Technical factsheet

Suspicious activity reports

Introduction

A suspicious activity report (SAR) or suspicious transaction report (STR) is a way of notifying law enforcement about a client or behaviour that appears to be suspicious and potentially related to money laundering or the financing of terrorist activities. With each iteration of the money-laundering regulations, there has been an increased focus on strengthening the framework of existing procedures in the UK to better defend against criminal activity. As one aspect of this, SARs play an extremely important role in the transferring of intelligence at all levels, from small businesses right up to the international stage.

When to submit a SAR

The National Crime Agency (NCA) has used words such as 'know' and 'suspect' to determine when an individual must submit a SAR. You should never feel that a suspicion is too small to report, as it may contribute to information that has already been submitted from other sources, to build a better picture of criminal activity. Alternatively, it may prove to be valuable information that leads on to solving criminal cases. For the safety of the nation, it is better that 'too many' SARs are submitted, as opposed to 'too few'. The 2020 National Risk Assessment (NRA) noted the slight increase in SARs reported by accountants, compared with previous years where the number of reports were relatively low. It went on to mention that increasing the percentage of accountancy service providers who report SARs would help to improve the effectiveness of SAR reporting by the sector.

In regulated sectors, such as accountancy, there may be an obligation to make a submission and not doing so could be a criminal offence. A SAR is required when, during the course of business, a relevant employee develops a suspicion of a crime with proceeds. However, this is not only limited to regulated sectors and the obligation to report may also extend to those in unregulated sectors.

The NCA has a very useful page, along with several related publications, that provides a comprehensive outline of the current landscape around money laundering in the UK.

How do I submit a SAR?

A SAR should be submitted to the NCA via its SAR online platform.

Alternatively, hard copies can be posted to: UKFIU, PO Box 8000, London SE11 5EN. However, it is strongly advised to use the online portal as SARs submitted by post will not receive an acknowledgement from the NCA.

When submitting a SAR, the relevant glossary code should be used to help the NCA identify specific types of activity and ensure that it is handled by the correct agency. While the use of the codes is not mandatory, including the correct code will assist law enforcement. Read further guidance.

Defence against money laundering (DAML)

A DAML (previously known as a 'consent SAR') is the 'appropriate consent' given by the NCA to allow a party to proceed with certain activity that may otherwise be classified as a money-laundering offence, such as transferring funds on behalf of the client that you suspect are the proceeds of crime. Its sole purpose is to provide a defence against a money-laundering offence under the Proceeds of Crime Act 2002 (POCA). The offences are outlined in sections 327 to 329 of POCA. Read further guidance. DAML requests are not to be confused with filing a SAR. A SAR must be made when you suspect that a client may be engaged in suspicious activity that does not involve the firm. DAML requests should only be made when it is necessary for the firm to directly interact with what it suspects to be criminal property on behalf of its clients.

Tipping off

Once a suspicious activity report has been submitted, you need to take care to ensure that the relevant parties are not made aware of this. The act of disclosing this information, if it may prejudice an investigation, is known as 'tipping off'. This is a criminal offence and is described in further detail in section 333 of the POCA.

Responsibilities of an accountancy service provider/relevant employees

As a result of the UK money-laundering regulations, there are various SAR related requirements you need to have in place:

- A nominated officer/ MLRO must be appointed. (This is not applicable for sole practitioners, as they will be held responsible and assume responsibility for this.)
- Internal procedures for relevant employees to report suspicions or knowledge of money-laundering activities must be created, with involvement from the MLRO.
- Policies and procedures must be documented, and the relevant employees should be aware of and be up to date with them.
- Sufficient training must be provided to all relevant employees, to allow them to understand their legal obligation under the 2017 Money Laundering Regulations, and also to recognise and deal with activity that may be related to money laundering or terrorist financing. Employees must know how to report suspicious activities to the MLRO.
- Records of any documents or information obtained to meet customer due diligence requirements must be kept (for a minimum of five years), eg records pertaining to a transaction to the level that it can be reconstructed.

This is not the complete list of requirements that accountancy service providers must have in place. It is recommended that firms also familiarise themselves with ACCA's AML monitoring review factsheet for further details.

Internal and external SAR process

You should have a clear, consistent and confidential process in place, which allows employees to escalate suspicious activities to the MLRO; this is known as an internal SAR. If an MLRO decides that the concerns raised are not suspicious, then this should be documented, explaining the rationale and reasons for the decision.

It is strongly advised that you create an internal SAR form for multiple reasons:

- It serves as written evidence that the employee has raised their concerns and what the MLRO has been made aware of. Simply discussing the matter face-to-face or in a meeting is not acceptable.
- A good form will streamline the reporting process by requesting the key and relevant information, and facilitate an environment for more reliable decision-making from the MLRO.
- It allows for a direct channel to the MLRO that employees of all levels can utilise.

An external SAR is when the MLRO reports suspicious activity to the NCA. They can often become quite complex and it is important to follow the NCA's guidance documents where provided. Furthermore, it is imperative that communications with the NCA are via the MLRO, to ensure that the necessary protections are in place against any breaches of confidentiality.

Once again, where suspicions have been raised, this should not be brought to the client's attention, to avoid falling into the realms of tipping off.

The MLRO should consider the volume of internal and external SARs reported. If no internal SARs have been received from employees, the MLRO will need to consider the reason for this. For example, employees may not be aware of their responsibilities and the reporting process is not clear, or employees may have a lack of understanding of red flags/suspicious activity, so further training could be required.

Maintaining records

While there is no retention period specified within the regulations relating to internal and external SARs, maintaining these records is important as it evidences that employees and the MLRO are undertaking their legal obligations. Therefore, it is very important to maintain a record of internal SARs received and external SARs your practice has made to the NCA. On the next page is a template example of a SAR log with column headers that could be used to evidence internal and external SARs made.

Disclaimer: This should be modified to suit your practice's purpose and not just copied into your own files.

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Suspicious activity report log

Internal reference number	Date received	Sent by	Firm name/ individual name	Reason for suspicion	SAR filed to NCA?	Date SAR filed	NCA reference number	Date closed	Comments/further action taken
xx	xx	xx	xx	xx	xx	xx	xx	xx	xx

Further Resources

- Proceeds Of Crime Act 2002
- Money Laundering Regulations 2017
- CCAB Guidance (AMLGAS) – Section 6
- National Crime Agency (NCA) website
- NCA SAR Portal