



UK Financial Intelligence Unit

Suspicious Activity Reports

Annual Report 2020

Statement by Ian Mynot, Head of the UKFIU

It is my very great pleasure to present the Suspicious Activity Reports (SARs) Annual Report for 2020.

The UK Financial Intelligence Unit (UKFIU) once again saw a record number of SARs during 2019/20, receiving and processing 573,085 SARs (a 20% increase on the previous period) and 62,408 requests for a defence (up 81%). The Defence Against Money Laundering (DAML) submissions saw increases in volume in every month, with the highest number of cases submitted in any one month in January 2020, when the NCA received 7,252 DAML requests. This represents a 116% increase on the total January 2019 submissions.

This year £172m was denied to suspected criminals as a result of DAML requests – up 31% on the previous year's £132m and over three times the £52m from 2017/18. For over £100m of the total restrained, there was no previous or existing law enforcement investigation, showing the unique value added by the SARs regime in enabling new law enforcement investigations, as well as enhancing existing ones.

It is important to recognise this figure is not the totality of the law enforcement impact gained through SARs. Beyond the DAML regime, different agencies use the SARs in many different ways. The report includes, for example, details of £56m that HMRC obtained through matching SARs with other data sets for criminal and civil intervention.

Our analytical output this year has increased in quantity and impact. We delivered an increase in operational intelligence development and a greater cross matching of SARs, providing value to law enforcement teams. For example, in March the UKFIU began producing a regular bulletin outlining the themes and trends relating to COVID-19 related crime, drawn from our analysis of SAR reporting. This has enabled collaboration with law enforcement, reporters and government departments to combat harmful crime and raise awareness.

This year we have also focussed on international work and analysis, for the first time co-leading on an Egmont Group project. The project was co-led with AUSTRAC (the Australian FIU) and the Anti-Money Laundering Council (the Philippines FIU) and focused on the financial flows associated with online child exploitation and abuse. It took forward innovative data sharing with the private sector which is clearly demonstrating UKFIU/NCA leadership. After year-end the report was published by Egmont, including a well-received public bulletin. We also strengthened ties with a number of other international partners, resulting in increased intelligence flows and analytical products.

The Home Office-led SARs Reform Programme continued to develop. It was pleasing to be able to increasingly draw on our officers' expertise in progressing the requirements for IT transformation and designing improvements to the wider SARs regime, for example process changes on DAML which were fundamental to our ability to respond effectively to increasing volumes. Our average turnaround time on DAMLs reduced from five days to four days over the year, despite such a large increase in the number of cases.

On the engagement front a number of new SAR working groups were created to make the regime as effective as possible, with a particular focus on some of the new and emerging parts of the financial sector, and we continued to support law enforcement in exploiting the full potential of SAR information.

It has been fantastic to welcome so many new people into the Unit, bringing so many different skills and experiences that complement an already talented and committed workforce; this is essential to our future success. And of course, equally important to our success is the diversity of background of our workforce. We have taken the opportunity in 2019/20 to strengthen our people focus, developing a UKFIU career pathway so that officers know what working in the UKFIU will give them in relation to development, and also enhancing our mentoring and training offer.

These people-focussed improvements are essential building blocks for the future. The SARs Reform Programme plans to deliver further increases in our staffing, on top of the increases provided by the NCA in recent years. An IT Transformation Project is replacing the systems for reporters, making it easier to report SARs, as well as improving UKFIU and law enforcement systems so that we can exploit SARs intelligence more effectively and provide better feedback to reporters. The UKFIU needs these changes. As well as delivering these improvements, a key focus this year and next will be ensuring we are in a position to realise the benefits they will bring.

In June 2019 UKFIU senior manager Keith White received an MBE for services to law enforcement and tackling money laundering. Commenting on Keith's award, NCA Director General Lynne Owens said: "the volume of SARs received and the potential risk that sits behind each is significant. In his leadership of the UKFIU Keith has worked tirelessly to ensure his teams have simultaneously dealt with increased demands whilst making sure the best intelligence dividend could be gained from the reporting regime. The necessary SARs Reform Programme that is now underway was strongly influenced by his evidence and observations."

Key statistics

- **573,085 SARs received between April 2019 and March 2020 (19.78% increase on 2018/19 [478,437])¹**
- **62,408 defence requests (up 80.67% on the previous year's 34,543)²**

Key statistics	April 2019 to March 2020
Total SARs	573,085
DAML SARs	61,978
Defence Against Terrorism Financing (DATF) SARs	430
DAML SARs refused	2,055
DATF SARs refused	71
Breaches of confidentiality	2

DAML requests

- £171,986,930 denied to suspected criminals as a result of DAML requests (refused and granted) – up 30.62% on the previous year's £131,667,477.
- An additional £50,623 was restrained or forfeited (Account Freezing Orders [AFOs] and restraint orders) following interventions arising from refused DATF requests.
- 71 DATF SARs were refused out of 430 defence request SARs received under the Terrorism Act 2000. This includes requests which are either currently under refusal or have subsequently been granted. The total amount refused includes a substantially large individual case which was later granted. The total amount refused, excluding this case, was £5,313,568.

Interventions arising from refused DAML requests ³	
Restraint sums (includes restraints and AFOs)	£168,772,509
Cash seizure sums	£203,115
Confiscation sums ⁴	£593,667
Continuing 2018/19 moratorium extensions ⁵	£1,001,778
Total	£170,571,069

¹ A 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.

² These figures are an update on the provisional figures included in the NCA's Annual Report and Accounts for 2019/20 (page 29) and now include the correct percentage increases of 19.78% and 80.67%; an error had resulted in incorrect figures being included in the Annual Report of 22% and 94% respectively.

³ Details of funds recovered by HMRC, previously included in this table, can be found on page 18.

⁴ The confiscation figure represents only what was recovered by way of a Section 22 uplift as a result of a DAML. It does not represent the only amounts confiscated after a restraint has been applied as a result of a DAML. (Section 22 of the Proceeds of Crime Act 2002 [POCA] allows an application to be made to recalculate the available amount, where the court made a confiscation order in an amount lower than the defendant's assessed benefit.)

⁵ These figures may form part of future restraint figures.

Interventions arising from granted DAML requests⁶	
Restraint sums (includes restraints and AFOs)	£1,400,611
Cash seizure sums	£10,000
Confiscation sums ⁷	£5,250
Total	£1,415,861

The total amount of funds moved to a financial institution's internal fraud ledger or suspense account, or where funds were returned to victims (when the information is included in the DAML request) was £8,735,382, thereby denying it to fraudsters and protecting it for future claim by crime victims. The Criminal Finances Act 2017 (CFA) provided law enforcement agencies (LEAs) and partners with additional capabilities and powers to recover the proceeds of crime, tackle money laundering, tax evasion and corruption and combat the financing of terrorism.

The ability to extend the moratorium period up to a maximum of 186 days, instead of just 31 days, and the introduction of AFOs has provided investigators with greater opportunity to successfully restrain the proceeds of crime, as can be seen in the more than tripling of funds denied through DAML in the two years since the Act was brought into force. The UKFIU has been able to facilitate an increase in assets denied through these powers, through its operational decision-making in DAML cases.

- 4.18 days – the average turnaround time for responses to reporters for all requests (down from 5.12 the previous year).
- Of the 61,978 DAML requests, the UKFIU made a decision on 82.26% of requests without referral to law enforcement for a recommendation.⁸ Examples of when such an approach is taken include when the risk of assets being dissipated is not immediate, when the assets are likely to be impossible to recover or when there is unlikely to be law enforcement interest, for example because of low value. There has been a significant increase in the latter category. UKFIU in-house decision making has assisted law enforcement in focussing its efforts on the highest priority cases.
- 189 threshold variation requests.⁹
- 3,231 cases closed because the reporter withdrew the DAML request within the notice period, because they had requested a DAML in error, had failed to include a key piece of piece of information but were uncontactable or had failed to submit the additional information in writing to the UKFIU within the notice period.¹⁰

⁶ There is no requirement for LEAs to inform the UKFIU of restraint, cash seizure or arrest figures as a result of granted DAML requests (only refusal) and these figures should be viewed as conservative amounts.

⁷ See footnote 4.

⁸ While the NCA makes the decision to grant or refuse a DAML request, they will seek LEA advice in certain circumstances.

⁹ Deposit taking institutions with concerns that an account may contain the proceeds of crime/used for laundering money may still have to process regular 'lifestyle' payments to/from that account. Legislation permits discretion in relation to such payments, up to a threshold of £250 per transaction. If frequent transactions are over this threshold, the reporter can apply to the NCA for a threshold variation under POCA and seek permission to impose a higher threshold for regular transactions. This figure is down from 234 in the previous year.

¹⁰ 2,695 cases in 2018/19.

Breakdown of DAMLs refused

- Of the 2,055 DAML requests which were initially refused by LEAs, 690 (33.58% of overall refusals) were subsequently granted in the initial moratorium period, leaving 1,365 cases refused.^{11 12}
- Further analysis shows that the NCA was notified of positive action by LEAs in 1,062 of the 1,365 cases that remained refused (which also includes some of the cases which had a moratorium extension). Of these 1,062 cases:
 - 1,009 cases led to an AFO or restraint
 - 12 led to confiscation
 - two led to cash seizure
 - 36 led to funds returned to victims or placed on the fraud ledger
 - one case generated both an AFO/restraint and funds returned to a victim or placed on the fraud ledger
 - two cases generated both an AFO/restraint and cash seizure.
- There were 74, of the 1,365 cases which remained refused, which required moratorium extensions; and 1,291 cases either had positive action within the initial moratorium period or the case lapsed after Day 31.¹³
- The 74 cases which required moratorium extensions, in order to further their respective investigations, consisted of 333 moratorium extensions (up from 236 in 2018/19) from 24 different LEAs.¹⁴
- 688 cases were refused by law enforcement where there was no previous or existing law enforcement investigation and of these, 467 cases resulted in £103,352,780 restrained (a 220% increase on the previous year) and £203,115 cash seized (up 2,608% on last year's £7,501). These 688 cases represent a unique value of the DAML regime, where a reporter is concerned about money laundering or criminal property and seeks a defence, and law enforcement start an investigation and take action on funds they would otherwise not have known about.
- A total of £51,362,549 was denied to criminals as a result of moratorium extensions in this reporting period. In 12 of these cases there was no previous or existing law enforcement investigation and the value restrained was £47,319,703 (which is part of the overall values outlined in the previous bullet). This demonstrates the benefit of the moratorium extensions introduced in the CFA.

¹¹ 1,332 DAML requests were initially refused in 2018/19.

¹² If a request for a DAML is refused within the 'notice period' (seven working days), law enforcement has a further 31 calendar days (the 'moratorium period') – from the day of refusal – to further the investigation into the reported matter and take further action e.g. restrain or seize funds. The 31 days includes weekends and public holidays. The reporter runs the risk of committing a money laundering offence if they proceed during the moratorium period whilst the request is still refused.

¹³ Of the 2,055, while 690 were granted, 74 were moratorium extensions and there was positive action within the moratorium on 1,062, this leaves a remainder of 229 – where we have not received an update from the relevant LEA on the outcome.

¹⁴ The CFA allows for a court application to extend the moratorium period by up to 31 days at a time, during which funds can be frozen following a DAML refusal. Moratorium extensions are used to ensure there is time to investigate whether the assets do have a criminal taint. The maximum, total extension is 186 days (approximately six months from the expiry of the initial 31 day moratorium period).

- There were eight moratorium extension cases from the 2018/19 period carried over. As a result of these cases an additional £1,001,199 was restrained and £579 assets denied to criminals.
- There were six cases that were initially refused and then granted where the UKFIU has been informed, by the LEA, that there has been an asset recovery outcome:
 - four cases led to an AFO or restraint
 - one led to confiscation
 - one led to funds being returned to victims or placed on the fraud ledger.

International

The number of exchanges with other FIUs remained broadly stable compared with the previous year.

	Number of financial intelligence requests received	Number of financial intelligence requests made by UKFIU
Egmont network ¹⁵	919	619
FIU.Net network (EU) ¹⁶	544	298
ARO network ¹⁷	247	231
CARIN network ¹⁸	19	15
Total	1,729	1,163

Intelligence reports spontaneously received from overseas	1,467
Intelligence spontaneously disseminated (excluding Europol)	348
Intelligence spontaneously disseminated to Europol	654

UKFIU International 'other' work¹⁹

In support of UK partners	37
In support of EU partners	63
In support of non-EU partners	110
In support of other ²⁰	130
Total	340

- A Memorandum of Understanding was signed with our Pakistani counterparts, the Federal Monitoring Unit, in May 2019.

¹⁵ Egmont is the coordinating body for the international group of FIUs.

¹⁶ FIU.Net is the secure network for the exchange of data between FIUs in the European Union.

¹⁷ The Asset Recovery Network (ARO) receives and processes requests from EU member states to assist in the tracing and identification of the proceeds of crime. The ARO is also the single point of contact for UK law enforcement wanting to identify and trace assets abroad.

¹⁸ The Camden Asset Recovery Inter-Agency Network (CARIN) is an informal network of international law enforcement and judicial contacts aimed at assisting criminal asset identification and recovery.

¹⁹ 'Other work' refers to the number of requests the UKFIU received/sent which fall outside the usual inbound/outbound type requests. These usually refer to general questions on systems, regulations, legislation, etc. and are not counted as usual inbound requests.

²⁰ 'In support of other' refers to work done supporting Europol/Interpol, CARIN Secretariat, Egmont Secretariat.

In January, following the UK decision to leave the European Union, the UKFIU moved from the Egmont Regional Group Europe I to Egmont Regional Group Europe II. Significant work took place over the course of the year to ensure the UKFIU is ready for Brexit, including the impact of losing access to FIU.Net, and is able to continue to exchange intelligence and deliver operational outcomes with EU member state FIUs.

Intelligence development

The UKFIU screens/analyses SARs daily to identify those that should be fast-tracked to LEAs; this is to ensure that the intelligence's maximum value is exploited. Over the year the UKFIU:

- 'read and triaged' 39,050 potential vulnerable person SARs (up 41.56%)²¹
- disseminated 11,406 vulnerable person SARs (up 205.38%)
- read and triaged 20,949 potential politically exposed person (PEP) SARs (down 18.80%)
- disseminated 2,137 PEP SARs (down 10.51%)
- read and triaged 24,973 integrity SARs (down 16.33%)²²
- disseminated 622 integrity SARs (down 21.07%).²³

As part of the daily checks using keywords and glossary codes identifying potential risk SARs, the UKFIU in 2019 introduced checks on County Lines related activity; in addition to any law enforcement referrals, positive hits were also supplied to the NCA's County Lines Team for intelligence purposes.

The UKFIU has also been regularly matching cash declaration data received from HMRC against the SARs database. The UKFIU disseminated six intelligence development referrals to HMRC relating to suspected tax fraud following subject matches on both the declaration data and SAR material.

Terrorist finance

- 1,897 SARs pro-actively identified and disseminated to the Counter Terrorism Policing (CTP) network.²⁴
- This process involved the targeted review of 23,303 SARs, identified from all SARs received.
- 2,824 requests/taskings were carried out by the UKFIU on behalf of the CTP network and other partners across HMG.
- 1,123 international reports reviewed for links to terrorism. Of these, 219 reports were disseminated to relevant partners domestically and internationally.

²¹ 'Read and triaged' refers to the total number of SARs returned by the UKFIU keyword searching that requires reading and triaging by a UKFIU officer.

²² Integrity SARs relate to knowledge or suspicion of money laundering and/or terrorist financing that concerns an employee of an LEA or the civil service.

²³ The number of potential hits assessed relating to PEPs and integrity are down from the previous year due to the introduction of a more strict suppression mechanism, reducing false hits from the initial stage of extraction. This process is ongoing.

²⁴ 1,909 in 2018/19.

Overall SAR reporting statistics

Summary of SARs reporting by sector

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

April 2019 to March 2020	Volumes	% of total	% to 2018-19
Credit institution – banks	432,316	75.44%	12.66%
Credit institution – building societies	30,579	5.34%	40.83%
Credit institution – others	8,080	1.41%	-20.81%
Financial institution – MSBs	17,701	3.09%	-6.54%
Financial institution – others	58,930	10.28%	136.56%
Accountants and tax advisers	5,347	0.93%	5.78%
Independent legal professionals	3,006	0.52%	8.36%
Trust or company service providers	31	0.01%	34.78%
Estate agents	861	0.15%	35.59%
High value dealers	370	0.06%	-23.08%
Gaming (including casinos)/leisure (including some not under Money Laundering Regulations [MLRs])	5,150	0.90%	23.71%
Not under MLRs	10,714	1.87%	84.57%
Total	573,085	100%	19.78%

The most significant growth in SARs was seen from financial technology (fintech) companies. Such firms submitted 83,609 SARs in 2019-20 – up 263.94% from 2018-19 (22,973). They also submitted 32,454 DAML SARs (up 247.36% from the previous year's 9,343). Fintech thus accounted for 64% of the total increase in overall SARs and 83% of the increase in DAMLs.²⁵

SARs submitted by money service businesses (MSBs)

April 2019 to March 2020	Volumes	% of total	% to 2018-19
Money transmission	11,539	65.19%	-0.45%
Bureau de change	5,656	31.95%	-15.10%
Cheque casher	506	2.86%	-26.35%
Total	17,701	100%	-6.54%

SARs submitted by regulated and non-regulated gambling

April 2019 to March 2020	Volumes	% of total	% to 2018-19
Gaming/leisure	5,150	68.54%	23.71%
Bookmaker	1,984	26.40%	82.52%
Spread betting	380	5.06%	-30.02%
Total	7,514	100%	29.71%

²⁵ 'Fintech' is used to refer to companies enabling payments or transfers of value by using new or emerging technologies. This definition is very broad; the SAR numbers represent those reporters who have to date been identified as fintech by the UKFIU.

Main report

Case studies

The following case studies demonstrate the value of SARs intelligence in tackling a wide range of crimes over the course of 2019/20.

The UKFIU maximised SARs intelligence to enable the arrest of two subjects and the restraint of funds. UKFIU work enabled an LEA, as part of a money laundering investigation into fraud, to apply for a restraint order to prevent the dissipation of £1m worth of funds. SARs intelligence also assisted the LEA in seizing assets worth another £1m.

The main suspect was assessed to be a prolific offender and therefore the intervention resulted in the significant disruption of an organised crime group, particularly as further individuals were also subsequently arrested. Losses are estimated as being many millions of pounds over hundreds of victims and assets have been identified overseas. Enquiries are ongoing. The LEA confirmed that SARs intelligence instigated the investigation.

The UKFIU received a SAR requesting a DAML to pay over £600,000 back to the subject as the reporter suspected that the customer was obtaining funds through illegitimate trading. The UKFIU refused the DAML request, rendering the reporter unable to disseminate the funds, and enabling the investigating LEA to secure an AFO for the full amount.

The UKFIU was very proactive in supplying an international FIU with valuable and timely reporting regarding child sexual exploitation. These reports influenced a number of arrests of paedophiles overseas. The UKFIU received fantastic feedback from the head of the foreign FIU for its support in helping them rescue vulnerable children.

SARs played a significant part in assisting a money laundering investigation by: providing further contact information for new suspects (such as phone numbers and addresses); assisting identifying which individuals to focus on as suspects, and confirming the relationship between the suspects and suspicious behaviour surrounding certain bank accounts. This was an investigation into funds, believed to be derived from criminality, being laundered through several personal and business bank accounts. Arrests have been made, items have been seized and funds have been restrained following a DAML request. Enquiries are ongoing.

SAR intelligence indicated that a vulnerable person (VP) was being financially abused by the appointed attorney, with money paid into the VP account regularly going into the attorney's account; the VP was unaware that most of their funds were being transferred in this manner.

Following the fast-tracking by the UKFIU of the intelligence to law enforcement, the LEA visited the VP to undertake safeguarding action. The appointed attorney was subsequently arrested and enquiries are ongoing. It is believed that the offending is in excess of £100,000.

A victim of a romance scam was safeguarded following the UKFIU identifying and fast-tracking a SAR to an LEA. The reporter noted that its customer had attended a branch requesting to withdraw funds in cash accompanied by another individual, to whom they subsequently handed over the money.

An additional branch withdrawal was made the following day. The LEA contacted the customer who admitted he believed he was in a romantic relationship with the other individual; following police advice he admitted to having been scammed and decided to break off all contact with the woman.

An investigation was underway into the supply of controlled drugs and firearms into the UK. Searches of the SARs database for mobile phone numbers linked to one of the suspect's call data provided a hit on two phone numbers and revealed names and account numbers attributed to the phones. The identity of these two individuals was previously unknown to the investigation. Enquiries are ongoing.

A reporter submitted a DAML SAR after having concerns that a client's account showed suspicious funds being received from third party businesses. The UKFIU refused the DAML request enabling an LEA to freeze over £2m. A subsequent SAR was later submitted by another reporter which led to a further account being frozen with a balance of over £500,000. Enquiries are ongoing.

The UKFIU received an urgent request from an international FIU regarding a high value fraud. Bank accounts in the UK had received fraudulently obtained funds from an international account. The total received by the UK accounts was over £9m. The UKFIU conducted fast time searches and liaised with the UK banks involved. The foreign FIU indicated that after the UKFIU received the original request the funds had been blocked.

Engagement

The UKFIU continued to engage with reporters through SAR working groups and anti-money laundering (AML) events. A number of new SAR working groups were formed including: a challenger bank group; a cryptocurrency group, and a group for Payment Service Providers, E-money, Fincrim and Fintech Financial Services. The groups assist the UKFIU in making the SARs regime as effective and as efficient as possible and encouraging the sharing of good AML practices.

The UKFIU has a valuable relationship with the law societies of England and Wales, Northern Ireland and Scotland. The UKFIU held quarterly meetings with the Law Society of England and Wales AML Task Force and in 2019 the group began work on an initiative focusing on improving the quality of solicitor SARs (particularly DAMLs), while contributing to the DAML Frequently Asked Questions guidance document (revised in May).

The UKFIU also presented at a number of AML events across the country targeting Law Society members and engaged with solicitors at the Solicitors Regulation Authority (SRA) conference in October. Similar contributions were made to accountancy sector and bookkeeper events.

In September the legal and accountancy affinity groups contributed to a series of workshops chaired by the UKFIU and the NCA Modern Slavery and Human Trafficking Unit. The aim was to raise awareness of risks and to construct relevant red flags enabling the sectors to spot and correctly report their suspicions relating to modern slavery and human trafficking.

As a result, in April 2020 two guidance documents illustrating business, victim and offender profiles were published.

The UKFIU also bolstered its good working relationship with the Gambling Commission, facilitating meetings across the SARs regime to illustrate the harm caused by illegal lotteries, in particular those illegally promoted through social media. In November the UKFIU introduced a new SAR glossary code for illegal lotteries to help the Gambling Commission analyse the extent and full nature of this crime.

The UKFIU worked closely with HMRC and co-chairs with it a newly formed SARs Tax Evasion Group. The UKFIU also supported HMRC by presenting and sharing good practice at its events relating to fraud and other financial crime.

Where required, one-to-one events took place with banks, building societies and a wide range of reporters, including to discuss sensitive information. SAR profiling helped to pin point quality issues and to support the challenges faced.²⁶

A number of initiatives took place, particularly with the banking sector, working on SARs that are fast-tracked to protect the public. Those collaborations provided mutual benefits in terms of efficiency savings and effectiveness. This has been shown by reporters adjusting practices relating to children being exploited and correctly introducing glossary codes that enable swift analysis and fast-tracking by the UKFIU.

The UKFIU also provided guidance around County Lines to the banking and regulated sectors via supervisor forums and engagement groups.

²⁶ SAR profiling is an analytical process that enables an assessment of the SAR contributions from a SAR reporter or sector in relation to building a richer intelligence picture for NCA priorities or helping UKFIU service delivery.

Law enforcement

The UKFIU continued to support law enforcement in its exploitation of SAR information. This has included responses to queries from approximately 100 separate police forces or government departments. As part of the engagement activity, the UKFIU provided more than 20 workshops on the use of Arena, a key software tool in the analysis of SARs. These workshops provided more than 200 users with an overview of the key functionality of the search and analytical features of the system. Although placed on hold due to the coronavirus pandemic, it is envisioned that workshops will continue in 2020/21 when safe to do so.

The UKFIU also supported the Home Office in its engagement with law enforcement for the SARs IT Transformation Project. Every law enforcement and government body with direct access to SARs was contacted and given the opportunity to participate in workshops.

During the year the DAML Team held two engagement events with LEAs to provide an overview of its work. The aim of the sessions was to provide partners with an overview of the UKFIU's capabilities and detail of the DAML process from an NCA perspective. This provided an opportunity for NCA and LEA teams to consult and develop current operational practices to improve the efficiency and timeliness of law enforcement referrals with the intention of improving asset denial outcomes and decisions.

In January 2020 the UKFIU hosted its largest visit from law enforcement partners in the West Midlands. The event aimed to improve the UKFIU's relationship with partner agencies, providing an overview of each UKFIU team's capabilities; further events are planned for the future.

International

In February 2020 the UKFIU visited the FIUs of the United States, Canada, Luxembourg and Belgium, presenting on the UK's financial intelligence infrastructure, as well as observing and identifying opportunities from partner FIUs to establish best practice, particularly in relation to terrorist finance.

During 2019-20 the UKFIU also delivered presentations to representatives from the South African, Kosovan, Argentinian, Malaysian, Irish, Maltese, Greek, Danish, Canadian, Australian, Albanian, Polish, Jersey and Guernsey FIUs, as well as the Egmont Europe 1 Group that includes EU member states.

Senior representation from the UKFIU also contributed to meetings of the Five Eyes Law Enforcement Group, including a workshop with the private sector on the future direction of public/private partnerships.

Terrorist financing

The UKFIU continued to work in close collaboration with partners to combat the terrorist financing threat. This included regular engagement with the private sector to improve SARs reporting and delivering training to counter-terrorist financial investigators across the CTP network on how to better conduct strategic and operational analysis of SARs. The UKFIU also upskilled its Terrorist Finance Team through additional training.

In April 2019 the UKFIU attended an international working group on terrorism financing in Canada, focused on further collaboration between Five Eyes countries when conducting terrorist finance investigations.

In the same month the UKFIU supported the Charity Commission at an event to inform charities operating in high risk jurisdictions of the risks of terrorist groups using charities to finance and support terrorist activity. Attendees were made aware of the SARs regime as a potential reporting mechanism when they suspect potential terrorist financing while delivering aid overseas.

In November the UKFIU presented at the 2019 Counter Terrorism Financing Summit in the Philippines, attended by global CTF officials. The summit focused on: disruption strategies to counter terrorist financing; international information sharing; and new and emerging trends in terrorist financing methodology.

Analysis

International

The UKFIU consolidated its relationships with international partners with a number of analysis projects. In July the UKFIU attended the Egmont Group Plenary in The Hague. During the meeting international FIUs agreed to a UKFIU proposal to undertake a project on the financial flows associated with online child exploitation streaming, which was led by the UKFIU and the Australian and Philippines FIUs. The aim of the project was to develop strategic intelligence, enable international tactical intelligence flows and produce indicators for the financial sector; it also complemented existing tactical intelligence works between the three FIUs. Phase two took forward innovative data sharing with the private sector and a report was published by Egmont, including a well-received public bulletin.

The UKFIU has been supporting an international FIU in a multilateral project to combat cross-border money laundering schemes. As part of a project team, the

UKFIU has shared impactful case studies, supporting identification of universal red flag indicators for cross-border money laundering schemes.

An analyst from the Australian Transaction Reports and Analysis Centre (AUSTRAC) joined the UKFIU in 2019 as part of an ongoing effort to build fruitful partnerships and better share information to tackle serious crime and terrorism on a global scale. This international collaboration is to identify further operational opportunities focusing on mutual priorities through exploiting SARs based intelligence.

In October 2019 the UKFIU, accompanied by the NCA's International Corruption Unit and the NCA International Team, enhanced collaborative working with the Pakistan Financial Intelligence Unit, the Federal Monitoring Unit (FMU), in a visit to Karachi, following on from the signing of a Memorandum of Understanding in May. The FIUs agreed on an initial cooperation focus in strategic analysis with a view to identifying potential money laundering subjects. There were meetings with Pakistan LEAs, regulators and the private sector to discuss this. It is hoped that this new relationship with the FMU will allow for the proactive identification of illicit money flows between the two countries to complement reactive asset recovery work.

Terrorist financing

The UKFIU provided strategic and operational support to the CTF community by providing analytical products to partners including the National Terrorist Financial Investigation Unit, regional CTF units, the Office of Foreign Sanctions Implementation and other public sector organisations. The UKFIU provided analysis and assessments into the financial activities of active terror groups and subjects of investigation, as well as thematic analysis into wider threats and

trends, continuing to provide real operational support during live CT matters.

Analysis products

In August 2019 the UKFIU disseminated an analysis report on cash deposits assessing the extent to which banking services through the Post Office are vulnerable to money laundering.

The UKFIU also, by analysing a list of struck off solicitors provided by the SRA, provided details of a number of solicitors who, according to SAR information, still appeared to be practising within the legal profession.

In December 2019 the UKFIU disseminated an intelligence package to a foreign FIU, developed from SARs analysis of criminal networks across the UK and overseas. The UKFIU conducted further research and development, identifying key suspects who were using shell companies and a financial platform to defraud victims. The final intelligence package identified key suspects, over 100 victims and in excess of €240,000 criminal benefit.

In 2020 the UKFIU conducted analysis of SARs data concerning potentially vulnerable young person money mules. The SARs identified a number of cash machines associated to a geographic location that had serviced high-volume withdrawals of the suspected proceeds of organised fraud. Initial research of the SARs database identified a large number of SARs assessed as relevant to this activity. Often, the accounts used to both receive funds and facilitate the cash withdrawal were held by young persons including children, thus increasing concerns relating to vulnerability and risk of harm. The UKFIU collated the intelligence into a development referral which was sent to the National Economic Crime Centre (NECC) for

further assessment and potential dissemination to law enforcement.

In February 2020 the UKFIU published a report into the growth of so-called 'challenger banks' and the volume of DAMLs they submit, which have seen substantial annual increases. They are often for very low amounts and less likely to result in law enforcement action. The report makes recommendations with a view to improving quality and the handling process.

In March the UKFIU proactively responded to the COVID-19 pandemic by conducting analysis of SARs to inform the intelligence picture for partners at home and abroad. The SARs reflected how the pandemic was being exploited to further facilitate existing fraud methodologies. It also provided weekly statistical and graphical data on SARs in response to a NECC request to provide updates on the threat response and challenges posed.

The UKFIU provided analytical input into the National Strategic Assessment of Serious and Organised Crime 2020 and also undertook a review of the XXDRUXX glossary code (used by reporters to identify reports concerning suspicion of involvement with illegal drugs) in line with the NCA's prioritisation of crimes resulting in high harm/impact on communities. The results identified SARs with relevance to multiple NCA teams involved in the development of intelligence relating to drugs. Feedback from the NCA teams indicated that they had made use of several highlighted SARs including previously unidentified reporting relating to a previous operation and newly identified foreign companies involved in importing illicit substances into the UK, and that the SARs would be used to identify upstream drugs supply for development. This work highlighted the value of SARs intelligence to operations and intelligence teams for investigating other strands of criminality.

Guidance and communication

The UKFIU created a specific product in April 2019 as part of a NECC-focussed week looking to raise awareness of how to spot money laundering among regulators/supervisors in the accountancy, legal and property sectors. The UKFIU product drew on identified red flag indicators.

Two SAR Reporter Booklets were disseminated throughout the year, containing a sanitised summary of feedback from LEAs on their use of SARs.

Three editions of the UKFIU magazine 'SARs In Action' were made available via the NCA website. Aimed at all SARs regime participants, each publication focused on a specific issue relevant to the exploitation of financial intelligence to assist in preventing/detecting crime.

Disclosure

The UKFIU deals with queries and conducts risk assessments on SAR disclosure issues in criminal and civil proceedings for law enforcement, the Crown Prosecution Service (e.g. where it is perceived that the SAR could undermine the prosecution or support the defence) and the reporting sector (e.g. reporters seeking a DAML having to defend their position in the civil courts where a customer is pursuing a claim against them).

The legislation which underpins such disclosure is the Criminal Procedure and Investigations Act 1996 and the Civil Procedure Rules 1998. It is the expectation of the UKFIU that SARs will remain confidential for the reasons highlighted in Home Office Circular 022/2015.

There is also the expectation that the reporting sector will use the underlying documentation in their possession to evidence their suspicion rather than relying on the SARs to defend claims against them, only using SARs as a last resort given the potential for disclosure to prejudice an existing or future law enforcement investigation (whether or not one is identifiable at that stage), 'tip-off' the subjects or place third parties at risk of serious harm.

In 2019/20 the UKFIU received and assessed 153 queries relating to the disclosure of SARs.²⁷

²⁷ 122 in 2018/19.

SARs IT systems

The UKFIU continued to support maintenance work on the current suite of SARs applications, including enhancements to the SAR Online portal. The UKFIU continues to work with IT suppliers to ensure that the current suite of SARs applications remain reliable while the SARs IT Transformation Project continues to develop the new applications.

Alongside the UKFIU's support to LEAs wishing to expand their knowledge of Arena as a valuable tool in investigating all crime types, the UKFIU also gave a live Arena demonstration – using dummy data to maintain SARs confidentiality – to financial crime staff in a number of reporter organisations, to illustrate how the structure of a SAR can aid analytical capability.

SARs Reform Programme

This year the UKFIU has continued working on the SARs IT Transformation Project. This will provide a modern suite of IT services enabling law enforcement search and analysis of SARs in a single solution, SAR reporting (portal and bulk) and UKFIU database and tools to manage the progress of SARs.

Stakeholder engagement sessions were arranged and documented with a range of representatives from partner law enforcement agencies. These included sessions with the Regional Organised Crime Units, HMRC and the Financial Conduct Authority (FCA) around user requirements for a new single interface providing access to search, analysis and visualisation tools for SARs.

Engagement sessions were also held with various SARs reporters including those from the banking, legal, money service businesses, gaming, casino and accountancy sectors. These focussed on transformation of the SAR Online portal into a new system with additional features. The sessions proved popular with reporters who welcomed changes to the current system whilst the feedback proved invaluable for the project's business analysts regarding the scope of the new system going forward.

The SARs Reform Programme is also providing additional posts within the UKFIU to increase its ability to exploit SARs material and cooperate with domestic and international partners. This year, 11 officers joined the UKFIU into programme-funded roles, focused on improving analysis, engagement and communications.

HMRC increasing the use of SARs

HMRC continued to utilise SARs intelligence in civil and criminal investigations, identifying potential cases or enhancing/providing additional information for ongoing ones. As a result of DAML SARs:

- £10,915,512 was recovered by HMRC
- £12,260,474 in tax freezing orders, restraints and winding up petitions was obtained
- orders under the new CFA were obtained to the value of £17,629,113.

A data matching tool enabling the cross referencing of HMRC and third party data with SARs data continued to generate HMRC cases for criminal and civil investigation.

- Yield from civil enquires amounted to £33,575,096
- Further exploitation of this capability enhanced civil investigations profiled for HMRC's risk-led taskforces, generating intelligence to support a yield of £15,655,870
- A further £7,072,085 was generated from enhancing HMRC cases already under civil investigation by providing intelligence in SARs.

Strategy for 2020-21

The purpose of this strategy is to set out how the UKFIU will further improve its capabilities over the financial year, and how it will collectively manage the unit's people, processes and procedures, in doing so making an increasing contribution to the NCA and to the UK's AML/CTF regime.

While 2020/21 will be another challenging year, it is also full of opportunities for the UKFIU. As well as the continuing challenge of COVID-19, SAR volumes will continue to rise. However the UKFIU staffing levels have been increasing and it must continue to find new ways of working to cope with these volumes in advance of SARs Reform and IT Transformation.

As part of the endeavour to find new ways of working the UKFIU has produced a new Target Operating Model (TOM) and Organisational Design which will move the UKFIU to a more intelligence, engagement and strategically focussed way of working. This will enable a future UKFIU that will deliver on its SARs Reform commitments (utilisation of new IT and uplifted resources to deliver tangible benefits).

The TOM introduces new and uplifts existing capabilities and services. It also identifies key changes to team structures (building on the existing) and process handoffs in the new operating model.

Annex A: Terrorist finance SARs by industry sector (2019 - 2020)

SARs solely disseminated to the NTFIU and CTUs by source type.

Source type	Number of SARs disseminated to NTFIU/CTUs from 1 April 2019 to 31 March 2020	As a percentage of all terrorist finance SARs in this period
Accountant/accountancy service provider	7	0.37%
Asset management	17	0.90%
Bank	1,120	59.04%
Bookmaker	4	0.21%
Building society	113	5.96%
Bureau de change	27	1.42%
Charity	3	0.16%
Consumer credit	1	0.05%
Credit card	31	1.63%
Electronic payment	137	7.22%
Estate agent	8	0.42%
Finance company	17	0.90%
Gaming/leisure	23	1.21%
Insurance	16	0.84%
Legal other	2	0.11%
Money transmission	221	11.65%
Other	50	2.64%
Other entities regulated by the FCA	45	2.37%
Private individual	1	0.05%
Regulator	3	0.16%
Solicitor	45	2.37%
Specialist financial services	3	0.16%
Spread betting	1	0.05%
Stockbroker	1	0.05%
Tax advisor	1	0.05%
Total	1,897	100%

Annex B: Total SARs by industry sector (2019 - 2020)

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

Source type	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	2019/20
Accountants	451	511	397	492	402	344	466	456	381	435	540	335	5,210
Anonymous	8	6	8	8	7	6	8	2	4	4	2	4	67
Asset Management	71	66	65	95	82	83	129	112	96	159	145	90	1,193
Auction house	2	3	2	3	4	3	3	2	3	0	2	2	29
Banks	29,298	32,759	32,664	36,584	33,832	45,963	38,137	35,533	33,463	38,784	36,154	39,145	432,316
Barristers	0	1	0	0	1	0	0	0	0	1	0	2	5
Bookmaker	115	88	161	134	167	174	197	164	159	129	254	242	1,984
Building societies	1,664	1,919	2,519	3,328	2,461	2,828	2,641	3,307	2,268	2,818	2,362	2,464	30,579
Bureau de change	590	441	566	573	515	394	553	456	402	340	409	417	5,656
Capital markets	5	13	12	14	10	10	4	13	17	17	32	3	150
Charity	8	11	10	12	5	1	4	2	1	2	8	2	66
Cheque cashers	36	1	93	43	70	25	36	22	93	17	31	39	506
Clearing house	0	0	1	0	0	0	2	0	0	1	0	0	4
Consumer credit	39	87	49	54	37	40	31	31	31	32	17	23	471
Credit card	283	337	320	352	279	330	298	323	309	421	341	423	4,016
Credit union	98	71	50	57	45	51	52	43	32	75	32	47	653
Education	4	3	4	2	1	3	4	5	1	2	3	2	34
Electronic payment	1,299	1,849	1,771	2,715	2,768	2,824	3,455	3,863	3,703	5,312	4,280	4,350	38,189
Estate agents	72	75	59	81	61	60	92	105	67	49	85	55	861
Finance company	226	303	150	99	125	171	244	322	345	344	268	343	2,940
Friendly society	0	1	0	0	1	0	1	0	0	0	1	0	4
Gaming	358	359	306	385	358	366	480	455	396	527	545	612	5,147
Government	129	92	94	161	168	113	16	119	94	74	102	93	1,255
High value dealers	6	5	3	3	6	5	3	2	4	3	3	2	45
Independent financial advisers	0	0	0	0	0	0	0	0	0	0	1	0	1
Insurance	70	62	49	53	38	45	80	48	29	40	44	57	615

Investment exchange	5	2	5	2	8	5	3	8	10	7	9	5	69
IT	0	2	1	0	3	1	0	0	1	7	4	2	21
Legal other	19	24	18	29	22	12	21	18	16	64	77	128	448
Leisure	0	0	1	1	0	0	0	0	0	0	0	1	3
Licensed conveyancers	7	7	5	15	6	7	13	13	11	12	10	8	114
Local authorities	4	12	8	10	4	4	6	15	5	6	7	5	86
Manufacturer	1	4	1	0	2	1	0	1	0	2	2	0	14
Markets and exchanges	3	0	0	0	2	0	3	1	1	2	1	1	14
Money transmission	862	843	713	896	834	931	1,016	972	1,089	1,079	1,006	1,298	11,539
Mortgage provider	0	0	0	0	0	0	0	0	0	0	0	0	0
Motor organisation	40	21	35	30	22	33	19	38	9	14	23	12	296
Other	442	501	455	328	430	470	491	736	597	750	552	651	6,403
Other entities regulated by FCA	1,010	1,447	650	988	1,223	1,214	1,009	1,482	2,030	1,661	2,004	2,640	17,358
Pension provider	0	5	1	3	9	0	3	3	0	1	11	0	36
Private individual	6	7	10	10	6	7	6	4	3	8	6	9	82
Regulators	21	16	31	12	22	31	10	14	26	24	13	14	234
Retail intermediary	50	43	47	51	46	36	43	17	18	57	20	30	458
Security	1	2	1	0	1	1	1	1	1	1	3	2	15
Solicitors	218	210	230	199	174	175	244	238	195	193	204	164	2,444
Specialist financial services	8	10	8	12	7	25	35	15	17	54	10	51	252
Spread betting	47	28	24	35	21	13	46	29	73	20	28	16	380
Stockbrokers	58	39	47	70	61	43	73	60	41	33	31	31	587
Tax advisers	3	14	7	7	6	5	13	6	41	6	16	13	137
Trust or company service providers	2	0	1	3	2	2	6	3	3	5	4	0	31
Unknown	6	7	9	14	7	4	7	5	5	1	1	2	68
Total	37,645	42,307	41,661	47,963	44,361	56,859	50,004	49,064	46,090	53,593	49,703	53,835	573,085

Annex C: Defence SARs by industry sector (2019 - 2020)

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

Source type	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	2019/20
Accountants	24	15	16	17	24	28	25	22	22	23	26	12	254
Anonymous	0	0	0	1	0	0	0	0	1	0	0	1	3
Asset Management	44	44	39	55	54	53	104	75	65	119	108	63	823
Auction house	1	3	0	1	4	2	2	2	1	0	0	1	17
Banks	1,725	1,603	1,832	1,936	1,837	2,129	2,221	2,310	2,115	2,551	2,395	2,526	25,180
Barristers	0	0	0	0	0	0	0	0	0	0	0	0	0
Bookmaker	38	29	38	26	32	46	53	55	33	37	83	69	539
Building societies	53	73	101	75	87	140	80	55	75	64	45	70	918
Bureau de change	23	12	28	17	14	16	14	13	11	5	11	22	186
Capital markets	0	0	1	4	0	0	2	1	0	2	5	0	15
Charity	0	0	3	1	1	1	1	1	0	0	2	0	10
Cheque cashers	0	0	0	0	0	0	0	0	0	0	0	0	0
Clearing house	0	0	0	0	0	0	2	0	0	0	0	0	2
Consumer credit	8	9	7	8	3	10	9	9	11	9	4	7	94
Credit card	7	9	4	16	7	11	6	16	19	14	26	33	168
Credit union	7	3	2	3	2	0	3	1	3	9	3	2	38
Education	4	1	2	0	0	1	4	1	1	0	0	2	16
Electronic payment	638	776	743	855	1,053	1,322	2,005	2,159	1,923	2,950	2,483	2,386	19,293
Estate agents	22	31	29	30	20	30	42	45	18	19	29	26	341
Finance company	55	62	31	31	30	54	102	167	234	235	131	206	1,338
Friendly society	0	0	0	0	0	0	0	0	0	0	0	0	0
Gaming	71	71	62	75	63	68	99	96	78	105	133	123	1,044
Government	1	2	1	1	1	1	1	0	0	4	0	0	12
High value dealers	1	0	0	0	1	1	1	0	1	2	0	1	8
Independent financial advisers	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance	11	10	10	12	7	13	20	15	10	11	3	17	139

