

Written evidence submitted by RUSI Centre for Financial Crime and Security Studies

This submission is made by the Centre for Financial Crime and Security Studies (CFCS) at the Royal United Services Institute (RUSI). It represents the views of the research team members who have contributed their expertise as it relates to the wide-ranging themes covered by the inquiry. It does not represent the views of RUSI itself.

Since its formation in 2014, RUSI's CFCS has focused on matters at the intersection of finance and security in support of policy makers and operational agencies in the UK and in a range of countries across the globe, as well as undertaking extensive engagement with multilateral bodies charged with developing policy and operational responses to financial crime, such as the Financial Action Task Force (FATF), its regional bodies (FSRBs) and the UN Security Council.

Of particular interest for the Committee and its current inquiry, RUSI's CFCS publishes a tracker – updated quarterly – that monitors the progress being made by the government in addressing the 'actions' to which it committed in the 2019 Economic Crime Plan. The tracker can be found via this [link](#) (also noted in the footnote below).¹

Queries about this submission should be forwarded to the CFCS Director, Tom Keatinge.

1. Summary

For ease, the key points and recommendations of each section of this submission are laid out below. Further detail is provided in each of the subsequent sections.

1.1 The UK's Role in the Global Economic Crime Landscape:

- The UK was recently branded a higher-risk jurisdiction by the US in the FinCEN files. The reasonable grounds for this are the UK's ongoing role as a facilitator of global money-laundering and the continuing relative ineffectiveness of the UK's response to the problem. Alongside greater investment, the UK needs to gather better data – supported by better analytical capabilities – to support its assessment of and responses to its economic crime challenges, which as a provider of global financial services, impact the world, not just the UK.
- Leadership and 'tone from the top' are lacking from the current government.
- The implementation of critical steps forward such as the Registration of Overseas Entities Bill,² and the government's plans for the reform of Companies House should be prioritised; the legislative timetable and resourcing plans for both of these crucial steps have yet to be set out.
- The UK should use its presidency of the G7 in 2021 to re-establish and demonstrate its global leadership in combating economic crime.

1.2 OPBAS and AML Supervisors

- We commend the progress made by the Office of Professional Body Anti-money laundering Supervision (OPBAS) since its inception in 2018 to create a more consistent approach to supervision. However, in its third year, it should take a more robust

¹ Details of RUSI's Economic Crime Plan Tracker can be found at <https://rusi.org/projects/uk-economic-crime-plan>

² As referenced on p.27 of the December 2019 Queen's Speech Background Briefing Notes.

approach to censure when necessary, including through the use of its ultimate power of sanction (recommending the removal of a supervisor) if appropriate.

- The CFCS encourages the government to also consider whether wider reforms in the field of AML supervision are necessary. Whilst OPBAS is a positive development and its work should be commended, the UK's fragmented AML supervision landscape merits a more fundamental reconsideration.

1.3 Companies House

- We welcome the recognition of the need for a role for Companies House in tackling the misuse of corporate structures and urge the government to push forward quickly with introducing mandatory ID checks for directors, presenters, and 'persons of significant control'. These actions would, we contend, act as a deterrent without placing unnecessary burden on those operating in the law.³
- The scale of government ambition, and the funding model for implementing reforms must however go further in two ways. First, in outlining a clearer statutory role for the Registrar of Companies in 'policing' the register. Second, the proposed technical reforms should be backed by widescale operational reforms at Companies House, including investment in a well-resourced intelligence function.
- The CFCS proposes that the government move forward with the necessary legislative and technical reforms and find a sustainable way to fund this.

1.4 The FinCEN Files

- The systemic failures of elements of the current global anti-money laundering regime illuminated by the FinCEN files must be taken seriously by the UK. As a leader in key forums such as the Financial Action Task Force, the UK should be leveraging this position – and its role as a global financial centre – to propose bold and ambitious changes to the current system which is out-dated.

1.5 National Security and Fraud

- The UK's fraud problem has reached endemic levels. Lack of action on this issue impacts on individual financial and mental wellbeing, the reputation of the UK as a place to do business and on public finances, particularly in light of the large-scale frauds against the government's COVID-19 business support schemes.
- We are disappointed that the recent spending review did not contain a much-needed settlement to improve the policing response to fraud, despite the increase in political rhetoric around this issue.
- Furthermore, whilst the police are an essential part of the response, the nature and scale of the fraud threat requires a fundamentally different approach, which goes beyond the criminal justice system. We propose that the UK adopts a national security approach, which takes into account the international and cyber-enabled character of the issue, and engages the UK national security and intelligence architecture.

1.6 Financial Inclusion

- As the UK emerges from the pandemic, it is essential financial institutions consider how their response to economic crime can negatively affect consumers.
- The UK must utilise the lessons of the pandemic, particularly around the integration of technology into the compliance process, and gains must be protected moving forward.
- Furthermore, the UK should act on an international level, understanding the impact of its controls globally, and leveraging its influence, including at major international

³ Helena Wood, 'Clamping the Wheel of the Money Launderers' 'Vehicle of Choice': Reform of the UK Company Registry', RUSI Commentary, September 2020.

bodies such as the FATF, to guarantee measures adopted by financial institutions to respond to economic crime do not have negative ramifications for the vulnerable, especially in times of crisis.

1.7 Conclusion: Call to Action

- The government must act decisively and effectively on the issue of economic crime which significantly damages the UK's reputation as a place to do business. It must signal the seriousness with which it takes the UK's role as a leading accomplice in, and facilitator of, global economic crime.
- In this regard, the National Economic Crime Centre (NECC) must be resourced, funded and empowered to play a far more central role of leadership, consistent with the vision proposed by the government at its launch.⁴
- The government should appoint an independent Economic Crime Commissioner (as distinct from the current party-political anti-corruption champion), with unfettered access, including being added as an independent voice on the Economic Crime Strategic Board, whose job it is to challenge the government's actions on economic crime in a similar way to which the Independent Reviewer of Terrorism Legislation operates.
- Commissioning a peer review study to identify better data-gathering tools and analytical capabilities, the introduction of which would support the development of a clearer understanding of the details of the economic crime challenges the UK faces, from which can be built a response that is more likely to create impact.

In sum, whilst the government has made some welcome, remedial progress in the past 2-3 years, despite some limited funding announcements during 2020, the response to economic crime remains underfunded, under-resourced and fragmented. A properly coordinated, concerted and prioritised effort is needed to position the UK's economic crime-fighting capabilities at a level that matches its role as a global financial centre.

2. The UK's Role in the Global Economic Crime Landscape⁵

- 2.1. As a global financial centre, the economic crime threats that the UK faces are – by definition – threats the impacts of which are felt well beyond the borders of the country. A simple review of almost any global money laundering scandal will reveal the fingerprints of the UK.
- 2.2. Underlining this fact, the recent FinCEN Files coverage (discussed further in a dedicated section below) revealed that the US financial intelligence unit views the UK as a 'higher-risk' jurisdiction alongside Cyprus.
- 2.3. In its response to the previous enquiry on economic crime conducted by the Treasury Select Committee, the government recognised that the UK's 'prime position in global financial services provides the UK government with a responsibility to combat economic crime'. This recognition is welcome, but more must be done to evidence that this recognition is translating into action.
- 2.4. The implementation of critical steps forward such as the Registration of Overseas Entities Bill, and the government's plans for the reform of Companies House should be prioritised;

⁴ Press release, Home Secretary announces new national economic crime centre to tackle high level fraud and money laundering, December 2017

⁵ This section is based on a recent article by Tom Keatinge entitled, 'The UK and Illicit Finance: Still Part of the Problem, Not Part of the Solution', RUSI Newsbrief, October 2020, Vol.4, No.9.

the legislative timetable and resourcing plans for both of these crucial steps have yet to be set out.

- 2.5. As noted elsewhere in this submission, these key reforms by the UK will have globally felt benefits.
- 2.6. Concerns remain however, that the ‘tone from the top’ needed to drive forward an agenda that demonstrates to the world that the UK is serious about addressing its central role in global money laundering and all related forms of economic crime, is absent. There is currently no obvious evidence of the commitment needed to address these challenges and take global responsibility for the tools and services the UK offers to the world’s money launderers, kleptocrats and organised crime groups.
- 2.7. As discussed later in this submission, the UK’s capability to assess and analyse the nature of the economic crime threat it faces, and to gather the fullest possible picture of the data needed to most effectively design a strategic response, lags behind its peers.

3. OPBAS and AML Supervisors

- 3.1 The first line of defence in any AML regime is the so-called ‘regulated sector’ of private sector bodies and institutions acting as gatekeepers to the sectors and systems most at risk of abuse by money launderers.
- 3.2 Repeated concerns have been raised about the standard of the UK’s system of AML supervision, including by the Financial Action Task Force, the global AML standard-setter.
- 3.3 It is evident, that with its patchwork of 25 statutory and professional body supervisors (PBS), in places, the system fails to provide the credible deterrent needed to ensure compliance with the UK’s Money Laundering Regulations.
- 3.4 The Office for Professional Body Anti-Money Laundering Supervision (OPBAS) was established in 2018 to respond to concerns relating to uneven standards of supervision by the 15 PBS responsible for different parts of the UK accountancy and legal sectors.
- 3.5 The CFCS applauds the progress made by OPBAS in its first two years, including the setting of clear expectations and standards, the roll out of improvement plans, and the establishment of better information-sharing between PBS.⁶ This is reflected in RUSI commentaries on the subject, mostly recently in April 2020.⁷
- 3.6 The CFCS believes, that in its third year, OPBAS should take a more robust approach when necessary. This would include using its ultimate power of sanction under the OPBAS regulations – a recommendation to HM Treasury to remove a supervisor from the schedule of approved bodies under the Money Laundering Regulations. Despite evidence that standards have risen in some areas, OPBAS has been cautious in the use of its more robust powers of censure, even though its 2nd Annual report noted that some PBS are reluctant to transform their approach.
- 3.7 Furthermore, the CFCS encourages the government, as part of its broader plan for tackling illicit finance in the UK, to consider whether wider reforms in the field of AML supervision are necessary. Whilst OPBAS is a positive development, it merely masks an underlying

⁶ Helena Wood, ‘Supervising the UK AML Supervisors: The Office for Professional Body Anti-Money Laundering Supervision First Annual Report’, RUSI Commentary, 29 March 2019. Available at: <https://rusi.org/commentary/supervising-uk-aml-supervisors-office-professional-body-anti-money-laundering-supervision>

⁷ Helena Wood, ‘Survival of the Fittest: The UK’s Anti-Money Laundering Supervisory Regime’, RUSI Commentary, 27 April 2020. Available at: <https://rusi.org/commentary/survival-fittest-uk-s-anti-money-laundering-supervisory-regime>

problem; a fragmented and unsystematic approach to AML supervision. The UK, it is clear, is an outlier globally, both in its approach, and the sheer number of bodies engaged in supervision.

4. Companies House

- 4.1 The ease with which a company can be formed in the UK – within 24 hours, without showing any ID and for a mere £12 – has contributed strongly to UK corporate structures emerging as the money-lauderer’s vehicle of choice over the past decade.
- 4.2 UK companies have surfaced as central nodes in successive global ‘laundromats’, most recently exposing their prominence through the so-called FinCEN Files, which revealed almost 3,000 UK corporate structures linked to potentially suspicious behaviour and leading the US to denote the UK as a ‘higher risk jurisdiction’.
- 4.3 Though coming too late, the CFCS welcomes the recognition of the need for a role for Companies House in tackling misuse of corporate structures, as set out in our commentary on the government’s proposed corporate transparency reforms.⁸
- 4.4 We urge the government to push forward quickly with introducing mandatory ID checks for directors, presenters, and ‘persons of significant control’, and to set out more clearly its aims and ambitions in relation to the new powers of query for the registrar of companies.
- 4.5 The CFCS believes that the proposed actions are likely to act as a significant deterrent, without placing unnecessary burden on those operating within the law.
- 4.6 We believe that the scale of government ambition regarding cleaning up the UK’s register is unclear, as is the funding model for implementing reforms. The proposals must go further in two regards:
 - Outlining a clearer statutory role for the Registrar in ‘policing’ the register. We recommend setting out a clearer role under section 35 of the Companies Act 2007, with the Registrar as a ‘guardian’ of corporate integrity.
 - Proposed technical reforms should be backed by widescale operational reforms at Companies House, including investment in a well-resourced intelligence function. This requires significant funding, which considering the inevitable short to medium term constraints on the central government grant, we believe should be derived from a modest raise to the company formation fee, currently low by international standards. A raise from £12 to just £15 would yield almost £2m per year based on historic annual incorporations.
- 4.7 We propose that the government should push forward with necessary legislative and technical reforms and find a sustainable way to fund this. As well as being an important facilitator of criminality and wrong-doing at multiple levels, at home and globally, historic lack of action to tackle the issue means that abuse of UK corporate structures tarnishes the UK’s reputation as a safe and law-abiding place for business; a factor which will be increasingly important in a post-Brexit landscape.

⁸ Helena Wood, ‘Clamping the Wheel of the Money Launderers’ ‘Vehicle of Choice’: Reform of the UK Company Registry’, RUSI Commentary, September 2020.

5. FinCEN Files

- 5.1 Before discussing the FinCEN Files, it is important to remember that this leak comprised a tranche of information, representing a pre-selected sample of Suspicious Activity Reports (known as SARs in the US and UK, but also referred to as Suspicious Transaction Reports) from the 2+ million filed each year with FinCEN (the US financial intelligence unit). Thus it is not a representative sample of the vast number and wide range of SARs that were filed with FinCEN between 2000 and 2017.
- 5.2 It is also important to understand what banks (and other reporting entities such as accountants, lawyers, estate agents, trust and company service providers and high-value dealers) are obliged to do by law – as opposed to what commentators might like them to do, or what they would hope banks might choose to do voluntarily.
- 5.3 Guidance from the NCA says that, ‘Suspicion is not defined in legislation’, noting further that ‘It is always a matter for the reporter to decide at what point the ‘threshold’ is crossed and a disclosure to the NCA should be made. It is not for the NCA to comment upon what circumstances should or should not be deemed suspicious – red flags for suspicious activity should have been discussed during your firm’s AML training. More tailored advice over industry specific guidance is available from your sector’s trade body and/or regulator.’⁹
- 5.4 Put simply, governments rely heavily on the interpretation of the private sector to determine how the financial system is policed by regulated entities on their behalf.
- 5.5 Although the FinCEN Files caused a brief media flurry, much of that coverage, and the response from certain quarters of the public sector,¹⁰ was focused on ‘how bad the banks are’, rather than considering what lessons, if any, the information in the leaks taught us about the effectiveness of the global system for combating illicit finance.
- 5.6 Furthermore, the prevailing narrative suggested that the SARs featured in the media stories were indicative of definite criminal activity rather than suspicion; in other words, it gave the impression that banks were definitely and knowingly handling criminal finances. This is clearly not (or rarely is) the case.
- 5.7 We also do not know what action law enforcement took on the basis of the SARs that were revealed; nor do we know if banks (as is often the case), having alerted the authorities, were asked by them to keep the accounts open so the activity could be monitored whilst criminal justice cases were developed; or whether they took internal risk mitigation measures with regards to the customer relationship such as introducing ongoing enhanced due diligence.
- 5.8 Lastly, the law on disclosures related to SARs is very strict and thus the other side of this story is unlikely to be aired.

The SARs Regime’s Effectiveness

- 5.9 Some argue that the FinCEN Files evidence the banks doing what they are legally obliged to do – monitor for inconsistent and unusual behaviour, and then report what they find suspicious to the competent authorities in their jurisdiction, who will then determine what action to take. The banks are not obliged to stop funds moving, so if there is a fault here, it is with the retrospective nature of the system. The media story of the FinCEN Files might

⁹ National Crime Agency, ‘SAR Regime Good Practice, Frequently Asked Questions: Suspicious Activity Reports’, July 2020.

¹⁰ See, for example, an op-ed written by Linda A. Lacewell, the superintendent of the New York State Department of Financial Services, available at: https://www.dfs.ny.gov/reports_and_publications/press_releases/pr202009291

more accurately be characterised as ‘Banks report SARs as required but financial crime continues uninterrupted’.

- 5.10 This being said, in the view of this submission, the FinCEN Files shine an uncomfortable light on the effectiveness of a core pillar of the existing global anti-money laundering system, namely the suspicious activity/transaction reporting regime – there is certainly ‘a case to answer’.
- 5.11 This is a system that was devised 30 years ago when banks had 3-5 days to process payments and thus greater time to scrutinise (immeasurably fewer) transactions. Furthermore, the SARs regime was introduced at a time when economic crime responses were – for example – focused on the concern posed by large volumes of cash of unknown provenance being deposited in banks. This concern has more or less disappeared, yet the SARs system lives on as it has become an article of faith, mandated by the global financial crime watchdog, the Financial Action Task Force. Its effectiveness – at a conceptual level – is not questioned sufficiently in policy circles, domestically or internationally.
- 5.12 It may be the case that the shortcomings in the system are due to the fact that it has failed to adapt sufficiently to address the forms of criminal finance and the array of financial actors that are now prevalent in the financial system when compared with 30 years ago. Too much is perhaps expected of the SARs system by most users and observers as it operates and is currently configured.
- 5.13 It is evident that the trove of SARs filed by reporting entities provides a valuable intelligence database that law enforcement investigators draw on to support ongoing investigations. That may be, but this database suffers from material selection bias as a result of the information a reporter may have at the time of the filing.
- 5.14 Repeated calls have been made in the UK to reform the national SARs system (for example by Sir Stephen Lander, as far back as 2006¹¹) and although some progress is being made, at present, meaningful reform that strengthens the UK’s ability to identify and respond to economic crime remains elusive.
- 5.15 A further question raised by the media reporting regards how well large multinational banks communicate internally about financial crime. One example used by the media was the apparent ignoring of HSBC US, by HSBC Hong Kong, over a Ponzi scheme. Yet this highlights another policy development failure – the constraints on sharing US SARs within a multinational group are extremely tight. HSBC US could share the material with ‘Group HQ’ in the UK, but neither the US or the UK would be able to share that with Hong Kong.
- 5.16 There is a strict rule about not sharing SARs amongst affiliates. It is a fair point to ask whether HSBC US or Group HQ might have been able to share concerns with Hong Kong without revealing the existence of the SAR (which they may have done, we do not know). US and Hong Kong authorities might have been in contact about the case too as a result of the SARs filed by HSBC US (again, we do not know). This example highlights the wider tension between financial crime and data privacy which is an unresolved global issue.

Drawing Lessons From the FinCEN Files

- 5.17 It is not clear that the media stories brought to light any new insights into widely recognised challenges inherent in a core element of the global anti-financial crime system that it is

¹¹ Stephen Lander, ‘Review of the Suspicious Activity Reports Regime (The SARs Review)’, Serious Organised Crime Agency, March 2006.

right to interrogate, given the extent to which the global response to economic crime is reliant on its effective functioning.

- 5.18 The UK must redouble its efforts to modernise its underperforming and under strain SARs system with a root-and-branch upgrade. This process is slowly progressing (for example with the roll out of the first tranche of IT improvements). But it must also invest significantly in analytical capabilities and an expansion of staffing (beyond additions already made)¹² to enable effective SARs analysis and exploitation. It must also elevate the effectiveness of the Joint Money Laundering Intelligence Taskforce via the enabling of pre-suspicion private-to-private information sharing to enhance the quality of SARs that are filed.
- 5.19 Another fundamental issue needs to be addressed, which relates to the additional information the NCA should be collecting, and the necessary associated uplift in analytical capability, to strengthen the economic crime situational awareness of the UK.
- 5.20 Likeminded countries such as the US and Australia collect a far broader array of financial data for use by dedicated economic crime analytical capabilities to support their efforts to combat economic crime. For example, via financial institution reporting, Australia collects details of all cross-border wire transfers.
- 5.21 For an economy which is so central to global finance, the UK does not have an adequate overview of the financial flows it enables; nor, therefore, does it have the ability to analyse the impact that the UK has on illicit financial flows and craft strategic and operational responses accordingly, despite the assurances provided by the letters received by the Committee in response to FinCEN Files queries from the Chair.
- 5.22 The result is that, without a strategy and prioritisation that is as central to the government's operations as the UK is central to global finance, the UK will continue to feature in an unflattering light in future financial leaks, rightly attracting the label of a 'higher risk' jurisdiction.

6. National Security and Fraud

- 6.1 The UK's fraud problem has reached endemic levels and has been described as the 'volume crime of our times'. This manifests itself against all sectors of society – individuals, businesses and the public sector and impacts on the UK's reputation as a place to do business. For example, according to the Crime Survey for England and Wales,¹³ fraud is the crime adults in the UK are most likely to fall victim to, far outstripping other crimes against the person such as burglary or mugging.
- 6.2 Furthermore, the Government's Counter Fraud Function has estimated that public bodies in the UK lose between 0.5-5% of their spending to fraud. Although estimates vary, the last credible estimate of public sector fraud losses put the figure around £40bn per annum,¹⁴ which roughly equates to the UK's annual defence budget of £41.5bn for 2020/21.
- 6.3 COVID-19 has exacerbated the situation at all levels, notably with regards to the scale of fraud against the public purse. The scale of fraud against the government's COVID-19 business support schemes is only just coming to light. However, early reporting suggests

¹² As referred to in the Home Office letter (19 October 2020) from James Brokenshire MP to the Treasury Select Committee Chair.

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<https://www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/crimeinenglandandwales/yearendingmarch2020>

¹⁴ Annual Fraud Indicator 2017 Identifying the cost of fraud to the UK economy, available at <https://www.crowe.com/uk/croweuk/-/media/Crowe/Firms/Europe/uk/CroweUK/PDF-publications/Annual-Fraud-Indicator-report-2017>

that the conscious decision to limit counter-fraud measures in preference to expediency of distributing funds has resulted in a level of fraud against public funds, including by organised criminals, hitherto unseen. The ways in which this will impact on future frontline resourcing have led this to be described by some as the biggest ‘heist on public services’ we will ever see.

- 6.4 The UK response to its endemic fraud problem is however woeful. Despite successive reviews¹⁵ of the UK’s fraud problem pointing to it being a systemic weakness, fraud policing still only represents 1% of the police workforce - a situation not remedied by the recent spending review settlement - and the future funding model for the growth of the public sector counter-fraud function remains unclear.
- 6.5 The CFCS believes that although improvements in the policing of fraud are clearly needed, a policing response alone is insufficient to turn the tide of the problem. Our research conducted over 2020 finds that the scale of the issue, and its increasingly international and cyber-enabled character, require a response which goes beyond a purely criminal justice response.
- 6.6 CFCS research, which will form the basis of a paper to be published in January 2021, suggests that fraud has been hitherto under-represented in the UK’s national security dialogue, despite its scale and impact, and an overlap with serious and organised crime and terrorism, placing it clearly within the framework of the UK’s national security objectives. The paper will make the case that applying a national security approach to the UK’s fraud problem is not only justified, but also brings a range of benefits, including clearer leadership and ‘ownership’ of the UK fraud problem, a clearer role for non-criminal justice agencies in tackling the issue (a ‘whole of system’ approach) and potentially access to the resources and funding needed to bring the issue under control.

7. Financial Inclusion

- 7.1 The CFCS believes that the UK government must take a more proactive stance on ensuring that economic crime controls, which are required in the UK, and that reverberate around the world, do not have a negative impact on vulnerable people’s ability to access finance.
- 7.2 There are one million people today in the UK who do not have access to a bank account, and a higher number without proper access to a full range of financial services.¹⁶ Financial exclusion impacts the vulnerable, however, during the Coronavirus pandemic, many others have faced difficulties in accessing financial services, as bank branches across the country closed.
- 7.3 As the country emerges from the pandemic, it is essential that financial institutions consider how their response to economic crime can negatively affect consumers.
- 7.4 Many financial institutions rely too heavily on traditional identity documents to verify new customers. Passports and driver’s licenses are expensive with a lengthy delivery process – exacerbated by the temporary closure of government agencies.
- 7.5 The CFCS considers the requirement of proof of address by many financial institutions, outdated, and a practice which excludes not only the homeless, but those who frequently change address.

¹⁵ Including the Mackay review of Action Fraud: <https://www.cityoflondon.gov.uk/assets/About-us/action-fraud-report.pdf>, and the HMICFRS Inspection of fraud policing: <https://www.justiceinspectorates.gov.uk/hmicfrs/publications/an-inspection-of-the-police-response-to-fraud/>

¹⁶ Financial inclusion statistic as of 2020 from the Financial Inclusion Commission. Accessed 16th November 2020. Available at: <https://financialinclusioncommission.org.uk/>

- 7.6 The Coronavirus pandemic has highlighted the benefits of accelerating the integration of technology into the compliance process, gains must be maintained, especially in remote account opening and in the use of new technology for compliance.¹⁷
- 7.7 The UK must utilise lessons learnt from the pandemic and take proactive steps to combat financial exclusion.
- 7.8 The CFCS believes that the 2021 HM Treasury review of the Money Laundering Regulations 2019 is a unique opportunity to perform a 'financial inclusion audit' of the UK's economic crime controls to ensure they do not have negative consequences for access to and use of financial services. The Financial Inclusion Policy Forum is one body who could perform the audit.¹⁸
- 7.9 Furthermore, the UK should act on an international level:
- The government must understand controls mandated in the UK are felt across the developing world, as regulations are mimicked to ensure correspondent banking relationships and the receipt of remittances.
 - The government should leverage the UK's influence at the FATF to ensure financial inclusion is adequately considered as a core issue in the FATF Strategic Review. By doing so, the UK would guarantee action taken by financial institutions in response to economic crime have their desired impact of curtailing crime whilst not having ramifications for access to finance by the vulnerable, and by all, in times of crisis.

8. Conclusion – A call to Action

- 8.1 Despite the publication of plans (such as the Economic Crime Plan) and strategies (such as the 2018 Serious and Organised Crime Strategy), the creation of new, dedicated economic crime units (notably the National Economic Crime Centre), the enactment of new legislation (primarily the Criminal Finances Act 2017 with its Unexplained Wealth Order powers), and the proposed uplift in funding from an Economic Crime levy, the sense that the UK is running to keep up is constant.
- 8.2 The National Economic Crime Centre (NECC) must be resourced, funded and empowered to play a far more central role of leadership, consistent with the vision proposed by the government at the time of its launch.¹⁹
- 8.3 As noted earlier in this response, the UK's situational awareness of the economic crime threat is poor, and dedicated leadership is lacking. Those tasked with contributing to the UK's response to economic crime are themselves, of course, committed. But they operate within a fragmented system where long (or even medium) term planning is impossible as priorities change regularly, and funding is lacking or inconsistent.
- 8.4 The current system relies primarily on a one-dimensional data source (SARs) and is under pressure from an under-resourcing of the analytical capability required to exploit this existing source effectively. The UK government is currently considering whether to add additional data-gathering tools to its armoury, including Tactical Targeting Orders, modelled on the US Geographic Targeting Orders. The provision of new data-gathering tools certainly

¹⁷ Chase and Keatinge 2020, 'Coronavirus: Financial Inclusion Considerations for Risk-Based Supervision and the Virus's Impact on the Risk-Based Approach' See recommendation four. Available at: <https://rusi.org/publication/briefing-papers/coronavirus-financial-inclusion-considerations-risk-based-supervision>

¹⁸ <https://www.gov.uk/government/collections/summary-of-financial-inclusion-policy-forum-meetings>

¹⁹ Press release, Home Secretary announces new national economic crime centre to tackle high level fraud and money laundering, December 2017

merits consideration. However, the issue remains that the UK currently does little to utilise and analysis the data it already has to hand.

- 8.5 A concerted review of data-gathering tools should be undertaken by the UK in order to determine whether their introduction would support the development of a clearer understanding of the details of the economic crime challenges, from which it can build a response that is more likely to create impact.
- 8.6 The centrality of the UK to global finance and the damage economic crime, in all its forms, does to the UK economy, its citizens and its reputation, means that economic crime must be given consistent and high-level priority.
- 8.7 For a topic that poses such a wide-ranging threat to the UK, and where the response is dissipated across multiple government departments and agencies where it vies for attention, it is surprising that there is no one individual charged with reviewing and challenging the government's response to economic crime.
- 8.8 Therefore, the government should appoint an Independent Economic Crime Commissioner (as distinct from the current party-political anti-corruption champion), with unfettered access, including being added as an independent voice on the Economic Crime Strategic Board, whose job it is to challenge the government's actions on economic crime in a similar way to which the Independent Reviewer of Terrorism Legislation operates.

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