

ECONOMIC CRIME MANIFESTO ONE YEAR ON

Joint forward by APPG Chairs Dame Margaret Hodge MP and Simon Fell MP

Every year, economic crime costs our economy at least £300 billion - that's equivalent to around 15% of our national income. And twice our annual health budget.

Britain has become the destination of choice for too many oligarchs, people traffickers and drug smugglers who seek to launder their dirty money. They use our financial system, our tax havens, and our opaque corporate structure to hide and clean their ill-gotten gains. This is why, one year ago, we published an ambitious, cross-party Manifesto which set out pragmatic steps to tackle the scourge of dirty money. The Manifesto urged the Government to consider action on four central pillars for reform: *Transparency, Enforcement, Accountability and Regulation*. Working on these four fronts is essential if we are to systematically drive dirty money out of the UK.

Russia's illegal invasion of Ukraine brought Britain's shameful role as a butler to the world's kleptocrats and crooks into the light, but it did provide an important impetus for change. The

Government's two Economic Crime Bills represent a welcome start, but we should be going further and faster. All of us who are committed to the task of eliminating illicit finance can feel proud of what we have accomplished so far. The alliance of people from civil society, industry, academia, the Church, and all parties in Parliament is strong and impressive. But now is not the moment to take our foot off the gas. We need to sustain our efforts and build on the momentum we have achieved. We need to strengthen the alliances across parties and across sectors. We need to continue to work together to persuade our Government that it is geopolitically, economically and morally vital to eradicate dirty money in our country.



Dame Margaret Hodge MP
Chair
APPG on Anti-Corruption
& Responsible Tax



Simon Fell MP
Chair
APPG on Fair Business
Banking



One year on: How we're tackling economic crime & dirty money, one step at a time

TRANSPARENCY

Identify who really owns companies, trusts & assets so that law enforcement, journalists, civil society & others can more readily follow the money.

Highlights

- The Economic Crime and Corporate Transparency Bill currently being considered by Parliament aims to overhaul our corporate register to ensure it is more reliable. This follows many of our recommendations and introduces new powers to verify information provided by companies and punish those who fail to comply.
- The Government has committed to raising the Companies House registration fee from £12 to at least £50. This follows campaigning and cross-party amendments to the Economic Crime Bill. These extra funds are vital for the effective enforcement of our new rules.
- The Register of Overseas Entities was implemented in the Economic Crime (Transparency and Enforcement) Act, and aims to prevent corrupt actors from being able to purchase UK property secretly through offshore corporate vehicles.
- Despite an adverse ruling by the Court of Justice of the European Union, the Government re-confirmed its commitment to supporting the introduction of public registers of beneficial ownership in the Overseas Territories (OTs) and Crown Dependencies (CDs) in its Economic Crime Plan 2.

Going Forward

- Loopholes in the Register of Overseas Entities need to be closed. Individuals who wish to conceal ownership of properties can still do so by using trusts, which are not listed. That is why we want transparent registers for trusts.
- Though the Government has committed to championing public registers of beneficial ownership in our OTs and CDs, sustained engagement with these jurisdictions and relevant Ministers will ensure that they deliver on their commitments this year.
- The reform of Companies House will not be effective without further tightening of the rules. This means, for example, ensuring that Authorised Corporate Services Providers, who are entrusted with verifying information on behalf of Companies House, are adequately supervised and regulated.

56% of the assets held by offshore firms in England and Wales are still held anonymously, despite the obligation to register on the Register of Overseas Entities.

ENFORCEMENT

Toughen up policing agencies with enough resources to consistently enforce existing laws and deter wrongdoing.

Highlights

- The Government's commitment to introduce an offence for failing to prevent fraud is a big step forward. It will mandate that companies implement policies that actively prevent fraud. Failure to do so would be a criminal offence, which means the new legislation should be a powerful tool for change.
- MPs from all parties supported an amendment to the Economic Crime Bill to establish a cross-governmental Economic Crime Fighting Fund to properly resource the fight against dirty money. A corresponding amendment has been put forward in the House of Lords which also enjoys significant support.

Going Forward

- To be an effective gamechanger, the failure to prevent fraud offence must be expanded to include other economic crimes, such as money laundering and sanctions evasion, and must not exclude SMEs, as the Government has proposed. We will continue to campaign for all businesses and economic crimes to be included, with commonsense amendments to the Economic Crime Bill.

In 2022, the UK only imposed £215 million (£215,834,156) worth of fines. That same year, the USA fined just one bank, Danske Bank, over \$2 billion for defrauding investors.

Going Forward

- Individual liability for senior executives is a strong deterrent against wrongdoing. We will continue our campaign to ensure that senior executives and directors can be held to account in cases of consent or connivance which result in an economic crime.
- We are encouraged to see the Government's interest in our proposal for new judicial powers to seize, rather than just freeze, Russian assets. Developing policies in this space will take time, but proposed amendments to the Economic Crime Bill would be a first step in the right direction.
- We will continue to work on strengthening our sanctions implementation by, for example, pushing for greater transparency and accountability around the granting of special licences. A tougher approach which targets family members and business partners of designated persons would also help close loopholes exploited by bad actors to evade sanctions.

ACCOUNTABILITY

Empower Parliament, journalists, civil society, the courts and whistleblowers to unearth criminality & hold the Government to account

Highlights

- Parliamentary scrutiny over our enforcement agencies and bodies is essential. In Committee, Government accepted proposals for a Report to Parliament on the implementation of the Companies House reform - allowing for better accountability.
- Our Manifesto called on the Ministry of Justice to tackle 'lawfare' with new anti-SLAPP rules. After a series of amendments, the Government committed to introducing a standalone piece of legislation to address the issue.

Going Forward

- The Government has committed to reviewing its existing Whistleblowing Framework in line with our recommendations. We will engage with the review and campaign for a dedicated body to provide better protection and proper compensation.
- We will work to introduce the promised new anti-SLAPP legislation in the Economic Crime Bill by continuing to raise awareness on the issue within parliament and by engaging with campaigning groups.

Although the FCA received and assessed 1,041 whistleblower reports in 2021-2022, only three have resulted in any significant action (FCA, 2022). That same year, the USA equivalent agency has received over 12,300 whistleblower tips, and made 103 awards as a result

(SEC, 2022)

REGULATION

Strengthen supervision of the professions so that the enablers of economic crime answer for their actions.

Highlights

- The Government has committed to a consultation on the reform of anti-money laundering supervision, which is due to start in June 2023. In our view these reforms are essential and should be expedited so that they are implemented in time to support the Companies House reform.
- The Government has also begun a much needed reform of the Suspicious Activity Reporting (SARs) regime, another of our key recommendations. Establishing a system that prioritises SARS would ensure that the information they contained is actioned in an effective way by law enforcement agencies.

Going Forward

- We will continue to urge that HMRC's objectives reflect the p[priorities that would impact help the fight against economic crime. For example proper risk based supervision of enablers and effective regulation of unregistered professionals is essential.
- We will continue to urge the Government to deliver transparency for cryptocurrency transfers, so we are able to detect money laundering more easily.

Only 5 of the 283 financial penalties given out by HMRC in 2021-2022 were levied on TCSPs, accounting for £38,397.00 of the £2,502,415.00 total value of penalties.

Changing the narrative

We are reframing the debate around economic crime and dirty money by regularly engaging with print, broadcast and online media outlets.

“Since the fall of the Soviet Union, Britain has welcomed dirty money from Russia and former Eastern bloc countries – with few questions asked. This has earned our capital the notorious nickname “Londograd”. Russian oligarchs used British corporate laws and structures to establish secretive trusts in British tax havens, acquire luxury property, snap up football clubs and purchase influence with our top politicians.”

Dame Margaret Hodge MP
i News, February 2023

“With improvements, the [Economic Crime] bill has the potential to dramatically up the ante against lawfare and economic crime. But to be truly effective, it must go further and tackle the root causes of dirty money.”

Lord Agnew and Dame Margaret Hodge MP
The Times, February 2023

“You just don’t achieve the scale and political diversity of support that we have for our proposed changes if you are not talking common sense: better protection for individuals and businesses from scammers, an end to our inadvertent role in helping drug traffickers and people smugglers launder the proceeds of their crimes and showing leadership in the fight against Putin’s barbaric regime.”

Simon Fell MP and Mary Robinson MP
ConHome, March 2023

“The new Economic Crime Bill presents us with a golden opportunity to really make Putin’s inner circle pay for the atrocities they have supported, and provide support to our Ukrainian allies. In the Lords, I have tabled an all-party amendment which enjoys the support of many colleagues – from across both Houses – which would oblige sanctioned oligarchs to declare all assets held in the UK, going back to six months before they were sanctioned.”

Lord Alton of Liverpool
The Daily Telegraph, May 2023

Get in touch

We are always on the lookout for the next key issue related to economic crime. We often organise public-facing events, roundtables, private briefing sessions and informational sessions in parliament to help inform parliamentarians and shape debates. If you would like to discuss potential partnership opportunities please reach out to laurie.woodiwiss@parliament.uk