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# Economic crime in the UK: a multi-billion pound problem



## Summary

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## Summary

The precise scale of economic crime in the UK is unknown, but it could run to tens or hundreds of billions of pounds per year. The extent of these crimes – which include money laundering, fraud and corruption – led the Intelligence and Security Select Committee in its July 2020 report on Russia to note that London is considered a ‘laundromat’ for corrupt money.

In December 2019 the Treasury Committee found various regulatory and legislative failings in the way in which these crimes are being tackled. It urged the Government to make improvements to the supervisory system and to introduce new powers to combat economic crime. A February 2022 Treasury Committee follow-up report concluded that the Government was still not prioritising economic crime sufficiently.

In 2019 The Financial Action Task Force (the global money laundering and terrorist financing watchdog) praised the UK’s efforts on the issue, but also found failings and identified a lack of resources for investigating these crimes.

### The Economic Crime Plan

The Government agrees about the need to tackle economic crime, which it says causes “much harm to individuals and communities, and damage to legitimate business and the UK’s reputation.” It set out its overall approach to tackling the issue in its July 2019 Economic Crime Plan. The Plan covers the years 2019-2022 and draws together all the work being conducted by the public and private sector.

A number of the 52 actions contained in the plan may involve future legislative reforms, including changes to:

- the Proceeds of Crime Act to improve the way in which the proceeds of crime can be confiscated;
- corporate criminal liability, to punish and prevent economic crimes when committed on behalf of or in the name of companies;
- block company stock exchange listings on national security grounds;
- improve transparency over UK property ownership;
- Companies House powers to enable it strike off from its register dissolved or inactive limited partnerships.

## Progress with the Plan

In February 2022, the Royal United Services Institute [said that](#) 40% of actions in the Plan had been completed, 17% were in progress, 23% were overdue, and 19% of actions had no due date. The Government says it is “[on course](#) to deliver 49 of the 52 actions” in the Plan. The Treasury Committee has recommended that the Plan be adapted and renewed for a further three years.

## Other action

The September 2020 leak of the FinCEN papers, the October 2021 leak of the Pandora Papers, and the February 2022 Russian invasion of Ukraine put a spotlight on the scale of economic crime in the UK (and especially London).

In response to the Russian invasion of Ukraine, the Government fast-tracked the passage of the [Economic Crime \(Transparency and Enforcement\) Act 2022](#) to combat the flow of illicit finance into London with three main measures (including establish a Register of Overseas Entities owning UK property – see our [briefing on the Act](#) for more detail). The Government also announced the formation of a new dedicated ‘kleptocracy’ cell in the National Crime Agency to target sanctions evasion.

The Government has committed to introduce a further economic crime bill in the upcoming (2022-23) parliamentary session. Home Secretary Priti Patel [said it would be](#) a “very substantial piece of legislation” including reform of Companies House (following publication of a recent [White Paper](#)) and limited partnerships, powers to seize crypto-assets from criminals, and information sharing on money laundering.

# 1 Scale of the problem

Economic crime covers a range of activities involving money, finance or assets, which has the purpose of unlawfully obtaining a profit or advantage or causing loss to others.<sup>1</sup> Obvious examples are fraud, money laundering and bribery.

It is difficult to assess the extent of economic crime in the UK. The Treasury Select Committee stated that “it seems that it can reasonably be said to run into the tens of billions of pounds, and probably the hundreds of billions”<sup>2</sup> and is “rapidly growing”.<sup>3</sup>

The very high figures are for the likely criminal funds that are either channelled through the UK or facilitated by UK structures, rather than those that directly affect the country.<sup>4</sup> That impact is likely to be much less. Serious and organised crime, much of which is economic in nature, is estimated to cost the UK £37 billion a year.<sup>5</sup>

[An October 2019](#) report from Transparency International (TI) highlighted the various types of ‘enabling activities’ that UK-based firms undertake that can help criminals to launder corrupt wealth in the UK. These include banking transactions, company formation and management, property transactions and lifestyle management (such as assisting in the procurement of UK visas or citizenship).

Similar points were raised in the Intelligence and Security Committee report on Russia, published in July 2020. The Committee noted:

It is widely recognised that the key to London’s appeal [to Russian oligarchs] was the exploitation of the UK’s investor visa scheme, introduced in 1994, followed by the promotion of a light and limited touch to regulation, with London’s strong capital and housing markets offering sound investment opportunities. The UK’s rule of law and judicial system were also seen as a draw. The UK welcomed Russian money, and few questions – if any – were asked about the provenance of this considerable wealth. It appears that the UK Government at the time held the belief (more perhaps in hope than expectation) that developing links with major Russian companies would promote good governance by encouraging ethical and transparent practices, and the adoption of a law-based commercial environment.

What is now clear is that it was in fact counter-productive, in that it offered ideal mechanisms by which illicit finance could be recycled through what has been referred to as the London ‘laundromat’. The money was also invested in

<sup>1</sup> HM Government, [Economic Crime Plan](#), para 1.12

<sup>2</sup> *ibid*

<sup>3</sup> Treasury Committee, [Economic Crime, Eleventh Report of Session 2021–2](#), 2 February 2022, Summary

<sup>4</sup> HM Government, [Economic Crime Plan](#), para 1.12

<sup>5</sup> HM Treasury, [Economic Crime Levy consultation](#), 21 July 2020

extending patronage and building influence across a wide sphere of the British establishment – PR firms, charities, political interests, academia and cultural institutions were all willing beneficiaries of Russian money, contributing to a ‘reputation laundering’ process.

[...]

It is not just the oligarchs either: the arrival of Russian money resulted in a growth industry of enablers – individuals and organisations who manage and lobby for the Russian elite in the UK. Lawyers, accountants, estate agents and PR professionals have played a role, wittingly or unwittingly, in the extension of Russian influence which is often linked to promoting the nefarious interests of the Russian state. A large private security industry has developed in the UK to service the needs of the Russian elite, in which British companies protect the oligarchs and their families, seek kompromat on competitors, and on occasion help launder money through offshore shell companies and fabricate ‘due diligence’ reports, while lawyers provide litigation support.<sup>6</sup>

## 1.1 How well are these crimes being tackled?

### Treasury Committee review

The Treasury Committee reviewed the UK’s approach to economic crime in 2019, leading to the publication of its report into [Economic Crime - Anti-money laundering supervision and sanctions implementation](#) in March 2019. This flagged various regulatory and legislative issues.

Nicky Morgan, the then Chair of the Treasury Committee, urged the Government to “bring greater order” to the “fragmented supervisory system, better identify the scale of the problem, and make a greater effort to combat the known risks and gaps in the supervisory system”.<sup>7</sup> The Committee made a number of [a number of recommendations](#) to the Government, including that it:

- develop more precise estimates of the scale of economic crime in the UK;
- review the UK's anti-money laundering supervision more frequently;
- ensure that all estate agents are registered with HMRC for anti-money laundering (AML) purposes;
- give Companies House new powers to combat economic crime; and,
- reform the corporate criminal liability framework for economic crime.<sup>8</sup>

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<sup>6</sup> Intelligence and Security Committee of Parliament, [Russia](#), July 2020

<sup>7</sup> Treasury Committee, [UK's fragmented anti-money laundering system needs re-ordering, warns Treasury Committee](#), 8 March 2019

<sup>8</sup> Treasury Committee, [Economic Crime - Anti-money laundering supervision and sanctions implementation](#), Twenty-Seventh Report of Session 2017–19, 5 March 2019

A follow-up economic crime report by the Treasury Committee in February 2022 concluded that the “Work being done by Government” was “still not enough” and should be given a “far higher priority”.<sup>9</sup> It made several further recommendations, including considering whether to centralise economic crime policy in one Government department, and enforcement in one agency.<sup>10</sup>

## FATF review

The Financial Action Task Force (FATF) – an inter-governmental body that sets international standards for addressing money laundering and terrorist financing – also reviewed the UK’s approach in December 2018. It concluded that the UK “has a well-developed and robust regime to effectively combat money laundering and terrorist financing”. Making its case, FATF said that:

The UK aggressively pursues money laundering and terrorist financing investigations and prosecutions, achieving 1400 convictions each year for money laundering. UK law enforcement authorities have powerful tools to obtain beneficial ownership and other information, including through effective public-private partnerships, and make good use of this information in their investigations. However, the UK financial intelligence unit needs a substantial increase in its resources and the suspicious activity reporting regime needs to be modernised and reformed.

The country is a global leader in promoting corporate transparency and it is using the results of its risk assessment to further strengthen the reporting and registration of corporate structures. Financial institutions as well as all designated non-financial businesses and professions such as lawyers, accountants and real estate agents are subject to comprehensive AML/CFT requirements. Strong features of the system include the outreach activities conducted by supervisors and the measures to prevent criminals or their associates from being professionally accredited or controlling a financial institution.<sup>11</sup>

Nevertheless, the FATF report was in line with the Treasury Committee Report. It noted that the UK needed to “strengthen its supervision, and increase the resources of its financial intelligence unit.” It stated that it “needs to address certain areas of weakness, such as supervision and the reporting and investigation of suspicious transactions.”<sup>12</sup>

TI challenged the overall positive assessment that FATF had given to the UK, which it said failed “to take into account ongoing failings in the UK system

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<sup>9</sup> Treasury Committee, [Economic Crime, Eleventh Report of Session 2021-2](#), 2 February 2022, paras 34 and 35

<sup>10</sup> Ibid, paras 37 and 56

<sup>11</sup> Financial Action Task Force, [The United Kingdom's measures to combat money laundering and terrorist financing. Mutual Evaluation Report of the United Kingdom – 2018](#), 7 December 2018

<sup>12</sup> ibid

which – according to the National Crime Agency – allow in excess of £100 billion in illicit funds to impact the UK each year.” In particular, it said:

The FATF report states the UK’s system for ensuring professionals follow money laundering rules is “highly effective”. Our own research contradicts this assessment, identifying the need for a major overhaul of how the private sector’s money laundering standards are overseen. This includes low levels of sanctions against those found to have weak systems to defend against dirty money.

## 2 Government action

The Government said in July 2020 that “economic crime represents a significant and ever-changing threat to the UK that has a harmful impact on our economy, competitiveness, citizens, and institutions.” It went on:

These crimes [...] not only result in financial gain for their perpetrators, but also leave a trail of victims, causing much harm to individuals and communities, and damage to legitimate business and the UK’s reputation. Serious and Organised Crime, much of which is driven by economic crime, is estimated to cost the UK £37 billion a year.<sup>13</sup>

The Government flagged “the significant progress that has been made in the UK’s response to economic crime”. It stated that it had introduced “world-leading reforms” including:

[T]he creation of the National Economic Crime Centre; establishing the Office for Professional Body Anti-Money Laundering Supervision; the introduction of new powers such as Unexplained Wealth Orders and Account Freezing Orders; and the launch of dedicated public-private initiatives such as the Joint Money Laundering Intelligence Taskforce.

Since its commencement, over £1.8 billion has been taken off criminals using the powers in the Proceeds of Crime Act 2002, and billions more has been recovered using deferred prosecution agreements and HM Revenue and Customs’ tax powers. Even more importantly, over £293 million has been returned to victims.<sup>14</sup>

Nevertheless, the Government stated that the threat to the UK from economic crime “remains high and is constantly evolving”.<sup>15</sup>

### 2.1 Economic Crime Plan

The Government set out its overall approach for addressing the issues identified by the Treasury Committee and FATF in its [Economic Crime Plan, 2019 to 2022](#).

<sup>13</sup> HM Treasury, [Economic Crime Levy consultation](#), 21 July 2020

<sup>14</sup> *ibid*

<sup>15</sup> *ibid*

The Plan was developed in partnership between the public and private sectors (with trade body UK Finance) and draws together all work on tackling economic crime. It set out seven strategic priorities containing 52 actions:

- Strategic Priority One: **Understanding the Threat** and Performance Metrics. Develop a better understanding of the threat posed by economic crime and our performance in combatting economic crime.
- Strategic Priority Two: **Better Information-Sharing**. Pursue better sharing and usage of information to combat economic crime within and between the public and private sectors across all participants.
- Strategic Priority Three: **Powers, Procedures and Tools**. Ensure the powers, procedures and tools of law enforcement, the justice system and the private sector are as effective as possible.
- Strategic Priority Four: **Enhanced Capabilities**: Strengthen the capabilities of law enforcement, the justice system and private sector to detect, deter and disrupt economic crime.
- Strategic Priority Five: **Risk-Based Supervision** and Risk Management. Build greater resilience to economic crime by enhancing the management of economic crime risk in the private sector and the risk-based approach to supervision.
- Strategic Priority Six: **Transparency of Ownership**. Improve our systems for transparency of ownership of legal entities and legal arrangements.
- Strategic Priority Seven: **International Strategy**. Deliver an ambitious international strategy to enhance security, prosperity and the UK's global influence.

A number of these actions may involve future legislative reforms, including changes to:

- the Proceeds of Crime Act to improve the way in which the proceeds of crime can be confiscated;
- corporate criminal liability, where criminal offences are designed to punish and prevent economic crimes when committed on behalf of or in the name of companies;
- block company stock exchange listings on national security grounds;
- improve transparency over UK property ownership (through a Registration of Overseas Entities Bill);
- limited partnerships, including by giving Companies House a power to strike off from its register dissolved or inactive limited partnerships.

## Comment on the Economic Crime Plan

Responding to the publication of the Plan, TI stated that there were a number of key omissions:

- A failure to include key next steps on reforming the UK's corporate liability laws, which currently let big corporates off the hook for serious financial crimes such as money laundering.

- An insufficient response to money-laundering supervisors failing to carry out their duties.
- A lack of safeguards against policy capture in relation to the funding of reforms to Suspicious Activity Reports (SARs). These reports are how the private sector alerts the police to transactions which appear suspicious.<sup>16</sup>

Helena Wood, Associate Fellow at the Royal United Services Institute (RUSI), stated in January 2020 that the Government should deal “with the crucial issue on which the plan largely remains silent: the fundamental capacity and capability issues within the UK’s operational response to economic crime.”<sup>17</sup>

The Government has in part responded to this resourcing issue with the introduction of an Economic Crime Levy to fund action on money-laundering (see next section).

## Progress on the Economic Crime Plan

In February 2021 the Government published a “Statement of Progress” on the Plan. It noted that it had delivered 20 of the 52 items, and has plans to complete the remaining items in line with its original intentions. In some areas, however, the [Economic Crime Strategic Board](#) (a public-private taskforce set up in 2019 chaired jointly by the Home Secretary and Chancellor) decided that “further momentum was needed” and so a Further Delivery Plan was introduced detailing seven further actions, being to:

1. Design and deliver a comprehensive Fraud Action Plan;
2. Bolster public private operational action to tackle known vulnerabilities enabling the flow of illicit finance within and out of the UK;
3. Improve the effectiveness and efficiency of the whole system response to economic crime, increasing high value intelligence to law enforcement and reducing low value activity that costs business and delivers little benefit;
4. Continue to deliver SARs [Suspicious Activity Reports] reform, including the next stages of the rollout of the new IT infrastructure and the increase in UKFIU [UK Financial Intelligence Unit] staffing;
5. Finalise the Sustainable Resourcing Model [which would enable the public and private sectors to share information and prioritise resources more effectively]<sup>18</sup> to support economic crime reform;

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<sup>16</sup> Transparency International, [Urgent action required to address gaps in UK government’s plan to combat economic crime](#), 12 July 2019

<sup>17</sup> Royal United Services Institute, [Getting the Economic Crime Plan Done: Why Economic Crime Matters for Johnson’s ‘Global Britain’](#), 13 January 2020

<sup>18</sup> Economic Crime Plan, para 1.6

6. Develop legislative proposals to tackle fraud, money laundering, seize more criminal assets, and to strengthen corporate transparency (e.g. Companies House reform); and
7. Capitalise on the G7 Presidency to strengthen the overall international response to illicit finance and anti-corruption.<sup>19</sup>

RUSI has [an online tracker to monitor progress against the 52 actions in the Plan](#). As at 7 February 2022, they reported that:

- 40% of actions had been completed, such as the completion of new National Risk Assessments on money laundering, terrorist financing and proliferation financing (Action 3);
- 32% were in progress, such as considering legislative changes to improve the Proceeds of Crime Act (Action 12);
- 23% were overdue, such as promoting information-sharing on fraud (Action 10);
- 3% of actions had no due date, such as undertaking public-private sector threat assessments on key themes and sectors (Action 1).<sup>20</sup>

Responding to a Parliamentary Question in March 2022, Economic Secretary John Glen said the Government is “on course to deliver 49 of the 52 actions” in the Plan.<sup>21</sup>

The Treasury Committee’s February 2022 economic crime report said that the expiration of the Economic Crime Plan in 2022 presented “an opportunity for the Government to review how well the Plan has operated, its strengths, and its failings. It should be adapted as necessary and renewed for a further three years.”<sup>22</sup>

## 2.2

## Other action

### Legislation

In March 2022, in response to the Russian invasion of Ukraine, the Government passed the [Economic Crime \(Transparency and Enforcement\) Act 2022](#), seeking to combat the flow of illicit finance into London with three main measures (see section 3.2 below).

The Government has committed to introduce a further economic crime bill in the upcoming (2022-23) parliamentary session. Home Secretary Priti Patel [said it would be](#) a “very substantial piece of legislation” including

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<sup>19</sup> Ibid, para 1.13

<sup>20</sup> Royal United Services Institute, [Economic Crime Plan Online Tracker](#), viewed November 2021

<sup>21</sup> Question [UJN 145067, tabled on 22 March 2022](#)

<sup>22</sup> Treasury Committee, [Economic Crime, Eleventh Report of Session 2021-21](#), 2 February 2022, para 36

reform of Companies House and limited partnerships, powers to seize crypto-assets from criminals, and information sharing on money laundering.

## ‘Kleptocracy’ Cell

In a Commons statement on 24 February 2022, Prime Minister Boris Johnson announced the formation of “a new dedicated kleptocracy cell in the National Crime Agency to target sanctions evasion and corrupt Russian assets hidden in the UK, and that means oligarchs in London will have nowhere to hide”.<sup>23</sup>

A Government press release on 28 February said the new ‘Kleptocracy’ cell “is being stood up immediately to investigate sanctions evasion. This will ensure that those seeking to bypass the severe economic sanctions announced against Russia last week, will be caught and punished”.<sup>24</sup> On 30 March Economic Secretary John Glen said this cell would “grow operational capability to combat serious and organised crime targeting corrupt elites through their hidden UK assets hidden; targeting the professional enablers of these corrupt elites; and supporting cross-government sanctions delivery and enforcement.”<sup>25</sup>

On 29 March officers from the Kleptocracy Cell detained a £38m superyacht ultimately owned by a Russian businessman – the first ever detention of a superyacht in UK waters.<sup>26</sup>

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<sup>23</sup> [HC Deb 24 March 2022, vol 709 col 565](#)

<sup>24</sup> Government press release, [Government takes landmark steps to further clamp down on dirty money](#), 28 February 2022

<sup>25</sup> Question [UIN 145067, tabled on 22 March 2022](#)

<sup>26</sup> National Crime Agency, [£38 million superyacht Phi detained in Canary Wharf](#), 29 March 2022

## 3 Current issues

This section elaborates on some specific economic crime issues that have arisen as a result of recent media or parliamentary interest. The issues covered are:

- The economic crime levy
- Transparency of property ownership: the beneficial ownership register
- Brexit
- Victims of fraud
- The FinCEN and Pandora papers

### 3.1 Financing action on economic crime: the economic crime levy

As noted above, RUSI indicated that a lack of funding for tackling economic crime could be an important barrier to the success of the Government's Economic Crime Plan.

In the March 2020 Budget, the Government announced its intention to explore a more "sustainable resourcing model" for tackling economic crime that would be comprised of both public and private funds. It [launched a consultation in July 2020](#) which closed in October 2020. Provisions to introduce the levy were then included in the Finance (No.2) Bill 2021-22, with the first payments due in the 2023/2024 financial year.

See the Library briefing [Autumn 2021 Budget: Economic Crime \(Anti-Money Laundering\) Levy](#) for more information.

### 3.2 Transparency of property ownership and the Economic Crime (Transparency and Enforcement) Act 2022

Beneficial ownership refers to the person or persons who ultimately own or control an asset (for example, a property or a company) and benefit from it. The concept of beneficial ownership exists because the direct legal owner of

an asset is not necessarily the person ultimately controlling and benefitting from the asset.

The Government has since 2016 said it plans to launch a public beneficial ownership register for UK property. Despite mentioning it in the December 2019 Queen's Speech the Government would not initially confirm when it planned to legislate.

On 1 March, in response to the Russian invasion of Ukraine, the Government introduced legislation establishing a Register of Overseas Entities owning UK property, with a 6-month transitional period for registration. The legislation was fast-tracked and Royal Assent was obtained in the early morning of 15 March 2022.

See our briefing on the [Economic Crime \(Transparency and Enforcement\) Act 2022](#) for more information. This Act also reforms the Unexplained Wealth Order regime to “remove key barriers and help target more corrupt elites”, and “strengthens the Treasury’s ability to take action against sanctions breaches”.<sup>27</sup>

In Scotland a similar register has been [operational since 1 April 2022](#). Landowners and tenants have a 12-month grace period to register before incurring penalties.

Our Library briefing [Registers of beneficial ownership](#) discusses the development of registers of beneficial ownership in the UK and around the world.

## 3.3

### Brexit

In its 2019 report on Economic Crime, the Treasury Committee considered the implications of the UK's departure from the EU. It urged the Government to remain vigilant to the risks of corruption when conducting future trade negotiations:

The UK's departure from the European Union will inevitably result in a change in international trading relationships. Such new trading relationships may also provide opportunities to those wishing to undertake economic crime in countries that are more vulnerable to corruption. The UK must remain alert to that risk, including when it conducts trade negotiations. The Government must be consistently clear about its intention to lead in the fight against economic crime, and not compromise that in an effort to swiftly secure new trading relationships.

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<sup>27</sup> See response of John Glen to Question [UIN 145067, tabled on 22 March 2022](#)

In response to the Committee's recommendation, the Government stressed its commitment to combatting economic crime and stressed the possible post-Brexit benefits of being able to negotiate improved economic crime standards through new "bilateral and multilateral engagement":

The government's commitment to combatting economic crime will not diminish once the UK has exited the European Union (the EU). Instead, the UK hopes to strengthen its status as a world leader in this field through continuing to implement and champion international standards and by driving forward the global 'race to the top' through both our bilateral and multilateral engagement (as the Chancellor set out in his speech on the global regulatory landscape in December last year).

The Treasury Committee also called on the Government to maintain current practical arrangements for information-sharing that exist between UK and EU law enforcement agencies. In response, the Government said it had been clear that it wished to work with the EU (and EU Member States) to tackle money laundering and terrorist financing once the UK has left the EU, and this would include maintaining the flow of information.

## Brexit deal

The Trade and Co-operation Agreement between the UK and EU contained sections on law enforcement and judicial cooperation (Part 3). Both sides committed themselves to supporting international efforts to combat money laundering and terrorist financing, exchange relevant information, and maintain comprehensive anti-money laundering and terrorist financing regimes.

Each also committed to having standards on the transparency of beneficial ownership that went beyond FATF standards. The Agreement also contains provisions on cooperation on asset freezing and confiscation.<sup>28</sup>

The Government argues this provides a comprehensive package to help ensure detection and enforcement of economic crime, but critics say the new arrangements are far below that which the UK had as a member of the EU.<sup>29</sup>

## 3.4

## Victims of fraud

Criminals successfully stole £1.2 billion from individuals through banking fraud and scams in 2019. Businesses and the public sector are estimated to lose around £5.9 billion per year.

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<sup>28</sup> See Titles X and XI of the [Agreement](#)

<sup>29</sup> See McGuireWoods LLP, [The Brexit Deal: UK Crime Fighting with European Friends](#), 28 January 2021

The Library [briefing on Banking fraud](#) sets out full information about the scale and impact of fraud on individuals, how the police respond to fraud and what support is available for victims.

## 3.5

# The FinCEN and Pandora papers

## The FinCEN papers

Suspicious Activity Reports (SARs) are used to alert law enforcement to potential instances of money laundering or terrorist financing. SARs are made by banks, financial institutions and other professionals such as solicitors, accountants and estate agents.

According to the National Crime Agency they are “a vital source of intelligence not only on economic crime but on a wide range of criminal activity”. They provide “information and intelligence from the private sector that would otherwise not be visible to law enforcement” and they can “also be submitted by private individuals where they have suspicion or knowledge of money laundering or terrorist financing.”<sup>30</sup>

In September 2020 a large number Suspicious Activity Reports that had been sent to the US authorities between **2000 and 2017** were leaked – the FinCEN papers. These documents detailed banks concerns about around \$2tn of transactions. [The BBC](#) said that the papers “show how Russian oligarchs have used banks to avoid sanctions that were supposed to stop them getting their money into the West.”<sup>31</sup>

On 23 September 2020, following the release of the FinCEN papers, Mel Stride, Chair of the Treasury Committee, said “some of the information coming from the release of the FinCEN papers is deeply troubling. The Treasury Committee wants to know whether Ministers, HMRC and the FCA are on top of this.”<sup>32</sup>

## Government reforms

Following the revelations, the UK Government published its response to a [Corporate transparency and register reform consultation](#) that had closed in August 2019. The response detailed that the Government would make a number of reforms to improve the reliability and accuracy of information on the Companies Register:

- identity verification: introducing compulsory identity verification for all directors, People with Significant Control and those filing information on behalf of a company

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<sup>30</sup> National Crime Agency, [Suspicious Activity Reports](#), viewed 22 September 2020

<sup>31</sup> BBC, [FinCEN Files: All you need to know about the documents leak](#), 21 September 2020

<sup>32</sup> UK Parliament, [Treasury Committee seeks answers from Ministers, HMRC and FCA on FinCEN papers](#), 23 September 2020

- reforms to Companies House powers: providing the Registrar of Companies stronger powers to query, seek evidence for, amend or remove information and to share it with law enforcement partners when certain conditions are met
- protecting personal information: improving the processes for removing personal information from the register
- company accounts: the response proposes further consultation on how to introduce full digital tagging of accounts to ensure consistency, easier identification and comparability of information on the register<sup>33</sup>

Security Minister James Brokenshire said that the changes will give "law enforcement and the private sector more accurate information to crack down on dirty money and financial exploitation".<sup>34</sup> Three further consultations were then published in December 2020,<sup>35</sup> "seeking views on the final details of the reform package".<sup>36</sup>

On 28 February 2022, the Department for BEIS published a White Paper on "Corporate transparency and register reform", which includes 58 proposed reforms of the UK company regime intended to "help safeguard our national security, reduce the economic and social costs of fraud, and deliver real benefits to the whole business community".<sup>37</sup> The reforms are expected to be included in an Economic Crime Bill to be introduced early in the 2022-23 parliamentary session.<sup>38</sup>

These reforms are discussed in section 2.1 of our Library briefing [Registers of beneficial ownership](#).

## The Pandora Papers

In October 2021 almost 12 million documents from 14 sources were leaked to the International Consortium of Investigative Journalists (ICIJ). According to ICIJ the leaks "uncovered financial secrets of 35 current and former world leaders, more than 330 politicians and public officials in 91 countries and territories".<sup>39</sup> The leaks revealed (for example) that owners of more than 1,500 UK properties have bought firms using offshore structures, that the King of Jordan owned £70m of UK and US property through secretly-owned companies, and that the Azerbaijani ruling family had been involved in secret property deals in the UK worth over £400m.<sup>40</sup>

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<sup>33</sup> HM Government, [Corporate transparency and register reform](#), 18 September 2020

<sup>34</sup> BBC, FinCEN Files: [One of the world's 'dodgiest addresses' is in leafy Hertfordshire](#), 21 September 2020

<sup>35</sup> Department for BEIS, [Corporate transparency and register reform: improving the quality and value of financial information on the UK companies register](#), 9 December 2020

<sup>36</sup> Statement [UJN HLWS353](#), 2 November 2021

<sup>37</sup> Department for BEIS, [Corporate transparency and register reform](#), 28 February 2022

<sup>38</sup> See the speech of Lord Callanan, [HL Deb 9 March 2022, vol 819, col 1484](#)

<sup>39</sup> ICIJ, [Offshore havens and hidden riches of world leaders and billionaires exposed in unprecedented leak](#), 3 October 2021

<sup>40</sup> BBC, [Pandora Papers: Secret wealth and dealings of world leaders exposed](#), 3 October 2021

London was identified as a global hub for tax-avoidance in many headlines covering the papers.<sup>41</sup> Chancellor Rishi Sunak said this was not a “source of shame” because “it’s a global problem, there’s a global dimension to it and we need other countries to co-operate with us to tackle this, but we’re determined to do that.”<sup>42</sup>

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<sup>41</sup> See for example AP News, [‘Pandora papers’ show London is a key hub for tax avoidance](#), 5 October 2021

<sup>42</sup> MailOnline, [Rishi Sunak says HMRC will scour huge Pandora Papers trove to see if tax rules have been abused - and denies ever offshoring his own huge fortune](#), 4 October 2021

## 4

# Related Library briefings

Library briefings containing further background on these issues, including of a more historic nature, include:

### Historic briefings (no longer updated)

- [Bribery Bill \[HL\] Bill No 69](#), March 2010 (RP 10/19)
- [Crimes and misdemeanours: penalties and punishment in the UK financial services sector](#), April 2014 (SN 6872)
- [The international anti-corruption summit](#), May 2016 (CBP 7580)
- [Corporate economic crime](#), May 2016 (CBP 7359)
- [Bank accounts: problems of identification](#), June 2017 (CBP 3366)
- [Foreign investment in UK residential property](#), July 2017 (CBP 7723)
- [Money laundering law](#), February 2018 (SN 2592)
- [Sanctions and Anti-Money Laundering Bill 2017-19](#), February 2018 (CBP 8295)
- [UK's first post-Brexit sanctions](#), July 2020

### Current briefings

- [Tax avoidance and tax evasion](#) (CBP 7984)
- [Registers of beneficial ownership](#) (CBP 8259)
- [Politically Exposed Persons Regime](#) (CBP 7376)
- [Corporate criminal liability](#) (CBP 9027)
- [Unexplained Wealth Orders](#) (CBP 9098)

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