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Baroness Bennett of Manor Castle  
House of Lords  
London  
SW1A 0PW

10 March 2021

Dear Natalie,

At the Grand Committee debate on the Financial Services Bill on 3 March, I made a commitment to write in response to a question you raised about whether the Government planned to act on the recommendations of the recent Organisation for Economic Co-operation and Development (OECD) report 'Ending the Shell Game'.

The OECD report seeks to provide a better understanding of the problem posed by professional enablers and recommends a number of actions that all governments can take to address the issues caused by these individuals, including calling for the establishment of a national strategy to tackle those who actively participate in tax and other financial crimes. The Government has already ensured that many of the report's recommendations are already in place in the UK. Indeed, a number of the report's case studies relate to initiatives taken forward within the UK, or are international initiatives which the UK participates in.

The UK has in place a comprehensive anti-money laundering regime which seeks to identify, regulate and supervise those firms and professionals whose services are most at risk of being abused by criminals. *The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017* place stringent requirements on those organisations within scope, seeking to ensure that they have in place systems and controls to identify, assess, manage and mitigate the risk of money laundering and terrorist financing. The scope of the regulations is not limited to financial institutions and covers professionals such as lawyers, accountants, and Trust and Company Service Providers.

Those in scope of the Regulations are subject to supervision and if found to be non-compliant with the Regulations, may be subject to enforcement action and sanctions. For example, in January this year HMRC imposed a record £23.8m fine on a Money Service Business for breaching the Money Laundering Regulations. They are also required by law to submit reports of suspicious activity, such as suspected instances of money laundering,

to law enforcement and risk committing a criminal offence if they fail to do so.

The Government also remains committed to tackling tax avoidance, evasion and other forms of non-compliance. Between 2010 and 2020, the Government has introduced over 100 new measures and invested over £2 billion extra in HMRC to tackle tax avoidance and evasion. There is also legislation in place, cited in the OECD Report, which seeks to penalise those found to be professional enablers of a tax crime and a failure to prevent the facilitation of UK and foreign tax evasion offence was introduced as part of the Criminal Finances Act 2017. Regarding a similar offence for economic crime, the Government has tasked the Law Commission with conducting an expert review on this issue that will ensure a more comprehensive understanding of the current legislative landscape and identify the most appropriate way forward if an offence is considered necessary.

The methods of economic criminals are constantly changing, and the Government recognises that there is more to do to continue to improve our response to economic crime. In 2019, the Government and the private sector jointly published the landmark Economic Crime Plan. The Plan details the UK's strategy for combatting economic crime and sets out 52 actions being taken forward by Government, law enforcement, regulators and industry over the next three years – including detection and disruption measures – that will collectively ensure the UK cannot be abused for economic crime by criminals and their facilitators.

A key focus of the plan is improving the supervision of professional firms' compliance with anti-money laundering requirements to further prevent economic crime. Several actions are being taken by the FCA, HMRC and the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) to enhance their approach to supervision. The FCA have developed a new data-led supervision model to test the effectiveness of firms' systems and controls, providing a more bespoke and targeted approach to supervision. HMRC is in the process of enhancing their approach to supervision through a greater use of educational material to increase compliance as well as an increase in interventions across their supervised population.

OPBAS has worked with professional body supervisors (PBSs) to improve the effectiveness and consistency of AML supervision, and its second annual report identified significant improvements in the risk-based approach taken across both legal and accountancy sectors.

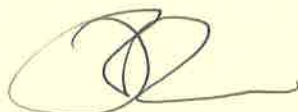
Furthermore, there is wider work ongoing to develop a mutual understanding of threat through the sharing of knowledge and expertise between the public and private sector. OPBAS, in conjunction with the National Economic Crime Centre (NECC), has developed sectoral intelligence sharing expert working groups. These bring together the PBSs, the FCA, HMRC and law enforcement agencies to discuss and share strategic and tactical intelligence relating to the accountancy and legal sectors.

These working groups made significant progress during 2019/20, with evidence of relevant information and intelligence flowing between members which has supported investigations by law enforcement. The NECC, which coordinates the law enforcement response to economic crime, and was cited as an example of best practice in the OECD report, has also released three public private threat assessments. This work is informing the risk decisions and furthering the understanding of private sector organisations and has helped law enforcement to bear down on the criminals who use these businesses to facilitate economic crime.

I would like to thank you again for your engagement during the debate, and I can assure you that the Treasury will continue to work closely with others across Government to tackle this important issue.

I am copying this letter to all those who spoke in the Committee debate on Wednesday 3 March, and I am placing a copy in the Library.

*Best wishes,*

A handwritten signature in black ink, consisting of a large, stylized capital 'P' followed by a horizontal line that ends in a small flourish.

**BARONESS PENN**