

Don't Get Mad. Don't be in Denial. Do Better, Much Better

**The UK's Reputation for Fighting Financial Crime and
Your Role as a Financial Crime Prevention Professional**

**Samantha J Sheen
Ex Ante Advisory Limited**

Perceptions – UK & Financial Crime



THE TROIKA LAUNDROMAT

Prince and a Prince – where did the Troika Laundromat money go?

TROIKA LAUNDROMAT HIGHLIGHTS UK ROLE IN THE GLOBAL MOVEMENT OF BILLIONS OF POUNDS IN SUSPICIOUS FUNDS

LACK OF INDIVIDUAL PROSECUTIONS IN ROLLS ROYCE BRIBERY CASE – JUSTICE NOT SERVED

Perceptions – UK & Financial Crime

RISE IN NUMBER OF SUSPICIOUS ACTIVITY REPORTS SHOULD NOT MASK FAILING SYSTEM

Government pulls Financial Services Bill over fears it faced defeat on amendment to increase transparency in UK tax havens

'The government have taken the outrageous step to pull the Bill from today's business,' says Labour MP. 'They knew we commanded a majority'

NGOs say governments have excessive sway over dirty-money reports

Three groups say Financial Action Task Force allowed criticism of UK to be deleted

Canadian Wildlife – A Cautionary Tale



PUBLIC HEARING

COMMITTEE OF INQUIRY ON MONEY
LAUNDERING, TAX AVOIDANCE AND TAX EVASION



Tuesday 27.09.2016 – 09.00 - 11.30
PAUL-HENRI SPAAK BUILDING (BRUSSELS) – ROOM 1A002

THE PANAMA PAPERS

Discussion with the Investigative
Journalists behind the Revelations

TAX NONCOMPLIANCE OFFSHORE WORLD SCANDAL OFFSHORE WORLD OFFSHORE ENTITIES
INTERNATIONAL SCANDAL TAX NONCOMPLIANCE OFFSHORE WORLD
PANAMA PAPERS LEAK PANAMA PAPERS LEAK OFFSHORE ENTITIES
PANAMA PAPERS LEAK OFFSHORE ENTITIES TAX HAVENS
LEAK TAX HAVENS CORRUPTION OFFSHORE ENTITIES TAX NONCOMPLIANCE
OFFSHORE WORLD FRAUD OFFSHORE WORLD FRAUD FRAUD
OFFSHORE ENTITIES FRAUD CORRUPTION FRAUD
OFFSHORE WORLD FRAUD CORRUPTION PERSONALITIES
CORRUPTION OFFSHORE ENTITIES DOCUMENTS TAX HAVENS
INTERNATIONAL OFFSHORE ENTITIES DOCUMENTS TAX HAVENS

Chairperson: **Dr. Werner LANGEN**

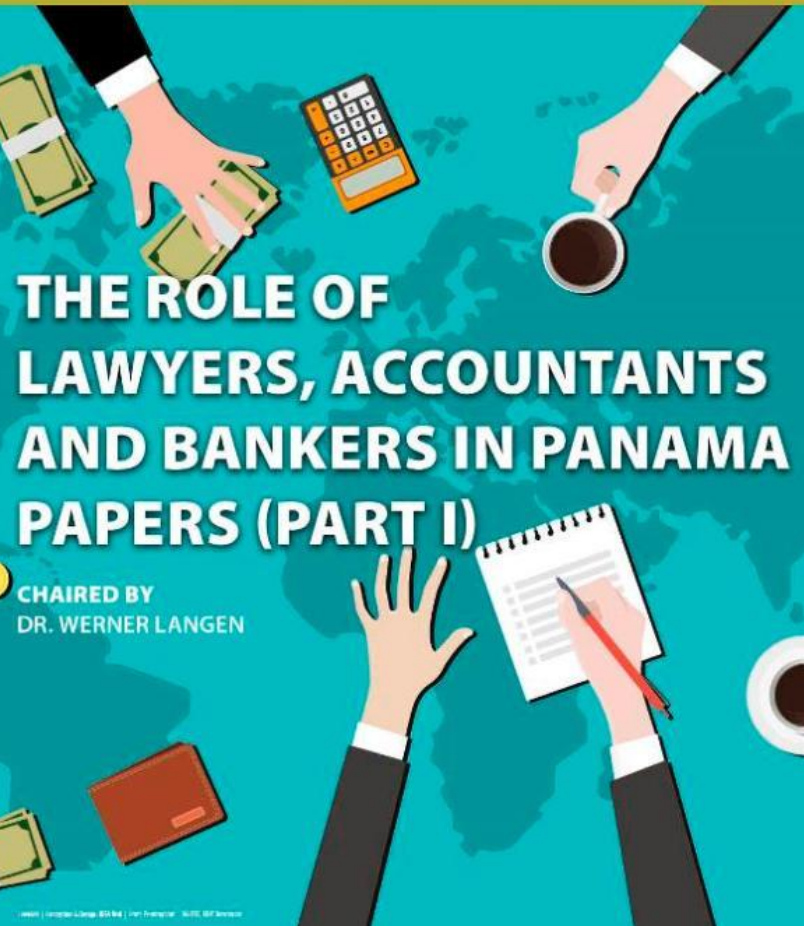
The hearing will be webstreamed on:
<http://europartv.europa.eu>

PUBLIC HEARING

COMMITTEE OF INQUIRY INTO
MONEY LAUNDERING, TAX AVOIDANCE
AND TAX EVASION (PANA)



Tuesday 24.01.2017 – 09:00-12:30
JÓZSEF ANTALL BUILDING – ROOM 6Q2



THE ROLE OF LAWYERS, ACCOUNTANTS AND BANKERS IN PANAMA PAPERS (PART I)

CHAIR BY
DR. WERNER LANGEN

UK Mission Visit - 2017



Good News

- Over 1000 criminal off-shore cases, 120 persons under investigations, 22 criminal arrests to date
- PP led to a new public campaign for self-disclosure, new methods of working, better cooperation between agencies, and additional capacities / resources
- Anti-corruption summit last year with UK OSTs led to increased, better and earlier exchange of information (EOI) with OSTs
- OSTs commitment to create company beneficial owners registers (BORs)

UK Mission Visit - 2017



Key Findings

- Off-shore companies- legitimate vs. illegitimate reasons –
- (Lack of) adequate resources for regulators, supervisors and law enforcement
- (Lack of) definition of tax havens, need for EU black list
- (Need for) prohibitive sanctions for tax evasion and ML cases

Meeting with Academia and NGOs

- Tax havens are characterised by high secrecy/ low transparency, low taxes , and weak law enforcement-**hence UK should be considered a tax haven**
- **UK threat to become a tax haven post Brexit should be countered by EU determination to comply with EU standards, or to lose access to EU Single Market**

UK Mission Visit - 2017



- UK, taken together with its network of OSTs, can be considered **biggest tax haven in the world**
- UK was leader on transparency at global level in the past, **but no longer the case**
- 2.2 sq miles of London real estate owned by **anonymous shell companies**

KEY RECOMMENDATIONS:

- Need for a European FIU
- Principle of KYC: if you do not know your customer, you shouldn't do business



Luxembourg Mission - 2017



- There is a peak in the establishment of offshore companies from Luxembourg in 2009.
- Since 2009, when Luxembourg started to exchange tax information upon request, the **number of offshore structures has substantially decreased.**
- Members acknowledged that Luxembourg was **making steps in the right direction**, but were less impressed by the Luxembourgish efforts to increase transparency.
- After the PP, the CSSF sent the banks a **detailed questionnaire** concerning their compliance with AMLD provisions... to access compliance... Investigation is still under way and **needs more analysis and scrutiny.**

Luxembourg Mission - 2017



One Bank:

- Explained that they are very intrusive on source of wealth and source of funds of their clients, **having moved from 'no question asked' to 'let's ask questions'.** **If clients do not provide information, it will raise suspicions.**
- Expressed disappointment that Mr Carlos Zeyen, President of 15 offshore companies and vice-President of Eurojust, refused to meet with the PANA delegation
- Ministers pointed out that they **cannot force anyone to come, since Luxembourg is a free country.**

PANA Committee – Near Final Report

Paragraph 20

- UK has largest number of offshore entities in PP (17 973 entities)
- Luxembourg (10 877 entities)
- Cyprus (6 374 entities)
- Latvia, Ireland, Spain, Estonia and Malta

Paragraph 20

- Stresses - of 21 countries most used by Mossack Fonseca to set up shell companies or other complex structures, 12, in **addition to the UK itself**, are British Overseas Territories, British Crown Dependencies or members of the Commonwealth



PANA Committee – Near Final Report

Paragrah 52

- Illustration – How MF admitted not doing CDD on customers:

Email - 24 September 2010:

*'It would appear that Mossfon **UK** are not doing their due diligence thoroughly (or maybe none at all) and maybe from now on we ourselves will have to do the DD on all clients that Mossfon **UK** have with us, present and future!'*



PANA Committee – Near Final Report

Paragraph 99 - Intermediaries

- Majority of EU intermediaries based in **UK**, Luxembourg and Cyprus, which rank among the top ten countries with the most active intermediaries listed in the Panama Papers, as well... as in other countries... e.g. Liechtenstein; Switzerland)...



TAX3 Committee

- Continuation of PANA Committee
- Hearings, evidence-gathering of money laundering cases, including Laundromats
- Visits – USA, Latvia, Isle of Man, Estonia, Denmark
- Near final Report presented end of February 2019

TAX3 Committee – Near Final Report

Recommendations – UK and Brexit – Option 1

170a. Stresses that the withdrawal of the United Kingdom from the EU on 29 March 2019 will enable it to regain its tax sovereignty; hopes that this freedom will not encourage fiscal dumping, particularly in regard to corporate tax.



TAX3 Committee – Near Final Report

Recommendations – UK and Brexit – Option 1a

170 a. Notes that financial flows are mainly ending up in the United Kingdom and the United States; underlines... the importance of **close cooperation between the European Union and the United Kingdom** on combatting illicit financial flows from Russia and reducing cross-border barriers to sharing information, following the United Kingdom's withdrawal from the European Union.



TAX3 Committee – Near Final Report

Recommendations – UK and Brexit – Option 1b

170 a. Calls for the Union negotiators to **include the issues of, *inter alia*, financial crimes, tax evasion, tax avoidance, aggressive tax planning and corporate taxation rates** when negotiating the details of the future relationship between the EU and the United Kingdom.



TAX3 Committee – Near Final Report

Recommendations – UK and Brexit – Option 2

170 b. Notes with concerns the fact the **United Kingdom was ranked 2nd biggest conduit for tax havens after The Netherlands**, and ranked **23rd** on the **2018 Financial Secrecy Index**, accounting for 17% of the global market in offshore financial services; **deplores the fact the UK remains in the centre of a large network of British secrecy jurisdictions**, notably the Crown Dependencies Jersey, Guernsey and the Isle of Man and to Overseas Territories including tax havens such as Cayman Islands, British Virgin Islands or Bermuda; underlines that the Cayman Islands ranked on the 3rd place, Guernsey on the 10th place, British Virgin Islands on 16th and Jersey on 18th place of the respective index.



TAX3 Committee – Near Final Report

Recommendations – UK and Brexit – Option 3

170 c. Notes that 90 % of the biggest global companies have a presence in a UK tax haven; states that **the very light regulation in the past** in the area of tax and money laundering **encouraged criminal around the globe to use the UK and the City of London for their illegal activities**; underlined that according to the National Crime Agency **GBP90 billion – about 4% of UK's GDP – is laundered into the UK annually, large number coming from Russia.**



TAX3 Committee – Near Final Report

Recommendations – UK and Brexit – Option 4

170 e. Notes that Brexit will create a divergence of policies against financial crimes, tax evasion and tax avoidance between the EU and the United Kingdom, **which will constitute new economic, fiscal and security risks**; stresses the urgency to approve the necessary reforms in these areas and the need to **reassess the financial agreements with the UK that will become a third country vis-à-vis the EU in the event of Brexit, both regarding London as a global financial centre as well as its Overseas territories.**



Time to Change Our Tune....

- *It happened at one of our subsidiaries/branches*
- *We don't have that problem at our bank/insurer/investment company*
- *We've fully automated our key compliance systems ("famous last words")*
- *"silence"*
- *I did not work here when it happened*
- *It's a legacy issue*
- *We had the systems audited – if it went wrong, the large auditors are to blame*
- *We've hired solicitors to deal with it so I can't talk about it*



It's the same
old song....

Nordea – March 2019

“Things happened
that
shouldn’t have happened”

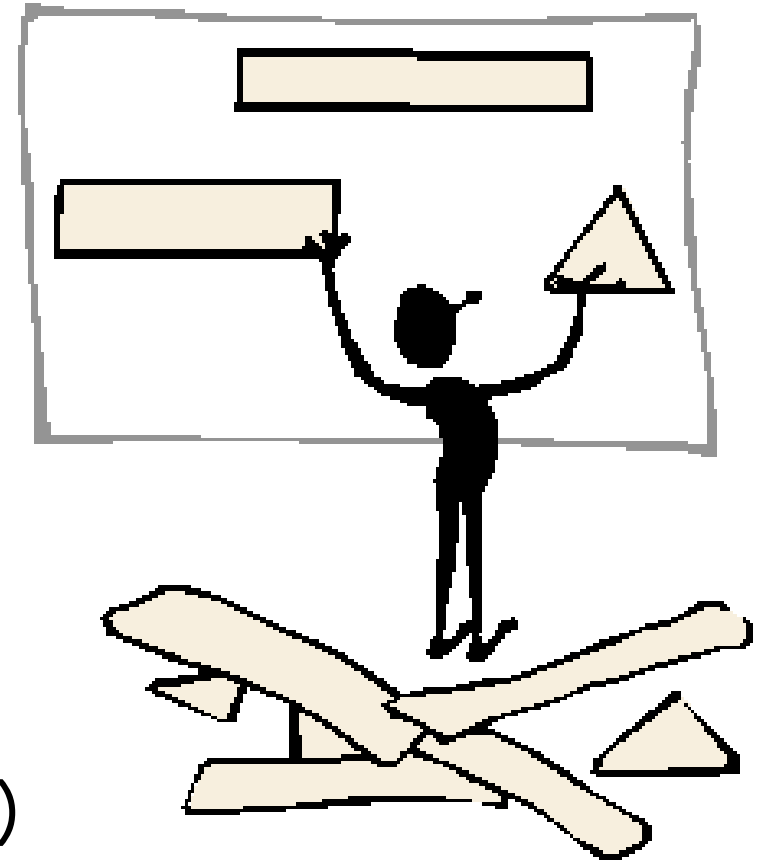
Nordea Chief Risk Officer Julie Galbo

<https://www.bloomberg.com/news/articles/2019-03-04/nordea-reportedly-handled-almost-800-million-in-dirty-funds> (accessed: 4 March 2019)

<https://www.bloomberg.com/news/articles/2018-10-19/nordea-says-would-be-surprised-if-laundering-allegations-swell> (accessed: 4 March 2019)

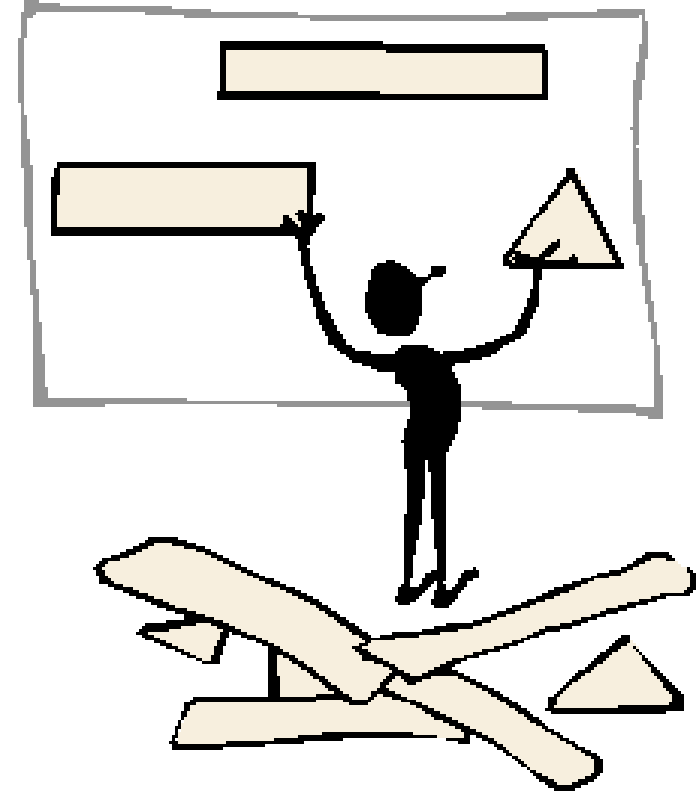
Share the Good News!

- Scottish LLPs
- Companies House Improvements
- Collaborative Enforcement News
- JMLIT / JMLSG/Techsprints
- Unexplained wealth orders
- Certifications/ qualifications of staff
- Our first sanctions penalty!
(From little acorns mighty oaks grow...)



Make a Meaningful Contribution

- Signalling
- Language of accountability
- Killing critics with positivity
- Brexit - change the dialogue
- Realistic options and solutions
- How are we perceived?



Thank-you for listening

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