

# Economic Crime Manifesto

## Introduction

Since the publication of the previous CCAB Economic Crime Manifesto we have worked closely with government to address the areas of concern. Progress has been promising with proposed reforms to Companies House to introduce identity verification for company directors, and a raft of initiatives from the UK's Economic Crime Plan including developing strong public-private and private-private partnerships, SARs (Suspicious Activity Reporting) IT transformation and reform and expanding public-private information sharing.

We are pleased to see what has been achieved in the economic crime arena, but more must be done to build and maintain the UK's resilience to this damaging and widespread crime.

## Areas for change

### SARs Reform and Intelligence sharing

Changes to the systems and laws surrounding Suspicious Activity Reporting are already underway within government, but for this to achieve its aims of increased reporting of valuable SARs intelligence some key issues need to be addressed:

- There is a need for clear feedback to reporters on the action that is taken by law enforcement in response to SARs submitted. Where no direct action is taken on intelligence provided, some form of dialogue would still be valuable, to encourage reporters of the value of their efforts. Increased functionality within the SARs IT system may allow for individual feedback though if this level of feedback is not feasible then general sector feedback would still be worthwhile.
- The leaked FinCEN papers added to the public perception that making a SAR gives firms protection to continue acting for a client despite having suspicions of money laundering activity. This misconception needs to be rebutted to increase confidence in the SARs regime.

- To address the bigger picture of SARs reform, the reporting of SARs could be made part of a more proactive system of intelligence sharing where there is greater collaboration between law enforcement and the accountancy profession. This could include:
  - Two-way mechanisms for law enforcement and the profession to pass on new and emerging intelligence/information to each other on a more timely basis, including sharing of relevant resources.
  - A further increased role of accountancy professional bodies in disseminating typologies and other AML resources to their member firms.
- The legal barriers to pre-suspicion intelligence sharing need to be removed so that there can be a practical way for firms to share concerns about rejected potential clients with other firms. This would prevent potential bad actors shopping around the accountancy market until they find a firm who is willing to act for them, and the use of appropriate safeguards can prevent clients being unduly blacklisted.

### **Ongoing funding of the Economic Crime Plan actions**

We support the comprehensive suite of actions within the UK's Economic Crime Plan and the accountancy profession recognises its role in collaborating with the public sector to deliver those actions that are within our remit. We recognise too that as an AML regulated sector, we have a part to play, and our member firms will be making a sizeable financial contribution through the Economic Crime Levy.

However, in recognition of the wider societal impact of economic crime, there is a need for a much wider funding model to include large business outside of the regulated sector. This is especially true for any initiatives to address fraud, which affects all consumers and business sectors, not just those who are clients of the accountancy profession.

### **Modern Slavery**

Modern Slavery is an under-reported and under-recognised crime that does untold damage to the lives of its victims. It is estimated that there could be more than 100,000 victims of modern slavery in the UK despite the perception that this crime is a problem of far away countries.

While we support the efforts made to date on modern slavery reporting for businesses, having an annual statement setting out the actions taken to prevent modern slavery within a business and its supply chain is not enough. We acknowledge the value of the Home Office guidance on steps businesses should take to identify and root out modern slavery within their supply chains and support the latest government plans to strengthen the s54 reporting requirements, but there also needs to be a legal obligation on businesses to implement those steps, and ensure that robust action is being taken. There needs to be culpability when companies fail to preserve adequate procedures to prevent modern slavery within their supply chains. We, therefore, would support stronger provisions akin to the Bribery Act, which includes a corporate offence for failing to prevent bribery and provides for the prosecution of any director, manager, secretary or similar officer of the entity if the offence was committed with the person's consent or connivance.

Furthermore, given that s54 legislation currently only applies to larger organisations that often do not identify cases involving small scale operators within their supply chains, we would like to see s54 extended to cover all organisations on a proportionate basis to at least require them to undertake a risk assessment if not the full s54 statement. This should reduce the prevalence of modern slavery in the supply chains of UK businesses without increasing the burden for smaller businesses unduly.

### **Public Education on fraud risk and personal finance**

Fraud is a growing threat for all of society, and the sophistication and adaptability of the fraudsters means that many more people are falling victim to this crime. In our view, there is a lack of understanding among the general public about how they could become a victim, and the clever ways that fraudsters may target them. The risk is greatest for those who have a poor grasp of personal finance and for example, how HMRC operates.

Comprehensive action is needed to address financial illiteracy within society. This could start with education in schools to cover basic understanding of personal finance covering savings accounts, loans, the tax system etc.

HMRC also have a role to play in providing clear information on how the tax system operates and the approach HMRC takes in respect of collecting taxes. This would help prevent people being scammed by fraudsters impersonating the tax authorities and scaring taxpayers into making large cash payments.

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