

ECONOMIC CRIME CSOSG

MINUTES

GROUP: Economic Crime Civil Society Organisations Steering Group (EC CSOSG)

DATE & TIME: 10:00 – 12:30 Friday 11 September 2020

VENUE: Lifesize telephone and video conference

CHAIRMAN: Mia Campbell (Fraud Advisory Panel)

SECRETARY: Zara Fisher (Fraud Advisory Panel)

ATTENDEES: Isabella Chase (RUSI), Lucia Cirimello (Transparency International), Rachel Davies (Transparency International UK), Sue Hawley (Spotlight on Corruption), Helena Wood (RUSI).

From 11:00 onwards

Joe Hawkins (HM Treasury) *from 11:30*, Catherine Kernaghan (HM Treasury), Lynsey Lauer (Home Office), Owen Rowland (Home Office), Nick Van Benschoten (UK Finance).

1. Minutes of the previous meeting

It was NOTED that the minutes of the previous meeting held on 06 March 2020 had been agreed and provided to officials in advance of the Economic Crime Strategic Board (ECSB) meeting in accordance with the Economic Crime Civil Society Organisations Steering Group (EC CSOG) terms of reference.

The actions points arising were briefly reviewed and discussed. Sue Hawley (SH) confirmed that discussions were underway to prepare a paper on the role NGOs could play in recovering assets.

2. Update on economic crime plan activities

Each member provided a short update on their planned activities related to the ECP.

- Spotlight on Corruption (SoC): In collaboration with the Fraud Advisory Panel a roundtable was held to discuss the proposed Economic Crime Court with a white paper in development. Work on corporate liability is ongoing. A report will be produced in early 2021 on the enforcement landscape considering corruption, money laundering and fraud. A working group is being set up to discuss how NGO's can participate in the asset recovery space going forward. A recent meeting discussed what corruption sanctions should look like and a typology is being drawn up on the types of people who should be sanctioned, accompanied by case studies.
- Transparency International UK (TI-UK): TI continues to conduct investigative research and collate intelligence packages for key stakeholders, such as law enforcement. It holds a large database of global corruption cases with links to the UK. TI continue to conduct policy work on improvements to the UK's AML architecture, including the property register, Companies House reform and are working with Spotlight on Corruption on asset recovery developments. The next update of the Global Anti-Corruption tracker is due to be issued in November.
- RUSI: RUSI is providing technical policy support to government to assess Tactical Targeting Orders and compare them with US Geographic Targeting. RUSI plans to publish a Briefing Paper on this subject in the autumn. The ECP tracker was published in June and received good support. RUSI and TI are working together on corporate transparency, particularly the

Companies House reform review. RUSI is also drafting a paper, sponsored by Cifas, examining the national security implications of fraud in the UK, focussing on volume crime against businesses and individuals which will be released in December. It is seeking to establish an academic research community to ensure that policy is fully evidenced and is seeking external funding for this. RUSI is also providing input into the government's information-sharing and innovation working groups and working to ensure link up with FATF's work on digital transformation.

- Fraud Advisory Panel (FAP): A COVID-19 Fraud Watch Group was set up in late March as a cross-sector and cross-industry emergency response to the coronavirus pandemic fraud risks. It shares and disseminates current and emerging fraud threats along with proactive preventative advice and has resulted in some intelligence being shared with Government and law enforcement. The group is currently being wound down and will cease next week. The FAP recently wrote to relevant Ministers to highlight the need for a crisis playbook for distributing government funds in the wake of another crisis.

3. Issues of mutual interest

Issues of interest to the EC CSOSG were identified for discussion with Government officials, either in the current or subsequent meetings including: corporate transparency reform (Companies House reform and property register), fraud policing reform and enforcement, SARs and AML supervision reform, corporate liability reform, and ECSB composition and independent person..

It was AGREED to reduce the current list of issues of mutual interest to five key issues. The list will contain one key priority from each member organisation and the final priority will be a key topic of interest agreed by all members.

⇒ *Members are invited to confirm the five key issues of mutual interest by email following the meeting.*

4. Date of next meeting

RUSI kindly volunteered to assume the chairmanship and secretariat for the next two meetings of the EC CSOSG.

It was NOTED that the next ECSB is expected to be held in late November or early December (to be confirmed). The board will then meet every six months or so thereafter.

It was AGREED to host a shorter meeting in January to catch up on our activities, and then to have the main meeting in about March to coincide more closely with the next ECSB meeting which is expected to take place in April/May. It was AGREED that ad hoc meetings could be convened as and when needed.

⇒ *HW to circulate a proposed meeting date for January 2021.*

5. Government and UK Finance officials

Officials from Home Office, HM Treasury and UK Finance joined the meeting at 11:00.

6. Update on the economic crime plan

Owen Rowland and Lynsey Lauer from the Home Office provided an update on the economic crime plan (ECP) and current priorities. A more structured economic crime portfolio approach is being taken which bundles deliverables under the ECP into a series of packages to demonstrate the benefits and outcomes in a more methodical way.

- Current priorities: The SARs reform programme, information sharing and AML effectiveness, fraud, and PPSG priority enablers. The asset recovery action plan is also increasingly becoming a priority.
- SARs reform programme: There has been a lot of progress over the past six months in terms of getting approval for a redesign of IT and operating model, and the role of the UK FIU and its relationship with the regulated sector. Work on confidentiality issues will progress in the next month or two.
- Fraud: It is widely acknowledged that the current response for fraud is inadequate. A new dedicated unit has been established under Kiera Harper to design a programme to ambitiously uplift the response with proposals being fed into the spending review. One issue currently being considered is whether there is scope to release funds from frozen bank accounts that are believed to have been used for criminal purposes (eg. money mules) and reinvest them into tackling economic crime.
- Asset recovery: The focus is on collective investment and stability of funding because at the moment there is little incentive to do much in relation to asset recovery. The Law Commission review (consultation launched on 17th September) is informing work to improve POCA asset confiscation powers.
- Information sharing: There is a collective sense that improving information sharing and the anti-money laundering process is critical to prevent and detect fraud and money laundering and achieve the outcomes that everyone wants. A public/private expert group was launched in July to take this work forward and to consider the need for any legislative change. Proposals for legislative change must be identified by December.
 - The private to private workstream is considering mechanisms for the private sector to share money laundering suspicions – for example similar to the CIFAS fraud database – to stop criminals from abusing the financial system. The risk of financial exclusion will need to be carefully mitigated.
 - The public to private workstream is trying to understand which public sector datasets are available that could be most useful to the private sector (eg. fraudulently obtained genuine identity documents).
 - The private to private pre-suspicion workstream has made substantial progress in analysing the issues and the feasibility of the proposals is currently being considered by Counsel.
 - The private to public workstream is exploring the usability of Tactical Targeting Orders / Information Orders in the UK context.

EC CSOSG members raised the following points and questions.

- Returning assets to their country of origin: Proper, consistent guidance is needed on returning assets to their country of origin so that this is not done on a case-by-case basis.
- Mid-plan progress update: It would be useful for a mid-plan progress update to be published to show what has been achieved, how success is being measured, and whether desired outcomes are being achieved. Ideally this would be publicly available for transparency and accountability purposes. It was NOTED that early discussions were underway on this issue and that a performance framework has been developed. However, it was unclear yet whether this would be externally published.
- Gap in CJS capacity: A potential gap has been identified downstream in the criminal justice system (particularly in relation to prosecutor capacity and judicial engagement) if there is an increase in economic crime cases going before the courts. It was NOTED that there is an ongoing dialogue to ensure that bids for prosecution capacity align with upstream proposals.

- Ticketed fraud judges: A joint roundtable convened by Spotlight on Corruption and Fraud Advisory Panel on the economic crime court found that it might work best if there were ticketed judges. Early engagement with the judiciary is important.
 - Corporate liability reform: Any legislation change needed does not necessarily need to be packaged with other Home Office-led legislative changes. It could be included in proposals/legislation proposed by other departments, such as the Ministry of Justice.
- ⇒ *HO to link up with Spotlight on Corruption in relation to their working group on standing for NGOs in asset recovery.*
- ⇒ *Fraud Advisory Panel to contact Kiera Harper to discuss work in relation to support for fraud victims.*
- ⇒ *RUSI to facilitate opportunities for EC CSOSG members to share their perspectives on key economic crime research gaps if funding for their academic research group is found.*

7. Economic crime levy consultation

Catherine Kernaghan and Joe Hawkins from HM Treasury provided an update on the current consultation on the economic crime levy which closes on 13 October.

- A lot of external stakeholder engagement is currently being undertaken to ensure a broad range of views and perspectives are heard.
- A couple of common themes are beginning to emerge from these discussions around the need for transparency, risk scoring and solidarity (so the revenue base includes everyone).
- There are some practical challenges that need to be worked through such as: how to articulate how the levy is / is not spent; collecting money from a lot of people/organisations; differing levels of money laundering risks.
- While there is a consensus that those at higher risk should pay a higher proportion of the levy there are differing views on how this should be calculated.

It was NOTED that members of the EC CSOSG were still in the early stages of formulating their thinking on the proposals and most would submit a formal response. However, some preliminary views were offered on the proposals.

- What should the levy fund? Funding should be targeted to build trust and confidence in the system. Suggestions included: SARs reform, UKFIU uplift, any financial investigator uplift needs to be ring-fenced for AML and fraud investigators centrally and regionally; economic crime research; an innovation fund for bids to improve AML systems moving forward. Public sector funding must match private sector funding to mitigate resentment. Most members were resistant to the levy being used for Companies House reform; there are other options available to fund this much needed work.
- Transparency: An annual report seems appropriate and should include an impact assessment. Its release could be aligned to other related reports. A review of the levy should probably be undertaken sooner than five years.
- UK revenue as a levy base: It is difficult for EC CSOSG to comment on as they sit outside the regulated sector. However how easy is it to separate out AML activity (UK and international) and who would be responsible for doing this – the firm or a supervisor or someone else?
- How to account for money laundering risk? Most EC CSOSG members disagreed with the three possible factors that could be incorporated into the levy formula: number of SARs, NRA ratings, or supervisor risk assessments. It was also NOTED that risk is dynamic and changes over time.

- Small business exemption: Concerns were expressed about the possibility of exempting a lot of very risky small businesses from the levy. It was suggested that smaller businesses should pay a fee – even if it is a nominal one – to signify the importance of tackling money laundering. Otherwise it could give small businesses the impression that they do not have an AML problem.
- ⇒ *HO and HMT to approach the EC CSOSG collectively and/or individually on an ad hoc basis between meetings in which input is sought.*