

UK Government Gets Tough on Sanctions Evasion, Fraud and Money Laundering in Newly Published Economic Crime Plan

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On 30 March 2023, HM Treasury and the Home Office published the [Economic Crime Plan 2](#) for 2023 to 2026. The three-year plan builds on the first Economic Crime Plan published in 2019 and commits the UK government to:

- Combatting kleptocracy and driving down sanctions evasion.
- Cutting fraud.
- Reducing money laundering and recovering more criminal assets.

To address these commitments, the plan includes several ambitious reforms, mainly focused on heightened criminal enforcement. We have summarised the key takeaways below

Sanctions evasion

The plan acknowledges the importance of sanctions in encouraging Russia to cease its activities in Ukraine – and, more generally, to combat state threats, terrorism, cyberattacks and other issues. As such, the plan evinces the UK government's will to make sanctions enforcement a priority for the coming years. The plan outlines specific actions to combat sanctions evasion and high-end money laundering linked to kleptocracy:

- **Improve design, implementation and enforcement of financial sanctions.**
 - The plan aims to improve engagement and information-sharing of suspected cases of sanctions violations between supervisory bodies such as the Financial Conduct Authority (FCA), professional body supervisors and the Office of Financial Sanctions Implementation (OFSI).
 - The government also will enhance OFSI's methods of engagement with the public, the private sector and supervisory bodies. OFSI is further tasked with reviewing and expanding its enforcement guidance, licencing framework and future legislative needs.
 - The plan aims to improve cooperation and collaboration with the US, European Union and other jurisdictions to share information on how the implementation and enforcement of sanctions can be improved.
 - The government commits to delivering a published assessment of sectoral threats and identifying vulnerabilities relating to financial sanctions.
- **Strengthen the operational and international response to kleptocracy.**
 - ['Kleptocracy'](#) is a term used to describe a society or system under which high-level political power is abused by a network of ruling elites to steal their country's resources and public funds for their own private gain. The plan seeks to expand the capacity of the existing Combatting Kleptocracy Cell (CKC) to target corrupt elites and kleptocrats. The CKC, established in February 2022, is a unit within the National Crime Agency (NCA) that investigates criminal sanctions evasion and high-end money laundering.

- The plan also aims to strengthen international cooperation to tackle 'enablers' of kleptocracy by working in partnership with agencies around the world to target specific individuals and assets.

Fraud

The plan notes that fraud accounted for an estimated 41% of all crime experienced by adults in England and Wales in the year ending September 2022. It, therefore, underlines the importance of tackling fraud and points to the forthcoming Fraud Strategy. Specifically, the government aims to:

- **Modernise the response and reduce the impact of fraud against the public sector.**
 - The plan highlights the new Public Sector Fraud Authority (PSFA) launched in August 2022. It tasks the PSFA with ensuring that ministerial departments and public bodies understand and take action on fraud against the public sector.
 - The plan also launches a new Counter Fraud Profession under which the PSFA will develop standards, deliver technical updates, training and apprenticeships, and continuously assess members.
 - The PSFA also will work with partners internationally to share and develop leading practices, standards and guidance in combatting fraud against the public sector.
- **Implement wider economic crime reforms and infrastructure that will have an impact on tackling fraud.** The plan notes that the actions set out in its other sections will support the government's wider efforts to tackle fraud. For example, the Economic Crime and Corporate Transparency Bill was introduced last year as part of the government's overarching strategy to combat economic crime and encourage corporate transparency. There is a significant proposal within the draft legislation that, if adopted, would introduce a new offence of 'failure to prevent fraud'. The aim is 'to hold organisations to account if they profit from fraud committed by their employees'. For a deeper dive into this potentially game-changing proposal, see our overview and commentary, [Failing to Prepare is Preparing to Fail](#).

Money laundering

The plan sets out several targets for the UK government to achieve a reduction in money laundering:

- **Limit the abuse of corporate structures.** Under the Economic Crime and Corporate Transparency Bill, Companies House will be empowered to verify the identities of those behind new and existing companies and use enhanced intelligence capabilities to check information that has been filed.
- **Combat criminal abuse of crypto-assets.** The plan sets out targets to increase law enforcement capacity to pursue and prosecute the abuse of crypto-assets. A key initiative includes establishment of a multiagency Crypto Cell.
- **Improve intelligence, feedback and analysis through Suspicious Activity Reports (SARs) Reform Programme.** A suspicious activity report is a disclosure made by a regulated person to the NCA about known or suspected money laundering or terrorist financing. The SARs Reform Programme aims to address variations in reporting and under-reporting, increase the use of SARs by law enforcement, modernise the technology used for SARs reporting and analysis, and increase the capacity of the UK Financial Intelligence Unit.
- **Recover more criminal assets.** The plan aims to build on the 61% increase in asset recoveries from last year, which was achieved because of the Asset Recovery Action Plan. It establishes a new Anti-Money Laundering and Asset Recovery (AMAR) Programme to build capacity across the system to increase intelligence, enhance investigative capability and deliver improved technology.

Conclusion

The plan sets out an ambitious package of goals – and methods to achieve them – in the fight against economic crime. Building

on the use of public-private partnerships that were particularly pivotal to progress in the first Economic Crime Plan (2019 – 2022), the plan focusses directly on impact and outcomes of measures. It marks a significant shift in bringing sanctions enforcement into the mainstream of economic crime enforcement, while also evidencing the heightened risks resulting from the wider geopolitical environment and evolving national security threats.

Businesses should look to strengthen their due diligence and anti-money laundering processes to deal with sanctions and money laundering risks – and to avoid the risk of enforcement action. If ‘failure to prevent fraud’ is introduced, which appears likely, we envisage a further step change in the UK’s compliance landscape. Businesses also should consider setting up or strengthening systems of information-gathering and retention regarding economic crime to comply with new information-sharing initiatives.

If you would like further information or advice on how the plan may impact your business, please contact the authors below.

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