

MONEY LAUNDERING ADVISORY COMMITTEE

PLENARY GROUP

Meeting on 7 June 2006

Home Office

Present

Home Office (HO) – Secretariat
Serious Organised Crime Agency (SOCA)
Metropolitan Police (MPS)
Consultative Committee of Accountancy Bodies (CCAB)
BCL Burton Copeland (representing the Law Society)
Joint Money Laundering Steering Group (JMLSG)
Serious Organised Crime Agency (SOCA)
Foreign & Commonwealth Office (FCO)
Association of Chief Police Officers (ACPO)
HM Treasury (HMT)
Royal Institute of Chartered Surveyors (RICS)
Arbuthnot
National Association of Estate Agents (NAEA)
Financial Services Authority (FSA)
HM Revenue & Customs (HMRC)
City of London Police (CoL)

HO opened the meeting and welcomed new members to their first MLAC meeting.

- 1 Minutes from last meeting (February 2006)
 - 1.1 The minutes were agreed. The one action point was for a Strategy Day meeting to be held and this was achieved on 4 May – see item 3 below.
- 2 **Reports from working parties**
 - 2.1 ***Update on guidance***
 - 2.1.1 The Committee noted a Treasury paper which provided updates on JMLSG, Credit Unions, Auditors, Notaries and Casinos.

- 2.1.2 JMLSG were discussing a process by which their guidance could be updated and suggested that minor updates to the guidance be issued on a quarterly basis. For significant changes MLAC approval would be required. Further discussions with the Treasury would follow.
- 2.1.3 JMLSG informed the group that draft guidance for Credit Unions, produced by the Association of British Credit Unions (ABCUL) had been published for consultation on the JMLSG website. The deadline for comments was 12 July. Following this, MLAC and Treasury approval would be sought.
- 2.1.4 In the subsequent discussion, the question of whether the guidance was applicable in Northern Ireland arose. HMT advised that in Northern Ireland Credit Unions were subject to a different regulatory regime, but suggested that the ABCUL guidance might still be useful.

2.2 Update from the Reporting and Feedback Working Party

- 2.2.1 HO presented a paper outlining recent developments in this area. The main points were:
- an order had been made amending the Proceeds of Crime Act 2002 (POCA) which allowed accountants and similar professionals to make use of a defence previously limited to lawyers;
 - a separate order set out a new defence in cases where funds had been generated from an act lawful overseas but unlawful in the UK – this was a complex area of law and the British Banking Association (BBA) had been in correspondence with HO with a view to a meeting to discuss the issues. HO would be replying shortly; [note: HO met with BBA representatives on 17 August to discuss the application of the order]
 - publication of the Africa All Party Parliamentary Group on Corruption in Africa report – HO were working with SOCA, in particular with regard to Politically Exposed Persons (PEPs);
 - POCA issues: consent, prescribed form and the cash seizure threshold – HO was working with SOCA on the first two; it is proposed that the cash seizure threshold is lowered from £5,000 to £1,000;
 - HO also working with SOCA on taking forward the recommendations in the Lander Review of the Suspicious Activity Report (SAR) regime. One aspect is the proposal for SOCA to take over the Reporting & Feedback Working Party.
- 2.2.2 In a discussion on the cash seizure threshold, HO explained that it was planned to reduce the current threshold of £5k to £1k which could be achieved by an order amending POCA. Law enforcement had evidence that criminals were operating with smaller amounts of cash on them and so it was very much an operational issue to ensure that powers were kept in line with developments in criminal methods. There was no requirement to seize cash in these amounts – the new measure was simply an extension of the existing power. [Note: The Proceeds of Crime Act 2002 (Recovery of Cash in Summary proceedings: Minimum Amount) Order 2006 – SI 1699/2006 – took effect on 31 July 2006.]

- 2.2.3 In response to a point concerning the lack of consultation outside of law enforcement agencies (LEAs) and government on the cash seizure powers, HO explained that there was an Appointed Person – independent of government – who published an annual report on the use of search powers under the cash seizure provisions of POCA. The 2005-06 report was laid before Parliament on 14 June, and has been published on HO's Crime Reduction website.
- 2.2.4 SOCA explained that they planned to establish an Oversight Committee and a High Level Vetted (HLV) Group reporting to it, which would replace the Reporting & Feedback WP, comprising regulated sector and government members. It was not SOCA's intention to continue with the National Criminal Intelligence Service-style intelligence reports but instead to share more detailed and higher quality intelligence within the HLV Group.
- 2.2.5 SOCA's approach, which followed on from the Lander Review, was welcomed.
- 2.2.6 JMLSG asked how the different needs of the various stakeholders would be met and what interaction there would be between the regulated sectors and government. SOCA explained that the HLV Group would provide a central core and that satellite groups would be set up depending on needs and aims, etc. The HLV Group would continue to report to MLAC.

Action: MLAC approved the setting up of the SOCA group to supersede the R&F WP

2.3 Update from the Communications Delivery Working Party

- 2.3.1 HMT presented a paper setting out a number of activities and planned work. The WP had recommended that the main focus should be on areas of business relatively new to the regulated sector. A request was made for regulated sector members to suggest possible names for senior level meetings with Government to raise awareness.

Action: Suggestions to be sent to Lucy French

- 2.3.2 HMT said that a documentary film on money laundering by the FCO, for use in training and raising awareness, was shortly to be released. Members would be provided with further detail on this at a later date.
- 2.3.3 JMLSG felt that there was an absence of senior managers at conferences and that relevant messages were not getting through to the public.

2.4 Update from the ID Working Party

- 2.4.1 The FSA presented a paper. It was noted that the legal and estate agency sectors had agreed to use JMLSG standards on ID. Felicity Banks noted that accountants found the JMLSG guidance helpful in a risk-related context, although their approach already permitted a risk-related approach, in accordance with the proper application of professional judgement.

2.4.2 The discussion at meetings of the working party has focused in part on whether there was scope for rationalising the ID checks made by both solicitors/conveyancers and estate agents in respect to house purchases. The following discussion touched on these issues and those of money laundering and property more widely. Subject to the issue of ID during house purchase, The FSA asked for views on whether the IDWP had fulfilled its remit and could now be wound down.

Action: Views of members sought on whether the IDWP could be wound down

3 AML/CTF strategy

3.1 HMT had previously circulated a draft paper summarising the output of the Strategy meeting on 4 May. Comments were invited by 21 June.

3.2 HMT explained that they were planning to produce an anti-money laundering/counter-terrorism financing (AML/CTF) Strategy Document around late autumn. The document would cover both the domestic framework and international issues, pulling together recent developments such as the Lander Review, the third EU Money Laundering Directive and the revised JMLSG guidance. It would update the AML strategy of October 2004, bringing CTF issues into it, and set out how the government will continue to address the threat of money laundering and terrorist finance.

3.3 More detailed proposals would be brought to the next meeting, where it would be useful to ascertain the views of members.

3.4 HO summarised a related major piece of work they were engaged in: developing a 5-10 year vision, that involved scoping the criminal economy and reviewing the asset recovery strategy, which would dovetail neatly with the AML Strategy. HO were looking to publish its findings around the end of the year. MLAC would be consulted.

Action: MLAC Members to provide feedback to HM Treasury by 21 June on the draft output of the strategy session.

4 SOCA Update

4.1 SOCA referred to the Lander Review's 24 recommendations to be delivered by October 2007. SOCA have held meetings with focus groups – the main outputs were:

- new IT business case developed;
- SOCA Board agreement to significant in-house changes;
- very different 'front end' and a better system;
- contracting out – currently out to tender – large-scale developments to Elmer database, eg smarter networking;

- all the above to be delivered in 18 months.
- 4.2 The total number of SAR records is now more than 725,000 with over 200,000 being received per annum. 100,000 records have been cleansed – SOCA ran various cross-checks on these and found a number of interesting data sets. A small pilot linked with the Association of British Insurers' (ABI) Polaris, DWP, Office of National Statistics' Elvis and HMRC databases had been undertaken. A report on this will be put before MISC 31.
- 4.3 Work is in hand to agree composition of the various working groups which SOCA will chair. The Regime Committee met in late June and the High Level Vetted Group are to meet in September.
- 4.4 SOCA have looked at the US Departments of Justice and Treasury Special Operations Division (SOD) database which provides money laundering and asset recovery intelligence for investigating agencies. This system contains a 'deconflicting centre' which enables, for example, LEAs in New York to check records held in Florida. There is no equivalent in the UK. Ongoing discussions are being held with ACPO on how to give Elmer similar functionality. SOCA is also looking to make the FIU more comprehensive and more functional than before.
- 4.5 Consent issues were actively being considered and SOCA would be consulting with stakeholders on the best way forward.
- 4.6 FSA suggested that an example of a network grid developed from financial investigations and SARs could usefully demonstrate to the Committee the complex nature of SARs usage.

Action: SOCA to provide an example of an i2 software chart (network grid) for the next meeting

- 4.7 JMLSG said that people in large institutions are looking at typologies. SOCA said that they were aware that there was some very sophisticated work on typologies being done within the regulated sector and that it would be extremely useful for all parties to link up.

5 International issues

- 5.1 HMT presented a paper and said that the next Financial Action Taskforce (FATF) meeting was taking place 19-23 June in Paris.
- 5.2 He explained that work on preparing for the FATF evaluation of the UK was beginning. By 27 September, the UK should have completed its self-assessment and the on-site visit is to take place in December. Areas that were likely to be focused on were possible gaps in the framework, implications of the third EU Money Laundering Directive, how the risk-based approach is applied and the role of guidance.

- 5.3 The assessment would involve most members of MLAC at some point over the next year or so, both in contributing to the Mutual Evaluation Questionnaire which the UK had to complete and, following this, meeting with the evaluators during the on-site visit. HMT would be explaining the process to key stakeholders, as it was important that all parties showed the UK in as accurate a light as possible.
- 5.4 FSA said that it was important that the private sector did not see the evaluation as an opportunity to lobby for change, as such lobbying would most usefully be directed to domestic policy-makers. FATF would require action to be taken to remedy significant weaknesses and it was essential that changes were made only where really needed. Inaccurate representation of the regime might have an adverse effect, as heavier regulation might result from poor ratings.
- 5.5 JMLSG said that the timing of the visit, being relatively soon after publication of the new JMLSG guidance, was such that it would not be possible to say how the risk-based assessment was bedding down.
- 5.6 The Law Society queried the extent to which the regulated sector would be involved in the self-assessment stage. HMT replied that this was still being considered by government. FSA considered that it would be a key strength to involve the private sector.

6 Any other business

HO Green Paper

- 6.1 HO advised the group that:
- a green paper 'New Powers Against Organised And Financial Crime' was soon to be published (publication date: 17 July);
 - data sharing is a key issue, including departmental 'vires', and between public and private sectors.

Third Money Laundering Directive

- 6.3 RICS asked about the impact of MLD3 on estate agents as RICS. HMT said that a consultation document on implementing the directive was to be published in due course [document published on 31 July].

Next Meetings

- 6.4 The dates of the next meetings have been set for 17 October and 14 February 2007.