

THE SUSPICIOUS ACTIVITY REPORTS REGIME
ANNUAL REPORT 2008



SOCA
SERIOUS ORGANISED CRIME AGENCY



CONTENTS

PAGE

4 STATEMENT BY THE CHAIR OF THE
SUSPICIOUS ACTIVITY REPORTS REGIME COMMITTEE

6 SUMMARY

10 INTRODUCTION

12 PART 1: DEVELOPMENTS

16 PART 2: PERFORMANCE

30 PART 3: NEXT STEPS

36 CONCLUSION

38 ANNEXES



STATEMENT BY THE CHAIR
OF THE SUSPICIOUS
ACTIVITY REPORTS
REGIME COMMITTEE

I have pleasure in publishing the Suspicious Activity Reports (SARs) Regime Committee Annual Report 2008. This document is the Committee's assessment, for Home Office and Treasury Ministers, of the operation of the SARs regime over the year October 2007 to end September 2008.

The Committee has continued in its independent oversight of the regime. It comprises of representation from all regime participants. It undertakes its functions in a collaborative manner that reflects the partnership approach between the UK Financial Intelligence Unit (UKFIU), reporters and end users which is now an integral aspect of the regime at all levels. I am grateful to Committee members for their valuable contributions and goodwill in helping the UKFIU to make progress.

The Committee remains focused on the future. The intention is for the UKFIU and SARs regime more broadly to be a global leader in best practice in maximising the value of financial intelligence to reduce crime and terrorism. What this will mean and how it will be achieved is set out in Part 3 of this document. Thanks to the work that the Committee has undertaken to date, achieving this is within our grasp.

Paul Evans

Executive Director | Intervention
Serious Organised Crime Agency
Chair for the SARs Regime Committee

SUMMARY

This report considers the following aspects of the Suspicious Activity Reports (SARs) regime:

- developments in the SARs regime 2007-08;
- performance of the regime; and
- next steps.

Developments in 2007-08

The work undertaken to produce Sir Stephen's Lander's review of the SARs regime in 2006, and address its findings, involved identifying major gaps and deficiencies in the system, and making corresponding reforms. As such, the system was brought up to an acceptable standard, as documented in last year's Annual Report. From the period covered by this year's report, the priority moved from addressing major problems to further enhancing the regime.

A number of developments have taken place over the year which have had an impact on the SARs Regime:

- Consent: a Home Office consultation on the future of the consent regime closed in March 2008. Responses demonstrated that there was no clear way forward on this issue as regards to further amendments to the current legislation. However, a valuable pragmatic approach to the regime's operation has been developed by all participants in recent years. This led to significant results in the year of this report.

Work is now taking place to build on this in order to continue to realise benefits from consent SARs and also to provide reporters with assurance as to the decision making process for consent requests;

- a project to deliver IT enabled business change to the regime, or 'SARs transformation', progressed within a wider programme of information management work in SOCA. A procurement process for an IT solution was initiated towards the end of this reporting year; and
- there were a number of relevant administrative and legal developments over the year, including the introduction of the Money Laundering Regulations 2007.

Performance

The SARs Regime Committee has overseen work in the year under three headings:

- improving the UKFIU: work to improve efficiency in SARs handling and processing;
- improving the quality of reports: work to ensure that reports contain information that is useful and relevant, are in compliance with legal obligations, and are submitted in a format that allows for more efficient processing; and
- improving the value extracted by end users: maximising the use made of SARs, ensuring that different agencies use SARs optimally.

This has included three further reviews on key aspects of the regime.

Improving the UKFIU

The Committee has assessed that the UKFIU continues to perform well. Levels of staffing have risen, as envisaged in Sir Stephen Lander's review. This, along with improvements in efficiency and other refinements, has contributed to good results, including a more innovative and proactive approach to bulk matching of data against the SARs database on behalf of partners. The UKFIU model and approach is now recognised by international partners as an example of best practice globally.

Improving the quality of reports

Paper reporting has continued to fall from last year, leading to further efficiency gains. Following a review of communications with the reporting sector, a more targeted approach to UKFIU dialogue was developed in the year, in order to further improve the quality of reporting. This saw a large multi-sector event for the reporting sectors being held for the first time, in Bradford on 29 April 2008.

Increasing the value extracted by end users

Further progress was made in the year on extending SARs usage by law enforcement. There were some good examples of use of SARs to deliver valuable outcomes, and also evidence of the existence of effective systems for handling SARs. All end users are now extracting value from the data. The consent regime in particular led to some good law enforcement outcomes. In addition, average turnaround times for processing consent cases improved.

Breaches of the confidentiality of SARs fell further from 6 in last year to 2 this year. It is the Committee's view that the reporting sector is now less concerned that breaches of confidentiality are a problem. ►

Next steps

In the year ahead, it will be important to improve further the contribution made by SARs to the 'effectiveness' pillar of the Government's anti-money laundering strategy. The aim is to achieve an FIU and SARs regime that are global leaders in best practice in making an impact on crime and terrorism. Priority will be given to work that most assists with this, in line with a risk based approach. This will be achieved through:

- using information more effectively;
- integrating recent improvements and securing benefits in new contexts; and
- preparing the way for SARs transformation.

On this last point, the project to deliver transformation will be progressed in the year ahead.

Conclusion

The assessment of the Committee is that this year has seen steady progress in the SARs regime. Steps have been taken by all regime participants, and the new collaborative approach initiated by the Lander review has continued to pay dividends. In regards to the value extracted from the regime by end users, levels of use have increased to the extent that SARs are now an aspect of all law enforcement agencies' work. Looking forward, efforts will continue to be directed towards building on this sound foundation, in particular through SARs transformation.

In line with last year's Annual Report, the aim for the SARs regime remains to achieve a system that balances:

- the costs to reporters and to other regime participants;
- the need to address the threats to the UK from crime and terrorism; and
- the opportunities that the regime offers to reduce harm and recover the proceeds of crime. ■

INTRODUCTION

This is the second Annual Report of the SARs Regime Committee on the operation of the SARs regime. The Committee's responsibilities remain to oversee the performance of the regime's participants and the discharge of their responsibilities. Membership of the Committee consists of representatives of the key regime participants, and is set out at Annex A.

This report covers the year from 1 October 2007 to 30 September 2008, and as such deals with the second full year of SOCA's management of the regime. Part 1 covers developments over the year, Part 2 looks at the performance of the regime and Part 3 sets out next steps.

Further information about the Committee and background to the SARs Annual Report and Sir Stephen Lander's review of the SARs regime can be found in last year's Annual Report, available at www.soca.gov.uk. ■



DEVELOPMENTS

This year the SARs Regime Committee has considered a number of developments that have had an impact on the regime. This part sets these out as context to subsequent sections on performance and next steps.

Lander review recommendations

Sir Stephen Lander's review of the SARs regime made 24 recommendations to improve the regime, to be addressed by October 2007. Last year's Annual Report gave a detailed account of progress against each of these, and concluded that all recommendations had been addressed by the UKFIU and its partners. Some were described as fully implemented, some had been largely addressed and required ongoing effort or maintenance, and some required significant further effort.

The work undertaken to produce Sir Stephen's review and address its findings involved identifying major gaps and deficiencies, and making corresponding reforms. As such, the system was brought up to an acceptable standard, as documented in last year's Annual Report. From the period covered by this year's report, the priority moved from addressing major problems to further enhancing the regime, by focusing on three main areas:

- improving the UKFIU;
- improving the quality of the reports; and
- extracting more value from the regime by end users.

To achieve this, the Committee's focus has been on reviewing the effectiveness of the changes introduced, and considering further steps. This report gives details of this work.

Consent

In recent years there has been much discussion about the operation of the consent provisions in the Proceeds of Crime Act 2002 (POCA). A Home Office consultation on whether the law should be changed closed in March 2008. The responses demonstrated that there was no consensus on what any problems were, nor how they might be addressed by further changes to legislation, and therefore that there was no clear way forward on this issue. In light of this, the Home Office has no plans at present to bring forward any legislative changes on consent.

Instead, work is now taking place to build on the valuable pragmatic approach to making the system work in practice adopted by all parties – reporters, law enforcement, prosecutors and UKFIU – in recent years. This has seen the UKFIU continue to take the approach that a single consent may be given to the execution of a number of transactions, including when there are a range of potential money laundering offences committed. There have not been any prosecutions for the sort of technical breaches of POCA which reporters had feared, and reporters have not submitted large numbers of consent requests in response to concerns over such breaches. As a result the regime has continued to function.

This approach is assisting to deliver significant results. These, along with further detail on how the UKFIU operates the regime is detailed in Part 2. The further steps that will be taken to build on this, are described in Part 3.

SARs transformation

SARs transformation is the means by which future improvements in the regime will be delivered in the medium term, both through IT development and process changes. Last year's SARs Annual Report detailed how the technology and underlying business processes of the SARs regime would be improved, to bring benefits to all participants and enhance the management information available, through a specific project.

Over this year the project progressed. Detailed work was undertaken to flesh out the requirements of the new IT system, including the technical aspects. In addition, a model showing how the system would operate post-transformation was developed. This was achieved through extensive stakeholder consultation, including working up the detail with reporters and end users at an operational level. At the strategic level the SARs Regime Committee were regularly kept abreast of progress. As a result the project delivered a successful business case for transformation, which was approved in outline by the Home Office Group Investment Board, the relevant oversight body.

As planning developed, it became clear that there were synergies with other major SOCA IT projects

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Investing in the IT that supports the SARs regime is a SOCA Information Management Programme priority, reflecting the importance of this unique source of information about criminal and terrorist activity. This importance is not just in the context of SOCA's strategy for managing and sharing information, but also in pursuit of its wider aims to work collaboratively and to support the interests and needs of partner agencies wherever it can. //

David Bolt

SOCA's Executive Director for Intelligence
and Chief Information Officer

which could be exploited for mutual benefit. In particular, it was decided that it would be more effective and efficient to develop a single system that could search, retrieve and visualise data from all of SOCA's core databases, rather than developing separate systems for each.

Following a detailed exploration of these issues, SARs transformation is therefore now being developed within a wider programme of information management work in SOCA (the Information Management Programme). This will mean better value for taxpayers and also for regime participants, which will receive enhanced information as a result. The Committee has been assured that SARs transformation retains its high priority for SOCA, as well as for the UKFIU.

A procurement process for an IT solution was initiated towards the end of this reporting year. More detail about next steps is set out in Part 3. ►

Administrative and legal developments

There were a number of administrative and legal developments over the year that had an impact on the regime.

Money Laundering Regulations 2007

On 15 December 2007, the Money Laundering Regulations 2007 came into effect. These were the primary means by which the UK implemented the third EU Money Laundering Directive. The Regulations mean that firms in the regulated sector are now required to implement risk based controls. They also designate a number of new supervisory bodies.

These developments should, over time, improve the standard of the customer due diligence and monitoring procedures that many firms have in place, particularly those that are newly supervised. In turn, this should feed into an improved standard of suspicious activity reporting amongst these firms. It also means that the UKFIU is now required to engage with a larger number of regulators than it did previously, which in turn means that it has new ways of reaching out, either directly or indirectly, to a greater number of firms. This work began over the course of this year through the Regulators' Forum (which is UKFIU chaired).

Tipping off

In order to fully implement the third EU Money Laundering Directive, changes to the tipping off provisions in POCA and the Terrorism Act 2000 (TA) were made in December 2007, following a Home Office consultation document issued in July 2007. The Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007 narrowed the scope of the tipping off offences in both POCA and TA, and extended the scope of the defences and exceptions to the prohibition on tipping off. This was a positive response to the issues raised by those consulted.

International developments

An EU Framework Decision was taken in December 2007 that Member States should have national Asset Recovery Offices (AROs) in place. These will be responsible for assisting with the tracing and identification of proceeds of crime and other crime related property which may become the subject of a freezing, seizure or confiscation order under the legislation of another Member State.

The UK will have two AROs: one for England, Wales and Northern Ireland and one for Scotland. The Home Office nominated SOCA as the ARO for England, Wales and Northern Ireland. The second will be the Scottish Money Laundering Unit of the Scottish Crime and Drug Enforcement Agency (SCDEA). The ARO activity within SOCA will be undertaken by the UKFIU. This will provide access to financial intelligence and research tools to enable effective co-ordination and asset tracing.

Also in the EU context, during this year HM Revenue and Customs provided cash declaration data to the UKFIU, following the implementation of EU Regulation 1889/2005. This data relates to declarations made by passengers entering or leaving the EU, via the UK, of any cash that they are carrying if it amounts in value to 10,000 euro or more. Under the terms of the Regulations this data must be made available to the UKFIU. The Committee has been advised by the UKFIU that this information has already been exploited, and the value of analysis will increase as more data is collated.

The UK presidency of the Financial Action Taskforce (FATF) ran from July 2007 to end June 2008. There were a number of priorities that were taken forward by the UK, including the development of more partnership working with the private sector, which mirrors existing best practice at the domestic level in the UK, particularly in respect of the SARs regime.

The FATF also introduced a new surveillance function to identify and examine emerging money laundering and terrorist financing threats. This will allow it to be strategic and forward looking in identifying and assessing new threats, enabling a better response. The UKFIU contributed to this work and will continue to do so. Use of SARs-derived information will be central to this. The Committee will be kept abreast of developments in this area. ■



PERFORMANCE

Over the year, the SARs Regime Committee has overseen a wide range of work to improve the regime, under the following categories:

- improving the UKFIU;
- improving the quality of reports; and
- improving value extracted by end users,

Key to this has been the commissioning of three reviews on important areas of the regime and the delivery of subsequent improvements. Two of these are dealt with here (a project on UKFIU dialogue with the reporting sector and a review of the Twice Yearly Feedback process), and one is covered in Part 3 (a project looking at the information that the UKFIU provides to reporters). This part also covers a general account of performance.

The details in figure 1 show that the volume of SARs reporting dipped compared to the previous reporting period. The UKFIU is neutral as to whether increases or decreases are positive or negative. Reporting levels should reflect levels of suspicion amongst the reporting sector. The dip this year was primarily as a result of a high volume reporter moving outside of the UK, and therefore no longer being required to report to the UKFIU.

Key statistics

Oct 2006 to end-Sept 2007 Oct 2007 to end-Sept 2008

Total SARs received	220,484	210,524
Consent SARs	11,277	13,223
SARs disseminated to National Terrorist Finance Investigation Unit	1,088	956
Percentage submitted electronically	86.70%	93.81%
Percentage submitted manually	13.30%	6.19%
Breaches of confidentiality	6	2

Figure 1

// The collaboration between UKFIU and Operation Archway, which looked at boiler room fraud, has been key for City of London Police.

At our behest the UKFIU has played a crucial role in communicating with Money Laundering Reporting Officers at major financial institutions, instigating sophisticated searches of the SARs database and providing the Archway team with quick-time financial intelligence in relation to a specific problem. Overall the UKFIU has provided an exceptional service in response to a hitherto unknown area of criminality and greatly assisted the development of intelligence that has resulted in enforcement activity in the UK and elsewhere. I regard this type of collaboration as a benchmark for best practice, as the UK's strategy on fraud is taken forward //

DCI Robert Wishart
City of London Police

Over the year, staffing levels in the UKFIU have increased, from around 96 last year to 105 at the end of this year. This is following recommendations in the Lander review and in the mutual evaluation of the UK by the Financial Action Taskforce (FATF). Further staff are being recruited currently.

UKFIU performance

Intelligence

Intelligence analysis by the UKFIU has continued to add value to end users, including to assist in the seizure of cash and other assets held by criminals. Data matching has taken place using more diverse sets of information on behalf of a growing number of partners. Work for law enforcement includes the UKFIU routinely running consent details against the names of individuals listed for confiscation orders, so that potential matches can be identified. Where a match of information occurs, the respective Law Enforcement Agency is notified. In addition data matching work has taken place for several regulators, including in support of sectoral assessment work. This work has helped such agencies build their own intelligence picture.

Intelligence work derived from SARs has also brought other benefits to partners, for example many SOCA Alerts (information products that issue warnings and advice to assist businesses in the reporting sector and beyond to take action against serious organised crime) are generated using SARs material.

The UKFIU undertakes intelligence analysis for partners on money laundering by corrupt Politically Exposed Persons (PEPs). As financial intelligence is central to this work, SOCA chairs both the strategic and operational meetings of the International Corruption Group. This forum coordinates law enforcement activity in this area, and is seen internationally as a model that works in practice. 75 PEPs intelligence packages on specific subjects were produced from SARs and disseminated to partners this year, with appropriate action resulting. In one case this year, SARs intelligence was developed by the UKFIU for another partner, which led to law enforcement action against a corrupt overseas official. More general analysis has also been undertaken for Government in relation to money laundering by PEPs, which has been used to guide policy making.

In relation to terrorism, the number of SARs disseminated to the National Terrorist Financing Investigation Unit (NTFIU) is detailed at annex D. Although the numbers continue to be small in proportion to the total numbers of SARs, their value can be significant, as has been demonstrated in previous years in which major terrorist incidents have taken place. All UK counter-terrorism investigations have a financial aspect to them, and the UKFIU Terrorist Finance Team has continued to provide support to these over the year. ▶

This year, the UKFIU contributed to a major new FATF typology on terrorist finance, published on 29 February 2008. This set out authoritatively the value of financial intelligence for terrorism investigations. It showed how financial intelligence allows law enforcement to:

- look backwards, by piecing together how a criminal or terrorist conspiracy was developed and the timelines involved;
- look sideways, by identifying or confirming associations between individuals and activities linked to conspiracies, even if overseas – often opening up new avenues for enquiry;
- look forward, by identifying the warning signs of criminal or terrorist activity in preparation.

International performance

The UKFIU continues to play a leading role in Egmont, the international coordinating body for FIUs. On average, it is now completing requests for financial intelligence from Egmont Group members within 10 days. This is against the Egmont standard of 30 days. UKFIU also believes that the quality of its returns compares favourably with many other countries, as it routinely undertakes extra checks drawing from open sources, to allow a more substantial response than would otherwise be the case. Any information that is being sent outside the European Economic Area continues to be risk assessed to ensure it is only passed on if it will be used appropriately.

Bi-lateral visits have been made to and from overseas jurisdictions, aimed at capacity building in important parts of the world for anti-money laundering and counter-terrorist financing work.

Improving the quality of reports

Importantly, the number of paper SARs has continued to fall, from 13.3% last year to 6.19% this year, resulting in further efficiency gains in the operation of the regime. More detail on the reporting methods used is contained in figure ii opposite:

Methods of reporting

	SAR Online*	Moneyweb**	CSV file/ encrypted bulk data file***	Word/encrypted email***	Paper	Total
Oct 2007	2,987	980	10,116	125	1,323	15,531
Nov 2007	2,972	900	11,476	60	1,330	16,738
Dec 2007	2,684	684	9,978	219	1,274	14,839
Jan 2008	3,177	1,060	11,465	214	1,137	17,053
Feb 2008	3,675	1,054	11,522	96	1,095	17,442
Mar 2008	2,771	780	8,697	155	1,140	13,543
April 2008	3,376	992	11,679	107	1,025	17,179
May 2008	2,906	848	11,591	175	1,040	16,560
June 2008	3,194	800	13,048	145	991	18,178
July 2008	3,312	1,118	22,236	112	983	27,761
Aug 2008	2,765	921	13,635	115	878	18,314
Sept 20-08	2,888	798	12,751	142	807	17,386
Total Oct 07 to Sept 08	36,707	10,935	148,194	1,665	13,023	210,524

Total Oct 06 to end Sep 07	30,999	15,147	143,735	1,283	29,320	220,484
Number of reporters	3,181	70	19	4	3,214	5,779 ¹

Figure ii

* SAR Online is a web based reporting mechanism that can be used by anyone with access to the internet. It utilises technology that allows this to be undertaken securely.

** Moneyweb is a secure website available over the internet to vetted reporters and end users. For reporters, as well as the ability to submit SARs, it provides additional tools and features - a news service, a document library, and contacts lists. (End users also access the website in order to view SARs on Elmer and provide feedback).

*** The UKFIU can also provide 'Public Key Infrastructure' encryption certificates which allow vetted reporters to submit encrypted files directly onto the Elmer database. These files can be submitted in either a pre-defined 'Comma Separated Values' (CSV) format which allows a single or bulk delivery format and/or a word template format via email.

¹ Figure for total number of reporters is smaller than the sum of the number of reporters under each method, because some reporters use more than one method.

The progress in electronic reporting is as a result of considerable effort and collaboration on the part of the reporting sector. The improvements achieved represent a significant shift in the potential benefits which the UKFIU had hoped to realise in introducing the prescribed form and manner of reporting. With fewer reports being submitted on paper there is less to gain in introducing compulsion in this area. As a result of cost-benefit analysis the UKFIU concluded in February 2008 that the case for introducing a legal requirement on firms to report using a prescribed form and manner was no longer justified and recommended to the Home Office that work on introducing the legislation to bring prescription be suspended. This recommendation remains. Moreover, in the year ahead, work will take place to simplify the reporting methods available.

Those reporters still using paper are mostly small firms, submitting less than five SARs a year. There is therefore no longer volume submission of paper SARs. Work will take place to further reduce paper reporting through UKFIU dialogue and communications. A residual number of paper reporters will always remain in the absence of a legal requirement to report electronically. While it is not the UKFIU's current intention to seek compulsion, its judgement is that a lower volume of paper reporting is still achievable by voluntary means.

Changes to dialogue and communications were among the most highly visible and welcomed developments that resulted from the Lander review,

particularly among the reporting sector. Because of the rapid increase in this activity in recent years, the Committee considered it important to review progress. The key conclusions from this review were that the UKFIU should:

- focus on targeting the most vulnerable areas of the reporting sector in order to help them protect themselves, including through SARs reporting; and
- develop a more structured approach to the planning and delivery of messages, by developing a communications strategy to define key messages and desired outcomes, and a communication plan to outline how to effectively deliver these messages.

The need to develop a more targeted approach to reaching out to reporters is acute given that the estimated number of regulated entities in the reporting sector is between 125,000 and 175,000.² The Committee approved the report of the review in March 2008.

Work is being taken forward to deliver against these conclusions. A new approach to UKFIU's seminar outreach work was trialled in Bradford on 29 April 2008 when a targeted, cross-sector conference was held under the 'Payback' banner.³ While sector-specific seminars had been very successful, the aim of this new approach was to reach a wider range of sectors than these allowed. The key audience in particular was small-and-medium sized enterprises in the local

area, covered by the Money Laundering Regulations. Such businesses had been identified as particularly vulnerable to abuse by those attempting to launder the proceeds of crime. The event was attended by over 150 delegates from a wide variety of industry sectors, including banking, accountancy, legal, money service businesses, estate agencies and the gaming industry, as well as representatives from regulators and supervising authorities who were on hand to offer advice and guidance to businesses from their respective sectors. Of key benefit to delegates was the range of practical hints and tips that they were able to take away and incorporate into their business processes. For the SARs Regime as a whole, enhanced understanding by firms of how best to meet their legal responsibilities will result in better quality SARs reporting and more difficulties for criminals seeking to launder their illicit proceeds. Feedback from attendees was positive.

As a result of the approach of specifically targeting the areas of greatest opportunity, sector-specific seminars are no longer being conducted quarterly as was recommended by the Lander review. In addition, bi-lateral visits have necessarily fallen in number from last year, as more resource is placed on bigger events with wider impact. Further enhancements in the year ahead will mean that UKFIU attention will increasingly focus on the areas of the reporting sector that would benefit the most from contact (see Part 3 for more detail).

Outreach to the reporting sector has been taking place with the assistance of the regulators, which are brought together through the UKFIU-chaired Regulators' Forum. In line with the Lander Review recommendation 22, the service that the UKFIU

"A huge amount of effort is expended by the regulated sector on providing SARs to SOCA. It is vital for the success of UK anti-money laundering systems for SOCA and law enforcement to extract value from these SARs. In tandem with progress in this area, SOCA is finding new ways to widen dialogue with the regulated sector. This not only increases the flow of SARs, but also helps businesses protect themselves, and reduce harm in their communities. The conference in Bradford was a valuable contribution to this dialogue and I hope to see this widened to other cities"

Karen Silcock

SARs Regime Committee member, and Partner at Deloitte (and speaker at the Bradford conference)

provides to each regulator in this forum is subject to formal agreement. To this end Joint Working Agreements (JWAs) have been agreed with five regulators over the period of this report. These are:

- Association of International Accountants
- Institute of Certified Bookkeepers
- Institute of Chartered Accountants of Scotland
- Law Society of Northern Ireland
- Solicitors' Regulatory Authority

These, along with the existing JWA for the Law Society of Scotland and those currently in development are listed at annex F. Some regulators – the FSA, the Gambling Commission and HM Revenue and Customs – have wider Partnership Agreements in place with SOCA that cover UKFIU issues. However, there would be benefits in securing JWAs with other regulators. Some have not made steps to respond to the UKFIU in this regard. Effort will continue in the year ahead. ►

"I continue to be impressed by the desire of SOCA to engage with Regulators, a policy which has manifested itself by the significant change in the willingness of its staff to liaise and seek the views of the SRA. The ensuing dialogues have become meaningful, substantive and have led to a genuine partnership at both strategic and operational levels."

Mike Calvert

Head of Forensic Investigation
Solicitors Regulation Authority

² Based on figures contained in the Regulatory Impact Assessment for the implementation of the third EU Money Laundering Directive. See Implementing the Third Money Laundering Directive: Draft Money Laundering Regulations 2007 (HM Treasury), January 2007, page 81.

³ Payback is the brand used for events organised as part of the multi-agency approach to taking the cash out of crime, and is owned by the cross-agency Asset Recovery Working Group (ARWG).

Improving value extracted by end users

This year saw changes to the format of the Twice Yearly Feedback Questionnaire (TYFQ), the means by which end users provide details of their use of SARs to the UKFIU. The decision to review the system was made in order to try to improve understanding of the performance of the system for End Users. A number of changes were made to make it more user-friendly and relevant to different agencies, and to gather more qualitative information about SARs use. Because of these improvements, the questionnaires are now being completed more fully, and feedback is more accurate. Given the importance of feedback to the regime, the Committee is of the view that this is a positive development.

Data from the TYFQs submitted by end users suggests that:

- the value of restraint orders obtained where SARs featured⁴ in the investigation was at least £192 million;
- the value of confiscation orders obtained where SARs featured in the investigation was at least £110 million; and
- the value of cash forfeitures obtained where SARs featured was at least £26 million.⁵

The assessment in last year's Annual Report was that use of SARs by law enforcement agencies was patchy with significant areas of weakness. In considering the position this year, a number of sources of

information have been drawn upon - the feedback received in TYFQs, applications for Moneyweb access and anecdotal information. The conclusion drawn from this is that the use of SARs has increased to the extent that they are now an aspect of all law enforcement agencies' work. A full list of end users is contained at annex F. 77 agencies are listed. The diverse nature of these shows the reach of SARs in UK law enforcement work and also indicates the potential for mainstreaming SARs to a wide range of crime prevention and detection activity.

Breaches of the confidentiality of SARs fell further from six in last year's Report. The investigation that was reported as ongoing in last year's Annual Report has been deemed to have not been a breach. This year, three calls were made by reporters to the confidentiality telephone line expressing concern about potential breaches. Two of these are still under investigation. A single call was confirmed as a breach, and has been referred to the law enforcement agency in question for appropriate action – Tayside Police. A single breach was also reported by an end user, and has been confirmed. Therefore the total number of breaches for the year is two.

These figures suggest that reporters can now have fuller confidence that all suspicions can be reported without fear of breach of confidentiality. However, it is important that efforts remain focused to maintain this position, and therefore the UKFIU will continue to provide a facility for any concerns to be reported.

⁴ TYFQs ask end users for details of results where SARs have 'featured' in the relevant six month period. No value judgement is suggested with the term 'featured', it merely means that that a SAR figured in or was connected to an activity. Details provided by law enforcement in respect of these questions may result from investigations started prior to the reporting period in question.

⁵ Includes consent requests.

Consent

Approach

The consent provisions of the Proceeds of Crime Act 2002 enable reporters to avoid liability in relation to the substantive money laundering offences by seeking consent (effectively from SOCA) to act in relation to suspected criminal property. This presents law enforcement with opportunities to intervene before transactions take place.

Over the year, the UKFIU has operated the consent regime with increased efficiency, resulting in benefits to all regime participants. Reporting sector concerns about aspects of the regime have remained, some of which were covered in the Home Office consultation of December 2007. However, a practical approach by all regime participants has ensured that the regime continues to function and achieve both the law enforcement objectives it was set up to deliver, and the provision of an efficient service to reporters. This has been recognised by the reporting sector in both the SARs Regime Committee and the Money Laundering Advisory Committee.

SOCA policy on the operation of the consent regime, including the basis for making decisions on whether to grant or refuse consent, has been developed in line with the Government's anti-money laundering and counter-terrorist financing strategy. This determines three organising principles which must guide anti-money laundering activity – effectiveness, proportionality and engagement.

The objectives of applying the three principles are to:

- derive optimal value from the law enforcement opportunities that consent requests present (effectiveness);
- ensure that decision making takes into account other factors and interests, and that the public interest benefits are balanced against commercial imperatives (proportionality); and
- work collaboratively with regime participants to obtain all relevant information, reach an appropriate decision and actively review refusals (engagement).

In practice, further enhancements to SOCA's approach over the year have included the UKFIU taking more steps to monitor the moratorium period when consent requests are refused, to ensure that, in cases where consent continues to be withheld, this is justified. Regular periodic reviews are conducted in collaboration with interested law enforcement agencies. The UKFIU also actively liaises with reporters to obtain further information where required. Such collaboration and communication with interested parties is key to the practical approach that is itself now central to the consent regime.

Defining and measuring clear outputs that indicate the performance of the consent regime is complex. There are three areas of interest to regime participants that it is possible to capture – the outcomes arising from consent refusals, cash seizures and turnaround times. While none of these can be strictly a performance

measure on its own (for example turnaround times may be increased by unavoidable factors, as discussed later), they do give some indication of the nature of the regime and its effects.

Consent refusals

Consent should only be refused in the event that such a decision is proportionate. This requires that the public interest factors of any law enforcement action that are to arise from a refusal are balanced with other interests, for example the potential for disrupting a legitimate commercial transaction and the impact of this, and the possible financial loss and impact on businesses or individuals.

The result of such a balancing of interests is that, in the majority of cases, consent should only be refused when a criminal investigation with a view to bringing restraint proceedings is likely to follow or is already under way. However consent may be refused for other reasons (for example, to permit an application for a property freezing order or a seizure of cash), subject to the outcome of the same balancing exercise.

Over the year the UKFIU has engaged more closely with law enforcement agencies to obtain feedback on the outcome of refused consent requests. Data showing the values recorded in the reporting year is set out in figure iii ⁶.

Interventions arising from refused consent cases - Oct 2007 to end-Sept 2008

Restraint sums (approx)	£16,974,684
Cash seizure sums	£473,869
Other interventions	£3,839,000
of which	
Freezing Orders	£50,000
Mortgage fraud - funds returned to lender	£1,200,000
Tax credit fraud sums returned to HMRC	£2,589,000
Total	£21,287,553
Cases with arrests recorded	56 (78 arrests)
Rate of refusal of requests for consent	13%

Figure iii

⁶ 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 the receipt of the consent SAR. Further results may have been achieved following this that are not included here. Estimates of the value of assets restrained may change over time, and some sums within the sterling total are foreign currency. This data relates only to refused consents. A fuller assessment of the value of restraint orders, confiscation orders and cash forfeitures is given on page 22.

Cash seizure

Cash seizure opportunities are an important identifiable outcome of the consent regime. Typically these opportunities arise from consent requests relating to the withdrawal of large sums of cash. Where law enforcement has suspicion that the cash is criminal property or is intended for use in unlawful conduct, it has the option of agreeing to the granting of consent and taking steps to seize the cash. However cash seizures do not necessarily require consent to be agreed. Over the year £5,767,669 was recorded as arising from consent requests, of which £5,293,800 came from cases where consent was granted and, as shown in figure iii, £473,869 arose from consent refusals.

Turnaround times

In the year of the report, on average 37% of all consent requests (both those dealt with only by SOCA and those referred to other law enforcement agencies) were turned around on the day of receipt or the day afterwards (day 0, or day 1). 58% were turned around on days 0, 1 or 2. 100% of all consent requests were turned round within the 7 day notice period provided by the legislation. Details of response times for cases dealt with by SOCA and those that are referred to other law enforcement agencies are set out in figure iv.

Turnaround times for consent SARs - Oct 2007 to end-Sept 2008

	Turnaround on days 0 or 1	Turnaround on days 0, 1, or 2
All cases	37%	58%
Cases dealt with by SOCA	62%	84%
Cases that are referred to other law enforcement agencies	15%	34%

Figure iv

In the previous reporting year 48% of all consent cases had a turnaround time of 0, 1 or 2 days. Such shortened turnaround times ease the position of those seeking consent. This took place in the face of increasing volume of consent SARs received (up from 11,277 last year to 13,223 this year).

The factors contributing to the times taken by partner agencies to deal with consent cases continue to be numerous, and include:

- the volume of cases referred by the UKFIU;
- the complexity of the cases;
- the need to clarify information or liaise with the reporter;
- the likelihood of an agency refusing consent; and
- available resources.

On turnaround times the following factors should also be considered:

- the majority of reporters seeking consent are content with the time taken once they are put in direct contact with the investigating officer;
- longer turnaround times by law enforcement agencies often lead to greater volumes of assets recovered or other intervention activity;
- there continue to be fewer cases in which consent can be easily given, for example because any suspected money laundering is technical in its nature or there is no actionable criminal activity beneath it, than prior to the *Bowman v Fels* case⁷. More actionable cases tend to require more involved consideration, which places an upward pressure on turnaround times; and
- some complex cases will inevitably take time to address, for example if legal advice is required.

In summary however, the consent arrangements are now working more effectively than hitherto.

Conclusion: the regime

The performance of all regime participants continues to improve. Increases in UKFIU staffing, along with changes to processes and approaches, as detailed above, have assisted with this. The UKFIU approach is now recognised by international partners as being of a high standard. Examples of successes achieved through the regime are given on the following page.

Enhancements that have been made to the regime this year, along with further planned recruitment of UKFIU staff, will mean further benefits should be realised in coming years. More detail on this is set out in Part 3. ►

SARs successes

SARs being used in money laundering cases

Information drawn from Twice Yearly Feedback returns from end users has shown the use of SARs to assist and initiate money laundering investigations. SARs from the banking, legal, accountancy and money service business sectors have been highlighted. The cases have led to a range of outcomes including:

- arrests;
- the laying of charges;
- convictions;
- and the obtaining of restraint and confiscation orders under the Proceeds of Crime Act 2002.

The predicate crime associated or suspected to be associated with these cases has included the supply of drugs, 'phishing' and other fraud, tax evasion, organised prostitution, burglary and theft.

Convictions for money laundering, where a SAR has featured, have been achieved by a number of end users. The highest number recorded was by the Metropolitan Police Service – 124, followed by SOCA – 40. In addition, the following end users have recorded relatively strong figures in this area – Gloucestershire Police, Hampshire Police, Merseyside Police, West Yorkshire Police and Surrey Police.

Use of SARs to assist asset recovery activity

SARs have assisted law enforcement seize cash and obtain forfeiture orders under the Proceeds of Crime Act 2002, including up to the value of around £1.5 million. Smaller sums have also helped reduce local harm, for example numerous confiscation orders and cash seizures of between £10,000 and £20,000 have been achieved relating to drug dealing and stolen property.

Examples have been given of SARs assisting to obtain restraint and confiscation orders associated with mortgage fraud of a value of around £3 million.

Integration of SARs work within law enforcement agency systems

The Metropolitan Police Service (MPS) makes extensive use of the SARs database. For example, it has introduced a process to cross-check its wanted persons and warrants database against SARs. In so doing it has established that, in a significant number of cases, the SARs database can provide additional information, such as updated addresses, which assists MPS in apprehending individuals.

In a single month's data on wanted missing persons, the following matches were identified:

- 46 SARs relating to individuals wanted for murder, rape, robbery and burglary;
- 106 SARs relating to individuals wanted for theft, deception and forgery;
- 28 SARs relating to individuals wanted for traffic and minor offences; and
- 6 SARs relating to the settlement of confiscation orders.

West Yorkshire Police has delivered some significant results with the help of SARs. In addition, it has also undertaken the following positive steps:

- enhanced SARs training for all authorised Moneyweb users;

- awareness raising via Force Intranet website;
- SARs have been promoted at Force Intelligence Coordinators meetings;
- SARs input was included on Financial Investigators facilitation day; and
- SARs input was included at all Level 2 organised crime group tasking and pre-tasking and Confidential Unit tasking.

At Leicestershire Police, all detective and intelligence officers undertake SAR checks. It is highlighted as one of the essential checks to be undertaken during the 'intelligence build' phase of investigation.

In addition, HM Revenue and Customs (HMRC) continues to be a leading user of SARs.

“ SARs have proven to be a valuable information resource across the entire range of HMRC's enforcement effort, from identifying and addressing serious tax compliance issues, to the highest level criminal investigations of organised crime networks. Over 400 HMRC officers have now been specifically trained in the use of SARs and all criminal intelligence operations now feature a SAR analysis as a fundamental feature of their development. ”

Mike Wells

Director Risk & Intelligence Service, HM Revenue and Customs



“SOCA has now established a framework for effective co-operation between reporters, the FIU and law enforcement, which is capable of delivering real improvement. The challenge now for the UKFIU and its partners is to raise performance across the SARs regime – to improve the consistency and quality of the reports themselves, the handling of SARs, especially consent reports, and the use made of them. ”

Robin Booth

Partner, BCL Burton Copeland
and SARs Regime Committee member

NEXT STEPS

As set out earlier in this report, this year has seen further review and action to develop the regime from the baseline level achieved through addressing the Lander review recommendations. As a result, the SARs regime has made a greater contribution to the goals of the Government’s anti-money laundering and counter-terrorist financing strategy. Activity in the coming year will build on this progress, and will continue to be grouped around the three main areas identified in last year’s report:

- improving the UKFIU: work to improve efficiency in SARs handling and processing;
- improving the quality of reports: work to ensure that reports contain information that is useful and relevant, are in compliance with legal obligations and are submitted in a format that allows for more efficient processing; and
- improving the value extracted by end users: maximising the use made of SARs, ensuring that different agencies use SARs optimally.

The aim is to achieve a UKFIU and SARs regime that are examples of best practice globally, in order for the SARs regime to make an even greater impact on crime and terrorism. This will mean that, in the year ahead, greater resource will be concentrated on the areas that have the most impact on criminal activity, in line with a risk based approach.

Recent slowdowns in the credit and housing markets continue to have a significant negative impact on the financial sector. Observance of the key principles of the Government’s strategy – effectiveness, proportionality and engagement - will be increasingly important in light of this. Legal obligations and compliance costs remain even in the absence of profits of a similar scale to those achieved in recent years. In addition, in the event of economic downturn, some of the costs and harm of crime, for example the financial losses to individuals and businesses, may expand. Therefore the need for the SARs regime to be increasingly effective in respect of the value it generates, and by extension proportionate in respect of the costs it imposes, has increased.

In the coming year, greater effectiveness will be achieved through:

- using information more effectively;
- integrating recent improvements and securing benefits in new contexts; and
- preparing the way for SARs transformation.

Using information more effectively

The effectiveness of the SARs regime is contingent on the quality and use made of the information it contains. Law enforcement and the UKFIU use SARs-derived information to build knowledge and apply this in the fight against crime and terrorism, including through identifying criminal and terrorist finances and property. Reporters take information about their customers and

consider it alongside other information they possess, for example business knowledge and information from the UKFIU and other authorities, in order to identify suspicious activity and protect themselves against abuse. Future success lies in being able to extract the right information from SARs and elsewhere and applying it in a way that assists regime participants.

End users

Enhancements to the ability to identify and extract relevant information, envisaged as part of SARs transformation, will be a key benefit to end users. However, to maximise impact in the meantime, improved ways of using information must be found to drive improvement.

Carefully constructed data-matching exercises which fully meet the requirements of the Data Protection Act 1998 will continue to be important. The acquisition of further tools by the UKFIU to enable the bulk export and import of data will allow a better, more timely and proactive service to be provided to law enforcement. Suggestions for data-matching exercises will be considered from a wide range of bodies, beyond the traditional law enforcement community. The UKFIU will select the data sets to match on a case-by-case basis. In addition there are responsibilities for end users and reporters to provide full and correct data (in the datasets used for matching and in the information submitted in SARs) both to assist with this and also to ensure the effectiveness of such exercises.

Reporters

The information that the UKFIU and others provide to reporters is crucial to improving the quality of SARs further. Following a SARs Committee-commissioned review into information products for reporters, a number of refinements will be introduced this year, including:

- more use will be made of Vetted Group members and other trusted partners to quality assure information products and make existing products relevant to reporters. This will mean that the expert knowledge of the reporting sectors is used constructively to improve SOCA information products before they are disseminated to wider audiences and will maximise the value of the information the UKFIU holds. In addition, the UKFIU will gain and apply a greater understanding of how products are used by reporters and adapt its processes accordingly; and
- effort will focus on producing information for those areas that would benefit most from it, in line with the more targeted approach to outreach described in Part 2. This will mean that reporting sector organisations identified as being vulnerable to money laundering are made aware of their obligations to report, and will improve the quality and quantity of reports received from these areas.

For the system to work effectively, feedback from reporters on the use and value of such products is essential. Further refinements are contingent on feedback increasing. ►

It is not just SOCA, or even the public sector as a whole, that holds information that is valuable to reporters. A large amount of potentially valuable information is held by the reporters themselves, which is not always included in, or extractable, from SARs. Subject to appropriate assurance over the use of such information, next year and beyond, activity will take place to maximise the potential of information held across the regime, including that by reporters, and other private sector data.

International: future activity

Given the global nature of money laundering and terrorist financing, better use of information in the domestic context is not enough. Knowledge must also be shared between international partners. Because of the improvements that have taken place in the SARs regime over recent years, the UKFIU is now well placed to impart both the benefits of its experience and the knowledge it holds on criminal finances and profits to the wider international community. This will continue to take place through the tried and tested Egmont channel. The UKFIU will also increase its contribution to FATF work, to ensure that UKFIU approaches and concerns become increasingly reflected in the international environment, and also to ensure that the domestic approach is informed by wider global issues. This will include continuing to input to ongoing FATF work to assess strategic money laundering and terrorist financing risks. As part of this UKFIU has agreed with FATF to play a leading role in developing a Global Threat Assessment on money laundering and terrorist financing, which it will take forward as the current

Brazilian presidency unfolds.

Integrating improvements and securing benefits

The second area of activity will focus on ensuring that improvements introduced this year are fully integrated into business activity, and that maximum value is derived from them. It will also mean taking steps to ensure that gains made since the Lander review are secured, and the benefits of these continue to be realised.

Integrating improvements

The new targeted and focussed approach to reaching out to the reporting sector that has been developed will continue. To this end further seminars will be held targeting areas where there are businesses at risk. This new approach will also inform other aspects of UKFIU contact with the reporting sector, for example the placement of articles in the specialist and trade press and the selection of trade conferences at which presentations will be delivered.

The use of SARs by end users is now more widespread. Work will now take place to build understanding of the types of impact that SARs can have and to ensure that each end user agency's activity is appropriate in respect of the type of value it can extract from SARs. This will provide senior managers in law enforcement agencies with the justification for investing in SARs exploitation.

Steps are being taken to build on the pragmatic approach to consent described in Part 1 of this

document. In the light of discussions with law enforcement and industry stakeholders, the Home Office will issue formal guidance to law enforcement agencies, in the form of a Home Office Circular which will set out the high-level principles by which decisions to grant or refuse consent under section 335 of the Proceeds of Crime Act 2002 (POCA) should be taken. The guidance will ensure sound decisions in the consent regime that are in line both with POCA and the principles of the Government's anti-money laundering strategy.

In addition, following further informal consultation with the reporting sector, the Home Office will establish a Memorandum of Understanding with the regulated sector and the relevant law enforcement agencies setting out a common understanding on how the consent regime should operate and what is expected of the various participants. The Home Office will work closely with the relevant parties to this end.

Securing benefits in new contexts

Awareness of the value of financial intelligence in fighting crime and countering terrorism continues to rise across the international community. Further developments are afoot as international attention turns to the threat of proliferation of weapons of mass destruction, with the FATF now actively considering how to combat the illicit financing of this activity.

Following the agreement of UN Security Resolution 1803 on Iran's nuclear programme, the EU agreed a Common Position concerning restrictive measures

against Iran on 7 August 2008.⁸ This set out the principle that financial institutions in Member States should exercise vigilance over any business with Iranian banks and report suspicious activity related to proliferation finance to their national FIU. This Common Position will be the basis for an EU regulation which will establish a legal requirement on financial institutions, which is likely to be agreed early on in the year ahead.⁹

Going forward, it is essential that arrangements are in place for the investigation of any reports arising from these new requirements (and any expansion thereof), and to make clear the roles and responsibilities of the various agencies involved. This is in order to ensure that the value of any information on proliferation finance generated by the reporting sector is maximised. It will also be important for the relevant authorities to provide adequate guidance and outreach to reporters to inform their customer due diligence activity in this new area. Achieving this will ensure that the gains secured by the Lander review in respect to SARs usage and dialogue across the reporting regime are secured in this new context. ►

Preparation for SARs transformation

It will be important to prepare fully for SARs transformation well ahead of delivery of the new IT. The ambition at this stage is for roll-out to take place in 2010.

Activity will take place well in advance of delivery to ensure that all regime participants are fully prepared for roll out, in order for the realisation of benefits to commence as soon as possible.

The purpose of SARs transformation is to increase the benefits that can be realised from the data held within SARs. The key benefits that have been identified are:

- improved knowledge;
- improved efficiency;
- improved operational effectiveness and outcomes in terms of crime prevented and criminal property seized;
- reduced harm;
- improved compliance with relevant legislation; and
- improved confidence in the UKFIU.

Stakeholders are currently being asked to agree the level of benefits that they can deliver. Actual delivery will be measured and tracked over time to ensure that the benefits are achieved.

Conclusion

By finding ways to use information more effectively, embedding recent improvements to policies and procedures, and preparing for transformation, the contribution of the SARs regime to the fight against crime and terrorism, and in particular to the government's anti-money laundering and counter-terrorist financing strategy, will increase further. This is the aim for the years ahead. ■

“The commitment and investment SOCA is making to improve the SARs regime is welcome, in particular engagement with the reporting sectors. We can have confidence that, if the investment and priority given to this important issue remain for the longer term, the SARs regime will deliver the key law enforcement outcomes it was designed to achieve. ”

Richard Cook

Director – Financial Crime, British Bankers' Association
and SARs Regime Committee member

CONCLUSION

The assessment of the Committee is that this year has seen steady progress in the SARs regime. Steps have been taken by all regime participants, and the new collaborative approach initiated by the Lander review has continued to pay dividends. With regard to the value extracted from the regime by end users, levels of use have increased to the extent that SARs are now an aspect of all law enforcement agencies' work. Further efforts will be made next year to build on this, in particular through SARs transformation.

In line with last year's Annual Report, the aim for the SARs regime remains to achieve a system that balances:

- the costs to reporters and to other regime participants;
- the need to address the threats to the UK from crime and terrorism; and
- the opportunities that the regime offers to reduce harm and recover the proceeds of crime. ■

ANNEXES

Annex A: Membership of SARs Regime Committee

SOCA Director of Intervention (Chair)

Association of Chief Police Officers

British Bankers' Association

Financial Services Authority

HM Revenue and Customs

HM Treasury

Home Office

Institute of Chartered Accountants in England and Wales

The Law Society of England and Wales

Metropolitan Police

SOCA Deputy Director (Proceeds of Crime)

SOCA Deputy Director (Prevention and Alerts)

SOCA Head of Business Strategy (Proceeds of Crime)

SOCA Head of the UKFIU (Proceeds of Crime)

SOCA Legal

SOCA Non-Executive Director

Annex B: Total SARs, by sector*

Reporting Sector	Oct '07	Nov '07	Dec '07	Jan '08	Feb '08	Mar '08	Apr '08	May '08	Jun '08	Jul '08	Aug '08	Sep '08	Total 07-08	Total 06-07
Accountant	556	734	740	538	748	690	614	566	615	582	530	441	7,354	8,110
Asset Management	26	36	22	20	42	23	27	28	36	22	21	18	321	787
Auction House	0	1	0	1	0	3	0	0	2	1	0	1	9	13
Banking	11,277	11,974	10,341	12,652	12,178	9,297	12,075	12,014	12,231	17,810	11,212	12,844	145,905	140,437
Barrister	1	1	1	1	0	2	2	1	1	2	1	0	13	97
Bookmaker	11	12	5	8	10	11	12	10	2,009	5,153	2,295	10	9,546	60
Building Society	626	1,277	955	857	1,209	887	912	810	756	705	933	1,445	11,372	11,703
Bureaux de Change	344	417	290	307	214	185	359	324	299	289	286	239	3,553	3,920
Capital Markets	3	2	0	0	0	3	1	3	4	0	2	1	19	31
Charity	1	1	1	0	2	0	1	2	0	24	7	12	51	21
Cheque Casher	726	558	670	588	844	421	621	453	469	633	330	423	6,736	6,920
Clearing House	0	0	0	0	1	0	0	0	0	0	2	0	3	0
Company Formation Agent	0	2	8	3	4	5	4	9	6	1	4	2	48	103
Consumer Credit	0	0	0	0	0	0	1	1	5	1	0	0	8	6
Credit Card	0	0	2	1	15	12	3	0	0	0	0	0	33	16
Credit Union	13	15	10	12	10	7	8	12	10	23	8	25	153	106
Education	1	0	0	1	0	0	0	1	1	0	1	0	5	3
Electronic Payment	4	31	9	18	17	10	14	15	15	13	12	11	169	15,826
Estate Agent	20	17	20	10	17	8	12	13	18	15	16	10	176	147
Finance Company	191	131	139	123	99	168	195	177	154	148	203	87	1,815	2,052
Friendly Society	0	1	0	0	0	0	1	0	0	0	1	0	3	62
FSA others	106	67	54	97	89	86	121	137	131	122	100	156	1,266	914
Gaming	30	35	12	52	53	27	29	44	41	22	24	34	403	299
Government	15	20	28	25	34	31	45	69	87	146	87	95	682	152
High Value Dealer	3	6	5	2	7	2	5	2	4	11	4	0	51	28
Independent Financial Adviser	9	9	7	6	11	14	10	15	5	9	9	0	104	156
Insurance	114	139	78	137	176	116	109	137	109	87	110	122	1,434	1,540
Investment Exchange	1	1	1	0	0	0	0	0	0	0	0	0	3	1
IT	0	0	1	1	0	0	1	2	0	0	1	0	6	7
Legal (other)	7	8	7	4	13	13	10	3	11	11	14	7	108	118
Leisure	5	10	6	8	14	11	7	12	8	22	14	7	124	145
Licensed Conveyancer	3	9	4	10	14	14	14	10	13	13	20	7	131	45
Local Authority	2	9	24	0	5	14	4	6	3	7	10	4	88	55
Manufacturer	1	2	0	1	0	0	0	2	0	0	4	0	10	16
Money Transmission	503	321	359	521	625	456	933	694	170	939	1,242	536	7,299	8,591
Mortgage Provider	175	103	246	239	147	204	190	252	167	131	130	180	2,164	2,099
Motor Organisation	2	4	5	3	1	4	3	5	2	0	0	1	30	73
Markets and Exchanges	1	0	1	3	0	3	2	1	1	2	1	0	15	17
Other	102	75	81	119	104	68	74	47	110	111	87	102	1,080	1,580
Pension Provider	0	4	1	0	4	0	0	3	1	3	2	0	18	10
Private Individual	0	3	0	1	2	0	1	4	0	1	1	2	15	33
Regulator	14	12	33	22	38	19	47	21	30	24	32	12	304	172
Retail Intermediary	13	23	40	16	30	24	10	6	18	36	14	14	244	210
Security	8	5	6	4	5	3	7	9	7	9	2	0	65	61
Solicitor	509	570	556	567	554	595	588	545	527	514	472	463	6,460	11,300
Spec Financial Services	6	4	4	3	15	0	7	5	1	12	4	4	65	55
Spread Betting	20	18	13	27	21	24	20	20	36	42	23	16	280	368
Stockbroker	42	31	27	18	28	27	14	21	17	20	20	29	294	430
Tax Adviser	25	18	8	14	5	7	6	10	8	9	6	7	123	92
Unknown/anonymous	15	22	19	13	37	49	60	39	40	36	17	19	366	304
Law enforcement and Foreign FIU (not considered as SARs)	-	-	-	-	-	-	-	-	-	-	-	-	-	1,193
Total	15,531	16,738	14,839	17,053	17,442	13,543	17,179	16,560	18,178	27,761	18,314	17,386	210,52	220,484

* SARs are attributed to the sector that the reporter identifies itself as belonging to.

Annex C: Consent SARs by sector*

Sector	Total	As a percentage of all consents	Number of consent SARs as % of all of all SARs submitted by sector
Accounting	288	2.2	3.9
Asset Management	82	0.6	25.5
Auction House	5	0.0	55.6
Banking	5238	39.6	3.6
Barrister	10	0.1	76.9
Bookmaker	24	0.2	0.3
Building Society	769	5.8	6.8
Bureau De Change	56	0.4	1.6
Capital Markets	7	0.1	36.8
Charity	2	0.0	3.9
Cheque Casher	3	0.0	0.0
Clearing House	2	0.0	66.7
Company Formation	12	0.1	25.0
Consumer Credit	1	0.0	12.5
Credit Card	2	0.0	6.1
Credit Union	4	0.0	2.6
Education	3	0.0	60.0
Electronic Payment	21	0.2	12.4
Estate Agent	41	0.3	23.3
Finance Company	175	1.3	9.6
Friend Society	3	0.0	100.0
FSA others	298	2.3	23.5
Gaming	24	0.2	6.0
Government	13	0.1	1.9
High Value Dealer	11	0.1	21.6
Independent Financial Advisor	17	0.1	16.3
Insurance	523	4.0	36.5
Investment Exchange	1	0.0	33.3
Legal (other)	64	0.5	59.3
Leisure	1	0.0	0.8
Licensed Conveyancer	109	0.8	83.2
Local Authorities	8	0.1	9.1
Manufacturer	1	0.0	10.0
Money Transmission	227	1.7	3.1
Mortgage Provider	73	0.6	3.4
Motor Organisations	1	0.0	3.3
Market & Exchanges	6	0.0	40.0
Other	203	1.5	18.8
Pension Provider	9	0.1	50.0
Regulator	53	0.4	17.4
Retail Intermediary	24	0.2	9.8
Security	19	0.1	29.2
Solicitor	4344	32.9	67.2
Specialist Financial Services	6	0.0	9.2
Spread Betting	259	2.0	92.5
Stockbroker	155	1.2	52.7
Tax Adviser	2	0.0	1.6
Unknown/anonymous	27	0.2	8.9
Total	13,223	100.0	6.3

* SARs are attributed to the sector that the reporter identifies itself as belonging to.

Annex D: Terrorist finance SARs, by sector*

SARs solely disseminated to NTFIU from October 2007 to end September 2008 by source type.

Source type	Number disseminated Oct 07 to Jun 08**	%
Bank	838	87.66%
Building Society	22	2.30%
Solicitor	19	1.99%
Finance Company	9	0.94%
Money Transmission Service	8	0.84%
Insurance	7	0.73%
Accountant	7	0.73%
Unknown/anonymous	7	0.73%
Mortgage Provider	6	0.63%
Electronic Payment	4	0.42%
Other	4	0.42%
Spread Betting	3	0.31%
Asset Management	3	0.31%
Bureaux de Change	3	0.31%
Cheque Cashier	2	0.21%
Licensed Conveyancer	2	0.21%
Retail Intermediary	2	0.21%
Charity	2	0.21%
Estate Agent	2	0.21%
Capital Markets	1	0.10%
Credit Card	1	0.10%
FSA others	1	0.10%
Gaming	1	0.10%
Government	1	0.10%
Regulator	1	0.10%
Total	956	100.00%

Annex E: End users of SARs

Police Forces (England and Wales)

Avon and Somerset Constabulary
 Bedfordshire Police
 British Transport Police
 Cambridgeshire Constabulary
 Cheshire Constabulary
 City of London Police
 Cumbria Constabulary
 Derbyshire Constabulary
 Devon and Cornwall Constabulary
 Dorset Police
 Durham Constabulary
 Dyfed-Powys Police
 Essex Police
 Gloucestershire Constabulary
 Greater Manchester Police
 Hampshire Constabulary
 Humberside Police
 Kent Police
 Lancashire Constabulary
 Leicestershire Constabulary
 Lincolnshire Police
 Merseyside Police
 Metropolitan Police
 MOD Police
 Norfolk Constabulary
 Northamptonshire Police
 Northumbria Police
 North Wales Police
 North Yorkshire Police
 Nottinghamshire Police
 South Wales Police
 South Yorkshire Police
 Staffordshire Police
 Suffolk Police
 Surrey Police
 Sussex Police
 Thames Valley Police
 Warwickshire Police
 West Mercia Constabulary
 West Midlands Police
 West Yorkshire Police
 Wiltshire Constabulary

Scotland

Central Scotland Police
 Dumfries and Galloway Constabulary
 Fife Constabulary
 Grampian Police
 Lothian and Borders Police
 Northern Constabulary
 Strathclyde Police
 Tayside Police
 Civil Recovery Unit
 Scottish Crime and Drug Enforcement Agency
 Trading Standards (Scotland)

Northern Ireland

Department of Agriculture and Rural Development
 Department for Social Development for Northern Ireland
 Northern Ireland Police Service

Regional Asset Recovery Teams

London
 Midlands
 Wales
 North West
 North East

Other

ACPO Vehicle Crime Intelligence Unit
 Assets Recovery Agency*
 Department for Business, Enterprise and Regulatory Reform
 Department for Work and Pensions
 Department for Environment, Fishing and Rural Affairs
 (Rural Payments Agency)
 East Midlands Special Operations Unit
 HM Revenue and Customs
 National Policing Improvement Agency
 Neath Port Talbot CBC Trading Standards
 National Ports Analysis Centre
 Nottingham County Council
 Royal Mail
 Serious Fraud Office
 SOCA
 UK Border Agency

Annex F: Regulators and Joint Working Agreements

Agreement	Regulators
Partnership Agreement	Financial Services Authority The Gambling Commission HM Revenue and Customs
Joint Working Agreement	Association of International Accountants Institute of Certified Bookkeepers Institute of Chartered Accountants of Scotland Law Society of Northern Ireland Law Society of Scotland Solicitors' Regulatory Authority (formerly Law Society)
Joint Working Agreements being negotiated	Chartered Institute of Management Accountants Council for Licensed Conveyancers Office of Fair Trading
No agreement in place	Association of Accounting Technicians Association of Chartered Certified Accountants Association of International Accountants Association of Taxation Technicians Chartered Institute of Public Finance and Accountancy Chartered Institute of Taxation Faculty of Advocates Faculty Office of the Archbishop of Canterbury General Council of the Bar General Council of the Bar of Northern Ireland Insolvency Practitioners Association Institute of Chartered Accountants in England and Wales Institute of Chartered Accountants in Ireland Institute of Financial Accountants

Annex H: Glossary

Alerts

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

Asset Recovery Office

Responsible for assisting with the tracing and identification of proceeds of crime and other crime related property which may become the object of a freezing, seizure or confiscation order under the legislation of another EU Member State.

Association of Chief Police Officers

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

Association of Chief Police Officers in Scotland

Comprises the senior ranks of Scottish Police Forces.

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.

EU Common Position

Agreed position by which all EU members are united in their approach to an issue in the international arena.

Data Protection Act 1998

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

Egmont

The coordinating body for the international group of FIUs.

Elmer database

The existing IT system in SOCA handling the national suspicious activity reporting (SAR) regime.

End User

A current or potential user of SARs information e.g. in a Law Enforcement Agency, or regulatory body.

EU regulation

A legislative act of the European Union which becomes immediately enforceable as law in all Member States simultaneously.

Financial Action Task Force

The international standard setter for anti-money laundering and counter-terrorist financing. It sets forty 'Recommendations' for countries to undertake in order to combat money laundering and nine 'Special Recommendations' on terrorist financing.

Home Office Group Investment Board

Home Office Board responsible for agreeing investment in major Home Office funded projects and activity.

HM Inspectorate of Constabulary (HMIC)

Promotes the efficiency and effectiveness of policing in England, Wales and Northern Ireland through inspection of police organisations.

HM Inspectorate of Constabulary for Scotland (HMICS)

Similarly to above HM Inspectorate of Constabulary for Scotland monitors and improves the Police Service in Scotland.

Information Management Programme

SOCA-wide programme to deliver the necessary IT enabled business and organisational change required to achieve comprehensive improvements in the reliability, functionality and capacity of the SARs Regime, and other SOCA IT systems.

Joint Money Laundering Steering Group (JMLSG)

Made up of the leading UK Trade Associations in the Financial Services Industry. Its aim is to promulgate good practice in countering money laundering and to give practical assistance to firms in interpreting relevant UK legislation. This is primarily achieved by the publication of industry guidance.

Joint Working Agreement

Voluntary agreement between SOCA and regulators to formalise working relationships under the SARs regime. These are subject to review every two years.

Lander Review

Sir Stephen Lander's Review of the SARs regime, commissioned by the then Chancellor and Home Secretary and published in March 2006. It contained 24 recommendations for the improvement of the regime.

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

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 Laundering Reporting Officer (MLRO)

A person designated by a company required to fulfil obligations around reporting suspected money laundering or terrorist financing; seeking consent; fulfilling client identification requirements; keeping appropriate records, training staff, and fulfilling

internal reporting procedures, as specified within the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007. Known as a 'nominated officer' under the Regulations.

Moneyweb

Online portal through which end users access the ELMER database.

National Policing Improvement Agency (NPIA)

Assists forces to disseminate good practice and in the delivery of mission critical priorities and provides operational policing support where necessary.

National Terrorist Financial Investigation Unit (NTFIU)

The law enforcement agency responsible for the investigation of terrorist finance in Great Britain. Based within Special Branch.

Partnership Agreement

A formal, written agreement about the terms of collaborative working between SOCA and other agency or body. Its chief attribute is that it acknowledges the common interest in tackling the harm caused by serious organised crime and that such an undertaking requires contributions from all those who are able, safely, to bring expertise and additional assets to the task.

Payback campaign

A multi-agency approach to taking the cash out of crime, sharing best practice and informing the public and the media of how the Proceeds of Crime Act 2002 is being used to reduce crime effectively. It brings together those organisations responsible for delivering the Government's Asset Recovery Strategy across the law enforcement community.

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

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

Regulators' Forum

UKFIU chaired group that aims to promote a better understanding and joint working between the UKFIU and the regulators.

Reporter

An individual or an organisation that submits a Suspicious Activity Report (e.g. a bank, accountant or solicitor).

Reporting Sector

Those organisations that report SARs or are expected to report SAR.

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 Reporting 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 ELMER 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/HM Treasury Money Laundering Advisory Committee.

Sector-specific seminars

Seminars held by the UKFIU for Money Laundering Reporting Officers and other staff in the reporting sector.

Twice Yearly Feedback Questionnaire

Means by which end users provide details of their use of SARs to UKFIU.

Vetted Group

A UKFIU created group that comprises representatives of the reporting sectors, of law enforcement and of the key policy departments. Its aims are to discuss sensitive casework and reporting issues, and to clear the distribution of SOCA guidance.

Third EU Money Laundering Directive

Updates previous Money Laundering Directives. It places requirements on regulated firms in Member States in regards to anti-money laundering and counter terrorist financing. In the UK, the Money Laundering Regulations 2007, which came into force on 15 December 2007 and replaced the Money Laundering Regulations 2003, are the vehicle through which the Directive has been largely implemented.

United Kingdom Financial Intelligence Unit

Receives and analyses suspicious activity reports (SARs) concerning suspected proceeds of crime and terrorist financing and makes them available to law enforcement for appropriate action.