

**MONEY LAUNDERING ADVISORY COMMITTEE
PLENARY GROUP**

Meeting on 10 February 2006 – 15:00hrs

HM Treasury

Present

HM Treasury, Director, Financial Services (HMT)

Chairman

Serious Organised Crime Agency (SOCA)

Consultative Committee of Accountancy Bodies (CCAB)

National Association of Estate Agents (NAEA)

BCL Burton Copeland (representing the Law Society)

Joint Money Laundering Steering Group (JMLSG)

Metropolitan Police

Association of Chief Police Officers (ACPO)

Legal and General

HM Revenue and Customs (HMRC)

Home Office (HO)

Foreign and Commonwealth Office (FCO)

HM Treasury (HMT)

City of London Police

Gambling Commission

Financial Services Authority (FSA)

National Criminal Intelligence Service (NCIS)

Secretariat

HM Treasury (HMT)

The Chairman opened the meeting and new members to their first MLAC meeting.

1. Reports from working parties

a) Update on guidance

- 1.a.1 The JMLSG informed the group that on 1 February 2006 they had published their revised guidance and submitted it to the Treasury for formal approval.
- 1.a.2 HMT reminded the group that before Treasury Ministers could approve the guidance, MLAC had a role in scrutinizing it. Further to HMT's letter of 1 February to members of the plenary group and guidance working party, members were invited to raise any objections to the guidance being submitted to Ministers. None were raised.
- 1.a.3 The FSA asked that the group note the huge amount of effort the JMLSG went to in ensuring that the views and comments of others were incorporated in the guidance. He said that the new product would be a point of reference globally.
- 1.a.4 HMT clarified the roles of the plenary group and guidance working party in the approval process, explaining that members of the working party undertook the bulk of the consultative work, whereas the plenary group endorsed the final product.

b) Update from the Reporting and Feedback Working Party

- 1.b.1 HO presented a paper outlining recent developments in this area. The main points were:
 - A meeting of the working party had been held on 15 December 2005, which was attended by HO Minister Paul Goggins.
 - A HO circular on the sensitivity and confidentiality of SARs had been issued.
 - The meeting also had seen some progress made on work towards a prescribed form for reporting under the 2002 Proceeds of Crime Act. The Home Office was looking to Sir Stephen Lander's review of SARs to make further progress.
 - Overall, the meeting reflected the better relationship between the public and private sectors that had characterised recent years.

c) Update from the ID Working Party

- 1.c.1 The FSA informed MLAC that representatives of a number of industry sectors had attended meetings to discuss issues related to identity on 22 November 2005 and 20 February 2006. The meeting had established that there was an appetite to work together on defusing ID issues outside of the financial sector. The next stage was to consult with law enforcement to see how to take the issues forward.
- 1.c.2 Members agreed with the FSA that now there was a consensus on these issues, the pace of progress could quicken.

2. AML/CTF strategy

- 2.1 HMT explained that, on 27 October 2005, public sector partners had met to discuss updating the government's AML strategy of October 2004.
- 2.2 Some slides showing the outcome of this meeting had been distributed to members in advance. The Treasury was of the view that it would be useful for MLAC to meet separately to discuss the strategy, and how the objectives could be delivered. The outcomes of this would inform the drafting of a new strategy document planned for the spring.
- 2.3 MLAC endorsed the vision as set out in the slides. The consensus was that the publication of a new document might usefully take place later in the year after the spring. In discussion, the following points were made:

- The strategy would be most useful if it were able to draw in forthcoming work such as the Prime Ministers' Delivery Unit report on asset recovery, HMRC's tax and crime strategy and Sir Stephen Lander's review of the use of Suspicious Activity Reports (SARs). It might be worth delaying a new document until these workstreams had been finalised.
 - However, leaving it too late would mean that the production and delivery of the new strategy would become entangled with UK's mutual evaluation by the Financial Action Task Force.
 - There was much change ahead in the immediate term, with implementation of the third directive, establishment of SOCA and implementation by industry of the new JMLSG guidance notes. The timing of the production of a new strategy should take into account the resource strain on industry.
 - A high-level document would be welcome.
- 2.4 HMT said that an MLAC event to discuss the strategy would be useful sooner rather than later.
Action: Some potential dates were to be circulated with the meeting minutes.

3. Tax Credit Fraud

- 3.1 HMRC described the recent attacks on the tax credit systems, which had been facilitated through identity fraud. They made the following points:
- In response HMRC had closed the e-portal by which the much of the abuse had occurred.
 - The most common MO was the assumption of the identity of a newly self-employed person, who was disabled and with an income under £10,000.
 - Multiple accounts were opened under numerous identities, thus circumventing the risk rule which identifies multiple payments into a single bank account.
 - The identities in question appear to have been stolen through breaches in employer's payroll systems.
- 3.2 In discussion, the following points were made:
- It was important that information on how the payroll breaches occurred was shared with other employers to prevent it happening again.
 - Those who were victims to the fraud would need help in cleaning their credit histories.
 - It was important that all concerned have an accurate understanding of how the fraud happened.
 - These cases were examples of how fraud and money laundering prevention could be intertwined. It was understood that some of the banks concerned had made SARs before the fraud was discovered.
 - There were potentially important ramifications for industry if it was no longer the case that payments from government could be regarded as low-risk.
 - It was concerning to industry that organized crime was becoming involved in such frauds. However the government was to be applauded for its foresight in creating SOCA to deal with the threat of organized crime.

4. Intelligence

- 4.1 NCIS talked the group through the SARs statistics for 2005. Main points were:
- The year saw a slowing down of the rate of increase that has been seen over recent years.
 - However, NCIS does not feel that the numbers were reaching a natural plateau, as the ELMER database showed that over the years SARs had been received from only 12,000 institutions.
 - NCIS was undertaking some work to data-cleanse the figures, as currently they showed 7,000 reports from an unspecified group 'other'.
- 4.2 In discussion the following points were made:

- Consent SARs were causing lawyers considerable difficulty in their business operations.
- Whilst the figures should be published soon and available to industry, it was sensible to wait until the data had been cleansed and so was more meaningful.
- There remained a lot of progress to be made in obtaining good quality management data for the regime.
- The submission of paper SARs was still causing problem for NCIS, as it was harder to process them efficiently. Even SARs that are emailed in Word form are more helpful to NCIS than receipt of paper SARs.

5. International issues

- 5.1 HMT presented a paper which updated the group on international issues.
- 5.2 The FCO explained their approach to tackling international money laundering and terrorist finance. This is:
- To engage politically abroad;
 - To support the work of home departments and agencies; and
 - To provide technical assistance and help with capacity building overseas.
- Examples of this type of activity were listed in the paper.

6. Communications

- 6.1 HMT said that the MLAC communications delivery group had met for the first time on 7 February 2006. Terms of reference had been circulated to plenary group members. The authorities had developed communications messages with five aims:
- That the audience appreciates the purpose of AML/CTF measures and their wider benefits in reducing harm to the UK.
 - That the audience appreciates that money laundering is not victimless
 - That specific business sectors are aware of threats from and vulnerabilities to money laundering and terrorist finance
 - That the audience supports the partnership between regulated sectors, law enforcement and government
 - That the audience appreciates why there are ID requirements and that these are worthwhile.
- 6.2 The group was currently considering options for the delivery of these messages. It was important that the communications strategy fitted in with the wider AML/CTF strategy and vice-versa.

7. Better regulation agenda

- 7.1 HMT set out the context of the government's better regulation agenda and the current work that PWC is undertaking on measuring administrative burdens. He explained that the PWC work did not aim to cover the full range of regulatory burdens, but rather sought to provide indicative evidence of the administrative burden of regulations across the economy.

8. Organisational changes

- 8.1 SOCA, Gambling Commission and HMRC explained to the group recent changes in their organisations.

9. Any other business