



# **NCA**

National Crime Agency

## **Suspicious Activity Reports (SARs) Annual Report 2015**

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# Statement by the Chair of the SARs Regime Committee

It is my pleasure to present the 2015 Suspicious Activity Reports (SARs) Annual Report. This covers the first full year of the UK Financial Intelligence Unit (UKFIU) working within the Economic Crime Command and to the published SARs Regime Strategy for 2014–16.

This report sets out the factual detail of activity during the year with the headline statistic being the continued increase in the number of SARs submitted albeit at a lower trajectory than previous years.

Of more significance this year is that we have started what is likely to be a sustained and potentially radical period of change in the operation of the regime. We recognise that since the creation of the regime through legislation, there has been considerable change in the UK economic crime environment and the world as a whole. Specifically technology has developed exponentially which has changed the way the financial world and indeed much of the regulated sector works.

This has also enabled crime in ways which were previously unheard of and, as a consequence, crime has become a global business with illicit movement of the proceeds of crime reflecting this. The increased spotlight the NCA has placed on high end money laundering, and its enablers, has brought into focus the ability of the regime to support the UK's efforts.

Similarly, the 4th European Union (EU) Anti-Money Laundering Directive and developments within the Financial Action Task Force (FATF), including the 2012 Recommendations and the new evaluation methodology, reinforce the need for a re-examination of the structure and effectiveness of the UK approach to SARs and the regime that represent the UK model. The regime needs to change to be able to address this and to have the impact which the NCA, through its Economic Crime Command, is tasked to deliver. We were therefore pleased to support the Home Office led review of the regime.

The SARs Regime Committee has also changed during the year with a revised structure, remit and membership reflecting the need to work jointly with senior partners and stakeholders in an action oriented manner. Whilst still in its infancy, it is part of an overall strategy whereby we recognise the need to work collaboratively, harnessing the professional judgement of those working in industry as well as the immense amount of information which can assist the UK's efforts to prevent and disrupt money laundering and terrorist financing affecting the UK.

Looking forward we should not forget that the regime plays a critical role in countering terrorist financing and we anticipate an increased focus on the regime, both domestically and in the global sense, to prevent and detect those who commit atrocities. This is likely to bring new requirements on the UK's ability to share financial intelligence as part of a dynamic response to events.

Overall the potential for change represents an exciting opportunity which we should embrace to reduce the impact of money laundering and terrorist financing on UK society and its economy.

A handwritten signature in black ink, appearing to read 'Donald Toon', with a large, stylized initial 'D' at the start.

**Donald Toon**

Director, National Crime Agency  
Chair of the SARs Regime Committee

# Summary

The UK Financial Intelligence Unit (UKFIU) sits at the heart of the UK's response to money laundering and terrorist financing. As one of over 150 (Egmont Group) FIUs across the world we receive, analyse and distribute financial intelligence gathered from Suspicious Activity Reports (SARs). These SARs are received predominantly from the private sector following identification of suspicious activity. The information contained within SARs alert law enforcement domestically and internationally to potential money laundering or terrorist financing and is used to build a better understanding of the risks to the UK.

Part one of this report outlines the key statistics from this reporting period, which is October 2014 to September 2015.

Part two focuses on how the UKFIU contributes to the UK's response to money laundering, other serious and organised crime and terrorist financing through:

- administering the consent regimes under Part 7 of the Proceeds of Crime Act 2002 and Part 3 of the Terrorism Act 2000
- liaising with international FIUs through sharing intelligence and responding to requests, participating on behalf of the UK within the Egmont Group of FIUs, utilising the European FIU system (FIU.NET) on behalf of the UK, and processing inbound and outbound requests for criminal asset tracing intelligence through the Camden Asset Recovery Inter-Agency Network (CARIN) and the European Asset Recovery Office (ARO)
- supporting law enforcement and HM Government efforts to tackle terrorist financing through receipt, analysis and dissemination of SARs
- undertaking tactical analysis to identify SARs for fast-tracking to other law enforcement agencies, including those relating to subjects of law enforcement interest and where there are opportunities to protect vulnerable people who are being exploited, and
- strategic analysis of the SARs dataset to identify issues in the operation of the regime for highlighting to the sector and their supervisors, and identifying any significant typologies in the SARs dataset.

# Part one: key statistics

Given the status of the UK as one of the world's largest financial centres it is perhaps unsurprising that the volume of SARs submitted to the UKFIU continues to rise annually. This year was no exception, with the total number of SARs received during the reporting period increasing by 7.82% on the previous year from 354,186 in 2013/14 to 381,882 in 2014/15.

**Figure i: Key statistics for the SARs Regime**

Key statistics	Oct 2014 to Sept 2015	Oct 2013 to Sept 2014
Total SARs	381,882	354,186
Consent SARs	14,672	14,155
Consent SARs refused (and %)	1,374 (9.4%)	1,632 (11.5%)
Breaches of confidentiality	3	2

## Consent requests

The total restrained by law enforcement partners relating to consent requests in this period was £43,079,328. This is a significant decrease on the total figure for 2013/14 (£141,517,652). However, last year's figure was skewed by five large cases with a cumulative value of £119million.

**Figure ii: Outcomes of refused consent requests**

Interventions arising from refused consent requests Oct 2014 to Sept 2015	
Restraint sums	£43,079,328
Cash seizure sums	£1,313,437
Funds indemnified by HMRC	£376,035
Funds recovered by HMRC	£369,040
<b>Total</b>	<b>£45,137,840</b>
Cases with arrests recorded	16 (17 arrests)
Refusal rate for the period	9.4%

The amount restrained in relation to consent requests that were granted is recorded as £99,137. This is significantly lower than the £339,540 last year. Overall, though, the amount of assets denied to criminals when consent was granted was higher this year at £1,237,609 compared to £648,800 from 2013/14.

### Figure iii: Outcomes of granted consent requests

Interventions arising from granted consent requests Oct 2014 to Sept 2015	
Restraint sums	£99,137
Cash seizure sums	£1,138,472
<b>Total</b>	<b>£1,237,609</b>
Cases with arrests recorded	5 (5 arrests)

The total figure of assets denied to criminals as a result of consent requests (refused and granted) during the reporting period is £46,375,449.

The proportion of consent requests which were refused initially has decreased to 9.4% (1,374) from 11.5% (1,632) in 2013/14.

### Figure iv: Consent requests refused

	Consent requests refused		Refused consent requests that were subsequently granted in the moratorium period	
	Number	Percentage of requests refused	Number	Percentage of overall refusals
Oct 2014	101	8.78%	49	48.51%
Nov 2014	87	9.07%	39	44.83%
Dec 2014	94	10.16%	45	47.87%
Jan 2015	104	9.60%	47	45.19%
Feb 2015	111	9.89%	57	51.35%
Mar 2015	121	9.91%	53	43.80%
Apr 2015	122	9.86%	53	43.44%
May 2015	117	11.05%	46	39.32%
Jun 2015	142	11.49%	41	28.87%
Jul 2015	137	9.96%	49	35.77%
Aug 2015	120	8.58%	56	46.67%
Sept 2015	118	7.12%	32	27.12%
<b>Total</b>	<b>1,374</b>	<b>9.52%</b>	<b>567</b>	<b>41.27%</b>

### International

Over the reporting period the number of financial intelligence requests made by the UKFIU to partners increased by 32.52% (1,359 in 2013/14 to 1,801 in 2014/15).

**Figure v: Intelligence shared with and received from international FIUs**

	Number of financial intelligence requests received	Number of financial intelligence requests made by UKFIU
Egmont network	747	736
FIU.NET network (EU)	628	664
ARO network	154	314
CARIN network	27	85
Other	10	2
<b>Total</b>	<b>1,566</b>	<b>1,801</b>

Intelligence reports spontaneously received from overseas	1,585
Intelligence spontaneously disseminated (excluding Europol)	371
Intelligence spontaneously disseminated to Europol	200

**Tactical analysis**

The UKFIU continued to perform daily checks using specific key words in order to identify SARs for potential fast-tracking to law enforcement agencies (LEAs), thereby giving end users<sup>1</sup> more opportunities for intervention/disruption.

Daily searches are run on all incoming SARs against those subjects identified as causing the most harm to the UK from serious and organised crime. This involves matching SARs against key nominal<sup>1</sup> information. Over the reporting period the UKFIU disseminated 50 intelligence packs relating to high priority crime groups and 420 relating to NCA subjects of interest.

A total of 269 ‘suspect based’ SARs were fast-tracked to police forces over the reporting period – these are SARs which law enforcement had requested early sight of relating to specific individuals.

The UKFIU also continued its process of identifying and fast-tracking SARs relating to vulnerable members of society, thereby giving law enforcement partners opportunities to prevent fraud or further losses. In this reporting period 915 vulnerable person intelligence packages were disseminated to LEAs.<sup>2</sup>

Over the reporting period the UKFIU disseminated 72 SARs relating to politically exposed persons (PEPs).<sup>3</sup>

<sup>1</sup> A current or potential user of SARs such as a law enforcement agency or relevant government body.

<sup>2</sup> Please note that the figure of 1,783 as reported in the SARs Annual Report 2014 was inaccurate and should have been recorded as 1,012.

<sup>3</sup> PEPs are defined as natural persons who are, or have been entrusted with, prominent public functions and immediate family members or persons known to be close associates of such persons.



## Overall SAR reporting statistics

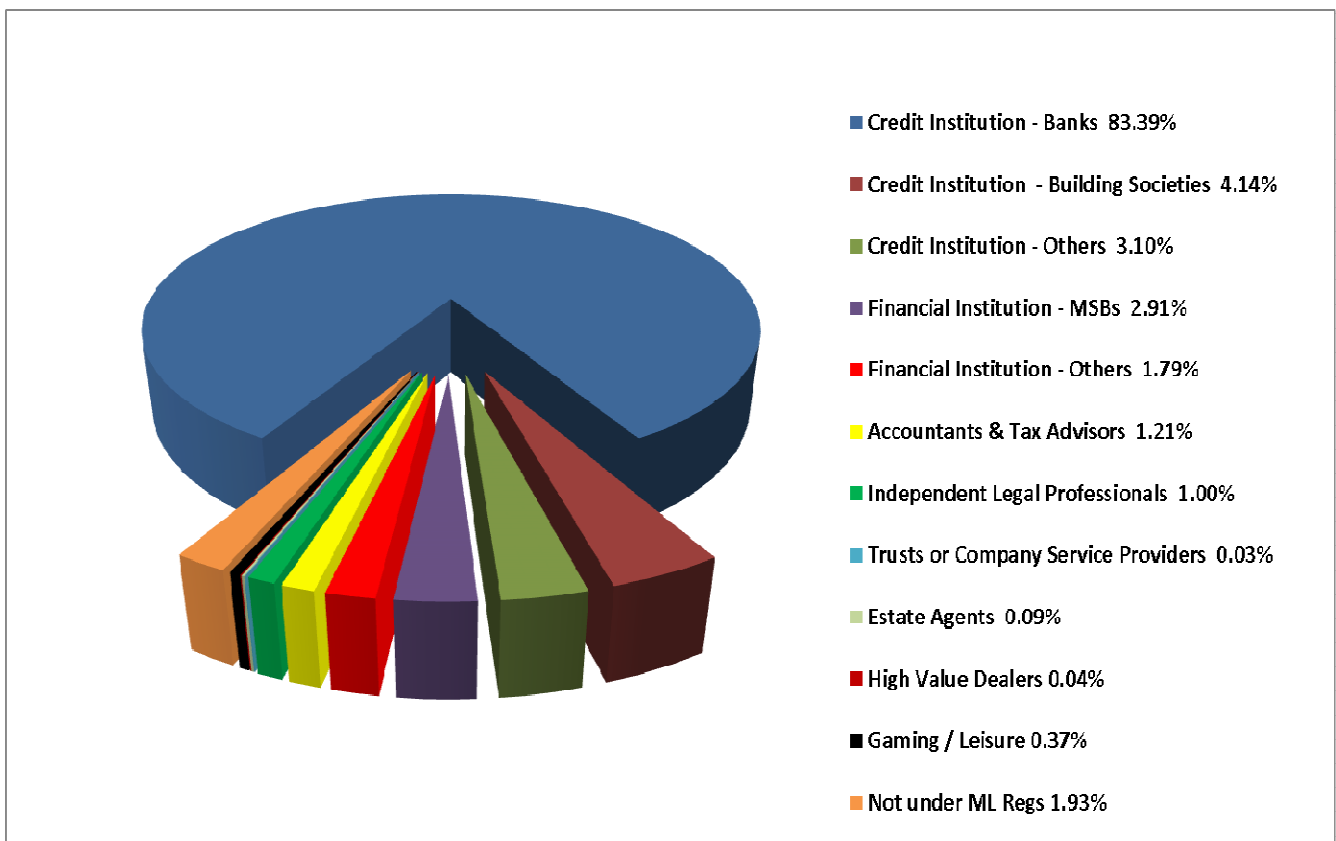
### Summary of SARs reporting by sector

The largest submitter of SARs continued to be the banking sector, making up 83.39% of all SARs received (this is comparable with 82.18% for 2013/14). This figure – 318,445 – is more than the total number of all SARs across the sectors submitted just two years ago (316,527 in 2012/13). Building societies were the second largest submitter of SARs with 15,806, an increase on 12,834 in 2013/14.

The UKFIU makes no comment as to the relative volume of reports from different sectors. It is for the sectors and their supervisors to assess if the volume of SARs submitted is proportionate to the risks their sectors face.

Figure vi shows the proportion of total SARs submitted by each sector. More comprehensive breakdowns of SARs by sector can be found in Annexes B, C and D at the back of this report

**Figure vi: SARs submitted by all sectors October 2014 to September 2015**



**Figure vii: SARs submitted by all sectors October 2014 to September 2015**

Oct 2014 to Sept 2015	Volumes	% of total	% comparison to 2013-14
Credit institution – banks	318,445	83.39%	+9.41%
Credit institution – building societies	15,806	4.14%	+23.16%
Credit institution – others	11,828	3.10%	+17.18%
Financial institution – MSBs	11,120	2.91%	-25.82%
Financial institution – others	6,835	1.79%	-0.48%
Accountants and tax advisers	4,618	1.21%	-6.33%
Independent legal professionals	3,827	1.00%	+6.01%
Trust or company service providers	101	0.03%	-42.94%
Estate agents	355	0.09%	+98.32%
High value dealers	135	0.04%	-59.21%
Gaming (including casinos)/leisure (including some not under ML Regulations <sup>4</sup> )	1,431	0.37%	+52.40%
Not under ML Regulations	7,381	1.93%	-9.76%
<b>Total</b>	<b>381,882</b>	<b>100%</b>	<b>+7.82%</b>

## Sector breakdowns

### Credit institution – banks

As in previous years banks continued to be the main submitter of SARs, with an increase of 9.41% (318,445 in 2014/15 compared to 291,055 in 2013/14). 2.37% of SARs received from banks were consent requests, which made up 51.5% of all consent requests received this year.

### Credit institution – building societies

Submissions from building societies increased by 23.16% (15,806 in 2014/15 compared to 12,834 in 2013/14). After banks, building societies were the second largest submitter of SARs (4.14%). This was by 45 individual institutions. Of the 15,806 submitted, 267 (1.69%) were consent requests. These came from 19 different institutions.

### Credit institution – others

This sector has seen an increase of 8.47% in SARs submitted, from 10,094 in 2013/14 to 11,828 in 2014/15. Of the 11,828 SARs received, 44.17% were from finance companies and 38.18% were from credit card providers. The sector as a whole submitted 395 consent requests, with finance companies and credit card providers submitting the majority.

### Financial institution – money service businesses (MSBs)

MSBs were the fourth largest reporting sector, with a decrease of 25.82% on last year's figure (11,120 in 2014/15 compared to 14,990 in 2013/14). SARs from money transmitters dropped 22.21% from last year (10,865 to 8,452). There was a

<sup>4</sup> The ML Regulations place requirements on certain industry sectors (the 'regulated sector') to put in place internal policies and procedures to prevent and forestall money laundering and terrorist financing.

slight increase in terms of new individual registrations to SAR Online<sup>5</sup> (5.38% compared to 3.62% for 2013/14).

**Figure viii: SARs submitted by money service businesses**

Oct 2014 to Sept 2015	Volumes	% of Total	% comparison to 2013-14
Money transmission	8,452	76.01%	-22.21%
Bureau de change	2,382	21.42%	-19.69%
Cheque casher	286	2.57%	-75.32%
<b>Total</b>	<b>11,120</b>	<b>100%</b>	<b>-25.82%</b>

### Financial institution – others

There has been a negligible drop in SAR submissions over this reporting period from 6,868 in 2013/14 to 6,835 in 2014/15. SARs were submitted by 546 individual institutions.

### Accountants and tax advisers

There has been a slight decrease in the number of SARs from this sector, down from 4,930 last year to 4,618 in 2014/15. This sector accounts for 1.21% of the total SARs received this year. This was by 1,417 individual reporters.<sup>6</sup> Of the 4,618 SARs, 4.48% (or 207) were consent requests from accountants and 0.11% (or 5) were consent requests from tax advisors. Accountants therefore submitted 1.4% of all consent requests received.

### Independent legal professionals

SARs from this sector increased by 6.01% on last year (from 3,610 to 3,827). Of this total solicitors submitted 3,461 SARs for this reporting period, slightly up on last year's 3,328. This was by 1,337 individual reporters. 75.52% (or 2,614) of SARs received from solicitors were consent requests, which represents 17.8% of all consent requests received.

### Gaming/leisure

The number of SARs received by casinos over this reporting period has increased by 49.43% (up from 704 in 2014 to 1,052 in 2015).

**Figure ix: SARs submitted by regulated and non-regulated gambling**

Oct 2014 to Sept 2015	Volumes	% of total	% comparison to 2013-14
Gaming/leisure	1,431	58.19%	52.40%
Bookmaker	520	21.15%	28.40%
Spread betting	508	20.66%	39.56%
<b>Total</b>	<b>2,459</b>	<b>100%</b>	<b>43.97%</b>

<sup>5</sup> A secure web-based reporting mechanism that, upon registering, can be used by anyone with internet access.

<sup>6</sup> An individual or organisation that submits a SAR.

## Estate agents

The estate agents sector submitted 355 SARs this reporting period, an increase of 98.32% on last year's figure of 179. This represents 0.09% of total SARs received. Of the 355, 132 (37.18%) were consent SARs. 20.56% of SARs related to property in the London area; 13.23% of SARs had a link to a foreign jurisdiction.

## High value dealers<sup>7</sup>

The decline in cash payments was highlighted in the last SARs Annual Report and has been reported in the media over this period. There was a drop of 59.21% on last year's figures (331 to 135); SARs were submitted by 42 individual institutions.

## Trust or company service providers

The number of SARs received from this sector dropped by 42.94% compared to the previous year (177 to 101). Of the 101 submitted, 19 were consent requests (18.81% of the total SARs submitted by the sector). These came from five different institutions. SARs submitted by trust or company service providers equated to 0.03% of the overall submissions received this year. This is comparable to the previous year's of 0.05%.

## Registrations and reporting routes

The reporters who submit the highest volume of SARs use bulk data transfer which is better suited for the volume of SARs they deal with. The majority of other reporters use SAR Online, a secure web-based reporting portal.<sup>8</sup> A very small number of SARs are still received on paper, although the UKFIU recommends against this as each requires additional UKFIU effort to manually input them resulting in delays to processing and inclusion on the database. SAR Online is the recommended method for submissions.

**Figure x: Methods of reporting SARs**

	SAR Online	CSV file/ encrypted bulk data <sup>9</sup>	Word/ encrypted email	Paper	Total
Total SARs	57,996	322,297	241	1,348	381,882
Total reporters	4,397	17	1	487	4,872 <sup>10</sup>

## New reporters

There were 2,514 new SAR Online registrations this reporting year. This includes registrations from 1,749 unique institutions<sup>11</sup> (69.57% of all new registrations) that were entirely new to SAR Online. The remaining registrations were from individuals already using the system.

<sup>7</sup> Any business which accepts cash payments of €15,000 or more (or equivalent in any currency) in single transaction, or linked payments for a single transaction, in exchange for goods.

<sup>8</sup> Upon registering, SAR Online can be used by anyone with internet access.

<sup>9</sup> The UKFIU provides 'Public Key Infrastructure' encryption certificates which allow high volume reporters to submit encrypted files directly onto the SARs database.

<sup>10</sup> This total figure is known as a 'distinct count' and represents those reporting entities who have reported via more than one method.

<sup>11</sup> New registrants are classified as unique institutions if they are not an outlet of an existing SAR Online user.

# Part two: main report

This part of the report focusses on how the UKFIU contributes to the UK's response to money laundering, other serious and organised crime and terrorist financing across a number of core functions and responsibilities.

## Consent (Proceeds of Crime Act 2002)

The Proceeds of Crime Act 2002 (POCA) permits reporters a defence against charges of money laundering by seeking the consent of the NCA to undertake an activity which the reporter suspects may constitute money laundering (a "prohibited act" under s327, 328 or 329). This is done by submitting an "authorised disclosure" (a SAR) to the NCA.

Where reporters obtain consent it is important to note that it does not:

- oblige or mandate a reporter to undertake the proposed act
- imply NCA approval of the proposed act
- provide a criminal defence against other criminal offences pertaining to the proposed act
- provide derogation from professional duties of conduct or regulatory requirements
- override the private law rights of any person who may be entitled to the property specified in the disclosure.

The UKFIU's Consent Team manages the receipt, assessment and resolution of such requests. It liaises with LEAs to inform the UKFIU decision-making concerning the granting of consent or a refusal. If law enforcement has not been asked for their recommendation, the Consent Team will take the decision itself.

The consent process provides law enforcement with opportunities for intervention before a potential offence occurs. Occasionally, activity will take place by law enforcement even if a request has been granted. This can be for many different operational reasons; the SAR provides the intelligence required to act and therefore is instrumental in enabling law enforcement activity.

This year the number of consent requests rose to 14,672 which is a notable increase compared to the modest growth over the last few years (14,155 in 2013/14 and 14,103 in 2012/13). This includes both consent requests and threshold requests (see page 15). However, the proportion of consent requests which were refused initially has decreased to 9.4% (1,374) from 11.5% (1,632) in 2013/14.

The Consent Team has seen a steady month on month increase in submissions this reporting year, with a sharp increase, rather than the usual fall in volume, during the summer months. For June, July and August 2015 the total number of consent requests received were 4,076 compared to 3,421 for the same period in 2014. The biggest rise was in September 2015, when the NCA received 1,679 requests,

compared with 1,068 for September 2014. This increase is attributable to several financial institutions increasing their submissions this reporting year.

The total restrained by law enforcement partners relating to consent requests in this period was £43,079,328. This is a significant decrease on the total figure for 2013/14 (£141,517,652). However, last year's figure was skewed by five large cases with a cumulative value of £119 million. This year there were three cases with significant restraint values totalling £21.8 million, all of which were restrained on behalf of international partners.

Cash seizure in relation to refused consent requests showed a significant increase this year at £1,313,437 compared to £107,951 last year. The amount of cash seized in relation to granted consent requests this year has also increased significantly, more than tripling from £309,260 in 2013/14 to £1,138,472 in 2015/15.

The amount restrained in relation to consent requests that were granted is recorded as £99,137. This is significantly lower than the £339,540 last year. Overall, though, the amount of assets denied to criminals when consent was granted was higher this year at £1,237,609 compared to £648,800 from 2013/14. There is, however, no requirement for LEAs to inform the UKFIU of restraint, cash seizure or arrest figures as a result of granting consent (only refusal) and these figures should be viewed as conservative amounts.

Taken together the total figure of assets denied to criminals as a result of consent requests (refused and granted) during the reporting period is £46,375,449.

For the first time, the Consent Team has also been recording the total amount of funds which have been moved to a financial institution's internal fraud ledger, when the information is included in the consent request by the reporter. This has shown that £8,135,055 was prevented by reporters from going to fraudsters during 2014/15 and was therefore protected for future claim by the victims of the crime.

### **Turnaround of consent requests**

Over this reporting period, 40.3% of consent requests were dealt with without referral to law enforcement for advice. The average turnaround time for responses to reporters for all requests was 4.7 days. This is an increase on last year's reported turnaround of 4.3 days; there are a number of contributing factors for this:

- The overall volume of cases has increased.
- There is a definite increase in case complexity which require careful consideration by a number of teams at the NCA and law enforcement partners, and often engagement with international law enforcement partners.
- The standard of requests continues to have an impact. One of the main causes behind delays in the turnaround of consent requests continues to be the non-inclusion of key pieces of information in submissions. Follow-up by the Consent Team, in order to obtain this information so an informed decision

can be made, causes delays. It also increases the burden on law enforcement partners who have an increasingly narrow window to review the information and provide their advice to the UKFIU.

## **Threshold variations**

A deposit taking institution which has concerns that an account may contain the proceeds of crime, or has been used for money laundering, may still have to process regular 'lifestyle' payments to and from the account, such as mortgage payments or utility bills. To meet their POCA obligations, a reporter may determine that they should seek consent each and every time these payments into or out of an account are due; this can amount to a significant number of regular consent submissions.

Legislation allows deposit taking institutions discretion in seeking consent for payments of this nature, up to a threshold of £250 per transaction. If regular transactions are over this threshold, then the reporter can apply to the NCA for a Threshold Variation under s339A POCA and seek permission to impose a higher threshold on the account for regular payments. When seeking a variation, the NCA requires the reporter to specify what 'lifestyle' payments are to be paid, which named account they are coming from and going to and to specify the amount for each transaction.

While threshold requests do not attract a statutory time limit, they still require attention and a timely response by the UKFIU Consent Team; and although live consent requests are prioritised, the team aims to get the threshold variations concluded within one month of submission.

Until October 2014 threshold variations were included in the overall consent figures and turnaround times, which skewed the overall turnaround figure for consent. From October 2014, threshold variations have been recorded as a separate category. This has meant that the turnaround time can be calculated far more accurately for both types of submission. The number of threshold requests dealt with over this reporting period has been 228.

## **Consent case closures**

The total number of cases which were closed because the reporter withdrew the consent request within the notice period, had sought consent in error, had not included a key piece of information but was uncontactable, or had failed to submit the additional information in writing to the UKFIU within the notice period, was 1,847. This represents 12.5% of all consent requests.

The UKFIU is continuing to implement the approach outlined in the guidance note 'Closure of cases requesting consent' issued in September 2014. Over this reporting period 408 requests were closed in accordance with this approach: this represents 2.8% of all consent requests.

These closures are where SARs requesting consent, which are missing the reason for suspicion or fail to identify the nature of the criminal property, are closed without further engagement from the UKFIU. The reporter is sent a letter from the

UKFIU explaining which parts of the information are missing and that the case is closed within two working days of the notice period.

Should the reporter wish the UKFIU to consider their disclosure and provide a decision, the reporter has to submit a new SAR. This must be able to stand as its own document and provide all the required information.

## **International**

The UKFIU is the single point of contact for UK law enforcement with international Financial Intelligence Units (FIUs). The UKFIU participates on behalf of the UK within the Egmont Group of FIUs,<sup>12</sup> utilising the European FIU system (FIU.NET)<sup>13</sup> on behalf of the UK and processing inbound and outbound requests for criminal asset tracing intelligence through the Camden Asset Recovery Inter-Agency Network (CARIN) and the European Asset Recovery Office (ARO).<sup>14</sup>

The UKFIU assists investigators in tracing and identifying the proceeds of crime and other crime related property which may become subject to subsequent restraint, freezing, seizure or confiscation orders. These would be made by a competent judicial authority in the course of criminal or, as far as possible under the national law of the jurisdiction concerned, civil proceedings. UKFIU International facilitates the sharing of information from overseas jurisdictions relating to the funding of serious organised crime and money laundering.

Any information shared by the UKFIU is strictly controlled and safeguarded ensuring compliance with national provisions on data protection and privacy. As a minimum, exchanged information is protected by the same confidentiality provisions that apply to information from domestic sources obtained by the receiving FIU.

The UKFIU International Team receives assistance requests from partners overseas via these networks and searches against databases available to them to collect information on subjects. This information is then assessed for relevance to the request; all relevant information is suitably formatted. The information is then entered into a UKFIU intelligence report for dissemination to the requesting party. This same process is used when SARs are identified as possessing potential relevance to an overseas jurisdiction; a formatted report is prepared and spontaneously disseminated via the secure networks.

Examples of the range and scope of the work conducted by UKFIU International over the year are included on the following page:

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<sup>12</sup> An international organisation comprising FIUs from over 150 global jurisdictions. It allows FIUs to securely share financial information with other members for intelligence purposes. Egmont members are able to take advantage of the cooperation and mutual assistance fostered by the group to exchange intelligence.

<sup>13</sup> A secure computer network for the data exchange of financial intelligence between European Union (EU) FIUs, used to foster cooperation between member states in tackling money laundering and terrorist financing.

<sup>14</sup> CARIN is an informal network of non EU jurisdictions; the ARO is the conduit for requests among EU member states. The CARIN and ARO networks for Scotland are administered by Police Scotland.



- An NCA International Liaison Officer (ILO) made a request to the UKFIU around a substantial payment from a UK bank that a bank overseas had reported to the authorities. It had been reported as an unauthorised payment and the foreign authorities had frozen the money. However, when the foreign authorities tried to seize the money at court, the judge had ruled against them on the basis that the money had not been reported as stolen/fraudulent. The UKFIU found a relevant SAR that reported the transaction. Intelligence on the fraudulent origins of the transaction was spontaneously disseminated to the ILO. This intelligence enabled the ILO to make a statement on the fraudulent nature of the original transaction that empowered the foreign authorities to control and return the money to the UK victim.
- The International Team received an urgent enquiry to assist an overseas partner regarding individuals in custody. As UK SAR information existed on the subjects, intelligence reports were disseminated to assist in the investigation. The partners expressed a high level of satisfaction and thanks with the UKFIU response.
- The International Team received an overseas FIU request relating to bank enquiries as part of a fraud investigation. The International Team traced recent SAR reporting in relation to the account details provided and enquiries were undertaken with the reporter. The reporter confirmed the recent closure of the account due to suspected fraudulent funds and had transferred funds to a suspense account awaiting an envisaged indemnity claim. Information was provided to the requesting FIU to support an envisaged 'bank to bank' request for return of the funds.
- As a result of UK subjects being arrested overseas, an NCA ILO requested research on the subjects. Over 30 SARs were identified. The UKFIU produced intelligence reports for dissemination to relevant partners via the ILO.
- A request was received from an overseas partner investigating an organised crime group (OCG) involved in human trafficking, prostitution and money laundering. Over 40 SARs were identified on the subjects and the information redacted into intelligence reports. The reports were shared with partners to assist in the intelligence picture of the investigation.

## **Ukraine**

The UKFIU International Team continued to assist the NCA Project Heathlike. This relates to the misappropriation of assets identified following regime changes in Ukraine. The UKFIU worked with other FIUs worldwide to develop a multilateral intelligence exchange to assist Ukraine's asset identification and recovery efforts. The team continues to service requests for information from overseas FIUs in relation to Ukraine and provides spontaneous intelligence reports to the Ukraine FIU where appropriate.

## **Memorandums of understanding**

The UKFIU's International Team continued to re-confirm existing bilateral agreements with international FIUs and develop new relationships through the process of memorandums of understanding (MOUs). Over the reporting period the UKFIU signed seven MOUs with international counterparts.

## **International visits**

The UKFIU facilitated 14 visits on behalf of overseas partners. These included visits from the Australian Federal Police, the Hong Kong Police, the Czech Republic Unit for Combating Corruption and Financial Crime, the Turkish Asset Recovery and Financial Investigation Department and a delegation from Jordan, as well as representatives from the FIUs of Albania, Australia, Canada, the Czech Republic, Finland, Kyrgyzstan and Liechtenstein.

## **Engagement with regime participants**

### **SARs Regime Committee**

The NCA is responsible for running a SARs Regime Committee, the overarching purpose of which is to bring together representatives from the regulated sector, anti-money laundering supervisors and law enforcement with the aim of improving the operation and effectiveness of the regime.

A review of the committee's membership and remit took place over the reporting period to better reflect the regulated and supervisory landscape. Influencing factors included:

- covering a greater proportion of the SAR-submitting community
- a more inclusive geographical landscape
- a broader range of the end user community
- a fairer ratio of members representing the various roles amongst participants of the regime
- maintaining inclusion of the terrorist financing element of the regime, and
- being cognisant of the sectors currently understood to represent a significant anti-money laundering (AML) risk and therefore where the committee might have greater impact.

The committee's terms of reference were also revised, making it a purely consultative and advisory forum capable of informing the operational response. Membership is intended to provide niche knowledge capable of providing focus and direction to add value in three key areas of the regime:

- Improving the quality, sharing and use of SARs
- Increasing the effectiveness of the law enforcement response to SARs, and
- Using knowledge and experience of operating within the regime to increase activity on prevention to help individuals and businesses.

The new forum reflects a joined up approach to the prevention and detection of money laundering and terrorist financing, providing views on the complete spectrum of available options.

## **Engagement with priority sectors**

The SARs Regime Committee agreed an action plan at the September 2015 meeting which set out an initial focus on three priority sectors: accountancy, banking and legal. The Proceeds of Crime Operations Group, which is chaired by the NCA with secretariat provided by the British Bankers' Association, provides the main engagement point for discussions with the banking sector on the operation of the SARs Regime. Two new groups were also agreed to be established covering the accountancy sector (chaired by a representative of the Consultative Committee of Accountancy Bodies – CCAB) and the legal sector (chaired by the Law Society of England & Wales) to focus on the operation of the SARs Regime within those sectors.

## **Sector reviews and high volume reports**

Over this reporting period the UKFIU's SARs Data Exploitation Team produced specific reviews of the accountancy, banking, non-regulated gaming and trust or company service providers sectors. These reports look at a variety of issues including general trends within the sectors, case studies, feedback and the quality of SARs.

## **NCA Alerts**

The UKFIU assisted in the creation of 14 NCA Alerts<sup>15</sup> over this reporting period. These ranged from raising awareness of possible indicators of slavery and human trafficking (issued in collaboration with the BBA and a number of its member banks as part of the newly formed Joint Money Laundering Intelligence Taskforce [JMLIT]) to disseminating information about compromised credit card information that had been fraudulently acquired by OCGs. This latter Alert was provided to reporters to enable them to take direct or remedial action as appropriate, to deny and to frustrate criminals' attempts to cause harm to UK businesses, state revenues and society.

Other Alert topics included: trade-based money laundering; assisting the UK financial sector in identifying PEPs; a JMLIT criminal asset recovery pilot scheme around unenforced confiscation orders, and an attempt by individuals abroad to defraud companies.

## **Guidance and communication products**

Two further SARs Twice Yearly Reporter Booklets were issued this year (in December and July). As well as providing updates on the regime and the UKFIU, the booklets – aimed at the reporting sectors – include numerous case studies which reflect the achievements of UK LEAs in their utilisation of SAR intelligence

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<sup>15</sup> Alerts are direct and indirect warnings by the NCA for business, financial institutions and industry about serious organised crime and its effects.

and the myriad ways in which SARs can be used to detect and fight crime. The booklets, which provide practical advice on submitting better quality SARs and UKFIU/SARs Regime updates, have been well received by recipients who are encouraged to use them for staff training and awareness programmes.

The booklets are sanitised versions of the End User Summaries which the UKFIU creates specifically for end users with direct access to SARs; the 2015 editions of these were disseminated in February and August. The UKFIU sends Twice Yearly Feedback Questionnaires (TYFQs) to all end users with direct access asking for statistics and feedback on their use of SARs during the previous six months. These findings assist the production of the End User Summaries which enable LEAs to share perspectives on their use of SARs including how they have been used in a particular investigation and any assets recovered. They also enable the UKFIU to help share and encourage best practice amongst reporters and end users, and to provide a feedback mechanism on the operation of the regime. Such feedback is a requisite of the 'Criteria for Direct Access to SARs'.<sup>16</sup>

Additionally, in February the UKFIU reissued its guidance note – 'Current fraud typology for the legal profession: debt recovery by credit card payment' – previously circulated in 2013, as the typology was continuing to be used against solicitors' client accounts across the UK. The information was provided in order that the legal sector could identify the fraud and take the necessary steps.

### **UKFIU Support for the Joint Money Laundering Intelligence Taskforce (JMLIT)**

The UKFIU continues to support the JMLIT pilot, which was launched in February 2015. The JMLIT Operations Group and Strategic Group provide an environment in which the financial sector and LEAs can exchange and analyse intelligence to detect, prevent and disrupt money laundering. The innovative approach means that for the first time, the NCA and other law enforcement officers are working side by side with staff from some of the major UK banks and financial institutions to tackle the highest priority risks.

A representative from the UKFIU sat on the planning board for the group, which came about following the creation in April 2014 of the Serious and Organised Crime Financial Sector Forum. This forum was set up to promote practical collaboration between government, law enforcement, regulators and the financial sector.

In February the UKFIU introduced a new SAR glossary code for members of the JMLIT Operations Group, issued to identify reporting linked to two new NCA led projects: a pilot to share unenforced confiscation orders with certain banks and a pilot to develop tactical intelligence on specific areas of high end money laundering risks in partnership with a number of banks.

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<sup>16</sup> The Direct Access to SARs End User Agreement sets out the objectives, conditions and responsibilities of the NCA and all agencies seeking access to SARs material at organisation and individual level.

## **Regulator access to SARs**

During the reporting period, in order to support AML supervisors and regulators to discharge their responsibilities, the UKFIU approached them to ascertain whether there was an appetite for direct access to SARs,<sup>17</sup> their objectives for access and their potential to fulfil NCA legal and process requirements. The Lander Review<sup>18</sup> in 2006 had recommended against giving regulators direct access; however, in light of the growth and development of the regime over time, it was felt pertinent to revisit this recommendation, albeit with the caveat that any sharing of material would need to be strictly managed.

The majority of regulators indicated that they wanted better information from the SARs Regime but did not wish to have direct access. As a trial it was agreed to give HMRC's AML supervision team direct access.<sup>19</sup> This involved the prior assessment of practical issues such as security, network connectivity, accreditation of staff and user agreements. To date access is the subject of further consultation with HMRC.

## **SARs Review**

In the UK Anti-Corruption Plan, published in December 2014, the Government committed to carrying out a review of the SARs Regime. This was to provide individuals and firms in the regulated sector, supervisors and LEAs an opportunity to make proposals for improvement to the regime and in particular to the Elmer database.<sup>20</sup>

In March 2015 the Home Office issued a call for information as the first step in this review, seeking views on money laundering and terrorist finance, and particularly directed at those with responsibilities under the Proceeds of Crime Act 2002 (POCA) or the Terrorism Act 2000 (TACT) for reporting suspicious transactions and those with responsibility for oversight or supervision of the regulated sector.

Building on the submissions received the Home Office and the NCA drafted a paper articulating the concept of an improved SARs Regime that would better support the prevention of money laundering. This paper formed the basis for consultation with stakeholders in September and October 2015, organised by the Royal United Services Institute (RUSI) Centre for Financial Crime and Security Studies. Consultation is ongoing at the time of this report.

The Government also responded to the regulated sector's concerns about their vulnerability to civil litigation as a result of submitting SARs by legislating in the Serious Crime Act 2015 to provide all reporters with statutory immunity from civil liability when submitting SARs in good faith.

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<sup>17</sup> Using computer technology to afford direct access to Elmer e.g. via money.web and/or Arena. Access is governed by strict criteria set by the UKFIU.

<sup>18</sup> A review of the SARs Regime conducted by Sir Stephen Lander which made a number of recommendations for the regime's improvement.

<sup>19</sup> In its law enforcement capability HMRC already has direct access.

<sup>20</sup> The existing SARs database in the NCA.

## Information technology

### Resilience of the SARs IT systems

The NCA Board recognises that the potential for failure of the SARs IT systems is one of the most significant risks the organisation is carrying. The mitigation of this risk is focused on work to sustain the systems and to identify replacement opportunities. Replacement of the system is dependent on the outcome of the SARs Review being led by the Home Office and identification of funding.

The risk was also highlighted in HM Inspectorate of Constabulary's (HMIC) report on the NCA, published in March 2015.

The NCA had previously conducted a thorough review of sustainability options relating to the existing SARs IT applications. During this reporting period the NCA initiated a project to implement specific improvements to various SARs IT components. This work focussed on addressing back end resilience issues rather than user interface design changes. So far the project has overseen a successful roll out of improvements to bulk reporting, SAR Online and an internal workflow application. The project, however, remains ongoing and further work is progressing.

### Arena

The Arena system, a search and analysis tool comprising the majority of the SAR dataset, is increasingly becoming a favoured method among law enforcement end users for exploiting SARs data. This has been driven in part by product enhancements implemented on the 'Alert Me' and 'bulk search' functionality in the previous reporting period. During November 2014 an Arena e-learning package was successfully rolled out which has also provided greater accessibility to Arena training.

During this reporting period two further Arena user forums were hosted. Attendance levels at both events was high and consisted of a wide spread of representatives from the end user community. Role out of the Financial Intelligence Administrator (FIA) accreditation status (see page 24) is likely to drive up user levels further. This in turn has prompted the UKFIU to implement more robust procedures around licence allocation and management.

### **Analysis of SARs identifies potential money laundering network**

Arena has been invaluable in the development of analysis around a criminal network. From just a handful of SARs relating to a single possible money mule account, it grew to include an online fraud and a potential money laundering network. This group consisted of over 50 individuals who managed to transfer over £200,000 out of the UK. Arena also enabled the identification of further SARs that may indicate additional frauds or criminal activities that are passing their proceeds through this network. Enquiries are ongoing.

## **SARs exploitation**

Alongside the support given to partners through the Arena intelligence system, the NCA's own internal capability utilises data exploitation technology to derive the greatest benefit from the SARs data.

Using these tools, designed to cope with bulk data, the NCA National Intelligence Hub supported 129 separate pieces of operational activity (defined as operations, projects/campaigns or developments) by asking millions of automated questions of the SARs data since October 2014.

This work alone has exploited results from over 30,000 separate SARs.

## **SAR confidentiality**

Due to the nature of the information and its source, there is an international legal obligation under the EU Directive that the SARs reporter is protected. In most other countries, SARs material would only be seen by members of the FIU; however, as the UK has taken the decision to use the SAR material as widely as possible, safeguards are in place to ensure confidentiality is maintained.

Therefore, it is expected that SAR information is only shared directly with a limited number of staff outside of the UKFIU who can meet certain prerequisites. A set of criteria must be met by any organisation seeking direct access to SARs through the money.web<sup>21</sup> or Arena systems. This year two new organisations were granted direct access to SARs: NHS Protect and the Environment Agency.

During this reporting period there were three formal allegations of a breach of confidentiality recording. The UKFIU identified one breach in a media article which referenced a SAR and its reporter being mentioned during court proceedings. The UKFIU undertook an investigation and no risks emerged. The investigation was resolved by the UKFIU formally drawing the attention of the individual who disclosed the information towards the duties of confidentiality outlined in the Home Office circular.

Another confidentiality breach – by a foreign FIU – was identified concerning information within a consent SAR. The information was provided by the UKFIU to the foreign FIU to ascertain whether they wished to seek restraint of the assets. Unfortunately the foreign FIU inadvertently 'tipped off' the subject of the SAR. This was resolved through engagement with the foreign FIU to seek assurances that the data sharing and confidentiality principles are maintained moving forwards. This will be kept under review.

The other confirmed breach related to the existence and contents of a SAR being disclosed by an LEA. The officer concerned was reminded of the sensitivities of SARs under the Home Office guidelines and the statutory offences under POCA.

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<sup>21</sup> The online portal through which law enforcement end users access the SARs database.

Investigations into two separate reported breaches concluded that that this was not the case. At the end of the reporting period investigations were underway to ascertain if a further reported incident was a confirmed breach.

## **Financial Intelligence Administrators**

In 2015 the UKFIU, in partnership with the NCA Proceeds of Crime Centre, established the role of Financial Intelligence Administrator (FIA). The FIA is a national accreditation awarded by the NCA to law enforcement officers who require access to SARs data for intelligence purposes only rather than for investigative purposes. It applies to officers across law enforcement where their organisation is recognised as meeting the strict criteria for direct end user access.

The FIA accreditation enables law enforcement staff with that designation to access SARs via the two available systems.

To enable access to the FIA accreditation process, officers have to complete SARs confidentiality awareness e-learning. Ongoing support is provided to FIAs by way of continuous personal development aimed at sharing best practice and providing assistance in the correct way to make use of SAR material in intelligence work relating to serious and organised crime.

Over this reporting period 66 external end users and 71 NCA officers passed the FIA exam.

## **Matching priority nominals against incoming SARs**

The UKFIU continued to run daily searches against all incoming SARs against those subjects identified as causing the most harm to the UK from serious and organised crime. This involves matching SARs against key nominal<sup>22</sup> information. When a match is identified the UKFIU promptly notifies the lead officer in the case and, if requested, the pertinent SARs are then fast-tracked to the relevant accredited financial investigator/financial intelligence officer in the respective LEA as an intelligence package.

Rather than having to wait the standard seven days for a SAR (once received by the UKFIU) to appear on money.web, the quick-time turnaround provides a greater opportunity to exploit time critical windows.

Over the reporting period the UKFIU disseminated 50 intelligence packs relating to high priority crime groups and 420 relating to NCA subjects of interest.

## **Suspect-based SARs**

By proactively undertaking daily checks using specific key words, the UKFIU is able to identify SARs for potential fast-tracking to LEAs. This gives the end user the opportunity to immediately consider intervention/disruption opportunities. Periodic requests were also actioned where a police force requested early sight of SARs relating to specific individuals, post codes, bank account numbers and more.

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<sup>22</sup> A nominal is a person of interest to law enforcement.



During this reporting period a total of 269 of these 'suspect based' SARs were fast-tracked. Feedback is actively sought and, in many cases, the information supplied has enhanced the intelligence picture and enabled early intervention to be considered. One example related to a previously unknown account containing £38,000 which was then subject to a restraint order.

## **Vulnerable persons**

While fulfilling AML and counter terrorist financing obligations reporters sometimes identify those who are being exploited or who are potential victims of fraud. The UKFIU has procedures to identify SARs containing information on various types of fraud that target vulnerable members of society. Common types of fraud encountered include investment fraud (and variations including pension liberation fraud<sup>23</sup>), romance fraud<sup>24</sup> and individuals unwittingly engaged in money mule activity.<sup>25</sup> Relevant SARs are identified and fast-tracked to police forces who will, in many cases, arrange visits by local officers – whilst maintaining the confidentiality aspect of SARs – to offer advice in order to prevent fraud or further losses.

In this reporting period 915 vulnerable person intelligence packages were disseminated to LEAs.

The following case studies highlight the value of SARs intelligence in identifying – and protecting – vulnerable members of society.

### **SARs highlight 50 vulnerable victims of fraud in one force area**

SARs have assisted in an investigation of telephone frauds where vulnerable elderly victims are phoned by offenders purporting to be police or bank security staff. The offenders then encourage the victims to transfer their savings into 'safe' accounts which are, in fact, controlled by the offenders. Over 50 victims were identified in one force area with a total loss of over £1.1million. A number of defendants have pleaded guilty and enquiries are ongoing. SARs identified accounts and amounts of money deposited, as well as identifying suspects and victims. Victims were identified nationwide.

### **SARs prevent vulnerable person from liquidating £100,000**

SAR intelligence reported a potential vulnerable person. Officers visited and discovered that the subject was engaged in transferring significant funds overseas as the result of a dating scam. Although the victim had already sent over £40,000, officers were able to alert a relative of the subject who discovered that the victim was about to liquidate approximately £100,000 from the equity in their house to send. As a result, the SAR and the actions of the local police meant this further potential loss was prevented.

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<sup>23</sup> Fraud where members of the public are encouraged to access their pension before retirement, following false representations of anticipated levels of returns when investments are either non-existent or incapable of providing such a return.

<sup>24</sup> Dating or romance scam, when the 'perfect partner', usually online, gains the victim's trust and asks for money.

<sup>25</sup> A person who transfers money acquired illegally on behalf of others.

### **SAR intelligence identifies victim conned out of sending £100,000 overseas**

SAR intelligence detailed that an individual was regularly sending funds overseas and could have been a potential scam victim. Police intervention revealed the individual had sent over £100,000. The suspects had obtained the victim's credit card details and had used various techniques to prompt the victim to send funds. Police provided appropriate advice and guidance and matters were reported to Action Fraud.<sup>26</sup>

### **Fast-tracked SAR protects vulnerable person and leads to arrests**

An LEA received information regarding an alleged fraudulent attempt to obtain a personal loan. An application for a loan had been made to a high street money lender; however, the establishment was concerned that the person making the application looked in fear and was being coerced by another person present. Details of the individual, perceived as vulnerable, were provided by the money lender to the NCA. The SAR was fast-tracked to the LEA, a warrant executed and a number of arrests made. Enquiries are ongoing and other vulnerable victims have been identified.

### **SAR stops lottery scam victim from sending further funds**

A SAR was fast-tracked to an LEA as it was believed the subject was a vulnerable person. The reporter had become aware of a customer who they believed was the victim of a lottery scam and had sent over £40,000 overseas. In branch the individual had stated they were helping a friend but would not go into detail. The individual was visited by a financial investigator and made aware that he/she had been the victim of a scam. Safeguarding has been put in place to prevent any further contact from the fraudster or others. The matter has been reported to Action Fraud.

### **Fast-tracked SAR protects couple from sending further money**

An elderly couple had paid thousands of pounds out to an overseas firm in a bid to recoup lost funds on a time share. This was also a scam; the bank had refused to send any further funds on the couple's behalf. After a SAR was submitted, the SAR was fast-tracked to the local force who swiftly engaged with the couple's family members to ensure no further money was sent.

## **HMRC increasing the use of SARs**

HMRC's Criminal Finance (CF) strategy is based around recovery, financial investigation and money laundering offences, AML supervision, policy and intelligence. Since the launch of the strategy HMRC has merged existing intelligence teams into a single Criminal Finances Intelligence Operations branch which informs and directs all of HMRC's CF civil and criminal investigative work. Noteworthy intelligence is captured, analysed and the outcomes used to inform enhancements to relevant policies, processes and operational activities.

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<sup>26</sup> The UK's national fraud and internet crime reporting centre.

SARs, and the intelligence derived from them, play a fundamental part in HMRC's drive to maximise intervention opportunities afforded by the CF intelligence strategy and POCA. HMRC has continued to work with the NCA using CONNECT (a HMRC data matching tool that enables the organisation to cross match HMRC and third party data with SARs data).

The 'SARs into CONNECT' project has continued to generate cases for HMRC's Fraud Investigation Service and its Civil Intervention teams. Yield from civil enquires in the six months to September 2015 was £21,408,953 and is on track to significantly exceed the total yield for the whole of 2014/15, which amounted to £26,181,960. HMRC is working with the NCA to consider how it can effectively use SARs to better inform risk and compliance activity through its AML supervision teams; it is anticipated that a test and learn pilot will commence in 2016.

HMRC has embedded staff in the UKFIU to work with the NCA to identify and develop sensitive SAR intelligence, particularly to support HMRC's 'No Safe Havens' programme. This aims to identify undeclared and unreported assets and income hidden overseas, and to recover (together with relevant penalties/sanctions) unpaid taxes. During 2015/16 HMRC will increase the number of embedded officers.

Consent SARs continued to be utilised to their maximum potential to disrupt criminal activity. In the financial year of April 2014 to March 2015, HMRC was referred 1,628 consent requests by the UKFIU and as a result recovered £525,644 of fraudulent payment/repayment claims made. HMRC's close working with banks has also seen 520 bank accounts closed which has stopped accounts being used for fraudulent purposes. The reduction in the amount recovered compared to the previous report is directly attributed to upstream risking introduced by HMRC which had a significant impact on the funds released.

## Case studies

Case studies provided by end users of SARs demonstrate how they continue to be instrumental in instigating and supporting investigations to tackle a wide range of the highest priority threats identified by the National Strategic Assessment of Serious and Organised Crime.

### **Pivotal role of SARs in multi-faceted financial investigation**

SARs played an essential part in an investigation relating to false accounting, money laundering, forgery, conspiracy to defraud, obtaining a money transfer by deception and fraud by false representation. SARs helped link individuals through financial transactions, gave an indication of the manner in which the unlawful conduct was being committed and also led to new lines of enquiry. A number of SARs provided information on applicants involved in mortgage fraud, while others proved useful in linking individuals and identifying entities owned by the main subject. SARs also helped identify previously unknown bank accounts, additional personal details, an alias name for a suspect and identified an attempted re-mortgage by an individual using false identification documents. A recovery order worth approximately £1million was acquired.

### **SARs identify £1million fraud and lead to prison sentence**

SAR intelligence detailed that large payments had been made into a suspect's bank account. A subsequent investigation revealed that the individual had removed approximately £1million from another person's account without their knowledge. Without the SAR this course of action would have continued indefinitely. Due to the SAR the suspect was identified and received a prison sentence.

### **SARs initiate investigation which sees £750,000-plus restraint**

A money laundering investigation was started following SAR intelligence regarding funds being sent from a company in the UK to a company overseas. Initially consent was granted for the first payment to be made as timescales were too tight to develop the information and for a restraint to be sought. However, the intelligence was developed and it became apparent that the payments were suspicious; the directors associated to the companies had little or no assets or business acumen and yet were dealing with companies trading hundreds of thousands of pounds within months of being established. Over £750,000 has been restrained and a number of people have been arrested.

### **Consent SAR leads to investigation into £750,000 fraud**

A SAR seeking consent led to an investigation which culminated in the imprisonment of two people for fraud against elderly victims totalling £750,000. Confiscation proceedings are ongoing.

### **Significant funds passing through account identified by SARs**

Three suspects in a money laundering investigation were arrested on suspicion of conspiracy to steal. They subsequently received prison sentences and the total benefit figure for all those involved in the conspiracy was over £440,000. SAR intelligence highlighted that an associate of one of the defendants was passing significant funds through his/her account on the defendant's behalf. This individual was also convicted.

### **SAR intelligence results in prison sentences for £400,000-plus theft**

SAR intelligence started an investigation which ultimately led to a number of people receiving prison sentences for their part in stealing goods worth over £400,000 and selling them online. As the victim had been unaware that their goods had been stolen the investigation may never have happened – and certainly not as soon as it did – without SAR intelligence.

### **SARs investigation identifies £250,000 loss and leads to prison sentence**

SARs led to an investigation which saw a number of individuals plead guilty to various offences of cheating the public revenue, money laundering and tax credits offences, with the main subject receiving a prison sentence. A loss of £250,000 was accepted by the prosecution for the purpose of sentencing.

### **SAR intelligence leads to restraint followed by successful investigation**

SAR intelligence resulted in a restraint order being obtained, followed by a money laundering investigation which concluded with a successful conviction, prison sentence and the granting of confiscation and compensation orders, enabling victims to recover some of their losses. The defendant had allowed accounts in his/her name to be used to receive funds from victims abroad who were being duped by online romance scams into parting with funds. Once the funds were received into the accounts, they were withdrawn as cash. The subject was not suspected of being the fraudster, just the money laundering enabler. The defendant was assessed to have benefited from his/her criminality by over £110,000.

### **SARs identify victim trafficked by organised crime group; arrests made**

During an investigation into an OCG suspected of exploitation and human trafficking, a potential victim was identified through SARs. The subject was able to provide investigators with extremely useful information which confirmed that he/she had been trafficked by the OCG. Arrests have been made and enquiries are ongoing.

### **SAR intelligence identified subjects in indecent online footage enquiry**

Intelligence contained within SARs has identified subjects suspected of being involved in watching indecent footage of children online. Enquiries are ongoing.

### **SARs indicate substantial funds being transferred to overseas**

The subject of a money laundering and fraud investigation was arrested for conspiracy to steal. SARs highlighted that the subject was passing significant funds through his/her accounts which were being transferred to subjects abroad. The subject was charged with a number of offences and enquiries are ongoing.

### **SARs build up picture of suspected trafficking**

An individual was suspected of being involved in the running of brothels and the trafficking of females to work within the sex industry. Interrogation of the Elmer database provided corroborative information about the subject making suspect payments to hotels (which he/she was suspected of booking on behalf of clients) and receiving cash payments of unknown origin.

### **SARs provide new lines of enquiry into drug supplying OCG**

An LEA had an investigation into an OCG supplying drugs. Cash and drugs were seized during the investigation and the main subject subsequently received a prison sentence. Money.web was used to research another individual within the same OCG who was believed to hold a controlling role in the distribution of drugs and collection of debts. A number of SARs were identified which detailed numerous and persistent cash credits and debits by the individual, as well as extravagant spending abroad. This information has given new lines of enquiry and has helped the LEA understand the money trails for this individual, which may prove invaluable in any subsequent confiscation investigation around 'lifestyle' indicators.

## **Corruption**

In December 2014, the UK Government published the cross government Anti-Corruption Plan which led to the creation of the new International Corruption Unit (ICU) in May 2015. The ICU is housed within the Economic Crime Command of the NCA, part of the same deputy directorate as the UKFIU. The ICU was formed from the remnants of the Metropolitan Police Proceeds of Corruption Unit, the City of London Police Overseas Anti-Corruption Unit, the NCA Kleptocracy Unit and the NCA Sanctions Unit. The ICU is supported by the Bribery and Corruption Intelligence Unit (BCIU), formerly known as the International Corruption Intelligence Cell (ICIC) which was previously based within the UKFIU.

The ICU's key remit is investigating serious international bribery, corruption and related money laundering within Department for International Development (DfID) priority countries (and others) where there is a UK nexus, bringing perpetrators to justice and recovering criminal proceeds. The ICU represents a single, cohesive entity in the investigation of the bribery of foreign public officials by individuals or companies from the UK and money laundering by corrupt foreign officials and their associates.

As well as assisting UK law enforcement in preventing money laundering by those engaged in bribery and corruption, SARs play an integral role in identifying PEPs.

Between October 2014 and September 2015, ICIC/BCIU produced 203 intelligence products in support of foreign anti-corruption investigations both in the UK and abroad. These intelligence products have been produced from all intelligence streams available to the NCA, including SARs. The number of intelligence packages increased from 82 in 2013/14 to 119 as a result of the continuing tactical nature of ICIC/BCIU's work. These intelligence logs are a result of ICIC/BCIU increasing its involvement in supporting ongoing operational activity, as well as identifying new subjects for investigation.

## **Terrorist finance**

The UKFIU's Terrorist Finance team (TFT) provides a specialist approach to terrorist finance-related SARs by proactively analysing SAR derived intelligence. This involves the identification, assessment and exploitation of SARs submitted under both TACT and POCA. SARs submitted under TACT, or those submitted under POCA but which are identified as having a terrorist-financing link, are not made available for law enforcement end users other than the National Terrorist Financial Investigation Unit (NTFIU) and Counter Terrorist Units (CTUs) due to potential national security risks.

Over this reporting period TFT maintained prioritised collaboration with the NTFIU and regional CTUs. Relevant SARs were identified and disseminated as appropriate. Additionally, the TFT continued to research NCA systems in support of other current Counter Terrorism (CT) operations and to pro-actively identify relevant SARs for CTUs. An officer from the NTFIU is attached to TFT to bolster this close partnership working.

During this reporting period TFT participated in an Egmont multilateral terrorist financing project involving the sharing of suspected Islamic State of Iraq and the Levant (ISIL) related reporting. This is the first multilateral sharing project undertaken under Egmont governance and is expected to provide a template for future multilateral sharing projects. The intelligence analysis is expected to inform private sector partners and the lessons learned from FIUs working together, rather than bilaterally, are being reported back to FATF.

A key strand of TFT output is its outreach work aimed at both the private and public sector. For example, the team provided technical input to HM Government/law enforcement/private sector briefings and contributed to monthly NTFIU Combating Financing of Terrorism (CFT) training programmes by focussing on the use of SARs in CT investigations.

This year 1,899 SARs were pro-actively identified and disseminated to the NTFIU and CTU network, an increase of 42% on the same period last year. This process involved the targeted review of 15,307 SARs identified from all SARs received; an increase of 27% on last year's figure.<sup>27</sup> The increases are a result of the general rise in overall SAR numbers and the continued refinement of the UKFIU's identification of SARs of potential relevance to CT investigations, in close collaboration with partner agencies. The reporting type split of SARs disseminated for CT purposes is those submitted under TACT 63% and POCA 37%.

UKFIU operational intelligence support provided to partner agencies showed that, of the search requests received, 48% of those researched on the Elmer database identified useful information. This is comparable to last year's figure and continues to highlight how SARs can assist CT investigations. This includes time critical searches and searches in support of active operational objectives which help to establish an accurate intelligence picture at any given time.

## **National Risk Assessment**

The UKFIU contributed to the National Risk Assessment of Money Laundering and Terrorist Financing which was led by HM Treasury and the Home Office. This engagement included attending workshops with law enforcement, the regulated sector, HM Treasury and the Home Office and providing data in relation to the SARs Regime.

## **Fourth EU Money Laundering Directive**

The UKFIU worked extensively with HMT and the Home Office on the proposed drafts of the 4th EU Money Laundering Directive and is continuing to support work by HM Treasury to transpose the directive into domestic legislation.

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<sup>27</sup> These figures cover those SARs which the UKFIU has proactively identified and disseminated to the NTFIU and the regional CTUs. In addition to these, the UKFIU provides data from SARs in response to search requests received from the NTFIU and CTUs. As such, these statistics do not include other numerous data mining results conducted on behalf of the counter terrorism agencies which result in the utilisation of SARs for CT investigations.

# Annex A: The SARs Regime

A Suspicious Activity Report (SAR) is a piece of information which alerts law enforcement that certain client or customer activity is in some way suspicious and might indicate money laundering or terrorist financing.

The UK Financial Intelligence Unit (UKFIU) is situated within the National Crime Agency (NCA) and has national responsibility for the gathering, analysis and dissemination of financial intelligence submitted through SARs.

The SARs Regime is the end-to-end system that enables:

- Reporters who spot suspicious financial transactions or any other suspicious activity that might suggest money laundering or terrorist financing, to report this to the UKFIU in a SAR.
- The UKFIU to process the SAR and store it on the SARs database.
- End users in law enforcement to subsequently make use of the data held on the SARs database, viewing them through an online portal called money.web.

The SARs Regime is supported by a legal framework, primarily contained within the Proceeds of Crime Act 2002 (POCA), as amended by the Serious Organised Crime and Police Act 2005 (SOCPA).

POCA establishes two distinct regimes for the handling of suspicions about criminal funds (ss.330-338). The first requires institutions in the reporting sectors to disclose (as SARs) to the UKFIU any suspicions that arise concerning criminal property or money laundering.

The second allows persons and businesses generally, and not just those in the reporting sectors, to avail themselves of a defence against money laundering charges by seeking the consent of the UKFIU to undertake an activity including completing a transaction (a 'prohibited act') about which they have concerns.

Consent decisions by the UKFIU are informed by processes which have been designed to ensure they are effective and proportionate, and which feature regular engagement with the reporter and law enforcement at all key stages, as laid out in Home Office guidelines. Similar provisions relating to terrorist financing are contained within the Terrorism Act 2000.

There is no de minimis limit, nor is there a requirement for the report to contain only transaction data. Rather, SARs should contain details of suspicious activity, thus ensuring the widest possible scope for reporting. By submitting a SAR to the UKFIU, a reporter complies with their obligations as required by law.

The SARs Regime is also supported by a range of strategies by HM Government and international bodies e.g. the Financial Action Task Force (FATF), designed to protect UK financial institutions and businesses from the threats posed by money launderers and terrorist financiers.



# Annex B: Total SARs by industry sector

SARs are attributed to the industry or profession the reporter identifies itself as belonging to.

Source Type	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	2014/15
Accountants	442	349	382	313	516	450	353	335	408	364	287	353	<b>4,552</b>
Anonymous	2	7	5	2	6	9	11	11	8	9	5	11	<b>86</b>
Asset management	36	21	32	22	35	39	32	34	29	43	52	46	<b>421</b>
Auction house	1	1	1	4	0	2	2	8	5	2	3	3	<b>32</b>
Banks	26,277	24,286	25,613	30,503	23,985	25,823	26,443	24,095	28,819	28,621	26,544	27,436	<b>318,445</b>
Barristers	0	0	1	1	0	1	0	1	1	0	0	0	<b>5</b>
Bookmaker	55	46	53	41	55	46	38	31	31	35	48	41	<b>520</b>
Building societies	1,503	1,105	1,005	945	1,545	1,282	1,203	1,353	1,512	1,456	1,141	1,756	<b>15,806</b>
Bureau de change	170	192	198	165	179	260	205	111	277	162	185	278	<b>2,382</b>
Capital markets	6	3	5	11	3	11	3	9	15	12	4	3	<b>85</b>
Charity	3	9	6	1	0	1	0	5	2	4	2	5	<b>38</b>
Cheque cashers	13	3	38	14	40	31	15	53	10	40	16	13	<b>286</b>
Clearing house	0	0	1	5	0	8	4	1	0	3	1	5	<b>28</b>
Consumer credit	50	38	13	35	52	223	144	80	70	147	65	165	<b>1,082</b>
Credit card	368	330	331	446	338	383	381	369	359	440	427	407	<b>4,579</b>
Credit union	29	85	19	18	56	51	50	170	68	35	64	95	<b>740</b>
Education	1	1	1	1	0	0	0	2	1	0	1	1	<b>9</b>
Electronic payment	167	113	103	180	158	182	196	163	241	329	208	208	<b>2,248</b>
Estate agents	23	47	16	20	13	36	16	19	36	55	34	40	<b>355</b>

Finance company	507	430	383	469	417	453	256	237	592	522	470	488	<b>5,224</b>
Friendly society	0	1	0	0	0	1	1	1	1	1	0	0	<b>6</b>
Gaming	86	56	83	106	99	106	95	78	82	77	79	105	<b>1,052</b>
Government	377	232	284	219	253	394	239	285	400	492	368	350	<b>3,893</b>
High value dealers	6	2	6	3	1	16	6	4	5	9	1	4	<b>63</b>
Independent financial advisers	2	1	4	0	0	0	0	0	1	2	0	0	<b>10</b>
Insurance	120	118	90	102	87	106	85	104	87	99	84	88	<b>1,170</b>
Investment exchange	3	2	5	0	1	1	2	2	4	1	2	0	<b>23</b>
IT	0	0	0	7	0	0	1	1	0	11	0	14	<b>34</b>
Legal other	50	29	24	19	18	16	14	15	11	16	22	16	<b>250</b>
Leisure	26	21	15	38	37	46	39	27	27	23	48	32	<b>379</b>
Licensed conveyancers	7	12	12	5	11	15	5	5	10	13	10	11	<b>116</b>
Local authorities	11	2	8	4	1	5	3	2	5	6	5	1	<b>53</b>
Manufacturer	0	0	0	0	0	1	1	0	0	3	3	3	<b>11</b>
Markets & exchanges	1	6	2	1	3	2	5	0	1	1	4	2	<b>28</b>
Money transmission	983	924	770	741	840	815	548	564	495	557	600	615	<b>8,452</b>
Mortgage provider	13	10	15	10	19	29	21	15	16	22	18	15	<b>203</b>
Motor organisation	2	0	3	2	2	3	2	4	2	9	4	7	<b>40</b>
Other	143	140	127	129	134	151	119	138	138	144	169	138	<b>1,670</b>
Other entities regulated by FCA	194	113	152	113	157	136	175	133	173	182	148	200	<b>1,876</b>
Pension provider	5	4	4	4	10	6	7	6	12	4	3	0	<b>65</b>
Private individual	6	4	5	8	3	3	9	9	6	13	13	12	<b>91</b>

Regulators	23	28	27	35	13	17	15	9	15	16	10	20	<b>228</b>
Retail intermediary	39	27	80	40	32	42	24	35	36	38	38	30	<b>461</b>
Security	3	13	1	10	1	1	10	5	4	6	1	8	<b>63</b>
Solicitors	322	319	296	264	308	330	275	285	283	285	231	263	<b>3,461</b>
Specialist financial services	16	7	4	20	7	11	18	12	15	17	10	9	<b>146</b>
Spread betting	12	18	12	14	20	56	116	62	63	45	51	39	<b>508</b>
Stockbrokers	12	21	30	12	16	30	18	28	28	17	22	34	<b>268</b>
Tax advisers	10	8	8	2	6	4	2	1	6	7	9	3	<b>66</b>
Trust or company service providers	14	11	4	11	8	4	5	5	16	4	11	8	<b>101</b>
Unknown	2	48	63	0	1	7	5	4	15	8	7	12	<b>172</b>
<b>Total</b>	<b>32,141</b>	<b>29,243</b>	<b>30,340</b>	<b>35,115</b>	<b>29,486</b>	<b>31,645</b>	<b>31,217</b>	<b>28,926</b>	<b>34,441</b>	<b>34,407</b>	<b>31,528</b>	<b>33,393</b>	<b>381,882</b>

# Annex C: Consent SARs by industry sector

SARs are attributed to the industry or profession the reporter identifies itself as belonging to.

Source Type	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	2014/15
Accountants	20	13	24	8	24	13	16	20	19	32	9	9	<b>207</b>
Anonymous	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
Asset management	9	9	12	11	12	17	13	6	21	18	24	25	<b>177</b>
Auction house	1	0	1	1	0	2	0	3	3	0	1	2	<b>14</b>
Banks	588	434	430	576	547	568	623	524	589	771	848	1,060	<b>7,558</b>
Barristers	0	0	1	0	0	1	0	0	0	0	0	0	<b>2</b>
Bookmaker	4	2	4	2	3	1	3	3	5	3	2	13	<b>45</b>
Building societies	31	16	17	26	14	25	18	20	26	23	25	26	<b>267</b>
Bureau de change	1	25	3	5	7	14	4	4	14	9	8	19	<b>113</b>
Capital markets	0	0	0	1	0	1	0	0	0	1	1	0	<b>4</b>
Charity	2	4	2	0	0	0	0	0	1	1	0	2	<b>12</b>
Cheque cashers	1	0	0	0	2	0	0	1	0	0	0	0	<b>4</b>
Clearing house	0	0	1	1	0	2	1	0	0	2	1	4	<b>12</b>
Consumer credit	5	0	1	3	1	3	0	0	3	2	0	0	<b>18</b>
Credit card	6	5	9	17	17	7	10	17	19	15	17	14	<b>153</b>
Credit union	0	0	1	1	3	1	0	0	0	0	2	0	<b>8</b>
Education	1	0	0	0	0	0	0	0	1	0	1	1	<b>4</b>
Electronic payment	46	36	23	58	62	44	37	42	61	49	39	34	<b>531</b>
Estate agents	7	7	6	11	8	19	6	7	16	15	16	14	<b>132</b>
Finance company	15	9	10	14	11	17	6	7	10	9	18	24	<b>150</b>
Friendly society	0	1	0	0	0	0	1	1	1	0	0	0	<b>4</b>
Gaming	5	1	7	3	7	8	12	9	10	6	5	6	<b>79</b>
Government	6	3	3	4	0	3	1	0	2	1	3	1	<b>27</b>
High value dealers	1	0	0	1	0	0	0	0	1	0	0	0	<b>3</b>
IFAs	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>

Insurance	22	9	16	16	16	17	8	17	20	16	16	17	<b>190</b>
Investment exchange	2	1	5	0	0	1	1	1	3	0	1	0	<b>15</b>
IT	0	0	0	5	0	0	0	1	0	0	0	0	<b>6</b>
Legal other	39	20	11	13	8	11	11	5	8	7	12	11	<b>156</b>
Leisure	1	3	4	0	6	6	5	0	1	2	0	0	<b>28</b>
Licenced conveyancers	7	10	9	5	9	13	4	4	10	11	8	9	<b>99</b>
Local authorities	6	1	2	1	0	4	1	2	4	3	3	1	<b>28</b>
Manufacturer	0	0	0	0	0	0	1	0	0	2	2	3	<b>8</b>
Markets & exchanges	0	3	1	0	1	1	3	0	1	1	3	1	<b>15</b>
Money transmission	23	13	11	7	13	19	21	13	18	31	22	29	<b>220</b>
Mortgage provider	4	3	4	4	5	9	4	4	5	7	9	8	<b>66</b>
Motor organisation	0	0	0	1	1	0	1	0	0	3	1	1	<b>8</b>
Other	40	46	38	43	47	48	44	43	42	39	64	58	<b>552</b>
Other FCA entities regulated by FCA	34	37	54	34	53	33	69	43	46	32	40	41	<b>516</b>
Pension provider	0	1	2	2	1	0	1	1	2	3	2	0	<b>15</b>
Private individual	0	0	0	0	0	0	0	1	0	0	1	1	<b>3</b>
Regulators	0	0	0	3	0	1	0	0	0	0	0	1	<b>5</b>
Retail intermediary	3	1	4	0	0	2	0	2	1	1	4	4	<b>22</b>
Security	0	0	0	0	1	0	0	0	0	0	0	0	<b>1</b>
Solicitors	241	237	210	203	244	262	224	197	225	222	162	187	<b>2,614</b>
Specialist financial services	2	0	1	1	0	0	0	1	1	2	0	1	<b>9</b>
Spread betting	8	12	6	8	14	44	108	53	54	39	46	27	<b>419</b>
Stockbroker	6	12	11	3	6	7	6	18	6	10	10	13	<b>108</b>
Tax advisors	0	1	0	1	0	0	0	0	1	0	1	1	<b>5</b>
Trust or company service providers	0	1	1	2	1	0	1	3	2	0	3	5	<b>19</b>
Unknown	1	2	3	0	0	1	1	1	3	3	3	3	<b>21</b>
<b>Total</b>	<b>1,188</b>	<b>978</b>	<b>948</b>	<b>1,095</b>	<b>1,144</b>	<b>1,225</b>	<b>1,265</b>	<b>1,074</b>	<b>1,255</b>	<b>1,391</b>	<b>1,433</b>	<b>1,676</b>	<b>14,672</b>

# Annex D: Terrorist finance SARs by industry sector

SARs solely disseminated to the National Terrorist Financial Investigation Unit (NTFIU) and Counter Terrorism Units (CTUs) from October 2014 to the end of September 2015 by source type.

Source Type	Number of SARs disseminated to NTFIU/CTUs from October 2014 to the end of September 2015	As a percentage of all terrorist finance SARs
Accountant/accountancy service provider	16	0.84%
Anonymous	7	0.37%
Asset management	4	0.21%
Auction House	1	0.05%
Banking	1,493	78.62%
Building society	42	2.21%
Bureau de change	17	0.90%
Charity	6	0.32%
Cheque casher	3	0.16%
Company formation	4	0.21%
Consumer credit	5	0.26%
Credit card	20	1.05%
Education	2	0.11%
Electronic payment	17	0.90%
Estate agent	6	0.32%
Finance company	10	0.53%
Gaming/leisure	5	0.26%
Government	8	0.42%
High value dealers	2	0.11%
Insurance	35	1.84%
Legal other	3	0.16%
Local authority	1	0.05%
Money transmission	106	5.58%
Mortgage provider	1	0.05%
Other	19	1.00%
Other entities regulated by the FCA	14	0.74%
Pension provider	1	0.05%
Private insurance	1	0.05%
Regulator	2	0.11%
Retail intermediary	5	0.26%
Security	1	0.05%
Solicitor	29	1.53%
Specialist financial service	4	0.21%
Spread betting	2	0.11%
Stockbroker	1	0.05%
Unknown	6	0.32%
<b>Total</b>	<b>1,899</b>	

# Annex E: Membership of the SARs Regime Committee<sup>28</sup>

NCA Director (ECC)

Association of UK Payment Institutions

British Bankers Association

Building Societies Association

Consultative Committee of Accountancy Bodies

England and Wales Police Lead for Proceeds of Crime

Financial Conduct Authority

Gambling Commission

HM Revenue & Customs – AML Supervision/Regulation

HM Revenue & Customs – Criminal Investigation

HM Treasury

Home Office

Law Society for England and Wales

National Crime Agency (Head of UKFIU)

National Terrorist Financial Investigation Unit

Police Scotland Lead for Proceeds of Crime

Police Service of Northern Ireland Lead for Proceeds of Crime

Royal Institute of Chartered Surveyors

Solicitors Regulation Authority

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<sup>28</sup> Membership as of 30 September 2015.

# Annex F: Current end users with 'direct' access<sup>29</sup>

Police forces		Multi agency teams and other agencies
Avon & Somerset	Merseyside	Eastern Regional Asset Recovery Team (RART) <sup>30</sup>
Bedfordshire	Metropolitan Police Service	East Midlands RART
British Transport Police	Ministry of Defence Police	London RART
Cambridgeshire	Norfolk	North East RART
Cheshire	Northamptonshire	North West RART
City of London	Northumbria	South East RART
Cleveland	North Wales	South West RART
Cumbria	North Yorkshire	Wales RART
Derbyshire	Nottinghamshire	West Midlands RART
Devon & Cornwall	Police Scotland	Crown Office, Civil Recovery Unit, Scotland
Dorset	Police Service of Northern Ireland	Department for Business, Innovation and Skills
Durham	South Wales	Department for Environment, Food and Rural Affairs
Dyfed-Powys	South Yorkshire	Department for Work and Pensions
Essex	Staffordshire	Environment Agency
Gloucestershire	Suffolk	Financial Conduct Authority
Greater Manchester	Surrey	Gambling Commission
Gwent	Sussex	HM Revenue & Customs
Hampshire	Thames Valley	Home Office
Hertfordshire	Warwickshire	National Crime Agency
Humberside	West Mercia	National Port Analysis Centre
Kent	West Midlands	NHS Protect
Lancashire	West Yorkshire	Northern Ireland Department for Social Development
Leicestershire	Wiltshire	Northern Ireland Environment Agency
Lincolnshire		Serious Fraud Office

<sup>29</sup> Accurate as of 30 September 2015.

<sup>30</sup> RARTs, made up of officers and staff from various law enforcement agencies, specialise in seizing assets and property from criminals where it has been established that they have acquired the assets by criminal means.



# Annex G: New individual registrants to SAR Online by sector<sup>31</sup>

	Oct 2014 to Sept 2015	Oct 2013 to Sept 2014
Credit institution – banks	5.41%	3.74%
Credit institution – building societies	0.52%	0.81%
Credit institution – others	5.53%	3.85%
Financial institution – MSBs	3.62%	5.38%
Financial institution – others	14.76%	15.97%
Accountants and tax advisers	21.92%	23.33%
Independent legal professionals	20.25%	19.67%
Trust or company service providers	0.52%	0.55%
Estate agents	8.95%	4.36%
High value dealers	1.35%	1.47%
Gaming/leisure <sup>32</sup>	1.67%	1.32%
Not under ML Regulations	15.51%	19.56%
<b>Totals</b>	<b>2,514</b>	<b>2,730</b>

<sup>31</sup> Sector categories are chosen by reporters on registration.

<sup>32</sup> Gaming/leisure includes casinos.

# Annex H: Glossary

## **Alerts**

Direct and indirect warnings produced by the NCA for business, financial institutions and industry about serious organised crime and its effects. They have led to the NCA working closely with targeted audiences to devise and establish preventative measures against serious organised crime.

## **Arena**

A search and analysis tool for end users of SARs.

## **Asset Recovery Office (ARO)**

The ARO receives and processes requests from EU member states to assist in the tracing and identification of the proceeds of crime. The ARO is also the single point of contact for UK law enforcement wanting to identify and trace assets abroad.

## **Camden Asset Recovery Inter-Agency Network (CARIN)**

An informal network of international law enforcement and judicial contacts aimed at assisting criminal asset identification and recovery.

## **CONNECT**

The system used by HMRC investigators to search for intelligence across multiple HMRC data sources.

## **Consent Regime**

The Proceeds of Crime Act 2002 (POCA) allows persons and businesses to avail themselves of a defence against money laundering charges by seeking the consent of the authorities (effectively via the UKFIU) to conduct a transaction or undertake other activity (a 'prohibited act') about which they have concerns. The decision to refuse or grant consent is made by the UKFIU in consultation with the appropriate law enforcement agency.

## **Counter Terrorism Units (CTUs)**

Regional units which were set up as part of a national response to terrorism, in line with the Government's counter-terrorism strategy, CONTEST.

## **Direct access to SARs**

Using computer technology to afford direct access to ELMER e.g. via money.web and/or ARENA. Access is governed by strict criteria set by the UKFIU.

## **Direct Access to SARs End User Agreement**

This document sets out the objectives, conditions and responsibilities of the NCA and all agencies seeking access to SARs material both at an organisation and individual level. It also provides guidance for the management of SARs information in compliance with disclosure legislation, Home Office Circular 022/2015 and the constraints and acceptable use of SARs material internally and with other partners.

**Discover**

Discover is a web-based portal that enables NCA officers to exploit the NCA's information more fully and with greater effect; both as intelligence support to general criminal investigations and to deprive criminals of illegally acquired assets.

**Economic Crime Command**

The purpose of the ECC in the NCA is to reduce the impact of economic crime (including the financing of serious and organised crime) on the society and economy of the UK.

**Egmont**

The coordinating body for the international group of Financial Intelligence Units (FIUs).

**Elmer database**

The existing SARs database in the NCA.

**End user**

A current or potential user of SARs such as a law enforcement agency or relevant government body.

**End User Criteria**

A set of criteria which must be met by any organisation seeking direct access to SARs through the money.web or ARENA systems.

**Financial Action Task Force (FATF)**

An independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction.

**FATF mutual evaluation**

The FATF conducts peer reviews of each member on an ongoing basis to assess levels of implementation of the FATF Recommendations, providing an in depth description and analysis of each country's system for preventing criminal abuse of the financial system.

**FATF Recommendations**

These are internationally endorsed global standards against money laundering and terrorist financing: they increase transparency and enable countries to successfully take action against illicit use of their financial system.

**FIU.NET**

The secure network for the exchange of data between Financial Intelligence Units (FIUs) in the EU.

**High end money laundering**

Laundering which is conducted as a service, either wittingly or unwittingly, by the financial sector or related professional services. High end money laundering is specialist, usually involves transactions of substantial value, and involves abuse of the financial sector and professional enablers.

### **Home Office Circular 022/2015**

This circular (full title: 'Money laundering: the confidentiality of sensitivity of Suspicious Activity Reports [SARs] and the identity of those who make them') covers the detailed procedures which law enforcement agencies and the NCA must follow to safeguard the confidentiality of the originator of a SAR.<sup>33</sup>

### **Home Office Circular 029/2008**

This circular (full title: 'Proceeds of Crime Act 2002: obligations to report money laundering – the consent regime') provides guidance on the operation of the consent regime and is used to ensure consistency of practice on the part of law enforcement in considering requests for consent under POCA.

### **Intelligence Hub**

The NCA is an intelligence-led agency driven by a central intelligence hub. This hub provides a single picture of all the threats from serious and organised crime. This collective intelligence directly informs the decisions of the NCA, allowing it to have maximum impact when it comes to fighting crime.

### **Joint Money Laundering Intelligence Taskforce (JMLIT)**

Launched in February 2015, the JMLIT provides an environment in which the financial sector and law enforcement agencies can exchange and analyse intelligence to detect, prevent and disrupt money laundering.

### **Money Laundering Regulations 2007**

These place requirements on certain industry sectors (the 'regulated sector') to put in place internal policies and procedures to prevent and forestall money laundering and terrorist financing.

### **Money.web**

The online portal through which end users access the SARs database.

### **Moratorium period**

If consent is refused within the 'notice period' (seven working days), law enforcement has a further 31 calendar days (the 'moratorium period') – from the day of refusal – to further the investigation into the reported matter and take further action e.g. restrain or seize funds. The 31 days includes weekends and public holidays. The reporter runs the risk of committing a money laundering offence if they proceed during the moratorium period whilst consent is still refused.

### **National Crime Agency (NCA)**

Formed in October 2013, the NCA is a crime-fighting agency with national and international reach and the mandate and powers to work in partnership with other law enforcement organisations, to bring the full weight of the law to bear in cutting serious and organised crime.

### **National Strategic Assessment**

The NCA's National Strategic Assessment is the most comprehensive public-facing analysis to date of the serious and organised crime threats affecting the UK. The NSA, and the response to it, is owned by the whole of law enforcement, including

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<sup>33</sup> Issued in June 2015, this updates and replaces the previous Home Office Circular 53/2005.

police forces and other national agencies and is informed by material gathered from a wide range of organisations, including local government, industry partners, the third sector and international allies.

### **National Terrorist Financial Investigation Unit (NTFIU)**

The law enforcement agency responsible for the investigation of terrorist finance in the UK. Based within the Metropolitan Police Service's Special Branch.

### **Notice period**

The law specifies consent decisions must be made within seven working days (the 'notice period') from the day after receipt of the consent request (excluding Bank Holidays and weekends). The purpose of the seven days is to allow the NCA and its law enforcement partners time to risk assess, analyse, research and undertake further enquiries relating to the disclosed information in order to determine the best response to the consent request. The reporter runs the risk of committing a money laundering offence if they proceed prior to receiving a decision from the NCA.

### **Politically exposed persons (PEPs)**

PEPs are defined as natural persons who are, or have been entrusted with, prominent public functions and immediate family members or persons known to be close associates of such persons. Only a minority world-wide are suspected to be engaged in criminal activity.

### **Proceeds of Crime Act 2002 (POCA)**

Part 7 of the Act defines the primary money laundering offences and requirements around the reporting of suspicious activity.

### **Production order**

An order which can be served on any person or institution, for example a financial institution, requiring the production of, or allowing access to, material; this might include documents such as bank statements.

### **SAR glossary codes**

SAR glossary codes are used by reporters when submitting a SAR to quickly describe the reason they suspect money laundering. They are intended to enhance the capabilities of law enforcement to use the submissions and to reduce the effort expended by reporters in completing a SAR.

### **Reporter**

An individual or organisation that submits a SAR (e.g. a bank, accountant, solicitor).

### **Reporting sector**

Those organisations that report SARs or are expected to report SARs under POCA.

### **Suspicious Activity Report (SAR)**

A collection of structured and unstructured information describing a reporter's suspicion of money laundering activity. SARs may be submitted under a legal requirement applying to UK organisations or outside such a legal requirement.

### **Suspicious Activity Reports (SARs) Regime**

The end-to-end system by which industry spots suspicious activity related to money laundering or terrorist financing and reports this to the UKFIU in a SAR. The UKFIU processes the SAR and stores it on the SARs database, and end users in law enforcement subsequently make use of it.

### **SAR Online**

The current portal allowing reporters to submit SARs via a web interface.

### **SARs Regime Committee**

The Committee brings together representatives from the regulator sector, supervisory organisations and law enforcement with the aim of improving the operation and effectiveness of the SARs Regime.

### **United Kingdom Financial Intelligence Unit (UKFIU)**

Receives and analyses SARs concerning suspected money laundering and terrorist financing and makes them available to law enforcement for appropriate action.