

Legislative Analysis



SUSPICIOUS ACTIVITY REPORTS

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House Bill 4997 as introduced
Sponsor: Rep. Tupac Hunter

House Bill 4999 as introduced
Sponsor: Rep. Joe Hune

House Bill 4998 as introduced
Sponsor: Rep. Ed Clemente

House Bill 5000 as introduced
Sponsor: Rep. Kevin Green

Committee: Banking and Financial Services
First Analysis (8-8-05)

BRIEF SUMMARY: The bills would eliminate the requirement for a state-chartered financial institution to file a duplicate suspicious activity report (SAR) with the Department of State Police as required under the Banking Code of 1999, the Savings Bank Act, the Savings and Loan Act of 1980, and the Credit Union Act.

FISCAL IMPACT: There is no fiscal impact on the State of Michigan or its local units of government.

THE APPARENT PROBLEM:

Currently, the Banking Code of 1999, Savings Bank Act, Savings and Loan Act of 1980, and Credit Union Act require their respective regulated institutions to file suspicious activity reports (SAR) with the Department of State Police when the institutions file SARs with an agency of the federal government. These provisions were placed into law in 2003 when it was difficult for the Department of State Police to obtain information on these filing from the Financial Crimes Enforcement Network (FinCEN), the federal agency in charge of SAR filing and information retrieval processes. Recent upgrades in the FinCEN system allow the Department of State Police to access the SAR files at the federal level. Legislation has been introduced to eliminate what has become an unnecessary filing requirement, which will reduce the regulatory burden on state-chartered financial institutions.

THE CONTENT OF THE BILLS:

House Bill 4997 would amend the Savings Bank Act (MCL 487.3514), House Bill 4998 would amend the Savings and Loan Act of 1980 (MCL 491.1135), House Bill 4999 would amend the Credit Union Act (MCL 490.307), and House Bill 5000 would amend the Banking Code of 1999 (MCL 487.14406) to repeal an identical provision in each act that requires a financial institution to file a copy of a suspicious activity report with the Department of State Police within 24 hours of filing a suspicious activity report with federal authorities.

BACKGROUND INFORMATION:

The U.S.A. Patriot Act, enacted in November 2001, amended federal banking laws to require the filing of transaction reports on specified transactions as a way of monitoring possible money laundering activities of terrorist organizations or individual terrorists. Public Acts 183-185 and Public Act 247 of 2002 were enacted as part of a package of state anti-terrorism legislation. The acts amended various banking laws to require a financial institution to file a duplicate copy of a transaction report with the Department of State Police within 24 hours of filing such a report with an agency of the federal government. The same laws were later amended to only require a filing of a copy of suspicious activity reports and to allow them to be filed in any manner acceptable to the state police (e.g., electronically or via computer). Reportedly, the state police can now access the federal reports directly and do not need copies from financial institutions.]

ARGUMENTS:

For:

Supporters say the bills would eliminate the unnecessary duplicate filing of SARs with the Department of State Police. The Department of State Police currently has access to the federal SAR database, which makes the filing requirements under the four statutes redundant.

POSITIONS:

Department of State Police supports the bills. (7-13-05)

Office of Financial and Insurance Services supports the bills. (7-13-05)

Michigan Bankers Association supports the bills. (7-13-05)

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Fiscal Analyst: Richard Child

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