

Written evidence submitted by Global Witness (ECR0027)

Summary:

- New analysis by Global Witness finds loopholes in the way UK companies disclose their Persons with Significant Control and lack of verification of this data presents significant money laundering risks to the UK.
- Companies House needs more resources and clear responsibility for verifying and identifying suspicious entries in the UK Register of People with Significant Control (**PSC Register**), and should prosecute those that deliberately fail to comply.
- Anonymously-owned trusts present unique money laundering risks, given their inherently secretive nature, and should be subject to a public register of beneficial owners, building on the existing HMRC register for trusts with 'tax consequences'.
- London's high-end property market has increasingly become one of the go-to destinations to invest and launder questionable funds, which needs addressing through the much-delayed public register of true owners of UK properties.
- Estate agents in the UK have so far grossly under-reported suspicious transactions, and it remains to be seen if new due diligence requirements which came into force in 2017 have addressed this problem.
- The relatively low level of fines given to UK banks for breaching anti-money laundering rules, and the low likelihood of being caught, mean that fines can be seen as the cost of doing business, rather than being dissuasive enough to change corporate behaviour.
- Rules need to be changed to make it easier to hold senior banking executives in the UK personally liable for their banks' failure to prevent them handling criminal funds.

1. Introduction

- 1.1 Global Witness is an international advocacy organisation that investigates and seeks to break the links between natural resources, conflict and environmental and human rights abuses. Our model is to carry out hard-hitting investigations, expose these abuses, and campaign for policy change. We are independent, not-for-profit, and work with international partners.
- 1.2 Global Witness has several ongoing campaigns related to economic crime in the UK. These include campaigns to end anonymous ownership by bringing into the public view the real beneficial owners behind companies and trusts, in the UK as well as in its Overseas Territories (**OTs**). We also look at the problem of money laundering through UK property and the role of professional enablers, such as UK banks and financial institutions, in facilitating corruption and money laundering. With this in mind, our submission addresses the following areas:
- UK Companies as a Vehicle for Money Laundering (Section 2)
 - Anonymously-Owned Trusts (Section 3)
 - Economic crime in the British Overseas Territories (Section 4)
 - Money Laundering in the UK Property Market (Section 5)
 - UK Banks and Financial Institutions (Section 6)

2. UK Companies as a vehicle for money laundering

- 2.1 Over the past 20 years, Global Witness investigations have shown how anonymously-owned companies act as getaway cars for criminals and the corrupt – allowing them to launder their ill-gotten gains and benefit from their crimes.
- 2.2 Anonymous companies incorporated in the UK have been at the centre of some of the biggest money laundering and corruption scandals in recent years, including the Panama Papers¹, and the Russian² and Azerbaijani³ Laundromats. Research from Transparency

¹ <https://www.icij.org/investigations/panama-papers/>

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International UK identified 766 UK corporate vehicles allegedly used in 52 large-scale corruption and money laundering cases amounting to nearly £80billion.⁴

- 2.3** Set up in 2016, the PSC Register is the world's first public register of individuals who own or control companies (i.e. beneficial owners), accessible in open data format. Public information on these individuals includes their name, month and year of birth, nationality, and details of their interest in the company. It allows any member of the public, including other businesses, journalists and civil society organisations, to see the information and download it as structured data – meaning it can be downloaded in bulk and connected to other data sets.
- 2.4** Earlier this year, Global Witness released initial results from the biggest ever analysis of the beneficial ownership data in the PSC Register.⁵ After downloading the PSC data in bulk and using algorithms to analyse the data, we have been able to build an unprecedented picture of UK companies and their owners, and found:
- Nearly one in ten UK companies - 350,000 - still haven't named a PSC in the PSC Register.
 - 4,000 beneficial owners are listed under the age of two, including one who has yet to be born.
 - Four in five Scottish Limited Partnerships (**SLPs**) have not named a PSC.
 - Of the SLPs that have named a PSC, over 40% list one beneficial owner as a national of a former-Soviet country or a company incorporated there. This compares to just 0.01% of all Limited Companies (by far the most widely used UK company type).
 - More than 9,000 companies listed PSCs who also control at least 99 other businesses.⁶
 - Five beneficial owners control more than 6,000 companies, which raises cause for concern that these individuals could be nominees (i.e. people who front a company in place of the people who really control it).
 - 7,000 companies declared they are controlled by companies registered in secrecy jurisdictions⁷ (i.e. where there is a refusal to share financial information with legitimate authorities), which is prohibited under the regulations.
 - Another 25,000 companies stated that they are ultimately controlled by companies which themselves list no PSC.
- 2.5** Our analysis of the PSC data shows that thousands of companies are either not complying with the rules or are filing highly suspicious entries. Were it not for the publicly accessible and open data format of the PSC Register, we never would have found these problems in the first place. The challenges we've identified include:
- 2.5.1.** *Loopholes in the way companies are able to file their PSC statements:* this has enabled individuals to continue to hide their true ownership of a UK company. Methods for avoiding disclosure range from simply filing a PSC statement that says the company has no PSC to more sophisticated means such as using a nominee PSC or listing companies in tax havens as their PSC.
- 2.5.2.** *A lack of clear powers and adequate resources at Companies House to verify the statements made by UK companies of their beneficial ownership data:* Companies House only has limited legal competence for verifying PSC data and, until recently, only had six

² <https://www.reportingproject.net/therussianlaundromat/>

³ <https://www.occrp.org/en/azerbaijanilaundromat/>

⁴ <http://www.transparency.org.uk/press-releases/revealed-britains-own-appleby/>

⁵ <https://www.globalwitness.org/en/blog/pursuit-hidden-owners-behind-uk-companies/>

⁶ <https://www.ft.com/content/4392e516-4923-11e8-8ae9-4b5ddcca99b3>

⁷ <https://www.financialsecrecyindex.com/faq/what-is-a-secrecy-jurisdiction>

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staff responsible for ensuring compliance of 4 million companies. In January, the UK Government confirmed there are now 20 staff employed at Companies House to deal with PSC compliance activities. While this new capacity at Companies House is welcome, more staffing is needed to address the challenge of verification and there should be dedicated resource for data scientists to scrutinise the data.

2.5.3. Remaining gaps in data entry and validation processes: despite some recent steps taken by Companies House to address this issue (such as age prompts and validated nationality and country data fields), there are remaining gaps for ensuring data validation (e.g. validated UK addresses) and verification (e.g. proof of identity, crosschecking with other data sets).

2.5.4. A lack of enforcement of credible and dissuasive sanctions for non-compliance: failure to provide accurate information to the PSC Register could be a criminal offence and may result in a fine and/or a prison sentence of up to two years. However, so far no fines have been issued for failing to disclose or providing misleading PSC information, including for SLPs. Although Companies House recently issued its first prosecution for filing false company information,⁸ ordering Kevin Brewer to pay over £12,000, the case has been described as a farce.⁹ Brewer had set up fake companies as a stunt to expose the lack of checks conducted by Companies House during incorporation.¹⁰

2.6 Global Witness recommends that Companies House be given more resources and clear responsibility for ensuring companies comply with the PSC Register. This should include having effective systems to validate PSC data and verify its accuracy. Companies House should also proactively identify cases of non-compliance and suspicious activity, prosecuting individuals that mislead or provide false information to the Register.

3. Anonymously-Owned Trusts

3.1 While the role of companies in facilitating financial secrecy is well documented, the secrecy around trusts is so strong that law enforcement authorities admit to stopping investigations when they encounter trusts. This is because trusts prove too elusive to track down and prosecute, and means that the extent of their use is critically underreported.¹¹

3.2 Both the OECD¹² and World Bank¹³ emphasise that this secrecy makes trusts highly effective tools for money launderers, terrorist financiers and corrupt persons. EUROPOL representatives echoed these concerns when identifying trusts among “the main schemes used to launder money”¹⁴ and the UK Government’s own money laundering assessment found trusts are “known globally to be misused for money laundering”, with overseas trusts presenting particularly high money laundering risks.¹⁵

3.3 Some recent example of trusts being used for suspected illicit purposes include:

- A Lichtenstein trust linked to Victor Yanukovych hid who benefitted from the controversial privatisation and secretive multi-million dollar renovation of Ukraine’s presidential palace.¹⁶

⁸ <https://www.gov.uk/government/news/uks-first-ever-successful-prosecution-for-false-company-information>

⁹ <https://www.independent.co.uk/news/uk/home-news/companies-house-fraud-whistleblower-prosecuting-kevin-brewer-vince-cable-a8307246.html>

¹⁰ <https://www.ft.com/content/89955e82-4170-11e8-803a-295c97e6fd0b>

¹¹ <http://star.worldbank.org/star/publication/puppet-masters>

¹² <http://www.oecd.org/corporate/ca/43703185.pdf>

¹³ <http://star.worldbank.org/star/publication/puppet-masters>

¹⁴ <http://www.europarl.europa.eu/committees/en/pana/events-hearings.html?id=20161026CHE00121>

¹⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/655198/National_risk_assessment_of_money_laundering_and_terrorist_financing_2017_pdf_web.pdf

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- A Brunei prince who stole billions from his country may have prevented an exclusive London property in the heart of Mayfair from being rightfully returned to Brunei, using a Jersey trust to hide his ownership.¹⁷
 - The Paradise Papers included many new examples of the abuse of trusts, including in cases connected to tax evasion.¹⁸
- 3.4** As part of the EU's 5th Anti-Money Laundering Directive (**5AMLD**), EU countries will need to implement central registers of beneficial owners of trusts by early 2020, accessible to competent authorities as well as others on the basis of a 'legitimate interest' test – the scope of which can be defined by each EU Member State. There will be a requirement to register a trust when a trustee is resident in that country or when the trust conducts a business transaction (i.e. buys property, opens a bank account).
- 3.5** **Global Witness recommends that, despite Brexit negotiations, the UK Government confirm its intention to implement the 5AMLD in full and ensure that its register of beneficial owners of trusts is publicly accessible (mirroring the provisions in place for UK companies). This should also include tightly defined case-by-case safeguards that will apply when an individual may face a serious risk of violence or intimidation if that information were to be made public.**

4. Economic Crime in the British Overseas Territories & Crown Dependencies

- 4.1** Anonymously-owned companies registered in the British OTs and Crown Dependencies are frequently used to launder the proceeds of crime and corruption, as well as being linked to chemical weapons programmes, sanctions busting and tax avoidance and evasion.
- 4.2** There are currently no reliable estimates of the scale of the laundering of criminal or corrupt funds through the OTs, due at least in part to the secretive nature of these activities. Examples of the abuse of companies registered in the OTs include:
- A British Virgin Islands (**BVI**) company that United States (**U.S.**) authorities say is run by Russian mobsters and linked to the Russian government sent at least \$900,000 to another BVI company owned by a Russian businessman tied to Syria's chemical weapons programme.¹⁹
 - Teodorin Obiang, the son of the President of Equatorial Guinea, took and spent \$38 million of his country's money on a private jet using a BVI company, according to the case against him made by the U.S. Department of Justice (**DOJ**).²⁰
 - More than half of the companies in the 'Panama Papers', reported by the International Consortium of Investigative Journalists (**ICIJ**) from information from the offshore law firm Mossack Fonseca, were registered in the BVI.²¹
 - In 2015, the Organised Crime and Corruption Reporting Project revealed that a mansion worth £18 million on Hampstead Lane in North London, belonged to the family of the current President of Azerbaijan, Aliyev Ilham, via Beckforth Services

¹⁶ <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/dont-take-it-trust/>

¹⁷ <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/dont-take-it-trust/>

¹⁸ https://www.globalwitness.org/documents/19285/GW_Briefing_-_EU_Trusts_Transparency.pdf

¹⁹ CNN, Money stolen by Russian mob linked to man sanctioned for supporting Syria's chemical weapons program, 20 June 2017, <https://edition.cnn.com/2017/06/16/politics/russian-mob-syria-chemical-weapons/index.html>

²⁰ <https://greatripoffmap.globalwitness.org/#!/case/12>

²¹ <https://www.icij.org/investigations/panama-papers/explore-panama-papers-key-figures/>

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Limited – an Isle of Man company.²² The First family of Azerbaijan has been linked to numerous corruption and money laundering scandals,²³ and there are serious doubts whether the property was bought through legitimate means.²⁴ The Government of Azerbaijan has previously denied involvement in money laundering, referring to the allegations related to the Azerbaijani Laundromat as “biased, groundless and provocative” and part of a smear campaign.²⁵

- 4.3** The most effective way to tackle anonymous companies is by revealing their true, beneficial owners. On 1 May 2018, the UK Parliament passed an amendment to the Sanctions and Anti-Money Laundering Bill requiring the UK Government to ensure that the OTs establish publicly accessible registers of the beneficial ownership of companies by 2020. This represents a huge step forward in ensuring corporate transparency in the OTs, which has so far fallen short of what is needed, with some OTs failing to even hold the information centrally.²⁶
- 4.4** **Global Witness recommends that the UK Government provide all reasonable assistance to the OTs to support them in establishing public registers of beneficial ownership and in diversifying their economies so that they are no longer reliant on the proceeds of business activities that rely upon financial secrecy. The public registers set up by the OTs should follow the UK example by being in open data format and should integrate effective verification mechanisms from the outset.**
- 4.5** **The UK Government must use its close relationship with the Crown Dependencies to ensure they follow suit in introducing public registers of beneficial owners of companies.**

5. Money laundering through the UK property market

- 5.1** London’s high-end property market has increasingly become one of the go-to destinations to invest and launder questionable funds, making serious corruption and organised crime not only possible, but attractive.
- 5.2** Investigations conducted by Global Witness have identified that the corrupt will frequently transfer criminal funds through complex corporate vehicles and offshore jurisdictions, utilising anonymous companies in order to invest in the UK property market.²⁷ These companies are registered in jurisdictions that do not publish the identity of their beneficial owners and as such, enable the corrupt to cloak their activities in a veil of secrecy and own UK properties without disclosing their interest.
- 5.3** In 2017, the UK’s National Crime Agency (**NCA**) stated in their 2017 assessment of serious and organised crime that the purchase of property through offshore companies presents a significant money laundering risk to the UK.²⁸
- 5.4** In 2015, it was revealed that at least £122bn worth of property in England and Wales is owned by offshore companies.²⁹ In 2017, that figure was estimated to be closer to

²² <https://www.occrp.org/en/corruptistan/azerbaijan/2015/06/15/the-mansion-on-the-heath.html>

²³ <https://www.icij.org/investigations/panama-papers/20160404-azerbaijan-hidden-wealth/>

²⁴ <http://www.transparency.org.uk/uwo-consider-today/#.WusHP4jt4dU>

²⁵ <https://www.theguardian.com/world/2017/sep/05/theresa-may-challenged-over-azerbaijani-money-laundering-scheme>

²⁶ For example, the BVI’s Beneficial Ownership Secure Search (BOSS) System does not create a central register but relies on each registered agent to keep their own isolated database. See:

<https://mediacentre.christianaid.org.uk/download?id=2430&pn=16153894385b9a18c35f1a0a4f8e7237-pdf>

²⁷ See <https://www.globalwitness.org/en-gb/reports/surrey-mansion-used-hide-suspect-funds/> and <https://www.globalwitness.org/en-gb/campaigns/corruption-and-money-laundering/mystery-baker-street/>.

²⁸ <http://www.nationalcrimeagency.gov.uk/publications/807-national-strategic-assessment-of-serious-and-organised-crime-2017/file>

²⁹ <https://www.ft.com/content/6cb11114-18aa-11e4-a51a-00144feabdc0>

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£170bn.³⁰ The Metropolitan Police has stated that 75% of properties whose owners were under investigation for corruption made use of this kind of secrecy.³¹

- 5.5** In December 2017, Global Witness analysed the UK's Land Registry and discovered that over 85,000 properties are owned offshore. Roughly two-thirds of these properties (57,000) are owned by companies registered in British OTs and Crown Dependencies (**CDs**).³²
- 5.6** The UK Government first stated its intention to reveal the true owners of UK properties back in 2015, stating that a register would be up and running in 2018. However, the Government's current timetable will not see the legislation passed until the summer of 2019, and the register will only come into effect in 2021.³³ We believe the Government's proposals should be expedited. When the draft legislation is published stakeholders should be given the opportunity to identify loopholes and suggest amendments in order to address them – for example, where trusts are used to purchase UK property instead of companies (see paragraph 3.3, above).³⁴
- 5.7** Financial secrecy is critical to money laundering through UK property, but these criminal transactions also depend on the cooperation of professional enablers such as real estate agents. From October 2015 to March 2017, estate agents submitted just 0.12% of Suspicious Activity Reports to the UK Financial Intelligence Unit.³⁵ It is Global Witness's opinion that the sector is grossly under-reporting suspicious transactions.
- 5.8** Since June 2017, estate agents have been required to conduct 'know your customer' due diligence on both the buyers and vendors of property.³⁶ It remains to be seen if the sector has adapted accordingly by implementing their new due diligence requirements. This may well be reflected should the number of SARs by estate agents increase.
- 5.9** **Global Witness recommends that the UK Government expedites its timetable for the introduction of its register of the beneficial owners of UK property and ensures that no loopholes exist, and that the due diligence requirements introduced for real estate agents in 2017 are properly enforced.**

6. Money laundering through UK banks and financial institutions

- 6.1** The UK banking sector is one of the largest in the world, and the NCA estimates that hundreds of billions of pounds of dirty money are laundered through UK banks and their subsidiaries each year.³⁷
- 6.2** Banks are required to do checks on their customers' wealth and source of funds to ensure that their clients are not involved in money laundering, and that the banks are not handling the proceeds of crime. However, reviews by the Financial Conduct Authority

³⁰ <https://www.theguardian.com/news/2016/apr/05/panama-papers-world-leaders-tycoons-secret-property-empires>

³¹ <https://www.transparency.org.uk/wp-content/plugins/download-attachments/includes/download.php?id=5039>

³² <https://www.globalwitness.org/en-gb/blog/two-years-still-dark-about-86000-anonymously-owned-uk-homes/>

³³ <https://www.globalwitness.org/en-gb/blog/uk-government-blocks-and-delays-vital-anti-corruption-reforms/>

³⁴ A Brunei prince who stole billions from his country may have prevented an exclusive London property in the heart of Mayfair from being rightfully returned to Brunei, using a Jersey trust to hide his ownership:

<https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/dont-take-it-trust/>.

³⁵ <http://www.nationalcrimeagency.gov.uk/publications/826-suspicious-activity-reports-annual-report-2017/file>

³⁶ <http://www.naea.co.uk/news/june-2017/new-anti-money-laundering-regulation-is-here.aspx>

³⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/468210/UK_NRA_October_2015_final_web.pdf

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(**FCA**) and its predecessor the Financial Services Authority (**FSA**) have found significant failures in how UK banks handle money laundering risks.

- A 2011 review by the FSA found that around a third of banks appeared willing to accept very high levels of money laundering risk “if the immediate reputational and regulatory risk was acceptable”. Three quarters of the banks in the review failed to take adequate measures to establish the legitimacy of the source of wealth and source of funds.³⁸
- A follow up review of small banks by the FCA in 2014 found “significant and widespread weaknesses in most banks’ anti-money laundering systems and controls”.³⁹

6.3 Given the last FSA assessment into how UK banks manage high money laundering risk situations was last conducted in 2011, the FSA should repeat this analysis at the earliest opportunity assessing any progress since the last review.

6.4 Major UK banks have frequently been found to have broken anti-money laundering rules or handled the proceeds of suspected corruption:

- In April 2017, Global Witness and Finance Uncovered revealed that Shell executives knew that the \$1.1bn they paid for the OPL 245 oil field in Nigeria in 2011 was likely to be used in a vast bribery scheme. For years, Shell claimed that it only paid the Nigerian Government. Now Shell has changed its story and acknowledged it had dealt with the former Nigerian oil minister, Dan Etete, via his front company Malabu Oil and Gas.⁴⁰

The Federal Republic of Nigeria has since issued a billion-dollar lawsuit in the English High Court against JP Morgan Bank⁴¹, regarding its role in the disposal of the oil. The bank allegedly handled the transfer of \$1.1 billion from oil giants Shell and Eni to Dan Etete’s company, Malabu Oil and Gas. Both Eni and Shell, along with Nigerian ex-Government officials and others, are now being prosecuted for corruption in Italy⁴² and Nigeria⁴³, with investigations under way in two other jurisdictions.

Nigeria alleges JP Morgan “could and should” have done due diligence to discover that the deal involved the “misappropriation” of this money from state coffers and that it had been “grossly negligent” in their role as a banker to the previous Nigerian Government.⁴⁴ In its court filing, JP Morgan claims it repeatedly sought consent from the Serious Organised Crime Agency (**SOCA**) to make the payments, and was given the green light to proceed. SOCA was at the time the UK’s main anti-corruption unit and reported to the Home Secretary, Theresa May.⁴⁵

- RBS and Standard Chartered handled more than \$2 billion of funds, allegedly embezzled from 1MDB – a Malaysian government-owned development company – according to complaints filed by the U.S. DOJ.⁴⁶ The Swiss banking regulator fined

³⁸ <https://www.fca.org.uk/publication/corporate/fsa-aml-final-report.pdf>

³⁹ <https://www.fca.org.uk/news/press-releases/fca-finds-small-firms-need-manage-financial-crime-risks-more-effectively>

⁴⁰ <https://www.globalwitness.org/en/campaigns/oil-gas-and-mining/shell-knew/>

⁴¹ http://www.financeuncovered.org/wp-content/uploads/2017/12/171129_FRN-Particular-of-Claim.pdf

⁴² Procura della Repubblica, Richiesta di rinvio a giudizio, Al Guildice per L'Udienza Preliminare presso il Tribunale di Milan, 7 February 2017

⁴³ <https://www.globalwitness.org/en/press-releases/landmark-prosecution-nigerian-authorities-charge-shell-and-eni-over-shady-11-billion-opl-245-deal/>

<https://www.globalwitness.org/en/press-releases/nigerian-authorities-bring-money-laundering-charges-against-former-nigerian-oil-minister-etete-and-former-justice-minister-adoke-over-opl-245-oil-deal>

⁴⁴ <http://www.financeuncovered.org/money-laundering/malabu-scandal-jp-morgan-nigeria-etete-opl245/>

⁴⁵ <http://www.financeuncovered.org/money-laundering/opl-245-scandal-jp-morgan-claims-uk-authorities-gave-green-light-to-transfer-875m-convicted-money-launderer-dan-etete/>

⁴⁶ See: <https://www.globalwitness.org/en/press-releases/uk-banking-authority-urged-act-over-45-billion-wolf->

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RBS Coutts \$6.6 million (6.5 million Swiss francs), finding that “those responsible failed to follow up on these clear causes for concern” and instead chose to “continue with the lucrative business relationships”.⁴⁷ The Singapore banking regulator fined Standard Chartered, which held the Blackstone Account, \$3.7 million (5.2 million Singapore dollars) for its anti-money laundering failures. The regulator found “significant lapses in the bank’s customer due diligence measures and controls for ongoing monitoring” that it said were a result of inadequate policies, insufficient staff oversight, and a lack of staff awareness of money laundering risks.⁴⁸

- Following the death of the Nigerian dictator Sani Abacha, 23 UK banks were found to have handled \$1.3 billion belonging to his family and friends, as part of efforts to help Nigeria recover more than \$3bn allegedly embezzled during his rule.⁴⁹
- In 2010, Global Witness found that Barclays, HSBC, RBS and NatWest held accounts for two corrupt former Nigerian state governors, Diepreye Alamieyeseigha of Bayelsa State and Joshua Dariye of Plateau State.⁵⁰
- Three banks in Switzerland, including a Swiss branch of HSBC, were fined in 2013 for handling money from associates of the corrupt former Tunisian leader Ben Ali.⁵¹
- In 2014, Standard Chartered received a \$300 million fine in the U.S. for sanctions and anti-money laundering failures, the second such offence it is fined for in two years.⁵²

6.5 At present, the relatively low level of fines issued, and the low likelihood of being caught, mean that fines for breaching anti-money laundering rules can be seen as the cost of doing business, rather than being dissuasive to change corporate behaviour. Larger banking fines could help prevent financial penalties from being treated as the cost of doing business, yet this alone is unlikely to truly re-shape banks’ behaviour. This is because fines don’t affect the bank’s management who failed to prevent the bank handling dirty money. Relying on fines to shift banks’ behaviour relies on them being large enough that investors will be sufficiently concerned to put pressure on the banks’ management.

6.6 Global Witness believes that in order to change the behaviour of large banks, the incentives for senior executives in charge must change, as detailed in the report *Banks and Dirty Money*.⁵³ A bank’s senior executives should be held responsible for the whole bank’s actions and have the responsibility to make sure it has systems in place to prevent it from handling dirty money. In 2016, the UK introduced the Senior Managers Regime to address this problem.

6.7 However, senior bank executives at UK banks are still not being held accountable for money laundering. In March 2017 there were only four current open investigations into senior managers, and seven open investigations into ‘certified persons’ – people who are below senior management level but carry out certification functions.⁵⁴ This indicates relatively few cases are being pursued, despite the new rules.

[wall-street-corruption-scandal/](#)

⁴⁷ <https://www.finma.ch/en/news/2017/02/20170202-mm-coutts/>

⁴⁸ <http://www.mas.gov.sg/News-and-Publications/Media-Releases/2016/MAS-Imposes-Penalties-on-Standard-Chartered-Bank-and-Coutts-for-1MDB-Related-AML-Breaches.aspx>

⁴⁹ <http://news.bbc.co.uk/2/hi/africa/1576527.stm>

⁵⁰ <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/banks/international-thief-thief/>

⁵¹ <https://www.reuters.com/article/swiss-banks/swiss-watchdog-chides-3-banks-over-tunisia-accounts-tv-idUSL5N0IB14W20131021>

⁵² <https://www.telegraph.co.uk/finance/newsbysector/banksandfinance/11044353/Standard-Chartered-pays-300m-over-money-laundering-failures.html>

⁵³ <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/banks-and-dirty-money/>

⁵⁴ <http://www.aoinvestigationsinsight.com/slow-start-enforcement-activity-uk-smcr/>

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- 6.8 The ongoing failure of UK authorities to properly penalise both banks and senior executives for their role in money laundering creates cynicism and public mistrust. Larger banking fines, preferably both criminal and regulatory, are essential to help ensure that banks take corporate governance more seriously, and face consequences for handling the proceeds of crime. Additionally, it is essential that senior executives are held to account through proactive enforcement of the Senior Managers Regime.**

May 2018