HM Revenue & Customs

Jim Harra
Chief Executive and First Permanent Secretary

Room 2/75
100 Parliament Street
London
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2 October 2020

Dear Mr Stride,

Thank you for your letter of 22 September. The first two questions in your letter relate to financial regulatory matters which are not the responsibility of HMRC. In this letter I have provided responses to the final questions in your letter.

How confident are you that HMRC is an effective money laundering supervisor for those within its jurisdiction, including estate agents, high value dealers, trust or company service providers not supervised by the FCA or a professional body, and art market participants?

HMRC takes its money laundering supervisory responsibilities very seriously. We take a risk-based approach to supervision in line with international standards and guidance. We work with supervised businesses to ensure they meet their obligations, including through liaison with business bodies and through the provision of education and guidance.

We scrutinise businesses to ensure they are fit to be operating in the supervised sectors, scrutinising applications for registration to prevent inappropriate businesses from registering and using suspension or cancellation of registration when necessary to address risks and compliance failures in registered businesses.

When businesses fail to meet their money laundering regulation requirements, we take swift action such as issuing civil sanctions or, in the worst cases, criminal prosecution. In 2019-20, we issued some of the highest penalties given so far, including £215k to a large Estate Agency Business and a record-breaking £7.8m to a non-compliant Money Services Business. We magnified the impact of these sanctions through strong messaging within and across sectors. Publishing the names of businesses who have failed to comply with their obligations gives a clear message that non-compliance will not be tolerated.

We are constantly looking to build upon our effectiveness in this area. For this reason, we committed to actions in the Economic Crime Plan that will deliver an enhanced risk-based approach to supervision by March 2021. We have already made considerable strides (e.g. implementing a new operating model and new sanctions framework, underpinned by refreshed risk assessments and strategies, with trials of enhanced registration processes already showing a positive impact). We are on track to meet our Economic Crime Plan commitments.

Impact on any ongoing investigations or work, or may impede the future operation of the SARs system (regulatory requirements aside)?

HMRC uses suspicious activity reports across our risking and compliance activity, and the release of this sensitive information could have an impact on current or planned investigation activity. However, it is too early to comment on any specific impacts at this time while HMRC assesses the overall risk.

There could also be a consequence for the people who make these reports. They need to have faith that report users, like HMRC, do everything they can to mitigate any risks to them from exposure. This is particularly important for smaller firms that can be at the vanguard of identifying criminals, tax cheats and terrorist financiers. We adhere to the UK Financial Intelligence Unit's strict guidelines on using reports, regardless of their country of origin, to protect the identity and security of those making the reports.

Yours sincerely

JIM HARRA
CHIEF EXECUTIVE AND FIRST PERMANENT SECRETARY