

AML Thematic Review of Suspicious Activity Reports

October 2025

Table of Contents

1. Foreword from Martin Cox, Head of Engagement & Communications, UK Financial Intelligence Unit.....	3
2. Glossary.....	4
3. Introduction	5
3.1 What is a thematic review?	5
3.2 The importance of SARs	6
4. Background & Methodology.....	6
4.1 Practice Selection.....	7
5. Executive Summary	8
5.1 Summary - Positive Aspects.....	8
5.2 Summary - Areas to Improve	9
6. Reporting Figures.....	9
6.1 UK	9
6.2 Scotland	9
6.3 Thematic Cohort.....	10
7. MLROs & Internal Reporting.....	11
7.1 MLRO Experience & Training.....	11
7.2 NCA SAR Portal.....	11
8. SAR Policies, Controls & Procedures.....	12
9. Training.....	13
9.1 MLRO Training.....	13
9.2 Staff Training.....	13
9.3 Training Methods.....	14
10. Spotlight: General Knowledge of SARs.....	15
11. Spotlight: Defence against Money Laundering (DAML)	15
12. Spotlight: Tipping off	17
13. Spotlight: SAR Quality	18
13.1 Areas for Improvement.....	18
14. Case Studies.....	19
15. Final Considerations.....	22
16. Appendix 1: Email and questionnaire sent to selected practices	23

1. Foreword from Martin Cox, Head of Engagement & Communications, UK Financial Intelligence Unit

Suspicious activity reports (SARs) are crucial in combating crime and providing law enforcement with vital intelligence. These reports help locate offenders, trace suspects, and identify criminal activities across various domains.

SARs contribute to the UK's strategic threat assessment by offering immediate opportunities to stop crime, uncover potential criminality, and generate intelligence for future investigations. They enable authorities to track criminal methods, identify emerging crime trends, and support the recovery of criminal proceeds through legal mechanisms like restraint and confiscation orders.

Beyond individual cases, SARs help establish geographical patterns of vulnerability, analyse suspicious activities around significant events, and inform broader strategies to mitigate criminal impact. They represent a sophisticated tool in the UK's comprehensive approach to understanding, preventing, and responding to criminal activities.

The UKFIU is committed to working in partnership with the Law Society of Scotland, and all AML supervisors in the UK, to improve understanding of the SARs regime and the importance of ensuring SARs are of sufficient quality for exploitation by law enforcement. Working collaboratively with the Law Society of Scotland on this thematic review of SARs has allowed us to gain a better insight into the Scottish legal sector's knowledge of the SARs regime, and we welcome the opportunity to engage further with the Scottish legal sector to further improve the quality of SARs and ultimately support law enforcement in the fight against serious and organised crime.



2. Glossary

Terminology	Abbreviation
Anti-Money Laundering	AML
The Law Society of Scotland	LSS
Suspicious Activity Report	SAR
Defence Against Money Laundering	DAML
National Crime Agency	NCA
Proceeds of Crime Act, 2002	PoCA
Legal Sector Affinity Group Guidance	LSAG Guidance
Money Laundering Regulations 2017	MLR
Money Laundering Reporting Officer	MLRO
Money Laundering Compliance Officer	MLCO
Policies, Controls & Procedures	PCPs
Risk-Based Approach	RBA
Source of Funds	SoF
Source of Wealth	SoW
Terrorist Financing	TF
UK Financial Intelligence Unit	UKFIU

3. Introduction

The Law Society of Scotland (LSS) plays a crucial role in ensuring compliance with the [Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#) (MLRs) by supervising the 656 legal practices in Scotland that undertake work which falls within the scope of the regulations. However, the responsibility to report suspicious activities extends beyond the scope of these regulations, and applies to all practices, not just those who undertake in-scope AML work. In practical terms, all practices, regardless of their status under the MLRs, are obligated to report suspicions of money laundering or terrorist financing to the UK Financial Intelligence Unit (UKFIU) at the National Crime Agency (NCA).

UKFIU officers are designated by the Director General of the NCA to receive suspicious activity reports (SARs). While legislation and other guidance documents may refer to the NCA as the body authorised to receive SARs, new guidance will refer to the UKFIU, as the UKFIU is the only unit within the NCA authorised to receive these disclosures.

Recognising the importance of equipping practices with the necessary skills and resources to identify and report suspicious activities, the LSS AML team have undertaken a thematic review examining SARs. This review builds on the team's thematic review of Policies, Controls and Procedures (PCPs), conducted across 2022/23.

We hope that the findings of this review will serve as a valuable resource for all practices, highlighting areas for improvement and providing guidance on best practices for detecting and reporting suspicious activities effectively.

LSS strongly recommends that all practices, irrespective of their status under the MLRs, carefully consider the findings of this report.

3.1 What is a thematic review?

A thematic review is a sample-based exercise on a selected topic which aims to identify findings which can be made available to benefit a whole population. In this case we worked with a sample of practices to:

- Develop our knowledge of the overall understanding of the SARs regime across the sector, along with the quality of SARs being submitted, and
- Gain a greater insight into how the profession complies with obligations under PoCA, the MLRs and [Legal Sector Affinity Group Guidance](#) (LSAG).

Once collated, the information was then analysed to provide further information and support to practices.

3.2 The importance of SARs

All practices are obligated to comply with PoCA, irrespective of the services they offer, extending beyond those covered by the MLRs. However, PoCA imposes supplementary obligations specifically on entities falling under the MLRs.

A “regulated entity” is defined by the MLRs as any business or individual operating in sectors considered at higher risk of money laundering or terrorist financing. This includes financial institutions (banks, building societies, credit unions), accountants and auditors, tax advisers and legal professionals (such as solicitors).

Entities that are considered regulated entities under the MLRs have additional obligations beyond those required by PoCA. These include appointing a nominated officer, often referred to as a Money Laundering Reporting Officer (MLRO), who is responsible for receiving internal disclosures and determining whether a SAR should be disclosed to the NCA. Regulated entities must also implement robust internal policies, controls, and procedures to identify, manage, and mitigate the risks of money laundering and terrorist financing. Furthermore, they are required to carry out business-wide risk assessments and keep written documentation of these assessments. Failure to meet these supplementary obligations can result in regulatory penalties, reputational harm, and even criminal prosecution

The effective reporting of SARs by regulated entities is of paramount importance and is central to the effectiveness of the AML system.

We have chosen this topic as the UKFIU has previously highlighted particular findings regarding the standard of quality and quantity of reports from the UK legal sector. While it is acknowledged and expected that the legal sector would produce less SARs than the financial institutions, it is nevertheless important to take steps to identify and address aspects of compliance with SARs requirements which should be improved. As an effective AML supervisor, we have ongoing productive relations with the UKFIU and have worked collaboratively with them on this thematic review.

4. Background & Methodology

In April 2024, we announced our intention to conduct a thematic review of [SARs](#). We were keen to obtain an understanding of the existing knowledge of the SARs regime, as well as further visibility regarding the quantity and quality of SARs across the sector. In order to do so, we conducted a questionnaire-based review, across 50 selected practices (see Appendix 1 for questionnaire).

The thematic review took part in five stages:

- **Stage 1** – The request to complete the questionnaire was sent by our AML team to the 50 selected practices on 13 May 2024, with responses due by 10 June 2024.

- **Stage 2** – Our AML team analysed the results and collated findings.
- **Stage 3** – The AML team published their [initial findings](#).
- **Stage 4** – The AML team then contacted 17 practices to test the quality of the SARs they had submitted to the UKFIU.
- **Stage 5** – The SARs were reviewed by our AML team and this final report was created to highlight our overall anonymised findings, along with key areas for improvement.

We would like to thank the participating practices for their cooperation, which assists in minimising AML risks to practices, clients, and the legal profession as a whole.

4.1 Practice Selection

The selection of practices for our thematic review was conducted using a risk-based approach, leveraging data from our annual AML Certificate. This comprehensive certificate collects critical information pertaining to SARs.

Key Data Points Collected

The annual AML Certificate gathers the following essential information:

- Is a current and up-to-date NCA login in place for SAR reporting?
- How many internal SARs were raised by staff to the nominated officer/MLRO?
- How many general SARs were made to the UKFIU?
- How many Defence Against Money Laundering (DAML) SARs were made to the UKFIU?
- How many terrorist financing-related SARs were made to the UKFIU?
- What was the number of SARs submitted in each of the following areas?
 - Sales (Conveyancing)
 - Purchases (Conveyancing)
 - Trust or Company Service Provision
 - Other – please provide details.

Selection Criteria

The AML team implemented a strategic approach to the review process, focusing on two key segments of the sector:

Stage 1:

We prioritised practices that fell into two distinct categories:

1. Those reporting a high volume of SARs
2. Those reporting no SARs

This approach acknowledges that higher-risk practices naturally tend to submit more SARs due to the nature of their work. However, we deemed it crucial to assess knowledge and compliance across the entire spectrum, including those with no reported SARs.

Stage 4:

For the fourth stage of our review, we identified and selected 17 practices that had reported submitting one or more SARs to the UKFIU during the relevant period. These practices were contacted with a request to securely send a copy of these SARs to the AML team. These SARs were held securely and have since been destroyed from our systems.

This methodical approach ensures a thorough and balanced evaluation of compliance standards across varying risk profiles within the sector. By examining practices with different reporting patterns, we can gain valuable insights into:

- The effectiveness of current SAR-related AML procedures
- Variations in risk assessment and SAR reporting across the sector

The AML team's multi-stage review process aims to provide a holistic view of compliance, enabling us to make informed recommendations for enhancing the sector's overall resilience against financial crime.

5. Executive Summary

5.1 Summary - Positive Aspects

We were encouraged by some of the data identified through this thematic review.

- 90% of MLROs maintain written internal SAR procedures.
- 84% of MLROs document decisions when opting not to disclose a SAR.
- 80% of practices provided SAR-related training to relevant staff within the last year.

5.2 Summary - Areas to Improve

There were a number of areas where scope for improvement was identified:

- 55% of MLROs have never received specific training related to SAR reporting.
- 50% of MLROs reported not disclosing a SAR due to uncertainty around the threshold for suspicion.
- One third of MLROs reported that a DAML constituted a 'clearance' or 'permission' to continue acting for a client.

Our conclusion is that that all MLROs operating within the Scottish legal sector would greatly benefit from targeted training focused on SARs and the pivotal part these reports play in the prevention and detection of financial crime. The in-depth nature of this training should be determined by the individual MLRO based on their current skills and knowledge of the regime.

6. Reporting Figures

6.1 UK

The UKFIU receives more than 870,000 SARs a year.

In 2022-2023, the UK solicitor profession submitted 2,121 SARs, up from 2,052 in 2021-2022. In the year 2023-2024, the UK solicitor profession accounted for 2,242 SARs, highlighting a further upward trend.¹

Solicitors submitted 1,439 DAMLs in 2022-2023 up from 1,384 in 2021-2022² with similar levels seen in 2023-2024, with 1,461 DAMLS being submitted.

6.2 Scotland

In our latest AML Certificate covering 2023, practices in scope of the MLRs told us that they reported 154 SARs to the UKFIU, which is up from 142 in 2022.

Scottish solicitors submitted 63 DAMLs in 2023, down from 74 in 2022.

¹ UKFIU Annual Report – Annexes [SARs Annual Report Annexes 2024](#)

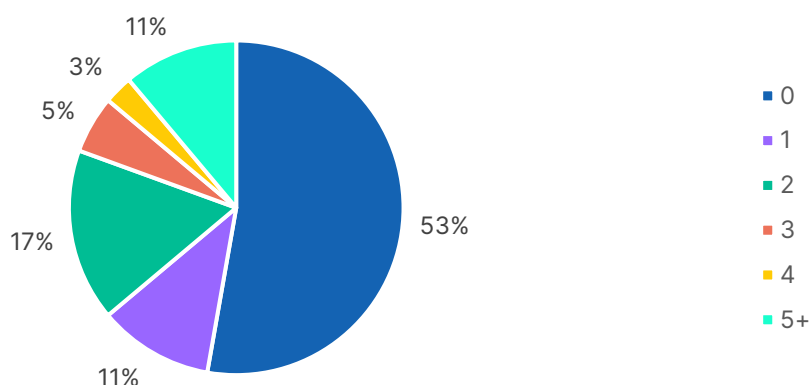
² UK Financial Intelligence Unit SARs Annual Statistical Report 2023-
<https://www.nationalcrimeagency.gov.uk/who-we-are/publications/711-sars-annual-statistical-report-2023-annexes/file>

6.3 Thematic Cohort

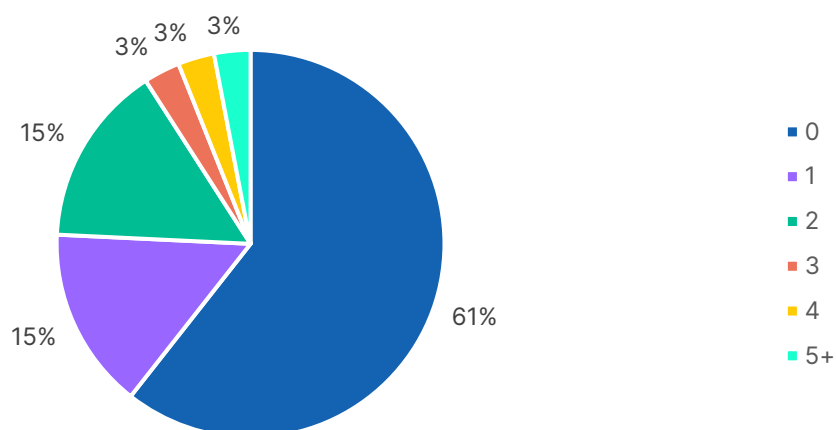
In the 12 months immediately prior to our request:

- 53% of our SAR thematic cohort reported that they submitted no SARs to the UKFIU in the 12 months prior to our request being sent.
- 47% submitted at least 1 SAR to the UKFIU, with 4 practices submitting more than 5.
- 61% of our SAR thematic cohort submitted no DAMLS to the UKFIU in the 12 months before our request in May.
- 39% submitted at least 1 DAML to the UKFIU, with 3 practices submitting more than 3 in a 12-month period.

Thematic Cohort: Number of SARs submitted to the NCA



Thematic Cohort: Number of DAMLs submitted to the NCA

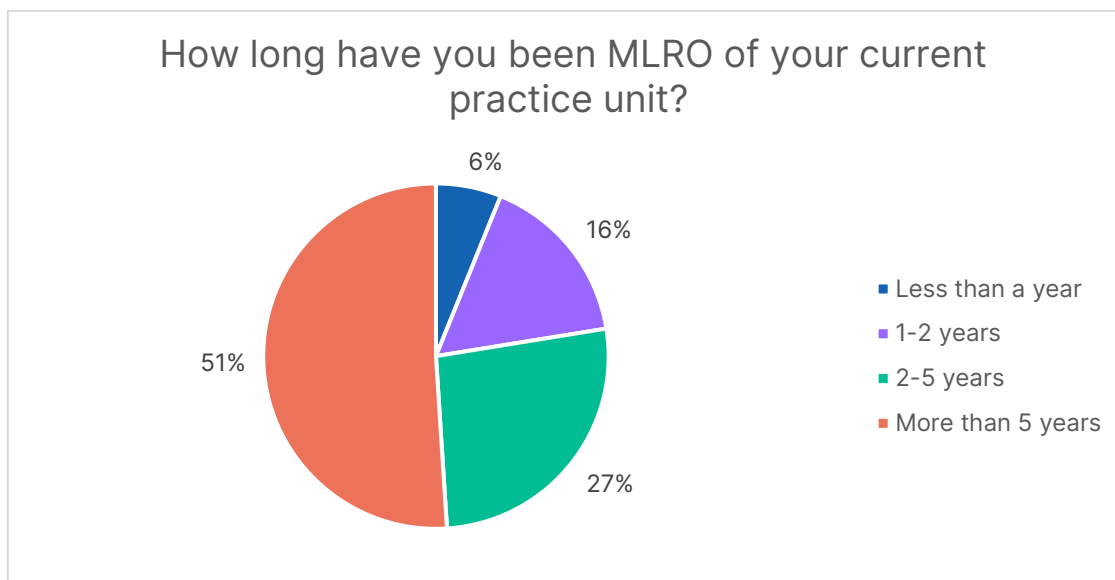


7. MLROs & Internal Reporting

7.1 MLRO Experience & Training

6% of our thematic review cohort have been the MLRO of their current practice for less than 1 year.

51% have been MLRO for more than 5 years.



With 5 representing “Expert” and 1 representing “Very Poor,” on average, MLROs rated their own level of knowledge and understanding of the UK SARs regime as 3.59.

7.2 NCA SAR Portal

MLROs are responsible for receiving disclosures from staff and determining whether they warrant submission to the UKFIU. One fifth of MLROs told us they do not have an up-to-date UKFIU SARs Portal log in.

We understand that certain MLROs may never have had to report a SAR or request a DAML. However, to avoid any delays in reporting suspicion or obtaining a DAML, it would be best practice for MLROs to hold an up-to-date UKFIU SAR Portal login to ensure that suspicious activity can be reported in a timely manner.

The UKFIU has guidance on how to complete a good quality SAR available on their website. Following the introduction of the new SAR Portal in September 2023, the UKFIU is refreshing this guidance and a full, comprehensive update is due for publication in late 2025.

8. SAR Policies, Controls & Procedures

We were pleased to note that 45 out of 50 MLROs reported having either a procedure or template for internal SAR reporting. This is not only a best practice, but a requirement under:

- [Regulation 19\(4\)\(d\)](#)
- [LSAG Guidance section 4.8.2](#)

All practices must establish procedures outlining how and when internal disclosures should be submitted to the MLRO.

It is essential to note that while SARs are a mechanism for reporting suspicious activity, they should **not** be used as substitute for reporting a crime to relevant law enforcement agencies.³

It was encouraging to learn that 84% of MLROs surveyed maintain documented evidence of their decision-making process when choosing not to disclose a SAR to the UKFIU.

This practice aligns with LSAG Guidance section 11.7 which states: “If the MLRO decides not to submit a SAR after receiving an internal disclosure, for example because the information does not meet the threshold for suspicion, your MLRO should make sure that they have documented the reasons for their decision and keep records of this along with the original internal disclosure. This will help you demonstrate compliance with your obligations or could help you to submit a SAR further down the line if you do develop a suspicion.”

It is also important to understand that LSAG Guidance section 16.5.2, states that within the regulated sector, section 330 of PoCA applies in that a person commits an offence if:

- *“ They know or suspect, or have reasonable grounds for knowing or suspecting, that another person is engaged in money laundering*
- *the information on which their suspicion is based comes in the course of business in the regulated sector*
- *they fail to disclose that knowledge or suspicion, or reasonable grounds for suspicion, as soon as practicable to a MLRO or the NCA.”*

In addition, the MLRO commits a separate offence under section 331 of PoCA if, following an internal disclosure, he or she knows or suspects, or has reasonable grounds for knowing or suspecting, that another person is engaged in money laundering and they fail to make a disclosure to the UKFIU.

These provisions highlight the importance of recording a decision to not make a disclosure to the UKFIU.

³ [Suspicious Activity Reports - National Crime Agency](#)

It is important to ensure that your SAR portal details remain up to date. Following a SAR submission, you may be contacted by law enforcement agencies. Further information on how to change your details [can be found on the UKFIU website](#).

9. Training

9.1 MLRO Training

Our survey revealed that 22 MLROs confirmed receiving specialised training in SAR reporting. Notably, MLROs who rated their knowledge and experience levels lower also indicated that they had not received any additional training.

As per LSAG Guidance Section 8.2.1, a practice should consider whether it is appropriate for MLROs/MLCOs to complete extra training or relevant professional AML-related qualifications in order to competently carry out their duties.

In particular, MLROs should pay specific attention to the technical requirements for making disclosures to the UKFIU including all relevant guidance issued on submission protocols.

9.2 Staff Training

The results were encouraging:

- 98% of practices had provided SAR training to relevant staff
- 80% had conducted this training within the last 12 months

Importance of Staff Training

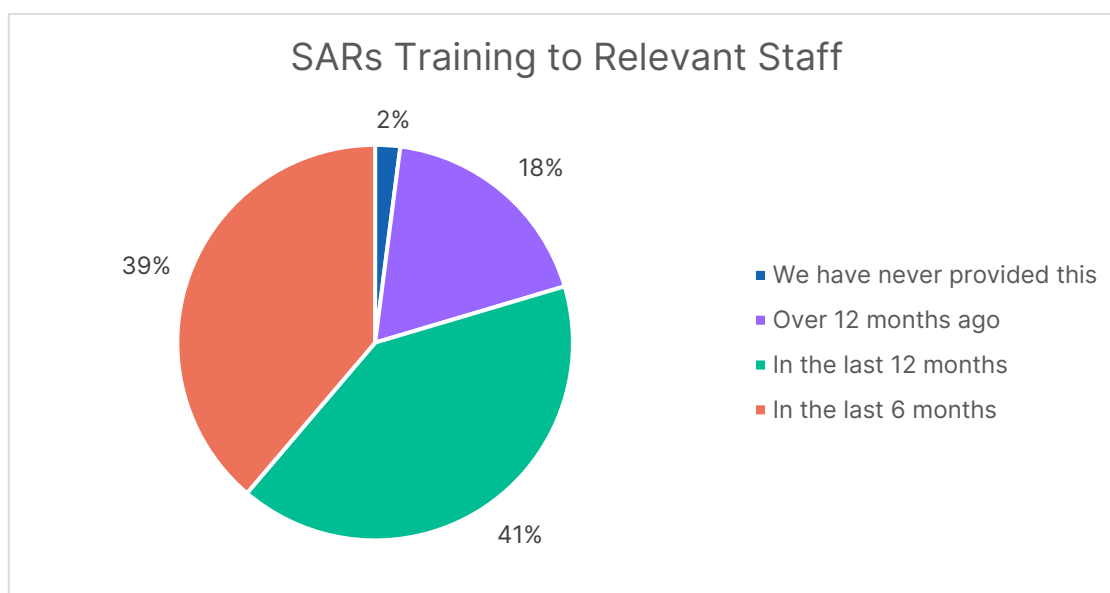
As highlighted in Section 8.1 of the LSAG Guidance, staff members and service providers who interact with customers are a practice's most effective defence against inadvertent involvement in money laundering or terrorist financing.

Regulatory Requirements

Regulation 24 of the MLRs mandates that practices implement measures to ensure AML training for partners, staff, and agents. This includes maintaining records of such training. The curriculum should encompass:

- Awareness of MLR
- Proceeds of Crime Act (PoCA) Part 7
- Terrorism Act Part 3 reporting requirements
- Legal professional privilege
- Data protection requirements

Additionally, LSAG recommends that training should cover the recognition of red flags and risk indicators relevant to employees' duties and responsibilities, along with other pertinent laws.



9.3 Training Methods

We noted that practices utilise a range of training methods. These include in-house or external training seminars and webinars, AML-specific online training sessions, attendance at AML/Counter-Financing of Terrorism (CFT) conferences or similar events and examining relevant supervisory authority materials.

10. Spotlight: General Knowledge of SARs

The majority of MLROs are aware of what should be included within a SAR disclosure to the UKFIU.

LSAG Guidance Section 11.9 emphasises the importance of including accurate and complete information in a SAR to help prioritise cases and provide valuable intelligence.

Missing or inaccurate details can reduce the SAR's effectiveness and hinder subject identification. If a SAR lacks necessary information, the UKFIU may request further details or close the matter.

You should include all known information in a SAR and ensure you complete **all** of the SAR Portal fields you have information for, regardless of whether they are mandatory or optional.

All MLROs were aware that a SAR should be submitted if there are reasonable grounds to know or suspect money laundering. It is important to note that the transaction/matter does not have to have been completed for this to apply. Even if sufficient red flags suggest money laundering, and the client is not taken on, a SAR must still be submitted to the UKFIU

PoCA is applicable throughout the UK and not just to the practices in scope of the MLRs. It is therefore essential that all practices are aware of their obligations and work to ensure that relevant steps are taken to allow for internal SARs to be submitted.

Our findings show that practices have a good understanding of some of the key areas of compliance. However, there is further work to be done to ensure consistency and build upon existing knowledge.

11. Spotlight: Defence against Money Laundering (DAML)

It is evident from the thematic review that MLROs hold a mixed understanding of the difference between a SAR and a DAML SAR.

While both are reported through the UKFIU SAR Portal, a DAML requires additional information on the prohibited act for which a defence is being sought.

A DAML is a disclosure to the UKFIU under s.338 PoCA when there is suspicion that property involved is criminal.

A solicitor may be required to submit a DAML in circumstances where they have reasonable grounds to suspect that funds held in their client account constitute the proceeds of criminal conduct.

For instance, where a solicitor is acting in the conveyancing of a property and receives purchase monies into their client account, subsequent information or due diligence may give rise to a suspicion that the funds are derived from unlawful

activity. In these circumstances, once the solicitor has determined what they are going to do with the funds, they should seek a defence against committing a money laundering offence by submitting a DAML to the UKFIU for the proposed activity.

If a solicitor were to return funds to a client or transfer them to a third party without making the necessary disclosure through a DAML and obtaining appropriate consent, they could commit a money laundering offence under PoCA. Under section 335 of PoCA, obtaining 'appropriate consent' from the UKFIU provides a legal defence against such offences.

The principal money laundering offences detailed in sections 327 to 329 of PoCA, include:

- Concealing, disguising, converting, transferring, or removing criminal property.
- Arranging or facilitating the acquisition, retention, use, or control of criminal property.
- Acquiring, using, or possessing criminal property.

It was noted that a third of MLROs mistakenly believed that submitting a DAML would provide 'clearance' or 'permission' to continue acting for a client.

The [SARs Regime Good Practice Guidance](#) states that a DAML:

- **Provides a defence** to a principal money laundering offence for the planned activity.
- **Does not provide** clearance, permission, or authority to undertake the activity.
- **Does not oblige** the reporter to proceed or imply legitimacy of the funds.
- **Is not advice** from the UKFIU on whether to continue acting for a client; this is a business decision based on risk appetite.

Further [UKFIU guidance on DAMLs](#) confirms that a granted response and defence:

- **Does not imply** UKFIU approval of the proposed acts, persons, or entities.
- **Does not oblige** the reporter to undertake the proposed act or replace professional duties and regulatory requirements.
- **Does not provide** a criminal defence against other offences related to the act.
- **Does not override** private law rights of any person entitled to the property.

It is vital to ensure that all information relevant to the prohibited act is included in the DAML. Any defence to undertake the matter will only cover the request submitted.

A common prohibited act for the legal sector involves returning funds to a client when there's suspicion the money was obtained unlawfully.

You do not need to have collected evidence or proven the underlying (predicate) crime (e.g. fraud, drug trafficking) before submitting a DAML SAR to the UKFIU.

Instead, the UKFIU expects you to provide:

- The grounds for your knowledge, suspicion, or belief (i.e. why you suspect money laundering or a crime is involved).
- A description of the property (funds, assets etc.) suspected to be criminal in origin.
- A description of the prohibited act (the transaction or activity) for which you are seeking a defence (i.e. permission to proceed without committing an offence under anti-money laundering laws).

You must explicitly explain these criteria, as the UKFIU cannot interpret or infer information from disclosures.

12. Spotlight: Tipping off

It was established that 98% of MLROs would not tell their client that a DAML had been submitted, if the client was chasing for completion of their matter.

In addition, 94% were aware that the act for which a DAML had been sought could not be completed until consent was granted.

While it is appreciated that most members are already aware that they should not discuss a SAR or DAML with their client, all reporters must remain mindful of 'tipping off' and should not discuss the fact that a SAR has been submitted with anyone, as this could adversely impact any potential investigations arising from the submission of the SAR or DAML.

It can be extremely challenging to explain delays to clients while waiting for a response from the UKFIU. You must not complete the act for which a DAML was sought while you are awaiting a response. This underlines the importance of making a SAR as soon as possible.

Further information relating to the offence of tipping off can be found within section 16.8 of the LSAG Guidance, as well as within [UKFIU Guidance](#).

13. Spotlight: SAR Quality

Submitting high-quality SARs is crucial in the fight against financial crime for several reasons:

- Well-detailed SARs provide valuable intelligence to law enforcement agencies, enabling them to identify and investigate potential criminal activities more effectively.
- High-quality reports allow the UKFIU and other agencies to allocate their resources more efficiently, focusing on the most serious and credible threats.
- Timely and accurate reporting can help prevent financial crimes by alerting authorities to suspicious activities before they escalate.
- Submitting comprehensive SARs demonstrates compliance with legal and regulatory requirements, protecting reporting entities from potential penalties.
- By contributing to the detection and prevention of financial crime, high-quality SARs help maintain the integrity of the UK's financial system.

Improving the quality of SARs is an ongoing process that requires commitment from all reporting entities. By focusing on providing detailed, clear, and timely reports, we can significantly enhance the effectiveness of our collective efforts to combat financial crime in the UK.

The second part of this thematic review consisted of a review of SARs that had been submitted to the UKFIU.

A total of 41 SARs were reviewed, of which 29 were SARS, with the remaining 12 being DAML SARS.

13.1 Areas for Improvement

While some SARs provided comprehensive details about the reasons for suspicion and client behaviour, others were found to be of poor quality, lacking clear reasons for suspicion or necessary details. Areas identified for improvement were:

- Ensure that all SARs provide comprehensive information about the reasons for suspicion, including specific client behaviours and transactions that raised concerns.
- Clearly state why the activity is considered suspicious, referencing relevant laws or regulations where applicable.
- Continue to submit SARs promptly after forming suspicions or identifying prohibited acts.
- SARs should be submitted on the basis of genuine suspicions, rather than as a defensive measure.

- Improve internal disclosure and escalation processes by creating robust procedures to ensure all relevant information is captured before submitting a SAR.

14. Case Studies

Common reasons for suspicion identified through the SARs reviewed included:

- **Tax Evasion:** Multiple reports indicated concerns about clients not declaring all their income or attempting to avoid taxes, including using undisclosed funds for property purchases and holding gold in safe deposit boxes to avoid inheritance tax.
- **Money Laundering:** Numerous SARs related to suspicious money movements, large unexplained credits, and concerns about the source of funds.
- **Benefit Fraud:** Some reports highlighted clients claiming benefits they were not entitled to, such as Universal Credit or Child Benefit.
- **Mortgage Fraud:** Concerns were raised about clients not disclosing all relevant information to mortgage lenders, such as undisclosed loans or deposits from third parties.

Two notable patterns in client behaviour were identified:

1. Reluctance to provide information
2. Inconsistent information provided

The majority of SARs were related to conveyancing matters, however private client matters were also identified.

1. Property/Conveyance: 31 reports
2. Private Client matters: 10 reports

14.1 Suspected Benefit Fraud

A practice was instructed in the sale of a property, which was being sold as a result of the recent separation of the couple involved. During the course of the transaction, it became apparent that one of the parties may have been in receipt of benefits to which they were not entitled. As a result, concerns arose that the proceeds of sale could include funds derived from these potentially illegitimately obtained benefits, particularly if such funds had been used towards the original purchase of the property.

In light of these concerns, it was necessary to submit a DAML SAR. The DAML SAR was submitted to seek consent to transfer the proceeds of sale to the individual suspected of receiving the illegitimate benefits.

This case demonstrates the importance of looking at the 'wider picture' when completing due diligence checks.

14.2 AML and Source of Funds Concerns in a UK Property Transaction

A practice was instructed by their client, a construction company, in relation to the purchase of a property. As part of their compliance procedures, the practice conducted full AML checks and ID verification on the Ultimate Beneficial Owner of the client using an external verification platform. No concerns were flagged during these initial checks.

Concerns arose when the practice received bank statements from the client as part of their source of funds checks. The client's business account had accumulated over £50,000 since it was opened. Notably, there were no outgoing payments for materials, wages, or other typical business expenses.

The majority of the funds originated from an individual without any rationale for the credits to the account. Funds were being transferred between related parties without any evidence of legitimate business activity.

The practice did not receive any funds in relation to the property transaction and, due to insufficient information regarding AML and source of wealth/funds checks, reported their concerns to the UKFIU via a SAR. The practice subsequently withdrew from acting for the client, informing them of the decision. The withdrawal was accepted without complaint or challenge, which further heightened the practices concerns.

This case highlights the importance of thorough AML and source of funds checks.

14.3 Source of Funds Concerns in a Property Transaction

A practice was instructed by a client to act on their behalf in the sale of one property and the purchase of another. The client required additional funds to make up the difference between the sale proceeds and the purchase price of the new property.

When the practice enquired about the source of these additional funds, the client stated that the money was to be received as a gift from a friend. As part of the practices AML and due diligence procedures, the client was asked to provide supporting documentation, including a recent bank statement.

Upon reviewing the bank statement, the practice noticed that the narrative accompanying the relevant transaction described the funds as a "loan" rather than a "gift", contradicting the client's earlier explanation. This discrepancy raised immediate concerns regarding the true nature of the funds and the accuracy of the client's disclosure.

Further questioning revealed that the remaining funds required to complete the purchase were to be provided in cash. The client disclosed that this cash

originated from a high-risk jurisdiction, further increasing the risk profile of the transaction.

The practice decided to halt the transaction pending further investigation. The client was asked to provide additional evidence regarding the source and nature of the funds. Ultimately, the matter was escalated internally and a SAR was submitted in accordance with the practice's AML policy.

This case highlights the importance of robust client due diligence, especially where there are discrepancies in the client's account or funds are sourced from high-risk jurisdictions. Practices must ensure all explanations are fully evidenced and documented and must not proceed with transactions where there are unresolved AML concerns.

14.4 Suspicious Deposit and Third-Party Involvement

A practice, during routine due diligence checks, encountered significant delays and inconsistencies from a client regarding the origin and source of a substantial deposit. Initially, the client claimed the funds were primarily sourced from a remortgage. However, subsequent inquiries revealed that a large proportion had been provided by a third party.

- The client prevaricated and was slow to provide clear information about the source of funds.
- The original explanation (remortgage) was later contradicted by the disclosure of third-party involvement.
- Further checks revealed the third party had a criminal history, having been previously charged with various offences.

Recognising the potential risks, the practice undertook additional due diligence. Upon discovering the third party's criminal background, the practice became concerned that the deposit could represent the proceeds of crime. In line with its legal and regulatory obligations under PoCA, the practice submitted a SAR to the UKFIU.

This case evidences the importance of robust due diligence, the need to act on red flags (such as inconsistencies and evasiveness on sources of funds), and the critical role of SARs in the UK's AML framework. Practices must ensure that staff are trained to identify suspicious activity and understand their reporting obligations under PoCA to safeguard against unwitting involvement in money laundering.

15. Final Considerations

Overall, the thematic review identified several examples of good practice and demonstrated a generally robust approach to determining when a SAR should be submitted to the UKFIU. The majority of SARs examined during the review were thoughtfully prepared and contained valuable information.

However, it was also apparent from a small proportion of the SARs reviewed that there was not always a comprehensive understanding of the information that should be included. Given the vital role that SARs play in combating financial crime, it is essential that this is recognised and appropriate action is taken.

16. Appendix 1: Email and questionnaire sent to selected practices

You have been selected to take part in the Law Society of Scotland's latest thematic review on Suspicious Activity Reporting (SAR), undertaken as part of our wider risk-based approach to AML supervision across the Scottish solicitor profession.

Your cooperation and participation is required in order for the Society to:

- Further understand the SAR landscape across the Scottish legal sector.
- Understand the barriers, challenges and issues that may prevent appropriate and timely use of SAR reporting mechanisms by the sector.
- Develop educational materials to support the profession understand the wider SAR regime and submit better quality SARs to law enforcement authorities.

Engaging with this thematic will also help minimise money laundering risks to you, your business and your clients, along with the wider profession and society as a whole.

You can read our previous communications regarding this thematic review on our website for further background.

Please provide your practice's response by **10th June 2024**. As Money Laundering Reporting Officer (MLRO), you are asked to respond and submit the response on behalf of your practice.

We gently remind you of your duty to co-operate with the Society in an open, timely and co-operative manner in order for us to properly exercise and fulfil our regulatory functions.

Please be assured that Microsoft Forms submission is encrypted and complies with all relevant data privacy requirements.

Please note that you are unable to save and resume the form meaning this will need to be completed in one go.

We advise that you set 30-45 minutes aside to complete.

Please complete this without disclosing confidential information such as client details.



Section 1

Practice & MLRO - General Information

1. Practice name: *Required to answer. Single line text.*
2. MLRO name & 5 digit personal ID number: *Required to answer. Single line text.*
3. How long have you been MLRO of your current practice unit? *Required to answer. Single choice. Less than a year, 1-2 years, 2-5 years, More than 5 years*
4. On a scale of 1 to 5, with 1 representing "Very Poor" and 5 representing "Expert," please rate what you believe your level of knowledge and understanding of the UK SARs regime to be: *Required to answer.*
5. Do you have up-to-date National Crime Agency (NCA) SARs Portal log in credentials? *Required to answer. Single choice. Yes/No*
6. Does your practice have a written internal SAR reporting procedure and/or template? *(Select all that apply) Required to answer. Multiple choice.*
 - *Yes, this is contained within our internal policies*
 - *Yes, we use a SAR internal reporting template*
 - *Yes, we have both of the above*
 - *No, we do not have any written internal SAR reporting procedure*
 - *Other*
7. Considering the type of work conducted at your practice, do you find the quantity of internal SARs you receive to be in line with what you would reasonably expect? *Required to answer. Single choice. Yes/No/Other*

Section 2

Reporting figures

8. How many internal SARs have you received as MLRO, in the past 12 months? *Required to answer. Single line text.*
9. Of those reported to the NCA, how many fell into the below categories? *(If applicable)*
 - *SAR (PoCA/TACT) – An Information Suspicious Activity Report (SAR) under the Proceeds of Crime Act 2002 (PoCA) and the Terrorism Act 2000 (TACT) refers to a report submitted by individuals or organisations working in the regulated sector.*

- *DAML (PoCA) - A Defence Against Money Laundering (DAML) is a disclosure made to the NCA under Section 338 of PoCA.*
- *DATF (TACT) - A Defence Against Terrorist Financing (DATF) is a disclosure made to the NCA under Section 21ZA of TACT.*

Note: An SAR may also be referred to as a "Required SAR".

10. Within the same period, in what areas of work did you submit SARs/DAMLs/DATFs to the NCA? *(If applicable)*

- *Property/Conveyancing - Residential or Commercial.*
- *Trust & Company Service Provision - TCSP*
- *Private Client - Accident, Crime, Employment, Family etc.*
- *Business - Company, Commercial etc.*

Section 3

Record keeping

11. How do you store internal reports? *Required to answer. Multiple choice.*

- *Paper based*
- *Electronically*
- *I keep no record*
- *Other*

12. How do you store SARs/DAMLs/DATFs reported to the NCA? *Required to answer. Multiple choice.*

- *Paper based*
- *Electronically*
- *I keep no record*
- *Other*

13. As MLRO, do you currently keep documented evidence of your decision making process when you choose not to disclose a SAR to the NCA?
Required to answer. Single choice. Yes/No

Section 4

Training

14. Have you, as MLRO, ever received training specifically in relation to SARs reporting? *Required to answer. Single choice. Yes/No*

15. When did the practice last provide training on SARs to all relevant staff?
Required to answer. Single choice.

- *We have never provided this*
- *In the last 6 months*
- *In the last 12 months*
- *Over 12 months ago*

16. What type of training was delivered/completed? *(Select all applicable)*

Required to answer. Multiple choice.

- *In-house or external training seminars or webinars*
- *AML specific online training sessions*
- *Attendance at AML/Counter Financing Terrorism (CFT) conferences or similar*
- *Review of training materials prepared by the practice*
- *Review of relevant supervisory authority materials*
- *Completion of industry AML training qualification*
- *Review of internal PCPs and/or PWRA*
- *We have never provided this*
- *Other*

17. Select all applicable. What was the content of the training delivered?

Required to answer. Multiple choice.

- *An explanation of the relevant law(s) in relation to SARs*
- *AML/CTF 'red flags'*
- *Identifying suspicious activity and the processes for internal reporting, and where necessary for making a SAR*
- *We have never provided this*
- *Other*

Section 5

Reporting decisions & information to include in disclosures

18. Select the reasons why you, as MLRO, have chosen not to report an internal SAR to the NCA. *Required to answer. Multiple choice.*

- *Legal Professional Privilege (LPP)*
- *I did not have enough information*
- *It did not meet my threshold for suspicion*
- *I was concerned about tipping off*
- *I was concerned about the time it would take for the NCA to respond*
- *I have always reported internal reports to the NCA*
- *The practices risk appetite/risk based approach*
- *Other*

19. If applicable, outline the most recent instance where, as MLRO, you have chosen not to report an internal SAR to the NCA. *Please provide a summary*

of your reasoning behind this decision and the process you followed. Please do this without disclosing confidential information such as client details.

20. If applicable, outline any instance where, as MLRO, you have chosen not to report an internal SAR to the NCA due to Legal Professional Privilege. *Please provide a summary of your reasoning behind this decision and the process you followed. Please do this without disclosing confidential information such as client details.*

21. Select all that apply. When should you submit a SAR to the NCA? *Required to answer. Multiple choice.*

- ☐ *If you know of or suspect money laundering/terrorist financing*
- ☐ *When you are unsure how to mitigate risks inherent in the matter*
- ☐ *When you want to report crime or matters relating to immediate risk to others*
- ☐ *If you have reasonable grounds to suspect money laundering/terrorist financing*
- ☐ *To request permission to act*
- ☐ *To meet my obligations under PoCA/TACT*
- ☐ *To seek a defence against money laundering/terrorist financing*
- ☐ *Other*

22. Select all that apply. What is the potential consequence(s) for failing to disclose to the NCA within the regulated sector? *Required to answer. Multiple choice.*

- ☐ *You may commit an offence under PoCA/TACT*
- ☐ *You may put yourself and your practice at risk of criminal and/or civil consequences*
- ☐ *You may commit a principal money laundering offence*
- ☐ *Reputational damage*
- ☐ *Failing to provide information to law enforcement in order to prevent further crime*
- ☐ *Other*

23. Outline your understanding of the difference between a SAR and a DAML/DATF. *Required to answer.*

24. What would you do if you suspected your client or a third party was at risk of immediate harm? *Required to answer. Single choice.*

- ☐ *Submit an SAR*
- ☐ *Call 999*
- ☐ *Both*
- ☐ *Neither*

25. Select all applicable criteria. What should be included in SAR disclosures to the NCA? *Required to answer. Multiple choice.*

- *The full identity of parties involved*
- *A description of any suspected benefit from criminal conduct*
- *The reasons for suspicion*
- *Request clearance/permission to continue acting*
- *Glossary code, if applicable*
- *Details of the internal reporter*
- *Details of associated parties/subjects*
- *Other*

26. Select all applicable. If available, what information relating to the parties/subjects should be included in a report to the NCA? *Required to answer. Multiple choice.*

- *Full name*
- *Date of birth*
- *Address(es)*
- *Bank account numbers*
- *Occupation*
- *National insurance number*
- *Passport or other relevant ID numbers*
- *Suspected criminal behaviour*
- *Associated parties/subject information*
- *Glossary codes (if applicable)*

Section 6

Defence Against Money Laundering/Terrorist Financing (DAML/DATFs)

27. A DAML/DATF constitutes 'clearance' or 'permission' to continue acting. *Required to answer. Single choice. True/False*

28. Select all applicable criteria. What should be included in DAML/DATF disclosures to the NCA? *Required to answer. Multiple choice.*

- *The basis for your knowledge or suspicion*
- *A description of the criminal property*
- *Evidence to prove the predicate crime*
- *A description of the prohibited act*
- *A request to receive client fees*
- *Glossary code, if applicable*
- *All information usually required in a SAR*
- *Other*

29. The NCA can advise you on the approach or actions you should take to mitigate risks: *Required to answer. Single choice. True/False*

30. Select all applicable. Which of the following can the NCA provide in its DAML/DATF response? *Required to answer. Multiple choice.*

- *Confirmation/granting of a defence against money laundering/terrorist financing*
- *Assurance that the funds are legitimate*
- *Permission to override your regulatory requirement(s)*
- *Consent to continue working on the matter to the extent you have asked for*
- *Refusal*
- *Permission to act*

31. What would you do if your client was chasing for completion of their matter and you have submitted a DAML/DATF to the NCA? *Required to answer. Multiple choice.*

- *Tell your client you have submitted a report to the NCA*
- *Stall your client*
- *Complete the prohibited act you have requested consent for*
- *Other*

32. Should your request for a DAML/DATF be refused, in your own words, what would you do? *Required to answer.*

Section 7

General knowledge – tipping off, supervisory powers & glossary codes

33. Outline your understanding of the offence of "Tipping Off" and the potential punishment for committing the offence under PoCA. *Required to answer.*

34. Can the Law Society of Scotland review SARs & DAMLs to assure and test quality of reports? *Required to answer. Yes/No*

35. The NCA can refer poor quality reports or other compliance concerns to the Law Society of Scotland as your AML supervisor for attention and appropriate action? *Required to answer. True/False*

36. Glossary codes are crucial for enabling the NCA and wider law enforcement to conduct analysis to identify money laundering trends. Can you submit an SAR with more than one glossary code? *Required to answer. Yes/No*



Section 8

Feedback

37. Please share your feedback on any obstacles you encounter when disclosing to the NCA. Additionally, please let us know how the current system could be improved.