

BRIEFING NOTE

# THE UK'S PLAN TO TACKLE ECONOMIC CRIME

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# BACKGROUND



Despite the announcement the new Economic Crime Levy in the Budget, the UK Government's focus is on the coronavirus response. However, when it comes to economic crime the UK Government has a long term plan set out by the previous Chancellor, Philip Hammond, with a timetable for enacting measures over the next few years.

While the UK's Economic Crime Plan 2019 – 2022 (ECP) has inevitably been stalled by the ongoing crisis, large scale spending by governments in response will inevitably place a spotlight on corruption and economic crime. Hence, there will be some keen eyes watching to make sure the UK sticks to its agenda which we summarise in detail in this report.

# BODIES

When Boris Johnson entered Downing Street he was fortunate to inherit an economic crime apparatus which is both aware of the scale of the problem in the UK and which is busy establishing a series of protocols to tackle the threat.

In October 2018 the National Economic Crime Centre (NECC) was set up within the NCA to coordinate efforts to tackle the problem of economic crime. The unit contains representatives from across the UK's various law enforcement bodies including the Financial Conduct Authority, Serious Fraud Office and HMRC. The NECC is also responsible for the Joint Money Laundering Intelligence Task Force (JMLIT) which partners with 40 financial services institutions to coordinate policies against economic crime.<sup>1</sup>

The government also now holds biannual meetings of a body made up of senior government and law enforcement figures, as well as representatives from financial institutions and trade bodies. The Economic Crime Strategic Board (ECSB) meets at 11 Downing Street to ensure the government and private sector maintain a coordinated approach to economic crime.

The first of these meetings, attended by among others; the Chancellor, Home Secretary and the CEOs of the UK's leading banks generated the original Strategic Priorities for the ECP. This partnership with the private sector will remain particularly key to ensuring the requirements are met as well as identifying the new initiatives needed from the government to tackle economic crime.

1. <https://www.nationalcrimeagency.gov.uk/what-we-do/national-economic-crime-centre>

# ECONOMIC CRIME PLAN 2019-2020

The UK's Economic Crime Plan 2019-2022 which came out of these first meetings of the ECSB has seven "Strategic Priorities":<sup>2</sup>

1. Understanding the Threat
2. Better Information-Sharing
3. Powers, Procedures and Tools
4. Enhanced Capabilities
5. Risk-Based Supervision
6. Transparency of Ownership
7. International Strategy

The report rests on two important points; that criminals will continually seek new methods to engage in economic crime and law enforcement must adapt to meet this challenge, and that the key to tackling economic crime is constant dialogue with the private sector which is the medium through which economic crime necessarily takes place. The Strategic Priorities are outlined in detail below:

## 1. UNDERSTANDING THE THREAT

The abilities of criminal networks to identify new avenues for economic crime means the threat is constantly evolving. The UK government has two strategies for dealing with this problem.

The first strategy is to fund the NECC'S National Assessment Centre, which seeks to understand and prioritise the UK's economic crime risks, and the National Data Exploitation Centre, which uses data analysis to interrogate findings from law enforcement and prioritise cases.

The second strategy is to maintain a close dialogue with the private sector who the NCA has identified as playing a crucial role in identifying intelligence of new criminal methods and in providing law enforcement with cases to investigate.

The key element identified in the plan is for these entities to gather performance metrics so that the UK government is able to critique its threat assessments and to ensure the measures it is using to combat economic crime are constantly evolving in line with the threat it poses.

2. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/816215/2019-22\\_Economic\\_Crime\\_Plan.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/816215/2019-22_Economic_Crime_Plan.pdf)

3. <https://www.nationalcrimeagency.gov.uk/who-we-are/publications/323-public-private-threat-update-2019-economic-crime/file>

## 2. BETTER INFORMATION SHARING

The varied nature of economic crime means that relevant information will sit on a number of datasets within different government agencies. The private sector's position on the front line of economic crime also means that not all relevant data is likely to be shared with the public sector.

To counter this, the government set up the NECC to coordinate information sharing between the different bodies and to better collate information from the private sector. Through the JMLIT, the NCA also conducts Expert Working Groups to identify new forms of economic crime and to identify the key priorities in tackling these issues.

Information sharing between all these different bodies is to be kept under constant review and where necessary improved. This is currently needed. RUSI describes the current SARs regime as "beleaguered" and notes, "It is unfair to create a private sector 'first line of defence' if the ensuing suspicious activity they highlight to law enforcement authorities lies unactioned in an antiquated (some might say antique) IT system."



## 3. POWERS, PROCEDURES & TOOLS

Much of the UK's economic crime prevention framework comes from EU directives, including the 4th Money Laundering Directive, implemented in 2017 and more recently 5AMLD which was enshrined in UK law in January 2020. The need to keep in step with Europe even as the UK leaves the EU indicates that future government policy will still be informed by developments in Brussels for the foreseeable future.

Traditionally the UK has gone beyond EU policy with laws such as the Criminal Finances Act 2017 which enabled law enforcement to make better use of the intelligence in SARs and introduced Unexplained Wealth Orders to target the proceeds of crime.

These powers will be kept under permanent review according to the ECP with a particular focus on ensuring the UK's criminal justice system is able to prosecute economic crimes, investigative bodies have the power to sanction suspect companies and ensuring a robust asset recovery system is in place.

4. <https://rusi.org/commentary/getting-economic-crime-plan-done-why-economic-crime-matters-johnson%E2%80%99s-%E2%80%98global-britain%E2%80%99>

## 4. ENHANCED CAPABILITIES

Given the ever-evolving threat from economic crime and the large volume of data available to government (the UK financial sector raised 20 million financial alerts in the year 2018/19) the ECP decrees that “innovative solutions” must be continually sought to identify methods of prosecuting economic crime.

These ideas have so far included the continued development of the NDEC, allowing the director of the NCA to task the SFO, and reforming the UK’s SARs regime which was criticised in the FATF’s otherwise largely positive assessment of the UK’s economic crime policy.

The private sector is expected to be heavily involved in developing these new capabilities. In July 2020, UK Finance is due to report on its members economic crime prevention strategies, while industries which are vulnerable to economic crime such as Money Services Business will also be kept under review.

## 5. RISK-BASED SUPERVISION

The concept of using the private sector as the first line of defence against economic crime will remain in place according to the ECP. However, this approach only works if the private sector plays ball.

One of the FATF’s criticisms of the UK’s SARs regime was that reporting was often inconsistent, particularly within high-risk industries such as property and trust and company service providers. The solution identified in the ECP is to use the relevant professional industry bodies to make their members adhere to correct standards. These bodies will in turn be supervised by the FCA to make sure they are sufficiently engaging with their members.

The ECP also proposes to beef up education programmes on economic crime and to form bodies which will look at innovation in regulatory compliance. The first of these regulations was indicated in January of this year when the UK went beyond the terms of 5AMLD and made it <sup>5</sup> compulsory for all cryptoasset firms to register with the FCA.



5. <https://www.fca.org.uk/cryptoassets-aml-ctf-regime/register-fca>

## 6. TRANSPARENCY OF OWNERSHIP

Corporate secrecy has been an ongoing problem for the UK, particularly in areas such as property ownership and the use of Britain's Overseas Territories (BOT)s and Crown Dependencies and as corporate secrecy destinations. UK Companies House has also faced severe criticism over its failure to verify the information which has been submitted to it. <sup>6</sup>

The Department of Business Energy and Industrial Strategy which has responsibility for Companies House has sought to remedy these problems and is currently undertaking a review of Companies House, with one priority of using data sharing to make sure details submitted to the register are correct.

Further grounds for optimism is the upcoming Registration of Overseas Entities Bill which was included in the Queen's Speech after the Conservatives election win in December and which will provide the beneficial ownership of properties in the UK held through a company.

Both the BOT's and Crown Dependencies are increasing their cooperation with UK law enforcement while the Crown Dependencies are due to make shareholder information publicly available on their registries by 2023.

## 7. INTERNATIONAL STRATEGY

The ECP identifies that the key to stopping the UK being used as a haven for money laundering is to strengthen protocols internationally. To this end the ECP proposes that several government departments engage on a broad number of fronts to address the problem.

This will include the Home Office, Treasury and Department for International Development establishing a unit to co-ordinate the UK government's response to international illicit finance. The Treasury also proposes to continue funding FATF-Style Regional Bodies which are working to raise standards in some of the most high-risk jurisdictions.

Funding will also be given to the NCA's International Corruption Unit while the Foreign and Commonwealth Office continue its work with the OECD and to fund the International Anti-Corruption Coordination which brings together specialist law enforcement officers from multiple jurisdictions. In a nod to concerns over the UK's need to engage with emerging economies the ECP also makes clear that the Department for International Trade will adhere to the government's International Action against Corruption Programme.



6. <https://www.theguardian.com/world/2019/jul/05/how-britain-can-help-you-get-away-with-stealing-millions-a-five-step-guide>

## FUTURE DEVELOPMENTS



Since publishing the Economic Crime Plan 2019 -2022, in July 2019, the government has kept its economic crime policies under review. The NCA later published its key concerns and areas where it intends to focus on economic crime.

Among the points of interest were concerns over the growing number of cyber-enabled fraud, the use of UK-registered Trust and Company Service Providers by criminal groups, and the difficulties in policing Money Service Businesses which provide a useful means for criminal gangs to launder money.<sup>7</sup>

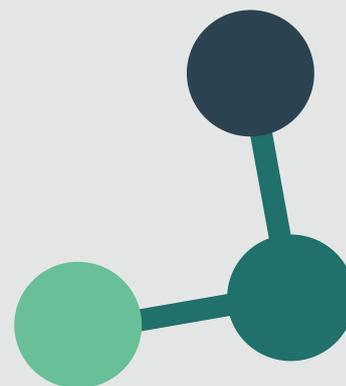
In addition to these concerns, the most recently published minutes of the ECSB<sup>8</sup> highlights the need for the UK's police to develop a strategy to improve their response to fraud, while reforms to SARs and improving the UK's supervisory regime for anti-money laundering and counter-terrorism financing are also listed as key priorities for the future.<sup>9</sup>

7. <https://www.nationalcrimeagency.gov.uk/who-we-are/publications/323-public-private-threat-update-2019-economic-crime/file>

8. <https://www.gov.uk/government/publications/economic-crime-strategic-board-minutes-and-agenda-july-2019/economic-crime-strategic-board-july-2019-agenda-and-minutes>

9. <https://www.nationalcrimeagency.gov.uk/what-we-do/crime-threats/money-laundering-and-terrorist-financing>

# CONCLUSIONS



The ECP has benefitted from extensive consultation with the private sector and leading industry bodies such as UK Finance, ensuring that the proposals put forward have to be workable as well as effective.

However, this partnership is a two-edged sword. The private sector's role as the first-line of defence against economic crime will place businesses under increasing pressure to implement and consistently monitor their economic crime protocols, on pain of losing their membership of industry bodies in the first instance. Economic crime concerns are now likely to become as important and onerous a consideration for business as paying your tax bill.

While it is the UK's largest investment banks and trade bodies who are shaping this conversation, the ECP makes clear that their concerns extend beyond banking and across all business sectors, with legal services, real estate and extractive industries among the businesses highlighted in the report.

Themis aims to bridge this gap between the public and private sectors and our membership base fills the void to include senior business leaders, decision makers and financial crime SME's from across all elements of the private sector.

Themis members have the opportunity to be a part of this regulatory future. Our expert guidance for members can ensure:

- Staff are trained in both reporting and measuring instances of economic crime in line with the latest government requirements
- Management can understand the public sector's latest guidance on how to tackle economic crime.
- We provide a unified and strong voice to make sure future guidelines are appropriate to the sector they are targeting and that they do not only reflect the view of those businesses who already have a seat at the table of government.

With our focus solely on financial crime and a wide membership of public sector experts and senior private sector figures, Themis aims to equip our members and clients with the exact tools needed to man the first line of defence against economic crime.



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