

Economic Crime CSOSG Meeting

Minutes

Group: Civil Society Organisations Steering Group

Date and Time: Tuesday 23rd November 2021, 11am-12:30pm

Attendees: **CSOSG:** Chair – RUSI, Spotlight on Corruption, Transparency International UK (TIUK); The Sentry, UK Anti-Corruption Coalition Co-ordinator

Apologies: Fraud Advisory Panel

(HMG From 11:45am): Home Office and HM Treasury representatives

Overview of CSOSG Consensus Issues

1. Any future Economic Crime Plan should have a strong enforcement focus and be backed by a more ambitious sustainable resourcing model. It should also have a strong focus on the international aspects and impact of the UK response and the role of the FCDO in delivery.
2. To tackle 'High-End Money Laundering' (HEML), it is important that the government introduces corporate and property ownership legislation in the next session, increases its enforcement of the law and regulations, and increases transparency of enforcement action.
3. Future legislation and new regulation, which have the potential to impact levels of economic crime in the UK, such as the planned re-domiciliation of the companies regime, should be subject to an 'Economic Crime Impact Assessment'.
4. Action 23 of the ECP – sustainable resourcing – is long overdue. The government should consider creating a new economic crime enforcement fund from the pooled receipts of DPAs, regulatory fines and asset recovery receipts rather than these going back into general funds.
5. The CSOSG continues to advocate for the inclusion of an independent person into the governance of the ECSB to increase transparency and accountability and reduce the risk of policy capture.

Minutes of Meeting:

Internal CSOSG Meeting (11-11:45am)

Agenda item 1: Introductions

Introductions were made, and the minutes of the last meeting were agreed.

Agenda item 2: Discussion of ECSB Agenda

Proposal for an 'Economic Crime Plan (ECP) 2':

TIUK noted that planning for an ECP2 should not distract from implementing the rest of the commitments in the current ECP. An audit of impact of current ECP should be undertaken following the end of the current plan.

SpoC noted that civil society should be consulted early in the process of drafting any future plan and agreed an audit of implement of the current plan should happen. Any future plan should be backed by sustainable funding – the private sector, many of whom may be subject to enforcement action, should not be party to resourcing discussions. There should be a strong focus on law enforcement reforms and resourcing. AML supervision should be subject to consolidation.

Separately, SpoC noted that future legislation or regulation, such as the planned re-domiciliation reforms currently under consultation, should be subject to a new economic crime impact assessment, as well as business impact assessment. Members concurred.

SpoC also noted that as the Law Commission corporate liability law consultation would not be published in time for inclusion in the next Queen's speech, there was a question as to whether this would need to be included in a second Economic Crime Bill.

UKACC noted the need for increased accountability in a future ECP, with mid-point official reporting built into the process, similar to the UK Anti-Corruption Strategy process.

The Sentry noted the need for a clearer international strategy, reflecting the impact the lack of UK action on economic crime facilitation has on the rest of the world.

RUSI echoed this point and called for a clearer role for the FCDO in a future ECP to better reflect the impact the UK has on global illicit finance.

High-End Money Laundering (HEML):

TIUK noted that a key way of reducing HEML in the UK would be to introduce legislation to reform Companies House and introduce the Registration of Overseas Entities Bill. Both have cross-party support and support from the private sector.

SpoC noted that the response to HEML was weak. There are not enough prosecutions, weak AML supervision and poor enforcement of the regulations. There is also a lack of transparency around enforcement data, which undermines the ability to hold government to account for progress.

The Sentry noted the need for a more joined up approach on corruption sanctions to ensure that there is a coordinated plan between the sanctions and law enforcement/asset recovery regime.

RUSI and UKACC supported these points.

Crypto-assets:

Proposal for new powers: The group discussed proposals to increase the seizure of crypto-assets under reforms to POCA. The group agreed that such plans in principle were desirable, but industry

engagement on the scope of these powers should be transparent. RUSI raised concerns that increased civil powers, should not be a substitute for criminal investigations.

RUSI raised the need to push forward with adopting the most recent FATF best practice guidance on crypto-asset regulation, recognising however the difficulties regulators are facing globally in adopting the 'travel rule'.

Agenda item 3: Discussion of Economic Crime Enforcement White Paper

RUSI and SpoC highlighted that they are producing the White Paper resulting from the recent UK Economic Crime Enforcement Workshop attended by many CSOSG members. CSOSG members were invited to comment on, contribute to and endorse the paper.

Agenda item 4: Discussion on Sustainable Resourcing

SpoC led a discussion on the current under-resourcing of the UK economic crime enforcement response. The group agreed that the current plans to develop a sustainable resourcing model (action 23 of the ECP) are overdue and inadequate. It is unclear how the Economic Crime Levy will be spent. However, it is clear that this will not be enough to plug the substantial gaps in enforcement.

The group discussed the potential to pool the variety of funds raised by economic crime enforcement agencies, such as Deferred Prosecution Agreement (DPA) fines, regulatory fines, asset recovery receipts and other resources into an economic crime fund to sustainably prime the response.

Separately SpoC raised the wider issue of a lack of transparency regarding recent reports into the UK enforcement environment, including the lack of publication of the full 'Mackey Review' on serious organised crime and the Review of the Proceeds of Crime Centre.

Agenda item 5: Appointment of new CSOSG Chair

The group agreed that TIUK would take over the chair of the CSOSG from January 2021.

Meeting with Officials (11:45-12:30pm):

The Home Office and HM Treasury joined the meeting.

Home Office update on the Economic Crime Strategic Board (ECSB) meeting to be held in December 2021. Membership of the ECSB has been broadened to include a number of telecommunications and technology companies. The December meeting will discuss progress on the seven themes of the ECP and progress in relation to new actions set out in the 'Statement of Progress'. Included will be discussions on resourcing, the Fraud Action Plan and key HEML vulnerabilities.

The Chair raised the CSOSG's continuing concerns regarding the public-private composition of the ECSB, particularly given the expansion to further private sector participants. The CSOSG has continually called for an independent observer to sit on the ECSB to reduce the risk of 'policy capture' and to increase transparency and accountability in decision-making. The Home Office noted the concerns.

HM Treasury updated the group on progress relating to regulatory and supervisory reforms, the progress of legislation to bring into effect the Economic Crime Levy and progress on developing a potential future ECP.

Government participants made clear the intention to closely consult with civil society in the development of any future plan.

CSOSG members raised the need to prioritise legislation, increase transparency of enforcement statistics, work towards more sustainable funding and to commit to future legislation once the Law Commission report on corporate liability had been published.

The meeting closed by both sides committing to closely engage in developing the ECP 2, should the ECSB decide to move forward with this initiative.

The meeting closed at 12:30pm