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# Suspicious Activity Reporting

The term Suspicious Activity Reporting (SAR) refers to the legal and regulatory responsibility to reporting knowledge and suspicion relating to money laundering or terrorist financing

## FATF Recommendation 20: Reporting of suspicious transactions

If a regulated person suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity, or are related to terrorist financing, it should be required, by law, to report promptly its suspicions to the financial intelligence unit (FIU).



## UK Proceeds of Crime Act 2002: S330-339 Suspicious Activity Reporting

S330 applies to those working in the regulated sectors who know, or suspect, a person is engaged in money laundering, and fail to report their suspicions to their Nominated Officer.

S331 applies to a Nominated Officer working in the regulated sectors who recognises suspicion of money laundering from a S330 submission and fails to report to the UK Financial Intelligence Unit (NCA).

S332 applies to any Nominated Officer who may have been appointed outside regulated sectors, who recognises suspicion of money laundering from a S330 submission and fails to report to the UK Financial Intelligence Unit (NCA).

S333A Tipping Off: applies to those working in the regulated sectors when a person discloses information likely to prejudice an investigation where a suspicious activity report has been submitted, or a money laundering investigation is being contemplated or carried out.

S335-338 Consent and Disclosure: provides UK 'consent' regime with Defence Against Money Laundering (DAML).

S335 empowers the NCA to provide a DAML which can be requested where a reporter has a suspicion that an activity is criminal, and that by undertaking that activity they risk committing a money laundering offence under the Proceeds of Crime Act 2002.



## Key Points

- S330 - A defence exists if the employee is not suspicious, and the employer has not provided sufficient AML training.
- S331 & S332 - no defence like that in s330 exists – a Nominated Officer is assumed to be sufficiently trained!
- S339A - was amended in Jan 2023 to increase the de minimis threshold below which firms do not need to submit a DAML when operating an account to £1,000.



## Penalties

- S330-S339 All offences carry a maximum sentence of 5 years imprisonment.
- S333a Offence carries a maximum sentence of 2 years imprisonment.
- S335 A person does not commit an offence if they have received consent in the form of a DAML from the NCA.

## Suspicious Activity

- If you are suspicious because the activity deviates from the normal activity for that customer, then explain how the activity differs and provide a useful explanation of the deviation, particularly if it relates to a complex product such as trade finance.
- If the beneficiary of a transaction is believed to be complicit in the suspicious activity, then consider providing their details as an associated subject. This will assist in identifying those potentially involved in the money laundering or terrorist financing, as opposed to innocent parties.

## Information to be provided

- Where you report a crime alongside a SAR, it is good practice to include the crime reference and the organisation details in the SAR.
- As much information as possible should be completed in the data fields and only use the word 'UNKNOWN' if information is not available, avoid symbols or leaving a field blank.
- Missing or inaccurate information can limit analysis opportunities, have a negative impact on identifying the subjects correctly and will reduce the overall effectiveness of the SAR submitted.
- For an individual person:
  - A SAR should contain all available Customer Due Diligence (CDD) information.
  - Dates of birth are a vital field for identifying individuals correctly.
  - The occupation of a subject is useful as it allows judgment on the origin of funds and can determine whether the subject is using professional knowledge to facilitate money laundering.
- For businesses, trusts, and other entities, incorporated and unincorporated:
  - The amount of information may depend on the relationship with the reported subject.
  - If relevant then provide details of all persons who own or exercise control over the management of the entity, for a trust including trustees, settlors, protectors and known beneficiaries.

## SAR Glossary Codes

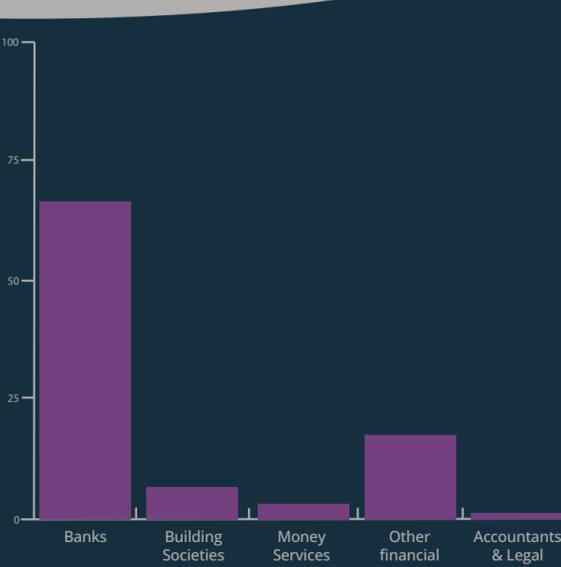
The FIU have glossary codes to distinguish possible predicate criminality which are entered in the SAR. For reporting suspicions for predicate offences of money laundering or terrorist financing, the codes are :

XXTEOSXX	Tax evasion offshore
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 (MTIC) fraud
XXF9XX	Frauds against private sector
XXD9XX	Bribery and corruption

## Statistics

The UK Financial Intelligence Unit (UKFIU), the body to whom all UK Suspicious Activity Reports (SARs) are submitted, is the National Crime Agency (NCA) and in 2022/23, it saw a decrease in the number of SARs, receiving and processing 859,905 a 5% decrease on the previous period.

- Banks 65%
- Building Societies 6.5%
- Money Services Business 3%
- Other financial & credit institutions 18.9%
- Accountants & Legal Sector 1%



GCAL offers a wide range of business services to help support the financial crime compliance training needs of an organisation and our training courses are specifically designed to engage, inform, and inspire employees from firms both large and small.

**Interested in our services? Or if you just have a general enquiry or question please feel free to get in touch!**

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