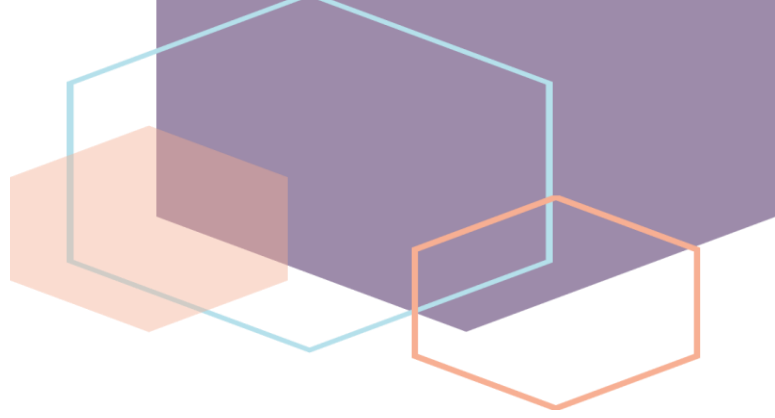


# ECONOMIC CRIME QUARTERLY



Volume 1 | Issue 3

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## INTRODUCTION

Welcome to the December edition of Economic Crime Quarterly.

In this edition, we look at a range of developments including the publication of both the 3<sup>rd</sup> National Risk Assessment on Money Laundering and Terrorist Financing, and a JMLIT alert on bribery and corruption risk in independent schools. In addition, we explore Action Fraud's recent romance fraud campaign and the new SAR's IT service for Bulk Reporters.

## MESSAGE FROM DUNCAN TESSIER, DIRECTOR OF ECONOMIC CRIME

"2020 has been an unprecedented year for us all and despite the many challenges, we have made significant progress in delivering on the Economic Crime Plan, with 7 actions having been completed in this quarter alone.

Last month, the Chancellor announced the Spending Review, in which funding to tackle economic crime benefitted well amidst a tough economic climate. We have secured £63m of funding in 2020/21 to support key reforms, including Suspicious Activity Reports (SARs) Programme, the continued expansion of the National Economic Crime Centre, and the replacement of the Action Fraud system.

In addition, more than £20m was allocated for Companies House reform. This settlement demonstrates the strength of our delivery as a partnership and we look forward to discussing this in more detail at the next Economic Crime Strategic Board.

We have continued to improve our understanding of the threat, through public-private threat assessments. On SARs, we are making good progress across: the IT systems; the review of guidance; and the recruitment both into the UKFIU and ROCUs. Improvements to enable better information sharing have been produced and we are working together to design out fraud from various sectors. We have also made important progress towards creating a long-term sustainable resourcing model for economic crime reform.

I would like to take this opportunity to thank you all for your valuable contributions and support over the last 12 months. I look forward to our continued engagement in 2021".

## FORWARD LOOK

Information Sharing and AML Effectiveness Expert Working Group	Wednesday 27 January 10:00-12:30
Public Private Operational Board	Monday 1 February 15:00-17:00
Innovation Working Group	Thursday 11 February 14:00-15:30*

\*Please note this meeting has been provisionally set.

# SPOTLIGHT ON ACTION FRAUD: THE CAMPAIGN TO TACKLE ROMANCE FRAUD

Police forces across the country have been working together to tackle romance fraud, through a combination of awareness raising and enforcement activity. The campaign, which launched on Thursday 8 October, follows a 26 percent rise in reports of romance fraud to Action Fraud in the last year.

Operational activity conducted by the City of London Police's National Fraud Intelligence Bureau (NFIB), key stakeholders and police forces in the UK, has directly led to the identification of 51 victims of romance fraud who had not previously reported the crime to Action Fraud. A number of these victims are believed to have still been in contact with suspects online and weren't yet aware they were victims of a romance fraud. Those identified are now receiving support from their local police force and a number of their cases have been prioritised for investigation. One such case has already led to two arrests in the East of England by officers from the Eastern Region Special Operations Unit, who were able to recover a number of live devices during the arrests. From these devices, work is underway to identify linked bank accounts suspected of being in receipt of money taken from romance victims. Once identified, these accounts will be subject to freezing orders, preventing the suspects from accessing the money.

Several other offences have also been progressed, with significant activity in South Wales, Devon and Cornwall, Kent, Thames Valley, North Wales, Hampshire, Lincolnshire, Bedfordshire, GMP, MPS and Surrey. This has led to four arrests with other suspects being warned to attend a police station for interview. In one case, a suspect was arrested within an hour of identification and has since been returned to prison.

A key feature of this campaign was to target criminals overseas suspected of committing romance fraud against UK victims.

This follows the creation of partnerships between the City of London Police, the National Crime Agency and their counterparts in Ghana. Via the City of London Police's NFIB, UK forces are now able to send intelligence referrals to the Ghanaian authorities where they have identified suspects based in Ghana or with a link to the country. This new relationship between Ghanaian authorities and the City of London Police has led to over £140,000 being repatriated to UK victims of romance fraud and two active investigations being launched in Ghana into suspects thought to be defrauding victims in the UK.

Alongside the operational activity, a high profile protect communications campaign was launched with key partners including UK Finance, Crimestoppers, Victim Support, CIFAS, Citizens Advice and the Online Dating Association. This was supported by forces, ROCUs, PCCs and local councils, and saw widespread regional media coverage and over 9 million people reached over Twitter. Senior officers from the City of London Police also took part in interviews on BBC Breakfast and ITV News. Furthermore, City of London Police put an agreement in place with Match Group, who own 60% of all online dating platforms including Tinder, Plenty of Fish, OK Cupid and Match.com, for them to run law enforcement protect advice about romance fraud on their websites and apps throughout October.



## NATIONAL RISK ASSESSMENT

We are pleased to confirm that the 2020 National Risk Assessment (NRA) on Money Laundering and Terrorist Financing has now been published.<sup>1</sup> The evidence base for the NRA draws on existing assessments and data from UK law enforcement, supervisors, government departments, industry bodies and private sector firms to provide a whole system view. We would like to take this opportunity to thank all partners for their support and input in developing the 2020 NRA.

A comprehensive understanding of risk shared across all parts of the system, and which underpins national policies, the activities of supervisors and law enforcement, and preventative measures applied by the private sector, is crucial to an effective AML/CTF system. NRAs are fundamental to achieving this.

Home Office and HM Treasury will also consider where current workstreams on economic crime reform can help address gaps identified in the NRA and improve the system's response, including through our long-term research strategy. Proposals will then be discussed by the Public Private Steering Group.

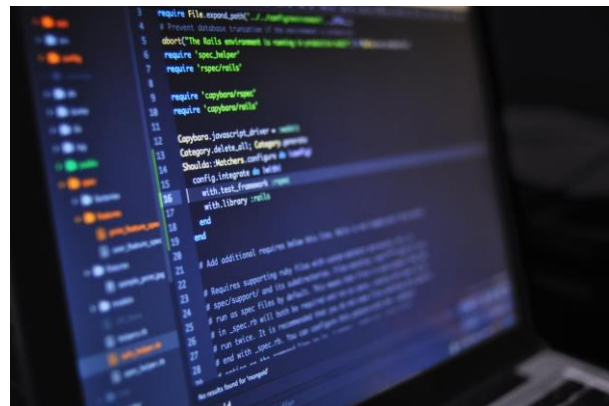
## ILLICIT FINANCE IN INDEPENDENT SCHOOLS

Earlier this month, the Independent Schools Council (ISC), the Independent Schools' Bursars Association (ISBA) and the NCA publicly shared the Joint Money Laundering Intelligence Taskforce (JMLIT's) threat alert on bribery and corruption risks to the UK independent schools' sector.<sup>2</sup>

A number of money laundering schemes known as 'laundromats' have highlighted examples of independent schools being used as a destination for funds linked to bribery,

corruption and other criminality. The alert lays out these risks, highlighting 'red flags' and setting out what actions schools should take if they suspect money laundering.

It is the first time a JMLIT alert has been shared with a wider audience within and beyond the unregulated sector. It is hoped that this alert will both raise awareness of the risks within the sector and act as a deterrent.



## SUSPICIOUS ACTIVITY REPORTS (SARs) REFORM PROGRAMME

The importance of reforming the SARs regime so it is effective and works for all participants was highlighted by the FinCEN leaks earlier this Autumn, and the subsequent Spending Review settlement has ensured this programme of reform continues to progress.

On the IT Transformation project, the first release of the new services will start with the Test Application Programming Interface for bulk reporters enabling them to prepare and test their systems. Testing with volunteer banks begins in January 2021 and is currently on track to be live during Q2 FY21/22, providing a secure mechanism for the submission and validation of SARs data from all bulk reporters.

The introduction of the new operating model at the UKFIU is being piloted including increased reporter feedback and

<sup>1</sup> <https://www.gov.uk/government/publications/national-risk-assessment-of-money-laundering-and-terrorist-financing-2020>

<sup>2</sup> <https://www.nationalcrimeagency.gov.uk/who-we-are/publications/486-necc-bribery-corruption-risks-to-uk-independent-schools-alert/file>

engagement, using targeted webinars and podcasts as well as targeted support to SARs reporters, all leading to improved operational efficiencies amongst reporters. The additional resource uplift at the UKFIU provided by the programme, combined with support to improving UKFIU processes, is enabling better analysis of SARS, with a faster turnaround in disseminating DAML reports to law enforcement to identify operational opportunities, as well as providing more timely and meaningful feedback to regulated reporters.

The ROCU resource uplift is already having an impact; 7 FTE have joined ROCUs throughout the country, with the remaining 4 FTE expected to be in post by early 2021. Their analysis of SARs intelligence has already identified a number of cases for development and a significant number of intelligence reports have been disseminated by the newly formed SARs Intelligence Development Team, including regarding the identification of a previously unknown Romanian Organised Crime Group.



## INFORMATION SHARING AND ANTI-MONEY LAUNDERING (AML) EFFECTIVENESS

In November, the three Information Sharing and AML Effectiveness subgroups, presented their emerging solutions to the main Expert Working Group, including:

- **Subgroup 1 (Post Suspicion Sharing):** The subgroup delivered a proposal, in the form of a platform to enable AML regulated organisations to share customer intelligence which could help to tackle economic crime. The Home Office is

exploring legislative options to support the proposal.

- **Subgroup 2 (Rebalancing Regulated Sector Resource):** The subgroup recommended updating the Joint Money Laundering Steering Group (JMLSG) Part 2 guidance to address the issue of unproductive transaction monitoring alerts. Home Office is working with JMLSG, HM Treasury and UK Finance to initiate this guidance refresh.
- **Subgroup 3: (DAML Process Review and Continuous Improvement Mechanism):** The subgroup delivered a clear evidence base for changes to DAML reporting. The Home Office is now exploring legislative options to enable exemptions to DAML reporting, as well as identifying next steps for the design and implementation of the continuous improvement mechanism.

The Expert Working Group will continue to meet on a bi-monthly basis to oversee progress across the Programme.

## FRAUD SECTOR CHARTERS

The fraud sector charter programme of work continues at pace and the Home Office have now met numerous representatives from the legal, financial, accountancy and telecommunications sectors.

This has involved over 50 meetings, including a series of workshops. The next steps include drafting the initial versions of the charters, seeking agreement from industry on our proposals and engagement across government.

We look forward to developing these charters in partnership with industry to produce actionable, useful and practical agreements that design out fraud.