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

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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 responsibilisation.

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 responsibilisation 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

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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 responsibilisation, 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.