



FinCEN Comment Letter Response

Director Kenneth A. Blanco
Financial Crimes Enforcement Network
U.S. Department of the Treasury
P.O. Box 39
Vienna, VA, 22183

Re: Docket Number FINCEN-2020-0004 and OMB control numbers 1506-0001, 1506-0006, 1506-0015, 1506-0019, 1506-0029, 1506-0061, and 1506-0065.

Dear Director Blanco:

I write on behalf of Stripe, Inc. and Stripe Payments Company (collectively, Stripe) in response to the Financial Crimes Enforcement Network's (FinCEN) notice and request for comments regarding proposed changes to the calculation of the burden of filing suspicious activity reports (SARs) (the Notice).¹ Stripe, Inc., headquartered in San Francisco, is a technology company offering software and technology services for websites and mobile applications. Its subsidiary, Stripe Payments Company (SPC), offers payouts services for both money transmission and payment processing. SPC is a Money Services Business (MSB) registered with FinCEN, as well as a money transmitter licensed in over 50 U.S. states and territories.

In the Notice, FinCEN invites general comments on a number of topics, including: (1) ways to enhance the quality and utility of the information collected; (2) the accuracy of the agency's estimated reporting burden; and (3) ways to increase efficiency and reduce the burden of collection. To respond to FinCEN's request, we conducted a review of more than 400 of Stripe's SAR filings, narratives, and case handling times from the previous two years, using data analysis and Natural Language Processing techniques, to assess the burden of investigations and reporting. Our conclusions and recommendations from this analysis, as well as a more detailed description of our findings, are set forth in the sections below. We support FinCEN's ongoing leadership and efforts to improve these programs, and appreciate the opportunity to comment on FinCEN's proposed changes.

Recommendations

We believe that the collection of SAR information is necessary for the proper performance of functions of FinCEN, and that additions to the SAR form could improve the accuracy and utility of filings for fintech entities. Alterations to the suspicious activity selections, as well as the inclusion of additional typologies and specific payment methods (e.g., wallets), which are not captured within the current form, may improve FinCEN's understanding of suspicious activity and improve the utility of the SAR form.

With respect to burden estimates, Stripe agrees with FinCEN's hypothesis that narrative length is generally correlated with case complexity. That said, the need for Stripe, and potentially other fintechs, to expend additional time describing complex or novel typologies within the narrative,

¹ Renewal Without Change of the Bank Secrecy Act Reports by Financial Institutions of Suspicious Transactions, 85 Fed. Reg. 101 (proposed May 20, 2020) (to be codified at 31 C.F.R. pt. 1020-1029) available at <https://www.govinfo.gov/content/pkg/FR-2020-05-26/pdf/2020-11247.pdf>.

since these selections are not available elsewhere in the SAR form itself, may contribute to an increase in narrative length. Additionally, we believe the proposed methodology for calculating handle time allocated to SARs and Continuing Activity Reports (CARs) underestimates the burden for Stripe, due to unique characteristics of our position as a payments-oriented fintech. For example, because we consider continuing activity that may manifest as related to the original SAR in a variety of innovative ways (e.g., IP address or device linkages, continuing activity on the same payment card(s), or shared bank accounts), burden for CARs tracks closely to the time expended on initial SARs themselves. Based on our analysis, we recommend several ways to enhance the quality, utility, and clarity of the information being collected, as well as provide data on FinCENs burden estimates and recommend alternative paths forward.

Key Findings

Overall Burden of Filing

Stripe's analysis found that its overall time to complete SAR filings was significantly longer than the figures reported in FinCEN's SAR Production estimate. We also found that the average amount of time to complete an investigation and file a SAR was 2.3 days. This process includes four stages: (1) investigation; (2) determination; (3) case review; and (4) filing. Analysis of handling time to complete the investigation (excluding filing) suggests that anti-money laundering investigations involving standard, non-complex typologies average 4.5 hours while complex cases can average nearly four times that duration (16+ hours). Stripe found that complex typologies, and/or a greater number of bank accounts receiving transfers from Stripe accounts, SAR subjects, or suspicious transactions were all highly correlated with increased handle times.

Typologies

FinCEN's SAR Production estimates indicate that the more typologies selected under "Suspicious Activity Type," the more complex the SAR is likely to be. However, we observed no correlation between the number of typologies selected and case complexity.² Further, Stripe's review found that these may be inversely correlated, with more typologies often associated with less complex case work. Our analysis found that investigators often select multiple "Suspicious Activity Types" simply because there is no single option that accurately captures the activity.

The average Stripe SAR filing involves two distinct accounts and Stripe considers investigations that contain more than ten subject accounts to be inherently complex. However, cases with a higher than average number of subjects were not correlated with higher numbers of typologies selected. Further, the case with the most number of typologies, with six selected, only had a single account involved and the underlying activity was a simplistic typology associated with illicit cryptocurrency transactions.

This analysis of narratives and underlying suspicious activity revealed that certain typologies are highly correlated with more complex, and therefore more time consuming, investigations. Notably, these typologies are often not aligned with those included on the current SAR form. Stripe's most complex cases were categorized as "Money Laundering - Other" due to the lack of appropriate options on the form itself. Indeed, "Transaction with no apparent economic, business, or lawful purpose" is Stripe's most commonly selected activity type overall.

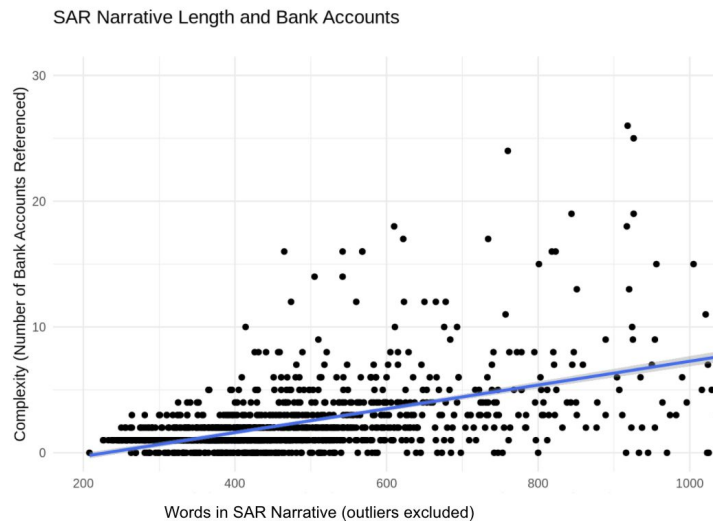
Stripe believes that FinCEN can better capture complex, more burdensome casework by: (1) adding suspicious activity typologies tailored to fintech businesses; and/or (2) increasing time and burden

² In order to make this determination, Stripe conducted an analysis of handle times combined with other factors that may be associated with complexity, such as the number of bank accounts, subjects, typology, and filing amount.

estimates for inherently complex typologies which are likely to take significant resources regardless of other factors, such as trade-based money laundering.

Narrative length

Stripe analyzed SAR narratives using Natural Language Processing techniques to understand the correlation between narrative length, typologies, and other indicators of complexity such as bank accounts or number of subjects. This analysis confirmed that narrative length is highly correlated with complex, more time-consuming casework, as represented in the chart below.



Further, an analysis of SAR narrative content confirmed that phrases associated with the typologies listed as inherently complex in the previous section of this letter were also associated with longer SARs. This further confirms that Stripe is expending more time describing particularly complex typologies due to the lack of appropriate standard “Suspicious Activity Type” options on the form itself.

CARs

FinCEN states that CARs are likely to be less resource intensive than an initial filing. However, Stripe’s analysis found that these investigations are equally time intensive. Indeed, handle time studies revealed that the average time to complete CARs was 4.5 hours, equivalent to the average time to complete initial filings for standard cases. On average, Stripe files two CARs for each account identified as suspicious. Stripe’s analysis found that there are two primary reasons why fintechs may spend more time on CARs compared to traditional financial institutions:

- 1) Investment in models to proactively surface accounts that share key relational attributes (e.g., matching bank account, user tax ID, or device information), meaning that there are often new accounts to be included in a CAR investigation.
- 2) Different account opening procedures, sometimes resulting in additional accounts which need to be surfaced during the continuing activity investigation. Stripe already maintains compensating controls to mitigate such recidivism in accordance with MSB Know Your Customer (KYC) requirements. However, the added requirement to file a CAR on any new transactions means that newly opened accounts with low transaction volumes would still require additional investigation.

End-to-End Risk Mitigation

FinCEN notes in its analysis that it only considers the following stages when determining the SAR filing burden: case review; determination; and filing. However, the mission of a strong Financial Crimes program is to both detect and mitigate the underlying criminal activity. Because of this mission, Stripe spends significant time and resources on its financial crime threat mitigation processes after the SAR filing has been submitted. As an example, Stripe maintains an escalation procedure to review accounts on which SARs have been filed in order to identify the appropriate threat mitigation measure. While this escalation procedure differs based on the nature of the underlying activity, it is likely that most accounts will be subject to multiple layers of approval and review by members of management. On average, this process takes 8 hours per week of Financial Crime operational hours, consisting of both senior management and analyst hours. Stripe recommends that FinCEN also consider the burden of post-filing risk mitigation activities, such as ongoing account monitoring and escalations, in its SAR Production analyses related to the maintenance of a SAR filing program.

A Modified SAR Form

Based on this analysis, we believe FinCEN could consider modifying the SAR form to be more inclusive of fintech filers. This could serve to increase the utility of reporting, reduce unnecessary burdens, and improve the accuracy of reporting.

Data formatting updates: One factor contributing to lengthy investigations is the time to compile data for the SAR form itself. This may be a particular challenge for fintechs, where data may not easily align with the fields on the form. As an example, fields on the form including telephone number and residential address are designed to capture KYC data in U.S. formats, but often require additional formatting and data cleaning for non-U.S. based customers. Stripe recommends modifications to the form that more easily allow for different data formats.

Adding suspicious activity typologies tailored to fintech business: Narratives and underlying suspicious activity revealed that certain typologies are highly correlated with more complex, and therefore more time consuming, investigations. Notably, these typologies are often not aligned with those included on the current SAR form. Stripe filing data reveals that the most common typologies for filings in which there were more than ten subjects were inherently complex (e.g., Trade-Based Money Laundering) or large networks of collusive activity. When considering the implementation of a fintech-specific SAR form, Stripe recommends the addition of Suspicious Activity Types that apply to web-based payment activities, such as:

- Sale of illegal goods or services, with subsequent options for common types (e.g., marijuana, other illicit drugs, counterfeit goods)
- Transaction Laundering (i.e., merchant processing payments for unknown or illicit goods or services)
- Merchant / buyer collusion
- Limited customer diversity
- Unusual or high risk cryptocurrency activity

Additional payment instruments: Stripe found that the payment instruments available on the SAR form do not account for many different types of digital payment methods, meaning that additional nuance on the underlying transactions may be missing and macro analyses will not capture the extent of suspicious activity across the payments ecosystem. Stripe recommends revisions to the form to allow for additional payment methods to be selected or entered.

CAR Form Changes: Investments in modeling and account differences mean that fintechs may spend more time on CARs, despite compensating controls and mitigating factors that are already in place. Stripe recommends an adjustment to the CAR filing form to facilitate expedited review for



fintechs, allowing fintechs to update key additional accounts without restarting the entire investigative process.

Conclusion

Stripe is grateful for FinCEN's efforts to enhance SAR production programs and for the opportunity to provide insights on our SAR filing processes. We believe that the above recommendations will enable FinCEN to more accurately capture fintech-specific suspicious activity trends and nuances, while also improving efficiency for fintech filing institutions. We appreciate FinCEN's leadership and innovation in countering financial crime, and look forward to collaborating on these initiatives in the future.

Respectfully,

Melissa Strait

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Global Head of Financial Crimes