

ECONOMIC CRIME QUARTERLY

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INTRODUCTION

Welcome to the first edition of the Economic Crime Quarterly. This newsletter will provide regular updates on the progress that the public-private partnership is making to deliver the Economic Crime Plan and protect the public from economic crime. It also provides a forward look to workshops and events.

In this edition we feature the Economic Crime Levy consultation and the launch of the SARs Improved Guidance Working Group. We also look at how local authorities and the Government have collectively worked together to combat fraud risk and how civil society has begun to hold the public-private partnership to account on delivery of the Economic Crime Plan.

FORWARD LOOK

Strategic Communications Working Group	22 June 16:00-17:00
Suspended Funds Steering Group	2 July 10:00-11:30
Public Private Steering Group	10 September 12:00-13:30

Plans are underway for the Security Minister and Economic Secretary to the Treasury to hold roundtables with the financial, legal, accountancy and telecommunications sectors throughout June and July.

ECONOMIC CRIME LEVY

At the Spring Budget, the Government announced its intention to introduce an Economic Crime Levy and committed to publishing a consultation in the Spring.

Following meetings with industry representatives in March and April, the consultation is now expected to be published in July and will be live until October. The consultation will seek views on:

- ❖ The levy principles;
- ❖ What the levy will pay for;
- ❖ How levy liability will be calculated, and which businesses should be paying the levy;
- ❖ How the levy will be collected and enforced;
- ❖ How Government can ensure there is transparency over levy spend.

Ahead of the publication of the consultation the Treasury have been holding a series of sector-based workshops to seek views on how the levy will be calculated and distributed across the anti-money laundering regulated sector.

The levy is expected to come into force in 2022. However, this is subject to the final policy design and the time needed to build the necessary collection infrastructure.



SPOTLIGHT ON THE PRIVATE SECTOR: BANKS COLLABORATION TO COMBAT FRAUD RISK

With thanks to Donald Toon, Head of Financial Crime Strategy Management, NatWest Group

In response to COVID-19, the Government distributed over £12 billion to local authorities to support businesses in their areas through the Small Business Grants Fund and Retail, Hospitality and Leisure Business Grants Fund, offering individual grants of either £10,000 or £25,000 linked to the rateable value of the business. More than 300 local authorities are involved in the grant schemes using a variety of payment mechanisms including BACS, Faster Payments and Cheque which could be made to overseas, as well as UK, accounts.

What was the issue?

Without access to details of the bank accounts used to pay business rates, some local authorities had no simple means to verify the account details they had been given were linked to the business applying for the grant, leading to a significant risk of fraudulent claims. Others were targeted by online fraudsters impersonating well-known high-street chains.

“...an important demonstration of the impact of the public-private approach, which sits at the heart of the UK’s approach to tackling economic crime.”

The banks started to identify concerning transactions appearing in customer accounts, including:

- ❖ Payments into personal (rather than business) accounts;
- ❖ Payments to accounts also receiving benefit payments (such as Job Seekers Allowance);
- ❖ Accounts receiving multiple local authority payments of £10,000 or £25,000;
- ❖ Payments into previously dormant accounts;

- ❖ Payments into accounts held by children;
- ❖ Immediate withdrawal of the funds through ATM transactions either side of midnight (countering daily withdrawal limits);
- ❖ Immediate transfer of the funds overseas;
- ❖ Immediate transfer of the funds through MSBs or crypto-currency exchanges.

What happened next?

Through working with UK Finance and CIFAS, the banks were able to engage with the Local Government Association and agree risk indicators and control systems to reduce the risk of fraud at speed. Together they were able to: agree a process to confirm that payments were being made to the person paying the business rates; establish a single contact point for concerned authorities; and a process for return of fraudulent payments to the relevant local authority.

The banks were able to establish clear and consistent risk indicators, and additional checks to assess the likelihood of fraud when those risk indicators are triggered, including verifying the purpose of the transaction with the customer and seeking proof of eligibility for grant payments.

Why is this important?

We have seen banks and local authorities work collectively and collaboratively to address a real and current economic crime problem. As Donald Toon said of the collaboration, “this is an important demonstration of the impact of the public-private approach, which sits at the heart of the UK’s approach to tackling economic crime”.

SARS IMPROVED GUIDANCE WORKING GROUP

The SARs Improved Guidance Working Group commenced in May 2020, co-chaired by the Home Office and a legal sector AML practitioner. Representation includes members from the public sector, law enforcement and regulators.

The Group has collaboratively identified a number of focus areas for improving existing guidance and where new guidance may be beneficial, including on the confidentiality of SARs in civil cases and exploring areas where *reasonable excuse* may be appropriate. The Group will now agree a workplan and identify leads to progress each work stream, so that practical improvements to SARs guidance are made in the next few months.

NATIONAL ECONOMIC CRIME CENTRE WORKS IN PARTNERSHIP WITH UK BANK

Following analysis by the UK Financial Intelligence Unit, the National Economic Crime Centre (NECC), in partnership with a UK bank, took self-service machines on a UK university campus out of service, removing the £2,000 cash withdrawal facility.

This Protect intervention reduced the opportunity for Organised Crime Groups operating in the area to realise the proceeds of crime.



ROYAL UNITED SERVICES INSTITUTE

On 1 June, the independent think tank, Royal United Services Institute published the first iteration of their Economic Crime Plan Tracker. Designed to help keep Economic Crime on the agenda, it will hold the public-private partnership to account on the delivery of the commitments set out in the Economic Crime Plan.

The tracker demonstrates that we have made measurable progress, with key highlights including:

- ❖ Action 7 to promote sharing of information in corporate groups, with the publication of the Government Statement on 12 May;
- ❖ Action 13 to transpose the Fifth Money Laundering Directive, which came into force on 10 January;
- ❖ Action 22 to develop public-private actions plans, with Project OTELLO leading on the operational response to fraud;
- ❖ Action 37 to establish the Financial Conduct Authority as the supervisor of the future crypto assets AML/CTF regime.

The tracker is available online at: <https://www.rusi.institute/ecp/>

CONTACT

The next edition of the Economic Crime Quarterly newsletter will be published in August.

If you would like to contribute an article, news item or event notice for the newsletter please contact us at: HOECSET@homeoffice.gov.uk

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