

Anti-money laundering - what you need to know

Colette Best, Director of Anti-money Laundering

Why does preventing money laundering matter?

- Not a victimless crime
- Organised crime has a massive impact on the prosperity of the UK
- Reputational risk to the legal sector



How do we supervise?

- We are supervised by OPBAS
- Four part approach to AML supervision:
 1. Sharing information
 2. Providing guidance
 3. Proactive supervision
 4. Investigations

What are we seeing?

- Compliance is improving
- Still issues with firm-wide risk assessments
- Most conduct files because something went wrong with customer due diligence
- Firms struggling with independent audit and screening staff
- Listen to our session on Wednesday for more practical hints and tips!

Anti-money laundering - what you need to know

Mark Boyle, Anti-Money Laundering
Policy Manager

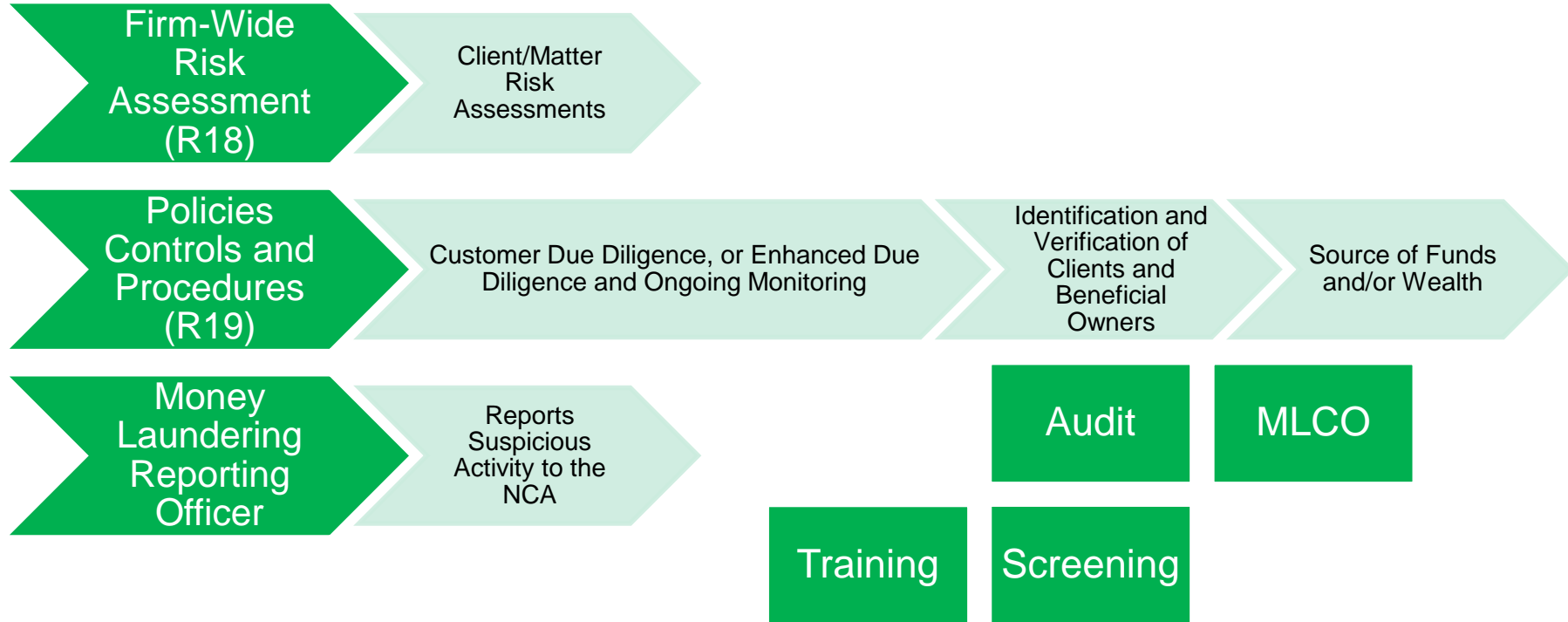
Legal framework

- The Anti- Money Laundering regulations 2017
- The Proceeds of Crime Act 2002
- The Terrorism Act 2000

Many sectors in scope – eg estate agents, banks, gambling companies

Importantly also independent legal professionals, trust and company service providers and tax advisers

The building blocks of compliance



Legal sector guidance

- New version imminent
- Using technology
- Sources of funds/wealth
- Risk assessments
- Discrepancy reporting to Companies House
- Covid-19 Guidance

Tax Advisers

We now supervise this activity

Have undertaken a thematic review and our findings will be embedded in a guidance piece

If your firm has not been approved for AML, but you meet the definition – you have until **10 January 2021**



- Anything with a tax element, or tax consequence runs the risk of bringing to into scope
- The more tailored the information is, the more likely it is to be advice. Material aid and assistance are also triggers
- The choice is yours, but there's no such thing a little bit of tax adviser work as far as AML is concerned

Trust & Company Service Providers (TCSP)

The approval process is different

Even if it's small in scale or ancillary –
if it meets the definition, it's in scope.

The risks are different – TCSP risk
increases alongside other services



Sectoral Risk Assessment

- 2018 first issued - 2020 reviewed
- Resourcing for AML compliance
- Over reliance on external help
- Not understanding PEP risk
- Inaccessibility of due diligence info



What does the future look like?

- Economic Crime Plan (and accompanying levy)
- New legislation – early 2022?
- We are reviewing how we rate the risks of firms – aiming to collect and use more information going forward



SRA Compliance Officers conference

Money Laundering in Context

CFCS Mission Statement

“The CFCS is dedicated to addressing the **challenges of financial crime and threat finance** to the UK and international security and the important **role finance can play in identifying and disrupting** a range of globally-recognised threats.”

Laundering money? Doesn't do any harm does it?



Why AML Compliance Matters

“For it is absolutely clear that criminals organise their activities in the interstices of the legitimate society and will exploit – if they have the necessary skills and connections – any opportunities they are given. The trick of regulation is to minimise the illegitimate exploitation without wrecking the economic dynamism”

Michael Levi – Professor of Criminology (Cardiff University)

Why Due Diligence Matters

Knowing		Unknowing	
Willing	Unwilling		
Choice	Coercion	Negligence	Exploitation

Source: Katie Benson, *The Facilitation of Money Laundering by Legal and Financial Professionals* (University of Manchester, PhD thesis, 2016)

Suspicious Minds?

Money Laundering is a critical enabler of Serious and Organised Crime.
This costs the UK an estimated **£24 billion** a year.



Guidance for submitting a Suspicious Activity Report is available on the NCA website: nationalcrimeagency.gov.uk

¹ This is as a result of Defence Against Money Laundering (DAML) SARs across all law enforcement.
All figures on SARs relate to October 2014 – September 2015 (source: Suspicious Activity Reports (SARs) Annual Report 2015, NCA)

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Follow the CFCS on Twitter:

@CFCS_RUSI



Listen to our podcast:

The Suspicious Transaction Report



Making good quality SARs

Tony Fitzpatrick & Yunis Martin-Hussain

United Kingdom Financial Intelligence Unit

Official

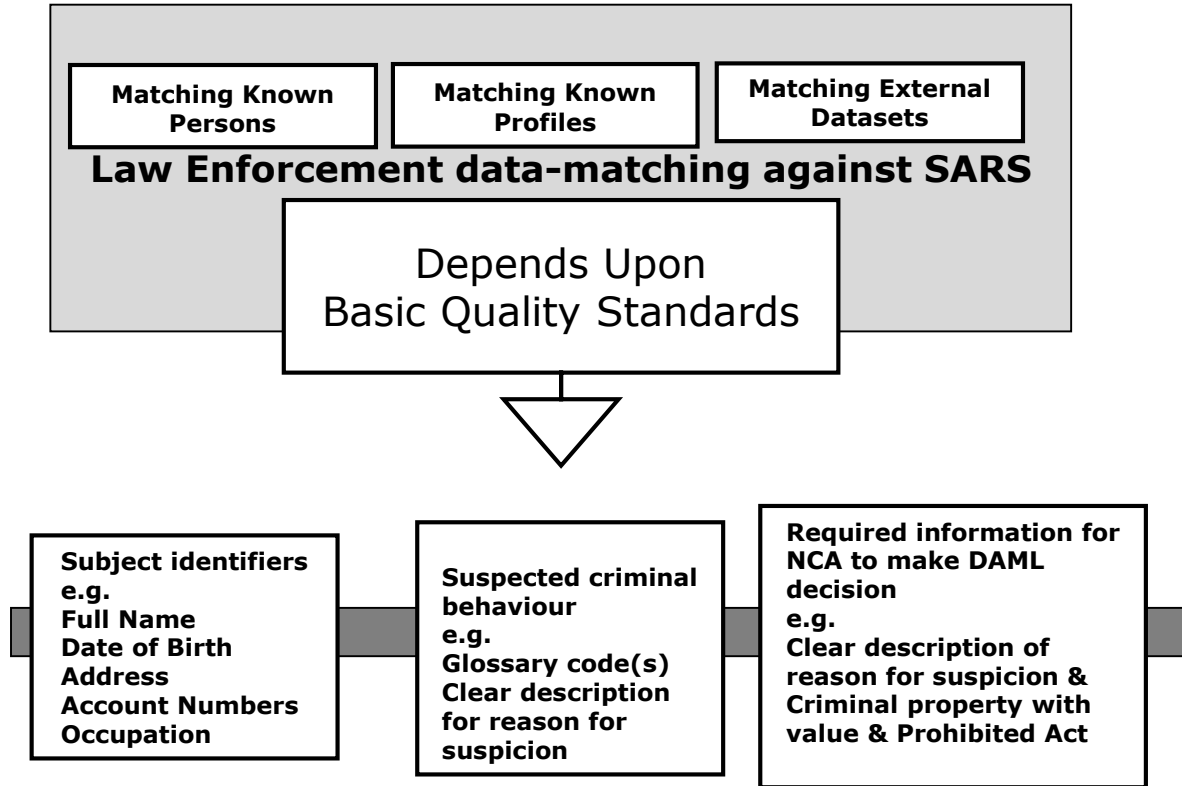


Presentation Outline

- **What makes a good Quality SAR**
- **Why quality matters**
- **Overview of Legal and Accountancy sectors contributions**
- **Bad Quality DAMLs case studies & Regulator referrals**
- **Benefits of good quality SARs**
- **Signposting the available guidance for making good quality SARs and DAMLs**
- **What is on the horizon - SAR Guidance & knowledge building**



Why Quality Information matters



NCA DAML letters

- Letter C = Closure for not meeting standards criteria
- Letter D = Request for more information or to clarify required information (48hrs time limit)
- Letter E = Closure no response in specified time frame/unsatisfactory answer in response to letter D

Solicitor SARs Overview

SARs Submitted

April 2019 – March 2020	Volumes
Solicitors	1552

DAMLs Submitted

April 2019 – March 2020	Volumes
Solicitors	1546

Total DAML Letters Issued = 799

April 2019 – March 2020	
Letter C	127
Letter D	648
Letter E	232

Solicitor SARs Overview

SARs Submitted

April 2018 – March 2019	Volumes
Solicitors	1535

DAMLs Submitted

April 2018 – March 2019	Volumes
Solicitors	1531

Total DAML Letters Issued = 694

April 2018 – March 2019	
Letter C	139
Letter D	519
Letter E	237

Bad Quality DAML

We are suspicious of the source of the monies because the buyer, Ijaz Jawed, has instructed his own solicitors in the transaction and the purpose of sending the monies to our account direct maybe to avoid anti-money laundering procedures required by his own solicitors, if the buyer was unable to provide legitimate source of funds evidence if the monies are derived from benefit fraud or tax evasion.

We do not have an address for the buyer as this has not been disclosed to us at this stage of the transaction. The monies remain in our client account.

We seek a defence to the prohibited acts of transferring, retaining and possessing criminal property under sections 327-329 POCA 2002.

Bad Quality DAML

We are instructed in the purchase of Plot 007 St Georges Way Nice town for the clients.

£270,000 is coming form the purported sale of Mr Johnson business in China. the money is held in his wife's bank account - standard chartered in US Dollars in Hong Kong.

We have no means of verifying the legitimacy of these monies as they are held outside of the UK.

We require consent to proceed with the transaction.

Bad Quality DAML

Mr Khan is buying a house with the aid of a mortgage (the mortgage offer has not yet been received) and a deposit of £20000 from Miss R Ali and Miss S Ali (who he has in one email described as cousins and in another as friends). £10,000 each has been gifted to him by both Miss R and Miss S Ali, neither of whom have been able to produce a good paper trail for the funds they transferred to Mr Khan and which money they only received in to their own accounts a few days before they transferred the sum to Mr Khan.

SARS – May be the vital piece of the puzzle



SARs help to combat all crime types

Cash seizure & Confiscation investigations



SARs help solve local problems

Help protect vulnerable people

Gang & Knife Crime

Official

Getting SAR Quality right the benefits

GOOD QUALITY SAR -

- Helps Data Matching & criminal network analysis
- Helps Prevent and detect money laundering & other serious crimes
- Getting it right first time saves time & resource
- Helps prioritise exploitation of information
- Helps analysis to feedback typologies, patterns and trends
- Helps UKFIU Decision making thus enhancing response to reporters and End users
- Helps analysis to find red flag indicators for due diligence and risk profiles

NCA Guidance Documents

Suspicious Activity Reports (SARs) guidance notes can be found on the NCA website

www.nationalcrimeagency.gov.uk

ALSO

UK Financial Intelligence Unit (UKFIU) Guidance Signpost 2020

Shows all the available guidance relating to SARs and DAMLs

UKFIU Guidance links

- SAR Guidance - <https://nationalcrimeagency.gov.uk/what-we-do/crime-threats/money-laundering-and-illicit-finance/suspicious-activity-reports>
- DAML FAQ - <https://nationalcrimeagency.gov.uk/who-we-are/publications/167-defence-against-money-laundering-daml-faq-may-2018>
- Law Society Scotland SAR Video - <https://www.lawscot.org.uk/members/business-support/financial-compliance/anti-money-laundering/suspiciousactivityreports/>



What's coming over the horizon?

UKFIU communications



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UKFIU WEBINAR



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UKFIUengagement@nca.gov.uk

Questions?

