

Issue 29

SIA

SARs IN ACTION
MAGAZINE



UKFIU
UK Financial Intelligence Unit

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A United Kingdom Financial Intelligence Unit
publication aimed at all stakeholders in the
Suspicious Activity Reports regime

 **NCA**
National Crime Agency

Message from the head of the UKFIU



Vince O'Brien Deputy Director

Hello and welcome to the 29th issue of the UKFIU's magazine SARs in Action.

In our final issue of 2024 we highlight the analysis conducted by Companies House around the formation of companies created to launder illicit funds.

We take a closer look at the work to combat the trafficking of human beings and how the financial sector can play a part in tackling it.

This is followed by the Illicit Finance Public Private Threat Group (PPTG) who introduce us to the activities of The Hydroponics Cell, following the release of their Amber Alert.

We learn about the 2024 Global Financial Institutions Partnership Summit, hosted in Ottawa, Canada and attended by the UK Financial Intelligence Unit (UKFIU) and National Economic Crime Centre (NECC).

And finally, we introduce our winners from the 2024 Tackling Economic Crime Awards (TECAs).

➔ Who is the magazine aimed at?

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

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➔ 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.

TRAFFICKING IN HUMAN BEINGS: A CALL TO ACTION FOR THE FINANCIAL SECTOR

Europol Financial Intelligence Public-Private Partnership (EFIPPP)

Trafficking in Human Beings (THB) is one of the most lucrative and pervasive criminal enterprises in the world, affecting nearly every country and economic sector. An estimated 49.6 million people are living in conditions of trafficking or similar forms of exploitation.¹ THB is primarily driven by economic profit, and although many transactions are conducted in cash or through non-traditional systems such as cryptocurrency or hawala,² intersections with the traditional financial industry persist. Thus, the regulated financial industry must be seen as a key player in detecting and disrupting these criminal activities.

Trafficking in Human Beings Handbook

Recognising the crucial role of the financial sector in combating THB, the Europol Financial Intelligence Public-Private Partnership (EFIPPP) released the Trafficking in Human Beings Handbook on 27th September 2024.³ This comprehensive guide aims to strengthen the financial sector's ability to detect and respond to THB-related activities.



The handbook highlights the role of financial institutions in identifying and preventing human trafficking and provides detailed insights into current threats and emerging risks. It shares strategies to enhance transaction monitoring capabilities, as well as indicators to enhance the quality of Suspicious Activity Reports (SARs) related to THB. It concludes by providing recommendations for Financial Intelligence Units (FIUs) on effectively handling THB-related SARs.

This resource has become a fundamental weapon piece in the fight against human trafficking by addressing the specific needs of the financial industry and equipping stakeholders with practical tools and strategies to combat this global issue.



¹ International Labour Organization www.ilo.org

² Hawala is an informal fund transfer system which allows the movement of money (through a network of money brokers known as hawaladars) without the actual physical transfer of money. Originating in India, hawaladers are spread throughout the world but are primarily located in the Middle east and North Africa.

³ The handbook has been shared with relevant stakeholders and is not publicly available.

The publication of the handbook reflects EFIPPP's commitment to tackling human trafficking through collaboration and innovation. Established in 2017, EFIPPP is the first transnational information-sharing mechanism dedicated to Financial Crime. EFIPPP has positioned itself as a key actor in the European financial intelligence landscape, connecting and serving as a cross-border cooperation hub between financial industry, law enforcement and financial intelligence units.

EFIPPP Members



EFIPPP is currently composed of 96 institutions from 27 countries within and beyond Europe. Led by EFIPPP members, the community is currently researching the financial dimension of multiple crime areas including Child Sexual Abuse and Exploitation, Illegal Wildlife Trade, Terrorist Financing, Money Mules, Circumvention of Sanctions, Crypto Assets, Professional Enablers, Open Source Intelligence and Investment Fraud. Professional Enablers will be the focus of EFIPPP's next plenary meeting at Europol Headquarters in The Hague.

Dr Frank Haberstroh, Head of Strategic Analysis with FIU Germany and EFIPPP's THB Work Stream driver, commented: "The results of the project work, as reflected in the handbook, show that the financial sector can take effective action against human trafficking. FIUs can sharpen their processes to better respond to the specific risks and support law enforcement agencies with key information to combat these heinous crimes."

Eric van der Schild, EFIPPP Project Manager, added: "We are moving from purely fighting financial crime to fighting all crimes using financial intelligence and all other forms of intelligence. In doing so, we try to make use of all the knowledge and experience available internationally, from both public authorities and private parties. Every piece of information can help the community fight human trafficking."

COMPANY FORMATION ANALYSIS

NECC Illicit Finance Team

Background

The Illicit Finance Public Private Threat Group (PPTG) commissioned a time-limited cell (working group) to look into Illicit Company Formation (ICF) which was a follow-up to the High-Risk Trust and Company Service Provider (TCSP) Cell, previously outlined in [SARs in Action Issue 21](#).

The ICF Cell, which was co-chaired by the NECC Illicit Finance Team and a bank, brought together members of the private, public and supervisory sectors to assess ICF risks more broadly and also evaluate emerging risks identified through the previous TCSP work.

ICF is defined as the enablers and characteristics used in the creation of companies as part of corporate structures to launder illicit flows (shell companies).

Key Characteristics of Risk by Category



The ICF Cell dismantled the key characteristics/enablers linked to illicit company formation including red flags for consideration. A brief example of these are outlined below. Investigators in the public and private sectors could consider these, particularly in accumulation and in context of the entity under investigation (i.e. Do they make sense?).

Address	Officers/Directors	General	Person(s) of Significant Control (PSC)
Multiple companies	Multiple companies	Naming convention patterns	Missing or opaque
Residential address or Virtual office provision i.e. mail forwarding / no face to face contact	Linked to large range of different and varied Standard Industrial Classification (SIC) codes	Movement on incorporation date or shortly after	Age e.g. very young or very old
Negative news	Age e.g. very young or very old	High-risk jurisdictions	High-risk jurisdictions

Data Analysis

The ICF Cell members covered a number of workstreams, one of which aimed to identify data analytical approaches investigators could consider to identify risks of ICF. The aim of sharing intelligence-led data analytical approaches was to build a catalogue of options for consideration as part of any risk-based approach.

For example,

- Using 'tactical information' e.g. postcodes, to identify clients and/or counterparty exposure, then adding in additional "risk indicators" such as other ICF characteristics, previous SARs/cases, monitoring alerts etc
- Shell company lists in transactional monitoring/watchlist capability
- Leveraging known internal cases and networking from these initial points, using internal and Companies House information to build possible associations

UK Companies House operates a free-of-charge, self-service model for Companies House data. This ranges from application programming interface (API) access, snapshots and advanced search which allows bespoke and tailored reports to be created. More information on the range of search options can be found at the [UK Companies House website](#). Using this type of resource is important to build on some of the scenarios above.



Companies House

Podcast

Listen out for an upcoming episode of the UKFIU Podcast, in which participants of the ICF Cell provide more background and insight into the cell and its activity.

Our podcasts can be found on Spotify, Audible, Amazon Music and most streaming sites.

Produced by the UK Financial Intelligence Unit NCA
National Crime Agency

HYDROPONICS CELL

Illicit Finance Public Private Threat Group (PPTG)

A time-limited public-private partnerships cell was commissioned under the Illicit Finance Public Private Threat Group (PPTG) to focus on hydroponics firms and their use as vehicles to launder the proceeds of crime. The cell was co-chaired by Yorkshire and Humber Regional Organised Crime Unit (ROCU) and NatWest Bank and was supported by the NCA's National Economic Crime Centre (NECC) under the Joint Money Laundering Intelligence Taskforce (JMLIT)+ model.

The Royal Horticultural Society defines hydroponics as “the science of growing plants without using soil, by feeding them on mineral nutrient salts dissolved in water.”¹



While the sale of hydroponics systems is legal and they can be used for legitimate purposes such as growing herbs or plants, the same systems can also be used to grow cannabis. Due to the volume and values of cash observed in the hydroponics sector, law enforcement has noted that the sector appears to be attractive to known Organised Criminal Groups (OCGs) for laundering the proceeds of criminality, generated either through the sale of illegal drugs, or via other OCG activity and laundered through hydroponics companies.

The cell sought to understand to what extent hydroponics firms are used in this manner and to highlight to financial institutions some of the thematic high-risk behaviours and typologies associated with companies operating in the hydroponics sector.

First Meetings

The cell first met in June 2023 and took an intelligence-led approach to understanding how the hydroponics sector may be used to launder criminal cash by sharing data on both live and historic investigations. By utilising the Section 7 gateway under the Crime and Courts Act 2013, eight ROCUs shared the details of subjects of interest in live investigations with cell members to allow them to consider their exposure. Cell members also returned anonymised investigation debriefs back into the cell to develop case studies and evidence-based indicators. All cell members, particularly private sector participants, were also requested to share historic anonymised investigation debriefs to further enhance the development of case studies and evidence-based indicators.

¹ Royal Horticultural Society Website, “Hydroponics”, <https://www.rhs.org.uk/vegetables/hydroponics>



Amber Alert Produced

The cell produced the first industry-wide Amber Alert on hydroponics, providing up-to-date intelligence to law enforcement and the private sector, which includes evidence-based indicators and case studies developed via data shared by cell members. Cell members were also provided with a copy of over 100 case studies collected during the cell's lifespan.



Explained the use of hydroponics firms to facilitate the laundering of proceeds of crime.

Identified common financial crime themes and trends associated with the hydroponics sector.


Outlined case studies and identified risk indicators that occurred as a result of the cell work.

Furthermore, as a result of work completed under the cell, one ROCU began a proactive money laundering investigation and obtained an Account Forfeiture Order for almost £200,000, as well as a number of Asset Freezing Orders totalling £250,000. A further ROCU was able to develop intelligence from the cell, which led to the execution of a warrant on a number of addresses, multiple arrests and the seizure of significant volumes of cannabis and cash.


If you or your institution identifies activity which may be linked to the detail in this report, and there is a proceed of crime, you may wish to make a Suspicious Activity Report (SAR). If you decide to make a report in this way, you should adopt the usual mechanism for doing so, and it will help our analysis if you would include **XXJMLXX** within the text and the reference **0741-NECC** for this alert within the relevant field on the NCA SAR Portal.

¹ This Amber Alert has been shared with the JMLIT+ membership and is not publicly available.

CASE STUDIES



A reporter submitted a DAML SAR to the UKFIU stating their intention to end their relationship and pay funds to a customer who had been arrested and was under investigation by a law enforcement agency (LEA) for drug offences. Financial activity on the customer's account contained multiple cash credits of unknown origin, leading the reporter to suspect that the funds in the account were the proceeds of crime. The investigating LEA submitted a successful restraint application and there was a confiscation of over £20k of funds which was uncontested by the customer. The LEA also confiscated over £100k of assets including funds held in additional accounts, luxury goods and cryptocurrency.



A reporter submitted a DAML SAR to the UKFIU to seek a defence to return funds to a customer while exiting their relationship with them. They had found their customer, who operated an online retail business, was purchasing goods from their own business and it was therefore suspected that the customer was attempting to launder money and conceal the proceeds of crime. The UKFIU fast-tracked the DAML SAR to a LEA who confirmed that the customer had been arrested and was subject to ongoing investigations for drug and fraud related offences. The LEA successfully applied for the forfeiture of funds totalling over £75,000.

UKFIU AND NECC ATTEND 2024 GLOBAL FINANCIAL INSTITUTIONS PARTNERSHIP SUMMIT IN CANADA

UKFIU Engagement - With credit to original press release from www.irs.gov/j5

In October 2024, the UK Financial Intelligence Unit (UKFIU) and National Economic Crime Centre (NECC), at the invitation of His Majesty's Revenue and Customs (HMRC), attended the fourth Global Financial Institutions Partnership (GFIP) Summit in Ottawa, Canada. The GFIP Summits are an initiative of the Joint Chiefs of Global Tax Enforcement known as the J5, and bring together experts from the public and private sector to discuss the challenges and opportunities in addressing, managing and mitigating current and future tax and financial crime risks.



The J5 works together to gather information, share intelligence and conduct coordinated operations against transnational financial crimes and is made up of the Australian Taxation Office (ATO), the Canada Revenue Agency (CRA), the Fiscale Inlichtingen- en Opsporingsdienst (FIOD),¹ HMRC, and the Internal Revenue Service Criminal Investigation (IRS-CI)².

Canada Hosts Summit

This year's summit was hosted by the CRA, in close co-operation with the other J5 members and gathered more than 100 participants from the public and private sectors of all five J5 countries – Australia, Canada, the Netherlands, the United Kingdom and the United States of America.

The Summit focused on three key threat areas;

Identify theft-based crimes

Misuse of financial technology

Trade-based money laundering

During the summit, the UKFIU participated in a panel discussion with the other J5 FIUs about emerging trends in the anti-money laundering (AML) landscape. We were able to share insights on how effective engagement with the regulated sectors can improve the quality of intelligence received through SARs, and ultimately support the work of law enforcement in tackling a range of serious and organised crime threats.

¹ Netherlands FIU

² U.S federal law enforcement agency



EXPRESSIONS

Niels Obbink, Director General, FIOD - "This year, the J5 has held their fourth GFIP Summit. We were welcomed by our dear colleagues from the CRA who hosted the event in Ottawa, Canada, where we participated in enlightening two-day discussions on key and emerging threats, project development updates and relationship building,

We discussed in depth trade-based money laundering (TBML), specifically in relation to the plastic waste sector. The United Kingdom and the Netherlands have worked with private sector partners and the FIU's to carry out a detailed analysis of the sector's exposure to potential TBML, creating a method that is potentially replicable across other GFIP stakeholders and J5 partners. The next steps for this work include operationalising that insight to support multi-agency intervention activities. I look forward to the upcoming results from this and other GFIP projects."

Richard Las, Director of the Fraud Investigation Service at HMRC - "Tax authorities cannot tackle tax crime alone. Businesses have a vital role to play in the fight against those who would undermine our economies and our communities. That's why the GFIP is so important. The public and private sector working together to identify threats, share knowledge and target those intent on causing harm.

I'm delighted at what we've achieved during this summit. We've strengthened our partnerships and made real progress against key threats, including identity crime and TBML. It's a shining example of what can be accomplished when we bring our collective skill, expertise and commitment to the table."

Following on from the two-day GFIP Summit, the UKFIU also attended a two-day Financial Intelligence Unit Symposium with the FIUs from the other J5 countries. The Symposium was an opportunity to hear from our foreign FIU counterparts about some of the current projects they are involved in, including Project SHADOW. Project SHADOW is a public-private partnership to identify and report money laundering associated with proceeds from child exploitation online, led by Scotiabank and supported by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), Canada's FIU.

TACKLING ECONOMIC CRIME AWARDS (TECA) 2024

National Economic Crime Command (NECC) Public Private Partnership (PPP)

The Tackling Economic Crime Awards (TECAs) recognise excellence and innovation in tackling economic crime by those working in the private, public and third sectors. In November 2024, the TECAs ceremony took place in West London.



The National Economic Crime Centre (NECC) and Proceeds of Crime Centre (PoCC) were shortlisted for eight awards across seven different categories, and won three awards on the night. This is the first time NECC has won any TECA awards, which is a truly outstanding achievement for all involved.

Rachael Herbert, Deputy Director NECC said: "It was great to attend the recent Tackling Economic Crime Awards 2024. I was so proud to accompany some of the NECC, UKFIU and NCA officers who were shortlisted for awards.

We were shortlisted for an impressive eight awards across seven categories, demonstrating the wide range of fantastic work we do that is recognised by those across the economic crime landscape. And to top it all off, we had three winners! Congratulations and well done to all those nominated and shortlisted, as well as our winners."

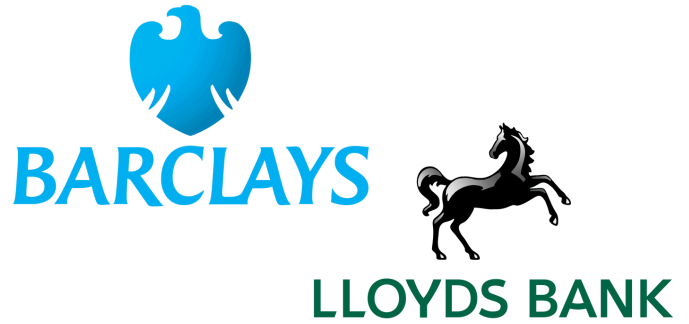
Our Winners

Outstanding Partnership: Operation AVIATION – SE ROCU; Lloyds Bank; Barclays Bank; National Economic Crime Centre (NECC)

Operation AVIATION: a partnership between the South East Regional Organised Crime Unit (SEROCU), Barclays Bank and Lloyds Bank, facilitated by the NECC (JMLIT team), tackled criminal underground banking in Southampton. Serious organised crime in this area generated large volumes of cash which need laundering, so was often sold to international students with cash export restrictions. Southampton saw significant cash deposits, with £719k of Scottish notes deposited at one branch in just two months.



The NECC facilitated joint efforts, with Lloyds Bank threat analysis and Barclays Bank identification of high-risk accounts being crucial. The operation included covert surveillance and legal measures, leading to significant disruptions. This collaboration exemplified effective joint-working and innovative strategies in combating economic crime.



Outstanding Overseas Initiative: Project PUENTE – NECC Illicit Finance Threat Leadership



Project PUENTE, led by the NECC, has been tackling complex overseas money laundering impacting the UK for over five years. By creating a multi-disciplinary operational team, building partnerships with foreign jurisdictions, and engaging the private sector. The project addresses this issue from all angles.

Recently, Project PUENTE launched a new Combined Anti-Money Laundering Operational Team, enhancing international collaboration against top-priority money launderers. This initiative has led to unprecedented high-value intelligence sharing, significantly improving the ability to disrupt complex criminal networks affecting both countries.

Outstanding Young Professional: Adam C – National Economic Crime Centre

Adam C, Manager, Fraud Threat Lead has introduced new concepts in the fraud space, establishing high-profile projects and relationships that create opportunities for disrupting sophisticated criminals. He has built international partnerships across public and private sectors and within the NCA, focusing on the under-tackled enablers of large-scale fraud.

Adam leads the INEXTENDED Cell, leveraging telecom resources to identify criminals, which has so far resulted in the arrest of eight prolific phishing fraudsters. He has also strengthened the link between cyber and fraud responses, promoting cross-over initiatives like the iSpooof, GENESIS, and LabHost takedowns, enhancing enforcement against harmful fraud activities.



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Episode 20

AVAILABLE HERE



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Educational podcast series discussing areas of interest related to the SARs regime and economic crime.



Our podcasts can be found on Spotify, Audible, Amazon Music and most streaming sites.



Updates can also be found on our LinkedIn page and on X (formerly Twitter) at [NCA_UKFIU](https://twitter.com/NCA_UKFIU).

