

AML ALERT NEWSLETTER 07/06:**THE SOCA SAR ONLINE SYSTEM : AN ASSESSMENT**

Historically, the receipt of disclosures by the UK FIU has been, in the main, a time consuming and laborious affair, with paper communications sent in by the tens of thousands by both fax and post. Whilst direct electronic links have been in place for a number of years for a limited number of financial institutions, largely relying on paper based disclosures represented poor return on investment for the private sector in terms of the time delays generated by creation and submission, as well as the risk of non-receipt by NCIS due to errors in transmission. Furthermore, firms often failed to realise that sizeable proportions of the data that was included in paper based disclosures was never input into the intelligence databases, and would therefore never reach operational investigative units.

It was therefore encouraging to see that within a month of the official launch of SOCA the FIU had launched a new SAR online system, available at [https://www.ukciu.gov.uk/\(snn4scr0cszrrpagrixlux55\)/saronline.aspx](https://www.ukciu.gov.uk/(snn4scr0cszrrpagrixlux55)/saronline.aspx)

This article is based on the experiences of Ernst & Young in terms of both actual disclosures made under the new system and knowledge of issues reported by other industry contacts.

The first issue to note is the user structure created by the system architecture. Once the initial (“prime”) user has progress through the registration process and been granted the necessary security access codes, he or she can nominate other users (“secondaries”) to be registered against the same disclosing entity. This is of obvious benefit to nominated officers in large organisation who delegate reporting responsibilities to staff elsewhere in the organisation. However, one potential problem is the ability for secondaries to delete other users, or nominate other users. Nominated officers may wish to consider how they could control the eventual numbers of secondaries assigned against their firm (a list of all users for the firm is available on line).

Both prime individuals and secondaries may submit SARs and may define the SAR status as shared or private for obvious security reasons. Shared SARs are visible to the prime and all secondaries for that firm. SARs can be saved up until the point of final submission, enabling firms to document their actions.

Whilst SARs are being completed, up to ten draft SARs can be held on the system by each user. The date assigned to the SAR upon first creation remains throughout the whole lifecycle of the disclosure. However, nominated officers should note that the system does not appear to be able to produce for the user a log of when data was updated or overwritten, and therefore may not be suitable for evidencing that the ongoing development of an investigation was undertaken within a reasonable timescale. The system will also log the user out after 20 minutes of inactivity, making regular saving of work an essential practice.

The actual field layout within the SAR online system has changed little from Moneyweb, focusing on a primary subject with secondary subjects and transactions linked through user supplied data. A number of mandatory fields exist for different entity/factor submissions – such as postcode, currencies, and gender. Nominated officers may therefore benefit from comparing these mandatory fields with their own internal SAR forms to ensure that the data is collected from front line staff as a matter of course – submission on line will then become much simpler.

The entity fields are fairly simplistic in nature, with the legal persons templates being aimed towards standard company structures. Nominated officers may find it difficult to easily project trust, partnership, charity, or other entity type information. In particular, the system requires a separate template to be completed for each associated individual (for example directors of a

target company). Whilst it may be tempting to simply insert a list of directors into a freetext field, this will not assist in the data analysis within SOCA and risks either partial or no matching against name data already existent within ELMER from other disclosures.

Transaction templates are, as with Moneyweb, very focused on actual value movement. All transactions must be identified as either a credit or debit activity, and linked to an account, which may create problems for nominated officers seeking to report either assets which are not in the process of transforming location or ownership but have given grounds for suspicion or where no 'account' has been provided but a disclosure is still warranted. It may well be the case that as SOCA develops analysis of disclosures, further expansion of the transactions templates will be justified.

The final section prior to dispatch is the documentation of the reason for suspicion. As with paper-based disclosures, this section remains of key importance as discussions with investigating officers at FIUs continually indicate that if, when a disclosure is examined, the reason for suspicion cannot be understood, the likelihood of a suitable investigation being commenced is lessened. However, nominated officers should not assume that it is possible to avoid completing the fields for entities and transactions in order to save time and simply place all data in the final freetext section – in such cases the ability of the ELMER system to cross-reference and analyse is greatly reduced.

Upon final submission, a reference number is received by return. Nominated officers should note that receipt of the ELMER reference number does not mean that the 'timer' on the consent period has started. Indications from law enforcement are that the 7 day period commences the next working day after the disclosure is made. This may mean that for a disclosure made electronically on a Friday before a Bank Holiday, the 7 day period could be deemed not to begin until the following Tuesday.

Nominated officers should also note that once the form has been submitted, it is no longer available via the online system. It is therefore imperative that a copy is saved immediately before dispatch. For those firms using software based case management systems, ensuring that the final submission file can be appended to internal records will be vital.

Overall, the new SAR online system should be welcomed as another step along the path to an efficient UK disclosure regime. Nominated officers should recognise the efficiency savings that can be made within their own organisations by reducing the amount of paperwork and duplication, but should be cautious around the issues highlighted above. Undoubtedly the SAR online system will benefit from an objective evaluation after a period of operation, and firms should be willing to provide open and honest feedback to the authorities when asked to comment.

The EY AML Alert is a free information circular offered to MLROs and other anti-laundering specialists. It is designed to draw attention to events and activities in the UK and global financial services world that may have an impact on anti-money laundering approaches. The information contained in this circular is intended to provide general guidance. It is not intended to replace the specific advice which should be sought from an appropriate professional adviser before taking any particular course of action. If you wish to discuss further any of the issues covered in the circular, please contact Debbie Ward on 0207-951-4622 or Gavin Coles on 0207-951-1761. Further information may be obtained via our webpage at http://www.ey.com/global/Content.nsf/UK/FS_-_Services_-_RS_-_Anti-money_laundering.