






SUSPICIOUS ACTIVITY REPORTS REGIME
ANNUAL REPORT 2011

SOCA
SERIOUS ORGANISED CRIME AGENCY



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Statement by the Chair of the Suspicious Activity Reports Regime Committee

It gives me great pleasure to publish the Suspicious Activity Reports (SARs) Regime Committee's Annual Report. This document is the Committee's review of the operation and performance of the SARs Regime over the year from October 2010 to September 2011.

This year we report on the performance of the UK Financial Intelligence Unit (UKFIU) against the second year of the three-year strategy for the SARs Regime that we set out in 2009. In spite of a much more challenging financial environment across the public sector, we have made good progress against our goals and the committee is particularly pleased that the ARENA system with its enhanced interrogation tools is now available to SARs end users. Against this backdrop, it is pleasing to see from the case studies included, how SARs have continued to play such a significant role in tackling criminal finances and its effect on communities and businesses.

Work to address information commissioner recommendations on changes to the retention and deletion policy for SARs has also been a significant undertaking this year. Following extensive consultation we have reached a conclusion which addresses concerns raised whilst taking into account the requirements and rights within the criminal justice system. We are now working on implementing a reduced retention period which will require considerable effort to communicate and action the required changes in the regime as they affect the end user community and associated systems. This will be a major piece of work going forward.

2011 marks my last year as Chair of the SARs Regime Committee and so I wanted to reflect on the achievements of the last few years. When Sir Stephen Lander and I began investigating the SARs Regime in 2005 ahead of Sir Stephen's seminal report, it was clear that the regime was in need of improvement. Governance and structures lacked clarity and focus; appreciation of the value of SARs was not widespread; and where SARs were making a difference the benefits of this were not well communicated.

Now we can confidently say we have increased the extent and scope of the SARs database usage as a crucial part of intelligence development activity, the tools to interrogate SARs are better than they ever have been and there is real recognition amongst investigators of the important role that the regulated sector plays in providing this material. Feedback to reporters is much better than it was, but of course there's always more we can do. The range of criminality that SARs help to tackle continues to grow, from money laundering and terrorism to tax offences, drug trafficking, fraud and even the protection of vulnerable people from exploitation. This in turn continues to vindicate the efforts and judgement of the reporters who diligently file the SARs that make such results possible.

Of course none of these developments would have been possible without the continuing support and engagement of the private sector and the professionalism of

law enforcement colleagues. The SARs Regime is one of the most important public/private sector partnerships we have in the UK and exerts a powerful deterrent effect on criminals.

The landscape for fighting organised crime continues to develop and the creation of the National Crime Agency (NCA) in 2013 will bring new opportunities for the SARs Regime. I remain convinced that success will be achieved through extracting and exploiting the full worth and value of the regime and the data it collects.

I would like to thank the SARs Committee and wider SARs Regime stakeholders for their continued dedication to enhancing the value of the regime. There can be no doubt that the tough economic climate will continue to make it difficult for all of us to maintain the pace and scale of development in the regime that we have seen since 2006; but, as I stand down as Chair, I remain confident that all the stakeholders in the SARs Regime are up to the challenge.

A handwritten signature in dark ink, appearing to read 'P L Evans', with a horizontal line drawn underneath.

Paul Evans

Executive Director, Intervention
Serious Organised Crime Agency
Chair of the SARs Regime Committee¹

1. Paul Evans was Chair of the SARs Regime Committee between June 2006 and September 2011. This role is now taken over by Gerry Liddell (SOCA Executive Director).

Summary

This is the fifth annual report of the Suspicious Activity Reports (SARs) Regime Committee. The 2010/11 report reviews the progress made in year two of the three-year strategy for the SARs Regime. The report is structured as follows.

- Part One: Performance
- Part Two: Future Action

Part One: Performance

This year work has focused around the four main aims which were set in the 2009/10 SARs Annual Report:

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.

Aim 1: Appropriate SARs to be submitted by the full range of reporting sectors

Audit of SARs from specific sectors

The UKFIU conducted an audit of SARs received from the ten highest reporters by volume in 2010. The audit reviewed the quality of SARs submitted and how they were actioned by agencies with investigative and enforcement powers (commonly referred to as end users). Where possible the UKFIU provided feedback to reporters addressing issues of quality and highlighting positive outcomes from actions taken on SARs.

A report was published by the UKFIU identifying the 'top ten tips' for the accountancy sector with regard to reporting SARs. This built on a thematic review of SARs undertaken by the Vetted Group² in 2009. The 'top ten tips' were derived from analysis of a dataset containing more than 1500 accountancy SARs.

Analysis of consent SARs to reduce unnecessary consent requests

A sample of consent cases from the legal and accountancy professions was reviewed jointly by the UKFIU and selected practitioners who were approved by the SARs Regime Committee. Previous analysis had indicated that the submission of unnecessary consent requests had been relatively more frequent in these sectors owing to the particular complexity and nature of their work.

Actions which came out of this review included exploring the possibility of providing a structured reporting template for consent requests and looking again

2. The Vetted Group is a group of security vetted individuals representing the private and public sectors bodies who advise the UKFIU on policy and disseminations to industry and law enforcement bodies.

at the guidance provided to the legal and accountancy sectors. Further consideration will be given to conducting similar reviews for other reporting sectors.

Provide more sector specific feedback

The UKFIU completed a review of SARs submitted from a range of firms in the legal sector. A report has been published providing feedback to the legal sector concerning good practice, tips on improving the quality of SARs and positive results achieved by SARs end users. The UKFIU will provide further sector specific reports in the coming year.

Aim 2: Maximising the use of information provided by reporters while ensuring proportionality

HMRC to implement a programme of work to increase the use of SARs

The UKFIU has engaged with HMRC on work to facilitate bulk data-sharing of SARs and analysis of SARs intelligence against other HMRC databases. An action plan was created by HMRC setting areas where it could drive up performance in the review, selection and use of SARs. The action plan has also set HMRC the challenge of identifying new areas of work to which SARs intelligence can contribute.

The action plan has focused on three strands of activity: identifying ways to drive forward improvements in terms of handling consent requests; initiating SARs selection trials; and enhancing SARs feedback reporting lines by implementing automated processes.

More cross-matching of SARs in support of H-VOM, enhanced by new technology

The High-Volume Operating Model (H-VOM) is the term coined by SOCA to describe the risk based systematic management of all individuals and groups identified, through a multi-agency effort, as being involved in organised crime and presenting a threat to the UK. It rests on the analysis and exploitation of information by data matching and the generation of alerts to develop interventions that inhibit criminal activities.

New technology has allowed SOCA to run bulk cross-matching exercises of SARs data against intelligence in other core systems and datasets. Outputs from these exercises have continued to make significant contributions to supporting H-VOM interventions as well as enhancing the general development of the intelligence picture of the organised crime threat to the UK.

Develop criteria by which end users have access to SARs and communicate policy decisions on end user access

A set of criteria for direct access to SARs has been produced which must be met by any organisation seeking direct access to SARs through the Money.Web or ARENA systems. The main focus of the criteria is on maximising the use of SARs, security of data and providing feedback to SOCA. The criteria will be applied by the UKFIU from October 2011. Non-police end user organisations (with the exception of HMRC) have been invited to make a business case to SOCA for continued direct access to SARs which will be assessed by the UKFIU.

Aim 3: Supporting and enhancing the technical capabilities and experience of all SARs Regime participants

Communicating best practice and promoting the use of ARENA analytical tools by end users

SOCA has been rolling out the ARENA tool to SARs end users during 2011. This provides users with more extensive analytical capability and enhances the process for handling and prioritising high volumes of SARs data. ARENA brings greater opportunities for operational success and improves chances for local asset recovery and decision making.

As part of the roll out phase SOCA hosted a training event for representatives from end user organisations and appointed "subject matter experts" (SMEs) from within SOCA, who engaged with partner agencies and attended road shows to promote the benefits of ARENA and ensure end users were ready for the live system.

Encouraging and receiving end user feedback from ARENA analysis of multiple SARs

The reporting year ends with almost all police forces now able to access ARENA. User feedback has been largely positive regarding the benefits of the system, which is reflected in the case studies included later in this report. As is to be expected with any new technology-based system, the first few months of live operation revealed technical issues that prevented some users from being able to exploit the system to its fullest extent. These have been captured and SOCA has worked with end users and suppliers to resolve them.

We are confident that they will largely be addressed in subsequent software releases due in 2012.

Implement programme of work to improve the SARs database

SOCA has made progress on developing a programme of technical enhancements to the SARs database. During the year SOCA has made a major change to its I.T. supplier. The UKFIU is currently discussing this deliverable with the new supplier and a review of progress will be included in the next SARs Annual Report.

Aim 4: Continuing improvement of the governance and transparency of the regime

Committee to receive regular updates on SARs Regime progress from the UKFIU

Throughout the year the SARs Regime Committee continued to receive regular updates on progress made by the UKFIU against key aims and deliverables. The support and oversight of the SARs Regime Committee has been instrumental in enabling the UKFIU to achieve its objectives for this year in maximising the use of SARs data within SOCA and enhancing the data available to end users through the DISCOVER and ARENA applications.

The SARs Regime Committee has also been apprised of progress on wider issues impacting on the regime. This has included the Information Commissioner's Office (ICO) report and the resultant work in creating a new SARs retention and deletion policy. This has been a major undertaking

involving extensive consultation to address the issues raised by the ICO whilst taking account of the requirements and obligations arising from the demands of the criminal justice system.

Review of the SARs Regime Committee's composition

The SARs Regime Committee instructed an independent third party to examine the SARs Regime Committee itself and the Vetted Group in order to make recommendations as to where the groups could be more representative and effective. Terms of Reference (ToR) were agreed and a review undertaken.

With regards to the SARs Regime Committee, the review recommended widening membership to other appropriate reporting bodies, reconsidering the balance of SOCA representatives at meetings and assigning SARs Regime Committee deputies with the authority to make decisions in the absence of the SARs Regime Committee member.

The review recommended that the Vetted Group should be reconvened with new governance arrangements, specific refocused objectives and formal diarised meetings rather than current ad hoc arrangements. It was also recommended that the group be tasked with specific projects focusing on particular aspects of performance of the regime. It was also proposed that the name should change to the SARs Regime Tasked Group.

Optional thematic report chosen by the SARs Regime Committee

Work this year has focused on progressing activities relating to the key aims set out in the last SARs Annual Report and delivering on core UKFIU business. The SARs Regime Committee did not commission an optional thematic report for this year.

Part 2: Future Action

The SARs Annual Report in 2009/10 introduced a three-year strategy to drive the performance of the SARs Regime. Work in 2009/10 focused on scoping the current picture. The key aims in 2010/11 concentrated on enhancing performance. In 2011/12 the overall objective continues to be increasing the value and impact of the SARs Regime through:

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 SARs Regime.

Part One: Performance

Part One outlines the performance of the SARs Regime from October 2010 to September 2011 and is structured around the four main aims described in the action plan and the three-year strategy for the regime (2009-2012):

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.

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

Aim 1: Appropriate SARs to be submitted by full range of reporting sectors

This section outlines the work that has been undertaken by the UKFIU to engage with reporting sectors in the SARs Regime. It examines progress made against the following deliverables set by the SARs Regime Committee at the start of the reporting year:

- Audit of SARs from specific sectors.
- Analysis of consent SARs to reduce unnecessary consent requests.
- Provide more sector specific feedback.

Figures on the number of SARs submitted by reporters are also presented in this section. The figures provide an indication of the level of work undertaken by participants in the regime. The UKFIU does not assess whether a change in the level of SARs reported is a positive or negative reflection on the regime as variations can be the result of a number of factors.

Figure i shows the number of SARs received and the number of consent requests made to the UKFIU in the last two reporting years. The data shows an increase in the number of SARs that have been submitted. These figures demonstrate the ongoing commitment of SARs reporters to the regime.

The volume of consent requests received has fallen by approximately 4.7%. This is mainly explained by the reduction in submissions of consent requests relating to tax credit fraud in the last quarter of the year. This follows a process change agreed between HMRC and the British Bankers Association (BBA) in relation to consent requests for suspected tax credit fraud.

Figure i: Key statistics for the SARs Regime

Key statistics	Oct 09 to Sept 10	Oct 10 to Sept 11
Total SARs	240,582	247,601
Consent SARs	14,334	13,662
Percentage submitted electronically	97%	98%
Percentage submitted manually	3%	2%
Breaches of confidentiality	0	1

While there is evidence that the rate of year on year increase in the volume of submitted SARs is beginning to level out, the high volume of SAR submissions continues to provide an increasing challenge for both the UKFIU and end users. The volumes mean that more effort must go into assessing the data and initiating actions in support of law enforcement outcomes. However, at the same time having a larger volume of SARs information overall significantly enhances opportunities to identify and develop new intelligence on criminal movements of funds. These in turn can enhance existing intelligence from other sources to build a better picture of criminal networks and vulnerabilities.

Progress continues to be made in reducing the number of SARs submitted on paper (by fax or post) rather than electronically. This year paper reports comprised 2% of all SARs, compared to 3% in 2009/10 and 4% in 2008/09. Figure ii shows the totals for all methods of reporting.

The UKFIU continues to engage with reporters to encourage electronic submission, and this year steady progress has been made in promoting the use of SAR Online. Overall 19% of all SARs reporters submitted paper reports this year, compared to 24% in 2009/10.

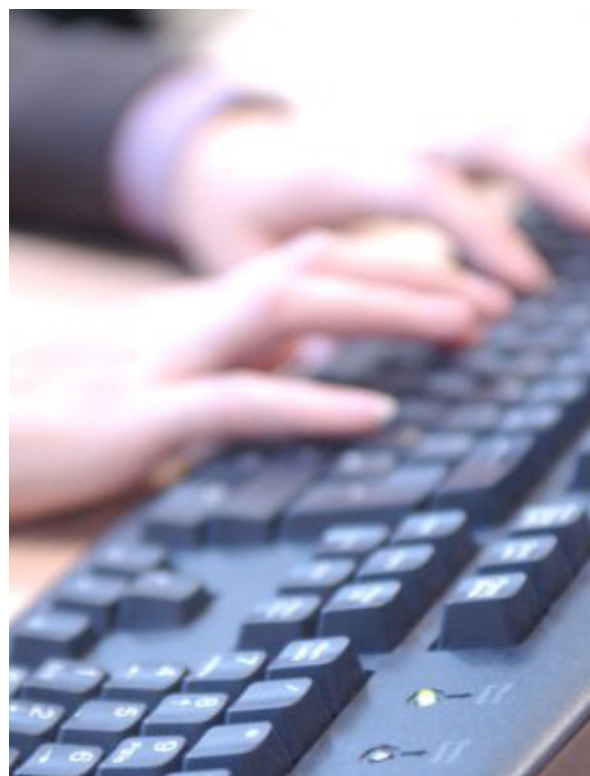


Figure ii: Methods of reporting SARs

	SAR Online³	CSV file / encrypted bulk data⁴	Word / encrypted email	Paper	Total
Oct 2010	4,728	15,138	16	387	20,269
Nov 2010	4,611	16,574	10	511	21,706
Dec 2010	4,140	13,756	16	350	18,262
Jan 2011	4,386	13,488	6	297	18,177
Feb 2011	4,657	13,738	8	345	18,748
Mar 2011	5,553	17,025	13	484	23,075
Apr 2011	4,421	12,904	0	321	17,646
May 2011	4,715	15,155	12	344	20,226
Jun 2011	4,594	16,636	2	412	21,644
Jul 2011	4,540	16,071	18	334	20,963
Aug 2011	4,200	18,952	6	400	23,558
Sept 2011	4,015	18,780	18	514	23,327
Total SARs	54,560	188,217	125	4,699	247,601
Total Reporters	4,060	16	1	903	4,774

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

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

Breaches of confidentiality

2009/10

In last year's annual report it was reported that six potential breaches were under investigation, including one investigation carried over from 2008/9. It was subsequently confirmed that no breach had occurred in any of these cases.

2010/11

This year there have been eight allegations of a breach. Of these:

- five were confirmed as no breach;
- two were still under investigation as at November 2011; and
- one has been confirmed as a breach of confidentiality.

The confirmed breach concerned reference to a SAR within a production order generated by a police force and subsequently a request for the SAR to be included in a witness statement given by a member of staff from a financial institution. Both actions were interpreted as a breach taking into account the guidance on SARs confidentiality in the Home Office Circular 53/2005.

The breach was referred to the Anti-Corruption Unit for the police force concerned who established that this was not the result of any corrupt practice. It was established that the SAR had not in the event been referenced in the witness statement. The UKFIU visited the SARs Single Point of Contact (SPoC) for the force to ensure that further training on the handling of SARs would be provided to the officer and those responsible for the management of SARs.

Whilst one reported breach is low in the context of the overall volume of SARs, the UKFIU continues to take the protection of the confidentiality of the regime extremely seriously. Any breach is examined thoroughly and the UKFIU endeavour to work with investigators and reporters to identify what went wrong, how it can be rectified and any general points of practice that need to be addressed.

In response to this breach the UKFIU provided details of the matter to the National Policing Improvement Agency (NPIA) to ensure that the lessons learnt would inform training and best practice guidance. The NPIA is currently developing a new SARs training package and the confidentiality of SARs is central to that. The UKFIU will also look to review and, where necessary, re-fresh the policies in place that govern the confidentiality of SARs.

New reporters

There were 2,686 new SAR Online registrations, which is similar to the number of new registrations reported in the 2009/10 SARs Annual Report. This included registrations from 2,103 unique institutions (78%) that were completely new to SAR Online, with the remaining registrants working for institutions already using SAR Online. As shown below, these new registrations reflect the progress made by the UKFIU against the aim of 'appropriate SARs to be submitted by the full range of reporting sectors'.

This year there was an increase in the number of SAR Online registrations from the accountancy sector, which now comprises over a third of new registrants.

The UKFIU conducted extensive outreach work with accountancy firms during the reporting year; UKFIU representatives have spoken at 17 conferences and workshop events for this sector. There was also a small increase in registrants from money service businesses (MSBs). A sector breakdown of new registrations is shown in Figure iii below.

New reporters registering with SAR Online receive a welcome pack within one month of registration which contains guidance on submitting SARs, case studies and case-by-case quality reviews of their initial SARs.

Figure iii: New individual registrants to SAR Online by sector

	2009/2010	2010/2011
Accountancy	25%	33%
Solicitors	26%	22%
MSBs	4%	8%
Combined Others	45%	37%
Total	2,665	2,686

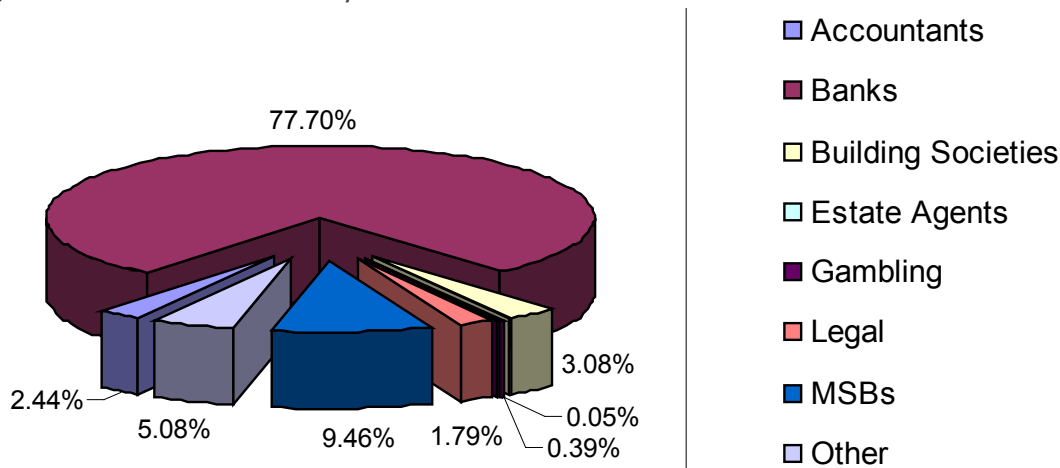
Analysis of SARs reporting by sector

Banks remain the largest sector reporters of SARs, comprising 77.70% of all SARs, with MSBs continuing to make up the second biggest reporting sector (9.46%).

The ten largest reporters of SARs in the last calendar year comprised eight banks and two MSBs. The majority of reports were submitted by the top four largest reporters.

In last year's annual report a breakdown of sector coverage was provided using data from the period October 2007 to September 2010 in order to provide a longer term analysis of trends. A comparison of data from this year reveals that the number of reports from the gambling sector has decreased, with this sector now contributing only 0.39% of all SARs compared to 2.38% in the period October 2007 to September 2010. The UKFIU will explore any reasons behind this in the next reporting year. Reporting levels from other sectors remains broadly similar to previous years.

Figure iv: SARs submitted by sector



Audit of SARs from specific sectors

The UKFIU places no expectations on the volumes of reports from different sectors; it only requires that SARs are submitted when it is appropriate to do so. However, in last year's annual report the SARs Regime Committee tasked the UKFIU to undertake an audit of SARs from specific sectors that are perceived to have lower reporting levels to identify common issues and best practice in order to encourage institutions to submit SARs when it is appropriate to do so.

This year the UKFIU undertook an audit of SARs submitted by the legal sector. The exercise comprised an analysis of reporting levels in the sector and an assessment of the quality of reports. In an attempt to get a snapshot of the quality and volume of reporting in the sector, all SARs for a three year period disclosed by solicitors in a medium sized city with a medium to high crime rate were reviewed.

An assessment of the quality of SARs found that whilst overall the volume of SARs has gone down over the last three years the overall quality of reports has gone up. The audit did however identify that more work needs to be done to encourage the legal sector to use SAR Online as a third of SARs reported by this sector (33.3%), and equally a third of reporters (35.06%), submitted SARs manually. Work is already being undertaken by the UKFIU to address this, and encouragingly almost a quarter of new registrants to SAR Online in both 2009/10 and 2010/11 were from the legal sector.

The audit also identified that some smaller sized law firms are not engaging with the SARs Regime and as such are likely to be at higher risk of exposure to money laundering and financial crime. The audit results were presented in a sector specific feedback report for the legal sector which is discussed below.

Sector specific feedback

A report was produced for the legal sector based on the findings of the audit, and this has been disseminated through the relevant professional bodies in the legal sector. The report includes guidance on how to improve the quality of reporting and examples of successful law enforcement outcomes resulting from specific SARs.

The UKFIU will produce further sector specific feedback reports in the next reporting year. The reports will provide information on the standards of reporting in the sector and examples of law enforcement outcomes where the reporter and end user have given permission. It is anticipated that by identifying common challenges and sharing best practice, the quality of SARs will improve, particularly amongst the smaller sized firms.

A shorter review was also conducted from which the UKFIU produced a paper entitled the 'The Top Ten Tips for the Accountancy Sector'. Again, samples of SARs were reviewed in order to identify the key areas for improvement.

Feedback reports for the top ten reporters

In addition to the sector specific reports for the legal and accountancy sectors, the UKFIU also conducted an audit of SARs submitted by the ten largest reporters, eight of which were banks. Each report provided tailored feedback to address the quality of reporting, such as the level and clarity of information included. Reporters were also encouraged to use SAR glossary codes to assist law enforcement in identifying the type of SAR submitted. The reports provided case specific outcomes from law enforcement agencies so that institutions can see the impact of their engagement with the SARs Regime.

These reports are developed manually and are presented in person through industry visits, and as such are a resource intensive exercise. Whilst the UKFIU would ideally provide feedback to all SARs reporters, it is required to focus its resources towards achieving the highest impact with limited resources.



Analysis of consent SARs to reduce unnecessary consent requests

Last year's report outlined the findings of a review into unnecessary reporting⁵ which concluded that there was narrow scope to identify activity not caught by the Proceeds of Crime Act 2002 (POCA). It was however considered that there was scope to explore whether reporters were submitting consent SARs in circumstances that may only have required a standard SAR.

The review of consent SARs focused on the legal and accountancy sectors, as previous analysis had indicated that these business areas may be more likely to submit consent requests when they did not need to due to the nature of the activities and transactions they undertake. Representatives from the UKFIU, legal and accountancy sectors reviewed a sample of sanitised consent SARs submitted between 2009 and 2010. The aim was to identify possible causes for any consent requests that did not need to be submitted and find solutions to address these.

Some similar issues were identified across both sectors. As a result of this exercise the UKFIU agreed to consider developing further guidance around structuring consent requests particularly in relation to the elements of reasons for suspicion, providing a description of the criminal property and the potential money laundering offence for which consent is sought.

Engaging with participants of the SARs Regime

Representation from the UKFIU has been made at over 63 conferences and events this year aimed at participants of the SARs Regime. This included 50 events aimed at reporters of SARs from the private sector and 13 events aimed at trade bodies, regulators and law enforcement agencies, including foreign law enforcement partners as part of the UKFIU's commitment to sharing best practice internationally.

This year the UKFIU also supported HMRC's Anti-Money Laundering Supervision Educator team in a series of 52 events aimed at MSBs and accountants, specifically smaller businesses who have a limited awareness of their responsibilities and are deemed to be at a higher risk. The UKFIU ran workshops at events across the country in a drive to raise awareness of the SARs Regime amongst smaller, harder to reach businesses.

The UKFIU has also visited a number of larger firms in the anti-money laundering regulated sector to provide guidance on the SARs Regime and wider money laundering issues.

SOCA Alerts

SOCA shares assessed intelligence and information on specific dangers or threats with the private sector, trade bodies and relevant regulators in the form of a SOCA Alert. Each SOCA Alert is targeted to enable the widest range of private sector businesses and non-law enforcement organisations to take crime prevention action. SOCA also distributes one-to-one intelligence releases for more sensitive intelligence, such as potential corruption or specific attacks.

Over this reporting year, 612 SARs were submitted by reporters directly as a result of a SOCA Alert. In one case, a SOCA Alert on mass marketing fraud targeted at UK addresses resulted in SARs being submitted to the UKFIU that led to the identification of 20 names and addresses that are in receipt of a variety of fraudulent documents. Further analysis of this information confirmed that these names and addresses are associated with criminals who are using such documents to facilitate fraud.

Information from SARs is also used to inform the writing of SOCA Alerts, and this year SOCA has produced or reissued a variety of publications based on SARs-derived intelligence including: *'Targeting of UK Solicitor Client Accounts to Facilitate Fraud'*; *'How to Identify and Report Tax Credit Fraud'*; *'Protecting the Elderly and Vulnerable Through the SARs Regime'*; *'Address Details of Persons Linked to Fraudulent Activity'*; *'The Exploitation of UK Money Service Businesses by Organised Crime'*; and *'The Search for Hidden Criminal Assets Linked to Unpaid Confiscation Orders'*.

Aim 2: Maximising the use of information provided by reporters while ensuring proportionality

The deliverables set under this aim intend to maximise the use of SARs data by end users to achieve law enforcement outcomes. The deliverables for this year are listed below:

- HMRC to implement a programme of work to increase the use of SARs.
- More cross-matching of SARs in support of H-VOM, enhanced by new technology.
- Develop criteria by which end users have access to SARs and communicate policy decision on end user access.

In this section we also report on the work of the UKFIU Consent Unit and on the value of seizures, restraints and confiscation orders imposed as a result of SAR-derived intelligence.

Consent

The consent provisions of POCA enable reporters to seek consent from authorities to perform a transaction or undertake activity which they are concerned may be related to criminal property. Consent provides reporters with a defence against money laundering and presents law enforcement with new opportunities for intervention against criminal finances and profits before a potential money laundering offence takes place.

The Consent Unit in the UKFIU manages the receipt, assessment and resolution of consent requests. The unit consults with the law enforcement agency (LEA) that has an interest in the disclosure, and the LEA will then make a recommendation as to whether the UKFIU should grant or refuse consent. Where no relevant LEA is identified, the Consent Unit will make the decision on whether to grant or refuse consent.

Data on the value of seizures and restraints and on the number of arrests made as a result of a consent SAR are used to provide some indication of the effectiveness of the consent regime in disrupting criminal finance.

Figure v provides seizure and restraint figures for interventions arising from consent requests that have been refused, and Figure vi provides the same figures for consent requests granted⁶. The effectiveness of the consent regime cannot however be measured by intervention figures alone. It also provides preventative value by deterring organised criminals from laundering the proceeds of crime in the UK.

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 receipt of the consent SAR and further results may have been achieved at a later date that are not included here.

Figure v: Outcomes of refused consent requests

Interventions arising from refused consent requests Oct 10 – Sept 11	
Restraint sums	£28,397,884
Cash seizure sums	£67,405
Tax credit sums returned to HMRC	£1,809,226
Self assessment fraud funds returned to HMRC	£254,623
Total	£30,529,138
Cases with arrests recorded	21 (24 arrests)
Refusal rate for the period	16%

Figure vi: Outcomes of granted consent requests

Interventions arising from granted consent requests Oct 10 – Sept 11	
Restraint sums	£1,750,000
Cash seizure sums	£3,421,470
Total	£5,171,470
Cases with arrests recorded	7 (7 arrests)

This year 16% of consent SARs submitted were refused (2,197 out of 13,662). This is an increase of 4% on the previous year. This is explained by an increase in SARs relating to tax credit fraud from the banking sector between April and June 2011, of which a high proportion were refused on behalf of HMRC financial investigators. HMRC has established procedures to seek repatriation of tax credit fraud funds within the moratorium period of 31 days, which is why consent is more likely to be refused.

Of the 2,197 consents that were refused this year, 164 (7.46%) were subsequently granted consent when it became apparent that the investigating agency was unlikely to obtain a restraint order within the 31 day moratorium period. Figures for each month are shown in figure vii.

Figure vii: Outcomes of granted consent requests

	Consent requests refused		Refused consent requests that are subsequently granted in the moratorium period	
	Number	Percentage of requests refused	Number	Percentage of overall refusals
October 2010	166	14.30%	20	12.05%
November 2010	200	15.28%	21	10.50%
December 2010	121	12.03%	22	18.18%
January 2011	113	11.64%	9	7.96%
February 2011	201	16.56%	17	8.46%
March 2011	208	15.52%	13	6.25%
April 2011	219	20.37%	12	5.48%
May 2011	328	25.65%	6	1.83%
June 2011	292	23.25%	12	4.11%
July 2011	146	13.73%	7	4.79%
August 2011	85	8.94%	10	11.76%
September 2011	118	11.49%	15	12.71%
Total	2,197	16.08%	164	7.46%

Turnaround of consent requests

Over this reporting year 41% of all consent requests were turned around on the day of receipt or the next working day; with two thirds of requests (64%) turned around on days one, two or three. The average turnaround time for consent requests was 2.5 days, which is an improvement on the average of 2.8 days reported last year. This was achieved despite there being a higher percentage of consent refusals which generally take longer to process.

Twice Yearly Feedback Questionnaire

The Twice Yearly Feedback Questionnaire (TYFQ) enables end users to report back on how they have used SARs data. Nearly all end users of SARs contribute to the TYFQ (95% responded to the questionnaire). Feedback includes reporting the value of restraint and confiscation orders and cash seizures where SARs featured in the investigation. Figures for this reporting year are:

- The value of restraint orders was at least £100.09 million.
- The value of confiscation orders obtained was at least £35.22 million.
- The value of cash seizures was at least £8.54 million.

The figure in relation to restraint orders is significantly lower than last year. Because asset recovery investigations can last for much longer than one year and because of the variables involved, asset recovery results can fluctuate widely from one year to the next. However, researching and identifying the reasons behind this reduction will become an additional deliverable for the UKFIU in the forthcoming year.

Case Studies

The TYFQ asks end users to provide examples of how SARs have been used. The following case studies are just a few examples of the very many ways SARs are being used to counter criminality. 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.

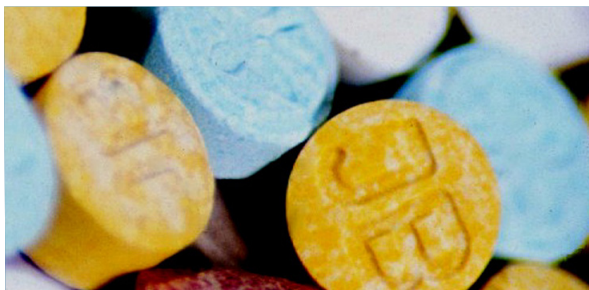
The UKFIU are grateful to all the reporters that have given their permission for case studies relating to SARs they have submitted to be included in the annual report. Without this cooperation the UKFIU could not demonstrate the value of the investment made by the reporting sector to the regime.

SARs instigate a drug trafficking investigation

A protracted drug trafficking investigation saw five subjects sentenced to a total of 43 years for importing an estimated £40 million of drugs into the UK over a two year period. The investigation was instigated as a direct result of SARs from financial institutions, which complemented other intelligence received.

The operation involved Scottish, English and Spanish law enforcement. The subjects would exchange sterling to euros at various locations throughout the North of England and Scotland, usually for amounts below £2,000 so that they were not required to produce identification. The euros (usually around 40,000) would be taken by courier to a main nominal living abroad who would supply the drugs. The drugs were placed in false compartments within suitcases and flown into Scottish and English airports by the courier.

All five nominals identified, from main players to couriers, were found guilty of charges after a seven week trial.



SARs uncover a conspiracy to defraud

An investigation using multiple SARs led to three main subjects pleading guilty to a £25 million conspiracy to defraud.

In one case, the subjects purported to be care home owners in order to secure leasing agreements for nursing home equipment for over £300,000 via a broker. The money in both cases was paid direct to the supplier who it was established did not supply any goods but simply forwarded the funds to the broker who then gave this part of it as a cash loan to the customer.

The enquiry led to 626 such leasing agreements spread over 13 financial institutions. Management accounts were presented in support of applications detailing ownership in the new purchaser's name, when in fact the business had not been purchased for the period the accounts covered.

All three individuals were convicted and are now serving prison sentences. Confiscation orders have been made in the region of £800,000. This investigation also led to the discovery of a mortgage fraud of £3 million, which has resulted in two defendants being convicted and serving prison sentences.

SARs and ARENA identify elderly victims of scams

An increase in SARs reporting was identified around retired individuals sending large sums of money abroad. The ARENA system was used to explore any common factors and it was identified that elderly people in Scotland were being duped into transferring money to Jamaica. One SAR indicated around £50,000 had left the account of a vulnerable elderly person who, despite concerns raised by their bank, was prepared to make further transfers of money.

In light of these events the relevant investigating agency was contacted and visited the person. Measures were put in place to safeguard them from participating in this sort of fraud in the future. Officers also visited other victims identified by SARs and ARENA to disrupt the activities and provide advice.



Banking sector SAR assists money laundering investigation

A SAR from the banking sector provided excellent financial intelligence in an illegal money lending and money laundering investigation which saw the subject sentenced to an indefinite term of imprisonment and criminal benefit calculated at approximately £3 million.

The reporter had concerns about the suspect's account being funded by frequent large cash deposits at multiple locations. The source of the funds was unknown, the cash transactions were excessive and the activity out of character with the subject's employment details. The subject was arrested about three weeks after the investigating force received the SAR where a further £26,000 was seized.

The subject was later convicted of numerous offences including money laundering. At a confiscation hearing he was ordered to pay back approximately £860,000.

Organised crime group's solicitor identified by SAR

A banking sector SAR led to an investigation which identified a solicitor as an active facilitator for three organised crime groups engaged in drug and people trafficking, political corruption and money laundering. At court the subject was found guilty of fraud, converting criminal property in relation to mortgage fraud and subsequent disbursements of funds, and perverting the course of justice in relation to immigration applications. The subject was sentenced to five years imprisonment.

A confiscation hearing assessed that the subject had benefited by £1.2 million and had available assets of £267,000. The judge ordered that the confiscation should be paid by way of compensation to the Law Society who would ensure it would be paid back to the financial institutions that had lost out financially due to the mortgage frauds.

The detective inspector for the investigating police force said: "This case was one of the most significant we have investigated concerning a corrupt professional and all born from a SAR."

IFA investigated because of a SAR

A bank submitted a SAR about an Independent Financial Adviser (IFA) which led to a criminal investigation and saw the IFA sentenced to three years imprisonment for fraud and money laundering offences.

The IFA also received a confiscation order of approximately £140,000. The IFA had been withholding the investment of victims' money and was surrendering policies into an account and withdrawing cash.

As a result of criminal activity an injured party was identified as having lost almost £60,000. The investigating agency quickly established four further victims; one victim had lost over £130,000. Restraint orders were put in place before any further dissipation of assets could occur.

The investigating agency's confiscation unit has now received the money and is in the process of paying out compensation to each of the victims.



Car ringer identified by SARs

In 2007 a police force's Economic Crime Unit began to identify a number of SARs relating to a particular individual. Subsequent enquiries established that the individual concerned had a number of aliases and was involved primarily in car ringing, that is the criminal practice of giving stolen motor vehicles a new identity.

This individual had clearly made substantial funds from their criminality and became the subject of a targeted operation by the force's Serious Organised Crime Unit (SOCU), and in due course was arrested and charged.

A subsequent guilty plea to a variety of offences, including fraudulent trading, robbery and multiple thefts of motor vehicles, resulted in a lengthy custodial sentence. Additionally a restraint order was put in place and confiscation proceedings established a benefit figure in excess of £1 million.

This case demonstrates the intelligence value that SARs play in the identification, arrest and imprisonment of individuals involved in prolific criminal activity.



SAR provides a crucial lead in a drug investigation

Information submitted in several SARs provided investigators with crucial leads that led to the conviction of an organised criminal involved in drug supply.

SARs information indicated that the subject regularly paid cash deposits into an account which was then used to pay a mortgage and other outgoings. Intelligence checks suggested that the funds were the proceeds of drug supply. Enquiries showed that the subject's current address was purchased with a mortgage that had been obtained using false details. A warrant was executed at the subject's home where officers found approximately £400,000 in cash hidden in a garage. Following a lengthy investigation the subject was convicted of money laundering and mortgage fraud and received a nine year prison sentence. Confiscation proceedings are pending, and are expected to be substantial.

Consent SAR identifies a betting scam

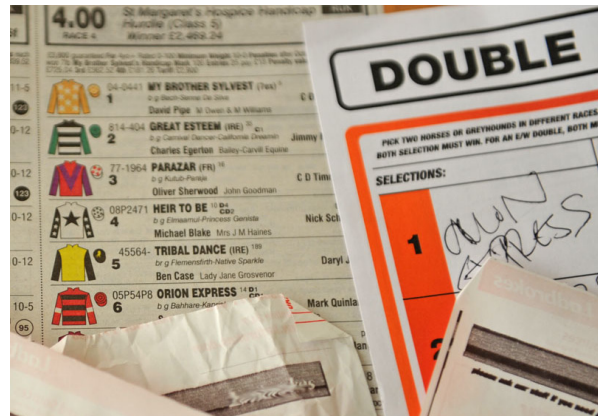
A consent SAR was received in respect of an elderly person who had been exploited by a variety of conmen over a period of 18 months.

Although having never placed a horse racing bet before, the elderly person was persuaded to open a telephone account and was contacted by various parties each day to place bets on "sure fire winners".

The elderly victim had to use their own money and would be instructed to place bets as high as £1,000 a time. If the horse won the victim would send winnings to various third parties they believed to be connected to jockeys who could ensure a certain horse won.

A sanitised intelligence report was submitted to the British Horse Racing Board's Intelligence Unit which identified a link to a nominal that had been subject to investigation.

The local police force contacted the elderly person and it became clear they were particularly vulnerable and did not understand what was happening. Of particular concern were the payments going into the account of an unemployed man on bail for shoplifting. This account was subsequently frozen.



Gold ingot scam uncovered by a SAR

A SAR was submitted in relation to suspicious circumstances concerning a subject attempting to raise funds to transfer abroad. It was established the subject believed they had been communicating with another individual based overseas via a web dating site who had been investing in gold ingots for a number of years which were currently in a safety deposit box.

The subject was led to believe that the overseas individual frequently travelled between different countries and needed funds to release gold ingots through an overseas customs department. The subject had already transferred over £20,000 to assist the overseas individual and pawned £3,000 worth of jewellery to pay for "customs fees". An examination of the email communications confirmed this as a scam and the subject was advised to send no further money.

SARs help secure £200,000 confiscation order

A drugs trafficker had to pay back over £200,000 as a result of information from SARs submitted by the banking sector spanning a four year period.

The subject was first identified as a potential associate working with known organised criminals who were the subject of SARs. The individual then became the subject of a drugs investigation and was arrested twice in 2008. On one occasion a significant quantity of cash was found hidden at the subject's mother's address.

In 2009 a SAR was submitted after the subject's mother had paid a large cheque into her account. Enquiries identified that the funds were from an account the subject had closed following the second arrest. The subject was ordered to pay back approximately £130,000 in addition to forfeiting the cash taken from the house search in 2008.

Police restrain assets worth £400,000 identified by a SAR

A SAR helped police obtain a restraint order in relation to a family suspected of laundering the proceeds from drug trafficking. All parties had been previously arrested with a large amount of cash being seized.

Intelligence indicated that a family member had put a large cash deposit towards a property that was registered in another member of the family's name. A check for SARs data on the subject led the investigating force to identifying the property in question. The family members were rearrested on suspicion of mortgage fraud and converting criminal property. The property and other assets were subject to a restraint order for approximately £400,000.

SARs lead to cash and drug seizures

A number of SARs were reported on a subject believed to be involved in money laundering. The SARs identified numerous counts of exchanging sterling into euros - over £500,000 within a three month period.

The subject was arrested on route to conduct a further exchange, and £30,000 in cash was seized. A search of the subject's home revealed further cash in sterling and euros, cocaine and a large quantity of nandrolone, which is a steroid often used on horses.

In this case the nandrolone was found to be a human steroid version which would be illegal to be used on horses. The subject was later sentenced to two years and six months imprisonment.

SAR helps disrupt internet fraud

A SAR submitted from the banking sector proved instrumental as part of a disruption tactic against internet fraud.

The SAR related to a customer who had been the beneficiary of an electronic transfer that had quoted an account name bearing no relationship to the account name credited. These funds were then withdrawn in cash.

The subject had received funds into their personal account which, when further enquiries had been made by the investigating force, were found to be linked to a bogus photography website using a virtual office address.

Funds that had entered the account were from people all over the world who were clearly taken in by the website which purported to sell cheap cameras. At least five further accounts were identified that had also received funds from this website (which was hosted abroad); the account holders being from various locations around the UK.

With SOCA's assistance, the site was closed down, which proved to be a useful disruption tactic. Two further bogus websites, which were clearly linked, were also then discovered and closed down.

SAR identifies dissipated assets

Information from a banking sector SAR identified a convicted drug trafficker who had dissipated assets to a known associate. As a result the investigating team were able to confirm that the dissipated assets represented a 'tainted gift' under the Proceeds of Crime Act.

A financial institution was suspicious about the possible early payment of a residential mortgage by a man who had just been sentenced to eight years imprisonment for drug trafficking. An application was received from a third party for a commercial mortgage to purchase the property owned by the subject. With the redemption of the mortgage taking place so near to the conviction date, the financial institution was suspicious the subject might be attempting to move his assets beyond the scope of a confiscation order.

Information in the SAR enabled investigators to submit a production order to obtain further evidence to support the restraint and confiscation of the subject's assets.

The same financial institution then submitted a consent SAR requesting to return funds to the third party, so they could limit their business relationship with the subject.

HMRC to increase the use of SARs

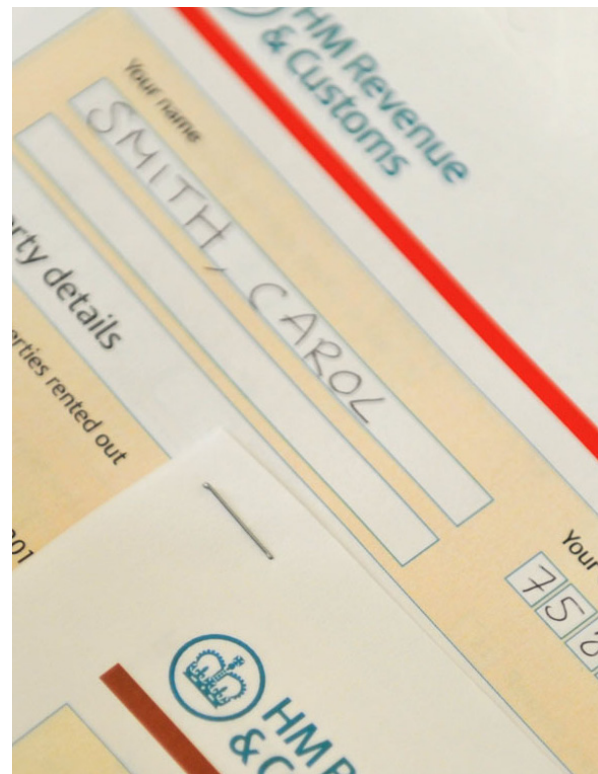
This year HMRC commenced an action plan to drive up its performance in the use of SARs. The plan aims to maximise opportunities afforded by POCA and the SARs regime and focuses on three strands of activity, which are discussed below. The first strand of activity aims to drive forward improvement in HMRC's handling of consent SARs. HMRC has streamlined processes for providing advice to the UKFIU on consent SARs concerning tax issues by creating a central "hub" through which all requests are processed. The hub brings together the HMRC's Criminal Investigation Unit with counterparts in the Department for Work and Pensions (DWP), the UK Border Agency (UKBA) and police forces in order to further detect and disrupt criminal finances. In the early months of operation this new way of working has enabled HMRC to identify a further £640,000 of proceeds from tax evasion from consent SARs.

Secondly, HMRC has identified new ways that it could use SARs data to help meet a principal aim in closing the "tax gap". HMRC has adjusted internal processes in order that tax inspectors now work alongside, and under the direction of, financial investigators to identify SARs that present a tax evasion intervention opportunity. A trial of this process in Northern Ireland achieved 38 settled investigations and recovered £2.5 million in tax evasion.

The third strand of activity is for HMRC to improve the feedback it provides to the SARs Regime. HMRC already contributes feedback via the TYFQ and fraud forums run by the Financial Services Authority (FSA), the Credit Industry and Fraud Avoidance System (CIFAS) and others;

and are now exploring automatic feedback solutions via its investigation allocation system.

In addition to the above, the UKFIU has been working with HMRC throughout this year to facilitate secure bulk data-sharing of SARs intelligence in order to reference SARs against other HMRC intelligence databases. This work progresses a wider programme of activity undertaken by HMRC over the last few years to synthesize intelligence from different sources through their CONNECT system. In trials HMRC identified SARs that led to the detection of new subjects involved in an existing HMRC fraud case involving stolen payroll data.



Cross-matching of SARs to H-VOM

The High Volume Operating Model (H-VOM) was SOCA's approach to the management of SOCA nominals identified as being involved in organised crime. This followed a multi-agency effort to map and identify all organised crime groups across the UK. H-VOM enabled SOCA to apply a range of planned interventions against large numbers involved in different types of criminality, including money launderers. This year H-VOM ceased to exist as a distinct programme of activity and became a part of core SOCA business.

Last year we reported on how SARs data had been used as a routine source of intelligence for bulk data-matching to add value to H-VOM outputs. Over this year, the continued mainstreaming of SARs as a core data source in the analysis and intervention against organised crime has enabled the UKFIU to meet a key deliverable in cross-matching SARs data against H-VOM.

An example of H-VOM capability is work currently being undertaken for Project CRIMPER, a SOCA led project to identify criminal assets held in the UK for recovery and denial. H-VOM techniques have been utilised to enable bulk data analysis of intelligence held across SOCA systems, including SARs, to support police force operations and generate new intervention opportunities.

Under Project CRIMPER SAR-derived intelligence was identified and developed on subjects involved in organised crime in the East Midlands who were attempting to conceal the proceeds of their criminality. An intelligence package was prepared and disseminated to a police force who

subsequently conducted enforcement activity resulting in the arrest of the main subjects, a seizure of approximately £100,000 cash and the recovery of documentation relating to the order of bulking agents for cocaine. To date, H-VOM activity for Project CRIMPER has led to the seizure or confiscation of £800,000 in cash, quantities of class A drugs and documents relating to fraud.

Strengthened intelligence sharing with international partners

The UKFIU is a fully active member of the Egmont Group - an international forum for FIUs to improve cooperation in the fight against money laundering and financing of terrorism. The forum enables FIUs to request information from other member countries for intelligence purposes, including information that features in SARs. FIUs must provide a reason for the intelligence request, which in itself may have intelligence value, and ensure that decisions to share intelligence are proportionate, necessary and justified, and that the confidentiality of the source is protected.

This year the UKFIU responded to 955 requests from overseas FIUs, of which 200 were made via FIU.Net, the secure network for the exchange of data between FIUs in the EU. In response to these requests, the UKFIU was able to provide 336 intelligence packages, including 112 via FIU.Net, which covered intelligence derived from 350 SARs. The UKFIU sent 897 requests (154 via FIU.Net) to member countries for information to assist UK investigations, and received 211 intelligence packages (15 via FIU.Net).

Member countries also forward intelligence they believe may be of interest to another jurisdiction without having received a search request. This year the UKFIU made 62 such disseminations of intelligence relating to 93 SARS, and received 548 disseminations from other countries.

Figure viii below shows the intelligence shared with and received from international FIUs over this reporting year.

Figure viii: 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	755	224
FIU.Net secured network (EU)	200	112

Intelligence received from international FIUs		
	Outbound requests for intelligence made by UKFIU	Intelligence received from international FIUs
Egmont secured network	743	196
FIU.Net secured network (EU)	154	15

Intelligence Exchange		
	Inbound	Outbound
Disseminations	548	62

International Corruption and Asset Recovery

This year the intelligence function covering criminal property held overseas, corruption by foreign Politically Exposed Persons (PEPs), bribery by UK firms overseas and associated money laundering was enhanced within the UKFIU structure by the creation of a dedicated International Corruption and Asset Recovery Team (ICART).

ICART produce strategic and tactical intelligence products to improve tactical delivery and intervention against PEPs and overseas bribery. In the past year the UKFIU reviewed 13,623 SARs which indicated potentially corrupt PEP activity and disseminated 250 intelligence packages. The number of SARs reviewed this year is significantly higher compared with previous years and this reflects the work that ICART has been conducting as a result of increased SARs reporting relating to the political events of the "Arab Spring" in the Middle East and North Africa.

ICART also process inbound and outbound requests for criminal asset tracing intelligence through the Asset Recovery Office (ARO) which is the conduit for requests amongst EU member states, and through the Camden Asset Recovery Inter-Agency Network (CARIN) which is an informal network of 47 countries worldwide.

This year ICART submitted 222 requests to ARO members for asset identification. ICART received 57 requests from ARO members from which 50 intelligence packages were produced. ICART also submitted 81 requests to CARIN member countries, and received six requests for intelligence, from which three intelligence packages were disseminated.



Terrorist Finance

Work by the UKFIU has continued to raise awareness of Combating the Financing of Terrorism (CFT) activity and the value of SARs submitted under both the Terrorism Act and POCA.

The UKFIU participates in the joint Metropolitan Police Service (MPS) Counter Terrorism Command/GovSec CFT SARs awareness project targeted at both the private and public sector. Both sectors have provided positive feedback on these events which will continue.

Other outreach work has included the ongoing provision of contributions to the National Terrorist Financial Intelligence Unit (NTFIU) CFT training programme, by delivering presentations on SOCA and the use of SARs to both UK and international financial investigators.

The UKFIU has provided SARs data analysis to partners across government and intelligence agencies to improve knowledge of the nature and extent of terrorist fundraising in the UK.

Continued operational support is provided through search requests received from the Counter Terrorist Units (CTUs) and the NTFIU. Due to the additional sensitivity arising from potential links to national security investigations, SARs submitted under the Terrorism Act, or those submitted under POCA which are identified as having a CFT link, are not routinely made available to other end users via Money.Web. Of the search requests received during this reporting period, 49% had some form of positive information held on the ELMER database, thereby

demonstrating how SARs submitted under the Terrorism Act and POCA can assist and add value to CFT investigations.

This year 662 SARs have been pro-actively identified and disseminated to the NTFIU or CTUs, and this has involved the targeted review of 11,906 SARs for relevance. This demonstrates the UKFIU's approach of ensuring that SARs of potential CFT operational interest are referred, whilst as many other SARs as possible are made available to a broader law enforcement user group⁷.

The UKFIU continues to extract the best use of SAR data for CFT purposes by means of sharing such information in a manner which makes the best use of identifying potential intelligence links, for example cross checking with other datasets.



7. These figures cover those SARs which UKFIU has identified and proactively disseminated to the NTFIU and the Regional CTUs. In addition to these, UKFIU provides data from SARs in response to search requests received from NTFIU and CTUs. These statistics also do not include the numerous bulk searches and data mining conducted on behalf of the counter terrorist agencies.

Access to SARs by end users

SOCA is responsible for ensuring that all access to ELMER is justified, proportionate and necessary. In exercising this responsibility SOCA takes into account the measures developed by the Cabinet Office to ensure the protection of personal data, the conclusions of the recent review of the ELMER database by the Information Commissioner's Office (discussed below), and the application of Home Office Circular 53/2005 on the confidentiality and sensitivity of SARs.

In last year's annual report SOCA, under the direction of the SARs Regime Committee, were tasked with developing end user criteria which should be used to assess whether an organisation should have direct access to the ELMER database.

The intention of the SARs Regime Committee was to ensure that a consistent and transparent set of rules should be in place against which future decisions about end user access could be made. The Committee's strong opinion was that such rules should cover not only matters of security and data handling, but also the need for end users to have a clear investigative remit to make use of the intelligence that SARs can provide and a commitment to make maximum use of such intelligence in support of their investigations.

The UKFIU worked closely with SARs Regime Committee members representing private industry and other government bodies to develop the criteria. A final version has now been agreed and the UKFIU has invited certain non-police organisations that are existing users

of ELMER to submit business cases for continued access as part of an initial trial. The business case will be assessed by a SOCA panel comprised of officers from the UKFIU and affiliated departments within SOCA, and discussed at the SARs Regime Committee. If access is denied or withdrawn, SOCA will still consider whether it is appropriate to action individual search requests from accredited financial investigators for relevant SARs information; where it is judged that the request is justified, proportionate and necessary.

The full criteria are included in Annex G of this report. The process to be followed for assessing business cases for direct SARs access will be published in the forthcoming year.

End user training on SARs confidentiality

The UKFIU is supporting the National Policing Improvement Agency (NPIA) and the National Centre for Advanced Learning Technologies (NCALT) in developing an e-learning package for end users on SARs confidentiality and appropriate usage of SARs data. NCALT is a joint partnership between the MPS and the NPIA.

The Information Commissioner's review of SARs data

In 2009, the House of Lords European Union Select Committee published the findings from its inquiry into money laundering and the financing of terrorism, recommending that the Information Commissioner review and report on the operation and use of ELMER, the SARs database.

The Information Commissioner conducted the review in September 2010, and published findings and recommendations in December. While the report praised a number of positive aspects of the operation and use of ELMER, the Commissioner also made a number of recommendations for SOCA's consideration and action to ensure that the processing of personal data on the ELMER database fully complied with the requirements of the Data Protection Act while at the same time achieving the requirements of POCA on the reporting of suspicious financial activity.

The key recommendations were for SOCA to:

- develop, implement and actively manage a record retention and deletion policy to address fully the requirements of the Data Protection Act and Human Rights Act on necessity and proportionality; and
- continue to maintain its current robust policies and procedures in respect of access to ELMER.

Following a consultation with the Information Commissioner, SOCA has revised its policies in respect of the operation and use of ELMER and management of SARs, and has implemented a new policy for the retention and deletion of SARs. SOCA has agreed that all SARs older than six years will be deleted from ELMER. This has been a major undertaking involving extensive consultation. The input of the SARs Regime Committee has proved essential to reaching a conclusion which addresses the issues raised by the Information Commissioner whilst taking account of the requirements and rights within the criminal justice system. This new policy will be implemented in full by the 31st December 2011.

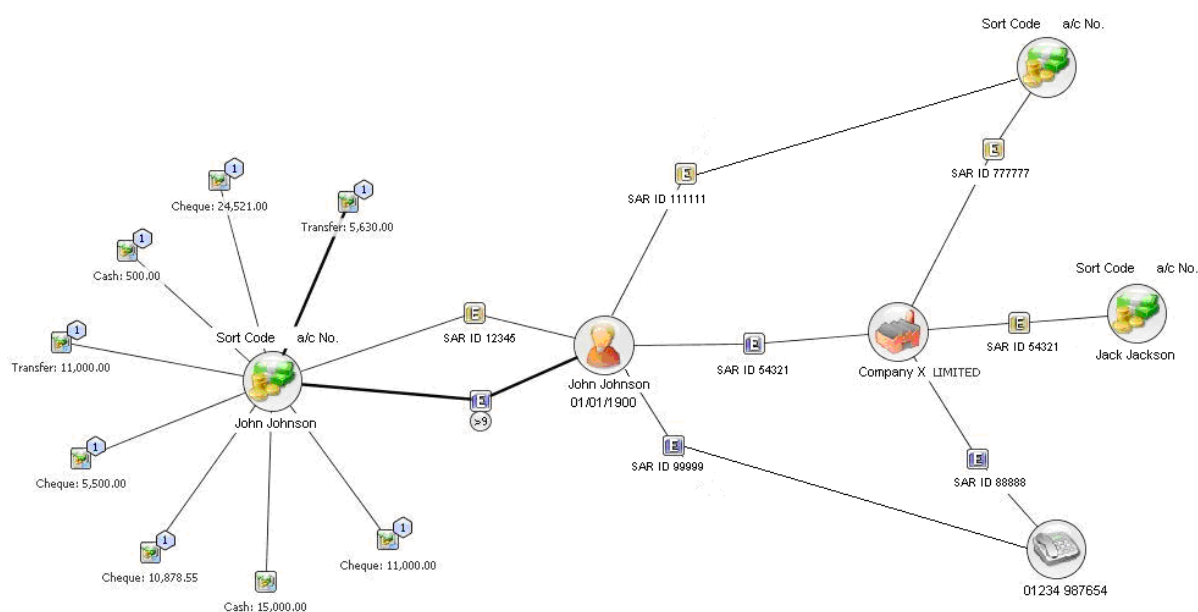
Aim 3: Supporting and enhancing the technical capabilities and experience of all SARs Regime participants

The deliverables set out below for this at the start of this reporting year focused on developing the systems and infrastructure that would deliver the necessary capability and capacity to exploit the full value of SARs, as outlined in the Lander review.

- Communicating best practice and promoting use of ARENA analytical tools by end users.
- Encouraging end user feedback from ARENA analysis of multiple SARs.
- Implement programme of work to improve the SARs database.

Promoting the use of ARENA analytical tools

ARENA is the new interrogation and analytical system for accessing and analysing SARs data. ARENA enables investigators to establish instantly a comprehensive picture of a nominal by building relationships between entities associated with SARs, such as family and social networks, criminal associations and assets (including bank accounts), amongst others. It can perform bulk searches of large numbers of subjects, saving hundreds of staff hours on manual searches, and has an "alert me" function and can conduct thematic searches for information, for example a search on fraud cases in a particular area.



Below are some real examples of how ARENA works in practice.

A police force in England entered the name and bank account details of a nominal suspected of committing mortgage fraud into ARENA. By using the ARENA Spider function the investigator could see that the nominal was linked to a known organised crime family and owned several other properties. The ARENA Visualiser function showed that the spouse and children of the nominal had all been involved in mortgage fraud and were being investigated by a neighbouring police force. The investigator printed out the visual network chart and the relevant SARs and presented them to the neighbouring force to assist their investigation. As a result, the neighbouring police force decided to focus their investigation on four individuals, rather than just one. This whole process took only a few minutes to complete.

A UK resident lost over €10 million in a Private Placement Scheme scam. The investigating police force made enquiries on ARENA which revealed the names of possible suspects that were already known to the police. The force then selected the ARENA Visualiser function which showed links between the known suspects and SARs in respect of suspected frauds involving people not known to the force. The investigator used this information to make enquiries with a foreign law enforcement agency where several of the suspects were based. Following these enquiries, the foreign LEA revealed details of a prosecution against one of the suspects who was accused of committing a similar fraud scam in their country. The links established through ARENA assisted the police force in recovering evidence from the foreign LEA to bring a prosecution against the suspects in the UK.

The following case studies demonstrate how the ARENA tool enables police forces to conduct thorough investigations quickly and easily, making it possible for officers to bring more prosecutions against low level and low value crimes that matter to local communities.

A member of the public made a complaint to the police regarding the purchase of concert tickets over the internet that never arrived. Using ARENA, the police force conducted a search on the bank account details that the money had been paid to which revealed the identity of the potential offender who resided outside the force area. An enquiry with the police force covering the area where the suspect lived identified that the force was already investigating similar types of crime connected to the suspect.

In another example, the police were able to quickly identify the suspect of an attempted fraud scam. A complaint was made to the police about a suspect who had contacted the complainant, purporting to be from a loan company, asking them to pay monies into two nominated bank accounts. A search using ARENA on the suspect's bank account details found links to two further SARs which led to firmly establishing the identity of the subject.

The reporting year ended with almost all police forces now able to access the ARENA system. Subject Matter Experts (SMEs) were appointed across the country to assess the readiness for the live system in their area and provide local expertise for end users of ARENA. SMEs attended the 'train the trainer' course to facilitate local training. Over the next year the UKFIU will establish an ARENA Users Forum for users to share experiences and best practice with colleagues.

User feedback from the pilot phase was mostly positive regarding the benefits of the ARENA system, which is reflected in the case studies included in this report. In a survey for the pilot phase incorporated into the Twice Yearly Feedback Questionnaire (TYFQ), 100% of users agreed or strongly agreed that ARENA allowed them to search and return relevant data more quickly and easily than Money.Web, and 80% agreed or strongly agreed that ARENA had an increased analytical capability that allowed them to perform more extensive analysis on a subject across all relevant SARs, and better prioritise persons that merit further investigation. LEAs also gave examples of how ARENA had assisted investigations, including a case where ARENA had been used to identify large scale fraud against elderly people in Scotland.

As expected with a new technology system, the first few months of live operation has revealed technical issues which need to be addressed in order to ensure that all users are able to fully exploit the system. These include connectivity problems for some users and some software performance issues. SOCA has been working with end users and suppliers to capture and resolve

these issues. SOCA is confident that the main technical matters will be addressed in a new software release which will be deployed in the first part of 2012. Once it is installed the UKFIU will engage on a renewed programme of training and collaboration with end users to ensure that all are equipped to get the best from the enhanced analytical capability that ARENA offers.

The development and maintenance costs of ARENA are borne wholly by SOCA. It provides a sophisticated and expandable platform for enabling searching and analysis of SARs information with distributed access currently for some 1300 or so financial investigators across the whole law enforcement community. At the same time it allows SOCA and the UKFIU, as the data controller and information asset owner of the SARs database, to retain robust central control over the access and management of the data. This was a central feature of the Information Commissioner's concerns in the recent inspection.

ARENA integrates fully with SOCA's DISCOVER data analytical capability developed for internal use for the enhanced analysis of intelligence across all core SOCA systems. There is significant scope to add further datasets to the ARENA platform, including open source data to enhance the analytical experience of end users. The adoption of a similar capability for the National Crime Agency's (NCA) Organised Crime Coordination Centre is also under consideration.

Enhanced interrogation tools within SOCA

Work to better exploit SARs data against other SOCA intelligence has progressed well this year, with the roll-out of DISCOVER now enabling the use of SARs to be mainstreamed in SOCA investigations.

DISCOVER is a web based portal which enables SOCA officers to search across a number of core SOCA systems in support of operational intelligence gathering. Financial investigators can search across multiple systems to explore links from the main subject to other related entities, for example their associations, objects (e.g. bank accounts, business names and phone numbers), locations and events. The results can be visualised in a number of ways including diagrammed networks.

The end result is that users will be searching more data, sourced from multiple systems to a greater level of detail, therefore building a better knowledge and understanding of crime.

Improving the SARs database

SOCA has made progress on developing a programme of enhancements to the SARs database. During the year SOCA has made a major change to its I.T. Supplier. The UKFIU is currently discussing this deliverable with the new supplier and a review of progress will be included in the next SARs Annual Report.

Aim 4: Continuing improvement of the governance and transparency of the regime

The deliverables under this aim are set out below.

- Committee to receive regular updates on SARs Regime progress from the UKFIU.
- Review of the Committee's composition.
- Optional thematic report chosen by the SARs Regime Committee.

SARs Regime Committee

The SARs Regime Committee provides a high level oversight of the performance of the regime. The Committee is formed of representatives from government bodies, law enforcement and the private sector, and exists to ensure that decisions made on the operations and functions of the UKFIU are debated and agreed by representatives from all sectors that participate in the regime.

The SARs Regime Committee receives regular updates on the progress made by the UKFIU against the deliverables in the three-year strategy. This reporting year covers the second-year action plan of the strategy which has focused on the implementation of new systems and infrastructure to increase the value and impact of SARs; as identified through scoping exercises conducted in the first year.

This year the SARs Regime Committee has closely monitored the pilot and delivery phase of the ARENA analytical tool for end users. The Committee has also advised on and supported the implementation of the criteria for allowing direct access to SARs by end users. The collective approach taken by SARs Regime Committee members from the public sector and private industry has ensured that the End User Criteria represents the interests of all participants; both by maximizing opportunities for law enforcement interventions whilst also ensuring that data from the reporting sector is handled effectively, securely and appropriately by relevant end users.

As part of the SARs Regime Committee's role in facilitating the external inspection

of the SARs Regime, members have also been regularly updated on the Information Commissioner's review of the retention and deletion of SARs records on ELMER, in particular through ensuring that the approach taken by SOCA is transparent and robust.

Over the next year the SARs Regime Committee will monitor performance against the final year of the three-year strategy and will set the vision for the SARs Regime beyond this plan and into the NCA in 2013.



Review of the SARs Regime Committee's composition

The SARs Regime Committee instructed an independent third party to review the current governance arrangements for the regime and the extent to which the requirements of SARs Regime participants are met within current arrangements. The review focused on both the SARs Regime Committee and the Vetted Group, looking at three key areas: purpose, composition, and functioning.

The review recommended that membership of the SARs Regime Committee be widened to include other reporting sectors. This was accepted by members and the SARs Regime Committee has since decided to extend membership to a representative of the MSB sector. SARs Regime Committee members also accepted the recommendation to review the number of SOCA members on the Committee.

The review also highlighted the issue of non-attendance by core members at the SARs Regime Committee which, whilst not cited as a common problem, was felt to impact on the value of the debate. To address this, the SARs Regime Committee has accepted the recommendation for each member to assign a deputy that operates at a senior level and with the authority to make decisions in their absence.

At the time of the review the Vetted Group had not met for over two years, prompting the need for a decision to be made on the future of the Group.

The Vetted Group consists of security vetted individuals representing private and public sector bodies involved in proceeds

of crime business. The purpose of the Group is to review and discuss sensitive information in order to advise the UKFIU on policy and disseminations to industry and law enforcement bodies.

The review concluded that there is a requirement for the Vetted Group and recommended that the group be reconvened under a revised Terms of Reference (ToR). Recommended changes to the ToR include: setting specific; refocused objectives; focusing activity on identified projects and tasks; and replacing ad hoc meetings with formal meetings. The review also recommended that consideration be given to who chairs and convenes the group, to membership and to renaming the group the 'SARs Regime Tasked Group.'

Optional thematic report chosen by the SARs Regime Committee

Work this year has focused on progressing activities relating to the key aims set out in the last SARs Annual Report and delivering on core UKFIU business. The SARs Regime Committee chose not to commission an optional thematic report this year.

Part Two: Future Action

Two years ago the SARs Regime Committee set out a three-year strategy for the UKFIU and SARs stakeholders in order that key recommendations from the Lander review could be implemented, reviewed and monitored over a longer period. The overall objective of the strategy was 'to increase the value and impact of the SARs Regime'.

The first year action plan focused on scoping out the requirements and laying the foundations that would enable the UKFIU to meet the key aims of the strategy. Over the last year we have delivered many of the projects, infrastructure and actions set out against the four core aims.

The four aims of the three-year strategy are set out below:

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.

In the coming year we will look to fully consolidate and build on the deliverables set out in the previous two annual reports in order to fully meet the requirements of the four aims. The deliverables for this year are set out in this section and detailed in a table in Annex H.

This year will also see the UKFIU prepare for the transition to the National Crime Agency (NCA). The NCA programme team within the Home Office is currently working with key partners to design and build the new Agency, which is to be fully established in 2013. The NCA will set the national operational agenda for fighting serious and complex crime and organised criminality, and strengthening our borders.

At the time of writing, detail on the exact structure of the NCA were still being developed and no decisions had been taken regarding where the UKFIU would sit in the new structure. However, the NCA will be home to a significant multi-agency intelligence capability, drawing on other existing national intelligence capabilities, including on economic and financial crime. The SARs Regime, and the intelligence derived from SARs, will be an important element of this intelligence picture.

Aim 1: Appropriate SARs to be submitted by the full range of reporting sectors

Following the completion of the sector specific report for the legal sector the SARs Regime Committee has commissioned the UKFIU to undertake further sector specific reports for other sectors.

These will be informed by audits looking at a sample of SARs, assessing quality of reports and identifying common areas for development across the sector. A feedback report will then be disseminated via sector representatives and regulatory bodies which will include tailored guidance, case studies and examples of how SARs submitted by the sector have led to law enforcement outcomes, where permission has been granted by the reporter and end user.

Deliverable: Deliver further sector specific reports for SARs reporters

The review of consent SARs submitted by the accountancy and legal sectors identified some common issues for the UKFIU and sector representatives to address. The development of a structured consent SAR template was identified as a possible solution to addressing some of the common mistakes and gaps in consent SAR requests. Over the next year the UKFIU will work with representatives from the reporting sector to scope and, if deemed appropriate, develop this product for all reporters of SARs.

Deliverable: Explore developing a structured consent SAR guidance template

The SOCA website is often the first port of reference for reporters and other stakeholders who want to find out more about the SARs Regime and/or how to submit a SAR. Over the next reporting year the UKFIU will review and, where necessary, refresh its pages on the SOCA website to reflect the changes and developments experienced by the regime. This exercise will also take account of general feedback received by the UKFIU from reporters on the website.

Deliverable: Review of SARs content on the SOCA website

As shown in Part One, SAR Online was used by more than 4,000 reporters this year and the UKFIU is continuously promoting the use of this electronic method over paper SARs. The UKFIU will conduct a business review of SAR Online, looking at ways to make the system more user-friendly and remove some of the identified and reported problems with functionality. A cost feasibility study for the improvements will form a key part of this work.

Deliverable: UKFIU to conduct a review of SAR Online

In order to ensure that the UKFIU is appropriately equipped to deal with SARs confidentiality breaches, and to ensure that guidance for end users is current and comprehensive, the SARs Regime Committee has asked the UKFIU to review the policies and procedures in place regarding the confidentiality of SARs.

Current policies and procedures are guided by the Home Office Circular 53/2005 on the confidentiality and sensitivity of SARs. Principally the review will consider whether any changes should be made to the procedures for handling confidentiality breaches in light of recent changes within the UKFIU and whether further guidance can be provided to end users to address the issues that have previously led to confidentiality breaches.

Deliverable: Review policy and mechanisms in place regarding the confidentiality of SARs



Aim 2: Maximising the use of information provided by reporters while ensuring proportionality

The End User Criteria will be used to assess whether an organisation should have direct access to the ELMER database in order to ensure that personal data is protected. Following the development of the criteria the next step is for SOCA, as data controller and owner of the criteria, to invite relevant bodies to submit a business case for access. The process will initially be trialed, in consultation with the SARs Regime Committee, with non-police bodies that are existing users of ELMER before SOCA invites expressions of interest from other organisations.

The business cases received will be assessed by a panel comprised of senior managers from relevant departments within SOCA. Next year we will report on the outcomes of the business cases submitted and provide an outline of the assessment and award process for those institutions that applied.

Deliverable: Implement the End User Criteria access policy

Another important development taken this year towards improving the protection of public information was the creation of a retention and deletion policy for ELMER. This followed a recommendation from the Information Commissioner who conducted a review of the SARs database earlier in the year.

Over the next year SOCA will communicate the changes with law enforcement partners

that are affected in order that the impact of the policy on criminal justice outcomes are understood and where necessary mitigated by investigators. SOCA will also conduct work to identify what modifications are required to the ELMER database to facilitate an automation process for deletion, including costs, timescales and system security.

Deliverable: Implement and communicate the new retention and deletion policy for SARs

The figure derived from the TYFQ in relation to restraint orders (where SARs have featured in investigations) was significantly lower than last year. The UKFIU will research and identify the reasons behind this reduction in the forthcoming year.

Deliverable: Research and identify reasons behind the reported lower value of restraint orders in the 2011 TYFQ

Aim 3: Supporting and enhancing the technical capabilities and experience of all SARs Regime participants

Over the next year, SOCA will work hard to drive up the use and performance of ARENA. The success of any new system depends on the extent to which it is owned by its users, and to this end SOCA will establish an ARENA User Forum through which members can drive forward enhancements to the system and share their experiences and examples of best practice. The Forum will comprise SARs end

users from law enforcement bodies and act as a conduit for communicating progress and development reports on ARENA to local forces. The Forum will also identify and where deemed necessary commission relevant guidance materials and/or circulars to help end users get the most out of the system.

Deliverable: Set up an ARENA User Forum to share experience and best practice

As with the implementation of any new system, there remain technical difficulties with ARENA that SOCA is currently working to resolve. SOCA will work with end users to identify and resolve these issues, and to explore the feasibility of any further enhancements to the system to improve capability. SOCA will keep partners updated on progress and will look to further promote the system once all these developments are complete.

Deliverable: Scope the potential for further ARENA enhancements

Aim 4: Continuing improvement of the governance and transparency of the regime

The recommendations from the review of the SARs Regime Committee and the Vetted Group will be assessed to determine how best they can be implemented and over what timescale.

Deliverable: Consider and implement the recommendations from the review of the SARs Regime Committee

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 SOCA and has national responsibility for the gathering, analysing and dissemination of financial intelligence submitted through SARs.

The SARs Regime is the end-to-end system which 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; and
- end users in law enforcement to subsequently make use of the data held on the SAR 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 Serious Organised Crime & Police Act 2005.

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 automatic 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 (such as, the Financial Action Task Force – FATF) designed to protect UK financial institutions and businesses from the threats posed by money launderers and terrorist financiers.

Annex B: Membership of the SARs Regime Committee⁸

SOCA Director (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

Metropolitan Police Service

SOCA

The Law Society of England and Wales

8. Current membership as of October 2011

Annex C: Total SARs by Industry Sector*

Source type	Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Total
Accountant	469	539	578	376	598	639	452	470	480	466	561	425	6,053
Asset Management	27	23	15	16	23	20	19	19	31	21	25	31	270
Auction House	1	0	1	0	0	0	0	0	1	0	0	1	4
Banking	15,258	16,549	14,350	13,731	14,471	17,531	13,976	15,584	16,835	16,843	18,576	18,688	192,392
Barrister	1	0	0	0	0	0	1	2	0	0	0	0	4
Bookmaker	7	10	5	3	5	7	3	7	10	9	12	8	86
Building Society	417	1,111	669	418	607	599	578	747	542	899	689	351	7,627
Bureau de Change	359	340	254	320	208	295	246	283	297	265	275	433	3,575
Capital Markets	3	4	2	2	1	2	0	2	0	0	1	1	18
Charity	1	1	7	4	4	3	0	2	4	3	2	3	34
Cheque Cashier	904	646	602	739	607	756	704	717	523	704	518	449	7,869
Clearing House	0	1	2	7	1	1	2	0	2	1	1	0	18
Company Formation Agent	2	4	3	1	19	51	4	7	21	10	0	1	123
Consumer Credit	10	9	8	7	4	18	2	7	17	27	17	8	134
Credit Card	2	0	0	16	14	37	28	23	30	34	31	61	276
Credit Union	25	29	3	18	20	25	24	23	7	23	15	13	225
Education	0	0	2	0	0	1	0	0	1	0	1	2	7
Electronic Payment	15	45	36	53	56	118	127	105	77	58	57	83	830
Estate Agent	11	6	5	3	10	21	6	8	19	11	12	11	123
Finance Company	221	260	303	367	341	302	310	311	382	305	291	276	3,669
Friendly Society	1	0	1	1	0	2	1	1	1	0	0	2	10
FSA others	99	178	113	136	153	179	120	110	124	120	95	105	1,532
Gaming	75	38	34	88	53	48	62	49	59	75	42	48	671
Government	80	61	59	75	113	90	72	86	45	101	94	69	945
High Value Dealer	0	7	1	2	2	5	5	4	4	1	3	0	34
Independent Financial Advisor	0	0	0	0	2	0	0	1	1	0	0	0	4
Insurance	93	108	98	71	102	110	96	95	113	132	133	124	1,275

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

Annex C: continued*

Source type	Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Total
Investment Exchange	0	0	0	0	0	2	3	0	0	0	0	1	6
IT	0	1	2	1	0	0	1	0	0	0	0	0	5
Legal (other)	10	16	8	18	21	9	14	14	17	11	16	12	166
Leisure	0	0	0	1	1	2	0	0	0	1	0	4	9
Licensed Conveyancer	25	27	12	6	12	14	7	3	13	14	12	6	151
Local Authority	5	4	10	7	1	7	2	7	3	13	5	1	65
Manufacturer	0	0	0	1	0	0	0	0	0	0	2	1	4
Money Transmission	1,491	998	502	1,158	639	1,460	232	961	1,337	232	1,464	1,516	11,990
Mortgage Provider	24	20	28	44	19	29	19	47	23	19	21	15	308
Motor Organisation	8	6	7	10	8	12	7	6	3	12	9	11	99
Markets and Exchanges	2	11	2	10	6	3	0	0	2	1	3	2	42
Other	138	153	100	118	137	119	106	82	101	66	109	89	1,318
Pension Provider	2	3	0	0	1	2	3	5	5	1	1	3	26
Private Individual	2	3	0	5	1	1	6	3	3	1	4	4	33
Regulator	13	15	47	4	28	30	3	30	44	18	46	27	305
Retail Intermediary	27	40	10	14	29	33	15	15	28	15	18	19	263
Security	1	3	2	0	1	2	2	2	2	0	0	1	16
Solicitor	375	383	342	278	367	417	343	331	367	360	346	346	4,255
Specialist Financial Services	10	4	5	6	4	9	8	8	15	22	13	29	133
Spread Betting	21	16	17	19	23	15	12	20	16	20	14	14	207
Stockbroker	14	18	12	13	21	19	9	4	21	18	10	21	180
Tax Adviser	8	6	5	4	9	8	9	9	7	22	6	3	96
Unknown / Anonymous	12	10	0	6	6	22	7	16	11	9	8	9	116
Total	20,269	21,706	18,262	18,177	18,748	23,075	17,646	20,226	21,644	20,963	23,558	23,327	247,601

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

Annex D: Consent SARs by Industry Sector*

Source type	Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	July 2011	Aug 2011	Sep 2011	Total	As a percentage of all consents	Number of consent SARs as percentage of all SARs submitted by sector
Accountant	13	15	18	19	31	24	23	30	38	25	23	20	279	2.04%	4.61%
Asset Management	8	13	7	12	10	4	5	2	9	11	6	8	95	0.70%	35.19%
Auction House	0	0	1	0	0	0	0	0	1	0	0	1	3	0.02%	75.00%
Banking	558	668	479	499	592	680	521	748	652	455	434	477	6763	49.50%	3.52%
Barrister	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Bookmaker	1	4	1	0	1	1	1	3	1	1	1	5	20	0.15%	23.26%
Building Society	29	31	35	26	25	20	18	23	33	32	18	21	311	2.28%	4.08%
Bureau de Change	17	4	6	3	4	5	5	5	1	2	6	2	60	0.44%	1.68%
Capital Markets	2	2	1	0	1	0	0	2	0	0	0	0	8	0.06%	44.44%
Charity	1	0	2	0	0	1	0	1	2	0	2	2	11	0.08%	32.35%
Cheque Cashier	0	1	0	0	0	0	0	1	1	1	1	0	5	0.04%	0.06%
Clearing House	0	0	1	2	1	1	1	0	0	0	1	0	7	0.05%	38.89%
Company Formation Agent	1	1	2	0	0	0	0	1	0	0	0	0	5	0.04%	4.07%
Consumer Credit	0	1	0	0	0	0	0	0	0	0	0	0	1	0.01%	0.75%
Credit Card	0	0	0	1	1	5	0	2	0	5	0	3	17	0.12%	6.16%
Credit Union	1	2	0	0	1	1	8	0	1	0	0	1	15	0.11%	6.67%
Education	0	0	2	0	0	1	0	0	0	0	1	0	4	0.03%	57.14%
Electronic Payment	10	22	13	34	23	25	24	34	25	6	4	3	223	1.63%	26.87%
Estate Agent	3	0	2	2	4	9	1	4	4	4	3	3	39	0.29%	31.71%
Finance Company	19	32	22	26	37	33	31	38	23	26	24	23	334	2.44%	9.10%
Friendly Society	0	0	1	0	0	1	0	1	0	0	0	0	3	0.02%	30.00%
FSA others	36	35	14	21	43	46	33	25	25	30	25	31	364	2.66%	23.76%
Gaming	11	11	13	7	7	3	14	9	12	14	9	9	119	0.87%	17.73%
Government	4	1	1	0	4	3	5	3	5	10	7	2	45	0.33%	4.76%
High Value Dealer	0	1	1	0	1	0	3	0	0	0	0	0	6	0.04%	17.65%
Independent Financial Advisor	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%

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

Annex D: continued*

Source type	Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	July 2011	Aug 2011	Sep 2011	Total	As a percentage of all consents	Number of consent SARs as percentage of all SARs submitted by sector
Insurance	41	58	42	32	44	54	54	47	58	72	50	50	602	4.41%	47.22%
Investment Exchange	0	0	0	0	0	0	1	0	0	0	0	1	2	0.01%	33.33%
IT	0	0	0	0	0	0	1	0	0	0	0	0	1	0.01%	20.00%
Legal (other)	3	12	6	7	17	7	7	10	2	5	11	11	98	0.72%	59.04%
Leisure	0	0	0	1	0	2	0	0	0	0	0	4	7	0.05%	77.78%
Licensed Conveyancer	19	25	11	6	11	9	6	3	12	10	8	4	124	0.91%	82.12%
Local Authority	2	3	4	1	1	2	1	2	0	4	1	0	21	0.15%	32.31%
Manufacturer	0	0	0	0	0	0	0	0	0	0	1	1	2	0.01%	50.00%
Money Transmission	19	9	16	7	9	13	14	7	20	22	20	23	179	1.31%	1.49%
Mortgage Provider	3	2	1	4	1	3	2	2	1	0	1	2	22	0.16%	7.14%
Motor Organisation	0	0	1	0	0	2	0	1	1	1	3	2	11	0.08%	11.11%
Markets and Exchanges	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Other	33	24	20	24	31	27	15	12	19	17	13	8	243	1.78%	18.44%
Pension Provider	1	3	0	0	0	1	1	5	4	1	1	2	19	0.14%	73.08%
Private Individual	2	0	0	0	1	0	2	1	0	1	0	0	7	0.05%	21.21%
Regulator	3	6	1	1	3	4	0	0	1	0	0	0	19	0.14%	6.23%
Retail Intermediary	4	1	1	4	5	6	2	3	8	2	1	5	42	0.31%	15.97%
Security	0	2	0	0	1	0	0	1	0	0	0	1	5	0.04%	31.25%
Solicitor	295	305	265	210	278	321	270	238	270	281	277	281	3291	24.09%	77.34%
Specialist Financial Services	1	0	0	1	0	2	0	1	7	1	1	5	19	0.14%	14.29%
Spread Betting	11	9	9	13	15	8	1	9	10	11	7	6	109	0.80%	52.66%
Stockbroker	8	5	7	6	10	8	4	2	6	5	1	7	69	0.51%	38.33%
Tax Adviser	0	0	0	0	1	0	0	0	2	2	0	0	5	0.04%	5.21%
Unknown / Anonymous	3	2	0	1	1	9	1	3	2	3	0	3	28	0.20%	24.14%
Total	1162	1310	1006	970	1215	1341	1075	1279	1256	1060	961	1027	13662	100%	

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

Annex E: Terrorist Finance SARs by Industry Sector*

Source type	Number disseminated to NTFIU/CTU from October 2010 to end of September 2011	As a percentage of all terrorist finance SARs
Accountant	10	1.51%
Asset Management	1	0.15%
Banking	487	73.56%
Building Society	18	2.72%
Bureau de Change	6	0.91%
Charity	9	1.36%
Company Formation Agent	1	0.15%
Credit Card	2	0.30%
Credit Union	1	0.15%
Electronic Payment	3	0.45%
Estate Agent	1	0.15%
Finance Company	6	0.91%
FSA others	3	0.45%
Gaming	1	0.15%
Government	1	0.15%
High Value Dealer	1	0.15%
Insurance	16	2.42%
Licensed Conveyancer	2	0.30%
Markets and Exchanges	3	0.45%
Money Transmission	9	1.36%
Other	37	5.59%
Regulator	7	1.06%
Solicitor	28	4.22%
Spread betting	1	0.15%
Unknown / Anonymous	8	1.21%
Total	662	100%

* SARs solely disseminated to NTFIU and Counter Terrorism Units from October 2010 to end September 2011 by source type.

Annex F: Current End Users of SARs with “Direct” Access⁹

Police Forces		Multi Agency Teams
Avon & Somerset	Lincolnshire	Eastern Regional Asset Recovery Team (RART)
Bedfordshire	Lothian & Borders	East Midlands RART
British Transport Police	Merseyside	London RART
Cambridgeshire	Metropolitan Police Service	North East RART
Central Scotland	Ministry of Defence Police	North West RART
Cheshire	Norfolk	South East RART
City of London	Northamptonshire	South West RART
Cleveland	Northern	Wales RART
Cumbria	Northumbria	West Midlands RART
Derbyshire	North Wales	Law Enforcement Agencies
Devon & Cornwall	North Yorkshire	Child Exploitation & Online Protection Centre
Dorset	Nottinghamshire	Crown Office & Procurator Fiscal Service Civil Recovery Unit, Scotland
Dumfries & Galloway	Police Service of Northern Ireland	Department for Work and Pensions
Durham	South Wales	HM Revenue & Customs
Dyfed-Powys	South Yorkshire	Serious Fraud Office
Essex	Staffordshire	Serious Organised Crime Agency
Fife	Strathclyde	Scottish Crime and Drug Enforcement Agency
Gloucestershire	Suffolk	Social Security Agency Northern Ireland
Grampian	Surrey	UK Border Agency
Greater Manchester	Sussex	Other
Gwent	Tayside	Department for Business Innovation and Skills
Hampshire	Thames Valley	Department for Environment, Food and Rural Affairs
Hertfordshire	Warwickshire	National Policing Improvement Agency
Humberside	West Mercia	National Ports Analysis Agency
Kent	West Midlands	Northern Ireland Environment Agency
Lancashire	West Yorkshire	Royal Mail
Leicestershire	Wiltshire	

9. Accurate at time of drafting in November 2011. This may be subject to amendment resulting from implementation of the criteria for direct access to SARs. The UKFIU is to consider applications made by some organisations for direct access to SARs.

Annex G: Criteria for Direct Access to Suspicious Activity Reports

Definitions

- **ELMER** is the SOCA database of Suspicious Activity Reports (SARs).
- **Direct access** to SARs constitutes on-demand access to ELMER via the Money.Web and/or the ARENA ICT systems.
- **Indirect access** to SARs constitutes: access to SAR material either by requesting the UKFIU within SOCA to conduct a search of ELMER; or the receipt of intelligence from SARs that the UKFIU proactively disseminates. Indirect access to ELMER is not affected by the criteria below.

Application of the criteria

(i) From October 2011 onwards, the criteria set out within this document will apply to all organisations with direct access to SARs.

(ii) Adherence to these criteria does not obviate the need to comply with the detailed requirements on security and confidentiality of SARs data set out in the following documents.

- Home Office Circular 53/2005.
- Terms and Conditions for Access to the ELMER database.
- Proceeds of Crime Appendix to Partnership Agreement between SOCA and relevant organisation.
- Any relevant Security Operating Procedures and User Guidance.
- SOCA protocol on "Handling and Dissemination of SARs by End User Agencies".

All organisations with direct access must abide by the conditions set out in these documents.

(iii) The right to have direct access to ELMER is set at the organisational level. Any individual user accustomed to having such access (e.g.

by virtue of previous employment) who works for an organisation which does not have direct access must not attempt to gain direct access by any means whatsoever.

(iv) SOCA reserves the right to vary or amend these criteria as required or directed by the SARs Regime Committee or HMG. SOCA reserves the right to discontinue direct access for any organisation or individual for whatever reason and under whatever conditions it thinks fit.

The Criteria

1. Maximising the use of SARs

1.1 The organisation must have statutory financial investigative powers, and support and contribute to the objectives in the UK Organised Crime Control Strategy published by the Home Office Strategic Centre for Organised Crime (or other relevant government strategy).

1.2 The organisation must have at least two of the following objectives:

- harm reduction;
- crime reduction; or
- protection of public funds.

1.3 The organisation must use SARs intelligence to disrupt criminal activities and/or recover assets.

1.4 The organisation must routinely instigate a search of the database and view SARs as part of their investigative process.

2. Security of data

2.1 The organisation must implement a framework which complies with the standards set out in the HMG Security Policy Framework.

Annex G: continued

Premises and systems should have appropriate segregation to ensure no unauthorised access and should be accredited to handle information to at least the level of RESTRICTED. There should be no access to SAR material in a shared or open plan environment.

2.2 The organisation must have implemented a vetting policy and standard operating procedure in line with either (i) HMG Baseline Personnel Security Standards (BPSS) or (ii) the ACPO/ACPOS National Vetting Policy (NVP). Specifically, users with direct access to SAR material should be at least "SC" cleared (BPSS) or "RV" cleared (NVP).

2.3 Users must be aware of the intelligence-led policing model adopted by UK law enforcement and understand and be able to apply the 5x5x5 intelligence evaluation standard.

2.4 The organisation must have secure email, specifically email accredited to handle information at least to RESTRICTED level.

2.5 The organisation must have policy and procedures in place to ensure the confidentiality of SARs.

2.6 The organisation must have processes in place to identify and report a breach of SAR confidentiality.

2.7 The organisation must have a professional standards department (or equivalent) to support and assist the UKFIU to investigate breaches of SAR confidentiality. In the event of a breach or series of breaches by the end user, SOCA reserves the right to exclude the relevant individual or organisation from access to the database.

2.8 The organisation must confirm it has no statutory regulatory function under the Money Laundering Regulations 2007 (Part 4 Regulation 23(1)(c) as listed in Schedule 3).¹⁰ An exception to this is where such an organisation has a law enforcement or prosecuting function that goes beyond powers to sanction regulatory failure. In such a situation, the organisation must be able to demonstrate that the access to SARs by the enforcement or prosecuting function is kept separate from the regulatory function and that the database is not being accessed for regulatory purposes or for any purpose other than enforcement or prosecution.

2.9 The organisation must demonstrate that individual users with direct access to SARs have completed or will complete either:

- financial intelligence officer or accredited financial investigator training to NPFA standards (or the Scottish equivalent); or
- any other SOCA-approved course covering the appropriate use, handling and management of SAR material.

3. Providing feedback to SOCA

3.1 The organisation must submit 'feedback' via Money.Web where a SAR has been viewed and used as part of intelligence development or investigation, where possible to do so.

3.2 The organisation must submit comprehensive and timely Twice Yearly Feedback Questionnaires (TYFQs) and adequately detail their use of SARs.

The organisation must provide case studies outlining how a SAR(s) was used in a particular investigation and the assets recovered, if appropriate.

10. The Lander Review of the SARs Regime stated that "regulators should not have direct access to the SARs database, but each should agree with SOCA the reporting it requires derived from that data" (Rec. 21).

Annex H: Action Plan for the Suspicious Activity Reports Regime October 2011 to 2012

Aim	Deliverable	Timings
Appropriate SARs to be submitted by the full range of reporting sectors	Deliver further sector specific reports for SARs reporters	June 2012
	Explore developing a structured consent SARs guidance template	June 2012
	Review of SARs content on the SOCA website	March 2012
	UKFIU to conduct a review of SAR Online	September 2012
	Review policy and mechanisms in place regarding confidentiality of SARs	March 2012
Maximising the use of information provided by reporters while ensuring proportionality	Implement the End User Criteria access policy	November 2011
	Implement and communicate the new retention and deletion policy for SARs	December 2011
	Research and identify reasons behind the reported lower value of restraint orders in the 2011 TYFQ	March 2012
Supporting and enhancing the technical capabilities and experience of all SARs Regime participants	Set up an ARENA User Forum to share experience and best practice	September 2012
	Scope the potential for further ARENA enhancements	September 2012
Continuing improvement of the governance and transparency of the regime	Consider and implement the recommendations from the review of the SARs Regime Committee	March 2012

Annex I: 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.

ARENA

The new search and analysis tool for end users of SARs.

Asset Recovery Office (ARO)

ARO receive and process requests from EU member states to assist in the tracing and identification of the proceeds of crime. 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.

Association of Chief Police Officers in Scotland (ACPOS)

Comprises the senior ranks of Scottish Police Forces.

Camden Asset Recovery Inter-Agency Network (CARIN)

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

CONNECT

CONNECT is 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 (CTU)

These are 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.

DISCOVER

A web based portal which enables SOCA officers to search across a number of core SOCA systems in support of operational intelligence gathering.

Egmont

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

ELMER database

The existing IT system in SOCA handling the SARs Regime.

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.

FIU.Net

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

High Volume Operating Model (H-VOM)

The name given by SOCA to describe the risk-based systematic management of all individuals and groups identified as involved in organised crime, causing harm to the UK, through effective information management and planned interventions.

Human Rights Act

The Human Rights Act 1998 incorporated the rights and freedoms set out in The European Convention on Human Rights into domestic law in the UK.

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.

International Corruption and Asset Recovery Team (ICART)

The ICART is partly funded by the Department for International Development (DfID) to provide UK law enforcement with an intelligence hub covering corruption by foreign Politically Exposed Persons (PEPs) and bribery by UK firms overseas.

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

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.

National Crime Agency (NCA)

The Government's new Agency for tackling serious and complex crime 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 Policing Improvement Agency (NPIA)

A national body which assists law enforcement in developing and sharing good practice and which provides operational policing support where necessary.

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.

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 (POCA) 2002

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 that they may have knowledge or suspicion of money laundering. The Codes 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 an organisation that submits a Suspicious Activity Report (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).

Sub Judice

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

The Vetted Group

The Vetted Group is a group of security vetted individuals representing private and public sector bodies whom advise the UKFIU on policy and disseminations to industry and law enforcement bodies.

Twice Yearly Feedback Questionnaire (TYFQ)

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

United Kingdom Financial Intelligence Unit (UKFIU)

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

www.soca.gov.uk

SOCA is a Home Office Non-Departmental Government Body