

August 2016

Purpose: To brief partners of changes to the Suspicious Activity Report (SAR) glossary codes and clarification of reporting routes

Key points:

- 1. Timetable for transition to new codes starts 1 September 2016**
- 2. The UK Financial Intelligence Unit (UKFIU) has provided a guidance booklet introducing a revised code list with detailed clarification on reporting routes. This can be found on the NCA website at www.nationalcrimeagency.gov.uk – the UKFIU section can be found by navigating from the front page: About us/What we do/Economic Crime Command/UK Financial Intelligence Unit. Alternatively the codes can be found by typing 'glossary codes' in the 'search this site' box in the top right hand corner on the website's homepage**
- 3. Support is required to cascade the guidance booklet and sharing the rationale behind the changes to amplify the change benefits**
- 4. Support is required to monitor and ensure the glossary codes and reporting routes are correctly used**
- 5. There is a Glossary Code Help Desk Mon to Fri 1000 – 1600hrs For September 2016 only ring 0121 345 5464 or e mail sarsdataexploitationteam@nca.x.gsi.gov.uk**

Next steps:

- a) Supervisors requested to support the delivery for the new codes by raising awareness of expectations in alignment with the Transition Timetable.**
- b) Supervisors to monitor application of the guidance and revised codes to help build their correct use into consistent good SAR practice.**

Timetable for transition to new codes

1 July 2016 to 31 August 2016 – conclude cascading preparatory work aimed at giving reporters/supervisors and end users time to prepare, train, cascade planned changes and adjust systems. Confirm the launch date of the new codes.

1 September 2016 to 30 September 2016 – the new codes will be introduced. In this month it will be acceptable for reporters to use the new codes. Reporters should start weeding out and stop using old codes no longer required by the UKFIU. It is expected that some old codes will still be used but they will be monitored and acted upon accordingly.¹ Reporters can seek help from the UKFIU to resolve any glossary code issues.

1 October 2016 – new glossary codes to be fully transformed into reporting systems and old codes no longer valid.

December 2016 – the UKFIU to report progress to the SARs Regime Committee, regulators, supervisors and SAR engagement groups.

Summary of changes to SAR glossary codes

Codes remaining the same

The current codes that assist fast-tracking processes, such as those relating to Defence Against Money Laundering requests and vulnerable persons, have been adopted into the new list. The current codes that are regularly used by end users such as money laundering related to frauds, politically exposed persons (PEPs) etc., in consultation with end users, have also been adopted into the new list.

1. XXS99XX request defence under the Proceeds of Crime Act (POCA) 2002/Terrorism Act (TACT) 2000
2. XXV2XX vulnerable adults
3. XXV3XX risk to children (including sexual exploitation and abuse)
4. XXF1XX proceeds from benefit fraud
5. XXF2XX excise evasion (duty of alcohol, tobacco, fuel etc.)
6. XXF3XX corporate tax evasion (evasion by business, corporation)
7. XXF4XX personal tax evasion (evasion by individuals e.g. income tax)
8. XXF5XX VAT fraud (e.g. carousel/missing trader intra-community (MTIC) fraud)
9. XXD9XX bribery and corruption
10. XXD8XX domestic PEPs
11. XXD7XX international PEPs
12. XXPCPXX counter-proliferation (project)

¹ The new codes have adopted the existing fast-tracking type codes such as Defence Against Money Laundering (DAML) requests and 'vulnerable persons', so this month's transition and eventual transformation should have zero adverse impact on those existing practices.

Codes removed from previous list

1. XXS1XX money laundering in action
2. XXD1XX funds leaving the UK
3. XXD2XX significant transaction
4. XXD3XX disguising proceeds
5. XXD4XX converting proceeds
6. XXD5XX concealing proceeds
7. XXD6XX transferring proceeds
8. XXF6XX tax credit fraud (confirmed)
9. XXF7XX tax credit fraud (suspected)
10. XXN8XX pension liberation fraud
11. XXN9XX mule ring analysis

Codes Added to list

1. XXPRFXX professional enabler
2. XXTBMLXX trade-based money laundering
3. XXPROPXX property market (real estate)
4. XXTEOSXX tax evasion overseas
5. XXTEUKXX tax evasion UK-based
6. XXF9XX frauds against the private sector
7. XXFIREXX firearms
8. XXOICXX organised immigration crime
9. XXDRUXX illegal supply of drugs

Cascading the codes and amplifying the benefits

The glossary code guidance booklet will be visible on the NCA website as per the file path above and shared with SAR reporters and SARs Regime stakeholders.

It is intended to share the final PDF version of the booklet with SAR regulators, supervisors and trade bodies so that they can also raise awareness and cascade the guidance.

The benefits of the modified glossary codes for end users and reporters

There are a number of reasons why changes of the codes are beneficial:

- They will continue to assist in quickly identifying SARs which require fast-tracking and priority attention by end users, e.g. vulnerable people, including child exploitation. These existing codes are frequently used by end users with successful outcomes in relation to protecting the public, prosecuting offenders and preventing further harm to the public.

- When reported correctly the new codes should enable more effective strategic analysis and trend reporting. They should have the potential to enhance impact assessments on high risk areas and provide strong indications of new emerging risks. This will help end users prioritise activities and enhance contributions to SAR reporter engagement groups.
- An improved glossary code practice would also enable more efficient analysis to feedback patterns and trends to the reporting sectors to help them better prepare their risk profiles and due diligence processes.

The following key ideas, from consulting reporters and end users, have been adopted to improve the glossary code practice:

- Codes that were rarely used or seem overcomplicated or now outdated have been removed.
- New codes have been added that better reflect the risks outlined in the National Risk Assessment on money laundering.
- The new reporter guidance booklet explains the new codes with illustrative examples, a walkthrough check list and an alphabetical reference content list.
- An 'aide memoire crib sheet' is an annex to the guidance and is intended to be a useful quick reference guide near workstations (it is attached for easy reference at the rear of this document).

The benefits of clarifying reporting routes

- It is clear from analysis of the SARs that some reporters are wrongly under the impression that they can report a crime by submitting a SAR. The described crime reporting routes illustrated in this booklet help clarify that this is NOT the case.
- The guidance reporting routes signpost the most appropriate organisations for such crime reporting and this will save vital time for all parties concerned. More importantly the clarification could help to better protect victims of crime, especially the most vulnerable persons in our communities.

Future expectations

The use of glossary codes is seen as good practice and their benefits have been clearly communicated. With the help of the regulators and SAR supervisors the expectation is to see improvements with the correct use of the codes. Improving the quality of SARs with the correct use of the codes will enhance the existing systems to provide the best opportunities for interventions and informed actionable feedback.

Appendix A - background information and code summary

What are the glossary codes?

The SAR glossary codes were introduced in 2007 as a means of identifying common terms for categorising suspicious activity within submitted reports. The aim of the glossary was to enhance the capabilities of end users to utilise submissions from reporters and to reduce the effort expended by reporters in completing SARs. From UKFIU research, it would appear that the UK is the only suspicious transaction regime in the world using such codes.

The use of the glossary codes is important because the Elmer system, the existing SARs database within the NCA, is unable to 'structure' intelligence; therefore any fast-tracking and analysis is reliant upon key word searches. Such analysis is considerably enhanced where the codes are inputted – and inputted correctly.

The codes therefore enable the necessary standardisation of key words, help flag criminal behaviour types and help alert key high risk trends.

Improved Elmer IT capabilities in the long term may reduce the need and extent of the use of glossary codes. However, in the short to mid-term, there will be a need for glossary code reporting practice.

Why does the glossary code practice need to be changed?

Following consultation conducted with a cross section of SARs Regime stakeholders, including SAR reporter engagement groups and end users, it is clear that the current glossary codes are not fit for purpose. The codes were last reviewed in 2013-14 and the outcome led to the existing codes.

Alignment of codes to highest risks outlined in the National Risk Assessment

SARs are recognised as a vital source of information – in some cases the only source of information – which can help fill knowledge gaps on a range of crimes and the highest risks outlined in National Risk Assessments. An improved glossary code practice could help enhance the effective use of that information for the purpose of such strategic planning and assessment. An improved glossary code practice would also enable more efficient analysis to feedback patterns and trends to the reporting sectors to help them better prepare their risk profiles and due diligence processes.

Glossary code overview (September 2016)

Aide Memoire

Request for a defence under POCA/TACT	
XXS99XX	Request for a defence under POCA
Tick 'Consent' and submit under TACT	Request for a defence under TACT
High-End Money Laundering	
XXPRFXX	Relates to person(s) providing professional services or specialist knowledge that wittingly or unwittingly facilitates money laundering
XXTBMLXX	Trade-based money laundering
XXPROPXX	Relates to purchases of real estate property
Predicate Offences - Economic Crimes	
XXTEOSXX	Tax evasion overseas
XXTEUKXX	Tax evasion UK-based
XXF1XX	Proceeds from benefit fraud
XXF2XX	Excise evasion (duty on alcohol, tobacco, fuel etc.)
XXF3XX	Corporate tax evasion (tax evasion by businesses, corporations)
XXF4XX	Personal tax evasion (tax evasion by individuals e.g. income tax)
XXF5XX	VAT fraud e.g. carousel – Missing Trader Intra-Community fraud (MTIC)
XXF9XX	Frauds against private sector
XXD9XX	Bribery and corruption
Politically Exposed Persons (PEPs)	
XXD7XX	International PEPs
XXD8XX	Domestic PEPs
Money Laundering/Terrorist Financing relating to Vulnerable Persons	
XXV2XX	Risk to vulnerable adults
XXV3XX	Risk to children - including sexual exploitation and abuse
Other Predicate Offences	
XXFIREXX	Firearms
XXOICXX	Organised immigration crime
XXDRUXX	Illegal Supply of drugs
Projects/Other	
XXPCPXX	Counter-proliferation