

ECONOMIC CRIME QUARTERLY

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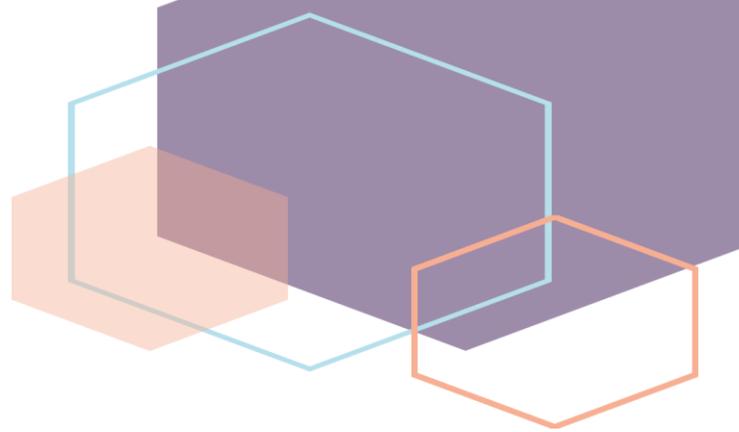
October 2020

INTRODUCTION

Welcome to October's edition of Economic Crime Quarterly.

Following a busy summer period, September began with a meeting of the Public Private Steering Group. Here, attendees updated on the progress of our public-private priorities (Fraud, Information Sharing, Sustainable Resourcing Model and Suspicious Activity Reports (SARs) Reform) and plans for the quarter. One key action from the meeting was for senior industry leads to be identified for each of the public-private priorities to further strengthen the public-private partnership.

In this edition, we look at the progress on the work to improve information sharing, and the National Economic Crime Centre's (NECC) response to the COVID-19 crisis through Operation Etherin and the Fusion Cell. We also look at their new Public Private Operational Board; the Foreign, Commonwealth and Development Office's (FCDO) International Centre of Excellence on Illicit Finance; the Economic Crime Levy; and the latest on fraud sector charters, the Innovation Working Group and SARs Reform.



INFORMATION SHARING

The work to improve information and anti-money laundering effectiveness continues to make good progress. The Expert Working Group formed in July has now met twice to agree on the scope of issues to be progressed and endorse the work of the three sub-groups:

- Sub-group 1: Private to Private Known Suspicion Sharing;
- Subgroup 2: Rebalancing Regulated Sector Resource; and
- Subgroup 3: DAML Process Re-design and Mechanism to Remove Low Value Reporting.

The team have been collecting data on costs and benefits of the current regime and future options. This will help to form the basis from which to develop proposals within the current legislative framework and, if necessary, make the case for legislative change.

Work to advance public to private information sharing kicks off this month with a workshop designed to identify data sets, use cases and outcomes of public sector data that could potentially be shared with private sector partners to help prevent and detect economic crime.

SPOTLIGHT ON LAW ENFORCEMENT

THE RESPONSE TO THE COVID-19 CRISIS

OPERATION ETHERIN

Operation Etherin was set up by the National Economic Crime Centre (NECC) to understand, respond, and communicate on the fraud threats resulting from the COVID-19 crisis.

The Fusion Cell concept was developed at speed and the NECC worked closely with international partners via Europol, Five Eyes¹, and the National Crime Agency's International Liaison Officers network.

The NECC worked in close collaboration with the Cabinet Office Counter Fraud function, Companies House, National Data Exploitation Capability, Department of Health and Social Care and Fusion Cell members to reduce the risk of Serious and Organised Crime targeting vital functions such as the NHS. This unique collaboration, and the insight that was developed, has resulted in significant interventions against Serious and Organised Crime Groups, including the recovery of over 27,000 self-test kits and over 112,000 face masks. It has also provided a valuable framework for future collaboration.

Other successes under Op Etherin included the National Fraud Intelligence Bureau conducting enhanced analysis of 2,500 COVID-19 related fraud reports and NECC establishing a multi-agency de-confliction facility of suspect details with over 1,200 entries.

FUSION CELL

In response to COVID-19, the NECC established and led the Otello COVID-19 Fusion Cell, co-sponsored by the private

sector, to tackle criminals seeking to exploit the COVID-19 crisis for financial gain.

The cell brings together experts from across sectors – including the financial sector, insurance, trade bodies, law enforcement, cyber industry and the wider public sector. The aim is to work in partnership to identify new trends and threats and determine the most appropriate way to tackle them; building on the expertise of both the public and private sectors.

The Fusion Cell convened weekly during lockdown to discuss the economic crime threat picture related to COVID-19. It was underpinned by smaller tactical groups focused on specific threat areas, supported by a weekly public private threat dashboard. This dashboard included high-level Suspicious Activity Report trend data to inform areas for proactive tactical development and disruptive action. The Cell meeting frequency has reduced as the COVID-19 threat has stabilised but can be remobilised should the threat significantly change.



FINCEN LEAKS

The leak of historic suspicious activity reports (SARs) from the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) has further emphasised the importance of cracking down on dirty money and collectively enhancing our response through the Economic Crime Plan.

¹ Australia, Canada, United States, United Kingdom, New Zealand

INTERNATIONAL CENTRE OF EXCELLENCE ON ILLICIT FINANCE

The Foreign Commonwealth and Development Office (FCDO) took its new UK flagship International Centre of Excellence (ICE) on illicit finance to September's Economic Crime Delivery Board.

The innovative and responsive platform will bring together UK expertise from across the public and private sectors to provide analysis and best in class expert response capability on illicit finance, economic crime and economic security.

Providing a one-stop shop for the HMG country network and international partners, it will initially be Official Development Assistance (ODA) funded with the current Spending Review providing opportunities for longer-term programming and the prospect of a small non-ODA component.

ICE will focus on supporting UK efforts in Africa and the Indo-Pacific, with the new capability enabling the FCDO to realize its increasingly ambitious agenda on international threats to UK resilience whilst continuing to deliver a strong offer to developing countries.



ECONOMIC CRIME LEVY

As we head towards the end of the consultation period, HM Treasury are holding a series of engagement events across industry to hear views on key policy design questions. These calls focus on how the levy is calculated but also give industry an opportunity to engage with HM Treasury on wider levy policy design.

They build on the nine sector specific calls held pre-consultation, which also focused on the levy calculation. In these calls, there was support for using UK revenue as the levy base; limited support for the proposed risk metrics; and a consensus a small business exemption threshold may undermine the principle of solidarity.

The consultation will be live on GOV.UK until 13 October. You can submit your views here: <https://www.gov.uk/government/consultations/economic-crime-levy-consultation>

FRAUD SECTOR CHARTERS

The Security Minister held roundtables with four key sectors: Legal, Financial, Accountancy and Telecoms in July, during which he raised the idea of the Sector Charters and got agreement in principle from each sector to develop the concept of a charter with the Home Office. These Charters would be mutual commitments to work together to design out fraud through a public-private partnership.

Work has begun to develop a fraud Sector Charter with the four sectors. We will be holding preliminary discussions with industry partners over the coming weeks to understand the fraud risks faced by each sector. Sector workshops will follow in November where we will begin to develop the contents of the Charters.

PUBLIC PRIVATE OPERATIONAL BOARD

The National Economic Crime Centre (NECC) has expanded and reformed the Joint Money Laundering Intelligence Taskforce (JMLIT) Management Board into the Public Private Operational Board.

This is to provide strategic oversight and direction for operational partnership activity, to maximize the use of our collective resources and capabilities. Over time, this board will expand to incorporate representatives from a range of sectors.

This change was needed to streamline the existing Public Private Partnership operational governance and direct

implementation of a new NECC Public Private Partnerships strategy. The first meeting of the new board took place in late September.

INNOVATION WORKING GROUP

The Innovation Working Group reconvened in August, after being paused due to COVID-19. This group brings together public and private sector partners and aims to identify where innovations to prevent financial crime are encountering regulatory or legal barriers to adoption and seeks to find solutions to those barriers.

The 25 August meeting discussed Privacy Enhancing Technologies (PETs), a series of cryptographic methods that allow data to be analysed and shared without exposing their content to third parties. The discussion focused on the opportunities, barriers and solutions of PET adoption. The main findings, and recommendations, were:

- **Opportunities:** PETs can improve information sharing across entities, sectors and borders which could help facilitate Know Your Customer (KYC) checks, develop customer risk scores, enable identity verification, or identify ultimate beneficial owners.
- **Barriers:** There is a lack of clear guidance from government and regulators on when and how PETs can be used; but also, low awareness levels in the public and private sectors on PET capabilities.
- **Solutions:** Further guidance on the use of PETs could improve understanding of HMG/regulators views. Also highlighted were a greater ability to experiment, publishing best practice, and providing PET education initiatives.
- **Recommendations:** Industry to explore a financial services sector GDPR code of conduct on use of PETs for tackling financial crime. Other key outputs are for UK Finance to explore PET education initiatives; for the ICO to build on their anonymisation guidance; and, for the FCA to explore supporting further PET experimentation events.

If you would like more details, or to get involved, in the code of conduct and/or PET education initiatives, please contact secretariateconomiccrime@ukfinance.org.uk

For a copy of the PET discussion paper, or details on the other recommendations, please contact:

Joe.Hawkins@hmtreasury.gov.uk.

SUSPICIOUS ACTIVITY REPORTS (SARs) REFORM PROGRAMME

The NCA IT Transformation project recently returned to first principles, re-evaluating the plan. The transformation is now making good progress. The first release of the bulk reporter portal is due at the end of the year and the full SARs IT system will then be released by September 2021 with the aim of facilitating bulk reporting, an improved reporter's portal and a revised single law enforcement portal. Detailed analytics and further enhancements will continue to be delivered through to March 2022.

Alongside this, recruitment in Regional Organised Crime Units (ROCU) to create more law enforcement capacity to analyse SARs continues, with a central co-ordinator and three financial investigators now in post.

FORWARD LOOK

Economic Crime Levy Consultation: Insurance Sector	Thursday 1 October 15:00–16:30
Economic Crime Levy Consultation: Banking Sector	Thursday 8 October 10:30–12:00
Information Sharing and AML Effectiveness Expert Working Group	Tuesday 3 November 11:00–12:30

CONTACT

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