



Fair Business
Banking

APPG on
**Anti-Corruption
& Responsible Tax**

ECONOMIC CRIME MANIFESTO II

Presented by the APPG on Anti-Corruption & Responsible Tax and the APPG on Fair Business Banking.

About the APPG for Anti-Corruption & Responsible Tax

The APPG is a cross-party group with members from the House of Commons and the House of Lords. The APPG's aim is to develop and advocate for policies which promote fair taxation and put a stop to corruption and financial crime both in the UK and internationally. The APPG is non-partisan and works to build a consensus across the political divide.

About the APPG for Fair Business Banking

The APPG is a cross-party group with members from the House of Commons and the House of Lords which puts forward policy recommendations to Government that encourage a finance system which allows enterprise to flourish and business to thrive. The Group acts as a forum and focal point for the SME community and financial services industry to deliver reforms in their long-term interest.

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FOREWORD

Russia's invasion of Ukraine was a watershed moment. The war put the UK's dirty money culture firmly under the spotlight; and forced the Government and Parliament to respond to this issue seriously.

Before the war, successive governments were seemingly comfortable with Russian oligarchs, kleptocrats and international criminals using the UK as a haven to launder, hide and then spend their ill-gotten gains. It should never have taken a major global conflict to make us change course, but we are finally beginning to turn the tide on dirty money.

In 2022 and 2023, Parliament passed two Economic Crime Acts that the Government claimed would provide effective tools to tackle economic crime. We were delighted that the Government was willing to bring in new laws and with pressure from a cross-party coalition of members of both Houses of Parliament, we succeeded in significantly strengthening the two pieces of legislation. However, it was frustrating that we could not persuade the Government to go further and faster.

More action is necessary, and we cannot take our foot off the accelerator.

We need greater transparency so that criminals can no longer hide their dirty money behind trusts, shell companies, or in our offshore tax havens. We need smart regulation that is not full of loopholes that bad actors will exploit. We must hold professional enablers to account for facilitating, colluding - and profiting from, the flow of dirty cash. We must urgently toughen up our enforcement agencies, or deep-pocketed oligarchs and criminals will continue to operate unchallenged. And we need proper accountability to stop dirty money from seeping into our politics, and into British democratic and cultural institutions.

With a General Election this year, all parliamentarians - both old and new - will have to work to ensure that the UK is no longer the destination of choice for criminals, kleptocrats, and fraudsters. The next Parliament must continue pursuing the fight against our dirty money epidemic.

Our realistic and practical cross-party Manifesto can move Britain from being a haven for illicit wealth to a global leader in the fight against corruption, economic crime and dirty money.



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

“The flawed Economic Crime Act cannot be the end of the road. By putting proper transparency, tough enforcement, genuine accountability and smart regulation at the heart of all we do, we can send the world’s crooks and kleptocrats a message: Britain is once again open for clean business.”

Margaret Hodge MP, November 2023

FOREWORD

Economic crime is corrosive, and it impacts all of our daily lives. For instance, fraud is now the most common crime nationwide. All of us will know someone who has been scammed. Many will know someone who has been manipulated out of their entire life savings.

Meanwhile, dodgy tax advisers peddle illegal schemes to avoid and evade tax. The 'tax gap' - the difference between what the taxman should be collecting versus what he actually does - stands at £36 billion. A lot of that comes from genuine error, but we know that a significant portion is lost to fraud, avoidance schemes and outright tax evasion. Honest people and businesses are being undercut by those not paying their fair share.

But our network of offshore tax havens - from the Isle of Man to the British Virgin Islands - have also facilitated tax abuse worldwide. According to the Tax Justice Network, the UK and its network of Overseas Territories and Crown Dependencies collectively inflicts a tax loss of £133.1 billion on the rest of the world by enabling private tax evasion. Leaks such as the Panama and Paradise Papers exposed the role these havens play enabling those looking to escape paying their fair share. Celebrities from across the globe have had their tax fiddles exposed. Sports heroes like Lewis Hamilton and Tiger Woods; entertainment stars like Madonna and Nicole Kidman; and major global political figures have all made an appearance.

These secretive financial centres have even been known to welcome illicit wealth. Funding for terrorist groups and the proceeds of human trafficking, drugs and corruption have all managed to find their way into these British-linked jurisdictions. It is no surprise when there is next to no transparency, lax regulations and few questions asked in these tax havens.

Tackling economic crime is vital to our economy and prosperity. It signals to the world that we welcome legitimate and clean investment, and that Britain is a trusted place to set up a company and do business. Reducing tax avoidance and evasion is just as important. With everyone paying their fair share, we can invest in delivering world-class public services and a dynamic and sustainable economy. So, it is imperative that parliamentarians of all political



Nigel Mills MP
Co-Chair
APPG on Anti-Corruption
& Responsible Tax

stripes come together to stem the flow of illicit wealth and combat economic crime. We know that there is a broad cross-party consensus to get this right. The recent passage of two Economic Crime Acts through Parliament proves just that. Time and again, MPs and Peers worked together to deliver strong legislation. But the job is not yet done, and we must now go further.

This Manifesto sets out exactly how we clean up our act, so that our country no longer naively welcomes fraudsters, tax evaders and corrupt money. If we can deliver on this Manifesto, then we can once again proudly say that Britain is 'open for business'.

“If we can deliver on this Manifesto, then we can once again proudly say that Britain is ‘open for business’.”

Nigel Mills MP, 2024

THE SCALE OF THE PROBLEM

Economic crime, fuelled by dirty money, causes immense harm domestically and internationally.

It is connected to many evils, underpinning corruption, crime and conflict. Despite this, illicit wealth still flows largely unchecked through the UK financial system.

The size and global reach of the UK's financial, legal and accountancy sectors make it a highly attractive place in which to invest and do business. The sectors are vital to Britain, representing 12% of the value generated in our economy.

However, decades of deregulation, coupled with lax enforcement of the rules we had, and a financial sector that was all too often happy to take the profits associated with wrongdoing, created an environment in which economic crime and illicit finance could flourish.

Internationally, the UK is inadvertently complicit in bankrolling dictators and kleptocrats around the world. The growth of London as a centre for financial and professional services coincided with the collapse of the USSR and the emergence of post-Soviet kleptocracies in the 1990s. Corrupt leaders and their network of oligarchs, whether in Russia, China or elsewhere, siphon resources from their citizens, depriving them of essential services like healthcare and education. These illicit financial flows then make their way through the UK's

financial system, allowing kleptocrats to launder, store and use their illicit wealth. By permitting these financial flows to move largely unchecked, the UK bears a responsibility for enabling corruption and kleptocracy on a global scale. We are also enabling money to flow into Russian coffers to fund the assault against Ukraine.

At home, illicit wealth poses a serious threat to the UK's national and economic security.

Foreign elites have leveraged their wealth to exert influence and infiltrate the British establishment, employing mechanisms ranging from donations to prestigious universities, to significant contributions to major political parties, or investments in key sports like football. They have also become major clients of British firms and investors in assets around the country, distorting our housing market and competing directly with legitimate businesses.

But oligarchs aren't the only ones who take advantage of Britain's decades of deregulation and weak enforcement. Organised criminal gangs use the same systems to clean the proceeds of drug smuggling, people trafficking, fraud, or arms dealing. This creates heightened risks for legitimate businesses, with 64% of UK businesses experiencing fraud, corruption or other economic crime, much higher than the global average of 46% and second only to South Africa.

“The continuance of an underenforced financial crime prosecution system in the UK effectively constitutes facilitation of these kleptocratic autocracies.”

Foreign Affairs Committee Report on UK engagement in Central Asia, 2023

Checklist: five reasons why fighting illicit wealth matters



Dirty money is a national security threat. Both the [Economic Crime Plan 2](#) and the [refresh of the Integrated Review](#) recognise that economic crime is a significant threat to our national security and to our prosperity. It poses ‘deeply harmful and systemic threats to our way of life’ through the prevalence of fraud, the increase in instances of money laundering underpinning organised crime including the drugs trade and human trafficking.



Dirty money is harming our economy. Every year, the UK’s illicit finance problem costs us an estimated [£350 billion](#). That represents almost 15% of our GDP. The City of London and the UK’s network of Overseas Territories and Crown Dependencies continue to act as a home for illicit wealth and as a vehicle for economic crime.



Dirty money is harming the UK’s reputation. The prevalence of economic crime jeopardises our status as a business destination of choice and degrades our influence on the world stage. The US Treasury now [categorises](#) the UK as a “higher risk” destination for money laundering, alongside Cyprus.



Dirty money is making the UK more unfair. From 2016 to 2022, at least [£6.7 billion of UK property](#) has been purchased with suspicious wealth. Illicit wealth distorts our property market and impacts on the UK’s housing crisis.



Dirty money is undermining our democracy. Illicit financial flows have started to infect our politics and our public services, weakening our democratic institutions and eroding trust in our political and legal system. This reinforces the perception of public sector corruption, exemplified by the UK’s continued decline in Transparency International’s [latest Corruption Perceptions Index](#).

More than half the general public believe economic crime has a negative impact on the UK’s economy and 70% or respondents feel it is making the UK a more unfair place to live.

[Survation, January 2024](#)

PROGRESS TO DATE

Since the first Economic Crime Manifesto was published, the Government has introduced a Fraud Strategy, its second Economic Crime Plan and two important pieces of legislation. Both Acts contain much needed tools required in the campaign to push back against illicit wealth. This represents significant progress on corporate transparency and on our ability to follow the money. Many of the measures align with the ambitious recommendations of the first Economic Crime Manifesto – which was tirelessly championed by a coalition of cross-party parliamentarians and civil society allies. With these improvements in place, the UK can begin to turn the tide on dirty money.

The Government finally reformed our corporate register. Companies House now has greater powers to query information and request supporting evidence, including the identity of the directors and beneficiaries of companies, and to share data with other government departments and law enforcement agencies. While it will take time to fully implement this reform, it will be critical in preventing bad actors from hiding behind anonymous shell companies.

However, Companies House's effectiveness will be inhibited by the Government's decision to outsource identity verification to corporate service providers without ensuring they are adequately regulated and supervised. At present, corporate service providers are too often associated with enabling economic crime by helping bad actors set up webs of shell companies.

The cost of creating a company has increased from £12 to £50, a welcome increase to help Companies House fulfil its new duties, but still low in comparison to the EU's €300 average fee.

Some progress has also been made in holding companies to account for economic crimes. The Government reformed our outdated criminal liability framework, making it easier to prosecute large and complex corporations. It also introduced a new criminal offence for large companies which

fail to have adequate measures in place to prevent fraud from happening under their watch.

However, the Government's refusal to apply the offence to those it defined as Small and Medium Sized Enterprises (SMEs) means that the new offence will exempt 99.9% of companies and 51% of the UK's private sector turnover.

The Government also rejected our proposal to extend the offence to companies that fail to prevent money laundering.

The Government has also begun to bear down on the professional enablers of economic crime.

Poor and fragmented supervision of the enablers – such as bankers, lawyers, accountants, estate agents and corporate service providers – who too often facilitate the flow of illicit wealth, has made it difficult to identify and deal with the few bad actors through their professional supervisory bodies. The Government has just completed a consultation on how to reform the supervisory regime. It must now act and bring in urgent reforms. These cannot come soon enough, given persistent problems with the effectiveness of supervision, as shown by a lack of criminal enforcement, a failure to target actors avoiding AML supervision altogether and evidence of serial offending from underperforming supervisors.

The introduction of the first measures to tackle Strategic Action Against Public Participation (SLAPPs) is also a welcome step to crack down on the abuse of our law by wealthy individuals and the professionals who support them. It will help limit British law firms' use of 'lawfare' and vexatious litigation tactics for the benefit of wrongdoers looking to silence journalists, campaigners and even politicians exposing economic crime. This now needs to be expanded to cover other types of crimes.

The Government has also started to close gaps in our defences against economic crime. New legislation introduced the Register of Overseas Entities, which was intended to bring transparency to the identity of the owners of UK property owned via offshore companies.

Unfortunately, design flaws limit the effectiveness of the register and continue to enable anonymous ownership of property in Britain through opaque trusts. The Government has consulted on options to close these loopholes. In addition, the Government is also consulting on removing an obligation for

law enforcement to pay extortionate legal costs when it loses civil recovery cases, as this may have a chilling effect and deter the authorities from pursuing the assets of deep-pocketed criminals and kleptocrats.

Despite the progress that has been achieved, there are significant areas where Government rhetoric has not been matched by action. For instance, the Government's second Economic Crime Plan did not commit any new funding to the fight against economic crime, reheating the £400 million already committed in the 2021 Spending Review, half of which comes not from Treasury, but from private sector contributions.

Almost a year after the announcement of its new plan, the Government has recruited additional staff to work on economic crime and fraud, with commendable efforts in particular on recruitment for the Office of Financial Sanctions Implementation (OFSI), which is working towards its target of increasing staffing by 200%. However, we remain concerned at the overall capacity of our law enforcement bodies and the lack of prioritisation of economic crime over other types of crimes.

Although there has been progress, we still have a long way to go before the UK can stem the flow of dirty money, halt our unwitting enabling of kleptocratic regimes and reclaim our reputation as a trusted jurisdiction.



“We’re providing Companies House with the tools to take a much harder line on criminals who take advantage of the UK’s open economy, ensuring the reputation of our businesses is not tarnished by the UK playing host to the world’s scammers.”

Kevin Hollinrake MP, Minister of State in the Department for Business and Trade, 2023

“To stop crooks from abusing UK companies to commit economic crime, we must ensure that our corporate register is accurate and transparent. The [Economic Crime] bill in its current form leaves our economy vulnerable to exploitation by criminals and oligarchs. This is our moment to lose this stain to our reputation, and get rid of the nickname of Londongrad, once and for all.”

Lord Agnew of Oulton, 2023

A UNIQUE CHANCE FOR GLOBAL LEADERSHIP FOR THE NEXT GOVERNMENT

The transnational nature of economic crime requires close collaboration. Our response must be ambitious, and we must aim to work in concert with our international partners. As a global financial hub, the United Kingdom is uniquely positioned to respond to new and emerging threats, leading efforts to eradicate illicit wealth and challenging kleptocratic regimes threatening international peace.

The UK has shown good leadership in the fight against Russian kleptocracy, imposing historic sanctions packages and freezing billions worth of assets. But as the war rages on, Putin shows no sign of relenting and has doubled his defence spending this year. Efforts to isolate the Kremlin must go further if Britain is to root out dirty money and stop unwittingly funding Putin's illegal war. While the government's introduction of measures mandating sanctioned individuals to disclose their assets or face both fines and asset seizure is commendable, it will yield only limited results. Too many sanctioned individuals still hide their wealth in secret trusts, often registered in our Overseas Territories and Crown Dependencies.

The UK should prioritise advancing proposals to not just freeze but also seize Russian assets to repurpose the money for the reconstruction of Ukraine. One proposal is that the Government could use the Central Banks assets as collateral to loan money to Ukraine. A coordinated approach would be most effective and may shield the UK from associated risks, but it must not result in inertia or preclude Britain from leading the charge. Several proposals have been suggested to seize individuals' assets, including linking sanctioned individuals to serious human rights violations.

Seizing Russian assets could send a clear message to other kleptocracies looking to violate international law.

The UK must lead work with allies to address emerging international threats from hostile actors. Countries like Iran or China have used financial investments to advance their interests both at home and abroad. For instance, Companies House has seen a large increase in Chinese nationals incorporating suspicious companies across the UK. MI5 also issued a formal warning on political donations from a Chinese national who engaged in political interference on behalf of China. Internationally, China's flagship Belt and Road initiative is accused of fuelling corruption in developing countries in pursuit of geopolitical advantage. The UK must act decisively to stop countries like China from abuse our financial system, and sanction kleptocratic actors more proactively, through its Global Anti-Corruption Sanctions regime.

The UK should be at the forefront of efforts to tackle new and emerging risks which threaten to further challenge our economic crime defences. Deep fakes generated by artificial intelligence can be used to create new fraud threats. As can unregulated cryptoassets, that are increasingly being used by criminals to move and launder their profits from crimes such as drug trafficking, fraud, and people smuggling. Moreover, the trillions of dollars allocated for combating climate change are being directed towards countries with poor governance, posing a significant risk of those being captured by kleptocratic regimes or diverted to organized crime.

The reforms set out in this Manifesto will reinforce Global Britain's reputation for integrity and the rules-based international order. As the next round of the Financial Action Taskforce (FATF) mutual evaluation approaches, the UK will be judged on how far it has got in implementing the next generation of reforms necessary to lead the

global fight against economic crime. The proposals set out in this Manifesto will help restore Britain's reputation as a trusted financial centre at the forefront of the fight against kleptocracies. Driving out illicit finance is good for business, good for Britain, and good for the world.

The Pillars:

T RANSPARENCY	Identify who really owns companies, trusts and assets so that not just law enforcement agencies, but others – from journalists to businesses and from civil society to politicians – can more easily follow the money.
R EGULATION	Implement smart regulations so that professionals who facilitate economic crimes are held to account and, more importantly, deterred from engaging in malpractice.
E NFORCEMENT	Toughen up enforcement agencies and ensure that they are adequately resourced to consistently enforce the law.
A CCOUNTABILITY	Ensure that Parliament, the public, businesses, journalists and civil society are able to hold the Government to account and that transparent processes are in place to guard against the pervasive influence of corruption and dirty money in politics.

“Economic crime is a global problem. Given our central position in the global financial system, the UK has an opportunity to play a leadership role on the global stage alongside other major financial centres, if we continue to strengthen domestic foundations and resources.” [Wilton Park Report, 2023](#)

TRANSPARENCY

Despite progress in lifting the veil of secrecy surrounding the UK's corporate world, substantial work is still needed to ensure that bad actors can't avoid new transparency requirements. Money launderers continue to exploit opaque financial structures, shell companies, and the UK's network of offshore secrecy jurisdictions to launder and conceal their illicit wealth. Transparency is essential to follow the money and hold wrongdoers to account.

The UK had a track record of being at the cutting edge of corporate transparency. In 2016 we became the first country in the G20 to introduce a public register of company ownership. But revelations in the Panama, Pandora, Paradise papers and other leaks have exposed the complicity of our network of offshore jurisdictions in facilitating tax evasion and money laundering. The British Virgin Islands (BVI) alone is responsible for over 50% of the shell companies uncovered in the Panama Papers. BVI companies featured in 90% of the grand corruption cases that Transparency International has identified in the past twenty years, totalling a £250 billion worth of funds diverted by rigged procurement, bribery, embezzlement and the unlawful acquisition of state assets. It is thought that almost double the amount Africa receives through international development assistance leaves the continent as illicit capital flight through these tax havens, critically undermining our aid and development efforts.

Despite the successful promotion of new legislation by the APPG in 2018 to introduce open registers of the true owners of companies – known as public registers of beneficial ownership – little progress has been achieved. Public registers are an essential transparency tool. Yet the Overseas territories have still not complied with the law and the Crown dependencies have reneged on their commitment to implement public registers. The Government is negotiating to seek compliance, but the BVI have yet to provide a clear timeline as to when they would implement registers, and whether they will be made accessible to the public.

The introduction of the new Register of Overseas Entities was also supposed to promote transparency, so that we could finally know who owns property in the UK. Offshore companies are now required to disclose their ultimate beneficiary in the same way that regular citizens

declare ownership on the Land Registry – but the Government has introduced a loophole. A company is not required to declare its ultimate owner if it is hidden behind a trust arrangement. Trusts are currently the primary mechanism used by oligarchs and kleptocrats to conceal their ownership of property, with over 45% of all properties on the register still owned secretly.

This loophole has serious implications for our property market, and our national security. Property ownership via trusts distorts house prices and exacerbates Britain's housing crisis. Trusts are used by oligarchs and others to hide their property empires and to evade sanctions, often transferring wealth to family members. Meanwhile, freeholders also use trust structures to evade their duties to remediate dangerous flammable cladding on buildings.

Criminals and kleptocrats can also avoid transparency measures by embracing other corporate structures to conceal their assets. Limited Partnerships in England, Wales and Northern Ireland (LPs) are increasingly being used to secretly control and move illicit funds, as under existing laws there is no requirement to declare the beneficial owner of an LP. Criminals also rarely feature as shareholders of companies through which they hide, and launder illicitly acquired assets. Instead, they employ the services of nominees to hold the shares on their behalf. Reforms to turn Companies House into an accurate register of company ownership are meaningless without clamping down on these new vehicles for money laundering and checking the status of shareholders.

We must commit to closing these loopholes.

LPs, new vehicle of choice for money laundering

Between 2015 and 2021, more than 1,250 Limited Partnerships (LPs) were registered at just three addresses in the UK. These kinds of patterns create heightened risk. Take for example the \$1bn which vanished from three of Moldova's leading banks in 2014. Loans were transferred in just two days to a series of Hong Kong and UK companies - much of which were LPs, and for which it was impossible to identify the ultimate owner. Given that Moldova is Europe's poorest country, the State was forced to step in to bail the three banks out, thereby protecting depositors but creating a hole in the public finances, equivalent to an eighth of the GDP.

RECOMMENDATIONS

1

The Government must ensure that public registers of beneficial ownership in the Overseas Territories and Crown Dependencies are swiftly implemented with full and free access to company data, not limited to single entries.

2

There should be no greater privacy for those who own assets through trusts, compared to those who own assets directly or through an overseas company. The existing UK trust register housed in HMRC should be made more transparent, so that everybody can understand who controls trusts; such transparency would deter the use of trusts to commit wrongdoing.

3

The Register of Overseas Entities should publish information on the owners of UK properties. This should include publishing information about the parties to trusts that own properties via overseas entities, so we can get a clear picture of the ultimate beneficial owners of all properties in the UK.

4

We must close remaining loopholes in corporate transparency. All companies and firms should declare the identity of individuals with significant ownership or control over their activities. This must include English, Welsh and Northern Irish Limited Partnerships. We should also impose obligations on Companies House to verify the status of shareholders and stop people hiding behind nominee shareholders.

REGULATION

Ineffective regulation across various sectors has inadvertently transformed the UK into a safe haven for funds from corrupt and autocratic regimes. While the Government has taken steps to strengthen the UK's regulatory framework through the Economic Crime Acts, further action is needed if we are to effectively combat economic crime.

Recent global scandals, exemplified by the Cyprus Confidential leaks, highlight how a minority of bad actors continue to exploit regulatory loopholes. Although sectors such as banking, legal services, accounting, and real estate are subject to anti-money laundering regulations mandating enhanced due diligence on high-risk clients, the implementation of these regulations is poorly supervised. Supervision across the regulated sector is inconsistent, reactive and fragmented. Coupled with the absence of significant penalties, we are failing to effectively deter illicit activities from occurring in the first place.

We need smarter regulation to stop the bad actors in the relevant professions from facilitating and profiting from misconduct. We want to restore our reputation as a trusted jurisdiction for financial services. Building upon existing models that have proven to be effective is crucial.

For instance, in 2010 the Government introduced a 'failure to prevent bribery' offence, under which companies could be prosecuted if they failed to put measures in place to prevent bribery by their employees. The threat of prosecution has led to a cultural change in business practices and has deterred crime. A similar offence should be introduced for companies that fail to prevent fraud, and money laundering, no matter their size.

The absence of a robust regulatory framework to hold senior executives to account also limits our ability to deter wrongdoing. None of the 28 convictions secured by the FCA between 2017 and 2021 relates to a person in a senior management function. Similarly, there have also been no convictions for individual breaches of the Money Laundering Regulations. The SFO has also failed to hold senior executives to account for wrongdoing, with the Barclays case as the starkest example.

Introducing liability for key decision-makers in companies who have willingly or through sheer negligence allowed their companies to engage in misconduct would serve as a significant deterrent. Such reforms could have discouraged the apparent complicity of senior executives and their lawyers in bringing fraudulent prosecutions against postmasters in the Post Office Horizon scandal.

Another loophole lies in the scope of our anti money laundering regulations. Many industries at risk of abuse by bad actors have no duties to check the origin of the funds they receive. Key professionals used by kleptocrats to hide and store their stolen assets, such as property developers or letting agents, operate entirely outside the scope of the regulations. Beyond laundering money, kleptocrats and other wrongdoers strengthen their reputations and influence through the assistance of public relations agencies and through providing donations to cultural institutions and universities, or funding football clubs. The industries and professionals involved in these transactions are not covered by the money laundering regulations, resulting in unchecked financial flows into the UK.

“Tackling the accountability gap in relation to senior executives is crucial for long-term sustainable and equitable economic growth”

Spotlight on Corruption, 2024

RECOMMENDATIONS

1

The Government must bring forward a ‘failure to prevent’ fraud offence, which covers companies of all sizes, and they must introduce a new ‘failure to prevent’ money laundering offence.

2

The Government must introduce senior executive liability for economic crimes committed by the company as a result of neglect by a senior executive. They should introduce individual liability for senior executives who facilitate or fail to prevent these crimes from taking place.

3

The Government must broaden the scope of regulations on the enablers of economic crime. The Anti-Money Laundering Regulations (MLRs) should cover private schools, universities, PR agencies, developers, all letting agents and commodity traders. The Government should also re-examine the case for litigation to be exempt from anti-money laundering duties.



The UK, always a step behind the US?

The UK has only secured one criminal conviction of a bank on anti-money laundering charges: Natwest was fined £264.8 million in 2021. Despite the bank being convicted of three breaches of the regulations, the FCA contended that there was ‘insufficient evidence’ for it to show that any officer was personally negligent in relation to the breaches.

By comparison, in 2019 alone, the US imposed \$3 billion in criminal fines against six banks.

ENFORCEMENT

Without the threat of real enforcement, there is no credible deterrent to wrongdoers. Yet the UK's enforcement response falls glaringly short, mainly because it is outspent and outgunned by the criminal and the corrupt. Failing to allocate sufficient resources to our agencies will have real consequences on our ability to effectively implement the two new Economic Crime Acts, and more broadly, on our ability to prosecute and deter criminals.

Funding of key enforcement agencies does not match the scale of the economic crime threats facing the UK. Despite economic crime costing our economy up to £350bn each year, equivalent to almost 15% of our GDP, the UK allocates a mere 0.042% of GDP to fund national law enforcement agencies tasked with tackling economic crime. Fraud alone accounts for approximately 38% of UK crimes, yet in 2020 just 1% of police personnel were dedicated to fraud investigations. While economic crime rises, funding of our key agencies stagnates. The National Economic Crime Centre (NECC) which houses the UK's key financial intelligence unit, has seen its budget decrease by 0.5% between 2021-22 and 2022-23.

By comparison, the USA has increased funding of its key finance intelligence unit over the years. Congress approved an 18% increase for the 2023 fiscal year, and then maintained this level of funding for 2024. As a result, the USA has assumed a leading role in fighting economic crime, imposing 67% of global anti-money laundering fines.

Despite being one of the world's largest financial hubs, the UK is falling behind, with law enforcement outcomes plummeting in the past decade. According to Spotlight on Corruption, prosecutions for fraud have fallen by 67% since 2011. For money laundering, prosecutions have fallen by 56% since 2010 and there has only been one corporate criminal conviction under our anti-money laundering regulations.

Our sanctions enforcement is also poor. Following Russia's invasion of Ukraine, the UK imposed the largest sanctions package ever on a major economy, with the OFSI recording over £22.7bn of assets frozen in the UK. But our law enforcement was ill-prepared to deal with the scale and variety of techniques used to evade sanctions. For instance, oligarchs employed offshore billion-pound trusts to shift their wealth to family members, with enforcement agencies seemingly reluctant to target networks. Frustratingly, the OFSI has issued minimal penalties and imposed fines in less than 1% of cases of breaches across all sanctions regimes since 2016.

“There is multi-sector consensus that the system [to fight economic crime] as a whole is inadequate in proportion to the harm. It remains fragmented, chronically underfunded in some parts, vastly expensive in others and insufficiently effective.”

Wilton Park Report, 2023

Special licences to spend frozen assets were granted with inadequate scrutiny or oversight, allowing oligarchs to maintain their lavish lifestyles or pursue defamation actions against journalists. Meanwhile, despite trade sanctions on Russian oil, the UK's imports of oil products derived from Russian crude oil have sent £141 million (€165m) in tax revenue back to Russia. Furthermore, the UK remains the biggest insurer of Russian seaborne oil, despite evidence that much of this oil is sold above the G7 Price Cap, in

clear violation of the sanctions. These enforcement failures significantly undermine our efforts to support Ukraine, but also send a dangerous signal that our sanctions regime is not effective.

The two new Economic Crime Acts will only be as good as their enforcement, so we need tougher enforcement and innovative resourcing to close the loopholes that enable kleptocrats to avoid sanctions.

RECOMMENDATIONS

1

The Treasury should establish a cross-governmental Economic Crime Fighting Fund and reinvest a larger proportion of the fines, criminal assets recovered by enforcement agencies, and penalties paid through deferred prosecution agreements to provide sustainable funding and increase our capabilities.

2

Large technology companies must play a more important role in financing our enforcement agencies against economic crimes originating online. The Government must implement a 'Fraud Levy' on large tech corporations which inevitably facilitate fraud.

3

The Government must toughen up our enforcement of sanctions in partnership with our international allies. This includes using our sanctions more proactively to target human rights abusers and kleptocrats, clamping down on sanctions evaders and their enablers, and properly enforcing our trade sanctions so we don't continue to support Russian fuel exports, facilitating the Kremlin's war efforts.

Why the UK should re-invest fines

In 2022, the Serious Fraud Office imposed one of its largest ever fines, worth £182.9 million on Glencore Energy UK Ltd for bribery of officials in five African countries in return for preferential access to oil. Re-investing a portion of these fines into our law enforcement could provide much needed monies for the pursuit of other complex economic crime cases.

ACCOUNTABILITY

There is growing concern that dirty money is seeping into our politics, weakening our democratic institutions and the rule of law. Recent scandals linking donations, the misuse of public monies or undue influence with individuals accused of economic crime or closely linked to hostile regimes, show how dirty money can undermine our standards in public life. The corrosive effect of this behaviour is clear. Public trust has dropped to its lowest level in 40 years, with only 9% of Britons now trusting politicians to tell the truth.

Donations to political parties are vital to the functioning of our democracy, but recent scandals have exposed weaknesses in our party funding rules. Most major political parties have accepted donations that emanated from foreign sources, proceeds of crime, or corrupt donors seeking to influence our politicians or undermine our national interests and security. A report by the Intelligence and Security Committee in 2020 identified that members of the Russian elite linked to Vladimir Putin had donated to UK political parties. In April 2023, concerns were raised in Parliament about alleged links between the Chinese Communist Party and the Conservative party's funding, with Chris Philp, Minister of State in the Home office noting that "all political parties need to be alert to the danger of representatives of hostile states seeking to infiltrate or influence their activities". Investigations by journalists have also alleged that impermissible donations have been made through third parties, raising suspicions about the origin of the funds.

Lobbying is another gateway into British policymaking. Lobbying is a legitimate part of the democratic process, but the practice can be hijacked by bad actors, who by funding and supporting political parties, then exert undue influence on politicians and decision makers. Our current framework lacks transparency. Only consultant lobbyists are required to disclose their activity. This means in-house lobbyists, NGOs, industry associations, think tanks, and trade unions are not required to register, leaving perhaps 96% of lobbyists outside the regulatory system. Equally, the current lobbying rules only cover Ministers and permanent secretaries, not special advisors or members of Select Committees. This lack of transparency can be used to further private interests, as evidenced by Owen Paterson's repeated lobbying on behalf of two companies paying him more than £100,000 per year – Randox and Lynn's Country Foods.

“Public trust is only undermined when lobbying is associated with money, undue influence, and secrecy. Such perceptions are preventable if all those in public life on the receiving end of lobbying uphold transparency around lobbying.”

The Committee on the Standards of Public Life, 2021

The Covid-19 pandemic exposed corruption and fraud in procurement procedures. The way the Government handled bids for supplying Personal Protective Equipment (PPE) and other Covid-19 response contracts was systemically biased in favour of those who enjoyed political access. The scale of PPE waste and the misuse of public funds amounts to nearly £10 billion. Many of the contracts were awarded to companies given preferential treatment after being recommended by MPs, peers, and senior civil servants as part of the 'VIP lane'.

Britain requires a consistent and ambitious approach to tackle economic crime at home and abroad, with clear leadership and accountability. But current efforts are fragmented among various departments and agencies, leading to a responsibility vacuum and a culture of blame-shifting. For instance, money laundering sits with Treasury, while the Home Office is responsible for fraud. Coordinated action, a clear strategy and an accountable leader are all key components of our response to root dirty money out of our politics and rebuild trust in government.



“The UK’s defences against economic crime are manned by an army of strategic boards, delivery boards, steering groups and taskforces. Economic crime is in lots of people’s portfolios, but it is nobody’s specific priority.” [Kathryn Westmore, RUSI, 2023](#)

RECOMMENDATIONS

1

The Government must enhance the role of the Electoral Commission as an effective watchdog with greater responsibilities, powers, and independence. Individual donations should be capped, and political parties should be required to conduct more rigorous checks on the source of wealth behind their donations.

2

The Government should drastically increase transparency and accountability of its lobbying framework to cover a significantly broader range of agents and activities, as well as greater transparency on the content of meetings. Ministerial and lobbying declarations should provide meaningful insights into the content of meetings conducted with a more extensive range of people, including senior advisors and Committee Chairs and covering a wider range of methods of communication.

3

The Government must reform public procurement rules so that it is easier to debar and exclude companies that have been complicit in fraud or economic crimes. We must also seek to clawback money lost to corruption during Covid-19.

4

We need stronger economic crime leadership and accountability, with the publication of an anti-corruption strategy and the re-appointment of an anti-corruption champion, who can have genuine influence on Government policy and resource allocation. At the operational level, the Government should appoint an Independent Economic Crime Commissioner to ensure accountability across government departments and substantially enhance the UK’s defences against and response to economic crime.

POLICY RECOMMENDATIONS IN FULL

Presented by the APPG on Anti-Corruption & Responsible Tax and the APPG on Fair Business Banking.

The Government should follow this set of practical recommendations in order to greatly strengthen Britain's defences against economic crime so that they are capable of matching this growing threat. With genuine reform, Ministers would not only begin to drive out dirty money and restore trust in our economy, they would also bolster national security and ensure Britain's long-term prosperity. Here are four principles for ending Britain's dirty money problem:

TRANSPARENCY

- **Public registers in our offshore financial centres.** The Government must ensure that public registers of beneficial ownership in the Overseas Territories and Crown Dependencies are swiftly implemented with full and free access to company data, not limited to single entries.
- **There should be no greater privacy for those who own assets through trusts, compared to those who own assets directly.** The existing UK trust register housed in HMRC should be made public, so that we can understand who controls trusts. Exemptions for people at serious risk or who want to protect their personal information from the public could be introduced, in line with the exemptions in the Register of People with Significant Control (PSC).
- **The Register of Overseas Entities must allow us to find out who owns properties.** This means publishing information of all parties to the trusts that own properties via overseas entities, so we can get a clear picture of the ultimate beneficial owners of all properties in the country.
- **An open register for the beneficial owners of UK land** should be created in order to stop UK land being used to launder money.
- **We must close remaining loopholes in corporate transparency.**
 - All companies and firms should declare the identity of individuals with significant ownership or control over their activities. This must include all English, Welsh and Northern Irish Limited Partnerships. Scottish Limited Partnerships must declare at least one natural partner.
 - Currently, Companies House requires companies to submit details of the shares to be issued and the identities of the shareholders, and a memorandum of association containing names of subscribers, on incorporation - this information should be updated regularly.
 - Companies House should perform proactive checks on shareholder information, including checking the status of PSC and shareholders owning 5% or more of the company's shares. This will limit the use of nominee shareholders.
- **The Government must enhance transparency around our financial sanctions regime and the sanctions licensing regime,** which enables sanctioned individuals to use frozen funds. Published data must include: value of assets frozen, and the number, grounds and value of licences given out.

REGULATION

- The Government must deter wrongdoing through:
 - **Encouraging a cultural shift in key professions.** The Government must bring forward a 'failure to prevent' fraud offence, which covers companies of all sizes. It must also introduce a new 'failure to prevent' offence for money laundering.
 - **Introducing senior executive liability for economic crimes** committed by the company as a result of the neglect of a senior executive, and introducing individual liability for senior executives who facilitate or fail to prevent these crimes from taking place.
- **We must ensure that the Government delivers on the ongoing Money Laundering Regulations (MLR) consultation and tightens regulation on the enablers of economic crime:**
 - The Government must broaden the scope of regulation on the enablers of economic crime. The MLRs should cover private schools, universities, PR agencies, developers, all letting agents and commodity traders, and the Government must re-examine the case for litigation to be exempt of anti-money laundering duties.
 - Regulation of Trust and Company Service Providers (TCSPs) should be strengthened by making it illegal for TCSPs to offer nominee services, such as nominee directorships. The Government must at the very least use its regulation making powers to strengthen the rules around the disclosure of nominee arrangements.
 - Tax advisers and accountants must be signed up as members of a professional body. Professionals whose membership has been revoked for tax fraud should no longer be allowed to operate.
 - **Auditing regulators must effectively check predatory practices**, improve audit quality, mount speedy and thorough investigations of audit failures, and apply effective sanctions against auditors delivering poor audits.
 - **We must find ways to legally seize frozen assets** which are the proceeds of corruption or economic crime and repurpose them to fund Ukraine's reconstruction. As of February 2024, the UK has targeted 129 Russian oligarchs with sanctions, who have a combined net worth of over £145 million. Several proposals have been put forward to seize individuals' assets, including linking sanctioned individuals to serious human rights violations.

ENFORCEMENT

- **Ensure that the ongoing Anti Money Laundering supervisory regime reform is fit for purpose** and delivers a streamlined framework, with full independence and robust powers. The Government should consolidate the web of siloed professional body supervisors into a strengthened statutory body for the legal and accountancy sectors, Trust and Company Service Providers, as well as potentially other high-risk sectors, accountable to HM Treasury, with the powers and resources to provide a credible deterrent to money laundering. A reformed supervisory regime must impose more proportionate and public civil fines for wrongdoers, and effective collaboration with law enforcement agencies.
- **The Government must finally launch the flagship Economic Crime Central Court.** Now known as the City of London Law Court, the Government committed to introducing this specialist facility in the last two Economic Crime Plans. It should now act and introduce specialist training for judges who deal with complex economic crimes.
- **The Treasury and Home Office must properly resource and equip our law enforcement agencies** for combating economic crime through innovative solutions:
 - The Treasury should establish a cross-governmental Economic Crime Fighting Fund and reinvest a proportion of the proceeds of regulatory and criminal fines, asset recovery, and deferred prosecution agreements into increasing the capability and capacity of our enforcement agencies.
 - The 'big tech' companies must play a more important role in financing our enforcement agencies against economic crimes originating online. The Government should implement a 'Fraud Levy' on large tech corporations in recognition of the role they play in facilitating fraud.
 - We must strengthen enforcement capability. In part this will depend on the ability of agencies to attract and retain staff by paying them appropriately, but Government should also explore employing the skills and expertise of private sector professionals.
- **The UK must use its sanction regime more ambitiously** by creating closer links between sanction policy and law enforcement, improving information sharing, scaling up our designations to match our allies, targeting networks, and bearing down on sanctions evaders and their enablers.
- **We must properly enforce our trade sanctions**, by quickly closing the refining loophole and policing our insurance industry so it does not underwrite ships transporting Russian oil that is sold at prices above the price cap.
- **We must enhance civil recovery** efforts through the NCA's Combatting Kleptocracy Cell and International Corruption Unit. The Government should also consider broadening the legal avenues for civil recovery to include not just the proceeds of crime but also the proceeds of kleptocratic regimes where underlying criminality may be difficult to prove.

- **The Government must extend the recently legislated cost caps for Unexplained Wealth Orders to the wider civil recovery regime.** This would limit the liability of enforcement agencies to pay legal costs for the other side where they lose in a civil recovery case – unless they have acted dishonestly, unreasonably, or improperly.
- **HMRC must use its powers more proactively** and impose penalties and criminal sanctions on promoters of tax avoidance schemes.
- **The Government should require companies to hold investigations into whistleblower concerns** related to economic crime, with independent oversight of these investigations.
- **The Government should make it easier to blow the whistle** by creating a well-publicised, easily accessible, secure, and responsive central reporting body that can provide advice and support to whistleblowers.

ACCOUNTABILITY

■ **The Government must tighten up our political donations.**

- Introduce requirements for political parties to conduct 'know your donor' due diligence checks on donations above a certain threshold and require companies that make political donations to demonstrate that all funds involved are derived from operating profits generated in the UK.
- Individual donations should be capped at a certain threshold to limit undue influence risks, or political donations being tied to dirty money.
- The introduction of a government strategy and policy statement for the Electoral Commission, which blocks the Commission from acting in an independent and impartial way, introduced in the Elections Act 2022, must be reversed.
- The Electoral Commission's power to initiate criminal proceedings should be reintroduced so that it can tackle less serious and complex cases with criminal penalties, where necessary.
- The maximum fine for electoral finance breaches should be raised to £500,000 or 4% of total campaign spend, whichever is larger.

■ **The Government must significantly enhance the transparency and accountability of its lobbying framework.** This entails expanding both departmental releases and the scope of the Lobbying Act to encompass declarations from a broader spectrum of lobbyists, including in-house consultants, NGOs, industry associations, think tanks, donors, and trade unions. These declarations should furnish meaningful insights into the content of a wider array of interactions, including informal meetings, phone calls, and text messages, with a more extensive range of targets, encompassing senior advisors and Committee Chairs, both directly and indirectly lobbied.

■ **The Government must improve the Procurement Act 2023** to make it easier to debar and exclude companies that have been complicit in fraud or economic crimes and ensure the new debarment list is fit for purpose. We must also seek to clawback money lost to cronyism and corruption during Covid-19.

■ **We need stronger economic crime leadership and accountability**, with the publication of an anti-corruption strategy and the re-appointment of an anti-corruption champion, who can have genuine influence on Government policy and resource allocation. At the operational level, the Government should appoint an Independent Economic Crime Commissioner to ensure accountability across government departments and substantially enhance the UK's defences against and response to economic crime.

- **The Government must enhance the coherence of the economic crime landscape**, by tackling structural challenges and streamlining the “alphabet soup” of agencies involved in the economic crime response. The work of National Economic Crime Centre (NECC) should be prioritised within the NCA, and the NECC should be subject to greater accountability and independence.
- **The Government must** increase the funding, human resources and technical capacity of the UK Financial Intelligence Unit (UKFIU), which is the main body in charge of analysing Serious Activity Reports (SARs). This is essential so that the UKFIU can more effectively undertake strategic and operational analysis of SARs and other data to assist with economic crime enforcement.
- **The Ministry of Justice must legislate to tackle the issue of lawfare and vexatious litigation with new anti-SLAPP rules which cover all types of crimes.** Any lawsuit targeting the publication of information in the public interest should be subject to a “merits test” (e.g. probable chance of success) at the earliest possible stage in proceedings. Costs for SLAPP litigants must be sufficient to deter SLAPPs, whilst costs for defendants must be capped. We must also tackle the rise of anonymity orders and powerful players shielding from scrutiny in court.
- **The Government should ensure law enforcement agencies can be subject to the Freedom of Information Act**, including the NCA, the joint access recovery database and NECC.
- **The Government must enhance parliamentary scrutiny of our enforcement agencies and regulatory or supervisory bodies responsible for tax and economic crimes**, with a new Select Committee of both Houses that would work under Privy Council terms. This new committee would operate like the Intelligence and Security Committee. It would have access to information on individual cases in confidence. It would receive an annual report on funding allocation, spending, performance, and progress on the implementation of tax and economic crime legislation and plans and produce reports on systemic issues arising out of the experience of individual cases.

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