

Impact Assessment, The Home Office

Title: Information Orders (IOs)
(Economic Crime and Corporate Transparency Bill 2022)
IA No: HO0405
Other departments or agencies:

Date: 13 January 2023

Stage: FINAL

Intervention: Domestic

Measure: Primary legislation

Enquiries: Tom Bell
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RPC Opinion: Awaiting Scrutiny

Business Impact Target: Non qualifying provision

Cost of Preferred (or more likely) Option (in 2021 prices)

Net Present Social Value NPSV (£m)	-1.0	Business Net Present Value BNPV (£m)	-0.4	Net cost to business per year EANDCB (£m)	0.04
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What is the problem under consideration? Why is government intervention necessary?

The UK Financial Intelligence Unit (UKFIU) was assessed by the Financial Action Taskforce (FATF) as only partially compliant in its ability to seek all information it requires from regulated businesses to perform its analytical functions. This was because the Information Order (IO) power has never been tested. Under the existing legislation, an IO can only be made if there is a pre-existing Suspicious Activity Report (SAR). The Government seeks to legislate to introduce new powers to allow an IO to be made without a pre-existing SAR, to enable the UKFIU to perform its analytical functions and align it with international standards.

What are the strategic and policy objectives and the intended effects?

The strategic objective is to protect UK homeland and security and to reduce economic crime. As one of the most globalised economies, it is crucial that the UK plays its part in collaborating with other international financial intelligence units (FIUs) to prevent illicit funds from entering the UK economy. The main policy objective is to bring the UKFIU's capabilities in line with international standards and allow it to gather information proportionately and proactively.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 1: 'Do-nothing'. This does not meet the Government's objectives.

Option 2: Expand the number of scenarios in which the UKFIU is able to request information from reporters. In some cases, court approval will provide justification of a genuine investigation and mitigate any risk of not reaching a reasonable evidential threshold. Court oversight is required so as not to breach Article 8 of the European Convention on Human Rights (ECHR) – right to a private life – for individuals whose data is shared. **This is the Government's preferred option.**

Main assumptions/sensitivities and economic/analytical risks	Discount rate (%)	3.5%
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Cost estimates rely on the number of IO requests expected each year. This has been estimated on an assumption that the new power will only be used in instances where the UKFIU is unable to obtain information through s7 requests via the Crime and Courts Act 2013 (CCA 2013) which are voluntary. There is a risk that the number of IO requests issued each year is higher than anticipated, which would increase costs to the private and public sector. A significant amount of data/assumptions rely on engagement with UKFIU, UK finance stakeholder engagement and proxy data from s7 requests.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:**

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:



Date:

23/01/2023

Summary: Analysis & Evidence

Policy Option 2

Description: New powers allowing UKFIU to make IO requests without a pre-existing SAR.

FULL ECONOMIC ASSESSMENT

Year(s):	Price Base	2021/22	PV Base	2022/23	Appraisal	10	Transition	1
Estimate of Net Present Social Value NPSV (£m)						Estimate of BNPV (£m)		
Low:	-0.3	High:	-3.0	Best:	-1.0	Best BNPV	-0.4	

COSTS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	0.02	0.3	0.3	0.03	0.1
High	0.5	2.5	3.0	0.3	1.3
Best Estimate	0.1	0.9	1.0	0.1	0.4

Description and scale of key monetised costs by 'main affected groups'

Familiarisation costs to businesses, judges and UKFIU are estimated to be **£0.02 to £0.5 million**, with a central estimate of **£0.1 million** (2021/22 prices) in year 1 only. Ongoing costs are estimated in a range of **£0.3 and 2.5 million (PV)**, with a central estimate of **£0.9 million (PV)** over 10 years. **Total costs**, driven by administrative costs, are estimated to lie in a range of **£0.3 million to £3.0 million (PV)**, with a central estimate of **£1.0 million (PV)** over 10 years.

Other key non-monetised costs by 'main affected groups'

There may be some transitional costs within regulated businesses (training staff and changes to internal policies and guidance), and there may be costs related to familiarisation for UKFIU staff on the process of creating and applying for an IO. Given that IO requests are not new, and that they will be similar to current s7 of CCA 2013 requests, these costs are expected to be minimal.

BENEFITS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	0.0	0.0	0.0	0.0	0.0
High	0.0	0.0	0.0	0.0	0.0
Best Estimate	0.0	0.0	0.0	0.0	0.0

Description and scale of key monetised benefits by 'main affected groups'

No benefits have been monetised due to a lack of data on related asset seizures as the existing IO power has not been used. It has not been possible to use Proceeds of Crime Act 2002 (POCA 2002) orders or s7 of CCA 2013 requests as a proxy and estimate related asset seizures, as asset seizures are not recorded in a way that they can be attributed to any particular information order.

Other key non-monetised benefits by 'main affected groups'

Not requiring a SAR means UKFIU do not rely on reporters for intelligence, aligning UKFIU with FATF standards. The UKFIU will flexibly gather intelligence, which may lead to richer intelligence, successful investigations and more asset seizures. Benefits include: increased collaboration with international counterparts, improved UK intelligence and disruption of illicit activities.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:										
Cost, £m	0.04	Benefit, £m	0.0	Net, £m	-0.04					
Score for Business Impact Target (qualifying provisions only) £m:					N/A					
Is this measure likely to impact on trade and investment?					N					
Are any of these organisations in scope?			Micro	Y	Small	Y	Medium	Y	Large	Y
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)					Traded:	NA	Non-Traded:	NA		

PEOPLE AND SPECIFIC IMPACTS ASSESSMENT (Option 2)

Are all relevant Specific Impacts included?	Y	Are there any impacts on particular groups?	N
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A. Strategic Overview

A.1 Strategic objective

1. The strategic objective is to protect UK homeland and security and to reduce economic crime.

A.2 Background

2. The IO power is an intelligence tool which compels businesses in the AML sector to provide the NCA with further information about their customer or client. The additional information allows the NCA to build on existing intelligence and assist law enforcement with investigations or determine whether an investigation should commence.
3. The new IO powers will amend sections 339ZH-ZK of POCA 2002 and sections 22B-E of the Terrorism Act 2000 (TACT 2000). By way of summary, the main policy objective is to get the UKFIU's capabilities up to the Financial Action Task Force's (FATF) international standards to gather information proactively for its analysis purposes from across the UK. This will introduce two new conditions in both Acts to be exercised solely by the UKFIU.
4. In the FATF 2018 Mutual Evaluation report¹, the UKFIU was assessed as only partially compliant in its ability to seek all the information it requires from regulated businesses to perform proper operational and strategic analysis as the Information Order power has not been tested.
5. These IOs were introduced as an investigative tool to compel businesses in the Anti-Money Laundering sector (AML) (for example, banks, accountancy, and legal sectors) who have submitted a disclosure to provide specific information about their customer or client. The additional information allows the National Crime Agency (NCA) to build on existing intelligence and assist law enforcement with investigations or determine whether an investigation should commence.
6. The NCA can receive information on a voluntary basis from businesses in the regulated sector in relation to its statutory functions. S7 of CCA 2013 is an information sharing gateway that allows the NCA to lawfully receive information relevant to the exercise of its functions, including financial intelligence, from any person. The NCA can request information voluntarily that would fall within this gateway, however, there is no power to compel the provision of the information requested. The NCA opt to submit s7 requests rather than IOs due to the duration it can take to apply for and process a court order. However, s7 requests are relatively easy for the NCA to submit as it does not require authorisation from the courts and information requested can be broad. The Government believes that, for the reasons above, the current IO power is untested.
7. The POCA 2002 production orders compels professionals who hold information about their current or former client suspected of criminal activity to handover such material to law enforcement agencies. Such orders are required as law enforcement are not able to get evidence voluntarily from banks and other organisations and others under a professional duty (i.e. solicitors, financial institutions or accountants) not to disclose any client material without an order. Some large corporate organisations who are not under a professional duty to withhold material may feel uncomfortable about handing over files to the police. Production orders can be used in court as evidence, whereas an IO cannot be used as evidence in court and is purely used as an intelligence tool to determine whether an investigation should commence.
8. The revised power will enable the NCA to use the IO in the small proportion of cases whereby they are unable to retrieve the information that they need through voluntary means.
9. The new conditions will steer away from the law enforcement and operational focus and re-orientate towards assisting the NCA in carrying out its functions as the UKFIU.

¹ Financial Action Task Force (FATF) (2018) Anti-money laundering and counter-terrorist financing measures, UK, Mutual Evaluation Report. <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-United-Kingdom-2018.pdf>

A.3 Groups Affected

10. The affected stakeholders will include the NCA, law enforcement (territorial police forces and HMRC) and regulated entities. The NCA will benefit through the ability to proactively gather rich intelligence, by possessing the power to obtain additional information without the requirement of a pre-existing SAR and not relying on reporters. They will also benefit from having the ability to share information with international FIUs.
11. The power may have a negative impact on the regulated sector, as they will need to comply, which may require some additional administration costs. However, the impact is expected to be small, as the power will only be exercised in cases where the NCA are unable to receive the information they need from businesses via a voluntary s7 CCA 2013 request.
12. Depending on the extent of the information specified and the ease of gathering, as well as the specified time frame will determine the resourcing impact on such businesses. It is envisaged that the power will have less impact on larger regulated businesses as opposed to small medium enterprises (SMEs) for example, an independent high street accountancy firm.
13. The new conditions will make personal data more available to the NCA which may have a negative impact to individuals subject to an IO request. However, before the NCA issue an order to compel a regulated business, it will test other methods of obtaining information, for example by way of a s7 request under CCA 2013. This provides a more proportionate and justified reason to issue an order.
14. Other groups who may be affected include:
 - Courts who would be required to authorise the IO request.
 - Individuals about whose data is shared for this purpose.
 - Foreign FIUs who will be able to obtain information through the power.

A.4 Consultation

15. This impact assessment (IA) accompanies the targeted consultation document on Reforming Economic Crime Legislation. The targeted consultation sought views from key stakeholders in the AML regulated sector such banks, and wider organisations (for example Cifas) that are impacted by economic crime. The consultation paper set out 35 questions on measures covering Anti Money Laundering (AML), Cryptoassets and Unexplained Wealth Orders (UWOs), and was shared with over 100 organisations. Written responses were received from 44 organisations and approximately 90 per cent of respondents were from within the AML regulated sector.
16. Overall, the responses from the targeted consultation demonstrated support for the proposal, largely by the financial sector. Some firms are concerned about 'fishing' expeditions and the effect this may have on smaller firms, particularly if requests increase, as there is a concern that business costs may increase for SMEs, which could potentially deter them from money laundering efforts. There were a small portion of responses that suggest including a statutory footing of the UKFIU's functions and to include the limits the IO power will have. A full summary of the targeted consultation can be found in Annex A.

B. Rationale for intervention.

17. The rationale for the proposal is to align the power more closely with international recommendations in relation to the functions of a FIU². The intention is the FIU will be able to proactively gather

² International FIUs exist in other countries and operate similarly to the UKFIU.

intelligence without reliance on a SAR, and so that the power is more aligned to intelligence-gathering/analysis/dissemination, rather than being more investigatory-focused (as it is now).

18. It is the Government's view that creating a new power which amends sections 339ZH-ZK in POCA 2002 and sections 22B-E in TACT 2000 and enables the UKFIU to obtain additional information from regulated businesses without the use of a pre-existing SAR. The new power will influence a flexible and proactive UKFIU by not relying on reporters to gather intelligence.
19. The proposed power will also increase the UK's ability to support international partner FIU requests where no SAR has been submitted by UK reporters. An example is, the suspicion of terrorist financing where gathering information at speed is crucial. This improves the UK's status to request information from international FIUs on a reciprocal basis to support UK investigations.
20. As the UK is one of the most globalised economies, it is crucial that it plays its part in collaborating with other FIUs, not just on a reputational basis, but to also prevent illicit funds from entering the UK economy.

C. Policy objective

21. The main policy objective is to get the UKFIU's capabilities up to international standards:
 - The UKFIU should be able to gather information for its analysis purposes from across the UK (including the devolved administrations) proactively rather than reactively.
 - Orders sought following a foreign FIU request for assistance is sought for a UK FIU purpose. This is necessary to make it clear that the UKFIU, in deciding whether to respond to the foreign FIU request and to submit an application for an order, will be conducting its own assessment on whether it is right and proper to submit an application for an order.
 - The UKFIU was marked by FATF as partially compliant in its ability to obtain further information from regulated businesses, (FATF's recommendation 29.3³). This is because the IO power is untested and regulated businesses already provide voluntary information to the NCA under s7 of the CCA 2013. The Government proposes to create two further conditions which will amend section 339ZH of POCA 2002 and section 22B of TACT 2000. The new conditions will enable the UKFIU a new way to exercise the existing IO power which will not require a pre-existing SAR.
 - This proposal will be measured by the amount of successful IOs made which lead to investigations and asset seizures. A successful IO order may also regard the UKFIU as compliant in response to FATFs Recommendation 29.3 as the evidence will suggest the UKFIU is able to compel regulated businesses to provide further information.

D. Options considered and implementation.

Option 1: 'Do nothing'

22. Doing nothing, will result in continued criticism by FATF about the UKFIU's limitations to compel information from reporters. This also poses a risk of enabling illicit funds to enter the UK economy, as being unable to provide international FIUs with data to support investigations could reduce their ability to identify money laundering and terrorist financing that subsequently impacts the UK.
23. **Option 2:** introduce a new way to exercise existing power. The new conditions will provide the UKFIU with a new way to exercise the existing power which removes the requirement for an existing SAR

³ Financial Action Task Force (FATF) (2018) Anti-money laundering and counter-terrorist financing measures, UK, Mutual Evaluation Report. <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-United-Kingdom-2018.pdf>

relating to the request. This will align the UK with international standards and enable information sharing between the UKFIU and international FIUs. **This is the Government's preferred option.**

- This proposal will form part of the wider Economic Crime and Corporate Transparency Bill 2022 and will come into effect with a standard commencement of two months following Royal Assent.
- The UKFIU will be responsible for ongoing operation and enforcement.
- Orders sought following a foreign FIU request for assistance is sought for a UK FIU purpose.
- It is not predicted any transitional arrangements will be necessary, however guidance or a circular will need to be provided to stakeholders.
- It will still be possible to use the existing IO power, but the new powers create a new way to exercise the existing power and gather information with greater flexibility.
- The courts are able to make Information Orders if either of the two conditions in POCA 2002 apply. Condition 1 applies in situations where a disclosure is made domestically. Condition 2 applies where an overseas financial intelligence unit has received a disclosure and is requesting assistance from the UK financial intelligence unit.

(4) Condition 1 for the making of an Information Order is met if:

- (a) The information required to be given under the order would relate to a matter arising from a disclosure made under this Part.
- (b) The respondent is the person who made the disclosure or is otherwise carrying on a business in the regulated sector.
- (c) The information would assist in investigating whether a person is engaged in money laundering or in determining whether an investigation of that kind should be started.
- (d) It is reasonable in all circumstances for the information to be provided.

(5) Condition 2 for the making of an Information Order is met if:

- (a) The information required to be given under the order would relate to a matter arising from a disclosure made under a corresponding disclosure requirement.
- (b) An external request has been made to the NCA for the information in connection with that disclosure.
- (c) The respondent is carrying on a business in the regulated sector.
- (d) The information is likely to be of substantial value to the authority that made the external request in determining any matter in connection with the disclosure.
- (e) It is reasonable in all the circumstances for the information to be provided

24. The Government proposes to retain Conditions 1 and 2 in POCA 2002.

25. The Home Office have instructed Parliamentary Counsel to prepare clauses for the Economic Crime and Corporate Transparency Bill 2022 that will enable authorised NCA officers acting in a UKFIU capacity to obtain information from regulated sector entities that will reasonably assist the NCA to perform its operational and strategic analysis functions, as recommended by FATF's recommendation 29. As well as obtaining such information for overseas FIUs for corresponding purposes, the policy intention is that the measure should take the form of an additional element to each of the existing IO powers, except:

- That a **'relevant person'** (for POCA 2002) or **'enforcement officer'** (for TACT 2000) must only be the Director General (DG) of the NCA or any other NCA officer authorised by the DG (whether generally or specifically) for this purpose (**FIU officers**), for applications to both a magistrates' court or a sheriff,

- The information required to be given under the order should not have to relate to a matter arising from a POCA 2002 or TACT 2000 disclosure (the **disclosure of SAR or authorised disclosure should not be a pre-requisite**).
- The information required should be to **assist the NCA to carry out its intelligence analysis functions as the UKFIU**, or to **assist an overseas authority that has made an external request to carry out corresponding FIU functions**, in its capacity as a national FIU. Note: the measure should not make reference to the overseas authority having responsibility for carrying out investigations into whether corresponding money laundering or terrorist financing offences have been committed (see section 339ZH(6) POCA 2002 and section 22B(6) TACT 2000). The intention with the new aspect of the powers is to move away from 'investigatory' language towards 'intelligence'-gathering type language.

E. Appraisal.

General assumptions and data

26. The general assumptions used in this IA are as follows:

- The appraisal period for measuring the impacts of the proposed review is 10 years. The appraisal period starts in 2022/23.
- A 3.5 per cent annual social discount rate is used⁴.
- Annual costs and benefits are in 2021/22 prices.
- All costs and benefits are relative to **Option 1** 'Do Nothing'.
- The s7 of CCA 2013 requests are used as a proxy for the new powers. The UKFIU s7 requests are used to obtain information from regulated entities to respond to requests from international FIUs and response is voluntary.
- It is unknown what volume of IO requests are anticipated, but the frequency of requests is not anticipated to be high, using a proxy of current s7 requests. Current volumes of s7 requests are around 40 per month, and about 80 per cent get answered⁵. Therefore, it is assumed that only the remaining 20 per cent would be captured under the new IO power, leaving a volume of about 8 per month. A low and high range of 4 to 16 has been applied to reflect the uncertainty of this estimate (see Table 2).
- All calculations using median hourly wages are taken from the 2020 Annual Survey of Hours and Earning (ASHE) tables (table 14.5)⁶. The 2020 figures have been used as a more realistic cost estimate, as the figures from 2021 appear to be impacted by the drop in wages and employment as a result of the pandemic and may under-estimate costs. The 2020 values, once inflated to price year 2021/22, are closely in line with the ASHE 2019 data.

Inputs

27. Many of these inputs are estimates provided by UKFIU and UK Finance, some of which uses information about existing POCA 2002 orders as a proxy⁷.

⁴ The Green Book and accompanying guidance and documents - GOV.UK. <https://www.gov.uk/government/collections/the-green-book-and-accompanying-guidance-and-documents>

⁵ Engagement with NCA/UKFIU

⁶ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashtable14>

⁷ Engagement with UKFIU and UK Finance

28. The POCA 2002 production orders compels professionals who hold information about their current or former client suspected of criminal activity to handover such material to LEAs. Such orders are required as law enforcement are not able to get evidence voluntarily from banks and other organisations and others under a professional duty (that is, solicitors, financial institutions or accountants) not to disclose any client material without an order. Some large corporate organisations who are not under a professional duty to withhold material may feel uncomfortable about handing over files to the police. Production orders can be used in court as evidence, whereas an IO cannot be used as evidence in court and is purely used as an intelligence tool to determine whether an investigation should commence.
29. An IO application can be made by any officer within the UKFIU who has completed all training required to achieve NCA DG designation as a competent officer of the UKFIU. For the first few applications that are undertaken the intention is that these will be drafted and taken to court by senior managers within UKFIU, the equivalent civil service role is a Grade 7 (G7). Once the process is more established, applications may be made by less senior UKFIU officers and the related administration costs may decrease. A range of hourly FTE costs for drafting an IO and attending court has therefore been calculated based on Home Office data on the hourly cost of an SEO, a G7 and a G6. This reflects that for less complex requests, a less senior officer may draft the IO, such as an SEO, whereas a complex request might be done by a more experienced senior manager, such as a G6.
30. The time taken for UKFIU to make an IO request and attend court is estimated by UKFIU to take roughly two to three days. The central estimate used is 2.5 days.
31. As the IO power has not been used before, the closest comparison that currently exists is the process for applying for a POCA 2002 production order (although it is important to highlight that this is quite a different power, given that it is used to obtain evidential material and would likely involve a larger impact on reporter resources). The UKFIU have advised that typically with production orders, the decision to approve a request is made at the hearing once the judge is satisfied. The length of time for a court hearing can depend on a number of factors including the complexity of the case, the volume and type of information being requested, whether the financial institution wants to contest the order etc. Consulting with an SME who deals with recent experience of applying for POCA 2002 orders, the average amount of time taken for a hearing is between 15 to 30 minutes, depending on the complexity of a case. It is also assumed that there will be some additional preparation time for judges ahead of the hearing. In the application, the applicant will state how long they think it will take the judge to review the material. This will vary depending on the case but on average the time is proposed as between 15 to 30 mins.
32. Estimates for the expected cost to business of responding to an IO request are presented as a range based on UK Finance stakeholder engagement. It is anticipated that the costs will differ by sector and vary based on the complexity of the request.

Appraisal

33. Under existing legislation, for the UKFIU to request further information from regulated entities under a compelling order there must be a pre-existing disclosure (a SAR).
34. Currently, the UKFIU relies on the s7 of CCA 2013 gateway to request that regulated entities provide information voluntarily. The UKFIU currently issues around 40 s7 requests per month, of which around 80 per cent are complied with. Between February to April 2020, 134 requests were issued, of which 107 were complied with⁸.
35. Where international financial intelligence units request further information from the UKFIU, intelligence gathering is currently limited to cases where a SAR has already been submitted. This limits the possibility for successful investigations and therefore, asset seizures.

⁸ Engagement with NCA, UKFIU.

36. The power would expand the number of scenarios in which the UKFIU is able to request information from reporters, leading to more flexible and better intelligence gathering, thus more successful investigations and related asset seizures.
37. The IO request process is as follows:
 1. UKFIU drafts application for IO request and attends court for authorisation.
 2. IO application is heard in court and authorised by a judge.
 3. IO request is sent to the relevant private sector entity and they must respond.
 4. NCA receives the information from the IO request and disseminates to relevant authorities.
 5. Law enforcement receive information from NCA and uses it to assist in investigations.
38. It is anticipated that there will be some familiarisation and staff training costs to businesses and HM Courts and Tribunals Service (HMCTS), and time costs related to responding to information requests from the UKFIU. There are not anticipated to be familiarisation costs to the NCA or law enforcement, as their role is to receive the information from the IO response, which will not change, and they are not involved in requesting IOs. There will also be some resource and time costs for UKFIU to draft the IO requests and attend court. Finally, there will be some resource and time cost to courts for judges to grant IO authorisation.
39. The expected benefits associated with the new powers are improved intelligence gathering, more successful investigations and more asset seizures. It may also increase international collaboration, improving the international intelligence picture, which may in turn improve UK intelligence and the related disruption to illicit activities in the UK.
40. Owing to uncertainty, a range of estimates are presented for the costs.

COSTS

Set-up costs

Familiarisation Costs - Private

41. It is assumed that all firms in the regulated sector read between 150 and 600 words on a screen or on paper in order to become familiar with the new legislation. This gives an estimate of between one and three minutes per person to become familiar with new legislation⁹. It is assumed that between one and four people in each firm will need to become familiar with the new legislation¹⁰. Typically, time will be spent building an understanding of what the legislation means and its relationship with existing policies. The Financial Conduct Authority (FCA) regulated nearly 51,000 firms in 2021, and this is taken to be the number of firms in the regulated sector¹¹.
42. For all firms, time has been valued using data from the ASHE 2020, Table 14.5a. The analysis uses a median wage figure for financial institution managers and directors (Standard Occupational Classification (SOC) code 1150) of £26.00 per hour¹², which is then uplifted by the non-wage share of costs of 22 per cent, to reflect the marginal product of labour¹³.

⁹ Based on readingsoft average of 200wpm with 60 per cent comprehension, slightly uplifted to allow for full comprehension [Speed Reading Test Online \(readingsoft.com\)](https://www.readingsoft.com/).

¹⁰ Number of readers in each firm is a weighted average that accounts for the size of firms in the business population. The assumption on the number of readers in each category of firm size differ. For micro firms, the number of readers is assumed to be two (low), three (central), and three (high). For small firms (two, three, and five respectively), medium firms (two, five, 10), and for large firm (five, 10, 20). Approximately 83% firms in the financial sector are sole proprietors, this informs the overall low scenario assumption of one reader per firm

¹¹ [Sector overview | FCA](#).

¹² [Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14.5a - Office for National Statistics](#).

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashetable14>

¹³ Non-wage cost is 17.9% (from Eurostat), take $17.9/(100-17.9) = 17.9/82.1 \times 100 = 21.8$ rounded to 22 per cent and uplift by this amount. https://ec.europa.eu/eurostat/databrowser/view/LC_LCI_LEV_custom_2052124/default/table?lang=en

43. The values used to estimate the private sector familiarisation costs are presented in Table 1 and given as:

Number of firms x number of readers in each firm x average familiarisation time x (median financial institution managers and directors wage x non-wage uplift of 22%)

44. The estimated cost lies in a range of **£0.02 to £0.5 million**, with a central estimate of **£0.1 million** (Price base year (PB) 2020, inflated to 2021/22 prices) in year 1 only. Business engagements during the targeted consultation did not indicate that any additional dissemination of information costs or training would be needed, so these costs are not included in the familiarisation costs to businesses.

Table 1, Familiarisation costs, regulated business sector, (volume, hrs, £), 2022.

Estimate	Number of Firms	Number of Readers in each firm	Average Familiarisation Time (hours)	Hourly cost	Total cost to business, Year 1 only (£ million)
Low	51,000	1	0.01	31.83	0.02
Central	51,000	3	0.02	31.83	0.10
High	51,000	4	0.08	31.83	0.50

Source: Assumption, Readingsoft, ASHE 2020, Table 14.5a

Familiarisation Costs – Public

UKFIU Familiarisation

45. The UKFIU staff are expected to need to become familiar with the new IO powers as they will be responsible for submitting IO requests. Although IOs already exist, UKFIU staff will need to understand the changes to the power proposed by this legislation.
46. The UKFIU have advised that a senior manager would typically be responsible for submitting an IO request, but as the process becomes more established then a request may be drafted by a less senior officer. A range of hourly FTE costs for UKFIU familiarisation has therefore been calculated based on Home Office data on the hourly cost of an SEO, a G7 and a G6. This reflects that for less complex requests, a less senior officer may draft the IO, such as an SEO, whereas a complex request might be done by a more experienced senior manager, such as a G6. The average hourly wages for an SEO, a G7 and a G6 in the Civil Service of £25, £34 and £41 respectively have been used as proxies.
47. The values used to estimate the familiarisation cost to UKFIU for submitting IOs are presented in Table 2 and given as:

Number of UKFIU staff x average familiarisation time x hourly FTE cost

48. The estimated cost lies in a range of **£0.00 to £0.00 million**, with a central estimate of **£0.00 million** (PB 2020, inflated to 2021/22 prices) in year 1 only.

Table 2, Familiarisation costs, public sector and UKFIU, year 1 only, (volume, hrs, £, £m) 2022.

Estimate	No. UKFIU staff	No. words read	Reading speeds	Average familiarisation time (hrs)	Cost per hour (£)	Total cost, (£m)
Low	118	150	700	0.01	24.74	0.00
Central	118	300	400	0.02	33.87	0.00
High	118	600	200	0.08	40.52	0.00

Source: NCA¹⁴, Assumption, HO, Readingsoft.

¹⁴ file (nationalcrimeagency.gov.uk). <https://nationalcrimeagency.gov.uk/who-we-are/publications/390-sars-annual-report-2019/file#:~:text=Also%20of%20note%20is%20that%20the%20UKFIU%20has,to%20thank%20existing%20staff%2C%20not%20only%20for%20training>

HMCTS Familiarisation

- 49. Judges are expected to need to become familiar with the new IO powers as they will be responsible for authorising any IO requests made by UKFIU. The wage rate for judges are from the Ministry of Justice (MoJ) judicial salaries 2021/22¹⁵. An IO order would be heard in the magistrates court. The yearly cost of a magistrates court judge is £148,820. This is then divided by the number of working days and working hours per day to get the estimated hourly cost of a judge¹⁶.
- 50. The values used to estimate the public sector familiarisation costs are presented in Table 3 and given as:

Number of judges x average familiarisation time x hourly cost of a judge

- 51. The estimated cost lies in a range of **£0.00 to £0.03 million**, with a central estimate of **£0.01 million** (PBY 2020, inflated to 2021/22 prices) in year 1 only.

Table 3, Familiarisation costs, public sector, HMCTS (volume, hrs, £), 2022.

Estimate	Number of judges	No. words read	Reading speeds	Average familiarisation time (hrs)	Cost per hour (£)	Total cost, (£m)
Low	5,025	150	700	0.01	73.53	0.00
Central	5,025	300	400	0.03	73.53	0.01
High	5,025	600	200	0.08	73.53	0.03

Source: Assumption, Diversity of the judiciary 2021¹⁷, ASHE 2020 Table 14.5a, Readingsoft

Total familiarisation costs

- 52. The **total familiarisation cost** lies in a range of **£0.02 to £0.5 million**, with a central estimate of **£0.1 million** (PBY 2020, inflated to 2021/22 prices) in year 1 only.

Ongoing costs

Private costs

Administration cost of responding to IO requests – regulated entities

- 53. There will be some costs related to the greater administrative burden for staff in regulated entities in the private sector to respond to IO requests.
- 54. A range of estimates have been produced based on the expected number of IO requests issued per month. Responding to a request is estimated to take 15 to 25 hours. Roughly 90 per cent of that time is expected to be spent by senior administration level employees, and the remaining 10 per cent is assumed to be spent by senior managers. Estimates of senior administration employees’ time spent on responding to requests and hourly wage is from UK Finance engagement with retail banks¹⁸. Senior managers’ time has been valued using data from the Annual Survey of Hours and Earnings (ASHE) 2020, Table 14.5a, using a median wage figure for financial institution managers and

¹⁵ [judicial-fee-salary-21-22.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1020732/judicial-fee-salary-21-22.pdf).
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1020732/judicial-fee-salary-21-22.pdf

¹⁶ Judges are assumed to work 253 days a year, given 104 weekend days, 30 days annual leave and 10 days public holidays. Court sitting is 10:30am to 4:30pm but judges work into the evening/at weekends and are not paid overtime for this. [Working hours | Courts and Tribunals Judiciary](#). The national career service suggests a working week hours for judges of between 37 to 42 hours, which translates to 7.4 to 8.5 hours per day. The central point is taken of 8 hours.
<https://nationalcareers.service.gov.uk/job-profiles/judge>

¹⁷ [Diversity of the judiciary: Legal professions, new appointments and current post-holders – 2021 Statistics - GOV.UK](https://www.gov.uk/government/statistics/diversity-of-the-judiciary-2021-statistics/diversity-of-the-judiciary-2021-statistics-report).
<https://www.gov.uk/government/statistics/diversity-of-the-judiciary-2021-statistics/diversity-of-the-judiciary-2021-statistics-report>

¹⁸ Estimate is from UK Finance who requested information from its members on the expected cost of responding to an IO request, and received these ranges based on responses from several retail banks.

directors (SOC code 1150) of £26 per hour¹⁹, which is then uplifted by the non-wage share of costs of 22 per cent, to reflect the marginal product of labour²⁰.

55. The values used to estimate the administration cost of responding to IOs are presented in Table 4 and given as:

Number of IO requests per month x 12 x average cost to respond to an IO request

56. Administrative costs are estimated in a range of **£0.1** and **£0.7 million (PV)**, with a central estimate of **£0.3 million (PV)** over 10 years.

Table 4, Administration cost to business (volume, £ and £ million PV) over 10 years, 2022.

Estimate	No. of requests per month	Average cost to respond	Estimated cost to business per year	Cost (£m PV) 10 years
Low	4	233	11,000	0.1
Central	8	336	32,000	0.3
High	16	451	87,000	0.7

Source: UK Finance, ASHE 2020 table 14.5a

Public sector administration costs

57. There will be some public sector administrative costs related to authorisation of IO requests. These costs will be borne by UKFIU due to time spent requesting court authorisation, and by HMCTS due to time spent granting authorisations.

Cost for UKFIU request

58. There will be some administrative costs related to UKFIU liaising with international partners, drafting an application for an IO request, attending court for the approval and serving the notice to businesses.
59. A range of estimates have been produced based on the expected number of IO requests issued per month and the time for UKFIU to apply for the IO. The UKFIU estimate that an IO request would take between two and three days, depending on the complexity of the case.
60. The UKFIU have advised that a senior manager would typically be responsible for submitting an IO request, but as the process becomes more established then a request may be drafted by a less senior officer. A range of hourly FTE costs for drafting an IO and attending court has therefore been calculated based on Home Office data on the hourly cost of an SEO, a G7 and a G6. This reflects that for less complex requests, a less senior officer may draft the IO, such as an SEO, whereas a complex request might be done by a more experienced senior manager, such as a G6. The average hourly wages for an SEO, a G7 and a G6 in the Civil Service of £25, £34 and £41 respectively have been used as proxies.
61. The values used to estimate the administration cost to UKFIU for submitting IOs are presented in Table 5 and given as:

Number of IO requests per month x 12 x average time to draft, apply for and authorise request x hourly FTE cost

Table 5, Administration cost to UKFIU, volume, £ and £ million (PV) over 10 years, 2022.

Estimate	Number of requests per month	Average time to draft, apply for and authorise request (hrs)	Hourly cost (£)	Cost to UKFIU per year (£)	Cost to UKFIU (£m PV) 10 yrs
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¹⁹<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashtable14> - data inflated to 2021/22 prices

²⁰ Non-wage cost is 17.9% (from Eurostat), take $18/(100-18) = 18/82 = 22\%$ and uplift by this amount.

https://ec.europa.eu/eurostat/databrowser/view/LC_LCI_LEV_custom_2052124/default/table?lang=en

Low	4	16	24.74	19,000	0.16
Central	8	20	33.87	65,000	0.55
High	16	24	40.52	189,000	1.61

Source: UKFIU, Home Office

62. Administrative costs to UKFIU are estimated in a range of **£0.16** and **£1.61 million (PV)**, with a central estimate of **£0.55 million (PV)** over 10 years.

Cost for court authorisation

63. There are expected to be some administrative costs related to court authorisation of IO requests.
64. A range of estimates have been produced based on the expected number of IO requests issued per month and the time spent for a judge to authorise IOs. Authorising an IO request is anticipated to involve some pre-reading and then a hearing, when the outcome is decided. UKFIU estimate the total time for a judge to review and hear an IO case to be between 30 minutes and one hour, depending on the complexity of the case.
65. The wage rate for judges are from the MoJ judicial salaries²¹. An IO order would be heard in a magistrates court, so the annual salary of a magistrates court judge of £148,820 is used. This is then divided by the number of working days and working hours per day to get the estimated hourly cost of a judge²².
66. The values used to estimate the administration cost to courts authorising IOs are presented in Table 6 and given as:

Number of IO requests per month x 12 x average hearing time x hourly cost of judge

Table 6, Administration cost for court authorisation (volume, £ and £ million PV) over 10 years.

Estimate	No. requests per month	Average hearing time (hours)	Cost Judge per hour (£)	Estimated cost to courts per year (£)	Cost to business (£m PV)
Low	4	0.50	73.53	2,000	0.02
Central	8	0.75	73.53	5,000	0.04
High	16	1.00	73.53	14,000	0.12

Source: UKFIU, ASHE

67. Administrative costs to HMCTS are estimated in a range of **£0.02** and **£0.12 million (PV)**, , with a central estimate of **£0.04 million (PV)** over 10 years.

Total ongoing costs

68. **Total ongoing costs** are estimated in a range of **£0.3** and **£2.5 million (PV)**, with a central estimate of **£0.9 million (PV)** over 10 years.

Total Costs

²¹ [judicial-fee-salary-21-22.pdf \(publishing.service.gov.uk\)](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1020732/judicial-fee-salary-21-22.pdf).

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1020732/judicial-fee-salary-21-22.pdf

²² Judges are assumed to work 253 days a year, given 104 weekend days, 30 days annual leave and 10 days public holidays. Court sitting is 10:30am to 4:30pm but judges work into the evening/at weekends and are not paid overtime for this. [Working hours | Courts and Tribunals Judiciary](#). The national career service suggests a working week hours for judges of between 37 to 42 hours, which translates to 7.4 to 8.5 hours per day. The central point is taken of 8 hours.

<https://nationalcareers.service.gov.uk/job-profiles/judge>

69. **Total costs** are estimated to lie in a range of **£0.3 million to £3.0 million (PV)**, with a central estimate of **£1.0 million (PV)** over 10 years.

BENEFITS

Ongoing benefits

70. Although there are identified benefits, the lack of robust data or proxy means monetising these was not possible. The main benefits of the proposed changes to IO powers are expected to be improved intelligence gathering, leading to more successful investigations and thus more asset seizures. As the existing IO power has never been used it is not possible to estimate related asset seizures.
71. Using POCA 2002 orders or s7 of CCA 2013 requests as a proxy and estimating associated asset seizures has not been possible due to a lack of data. The way that data is recorded does not allow for asset seizures to be attributed to any particular power/information order that may have been used to gather the relevant information for an investigation. It has not been possible to estimate the value of any additional asset seizures expected as a result of the new power. The main benefits of the proposed changes to IO powers are expected to be the availability of richer intelligence for UKFIU and law enforcement, leading to more successful investigations and more asset seizures as a result.
72. The proposed changes to powers would bring the UK legislation in alignment with FATF recommendation 29.3 as well as the Fifth Money Laundering Directive (5MLD) Providing the UKFIU with greater flexibility to gather intelligence will increase international collaboration, improving the wider intelligence picture. This may in turn improve intelligence received into the UK, increasing disruption of illicit activities within the UK.

Total costs and benefits, NPSV, BNPV, EANDCB

73. **Total costs** are estimated to lie in a range of in a range of **£0.3 and £3.0 million (PV)**, with a central estimate of **£1.0 million (PV)** over 10 years. Benefits were not monetised so are taken as zero.
74. The Net Present Social Value (NPSV) is the total discounted benefits minus the total discounted costs over the 10-year appraisal period. The **NPSV for Option 2**, lies in a range of **-£0.3 to -£3.0 million**, with a central estimate of **-£1.0 million** over 10 years.
75. The Business Net Present Value (**BNPV**) is the total discounted benefits to business minus the total discounted costs to business over the 10-year appraisal period. The BNPV lies in a range of **£-0.1 to -£1.3 million**, with a central estimate of **£-0.4 million**. The **net cost to business per year (EANDCB)** lies in a range of £0.01 to £0.15 million with a central estimate of **£0.04 million**.

Table 7, Summary of costs and benefits, £ million (PV) over 10 years, 2022.

Costs	Low	Central	High
Total set up costs	0.02	0.1	0.5
Total ongoing costs	0.3	0.9	2.5
Total costs	0.3	1.0	3.0
Total benefits	0.0	0.0	0.0
Net present social value (NPSV)	-0.3	-1.0	-3.0
Business net present value (BNPV)	-0.1	-0.4	-1.3
Net direct cost to business (EANDCB)	0.01	0.04	0.15

Source: Home Office, own analysis, 2022.

Value for Money

76. For a policy to be considered VfM it must achieve the strategic and policy objectives. **Option 2** is likely to meet the policy and strategic objectives to meet international FATF standards²³, and allow the UKFIU to gather information from regulated businesses more flexibly and proactively. The FATF is the internationally body committed to developing and promoting policies to combat money laundering. The US is one of 37 member jurisdictions. As a member jurisdiction, the UK meets their standards and agrees to promote FATF standards outside the membership. The FATF's global AML standards are expressed in the form of recommendations, which are written as a guide for governments on how to formulate their AML framework, including recommendations on legislation, supervision, and international co-operation²⁴. The UKFIU was marked as partially compliant by FATF in its ability to obtain further information from businesses. The new IO powers will give the UKFIU more flexibility to compel regulated businesses to provide further information, bringing the UK in line with FATF recommendations.
77. Although the NPSV for **Option 2** is estimated at **-£1.0 million**, this is because the expected benefits of the policy have not been monetised. Given that the current form of IO requests have never been used, there is no data on asset denials associated with IO requests. It has not been possible to use asset denials related to POCA 2002 orders or s7 of CCA 2013 requests as a proxy, as data on asset denials is not recorded in such a way that asset denials can be attributed to any particular type of information requests, such as s7 requests.
78. However, the costs are low and it is anticipated that asset denial benefits would not need to be high for benefits to exceed costs. A review of case studies where a single SAR or defence against money laundering SAR (referred to as a DAML) has resulted in asset seizure suggests these seizures to be between a range of **£0.3 million and £1.0 million** (see case studies in Annex B for more detail). Assuming an IO provide intelligence to UKFIU of similar quality of a SAR or DAML, then it would take three seizures over 10 years for the legislation to breakeven (£1 million seizures). With the expectation that UKFIU will make IO request when the benefits of the required intelligence outweigh the costs, three seizures in ten years is a very conservative estimate, and as such, the benefit of the measure is expected to outweigh the costs.

Impact on small and micro-businesses

79. Small and micro-businesses make up the vast majority of the regulated sector by number of businesses. According to Business Population Estimates 2021, around 99 per cent of the total business population is made up of small businesses (0 to 49 employees)²⁵. The proposed change to IO powers would mean businesses were compelled to respond to IO requests and provide information to the UKFIU. The targeted consultation revealed some concerned about 'fishing' expeditions and the effect this may have on smaller firms, particularly if requests increase, as there is a concern that business costs may increase for SMEs, which could potentially deter them from money laundering efforts. Although the anticipated volume of IO requests is unknown, the frequency of requests is not anticipated to be high, and as such, a disproportionate increase in costs to SMEs is not expected. It is possible that a proportion of current s7 requests may be issued as an IO request instead, meaning that not all IOs issued would be *additional* to s7 requests. It is also possible that the resource and time costs required to respond to an IO request may be disproportionately high for SMBs, who are likely to have significantly fewer resources than larger firms. However, based on current data from s7 of CCA 2013 requests, typically when requests are rejected it is due to legal concerns, not resourcing constraints. There is no evidence to suggest that SMBs currently face disproportionate resource issues when responding to voluntary requests, therefore it is not anticipated that there would be significant or disproportionate impacts on SMBs as a result of this change.

²³ [Documents - Financial Action Task Force \(FATF\) \(fatf-gafi.org\)](#)

²⁴ [FATF Recommendations 2012.pdf \(fatf-gafi.org\)](#)

²⁵ [2021 Business population estimates for the UK and the Regions: Statistical Release \(publishing.service.gov.uk\)](#)

F. Proportionality

80. As this is a Final stage IA, the impacts have been monetised as far as possible, making use of findings from the Home Office consultation with the regulated sector and LEAs. The impact estimates associated with the proposed changes are indicative only.
81. Whilst the IA would have benefited from the monetisation of all the identified impacts, a proportional approach was taken to monetise costs that were considered to have material impacts, with those expected to be minimal left unmonetised. The benefits were not monetised due to lack of data, however, the level of asset seizures required for the legislation to breakeven is presented. In most cases of unmonetised costs, there were either a lack of data or significant data challenges.

G. Risks.

Greater burden on courts and law enforcement

82. These IOs can be time consuming as law enforcement require court authorisation. The greater administrative burden for law enforcement obtaining authorisation, and courts granting it, may put investigations on hold, which could impact their ability to seize assets. Whilst the anticipated volume of IO requests is unknown, the frequency of requests is not anticipated to be high, using the proxy of current s7 CCA 2013 requests of about 40 per month across the whole regulated sector. It is also possible that some proportion of current s7 requests may be issued as an IO request, instead of all IOs being issued *additional* to s7 requests. Therefore, it is not anticipated that the administrative burden will have a significant impact on investigations, and based on this, the impact of this risk on the overall costs is low.

Number of IO requests

83. There is a risk that the number of IO requests is greater than anticipated. However, based on current volumes of s7 CCA 2013 requests being very low, it is unlikely that the number of IO requests associated with the new powers will be significantly higher than estimated. In addition, it is expected that UKFIU would raise IO requests if the expected intelligence outweigh the administrative burden and costs, and as such, it would not act as a replacement for the s7 of CCA 2013.

H. Wider impacts

84. There are no anticipated wider impacts of these proposals.

I. Trade Impact.

85. There are no anticipated trade or investment implications of the measure.

J. Monitoring and evaluation (PIR if necessary)

86. The proposal is at final stage. There is an existing monitoring and evaluation plan for IOs.
87. The number of IO requests raised will be monitored, using the same process as s7 CCA 2013 requests.
88. The UKFIU maintain a central register where all s.7 requests are logged and tracked from the point of sending to the time of receipt of a response, including details of the number of chasers and due dates for responses. This register was bought in to place in 2021 as part of the work that UKFIU have been doing to try and identify a potential candidate case for an IO and contains details of s.7 requests made since early 2021.
89. Prior to this date details of s.7 requests were held in individual cases folders.
90. The UKFIU will also maintain a central register of any IOs that are submitted, as and when a suitable test case is identified, however it is not anticipated that IOs will be required in a large number of cases.
91. The IOs will be evaluated in October 2026 as part of the overall review of the Economic Crime measures. Data for this monitoring and evaluation either exists or will be put in place.

Impact Assessment Checklist

Mandatory specific impact test - Statutory Equalities Duties	Complete
<p>Statutory Equalities Duties</p> <p>The new power seeks to improve the UKFIU’s functions in its ability to conduct proper analysis to request further information from regulated businesses. The Government anticipate the new power will have a small impact on businesses in the regulated sector, as they will need to comply, which may require some additional administration costs. The impact will be small, as it will only be exercised in cases where the NCA are unable to receive the information they need from businesses via a voluntary section 7 CCA 2013 request.</p> <p>There is no evidence to suggest the new power will affect those who are protected under the Equality Act 2010. This proposal does not remove or increase disadvantages directly or indirectly to any of those protected under the nine protected characteristics.</p> <p>The SRO has agreed these summary findings of the Equality Impact Assessment.</p>	<p>Yes</p>

Any test not applied can be deleted except **the Equality Statement**, where the policy lead must provide a paragraph of summary information on this.

The Home Office requires the **Specific Impact Test on the Equality Statement** to have a summary paragraph, stating the main points. **You cannot delete this and it MUST be completed.**

Economic Impact Tests

<p>Small and Micro-business Assessment (SaMBA)</p> <p>Due to being part of the regulated sector SMBs would be impacted by the proposals. While they would not specifically be targeted at SMBs, they have fewer resources to respond to IOs. The proposed change to IO powers would mean businesses were compelled to respond to IO requests and provide information to the UKFIU. It is possible that the resource and time costs required to respond to an IO request may be disproportionately high for SMBs, who are likely to have significantly fewer resources than larger firms. However, based on current data from s7 CCA 2013 requests, typically when requests are rejected it is due to legal concerns, not resourcing constraints. There is no evidence to suggest that SMBs currently face disproportionate resource issues when responding to voluntary requests, therefore it is not anticipated that there would be significant or disproportionate impacts on SMBs as a result of this change.</p>	<p>Yes</p>
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Annex A – Engagement paper responses

1. A targeted consultation was held during the 1 November to 30 November 2021 with the main stakeholders impacted by economic crime which includes financial institutions, legal and accountancy businesses, money services businesses (MSBs), SMEs, and businesses in the AML regulated sector. The purpose of the engagement was in recognition of the number of actions set out in the Economic Crime Plan that may require or may significantly benefit from being underpinned by further legislative change.
2. The proposal set out in the consultation paper is to strengthen the National Crime Agency (NCA) powers to request information from businesses in the AML regulated sector about suspicious money laundering, to ensure that its powers are in line with those of international peers.
3. Respondents were asked whether they agree with Government’s proposed threshold for use of an IO for the purpose of the NCA carrying out the functions of a FIU represent a legitimate and proportionate basis for use of the new power.
4. There are a total number of 44 formal responses from the engagement paper.
5. Overall, the responses from this demonstrated support for the proposal, largely by the financial sector. Some firms are concerned about suspicious requests and the effect this may have on smaller firms, particularly if requests increase, as there is a concern that business costs may increase for SMEs, which could potentially deter them from money laundering efforts. There were a small portion of responses that suggest including a statutory footing of the UKFIU’s functions and to include the limits the IO power will have.

Full List of Respondents

1	Association of Accounting Technicians	23	HMRC
2	Association of British Insurers	24	Institute of Chartered Accountants of Scotland
3	Association of Foreign Banks	25	Institute of Chartered Accountants
4	Association of Taxation Technicians	26	Institute of Financial Accountants
5	Bank of England	27	Kraken
6	Bar Council	28	Law Society
7	Bar Standards Board	29	Law Society of Northern Ireland
8	Betting and Gaming Council	30	National Pawnbrokers Association
9	Betway	31	NIE - Department of Justice
10	British Vehicle Rental and Leasing Association	32	Payments Association
11	Chartered Accountants Ireland	33	PIMFA
12	Chartered Institute of Management Accountants	34	Propertymark
13	Chartered Institute of Taxation	35	Royal Institute of Chartered Surveyors
14	Cifas	36	RUSI
15	CILEx Regulation	37	RUSI Centre for Financial Crime and Security Studies
16	CPS	38	Santander
17	Deloitte	39	Scottish Government
18	Digivault	40	Serious Fraud Office
19	Electronic Money Association	41	Solicitors Regulation Authority
20	Federation of Small Businesses	42	Spotlight corruption
21	Gambling Commission	43	UK Finance
22	Gemini	44	Ziglu

Annex B – SARs Case Studies

Suspicious Activity Reports - Annual Report 2020²⁶

- The UKFIU received a SAR requesting a DAML to pay over £600,000 back to the subject as the reporter suspected that the customer was obtaining funds through illegitimate trading. The UKFIU refused the DAML request, rendering the reporter unable to disseminate the funds, and enabling the investigating LEA to secure an account freezing order (AFO) for the full amount.
- A reporter submitted a DAML SAR after having concerns that a client's account showed suspicious funds being received from third party businesses. The UKFIU refused the DAML request enabling an LEA to freeze over £2m. A subsequent SAR was later submitted by another reporter which led to a further account being frozen with a balance of over £500,000. Enquiries are ongoing.

Suspicious Activity Reports - Annual Report 2019²⁷

- A reporter sought a DAML to release almost £600,000 to the subject. Following liaison with local police the UKFIU refused the request as the subject had been identified as a convicted criminal operating under an alias with previous convictions for fraud offences. The subject had been given a serious crime prevention order and was subject to a confiscation order. Refusing the DAML enabled the LEA to secure a restraint for the full amount along with other assets in the form of vehicles and property. Enquiries are ongoing into other identified offences.
- A reporter submitted a DAML for almost £250,000 on a politically exposed person (PEP) who was being investigated overseas for corruption. The subject's UK account was receiving global transfers from his own accounts in foreign jurisdictions and the reporter was concerned that the funds in the UK account may represent the proceeds of crime. The UKFIU refused the request, enabling the NCA's International Corruption Unit to work with the overseas jurisdiction and coordinate the activity to allow for a restraint order to be obtained, which denied assets to an international offender on behalf of foreign partners.
- Following submission of a SAR, law enforcement commenced an investigation into possible money laundering which uncovered a multi-millionpound Ponzi scheme involving a significant number of victims, mainly from overseas. The subject of the SAR was subsequently apprehended and is currently in custody awaiting trial. As a result of the SAR submission, further criminality was prevented. Through the use of its powers to apply for an extension to the SAR moratorium period, law enforcement managed to secure the substantial balances which remained in the subject's accounts. These recovered funds will go some way to assist in repaying the victims of this crime.
- A financial investigator made enquiries into a company following a DAML request. The enquiry led to the investigation of previous and current directors of the company. It became apparent that the subjects were setting up limited companies, of which the linked bank accounts were in receipt of far greater credits than their declared anticipated turnover. This prompted further SARs. Numerous companies, both in the UK and overseas, were identified as being owned or controlled by the subjects. The UK company accounts would receive vast sums of monies, the majority of which were then transferred to overseas companies before being transferred back to the UK. As a result of the initial SAR, cash in excess of £300,000 has been recovered and assets in the region of £1 million have been restrained. Enquiries are ongoing but it is believed at this stage of the investigation that in excess of £10m has been laundered.

²⁶ [file \(nationalcrimeagency.gov.uk\). https://www.nationalcrimeagency.gov.uk/who-we-are/publications/480-sars-annual-report-2020/file](https://www.nationalcrimeagency.gov.uk/who-we-are/publications/480-sars-annual-report-2020/file)

²⁷ [file \(nationalcrimeagency.gov.uk\)](https://www.nationalcrimeagency.gov.uk/who-we-are/publications/480-sars-annual-report-2020/file)