



# NCA

National Crime Agency

# High End Money Laundering Strategy and Action Plan

December 2014

**Leading the UK's fight to cut serious and organised crime**

# Introduction

1. Cross-Government focus on the threat from money laundering is increasing. The UK will be publishing a National Risk Assessment of its response to all aspects of money laundering in 2015. The Financial Action Task Force (FATF) will then carry out a mutual evaluation of the effectiveness of the UK's response, which is currently expected to take place in 2017 or 2018.

2. Against this background, the Criminal Finances Board has commissioned the NCA to produce a strategy and action plan for tackling the specific threat from "high end" money laundering.

## What is high end money laundering?

3. Money laundering is not a single problem and there are various ways of categorising its different forms. For the purposes of this strategy, we are defining "high end" money laundering as the laundering of funds, wittingly or unwittingly, through the UK financial sector and related professional services.

4. This type of money laundering is particularly relevant in major frauds and overseas corruption work, where the raw material of the crime is electronic and cash is only used further down the laundering process to disguise audit trails or extract profits. In this respect, it can be distinguished from the laundering of street cash generated by the activities of organised criminal groups (OCGs).

5. The ability of criminals to launder large sums of money themselves without attracting attention is limited. Therefore, criminals need someone professional, capable and trustworthy to make the necessary arrangements. Although there are many ways to launder money, it is often the professional enabler who holds the key to the kind of complex processes that can provide the necessary anonymity for the criminal. Professionals such as lawyers, trust and company formation agents, investment bankers and accountants are among those at greatest risk of becoming involved, either wittingly or unwittingly.

## How big is the problem?

6. The UK is an international financial centre, which processes trillions of pounds of transactions from across the globe every year. Together with the presence of a highly developed professional services industry, this significantly increases the vulnerability of the UK's financial system to exploitation by those engaged in laundering the illicit funds of both international criminals and state actors. However,

the combination of the hidden nature of the problem and the way that information is currently recorded means that we do not have a clear view of the scale of high end money laundering and its impact on the UK economy.

## **What is the current law enforcement response?**

7. There is a contrast between the current response to the laundering of OCG-linked street cash, which is relatively well understood and addressed, and high end money laundering, where there is no comprehensive response. A range of different organisations and agencies do look at this aspect of the threat but it is almost always a subordinate part of their investigations into predicate offences, such as fraud and bribery. Moreover, there is no agency with overall responsibility for leading the strategic response to high end money laundering.

## **The Strategy**

8. This section sets out our ambition for tackling the threat from high end money laundering, and the approach and tools that we will use. This is the first iteration of the strategy, and we expect to update it as our understanding of the threat develops.

9. The overall objective of the strategy is to reduce the impact of high end money laundering on the UK economy. The NCA will provide the strategic lead, working in partnership with a wide range of stakeholders and across the Pursue, Prevent, Protect and Prepare strands set out in the Government's Serious and Organised Crime Strategy, which was published in October 2013.

10. It is worth noting that, at the high end of money laundering, wealth management by criminals has intrinsic links to tax planning and avoidance. For this reason, "No Safe Havens", HMRC's 2014 strategy for tackling offshore tax evasion, should be read in conjunction with this document.

## **Governance**

11. Responsibility for the delivery of this strategy will lie with the Economic Crime Strategic Governance Group (ECSGG), which is chaired by the Director of the NCA's Economic Crime Command. The ECSGG and its subordinate Criminal Finances Threat Group will drive a national law enforcement response that is comprehensive, consistent and coherent. The ECSGG will report to the Criminal Finances Board on progress.

## **Our Approach**

12. Our proposed approach is founded on the need to complement current law enforcement work on cash-based money laundering by placing a greater emphasis on understanding illicit non-cash financial flows and the people who facilitate high end money laundering.

13. The actions that we will take can be grouped under the following headings:

- i) Improving the intelligence picture and cross-agency intelligence flows to better direct the targeting of our multi-agency investigation capability**
- ii) Improving relationships and levels of co-operation with the private sector and relevant professional/regulatory bodies**
- iii) Developing a multi-agency taskforce approach and delivering quality law enforcement interventions**
- iv) Upskilling financial investigators to enable them to undertake complex and high end money laundering casework**

14. These elements are closely linked: as our strategic understanding of the threat increases, the focus of our response will need to adapt to ensure that we are continually targeting our resources against the most significant threats and also that we are sharing the right messages with our partners in the private sector.

### ***i) Improving the intelligence picture***

15. Historically, the UK law enforcement response to money laundering has focussed on the proceeds of crimes committed by OCGs engaging in product type criminality (such as drugs, guns, people trafficking, etc.). As a result, our understanding of the threat is strongest around the methodologies of cash-based money laundering:

### **What we know about:**

- Cash money laundering and the activities of traditional OCGs (although not the scale)
- International cash controllers
- Money laundering methodologies linked to certain crime types (e.g. drugs trafficking)
- Money Service Businesses (MSBs)
- High Value Dealers

16. Our understanding of the threat to the UK from high end money laundering, i.e. where money is derived or remains electronic or in a non-cash format, is weaker, although now improving.

### **What we know less about:**

- Scale of unjust enrichment/proceeds of corruption entering the UK
- What proportion of assets entering the UK are derived illicitly
- Preferred processes, typologies and vehicles for high end laundering
- Scale of involvement and complicity of professional services in laundering illicit funds
- The role of private wealth banking

- Trade-based money laundering and the criminal use of corporate vehicles

17. Increasing our collective understanding of the threat from high end money laundering is vital. The creation of a new Money Laundering & Corruption Threat Desk within the NCA's Intelligence Hub will mean that, for the first time, there will be a dedicated team of analysts which can draw together the hitherto fragmented intelligence picture around this kind of money laundering and ensure that gaps identified through the National Intelligence Requirements are properly addressed. This will require close working with cross-sector experts, including the new Centre for Financial Crime and Security Studies, which was established by the Royal United Services Institute (RUSI) in December 2014.

18. Therefore, we will take the following actions to address the gaps in our knowledge:

**Action 1:** NCA to establish and develop a dedicated Money Laundering Threat Desk within its Intelligence Hub.

**(By December 2014)**

**Action 2:** Relevant law enforcement partners (including NCA, Metropolitan Police, Serious Fraud Office, City of London Police and HM Revenue & Customs) to debrief current and historic cases which include elements of high end money laundering.

**(By February 2015)**

**Action 3:** NCA to undertake research, involving a wide range of data sources, and engage experts from government, industry and academia to develop a comprehensive evidence base on the threat from high end money laundering.

**(By December 2015)**

**Action 4:** All agencies to amend National Intelligence Requirements to reflect the gaps in our knowledge on high end money laundering.

**(By March 2015)**

## ***ii) Improving relationships with the private sector and professional/regulatory bodies***

19. If we are to make the operating environment in the UK more hostile to money laundering, we need to develop a culture of collaboration against the criminal across law enforcement; government departments; regulatory agencies; the private – particularly the financial - sector; and the public.

## **Financial Sector**

20. The Government has established a new Law Enforcement Financial Sector Forum, which is co-chaired by the Home Office, National Crime Agency and British Bankers Association. This group provides an opportunity to drive a shift in the relationship between law enforcement and the financial sector. For example, we can

look to develop a joint approach to data sharing both within the financial sector and also between the financial sector and law enforcement.

21. The Forum has agreed the concept of a physically co-located information sharing mechanism, capable of being operational in early 2015. The aim is to deliver benefits for both private sector and law enforcement, including enabling better management of risk across banks' customer bases (for example allowing them to deny services to criminal customers), and to allow law enforcement to better target and undertake intervention activity. The initial focus of the mechanism will be on money laundering.

22. The financial sector does not derive value from current reporting regimes; physical co-location will facilitate and promote dialogue and sharing. Co-location would also bring the benefit of more dynamic and rapid action and intervention where this is required.

## Regulatory bodies

23. Given the limited specialist resources within law enforcement, it will never be possible to pursue every investigative lead. Therefore, we should consider alternative actions to penalise inappropriate activity by professionals who are engaged, either wittingly or unwittingly, in laundering criminal funds. This will involve close working with regulators, who have the ability to impose fines and other sanctions on firms which have acted improperly.

**Action 5:** Financial Sector Forum partners to establish a physically co-located information sharing mechanism in order to exchange information about money laundering.

**(By February 2015)**

**Action 6:** Criminal Finances Threat Group to co-ordinate engagement with relevant regulatory bodies to target unwitting, negligent and complicit professionals through regulatory sanctions.

**(From January 2015)**

### ***iii) Developing a multi-agency taskforce approach and delivering quality law enforcement interventions***

24. There is currently no agency with responsibility for leading the strategic response to targeting the money laundering process itself. Through the Criminal Finances Threat Group, the NCA will lead, support and coordinate a taskforce response to high end money laundering, working collaboratively with a coalition of willing partners and making use of the National Tasking and Coordination process where required. This will be guided by the improving intelligence picture.

25. The "Pursue" element will be at the heart of our response. This is about ensuring that investigations are undertaken to identify and disrupt those involved in high end money laundering, including professional enablers who are providing

money laundering services to serious and organised criminals or are otherwise assessed by the National Tasking and Coordination groups to present a significant risk to the UK.

26. However, the taskforce response will also require joint working with partners to deliver a response across the 4 Ps. For example, this will include co-ordination with the Home Office's professional enablers' awareness campaigns. The Home Office will work with regulators and professional bodies to deliver targeted communications campaigns aimed at deterring professionals' involvement in serious and organised crime (whether wittingly or unwittingly) and encouraging the adoption of preventative behaviours, such as improving identification of red flags and increasing the number of relevant Suspicious Activity Reports (SARs).

## **Domestic policy**

27. We need to ensure that the increased priority assigned to the threat from high end money laundering is reflected in wider Government policy. For example, the UK has committed to introduce a publicly accessible central registry of company beneficial ownership information, maintained by Companies House. Greater transparency of company ownership and control should make it more difficult to conceal an individual's involvement in a company and act as a deterrent to crime. It should also be an important tool in high end money laundering investigations. The NCA has agreed to provide the law enforcement lead on development of the register and its relationship with investigators in the UK and overseas.

## **International jurisdictions of risk**

28. The threat from high end money laundering is international in nature and the UK cannot tackle it alone. We must continue to work with our international partners, including the 5-EYES community, to encourage the authorities in key jurisdictions of risk to take action against high end money laundering. In addition, the appropriate policy departments should ensure that high end money laundering is discussed during relevant Ministerial and senior official overseas visits.

**Action 7:** The NCA to lead, support and coordinate a taskforce response to high end money laundering.  
**(From January 2015)**

**Action 8:** The NCA to provide the law enforcement lead on development of the beneficial ownership register and its relationship with investigators in the UK and overseas.  
**(From December 2014)**

**Action 9:** Policy departments and law enforcement to apply pressure to the relevant authorities in key jurisdictions of risk to take action against high end money laundering.  
**(From March 2015)**

#### ***iv) Upskilling financial investigators to enable them to undertake complex and high end money laundering casework***

29. The development of a strong cadre of skilled and experienced professionals is essential to tackling the threat that high end money laundering poses to the UK. The NCA will therefore work with partners to build a community of expertise, across law enforcement and the private sector, in tackling this threat. Members of that community will be able to pursue rewarding careers and deliver cost effective results for their employers. Key areas of expertise will include: forensic accountancy; financial investigation; the use of taxation to tackle criminality; together with civil and criminal asset recovery.

30. The products and services used by the high end money laundering community are not currently familiar to many investigators or intelligence officers. It is therefore essential that we provide the necessary upskilling to enable them to understand the threats and undertake investigations to tackle them.

**Action 10:** LEAs to develop a community of expertise, across law enforcement and the private sector, with the requisite skills to tackle high end money laundering.

**(From January 2015)**

### **Performance Measures**

31. The overall impact of high end money laundering is as yet only incompletely understood and we do not have sound, externally verified mechanisms to quantify that impact. It is essential that we work with external researchers to improve measures and indicators of this threat and evaluate the effectiveness of our response.

32. In the short to medium term, increased activity and improved understanding of the problem are likely to lead to higher figures for economic crime. We must ensure that this is understood by stakeholders, particularly government and the public.

33. As a starting point, we need to put in place indicators of both activity and, where possible, impact that support early (if incomplete) assessment of the value of a more coherent response to the threat from high end money laundering.

34. These indicators of performance could include:

- Improved intelligence picture on high end money laundering.
- Increased number of UK cases prosecuted through the criminal justice system.
- Increased number of disruptions undertaken by international partners at UK's request.



- Increased values of assets restrained and recovered through criminal confiscation, civil recovery and tax mechanisms.
- Survey data by professional bodies on the threat from organised crime and corruption within their populations.
- External assessments of effectiveness, such as the 2018 FATF Mutual Evaluation.
- UK financial sector co-operating more effectively with law enforcement to identify and disrupt high end money laundering activity.