



# The UK and Illicit Finance: Still Part of the Problem, Not Part of the Solution

Tom Keatinge

***The UK has lost its global leadership of the fight against illicit finance. The Johnson government must get the UK back on track.***

When the UK last began its presidency of the G8 in 2013, then Prime Minister David Cameron wrote to fellow G8 leaders, setting out his plans for the year. Underlining a theme that ran through his government until it was derailed by the outcome of the Brexit referendum, Cameron [urged](#) fellow developed world leaders ‘to work together with [developing countries] to prevent money laundering and stamp out bribery and corruption’. In the three years that followed, the government’s actions suggested that the UK would lead by example. High-profile events were convened; new legislation was drafted; and new financial crime-fighting tools were developed. For onlookers, there was a sense that Cameron’s government was committed to turning the page on the UK’s reputation as the facilitator of global money laundering.

Yet while new legislation such as the Criminal Finances Act 2017 (CFA) and the UK’s public-private partnership for tackling financial crime – the Joint Money Laundering Intelligence Taskforce – have survived, the leadership that the UK could justifiably claim during the Cameron era has been lost, and the view [expressed](#) by the head of Nigeria’s anti-corruption unit at the 2016 Global Anti-Corruption Summit that ‘London is the capital of money-laundering’ persists. This status has only been further emphasised by details from the recent FinCEN Files leak from the US Treasury that suggest that the US views the UK as a ‘[higher-risk jurisdiction](#)’ when it comes to financial crime.

This article reviews the UK’s activities against money laundering over

the past decade and argues that in 2021, the Johnson government should take the opportunity offered by once again leading the G7 to relaunch its leadership against illicit finance and become part of the solution rather than continuing to be part of the problem.

## A Mixed Record

In the [2010 Strategic Defence and Security Review](#) (SDSR), the UK government committed to ‘create a body with a specific function to fight economic crime’ and over the years that followed the UK sought to sharpen its focus on, and its commitment to, responding to illicit finance. The [2015 SDSR](#) committed to ‘make the UK a more hostile place for those seeking to move, hide or use the proceeds of crime and corruption or to evade sanctions’ and noted that ‘The UK remains the largest centre for cross-border banking ... but substantial funds from crime conducted around the world are laundered through London’.

The 2015 SDSR also paved the way for the [global anti-corruption summit](#) in 2016, noting that the UK was ‘investing more than £190 million over three years to help developing countries investigate and prosecute corruption, and hold governments to account’ and would also invest further to help poor countries tackle corruption, illicit financial flows and tax evasion, and fund a new international anti-corruption unit in the UK’s National Crime Agency (NCA) to recover funds stolen from developing countries and prosecute those responsible.

Following the anti-corruption summit, the government published

a [UK Anti-Corruption Strategy](#) that committed to ‘Strengthen the integrity of the UK as an international financial centre’, noting that ‘The integrity of the UK as a global financial centre is essential to our international reputation and long-term prosperity’. By some measures, this strengthening has certainly happened with the introduction of powerful new legislation via the CFA including new reverse-burden-of-proof powers for investigating illicit finance in the UK (unexplained wealth orders) and a greater commensurate law enforcement focus on UK illicit finance.

## Core to the UK’s response should be the exploitation of its central role in global finance

In 2018, the [Serious and Organised Crime Strategy](#) addressed the issue of international illicit finance through the lens of strengthening international standards via bodies such as the Financial Action Task Force (FATF) and OECD. It also committed to ‘drive up political will to address vulnerabilities in jurisdictions of risk, enhancing resilience and strengthening operational cooperation’. But in this document, illicit finance is defined as involving ‘the holding, movement, concealment or use of monetary proceeds of crime that has an impact on UK interests’, with no consideration of the role that these actions might have on non-UK interests facilitated by UK services.

In addition to these various reviews and strategies, during this period the





UK underwent its decennial review by the FATF, the global standard setter for anti-financial crime. On paper, the UK performed well, leading HM Treasury to issue a [press release](#) headlined, ‘UK Takes Top Spot in Fight against Dirty Money: New Report from the Financial Action Task Force Ranks the UK World-Leading in the Fight against Illicit Finance’. While technically accurate, this press release was greeted with [dismay](#) by anti-corruption NGOs given the continued and oft-revealed role the UK plays in facilitating global illicit financial flows.

In response to the findings of the FATF’s review, a joint government and private sector [Economic Crime Plan](#) was published in 2019. This plan contains seven strategic priorities. Priority seven is a commitment to deliver an ambitious international strategy to enhance security, prosperity and the UK’s global influence by strengthening the global commitment and capacity to combat illicit finance. This section indeed demonstrates considerable ambition, but it is also indicative of the work

that needs to be done and – notably – does not address the reputational issue the UK faces.

From this review of recent history, it is clear that progress has been made on the UK’s response to illicit finance. But whereas 10 years ago this ambition was highly visible, outward-facing and led from the top of government, this political momentum has been lost since the Brexit referendum. This article therefore argues that at a time when the UK is seeking to establish its post-Brexit profile on the world stage, re-engaging a whole-of-government response to illicit finance and the UK’s role as one of the key global facilitators of illicit financial flows should be a priority from No. 10 down. This could be demonstrated by including international illicit finance as a priority theme in the UK’s 2021 G7 presidency.

### Reputation Matters

In many ways, the UK is a force for global economic good. The financial services architecture that the UK offers can benefit many of the UK’s current and future international partners through:

its role as a global banking centre; range of globally-active professional services businesses; and provision of widely accessible corporate structures and an open real estate market. Yet it is an inescapable fact that as a result of these services, the UK represents a central facilitator of the illicit financial flows that afflict many countries. Tackling illicit finance should play an important role in defending and promoting UK interests. Put differently, a failure to do so will undermine the UK’s position as it seeks to develop a new, independent global role for itself in the post-Brexit era.

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***Boris Johnson needs to show leadership and set the necessary ‘tone from the top’***

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In November 2016, then Home Secretary Amber Rudd underlined this point in a speech to the Financial Conduct Authority’s financial crime conference, [noting](#) that ‘in an increasingly



competitive international marketplace, the UK cannot afford to be seen as a haven for dirty money. Economic crime fundamentally threatens both the security and prosperity of our citizens, and the reputation of the UK as a good place to do business’.

## Solutions

The challenges the UK faces have been well diagnosed. Research from NGOs, academics and the government itself regularly underscores these issues and – more importantly – the wide-ranging ways in which the UK’s financial architecture undermines the prosperity of countries across the globe. And despite some recent developments via the deployment of members of the Foreign, Commonwealth and Development Office’s (FCDO) still nascent [SOCnet](#) (illicit finance policy advisers based in a handful of countries), and the soft power impact on partner countries of UK law enforcement support on a permanent basis or as part of training initiatives, the evidence of any form of coordinated, cross-government initiative to reverse the tide and turn the UK from part of the problem into part of the solution is hard to discern.

Furthermore, while the UK may be a generous financial contributor to international organisations such as the World Bank and IMF that undertake capacity building related to international illicit finance, the UK is less visible in its commitment to this issue than partner countries as it has a limited direct engagement programme, in contrast to peer countries such as the US or [Australia](#). In this regard, while its impact remains to be seen, HM Treasury’s [initiative](#) to boost its ability to provide technical assistance to partner countries is welcome.

Yet the fact is that, as the FinCEN Files underline, the UK is more often than not a common element between global illicit finance scandals. This is perhaps unsurprising given the centrality of the UK to global finance, but this central role requires the deployment of an active operational and strategic

response if the UK is to shed its widely held negative image of being a reliable provider of illicit finance facilitation services and investment opportunities.

So, how should this be done? The answer lies in a combination of action, signalling and leadership.

Core to the UK’s response should be: the exploitation of its central role in global finance; its use of the powerful array of existing laws; and the implementation of pending legislation (such as the Registration of Overseas Entities Bill) and Companies House reform. As so many of the facilitators of international illicit finance and money laundering are associated with the UK, be they the lawyers, accountants and company formation agents (commonly known as ‘enablers’), or the appeal of English law, London real estate or a British private education, the UK is in a unique position to address these vulnerabilities on behalf of the global community. Radical action must be taken to build on the efforts of the past to demonstrate that these tools and services offered by the UK are being vigorously supervised and policed.

In addition to ensuring the actions of the Economic Crime Plan’s international strategy are implemented, the government must engage with and understand the perspectives of countries around the world that view the UK as a substantial contributor to their illicit finance woes. This author’s research in Pakistan has [underlined](#) the importance of looking at the UK from the perspective of countries that view it as a threat to their financial integrity. It must be a priority for the UK government to ensure that partner governments believe that the UK is genuinely committed to supporting these countries in dealing with the illicit finance threat posed by the UK. In this regard, the government’s [engagement](#) with Pakistan since 2018 to assist with addressing alleged proceeds of corruption and tax evasion hidden in the UK is a welcome initiative. The UK must ensure that the policy dialogue and operational engagement with countries that pose a threat to the UK (for example, as a source of drugs) is

balanced with the acknowledgement (and associated action) of the threat the UK in turn poses to them from an illicit finance facilitation perspective.

To achieve this, SOCnet (and supporting illicit finance leads) need to be supported in their policy engagement by a high-level FCDO-led signalling campaign that the UK is taking seriously the harm it does to many of our partner countries around the world.

This campaign should be led by an explicit expansion of the responsibilities of the existing government Anti-Corruption Champion or, better still, the establishment of an independent International Illicit Finance commissioner who can ensure that the government’s commitments and actions to reducing the illicit finance harm caused by the UK are communicated at the highest level.

Furthermore, the SOCnet concept needs to be ramped up beyond its current size to achieve greater geographic coverage and capacity and should be supported by the sustainable funding of the proposed International Centre of Excellence (ICE) on illicit finance – of which the author was a member of the design team – to provide insight and analysis that informs government activity.

The UK should also show leadership as a global financial centre by including the challenge of illicit finance within its G7 presidency in 2021 and by convening a high-level conference of other global financial centres to commit to using their positions of influence and facilitation to tackle illicit financial flows, promote information sharing and demonstrate a shared responsibility for tackling the use of their services to facilitate illicit finance.

And perhaps most importantly, as David Cameron did before him, Prime Minister Boris Johnson needs to show leadership and set the necessary ‘tone from the top’. The ranks of policymakers and law enforcement officials seeking to address the UK’s illicit finance woes have expanded in the last five years, but over that

time, visible senior leadership and commitment has faded. This must be restored. A whole-of-government response is required to ensure that the damage done to the UK's reputation, interests and standing with partner countries is urgently reversed and, as the Independent Commission for Aid Impact [suggests](#), that the UK acts as a

'good global citizen' and thus partner of choice.

Time and again the UK finds itself at the centre of money laundering and illicit finance scandals. It is time for the UK to unequivocally commit to becoming part of the solution, not continuing to be part of the problem.

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