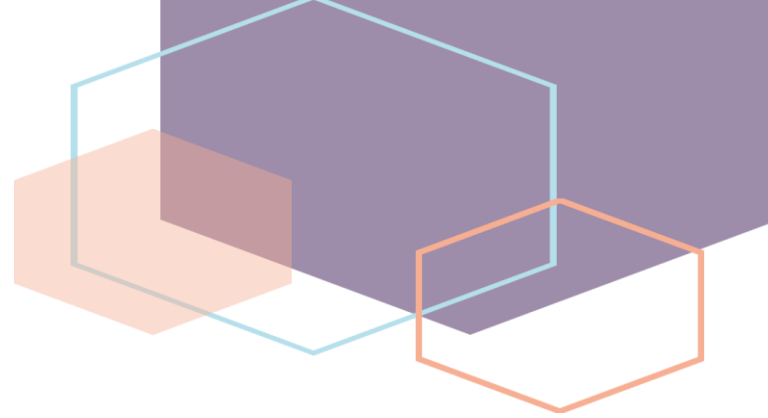


ECONOMIC CRIME QUARTERLY



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INTRODUCTION

Welcome to May's edition of Economic Crime Quarterly.

This edition marks the publication of the draft Online Safety Bill, the Economic Crime Plan Statement of Progress, and the Economic Crime Research Strategy.

We also explore the accountancy sector's efforts to identify fraud "red flags" and review of suspicious activity reports (SARs), as well as the City of London Police's work to tackle fraud throughout the pandemic.

In addition, we look at the latest on suspended funds and Suspicious Activity Reports (SARs).

ONLINE SAFETY BILL

On 12 May, the Government published the draft Online Safety Bill¹, which is an ambitious and forward-looking piece of legislation that will tackle online-enabled fraud facilitated through user-generated content, user interaction and search engines.

It will mean that online companies will, for the first time, have to take responsibility for tackling fraudulent content on their platforms.

ECONOMIC CRIME PLAN STATEMENT OF PROGRESS

Earlier this month, we published the Economic Crime Plan Statement of Progress.² At the midpoint of the Plan, it outlines the progress made against its 52 commitments, with 20 actions now completed. Following agreement at the February 2021 Economic Crime Strategic Board, the Statement also sets out a delivery plan against a set of seven priority areas for joint public private delivery over the remainder the Plan:

- ❖ Design and deliver a comprehensive **Fraud Action Plan**;
- ❖ Bolster **public private operational action** to tackle known vulnerabilities enabling the flow of illicit finance within and out of the UK;
- ❖ Improve the **effectiveness and efficiency of the whole system response to economic crime**;
- ❖ Continue to deliver **SARs reform**;
- ❖ Finalise the **Sustainable Resourcing Model** to support economic crime reform;
- ❖ Develop **legislative proposals to tackle fraud, money laundering, seize more criminal assets, and to strengthen corporate transparency** (e.g. Companies House reform); and
- ❖ Capitalise on the **G7 Presidency** to strengthen the overall international response to illicit finance and anti-corruption.

The Public Private Steering Group will continue to oversee those actions for which private sector organizations share responsibility. Alongside this, we published the Economic Crime Research Strategy³ which sets out the key evidence gaps in our understanding of the threat from economic crime.

¹ [Draft Online Safety Bill - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/draft-online-safety-bill)

² [Economic crime plan 2019 to 2022 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/economic-crime-plan-2019-to-2022)

³ [Economic crime research strategy: Home Office research priorities - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/economic-crime-research-strategy)

SPOTLIGHT ON ACCOUNTANCY SECTOR

Angela Foyle, Director, BDO Global



“The last year has been a busy one for the accountancy sector. A revised version of the CCAB Accountancy Sector AML guidance was produced which is

currently awaiting HM Treasury approval. The supervisory bodies, together with OPBAS, have worked on adapting existing NECC/JMLIT amber alerts so that these are more directly relevant to accountants. These have been disseminated to those members who have responsibility for anti-money laundering compliance. The International Federation of Accountants, in collaboration with the Institute of Chartered Accountants in England and Wales (ICAEW), has published a series called “Anti-money laundering, the Basics” which is a series of two-page guides on money laundering risks which are freely accessible. All of this is in addition to the normal flow of communications and guidance in relation to economic crime provided by all professional body supervisors to their members or supervised populations (for example, the “AML Essentials” quarterly update sent by the ICAEW to its members).

There have been two key areas of focus for the accountancy sector in relation to the Economic Crime Plan discussed below. These are fraud and SARs

FRAUD

In addition to ongoing work on the fraud charter, the sector has been working with the UKFIU to identify fraud “red flags” for accountants. This is structured around a number of case studies, typically encountered by accountants in business and in practice including payment diversion fraud and employee (insider fraud). It highlights what accountants should look for to assist in preventing business fraud. Once approved by

the NCA, this paper will be circulated to accountants through their supervisory or membership bodies. The ICAEW is currently animating some of the case studies to circulate to members alongside its campaign alerting auditors and other members to the fraud risks, in particular COVID related frauds. It has also established a “fraud advisory helpline” for members who are concerned or would like guidance in relation to fraud.

SUSPICIOUS ACTIVITY REPORTING

There are several strands of work in relation to suspicious activity reporting (SAR). The ICAEW conducted a thematic review of SARs focusing on its higher risk firms. The summary outcome of this has been shared with the wider membership and follow up discussions are planned with the relevant firms. The Accountancy Sector SARs engagement group has worked with the FIU to develop a sector template for SARs to help improve the quality of information provided. This will be circulated shortly through the supervisors. A joint webinar with the NCA was held last month, covering SARs and Defence Against Money Laundering (DAML) reports specifically aimed at smaller accountancy firms. Firms were also encouraged to use the SARs template.

New guidance is being considered (expected in the summer) in collaboration with the Home Office and NCA in relation to specific challenges faced by insolvency practitioners in reconciling their obligations under insolvency law and those under the Proceeds of Crime Act relating to DAMLs. This has identified some areas where future legislative amendments may be appropriate.

Tackling economic crime is a continuous process but the collaboration between the sector and law enforcement has resulted in a range of high-quality resources to support accountants in understanding the AML risks.

FIGHTING FRAUD DURING THE PANDEMIC

National units tackling fraud within the City of London Police (CoLP) have, despite the operational restrictions created by coronavirus, arrested 156 criminals believed to have been committing offences during the COVID period, and taken down over 2,000 websites, phone numbers and email addresses linked to fraud.



CoLP's Intellectual Property Crime Unit who have made 29 arrests since the pandemic began, and charged suspects including David Chambers from South West London who is alleged to have administered a fake vaccine to a 92-year-old woman at her home, and Frank Ludlow from West Sussex who received a suspended 10-month prison sentence for selling fake coronavirus treatment kits across the world.

The Dedicated Card and Payment Crime Unit (DCPCU) have made 56 arrests, over a quarter of which have been linked to text message scams, such as fake texts apparently from the Government offering financial payments and loans, as well as false missives about the coronavirus vaccine.

City of London Police Commissioner, Ian Dyson, said:

“Tackling fraud requires a whole system approach and I am extremely thankful to all of our partners who have helped us achieve these results. There have been many more examples of good work by local police forces up and down the country who continue to apprehend fraudsters and stop their criminal

activity whilst balancing many other policing priorities.”

CoLP received 416,000 reports of fraud and cybercrime in the 11 months following the first national lockdown being introduced, with online shopping fraud rising by 42% to an all-time high. Romance fraud also went up by a fifth”.

SARs REFORM PROGRAMME

The SARs Reform Programme has entered the delivery phase of the SARs IT transformation project which will implement a new digital service for all reporters. A small number of ‘Pathfinder’ Bulk Reporters (typically larger financial institutions and payment service providers) are testing the new model for SARs reporting via a test Application Programme Interface (API) to the UKFIU. This will enable Bulk Reporter technical teams to develop and test changes to their automated SARs submissions against the revised data model. Connecting to the new interface will be critical for reporters to be able to submit SARs in bulk once the new digital service is introduced.

SUSPENDED FUNDS

Work to develop policy proposals to introduce new legislative powers to recover funds continues at pace. We are grateful to financial sector colleagues for supporting workshops in March to shape the policy development and have been informally consulting with other stakeholders throughout this month, with a view to publishing a public consultation in the future.

FORWARD LOOK

Public Private Operational Board	Wednesday 16 June 10:00-11:00
Public Private Sector Working Group	First meeting expected in June 2021
Public Private Steering Group	Expected late September