment rather than listing them inline in the narrative body.

## Writing an Effective SAR Narrative

**Explain WHY — not just WHAT**
The narrative should clearly articulate why the activity is suspicious. Listing transactions alone does not tell the examiner what concerns you — the analysis does.

**Attachment approach for large transaction sets**
When 12–15 or more transactions are involved, attach the list as a supporting exhibit. Reference it in the narrative: 'See attached Exhibit A for full transaction detail.'

**Keep supporting documents accessible**
All transactions referenced in the SAR — whether inline or in an attachment — must be available in your SAR support file and accessible to examiners at any time.

**Narrative quality reflects on your BSA program**
Examiners review SAR narratives as a direct indicator of the quality of your BSA/AML program. Clear, well-reasoned narratives demonstrate a strong program.

Q4

# SAR Part III — Completing Other Locations

*How to accurately populate the 'Other Locations' section of a SAR*

**When completing Part III on other locations, how do we know the information? Just a Google search? What if it isn't correct?**

Part III of the SAR requires information about locations where the suspicious activity occurred — which may include financial institutions or ATMs you didn't operate. Here's how to approach each scenario:

## Scenario 1: Another Financial Institution

If Part III involves another financial institution, a Google search is entirely appropriate. Most financial institution information — routing numbers, physical addresses, contact information — is publicly available on their official website or through FDIC/NCUA databases.

**Key Steps:**

- Use the institution's official website as the primary source
- Cross-reference with FDIC BankFind or NCUA's CU lookup tool for additional verification
- Document the source of your information in your SAR support file
- If information cannot be verified with certainty, include what you have and note the source in the narrative

📌 A good-faith effort to obtain accurate information is all that is required. Examiners understand that information about third-party FIs may not always be perfectly complete.

## Scenario 2: Non-Financial Institution ATM (Limited Information)

If Part III involves a non-FI ATM and all you have is an address or that a transaction occurred at that machine — FinCEN's guidance is clear: provide whatever information you have available within the SAR narrative itself.

**Key Steps:**

- Include the ATM address or location if known
- State within the narrative what is and is not known: e.g., 'Transaction occurred at ATM located at [address]; operator unknown'
- Do not leave Part III blank if any information is available — partial information is better than none
- Ensure all supporting documents (transaction records, screenshots, logs) are retained and available for examiners

📌 FinCEN does not penalize institutions for incomplete ATM information when a genuine effort has been made and the limitation is disclosed in the narrative.

Q5

# Risk Rating Documentation & Verafin

*How proof of risk rating is documented — automated systems vs. manual processes*

**How is proof of risk rating documented? Do I pull the rating from Verafin and record it on the new account application?**

The answer depends on whether you are using an automated AML system — and whether that system has been properly configured:

## If You Use an Automated AML System (e.g., Verafin)

Generally, if you are utilizing an automated AML system that calculates risk ratings, you do not have to separately record proof that the member was risk rated at account opening. The rating is available within the AML system and is accessible to examiners directly during an examination. The system's audit trail serves as your documentation.

- The AML system is considered the system of record for the risk rating
- Examiners can access the system directly — no separate extraction is required
- You do not need to print or manually record the rating onto the account application
- Ensure the system is configured to capture the rating date and rationale for each member

**Best Practice: The AML system is your documentation — but only if it's properly configured to capture ratings at account opening.**

## Verafin-Specific: Questionnaires Not Configured

We frequently encounter institutions that have not set up the due diligence questionnaires within Verafin. As a result, members are starting with a '0' risk rating at account opening — regardless of their actual risk profile. While Verafin will continually risk rate the member throughout the relationship based on transactional activity, this reactive approach misses a critical window.

- Members who should be medium or high risk at opening are treated as low risk until activity triggers a re-rating
- This creates a documentation gap — there is no record of a formal risk assessment at the point of account opening
- Examiners may flag this as a control deficiency in your BSA/AML program
- Strongly recommend institutions take full advantage of Verafin's questionnaire functionality to assign a meaningful risk rating at account opening

**Action Required: Configure Verafin due diligence questionnaires to assign risk ratings at account opening — do not rely solely on post-opening activity scoring.**

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# Key Takeaways

- Use a scored due diligence questionnaire at account opening — don't leave members starting at a '0' risk rating.
- No regulatory requirement dictates training timing — but consistency matters. Pick a schedule and document every session.
- SAR narratives with 12–15+ transactions should use an attachment — focus the narrative on explaining why the activity is suspicious.
- For SAR Part III: official FI websites are sufficient for FIs; for ATMs with limited info, include what you have in the narrative.
- Configure Verafin (or your AML system) to assign a risk rating at account opening — don't rely solely on post-opening activity scoring.


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