



NCA

National Crime Agency

Suspicious Activity Reports (SARs) Annual Report 2013

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Statement by the Chair of the SARs Regime Committee

I am pleased to publish the Suspicious Activity Reports (SARs) Regime Committee Annual Report for 2013. This represents a milestone in the lifetime of the regime which started with Sir Stephen Lander's review of April 2006, with this report being the last under the Serious Organised Crime Agency (SOCA) before it transitioned into the newly created National Crime Agency (NCA).

It is opportune in that context to review progress made during the last seven years, which has seen a remarkable transformation under the oversight of the SARs Regime Committee. This has seen the development of a solid public and private sector partnership which, even in a period of economic austerity, has still managed to drive forward a strategy focused on improving performance and impactful outcomes.

This last year has seen significant operational challenges driven by: continuing increases in SARs submitted; an increased number of requests for consent; commitments arising from the Arab Spring; and an increased requirement to service the needs of our international partners and those in the financial counter terrorism community. Additionally, new initiatives, projects and proof of concept work for new ways of working under the NCA have provided new challenges and learning which will shape thinking in the new agency.

As in previous years, the regime's technology has required constant support and maintenance in order to provide added resilience and to maintain service until a replacement system can be implemented. We have continued to support users of the ARENA system with a view to ensuring the information is exploited to its fullest extent, whilst maintaining the necessary data protection measures and requirements.

Additionally, this year saw the implementation of a new model of engagement with stakeholders and whilst still relatively early days, the response has been overwhelmingly positive from all sectors, particularly reporters.

On the international front the UK Financial Intelligence Unit (UKFIU) has continued to engage with partners with a view to supporting and influencing arrangements going forward, particularly as they relate to the transition of FIU.Net into Europol, support to HM Treasury on the proposed Fourth European Union Money Laundering Directive, and the Financial Action Task Force (FATF). Internally we continue to explore enhancing our international relationships and upgrading our technology supporting the sharing of information internationally.

Over the year SOCA prioritised the UKFIU's technology and resourcing requirements in order to ensure the provision of an improved service to the regime's stakeholders. This has been successful to date although there remains more to be achieved.

As this report represents an important landmark in the history of the SARs Regime covering the last reporting year under SOCA, I wish to formally thank all regime participants, and members of the SARs Regime Committee, for their contribution over the past seven years in developing the regime to the strong position it now finds itself in today. I am confident that we have left SOCA with a lasting legacy and provided the NCA with a solid footing upon which to build further.



Trevor Pearce (Former Director General of SOCA)
Director, National Crime Agency
Chair of the SARs Regime Committee

Summary

This is the seventh Annual Report of the Suspicious Activity Reports (SARs) Regime Committee, and the final one recording progress of the UK Financial Intelligence Unit (UKFIU) under the governance of the Serious Organised Crime Agency (SOCA). On 7 October 2013, SOCA ceased to exist and the UKFIU became part of the Intelligence Hub of the newly formed National Crime Agency (NCA). Although this report is published by the NCA, it refers to the reporting period of October 2012 to September 2013 under the management of SOCA.

The format of recent Annual Reports followed the main aims of a three-year strategy set for the regime in 2009. These aims were:

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

As this strategy concluded in 2012, and with the establishment of the NCA on the horizon, it was agreed by the Committee that setting a further strategy would not be appropriate until the NCA structures, roles and functions had been more clearly defined. It was agreed that an interim plan which focused on maintaining business as usual, with a view to ensuring a smooth transition into the NCA, would be appropriate.

Business aims underscoring the UKFIU's activity would be:

1. Continued engagement with end users and the reporting sectors.
2. Continued focus on the resilience of ELMER¹ 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 be the cornerstone of this year's report. As such the report will be structured as follows:

- Part One: Performance
- Part Two: Forward Look

¹ The SARs database in SOCA/NCA.

Part One: Performance

Part One outlines the performance of the SARs Regime from October 2012 to September 2013, and is structured around the three overarching aims for the UKFIU as described in the last SARs Annual Report:

1. Continued engagement with end users and the reporting sectors to improve the level of SAR submissions, activity taken from those SARs, and feedback to the reporting sectors.
2. Increased focus on the resilience of ELMER and work towards a subsequent replacement.
3. Comment on and develop 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.

For new readers there is a brief overview of the SARs Regime included in Annex A, a list of SARs Regime Committee members in Annex B, and a Glossary of Terms in Annex G.

The SARs Regime Committee was set up in October 2006, and since then it has had active oversight of SOCA's/the NCA's discharge of its responsibilities within the regime and the effective involvement of stakeholders in the way in which the regime operates.

The Annual Report contributes towards the UK's obligations under the Third European Union Money Laundering Directive to provide feedback to industry on SARs.

Key statistics

Since the publication of the first SARs Annual Report in 2007, the number of SARs has increased significantly year-on-year: in 2007 there were 220,484 SARs received. In this reporting period (2012-13) there were 316,527 – an increase of almost 38,000 from the previous year. The SARs Regime Committee members believe the upward trend to be the result of outreach work and awareness raising, rather than a greater risk of money laundering in the UK.

Although the volume presents challenges for the UKFIU and end users, it does mean that a larger pool of SARs information is available overall, which significantly improves opportunities to identify and develop intelligence on the criminal perpetrators and their activities.

Figures i and ii show the number of SARs received, the number of consent requests made to the UKFIU, and the methods of reporting in the past two reporting years.

2 For the reporting period of October 2006 – October 2007.

Figure i: Key statistics for the SARs Regime

Key statistics	Oct 12 to Sept 13	Oct 11 to Sept 12
Total SARs	316,527	278,665
Consent SARs	14,103	12,915
Percentage submitted electronically	99.25%	98.87%
Percentage submitted manually	0.75%	1.13%
Breaches of confidentiality	2	0

Although Figure i records two formal allegations of a breach of confidentiality, one proved to be unfounded and the second, involving material sent to an overseas agency, was fully investigated and dealt with by the foreign financial intelligence unit.

Figure ii: Methods of reporting SARs

	SAR Online ³	CSV file/ encrypted bulk data ⁴	Word/ encrypted email	Paper	Total
Oct 2012	5,011	21,621	1	198	26,831
Nov 2012	5,316	21,231	3	227	26,777
Dec 2012	3,526	19,650	1	183	23,360
Jan 2013	4,812	20,435	4	182	25,433
Feb 2013	4,963	20,162	1	240	25,366
Mar 2013	4,599	19,127	0	199	23,925
Apr 2013	4,507	20,763	15	185	25,470
May 2013	4,694	23,766	0	215	28,675
Jun 2013	4,321	21,869	21	191	26,402
Jul 2013	5,443	23,562	21	205	29,231
Aug 2013	4,854	23,031	6	179	28,070
Sept 2013	4,372	22,430	8	177	26,987
Total SARs	56,418	257,647	81	2,381	316,527
Total Reporters	4,440	18	2	702	5,095

Electronic reporting

The ratio of reports submitted electronically and manually (i.e. on paper) remained consistent with last year's figures (see Figure i). This continues to assist the UKFIU in dealing with SARs more efficiently and effectively, and is a direct result of engagement between the UKFIU and reporters to encourage electronic reporting. This figure is in stark contrast to the 13.30% paper submissions during the period covered by the first SARs Annual Report (2006-2007) and represents a significant achievement. To strengthen this message, in 2013 the UKFIU created a communication product – 'Submitting a SAR Within The Regulated Sector' – providing further advice on using SAR Online, made available via the SOCA website.

The UKFIU has reviewed SAR Online and recognises there are issues with its usability; however, these should be redressed through the IT upgrade programme.

³ SAR Online is a secure web-based reporting mechanism that can be used by everyone with internet access.

⁴ The UKFIU provides 'Public Key Infrastructure' encryption certificates which allow high volume reporters to submit encrypted files directly onto the SARs database.

New reporters

There were 2,677 new SAR Online registrations (Figure iii) during this reporting year. This includes registrations from 1,946 unique institutions⁵ (72.69% of all new registrations) that were completely new to SAR Online. The remaining registrations were from individuals working for institutions already using the system.

The number of new individual estate agent registrants increased by over 97.83% on 2011/12 (up from 46 to 91). This follows a large number of workshops the UKFIU has conducted with the Office of Fair Trading (OFT) to raise anti-money laundering (AML) awareness in this sector.

Figure iii: New individual registrants to SAR Online by sector⁶

	Oct 12 to Sept 13	Oct 11 to Sept 12
Accountants	23.80%	28.68%
Banks	3.21%	3.07%
Building Societies	0.75%	0.79%
Estate Agents	3.40%	1.81%
Financial Services	9.00%	9.64%
Gambling	0.90%	0.79%
Government	0.34%	0.55%
High Value Dealers	3.55%	2.60%
Legal	18.75%	20.97%
Money Service Businesses (MSBs)	9.64%	10.39%
Stocks & Shares	4.45%	4.52%
Other	22.23%	16.21%
Totals	2,677	2,542

Analysis of SARs reporting by sector

As in previous years, the largest reporter of SARs continued to be the banking sector. The sector made up 79.40% of all SARs. It is believed that this is possibly in response to regulatory actions within the global financial sector. As with last year, money service businesses (MSBs) were the second largest reporting sector (6.74% for 2012/13, compared to 8.40% last year). It is always difficult to attempt to establish what is a 'correct' level of reporting by the sectors – a more comprehensive breakdown can be found in Annex C at the back of this report.

⁵ New registrants are classified as unique institutions if they are not an outlet of an existing SAR Online user.

⁶ Sector categories are chosen by reporters on registration.

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

Figure iv: SARs submitted by sector 2012/2013

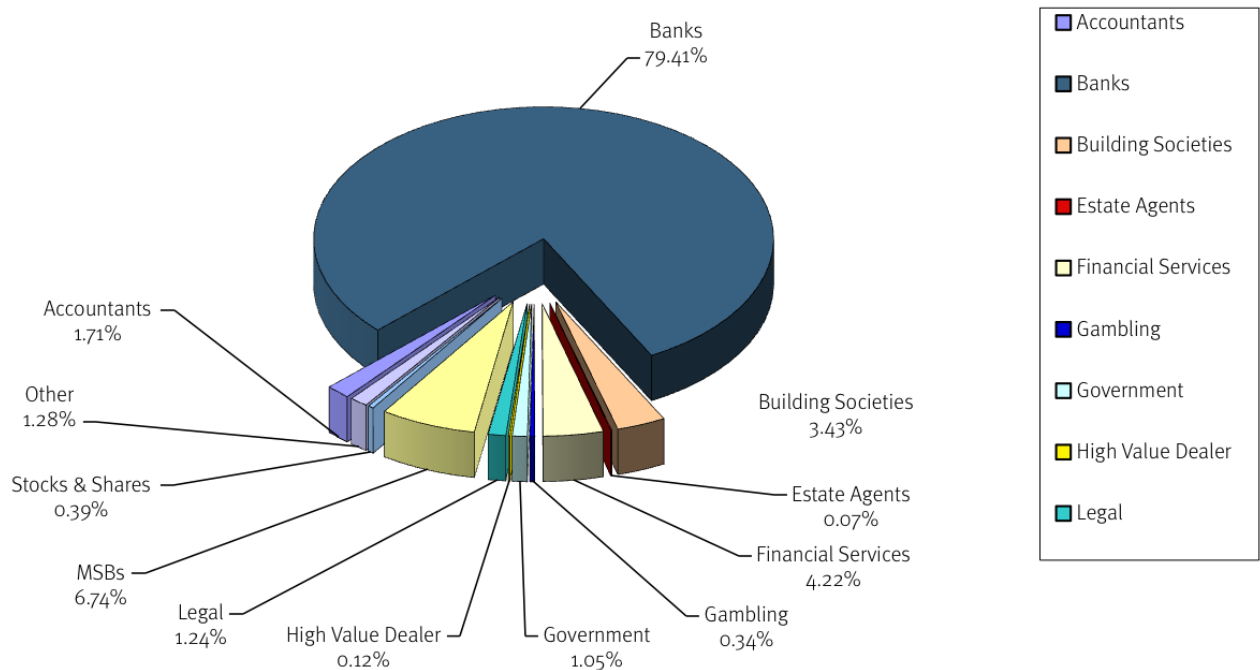


Figure v below breaks these numbers down by sector.

Figure v: SARs submitted by sector

Oct 12 to Sept 13	Volumes	% of Total
Accountants	5,428	1.71%
Banks	251,336	79.40%
Building Societies	10,844	3.43%
Estate Agents	215	0.07%
Financial Services	13,359	4.22%
Gambling	1,062	0.34%
Government	3,338	1.05%
High Value Dealer	383	0.12%
Legal	3,935	1.24%
Money Service Businesses (MSBs)	21,343	6.74%
Stocks & Shares	1,224	0.39%
Other	4,060	1.28%
Totals	316,527	100%

Figure vi: SARs submitted by the financial services sector

Oct 12 to Sept 13	Volumes	% of Total
Consumer Credit	148	1.11%
Credit Card	4,027	30.14%
Credit Union	330	2.47%
Electronic Payment	1,468	10.99%
Finance Company	4,517	33.81%
Friendly Society	8	0.06%
Independent Financial Advisor	7	0.05%
Insurance	2,254	16.87%
Mortgage Provider	155	1.16%
Pension Provider	217	1.62%
Retail Intermediary	228	1.71%
Totals	13,359	100%

Figure vii: SARs submitted by money service businesses

Oct 12 to Sept 13	Volumes	% of Total
Money Transmission	14,191	66.49%
Cheque Casher	5,063	23.72%
Bureau de Change	2,089	9.79%
Totals	21,343	100%

Engagement with regime participants

The UKFIU attended over 232 conferences, events, presentations and meetings during the year aimed at participants of the SARs Regime. This included 94 events for reporters, 102 for law enforcement agencies (LEAs), and 36 supervisor/professional body/trade association visits. This does not however include the numerous telephone calls and emails conducted between the UKFIU and regime participants. These figures represent almost a doubling in the number of such visits reported in last year's report, which recorded a total of 128 events.

New model of engagement

In 2012, the SARs Regime Committee agreed that a 'new model of engagement' be developed with a view to delivering feedback and outreach more effectively, particularly taking into account available resources. This year saw the implementation of the model.

The key principles which support the new model of engagement are:

- To provide feedback on the SARs Regime for reporters.
- To provide greater analysis of SARs informing stakeholders of emerging thematic or geographical trends in a timely manner.
- To undertake analysis of SARs to inform engagement with the supervisors and professional bodies/trade associations which represent stakeholders, in order to better understand, distil, design and communicate information to improve regime effectiveness.

Supervisors and professional bodies

Over the year, the focus has been on engagement with the reporting sectors, especially in relation to achieving the goal of providing effective feedback. This has included working with the Anti-Money Laundering Supervisors' Forum (AMLSF)⁷ Affinity Groups regarding implementation, with overall feedback being positive. The UKFIU further liaised with regulators, supervisors and trade associations, who assisted in delivering key messages to their members through their pre-existing secure delivery mechanisms.

The UKFIU worked collaboratively with sector regulators such as the Gambling Commission and the Solicitors Regulation Authority to provide information related to the SARs supplied by, and also in respect of, their areas of business. This was done to assist the regulators in updating their own risk profiles. During the year two urgent UKFIU bulletins were sent to UK law societies around fraud typologies identified and developed by the Consent Team.

Financial services sector

The financial services sector continues to be the major contributor of SARs, in particular the retail banks. The UKFIU recognises the importance of its relationship with banks and building societies and chairs a quarterly meeting – the Proceeds of Crime Operational Group (POCG) – with the British Bankers' Association, Building Societies Association and their respective members. The POCG provides a mechanism for discussing and resolving operational matters concerning the effective operation of the regime and also offers an opportunity for feedback.

High volume reporters of SARs, including retail banks, continue to receive an annual feedback report on reporting quality and positive investigative outcomes, which is well received by the recipients.

To expand its reach under the new model, the UKFIU has initiated engagement with professional bodies representing banks encompassing the wholesale, investment and wealth sectors, particularly those which may have smaller operations within the UK. In this reporting year, the UKFIU has had positive engagement with the Association of Foreign Banks and the UK Chinese Bankers' Association, which has facilitated the improvement of communications and the provision of feedback.

Money service businesses

Through Project Quaver, SOCA worked closely with Her Majesty's Revenue & Customs (HMRC), the Financial Services Authority (FSA)⁸ and other law enforcement agencies in the UK and overseas to reduce the risk of money laundering at MSBs. During the year, the UKFIU supported Project Quaver through engagement with MSBs by providing SAR related feedback and anti-money laundering guidance.

SOCA continued to tackle the threat from mass marketing fraud by focusing on key levers which enable organised criminals to conduct such fraud. MSBs are one such enabler. SOCA analysed information provided by a major MSB regarding all payments made over the six month period of June to November 2011 from a sample area in the UK. This resulted in the identification of a large number of victims and established that a high percentage of the payments were associated with fraud.

SOCA produced a victim profile which is now being used by the MSB to identify victims of fraud. SARs submitted by the MSB in question almost tripled as a result (from 1,389 in 2010 to 3,911 for the same quarter in 2012).

⁷ The AMLSF brings together those UK bodies with supervisory responsibilities under the Money Laundering Regulations 2007.

⁸ As of April 2013 the FSA became the Financial Conduct Authority (FCA).

Building societies

In 2010 and 2011 respectively, the number of SARs submitted by building societies averaged at 646 and 607 per month respectively. Following outreach work with building societies which began in January 2012 and continued into 2013, the number of SARs submitted has now increased to an average of 900 per month this year.

Estate agents

The programme of outreach continued with the property professionals sector, including UKFIU participation in Office of Fair Trading (OFT) workshops (one in Northern Ireland), and events by the National Association of Estate Agents (NAEA), National Association of Valuers and Auctioneers (NAVA) and Guild of Property Professionals. There were also meetings with individual estate agents and the professional bodies.

SARs Twice Yearly Reporter Booklet

One of the successes of the new model of engagement was the introduction of a new UKFIU communications product: the SARs Twice Yearly Reporter Booklet. The aim of the product – first issued in March, followed by a second in September – was:

- To share perspectives on the use of SARs with participants of the regime.
- To share and encourage best practice among reporters.
- To provide a feedback mechanism to the UKFIU about the operation of the regime.
- To highlight successful law enforcement outcomes in case studies.

Feedback from recipients has been very positive.

Guidance products

Other publications issued during this period included:

- Fraud typologies to UK law societies.
- ‘Reporting Requirements on International Standards’, done in conjunction with HM Treasury, the Financial Services Authority and the Home Office.
- ‘Engagement with the UKFIU’.
- ‘Submitting a SAR within the Regulated Sector’.
- ‘Obtaining Consent Guidance from SOCA under Part 7 of the Proceeds of Crime Act (POCA) 2002 or under Part 3 of the Terrorism Act (TACT) 2000’.

End users

Based on the UKFIU’s new model of engagement, officers undertook an extensive schedule of end user visits within their respective geographic regions of responsibility. Although the principal aim of these

visits was to reinvigorate wider use of the ARENA⁹ system and consequently further exploitation of SAR information, these visits also:

- Provided new and existing users with a better understanding of ARENA functionality and of best practice gathered from other end users through the ARENA user group.
- Sought to improve the knowledge of ARENA Subject Matter Experts (SMEs) and therefore their confidence in leading future ARENA training for their officers.
- Enabled UKFIU officers to establish closer working relationships with their respective end users.
- Provided an opportunity for UKFIU officers to discuss the current priorities and developments within the regime and ensure police forces are adhering to our policies on governance.

The aim of these visits has been to ultimately increase the analysis of SAR information through the use of ARENA. There is an ambition for the managed expansion of ARENA user access by police forces beyond their Economic Crime Units, and into different areas of end users such as Major Crime Units and Confidential Units. This will allow SAR information to be exploited beyond traditional Financial Investigation Units, while still maintaining SAR confidentiality.

SAR confidentiality

SOCA continued to work with investigators and prosecutors to ensure compliance with the guidance provided by 'Home Office Circular 53/2005: Money Laundering: The Confidentiality And Sensitivity of Suspicious Activity Reports And The Identity of Those Who Make Them'. In order to reinforce the Circular, SOCA maintained a dedicated hotline for reporters to raise concerns about the inappropriate use of SARs. This continues into the National Crime Agency.

In the reporting period, two formal allegations of a breach of confidentiality were made by reporters. One proved to be unfounded and the second, involving material disseminated to an overseas agency, was subject of a full investigation and report from the FIU which received the intelligence. As a consequence local procedures have been revised and the reporting institution informed.

A further breach of confidentiality was self-reported by a law enforcement agency (LEA). Although a formal risk assessment did not identify any risk to any reporter, SOCA suspended an individual's access to SARs pending a review by the LEA's professional standards department. As a result of the professional standards investigation, the individual responsible was given a written misconduct warning and removed from the LEA's Financial Investigation Unit. The matter has been discussed with the reporter and they were content with the action taken.

Over the year the UKFIU undertook a policy to up-skill its staff, as a result of which the vast majority of staff received specific training with the Proceeds of Crime Centre (POCC), formerly of the National Policing Improvement Agency (NPIA) and now with the NCA, to become accredited Financial Intelligence Officers. This training also emphasised the duty of care to reporters and how SARs material can be used.

Vulnerable persons

During the year there was an increase in partnership working across multiple agencies. One of the consequences has been the identification of members of the public who are vulnerable, or likely to become vulnerable to financial crime. The UKFIU (in its role of receiving, analysing and disseminating SARs), has a role in providing SAR information effectively and efficiently to support the activity of partners and protect the public.

⁹ A search and analysis software tool for end users of SARs.

While fulfilling their anti-money laundering and terrorist financing obligations, reporters sometimes identify those who are being exploited or who are potential victims of fraud. The UKFIU has implemented procedures to identify SARs containing information on various types of fraud that prey upon vulnerable members of society. Common types of fraud include romance fraud¹⁰, boiler room fraud¹¹, 419 fraud¹² and pension liberation fraud. Relevant SARs are identified and passed to police forces who will, in many cases, arrange visits by local officers to offer advice in order to prevent fraud or further losses. In the reporting period 552 such SARs were identified and disseminated to police partners.

Case study

SARs indicated that the subject had sent almost £70,000 from various financial institutions to a receiver in Ghana. Enquiries were made to establish any vulnerability issues and the subject was visited by officers. The subject agreed that they had been a victim of a romance scam and would refrain from sending any further cash.

Pension liberation – ‘Project Bloom’

The UKFIU is a partner in Project Bloom, a multi-agency initiative, started in mid 2012 between industry, law enforcement and regulators, which aims to address the threat of pension liberation fraud. This is a form of fraud where members of the public are encouraged to access their pension before retirement, following false representations of anticipated levels of returns when investments are either non-existent, or incapable of providing such a return.

The full extent of the value of money being fraudulently liberated from existing pension schemes is estimated at £400 million annually.¹³ In January the UKFIU introduced a new SAR Glossary Code specific to pension liberation fraud to assist reporters and end users in the reporting and identification of money laundering resulting from this type of fraud.

The statistics in Figure viii below illustrate the rise in SARs reporting on this type of fraud.

Figure viii: SARs relating to Pension Liberation Fraud

	Total SARs	Consent SARs	Consents as a percentage of total SARs
Oct 2012	34	32	94%
Nov 2012	57	38	67%
Dec 2012	19	18	95%
Jan 2013	32	26	81%
Feb 2013	107	86	80%
Mar 2013	128	98	77%
Apr 2013	167	112	67%
May 2013	261	149	57%
Jun 2013	188	66	35%
Jul 2013	123	36	29%
Aug 2013	105	14	13%
Sept 2013	124	22	18%

10 Dating or romance scam, when the ‘perfect partner’, usually online, gains the victim’s trust and asks for money.

11 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.

12 Victims are targeted to make advance or upfront payments for goods/services/financial gains that do not materialise.

13 The Pensions Regulator Annual Report and Accounts, 2012 – 2013.

The UKFIU has supported the project through the identification of search parameters to enable the timely recognition of pension liberation frauds and also secured the agreement of the project's Delivery Group to allocate liberation cases to only two LEAs, thus maintaining a consistent approach to enforcement action.

In addition to this operational support, the team continues to assist a wide range of reporters in submitting consent requests when pension liberation is suspected. It also assists LEAs in identifying opportunities to intervene where a vulnerable person has been the victim of a pension fraud, or when a suspect may have been identified.

Themes and trends

The SARs Data Exploitation Team (SDET) was created in 2012 as an analytical unit within the UKFIU. The team's prime objective is to undertake analysis to identify those patterns and trends which could illustrate changes in criminal, reporter or end user behaviour in support of the new model of engagement with the ultimate objective being the improvement in the overall quality of SARs.

The team has begun partnership work with industry analysts from the reporting sector. The aim is to share information (where possible) across the sectors, cognisant that the reporting sectors sometimes identify new criminal trends first. This work will enable the identification of and subsequent sharing of good practice and intelligence across the SARs Regime.

Geography – jurisdictions of risk

Substantial criminal proceeds generated in the UK are laundered overseas and it is clear that some jurisdictions pose a greater risk in facilitating this criminality. SDET utilised a comprehensive matrix developed by the SOCA Criminal Finance and Profits Team. This matrix, recognised by the Home Office and HM Treasury, is being used by SDET as a prioritisation tool in their work.

500 euro note

The use of the 500 euro note has long been recognised as being attractive to money launderers owing to the ease of portability of large volumes of cash. Research undertaken during the year concluded that whilst the note is no longer issued in the UK, in a six month period in 2012, £2.2 million worth of this type of note was reported in SARs. This research is continuing to inform the strategic picture.

Glossary Codes

During the year the UKFIU, with the support of the SARs Regime Committee, embarked on a piece of work reviewing the SAR Glossary of Terms (also known as the SAR Glossary Codes), and their use by SARs Regime participants. The codes were introduced in 2007, following requests from reporters, to enhance the ability of end users to exploit reports and to reduce the effort expended by reporters in completing SARs. The codes are not mandatory but do assist in identifying reports which relate to certain activities.

The review, which took the form of questionnaires and interviews, entailed extensive consultation with the SARs Regime Committee, trade associations, supervisors, regulators, reporters and end users. Analysis of SARs was also conducted by the UKFIU.

The review concluded that the glossary codes served a worthwhile purpose for the major end users. Additionally, feedback from other end users suggested that greater use of the codes would be made if there was more consistency and reliability around their use.

The review and subsequent discussion with the SARs Committee took into account the planned replacement of the ELMER system, and it was acknowledged that any major changes would be unlikely to gain sufficient traction in the short term. Therefore it was agreed that some housekeeping of the codes would be undertaken, removing the emphasis on predicate offences and focusing on those codes which are necessary to identify the money laundering area rather than the predicate offence. This process has been supported by a re-issuing of the codes.

SOCA Alerts

SOCA shared assessed intelligence and information on specific or generic dangers or threats from serious organised criminality with the private sector, trade bodies and relevant regulators in the form of a SOCA Alert (now NCA Alerts). Each Alert is targeted to enable such organisations to take crime prevention action. SOCA also distributed one-to-one intelligence releases for more sensitive intelligence, such as potential corruption or specific attacks. SARs information can be used to inform the writing of Alerts.

Over this reporting period, 581 SARs were submitted by reporters as a result of SOCA Alerts. The vast majority of these SARs derived from two Alerts: one published in January 2011 called 'Protecting the Elderly and Vulnerable Through The Suspicious Activity Reports (SARs) Regime'; the other published in February 2013 entitled 'Update on the Remit of the Department for Work and Pensions (DWP) Fraud Investigation Service (FIS) and Single Fraud Investigation Service (SFIS)'.

The latter was issued on behalf of the DWP and enabled several banks to identify funds that might have been obtained through fraud. It outlined seven key areas of common fraud types and identified the intelligence most useful to investigations to counter each of these. This Alert led to at least £9,848 of fraudulent funds being recovered through the indemnity process.

Other Alerts published in this reporting period which were linked to SAR submissions included: 'Terrorist Funding Through UK-Based Fraud'; 'Maritime Piracy Ransom Payment Tracking'; 'Prepaid Debit Cards used for Criminal Activity'; 'Fraudulent Applications for DWP Crisis Loans'; 'Bank and Personal Data associated with Money Laundering'; 'Combating Sales of New Psychoactive Substances'; 'Department of Work and Pensions Update on the Launch of Universal Credit'; 'Compromised Accounts to Facilitate Fraud'; 'Eastern European Money Mules' and 'Title Implications of UK/Swiss Tax Agreements for Criminal Funds held in Switzerland'.

This last Alert was published to inform reporters of the potential implications of the UK/Swiss Tax Co-operation Agreement that was going to affect UK account holders. Due to the agreement, from 31 May 2013, individuals were to lose their anonymity and become subject to tax liabilities. The Alert sought to ensure that those individuals trying to conceal their assets by removing funds from the affected accounts were identified.

In addition, four other Alerts from previous reporting years led to further SARs being submitted: 'The Exploitation of UK Money Service Businesses (MSBs) by Organised Crime'; 'Criminal attacks on EU Emission Trading Scheme Registries'; 'Intelligence Release Pertaining to Romanian Nationals' and 'Abuse of UK Banking System by UK Money Service Businessmen to Facilitate Tax and Duty Evasion in Pakistan'.

Staffing and development

Throughout the year there were concerns around staffing within the UKFIU and its ability to meet SOCA's mandated regime responsibilities. These concerns were escalated to the SOCA Board, which prioritised the UKFIU business area and secured the allocation of additional resources.

The UKFIU establishment has been increased and currently has only a few vacant positions. The unique position of the UKFIU and its resourcing requirements was recognised in the transition from SOCA to the NCA and has been migrated as a complete entity.

Industry awareness

As part of the UKFIU's designated powers requirement, there is a need for the UKFIU staff's knowledge and understanding to remain current with regard to the law and to undergo continuous professional development.

In March, the UKFIU held two successful 'Industry Awareness' days for its staff, the first of their kind. The purpose of the events was to support UKFIU staff of all grades in developing their level of skill, knowledge, understanding and experience necessary to carry out their duties to the high standard expected of a national bureau, ensuring the FIU is recognised nationally and internationally as a centre of excellence.

Presentations were given by representatives from HM Treasury (HMT), the Home Office (HO), Gambling Commission, Law Society of England and Wales, Solicitors Regulation Authority (SRA), Financial Services Authority (FSA) and Barclays Bank. These addressed anti-money laundering/counter terrorist financing from the reporting context, looking at the difficulties and sensitivities, and rules and regulations with which regulators, supervisors, reporters and others wrestle.

Feedback from attendees and presenters was very positive, and similar awareness raising seminars are planned for the future.

FIO training

In preparation for the establishment of the NCA, some elements of the National Policing Improvement Agency (NPIA) transferred into SOCA; one of these was the Proceeds of Crime Centre (POCC). The POCC is responsible for the training, accreditation and monitoring of the performance of UK financial investigators. The UKFIU has benefited from co-location with POCC which has supported a close working relationship in areas of mutual interest. This has included the UKFIU undertaking POCC training to become accredited Financial Intelligence Officers (FIOs). This was part of a drive instigated by UKFIU senior management, and supported by POCC, to strengthen the knowledge and expertise of all staff across the various teams in the UKFIU.

Transparency and governance of the regime

Created in 2006, the purpose of the SARs Regime Committee has been to oversee, on behalf of the SOCA Board, SOCA's responsibilities in relation to the SARs Regime. The Committee's membership from the private sector, law enforcement and government bodies has sought to represent those sectors that participate in the regime. During the year, membership has widened to include representation from the counter terrorism community.

At the Committee's quarterly meeting in June, SOCA Director General Trevor Pearce addressed the Committee, and on behalf of SOCA Chairman Sir Ian Andrews and the SOCA Board, formally thanked members for their contribution over the past seven years. The Board recognised how much the regime had changed and that there had been significant challenges with regards to resourcing and IT, which had made the achievements to date even more impressive. The Board felt it was important, especially going into the NCA, that progress continued.

SARs Regime Tasked Group

The SARs Regime Tasked Group is an ad-hoc sub-group of the main SARs Committee, formed and tasked to undertake specific pieces of work. It is made up of individuals representing private and public sector bodies who are able to consider and advise on specific issues. During the year the Tasked Group was convened to identify how law enforcement and the regulated sector could work together to improve the collective understanding of the global environment and how this affected the SARs Regime. The work

sought to identify sources of information, risks and threats, the use of technology to exploit international information, and to propose agreed ways of working that would derive benefit to stakeholders within the Regime. It was recognised from the outset that business models and issues were very different for the accountancy and legal sectors when compared with the banking sector, and therefore separate discussions were held.

The issues discussed included information sharing risks, the scope and scale of networks not being universal or as extensive in all areas, and resource constraints. Whilst the view of participants was positive around the exercise, divergence across the regime made it difficult to envisage how it could be taken to another level. It was concluded that the way forward was for actual risks and risk assessments that could be shared be fed into the ongoing work for the National Risk Assessment.

Retention and deletion of SARs

Following the Information Commissioner's Office (ICO) 2011 review on SOCA's operation and use of ELMER, the UKFIU has continued to comply with its recommendations. In January 2013, SOCA hosted a follow up visit from the ICO during which it demonstrated that the database no longer retained SARs beyond six years. SOCA also showed that procedure was in place to assess feedback indicating SARs were not linked to criminal funds and to delete such SARs where appropriate. The ICO confirmed that they were satisfied with the management of the overall process, and that there was no need for further review meetings pre-transition into the NCA.

HMRC increasing the use of SARs

Her Majesty's Revenue & Customs (HMRC) continued to seek opportunities to drive up its performance and maximise intervention opportunities afforded by the Proceeds of Crime Act 2002 (POCA) and the SARs Regime. HMRC utilise a system called CONNECT, a data matching tool that enables the organisation to cross match HMRC and third party data items to highlight patterns in HMRC's body of taxpayer data. CONNECT allows HMRC to identify anomalies between factors such as bank interest, property income, other lifestyle indicators, and a customer's stated tax liability.

In 2010 an 'in principle' agreement was reached between the UKFIU and HMRC to facilitate the sharing of SARs intelligence to reference against HMRC's CONNECT system. A trial proof of concept exercise concluded with the identification of nine cases for criminal investigation from a sample population of 100 cases. Development work has concluded and a full matching of data took place in October 2013. HMRC's ability to use SARs data matching against bespoke profiles will produce increased intervention opportunities across the full range of taxes, duties and entitlements administered by HMRC, generating yield and cases suitable for prosecution.

As HMRC becomes more effective in utilising this important intelligence facility, efficiency savings made will be recycled into case production and enhancement of the intelligence risk picture to inform future strategic direction.

The use of SARs is integral in supporting HMRC's Affluent Strategy (which targets those attempting to avoid or evade taxes). As part of intelligence-led research, SARs facilitate discovery of UK and non-UK based assets and financial transactions, leading to the identification of untaxed sources of income in the UK and the assets that generate that income.

HMRC continued to make improvements in the handling of consent SARs. In the financial year of April 2012 to March 2013 the HMRC Banking Liaison and Consent Team handled 2,921 requests for consent. The team repatriated £1,611,516 back to HMRC from 696 consents. HMRC prevented estimated revenue losses of £16,230,012 from 2,155 additional consent requests.

The HMRC Consent Team handled 70 requests for consent presented as a result of the Liechtenstein Disclosure Facility (LDF) which was created following a Memorandum of Understanding between the Government of Liechtenstein and HMRC. This relates to cooperation in tax matters; by making a disclosure under the LDF, UK taxpayers with undeclared liabilities can get their tax affairs in order, whilst taking advantage of special terms. The 70 consents prevented revenue losses of £42,985,800.

Consent

The Proceeds of Crime Act 2002 (POCA), allows persons and businesses to avail themselves of a defence against money laundering charges by submitting an authorised disclosure¹⁴ and seeking the consent of the NCA to undertake an activity (a “prohibited act” under s327, 328 or 329) about which they have concerns.

The UKFIU Consent Team grants or refuses such consent requests on behalf of the NCA. The team manages the receipt, assessment and resolution of all consent requests, and the team’s work frequently leads to the development of new opportunities for intervention against criminal finances and profits. Legislation demands that consent decisions must be made within seven working days of receipt, and the UKFIU processed over 14,000 requests this year. As the work of the Consent Team has increased, the FIU has deployed more resources into this area both permanently and at times of peak demand.

Data on the value of seizures, restraints and the number of arrests made as a result of consent SARs is a useful indicator of the effectiveness of the consent regime in disrupting criminal finance. Figure ix shows seizure and restraint figures for interventions arising from requests that have been refused, and Figure x shows the same figures for requests that were granted.¹⁵ However the effectiveness of the consent regime cannot be measured solely by intervention figures. The regime also has a preventative value, one example being the identification of fraud in action.

Figure ix: Outcomes of refused consent requests

Interventions arising from refused consent requests Oct 12 to Sept 13	
Restraint sums	£19,887,133
Cash seizure sums	£173,374
Funds indemnified by HMRC	£19,932,349
Funds repatriated to HMRC	£2,752,287
Total	£42,745,143
Cases with arrests recorded	32 (38 arrests)
Refusal rate for the period	9.8%

The restraint amount for refusals this reporting year is down on last year’s figure of £104,747,007. This is because last year’s figure was boosted by a single restraint for £70 million following identification of funds in the UK relating to a fraud investigation by a foreign jurisdiction. Overall there has been a drop in the refusal rate from 9.5% to 7.8% this year. However this is only just below the normal refusal rate which ranges from 8% to 12% per annum.

Cash seizure as a result of refused consent has increased from £119,143 last year to £173,374 this year, while arrests increased from 34 to 38.

¹⁴ Referred to as ‘consent requests’ throughout this Annual Report.

¹⁵ The data listed is based on information supplied by end users to the UKFIU, and as such is likely to represent a minimum, as 100% reporting was not achieved. This data was sought and supplied in the period immediately following receipt of the consent SAR, or when restraint has been obtained and further results may have been achieved at a later date that are not included here.

Figure x below details the outcomes of granted consent requests. 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 so these figures should only be considered as a guide to the impact of consent requests.

Figure x: Outcomes of granted consent requests

Interventions arising from granted consent requests Oct 12 to Sept 13	
Restraint sums	£217,081
Cash seizure sums	£148,374
Total	£365,455
Cases with arrests recorded	8 (8 arrests)

The figures for restraint sums and cash seizure sums are both down considerably on last year's figures (£5,557,900 and £609,047 respectively). The reasons for this will be reviewed by the UKFIU and considered if there is any underlying reason for this drop.

Figure xi: Consent requests refused

	Consent requests refused		Refused consent requests that are subsequently granted in the Moratorium Period	
	Number	Percentage of requests refused	Number	Percentage of overall refusals
Oct 2012	124	10.0%	22	17.7%
Nov 2012	111	9.5%	25	22.5%
Dec 2012	92	9.6%	12	13.0%
Jan 2013	109	10.7%	20	18.3%
Feb 2013	130	10.5%	26	20.0%
Mar 2013	85	7.0%	20	23.5%
Apr 2013	99	7.7%	29	29.3%
May 2013	159	12.0%	29	18.2%
Jun 2013	135	11.3%	27	20.0%
Jul 2013	120	9.5%	21	17.5%
Aug 2013	96	8.5%	19	19.8%
Sept 2013	127	11.7%	16	12.6%
Total	1,387	9.8%	266	19.2%

Turnaround of consent requests

Over this reporting period 12.8% of all consent requests were turned around on the day of receipt or the next working day; with just over a third of requests (35.8%) turned around on the day of receipt, day one or day two. The average turnaround time for all requests was 3.5 days. This is a slight increase on last year's reported turnaround of 3.1 days. This was mainly due to an increase in volume, the quality of the SARs and because more cases were allocated to LEAs for their advice than was granted in house. The views of LEAs were required more often, as the nature of the suspicion was more complex and there was greater potential for law enforcement interest.

Review of consent submissions by sector

During the year, the Consent Team identified an increase in the need to contact reporters with queries concerning the content of consent requests upon receipt, or during the notice period. This was compounded with difficulty contacting the relevant reporter. As both these issues affected the turnaround time for responding to requests, and tied up valuable resources in chasing contacts during the notice period, the team conducted a review of consent requests over a four month period from September 2012 to December 2012.

All 4,377 requests during this period were analysed individually to establish, by sector, areas for improvement including:

- Ensuring the five key elements¹⁶ of a consent request were included in each request, and
- Which sectors were the most difficult to contact for follow up enquiries.

To identify specific issues and improve the efficiency of the consent regime, the report was shared with supervisors in accordance with the new model of engagement so they could engage with their sectors to improve the quality of the reports. Subsequently the main report has been split into individual sector reports so the detail can be used for training and educational purposes by the respective supervisors with their members.

Analysis of the Moratorium Period

During the reporting period, the Consent Team identified significant differences between LEAs in how refusals and the Moratorium Period¹⁷ reviews were dealt with, and a disparity in outcome. As these issues affect the proportionality of the regime and reporters' relationship with their customers, the team reviewed and analysed Moratorium Period outcomes for the period October 2011 to September 2012.

All 1,238 refusals during this period were reviewed individually to establish, by LEA, areas for improvement including:

- Complying with the demands of the Moratorium Period reviews by SOCA.
- Barriers to obtaining restraint.
- Reducing the number of cases that go 'assumed' on day 32.
- Communication of outcome to SOCA.

16 Key elements are: 1) reporter's suspicion of money laundering; 2) the prohibited act they have been asked to do; 3) the value and whereabouts of the criminal property; 4) the identity of the subject; or 5) enough information to identify the subject or whereabouts of criminal property if not known.

17 The law specifies consent decisions must be made within seven working days (the 'notice period') from the day after receipt of the consent request. 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 reported matter and take further action.

To identify specific issues and improve the efficiency of the consent regime, the report was shared with the Association of Chief Police Officers (ACPO), the SOCA Proceeds of Crime Centre (formerly the National Policing Improvement Agency [NPIA] Proceeds of Crime Centre), and the regional and national Financial Investigators Working Groups (FIWGs), so they could engage with financial investigation units and financial investigators to improve the outcomes of refusing consent.

In due course, it is hoped that this will have a positive influence on the NCA's ongoing assessments of the proportionality of continuing to refuse consent during the Moratorium Period, and a significant impact on LEAs' ability to recover assets where a consent refusal is involved. Both of these benefits should make a difference to reporters.

Consent legal sector bulletins

Two UKFIU bulletins were issued to the legal sector about specific fraud identified as being perpetrated against small and medium sized firms (these were identified via consent SARs).

Case studies

Every six months the UKFIU distributes the Twice Yearly Feedback Questionnaire (TYFQ) to end users. Through this mechanism, users can report on their achievements and share and encourage best practice relating to the use of SARs.

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 TYFQ due to case sensitivities, or the case being subject to sub judice constraints.

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.

Reporter's vigilance leads to uncovering of £36m fraud

A reporter disclosed suspicions around the source of funds and a requested large cash withdrawal by the subject. Subsequent enquiries led to a police investigation into two companies which were operating fraudulently. Together, over the space of five years, the companies had taken approximately £36 million from victims across the UK. A number of people received custodial prison sentences and confiscation orders in the region of £80,000 have been made.

SARs play important role in substantial confiscation order

SARs information played a vital part in an investigation which saw an independent financial advisor (IFA) receive a confiscation order of £2.6m. It was established that over a number of years the IFA had paid clients' money into their own personal and business bank accounts while telling clients that their cash was being invested in loans. The subject was arrested, pleaded guilty to over 40 counts of fraud and deception, and received a prison sentence. A confiscation hearing established a benefit figure of £26m and a confiscation order of £2.6m was made, to be divided between the victims.

SARs identify European crime group

SARs were used to identify and then block accounts used by an eastern European crime group responsible for a large scale attack on Self Assessment and Pay As You Earn (PAYE) repayment systems, as well as construction industry schemes. Over a number of years 300 separate repayment claims were made. SARs were also used to identify one suspect laundering cash and the exchange of sterling to foreign currency. Four individuals received prison sentences. Confiscation orders to the value of almost £1 million were obtained, and all assets belonging to the defendants were restrained to satisfy the orders.

SAR information secures prison sentence for cannabis cultivation

A financial institution raised a SAR as it had concerns about the unknown origins of cash entering into an account. The account was being funded mainly by cash credits and there was no evidence of a salary. The intelligence from the SAR assisted in securing a prison sentence for the subject for producing class B drugs and converting criminal property. They had been growing cannabis on a commercial scale, using their bank account to launder almost £80,000 raised by their criminal activity.

SAR submitted during audit leads to substantial confiscation

A SAR, which reported on suspicions arising during a statutory audit that a subject had been fraudulently making payments using false documents and deception, led to a confiscation order of over £200,000. The subject had been making suspicious payments for services to third party suppliers, who then made the payments into the subject's personal bank account. Supporting paperwork and email communications were all falsified to support the false invoices.

Intelligence from SARs linked to steroids importation

SARs intelligence suggested that the subject was regularly sending money abroad via MSBs. Enquiries linked this activity to their purchase and importation of steroids from foreign drugs manufacturers. The investigation subsequently linked this importation to a further subject, who was supplying large amounts of the drug around gymnasiums. At court, the first subject pleaded guilty to laundering over £40,000; the second pleaded guilty to laundering over £230,000.

Investigation instigated by a SAR identifies mortgage fraud

An investigation was instigated as a result of a SAR which indicated there were concerns about the cash credits and transfers going into and from the subject's accounts. Mortgage fraud was identified during the course of the investigation, and the cash credits and transfers related to badly managed business accounts, transferring funds back and forth from personal accounts, to give the appearance that the accounts were in credit, possibly to deceive creditors. The subject pleaded guilty and received a suspended prison sentence.

£20,000 restrained as a direct result of a SAR in drugs case

An investigation into the large scale production of cannabis resulted in the main defendant being convicted and receiving a prison sentence. A SAR requesting consent revealed that a relative of the subject was attempting to dispose of assets to evade confiscation proceedings. As a direct result of the SAR, a restraint order was obtained for £20,000.

Suspicious over large deposits lead to evidence of ticket touting

SARs highlighted that a suspect had been depositing large sums of cash into their personal bank account (over £130,000) to fund payments to sports clubs. The suspect was arrested, and supporting evidence recovered of money laundering and ticket touting. Bank accounts were restrained and the subject was subsequently convicted of money laundering. At a confiscation hearing they were ordered to pay back over £10,000 in realisable assets.

SAR highlights customer receiving wages while on benefits

A SAR was received because a subject was in receipt of Income Support and their bank account was also receiving cash credits and faster payments with a 'Wages' reference. Enquiries were made with their employer who confirmed the subject was employed by them on a regular basis. The subject was interviewed under caution by a DWP fraud investigator and admitted knowing they should have informed the DWP of any changes to their circumstances. The subject was prosecuted and £5,000 recovered.

IT resilience

The UKFIU strategy on SARs Information Technology (IT) focused on two key areas this year. Firstly, continuing to improve the reliability of existing 'SARs IT' systems. Secondly, to make progress in identifying and implementing a long term replacement system to support the SARs Regime in the future.

The start of 2013 saw a project to improve the resilience of the SARs database successfully concluded. Further work, as part of a SOCA wide programme of work, added increased confidence around system monitoring and confidence around business continuity as the ELMER IT servers were migrated to a new data centre.

This year further work has also been undertaken to upgrade the software and encryption certification processes which facilitate the 'bulk reporting' of SARs into SOCA/the NCA.

Ongoing work is currently being explored to improve the compatibility of 'money.web'¹⁸ with the latest IT operating systems.

The UKFIU worked closely with its IT suppliers to produce a feasibility study on replacing the existing SARs IT systems (including SAR Online). Following completion of this, the UKFIU identified a preferred option for a replacement system and activity is underway in order to assess the UKFIU's requirements against this option.

ARENA

ARENA continued to be the main interrogation and analytical system for accessing and analysing SARs data. The ARENA system allows investigators to instantly create an extensive picture of a subject by assembling relationships between entities associated with SARs.

Over the reporting period the UKFIU hosted a number of ARENA User Forums. Forum attendees, who are representatives from law enforcement, have used these meetings to provide valuable feedback on best practice and suggested improvements for the system. All involved have welcomed the opportunities to

¹⁸ The online portal through which end users access the SARs database.

discuss and share experience through presentations, practical utilisation of the system and informal discussion with other users of the system. The Forum fulfils the function of a conduit for communicating progress and development to law enforcement.

The UKFIU continued 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 ARENA Users Forum. Email notifications were cascaded to Subject Matter Experts (SMEs) containing information regarding the system which has then been relayed to ARENA users within their organisation. This has included a number of guidance notes.

SOCA/the NCA, through close partnership working with the College of Policing and the National Centre for Applied Learning Technology (NCALT), has been developing an e-learning package for ARENA. It is anticipated that this will be delivered in early 2014.

The UKFIU has continued to closely monitor the allocation of ARENA licenses and, through dialogue with SMEs, reallocated licenses within organisations to ensure the optimal utilisation of available accounts.

The general consensus, illustrated in feedback to the UKFIU, is that a large number of end users now regard ARENA as a valuable tool with which to build cases and provide intelligence to support investigations. Particularly useful is the system's ability to display common links and themes between SARs, giving a clearer picture of the movement of funds and establishing links between individuals.

Over the year, the UKFIU's Dialogue Team assisted end users by undertaking a number of visits explaining and promoting the use of ARENA. Between October 2012 and September 2013, Dialogue conducted 35 such awareness sessions for end users. These visits have been complemented by a number of delegations from foreign FIUs who visited the UKFIU and were given demonstrations of the benefits and capabilities of ARENA.

Case study

Money mules identified through ARENA

In a law enforcement agency investigation focussing on the manipulation of bank accounts and genuine taxpayer details, ARENA and 'money.web' proved invaluable in checking bank accounts believed to be used by an organised crime group (OCG) to facilitate this criminality, and identify whether the accounts had been used by different OCGs for different crimes in the past. The investigating agency was able to establish identities of people believed to be at the start of a money mule¹⁹ chain, identify real names of recipients of fraudulent monies further up the money chain, and establish patterns in money laundering/layering, which benefited the investigation.

International work

Strengthened intelligence sharing with international partners

With money laundering and terrorist financing frequently conducted across national boundaries, information sharing between countries is of vital importance. The UKFIU is a member of the Egmont Group, an international forum for FIUs aimed at supporting cooperation and intelligence sharing between FIUs to follow the suspected proceeds of crime and terrorist funding when funds are located in different countries.

¹⁹ Term used to describe someone who is recruited by fraudsters to launder illegal funds.

Egmont enables FIUs to securely share financial information with other member countries for intelligence purposes. As part of the recognised global network of FIUs, Egmont members can take advantage of the cooperation and mutual assistance fostered by the group.

The UKFIU also manages the FIU.Net system, the secure computer network for the data exchange of financial intelligence between FIUs within the European Union (EU). Through its network, FIU.Net supports and encourages the cooperation of EU member states in the fight against money laundering and terrorist financing.

The UKFIU manages these exchanges to provide mutual benefit (which includes ensuring the information shared is risk assessed) and takes the necessary steps to protect the confidentiality of the source of any intelligence shared with international partners.

This year the UKFIU responded to 1,039 requests from overseas FIUs. Of these, 329 were made via FIU.Net. In response to these requests, the UKFIU provided 551 intelligence packages, including 189 via FIU.Net, which included intelligence derived from 578 SARs. The UKFIU sent 891 requests (388 via FIU.Net) to other countries for information to assist investigations being conducted by law enforcement across the UK. Countries may also forward intelligence to other jurisdictions on their own initiative, without having received a search request. The UKFIU made 183 such spontaneous disseminations of intelligence and received 838 in the past year.

Figure xii: Intelligence shared with and received from international FIUs

Intelligence shared with international FIUs		
	Inbound requests from international FIUs	Intelligence packages distributed by UKFIU
Egmont secured network	710	362
FIU.Net secured network (EU)	329	189
Intelligence received from international FIUs		
	Outbound requests for intelligence made by UKFIU	Intelligence received from international FIUs
Egmont secured network	503	202
FIU.Net secured network (EU)	388	166
Intelligence exchange		
	Inbound	Outbound
Disseminations	838	183

UKFIU International

The UKFIU International Team additionally processes inbound and outbound requests for criminal asset tracing intelligence through the Asset Recovery Office (ARO), the conduit for requests among EU member states, and through the Camden Asset Recovery Inter-Agency Network (CARIN), an informal network of international countries. This year the UKFIU received 76 requests from ARO members from which 54 intelligence packages were produced. The team also submitted 42 requests to CARIN member countries, and received three requests for intelligence, from which no intelligence was disseminated. In addition to the above figures, the UK ARO also made 273 requests of EU counterparts.

International Corruption Intelligence Cell (ICIC)

The focus on international corruption, in conjunction with the Department for International Development (DfID), continued to be an important area of work for the UKFIU. SARs play an essential role in identifying

politically exposed persons (PEPs)¹⁹ and assist UK law enforcement agencies in preventing money laundering by those involved in corruption or bribery allegations.

The UKFIU's International Corruption Intelligence Cell (ICIC), funded by DfID, produces strategic and tactical intelligence products that enable law enforcement to tackle international corruption as it impacts on UK interests. ICIC is part of the International Corruption Intervention Group (ICIG), which consists of all the partners involved in the effort to disrupt the actions of corrupt individuals effecting developing countries and the UK. The ICIC has worked with partners in the ICIG in order to fully exploit all the intelligence facilities available in the fight against international corruption. SOCA's International Network was invaluable to ICIC in this respect, and SOCA Liaison Officers continued to help ICIC to build relationships with anti-corruption investigators in developing countries, enabling intelligence sharing and more successful requests for Mutual Legal Assistance.

Over the year, 82 intelligence packages were created as a result of the identification and development of intelligence from all the sources available to SOCA, including SARs. This related to focussed intelligence pertaining to specific cases under investigation (or being developed specifically with a view to tasking a SOCA development). This drop in numbers from last year (133) is due to a more efficient means of intelligence handling by ICIC. Previously packages were created by the UKFIU as a result of discovering intelligence which might be of interest to an investigative team. Spontaneous disseminations were then made regardless of whether or not the intelligence was relevant to any current work. Some of this work is still done by the UKFIU International Team, and therefore they will continue to disseminate intelligence packages in addition to the ones that the ICIC develops for investigation purposes.

The Cell supported four new operations under Project Equable, a SOCA project which aims to identify PEPs who place illicitly acquired funds into the legitimate economy, and processed approximately 284 requests for consent pertaining to potentially corrupt PEPs.

The Arab Spring

The UK ARO continued to lead the UK effort to support countries which have undergone regime change (commonly referred to as the 'Arab Spring'²¹) to identify the type, scale and location of assets alleged to have been stolen through corruption by PEPs. In 2012/13, the UKFIU and ARO continued to support the activities of other government departments and operational partners in providing relevant financial intelligence to assist overseas counterparts in securing Mutual Legal Assistance to recover and repatriate stolen assets.

Egypt Task Force

In March 2011, the Council of the European Union issued an order for the freezing of all funds and economic resources owned or controlled by persons identified as responsible for the misappropriation of Egyptian state funds.

In September 2012 the Prime Minister announced at the UN General Assembly that the UK would set up a cross-government task force to work together with the Egyptian authorities to repatriate assets allegedly stolen or misappropriated by members of the former regime of the Arab Republic of Egypt (ARE).

The work of the Task Force is organised into four clusters – Operations, Policy, Diplomacy and Communications.

The UKFIU has played a key role within the Operations cluster which is a multi-agency operational team, comprising elements of the UK Central Authority, SOCA/NCA (UKFIU), the Metropolitan Police Service and the Crown Prosecution Service under the leadership of Commander Stephen Rodhouse of the Metropolitan

²⁰ Individuals who are or have been entrusted with prominent public functions.

²² The Arab Spring refers to the pro-democracy uprisings that have swept the Middle East and North Africa.

Police. The UKFIU has led the SOCA/NCA contribution to the effort with regards to resources and intelligence support and sharing with Egyptian counterparts.

Financial intelligence and investigation is crucial in asset recovery cases in order to ascertain the nature and location of the stolen assets. This effort, including developing links and relationships with Egyptian counterparts, has supported the Task Force objectives in the due legal process necessary to identify and repatriate the assets. This effort has extended to pro-active working with wider partners in the region following the Arab Spring.

The pursuit of Task Force objectives has not been without its challenges and given recent developments in the region these are likely to continue in the forthcoming period.

Terrorist finance

A UKFIU core function is the operation of an effective suspicious activity reporting system for combating the financing of terrorism (CFT) by making financial information available for use in counter terrorist (CT) investigations, in conjunction with an effective intelligence-sharing interface with police Counter Terrorist Units (CTUs), regional police forces and other government agencies.

The UKFIU Terrorist Finance Team (TFT) identifies and actions SAR information which relates to the detection and investigation of terrorist finance. This involves the refined identification, assessment and exploitation of SARs submitted under both the Terrorism Act (TACT) and the Proceeds of Crime Act (POCA).

Over the last reporting period, 856 SARs were pro-actively identified and disseminated to the National Terrorist Financial Investigation Unit (NTFIU) and the CTU network, an increase of 23% on the same period last year. This process involved the targeted review of 10,240 SARs, an increase of 35% on the same period last year, and reflects the UKFIU approach of ensuring SARs of potential CT operational interest are actioned, whilst as many other SARs as possible are made available to a broader law enforcement user group.²² The targeting and identification of current and historic SARs relevant to CT activity is achieved by dynamic reviews of analytical procedures which require effective cooperation with partner agencies, hence the increase in the identification and review of SARs of potential relevance to CFT. This year has seen the TFT utilising SOCA's advanced data analytics capabilities to identify intelligence in support of those CT investigations, thereby identifying any potential crossovers between organised criminal activity and terrorism.

Operational intelligence support provided to partner agencies has shown that of the search requests received, 40% had some form of relevant information held on the ELMER database. This demonstrates how SARs continue to assist CT investigations, including those time critical searches, helping to establish an accurate intelligence picture at any time.

Furthermore, the TFT has continued to assist in maintaining awareness of CFT activity by analysing outcomes for the development of terrorist finance typologies, for example the production of a SOCA Alert on 'Terrorist Funding Through UK Based Fraud', and to inform both domestic partners and supranational organisations in relation to strategic policy and international standard setting. Additionally, there are inputs to the governance of the UK terrorist financial sanctions regime administered by HM Treasury and the National Counter Proliferation Business Plan directed by the Cabinet Office.

TFT outreach work, targeting both the private and public sector, has included technical input to the Foreign & Commonwealth Office (FCO) sponsored CFT training courses for international partners, and focussed contributions to the NTFIU CFT training programmes and regional CTU briefings and events.

²² These figures cover those SARs which the UKFIU has proactively identified and disseminated to the NTFIU and the regional CTUs. In addition to these, the UKFIU provides data from SARs in response to search requests received from the NTFIU and CTUs. As such, these statistics do not include other numerous data mining results conducted on behalf of the counter terrorism agencies.

Visits

In April 2012, the UKFIU created the Policy, Coordination and Communications Team. This team provided the input and coordination of the policy issues required by SOCA, Her Majesty's Government (HMG), the European Union (EU) and the Financial Action Task Force (FATF), on the work covered by the UKFIU, ensuring they were communicated to partners and stakeholders as appropriate.

Over this reporting period, it facilitated 14 separate visits to the UKFIU on behalf of international partners, including delegations from the FIUs of the Ukraine, China, Singapore, Japan, Albania, South Korea, Argentina and Canada. Delegates were given a general overview of how the UKFIU operates. These visits provided the UKFIU with an insight into comparable money laundering legislation in other countries, and an understanding of how different FIUs operate.

Financial Action Task Force (FATF)

FATF is an inter-governmental policy making body that comprises over 30 countries. It has a ministerial mandate to establish international standards for combating money laundering and terrorism financing. It also assesses and monitors compliance with FATF standards; conducts typology studies of money laundering and terrorism financing methods, trends and techniques; and responds to new and emerging threats, such as proliferation financing.

Through HM Treasury (HMT), the UKFIU supported the work of FATF, in particular around certain typologies. The FATF typologies are assessments that examine the methods used to launder the proceeds of criminal activities and to finance illicit activities, which are in constant evolution.

Since June 2012, the UKFIU in conjunction with the Law Society of England and Wales, supported HMT to enable the UK to co-chair a typology on the money laundering and terrorism financing vulnerabilities of legal professionals. This typology was approved at the FATF meeting in Oslo in June 2013, which the UKFIU attended along with the Home Office and HMT. The UKFIU also provided data to support other typologies such as improving the understanding of terrorism financing in West Africa. In addition it worked very closely with the FIU of the United States of America to support their work on the role of Hawala²³ and other similar service providers in money laundering/terrorism financing.

National Risk Assessment

The UKFIU assisted the government in its preparation for the production of the National Risk Assessment (NRA) which will be published in 2014. This is required by one of the new recommendations published by the Financial Action Task Force (FATF) in 2012. This requires all countries to identify, assess and understand their country's money laundering and terrorist financing risks. The NRA is due to be published in 2014 and the UKFIU has been actively involved in supporting HMT and the Home Office. The NRA will provide a clearer indication on the extent of identified threats in the UK and thus enable the effective allocation of resources.

Fourth EU Money Laundering Directive

"The UKFIU continued to be sighted on the consultation process for the significant changes planned at an international level with the development of the Fourth European Union Money Laundering Directive. The Directive will represent Europe's commitment to fighting international money laundering and terrorist financing by implementing the global standards defined by FATF.

The UKFIU has supported HM Treasury in negotiations and engaged with EU partners on developing the directive from an FIU perspective."

²³ An alternative remittance channel that exists outside of traditional banking systems.

Part Two: Forward Look

On 7 October 2013, the Serious Organised Crime Agency (SOCA) ceased to exist and the National Crime Agency (NCA) came into existence. Royal Assent was granted on 25 April 2013 for the legislation enabling the formation of the NCA and the cessation of SOCA. The NCA is a Non-Ministerial Department and is established from its precursor agencies, namely SOCA, the Child Exploitation and Online Protection Centre (CEOP), the Police Central e-Crime Unit (PCeU) and parts of the National Policing Improvement Agency (NPIA).

The multi-agency Intelligence Hub of the NCA will provide a single view of the threat so that the NCA's activity is intelligence-led. The Hub will use access to a wide range of intelligence and embedded partners to provide the best available intelligence for decision making. The SARs Regime will be an important part of the Hub, allowing, within the current constraints regarding confidentiality, for the data contained within SARs to inform the intelligence products of the NCA. However, as required by the Financial Action Task Force (FATF), the UKFIU will remain operationally independent regarding the operation of its core functions.

Many of the changes regarding the transition to the NCA are still in progress. From 7 October, visible signs of the move to the NCA have included greater transparency in the work of the NCA and a continued focus on developing partnership working. The focus for the year 2013-2014 will be on: embedding the new processes associated with the NCA into the UKFIU; continued development and focus on the improvement of the IT; and greater engagement and feedback with both reporters and end users.

The Economic Crime Command (ECC) of the NCA will be at the forefront of the fight against economic crime, overseeing the national response by working closely with partners across law enforcement, the public and private sectors to attack economic crime from the UK. This includes fraud, bribery and corruption, alongside leading NCA work to tackle money laundering. It will lead on tackling the economics of organised crime, investigating and recovering criminal assets in support of the NCA and its partners. The UKFIU will work closely with the ECC and in particular on projects relating to money laundering and fraud.

The UKFIU will continue to work closely with its IT suppliers to effect the replacement of the existing SARs IT systems, including the ELMER database and SAR Online. This will improve the resilience of the systems and implement changes to improve users' experiences. It is expected that significant steps will have been taken towards a new system during the next reporting year.

As well as change on the NCA front, the UKFIU will be at the forefront of work which impacts upon it at an international and domestic level. This year, the UKFIU has been working closely with HM Treasury and the Home Office in preparation for the FATF fourth mutual evaluation of the UK's anti-money laundering/combating the financing of terrorism regime. The UK evaluation is expected to take place in 2016 and will examine the UK's levels of compliance with the FATF Recommendations.

The Fourth Money Laundering Directive from the European Union is currently at consultation with member states. The Directive will represent the EU's commitment to fighting money laundering/terrorist financing and is expected to have an impact on the work of the UKFIU particularly in the range and scope of the sectors required to report. These changes are likely to require the UKFIU to continue to work closely with regulators and supervisors on the practical consequences of any changes.

The UK is a fully active member of the Egmont Group of Financial Intelligence Units (FIUs). In July the Egmont Heads of FIUs approved the revised Egmont Group foundational documents which will provide guiding principles for Financial Intelligence Units in the future; amongst these is the Egmont Charter. This exercise will provide greater clarity on the precise roles and functions of each of the members that make up the Egmont Group, and will assist in enabling consistency to be established across various governance documents.

The forthcoming year will continue to be challenging owing to changes and developments in both the internal and external environment. However the UKFIU will strive to minimise impact on participants within the regime whilst continuing to seek improvements in performance and outcomes.

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)²⁴ 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.

²⁴ For the reporting period of this Annual Report, the UKFIU was situated in the Serious Organised Crime Agency (SOCA), which legally ceased to exist on 7 October 2013.

Annex B: Membership of the SARs Regime Committee²⁵

SOCA Executive Director (Chair)²⁶

Association of Chief Police Officers

British Bankers' Association

Financial Conduct Authority²⁷

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 Terrorist Financial Investigation Unit

Office for Security and Counter-Terrorism

Serious Organised Crime Agency²⁸

²⁵ Membership as of 30 September 2013.

²⁶ As of 7 October 2013, this became the National Crime Agency Director (Chair).

²⁷ Previously the Financial Services Authority (FSA) until April 2013.

²⁸ As of 7 October 2013, this was replaced by the National Crime Agency (NCA).

Annex C: Total SARs by Industry Sector*

Source Type	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	2012/13
Accountant	516	462	388	458	518	503	486	379	344	480	398	357	5,289
Anonymous	0	2	2	4	4	4	3	0	3	9	2	3	36
Asset Management	27	39	33	29	25	24	20	41	22	32	46	47	385
Auction House	2	2	2	1	1	2	6	2	5	3	0	0	26
Banking	20,665	20,680	18,369	19,842	19,656	19,017	20,557	22,999	21,369	23,734	22,601	21,847	251,336
Barrister	2	0	0	1	3	2	0	2	0	2	0	1	13
Bookmaker	16	16	11	9	12	6	10	16	21	13	13	18	161
Building Society	673	1,131	1,027	866	903	876	769	802	1,054	696	897	1,150	10,844
Bureau de Change	116	61	38	296	414	201	177	121	137	158	183	187	2,089
Capital Markets	2	6	12	6	3	12	8	4	3	6	0	1	63
Charity	1	3	0	1	4	3	1	1	2	4	3	0	23
Cheque Casher	518	607	426	534	670	469	146	148	228	376	540	401	5,063
Clearing House	0	0	0	0	0	0	0	0	0	1	0	6	7
Company Formation Agent	1	24	5	22	17	19	15	16	33	25	35	7	219
Consumer Credit	13	12	4	15	7	13	16	24	23	8	10	3	148
Credit Card	263	299	246	270	271	312	417	426	334	525	342	322	4,027
Credit Union	47	16	40	17	25	23	53	19	30	27	15	18	330
Education	2	0	0	1	1	0	0	1	1	3	0	3	12
Electronic Payment	104	234	117	116	77	112	121	95	84	171	135	102	1,468
Estate Agent	21	20	6	18	19	27	12	13	25	21	19	14	215

Source Type	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	2012/13
Finance Company	567	568	311	412	347	370	386	424	245	334	302	251	4,517
Friendly Society	1	2	2	0	2	0	0	0	0	0	1	0	8
Other Entities Regulated by FCA ²⁹	114	90	68	91	114	116	98	114	135	149	173	66	1,328
Gaming	71	57	40	51	41	55	30	47	59	56	70	51	628
Government	204	239	143	176	252	378	276	410	348	347	239	326	3,338
High Value Dealer	26	11	0	21	37	12	6	10	29	8	10	9	179
IFA	0	0	0	1	1	0	0	2	1	1	1	0	7
Insurance	172	158	128	135	164	226	234	228	200	163	229	217	2,254
Investment Exchange	0	0	0	0	0	0	0	0	0	0	0	0	0
IT	0	1	0	1	1	1	1	5	2	6	2	1	21
Legal (other)	13	10	14	14	24	18	10	14	12	20	20	12	181
Leisure	0	2	0	0	0	0	1	1	4	13	17	9	47
Licensed Conveyancer	9	16	9	9	11	13	10	13	9	17	4	6	126
Local Authority	5	7	2	8	8	2	8	3	4	5	4	3	59
Manufacturer	3	3	1	2	2	0	0	1	3	1	0	0	16
Markets & Exchanges	6	7	1	1	3	0	2	4	6	6	5	2	43
Money Transmission	1,950	1,271	1,359	1,321	1,031	507	1,005	1,608	1,002	1,020	1,148	969	14,191
Mortgage Provider	19	7	16	23	11	11	15	13	8	12	12	8	155
Motor Organisation	11	10	9	13	13	18	11	21	13	15	19	9	162
Other	129	184	150	201	130	136	102	114	138	177	132	122	1,715
Pension Provider	10	14	15	25	29	16	21	39	15	10	20	3	217

29 Previously the Financial Services Authority (FSA) until April 2013.

Source Type	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	2012/13
Private Individual	2	4	8	10	11	10	8	7	14	16	13	5	108
Regulator	36	24	14	22	28	20	37	22	29	19	18	15	284
Retail Intermediary	30	15	24	11	29	7	12	26	22	19	15	18	228
Security	1	0	1	3	1	1	4	8	9	14	2	10	54
Solicitor	343	332	234	273	334	308	299	332	283	313	283	281	3,615
Specialist Financial Services	20	36	24	36	49	32	31	34	30	60	39	47	438
Spread Betting	16	23	14	15	10	11	9	30	23	94	9	19	273
Stockbroker	57	58	25	42	17	23	16	12	25	23	20	20	338
Tax Adviser	22	10	11	6	22	2	10	13	6	12	14	11	139
Unknown	5	4	11	4	14	7	11	11	10	7	10	10	104
Total	26,831	26,777	23,360	25,433	25,366	23,925	25,470	28,675	26,402	29,231	28,070	26,987	316,527

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

Annex D: Consent SARs by Industry Sector*

Source Type	Oct-2012	Nov-2012	Dec-2012	Jan-2013	Feb-2013	Mar-2013	Apr-2013	May-2013	Jun-2013	Jul-2013	Aug-2013	Sep-2013	Total	As a % of all consent	Number of consent SARs as % of all SARs submitted by sector
Accountant	23	26	18	16	13	13	21	23	16	18	12	10	209	1.48%	4.19%
Accountancy Service	3	1	1	0	1	2	0	5	1	1	0	1	16	0.11%	5.30%
Anonymous	0	0	0	1	0	1	0	0	0	0	0	0	2	0.01%	5.56%
Asset Management	12	14	4	6	10	7	7	10	7	7	16	15	115	0.82%	29.87%
Auction House	1	2	2	1	1	2	5	2	3	1	0	0	20	0.14%	76.92%
Bank	555	480	494	470	553	567	637	656	619	543	566	589	6729	47.71%	2.68%
Barrister	1	0	0	0	1	1	0	1	0	0	0	1	5	0.04%	38.46%
Bookmaker	2	2	1	0	0	0	0	0	0	0	0	1	6	0.04%	3.73%
Build Society	26	29	17	13	26	22	18	27	27	26	12	26	269	1.91%	2.48%
Bureau de Change	0	0	1	1	1	0	2	2	2	2	0	0	11	0.08%	0.53%
Capital Markets	1	2	0	1	2	0	2	2	1	1	0	1	13	0.09%	20.63%
Charity	1	3	0	1	0	2	0	0	2	0	0	0	9	0.06%	39.13%
Cheque Casher	0	0	0	0	0	2	0	0	0	0	0	0	2	0.01%	0.04%
Clearing House	0	0	0	0	0	0	0	0	0	1	0	6	7	0.05%	100.00%
Company Formation Agent	0	2	1	5	3	0	4	4	0	1	0	1	21	0.15%	9.59%

Source Type	Oct-2012	Nov-2012	Dec-2012	Jan-2013	Feb-2013	Mar-2013	Apr-2013	May-2013	Jun-2013	Jul-2013	Aug-2013	Sep-2013	Total	As a % of all consent	Number of SARs as % of all SARs submitted by sector
Consumer Credit	0	1	0	0	0	1	0	0	0	0	2	0	4	0.03%	2.70%
Credit Card	0	2	2	1	0	0	8	2	4	3	11	9	42	0.30%	1.04%
Credit Union	2	0	2	0	0	1	0	0	2	0	0	0	7	0.05%	2.12%
Education	1	0	0	1	1	0	0	0	0	0	0	1	4	0.03%	33.33%
Electronic Payment	39	19	29	33	30	18	62	20	17	15	27	17	326	2.31%	22.21%
Estate Agent	9	10	4	10	8	5	1	3	8	7	5	3	73	0.52%	33.95%
Finance Company	24	14	23	18	18	12	15	24	19	19	9	8	203	1.44%	4.49%
Friend Society	1	0	1	0	1	0	0	0	0	0	1	0	4	0.03%	50.00%
FCA others ³⁰	29	22	8	28	49	46	35	36	46	61	74	26	460	3.26%	34.64%
Gaming	6	3	3	4	3	8	6	5	3	6	7	2	56	0.40%	8.92%
Government	5	0	4	1	5	1	2	2	7	9	3	5	44	0.31%	1.32%
High Value Goods Dealer	2	0	0	0	0	2	2	0	1	2	2	0	11	0.08%	6.15%
Independent Financial Adviser	0	0	0	0	0	0	0	1	0	0	0	0	1	0.01%	14.29%
Insurance	116	108	44	55	93	143	126	92	65	60	74	41	1017	7.21%	45.12%
IT	0	1	0	0	0	1	0	5	2	2	2	1	14	0.10%	66.67%
Legal other	12	10	12	12	15	13	6	13	7	15	14	10	139	0.99%	76.80%
Licensed Conveyancer	9	13	8	8	9	11	10	11	8	17	4	5	113	0.80%	89.68%
Local Authority	2	6	0	5	5	0	3	0	2	2	2	2	29	0.21%	49.15%

30. Previously the Financial Services Authority (FSA) until April 2013

Source Type	Oct-2012	Nov-2012	Dec-2012	Jan-2013	Feb-2013	Mar-2013	Apr-2013	May-2013	Jun-2013	Jul-2013	Aug-2013	Sep-2013	Total	As a % of all consent	Number of consent SARs as % of all SARs submitted by sector
Manufacturer	3	3	1	0	2	0	0	0	1	1	0	0	11	0.08%	68.75%
Money Transmission	15	10	18	20	21	10	7	12	38	18	5	6	180	1.28%	1.27%
Mortgage Provider	0	5	3	2	1	2	0	1	0	2	0	5	21	0.15%	13.55%
Motor Organisation	4	2	0	1	0	4	1	2	4	4	5	1	28	0.20%	17.28%
Other	23	39	38	29	35	42	42	29	40	49	33	32	431	3.06%	25.13%
Pension Provider	7	14	14	23	28	14	19	37	11	2	0	1	170	1.21%	78.34%
Private Insurance	1	0	0	1	3	1	1	2	2	0	1	0	12	0.09%	11.11%
Regulator	0	0	0	1	3	0	2	2	1	1	2	0	12	0.09%	4.23%
Retail Intermediary	2	1	3	1	6	1	0	5	1	1	3	1	25	0.18%	10.96%
Security	0	0	1	1	0	0	0	1	1	2	0	0	6	0.04%	11.11%
Solicitor	243	252	163	207	249	232	216	246	202	239	216	221	2686	19.05%	74.30%
Specialist Financial Services	6	13	2	5	14	6	7	2	5	13	8	5	86	0.61%	19.63%
Spread Betting	6	16	10	9	8	9	5	26	13	93	7	16	218	1.55%	79.85%
Stockbroker	41	42	19	23	11	11	11	6	6	12	9	11	202	1.43%	59.76%
Tax Adviser	1	0	1	0	1	0	0	0	0	0	0	3	6	0.04%	4.32%
Unknown	1	3	4	0	4	0	4	3	1	2	4	2	28	0.20%	26.92%
Total	1,235	1,170	956	1,014	1,234	1,213	1,287	1,320	1,195	1,258	1,136	1,085	14,103		

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

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 2012 to the end of September 2013 by source type.

Source Type	Number of SARs disseminated to NTFIU/CTUs from October 2012 to end of September 2013	As a percentage of all terrorist finance SARs
Accountant/Accountancy Service Provider	7	0.82%
Anonymous	1	0.12%
Banking	632	73.83%
Building Society	37	4.32%
Bureau de Change	13	1.52%
Capital Markets	1	0.12%
Charity	1	0.12%
Cheque Cashier	6	0.7%
Credit Card	7	0.82%
Electronic Payment	3	0.35%
Estate Agent	1	0.12%
Finance Company	13	1.52%
Gaming	2	0.23%
Government	3	0.35%
Insurance	16	1.87%
Legal Other	1	0.12%
Local Authority	1	0.12%
Money Transmission	25	2.92%
Other	10	1.17%
Other entities regulated by the Financial Conduct Authority (FCA) ³¹	28	3.27%
Private Insurance	1	0.12%
Regulator	3	0.35%
Retail Intermediary	1	0.12%
Security	17	1.99%
Specialist Financial Service	2	0.23%
Stockbroker	1	0.12%
Unknown	23	2.69%
Total	856	

³¹ Previously the Financial Services Authority (FSA) until April 2013

Annex F: Current End Users of SARs with 'Direct' Access³²

Police Forces		Multi Agency Teams
Avon & Somerset	Lincolnshire	Eastern Regional Asset Recovery Team (RART)
Bedfordshire	Merseyside	East Midlands RART
British Transport Police	Metropolitan Police Service	London RART
Cambridgeshire	Ministry of Defence Police	North East RART
	Norfolk	North West RART
Cheshire	Northamptonshire	South East RART
City of London	Northumbria	South West RART
Cleveland	North Wales	Wales RART
Cumbria	North Yorkshire	West Midlands RART
Derbyshire	Nottinghamshire	Other Agencies
Devon & Cornwall	Police Service of Northern Ireland	Child Exploitation and Online Protection Centre
Dorset	Police Scotland	Crown Office and Procurator Fiscal Service 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	HM Revenue & Customs
Gwent	Sussex	Home Office (Immigration Enforcement)
Hampshire	Thames Valley	National Ports Analysis Centre
Hertfordshire	Warwickshire	Northern Ireland Environment Agency
Humberside	West Mercia	Serious Fraud Office
Kent	West Midlands	Serious Organised Crime Agency
Lancashire	West Yorkshire	Social Security Agency Northern Ireland
Leicestershire	Wiltshire	

³² Accurate as of 30 September 2013.

Annex G: Glossary

Alerts

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

Anti-Money Laundering Supervisors' Forum (AMLSF)

The AMLSF was set up by the supervisory authorities specified in the Money Laundering Regulations 2007 to share views on current and emerging concerns and best practice.

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.

Association of Chief Police Officers (ACPO)

Comprises the senior ranks of all Home Office funded forces in England and Wales, as well as the Police Service of Northern Ireland.

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.

Data Protection Act 1998

Legislation governing the use of personal data by the public and private sector.

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.

Egmont

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

ELMER database

The existing SARs database in SOCA/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.

Financial Investigators Working Group (FIWG)

Where UK financial investigators regularly meet at both national and regional level to discuss best practice in techniques and trends.

FIU.Net

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

Information Commissioner's Office (ICO)

The UK's independent authority set up to uphold information rights in the public interest, promoting openness by public bodies and data privacy by individuals.

Lander Review

A review of the SARs Regime conducted by Sir Stephen Lander, the findings of which were published in March 2006, and which made a number of recommendations for the Regime's improvement.

Money Laundering Advisory Committee (MLAC)

Develops and oversees a strategic approach to money laundering prevention for the UK as a whole and includes members from government, industry, law enforcement and regulators.

Money Laundering Regulations 2007

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

money.web

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

Moratorium Period

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

National Crime Agency (NCA)

The government’s new agency for tackling serious and organised criminality. The new agency will tackle organised crime, defend the UK borders, fight fraud and cyber crime and protect children and young people.

National Centre for Applied Learning Technologies (NCALT)

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

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)

Individuals who are or have been entrusted with prominent public functions, including heads of state, heads of government, ministers, members of parliaments or other high ranking civil or military officials and their close associates and family.

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.

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 UKFIU on policy and disseminations to industry and law enforcement bodies.

Sub Judice

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

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.

