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Policy Division  
Financial Crimes Enforcement Network  
P.O. Box 39  
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**Subject: Information Sharing Between Government Agencies and Financial Institutions**

Docket Number FINCEN-2022-0008 and OMB control number 1506-0049

*Submitted via the Federal eRulemaking Portal: [www.regulations.gov](http://www.regulations.gov)*

Verafin appreciates the opportunity to comment on the recent Financial Crimes Enforcement Network (FinCEN) notice and request for comments (RFC) on the renewal-without-change of the information collection found in current BSA regulations related to information sharing between government agencies and financial institutions. The RFC is designed to collect feedback from financial institution (FI) respondents and the public on a variety of topics related to public-private information-sharing under the 314(a) program. FinCEN seeks input on all aspects of the 314(a) process, including

- the effectiveness of automated software solutions, including rates of true and false positives, and
- the steps and associated effort required to identify, resolve and report potential matches.

Below, we have provided background information on Verafin, our role in combating financial crime and our general comments on the 314(a) process and some suggestions for possible improvements to the current process. We have also provided responses to the specific questions posed by FinCEN that we are in a position to answer based on our experience and on the feedback we solicited and received from our customers regarding their own 314(a) processes and experience.

### **Verafin - An Industry Leader**

Verafin is the industry leader in enterprise anti-financial crime management solutions, providing a secure, cloud-based software platform for fraud detection and management, BSA/AML compliance management, high-risk customer management, and information sharing. More than 3500 banks, credit unions and money services businesses, use Verafin to effectively fight financial crime and comply with regulations.

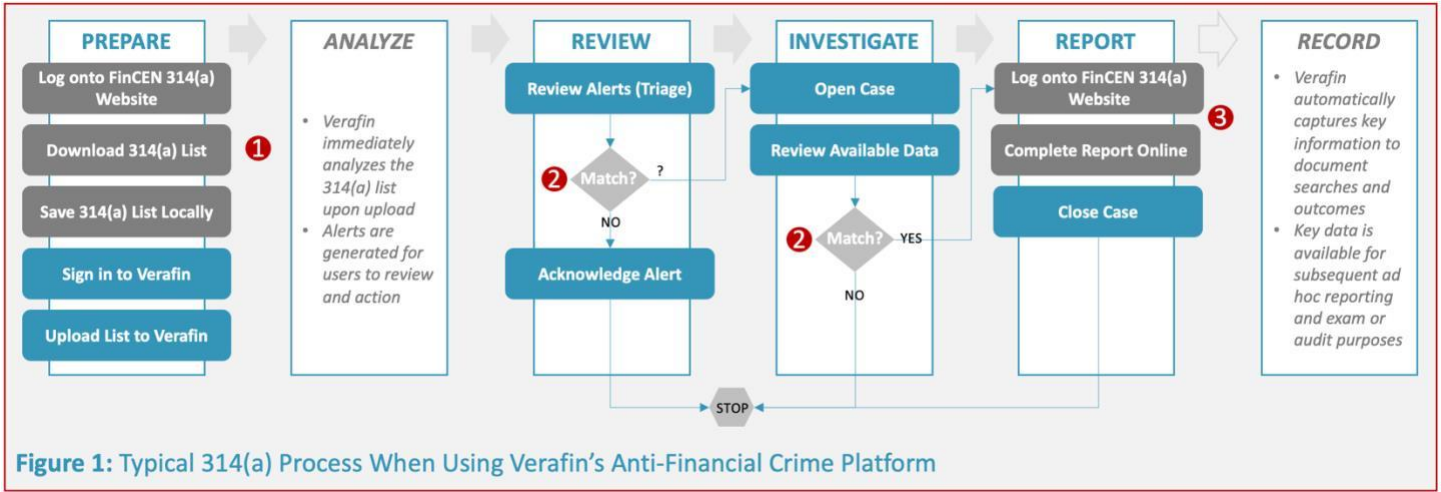
Leveraging its unique big data intelligence, visual storytelling, and collaborative investigation capabilities, Verafin significantly reduces false positive alerts, delivers context-rich insights, and streamlines the daunting BSA/AML compliance processes that financial institutions face today.

Verafin also hosts the free FRAMLxchange, which facilitates information sharing between 314(b)-registered financial institutions, including MSBs, to identify, monitor and report suspected money-laundering.

General Comments

Verafin has a long history of providing support to FIs for their information sharing programs, including: facilitating the upload of 314(a) lists that FIs currently download from the FinCEN secure website; analyzing FI records and supporting the investigation of potential matches; and documenting search results and the reporting of matches to FinCEN.

The typical 314(a) process followed by our customers is shown below in Figure 1, with tasks completed in Verafin shown in **blue** and those completed on the FinCEN website in **grey**.



We believe there are three key areas where FinCEN could make improvements. These suggestions would directly reduce the current burden on FIs and/or to improve the overall effectiveness of an FI's 314(a) process and thus provide more useful information to law enforcement. A summary of the proposed improvements is shown in the table below.

	PROCESS STAGE	GOAL	PROPOSED IMPROVEMENT
1	PREPARE	Prepare to analyze 314(a) list	Allow for secure <b>automated upload</b> of 314(a) lists from FinCEN
2	REVIEW & INVESTIGATE	Identify & assess potential matches	Provide <b>additional guidance</b> to help reduce potential false positives
3	REPORT	Report potential matches to FinCEN	<b>Direct reporting</b> to FinCEN through the BSA e-filing portal

## 1. Automated Upload

One consistent issue our customers point to is the additional time and effort needed to simply obtain the 314(a) list from FinCEN's website. Each of our 2,300+ customers must log onto the secure FinCEN website every two weeks to download the 314(a) list, even though many FIs already maintain a secure connection with FinCEN for BSA reporting purposes. Verafin itself already maintains a single, secure connection to FinCEN for submitting sensitive SAR data on behalf of our customers.

Under the current process, however, individuals with varying levels of security knowledge and training are required to regularly download a non-secure copy of the 314(a) list to their local computer/network where it may be stored for an unspecified length of time. Such manual processes may also introduce the potential for human error that can lead to incorrect scans, additional work and confusion, and may potentially require support from their software vendor or IT staff.

While security of the lists is a key FinCEN (and Verafin) concern, we believe that having thousands of FIs each log on individually to FinCEN's website to download and manage the list themselves is potentially *less* secure than having their compliance software provider (such as Verafin) manage access to the 314(a) lists on their behalf by downloading each list only once. Eliminating such manual processes by automating access to 314(a) lists with a direct, secure connection would increase the timeliness, reliability, and security of the entire process, allow FIs to reduce their associated burden, and enable them to redirect resources to supporting the FI's anti-financial crime activities.

## 2. Additional Guidance

Because the data included in any given 314(a) list varies in terms of its level of detail, and because name matching alone is generally not sufficient to confirm a positive match, there is typically a high degree of false positives that result when a list is scanned against an FI's records. Verafin customers may receive from tens of alerts up to several hundred alerts per scanned 314(a) list. They then must assess the degree to which each alerted entry matches their customer records, which may necessitate additional due diligence research, especially if the information provided in the list includes little to no information beyond the name.

Currently, however, FIs are often unsure whether an exact name match combined with, for example, a mismatch on the date of birth or identification number is sufficient grounds for them to decide that the match is not reportable. As a result, FIs must not only contend with high false positive rates but may also need to invest additional effort to acknowledge the alert as a false positive.

FIs face a similar problem when performing their required watchlist scans against the current OFAC lists. To help combat this issue OFAC provides guidance to FIs on the due diligence steps to use when assessing potential name matches (see <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/topic/1591>). This information can then be factored into the OFAC list matching analytics to help reduce false positives.

Similar guidance for assessing 314(a) matches would allow for a potential reduction in the number of false positive matches that are generated and thus need to be evaluated, as well as provide additional information that could help to expedite the decision-making process.

## 3. Direct Reporting

The overall number of identified reportable matches appears to be consistently low across our customer base. As an example, one large FI received more than 9,000 alerts in 2021 of which only 14 were reported to FinCEN as possible matches. Although FIs currently maintain secure connections to FinCEN's BSA portal (e.g., to allow them to electronically submit CTRs and SARs), the reporting of 314(a) matches requires FIs to manually log onto FinCEN's secure website again to file their report, and to re-enter data that already exists within Verafin (or other case management/compliance software). This presents another opportunity for FinCEN to eliminate manual tasks and thus free up FI resources to more directly focus their efforts on anti-financial crime activities.

## Responses to Specific Questions

1. *To what extent can a financial institution rely on existing software to conduct its 314(a) search?*

FIs should be able to rely on their anti-financial crime software to automate manual parts of the overall 314(a) process. Currently, however, there are several remaining manual processes that could be automated (see above).

2. *On average, how long does it take your financial institution to perform a search for a particular subject of a 314(a) request ("314(a) subject")?*

Verafin scans the entire list at once and generates a list of potential matches (alerts) for our 2300+ FIs to review.

3. *How often does your financial institution generate a positive match to a 314(a) subject that requires additional research to confirm if the account or transaction is in fact connected to that subject?*

Estimates vary depending on the size of the FI and the nature of its customer base. Typically, the time required to decision a 314(a) alert in Verafin is in the range of 5 to 10 minutes. This may increase to 30 to 45 minutes per alert, however, where additional research is required, or it may decrease when the alert is obviously not a valid match. FinCEN also estimates the average overall PRA burden on FIs for their 314(a) processes at ~24 hours per year at a cost of ~\$2,300 per FI (or a program total for all covered FIs of ~\$35 million per year). This represents the burden associated only with non-Federal requests. When all requests (Federal and non-Federal) are included in the estimate, however, the total burden increases to about ~295 hours per year at a cost of ~\$28,000 per FI (or a program total of ~\$420 million per year).

4. *What steps does your financial institution take once your automated system generates a match to a 314(a) subject to determine if it is an actual match or a false positive? What type of records does your financial institution maintain to document the results of this type of research?*

FIs can review the available customer information directly in Verafin, but occasionally additional sources must be consulted, including the FI's core banking system or another ancillary system. Verafin alerts and cases allow FIs to record notes/narratives that align with the requirements outlined in their individual institution policies and procedures. All documentation associated with the FI's actions can be uploaded to the application, and key 314(a) data is available to support subsequent management reporting and audit/exam requests.

5. *How frequently does your financial institution's automated system identify matches to a 314(a) subject that ultimately result in a false positive?*

By our estimate, the rate of false positives is currently greater than 99%, with less than 1% of generated alerts resulting in a report to FinCEN. This is not surprising given the nature of such searches (e.g., the use of fuzzy name matching), the variability in the amount of identifying data provided by law enforcement in their request, and the likelihood that only a limited number of FIs would have encountered any specific 314(a) entity. The presence of inherently high false positive rates further emphasizes the need for FinCEN to provide clear guidance on assessing potential matches (see Additional Guidance above).

6. *What type of records does your financial institution maintain to document that a 314(a) search has been conducted?*

Verafin includes a 314(a) audit log that provides a complete audit trail from the list to the alert and, if applicable, through to the case; this includes the 314(a) file name, the date the file was scanned, the number of alerts that were generated, and whether there were any positive matches found.

We appreciate the opportunity to provide feedback and look forward to serving as a resource on this and other important anti-financial crime compliance topics.

Sincerely,



Andrea King  
Head of Government Relations, Verafin