“Analysis on Importance and effectiveness of Suspicious activity reporting (SAR) for the Anti Money Laundering process of Investment banks in India”

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Abstract

The primary goal of Suspicious Activity Reporting rules at financial institutions is to identify and prevent money laundering and other crimes such as terrorist financing, tax evasion, and bribery. The Reserve Bank of India (RBI) has implemented initiatives to ensure that all financial institutions follow regulatory standards. The regulations on Suspicious Activities in India were implemented in early 2000s which is much later compared to the global initiative in in 1900s. The increasing trend of the suspicious reports in India in early years of implementation raises the concern over the effectiveness of the Anti-Money Laundering measures in Indian banks. To combat money laundering operations, investment banks must adhere to policies and processes that are consistent with national and international regulatory standards. One can identify if the client is engaging in any suspicious activities by using different mechanisms in their daily operations. Hence this study is conducted to find out the effectiveness of the Suspicious Activity Reporting in preventing the money laundering activities.

The research is conducted using the quantitative research approach and data collected through an online survey by 100 employees from Bengaluru, India, who work in investment banks using the convenience sampling method.

The results of the research analysed using descriptive and statistical reports and the results show that the efficacy Suspicious Activity Reporting on Anti-Money Laundering processes is important and helps in preventing the money laundering. However, there was knowledge gap was identified in the perceived effectiveness and importance of Suspicious Activity Reporting though research. Also, some of the investment banks are reluctant to implement the Suspicious Activity Reporting practices in place. The findings and the suggestions could assist Indian investment banks in implementing robust system for Anti Money laundering by strengthening the Suspicious Reporting practices

Keywords: Anti-Money Laundering, Customer Due Diligence, Know Your Customer, Suspicious Activity Reporting

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List of Abbreviations

AML -Anti-Money Laundering

BSA -Bank Secrecy Act

CDD -Customer Due Diligence

CFT -Combating Financing of Terrorism

CIP- Customer Identification Program

FATF -Financial Action Task Force

FinCEN- Financial Crimes Enforcement Network

FIU-IND- Financial Intelligence Unit – India

KYC -Know Your Customer

IMF- International Monetary Fund

OCC- Office of the Comptroller of the Currency

PMLA- Prevention of Money Laundering Act, 2002

RBI- Reserve Bank of India

SAR -Suspicious Activity Report

STR -Suspicious Transaction Report

SARS -Suspicious Activity Reporting System

1. Introduction

1.1 Background

Money laundering is the process by which criminals use the financial and non-financial systems to conduct transactions and transfer money from one transaction account to another or different location in order to hide the source of funds and bring the money they have obtained illegally into legal cash flows using banking system as explained by Demirović et al (2022).

According to international organizations, money laundering is estimated to represent between 2% and 5% of global Gross Domestic Product (GDP) annually. The ‘hidden’ nature of money laundering makes it exceedingly difficult to accurately gauge the total amount that circulate through the laundering process (United Nations, 2023).

Most commonly used methods for money laundering include breaking up large amounts of cash into smaller sums and depositing them into a bank account, purchasing monetary instruments like cheques or money orders, and moving funds through stable financial systems. The goal is to make the illegal proceeds appear legitimate and avoid detection by authorities. Understanding its various layers and methods is crucial for combating it effectively.

The three stages of money laundering, the typical progression of laundering illicit funds include—Placement, Layering, and Integration. Below is the pictorial representation of the three stages of money laundering.

Figure 1.1: Stages of money laundering (Tomić, N. et al, 2016)

a) Placement- The first step in money laundering is placement, during which the money launderer introduces their illicit proceeds to the financial system. According to Cassella (2018) Large sums of cash would often be divided into smaller amounts and placed directly into one or more bank accounts, into cash intensive businesses or money orders or checks would be purchased and then deposited into accounts at a different location. Making the criminal profits seem normal is intended to prevent authorities from discovering them.

b) Layering- The second step of money laundering involves layering, in which the money launderer moves the money a number of times to keep it away from its original source. According to the research (Cassella, 2018), the money may be then transferred through the buying and selling of financial products, or the launderer may just wire the money through a network of accounts at different banks across the world. In states that do not cooperate in anti-money laundering investigations, this use of dispersed accounts for laundering is particularly common. Sometimes the launderer would disguise the transactions as payments for products or services to give the impression that they are coming from a genuine source.

c) Integration- Integration is the final stage of money laundering where the launderer makes it difficult to trace the funds by invests the laundered funds in legitimate businesses or assets. In some cases, the location of funds originated and the funds invested are different, so that the unlawful sources of funds are concealed. The goal is to make the illegal proceeds appear legitimate and avoid detection by authorities (Cassella, 2018).

An example of how illicit money moves through different stages of money laundering, from placement, through layering, to integration, ultimately disguising its illicit origin and making it appear legitimate is explained in the figure 1.2 (below). The 'Standard launderer' initiates the process by giving the illicit funds in cash to the project manager and the owner, who is referred to as the 'Professional'. At this stage, the illicit funds are introduced into the legitimate financial system through cash transactions to the project manager. This is known as the placement stage. The ‘project manager then paid the cash received by the launderer to the undocumented workers/labours. The cash is passed through multiple transactions or financial instruments making it difficult to trace back to its illegal source. This is the layering stage. In exchange of the illicit cash, the launderer gets the money back through bank transfer facilitated a fake shell bank company which was appointed by the reporting subcontractor of the professional and this integration completes the money laundering process (Mohd Latif, 2023)

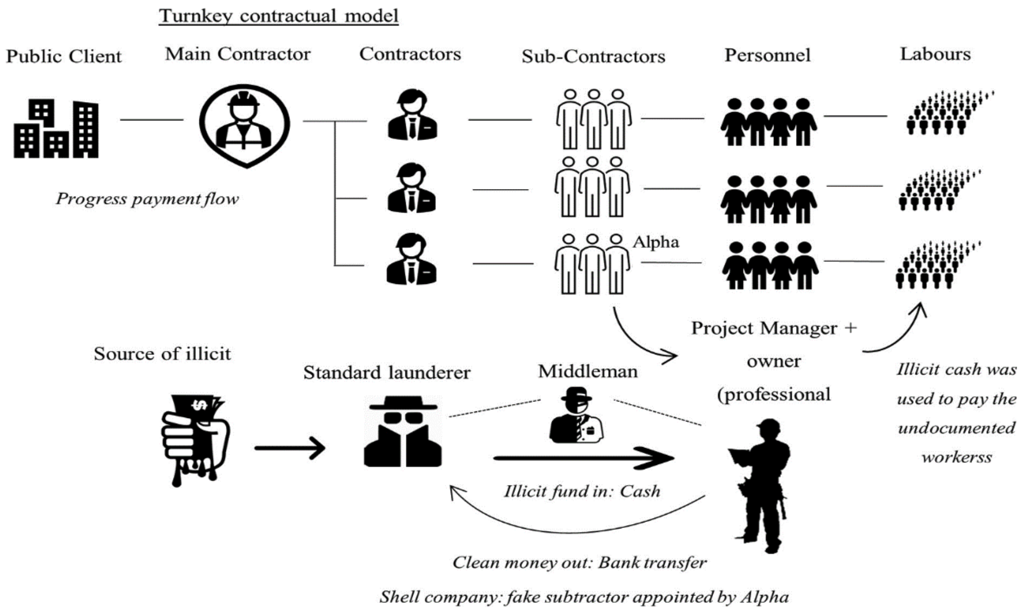


Figure 1.2 An example of illicit fund travelling through different phases of Money Laundering based on the Turnkey contractual model (Mohd Latif, 2023).

1.2 Rationale for the research

Suspicious Activity Reports (SARs) serve as vital tools for detecting and preventing financial crimes such as money laundering and terrorism funding. According to Menz (2024), financial institutions, such as banks, are obligated by law to submit SARs to report any transactions or activity that they think include illegal funds or are symptomatic of criminal behaviour. The rationale for this research is to examine the efficacy of the Suspicious Activity Reporting policies and procedure in investment banks of India and address the significance of Suspicious Activity Reporting procedure for the Anti Money Laundering process.

According to the article SmartSearch (2020) the case of Commonwealth Bank's £400 million fine in 2018 highlights the critical importance for financial institutions to maintain robust systems for detecting and reporting suspicious transactions. With the failure to report 53,000 suspicious transactions due to a coding error, it underscores the necessity for organizations to conduct regular checks on their software to ensure compliance with anti-money laundering and counter-terror financing legislation.

Serious and prolonged shortcomings in identifying and addressing money laundering risks resulted in this substantial penalty, such as opening a new account accepted a deposit of £500,000 and failed to verify the source of cash in a suitcase. Another case of Standard Chartered Bank's huge £102,163,200 fine SmartSearch (2020) in April 2019 serves as a stark reminder of the consequences of failure of anti-money laundering (AML) and suspicious activity reporting measures.

The case of Standard Chartered Bank SmartSearch (2020) stated earlier clearly indicates that the employees of financial institutions play significant role in identifying and reporting suspicious activities that may indicate money laundering or other illicit financial activities. When customers engage in transactions that raise red flags, such as depositing unusually large sums of money without a clear explanation of the source, employees should be trained to recognize these warning signs and initiate further investigation. Also, should keep an eye out for suspicious activity and report it to the authorities if something doesn't appear genuine.

According to Chaikin (2009) the core element of the AML/CFT (Anti-money laundering/ Combating financing of terrorism) is the requirement of suspicious transaction reporting by the banking and the non-banking financial institutions. The purpose of a Suspicious Transactions Reporting regime aligns closely with the reaching goals of Anti-Money Laundering

(AML) and Combating Financing of Terrorism (CFT) systems by detecting the illicit activities, preventing the financial crime leading to enhanced compliance and risk management.

This shows the imperative for businesses, especially in the financial sector, to proactively identify and report suspicious transactions to prevent AML breaches. Investing in robust AML processes is not only a regulatory obligation but also a prudent business practice, as the cost of fines for non-compliance far outweighs the savings from cutting corners in AML efforts.

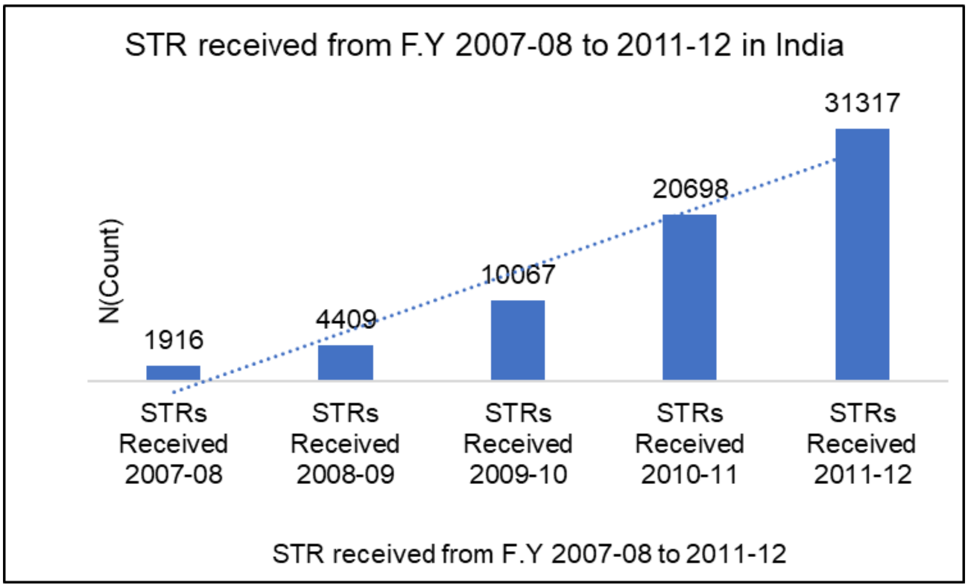


Figure 1.3 Trend of STR (Suspicious Transaction Report) received from financial year 2007-08 to 2011-12(FIU-IND, 2023)

The figure 1.2 (above) shows that the trend of suspicious activity reporting in India from 2007 to 2012 with an increased trend as per the trend analysis data released by Financial Intelligence Unit-India (FIU-IND,2013). This rise suggests heightened vigilance and improved reporting mechanisms within the financial sector, reflecting efforts to combat money laundering and other illicit financial activities. The upward trend also emphasises the importance of robust anti-money laundering measures and the proactive role of financial institutions and regulatory authorities in detecting and preventing financial crimes.

Not only the activities related to customer that need to be monitored and reported; but also, the internal activities within financial institutions are equally important to scrutinize. For example, if the employees or directors were bribed or anyone in the financial institution turn blind eye towards these funds sourced illegally, it can become part of the illegal network. Employees who complicit in illegal activities pose significant risks to the integrity of the financial system. Their actions can encourage criminals to launder illicit funds, evade detection, and undermine the regulatory framework designed to prevent financial crime. Hence it is very important to have the knowledge and practice the suspicious activity reporting policies and procedures.

2. Research Aim and Objective

2.1 Research Aim

This research focuses on the efficacy of Suspicious Activity Reporting (SAR) implementation and adherence within investment banks operating in India. This investigation holds significant relevance due to its focus on Anti Money Laundering (AML), a critical component for maintaining the economic integrity of financial institutions. Particularly, the scrutiny falls on the day-to-day operations of these institutions, aiming to gauge how effectively SAR protocols are implemented and practiced.

Given the global reach of corporate Know Your Customer (KYC) teams working in investment banks in Bengaluru, India, the study explores their interactions with clients worldwide, adding a broader dimension to the research. The employees' understanding of Suspicious Activity Reporting is mainly considered as they play vital role in Customer Due Diligence (CDD), know your customer (KYC) teams while accessing their clients' profile. Suspicious Activity Reporting emerges as a compelling subject within the realm of AML (Anti Money Laundering), sparking interest due to its pivotal role in identifying and addressing potentially illicit financial activities. Through this inquiry, a deeper understanding of SAR's implementation and its impact on AML practices within the Indian investment banking sector is sought, contributing to the broader discourse on financial integrity and regulatory compliance.

2.2 Research Objectives

Using a quantitative cross-sectional design this study aims to explore the underlying factors that affect the importance and efficiency of Suspicious Activity Reporting (SAR). To achieve this goal, the study has identified three key objectives to guide its investigation.

a) **To examine the implementation of the Suspicious Activity Reporting regulations in investment banking sector in India.**

   The research intends to give insights into the actual execution of SAR (Suspicious Activity Reporting) legislation within the Indian investment banking sector by examining the strategies, training processes used by these institutions while dealing with Suspicious Activity Reporting (SAR) practices.

b) **To understand the perceived effectiveness and importance of the Suspicious Activity Reporting regulations in investment banking sector**

   This research objective is carried out by comprehensive understanding of the perceived effectiveness of Suspicious Activity Reporting policies in the investment banking sector, facilitating informed decision-making and potential improvements in regulatory compliance efforts.

c) **To understand and examine impact of Suspicious Activity Reporting on Anti-money laundering.**

   This research objective focuses on understanding the broader implications of SAR on anti-money laundering (AML) measures. Through examining the relationship between Suspicious Activity Reporting and Anti-Money Laundering, the study seeks to understand how Suspicious Activity Reporting procedures help detecting, preventing, and combating financial crimes such as money laundering. The study is also intended to examine the impacts of the non-adherence to Suspicious Activity reporting policies.

2.3 The Significance of the Study

The proposed research seeks to provide in depth analysis of the chosen topic "Study on Importance and effectiveness of Suspicious activity reporting (SAR) for the Anti Money Laundering process of Investment banks in India" and the role played by Customer Due Diligence (CDD), know your customer (KYC) teams while accessing their client's profile. This study aims at analysing how financial institutions are detecting the money laundering activities, how to identify and prevent them. How Suspicious Activity report can help them identify the criminal activity such as Money Laundering, Terrorist Financing etc.,

Research conducted by Shwetha Vasudevamurthy (2022) using the quantitative research method emphasises on the effectiveness of and significance of the Anti-Money Laundering policies in investment banks India. The research was aimed at the AML policies effectiveness in Indian financial institutions. The study reveals the significant challenges regarding employees' understanding and adherence to anti-money laundering (AML) processes, posing risks of compliance failures and potential legal breaches. Inadequate training and lack of appreciation for AML requirements contribute to low confidence and reluctance to fully comply with regulations. Addressing these challenges is critical to protecting the organization's reputation, maintaining compliance with AML rules, and effectively fighting money laundering operation.

As per Chaikin (2009) the initiation of a suspicious transaction reporting may consider as starting point of a criminal investigation, or in cases when a criminal investigation is already in progress. The suspicious activity reporting is one of the crucial parts of Anti Money Laundering policies and Suspicious Activity Reporting majorly helps preventing the money laundering instances. According to Viritha et al., (2015) the effectiveness of the AML policies implementation can be measured through the effectiveness of the Suspicious Activity Reporting. The effectiveness of AML regime is measured through the quantity and quality of the suspicious transactions reported. When the Suspicious Activity Reporting is effective and the employees of the financial institutions are aware of the reporting policies, prevention of money laundering activities can me more effective.

This research is conducted to examine the significance of SAR and employees' understanding of the Suspicious Activity Reporting procedure. To identify the gaps, examine the gaps identified and improvements are the main purpose of the research. Analysis of the challenges faced by the investment banks to follow the Suspicious Activity Reporting System (SARS) will be addressed in the further sections. What steps a financial institution- investment bank has to take to prevent money laundering by making best utilization of the Suspicious Activity Reporting will be covered in this study.

3. Literature review

About 50 billion USD to 1 trillion USD money is laundered annually worldwide through banking sector according to Agarwal and Agarwal (2004). Hence it is very important for banking system to be vigilant about the money laundering activities passing through the banking system. Not only to conceal the profits from the illegal proceedings and criminal activities, but money laundering is also being done to finance the terrorism and economic disturbances (Agarwal and Agarwal, 2004).

The study under this section includes the overview of Bank Secrecy Act (BSA), Financial Action Task Force (FATF), Regulations of Reserve Bank of India (RBI) and other financial services regulators in India, Suspicious Activity reporting policies in India and across the globe.

3.1 Background of Anti Money Laundering (AML) and Suspicious Activity Reporting (SAR) policies.

Financial crimes have a significant negative impact on economies because of their high direct and indirect costs, which include decreased revenue, increased expenses, penalties, loss banking license and services, and heightened financial instability. The complex network of illicit transactions, often spanning across multiple jurisdictions and involving various financial instruments, makes it difficult to gauge the actual amount that laundered globally (Valvi,2023)

The major goal of the Suspicious Activity Reporting (SAR) policies is to protect the integrity and stability of the International financial system by cutting the resources available to fund terrorism, human trafficking, and to make it more complicated to engage and invest in criminal activities as required by the International Monetary Fund (IMF, 2024). The International Monetary Fund (IMF) primarily focuses on promoting global monetary cooperation, ensuring financial stability, facilitating international trade, and fostering sustainable economic growth. While the IMF does not directly oversee or regulate Suspicious Activity Reporting (SAR) procedures, its involvement in the broader realm of financial regulation and oversight indirectly influences efforts to combat money laundering and financial crime. A committee of the governors at IMF (International Monetary Fund) called International Monetary and Financial Committee meets half yearly to consider any policy changes and release the recommendation related to the issues affecting the international monetary system (Dumas, 2013).

This illicit activity often involves the legalization of proceeds from illegal actions through the financial system, exploiting the interconnectedness of global markets and advancements in technology for concealing profits. Consequently, money laundering poses a threat to the integrity and reputation of the financial sector, as well as to other domains (Valvi,2023).

According to Claver et al., (2023) International Monetary Fund (IMF) along with the assistance of the other institutions to identify significant risks, working with member countries and international partners, especially the Financial Action Task Force, the global standard-setter in this field. This indicates that the global community is making headway in shielding economies from terrorist funding and money laundering. The IMF (International Monetary Fund) aims to leverage its global reach and macroeconomic expertise to help member countries assess the impact of financial crimes and illicit flows and design and implement policies to address them.

Deficits in AML/CFT (Anti-Money Laundering/Combating the Financing of Terrorism) have been linked to large declines in the stock values of the impacted banks and have broader negative effects on other lenders in the same nation and area. Illicit financial flows also influence other countries globally, drawing in illegal proceeds from elsewhere and having a negative impact on savings, investment rates, and national growth. IMF (International Monetary Fund) hopes to gain deeper understanding of structural, financial sector, monetary, and fiscal costs of illicit flows by strengthening the capacity for data analysis and taking a coordinated approach across its main work areas. This will be necessary to fully comprehend the consequences for economies (Claver et al, 2023)

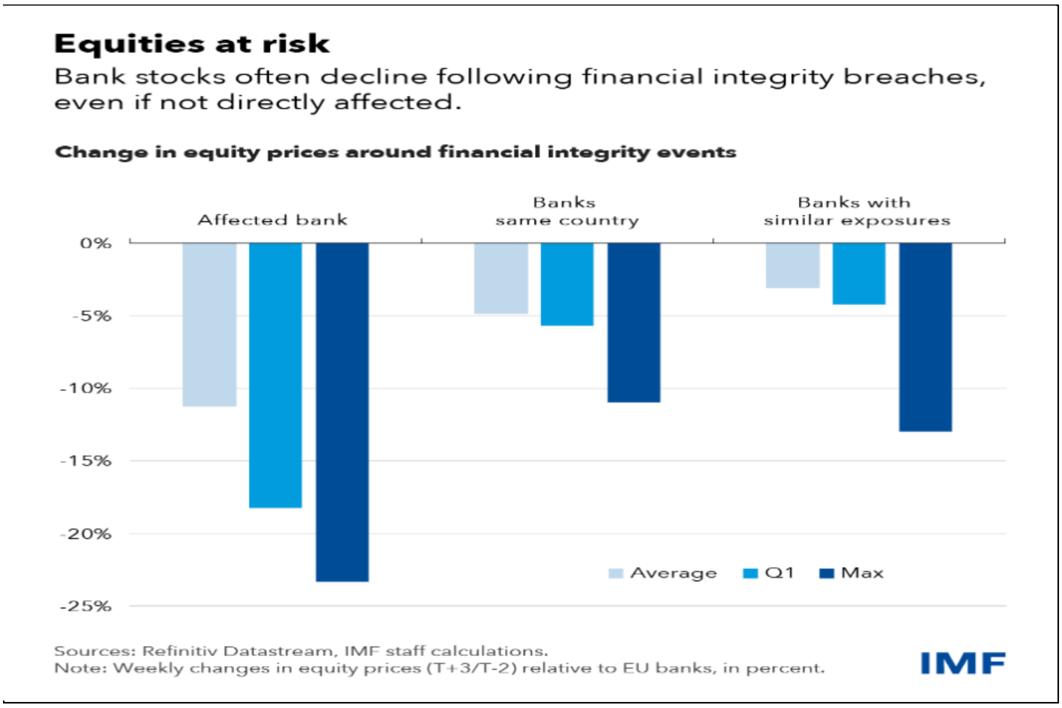


Figure 3.1 Bank stock decline following financial integrity breach (Claver et al, 2023)

The figure 3.1 (above) is an example of the cost that occurred following the breach of financial integrity in the Nordic Baltic Region– encompassing Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and

Sweden (IMF, 2023). Claver et al., (2023) also emphasize on the need to go beyond traditional analysis of threats and vulnerabilities related to money laundering and terrorist financing. It stresses the importance of understanding the full extent of consequences for economies by examining the fiscal, monetary, financial sector, and structural costs of illicit flows. The deeper understanding is crucial for documenting how financial integrity impacts a country's financial stability and broader economy, as well as how it can affect global financial stability. The IMF Executive Board has endorsed a plan to enhance data analytics capacity to focus on these aspects, highlighting the commitment to gaining a comprehensive understanding of the economic implications of financial crimes. (Claver et al, 2023)

In order to prevent the money laundering activities, banking employees are required to be trained on time-to-time basis on the procedure of SAR, so that any potential suspicious activities are critically analysed and reported. Before filing the SAR, the issue/activity goes through different levels of investigation in the different departments of the organizations. For example, the team member reports to the line manager, and it goes through the management, relationship manager and compliance team.

Every time there is a suspected instances of money laundering or fraud, financial institutions and those associated to their companies file a Suspicious Activity Report (SAR) with the Financial Crimes Enforcement Network (FinCEN) within 30 days. However, if an extension of up to 60 days is given to file the SAR when additional evidence is required. SAR should be filed with all the necessary information and the applicable supporting documentation. These reports are instruments to help Financial Crimes Enforcement Network (FinCEN) monitor any conduct in the financial industry that is seen to be unusual, a sign of unlawful activity, or that could endanger public safety (Thomson Reuters, 2023).

Maintaining the confidentiality of the SAR is crucial and it is the responsibility of the financial institution. The SARs which are filed should be kept for 5 years in their system. Consequence of failing to follow this procedure can lead to regulatory fines, criminal penalties, cancellation of banking license etc., However, the SAR filing can be shared with FINCEN (Financial Crimes Enforcement Network) affiliates if those are under SAR regulation according to FinCEN Guidance FIN-2010-G006 issued January 3, 2011. If the file is still open/pending the person under investigation should never have an idea about it. This is why if the SAR is filed by the banks, it goes through the multiple stages before it gets actually filed. Internal financial investigators, management of the institution, authorised personnel review it to ensure the information provided is accurate. (Thomson Reuters, 2023). Financial Crimes Enforcement Network (FinCEN) then reviews the SARs filed by the financial institution. In order to provide effective guidelines to the financial institution, it identifies the pattern and the flow of the activities reported.

Understanding the significance of SAR for Indian investment banks also involves aligning with international standards and best practices. Researching the effectiveness of Suspicious Activity Reporting helps banks benchmark their practices against global standards and identify areas for improvement.

3.2 Global initiatives to prevent money laundering (In particularly with SAR)

A stable international economic environment can contribute to reducing financial risks and vulnerabilities. Some of the legal frameworks to prevent Money Laundering and Terrorists financing across global are listed below.

Office of the Comptroller of the Currency (OCC).

Banks authorised under the National Bank Act and federal savings organisations chartered under the Home Owners' Loan Act of 1933 are primarily regulated by the Office of the Comptroller of the Currency (OCC). OCC is laws and regulations are derived from the mentioned acts. When there is a violation of laws, rules, or regulations, written final orders or conditions, dangerous or unsound practices, or a party linked with an institution breaches a fiduciary obligation, the OCC has the authority to initiate enforcement action. Legislative and Regulatory Activities (LRA) Division in the Law department serves as OCC's counsel on regulatory matters.

The enforcement actions can be carried out by the OCC department when there is any violation of regulations by the National banks, federally chartered savings associations and their subsidiaries, Federal branches and agencies of foreign banks, including officers, directors, employees, controlling stockholders, agents, and certain other individuals. However, the state-chartered banks that are not members of the Federal Reserve System and insured branches of foreign banks which fall under Federal Deposit Insurance Corporation, state-chartered banks that are members of Board of Governors of the Federal Reserve System, credit unions and Securities and Exchange Commissions are not regulated by OCC.

The Office of the Comptroller of the Currency (OCC) has the authority for taking some formal enforcement actions against financial institutions under its supervision and entities associated with them. Some of them are mentioned below.

-Cease & Desist Orders (C&D) or Personal Cease-and-Desist Order (PC&D)- An order issued by the OCC that may, among other things, require a bank to cease and desist from an unsafe or unsound practice or violation and to take affirmative action to correct or remedy any conditions resulting from any violation or practice. This will help identify any illicit activity and prevent further consequences (OCC, 2019).

-Capital Directive (CD)- Issuance of a capital directive by OCC when a bank fails to achieve or maintain capital at or above the minimum ratios required (OCC, 2019).

-Restitution Order: An order requiring a financial institution to take affirmative action to correct or remedy any conditions resulting from any violation or unsafe or unsound practice (OCC, 2019).

-Prohibition Order (1818(e)): An order that prevents a financial institution from any participation, in any manner, in the conduct of the affairs of any insured depository institution.

-Securities Enforcement Actions: OCC may initiate enforcement proceedings for violations of the law. These proceedings may include civil money penalties, cease and desist orders, injunctions, censures, suspensions, bars, removals, limitations, and other remedies.

As per the recent data published by the Office of the Comptroller of the Currency (2023), 43 OCC Enforcement Actions were taken in Fiscal Year 2023 under the different types of enforcement actions mentioned above.

Bank Secrecy Act (BSA)

BSA offers a framework for encouraging transparency in finance and identifying and discouraging people who attempt to take advantage of the financial system of the United States in order to support terrorist activities, launder money from crimes, or transfer monies for other illegal uses. Every bank must set up a BSA/AML compliance programme in accordance with the BSA. Individuals, banks, and other financial institutions are required by legislation to comply with the BSA recordkeeping standards.

Under the Bank Secrecy Act (BSA) and related anti-money laundering/ laws, all the financial institutions must

-Establish effective BSA compliance programs

-Establish effective customer due diligence systems and monitoring programs

-Screen against Office of Foreign Assets Control (OFAC) and other government lists

-Establish an effective suspicious activity monitoring and reporting process

-Develop risk-based anti-money laundering programs

As of April 1, 2013, the Bank secrecy act says that the financial institutions are required to file the Suspicious activity report within 30 days of the date the transaction or activity was identified. This includes the basis of the activity report. Financial institutions like banks, credit firms, mutual funds, and insurance companies are required by this act to work with US federal agencies to identify and combat money laundering (Office of the Comptroller of the Currency, 2013).

Suspicious activity reporting is a procedure used to keep a tab on the unusual, unlawful activity in the financial industry (Thomson Reuters, 2023). Through the procedure followed in the SAR, the financial institutions can identify the serious money laundering, criminal activities which are potentially dangerous for the economy of the country. Credit and banking institutions, stock and mutual fund traders, and various money service businesses fall under the financial sectors that required SAR reports. The potential suspicious activities such as Ponzi scheme, securities Fraud, gambling activities, human trafficking, cyber events, foreign wire transfer with the high countries and the sanctioned bodies, tax evasion, terrorist financing etc are supposed to be flagged and filed for further investigation.

Financial Crimes Enforcement Network (FinCEN)

The BSA is managed by FinCEN, which also functions as the US Financial Intelligence Unit (FIU). FinCEN has the power to implement BSA laws and regulations, check compliance of the financial institutions, and bring legal action against those that violate the BSA. Important Information for Money Services Businesses (MSBs) is available on the FinCEN website. It includes search engines relevant to MSBs, rules, State contacts, and other relevant recommendations. Financial institutions must adhere to applicable filing requirements by using the electronic BSA Forms.

The new SAR established by FinCEN to be a standard report that any kind of financial institution may employ for all the SARs reported after April 1, 2013. The design of the reports has been restructured to make the interface more user-friendly by placing the various SAR parts in the right order. The

FinCEN SAR allows for the addition of several data pieces, such as Account Numbers, Subject Information, and Location Information pertaining to the Suspicious Activity (FinCEN, 2012).

As per the FinCEN advisory (2012) on SAR confidentiality, financial institutions also must make sure that their external counsel is aware of the regulations regarding SAR confidentiality. This can be achieved by following the below steps.

-Training: Ensure that all staff members, including outside counsel, get regular training on the need for SAR confidentiality (FinCEN, 2012).

-Reminders: To emphasise regularly on how crucial it is to protect sensitive information, remind external counsel on a regular basis of the stringent SAR confidentiality rules (FinCEN, 2012).

-Risk-Based Measures: Improve the confidentiality of SARs, implement risk-based measures: use cover sheets for SARs; restrict access to areas for reviewing SARs; log access to SARs; limit access on a "need-to-know" basis; or provide electronic notices outlining confidentiality concerns prior to accessing or sharing the information (FinCEN, 2012).

-Immediate Reporting: If external counsel learns of an unauthorised disclosure of a SAR or receives a subpoena or request for a SAR from an unauthorised party, they should notify FinCEN's Office of Chief Counsel right away (FinCEN, 2012).

-Regulatory Guidance: If there are any queries about SAR confidentially, external counsel should be encouraged to contact the FinCEN Regulatory Helpline (FinCEN, 2012).

By putting these safety measures in place, financial institutions may make sure that their outside counsel is knowledgeable about the rules governing SAR confidentiality and prepared to handle SAR-related material properly (FinCEN, 2012).

Financial action task force (FATF)

An intergovernmental organization, Financial Action Task Force (FATF) sets up guidelines and promotes the efficient application of legislative, regulatory, and operational measures to combat money laundering, the funding of terrorism, and other threats to the integrity of the global financial system. It was established in 1989 to advance safety and security of the global financial system by shielding financial systems and the larger economy from risks of money laundering, funding of terrorism, and proliferation. India is FATF member since 2010 and adhere to all the FATF recommendations as per the information available in FATF website (FATF, 2024).

The FATF members are the nations and organisations that have committed to cooperating as a task force to achieve the shared goals outlined in this mission. As part of the mission, FATF initially released a set of 40 recommendations and has revised its recommendations over time. Some of them are listed below (FATF, 2024).

-Member jurisdictions pledge to support and adhere to the FATF Recommendations in their entirety in order to combat money laundering, the funding of terrorism, and proliferation; when applicable, employ the guidelines and other policies that the FATF has adopted. Also, the member jurisdictions use the established assessment methodology and procedures to actively engage in systematic "peer reviews" (also known as "mutual evaluations") and follow-up processes; the FATF will publish the assessments (FATF, 2024).

-Member organisations commit to support and encourage the successful implementation of the FATF Recommendations among its member states; And support systematic 'peer reviews' ('mutual assessments') and follow-up processes that adhere to the agreed-upon assessment methodology and procedures (FATF, 2024).

-Member nations and organisations agree to actively participate in the FATF's work (chairing meetings, drafting reports, etc.) to develop FATF standards, guidance, and other policies for combating money laundering, terrorism financing, proliferation, and other threats to the integrity of the international financial system; and collaborate to achieve the objectives and complete the responsibilities of this mandate; And Help FATF reach out to the commercial sector, especially by actively participating in FATF projects (FATF, 2024).

3.3 Regulatory framework for Anti Money Laundering and Suspicious Activity Reporting in India

Reserve Bank of India (RBI) is the central bank and the regulator of the banking institutions in India. It was established on April 1, 1935 in Kolkata but was permanently moved to Mumbai in 1937. RBI creates, implements and monitor the monetary policies in India. The legal frameworks for Anti Money Laundering and the Suspicious Transaction Reporting (STR) are explained below.

The Prevention of Money Laundering Act, 2002

The foundation of the regulatory framework that India has established to combat money laundering is the Prevention of Money Laundering Act, 2002 (PMLA). The purpose of the PMLA is to stop money laundering, to provide for the seizure of assets obtained via or associated with money laundering, and to address issues related to or incidental to it. The PMLA went into effect on July 1, 2005, along with the Rules that were announced under it. All the Banking firms, financial institutions, intermediaries, and those engaged in monetary sector or professions are required by the PMLA and its regulations to confirm the identification of their clients, keep records, and provide information to FIU-IND (Financial Intelligence Unit (FIU-IND), 2023).

For the purpose of carrying out the provisions of this Act, the Central Government may, after consulting with the Reserve Bank of India, prescribe the process and method by which reporting bodies provide information under sections 11A, 12A, and 12AA. The recommendations of the act include

-All the reporting entities shall keep a record of every transaction in a way that allows it to reconstruct specific transactions, including details on transactions and provide the Director with information about attempted or completed transactions, the kind and amount of which may be mandated, within the time frame that may be specified; keep track of the documentation proving the identity of its clients and beneficial owners, as well as the client-related account files and business communication in the file (Financial Intelligence Unit (FIU-IND), 2023).

-All information that is stored, supplied, or confirmed must be kept confidential, unless otherwise mandated by any currently enacted laws (Financial Intelligence Unit (FIU-IND), 2023).

-The above-mentioned information and documents must be kept on file for five years from the date of the client-reporting entity transaction (Financial Intelligence Unit (FIU-IND), 2023).

-The reporting entities have to maintain the information about the referral has to be on file maintained for the period of five years from the date of the relationship between the financial institution and client is ended or the client account has been closed, whichever is later (Financial Intelligence Unit (FIU-IND), 2023).

-The reporting institution or any group of institution can be removed or exempted from the obligation of reporting by the central government provided the institutions are notified in advance (Financial Intelligence Unit (FIU-IND), 2023).

Financial Intelligence Unit – India (FIU-IND)

Financial Intelligence Unit was designated as the primary national agency in charge of receiving, processing, evaluating, and distributing information pertaining to suspicious financial transactions by the Government of India as on November 18, 2004. In accordance with the Prevention of Money Laundering Act, 2002 all the financial institutions are required to notify any cash and suspicious transactions to the Director of Financial Intelligence

Unit (FIU) India using specific format for reporting (Reserve Bank of India (RBI), 2014).

According to the circular release by Reserve Bank of India (RBI) (2014) Banks are, recommended to have a look over the provisions of PMLA, 2002 and the Rules published thereunder, and take all procedures judged essential to ensure compliance with the requirements of the Act. Below are the cash transaction and suspicious transaction reporting guidelines for the financial institutions

- All cash transactions of the value of more than Ten Lakh India Rupees or its equivalent amount in foreign currency;

- Any series of interconnected cash transactions worth less than Rupees Ten Lakh or its equivalent in foreign currency if the sequence of transactions occurred within a month and the total amount of the transactions exceeded Rupees Ten Lakh;

-All suspicious transactions, whether or whether they are cash-only and follow the guidelines outlined in the Rules.

-All transactions involving receipts by non-profit organizations of value greater than rupees ten lakh or its equivalent in foreign currency

-Any monetary transactions involving the use of fake or counterfeit bank or currency notes as real, as well as any instances in which the transaction was facilitated by the forging of a valued security or document,

3.4 Anti Money Laundering and Suspicious Activity Reporting administrations by Investment Banks

The client relationship between client and an investment bank could be explained as follows. When the customer is onboarded to the investment bank, a team of experts in Anti money laundering carry out mandatory identification and verification as per KYC (Know Your Customer) guidelines. In initial process, basic information of the customer like Legal name, registered address, Identification number is obtained. It is called Customer

Identification Program (CIP). This is to identify the initial risk associated with the relationship with the particular customer.

As part of the Customer Due Diligence programme further details of beneficial owners, key controllers are collected. With this information further investigation is done with screening of the customer and related parties with the sanctions list, PEP (Politically Exposed Person) and negative News. Once the customer is onboarded to the banking system, an ongoing verification will be done on time-to-time basis to analyse and mitigate the risk associated with the client relationship. Also, the existing clients go through daily screening for any negative news. Throughout the relationship with the customer, investment banks are required to keep a tab on their activities to identify the potential money laundering activities.

Financial institution employees will be able to identify transactions that don't seem to have any commercial justification or otherwise don't fit into the category of typical, legal commerce. Under these scenarios, relying just on transaction monitoring is not sufficient or efficient for the government or the institutions concerned. The Suspicious activities are reported through Suspicious Activity Reporting System (SARS). SARS is thus an important component of the BSA's flexible and cost-effective compliance programme, which is essential to prevent the use of the nation's financial system for unlawful purposes.

As stated above all the employees working at the financial institutions, specially at the investment banking should have strong knowledge on the anti-money laundering regulations as well as the policies and procedures of the Suspicious Activity Reporting. The investment banks should conduct ongoing training about these critical regulations, learning modules on the guidelines provided by the FINCEN would be beneficial.

4. Methodology

Research Methodology plays very important role in the for conducting research or investigation on any topic/issue (Ahmed & Opoku, 2016). Methodology is a section where the entire research process is basically the design and framework addressed. The plan of action, the flow of specific research method is called research design. There are 3 main methods of conducting research i.e., Qualitative, Quantitative & mixed Methods

4.1 Research Methodology Overview

Qualitative research is rooted in a constructivist or naturalist approach, which emphasizes understanding phenomena in their natural settings and contexts as outlined by Smith (2023). Through methods such as interviews, it offers detailed insights into the attitudes, behaviours, and motivations of participants. However, it is noteworthy that in the context of this study involving investment banks, employees may have access to sensitive client data. Consequently, there is a high probability of inadvertently sharing such sensitive information during interviews, a consideration that warrants careful management in the research process. The larger number of participants give the better overview of the SAR policies effectiveness in the investment banking sector in India. This study is done using a quantitative research method using survey as the surveys and questionnaires are efficient data collection tools that can reach a large number of respondents simultaneously. This makes quantitative methods particularly suitable for gathering data on Suspicious Activity Reporting practices from a diverse range of investment banks within a relatively short period (Smith, 2023). The framework that quantitative research offers facilitates the development of a knowledge of the complexity of human behaviours related to an organization, its policies, and procedures.

An explanation of the approach used to carry out the current study on Importance and effectiveness of Suspicious activity reporting (SAR) policies and procedure in the Investment banks of India are given in the below parts. Additionally, the primary goal of this study to examine and record relevant data on employees' perceptions of the comprehension and effective application of Suspicious activity reporting (SAR) policies and procedure has been explained.

The study focused on investment bank employees working across various teams within Know Your Customer (KYC) departments, including process analysts, team leaders, managers, and department heads. By examining employees' comprehension of Suspicious Activity Reporting (SAR) regulations, policies, and procedures, the research aimed to gauge their level of understanding regarding compliance to regulatory requirements. Individual employees at financial institutions function as the first line of defence, identifying, assessing, and managing risks in their everyday activities (Hu & Denizkurdu, 2020).

The financial Institutions' employees must be extra attentive and diligent in their daily activities as the money us involved in their nature of business activities and have high possibilities of system being used for illegal activities. The study undertaken to gain insights on the significance and implications of Suspicious Activity Reporting within the context of anti-money laundering efforts, from the perspective of investment bank employees. By capturing employees' viewpoints, the research aimed to shed light on the practical challenges and considerations involved in fulfilling regulatory requirements and combatting financial crime effectively.

4.2 Research Idea and Approach

The study seeks to comprehensively understand several key aspects related to Suspicious Activity Reporting (SAR) within investment banks. Firstly, it seeks to understand the current practices of Suspicious Activity Reporting implementation, including the procedures and protocols followed by these institutions. Secondly, the research aims to assess the perceived effectiveness of SAR in detecting and preventing money laundering activities, as perceived by investment bank employees. Lastly, the study aims to identify the challenges faced by employees in complying with SAR regulations, shedding light on potential areas for improvement in the investment banking sector in India.

The quantitative approach has been utilised as an appropriate research method for the topic ‘Importance and effectiveness of Suspicious activity reporting (SAR) for the Anti Money Laundering process of Investment banks in India’. The framework provided by quantitative research helps to understand the employees’ behaviour pertaining to the policies and procedures of the company.

The qualitative research allows the researcher to become personally involved with research participants. As a result, interpretation of the results will be more compared to other case studies. However, the quantitative research gives researcher to be objective, detached to the research participants and generalize findings from a sample to a defined population by using statistical method to analyse the data (Smith, 2023).

The research is conducted to collect and assemble the objective data that can be used to understand the importance and the effectiveness of the Suspicious Activity Reporting (SAR) regulations, policies and procedure. The quantitative approach is used as it offer several advantages for studying SAR implementation and effectiveness in investment banks as this method allows for the systematic analysis of data, offering insights into the broader trends and patterns across investment banks. By employing quantitative methods, the research aims to generate reliable and generalizable findings that contribute to a comprehensive understanding of SAR practices and their impact within the banking sector. To achieve these objectives, the research engages investment bank employees across all hierarchical levels, allowing for a thorough analysis of their understanding of SAR procedures.

The research utilized a questionnaire-based survey comprising 17 questions sent to 100-125 employees within investment banks' KYC departments. The questionnaire was developed based on insights gathered from high-level management positions in KYC departments and experts in

Anti Money Laundering. The structure and pattern of the questions were influenced by previous research conducted by Vasudevamurthy (2022) submitted to Nationale College of Ireland. This data collection process is based on a methodology that provides informative moral concepts. This helps in examining various perspectives and thinking on the policies and procedures followed in the financial institutions in India.

4.3 Research Sample and Data Collection

A Google Forms link containing a structured questionnaire with multiple-choice questions was distributed to high-level management personnel and Anti Money Laundering experts across investment banks in India. These employees are working in the international banks and the wholly owned subsidiaries of the international banks. The participation in the study was voluntary, and a convenience sampling method was employed to select samples. Convenience sampling involves selecting sample members based on their ease of accessibility, typically choosing individuals who are readily available to the researcher. Participants or samples for the study are chosen based on the ease of recruitment, allowing for a quick and convenient way to gather data within the limitations of time, resources, and access to the population of interest according to Makwana et al., (2023). The link for the survey was shared to the high-level management and the experts in Anti Money Laundering processes. They were also encouraged to share the survey link with their colleagues and subordinates to ensure a broad representation and gather quantitative data on Suspicious Activity Reporting (SAR) implementation, compliance rates, and perceived effectiveness. This approach enabled the collection of comprehensive data from diverse perspectives within the banking sector, contributing to a robust understanding of SAR practices and their impact across different organizational levels.

The questions for the survey are derived from different sources. The researcher reached out to the individuals in the managerial positions of the investment banks in India to obtain the information regarding the Suspicious Activity Reporting in addition to the research done on the publicly available information on the regulations of the Suspicious Activity Reporting in general. Research previously conducted by Shwetha Vasudevamurthy (2022) on Analysis on the importance and effectiveness of anti-money laundering policies and regulations of Financial Institutions (Investment Banks) in India was done using the quantitative research method. The research design is used from this previous research that is done for the topic related to the financial institution and investment banking.

In this approach, an identical survey questionnaire is distributed to the targeted sample of investment bank employees to gather quantitative data on Suspicious Activity Reporting (SAR) implementation, perceived effectiveness, and the importance of SAR procedures. The survey is targeted towards 100-150 respondents to obtain a comprehensive understanding of their perspectives on the importance of SAR policies and procedures, as well as their detailed perceptions of effectiveness.

The survey is disseminated electronically via email or online platforms to reach a wider range of investment banks employees and ensure maximum participation from potential respondents. This method allows for the collection of data from a large-scale participant, increasing the representativeness of the findings and providing more robust insights into Suspicious Activity Reporting practices within the investment banking sector. When academic research investigations have a limited time frame, a cross-sectional study is the best option since it provides detailed phenomenon studies throughout certain time periods and deadlines. The researcher set aside three weeks for the dissemination and gathering of data via the survey questionnaire.

4.4 Research Limitation

Although this study is conducted using quantitative research methods as a reliable method for reaching out to larger participants group, also presents several limitations. The data collected from survey method gives an overview of the effectiveness of the SAR policies. However, a mix of structured interviews and the survey questionnaire method can give a significant result on the effectiveness and perceived importance of the regulation of SAR policies.

5. Research Findings

5.1 Findings overview

This chapter contains exploratory and descriptive statistics that assist in the analysis of the survey results. The aim of the various statistical tests performed was to address the research objectives

a. To examine the implementation of the Suspicious Activity Reporting regulations in investment banking sector in India.
b. To understand the perceived effectiveness and Importance of the Suspicious Activity Reporting regulations.
c. To understand and examine impact of Suspicious Activity Reporting on Anti-money laundering.

5.2 Demographics

The survey was approximately sent out to 150 people who are employees of the investment banks working in Bengaluru, India. However, the researcher closed the survey once 100 responses were recorded. 100 responses were utilized to analyse the effectiveness and importance of SAR policies and procedures in Indian investment banks. The data gathered using Google Forms was then coded and uploaded into the SPSS.

5.3 Descriptive Statistics

Gender			
	Male	Female	Prefer Not to say
Count	57	42	1
Percent	57%	42%	1%

Figure 5.1 Number of responses by gender

From the Table 5.1 (above), out of the 100 responses recorded, 57% (57) respondents were Male and 42% (42) were Females. 1% (1) respondents preferred not to reveal the gender.

Survey Questions	N	Range (R)	Mean(M)	Std. Deviation (SD)
How many years of experience do you have in Anti Money Laundering (AML) / Know Your Customer(KYC) related process	100	3.00	3.1300	1.09779
How effective do you think the current SAR procedures and protocols are in your organization?	100	4.00	1.5200	0.82241
Do you believe that Suspicious Activity Reporting plays a significant role in determining financial crimes within the investment banking sector in India?	100	3.00	2.2200	0.85965
How would you rate the overall importance of Suspicious Activity Reporting in safeguarding the integrity of the financial system in India?	100	4.00	1.6700	0.98530
In your experience, how promptly are Suspicious Activity Reporting submissions processed by regulatory authorities or internal compliance teams?	100	2.00	1.5100	0.64346
How would you rate the level of support and resources provided by your organization to facilitate effective Suspicious Activity Reporting?	100	2.00	1.5200	0.59425
What are the mechanisms used by the financial institutions to identity the suspicious activities?	100	3.00	3.7800	0.75985
Valid N (listwise)	100			

Figure 5.2 Range, mean and standard deviation of the survey results.

-Focussing on the information on Figure 1.2, we can see that average tenure of the respondents is 3.13 years (M= 3.13).

-Effectiveness of Current SAR Procedures and Protocols with the mean (M= 1.52) indicates that on average, respondents view the current SAR procedures and protocols as relatively effective.

-The average rating for the belief in the significance of SAR in determining financial crimes is 2.22 (M=2.22). That means some may strongly believe in the importance of SAR in detecting the financial crimes in investment banks.

- The average rating for the overall importance of SAR in safeguarding the integrity of the financial system is 1.67 (M=1.67). Respondents perceive SAR as relatively important in safeguarding the integrity of the financial system in India. However, the standard deviation .9853 (SD=.9853) indicate the variations in the perceived importance of SAR among respondents, with some considering it more crucial and others perceiving it as less significant.

- With the average rating of 1.51 (M= 1.51) for how promptly the suspicious activities are being reported in India, respondents perceive SAR submissions processing as moderately prompt.

- The average rating for the Level of Support and Resources Provided by the Organization for Effective Suspicious Activity Reporting is 1.52 (M=1.52) and this indicates that the respondents perceive the level of support and resources provided by the organization for effective Suspicious Activity Reporting as moderate.

- The average rating for the mechanisms used by financial institutions to identify suspicious activities is 3. 78 (M=3.78) and this indicates that the respondents perceive the mechanisms employed by financial institutions to identify suspicious activities as relatively effective.

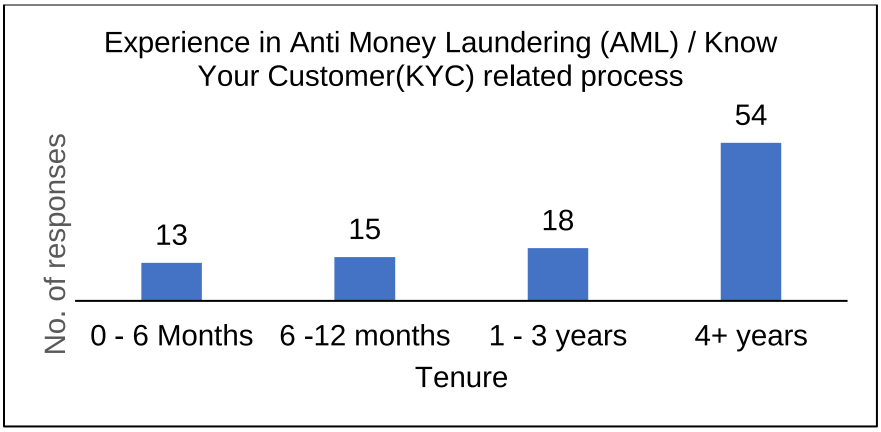


Figure 5.3 Tenure of the participants with AML/KYC related process

As per the results shown in the figure 1.3, the respondents were asked to select the tenure they are working in the KYC (Know Your Customer) related processes in the investment banks where the options ranging from 0-6 months to 4+ years. The responses recorded from 13% (13) from 0-6 months in the process, 15% (15) from the 6 -12 months category. The next highest 18% (18) from 1-3 years and the major contribution from the 4+ years category.

Implementation of SAR Policies and Procedure	Standard Attributes	Valid Values	
	Value	Yes	No
	Count	94	6
	Percent	94.0%	6.0%

Figure 5.4 Implementation of Suspicious Activity Reporting (SAR) procedure

As per the results in the figure above, 94% (94) of the respondents' organizations have the SAR policies and procedure in place. However, the remaining 6% (6) respondents selected that the SAR policies and procedures are not in place in their organization.

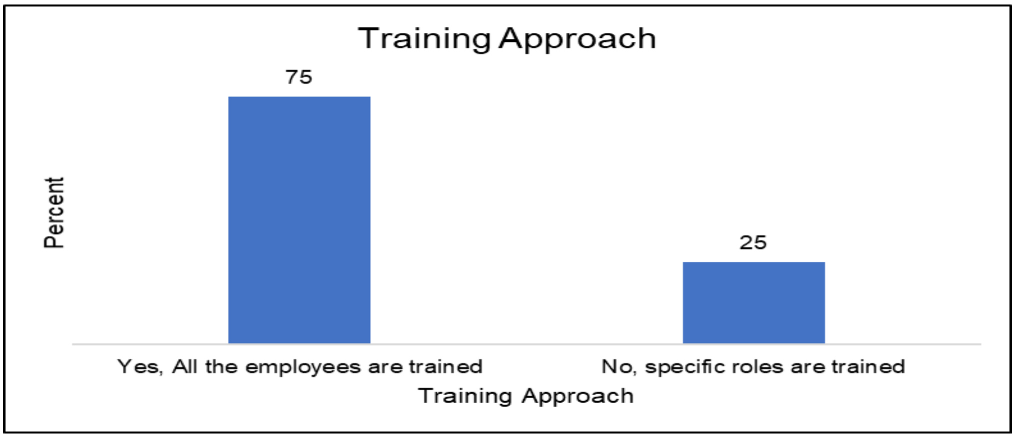


Figure 5.5 SAR (Suspicious Activity Reporting) training approach of the participants' organizations.

According to the results in the figure 1.5, 75% (75) respondents confirmed that the training is provided for all the roles in the organization. 25% (25) of respondents say that the all the roles in the organization are not given training for the SAR policies and procedure.

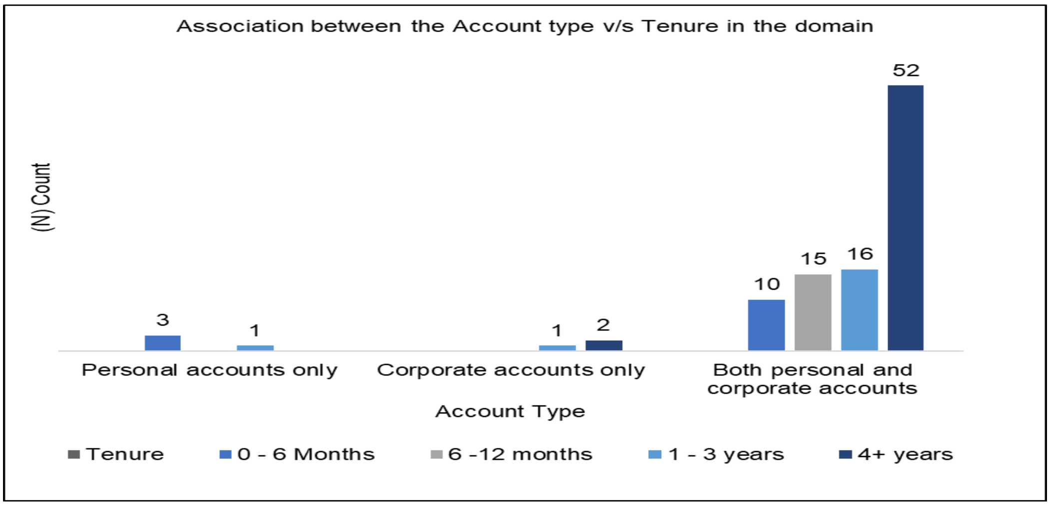


Figure 5.6 Association between the Type of accounts the SAR applicable v/s the tenure of the respondents in the AML/KYC domain.

Figure 1.6 shows that 93% (93) of the respondents agreed that the Suspicious Activity reporting is applicable for both personal and corporate accounts. However, 4% (4) and 3% (3) respondents selected that the SAR procedure is applicable only for the personal accounts and corporate accounts respectively.

	Value
Pearson Chi-Square	16.554
df	6
Asymp. Sig. (2-sided)	0.011
N (Count)	100

Chi-square test performed for the association between the account types to which the SAR policies are applicable and the respondents' tenure in the AML/KYC domain. The chi-square value is 16.554 with 6 degrees of freedom ($\chi^2 = 16.554$, df = 6), and the p-value is 0.011, indicating a highly significant relationship between type of accounts suspicious activity reporting is applicable and the respondents' tenure in the KYC/AML domain. Majority of (52%) respondents with 4+ years have agreed that the SAR policies are applicable for both personal and corporate account types.

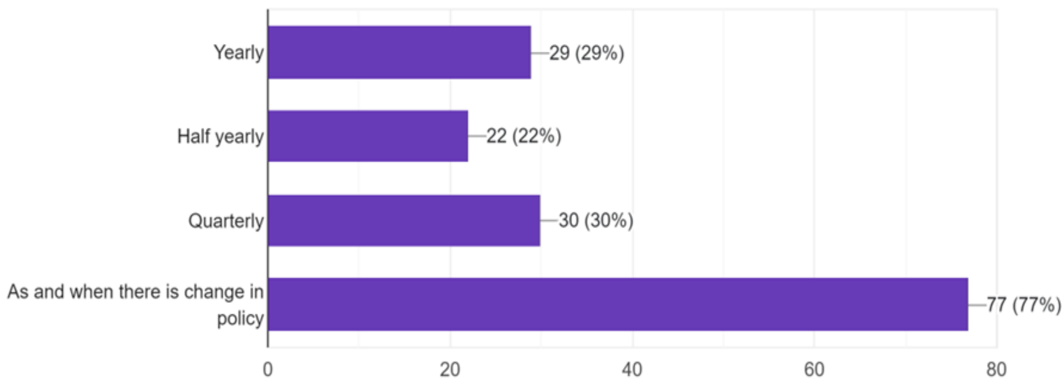
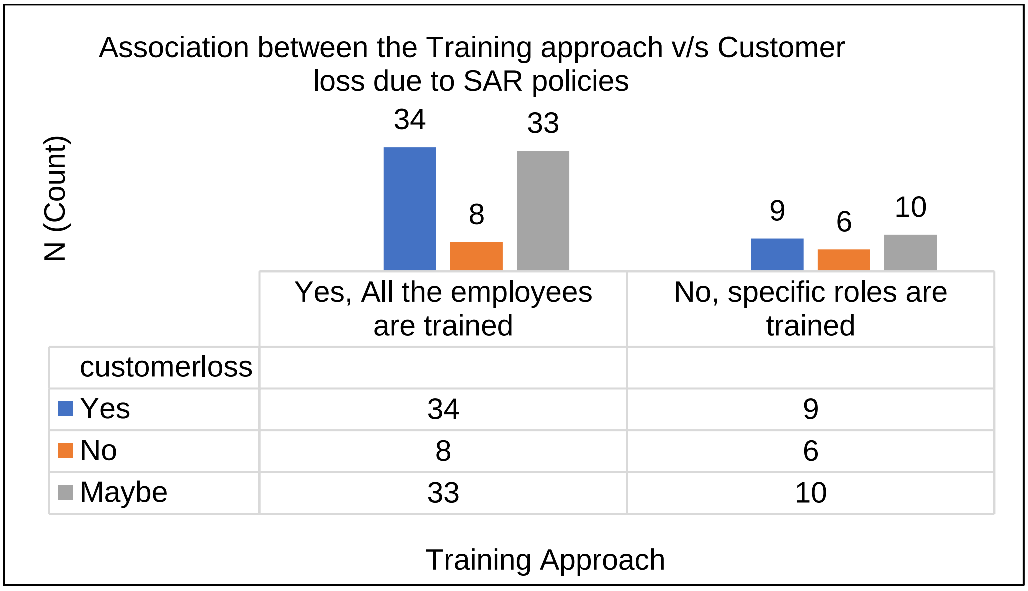


Figure 5.7 Results of frequency of SAR training in the investment banks in India

To the question how frequently the training of the suspicious activity reporting was conducted with the multiple answers, 29 respondents agreed yearly, 22 half-yearly, 30 quarterly and 77 as and when there is a change in policy.



customerloss	Yes, All the employees are trained	No, specific roles are trained
Yes	34	9
No	8	6
Maybe	33	10

Figure 5.8 Association between Customer loss due to SAR policies v/s the Training approach

For the survey question of whether there will be a loss of prospective customers as a result of the Suspicious Activity Reporting procedure, 75% (75) of employees who selected all roles in the organization received training responded that there will be a loss of prospective customers (34) and the probability of loss of customer is higher (33) and there will be no loss of customer (8).

	Value
Pearson Chi-Square	2.831
df	2
Asymp. Sig. (2-sided)	0.243
N (Count)	100

Chi-square test is performed to analyse the association between the respondents' opinion on prospective loss of customers due SAR procedure and the training approach in their organization. The chi-square value for the training approach is 2.831 with a degree of freedom (χ^2 = 2.831, df = 2), and the p-value is 0.243, indicating a non-significant relationship. Despite the training approach in the organization, majority of the responses agreed that potential customer loss due to stringent SAR policies.

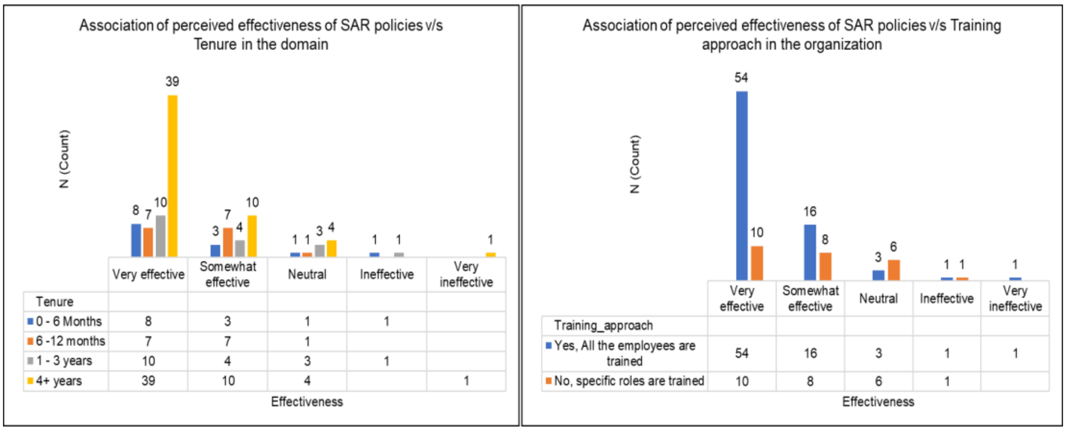


Figure 5.9 Employees' opinion on effectiveness of SAR policies v/s Tenure in the AML/KYC domain and the training approach in the organization.

For the question on employee's opinion on how effective the SAR implementation in their organization versus the respondents' tenure in the domain. Maximum 39 of the 54 employees with 4+ years' experience in the domain said Suspicious Activity Reporting policies and procedures implemented very effectively. Only one response in the 4+ years' experience said that the policies implemented are very ineffective.

Perceived effectiveness of SAR policies		
Variables		Value
Tenure in the AML/KYC domain	Pearson Chi-Square	12.322
	df	12
	Asymp. Sig. (2-sided)	0.420
	N (Count)	100
Training Approach	Pearson Chi-Square	13.222
	df	4
	Asymp. Sig. (2-sided)	0.010
	N (Count)	100

Chi-square test is performed to analyse the association of perceived effectiveness of SAR policies with the tenure in the AML/KYC domain and the training approach in their organization. The chi-square value for the Tenure is 12.322 with 12 degrees of freedom ($\chi^2 = 12.322$, df = 12), and the p-value is 0.420 indicating a non-significant relationship with perceived effectiveness of the SAR policies in their organization. Despite the experience in the AML/KYC, majority of the respondents agreed the SAR policies are effective in their organization.

Similarly, the chi-square value for the training approach is 13.222 with a degree of freedom 4 ($\chi^2 = 13.222$, df = 4), and the p-value is 0.010, indicating a significant relationship between the variables. Employees who got the training tend to report higher levels of effectiveness. Also, the higher the tenure in the AML/KYC reported higher level of effectiveness of Suspicious Activity Reporting in their organization.

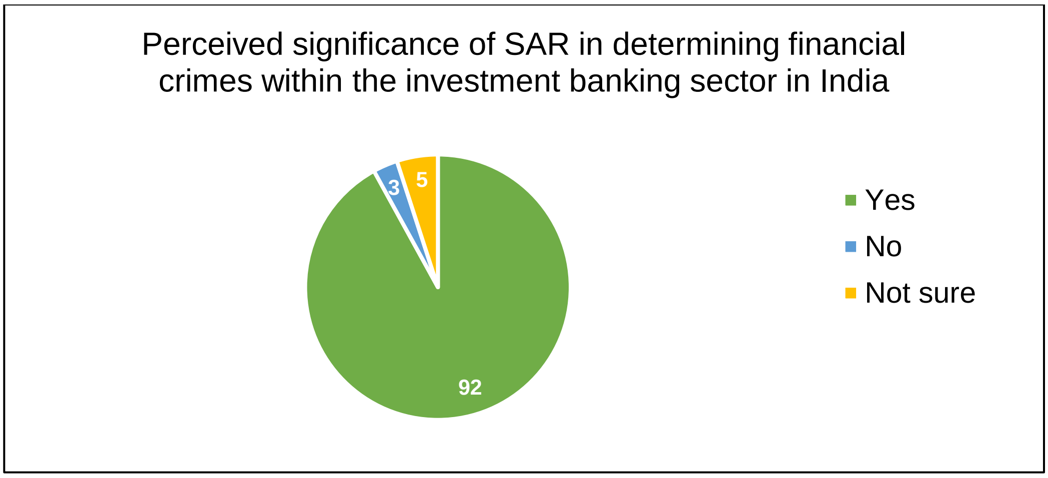


Figure 5.10 Employees opinion on Suspicious Activity Reporting’s role in detecting the finanacial crimes in India.

Employees have been asked if Suspicious Activity Reporting serves a purpose in identifying financial crimes in India's investment banking sector. 92% (92) of respondents agreed that the SAR serves an essential role in detecting financial crimes. However, the remaining 3% (3) said SAR are ineffective in detecting financial crimes and 5% (5) are uncertain.

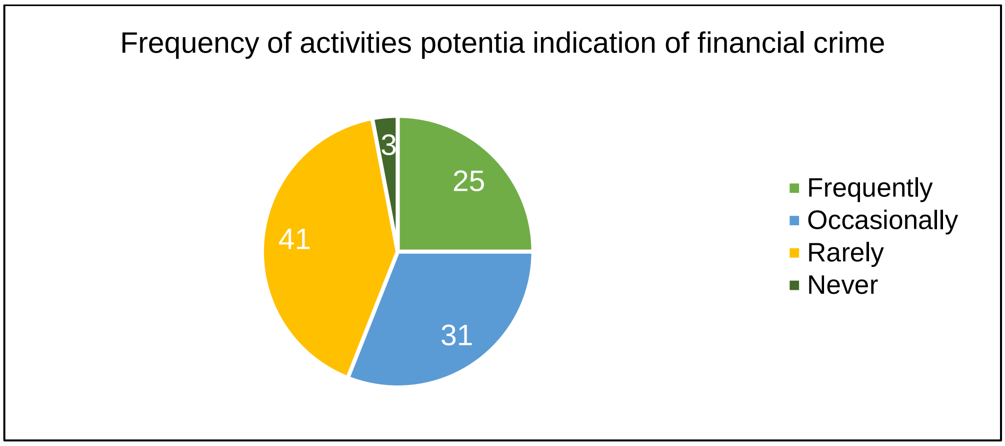
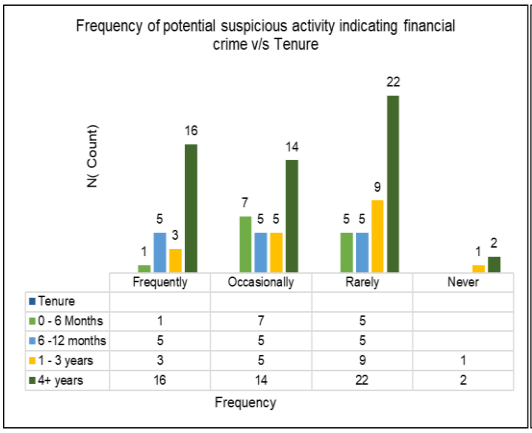


Figure 5.11 Frequency of employees coming across suspicious activity indicating financial crime.

The participants of the survey asked to choose how frequently they come across suspicious transaction or activity that indicates financial crimes. The result show that the majority of the participants came across such activities rarely at 41% (44) across all the tenure categories, 31% (31) participants agreed that they come across such activities occasionally. However, 25% (25) participants come across the suspicious activity/transaction frequently and 3% (3) never came across such activities.



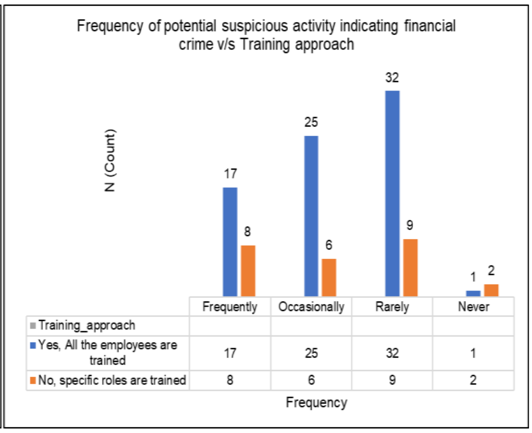


Figure 5.12 Frequency of potential suspicious Activities v/s tenure in KYC/AML domain and the training approach in the organizations

Frequency of the potential Suspicious activity		
Variables		Value
Tenure in the AML/KYC domain	Pearson Chi-Square	7.574
	df	9
	Asymp. Sig. (2-sided)	0.578
	N (Count)	100
Training Approach	Pearson Chi-Square	4.161
	df	3
	Asymp. Sig. (2-sided)	0.245
	N (Count)	100

The chi square table above was performed to examine the association of the frequency of employees coming across suspicious activity with Tenure in KYC/AML domain and the training approach in their organizations. The chi-square value for the Tenure is 7.574 with 9 degrees of freedom (χ^2 =7.574, df = 9), and the p-value is .578 indicating a non-significant relationship between the variables. The number of years in the AML/KYC, majority of didn't show any relationship with the employees coming across the scenarios of potential suspicious activities.

Similarly, the chi-square value for the training approach is 4.161 with a degree of freedom 3 (χ^2 = 4.161, df = 3), and the p-value is .245, indicating a non-significant relationship between the variables. Despite the training approach in their organization, the proportion of coming across the potential suspicious activity was reported by the participants.

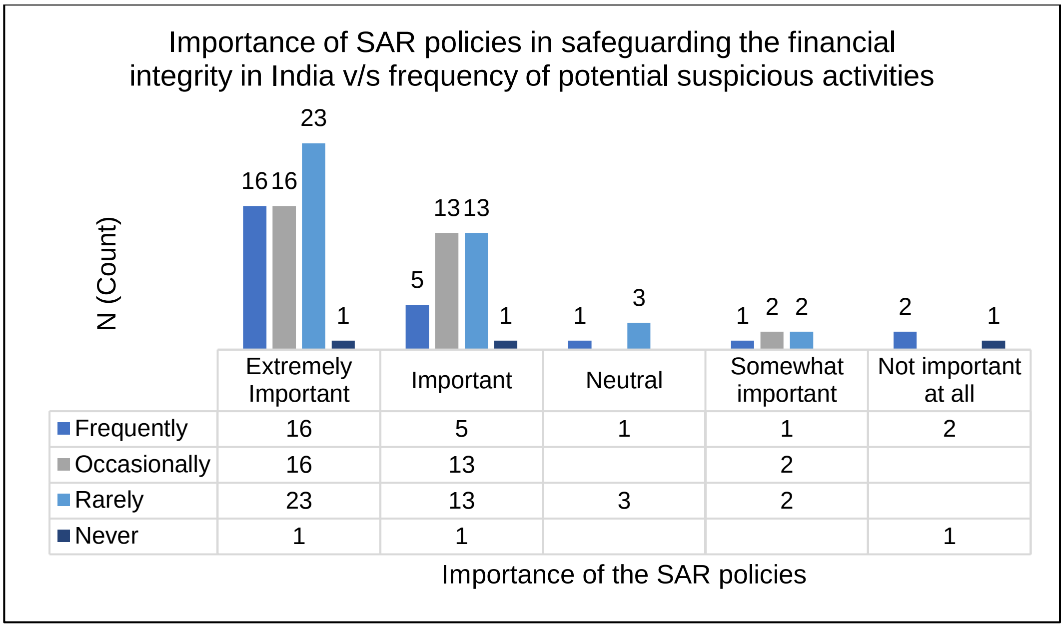


Figure 5.13 Perceived importance of the SAR policies v/s the frequency of potential suspicious activities

	Value
Pearson Chi-Square	19.016
df	12
Asymp. Sig. (2-sided)	0.088
N (Count)	100

The chi-square value for the perceived importance of the SAR policies to examine the association with the frequency of suspicious activity instances is 19.016 with a degree of freedom 12 ($\chi^2 = 19.016$, df = 12), and the p-value is 0.088, indicating a non-significant relationship. Despite the number of instances employees come across suspicious activity majority (56%) responded that SAR policies are 'Extremely Important' and 32% responded SAR policies are 'Important' to safeguard the integrity of financial system in India.

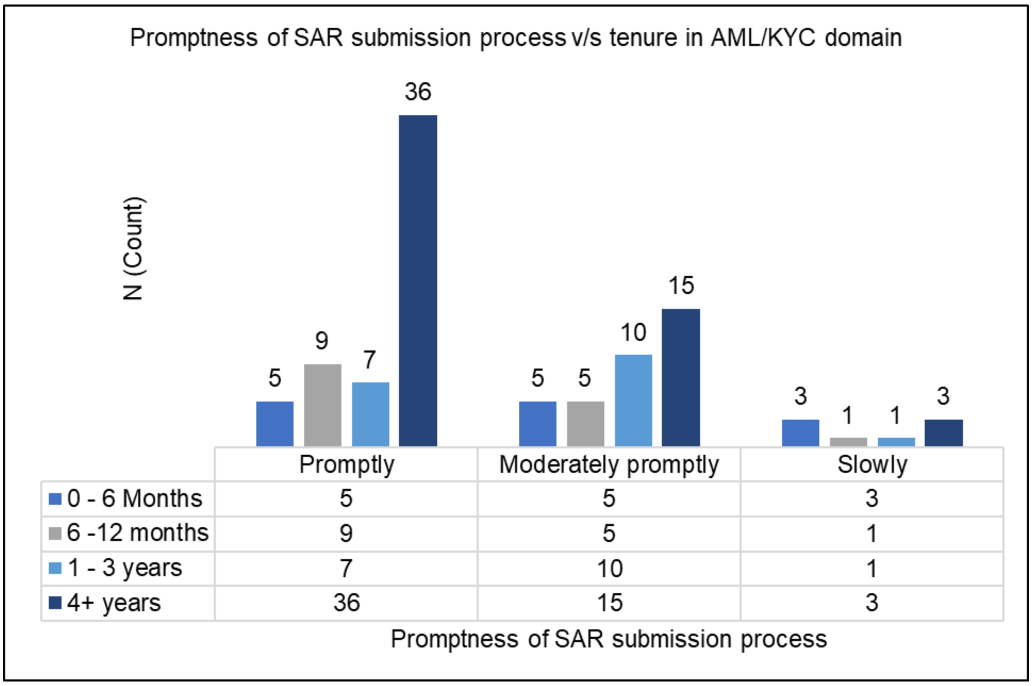


Figure 5.14 Perceived promptness processing Suspicious Activity submission v/s Tenure in the AML/KYC domain

In order to examine how promptly are Suspicious Activity Reporting submissions processed in India by regulating authorities or compliance teams in investment banks, the responses reported by respondent categorized as Promptly, moderately promptly, and slowly.

	Value
Pearson Chi-Square	10.028
df	6
Asymp. Sig. (2-sided)	0.123
N (Count)	100

The chi-square value for the perceived importance of the SAR policies to examine the association with the frequency of suspicious activity instances is 10.028 with a degree of freedom 6 ($\chi^2 = 10.028$, df = 6), and the p-value is 0.123, indicating a non-significant relationship. Despite the number of years worked in SML/KYC domain, majority 57% (57) agreed that the SAR processed 'Promptly' whereas 30% (30) agreed that the process of Suspicious Activity Reporting is done 'Moderately Promptly'

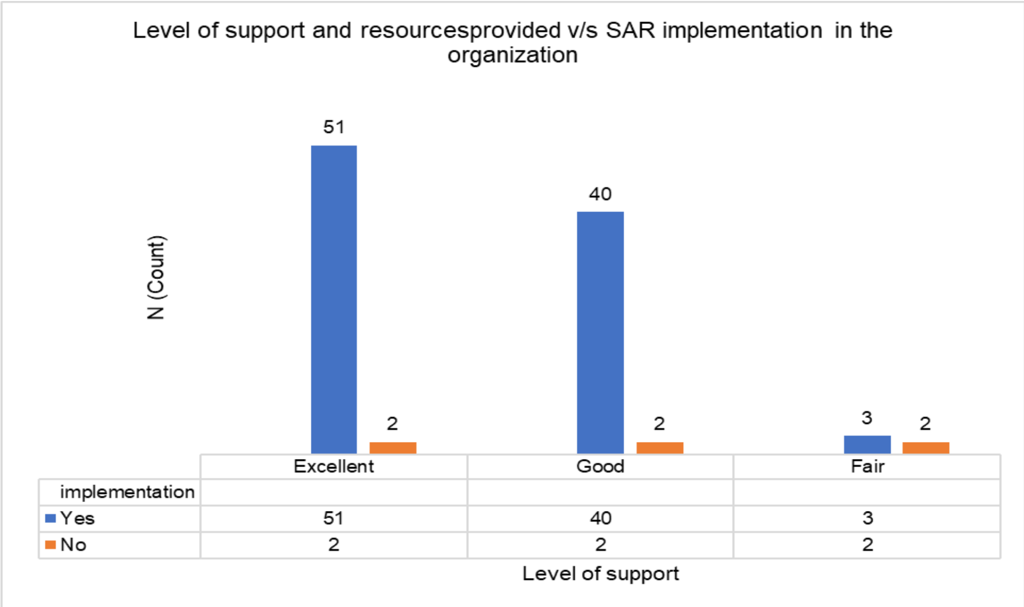


Figure 5.15 Level of support and resources provided by the organization v/s the implementation of the SAR policies.

Among respondents from the organizations where the Suspicious Activity Reporting policies are implemented, a higher percentage is reported as very good support and sources provided in terms of training etc. compared to the responses from the participants where the relevant policies and procedure are not in place.

	Value
Pearson Chi-Square	10.828
df	2
Asymp. Sig. (2-sided)	0.004
N (Count)	100

Chi-square test performed for the association between the level of support and resources available for the employee's v/s implementation of the SAR policies. The chi-square value is 10.828 with 2 degrees of freedom (χ^2 = 10.282, df = 2), and the p-value is 0.004, indicating a highly significant relationship between the variable. The organizations where the SAR policies and procedure are in place reported majority of 'Excellent' (51%) and 'Good' (40%) level of support and resources available compared organizations where the SAR policies are not implemented.

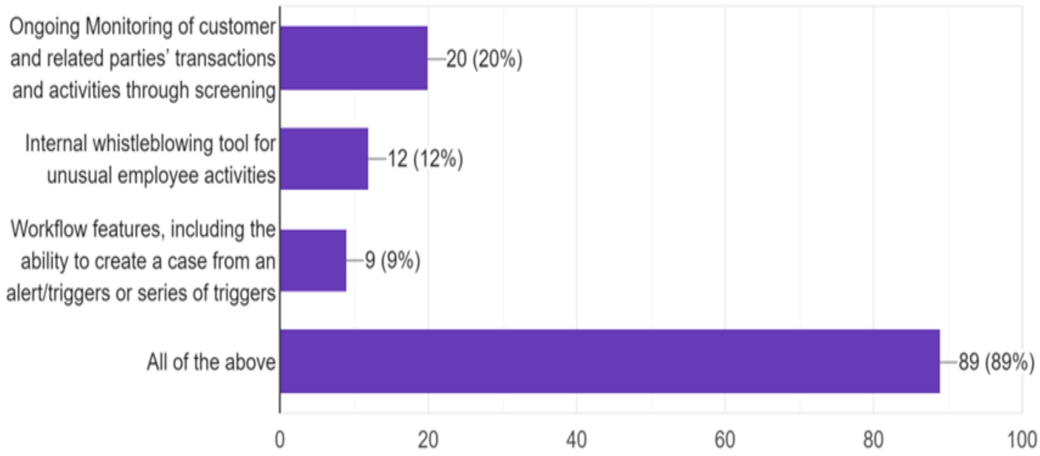


Figure 5.16 Mechanisms used by the financial institutions to identity the suspicious activities

Different mechanisms are used to identify suspicious activities in the investment banks and participants were asked to select all the options applicable for the question. 99 responses agreed that the ongoing customer and related parties' transactions and activities are monitored through screening. Internal whistleblowing tool is being used for employees' unusual activities said 92 other responses. 90 responses agreed that there is a workflow feature in place to create a case from an alert/trigger. And there were 90 responses recorded stating all the mentioned mechanisms are being used to detect suspicious activities.

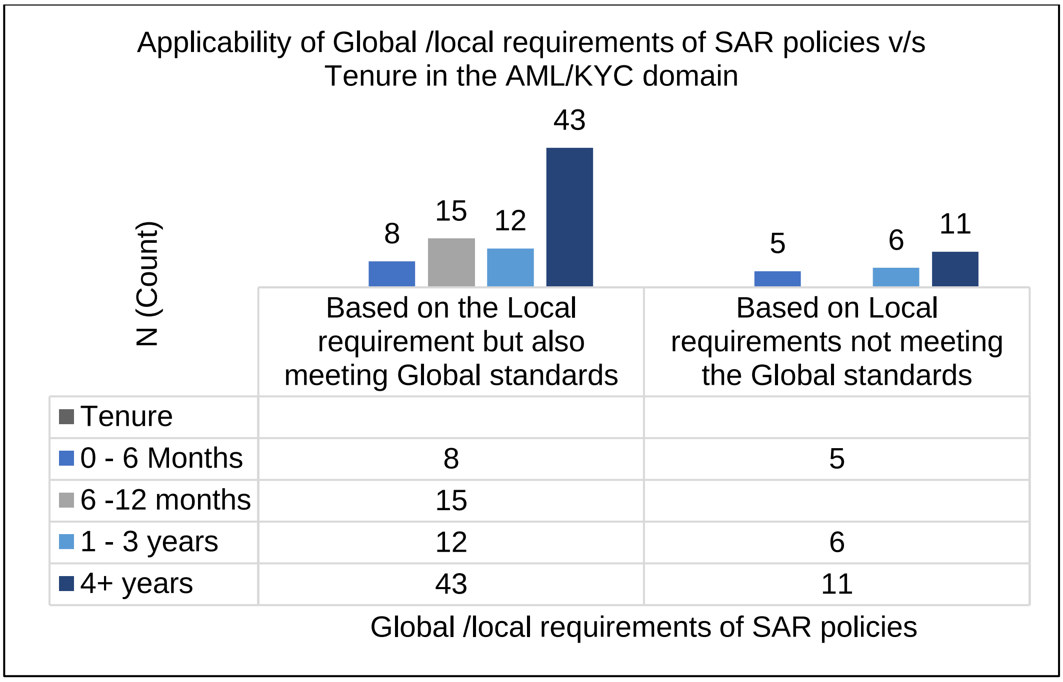


Figure 5.17 Global v/s Local requirements of the policy v/s tenure in the KYC/AML domain

The AML/CFT (Anti-Money Laundering/Combating the Financing of Terrorism) have procedure for each country varies and suspicious activity reporting terms and conditions can also be variable. 78% (78) respondents believe that the suspicious activity reporting system should be based on local conditions while simultaneously fulfilling global standards. For example, the country of incorporation of the company is USA and is trading with the financial institution domiciled in France. In this case, the AML/SAR procedure has to be followed both USA and France standards. On the contrary, 22% (22) respondents believe that if local requirements are satisfied, it is not necessary to follow global standards. This is permitted when the global and local rules apply to the same nation.

	Value
Pearson Chi-Square	7.715
df	3
Asymp. Sig. (2-sided)	0.052
N (Count)	100

The chi-square value for the training approach is 7.715 with a degree of freedom 3 (χ^2 = 7.715, df = 3), and the p-value is .052, indicating a marginally non-significant relationship between the variables. The proportion of employees' perception on SAR applicability on local requirements along with global requirements and the local requirements only are nearly similar.

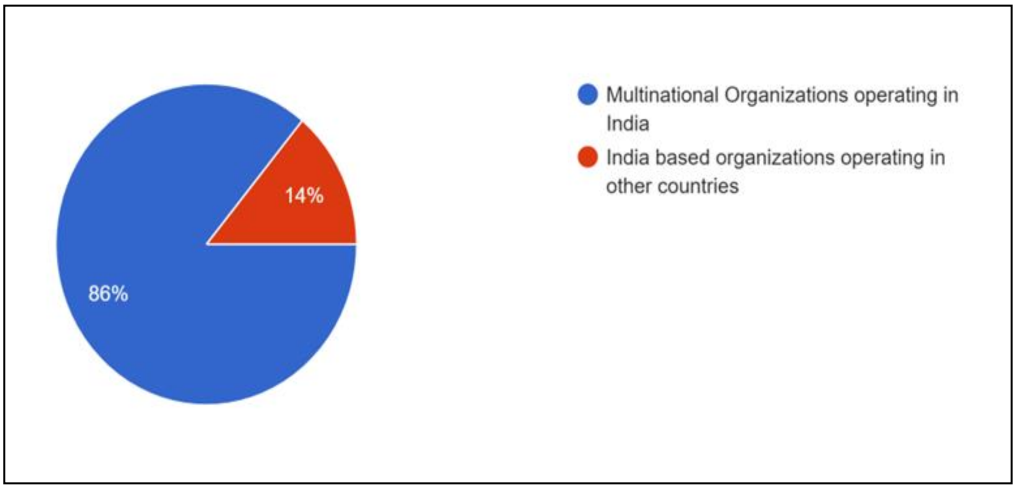


Figure 5.18 Type of the organization structure the financial Institution/investment banks in which participants are working

The above figure show that the respondents are working in two different types of organizations. 86% (86) respondents are working in multinational organizations operating in India. This includes the investment banks incorporated in other countries and have their subsidiaries in India. 14% (14) respondents belong to the India based organizations operating in other countries. These organizations are registered in India and operating in other countries through the subsidiaries or branches.

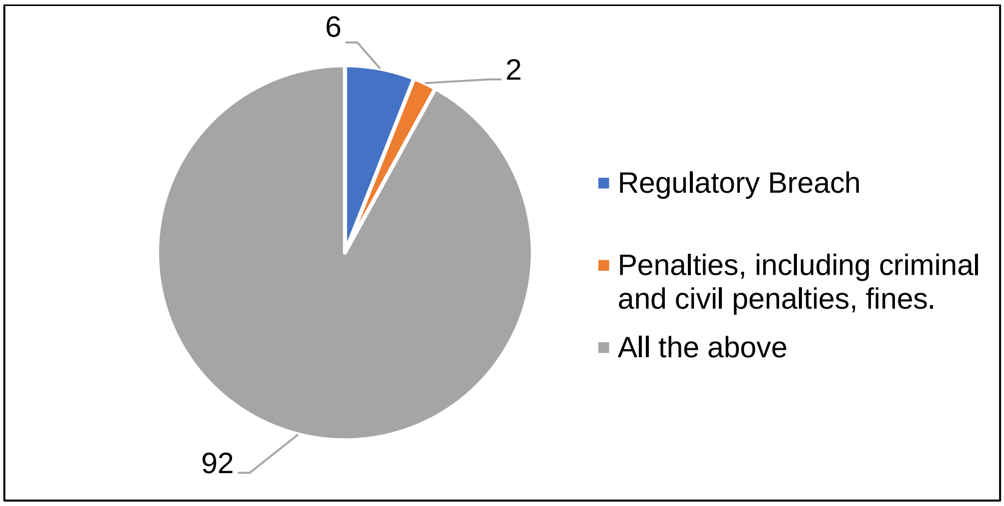


Figure 5.19 Impacts of the financial institutions' failure to comply with SAR procedure

The potential impacts if the financial institution fails to report the suspicious activity are Regulatory Breach, Penalties from the regulator and most important, reputational loss etc., Out of 100 participants, 92 (92%) stated that all the mentioned impacts can be applicable for a financial institution if it fails to report a suspicious activity. It indicates that the significance of the reporting and implementation of the Suspicious activity reporting policies and procedure. The remaining 6% (6) and 2% (2) selected regulatory breach and penalties.

6. Discussion

This chapter will primarily explore the significant results gained from the survey data and how they relate to the current academic literature on financial crime compliance. The chapter will specifically investigate the opinions of employees of the efficacy, relevance, and implications of Suspicious Activity Reporting (SAR) on anti-money laundering/counter-terrorism financing (AML/CFT) initiatives.

The results will be analysed by synthesizing the survey results to investigate employees’ perceptions of Suspicious Activity Reporting (SAR) processes at their various investment banks. The discussion will focus on employees’ opinions on the effectiveness of SAR methods in detecting and combating money laundering and terrorism financing activities. The analysis takes into account aspects such as the adequacy of reporting methods, the promptness with which suspicious activities are reported and processed and the overall impact on AML/CFT (Anti-Money Laundering/Combating Financing of Terrorism). Employees' awareness of regulatory obligations, understanding of the importance of SAR in preserving financial integrity, and the function of SAR in managing compliance risks will all be examined. The following sections examine the effectiveness of SAR in aiding regulatory measures, destroying illegal financial networks, and establishing a culture of compliance and alertness.

6.1 Analysis on effectiveness of the Suspicious Activity Reporting procedure implementation

The Prevention of Money Laundering Act, 2002 imposes regulatory requirements on financial institutions, requiring them to report suspicious transactions involving cash and non-cash to the Director of the Financial Intelligence Unit (FIU) India. According to RBI (Reserve Bank of India) requirements, these transactions and activities must be recorded in a certain manner to provide uniformity and standardisation in the reporting process across financial institutions (RBI, 2014). This regulatory framework is intended to support the nation's efforts to combat money laundering by making it easier to identify and stop unlawful financial activity in a timely manner.

The study results indicate that 6% of the sample investment banks do not have Suspicious Activity Reporting procedures in place. The outcome reveals potential deficiencies in these institutions' anti-money laundering and regulatory compliance policies. The efficacy of internal controls and risk management procedures at investment banks to identify and report suspicious activity linked to money laundering is called questionable by this research. These deficiencies have serious consequences such as higher chances of possible financial crime and deficits with compliance. The investment banks must take these results seriously in order to improve internal controls, fortify compliance frameworks, and give risk management procedures first priority. For anti-money laundering measures to be implemented effectively and to ensure industry stakeholders, financial institutions, and government entities must work together. Furthermore, consistent monitoring and enforcing measures support the implementation of a compliance culture and the preservation of the financial services sector's integrity.

According to the Financial Crimes Enforcement Network (FinCEN, 2012), organizations should ensure that all staff members, including external vendors/ service providers, receive regular training on the necessity of SAR policies and the confidentiality of SAR reporting. According to Norton (2024), firms are obliged to allocate financial resources towards compliance efforts and establish internal processes to handle evidence of suspicious behaviour. The survey outcome that shows 25% of respondents indicated a lack of training for all roles in their organization regarding Suspicious Activity Reporting (SAR) policies and procedures highlights potential gaps in compliance awareness and risk management practices within certain segments of the investment banking sector in India. These processes typically involve detecting, identifying, scrutinizing, formatting, and ultimately filing reports through an online portal. As part of the licensing process, firms must demonstrate to professional bodies that these internal systems are effective, efficient, and compliant with codes of conduct. Furthermore, ongoing training of personnel through continuous professional development is essential. This ensures that employees remain up-to-date with evolving regulations and industry best practices, enabling them to fulfil their compliance obligations effectively (Norton, 2024). Regulators and authorities may view the lack of training for all roles as a compliance deficiency. Inadequate training on SAR policies can raise regulatory concerns and may lead to potential money laundering cases.

The finding that the majority of respondents with over four years of experience said the applicability of Suspicious Activity Reporting (SAR) policies to both personal and corporate account types show a positive trend towards comprehensive understanding within the investment banking sector. However, the responses recorded on SAR procedure applicability for either personal or corporate accounts exclusively raises concerns regarding potential knowledge gaps among employees. Employees who have primarily worked with only one type of account may lack familiarity with SAR procedures applicability to other account type. This knowledge gap can impact their ability to identify and report suspicious activities effectively, posing risks to compliance efforts and the detection of illicit financial transactions. To address this challenge, investment banks should prioritize comprehensive training programs that cover SAR policies and procedures applicable to both personal and corporate account types. By ensuring that all employees receive training on both types of accounts, banks can enhance their vigilance in detecting and preventing illicit activities across all customer segments. Additionally, ongoing training and professional development initiatives can help fill the knowledge gap and promote a culture of compliance and vigilance within the organization.

The majority of respondents (77) indicated that SAR training is conducted as and when there is a change in policy. This response pattern suggests that organizations prioritize updating training content in response to regulatory changes or internal policy revisions. It indicates a proactive approach to aligning training programs with evolving compliance requirements. The emphasis on training frequency tied to policy changes and updates suggests that organizations are responsive to regulatory developments in the AML landscape. The responses regarding the frequency of SAR training sessions reflects a proactive and adaptive approach to compliance education within the investment banking sector. The alignment of training practices with policy changes and regulatory updates indicates a strong focus on promoting compliance awareness, enhancing staff skills, and staying up to date with the regulatory requirements, all of which are essential aspects of effective anti-money laundering practices.

Effective implementation of anti-money laundering (AML) and suspicious activity reporting (SAR) procedures within investment banks entails comprehensive client screening at various stages of the customer relationship. Customer Due Diligence (CDD) Process is conducted during account opening and on an ongoing basis to assess and mitigate risks associated with the customer relationship. It involves verifying the customer's identity, understanding their business activities, and assessing the level of risk they pose. Periodic reviews are conducted based on the risk categorization of the client to ensure that risk profiles are up-to-date. Enhanced KYC procedures, known as Enhanced Due Diligence, are employed for high-risk customers or transactions. This involves gathering additional information about clients, such as the source of funds, business activities, beneficial ownership structures, and politically exposed persons (PEPs). EDD measures help in conducting a more thorough risk assessment and monitoring of high-risk clients. Investment banks conduct ongoing screening of customers and their related parties' transactions and activities using various tools and technologies. This includes transaction monitoring systems, watchlist screening against regulatory databases, and adverse media screening to detect any suspicious activities or red flags. Ongoing screening ensures that any potential risks or suspicious activities are promptly identified and reported.

When suspicious activity is detected on a customer's account, workflow tools generate triggers that are sent to designated departments for further investigation. This process enables investment banks to mitigate risks associated with clients on an ongoing basis. However, anti-money laundering statistics reveal that a significant portion, approximately 95%, of these system-generated alerts are false positives. As Lazic (2023) highlights, these false positives result in substantial costs for firms, amounting to billions of dollars annually in wasted investigation time. By leveraging a combination of monitoring customer transactions, internal whistleblowing tools, workflow features for case creation, and other detection methods, investment banks can embrace a comprehensive risk management approach. The synergistic effect of employing these diverse mechanisms together can enhance the effectiveness and efficiency of the detection process. This integrated approach enables banks to more effectively identify and mitigate potential risks, thereby strengthening their overall anti-money laundering and risk management efforts.

6.2 Analysis on perceived importance of the Suspicious Activity Reporting (SAR) procedure

The investigation will begin by synthesizing the survey results to discover employee views of Suspicious Activity Reporting (SAR) policies inside their different investment banks. The perceived importance of the Suspicious Activity Reporting (SAR) procedures may be examined using survey results to better understand its importance in anti-money laundering efforts in Indian banks. According to the survey results, a significant proportion of respondents acknowledge the importance of SAR (Suspicious Activity Reporting) in detecting and combating money laundering operations. This implies that staff are highly aware of importance of Suspicious Activity Reporting techniques in ensuring financial integrity and preventing financial crime.

The survey results emphasize automated screening systems, risk-based techniques, and employee training, indicating that investment banks take a proactive approach to risk management and compliance. By incorporating these techniques into their Suspicious Activity Reporting (SAR) systems, banks may efficiently recognize and address possible risks linked with money laundering and financial crimes. This proactive strategy demonstrates that SAR plays an important role in the early detection and reporting of questionable conduct, hence helping to improved Anti-Money Laundering (AML) operations and strengthening overall compliance. The high agreement rate of (92%) among respondents on the critical function of Suspicious Activity Reporting (SAR) in identifying financial crimes is a strong indicator of SAR's perceived value in investment bank anti-money laundering (AML) activities. It demonstrates the greater significance of SAR in the context of anti-money laundering (AML) activities in investment banks.

The survey results indicate that a majority of participants (41%) reported coming across suspicious activities indicating financial crimes rarely.3% of the participants said that they never came across such suspicious activity. This finding suggests that while financial crimes are a concern, such activities may not be encountered frequently in the day-to-day operations of employees. However, 31% (31) participants agreed that they come across such activities occasionally. 25% (25) participants come across the suspicious activity/transaction frequently. These results raise concern over the importance of training and effective implementation of the Anti-Money laundering measures. The relatively high percentages of employees encountering suspicious activities, both occasionally and frequently, suggest the implementation and the effective training programs related to AML procedures and detection of financial crimes are important to prevent money laundering and other illicit activities. Employees must be adequately equipped with the resources and support to identify and report suspicious activities, indicating a need for enhanced training on recognizing red flags, reporting protocols, and compliance requirements.

With reference to the employees of investment banking coming across the suspicious activities, the participants were asked how promptly are Suspicious Activity Reporting submissions processed in India by regulating authorities or compliance teams in investment banks. 57% of the participants agreed to the “Prompt” processing by the compliance and regulatory teams. However, the number that represented the responses for “moderately promptly” and “slowly” raise concern over the diligent processing of the suspicious activities reported and actioned as they could lead to potential money laundering cases and the organization could face both financial and reputational loss. The undetected financial crimes within investment banks, as a significant proportion of employees regularly come across suspicious activities, failure to promptly identify and report such activities can facilitate money laundering, fraud, and other illicit practices, posing a threat to the institution's integrity and regulatory compliance.

Addressing the concerns raised by the survey results suggests a comprehensive approach that requires ongoing training, regular evaluation of anti-money laundering (AML) procedures, and the reinforcement of a culture of compliance within the organization. Investing in continuous education and awareness programs can enhance employees' proficiency in identifying suspicious activities and foster a more vigilant and compliant environment. By providing regular training sessions and resources, organizations can empower their staff to stay abreast of evolving AML regulations and best practices, thereby strengthening their ability to detect and report potential financial crimes. Also, the periodic assessments of AML protocols can aid in discovering areas for enhancement and assurance that compliance methods continue to be efficient and current. In the end, encouraging a compliance culture across the entire company is essential to encouraging ethical actions and reducing the dangers related to financial crimes like money laundering.

The AML/CFT procedure for each country varies and suspicious activity reporting terms and conditions can also be variable. The belief of 78% of respondents that the suspicious activity reporting system should be based on local conditions while simultaneously fulfilling global standards reflects an approach to Anti-Money Laundering (AML) practices reliable and effective. Recognizing the importance of local requirements while adhering to global AML standards demonstrates a pragmatic approach to combating financial crimes. By tailoring suspicious activity reporting systems to local regulatory requirements and operational contexts, institutions can address specific risks and challenges while aligning with international best practices.

6.3 Impacts of Suspicious Activity Reporting on Anti Money Laundering

Suspicious Activity Reporting plays a critical role in safeguarding the integrity of the financial system, disrupting criminal networks, and protecting society from the harmful effects of money laundering and illicit financial activities. Suspicious Activity Reporting (SAR) empowers financial institutions to detect potentially illicit transactions or behaviours at an early stage. By fostering a culture of vigilance and encouraging employees to report any suspicious activities they encounter, SAR serves as a crucial tool in identifying red flags that may signal money laundering, fraud, or other financial crimes. This proactive approach enables institutions to take timely action to investigate and mitigate potential risks, thereby safeguarding the integrity of the financial system and protecting against illicit activities. SAR contributes to enhanced risk management practices within financial institutions. By reporting suspicious activities promptly, institutions can assess and mitigate risks associated with money laundering, terrorist financing, and other illicit activities, thereby strengthening their overall risk management framework

Suspicious Activity Reporting contributes to enhanced risk management practices within financial institutions. Suspicious activity reporting can help investment banks assess and mitigate risks associated with money laundering, terrorist financing, and other illicit activities. This proactive approach strengthens the overall risk management framework, enabling institutions to effectively identify and address potential threats to the financial system's integrity. Suspicious Activity Reporting helps to maintain the integrity of the financial system by enabling financial institutions to identify and report potentially suspicious transactions or behaviours. By promptly reporting such activities, institutions contribute to the prevention and detection of money laundering, fraud, and other illicit activities. SAR helps to protect society from the harmful effects of money laundering and illicit financial activities. By detecting and reporting suspicious activities, financial institutions prevent the laundering of illicit funds, which can be used to finance terrorist activities, drug trafficking, human trafficking, and other criminal enterprises.

According to Viritha et al., (2015), the preventive function of the Anti-Money Laundering (AML) regime has demonstrated significant improvement in India, as evidenced by the notable increase in the number of Suspicious Transaction Reports (STRs) filed. This rise in STR filings indicates a heightened awareness and vigilance among financial institutions and reporting entities in detecting and reporting suspicious activities related to money laundering and illicit financial transactions. The increase suggests that regulatory measures, enhanced compliance efforts, and advancements in AML technology have collectively contributed to strengthening the preventive capabilities of the AML regime.

The results for the impacts of the financial institutions' failure to comply with SAR procedure shows the critical importance of effective Suspicious Activity Reporting (SAR) policies and procedures. Failure to report suspicious activities in accordance with regulatory requirements can result in a regulatory breach, indicating non-compliance with AML regulations and obligations. Regulatory breaches can lead to sanctions, fines, legal actions, and reputational damage for financial institutions. Non-reporting or delayed reporting of suspicious activities may attract penalties from regulatory authorities. These penalties can include monetary fines, enforcement actions, license revocation, and other punitive measures imposed by regulators to enforce compliance with AML regulations. One of the most significant impacts of failing to report suspicious activities is reputational loss for the financial institution. A failure to detect and report potential money laundering activities can damage the institution's reputation, losing customer trust, and undermine its credibility in the financial market.

7. Conclusion

This chapter linked the results and findings of the research with the academic literature on the topic Importance and Effectiveness of the Suspicious Activity Reporting for Anti-money Laundering process of investment banks in India. Convenience sampling method gave an advantage to collect the data from the targeted investment banking employees, so that the effective results were identified and reported. The level of the effectiveness and importance perceived by the employees are higher. However, the analysis revealed some of the gaps in 100% effectiveness and importance of the Suspicious Activity Reporting practices in Indian investment banks.

Adherence to the both regulatory bodies in the country of residence and the international regulatory bodies and adapting the recommendation of the regulatory bodies play significant role in bringing the percentage of the efficacy and significance among the employees. The training plays very important role to bring up these results. The frequency of the training, training on all the type of accounts will help employees detect and report the illicit activities to prevent potential money laundering. In the Findings chapter, the level of support and resources available for the employees from their organization didn't show any response as 'Poor'. However, there is a knowledge gap identified in the discussion chapter. This indicates the resources and support are available on request basis. However, it is beneficial for the investment banks to invest on proactive training programs to encourage employees be vigilant towards the illicit activities and report them to prevent money laundering and other criminal activities. As Viritha et al., (2015) highlights the reporting system of India is questionable as the number of STRs reported is relatively low considering India's high level of corruption, tax evasion, voluminous circulation of counterfeit currency, drug trafficking, human trafficking and other illegal trades. It is important for Indian regulatory bodies to bring awareness among the banking and non-banking financial institution about the Suspicious Activity Reporting and invest on robust Anti-Money Laundering measures.

7.1 Future Research & Recommendations

Future Research

The present study is done to analyse the importance and efficacy of the Suspicious Activity Reporting in investment banks of India. Future research could expand on this study by examining the different financial sectors. For example, the retail banking, Non-Banking Financial Institutions such as Insurance companies and Trade brokers. The problems associated with the Money Laundering and International trade in terms of the transparency, insider trading is a good topic as an extended research topic.

Majority of the study available rely on the employee perception regarding the Anti-Money Laundering and Suspicious Activity Reporting. Future research could identify the data from the regulators and the audited annual reports and other reliable data sources.

Recommendations for further research

This study is done to analyse the importance and efficacy of the Suspicious Activity Reporting in investment banks of India using a cross sectional quantitative approach. The following recommendations are aimed at increasing or stabilising the efficacy of Anti-Money Laundering and Suspicious Activity Reporting practices.

-Choose a wholistic financial sector including Banking, Non-Banking, Trade Broking companies in the study to get a more realistic and efficient results.

-Conduct research using a qualitative method by conducting interviews with the strict guidelines on the confidentiality of the client data. Mixed method also gives an advantage with the more realistic data collection

-Though India is part of International regulatory bodies such as FATF (Financial Action Task Force), the knowledge gap is seen in the alignment of international policies. The research could be done on the significance of the international policies and implications.

-The findings and analysis of the study is academic and it is useful for the further research on the related topic.

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9. Appendix

Survey Questionnaire

“A study on Importance and effectiveness of Suspicious activity reporting (SAR) for the Anti Money Laundering process of Investment banks in India”

Dear Participant,

I am Kavitha Sheshadri, a student at National College of Ireland, pursuing MSc in International Business. This survey is a crucial component of a Master's thesis project aimed at "**Importance and effectiveness of Suspicious activity reporting (SAR) for the Anti Money Laundering process of Investment banks in India".**

Your participation in this survey is entirely voluntary. Your responses will be kept confidential, and no personally identifiable information will be collected. The survey will take approximately 5 minutes to complete. Your input will greatly contribute to the success of this study and will be highly appreciated. If you have any questions or concerns regarding the survey, please feel free to contact. Email: Kavitha1995mar@gmail.com

Thank you for your time and participation.

Sincerely,

Kavitha Sheshadri

kavitha1995mar@gmail.com

1. Which gender do you identify with?
   - Male
   - Female
   - Prefer Not to say

2. How many years of experience do you have in Anti Money Laundering (AML) / Know Your Customer (KYC) related process
   - 0 - 6 Months
   - 6 -12 months
   - 1 - 3 years
   - 4+ years

3. Do the Financial Institutions in India have the Suspicious Activity Reporting policies implemented?
   - Yes
   - No

4. All the employees in the financial institution aware of the Suspicious Activity Reporting procedure? Is it common approach or role-based approach?
   - Yes, All the employees are trained
   - No, specific roles are trained

5. Suspicious Activity Reporting procedure applicable for personal account or corporate accounts?
   - Personal accounts only
   - Corporate accounts only
   - Both personal and corporate accounts

6. How frequently the Suspicious Activity Reporting procedure training is conducted in the financial institution? (Multiple answers)
   - Yearly
   - Half yearly
   - Quarterly
   - As and when there is change in policy

7. Is there a loss of prospective customers because of Suspicious Activity Reporting procedure?
   - Yes

- No
- Maybe

8. How effective do you think the current SAR procedures and protocols are in your organization?
   - Very effective
   - Somewhat effective
   - Neutral
   - Ineffective
   - Very ineffective

9. Do you believe that Suspicious Activity Reporting plays a significant role in determining financial crimes within the investment banking sector in India?
   - Yes
   - No
   - Not sure

10. How often do you come across activities or transactions that you suspect may be indicative of money laundering, terrorism financing, or other illicit activities?
    - Frequently
    - Occasionally
    - Rarely
    - Never

11. How would you rate the overall importance of Suspicious Activity Reporting in safeguarding the integrity of the financial system in India?
    - Not important at all
    - Somewhat important
    - Neutral
    - Important
    - Extremely Important

12. In your experience, how promptly are Suspicious Activity Reporting submissions processed by regulatory authorities or internal compliance teams?
    - Promptly
    - Moderately promptly
    - Slowly
    - Very slowly

13. How would you rate the level of support and resources provided by your organization to facilitate effective Suspicious Activity Reporting?
    - Excellent
    - Good
    - Fair
    - Poor

14. What are the mechanisms used by the financial institutions to identity the suspicious activities? (Multiple Answers)
    - Ongoing Monitoring of customer and related parties' transactions and activities through screening
    - Internal whistleblowing tool for unusual employee activities
    - Workflow features, including the ability to create a case from an alert/triggers or series of triggers
    - All of the above

15. Which of the below procedure is right in terms of Suspicious Activity Reporting policies and procedures in financial institutions in India?
    - Based on Local requirements not meeting the Global standards
    - Based on the Local requirement but also meeting Global standards

16. What type of the organization structure the financial Institution/investment banks you currently work fall under
    - Multinational Organizations operating in India
    - India based organizations operating in other countries

17. What are the potential impacts if the financial institution fails to report the suspicious activity?
    - Regulatory Breach
    - Penalties for including criminal and civil penalties, fines.
    - Reputational loss
    - All the above