

Centre for the Study of Corruption



Treasury Committee Inquiry into Economic crime
submission by the Centre for the Study of Corruption at the University of Sussex

Professor Liz David-Barrett
Director, Centre for the Study of Corruption, University of Sussex
e.david-barrett@sussex.ac.uk

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- **Research:** undertaking rigorous academic research to address the world's major corruption issues
- **Courses & Teaching:** training the next generation of anti-corruption professionals around the world from undergraduates to PhDs, with three Masters courses
- **Policy:** ensuring that our research informs evidence-based policy and helps change the world.

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Centre for the Study of Corruption University of Sussex, Falmer, Brighton BN1 9QE

Professor Liz David-Barrett

Director

e.david-barrett@sussex.ac.uk

<https://www.sussex.ac.uk/research/centres/centre-for-study-of-corruption/policy>

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Note and recommendation on professional enablers and systemic AML reform

The Centre for the Study of Corruption (CSC) at the University of Sussex has contributed to the submission by the UK Anti-Corruption Coalition, of which it is a member.

In this brief additional submission, we wish to elaborate on the area of professional enablers, as this has been an area for our research.

Regulation aimed at reducing economic crime, in particular money laundering, has tended to trust key professions that are exposed to risk – banks, lawyers, accountants, real estate – to identify, manage and report those risks themselves, in a regulatory approach known as responsabilisation.

However, empirical evidence from the FinCEN files and from enforcement actions suggests that the professions are often implicated in facilitating or covering up money laundering and other kinds of economic crime.

Moreover, our own CSC research as well as that of others has found that the professions sometimes find their precise responsibilities unclear,¹ while research from behavioural ethics suggests that, where rules are ambiguous, individuals often seek out ways of justifying unethical behaviour.²

Taken together, this means that the current approach of responsabilisation may be systematically failing to reduce the UK's exposure to money laundering. This at least merits deeper research into how the current rules are perceived and whether improvements in

¹ Zavoli, I., & King, C. (2020). New development: Estate agents' perspectives of anti-money laundering compliance—four key issues in the UK property market. *Public Money & Management*, 40(5), 415-419; Levi, M. Making sense of professional enablers' involvement in laundering organized crime proceeds and of their regulation. *Trends Organ Crim* (2020).

² Boussalis, C., Feldman, Y., & Smith, H. E. (2018). Experimental analysis of the effect of standards on compliance and performance. *Regulation & Governance*, 12(2), 277-298; Feldman Y. (2014) Behavioral Ethics Meets Behavioral Law and Economics. In: Zamir E, Teichman D (eds) *The Oxford Handbook of Behavioral Economics and the Law*, pp. 213–240. OUP, New York.

compliance might be achieved either by making the rules more specific or by improving the monitoring and enforcement regime.

However, more radical reform could also be necessary. After 20 years of the current AML system, it may be time for a complete overhaul. This would require a comprehensive review of the AML regime, addressing responsabilisation, the strengths and weaknesses of the existing risk-based approaches, the desirability of a SARS-type approach, and the impact on low-risk consumers. Fundamentally, two decades on from the original design and in a world which is significantly different to that of 20 years ago, a review should be asking whether the current regime is fit for purpose, and examining the options for replacing it.