

New sanctions SAR glossary code
Page 3



Combating Kleptocracy Cell
Page 4

Sanctions overview
Page 8

Message from the head of the UKFIU

Vince O'Brien, Deputy Director

Hello and welcome to the 15th edition of the UKFIU magazine.

In light of the current situation in Ukraine, this special issue of *SARs In Action* focuses on messages around UKFIU and NCA updates and providing clarification of our response.

The scale of money laundering impacting the UK is in excess of £100bn a year. This is through abuse of UK financial institutions, UK company structures, markets and property. A significant portion is linked to corrupt elites.

The SARs regime and the UKFIU are an important component of the new Combating Kleptocracy Cell, and the UKFIU is establishing a state of readiness to deal with anything received on sanctioned entities in the UK or overseas, or for those connected with sanctioned entities. You can learn more about the new Cell, its remit and objectives in our feature on page 4.

On page 3 you will find details of a new SAR glossary code (XXSNEXX), to be used where you suspect the activity is consistent with money laundering and is linked to sanctioned entities.

We also provide on page 8 an overview of sanctions - what they are, how they work, who's responsible for implementing them and how they are enforced.

CONTENTS

New SAR glossary code	3
New kleptocracy cell	4
Sanctions overview	8

Who is this magazine aimed at?

- **All law enforcement; this includes senior investigating officers, front-line police officers and police staff**
- **Reporters**
- **Regulators**
- **Supervisors**
- **Trade bodies**
- **Government partners**
- **International partners**

We'd love to hear what you think of the publication, what topics you'd like us to consider and we're always open for possible articles/collaborations.

Previous issues of this magazine are available on the NCA website. Please send any feedback to **ukfiufeedback@nca.gov.uk**

Updates can also be found on Twitter at [NCA_UKFIU](https://twitter.com/NCA_UKFIU) and via our LinkedIn page. Our podcasts can be found on Spotify, Audible, Amazon Music and most streaming sites.

Opinions expressed in articles provided by partners are not necessarily the view of the UKFIU/ NCA. The UKFIU exercises the right to edit submitted articles.

New SAR glossary code

The NCA has received requests from reporters for a defence against money laundering, concerning entities sanctioned by the UK, US, EU and other overseas jurisdictions.

The Defence Against Money Laundering (DAML) and Defence Against Terrorist Financing (DATF) regime is distinct from the Sanctions regime. Where DAML and DATF interact with the Sanctions regime is when sanctioned entities, and by extension persons not sanctioned but linked to sanction entities, are referred to in DAMLs and DATFs submitted by SAR reporters.

Where DAMLs are submitted, it is for the purpose of reporting a suspicion of money laundering or criminal property; where DATFs are submitted it is for the purpose of reporting terrorist financing. They are not for the purpose of reporting a suspicion of a sanction breach.



Suspicious Activity Report (SAR) Glossary Codes and Reporting Routes

March 2022

United Kingdom Financial Intelligence Unit (UKFIU)

PLEASE NOTE:

This booklet replaces **all** previous glossary codes publications.



SAR glossary codes for reporters Money laundering and sanctions note March 2022

United Kingdom Financial Intelligence Unit (UKFIU)

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Where DAMLs are submitted, it is for the purpose of reporting a suspicion of money laundering or criminal property; where DATFs are submitted it is for the purpose of reporting terrorist financing. They are not for the purpose of reporting a suspicion of a sanction breach.

The identification of sanctioned entities, or linked non-sanctioned entities, may be made by the reporter and form part of the reasons for submission when submitting a SAR. The NCA cannot tell the reporter what to report within the SAR submission.

In March 2022 the UKFIU introduced a new SARs glossary code for entities associated to sanctioned individuals and companies on the sanctions list.

Use the code **XXSNEXX** where you suspect the activity is consistent with money laundering and is linked to entities sanctioned by the UK, US, EU and other overseas jurisdictions.

To note: the filing of a SAR does not absolve you of your responsibilities to contact the Office of Financial Sanctions Implementation (OFSI) for a license to move the funds for a sanctioned entity or sanctioned individual.

Leading the UK's fight to cut serious and organised crime

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Use the code **XXSNEXX** where you suspect the activity is consistent with money laundering and is linked to entities sanctioned by the UK, US, EU and other overseas jurisdictions.

Details of this new glossary code can be found in the revised UKFIU guidance document *Glossary Codes and Reporting Routes (March 2022)* and *Glossary Codes Note*, available from the NCA website.

Combating the effects of corrupt elites

Criminal sanctions evasion and money laundering

Combating Kleptocracy Cell

“We will set up a new dedicated ‘Kleptocracy Cell’ in the National Crime Agency to target sanctions evasion and corrupt Russian assets hidden in the UK”

**Prime Minister Boris Johnson
Statement to the House of Commons
24 February 2022**

The new Combating Kleptocracy Cell, announced by the Prime Minister at the end of February, has been stood up in the NCA to investigate, among other things, criminal sanctions evasion and high-end money laundering.

It will build on our existing expertise using all source intelligence to disrupt corrupt elites in the UK. For the first time, this work will be brought together into an enhanced unit with dedicated funding and sanctions enforcement in its mandate.

The Cell will look to achieve three key outcomes:

- target corrupt elites through their assets in the UK
- target the key enablers of these corrupt elites, and
- support, alongside other agencies and departments, criminal cross-HMG sanctions delivery and enforcement.

The Cell will be multi-disciplinary, drawing on the intelligence and operational expertise of law enforcement and government partners. The focus will be on corrupt elites and their enablers, who we will use all powers available to us to disrupt and punish.



The scale of the threat

As a global financial centre, a large proportion of state and Politically Exposed Person (PEP) money laundering threats are centred around London through the exploitation of our professional and financial services.

It is highly likely that more than £100bn of money laundering impacts the UK annually, through the abuse of UK financial institutions, UK company structures, markets and property. This is across the entire serious organised crime threat, but a significant portion is linked to corrupt elites.

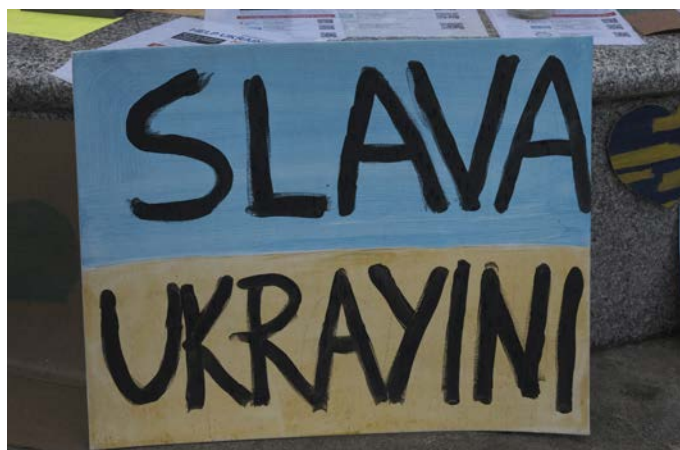
How the Cell will impact the target group

As a result of the NCA's work over the last couple of years we have already seen some corrupt elites seeking to divest UK assets. The more intensification we can apply to this area, the greater the impact, breaking the confidence of corrupt elites and their enablers around operating in the UK.

Since the announcement of the Cell we have moved rapidly, surging resources into intelligence gathering against elites who pose the greatest threat to the UK. We have long-standing experience in this threat: in the 2020-2021 financial year alone, over 2,300 PEP SARs were disseminated by the UKFIU to law enforcement.

We will work closely with private industry to help ensure that they are a more effective first line of defence against dirty money.

We have engaged specific sectors who will be in a position to provide early warnings of potential breaches and we will be concentrating our attention on specific sectors that we know pose a serious risk of enabling high-end money laundering.



Utilising tools

Our work to combat the corrosive effects of corrupt elites on the UK and overseas are not limited to the civil and criminal justice system. The NCA plays an active role in disrupting their ability to operate in a number of key ways.

Our primary focus will be on seeking criminal justice outcomes, but the Agency will also use civil tools to freeze and recover suspected criminal finances. Civil recovery powers enable us to freeze and, where appropriate, forfeit assets where a court agrees that there are reasonable grounds to suspect that they represent the proceeds of crime.

These civil tools include Account Freezing Orders (AFOs), Account Forfeiture Orders, Unexplained Wealth Orders (UWOs) and wider civil recovery powers. UWOs are one of many tools available to the NCA and partners to establish whether assets held by PEPs match their income. A UWO requires the respondent to provide an explanation for their assets and, as such, they are an important tool, which can enable us, in the right circumstances, to initiate a full civil recovery investigation and progress cases that we may otherwise not be able to take forward.

AFOs are used regularly by the NCA and partners to freeze funds suspected to have originated from unlawful conduct which is held in bank and building society accounts, with a view to establishing whether we should seek forfeiture. Since AFOs came into being in 2018, over half a billion pounds has been frozen by the NCA and partners.

We also share information and threat warnings through the National Economic Crime Centre with the financial and regulated sector to help inform their decision-making regarding their clients.

This assessment of financial intelligence and its influence informs our advice to government to help protect the UK and its national infrastructure from commercial activity that may be linked to state threats. We also actively seek to support overseas partners where they are in a position to take action not open to us.



Sanctions - an overview

Sanctions are not primarily a judicial tool for law enforcement. They are designed as a foreign policy tool to influence bad actors beyond the reach of law enforcement, in order to change their behaviour in support of our national objectives.

Sanctions freeze assets by creating an offence of dealing with those frozen assets or providing economic resources or funds to a designated person (DP).

If someone knowingly deals with a frozen asset or sends funds to a DP, that constitutes a sanctions 'breach', which HM Treasury's Office of Financial Sanctions Implementation (OFSI) can impose civil penalties for or refer to the NCA for criminal investigation and referral to the Crown Prosecution Service for prosecution.

Our interest is in criminal investigation of breaches that reach the sufficient threshold for a criminal justice system intervention, appropriate for the NCA to investigate.

If sanctioned individuals have moved assets before being designated, then they will not necessarily have committed an offence, although they may have committed money laundering offences by moving assets frozen by other jurisdictions if they were designated abroad first. If a person has been designated, then dealing with frozen assets would constitute an offence. The same applies if sanctioned individuals have transferred assets to family members.

Our investigations into sanctions evasion will focus on professional enablers for DPs, making sure they are unable to dissipate frozen assets.

