



Rt Hon Mel Stride MP,  
Chair of the Treasury Committee,  
Committee Office,  
House of Commons,  
London,  
SW1A 0AA

19th October 2020

Dear Mel,

## **Response to Treasury Committee Enquiry on FinCEN Files**

Thank you for your letter of 22 September 2020 regarding a number of questions from the Committee in relation to the 'FinCEN Files'. Please find below my response to your enquiry.

Combatting the threat from economic crime is a priority for the Home Office, and I am personally committed to bearing down on dirty money and financial exploitation which causes such harm to our communities, economy and global reputation. The UK has an ambitious Economic Crime Plan that sets out our approach through prevention, education, effective enforcement and regulatory reforms, to close-off systemic vulnerabilities to money laundering. Government is already delivering several key actions that are tackling the highlighted issues:

- i. The **SARs reform programme**, to provide faster and better use of suspicious activity reports, increasing money laundering prosecutions and disruptions;
- ii. Improving corporate transparency – on **18 September the Government published a response to its consultation on Corporate Transparency and Register Reform**, setting out steps to reform Companies House. These are important reforms, along with related Limited Partnerships reform and the Register of Overseas Entities Beneficial Ownership (ROEBO) proposals;
- iii. Significantly increasing the number of dedicated officers in the National Economic Crime Centre, UK Financial Intelligence Unit and Regional Organised Crime Units in order to **strengthen law enforcement's capabilities to investigate and crack down on criminals and seize dirty money**;
- iv. **International Illicit Finance Strategy** – encouraging strengthened standards overseas and a campaign to increase transparency of company

ownership worldwide and minimise the opportunities for criminals to hide behind anonymous shell companies.

To deliver the full ambition of this work, additional funding is required. That is why in 2020/21, Government investment includes £16m towards funding Suspicious Activity Reports (SARs) reform, £22m to reform Companies House and £47m to develop the National Economic Crime Centre and supporting capabilities. HM Treasury are also consulting on a new economic crime levy, which will raise £100 million per annum to fund the critical new anti-money laundering capabilities committed to in the Economic Crime Plan.

**You ask what more needs to be done to further secure the financial system.**

The 'FinCEN Files' leak has released historical information going back to 2017. In 2018 the Financial Action Task Force found that the UK has one of the strongest systems in the world for combatting money laundering and terrorist financing. The successful implementation of the Economic Crime Plan, as outlined above, is already addressing many of the key themes emerging from the leaks. However, we know that we must go further, faster. The Home Office and law enforcement agencies, including the National Economic Crime Centre are carefully considering the allegations to see what more should be done.

**You ask whether I have had any comments from US authorities that the UK is a 'higher-risk' jurisdiction and would such an identification concern me.**

I have not received any specific comments to date on this matter from our US colleagues. Like the United States, the UK is one of the largest global financial centres, and with that comes inherent challenges and responsibilities. The UK is a global leader in tackling economic crime, with some of the toughest regulations in the world. However, we are determined to do yet more to ensure that we secure our reputation as a safe place to do business.

**You ask whether we are on track to meet the requirement for the UK Financial Intelligence Unit to be sufficiently operationally independent and autonomous?**

The importance of the UKFIU was highlighted in the Economic Crime Plan and we have made good progress on bolstering the resources within the UKFIU by c.50 officers (from a baseline of c.80 officers at the time of the last FATF review) and there are plans to go further with additional officers in 2021/2. Increased resource is a key element of the UKFIU's ability to demonstrate independence and autonomy. Alongside this, investment in new IT through the SARs Reform programme, and in launching both the National Economic Crime Centre (which hosts the UKFIU) and the National Data Exploitation Centre are increasing the UKFIU's analytical capabilities.

**In response to your query whether we are on track to deliver the first tranche of the NCA IT transformation and some near-term improvements,** I can confirm that the NCA IT delivery for SARs is on track, with the first release for large-scale SARs reporters (banks) of the new IT solution planned for the end of December this year. Like any major IT programme, the project is not without risk, but informed by

regular independent review by the Cabinet Office Infrastructure & Projects Authority, we are making good progress.


The SARs programme is not only about IT improvements; a significant element involves increasing the staffing within the UKFIU and improving the way in which it operates. Headcount is increasing (up to 127 (with 113 currently in post) from c.80 at the time of the FATF review). We are also beginning to pilot changes to the UKFIU's operating model so that we can deliver other benefits – namely improved feedback to reporters, threat alerts, and increased analysis of the SARs.

Further resource uplift is underway within the Regional Organised Crime Units which will also increase the use of SARs in identifying Serious Organised Crime leading to greater numbers of prosecutions. These measures will improve the effectiveness of the regime, both increasing law enforcement outcomes and supporting better use of the regime by reporters.

**You ask if I am confident that the reforms outlined in the Government's response to the corporate transparency and register reform consultation are swift and full enough.** Whilst I welcome the publication of Government's response to the Corporate Transparency and Register Reform Consultation, we now need to secure the necessary legislative time and prioritisation to drive through the BEIS reforms of Companies House, Limited Partnerships and ROEBO Bill.

**You ask if I am concerned about the impact of the FinCEN leaks on SARs submissions and if I am assured the UK system is robust?** The NCA is responsible for the security of the SARs database. They take the protection of information very seriously. They have reviewed security in light of the leaks and believe the system is secure. In terms of any impact on reporters' behaviour of the leaks, the NCA have not raised any concerns over the submissions of SARs by the regulated sector. In the week since the leaks were published SARs continued to be submitted at, or above, their normal rate.

I hope this reassures you that while we already have significant plans in place to address many of the issues raised by these leaks. However, we are also determined to see what more can be done to make our system as robust as possible and to secure the prosperity and reputation of the UK.

*Yours sincerely,*  


**Rt Hon James Brokenshire MP**