



# **NCA**

National Crime Agency

## **Suspicious Activity Reports (SARs) Annual Report 2014**

# Contents

|  |    |
|--|----|
| Statement by the Chair of the SARs Regime Committee.....       | 3  |
| Summary.....   | 5  |
| Part One: Performance.....                                     | 6  |
| Key statistics.....  | 7  |
| Sector breakdowns and engagement with regime participants..... | 10 |
| SARs data and exploitation.....                                | 18 |
| Staffing and development.....                                  | 20 |
| Transparency and governance of the regime.....                 | 21 |
| HMRC increasing the use of SARs.....                           | 24 |
| Consent.....   | 25 |
| Case studies.....  | 28 |
| IT resilience.....   | 32 |
| International work.....  | 33 |
| Part Two: Strategy for 2014–2016.....                          | 39 |
| Annexes.....   | 42 |

# Statement by the Chair of the SARs Regime Committee

It is my pleasure to present the Suspicious Activity Reports (SARs) Regime Committee Annual Report for 2014. Although this is the second report published under the National Crime Agency (NCA), it covers the first full year of the UK Financial Intelligence Unit (UKFIU) operating within the new agency.

Twelve months into the NCA, the UKFIU is firmly established within the organisation's infrastructure and working practices. Initially placed within the NCA's Intelligence Hub, the Unit has now moved into its permanent home within the Economic Crime Command (ECC). This recognises the strong synergies between the SARs Regime and the wider economic crime environment.

As both the Director of the ECC and Chair of the SARs Regime Committee, I am very keen to ensure that we are able to bring an enhanced focus and stronger joint working to the complete process, from initial suspicion by reporters to successful outcome – including those following a law enforcement intervention. Strengthening the effectiveness of the UK's response to money laundering is a key objective of the ECC, and that is reliant on the effectiveness of the SARs Regime.

The UKFIU sits at the heart of the SARs Regime, providing the gateway to reporters and a repository of confidential data to inform law enforcement. The UK remains committed to maintaining the UKFIU as a dedicated, appropriately resourced entity, as required by the Financial Action Task Force (FATF). This is evident from a significant flow of new entrants who have joined the UKFIU during the year as the first stage in their new career with the NCA.

As in previous years, the SARs Regime has continued to face challenges. The number of SARs submitted has continued to increase, consistent with recent annual increase rates, and has done so at a time when law enforcement's capacity to respond has not expanded. We have continued to work on replacing the existing SARs technology suite, although the unique aspects of the UK model, particularly regarding dissemination and volumes received, remain a significant challenge that has still to be resolved.

These factors have driven the need for closer working across all the component parts of the regime. In particular, we are working with the financial sector to explore new operating arrangements and with HM Government partners to improve the underpinning technology for all participants.

The UKFIU has supported HM Government partners with regard to: FIU aspects of the proposed Fourth European Union Anti-Money Laundering Directive; production of the FATF National Risk Assessment; and preparation for the FATF Mutual Evaluation. Internationally it has been a very busy year, with the UKFIU providing significant assistance to partners following events in Ukraine.

The UKFIU has taken a leading role in taking forward information sharing across the EU and in global forums. This has directly influenced investigative options in relation to sanctions and the misappropriation of assets following regime change.

As we enter a new year we have now set out how the regime will support the Serious and Organised Crime Strategy in addressing economic crime threats. I look forward to working closely with regime participants to successfully deliver a significant impact on the problem of financial crime.

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

**Donald Toon**

Director, National Crime Agency  
Chair of the SARs Regime Committee

# Summary

This is the eighth Annual Report of the SARs Regime Committee<sup>1</sup> and the first recording a full year's progress of the UKFIU under the governance of the NCA.<sup>2</sup>

As the last strategy for the regime concluded in 2012, it was agreed by the Committee that setting a further strategy would not be appropriate until NCA structures, roles and functions had been more clearly defined. As the NCA has now taken shape, this report will include the strategy for the period of 2014–2016.

Business aims which have underscored the UKFIU's activity over this reporting period (October 2013 to September 2014) have been:

1. Continued engagement with end users<sup>3</sup> and the reporting sectors.
2. Continued focus on the resilience of ELMER<sup>4</sup> and work towards a subsequent replacement.
3. Contribute to the development of the national and international operating and legislative environment influencing money laundering and terrorist financing, ensuring that the UKFIU is well placed upon creation of the NCA.

These areas will influence the structure of this year's report. As such the report will be broken down into the following areas:

- Part One: Performance
- Part Two: Strategy for 2014–2016

Part One outlines the performance of the SARs Regime over the reporting period and is structured around the three business aims above. Part Two presents the strategy for the regime over the next two years. These are then followed by a number of annexes: a brief overview of the SARs Regime (Annex A); a list of SARs Regime Committee members (Annex B); a full breakdown of general, consent, and terrorist finance SARs submitted by industry sector (Annexes C, D and E); a list of current end users of SARs with 'direct' access (Annex F); and a glossary of useful terms and definitions in Annex G.

The SARs Annual Report contributes towards the UK's obligations under the Third European Union Money Laundering Directive to provide feedback to industry on SARs and to generally increase the feedback provided to reporters.<sup>5</sup>

---

<sup>1</sup> The SARs Regime Committee has oversight of the regime and allows the effective involvement of stakeholders in the way in which the regime operates.

<sup>2</sup> Although the 2013 report was published under the NCA, it referred to the reporting period of October 2012 to September 2013 under the management of the Serious Organised Crime Agency (SOCA). The UKFIU became part of the NCA on 7 October 2013.

<sup>3</sup> A current or potential user of SARs such as a law enforcement agency or relevant government body.

<sup>4</sup> The SARs database in the NCA.

<sup>5</sup> An individual or organisation that submits a SAR.

# Part One: Performance

At the outset of the reporting year the UKFIU undertook a review of the composition of the sector groupings used for reporting purposes. Whereas each group was reflective of a specific business type, they made no distinction between regulated and non-regulated businesses. In order to make this distinction, and to allow greater clarity in the analysis of the figures, the UKFIU has brought the sector groupings in line with the Money Laundering (ML) Regulations 2007.<sup>6</sup> To provide as much reporting continuity as possible, a number of subcategories have been created, as listed in the chart below.

**Figure i: Change in sector groupings**

| Previous sector groupings: SARs Annual Report 2012/13 | New sector groupings: ML Regulations 2007 (SARs Annual Report 2013/14) |
|---|--|
| Banks   | Credit institution – banks   |
| Building societies                                    | Credit institution – building societies                                |
| Financial services/stocks and shares                  | Credit institution – others  |
|   | Financial institution – others   |
| Money service businesses (MSBs)                       | Financial institution – MSBs   |
| Accountants   | Accountants and tax advisers   |
| Legal   | Independent legal professionals  |
| Previously reported under Other <sup>7</sup>          | Trust or company service providers                                     |
| Estate agents   | Estate agents  |
| High value dealers                                    | High value dealers   |
| Gambling  | Casinos  |
| Other/government/non-regulated gambling               | Not under ML Regulations   |

Broadly, the only significant changes occur in:

- The re-composition of the financial and credit institution groupings (banks, building societies and MSBs continue as before)
- Gambling, where the non-regulated businesses now move into the 'Not under ML Regulations' group
- Government, which moves into the 'Not under ML Regulations' group.

<sup>6</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.

<sup>7</sup> In previous SARs Annual Reports, trust or company service providers were recorded as company formation agents, which fell under the 'Other' sector grouping.

## Key statistics

The total number of SARs received during the reporting period increased by 11.90% on the previous year from 316,527 in 2013 to 354,186 in 2014. The increase remains in line with previous years and demonstrates a continual increase in the number of SARs by 10–13% each year. The majority of the increase during this year is provided by the credit institutions (banks and building societies). The SARs Regime Committee believes the increase in numbers is more likely to be as a result of awareness raising within the sector and the impact of regulatory pressure, as opposed to any actual increase in instances of money laundering and financial crime in the UK.

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

| Key statistics                      | Oct 13 to Sept 14 | Oct 12 to Sept 13 |
|-------------------------------------|-------------------|-------------------|
| Total SARs                          | 354,186           | 316,527           |
| Consent SARs                        | 14,155            | 14,103            |
| Percentage submitted electronically | 99.55%            | 99.25%            |
| Percentage submitted manually       | 0.45%             | 0.75%             |
| Breaches of confidentiality         | 2                 | 2                 |

SARs can be submitted by any method. The top 18 reporters use a bulk data transfer mechanism which is more appropriate for their volumes. Most other reporters use SAR Online.<sup>8</sup> At the start of the year the access to SAR Online was migrated over to the NCA website. A number of SARs are still submitted on paper. Although very low in the overall volume of reports, additional UKFIU effort is required to manually input each one onto the system. Therefore reporters continue to be encouraged to use SAR Online as the method of reporting.

**Figure iii: Methods of reporting SARs**

|                        | SAR Online | CSV file/<br>encrypted<br>bulk data <sup>9</sup> | Word/<br>encrypted<br>email | Paper | Total               |
|------------------------|------------|--|-----------------------------|-------|---------------------|
| <b>Total SARs</b>      | 57,519     | 294,922  | 164                         | 1,581 | 354,186             |
| <b>Total reporters</b> | 4,436      | 18   | 1                           | 537   | 4,967 <sup>10</sup> |

## New reporters

There were 2,730 new SAR Online registrations (Figure iv) during this reporting year. This includes registrations from 1,945 unique institutions<sup>11</sup> (71.25% of all new registrations) that were entirely new to SAR Online. The remaining registrations were from individuals working for institutions already using the system.

<sup>8</sup> A secure web-based reporting mechanism that, upon registering, 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.

**Figure iv: New individual registrants to SAR Online by sector<sup>12</sup>**

|   | Oct 13 to Sept 14 | Oct 12 to Sept 13 |
|---|-------------------|-------------------|
| Credit institution – banks              | 3.74%             | 3.21%             |
| Credit institution – building societies | 0.81%             | 0.75%             |
| Credit institution – others             | 3.85%             | 2.80%             |
| Financial institution – MSBs            | 5.38%             | 9.64%             |
| Financial institution – others          | 15.97%            | 14.12%            |
| Accountants and tax advisers            | 23.33%            | 24.65%            |
| Independent legal professionals         | 19.67%            | 18.94%            |
| Trust or company service providers      | 0.55%             | 0.60%             |
| Estate agents                           | 4.36%             | 3.40%             |
| High value dealers                      | 1.47%             | 2.91%             |
| Casinos                                 | 0.81%             | 0.60%             |
| Not under ML Regulations                | 20.07%            | 18.38%            |
| <b>Totals</b>                           | <b>2,730</b>      | <b>2,677</b>      |

## Analysis of SARs reporting by sector

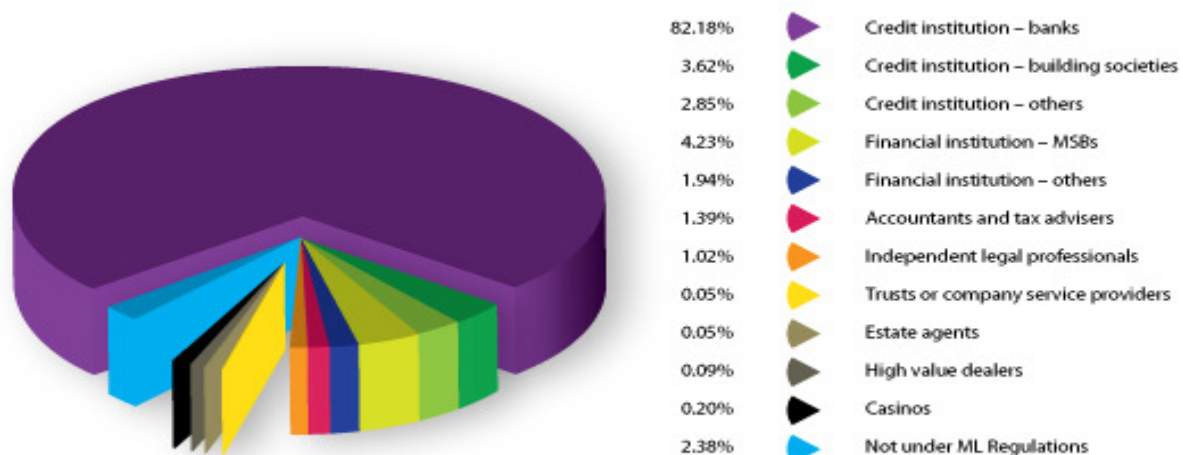
As in previous years, the largest reporter of SARs continued to be the banking sector (making up 82.18% of all SARs received, compared with 79.40% for 2012/13). As with last year, money service businesses (MSBs) were the second largest reporting sector (4.23% for 2013/14, compared to 6.74% the previous year). It is not possible to assess what the 'correct' level of reporting for each sector is – SARs are submitted based on the reporter's suspicions, although the UKFIU encourages reporters for better quality of SARs over quantity. A more comprehensive breakdown of SARs by sector can be found in Annex C at the back of this report.

Figure v shows the proportion of total SARs submitted by sector.

<sup>12</sup> Sector categories are chosen by reporters on registration.



**Figure v: SARs submitted by reporting sectors covered by the ML Regulations, October 2013 to September 2014**



**Figure vi: SARs submitted by sector**

| Oct 13 to Sept 14                       | Volumes        | % of total  | % comparison to 2012-13 |
|---|----------------|-------------|-------------------------|
| Credit institution – banks              | 291,055        | 82.18%      | 15.80%                  |
| Credit institution – building societies | 12,834         | 3.62%       | 18.35%                  |
| Credit institution – others             | 10,094         | 2.85%       | 9.99%                   |
| Financial institution – MSBs            | 14,990         | 4.23%       | -29.77%                 |
| Financial institution – others          | 6,868          | 1.94%       | 1.24%                   |
| Accountants and tax advisers            | 4,930          | 1.39%       | -9.17%                  |
| Independent legal professionals         | 3,610          | 1.02%       | -7.96%                  |
| Trust or company service providers      | 177            | 0.05%       | -19.18%                 |
| Estate agents                           | 179            | 0.05%       | -16.74%                 |
| High value dealers                      | 331            | 0.09%       | -9.81%                  |
| Casinos                                 | 704            | 0.20%       | 12.10%                  |
| Not under ML Regulations                | 8,414          | 2.38%       | 34.32%                  |
| <b>Total</b>                            | <b>354,186</b> | <b>100%</b> | <b>11.90%</b>           |

**Figure vii: SARs submitted by the financial services sector**

| <b>Oct 13 to Sept 14</b>  | <b>Volumes</b> | <b>% of total</b> | <b>% comparison to 2012-13</b> |
|---|----------------|-------------------|--------------------------------|
| Consumer credit   | 335            | 1.98%             | 126.35%                        |
| Credit card   | 4,036          | 23.79%            | 0.22%                          |
| Credit union  | 329            | 1.94%             | -0.30%                         |
| Finance company   | 5,224          | 30.80%            | 15.65%                         |
| Mortgage provider   | 170            | 1.00%             | 9.68%                          |
| Asset management  | 456            | 2.69%             | 18.44%                         |
| Electronic payment  | 1,549          | 9.13%             | 5.52%                          |
| Other entities regulated by the Financial Conduct Authority (FCA) | 1,587          | 9.36%             | 19.50%                         |
| Insurance   | 1,713          | 10.10%            | -24.00%                        |
| Pension provider  | 79             | 0.47%             | -63.59%                        |
| Retail intermediary   | 322            | 1.90%             | 41.23%                         |
| Specialist financial services                                     | 542            | 3.20%             | 23.74%                         |
| Stockbroker   | 514            | 3.03%             | 52.07%                         |
| Other financial institutions                                      | 106            | 0.62%             | -17.19%                        |
| <b>Totals</b>   | <b>16,962</b>  | <b>100%</b>       | <b>6.27%</b>                   |

## **Sector breakdowns and engagement with regime participants**

It should be noted that the UKFIU places no expectations on the volume of reports from different sectors; it only requires that legislation is followed and that SARs are submitted when it is appropriate to do so. Sectors and their regulators are encouraged by the UKFIU to judge if the volume of SARs submitted is proportionate to the threats their sectors face, and the quality of SARs is paramount as that impacts on their contribution to fighting criminality.

### **Banks**

Retail banks continued to be the major contributor of SARs, with submissions from this sector alone (291,055) exceeding the total number of SARs received by the UKFIU for the reporting period of 2011/12 (278,665). It is also an increase of 15.80% on the 2012/13 submissions by the sector (251,336).

It is considered that the robust stance of banking industry regulators towards financial crime both in the UK and globally may have been a major influence on the volumes of SARs reported by banks. In consultation with the sector, other potential influencing factors include: significant additional investments by banks in strengthening their anti-money laundering (AML) systems; increased engagement with the NCA and other law enforcement agencies (LEAs); and a pro-active approach by banks in examining risk and identification of fraud and possible fraudulent activity.

### **Building societies**

SARs from building societies have continued to rise, with an 18.35% increase in disclosures submitted over the previous reporting period (from 10,844 in 2013 to 12,834 in 2014). Following the outreach work undertaken in 2012/13, the UKFIU

has built on these relationships at an operational level. As with the banking sector, the regulators' focus on AML controls may also have played a part.

The UKFIU values the importance of its relationship with banks and building societies. One way in which it seeks to maintain this is through participation in the Proceeds of Crime Operational Group which provides an opportunity for feedback and for discussing operational matters including the effective operation of the SARs Regime. The UKFIU has also continued its engagement with professional bodies representing banks which have smaller operations within the UK, including foreign banks and those representing newly established banks.

## Money service businesses (MSBs)

Although MSBs were the second largest reporting sector (4.23%), this year saw a decrease in the number of SARs submitted by the sector, down 29.77% from 21,343 in 2012/13 to 14,990. Much of this change is in the cheque cashing business.

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

| Oct 13 to Sept 14  | Volumes       | % of Total     | % comparison to 2012-13 |
|--------------------|---------------|----------------|-------------------------|
| Bureau de change   | 2,966         | 19.79%         | 41.98%                  |
| Cheque casher      | 1,159         | 7.73%          | -77.11%                 |
| Money transmission | 10,865        | 72.48%         | -23.44%                 |
| <b>Total</b>       | <b>14,990</b> | <b>100.00%</b> | <b>-29.77%</b>          |

It has been a complex year for MSBs, with the market constricting following the 'de-risking' in this sector by financial institutions.<sup>13</sup> According to Her Majesty's Revenue & Customs (HMRC), the number of principal MSBs (those who would report) is down by 21%. They believe this action has led to the setting up of further agent networks which can impact upon the submission of SARs. HMRC has recently published updated guidance which exhaustively covers SARs reporting requirements and highlights some indicators of risk. Additionally, customers can access the SAR Online reporting tool from the HMRC website.

The NCA continued to work closely with HMRC, the Financial Conduct Authority (FCA), LEAs and with MSB trade associations and their members through Project Quaver, in a bid to reduce the risk of criminal exploitation of MSBs for money laundering purposes. Over the year, the UKFIU supported Project Quaver through engagement with MSBs and banks, and by providing SAR-related feedback and AML guidance.

The MSB sector remains a sector with significant high-risk elements within it, both in exchange and remittance. However, the majority of the sector is increasingly aware of risk and the consequences of failing to manage these risks.

Through Project Quaver, the NCA will continue to work with partners to identify how the criminal money laundering threat evolves and to ensure the regulated sector is aware of and counter these threats.

<sup>13</sup> In a bid to reduce a bank's overall risk profile ('de-risking'), some larger banks have terminated MSB accounts.

## **Accountants and tax advisers**

The number of SARs submitted by this sector was down from 5,428 to 4,930, a drop of 9.17%. There was also a slight decrease in terms of new individual registrations to SAR Online – 23.33% compared to 24.56% for 2012/13. The UKFIU is currently working with the regulators/supervisors of this sector which will examine these reductions.

## **Trust or company service providers**

In previous SARs Annual Reports this sector was listed under company formation agents. As explained on page six of this report, this is now recorded as trust or company service providers (TCSP) to provide reporting continuity with the sector groupings as listed in the ML Regulations 2007.

The number of SARs submitted from this sector has dropped 19.18% compared to the previous year (219 to 177). Following consultation with the sector it has been suggested that the number of SARs has dropped as customers are providing the required identity documents.

## **Estate agents**

SARs submitted by the estate agency sector decreased by 16.74% compared with last year (215 in 2013 to 179 in 2014); this coincides with the end of the extensive outreach work with the property professionals sector, which included UKFIU participation in Office of Fair Trading (OFT) workshops. There has, however, been an increase in SAR Online registrations by this sector (up to 4.36% from 3.40%), probably as a result of UKFIU participation in National Association of Estate Agents (NAEA) and Association of Residential Letting Agents (ARLA) conferences.

## **Independent legal professionals**

Whilst there was a slight increase in new reporters from the legal sector<sup>14</sup>, up from 18.94% in 2013 to 19.67% in 2014, the volume of SARs from the legal sector has decreased rather than increased (from 3,935 in 2012/13 to 3,610). Outreach work to encourage people to register and report when necessary has been undertaken and the Law Societies have also continued to push education and training. Additionally, the impact of the economic downturn on mergers and acquisitions and residential property markets has seen fewer transactions in this area; these are business areas in which legal sector reporting has traditionally been higher.

The Solicitors Regulation Authority (SRA) has embarked upon a schedule of activity with solicitors and firms focusing on AML compliance. As part of this work the SRA intends to try and understand why the number of SARs has reduced and will be working with key partners to do this.

During this reporting period, the UKFIU issued two urgent UKFIU bulletins. All the law societies assisted in delivering key messages to their members through their secure delivery mechanisms which has supported the submission of related SARs.

---

<sup>14</sup> Barristers are not included in these statistics, as they are not covered by the ML Regulations. See Annex C for the total number of SARs submitted by barristers.

## Casinos and the gaming sector

The figures for casinos have increased by 12.10%. Continued work by the Gambling Commission with British casinos to drive up AML standards, and partnership with the NCA in a bid to drive up reporting standards within the industry, may account for the growth in SARs.

The non-regulated sector has increased by 77.19%. This is a reflection of greater awareness in the sector.

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

| Oct 13 to Sept 14            | Volumes      | % of total     | % comparison to 2012-13 |
|------------------------------|--------------|----------------|-------------------------|
| Bookmaker (unregulated)      | 405          | 27.49%         | 151.55%                 |
| Gaming (regulated)           | 704          | 47.79%         | 12.10%                  |
| Spread betting (unregulated) | 364          | 24.71%         | 33.33%                  |
| <b>Totals</b>                | <b>1,473</b> | <b>100.00%</b> | <b>38.70%</b>           |

## High value dealers

There was a small drop in the number of SARs submitted by high value dealers, from 383 in 2013 to 331 in 2014. This is a complex environment in which businesses can register if they intend to take high value payments as well as actually receiving them. A number of businesses visited by HMRC have reported fewer high value payments during the course of their business, and the reason for fewer SARs this year may be indicative of a move away from high value cash payments by customers.

## Engagement with regime participants

During the year the UKFIU has participated in over 228 conferences, events, presentations and meetings aimed at SARs Regime participants. This included 101 events for reporters, 95 for LEAs and 32 regulator visits. This does not, however, take into consideration the extensive personal engagement with participants through emails and telephone calls.

## Supervisors and professional bodies

As part of its model of engagement<sup>15</sup>, the UKFIU has continued to liaise closely with regulators, supervisors and trade associations, with a focus on trying to improve the quality of consent SARs as a result of poor practice identified by the Consent Team (for reference see last year's SARs Annual Report). The Law Society of England and Wales and a representative of the SARs Regime Committee and the accountancy sectors have met with the UKFIU to discuss issues relating to their sectors. The UKFIU worked collaboratively with sector regulators such as HMRC (especially in the run-up to their taking over regulation of the estate agency sector), the Gambling Commission and the SRA.

<sup>15</sup> In 2012 the SARs Regime Committee agreed a new model of engagement should be developed with a view to delivering feedback and outreach more effectively, particularly taking into account available resources.

The UKFIU remains focused on providing information and guidance on the SARs Regime through the regulators, supervisors and professional bodies so that they can cascade the information to their members in the most efficient and useful way.

## **SAR glossary codes**

The SAR Glossary of Terms (or 'SAR glossary codes') was introduced in 2007, following requests from reporters, to make it easier for end users to identify relevant SARs and reduce the effort made by reporters in completing SARs. The codes were revised in October 2013 to make them easier to use and more relevant to different reporting sectors.

The UKFIU conducted a review of the codes and how they were used, in consultation with the SARs Regime Committee, trade associations, supervisors, regulators, reporters and end users. In response to feedback received during this process, many old glossary codes were removed and some new ones introduced.

The new codes were published alongside an explanation guide aimed at enhancing reporters' understanding of the application of the codes and the value of their correct usage to law enforcement analysis and intelligence development.

There has been a steady transition over to the use of the new codes during the year, and the UKFIU would encourage reporters to continue to use them. The glossary codes are invaluable at helping end users (such as HMRC or the Department for Work and Pensions) to identify SARs which are relevant to them. Various glossary codes relating to campaigns have also been issued; these assist in easily identifying new SARs, avoiding ambiguity in terminology to explain different criminal activity.

## **Guidance notes**

In July, the UKFIU produced its third SARs Twice Yearly Reporter Booklet aimed at encouraging best practice among reporters, sharing perspectives on the use of SARs and highlighting successful law enforcement outcomes in the form of case studies. Feedback again was very positive from recipients, with the booklet disseminated via supervisors and regulators as part of the UKFIU model of engagement.

Other publications issued during this period included:

- Fraud typologies
- Consent guidance review products
- Sector reviews
- Guidance on the closure of cases requesting consent<sup>16</sup>
- Revised and updated versions of UKFIU communication products previously issued under the Serious Organised Crime Agency (SOCA).

Over the year, the UKFIU issued three specific Alert Bulletins. Two of the bulletins were written in collaboration with the Ministry of Defence (MoD) Police, and were issued in June. The MoD Financial Intelligence Unit (FIU) assesses all SARs either

---

<sup>16</sup> See page 28 for further details of this new procedure, which came into effect on 1 October 2014.

allocated or associated to the MoD, enabling them to identify payment patterns which, although they may appear unusual, may not necessarily be indicative of criminal activities. Both these bulletins contained details of such patterns and were provided to the private sector to raise awareness.

The third UKFIU Alert Bulletin, issued in July, followed a review of gaming sector SARs by the UKFIU. Entitled 'Ticket In, Ticket Out (TITO) Awareness', the Alert was circulated by the UKFIU and the Gambling Commission to those in the gaming sector to raise awareness about the use of TITO<sup>17</sup> vouchers as a potential means of laundering money.

Over this reporting period 437 SARs were submitted by reporters as a result of NCA Alerts. The vast majority of these SARs derived from one of the Alerts done in collaboration with the MOD, as well as the TITO Alert and Alerts on 'Non-Declared International Transfers' and 'How to Identify and Report Organised Tax Credit Fraud'.

Two consent bulletins were issued to the legal sector regarding specific fraud identified as being threats to their area. One related to a large debt recovery fraud which the UKFIU identified as being targeted at client accounts. This was a worldwide fraud which targeted small and medium sized firms across the UK. The other was a credit card debt recovery fraud; it was such a small amount that it raised no immediate concerns in most of the firms targeted.

Although the UKFIU does not routinely receive direct feedback from reporters regarding the effectiveness of such bulletins, the UKFIU were informed by one firm that they had taken direct action as a result, saving themselves from falling victim to a fraud and saving a potential loss well into five figures.

The UKFIU also contributed to a number of articles on SARs best practice for specialist publications and partners' websites.

## **NCA Alerts**

Alerts are an information sharing gateway which the NCA uses to provide assessed or specific intelligence to the private sector, trade bodies and relevant regulators. Based on the NCA or partners' knowledge and understanding, Alerts:

- warn of a specific danger, threat or problem
- provide guidance, or
- request information to bring about the prevention and detection of criminality in line with the NCA's statutory functions.

Alerts are now processed within the NCA's Intelligence Hub. The UKFIU has worked with the Alerts Team looking at how crime typologies can be identified by SAR glossary codes or key word identifiers, and how better feedback can be provided to reporters with the objective of improving the content, quality and value of SARs. Furthermore, SARs information can often be very useful in writing NCA Alerts.

---

<sup>17</sup> A TITO slot machine prints out a voucher which can be redeemed for cash or inserted into other TITO machines.

## End users

During this reporting year the UKFIU has revised and re-branded the Direct Access to SARs End User Agreements<sup>18</sup> for both organisations and individual users. The amendments have been driven by: the transition from SOCA to the NCA; to ensure that end users of SARs are working within the parameters of the Crime and Courts Act 2013; and to reinforce the handling of SAR material in line with the requirements of Home Office guidance (Circular 53/2005: 'Money laundering – the confidentiality and sensitivity of Suspicious Activity Reports [SARs] and the identity of those who make them').

## SAR confidentiality

Protecting the confidentiality of those who submit SARs is the foundation stone of the SARs Regime and the NCA takes seriously any potential breaches of such confidentiality. This year the NCA continued to work very closely with investigators and prosecutors to ensure they have procedures in place to identify and manage sensitive material with due regard to the Proceeds of Crime Act 2002 (POCA), Home Office Circular 53/2005 and the effective operation of the SARs Regime.

The NCA has a dedicated hotline for reporters to raise any concerns about the inappropriate use of SARs. The SARs Regime Committee has drafted amendments to the Home Office guidance for consideration in light of the developments with the use of SARs within courts, both in criminal justice and civil proceedings.

There were two formal allegations of a breach of confidentiality recorded during this reporting period. The first was self-reported to the NCA by an agency who stated they had inadvertently disclosed SAR material to a reporter. They were reminded of the sensitivities of SARs under the Home Office guidance and the statutory offences outlined under POCA. The second breach was self-declared by an agency's investigation team. No risks emerged, and the situation was resolved by improvements to in-house training measures for the agency concerned.

## Vulnerable persons

As reported in last year's SARs Annual Report, one of the consequences of increased partnership working across multiple agencies has been the identification of members of the public who are vulnerable to, or likely to become victim to, financial crime. In its role of receiving, analysing and disseminating SARs, the UKFIU plays a part in providing SAR information effectively and efficiently to support partners' activity and protect the public.

The UKFIU is able to identify new SARs containing information on various potential financial crimes that target vulnerable members of society, e.g. romance fraud<sup>19</sup>, boiler room fraud<sup>20</sup> or bogus official fraud. Here, while fulfilling their AML and terrorist financing obligations, reporters sometimes identify vulnerable persons susceptible to exploitation or significant harm. Such SARs are fast-tracked to LEAs providing them with opportunities to act early, usually by offering advice to the victim/potential victim to prevent crime occurring or to thwart further losses.

---

<sup>18</sup> 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.

<sup>19</sup> Dating or romance scam, when the 'perfect partner', usually online, gains the victim's trust and asks for money.

<sup>20</sup> Involves bogus stockbrokers, usually based overseas, cold calling people to pressure them into buying shares that promise high returns. In reality, the shares are either worthless or non-existent.



Similarly, as part of the UKFIU's 'Making the Most of SARs' initiative (see page 19), some SARs are screened and fast-tracked to LEAs which may relate to priority crime areas. A recent example is where a subject of a SAR was suspected by a reporter of being involved in the purchasing of indecent images of children. This SAR was fast-tracked to the relevant agency to enable the appropriate protection plans to be put in place.

In the reporting period 1,783 vulnerable person intelligence packages were disseminated to LEAs. This is an increase of 223% on the same period the previous year. This increase is due to more reporters using the term 'vulnerable person' or the glossary codes enabling the SARs to be quickly identified, and a conscious effort by the UKFIU to identify and disseminate these reports as swiftly as possible.

The following case studies are just a few examples of how SARs are helping to protect vulnerable members of society:

### **Subject who lost over £350,000**

The subject, a vulnerable person for many years, had been sending funds to offenders in West Africa via money transfer systems. A number of SARs related to family members who had loaned money to the subject believing that the subject was investing it for them and that they would see a return on their investment. The subject had initially refused to accept that there was a problem and had refused to accept help when a relative had tried to intervene. Eventually the subject admitted that they were being defrauded and sought assistance. Following advice from police they have changed their contact details, and family members who provided funds are now aware of what they were used for and that there will likely be no return of them. It is not known how much money the subject has lost over the years, but it is estimated to be £350,000 to £400,000.

### **SAR highlights individual who would have lost £250,000 to fraud**

The subject of a SAR was receiving multiple large credits from another individual. It was established that this second individual was a vulnerable person who had been defrauded through rogue trading type offences and had lost approximately £250,000 as a result. A restraint order<sup>21</sup> was obtained on the remaining balance which was used to compensate the victim.

### **Victim of romance scam loses their life savings**

A SAR reported a customer transferring funds to a third party in West Africa. The subject was visited by police officers and identified as being the victim of a romance scam. The subject had lost their entire life savings and had recently cashed in their occupational pension with the intention of also transferring funds. Police intervention prevented this loss.

---

<sup>21</sup> A restraint order prevents the defendant from dealing with any restrained assets, identified or not, wherever they are in the world.

## **SARs highlight couple used as money mules by fraudsters**

A number of SARs provided intelligence on an elderly couple who were being targeted by fraudsters and used as money mules, despite having been visited and advised by police on a number of previous occasions. Enquiries showed that they had laundered over £40,000 by transferring money overseas via MSBs. Following liaison with the National Fraud Intelligence Bureau (NFIB)<sup>22</sup> and social services, a decision was made not to arrest the subjects due to their age; instead, a warrant was executed at their home to seize computers and documents in respect of the money laundering. Their family, who were previously unaware of the fraud and the money laundering, were fully briefed by police, and has now put protective measures in place.

## **SAR stops pensioner from losing even more as victim of boiler room fraud**

SAR intelligence indicated that an elderly pensioner was sending funds overseas and there were concerns that he might be a victim of fraud. He was visited by the local police and it was established he was a victim of a boiler room scam, and had lost in the region of £75,000. He would undoubtedly have sent a lot more had the SAR not been submitted and an officer not visited him. Advice was given and details were passed to the NFIB.

## **SARs data and exploitation**

The SARs Data Exploitation Team (SDET) analyses patterns and trends within SAR reporting to support the UKFIU's partnership engagement, with the ultimate aim being to see an improvement in the quality of submissions. Over the year SDET has continued to work closely with analysts from the reporting sector and end user community, identifying crime trends and sharing pertinent information.

## **Sector reviews**

During the reporting period SDET started a programme of reviewing a range of sectors within the SARs Regime. Each review looked at the following areas:

- general reporting trends highlighting volume and seasonal patterns, type of suspicions, comparisons to other sector trends, recorded crime statistics and patterns
- whether guidance and good practice was visible in the sector, including the visibility of NCA Alerts and UKFIU products
- assessments against a range of indicators and basic standard expectations including the use of SAR glossary codes, correct use of SAR fields, and inclusion of basic information e.g. dates of birth, addresses and suspicion
- performance relating to consent SARs submitted
- dispersion and spread variations against geographical factors, regional and international considerations

---

<sup>22</sup> The City of London Police's NFIB uses millions of reports of fraud to identify serial offenders, organised crime groups and established and emerging crime types.

- case/thematic studies (points of interest or good practice), including relevant law enforcement feedback and activity.

During the year, reviews were completed for the building society, legal, real estate and gaming sectors and provided to the appropriate regulators or trade bodies. These have received very positive feedback and are helping regulators and trade bodies identify areas to focus upon. The intention is to continue to conduct regular sector reviews seeking areas for improvement and the identification of good practice to share throughout the SARs Regime.

## **Analysis of previous engagement**

SDET has conducted a dip sample of SARs to assess the value of previous engagement with reporters conducted by the UKFIU's Dialogue Team. Early indications have shown that reporters are taking on board the advice and guidance provided. However, it is also noticeable that some reporters have made limited progress in relation to certain behaviours e.g. insufficient information describing the suspicion, repeated errors relating to consent requests and the lack or incorrect use of the SAR glossary codes.

The UKFIU intends to review the sectors in an effort to identify those areas which require improvement and, more importantly, those areas where engagement is bringing success. Those reviews will be shared with regulators for them to cascade through appropriate routes to associated supervisors and professional bodies.

## **Virtual currency**

Virtual currency and technological advancements are open to exploitation by criminals. The NCA, together with a wide range of partners, is collaborating on determining a picture of this threat under Project Disburse. The UKFIU has contributed to this work by analysing patterns and trends reported in SARs. Although there has been a rise in the number of SARs referencing bitcoin over the year, that trend cannot be relied upon to suggest that it is a growth area for criminality.<sup>23</sup>

## **Making the most of SARs**

The motivation behind the 'Making the Most of SARs' initiative stems from the UKFIU's determination to further explore how it can increase the 'value' of SARs information across the NCA and wider law enforcement, in line with the objectives to Pursue, Prevent and Protect as outlined in the Government's Serious and Organised Crime Strategy. It is also built upon the absolute need to maintain the integrity of the SARs Regime and its confidentiality aspects.

The key function of the UKFIU as required by the FATF is to receive, analyse and disseminate SARs. It is imperative that the UKFIU improves and increases the effectiveness of how SAR information is made available and utilised by all end users.

In order to ensure that the maximum potential is achieved, the UKFIU has been conducting a range of initiatives exploring how it handles and exploits the

---

<sup>23</sup> It would appear, to some extent, to be an effect of the increased awareness of the currency rather than an increase in the criminal use of it.

information it receives, as well as reinforcing how others in the NCA/UK LEAs can access and 'use' that material.

Teams within the UKFIU screen and analyse the SARs for opportunities to prevent and detect crime. New SARs are screened and those meeting certain criteria are fast-tracked to end users to enable them to act early.

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

Since February 2014 the UKFIU has been running daily matches of all incoming SARs against all those identified as causing most harm to the UK from serious and organised crime. This has involved matching SARs against key nominal<sup>24</sup> information. When a match is identified the lead officer in the case is promptly notified, and, if requested, the SARs are then disseminated directly to the relevant accredited financial investigator/financial intelligence officer in the respective LEA as an intelligence package.

The benefit of this process is the quick-time turnaround and the opportunity to exploit time critical windows.

The pilot scheme has resulted in a number of arrests following the execution of search warrants, the recovery of cash and stolen property, and has provided actionable intelligence for other law enforcement interventions. Other feedback is highlighting the value of this initiative in protecting the more vulnerable members of our communities (see page 16).

The below case study highlights the benefits of fast-tracking SARs to law enforcement to action:

### **Firearm material and cannabis seized following fast-track**

A SAR based on suspicion around drug activity was fast-tracked to a police force within a day of it being submitted by the reporter. Following a short police investigation a warrant was executed resulting in one person being arrested. Material contravening firearm legislation, around £20,000 and large quantities of cannabis were recovered.

## **Staffing and development**

### **Staffing levels**

Officers within the UKFIU were eligible to take the NCA voluntary early release scheme, an NCA-wide process to reshape the agency to ensure that it delivers for the public by cutting serious and organised crime, as well as reducing costs. Several officers left the UKFIU through this process, and some others have moved within the agency due to natural movement and development of officers. These vacancies have been filled with some experienced NCA officers and newly recruited NCA trainees. The headcount for the UKFIU has therefore remained broadly static; however, there is a gap in experience which will take some time to replace.

---

<sup>24</sup> A nominal is a person of interest to law enforcement.

## **Industry awareness**

In February, the UKFIU held two more successful awareness seminars for its officers. The purpose of the seminars was to support UKFIU officers in developing the level of skill, knowledge, understanding and experience necessary to carry out their duties to the standard expected of a national bureau, ensuring the UKFIU is recognised nationally and internationally as a centre of excellence.

The seminars were organised by the Policy, Coordination and Communications Team (PCC) within the UKFIU. As part of the UKFIU's designated powers, there is a need for the UKFIU to remain up-to-date with its external partners by supporting officers in continued professional development. The majority of the existing officers have completed the financial intelligence officer training and five officers have completed the International Compliance Association diploma/certificate in AML. Both these courses increase the awareness and understanding required to be effective within the UKFIU.

## **Transparency and governance of the regime**

The SARs Regime Committee oversees the NCA's responsibilities relating to the SARs Regime. Its members come from the private sector, government bodies and law enforcement and seek to represent key sectors that participate in the regime.

At the Committee's meeting in January, NCA Director Trevor Pearce stood down as the Committee's interim chair. He thanked members for their work and support. He was replaced by Donald Toon, permanent Director of the NCA's Economic Crime Command (ECC). The structure and governance of the SARs Regime will be reviewed in light of the overall changes to the UK response to economic crime through the work of the NCA.<sup>25</sup>

## **The UKFIU and Economic Crime Command**

The purpose of the ECC is to reduce the impact of economic crime (including the financing of serious and organised crime) on UK society and its economy. The ECC will achieve this by leading, supporting and coordinating national efforts against countering economic crime, including work with law enforcement, regulatory bodies and the private sector.

There are obvious areas of mutual interest for the ECC and UKFIU, for example in respect of illicit money flows and the relationship with the regulated sector. Therefore the ECC and UKFIU have been working closely together to pursue common objectives.

Financial sanctions, including recovering assets stolen through unjust enrichment by governments and powerful individuals, are a strong component of UK and multi-lateral international relations policies. Through the ECC, the NCA aims to give effect to sanctions put in place by the government and tackle sanctions evasion. SARs form a vital part of this work, providing significant intelligence to enable effective identification of assets and of those individuals seeking to evade sanctions.

---

<sup>25</sup> As of 1 October 2014 the UKFIU moved from the Intelligence Hub into the Economic Crime Command. See page 3.

The laundering of criminal proceeds, together with the commission of complex fraud, is heavily reliant on access to the professional skills of, among others, lawyers, accountants and trust or company service providers. Whilst the vast majority of such professionals have high standards of integrity, they are undermined by others who may undertake criminal activity, are willfully blind to the nature of their 'customers' or are simply careless.

Tackling the use of such 'professional enablers' to facilitate serious and organised crime is a key strand of activity for the NCA. The NCA is supporting a Home Office 'Prevent' campaign, planned for October 2014, to encourage behaviour change in these sectors. The UKFIU will play an important role in educating about SARs, with the aim of raising awareness of them in these sectors and increasing the quality of those submitted.

Over the reporting period the UKFIU has also supported the ECC with work on bribery and corruption in line with the Serious and Organised Crime Strategy. This has included providing SARs analysis for ECC work on Ukrainian kleptocracy and money laundering, and working with overseas FIUs to ensure that, where possible, intelligence on this issue is shared to support ongoing investigations (for further information on UKFIU working and Ukraine see page 35).

The NCA National Strategic Assessment was published on 1 May 2014. This is the objective picture of serious and organised crime affecting the UK and its interests. It presents the overarching priorities as agreed by UK law enforcement and key partners from the public, private and third sectors, and provides the UK's understanding of the threat and nature of money laundering in the UK.

## **SARs Regime Tasked Group**

An ad-hoc sub group of the main SARs Regime Committee, the SARs Regime Tasked Group can be mobilised and assigned discreet pieces of work identified by the main committee. It is made up of individuals representing public and private sector bodies who are able to consider and advise on specific issues. During the year the Tasked Group was convened to look at the following areas:

- SARs confidentiality
- SARs efficiency

## **SARs confidentiality**

The Tasked Group met in November 2013 to discuss the disclosure of SAR material and to consider potential amendments to Home Office Circular 53/2005. Various issues were raised but generally it was felt that the circular required updating rather than redrafting.

It was apparent that there was a lack of understanding within the reporting community that SARs were potentially disclosable material in court proceedings. Strong feelings were presented by the reporting sector on the requirement to maintain confidentiality at the forefront of consideration, as there was a continuing fear that exposure could impact upon reporting levels.

The UKFIU, law enforcement representatives, and the Crown Prosecution Service (CPS) re-emphasised that the likelihood of a SAR being disclosed remained minimal. However, processes/risk assessments were in place to safeguard

reporters. This was the overriding consideration and Home Office Circular 53/2005 established a strong process to ensure that this took place.

It was discussed that the SARs Regime was not a secret regime, and critically SARs were no longer an unknown quantity to the defence. Although SARs generally supported the prosecution, they could also support the defence. There were examples to suggest that defendants were actively using the existence of a SAR as a tactic in their defence strategy.

The group discussed the increased use by the private sector of SARs in civil proceedings, particularly to defend against litigation. It was agreed that this was a matter for the individual parties concerned. However, this did increase the awareness of SARs and would impact on how they were viewed in criminal prosecutions.

It was agreed that guidance and education needed to be improved in order to promote better understanding by the CPS, the judiciary, some sectors of law enforcement and the reporting sectors. Some additional guidance had already been published for the CPS as part of their continuing professional development.

The proposed amendments to the circular are currently awaiting Home Office approval.

## **SARs efficiency**

The Tasked Group also met in November 2013 to examine whether efficiencies or improvements could be made to the regime.

The following were agreed as positive aspects of the regime:

- There was a strong sense of partnership on governance, and that the SARs Regime Committee was a constructive forum through which to deliver change. The relationship/partnership working between reporters, end users and the UKFIU was better than that which existed in many other jurisdictions. The UKFIU was very good in engaging with stakeholders, had people that knew the subject matter, and also understood industry sensitivities and requirements.
- The regime offered a degree of protection and confidentiality was well respected. Serious criminals were being tackled and there were good operational outcomes prompted by SARs and the regime. For many units, SARs had become a routine inclusion in the investigative process check and provided new intelligence.
- The UK's wide definition of money laundering allowed sectors outside of financial institutions to report.
- SAR Online was fundamentally good as a reporting system but needed development.

Several areas were identified for development. This included areas such as IT and better operational guidance. These form part of the SARs Regime Strategy for the next two years.

## HMRC increasing the use of SARs

In the last quarter of 2013 HMRC launched a new Criminal Finance (CF) strategy. Going forward, this will form a key part of all HMRC's civil and criminal investigative work, with noteworthy intelligence captured, analysed and the outcomes used to inform enhancements to relevant policies, processes and operational activities. It is based around five key areas: recovery; financial investigation and money laundering offences; AML supervisory responsibilities; CF policy; and CF intelligence. SARs will play a fundamental part in HMRC's renewed drive to maximise intervention opportunities afforded by the CF intelligence strategy and POCA.

HMRC has been working with the NCA to utilise the former's data matching tool CONNECT (a system that enables the organisation to cross match HMRC and third party data) with SARs data. Following successful trials last year to match risk profiles<sup>26</sup> to SARs data, the 'SARs into CONNECT' project is generating cases for HMRC's Specialist Investigation, Criminal Investigation and Local Compliance directorates.

It is anticipated that this project, following three years of development work and trials, will shortly become business as usual creating an increasing number of intervention opportunities in respect of all taxes, duties and entitlements policed by HMRC.

HMRC has developed a 'No Safe Havens' programme which aims to identify undeclared and unreported assets and income hidden overseas, and to recover (together with relevant penalties/sanctions) unpaid taxes. SARs are fundamental to this programme:

- A dedicated intelligence team has been created by HMRC to identify cases of offshore evasion and avoidance. Money.web<sup>27</sup>, and in particular ARENA<sup>28</sup>, will be used extensively to mine ELMER and support this program.
- HMRC has embedded three officers in the UKFIU to work with the NCA to identify and develop sensitive SAR intelligence, particularly that available via Egmont<sup>29</sup> to support HMRC's 'No Safe Havens' program.

HMRC continues to refine and develop the handling of consent SARs, which are utilised to their maximum potential to disrupt criminal activity. In the financial year of April 2013 to March 2014, HMRC's Consent and Bank Liaison Team received 2,210 consent requests. HMRC recovered £1.29million of fraudulent payment/repayment claims made.

The funds are recovered using a civil process in the form of an indemnity letter which has proved to be a cost effective method given the volume involved. Additionally, HMRC's close working with banks has seen 1,535 bank accounts closed (under the financial institutions' own terms and conditions), which has prevented the accounts being used for their intended fraudulent purpose.

---

<sup>26</sup> CONNECT allows HMRC to identify anomalies between factors such as bank interest, property income, other lifestyle indicators and a customer's stated tax liability.

<sup>27</sup> The online portal through which end users access the SARs database.

<sup>28</sup> A search and analysis tool for end users of SARs.

<sup>29</sup> The coordinating body for the international group of FIUs.



In another initiative working with the NCA, HMRC has promoted the issue of an Alert relating specifically to tax credits withdrawn abroad, where mule accounts are used by individuals trafficked to the UK for the purpose of making false claims. The project has been successful as, upon investigation, 100% of accounts identified as a result of this initiative have proved fraudulent, thus preventing further loss to the Treasury.

## Consent

The Proceeds of Crime Act 2002 (POCA) allows reporters a defence against money laundering charges 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" in the form of a SAR to the NCA.

The UKFIU Consent Team manages the receipt, assessment and resolution of consent requests. The team liaises with law enforcement partners to inform the UKFIU decision making concerning the granting of consent or a refusal; where no relevant LEA is identified, the Consent Team itself will decide whether to grant or refuse consent to a reporter for a transaction or activity.

This process provides law enforcement with opportunities for intervention before a potential money laundering 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 remained very similar to previous years with 14,155 submitted, compared to 14,103 in 2012/13. The total restrained in this period was £141,517,652, a significant increase on the total figure for last year (£20,104,214); however, the restraint value in five cases has skewed the overall picture for 2013/14.

Four of the five cases involved restraint on behalf of overseas LEAs in the amount of £44million, £23million, £22million and £12million. The fifth case ensured the protection of assets for the creditors of a UK company attempting liquidation – in the amount of £18million. The accumulative total for the five is £119million.

The remaining £22million restrained represents a slight increase on last year's figure, and despite the ongoing difficulties in the process with turnaround times and standard of submission (see page 27), the results show an upward trend.

Cash seizure as a result of refused consent was lower this year (£107,951 compared to £173,374 the previous year); however, the amount seized as a result of consent requests granted this year has more than doubled to £309,260 from £148,374 in 2012/13.

Additionally the amount restrained as a result of granted consent requests is recorded as £339,540 this year, again significantly higher than the £217,081 in the previous year. However, there is 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 £141,934,863.<sup>30</sup>

The refusal rate for refused consents has also increased slightly, from 9.18% in 2012-13 to 11.5%.

### Figure x: Outcomes of refused consent requests

| Interventions arising from refused consent requests Oct 13 to Sept 14 |                     |
|---|---------------------|
| Restraint sums  | £141,178,112        |
| Cash seizure sums   | £107,951            |
| Funds indemnified by HMRC   | £1,286,499          |
| Funds repatriated to HMRC   | £1,176,091          |
| <b>Total</b>  | <b>£143,748,653</b> |
| Cases with arrests recorded   | 35 (47 arrests)     |
| Refusal rate for the period   | 11.5%               |

### Figure xi: Outcomes of granted consent requests

| Interventions arising from granted consent requests Oct 13 to Sept 14 |                 |
|---|-----------------|
| Restraint sums  | £339,540        |
| Cash seizure sums   | £309,260        |
| <b>Total</b>  | <b>£648,800</b> |
| Cases with arrests recorded   | 5 (5 arrests)   |

<sup>30</sup> This figure also includes cash seizure sums.

**Figure xii: Consent requests refused**

|              | Consent requests refused |                                | Refused consent requests that were subsequently granted in the moratorium period <sup>31</sup> |                                |
|--------------|--------------------------|--------------------------------|--|--------------------------------|
|              | Number                   | Percentage of requests refused | Number   | Percentage of overall refusals |
| Oct 2013     | 206                      | 15.77%                         | 24   | 11.65%                         |
| Nov 2013     | 160                      | 12.41%                         | 30   | 18.75%                         |
| Dec 2013     | 120                      | 12.20%                         | 28   | 23.33%                         |
| Jan 2014     | 172                      | 12.79%                         | 19   | 11.05%                         |
| Feb 2014     | 124                      | 11.74%                         | 30   | 24.19%                         |
| Mar 2014     | 150                      | 12.11%                         | 52   | 34.67%                         |
| Apr 2014     | 124                      | 10.05%                         | 30   | 24.19%                         |
| May 2014     | 136                      | 11.21%                         | 46   | 33.82%                         |
| Jun 2014     | 104                      | 9.01%                          | 43   | 41.35%                         |
| Jul 2014     | 126                      | 9.86%                          | 55   | 43.65%                         |
| Aug 2014     | 108                      | 10.92%                         | 49   | 45.37%                         |
| Sept 2014    | 102                      | 9.55%                          | 28   | 27.45%                         |
| <b>Total</b> | <b>1,632</b>             | <b>11.53%</b>                  | <b>434</b>   | <b>26.59%</b>                  |

## Turnaround of consent requests

Over this reporting period, 48% of all consent requests were dealt with in-house. The average turnaround time for all requests was 4.3 days and is an increase on the previous year (3.5 days). This reflects the complexity of requests and the increase in threshold requests, coupled with a decline in basic quality of SARs. The UKFIU continues to deploy additional resources in this area both permanently and at times of peak demand.

One of the causes behind delays in the turnaround of consent requests is the non-inclusion of one or more of the elements required of a submission, namely:

1. The information or other matter which gives the grounds for knowledge, suspicion or belief.
2. A description of the property that is known, suspected or believed to be criminal property, terrorist property or derived from terrorist property.
3. A description of the prohibited act for which consent is sought.
4. The identity of the person or persons known or suspected to be involved in money laundering or who committed or attempted to commit an offence under any of sections 15 to 18 of the Terrorism Act.\*
5. The whereabouts of the property that is known or suspected to be criminal property, terrorist property or derived from terrorist property.\*

<sup>31</sup> The law specifies that 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 law enforcement time to risk assess, analyse, research and undertake further enquiries relating to the disclosed information. If consent is refused within the 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 reporter matter and take further action e.g. restrain or seize funds.

\*4 and 5 are mandatory if the knowledge or suspicion has come to the reporter in the course of a business in the regulated sector.

The Consent Team routinely has to contact the reporter to establish whether the matter is a consent SAR and it is these phone calls which have been extending the time delays. The UKFIU has worked with the sectors towards improving the quality of SARs. This has included dissemination of guidance review products, working closely with some of the sectors to show the regulators and trade bodies actual instances of poor quality, and presentations to reporters and regulators.

Analysis of consent SARs subsequently showed that work with partners did not improve the overall quality. As a consequence, the UKFIU has introduced a new process for dealing with poor quality reports. This is with a view to reducing the delays which impact on all partners within the regime. This process came into effect on 1 October 2014 and will be reflected in the statistics for next year's Annual Report.

## **Threshold variations**

The overall turnaround figure for consent can be skewed by threshold variation requests. Section 339a of POCA makes provisions with regards to threshold payments which are managed through the Consent Team. Whilst threshold requests do not attract a statutory time limit, they still require the attention and timely response from the Consent Team. This year there has been a significant number of such requests which have impacted on the team's work.

From October 2014 threshold variations are now being recorded as a separate category so that in future Annual Reports the turnaround time can be calculated accurately for both types of submission.

## **Case studies**

Every six months the UKFIU distributes the Twice Yearly Feedback Questionnaire (TYFQ) to end users of SARs. Through this mechanism, users can report on their achievements and share and encourage best practice relating to the use of SARs. The importance and relevance of end users providing useful feedback on reporters' submissions, along with case studies on the varied ways SARs can be used to reduce harm, is increasingly being used in support of the UKFIU's model of engagement.

Providing feedback to the NCA also helps to improve communication and understanding between SARs Regime participants and enables the NCA to keep all stakeholders sighted on how the regime continues to make a positive difference. Such feedback is essential for a number of reasons, and users of SARs need to be ready, more than ever before, to offer up evidence of how the regime makes a positive difference to law enforcement and the wider AML and counter terrorist financing environment.

The FATF has begun its fourth round of mutual evaluations.<sup>32</sup> As the UK's own evaluation draws closer greater emphasis on feedback is being made, and the UK will be required to show the effectiveness of the money laundering regime in the UK.

The following case studies are just a few examples of the wide range of crimes that SARs assist in tackling. It is not possible to publish details of all cases reported in the TYFQs due to case sensitivities, or the case being subject of sub judice provisions. As ever, the UKFIU is very grateful to those reporters who gave permission for case studies relating to their submitted SARs to be included in the Annual Report. This gratitude extends to the relevant end users – without such cooperation, the UKFIU would not be able to demonstrate the value of the investment made by the reporting sector in the regime.

### **SARs identify accounts linked to \$500million fraud**

A UK-based subject, linked to an overseas organised crime group (OCG) involved in global fraud with estimated victim losses of \$500million, ran a lottery scam targeting elderly/vulnerable US and UK citizens. As the subject was believed to be using a network of money mules, both willing and unwitting, investigators used SARs intelligence to inform the investigation to seek to identify the accounts that the illegal funds were passing through. SARs intelligence revealed a business account linked to a couple of associates of the subject, which was identified as having received hundreds of thousands of pounds from overseas third parties, which were then withdrawn in large cash sums. Further SARs intelligence was received which identified additional accounts linked to the couple which had also received funds from the fraud. The couple were found guilty of money laundering and received prison sentences. The initial subject<sup>33</sup> was found guilty of conspiracy to defraud and was also imprisoned. Confiscation<sup>33</sup> proceedings are ongoing.

### **SARs indicate £4million gambling habit – and lead to prison sentence**

During an investigation into an OCG a series of SARs identified a principal within the group who was involved in suspicious activity. The SARs indicated the individual had gambled approximately £4million. Information from the SARs assisted in the investigation and helped the investigating agency to obtain a witness statement regarding the individual's gambling habits. This contributed to bringing about a guilty plea to money laundering charges and conspiracy to evade excise duty. The offender received a prison sentence and a confiscation order for over £70,000.

---

<sup>32</sup> 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.

<sup>33</sup> The purpose of a confiscation order is to recover the financial benefit that an offender has obtained from their criminal conduct.

### **£3million forfeiture following SAR intelligence**

A SAR was submitted on a business account linked to a suspect in a money laundering investigation. The suspect made further attempts to transfer cash, which resulted in a SAR requesting consent being placed on the linked business account. The suspect/subject of the SAR was arrested for money laundering and a forfeiture order<sup>34</sup> was subsequently granted for over £3million.

### **SARs lead to restraint freezing £1million**

Following a number of consent requests, law enforcement enquires revealed an investment firm that appeared not to be known to the FCA, the thought being that it was an unregulated collective investment scheme.<sup>35</sup> Subsequently, a restraint order was obtained freezing £1million. The subject was charged with various fraud offences and carrying on regulated activity without authorisation contrary to the Financial Services and Markets Act 2000. It is estimated that £3.3million was invested with a potential loss of £2million. The subject subsequently received a prison sentence and confiscation proceedings are underway.

### **SARs assist in securing confiscation order for just under £300,000**

A number of SARs related to payments overseas. An investigation relating to the sale of counterfeit goods online resulted in a prison sentence for the seller. Assessed as having benefited from their criminality by over £800,000, a confiscation order of just shy of £300,000 was made against them. They were also made the subject of a financial reporting order.<sup>36</sup> This case was a good example of different agencies working together and involved International Letters of Request (ILOR).<sup>37</sup>

### **SAR intelligence leads to £250,000 restraint and four prison sentences**

SAR intelligence was received on a nominal who was known to be a drug dealer. The intelligence indicated substantial cash sums into his account. Enquiries identified over £100,000 in accounts held plus a property in the UK and possibly one abroad. A restraint order was obtained and assets of around £250,000 restrained. Four people were arrested and all were charged with conspiracy to steal. The main subject was sentenced for conspiracy to steal and money laundering; the other three were imprisoned for conspiracy to steal. Had SAR intelligence not been received, there would have been no police operation and the OCG may well have been able to continue committing criminality.

---

<sup>34</sup> When cash is detained, an application may be made to the court for the forfeiture of the whole or any part of it.

<sup>35</sup> UCI are collective investment schemes which are not authorised and regulated in the UK but can still be sold here.

<sup>36</sup> FROs require a convicted criminal to report their financial details at regular intervals.

<sup>37</sup> The purpose of an ILOR is to ask the requested state to obtain specific identifiable evidence.

## **SARs lead to £40,000 restrained and conviction for benefit fraud**

SARs material identified a subject lodging numerous amounts of cash into various bank accounts over a number of years. Enquiries revealed that the subject was in receipt of various state benefits and that they had a large amount of savings. The unexplained cash deposits to the subject's accounts over a number of years totalled over £100,000. As a result of this over £40,000 was restrained and the subject convicted of benefit fraud.

## **Prison sentence follows SAR querying cash in subject's account**

A SAR disclosed information that the subject was detailed as self-employed and lodging cash into their account. It was established that this information had not been declared when the subject made their claims for means-tested benefits. A criminal investigation was carried out and it was established that they held funds in excess of the permitted statutory limits in accounts. They were subsequently convicted of benefit fraud and received a prison sentence. A compensation order of over £36,000 has been satisfied.

## **SARs assist in production and restraint order, evidence of drug dealing**

A reporter raised concerns after reading in the press about one of their customers who had been arrested in possession of a large amount of drugs. Their SAR proved helpful to the investigating police force which was able to obtain a production order<sup>38</sup>, which in turn assisted in providing evidence of drug dealing. It also assisted in obtaining a restraint of £20,000 worth of assets. The subject received a prison sentence.

## **SARs lead to investigation involving banned performance-enhancing drugs**

The subject was accused of running a large-scale illegal international operation involving banned performance-enhancing drugs. All the drugs were on the current World Anti-Doping Agency list of banned substances for sports, and were banned in this country for any use other than medical. The subject received a suspended prison sentence and confiscation proceedings are ongoing. The case would not have come to light without intelligence from SARs.

## **SARs highlighting internet fraud lead to conviction and compensation**

SARs raised concerns that an account holder was engaged in internet fraud by selling goods which did not exist and processing the funds through accounts. Action Fraud<sup>39</sup> reports were subsequently received and the subject arrested. The subject admitted setting up a bogus internet site to sell items that would never be supplied. They received a community order and were ordered to pay compensation to the victims.

---

<sup>38</sup> 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.

<sup>39</sup> Action Fraud is the UK's national fraud and internet crime reporting centre.



## IT resilience

The UKFIU strategy continued to focus on two areas of activity this year: improving the capability and sustainability of the current SARs Information Technology (IT) systems, whilst assessing potential longer term replacement options.

Work to improve the compatibility of money.web with the latest IT operating systems was successfully completed. This was essential due to the imminent withdrawal of Microsoft support for Windows XP.<sup>40</sup> More than 60% of police forces and other end user agencies were successfully migrated to the new solution which addressed the issue.

Testing was conducted on SAR Online to assess compatibility with the latest web browsers. Findings confirmed that SAR Online worked most efficiently with Internet Explorer 11.0. Some performance issues were identified when using other web browsers which the UKFIU is attempting to resolve. Work was also successfully completed on SAR Online to improve the user experience in terms of performance and speed of the website.

Further upgrade work on the IT servers is planned. This will add extra resilience to the UKFIU's internal SARs IT systems.

During the year the UKFIU and its IT suppliers conducted an in depth proof of concept of a potential product to replace the existing SARs IT suite. This work followed on from a feasibility study conducted in the previous year. The conclusion was that the system does not currently meet the full needs of the UK SARs Regime and therefore an alternative way forward is being considered.

In conjunction with this a thorough assessment of sustainability options for the existing SARs IT suite was completed. The findings of this will be factored into the decision making process for the future SARs IT capability which delivers the best overall value.

## ARENA

ARENA has been greatly enhanced over the last reporting year. The main features that have been improved surround the bulk search and 'Alert Me' function. The search facility based on thematic hierarchies and categories has also been introduced which enables end users to search on SARs falling within topics such as 'cyber crime' or 'human trafficking'. Categories of relevance to particular organisations can now be added to this search facility. The geo-location postcode data has also been updated and incorporates the newest postcode information in the UK, including all postcodes covering Northern Ireland, which were previously unavailable on the system.

Over the reporting period the UKFIU hosted two ARENA user forums in September. These were used to present the enhancements that have been deployed this year. Both forums were well attended and offered the opportunity for practitioners to discuss different styles of exploiting the SARs data. Further forums will take place in the new year. The UKFIU continues to issue ARENA newsletters on a quarterly basis, communicating important messages concerning the system, along with any useful updates and information suggested by members of the forums.

---

<sup>40</sup> As of 8 April 2014 Microsoft support for Windows XP ended. This meant that support and updates would no longer be available (and as a result, users of XP could potentially become more vulnerable to security risks and viruses).



Working very closely with the College of Policing and the National Centre for Applied Learning Technology (NCALT), the UKFIU has continued to develop an e-learning package for ARENA. A small working group was set up consisting of a number of representatives from end user organisations. The e-learning package is in its testing stage and was expected to be made available to end users in November.

### **SAR intelligence identifies additional account**

A subject, who had been arrested on suspicion of money laundering, told the investigating LEA that they did not have a bank account. A credit check on the subject seemed to support this. However, on reviewing ARENA, it was clear that the subject did hold a bank account and a production order was obtained. The information from the financial institution clearly showed over £40,000 banked as unexplained income. The information obtained from ARENA led to the subject being charged with money laundering.

## **International work**

### **Strengthened intelligence sharing with international partners**

The UKFIU is the designated single point of contact for UK LEAs with overseas Financial Intelligence Units (FIUs). The UKFIU administers the UK's function within the Egmont Group of FIUs, the European FIU network (FIU.NET), the European Asset Recovery Office (ARO) network and the Camden Asset Recovery Inter-Agency Network (CARIN). The exception is Police Scotland who administer the ARO and CARIN networks for Scotland (but not Egmont).

The Egmont Group is an international organisation comprising FIUs from almost 150 jurisdictions worldwide. It enables FIUs to securely share financial information with other member countries for intelligence purposes. As part of this recognised global network, Egmont members can take advantage of the cooperation and mutual assistance fostered by the group to gather intelligence.

The UKFIU administers the FIU.NET system, the secure computer network for the data exchange of financial intelligence between FIUs within the European Union (EU). FIU.NET encourages cooperation between member states in the fight against money laundering and terrorist financing. The number of requests through this method has increased by almost 40% over the reporting year.

The UKFIU International Team processes inbound and outbound requests for criminal asset tracing intelligence through the ARO, the conduit for requests among EU member states, and through the CARIN, an informal network of non EU jurisdictions.

The UKFIU assists investigators by facilitating the tracing and identification of proceeds of crime and other crime related property which may become the object of a freezing, seizure or confiscation order 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. The team has facilitated the sharing of information provided by overseas jurisdictions in relation to funding serious organised crime and money laundering.

All information exchanged by the UKFIU is subject to strict controls and safeguards ensuring compliance with national provisions on privacy and data protection. As a minimum, exchanged information is protected by the same confidentiality provisions as apply to information from domestic sources obtained by the receiving FIU.

The UKFIU International Team receives requests for assistance from overseas partners via these networks, and searches against databases available to them to collate any information held on subjects. That information is then assessed for relevance to the request and all relevant information is suitably formatted. That information is entered into a UKFIU intelligence report which is disseminated to the requestor. The same process is employed when SARs are identified as having potential relevance to an overseas jurisdiction. A formatted report is prepared and spontaneously disseminated via the secure networks.

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

|                      | Number of financial intelligence requests received | Number of financial intelligence requests made by UKFIU |
|----------------------|--|---|
| Egmont network       | 778  | 570   |
| FIU.NET network (EU) | 537  | 449   |
| ARO network          | 140  | 293   |
| CARIN network        | 14   | 37  |
| Other                | 13   | 10  |
| <b>Total</b>         | <b>1,482</b>                                       | <b>1,359</b>  |

|   |       |
|---|-------|
| Intelligence reports spontaneously received from overseas   | 1,434 |
| Intelligence spontaneously disseminated (excluding Europol) | 361   |
| Intelligence spontaneously disseminated to Europol          | 131   |

The number of spontaneous disseminations to other countries (including Europol) by the FIU increased significantly over the period. 131 intelligence disseminations were in support of Europol based operational activity with member states.

Examples of the range and scope of the work conducted by the UKFIU International Team over the year is included below:

- A foreign FIU contacted UKFIU International to discuss its interest in assets held in the UK which related to an investigation into bribery and corruption. The UKFIU's Consent Team was notified of this foreign interest in case a consent request was submitted. A consent request was subsequently received and contact was made with the foreign FIU. The consent related to the release of assets valued at over £20million. Consent was refused. As a result, UK law enforcement was able to obtain a restraint order under POCA.
- Four SARs were identified where false identities were potentially being used to commit identity fraud within the EU and the UK. Intelligence reports were produced relating to money laundering offences and the use of fraudulent documents. This intelligence was used to assist further investigations by the NCA and in European jurisdictions.

- An urgent consent request was received from an EU FIU where fraudulent transactions were being received from UK accounts. Contact was made with a UK police force and confirmation received of UK investigations. Ultimately the EU FIU managed to stop the funds, enabling UK banks to reclaim the transactions. Intelligence was provided to the investigative teams in both countries.
- The team assisted in developing financial intelligence relating to joint operations between Europol, UK and other member states into a crime group involved in human trafficking and money laundering. This resulted in eight intelligence reports (sourced from 21 SARs) being sent to Europol for dissemination to EU partners.
- The team disseminated intelligence to an overseas FIU which alerted the overseas authorities to subjects travelling to their jurisdiction with approximately \$40,000 in cash. This information enabled the authorities to stop the subjects upon their arrival in their jurisdiction.
- UK law enforcement was investigating a vulnerable missing person connected to human trafficking. An account used by the person was held in a foreign jurisdiction and a request was made to establish if the account was active. A reply was received within 24 hours that showed the account was active and the exact location of where the account was used within the previous 24 hours. Investigators were then able to follow this line of enquiry.

## **Memorandums of understanding**

Since the creation of the NCA in October 2013 the UKFIU's International Team has sought to re-confirm existing bilateral arrangements with international FIUs and develop new relationships through the process of memorandums of understanding (MOUs). Over the reporting period the UKFIU has signed 20 MOUs with international counterparts and, as a member of the Egmont Group of FIUs, the UKFIU is able to securely exchange financial intelligence with other jurisdictions.

## **Ukraine**

The International Team has continued to provide assistance to the NCA Campaign Heathlike, related to the misappropriation of assets identified following regime changes in Ukraine. 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.

In March, the UK deployed a team of experts from the NCA (including the Head of the UKFIU), the Metropolitan Police Service and the CPS to Ukraine. The mission was to assess the current position and scope potential for support to the Ukrainian authorities, within the framework of financial investigation and cooperation.

The team continues to provide an update to UK and overseas partners on the situation, with recommendations for support to the Ukraine authorities to tackle the criminality exposed by the events. The NCA continues to engage internationally on behalf of the UK, including with partners in Ukraine and elsewhere, to assist in the identification of misappropriated assets with a view to future repatriation. SARs are crucial to this process, as they are interrogated and assessed for relevance. A number of investigative opportunities have been identified from SARs, which have been, and continue to be, pursued by the NCA and partner agencies.

## **International Corruption Intelligence Cell (ICIC)**

In conjunction with the Department for International Development (DfID), the focus on international corruption continued to be a decisive area of work for the UKFIU. SARs have a valuable role to play in identifying corrupt politically exposed persons (PEPs)<sup>41</sup> and assist UK LEAs in preventing money laundering by those involved in bribery or corruption.

The work of the UKFIU's International Corruption Intelligence Cell (ICIC), which is funded by DfID, has developed a closer working relationship with investigative partners over the past year. This has been necessary in order to protect the security of the work, but also in order to work more efficiently and effectively together. The work has taken a more tactical focus with the ultimate aim of successful prosecutions and asset recovery from those PEPs who have abused the financial systems in the UK.

Between October 2013 and September 2014 ICIC produced 259 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 increase in the number of intelligence packages from last year (82) is as a result of ICIC's work becoming more tactical in nature. The number of intelligence logs ICIC has produced is as a result of the team's increasing involvement in supporting ongoing operational activity in addition to identifying new subjects for investigation.

ICIC makes use of the NCA International Liaison Network in order to develop the necessary relationships with foreign law enforcement and anti-corruption counterparts. It also enables ICIC to communicate securely with those counterparts. The international network is invaluable to ICIC in this respect, and continues to help ICIC to build relationships with anti-corruption investigators in developing countries, enabling intelligence sharing and more successful requests for Mutual Legal Assistance (MLA)<sup>42</sup> from abroad.

The Cell has continued to support work under Project Equable, a SOCA project transitioned into the NCA, which aims to identify PEPs who place illegally acquired funds into the legitimate economy.

## **Terrorist finance**

The UKFIU has continued to raise awareness of the value of combating the financing of terrorism (CFT) by making financial information available for use in counter terrorist (CT) investigations. This is an essential function of the UKFIU and involves extensive liaison between the UKFIU, police Counter Terrorist Units (CTUs), government agencies and regional police forces.

The UKFIU Terrorist Finance Team (TFT) identifies and acts upon SAR information relating to the detection and investigation of terrorist finance. This involves the team identifying, assessing and exploiting SARs submitted under both the Terrorism Act (TACT) and POCA. Due to the additional sensitivity arising from potential links to national security, SARs submitted under TACT, or those submitted under POCA which are identified as having a CFT link, are not routinely made available for other end users.

---

<sup>41</sup> Individuals who are or have been entrusted with prominent public functions.

<sup>42</sup> MLA is the formal way in which countries request and provide assistance in obtaining evidence located in one country to assist in criminal investigations/proceedings in another.

Over the reporting period, 1,342 SARs were pro-actively identified and disseminated to the National Terrorist Financial Investigation Unit (NTFIU) and the CTU network, an increase of 56.78% on the same period last year.

This process involved the targeted review of 12,360 SARs, identified from all SARs received; an increase of 20.70% on the same period last year. This is in line with the UKFIU's policy of ensuring SARs of potential CT operational interest are actioned appropriately, whilst as many other SARs as possible are made available to a broader law enforcement user group.<sup>43</sup>

The increase in SARs disseminated in support of CT investigations is due to the general increase in overall numbers and the continued refinement of the UKFIU's ability to assess the way SARs of potential relevance to CT investigations are identified, in close collaboration with partner agencies.

UKFIU operational intelligence support provided to partner agencies showed that, of the search requests received, 52% of those researched on the ELMER database identified useful information. This is an increase of 12% on last year's figure, and highlights how SARs continue to assist CT investigations – this includes time critical searches and searches in support of active operational objectives, both of which help to establish an accurate intelligence picture at any given time.

The UKFIU continued to analyse SAR and partner intelligence in a bid to identify terrorist finance typologies. These have been made available for discussion with the financial sector at outreach events, and have informed cross-Whitehall assessments to support both domestic partners and supranational organisations in relation to strategic policy and international standard setting. Additionally, the UKFIU provided input to the governance of the UK terrorist financial sanctions regime administered by HM Treasury.

TFT outreach work over the year targeted the private and public sector, including technical input to Foreign & Commonwealth Office (FCO)-sponsored CFT training courses for international partners, contributions to NTFIU CFT training programmes and regional CTU presentations.

## Visits

Over this reporting period, the Policy, Coordination and Communications Team facilitated 14 separate visits to the UKFIU on behalf of overseas partners, as well as numerous management visits. This is the same figure as for last year. These visits included delegations from Spain, New Zealand, Liechtenstein and the Netherlands. The UKFIU was able to provide delegations with an overview of the UKFIU's work at domestic and international level, as well as gain an insight into money laundering legislation abroad.

Another visit was facilitated for the Serbian Ministry of Justice and Public Administration. During the visit, the UKFIU was able to provide the Serbian delegation with a better understanding of its work and that of key Whitehall departments, which should assist Serbia's progress towards EU accession.

---

<sup>43</sup> These figures cover those SARs which the UKFIU has proactively identified and disseminated to the NTFIU and 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 CT agencies which result in the utilisation of SARs for CT investigations.

## **Financial Action Task Force (FATF)**

FATF is an inter-governmental body, comprising over 30 countries, which develops and promotes policies to combat money laundering and terrorist financing. It monitors the progress of its members in implementing any necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally.

Over the reporting period the UKFIU has supported FATF typologies on virtual currencies, the risk of terrorist abuse in the nonprofit organisation (NPO)<sup>44</sup> sector, illicit flows regarding the production/distribution of Afghan drugs, and the threats associated with the cross border movements of cash, as well as supporting proposals for future research topics/other initiatives. The UKFIU has also provided information for the mutual evaluations of Norway, Australia and Spain.

---

<sup>44</sup> A group organised for purposes other than generating profit.

# Part Two: Strategy for 2014–2016

A three-year strategy and action plan for the SARs Regime was set in 2009 and comprised of the following:

- Appropriate SARs to be submitted by the full range of reporting sectors.
- Maximising the use of information provided by reporters while ensuring proportionality.
- Supporting and enhancing the technical capabilities and experience of all SARs Regime participants.
- Continuing improvement of the governance and transparency of the regime.

As that strategy concluded in 2012, and with the establishment of the NCA with its new structure, role and responsibilities imminent, it was agreed by the SARs Regime Committee that setting a further strategy would not be appropriate until the NCA had been more clearly defined. Now that the new agency is fully established and appropriate governance and intelligence structures are in place, a new strategy has been created for 2014–16.

On 1 October 2014 the UKFIU relocated from the Intelligence Hub to the Economic Crime Command to help consolidate the NCA's economic crime functions. The SARs Regime has a significant impact on the economic crime operating environment, providing access to data that can be used to deliver impact against economic crime threats. The move will encourage synergies and promote partnerships within the financial sector, as well as further enhance work in areas of mutual interest.

This move, along with an emphasis from the Home Secretary that there should be a step change in the way that financial crime is tackled, means that the UKFIU's new three year strategy will follow the '4 Ps' framework as articulated in the Government's 2013 Serious and Organised Crime Strategy. These are: Pursue (prosecuting and disrupting serious organised crime); Prevent (preventing people from engaging in serious and organised crime); Protect (increasing protection against serious and organised crime); and Prepare (reducing the impact of serious and organised crime).

The UKFIU's new strategy has also been formulated to take into account the FATF Recommendations<sup>45</sup>, mutual evaluation methodology and the draft fourth EU AML directive.<sup>46</sup> The new strategy will put the SARs Regime at the heart of economic crime work, developing the UKFIU and maximising the benefit of SARs while maintaining confidentiality.

Under the new strategy, the UKFIU/SARs Regime will:

---

<sup>45</sup> The FATF Recommendations are the 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.

<sup>46</sup> The directive will represent Europe's commitment to fighting international money laundering and terrorist financing by implementing the global standards defined by FATF.

## **Pursue**

- Work closely with colleagues in the ECC to ensure activities are joined up to best ensure optimal outcomes against those that perpetrate money laundering and terrorist financing.
- Work closely with the Intelligence Hub and law enforcement partners on the use of intelligence to better detect and assess those individuals committing or enabling serious and organised crime, disrupt their activity and bring them to justice.
- Explore opportunities for wider and greater exploitation of information, to support the identification of targets and the full breadth of regime outcomes.
- Work with international FIUs and bodies to support law enforcement in their efforts to identify and recover illicit profits from criminals, or deny them access to their money and property.
- Help in the recovery of the proceeds of crime by improving the identification of relevant information held internationally.
- Provide support to partners in the effort to identify those involved in terrorist funding with a view to protecting individuals and the state from terrorist acts.

## **Prevent**

- Provide support to campaigns and projects enabling the public and private sector to prevent individuals and businesses being drawn into organised crime.
- Use early interventions to support partners in stopping people become victims of economic crime.
- Explore different approaches to improve the supervision of reporters and ultimately the quality of SARs.

## **Protect**

- Improve the analysis of SARs so that more targeted and sector specific intelligence is provided to the private sector and LEAs.
- Provide meaningful, impactful and timely Alerts through better understanding and enhanced working practices between industry and law enforcement.
- Provide support to campaigns and projects enabling the public and private sector to improve its security, through the sharing of intelligence relating to money laundering and terrorist financing threats.



- Use the SARs Regime to assist in identifying terrorist financing in order to contribute to the CONTEST strategy.<sup>47</sup>

## **Prepare**

- Support the ECC and partners to prepare for the UK's FATF mutual evaluation.
- Work with partners to identify measures and improvements that could improve their engagement with the regime's IT and systems.
- Provide support to the NCA Transformation Programme<sup>48</sup>, ensuring it captures the changing nature of the SARs Regime whilst also considering opportunities for continuous improvement/development of the operating model thus improving operational effectiveness and best value.
- Continue to explore new opportunities to enhance the value of the regime to the AML/CFT effort, from the data matching of SARs and improving SAR exploitation.

---

<sup>47</sup> CONTEST is the UK's strategy for countering terrorism.

<sup>48</sup> The NCA's programme to build future capabilities to reduce serious and organised crime.

# 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: Membership of the SARs Regime Committee<sup>49</sup>

NCA Director (Chair)

Association of Chief Police Officers

British Bankers' Association

Financial Conduct Authority

HM Revenue & Customs

HM Treasury

Home Office

Institute of Chartered Accountants in England and Wales

Law Society of England and Wales

Metropolitan Police Service

National Crime Agency

National Terrorist Financial Investigation Unit

Office for Security and Counter-Terrorism

---

<sup>49</sup> Membership as of 30 September 2014.

# Annex C: Total SARs by industry sector

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

| Source Type                     | Oct-13 | Nov-13 | Dec-13 | Jan-14 | Feb-14 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 | Sep-14 | 2013/14 |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Accountant                      | 482    | 398    | 379    | 480    | 499    | 419    | 361    | 438    | 374    | 364    | 328    | 312    | 4,834   |
| Anonymous                       | 4      | 4      | 3      | 4      | 7      | 4      | 9      | 2      | 3      | 4      | 5      | 5      | 54      |
| Asset management                | 60     | 31     | 52     | 51     | 31     | 26     | 28     | 31     | 31     | 39     | 38     | 38     | 456     |
| Auction house                   | 2      | 3      | 0      | 2      | 1      | 0      | 0      | 2      | 1      | 3      | 1      | 0      | 15      |
| Banking                         | 26,641 | 23,818 | 23,132 | 25,331 | 21,264 | 23,151 | 22,864 | 24,103 | 23,967 | 26,929 | 23,790 | 26,065 | 291,055 |
| Barrister                       | 1      | 1      | 0      | 0      | 0      | 1      | 0      | 1      | 1      | 0      | 2      | 0      | 7       |
| Bookmaker                       | 15     | 39     | 18     | 28     | 27     | 26     | 37     | 28     | 53     | 54     | 29     | 51     | 405     |
| Building society                | 1,053  | 1,096  | 1,162  | 783    | 1,361  | 872    | 669    | 1,198  | 1,560  | 954    | 1,124  | 1,002  | 12,834  |
| Bureau de change                | 301    | 232    | 275    | 550    | 179    | 230    | 170    | 228    | 233    | 226    | 161    | 181    | 2,966   |
| Capital markets                 | 4      | 7      | 2      | 1      | 1      | 4      | 1      | 2      | 4      | 7      | 4      | 3      | 40      |
| Charity                         | 0      | 3      | 4      | 4      | 1      | 3      | 3      | 2      | 2      | 2      | 5      | 3      | 32      |
| Cheque casher                   | 350    | 195    | 100    | 108    | 86     | 73     | 81     | 25     | 63     | 40     | 13     | 25     | 1,159   |
| Clearing house                  | 2      | 1      | 0      | 4      | 4      | 2      | 1      | 0      | 1      | 1      | 1      | 0      | 17      |
| Consumer credit                 | 11     | 40     | 17     | 21     | 31     | 49     | 29     | 18     | 21     | 15     | 26     | 57     | 335     |
| Credit card                     | 341    | 273    | 271    | 381    | 347    | 307    | 288    | 322    | 328    | 404    | 417    | 357    | 4,036   |
| Credit union                    | 33     | 15     | 23     | 27     | 19     | 46     | 41     | 25     | 25     | 49     | 13     | 13     | 329     |
| Education                       | 0      | 1      | 0      | 0      | 1      | 0      | 0      | 2      | 0      | 0      | 0      | 2      | 6       |
| Electronic payment              | 162    | 112    | 50     | 51     | 73     | 59     | 138    | 163    | 177    | 189    | 205    | 170    | 1,549   |
| Estate agent                    | 16     | 16     | 9      | 11     | 10     | 17     | 14     | 9      | 19     | 14     | 21     | 23     | 179     |
| Finance company                 | 374    | 225    | 235    | 224    | 363    | 594    | 872    | 610    | 560    | 427    | 355    | 385    | 5,224   |
| Friendly society                | 2      | 4      | 2      | 3      | 2      | 0      | 3      | 1      | 0      | 1      | 2      | 1      | 21      |
| Other entities regulated by FCA | 90     | 132    | 126    | 133    | 97     | 130    | 171    | 141    | 122    | 135    | 141    | 169    | 1,587   |
| Gaming                          | 88     | 76     | 38     | 50     | 37     | 54     | 35     | 63     | 59     | 69     | 60     | 75     | 704     |
| Government                      | 457    | 347    | 358    | 516    | 470    | 456    | 417    | 297    | 336    | 370    | 307    | 306    | 4,637   |

|                                   |               |               |               |               |               |               |               |               |               |               |               |               |                |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| High value dealer                 | 21            | 31            | 40            | 17            | 5             | 7             | 9             | 20            | 4             | 3             | 0             | 6             | 163            |
| Independent financial adviser     | 0             | 2             | 0             | 0             | 3             | 0             | 0             | 2             | 1             | 1             | 0             | 0             | 9              |
| Insurance                         | 192           | 151           | 126           | 141           | 150           | 186           | 137           | 140           | 107           | 160           | 104           | 119           | 1,713          |
| Investment exchange               | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 1             | 0             | 1             | 0             | 0             | 2              |
| IT                                | 0             | 0             | 1             | 2             | 0             | 1             | 1             | 0             | 0             | 0             | 1             | 0             | 6              |
| Legal (other)                     | 15            | 17            | 19            | 9             | 21            | 13            | 22            | 12            | 18            | 11            | 12            | 14            | 183            |
| Leisure                           | 13            | 16            | 3             | 17            | 6             | 32            | 19            | 26            | 27            | 33            | 18            | 25            | 235            |
| Licensed conveyancer              | 9             | 7             | 8             | 13            | 7             | 12            | 8             | 6             | 6             | 3             | 12            | 8             | 99             |
| Local authority                   | 3             | 2             | 1             | 4             | 6             | 6             | 4             | 4             | 5             | 0             | 6             | 2             | 43             |
| Manufacturer                      | 1             | 0             | 2             | 1             | 0             | 0             | 1             | 0             | 1             | 1             | 1             | 0             | 8              |
| Markets & exchanges               | 0             | 0             | 0             | 2             | 1             | 4             | 1             | 1             | 1             | 0             | 4             | 3             | 17             |
| Money transmission                | 1,205         | 915           | 953           | 1,042         | 820           | 777           | 933           | 798           | 829           | 829           | 985           | 779           | 10,865         |
| Mortgage provider                 | 16            | 19            | 13            | 9             | 19            | 9             | 23            | 12            | 8             | 17            | 12            | 13            | 170            |
| Motor organisation                | 14            | 8             | 5             | 12            | 12            | 23            | 16            | 12            | 13            | 17            | 15            | 6             | 153            |
| Other                             | 143           | 160           | 115           | 245           | 157           | 190           | 170           | 192           | 165           | 181           | 134           | 208           | 2,060          |
| Pension provider                  | 7             | 8             | 5             | 2             | 11            | 10            | 5             | 11            | 7             | 4             | 5             | 4             | 79             |
| Private individual                | 9             | 3             | 6             | 24            | 9             | 6             | 8             | 6             | 5             | 13            | 3             | 2             | 94             |
| Regulator                         | 16            | 20            | 18            | 9             | 18            | 14            | 23            | 14            | 11            | 7             | 13            | 33            | 196            |
| Retail intermediary               | 26            | 24            | 22            | 16            | 23            | 36            | 20            | 28            | 27            | 52            | 21            | 27            | 322            |
| Security                          | 3             | 14            | 4             | 4             | 6             | 2             | 7             | 6             | 2             | 4             | 6             | 1             | 59             |
| Solicitor                         | 325           | 295           | 283           | 235           | 276           | 287           | 303           | 280           | 258           | 272           | 249           | 265           | 3,328          |
| Specialist financial services     | 34            | 60            | 57            | 34            | 37            | 71            | 66            | 60            | 50            | 55            | 11            | 7             | 542            |
| Spread betting                    | 16            | 11            | 14            | 77            | 18            | 11            | 68            | 29            | 30            | 44            | 20            | 26            | 364            |
| Stockbroker                       | 36            | 46            | 34            | 29            | 30            | 44            | 47            | 49            | 72            | 67            | 38            | 22            | 514            |
| Tax adviser                       | 13            | 8             | 6             | 9             | 7             | 12            | 9             | 4             | 12            | 7             | 6             | 3             | 96             |
| Trust or company service provider | 18            | 11            | 6             | 15            | 18            | 34            | 15            | 18            | 4             | 13            | 13            | 12            | 177            |
| Unknown                           | 22            | 22            | 19            | 41            | 22            | 15            | 14            | 6             | 18            | 16            | 8             | 5             | 208            |
| <b>Total</b>                      | <b>32,646</b> | <b>28,919</b> | <b>28,016</b> | <b>30,772</b> | <b>26,593</b> | <b>28,325</b> | <b>28,161</b> | <b>29,448</b> | <b>29,621</b> | <b>32,107</b> | <b>28,745</b> | <b>30,833</b> | <b>354,186</b> |

# Annex D: Consent SARs by industry sector

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

| Source Type                     | Oct-13 | Nov-13 | Dec-13 | Jan-14 | Feb-14 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 | Sep-14 | 2013/14 |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Accountant                      | 18     | 16     | 12     | 13     | 11     | 15     | 19     | 17     | 14     | 19     | 8      | 23     | 185     |
| Anonymous                       | 0      | 0      | 0      | 1      | 0      | 0      | 1      | 0      | 0      | 0      | 0      | 0      | 2       |
| Asset management                | 11     | 11     | 19     | 9      | 7      | 8      | 3      | 13     | 7      | 12     | 19     | 15     | 134     |
| Auction house                   | 1      | 3      | 0      | 1      | 1      | 0      | 0      | 1      | 1      | 2      | 1      | 0      | 11      |
| Banking                         | 728    | 651    | 490    | 699    | 552    | 656    | 559    | 600    | 588    | 613    | 427    | 532    | 7,095   |
| Barrister                       | 0      | 1      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 1       |
| Bookmaker                       | 0      | 0      | 1      | 1      | 1      | 1      | 2      | 0      | 2      | 0      | 0      | 1      | 9       |
| Building society                | 45     | 36     | 21     | 32     | 37     | 39     | 20     | 30     | 54     | 24     | 21     | 15     | 374     |
| Bureau de change                | 1      | 1      | 3      | 1      | 0      | 0      | 2      | 2      | 8      | 9      | 3      | 7      | 37      |
| Capital markets                 | 3      | 2      | 1      | 1      | 0      | 0      | 1      | 0      | 0      | 1      | 0      | 0      | 9       |
| Charity                         | 0      | 1      | 3      | 1      | 0      | 2      | 3      | 1      | 1      | 1      | 3      | 1      | 17      |
| Cheque casher                   | 0      | 0      | 0      | 0      | 0      | 0      | 1      | 1      | 3      | 2      | 0      | 0      | 7       |
| Clearing house                  | 1      | 0      | 0      | 0      | 2      | 1      | 0      | 0      | 0      | 0      | 1      | 0      | 5       |
| Consumer credit                 | 1      | 0      | 0      | 0      | 1      | 0      | 1      | 0      | 0      | 0      | 0      | 2      | 5       |
| Credit card                     | 8      | 3      | 8      | 5      | 6      | 6      | 6      | 10     | 6      | 20     | 12     | 13     | 103     |
| Credit union                    | 1      | 1      | 0      | 0      | 0      | 0      | 0      | 0      | 1      | 1      | 0      | 0      | 4       |
| Education                       | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 1      | 0      | 0      | 0      | 1      | 2       |
| Electronic payment              | 37     | 65     | 30     | 28     | 23     | 18     | 53     | 46     | 37     | 80     | 84     | 48     | 549     |
| Estate agent                    | 2      | 10     | 1      | 6      | 4      | 6      | 3      | 3      | 10     | 9      | 8      | 7      | 69      |
| Finance company                 | 14     | 21     | 8      | 16     | 9      | 10     | 8      | 13     | 7      | 19     | 9      | 6      | 140     |
| Friendly society                | 1      | 2      | 1      | 1      | 1      | 0      | 3      | 0      | 0      | 0      | 1      | 1      | 11      |
| Other entities regulated by FCA | 30     | 52     | 39     | 70     | 25     | 48     | 42     | 47     | 37     | 25     | 37     | 28     | 480     |
| Gaming                          | 7      | 12     | 2      | 3      | 2      | 7      | 3      | 2      | 4      | 7      | 3      | 4      | 56      |

|                                    |              |              |            |              |              |              |              |              |              |              |            |              |               |
|------------------------------------|--------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|---------------|
| Government                         | 4            | 5            | 4          | 2            | 4            | 2            | 8            | 6            | 7            | 6            | 6          | 2            | 56            |
| High value dealer                  | 0            | 5            | 1          | 2            | 3            | 0            | 2            | 0            | 0            | 0            | 0          | 0            | 13            |
| Independent financial adviser      | 0            | 1            | 0          | 0            | 0            | 0            | 0            | 2            | 0            | 0            | 0          | 0            | 3             |
| Insurance                          | 37           | 32           | 32         | 24           | 38           | 38           | 33           | 25           | 23           | 39           | 30         | 25           | 376           |
| Investment exchange                | 0            | 0            | 0          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0          | 0            | 0             |
| IT                                 | 0            | 0            | 0          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0          | 0            | 0             |
| Legal (other)                      | 11           | 13           | 12         | 7            | 9            | 9            | 17           | 9            | 10           | 6            | 8          | 8            | 119           |
| Leisure                            | 0            | 0            | 0          | 0            | 1            | 0            | 12           | 5            | 15           | 5            | 4          | 0            | 42            |
| Licensed conveyancer               | 9            | 5            | 6          | 11           | 4            | 11           | 7            | 4            | 6            | 3            | 9          | 7            | 82            |
| Local authority                    | 0            | 1            | 0          | 1            | 3            | 1            | 1            | 1            | 5            | 0            | 3          | 0            | 16            |
| Manufacturer                       | 0            | 0            | 1          | 0            | 0            | 0            | 1            | 0            | 0            | 1            | 1          | 0            | 4             |
| Markets & exchanges                | 0            | 0            | 0          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0          | 0            | 0             |
| Money transmission                 | 4            | 10           | 10         | 6            | 7            | 18           | 8            | 15           | 15           | 8            | 9          | 10           | 120           |
| Mortgage provider                  | 1            | 3            | 3          | 2            | 8            | 1            | 7            | 1            | 2            | 6            | 2          | 2            | 38            |
| Motor organisation                 | 0            | 1            | 2          | 3            | 2            | 2            | 4            | 1            | 0            | 2            | 0          | 0            | 17            |
| Other                              | 32           | 52           | 33         | 103          | 37           | 52           | 52           | 52           | 48           | 66           | 42         | 73           | 642           |
| Pension provider                   | 2            | 3            | 0          | 0            | 1            | 3            | 1            | 4            | 5            | 2            | 0          | 0            | 21            |
| Private individual                 | 1            | 0            | 0          | 2            | 0            | 1            | 2            | 1            | 1            | 0            | 0          | 1            | 9             |
| Regulator                          | 1            | 1            | 2          | 0            | 1            | 1            | 1            | 0            | 0            | 0            | 2          | 0            | 9             |
| Retail intermediary                | 1            | 3            | 4          | 0            | 2            | 3            | 2            | 2            | 0            | 1            | 0          | 3            | 21            |
| Security                           | 0            | 0            | 0          | 0            | 1            | 1            | 0            | 0            | 0            | 0            | 0          | 0            | 2             |
| Solicitor                          | 254          | 218          | 188        | 186          | 209          | 217          | 233          | 215          | 174          | 208          | 193        | 205          | 2,500         |
| Specialist financial services      | 9            | 12           | 5          | 11           | 7            | 16           | 11           | 14           | 9            | 11           | 1          | 1            | 107           |
| Spread betting                     | 11           | 7            | 12         | 73           | 13           | 10           | 63           | 26           | 25           | 37           | 19         | 14           | 310           |
| Stockbroker                        | 15           | 25           | 27         | 22           | 14           | 27           | 32           | 41           | 23           | 27           | 19         | 10           | 282           |
| Tax adviser                        | 2            | 1            | 0          | 0            | 1            | 0            | 0            | 1            | 0            | 0            | 0          | 0            | 5             |
| Trust or company service providers | 3            | 1            | 1          | 1            | 3            | 5            | 3            | 0            | 1            | 1            | 3          | 0            | 22            |
| Unknown                            | 0            | 2            | 2          | 0            | 7            | 4            | 4            | 1            | 5            | 5            | 1          | 3            | 34            |
| <b>Total</b>                       | <b>1,306</b> | <b>1,289</b> | <b>984</b> | <b>1,344</b> | <b>1,057</b> | <b>1,239</b> | <b>1,234</b> | <b>1,213</b> | <b>1,154</b> | <b>1,278</b> | <b>989</b> | <b>1,068</b> | <b>14,155</b> |

# Annex E: Terrorist finance SARs by industry sector

SARs solely disseminated to the National Terrorist Financial Investigation Unit (NTFIU) and Counter Terrorism Units (CTUs) from October 2013 to the end of September 2014 by source type.

| Source Type                             | Number of SARs disseminated to NTFIU/CTUs from October 2013 to the end of September 2014 | As a percentage of all terrorist finance SARs |
|---|--|---|
| Accountant/accountancy service provider | 7  | 0.52%   |
| Anonymous                               | 3  | 0.22%   |
| Asset management                        | 3  | 0.22%   |
| Banking                                 | 1,092  | 81.37%  |
| Building society                        | 19   | 1.42%   |
| Bureau de change                        | 9  | 0.67%   |
| Charity                                 | 6  | 0.45%   |
| Cheque casher                           | 2  | 0.15%   |
| Credit card                             | 10   | 0.75%   |
| Credit union                            | 1  | 0.07%   |
| Education                               | 1  | 0.07%   |
| Electronic payment                      | 12   | 0.89%   |
| Estate agent                            | 4  | 0.30%   |
| Finance company                         | 16   | 1.19%   |
| Gaming                                  | 3  | 0.22%   |
| Government                              | 16   | 1.19%   |
| Independent financial adviser           | 1  | 0.07%   |
| Insurance                               | 27   | 2.01%   |
| Legal other                             | 1  | 0.07%   |
| Money transmission                      | 32   | 2.38%   |
| Mortgage provider                       | 4  | 0.30%   |
| Other                                   | 21   | 1.56%   |
| Other entities regulated by the FCA     | 8  | 0.60%   |
| Private insurance                       | 1  | 0.07%   |
| Regulator                               | 2  | 0.15%   |
| Security                                | 2  | 0.15%   |
| Solicitor                               | 27   | 2.01%   |
| Specialist financial services           | 4  | 0.30%   |
| Spread betting                          | 1  | 0.07%   |
| Stockbroker                             | 3  | 0.22%   |
| Unknown                                 | 4  | 0.30%   |
| <b>Total</b>                            | <b>1,342</b>   |   |



# Annex F: Current end users with 'direct' access<sup>50</sup>

| Police forces            |                                    | Multi agency teams  |
|--------------------------|------------------------------------|---|
| Avon & Somerset          | Merseyside                         | Eastern Regional Asset Recovery Team (RART) <sup>51</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                    | <b>Other agencies</b>                                     |
| Dorset                   | Police Service of Northern Ireland | Crown Office, Civil Recovery Unit, Scotland               |
| Durham                   | South Wales                        | Department for Business, Innovation and Skills            |
| Dyfed-Powys              | South Yorkshire                    | Department for Environment, Food and Rural Affairs        |
| Essex                    | Staffordshire                      | Department for Work and Pensions                          |
| 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                      | Northern Ireland Department for Social Development        |
| Lancashire               | West Yorkshire                     | Northern Ireland Environment Agency                       |
| Leicestershire           | Wiltshire                          | Serious Fraud Office                                      |
| Lincolnshire             |                                    |   |

<sup>50</sup> Accurate as of 30 September 2014.

<sup>51</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: 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 Act 2008**

Schedule 7 of the Act enables HM Treasury to issue directions to financial sector firms when there is a high risk of money laundering or terrorist financing. The requirements on UK firms can apply to their business with particular countries, or entities within particular countries, outside of the European Economic Area.

## **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 53/2005 and the constraints and acceptable use of SARs material internally and with other partners.

## **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.

## **Home Office Circular 53/2005**

The 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.

### **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.

### **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 Centre for Applied Learning Technology (NCALT)**

A national body which assists police forces in England and Wales and the wider policing community in adopting alternative learning methodologies.

### **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 objective picture of serious and organised crime affecting the UK and its interests. It presents the overarching priorities as agreed by UK law enforcement and key partners from the public, private and third sectors and provides the UK's understanding of the threat and nature of money laundering in the UK.

### **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 worldwide 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.

### **Proceeds of Crime Operational Group**

Group chaired by the NCA's Economic Crime Command with the British Bankers' Association, Building Societies Association and their respective members, to discuss and resolve operational matters concerning the effective operation of the Proceeds of Crime Act, and offering an opportunity for feedback.

### **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.

### **Project Quaver**

Through Project Quaver the NCA is working with the MSB sector, regulators and service providers to identify and exclude criminal money flows from the sector.

### **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**

Oversees the discharge of the responsibilities of regime participants and enhances the partnership and communication between them. It also ensures developments in the regime are effectively reported to the Home Office and HM Treasury Money Laundering Advisory Committee (MLAC).

### **SARs Regime Tasked Group**

A group of individuals representing private and public sector bodies who advise the SARs Regime Committee on policy and other issues.

### **Sub judice**

This means that the case is currently under trial or before a judge or court of law.

### **Third EU Money Laundering Directive**

The Directive is designed to prevent money laundering and terrorist financing through the financial system.

### **Twice Yearly Feedback Questionnaire (TYFQ)**

A means by which end users provide details of their use of SARs to the UKFIU.

### **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.