

# Home Office Impact Assessment

**Title:** Economic Crime and Corporate Transparency Bill 2022 - Overarching IA for measures on Economic Crime

**Date:** 13 January 2023

**Stage:** FINAL

**Intervention:** Domestic

**Measure:** Primary Legislation

**Enquiries:**  
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**IA No:** HO0413

**RPC Reference No:** Not yet known

**Other departments or agencies:**

**RPC Opinion:** GREEN

**Business Impact Target:** Qualifying provision

## Cost of Preferred (or more likely) Option (in 2022/23 prices)

| Net Present Social Value NPSV (£m) |  | Business Net Present Value BNPV (£m) |  | Net cost to business per year EANDCB (£m) |  |
|------------------------------------|--|--------------------------------------|--|---|--|
| 928.7                              |  | 295.4                                |  | -34.3                                     |  |

### What is the problem under consideration? Why is government intervention necessary?

Despite improvements in the anti-money laundering (AML) and terrorist financing systems, significant criminal profits and terrorist funding continue to make it into the financial system. Criminals and terrorists take advantage of new technology to hide and move illicit finance. Government needs to intervene to introduce new exemptions and powers to give law enforcement and business the tools to strengthen against economic crime and terrorist financing. This impact assessment (IA) summarises the impacts of the five economic crime measures in the Bill.

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

The strategic objective of the Bill is to contribute to the Home Office's priority outcome to reduce crime, and the wider Government objective to increase UK prosperity and enhance security. This IA covers measures within the Bill that are focused on the following main policy objectives: **1.** help law enforcement agencies more effectively challenge criminals, **2.** enable businesses to share information about activity that could relate to economic crime more easily, **3.** reduce the regulatory burden on businesses involved in suspicious activity reporting (SARs), and **4.** facilitate faster and more efficient processes for the seizure of cryptoassets. The intended effect is a reduction in costs to the regulated sector and increased seizures and recovery of illicit and terrorist assets.

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

**Option 1:** 'Do-nothing' and allow system to operate – and threats to evolve – as currently.  
**Option 2** includes: **1.** Defence Against Money Laundering (DAML) reporting exemptions for handling mixed suspected illicit and legitimate funds. **2.** DAML reporting exemptions for exiting and paying away property below £1,000. **3.** Disapply any obligation of confidence owed by the institution sharing information to combat economic crime. **4.** Amend Information Orders. **5.** Facilitate the recovery of cryptoassets obtained or derived from criminal activities, or to be used for a terrorist purpose. **Option 2 is the Government's preferred option** and it meets the Government's objectives.


| Main assumptions/sensitivities and economic/analytical risks | Discount rate (%) | 3.5 |
|--|-------------------|-----|
|--|-------------------|-----|

The main analytical assumptions and risks across the five individual measures can be summarised into: the cost saving of submitting a SAR instead of a DAML is subject to significant uncertainty. Some assumptions are used to estimate impacts where data is absent. Economic crime includes money-laundering, fraud, bribery, sanction-evasion and counter terrorist financing. Forecast volumes are significantly uncertain and the high scenario is illustrative over a 10-year period.

**Will the policy be reviewed?** It will be reviewed. If applicable, set review date: October 2026

*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: Economic Crime and Corporate Transparency Bill 2022 - Overarching IA for Economic Crime

## 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:   | 240.2      | High:   | 3,853   | Best:   | 928.7     | Best BNPV             | 295.4      |   |

| COSTS, £m     | Transition<br>Constant Price | Ongoing<br>Present Value | Total<br>Present Value | Average/year<br>Constant Price | To Business<br>Present Value |
|---------------|------------------------------|--------------------------|------------------------|--------------------------------|------------------------------|
| Low           | 8.4                          | 84.6                     | 93                     | 10.8                           | 87.3                         |
| High          | 65.2                         | 342.1                    | 407.3                  | 46.3                           | 164.4                        |
| Best Estimate | 24.6                         | 117.5                    | 142.1                  | 16.2                           | 106.5                        |

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

Total costs are estimated to be **£93 to £407.3 million (PV)**, with a central estimate of **£142.1 million (PV)** over 10 years. These include anticipated familiarisation, administration costs, and IT platform costs to businesses in the regulated sector, and costs to law enforcement agencies (LEAs), UK Financial Intelligence Unit (UKFIU) and the courts (HMCTS).

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

The proposed Bill measures covered by this overarching IA are expected to result in non-monetised costs which includes: some minimal implementation and administration costs. This includes costs such as the cost to train staff members, reallocate staff or additional costs to change internal policy.

| BENEFITS, £m  | Transition<br>Constant Price | Ongoing<br>Present Value | Total<br>Present Value | Average/year<br>Constant Price | To Business<br>Present Value |
|---------------|------------------------------|--------------------------|------------------------|--------------------------------|------------------------------|
| Low           | N/A                          | 333.0                    | 333.0                  | 40.5                           | 207.4                        |
| High          | N/A                          | 4,259.7                  | 4,259.7                | 499.0                          | 833.2                        |
| Best Estimate | N/A                          | 1,070.8                  | 1,070.8                | 129.9                          | 401.5                        |

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

Total benefits are estimated to be **£333.0 to £4,259.7 million (PV)**, with a central estimate of **£1,070.8 million (PV)** over 10 years. The main benefits anticipated include: reduced financial crimes, increased recovery of criminal assets, and costs savings for impacted businesses in the regulated sector that are likely not to have to complete as many authorised disclosures. The considerable degree of uncertainty in SARs and DAML volume trajectories is reflected in the

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

The proposed Bill measures covered by this IA are expected to result in non-monetised benefits which includes: businesses and individuals with suspected mixed property would no longer face financial hardships as they would have access to reasonable living expenses, improve the efficiency of the regulated sector due to better information sharing, greater customer satisfaction, and increased trust and confidence in the regulated sector.

## BUSINESS ASSESSMENT (Option 2)

|   |     |             |       |         |         |     |             |     |       |   |
|---|-----|-------------|-------|---------|---------|-----|-------------|-----|-------|---|
| Direct impact on business (Equivalent Annual) £m:   |     |             |       |         |         |     |             |     |       |   |
| Cost, £m  | 0.1 | Benefit, £m | 34.4  | Net, £m | 34.3    |     |             |     |       |   |
| Score for Business Impact Target (qualifying provisions only) £m:   |     |             |       |         | -171.8  |     |             |     |       |   |
| 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 <sub>2</sub> equivalent change in greenhouse gas emissions?<br>(Million tonnes CO <sub>2</sub> equivalent) |     |             |       |         | Traded: | N/A | Non-Traded: | N/A |       |   |

## PEOPLE AND SPECIFIC IMPACTS ASSESSMENT (Option 1)

|   |   |   |   |
|---|---|---|---|
| Are all relevant Specific Impacts included? | Y | Are there any impacts on particular groups? | Y |
|---|---|---|---|

## Evidence Base (for summary sheets)

### A. Strategic objective and overview

#### A.1 Strategic objective

1. Criminals continue to be relentless in their pursuit of financial gain and government's collaborative efforts must match and exceed their relentlessness.
2. The strategic objective of this proposal is to contribute to the Home Office's priority outcome of reducing crime, as well as the wider government objective to increase UK prosperity and enhance security.
3. Government have listened to colleagues in law enforcement and the private sector and have heard the case for further legislative reform on economic crime, particularly to: enable effective information sharing; continue to improve the overall system response to money laundering (informed by the recent Law Commission Review on aspects of the Suspicious Activity Reporting<sup>1</sup> (SARs) regime (and its ongoing review of the confiscation regime), and to strengthen the Government's ability to recover the proceeds of crime and reduce the threat of terrorist financing, particularly cryptoassets.
4. The measures considered in this IA relate to a series of proposals to reform current legislation and create new powers to help recover the proceeds of crime and reducing the ability of terrorists to raise, move and fund activities.
5. Whilst the Home Office have not identified widespread use of cryptoassets by terrorists in the UK, it is anticipated that these will increasingly be used for terrorist activities, including attack planning, propaganda and donations to smuggle persons of terrorist concern out of internally displaced persons (IDP) camps, such as those in Syria.

#### A.2 Background

6. The Government's Integrated Review of Security, Defence, Development and Foreign Policy,<sup>2</sup> makes a clear commitment to stepping up the UK's efforts on tackling serious and organised crime. It highlighted the ongoing necessity for more to be done to '*bolster [the Government's] response to the most pressing threats the UK faces from organised criminals, including: economic crime, illicit finance and fraud.*' It also commits government, when parliamentary time allows, to introduce legislation that tackles economic crime, including the use of UK corporate structures in facilitating high-end money laundering.
7. Whilst the threat is serious, the illicit nature of economic crime continues to make it difficult to accurately assess the true scale and impact on the UK. However, the estimate of hundreds of billions of pounds set out in the Economic Crime Plan 2019-22<sup>3</sup> remains realistic, with economic crime continuing to cover a broad range of illicit activity which causes serious harm to the public. Economic crimes like fraud, corruption and money laundering enable and fund other crimes which cause lasting harm, including child sexual exploitation, drug abuse, human trafficking and modern slavery. Communities are left damaged, and it is often the most vulnerable citizens who are particularly harmed.

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<sup>1</sup> [The Law Commission final report on the UK SARs regime | Regulation Tomorrow.](https://www.regulationtomorrow.com/eu/the-law-commission-final-report-on-the-uk-sars-regime/#:~:text=On%2018%20June%202019%2C%20the%20Law%20Commission%20published,laundrying%20the%20proceeds%20of%20any%20criminal%20conduct%20)  
<https://www.regulationtomorrow.com/eu/the-law-commission-final-report-on-the-uk-sars-regime/#:~:text=On%2018%20June%202019%2C%20the%20Law%20Commission%20published,laundrying%20the%20proceeds%20of%20any%20criminal%20conduct%20>

<sup>2</sup> [The Integrated Review of Security, Defence, Development and Foreign Policy.](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/975077/Global_Britain_in_a_Competitive_Age_the_Integrated_Review_of_Security_Defence_Development_and_Foreign_Policy.pdf)  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/975077/Global\\_Britain\\_in\\_a\\_Competitive\\_Age\\_the\\_Integrated\\_Review\\_of\\_Security\\_Defence\\_Development\\_and\\_Foreign\\_Policy.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/975077/Global_Britain_in_a_Competitive_Age_the_Integrated_Review_of_Security_Defence_Development_and_Foreign_Policy.pdf)

<sup>3</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/816215/2019-22\\_Economic\\_Crime\\_Plan.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/816215/2019-22_Economic_Crime_Plan.pdf)

8. The critical importance of the financial sector to the UK's economy means that money laundering, and particularly high-end money laundering (the laundering of large amounts of illicit funds through the financial and professional services sectors), can threaten the UK's national security and prosperity, while also undermining the integrity of the UK's financial system and international reputation. To ensure the integrity of the UK's financial system and to protect businesses, people and communities, the Government must continue to review and develop the legislative tools required to combat economic crime effectively.
9. Despite key improvements in the Anti-Money Laundering (AML) system, significant amounts of criminal profits continue to make it into the financial system, with a realistic possibility that the scale of money laundering impacting on the UK (including through UK corporate structures or financial institutions), is in the hundreds of billions of pounds per year. The difficulties in detecting and taking action against money laundering and economic crime have grown in recent years, driven largely by:
  - An increase in data volumes flowing through the system.
  - The inability of certain parts of the system to share information quickly with the rest of it.
  - Evolutions in the use of technology and criminal behaviour.
10. Broadly, the current legislative proposals to tackle some of the biggest challenges that the UK faces from economic crime fall into two sections;
  - **Strengthening AML powers**
    - **DAML exemptions for handling mixed property (formerly ring fencing) and exiting and paying away property below £1,000:** Reducing the regulatory burden on businesses associated with the suspicious activity reporting (SARs) regime in Part 7 of the Proceeds of Crime Act 2002 (POCA 2002) by amending statutory reporting requirements, thereby freeing up public sector resources to focus on activity that better supports targeting criminals.
    - **Information Sharing:** Enabling certain businesses to more easily share information with one another for the purposes of preventing and detecting economic crime. This proposal would help businesses to detect criminality that takes place across multiple institutions and prevent criminals whose relationship is terminated with one business from re-entering the financial system by opening an account with another institution shortly thereafter.
    - **Information Orders:** Strengthening the National Crime Agency (NCA) powers to request information from businesses in the AML regulated sector (for example, banks, law firms and accountants) in relation to money laundering, ensuring that its powers are in line with those of the UK's international peers.
  - **Cryptoassets**
    - Creating new powers and improving existing powers to facilitate faster and more efficient processes for the seizure of cryptoassets. These powers would also support the UK's efforts against the growing threat from ransomware criminals who frequently utilise cryptoassets. The changes proposed would be mirrored in counter-terrorism legislation, enabling LEAs to mitigate the risk that cryptoassets become increasingly used for terrorist purposes.
11. These reforms are part of the joint HO/BEIS Economic Crime and Corporate Transparency Bill, with the purpose of safeguarding and support the UK's open economy, whilst tackling people abusing that openness.
12. As part of this Bill, BEIS is also introducing measures relating to company law on reforming Companies House and the Limited Partnership corporate structure:

- **Companies House reform** is a policy package to increase the transparency of companies and other legal entities, strengthen the integrity of the companies register and reforms to the role and powers of Companies House.
  - **Limited Partnerships reform**, which will seek to tackle the misuse of limited partnerships, especially Scottish limited partnerships, while modernising the law governing them.
13. Parallel impact assessments (IAs) for these measures have been published alongside the Bill. The BEIS IAs include further details on the costs and benefits of the proposals outlined above.

### A.3 Groups affected

14. Law Enforcement Agencies (LEAs) will be affected as they will need to familiarise themselves with the new legislation.
15. The Criminal Justice system (CJS) will be affected as familiarisation with the new legislation will be required, and, for example, authorising the IO request or where forfeiture of the property is sought.
16. Individuals will also be affected. The review is expected to reduce delays for customers. Transactions for individuals can be delayed for up to seven working days, while the UKFIU<sup>4</sup> considers a DAML request.
17. Regulated sector. The regulated sector is defined in Schedule 9 of the POCA 2002<sup>5</sup> as:
- Banks and credit institutions.
  - Stockbrokers and investment firms.
  - Insurance companies and insurance intermediaries.
  - Auditors, accounts, book-keepers, tax advisers.
  - Property dealers and estate agents.
  - Trust or company formation and management.
  - Legal services.
  - Trading in goods for cash of at least £13,000.
  - Casinos.
  - Auction platforms.
18. Overseas governments and other international inter-governmental bodies (such as the Financial Action Task Force (FATF)). The cryptoasset system spans across multiple jurisdictions. This extra-territorial element of cryptoassets means that issues occurring in one state could effect another. It is likely that LEAs across states will need to work with one another or work with exchanges in other states in order to track down the proceeds of illicit and terrorist finance. As this is a new space, any legislation put through will be of interest to others. The FATF develops and promotes policies to protect the global financial system against money laundering, terrorist financing, and financing of proliferation of weapons of mass destruction so too will be interested in what the UK has put forward in regards to combatting some of these issues and their connection with cryptoassets.
19. The general public — whose safety and security is impacted by the threat of serious and organised criminals who launder the proceeds of their crimes through cryptoasset platforms. The public will also be interested in changes to counter terrorism legislation and how the Government is meeting its strategic objective in keeping UK citizens safe from terrorism.

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<sup>4</sup> UK Financial Intelligence Unit (UKFIU) is independently located within the National Economic Crime Command (NECC) as part of the National Crime Agency (NCA).

<sup>5</sup> <https://www.legislation.gov.uk/ukpga/2002/29/schedule/9>

## A.4 Consultation

20. This impact assessment (IA) accompanies the targeted engagement document on Reforming Economic Crime Legislation, focusing on Home Office measures only. The targeted engagement sought views from key stakeholders in the AML regulated sector and wider organisations that are impacted by economic crime. The engagement included 15 questions on measures covering Anti Money Laundering (AML), 11 on cryptoassets measures, and was shared with over 100 organisations. Written responses were received from 44 organisations. **Annex A** presents the list of organisations and questions.
21. Written responses were received from 44 organisations, of which 41 organisations responded to questions on AML measures. For the crypto measures, 20 organisations responded. Eight organisations responded to the general question. The respective IAs have more details.
- **DAML reporting exemptions for handling mixed property (formerly ring fencing):** The majority of responses were in favour of the Government's approach as it provides a proportionate response to the issue by allowing individuals and businesses access to their property and providing legal protection to reporters who intend to preserve or isolate suspected criminal property. General feedback noted in principle that this is a sensible and practical solution to the risks of economic loss to those subjected to a DAML. Ringfencing, as a way to handle mixed property, was also a recommendation from the Law Commission. Respondents expressed a desire for flexibility in the approach to the preservation of suspected criminal property so that business model disruption would be minimal to achieve the same outcome. There is some concern about how this will work with multiple accounts or types of property – assets have been categorised as property to enable flexibility in application.
  - **DAML reporting exemption for exiting and paying away property below £1,000:** Feedback showed that around 95 per cent of respondents supported a value-based threshold exemption, with a few stakeholders concerned that intelligence could be lost. However, this is mitigated with the requirement for a SAR under s.330 of POCA 2002. Some sectors felt that a higher threshold of at least £3,000 would be more beneficial. In consultation with the NCA, the Government believes that aligning the monetary threshold with the minimum for an account freezing order balances raising the threshold with the risk of lost intervention opportunities. The monetary value will be kept under review by the public/private cross-sector SARs Advisory Group and will be able to be raised or lowered in secondary legislation.
  - **Information Sharing:** Feedback from the targeted consultation led to the decision to limit the users of information sharing measures, but to cover a broader range of crimes. The banking and financial sector noted that the proposed powers, which confined information sharing solely in relation to money laundering, were too narrow to fully realise the potential benefits of this power. Although a majority of respondents agreed in principle with the removal of barriers to sharing appropriate information to tackle money laundering, accountancy and legal firms noted that the proposals seemed to target primarily financial institutions and were unsure whether the proposals would add value to their sector due to the fact that many accountants and lawyers run small practices (less than five people) and so the costs to the businesses and additional burdens in terms of data security and storage were unlikely to outweigh the benefits. Initially, the decision was made to limit information sharing measures to deposit taking bodies, e-money and payment institutions, bribery, sanction-evasion and counter-terrorist financing, as opposed to money laundering only. That was met with opposition from some of the sectors not covered by it. Therefore, the decision was made to expand direct sharing to the entire AML regulated sector, to align with consultation responses where many smaller firms wanted to be able to share information directly but did not have appetite for signing up for an indirect database. The decision was also made to expand indirect sharing to include cryptoasset exchanges (in addition to the financial sector) with cryptoassets being recognised by law enforcement as a key threat area being exploited by criminals. Indirect sharing was also expanded to include large legal and accountancy firms as well as insolvency practitioners,

auditors, tax advisors, large accountancy and legal firms (defined as those with UK revenue above £36m),

- **Information Orders:** 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.
  - **Cryptoassets:** Around half of respondents agreed the provided definitions were sufficiently broad for the purposes of the legislative proposals, however, there were suggestions that the definitions should be as broad as possible, specifically, the inclusion of NFTs or be able to include other digital assets that might emerge in the future. Respondents also express the need for the legislation to remain flexible, to protect innovation in the sector and for law enforcement to be able to use it as effectively as possible. All of the respondents agreed that the legislation should be mirrored in the Anti-Terrorism, Crime and Security Act 2001 (ATCSA 2001).
22. Post-consultation, the Government are continuing to engage and consult with LEAs and the private sector to ensure an open avenue for continuous feedback and views during the Bill's passage

## **B. Rationale for intervention**

23. This is an overarching IA that is a combination of five individual Home Office measures, with IAs, accompanying the Economic Crime and Corporate Transparency Bill. A summary rationale is presented is here. For more detailed discussions, readers are directed to the individual IAs.

### **DAML reporting exemptions for handling mixed suspected criminal and legitimate property (formerly called ring-fencing).**

24. The common practice with the current law when a business submits a DAML due to suspicious property, which may be mixed with legitimate property, is to freeze the entire property. This can cause significant economic harm to a customer who cannot access legitimate funds e.g. to pay living expenses.
25. The aim of the proposed exemptions is to mitigate the risks of economic harm to a potentially innocent party. The exemptions give AML regulated sector institutions legal protection to preserve suspicious criminal property, either by segregating funds or maintaining a threshold of the value of suspicious property, without requiring a DAML for the action.

### **DAML reporting exemptions (introducing additional exemptions)**

26. The volume of DAML SARs continues to rise, increasing 80 per cent between 2018/19 and 2019/20. Many DAMLs do not provide law enforcement with asset denial opportunities but increase the burden on staff throughout the system. The AML regulated sector businesses typically experience delays of up to seven working days in processing customer transactions whilst waiting for a decision from the UKFIU.
27. The proposed exemptions for DAML reporting to be made for certain types of transactions aims to reduce the number of ineffective DAMLs submitted, allowing law enforcement resource to focus on higher value activities.

### **Information sharing (between AML regulated businesses)**

28. Currently, a business in the AML regulated sector concerned that one of its customers is engaged in economic crime is only able to see its own information when conducting an investigation.
29. The new measures are aimed at enabling better information sharing between specific businesses (AML regulated sector for direct sharing, and the financial sector, including crypto exchanges, wallet providers, large accountancy, and legal firms as well as large insolvency practitioners, auditors, tax advisors, for indirect sharing) to help them better detect and prevent economic crime. This proposal would help businesses to detect criminality that takes place across multiple institutions, in the way that money laundering usually does; as well as preventing criminals whose relationship is terminated with one business to re-enter the financial system by opening an account with another institution shortly thereafter.

### **Information Orders**

30. Under the existing legislation, the Further Information Order (IO) power can only be made if there is a pre-existing disclosure (also known as a suspicious activity report (SAR)). This does not align the UKFIU with international standards and creates obstacles when international FIU's request further information from the UKFIU and a SAR has not been submitted by UK reporters.
31. The proposed measure aims to remove the condition of a pre-existing SAR when submitting an IO request.

### **Cryptoassets** (amendments to civil powers to create new seizure, detention and forfeiture powers)

32. The UK's asset recovery legislation has not kept pace with the rapid development and evolution of cryptoassets, with this technology being exploited by criminals to store their illicit finance. Whilst the threat of cryptoasset use by terrorists is not widespread in the UK, the Government anticipate that these will increasingly be used to fund terrorist activities.
33. The proposed measure is aimed at equipping LEAs with the right tools to seize cryptoassets and strengthen their ability to recover the proceeds of crime and reduce the threat of these assets being used for terrorist purposes.

## **C. Policy objective**

34. Criminals are increasingly skilled at finding creative ways to move, hide or use the proceeds of crime. The proposed legislation aims to maximise opportunities to disrupt and reduce illicit criminal finance. The detailed policy objectives of each of the measures are presented in the respective IAs for each measure. A summary is provided here:
  - Improve the effectiveness of the AML system, avoid costs to the regulated sector as a consequence of submitting non-serious DAMLs, and free up UKFIU resource otherwise allocated to triaging DAMLs to focus on asset denial opportunities.
  - Enable specific businesses to share customer information with one another for the purposes of preventing and detecting economic crime.
  - Amend POCA 2002 to create an exemption to allow criminal property to be preserved.
  - Enable IOs to be used more flexibly to allow the UKFIU to respond more easily to requests for information from international counterparts, where no SAR has been submitted by UK reporters.
  - Bring cryptoassets within the scope of civil forfeiture powers in Part 5 of POCA 2002. Mirror the civil forfeiture related powers in counter-terrorism legislation, to provide sufficient flexibility to be able to effectively suppress the risk that cryptoassets becoming increasingly used for terrorist purposes.



- Improve trust and confidence in the CJS and regulated sector by providing it with richer information on which to base decisions such as SAR reporting and more proportionality around the handling of mixed assets.

## D. Options considered and implementation

### Option 1: Do-nothing

35. **Option 1** would entail no further government intervention to address identified problems associated with current legislation aimed at dealing with economic crime. This does not meet the Government's objectives.
36. **Option 2** - This section combines all the proposed legislative measures to address the identified inefficiencies and gaps. For further details of each of these measures, readers are directed to individual IAs.
- **DAML exemptions for handling mixed property** - Preserving suspected criminal property, either by transferring suspected illicit funds into another account within the same firm or preventing the value of property held falling below the value of the suspected criminal property.
  - **DAML (Introducing additional exemptions)** - Provide exemption from DAML reporting for certain sub-categories of transactions of under £1,000.
  - **Information Sharing** – Legislation to disapply any obligation of confidence owed by a specified business sharing information, where the information is shared for the purpose of preventing or detecting 'economic crimes'. To begin with, this will be limited to the AML regulated sector for direct sharing, and the financial sector, including crypto exchanges, wallet providers, large accountancy, and legal firms as well as large insolvency practitioners, auditors, tax advisors for indirect sharing, with the power to extend the provision to other sectors provided for in secondary legislation.
  - **Information Orders** - The proposed measure aims to remove the condition of a pre-existing SAR when submitting an IO request. This will align the UK with international standards and enable information sharing between the UKFIU and international FIUs.
  - **Cryptoassets** - Introduce powers to facilitate the seizure and recovery of both illicit and terrorist cryptoassets, to ensure these assets can be recovered relative to cash and other commodities.
37. This is **the Government's preferred option**. It meets the Government's objectives.

## E. Appraisal

### General assumptions and data

38. This is an overarching IA that is a combination of the five individual IAs accompanying the Home Office measures in the Economic Crime and Corporate Transparency Bill. It is a summary of costs and benefits of each of the measures discussed in those IAs. The general assumptions presented here combine assumptions across all the five IAs, some of which are consistent across all five. These are presented first, followed by specific assumptions for the different proposed measures.
39. The general assumptions used in all IAs are as follows:
- All costs and benefits are relative to **Option 1** 'Do Nothing'.
  - The appraisal period for measuring the impacts of the proposals is 10 years and starts in 2022/23.

- A 3.5 per cent annual social discount rate is used.<sup>6</sup>
- Annual costs and benefits are in 2021/22 prices unless otherwise stated.
- All calculations using median hourly wages are taken from the 2020 Annual Survey of Hours and Earning (ASHE) tables (Table 14.5)<sup>7</sup>. The 2020 figures have been used as a more robust 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 (pre-pandemic levels).
- The proposals are assumed to be operational in the first year of the appraisal period without any incremental implementation of measures of benefits.

### Specific assumptions

#### 40. DAML (Introducing additional exemptions) specific assumptions:

- Both UKFIU and regulated sector staff are assumed to work eight hours per day, 227 days a year.

#### 41. Information sharing:

- The specific approach to information sharing will not be prescribed by government, but it is assumed here that firms will use a privately funded third party platform to facilitate information sharing.
- It is assumed that the third-party platform will take time to reach the estimated level of utilisation, with 50 per cent of benefits beginning in Year 1 and 100 per cent of benefits from Year 2 onwards.
- Economic crime includes money laundering, fraud, bribery, sanction-evasion and counter-terrorist financing. However, the appraisal here relies on the number of SARs reports, which cover only suspicions related to money laundering and terrorist financing.
- A significant amount of data/assumptions rely on responses from experts and stakeholders in workshops and the targeted engagement.
- Information sharing will be available to the AML regulated sector for direct information sharing, and the financial sector, including crypto exchanges, wallet providers, in large accountancy, and legal firms as well as large insolvency practitioners, auditors, tax advisors for indirect information sharing, however it is anticipated that deposit taking bodies and payment institutions will be the majority users. The majority of the costs and benefits relate to this sector.

#### 42. Information Orders (IOs):

- The UKFIU Section 7 of the Crime and Courts Act 2013 (CCA 2013) requests are used as a proxy for the new powers. All section 7 requests are used to obtain information from regulated entities to respond to requests from international FIUs. A response to a section 7 request is voluntary.

#### 43. Cryptoassets powers:

- Available figures and evidence of illicit and recoverable cryptoassets are often classified as sensitive due to the covert nature of illicit finance and, both tried and emerging strategies and technologies to combat illicit finance. Therefore, these cannot be published. For this reason, some of the identified costs and benefits are presented in qualitative terms.

<sup>6</sup> HM Treasury (2020) The Green Book.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/938046/The\\_Green\\_Book\\_2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938046/The_Green_Book_2020.pdf)

<sup>7</sup><https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashtable14>

## Inputs and appraisal

44. The main data and input sources include UKFIU, UK Finance, The Law Commission, NCA, Cifas, engagement with LEAs, stakeholder workshops, Home Office's Understanding Organised Crime report 2016<sup>8</sup>, the Home Office's Economic and Social Cost of Crime report 2018<sup>9</sup>, the Experian Annual Fraud Indicator report 2017<sup>10</sup>, the DCMS Cyber Security Breaches Survey 2019<sup>11</sup>, the Home Office Economic and Social cost of contact child sexual abuse report (CSA)<sup>12</sup> and Home Office internal analysis.

## COSTS

### Set-up costs

#### Private sector familiarisation costs

45. For businesses in the regulated sector (private), all the proposed legislative measures will require familiarisation. However, some of the legislative measures only apply to a sub-set of firms in the regulated sector. This has been accounted for in the estimates of familiarisation costs. Firms are expected to read between 150 and 1,250 words on a screen or on paper to become familiar with the new legislation. The amount of words differs across the measures as shown in Table 1. It is assumed that between one and four people in each firm will need to become familiar with the new legislation<sup>13</sup>. 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 sector<sup>14</sup>. The FCA figure is used as a proxy due to lack of alternative accurate number of businesses in the wider regulated sectors. For a sub-set of the regulated sector impacted in legislative measures such as the information sharing, the Business Population Estimates 2021 (BPE 2021) is used and suggests there are around 1,175 businesses impacted (Monetary intermediation; Trusts, funds and similar financial entities. Standard Industrial Classification (SIC) code 64.1 and 64.3 respectively)<sup>15</sup>.
46. For four of the legislative measures, time has been valued using data from the Annual Survey of Hours and Earnings (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 hour<sup>16</sup>, which is then uplifted by the non-wage share of costs of 22 per cent using Eurostat figures to reflect the marginal product of labour<sup>17</sup>. For the cryptoasset measures, Cryptoasset exchange evidence suggested a caseworker would respond to LEA engagement, and as such, the average hourly cost of a caseworker is used. Salary.com was used to gather low, central and high estimates for the costs, this was provided in US Dollars (\$) and was converted to Sterling (£) using the 2021

<sup>8</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/782656/understanding-organised-crime-mar16-horr103-2nd.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/782656/understanding-organised-crime-mar16-horr103-2nd.pdf)

<sup>9</sup> The economic and social costs of crime second edition - GOV.UK ([www.gov.uk](http://www.gov.uk))

<sup>10</sup> Experian Annual Fraud Indicator Report 2017. <https://www.experian.co.uk/assets/identity-and-fraud/annual-fraud-indicator-report-2017.pdf>

<sup>11</sup> Cyber Security Breaches Survey 2019. <https://www.gov.uk/government/statistics/cyber-security-breaches-survey-2019>

<sup>12</sup> The economic and social cost of contact child sexual abuse. <https://www.gov.uk/government/publications/the-economic-and-social-cost-of-contact-child-sexual-abuse>

<sup>13</sup> 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. Further assumptions are made if the measure impacts a sub-set of the regulated sector. These are discussed in the respective IAs.

<sup>14</sup> Sector overview | FCA. <https://www.fca.org.uk/about/the-fca>

<sup>15</sup> Note that this does not include sole proprietors, only firms who employ people [Business population estimates 2021 - GOV.UK](https://www.gov.uk/government/publications/business-population-estimates-2021) ([www.gov.uk](http://www.gov.uk)). Table 7.

<sup>16</sup> Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14 - Office for National Statistics. Table 14.5a. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashtable14>

<sup>17</sup> Non-wage cost is 17.9 per cent (from Eurostat), take  $18/(100-18) = 18/82 = 22$  per cent and uplift by this amount. [https://ec.europa.eu/eurostat/databrowser/view/LC\\_LCI\\_LEV\\_custom\\_2052124/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/LC_LCI_LEV_custom_2052124/default/table?lang=en)

yearly average exchange rate.<sup>18</sup> The final range of L, C and H hourly cost was taken as £21.26 to £27.56, with a central estimate of £24.41.

47. For the considered legislative measures, the estimated familiarisation cost for businesses lies in a range of **£0.09 and £1.72 million**, with a central estimate of **£0.46 million** (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.
48. Due to data suggesting that there are 17,403 employees in financial crime roles in the regulated sector<sup>19</sup>, it is likely that the estimated familiarisation costs are an over-estimate because, for example, the central scenario for the DAML exemption measures assumes over 150,000 employees will need to familiarise themselves with this legislation (51,000 firms x 3 people).

**Table 1, Familiarisation costs to businesses, (volume, £ million 2021/22 prices) 2022.**

| Legislative Measure | Number of Firms/Solicitors | Number of words of familiarisation |              |              | Estimated costs (£m) |             |             |
|---------------------|----------------------------|------------------------------------|--------------|--------------|----------------------|-------------|-------------|
|                     |                            | Low                                | Central      | High         | Low                  | Central     | High        |
| Mixed property      | 51,000                     | 400                                | 500          | 600          | 0.03                 | 0.15        | 0.52        |
| DAML                | 51,000                     | 400                                | 500          | 600          | 0.03                 | 0.15        | 0.52        |
| Information Sharing | 8,649                      | 600                                | 800          | 1000         | 0.01                 | 0.06        | 0.18        |
| IO                  | 51,000                     | 150                                | 300          | 600          | 0.02                 | 0.10        | 0.50        |
| Cryptoasset         | 31                         | 750                                | 1,000        | 1,250        | 0.00                 | 0.00        | 0.00        |
| <b>Total</b>        |                            | <b>2,300</b>                       | <b>3,100</b> | <b>4,050</b> | <b>0.09</b>          | <b>0.46</b> | <b>1.72</b> |

Source: Business Population Estimates 2021, FCA, SRA Population of solicitors in England and Wales, Court statistics for England and Wales, Readingsoft.com.

Note: UWO is a central estimate, low = 15,600, high = 70,000

### Public sector familiarisation costs

49. For two of the legislative measures (IO, and cryptoassets), there are familiarisation costs expected to occur in year 1 affecting enforcement agencies and the courts. It is expected that reading between 150 and 1,250 words on a screen or on paper would be required to become familiar with the new legislation.
50. Total HM Courts and Tribunal Service (HMCTS) staff is around 17,000<sup>20</sup> and there are 5,025 judges<sup>21</sup> in the UK. It is assumed that only a proportion of HMCTS staff and judges will work on cryptoasset cases. In 2020, 45 per cent of all cases that went through the court system were civil cases<sup>22</sup>. This proportion is applied to the total number of judges and HMCTS staff to estimate the high scenario of how many would need to familiarise, with a low and central proportion of 10 per cent and 25 per cent respectively.

<sup>18</sup><https://www.salary.com/research/salary/employer/coinbase/global-intelligence-investigator-salary>

<https://www.gov.uk/government/publications/exchange-rates-for-customs-and-vat-yearly>

<sup>19</sup> Financial Crime: analysis of firms' 2017-2020 REP-CRIM data. <https://www.fca.org.uk/data/financial-crime-analysis-firms-2017-2020#f-chapter-id-key-observations-staff-in-financial-crime-roles>

<sup>20</sup> About us - HM Courts & Tribunals Service - GOV.UK. <https://www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about#who-we-are>

<sup>21</sup>Diversity of the judiciary: Legal professions, new appointments and current post-holders – 2021 Statistics.

<https://www.gov.uk/government/statistics/diversity-of-the-judiciary-2021-statistics/diversity-of-the-judiciary-2021-statistics-report>

<sup>22</sup> Court statistics for England and Wales - House of Commons Library. <https://commonslibrary.parliament.uk/research-briefings/cbp-8372/>

51. There are 118 UKFIU staff that will need to familiarise themselves with the IO measures<sup>23</sup>. For the cryptoasset measure, it is assumed that there are 135,300 total police officers, 106,800 which are of the rank constable, 19,200 sergeants and 9,300 higher ranking officers.<sup>24</sup>
52. The wage rate for judges are taken from the MoJ judicial salaries<sup>25</sup>. 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 judge. For the cryptoasset measures, a case could be heard in either a magistrate or High Court, so an average of two figures is taken. The cost of a magistrates court judge and for a High Court Judge at £192,679<sup>26</sup>. This is divided by working days and hours to get the estimated hourly cost of a judge<sup>27</sup>. The 25th, 50th and 75th percentile wage rate for National government administrative occupations (SOC 4112) has been taken from the ASHE 2020 survey to be used as the low, central and high wage rate of HMCTS staff, inflated to 2021/22 prices. The wage rate for judges are from the MoJ judicial fees. The average of the fees for Deputy High Court Judge and Deputy District Judge fees is divided by court sitting hours, which are six hours<sup>28</sup>.
53. 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 Senior Executive Officer (SEO), a Grade 7 (G7) and a Grade 6 (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 Grade 7 and a Grade 6 in the civil service of £24.74, £33.87 and £40.52 respectively have been used as proxies.
54. For the cryptoasset legislation, the Home Office's staff cost model was used for the wage rate of police officers. The hourly cost of a constable is £33.57, the average wage for a sergeant is £42.64 and the average wage for ranks higher than sergeant is £112.85
55. For the considered legislative measures, the estimated familiarisation cost to the public sector lies in a range of **£0.12 and £1.13 million**, with a central estimate of **£0.42 million** (2021/22 prices) in year 1 only.

**Table 2, IO public sector familiarisation costs, year 1 (vol, wpm, hrs, £m 2021/22 prices) 2022.**

| Estimate | UKFIU staff | Judges | Words to read | Reading speed | Average time (hrs) | Cost (£m) |
|----------|-------------|--------|---------------|---------------|--------------------|-----------|
| Low      | 118         | 5,025  | 150           | 700           | 0.01               | 0.01      |
| Central  | 118         | 5,025  | 300           | 400           | 0.02               | 0.01      |
| High     | 118         | 5,025  | 600           | 200           | 0.08               | 0.04      |

Source: NCA<sup>29</sup>, Diversity of the judiciary 2021<sup>30</sup>, Readingsoft.com.

<sup>23</sup> NCA Suspicious Activity Reports 2019. <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>

<sup>24</sup> Police workforce, England and Wales: 31 March 2021. <https://www.gov.uk/government/statistics/police-workforce-england-and-wales-31-march-2021/police-workforce-england-and-wales-31-march-2021>

<sup>25</sup> Ministry of Justice Judicial Salaries from 1 April 2021. [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)

<sup>26</sup> Salary groups 4 and 5.1.

<sup>27</sup> 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, therefore it is assumed that their working day is on average 7 hours. [Courts and Tribunals Judiciary, Judge's working hours.](https://www.judiciary.uk/about-the-judiciary/judges-career-paths/terms-of-service/working-hours/)

<sup>28</sup> Ministry of Justice Judicial Fees from 1 April 2021. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1020731/judicial-fee-schedule-21-22.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1020731/judicial-fee-schedule-21-22.pdf). Deputy High Court Judge (England and Wales) fees is £917.52, and deputy district judge fees is £533.92

<sup>29</sup> UKFIU SAR Annual Report 2019. <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>

<sup>30</sup> Diversity of the judiciary: Legal professions, new appointments and current post-holders – 2021 Statistics. <https://www.gov.uk/government/statistics/diversity-of-the-judiciary-2021-statistics/diversity-of-the-judiciary-2021-statistics-report>

**Table 3, Cryptoassets public sector familiarisation costs, (vol, wpm, hrs, £ million 2021/22 prices) 2022.**

| Estimate       | HMCTS staff | Judges | Police officers | Words to read | Reading speed | Average time (hrs) | Cost (£m) |
|----------------|-------------|--------|-----------------|---------------|---------------|--------------------|-----------|
| <b>Low</b>     | 1,700       | 500    | 135,000         | 750           | 700           | 0.02               | 0.11      |
| <b>Central</b> | 4,300       | 1,300  | 135,000         | 1,000         | 400           | 0.07               | 0.39      |
| <b>High</b>    | 7,600       | 2,300  | 135,000         | 1,250         | 200           | 0.17               | 0.98      |

Source: MOJ statistics, court statistics for England and Wales, Police Workforce Statistics (E&W, March 2021), Readingsoft, MoJ Judicial Fees. HO Staff Cost Model (0.7). SOC = Standard Occupational Classification, Eurostat

### Private third-party platform set up costs

56. For the information sharing legislative measures, it is expected that a platform for sharing and viewing information is going to be needed. The Government would not prescribe a mechanism to facilitate information sharing between regulated entities, but for the purposes of this analysis it is assumed that firms will use a privately funded third party platform. There will be costs associated with implementing a third-party platform. It is assumed that there are three potential directions regulated entities could take. In the high scenario, it is assumed a bespoke system is developed (HB). For the central scenario, an off the shelf platform is given a major amendment (CMA). For the low scenario, minor amendments are made to an off the shelf platform (Lma).
57. For the bespoke option (HB), proxy cost data from the SARs IT Transformation programme is used. The programme is being delivered by the NCA to replace the current ELMER database used for monitoring financial transactions and processing SARs raised by regulated entities, and as such, the costs are a suitable proxy at approximately £22 million<sup>31</sup>. The IT cost structure is assumed to follow that used by the FCA to assess IT programmes of regulated entities. Since the FCA regulate entities that are impacted by legislation, their cost structure is an appropriate proxy (Table 5)<sup>32</sup>.
58. For the low and central scenario, adjustments are made to (HB), for example, the design costs are expected to be smaller when amendments are made to a system compared to developing a new bespoke system. The costs are halved in the central scenario, and further halved in the low scenario. In line with HMT Green Book guidelines, optimism bias is applied, set at 25, 50, and 100 per cent for the low, central, and high scenario respectively.

**Table 4, Third party platform set-up cost to business, year 1 (% , £ million, 2021/22 prices) 2022.**

| Element            | Percentage of resource | Low        | Central     | High        |
|--------------------|------------------------|------------|-------------|-------------|
| Business Analysis  | 10                     | 0.6        | 1.1         | 2.2         |
| Design             | 10                     | 0.6        | 1.1         | 2.2         |
| Programming/coding | 55                     | 3.1        | 6.2         | 12.3        |
| Project Management | 10                     | 0.6        | 1.1         | 2.2         |
| Testing            | 10                     | 0.6        | 1.1         | 2.2         |
| Senior Management  | 5                      | 0.3        | 0.6         | 1.1         |
| <b>Sub-total</b>   |                        | <b>5.6</b> | <b>11.2</b> | <b>22.4</b> |
| Optimism Bias      |                        | 1.4        | 5.6         | 22.4        |
| <b>Total cost</b>  |                        | <b>7.0</b> | <b>16.8</b> | <b>44.8</b> |

Source: NCA, FCA.

<sup>31</sup> This does not include future development or support, this is the cost to deliver just the platform. The ongoing costs are captured in another section of the IA.

<sup>32</sup> [How we analyse the costs and benefits of our policies. https://www.fca.org.uk/publication/corporate/how-analyse-costs-benefits-policies.pdf](https://www.fca.org.uk/publication/corporate/how-analyse-costs-benefits-policies.pdf), Table A4. Table A4 included proportion that equated to 110 per cent, which probably accounts for optimism bias (OB). Since OB is applied separately in this IA, the business analysis and design proportion are reduced by 5 per cent in this IA.

59. Total third-party platform set-up costs are estimated in a range of **£7.0 to £44.8 million**, with a central estimate of **£16.8 million** (2021/22 prices) in year 1 only. Given that the proposed measure is permissive, businesses are not obliged to act and set-up the IT platform, and as such this is classified as an indirect cost and not included in the BNPV or EANDCB.

### Third party platform training costs to business

60. For the information sharing legislative measures, it is expected there will be some training costs for staff in financial and credit institutions to learn the processes around submitting information to the platform. It is anticipated that some staff in financial crime teams will be expected to participate in information sharing and would require training. A study by FCA states that there are 17,403 full-time equivalent (FTE) staff in financial crime roles<sup>33</sup>. It is not anticipated that all of these staff would have access to the platform, as it would hold personal customer information which may be sensitive.
61. The NCA uses a database called ELMER for monitoring financial transactions and processing SARs raised by regulated entities. Roughly only 3 per cent of police officers have access to the system<sup>34</sup>. Taking the ELMER database as a proxy and applying 3 per cent to the total number of people working in financial crime gives the high estimate of 550 people who are expected to have access to the information sharing platform and would therefore need training. This figure is then halved for the central estimate and halved again for the low estimate.
62. The average cost to train staff is taken from research by the UK Commission for Employment and Skills, with the average amount spent by firm on training estimated to be approximately £2,550 per person trained<sup>35</sup> across twelve months. Given that this covers all training for an employee over the year, and not a specific training course like the sort probably required for the third-party platform, this is taken as the high estimate. The central and low estimates are set at 75 and 50 per cent of the high scenario.
63. Estimated training costs to business staff lie in a range of **£0.2 to £1.4 million**, with a central estimate of **£0.5 million** (2021/22 prices) in year 1 only. Given that the proposed measure is permissive, businesses are not obliged to act and set-up the IT platform, and as such this is classified as an indirect cost and not included in the BNPV or EANDCB.
64. The values used to estimate the training costs are presented in Table 5 and given as:

*Number of employees expected to require training x average cost to train one member of staff*

**Table 5, Third party platform training costs to business in year 1, (volume, £, £ million, 2021/22 prices) 2022.**

| Estimate       | Number of people to be trained | Unit training cost | Training cost (£m) |
|----------------|--------------------------------|--------------------|--------------------|
| <b>Low</b>     | 140                            | £1,275             | <b>0.2</b>         |
| <b>Central</b> | 275                            | £1,910             | <b>0.5</b>         |
| <b>High</b>    | 550                            | £2,550             | <b>1.4</b>         |

Source: FCA, UKFIU engagement, Home Office Police Workforce data, UK Commission for Employment and Skills

### Training costs for Financial Investigators

65. For the cryptoasset measures, it is expected that LEA financial investigators are going to require training, such as training on cryptoassets. Engagement with LEAs suggests there are two main training courses and one certification for financial investigators; a foundation course, an advanced course, and a certification for a forensic tool, costing £1,200, £1,200 and £1,000 respectively. It is assumed in the low scenario that investigators will undergo just the foundation course. In the central scenario the investigators will undergo the foundation course and obtain a certification for a forensic tool. In the high scenario they will undergo all training courses.

<sup>33</sup> Financial Crime: analysis of firms' 2017-2020 REP-CRIM data. <https://www.fca.org.uk/data/financial-crime-analysis-firms-2017-2020#f-chapter-id-key-observations-customers-exited-and-refused-for-financial-crime-reasons>

<sup>34</sup> Roughly 4,500 police officers have access to ELMER (data from UKFIU engagement for the SARs business case), and there are 137,582 police officers and 5,359 NCA staff as at 2021 [Police workforce, England and Wales: 30 September 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/936487/ESS_2019_Training_and_Workforce_Development_Report_Nov20.pdf).

<sup>35</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/936487/ESS\\_2019\\_Training\\_and\\_Workforce\\_Development\\_Report\\_Nov20.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/936487/ESS_2019_Training_and_Workforce_Development_Report_Nov20.pdf). Figure in page 9, rounded up to £2,550.



66. Data from the Active Financial Investigation Support System (FISS) records for the end of January 2022,<sup>36</sup> a summary of the number of financial investigation staff in various roles. The high scenario assumes that all financial investigation staff will undergo training, which totals 4,749 personnel. The central estimate assumes that both Financial Investigators and Financial Intelligence Officers will require the training, totalling 2,901, and the low estimate assumes only Financial Investigators will need the training, 736 in total. Estimated training costs to financial investigation staff lie in a range of **£0.9 to £16.1 million**, with a central estimate of **£6.4 million** (2021/22 prices) in year 1 only.

**Table 6, Training costs for financial investigation staff, (£, vol, £ million 2021/22 prices) 2022.**

| Scenario | Volume | Training cost (£) | Total cost (£m) |
|----------|--------|-------------------|-----------------|
| Low      | 740    | 1,200             | 0.9             |
| Central  | 2,900  | 2,200             | 6.4             |
| High     | 4,750  | 3,400             | 16.1            |

Source: Engagement with LEAs, Crime Agency's Proceeds of Crime Centre.

### Total set-up costs

67. The **total set-up** costs the considered legislative measures are estimated in a range of **£8.4 to £65.2 million (PV)**, with a central estimate of **£24.6 million (PV)** over 10 years.

### Ongoing costs

#### Administration costs

68. For majority of the proposed changes, the actions of the AML regulated sector and LEAs are expected to be similar to their current procedures. Whilst there might be some minor changes, for example for the handling mixed property legislative changes, there might be additional steps to determine what proportion of an individual's bank account or property is suspected to be criminal funds. This cost is expected to be minimal, as businesses should already carry out this work when completing the authorised disclosure. In addition, only measures with robust data or proxy on administrative costs are monetised.
69. It is assumed that for the information sharing legislative measure, there will be some costs related to the greater administrative burden for staff in regulated entities to share information via the third-party platform. Submitting information to the platform is assumed to take less time than submitting a SAR, as the type of information will be less detailed. The type of information is expected to be limited to customer identity information, such as name and address, and then a free text box where the reason for the information sharing can be entered. It is estimated that submitting information about one customer to the third-party platform would take a range of 30, 45 and 60 minutes (0.5, 0.75 and 1.0 hours). These are the lower estimates of the average time taken to submit a SAR, based on stakeholder engagement. The number of submissions is assumed to be tied to SARs volumes, which are assumed to increase at a constant rate of between 3 and 30 per cent each year, with a central estimate of 16 per cent per year (average based on the most recent five years of SARs data). The uncertainty around factors driving SARs volume growth trends informs the additional assumption that the growth rate applies for the second and third year in the modelled period before levelling off.
70. Table 7 represents the expected number of information submissions per year. The number of information submissions are then multiplied by the average time taken to submit to the platform (a range of 30, 45 and 60 minutes, based on stakeholder survey responses), and the hourly FTE cost, which are presented in Table 9. The administration costs for the information sharing legislative measure lie in a range of **£2.4 to £23.3 million**, with a central estimate of **£8.2 million** over 10 years. Given that the proposed measure is permissive, businesses are not obliged to act and set-up the IT platform, and as such this is classified as an indirect cost and not included in the BNPV or EANDCB.

<sup>36</sup> Active FISS records, PoCC January 2022.

71. The values used to estimate the administration costs of information sharing are presented in Tables 7 and 8, and are given as:

*Number of information submissions (see Table 7) x average time to submit to the platform (see Table 8) x (median administrative occupations: finance wage x non-wage uplift of 22%)*

**Table 7, Number of information submissions per year (000s), 2022/23 to 2031/32.**

| Year    | Low | Central | High |
|---------|-----|---------|------|
| 2022/23 | 39  | 71      | 124  |
| 2023/24 | 40  | 82      | 160  |
| 2024/25 | 41  | 95      | 207  |
| 2025/26 | 41  | 95      | 207  |
| 2026/27 | 41  | 95      | 207  |
| 2027/28 | 41  | 95      | 207  |
| 2028/29 | 41  | 95      | 207  |
| 2029/30 | 41  | 95      | 207  |
| 2030/31 | 41  | 95      | 207  |
| 2031/32 | 41  | 95      | 207  |

Source: NCA SARs data 2016-2021, Home Office calculations, stakeholder survey, 2021.

**Table 8, Administration costs to businesses related to information submissions – information sharing, (hrs, wage £, £ million 2021/22 prices) 2022.**

| Estimate       | Average time to submit (hrs) | Cost per hour (£) | Cost (£m PV) 10 years |
|----------------|------------------------------|-------------------|-----------------------|
| <b>Low</b>     | 0.5                          | 14.60             | £2.4                  |
| <b>Central</b> | 0.75                         | 14.60             | £8.2                  |
| <b>High</b>    | 1.0                          | 14.60             | £23.3                 |

Source: NCA, Assumption, ASHE 2020, Table 14.5

72. It is also assumed there will some costs related to the greater administrative burden for staff in regulated entities to respond to IO requests. 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. About 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 banks<sup>37</sup>. Senior managers' time has been valued using data from the ASHE 2020, Table 14.5a, using a median wage figure for financial institution managers and directors (SOC code 1150) of £26 per hour<sup>38</sup>, which is then uplifted by the non-wage share of costs of 22%, to reflect the marginal product of labour<sup>39</sup>. The private sector administrative costs for IO legislation 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.
73. The values used to estimate the administration cost of responding to IOs are presented in Table 9 and given as:

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

<sup>37</sup> 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.

<sup>38</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashtable14> - data inflated to 2021/22 prices

<sup>39</sup> Non-wage cost is 17.9 per cent (from Eurostat), take  $179/(100-178) = 18/82 = 22\%$  and uplift by this amount.

[https://ec.europa.eu/eurostat/databrowser/view/LC\\_LCI\\_LEV\\_custom\\_2052124/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/LC_LCI_LEV_custom_2052124/default/table?lang=en)

**Table 9, IO administration cost to business (volume, £, £ million 2021/22 prices), 2022.**

| Estimate       | No. of requests per month | Average response cost | Business cost per year | Cost (£ million PV) 10 years |
|----------------|---------------------------|-----------------------|------------------------|------------------------------|
| <b>Low</b>     | 4                         | £233                  | £11,000                | <b>0.1</b>                   |
| <b>Central</b> | 8                         | £336                  | £32,000                | <b>0.3</b>                   |
| <b>High</b>    | 16                        | £451                  | £87,000                | <b>0.7</b>                   |

Source: UK Finance, ASHE 2020, Table 14.5a.

74. In addition to costs to the private sector, the public sector is also expected to face some administrative costs in requesting and getting court authorisation for IO requests. 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. UKFIU estimate that an IO request would take between two and three days, depending on the complexity of the case. 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.
75. 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 £24.74, £33.87 and £40.52 respectively have been used as proxies.
76. The 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.
77. The values used to estimate the administration cost to UKFIU for submitting IOs are presented in Table 10 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 10, IO administration cost to UKFIU (vol, hrs, £, £ million PV) 2021/22 prices, 2022.**

| Estimate       | No. requests per month | Average time to draft, apply for and authorise request (hrs) | Hourly cost (£) | UKFIU cost per year (£) | UKFIU cost (£m PV) 10 years |
|----------------|------------------------|--|-----------------|-------------------------|-----------------------------|
| <b>Low</b>     | 4                      | 16   | 24.74           | £19,000                 | <b>0.16</b>                 |
| <b>Central</b> | 8                      | 20   | 33.87           | £65,000                 | <b>0.56</b>                 |
| <b>High</b>    | 16                     | 24   | 40.52           | £189,000                | <b>1.61</b>                 |

Source: UKFIU, Home Office own estimates, 2022.

78. There are expected to be some administrative costs related to court authorisation of IO requests to the public sector. Authorising an IO request is anticipated to involve some pre-reading and then a hearing, when the outcome is decided. The 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. The wage rate for judges are from the Ministry of Justice judicial salaries<sup>40</sup>. 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 judge<sup>41</sup>. The 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.

<sup>40</sup> [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](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1020732/judicial-fee-salary-21-22.pdf)

<sup>41</sup> 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>

79. The values used to estimate the administration cost to courts authorising IOs are presented in Table 11 and given as:

*Number of IO requests per month x 12 x average hearing time x median hourly legal professionals and judges wage*

**Table 11, IO administration cost for court authorisation, (vol, hrs, £, £ million PV) 2021/22 prices, 2022.**

| Estimate       | No. requests per month | Average hearing time (hours) | Hourly cost (judge) (£) | Estimated cost to courts per year (£) | Cost to business (£m PV) 10 yrs |
|----------------|------------------------|------------------------------|-------------------------|---------------------------------------|---------------------------------|
| <b>Low</b>     | 4                      | 0.50                         | 73.53                   | 2,000                                 | 0.02                            |
| <b>Central</b> | 8                      | 0.75                         | 73.53                   | 5,000                                 | 0.04                            |
| <b>High</b>    | 16                     | 1.00                         | 73.53                   | 14,000                                | 0.12                            |

Source: UKFIU, ASHE 2020, Table 14.5a, 2022.

### Total administrative costs

80. The estimated administrative costs to business lie in a range of **£2.5 to £24.0 million (PV)**, with a central estimate of **£8.5 million (PV)** over 10 years. The estimated administrative costs to the public sector lie in a range of **£0.18 to £1.72 million (PV)**, with a central estimate of **£0.60 million (PV)** over 10 years.

### Third party platform running costs to business

81. For the information sharing legislative measures, it is expected there will be ongoing running costs associated with hosting a third-party platform, which will be funded privately. These are the estimated yearly running costs for the platform. Engagement with Cifas<sup>42</sup> has informed that running costs for a similar platform would likely include employment costs<sup>43</sup>, premises and office administration<sup>44</sup>, company costs<sup>45</sup>, member service costs<sup>46</sup> and communications costs<sup>47</sup> shown in Table 12. Employment costs are variable, whilst the other cost categories are fixed<sup>48</sup>.

**Table 12, Third party platform running costs per year, £ million, 2021/22**

| Cost type       | Cost element                            | Cost per year (£ million) |
|-----------------|---|---------------------------|
| <b>Variable</b> | Employment Costs                        | 5.4                       |
| <b>Fixed</b>    | Premises and office administration cost | 1.5                       |
| <b>Fixed</b>    | Company cost                            | 0.3                       |
| <b>Fixed</b>    | Member service                          | 1.7                       |
| <b>Fixed</b>    | Communications                          | 0.6                       |

Source: Cifas 2021.

82. It has been assumed that only the variable elements of the platform running costs would increase as the number of SARs increases, as more SARs are expected to lead to more reports to the platform. However, there may be some economies of scale and therefore, it is assumed that running

<sup>42</sup> Provided directly through engagement with Cifas

<sup>43</sup> Employment costs include salaries, national insurance, benefits and welfare, staff recruitment and development, travel and subsistence.

<sup>44</sup> Premises and office administration costs include Fixed office costs, Office maintenance and equipment, Office IT and telecommunications, Ancillary office costs, Depreciation

<sup>45</sup> Company costs include Board costs, Corporate fees and subscriptions, Contingency

<sup>46</sup> Member service costs include FIND maintenance and development, Projects and research, Meetings, events and partnerships

<sup>47</sup> Communications costs include Public affairs, PR and marketing, Public telephone handling, Entertaining, Protecting the vulnerable

<sup>48</sup> These costs were provided in 2020/21 price years and have been inflated to 2021/22 prices for consistency

costs will increase at a slower rate than the overall increase in SARs. The low estimate assumes that there will be no increase in variable running costs, the central estimate assumes an increase of 3 per cent per year and the high estimate assumes an increase of 16 per cent per year in the second and third year before levelling off. The uncertainty around factors driving SARs volume growth trends informs the additional assumption that the growth rate applies for the second and third year in the modelled period before levelling off.

- 83. This reflects the lag behind the range of the expected rise in SARs volumes. In the first year of the appraisal period, running costs are assumed to be half of the annual running cost. This is due to an assumption that the database will take some time in the first year to be up and running to full utilisation.
- 84. Total running costs for third party platforms lie in a range of **£77.5 to £90.7 million (PV)**, with a central estimate of **£79.9 million (PV)** over 10 years. Given that the proposed measure is permissive, businesses are not obliged to act and set-up the IT platform, and as such this is classified as an indirect cost and not included in the BNPV or EANDCB.

**Table 13, Total third-party platform running costs, £ million (PV) over 10 years, 2022.**

| Year         | Low         | Central     | High        |
|--------------|-------------|-------------|-------------|
| 2022/23      | 4.8         | 4.8         | 4.8         |
| 2023/24      | 9.2         | 9.4         | 10.1        |
| 2024/25      | 8.9         | 9.2         | 10.7        |
| 2025/26      | 8.6         | 8.9         | 10.3        |
| 2026/27      | 8.3         | 8.6         | 10.0        |
| 2027/28      | 8.0         | 8.3         | 9.6         |
| 2028/29      | 7.8         | 8.1         | 9.3         |
| 2029/30      | 7.5         | 7.8         | 9.0         |
| 2030/31      | 7.3         | 7.5         | 8.7         |
| 2031/32      | 7.0         | 7.3         | 8.4         |
| <b>Total</b> | <b>77.5</b> | <b>79.9</b> | <b>90.7</b> |

Source: Cifas, assumption, 2021.

**Costs to regulated sector responding to LEAs for Information**

- 85. The cost is only applicable to the new cryptoasset powers being proposed. Regulated cryptoasset exchanges are obliged to respond to a court order but are not obliged to respond to LEAs for information when investigating a case. Some exchanges already engage with LEAs, therefore compliance costs to cryptoasset exchanges are expected.
- 86. A large cryptoasset exchange provided some data on the number of hours spent on responding to LEAs and the wage rate of caseworkers dealing with these requests. This suggested a range of <1 hour to 4 hours. This suggested a range of <1 hour to 4 hours. This was provided in USD (\$) and was converted to Sterling (£) using the 2021 yearly average exchange rate.<sup>49</sup> The final hourly cost was £21.26 in the low estimate, £24.41 in the central estimate and £27.56 in the high estimate. The large cryptoasset exchange estimate of 4 hours is used as the central scenario, halving it for the low estimate (2 hrs) and doubling it for the high estimate (8 hrs).
- 87. These are applied to the number of cases to estimate costs to the regulated sector. For a number of cases, the number of live cases being investigated by LEAs is used as a proxy, with engagement

<sup>49</sup> <https://www.salary.com/research/salary/employer/coinbase/global-intelligence-investigator-salary>  
<https://www.gov.uk/government/publications/exchange-rates-for-customs-and-vat-yearly>

with LEAs informing the assumption of 250 for the lowest volume of cases, with a central and high estimate of 500 and 1000 cases respectively.

88. This gives an estimated cost which lies in a range of **£0.1 to £1.9 million (PV)**, with a central estimate of **£0.4 million (PV)** over 10 years.

**Table 14, Cryptoasset exchange costs (volume, hrs, £, £ million PV) over 10 years, 2022.**

| Scenario       | No.of Cases | Time on a case (hrs) | Hourly wage (£) | Cost per year (£m) | Cost (£m) 10 yrs |
|----------------|-------------|----------------------|-----------------|--------------------|------------------|
| <b>Low</b>     | 250         | 2                    | 21.26           | <b>0.0</b>         | <b>0.1</b>       |
| <b>Central</b> | 500         | 4                    | 24.41           | <b>0.0</b>         | <b>0.4</b>       |
| <b>High</b>    | 1,000       | 8                    | 27.56           | <b>0.2</b>         | <b>1.9</b>       |

Source: Engagement with a large cryptoasset exchange, HMRC yearly average and spot rates, Salary.com, Home Office estimates, 2022.

89. The reliance on a single cryptoasset exchange means that the cost estimates could be under-estimates or over-estimates. Nonetheless, given that cryptoasset exchanges are not obliged to respond to LEA requests for information, the cost is not included in the BNPV or EANDCB. Cryptoasset exchanges are not obliged to respond to LEAs, so they do not have to face this cost.

### **Costs to LEA and the courts dealing with crypto-crime**

90. Engagement with LEAs suggests two strands of investigations in a cryptoasset crime case that ultimately lead to seizures, standard investigations and financial investigations. Each case involves different amounts of investigators and requires different lengths of time dependent on its complexity. The sensitivity of the operational data means it is not possible to gain access to this data or provide a sense of the complexity of case types.
91. Assumptions had to be made about the potential cost of these cases. A case study provided by the LEA is relied upon which suggests that for a 2017 case: 1) the initial investigation included as many as four investigators plus management, working periodically on this for three years, and 2) the financial investigation included at most three staff members working on this for between four to eight weeks (average eight hours per day).
92. The relevant cost is the financial cost of the investigation, as it is applicable for the proposed legislative changes. The case study is used as a central scenario based on feedback from one LEA. It assumes three members of staff working on a case for six weeks (mid-point of 4 and 8 weeks). For the low and high scenario, a lack of data leads to an assumption to half and double the central estimate. The hourly cost for a constable of £33.57 has been used in the low scenario and the hourly cost for a sergeant of £42.64 has been used in the high scenario. The average of the two costs, £38.11, has been used in the central scenario. The Home Office's staff cost model was used for the wage rate of these ranks. There is a risk that the number of staff or hours required for more complex cases has been under-estimated. It is assumed that there 250 cases in the low scenario, with a central and high estimate of 500 and 1,000 cases respectively.
93. This gives an estimated cost which lies in a range of **£1.7 to £211.4 million (PV)**, with a central estimate of **£23.6 million (PV)** over 10 years.

**Table 15, LEA ongoing costs, (vol, hrs, £, £ million and £ million PV), 2022.**

| Scenario       | No. of cases | No. of staff | Hours per staff | Hourly wage (£) | Per year (£m) | Total cost (£m 10 yrs) |
|----------------|--------------|--------------|-----------------|-----------------|---------------|------------------------|
| <b>Low</b>     | 250          | 1            | 24              | 33.57           | <b>0.2</b>    | <b>1.7</b>             |
| <b>Central</b> | 500          | 3            | 48              | 38.11           | <b>2.7</b>    | <b>23.6</b>            |
| <b>High</b>    | 1,000        | 6            | 96              | 42.64           | <b>24.6</b>   | <b>211.4</b>           |

Source: Home Office Staff Cost Model (0.7), and engagements with LEAs, 2021

94. There will be costs to the courts (in England & Wales) to hear applications relating to the recovery of cryptoassets and obtaining expert valuation (if necessary). This includes dealing with issues of

joint and associated property ownership. Most cases will be heard in the magistrates court, with an option of referral to the High Court (only a small number of cases are expected here). Consultation with MoJ suggests there would be two hearings per case, and that the initial and further (uncontested) hearings may take between 15 to 30 minutes depending on the complexity of the case. If a hearing is contested, then it would take up to 60 minutes. From this information, it is assumed that cases could take between 30 to 120 minutes in total, with 60 minutes used as a central estimate. The consultation also suggested that each hour of hearings costs the courts £490.

95. This gives an estimated cost range of **£0.5 to £8.4 million (PV)**, with a central estimate of **£2.1 million (PV)** over 10 years.

**Table 16, Ongoing cost to HMCTS, (vol, hrs, £ and £ million PV), 2022.**

| Scenario       | No. of cases | Average hearing time (hrs) | Cost per hr (£) | Cost per year (£m) | Total cost (£m) PV 10 yrs |
|----------------|--------------|----------------------------|-----------------|--------------------|---------------------------|
| <b>Low</b>     | 250          | 0.5                        | 490             | <b>0.1</b>         | <b>0.5</b>                |
| <b>Central</b> | 500          | 1.0                        | 490             | <b>0.2</b>         | <b>2.1</b>                |
| <b>High</b>    | 1,000        | 2.0                        | 490             | <b>1.0</b>         | <b>8.4</b>                |

Source: Consultation with MoJ, 2022.

### Public asset denial disbenefit

96. There will be some asset denial opportunities that may be lost because of exempted DAMLs, a disbenefit. These disbenefits are classed as a cost and are likely to be over-estimates as it is assumed that lost asset denial opportunities are not possible through other means such as a SAR. This disbenefit is calculated by using the asset denial from the total caseload in 2019/20 under the proposed exempt categories for the options and multiplying that by the expected proportion of DAMLs that will be reported as a SAR following the exemption. The asset denials data is taken from UKFIU data for all 1,380 refused DAMLs from FY2019/20. The 2019/20 data for asset denials have been inflated to 2021/22 price year for consistency. The asset denial disbenefit in year one is presented in Table 17 and given as:

*Known asset denial from DAMLs in 2019/20 under proposed exemption threshold x expected percentage that will be submitted as a SAR following exemption*

**Table 17, Asset denial disbenefit, £ million, 2019/20 base, 2021/22 prices.**

| Element   | Known asset denial from DAMLs in 2019/20 under proposed exemption threshold (£m, inflated to 21/22 prices) | Expected percentage of DAMLs that will be submitted as a SAR following exemption (%) | Estimated asset recovery no longer possible following exemption (£m) |
|---|--|--|--|
| Under £1,000 exit and pay away                          | 0.21   | 85   | 0.18   |
| Under £1,000 Financial sector (excl. exit and pay away) | 0.03   | 85   | 0.03   |
| <b>Total</b>  | <b>0.24</b>  | <b>85</b>  | <b>0.20</b>  |

Source: UKFIU data on refused DAMLs, NCA

Note: Figures may not sum exactly due to rounding.

97. It is assumed that asset denial volumes would increase as DAML volumes increase. The percentage rise in DAML volumes of between 10 and 55 per cent each year, with a central estimate of 20 per cent (based on the most recent five years of DAML data) has been applied to the asset denial figures. The uncertainty around factors driving DAML volume growth trends informs the additional assumption that the growth rate applies for the second and third year in the modelled period before levelling off. Table 18 represents the total expected asset denials lost through DAML exemptions each year.

98. The estimated disbenefit lies in a range of **£2.1 million (PV) to £3.8 million (PV)**, with a central estimate of **£2.4 million (PV)** over 10 years.

**Table 18, Asset denial disbenefit per year, £ million (PV) over 10 years, 2022.**

| <b>Year</b>        | <b>Low</b> | <b>Central</b> | <b>High</b> |
|--------------------|------------|----------------|-------------|
| 2022/23            | 0.2        | 0.2            | 0.2         |
| 2023/24            | 0.2        | 0.2            | 0.3         |
| 2024/25            | 0.2        | 0.3            | 0.5         |
| 2025/26            | 0.2        | 0.3            | 0.4         |
| 2026/27            | 0.2        | 0.3            | 0.4         |
| 2027/28            | 0.2        | 0.2            | 0.4         |
| 2028/29            | 0.2        | 0.2            | 0.4         |
| 2029/30            | 0.2        | 0.2            | 0.4         |
| 2030/31            | 0.2        | 0.2            | 0.4         |
| 2031/32            | 0.2        | 0.2            | 0.4         |
| <b>Total 10yrs</b> | <b>2.1</b> | <b>2.4</b>     | <b>3.8</b>  |

Source: UKFIU, NCA, 2022.

### **Total ongoing costs**

99. Total ongoing costs are estimated in a range of **£84.6 to £342.0 million (PV)**, with a central estimate of **£117.5 million (PV)** over 10 years.

### **Non-monetised costs**

There are costs that have not been monetised, these are also presented in the IAs for each proposed legislative measures.

### **Administrative costs**

100. As described in the monetised administrative costs section, some legislative measure will involve additional administrative actions, however, in many of the cases these actions are expected to be similar to current procedures property, so this cost is expected to be minimal. In addition, the lack of robust data or proxy impacted the ability to monetise some of these costs.

### **Implementation costs**

101. It is expected that the information sharing and exemptions for handling mixed suspected criminal and legitimate property legislative measures, might result in implementation costs that are not monetised.
102. The exemptions for handling mixed suspected criminal and legitimate property legislative measures will be permissive (allows an organisation or individual to do something but not force it to comply) and it is assumed that businesses will only implement measures where it benefits them. Businesses who choose to take steps to preserve property may need to set up a system, for example, to prevent the bank balance falling below a certain value, or a system of moving suspected illicit funds into an alternative account. As preserving criminal property legislation would be permissive legislation and voluntary to use, it is assumed that businesses that would face large ongoing costs implementing such a system would choose not to.



103. For the information sharing legislative measure, there may be some implementation costs and time costs associated with data submission to the new utility, for example, additional staff training and familiarisation with the systems. Given that the information sharing measures are permissive, it is assumed that institutions who would incur large costs through participating would choose not to if the benefits do not outweigh the costs. These costs are expected to be small and would represent a disproportionate effort to try and monetise due to lack of data. In addition, the estimated potential costs of onboarding problem customers compared to the IT platform costs points to an efficiency gain for businesses (see information sharing IA for more information on problem customers).

#### **Tipping off costs (risks)**

104. One complicating factor arises from the risk of informing the subject of a DAML or SAR that they are potentially under investigation. Reporters must not inform the subject that a SAR or DAML has been lodged or that an investigation is being contemplated or carried out, known as 'tipping off'.
105. The costs of 'tipping off' individuals or businesses under suspicion would be great and under current law would be considered an offence under s.333 of POCA 2002.
106. This cost is likely to be more applicable where suspicious funds are moved to another account. Having all suspected illicit funds moved to another account may effectively tip off an individual that they are under suspicion as they may be unable to see their funds.
107. While this risk still applies when suspicious funds are kept in the existing account, or property is frozen to the value of the suspected criminal property, this is much less likely than when money is moved. Individuals under suspicion would need to attempt to use or withdraw property greater than the value of the non-suspicious property and find themselves unable to do so to suspect that they are under suspicion. This reduces the risks of tipping off an individual under suspicion.

## **BENEFITS**

### **Set-up benefits**

108. There are no monetised set-up benefits for the proposals.

### **Ongoing benefits**

109. The monetised ongoing benefits are grouped into four categories: cost savings from reduced SARs submissions, prevented crimes, asset seizures, and asset denial disbenefits. The IO was the only legislative measure where the benefits were not monetised due to lack of robust data or proxy.

### **Cost savings from reduced SARs submissions**

110. It is expected there will be some cost savings as a result of the proposed exemptions for handling mixed suspected criminal and legitimate property and DAML legislative measures.
111. Currently businesses that act to preserve suspicious property must submit a DAML. For the proposed exemptions for handling mixed suspected criminal and legitimate property, under options that permit preservative actions, it is likely that many would only have to submit a SAR instead, which is less costly to produce for businesses. While some DAMLs would still need to be submitted in some cases, for example, where the business wants to undertake an act on the suspicious property, given that it is likely more preservation would take place if there was legal protection for businesses. The cost saving estimates of submitting a SAR instead of a DAML, are based on an informal survey of regulated entities across different sectors, with a sample size of 14. Table 19 represents the range of cost saving estimates from the banks surveyed, inflated to 2021/22 prices and rounded to the nearest 100.

**Table 19, Cost saving of submitting a SAR instead of a DAML, (£, 2021/22 prices)**

| Estimate | Cost saving of submitting a required disclosure (SAR) instead of an authorised disclosure (DAML) (£) |
|----------|--|
| Low      | 800  |
| Central  | 1,500  |
| High     | 2,200  |

Source: (DAML) SG3 workshop participants survey, Home Office commissioned – 22nd October 2020.

112. It is assumed that banks ring-fence (through internal transfers) at a rate of 1.6 per cent<sup>50</sup> and that DAML volumes increase at a constant rate of between 10 and 56 per cent each year, with a central estimate of 20 per cent each year (average based on the most recent five years of DAML data). The uncertainty around factors driving DAML volume growth trends informs the additional assumption that the growth rate applies for the second and third year in the modelled period before levelling off. These percentage rises are based on DAML volumes for the latest five years recorded by the NCA. Table 20 represents the expected number of DAMLs exempted per year.

**Table 20, Expected number of DAMLs that will be submitted as SARs per year, following the legislative exemption (volume), 2022.**

| Year    | Low   | Central | High  |
|---------|-------|---------|-------|
| 2022/23 | 1,700 | 1,700   | 1,700 |
| 2023/24 | 1,900 | 2,000   | 2,600 |
| 2024/25 | 2,000 | 2,400   | 4,000 |
| 2025/26 | 2,000 | 2,400   | 4,000 |
| 2026/27 | 2,000 | 2,400   | 4,000 |
| 2027/28 | 2,000 | 2,400   | 4,000 |
| 2028/29 | 2,000 | 2,400   | 4,000 |
| 2029/30 | 2,000 | 2,400   | 4,000 |
| 2030/31 | 2,000 | 2,400   | 4,000 |
| 2031/32 | 2,000 | 2,400   | 4,000 |

Source: NCA DAML data 2016-2020, Law Commission AML SARs report

113. The values used to estimate the benefits are presented in Table 19 and 20 and given as:

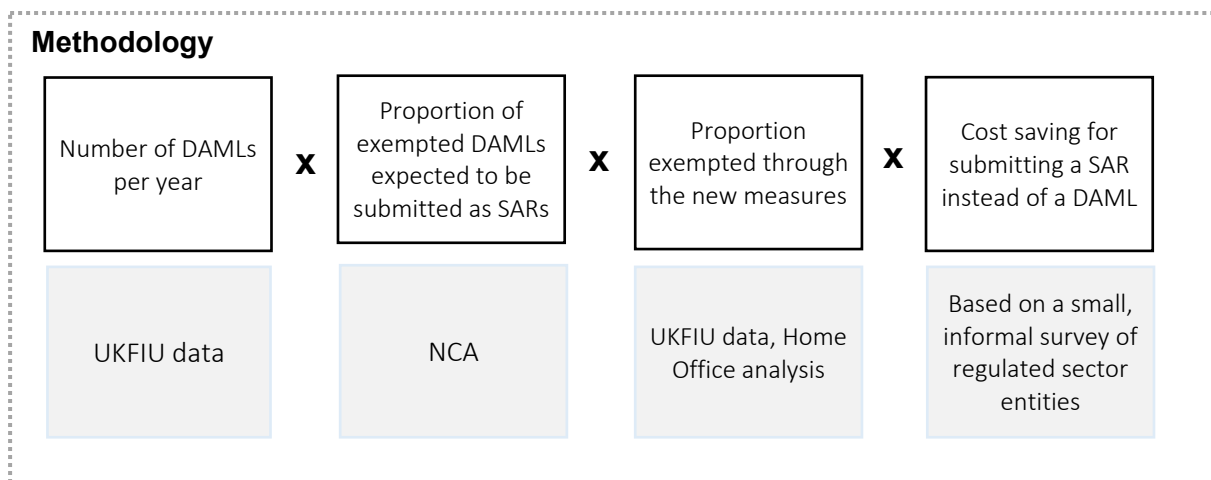
$$\text{Number of DAMLs exempted} \times \text{cost saving of submitting SAR instead of DAML}$$

114. The estimated benefit lies in a range of **£13.5 to £71.7million**, with a central estimate of **£29.4 million**.
115. There is some uncertainty regarding the estimated cost saving from submitting a SAR instead of a DAML. The cost saving estimates are based on a stakeholder survey of 14 firms from the regulated sector, from a variety of different regulated subsectors. However, an alternative internal Home Office analysis based on engagement with two stakeholders suggested that the cost saving from submitting a SAR instead of a DAML could be approximately £300. This lower figure has not been used in the main analysis due to considerable limitations: it is based on responses from two banks, which may not be representative of all credit and financial firms, whilst the stakeholder survey takes a larger sample size from a range of sectors, and the figure does not allow for a range to be calculated.
116. With a lower cost saving of £300, the estimate of the net benefits would be **£6.5 million (PV)** across 10 years, meaning a more conservative cost saving estimate would still return a benefit.

<sup>50</sup> Anti-money laundering: the SARs regime. [https://s3-eu-west-2.amazonaws.com/lawcom-prod-storage-11jxou24uy7q/uploads/2019/06/6.5569\\_LC\\_Anti-Money-Laundering\\_Report\\_FINAL\\_WEB\\_120619.pdf](https://s3-eu-west-2.amazonaws.com/lawcom-prod-storage-11jxou24uy7q/uploads/2019/06/6.5569_LC_Anti-Money-Laundering_Report_FINAL_WEB_120619.pdf)

117. For the DAML exemption measures, there are expected benefits to both the private and public sector, but the majority of the benefits come from regulated sector benefit, which captures the time saved by submitting a SAR instead of a DAML. This takes the number of DAMLs exempted, determining the percentage of exempt DAMLs that are expected to be submitted as SARs, and multiplying that by the difference in unit cost for a DAML against a SAR submission. This is calculated by regulated sub-sector (see Table 22 for list of sub-sectors). Figure 1 presents a schema of the calculation steps.

**Figure 1, Benefits methodology, 2022.**



118. Table 21 presents the number of DAMLs subject to legislative exemptions in year one, and these are broken down by type of exemption. The UKFIU data comes from a random sample of 1,099 DAMLs taken from total DAML caseload in FY2019/20, as well as examining all 1,380 refused DAMLs from FY2019/20. The sample DAML data specifies the related transaction value and the sector from which each DAML was submitted, and includes the category ‘exit and pay away’.<sup>51</sup>

119. To calculate the total number of DAMLs expected to be subject to legislative exemptions in year one, the proportion of DAMLs in the random sample for 1) transaction values under £1,000 related to exit and pay away from all sectors, and 2) transaction values under £1,000 from the financial sector<sup>52</sup> (excluding any related to exit and pay away), have been applied to the total number of DAMLs submitted in the year 2019/20. The percentage of DAMLs that are no longer reported as DAMLs, and so reported as SARs instead, is estimated to be 85 per cent. This is based on analysis by the NCA of glossary code data<sup>53</sup>.

**Table 21, Total exempted DAMLs in year 1 (volume, per cent), 2019/20.**

| Exemption categories                               | No. DAMLs subject to legislative exemption | Proportion of DAMLs switched to SAR (%) | No. of DAMLs exempted |
|--|--|---|-----------------------|
| <£1,000 exit and pay away                          | 24,000                                     | 85                                      | 20,000                |
| <£1,000 Financial sector (excl. exit and pay away) | 8,000                                      | 85                                      | 7,000                 |
| <b>Total exempted</b>                              | <b>31,000</b>                              | <b>85</b>                               | <b>27,000</b>         |

Source: UKFIU DAML data, NCA, 2021.

120. The range of cost saving estimates comes from a small stakeholder workshop of expert opinion and had a large range between the low and high estimate. The workshop had participants from 14 different firms from the regulated sector, from a variety of different regulated subsectors. The DAML review will affect different sub-sectors in the regulated sector by different amounts. Table 22 shows the percentage of DAMLs subject to legislative exemptions per year by regulated sub-sector, which is based on NCA data. It also shows the annual cost saving of submitting a SAR instead of a DAML,

<sup>51</sup> ‘To exit and pay away’ means the termination (or “exiting”) of a business relationship with a customer and paying back funds or other property to the customer.

<sup>52</sup> Financial sector here refers to deposit taking bodies, electronic money institutions and payment institutions.

<sup>53</sup> Each DAML is classified by a glossary code, to represent the reason for submission/type of DAML.

which is based on stakeholder survey responses. The survey responses found that this cost saving was different for different sub-sectors.

**Table 22, Percentage of DAMLs subject to legislative exemption by sector and cost savings to the regulated sector, £, 2021.**

| Sector               | Sector % total DAMLs subject to legislative exemptions, (%) | Cost saving of submitting a SAR instead of a DAML by sector (£) |              |              |
|----------------------|---|---|--------------|--------------|
|                      |   | Low   | Central      | High         |
| Banking              | 30  | 700   | 1,500        | 2,200        |
| Accounting           | 0   | 700   | 1,500        | 2,200        |
| Legal                | 0   | 3,000   | 3,000        | 3,000        |
| Fintech              | 43  | 0   | 0            | 0            |
| Other                | 27  | 700   | 1,500        | 2,200        |
| <b>Total/Average</b> | <b>100</b>  | <b>1,020</b>  | <b>1,500</b> | <b>1,920</b> |

Source: NCA, Survey responses, Home Office analysis

121. It is assumed that that DAML volumes increase at rates of 10, 20 and 55 per cent each year, for the low, central and high scenarios respectively. These increases are based on DAML volumes for the latest five years recorded by the NCA. The uncertainty around factors driving DAML volume growth trends informs the additional assumption that the growth rate applies for the second and third year in the modelled period before levelling off. Table 23 presents the total expected number of DAMLs exempted per year.

**Table 23, Total expected number of DAMLs that will be submitted as SARs per year (000s), following the legislative exemption, 2022/23 to 2031/32**

| Year    | Low | Central | High |
|---------|-----|---------|------|
| 2022/23 | 27  | 27      | 27   |
| 2023/24 | 29  | 32      | 41   |
| 2024/25 | 32  | 39      | 64   |
| 2025/26 | 32  | 39      | 64   |
| 2026/27 | 32  | 39      | 64   |
| 2027/28 | 32  | 39      | 64   |
| 2028/29 | 32  | 39      | 64   |
| 2029/30 | 32  | 39      | 64   |
| 2030/31 | 32  | 39      | 64   |
| 2031/32 | 32  | 39      | 64   |

Source: NCA DAML data 2016-2021

122. The number of DAMLs expected to be submitted as SARs is then multiplied by the proportion of DAMLs subject to legislative exemption by sector, and the range of sector-specific cost savings in Table 22. The estimated benefit lies in a range of **£114.9 to £629.7 million (PV)**, with a central estimate of **£266.7 million (PV)** over 10 years.

123. There is some uncertainty regarding the estimated cost saving from submitting a SAR instead of a DAML. The cost saving estimates used in the main analysis are based on a stakeholder survey of 14 firms. Internal Home Office analysis based on engagement with two stakeholders suggested that the cost saving from submitting a SAR instead of a DAML is around £300. This lower figure has not been used in the main analysis due to considerable limitations: it is based on responses from two banks, which may not be representative of all regulated sector firms, whilst the stakeholder survey takes a larger sample size from a range of sectors, and the figure does not allow for a range to be calculated. If the cost saving was £300, the central estimate of **the net benefits would be £53.7**

**million (PV)** over 10 years, meaning a more conservative cost saving estimate still returns a positive net benefit.

- 124. In addition to the cost savings to the regulated sector, there is also a small UKFIU benefit that monetises freed up time at the UKFIU from lower DAML triage activity. This is calculated by taking the number of DAMLs exempted, that is, the number that UKFIU are no longer required to triage and multiplying this by the average time to triage a DAML, and then multiplying by the hourly cost of an FTE in UKFIU.
- 125. The estimated benefit lies in a range of **£0.7 to £1.2 million (PV)**, with a central estimate of **£0.8 million (PV)** over 10 years.

**Table 24, Time for UKFIU to triage a DAML, hourly cost of FTE in UKFIU, £, £ million PV, 2022.**

|                | <b>UKFIU time to triage each DAML report (hours)</b> | <b>Cost of FTE time per hour (£)</b> | <b>Total benefit to UKFIU (£m) 10 yr PV</b> |
|----------------|--|--------------------------------------|---|
| <b>Low</b>     | 0.08   | 30.08                                | <b>0.7</b>                                  |
| <b>Central</b> | 0.08   | 30.08                                | <b>0.8</b>                                  |
| <b>High</b>    | 0.08   | 30.08                                | <b>1.2</b>                                  |

Source: UKFIU, Home Office analysis, 2022.

- 126. The estimated benefits for reduced SAR submissions lie in a range of **£129.0 to £702.7 million (PV)**, with a central estimate of **£296.1 million (PV)** over 10 years. The estimated benefits to the private sector lie in a range of **£128.4 to 701.5 million (PV)**, with a central estimate of **£296.1 million (PV)** over 10 years. The estimated benefits to the public sector lie in a range of **£0.7 to £1.2 million (PV)**, with a central estimate of **£0.8 million (PV)** over 10 years<sup>54</sup>.

**Onboarding and due diligent costs savings to business**

- 127. Currently, as well as missing opportunities to prevent crime upstream, regulated entities incur unnecessary remediation and onboarding costs, including investigating and exiting customers (where there can be a 60-day notice period). As a result of the information sharing sharing measure, increased information sharing is expected to improve the efficiency of customer onboarding, due diligence and remediation. Information sharing would presumably lead to regulated entities taking on fewer criminals as they know they have been ‘debanked’ by another bank, saving time and money.
- 128. The onboarding and due diligence cost estimates<sup>55</sup> (paragraphs 160 present the figure of potential number of risky customers) are not considered as estimates of the potential benefits to business because of the high degree of uncertainty. Instead, due to the permissive nature of the proposed measure, it is expected that businesses will act if the benefit of acting is at least as large as the cost of implementing the IT platform, which informs the assumptions about benefits. For the central scenario, it is assumed that the benefit to business equals the central estimate of the set-up and running costs of the IT platform. The low and high estimates are set at 75 and 125 percent of the central estimate of the IT platform's setup and running costs, respectively.

<sup>54</sup> Rounding off means the split figures to add up to total.

<sup>55</sup> Please refer to the information sharing impact assesent for calculation steps for the estimates, which was estimated at approximately £108 million (PV) over 10 years for the central scenario.

**Table 25, Cost savings to regulated sector, £ million (PV) over 10 years, 2022).**

| <b>Year</b>  | <b>Low</b>  | <b>Central</b> | <b>High</b>  |
|--------------|-------------|----------------|--------------|
| 2022/23      | 16.9        | 22.5           | 28.1         |
| 2023/24      | 7.7         | 10.3           | 12.8         |
| 2024/25      | 7.7         | 10.2           | 12.8         |
| 2025/26      | 7.4         | 9.9            | 12.3         |
| 2026/27      | 7.2         | 9.5            | 11.9         |
| 2027/28      | 6.9         | 9.2            | 11.5         |
| 2028/29      | 6.7         | 8.9            | 11.1         |
| 2029/30      | 6.5         | 8.6            | 10.8         |
| 2030/31      | 6.2         | 8.3            | 10.4         |
| 2031/32      | 6.0         | 8.0            | 10.0         |
| <b>Total</b> | <b>79.1</b> | <b>105.4</b>   | <b>131.8</b> |

Source: Home Office Estimates, 2021.

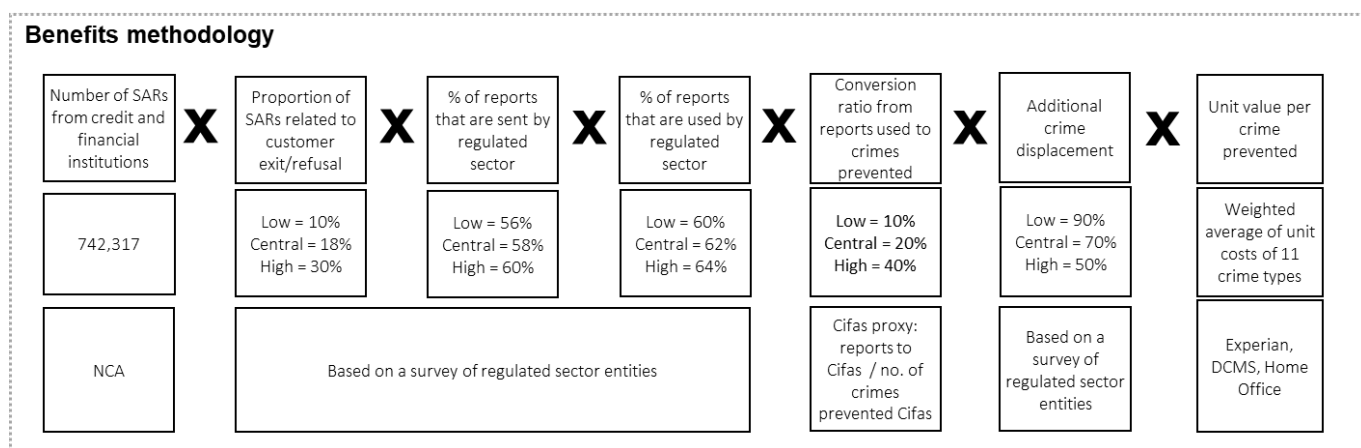
129. The estimated benefits to businesses lie in a range of **£79.1 million to £131.8 million**, with a central estimate of **£105.4 million (PV)** over 10 years. Despite the fact that the proposed measures have a direct impact on the ability of the regulated sector to share information, they do not have a direct impact on the cost of onboarding and due diligence. Onboarding and due diligent costs could be impacted by second order effects where businesses, upon having access to better intelligence, may decide against onboarding risky customers, eliminating associated costs. Since these impacts are second order, they are not included as direct benefits in the BNPV or EANDCB.

### **Benefits from prevented crimes**

130. The main benefits of information sharing legislation are assumed to be achieved through closing down displacement opportunities for criminals. Full details of the methodology and assumptions used to determine the number of prevented crime is presented in the Information Sharing IA, the schematic is provided below. The number of financial crimes prevented is multiplied by an estimated unit cost of crime to provide the estimated benefits of information sharing.
131. The weighted average unit cost of crime across fraud, drug and other crime (comprising 9 threat types<sup>56</sup>), has been calculated by taking the unit cost of a fraud crime and the estimated cost of drug and other crimes prevented through disruption. Then, the mean of these costs is taken to get a weighted average unit cost. Figure 2 shows the benefits methodology. Table 26 shows the number of crimes prevented each year, which are then multiplied by the weighted average unit cost of crime to estimate the total benefits. Total number of crime has a base on the number of SARs from financial and credit institutions in 2020/2021. This is assumed to increase at a constant rate of between 3 and 30 per cent each year, with a central estimate of 16 per cent per year (average based on the most recent five years of SARs data). The uncertainty around factors driving SARs volume growth trends informs the additional assumption that the growth rate applies for the second and third year in the modelled period before levelling off. Total benefits from prevented crimes is estimated in a range of **£17.4 million to £1.70 billion**, with a central estimate of **£238.1 million (PV) over 10 years**.

<sup>56</sup> Child sexual abuse (CSA), Organised Immigration Crime (OIC), Modern Slavery and Human Trafficking, Money Laundering, Bribery, International Corruption and Sanctions Evasion, Cyber Crime, Firearms, Organised Acquisitive Crime (OAC), Border Vulnerabilities.

**Figure 2, Benefits methodology for estimate of crime displacement, 2022.**



Source: Internal Home Office modelling

**Table 26, Estimated crimes prevented (volume), 2022/23 to 2031/32.**

| Year    | Low | Central | High   |
|---------|-----|---------|--------|
| 2022/23 | 200 | 3,000   | 16,000 |
| 2023/24 | 300 | 3,000   | 21,000 |
| 2024/25 | 300 | 4,000   | 27,000 |
| 2025/26 | 300 | 4,000   | 27,000 |
| 2026/27 | 300 | 4,000   | 27,000 |
| 2027/28 | 300 | 4,000   | 27,000 |
| 2028/29 | 300 | 4,000   | 27,000 |
| 2029/30 | 300 | 4,000   | 27,000 |
| 2030/31 | 300 | 4,000   | 27,000 |
| 2031/32 | 300 | 4,000   | 27,000 |

Source: Stakeholder workshops, NCA, Cifas, Home Office internal analysis, UOC 2016<sup>57</sup>, ESCC 2018<sup>58</sup>, Experian Annual Fraud Indicator report 2017<sup>59</sup>, DCMS 2019<sup>60</sup>, ESC CSA report 2021<sup>61</sup>

### Benefits from asset seizures

132. It is expected there will be some asset seizures as a result of the proposed crypto legislative measure. The main benefits of the proposed changes are the enhancement of ability to recover illicit assets, and as such, lead to an increase in asset seizures.
133. For the new crypto-powers, the number of live cases being investigated by LEAs is used as a proxy of potential cases that could result in asset seizures, with engagement with LEAs informing the assumption of 250 for the lowest volume of cases, with a central and high estimate of 500 and 1,000 cases respectively. Evidence from engagement with LEAs, indicates a focus on cases with a value of at least £50,000 due to the amount of effort required to investment and take actions. The £50,000 is assumed to be the lowest value of a case, with a central and high estimate of £100,000 and

<sup>57</sup> [Understanding organised crime 2015-16.](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/782656/understanding-organised-crime-mar16-horr103-2nd.pdf)

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/782656/understanding-organised-crime-mar16-horr103-2nd.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/782656/understanding-organised-crime-mar16-horr103-2nd.pdf)

<sup>58</sup> [The economic and social costs of crime second edition.](https://www.gov.uk/government/publications/the-economic-and-social-costs-of-crime) <https://www.gov.uk/government/publications/the-economic-and-social-costs-of-crime>

<sup>59</sup> [Annual Fraud Indicator Report 2017.pdf \(experian.co.uk\).](https://www.experian.co.uk/assets/identity-and-fraud/annual-fraud-indicator-report-2017.pdf) <https://www.experian.co.uk/assets/identity-and-fraud/annual-fraud-indicator-report-2017.pdf>

<sup>60</sup> [Cyber Security Breaches Survey 2019.](https://www.gov.uk/government/statistics/cyber-security-breaches-survey-2019) <https://www.gov.uk/government/statistics/cyber-security-breaches-survey-2019>

<sup>61</sup> [The economic and social cost of contact child sexual abuse.](https://www.gov.uk/government/publications/the-economic-and-social-cost-of-contact-child-sexual-abuse) [www.gov.uk/government/publications/the-economic-and-social-cost-of-contact-child-sexual-abuse](https://www.gov.uk/government/publications/the-economic-and-social-cost-of-contact-child-sexual-abuse)

£200,000 respectively. This gives an estimated benefit which lies in the range of **£0.11 to £1.72 billion** with a central estimate of **£0.43 billion (PV over 10 years)**.

**Table 27, Asset recovery by LEA/public sector (vol, £, £ million PV), 2022.**

| Scenario | No. of cases | Average case value (£) | Seized per year (£m) | Total seized (£m PV) 10 yrs |
|----------|--------------|------------------------|----------------------|-----------------------------|
| Low      | 250          | 50,000                 | 12.5                 | <b>107.6</b>                |
| Central  | 500          | 100,000                | 50.0                 | <b>430.4</b>                |
| High     | 1,000        | 200,000                | 200.0                | <b>1,721.5</b>              |

Source: Engagement with LEAs, Home Office estimates, 2022.

### Non-monetised benefits

134. There are benefits that have not been monetised for both the private and public sectors. These are discussed in the IAs for each of the proposed legislative measures, so only the main non-monetised are presented here.
135. Changing legislation around exemptions for handling mixed suspected criminal and legitimate property will make interpretations over mixed funds more transparent, clear, and certain as a direct result of these proposals. This may reduce the number of clarification requests to UKFIU. The expectation is that any cost savings due to reduced clarification requests would be minimal, but given the high level uncertainty around whether there would be fewer clarification requests (and if so, how many) this has not been monetised.
136. There is a lack of clarity and uncertainty about how businesses should approach the problems of mixed suspicious and legitimate property. This poses the risk of economic harm to the subjects of disclosures. These measures should allow individuals to access property while under suspicion which will help cover living expenses.
137. It is possible that if individuals under suspicion can access their property, they are less likely to commence civil proceedings due to not knowing that they are the subject of a DAML. This would lead to a cost saving to both the courts and to either the individual or business who loses the case.
138. As a result of new DAML exemptions, there are also benefits to LEAs as they can focus their resource on DAMLs which generally provide greater opportunities for LEAs to take action (DAMLs for transactions which have a high refusal rate). This may offset the potential lost asset denial as a result of the exemptions. This has not been monetised as the extent of this benefit is uncertain.
139. Fewer DAMLs could also indirectly benefit customers that still face delays due to non-exempted DAMLs, as the UKFIU would have fewer DAMLs to process. This is also expected to result in increased trust and confidence in the regulated sector.
140. Trust and confidence in the regulated sector and CJS if there is a reduction in economic crime as a result of these policies.

### Total benefits

141. The **total benefits** for the proposed legislations are estimated in a range of **£333.0 million to £4.26 billion (PV)**, with a central estimate of **£1.07 billion (PV) over 10 years**.



## NPSV, BNPV, EANDCB

142. The total cost for the proposed legislations lies in a range of **£93 to £407.3 million (PV)**, with a central estimate of **£142.1 million (PV)** over 10 years. The total monetised benefits are estimated to be **£333.0 million to £4.26 billion (PV)**, with a central estimate of **£1.07 billion (PV)** over 10 years.
143. The Net Present Social Value (NPSV), which is the total discounted benefits minus the total discounted costs, lies in a range of **£240.0 million to £3.85 billion**, with a central estimate of **£928.7 million (PV)** over 10 years.
144. The Business Net Present Value (BNPV) is estimated to lie in a range of **£128.2 million to £699.2 million**, with a central estimate of **£295.4 million (PV)** over 10 years. The net direct cost to business<sup>62</sup> lies in a range of **-£14.9 million to -£81.2 million**, with a central estimate of **-£34.3 million (PV)** over 10 years.
145. Table 28 presents the costs, benefits, NPSV, the BNPV, and the net direct cost to business. Estimates are in 2021/22 prices with a present value base year (PVBY) of 2022/23.

**Table 28: Costs, benefits, NPSV, BNPV and net direct cost to business in £ million (PV) over 10 years (2021/22 prices, 2022/23 PVBY).**

| Summary of Costs and Benefits | Low          | Central        | High           |
|-------------------------------|--------------|----------------|----------------|
| Total set up costs            | 8.4          | 24.6           | 65.2           |
| Total ongoing costs           | 84.6         | 117.5          | 342.1          |
| <b>Total costs</b>            | <b>93</b>    | <b>142.1</b>   | <b>407.3</b>   |
| <b>Total benefits</b>         | <b>333.0</b> | <b>1,070.8</b> | <b>4,259.7</b> |
| <b>NPSV</b>                   | <b>240.0</b> | <b>928.7</b>   | <b>3,852.4</b> |
| <b>BNPV</b>                   | <b>128.2</b> | <b>295.4</b>   | <b>699.2</b>   |
| <b>EANDCB</b>                 | <b>-14.9</b> | <b>-34.3</b>   | <b>-81.2</b>   |

Source: Home Office, own estimates, 2022.

## Value for Money (VfM)

146. For a policy to be considered VfM it must achieve the strategic and policy objectives. Although options considered for each of the legislative measures are likely to meet the policy and strategic objectives, the value for money assessment is dependent on business acting and taking advantage of the new legislation. It is not certain that businesses will act on the three pieces of permissive legislation (exemptions for handling mixed funds, DAML exemption, and information sharing), but evidence suggests they have an incentive to do so, and as such, the benefits are included in the value for money statement.
147. Overall, the legislations are expected to deliver economic benefits via reduced costs and address inefficiency, potentially resulting in a more efficient allocation of resources. For example, the proposed DAML exemption is expected to reduce the number of DAMLs raised by businesses, and in so doing, addresses a current inefficiency in the SARs regime where only a small fraction of all DAMLs raised are refused. For the period 2019/20, the number of DAMLs raised was 62,408, with only 2,055 of these refused, meaning the NCA gave permission for businesses to carry out an activity for 96.7 per cent of these, so only 3.3 per cent of DAMLs raised were refused. The reduced costs to business provides both economic value and efficiency gains as businesses won't have to raise an

<sup>62</sup> The net direct cost to business is defined as the Equivalent Annual Net Direct Cost to Business and is the administrative cost to business per year that is scrutinised by the Regulatory Policy Committee (RPC) to review whether costs to business have been fully assessed.

expensive DAML, and can raise a SAR instead, which in turn might allow them to allocate resources to better use. The legislations are also delivering more effective tools and are expected to increase asset seizures and reduce crimes.

148. The legislation – if implemented – would result in benefits of just over £1.07 billion over 10 years, 97 per cent of which are driven by the DAML exemptions, information sharing, and cryptoassets legislation. Although the majority of the estimated costs is borne by the businesses, they will only act on the legislation if the benefits outweigh the costs. The estimated set-up costs is 2.3 per cent of the estimated benefit, and the ongoing costs are approximately 11 per cent of the benefits. The NPSV of £928.8 million indicates the benefits outweigh the costs of the proposed legislations.

### Impact on small and micro-businesses

149. Small and micro-businesses make up the vast majority of the regulated sector by number of businesses. According to BPE 2021, around 99 per cent of the total business population is made up of small businesses (0 to 49 employees)<sup>63</sup>. The proportion of small and micro-businesses from the BPE 2021 combined with the number of businesses in the regulated sector means there are approximately 46,600 small and micro-firms. The legislative measures proposed include no specific exemptions targeted at small and micro-businesses, and they are not expected to disproportionately affect small and micro-businesses. Some of the measures are discretionary powers, so there is a reasonable expectation that business will adopt these changes only where they lead to net benefits for business.

- **Exemptions for handling mixed property and DAML exemptions:** Both of these measures are permissive legislation, so there is a reasonable expectation that business will adopt these changes only where they lead to net benefits for business, and as such, small and micro-businesses will choose not to implement them if it disproportionately impacts them. For the period 2020/21, data from NCA shows that the top five businesses were responsible 67 and 60 per cent of all SARs and DAML submitted respectively. They were all large businesses, and as such, indicating the current legislation not disproportionately impacting small and micro-businesses even though they make up the majority of the regulated sector by number of businesses.
- **Information sharing:** This measure is permissive legislation, so there is a reasonable expectation that business will adopt these changes only where they lead to net benefits for business, and as such, small and micro-businesses will choose not to implement them if it disproportionately impacts them. Given that a significant proportion of SARs and DAMLs are submitted by large businesses, the expectation is that large businesses will have more incentive to act on the measure, and as such, it is not expected that the legislation would disproportionately impact small and micro-businesses.
- **Information Orders:** 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 SMEs, 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 SMEs currently face disproportionate resource issues when responding to voluntary requests, therefore it is not anticipated that there would be significant or disproportionate impacts on SMEs as a result of this change. The anticipated volume of IO requests is unknown and the frequency of requests is not anticipated to be high. 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.

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<sup>63</sup> [2021 Business population estimates for the UK and the Regions: Statistical Release.](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1019907/2021_Business_Population_Estimates_for_the_UK_and_regions_Statistical_Release.pdf)  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1019907/2021 Business Population Estimates for the UK and regions Statistical Release.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1019907/2021_Business_Population_Estimates_for_the_UK_and_regions_Statistical_Release.pdf)

- **Cryptoassets:** Data on the split of large or small to medium-seized enterprise (SME) cryptoasset exchange is not available. It is not expected that this legislation would disproportionately impact small and micro-businesses. Businesses are not obliged to respond to LEAs unless there is a court order, so small and micro-businesses can choose to not respond to requests if the impact is greater than the benefits. Given that a significant proportion of SARs and DAMLs are submitted by large businesses, it is not expected that small or micro-cryptoasset exchanges would face disproportionate amount of court orders.

## F. Proportionality

150. As this is a Final stage IA, impacts have been monetised as far as possible, making use of findings from Home Office engagement with the regulated sector and LEAs. However, the estimates of impact associated with the proposed changes are indicative only.
151. Whilst the analysis would have benefited from the monetisation of all the identified benefits and costs, a proportional approach was taken to monetise benefits and costs that were considered to have significant impacts, with those expected to have minimal impacts unmonetised. In most cases of unmonetised benefits or costs, there were either data challenges or a lack of data.

## G. Risks

152. Generally there is a risk that familiarisation costs are greater than anticipated and may vary in impact for different firms.
153. For the mixed property legislative change, there is a risk about the legal interpretation of mixed suspicious and legitimate property and the impact that an amendment may have on the ability of law enforcement to trace criminal proceeds effectively and this may have an uncertain economic impact.
154. For the mixed property legislative change, there is a risk that individuals may be able to access parts of the property in their account that is later determined to be illicit, which would not be possible if the whole account was frozen, putting potential benefits at risk.
155. There is some uncertainty around the estimated cost saving from submitting a SAR instead of a DAML, which could reduce the expected benefits of some of the measures using this estimate. The main analysis uses a range of cost saving estimates gathered from expert workshops to account for this uncertainty, but these estimates are still inherently uncertain due to the small sample size that may not be representative of the whole regulated sector. Nevertheless, one respondent to the survey was responsible for roughly one third of the total SARs submitted to the NCA in 2020, and two respondents were responsible for submitting roughly 30 per cent of the total DAMLs submitted in 2020. And as such, there is a considerable degree of confidence that the data provided is representative of the credit and financial sector, which translates to a lower degree of uncertainty on the estimated benefits from costs savings.
156. There is a risk that the expected percentage of DAMLs that will be submitted as SARs is lower than anticipated, which would result in a lower cost saving. There is high uncertainty regarding the volume of SARs and DAMLs expected to be raised each year, as both have been increasing over recent years. It is not possible to forecast long-range volumes so volumes have initial growth rates applied then are flat-lined after year 3 (see the individual IAs for detail).
157. For the information sharing legislative measure, there is a risk that information about customers could be shared outside of the defined purpose. A critical component of mitigating information sharing risks will be effective governance, dictating what information can be submitted and how it can be used, ensuring adherence with these rules and enabling appropriate redress but avoiding economic risk.

158. For the information sharing legislative measure, the proposal involves sharing personal data about customers for the purpose of preventing and detecting economic crime in order to help inform other regulated entities' risk-based decisions about taking on or retaining these customers. While the aim is to prevent bad actors exploiting the financial system, there is a risk that information on the system about a customer could lead to individuals being unfairly or disproportionately excluded from products and services in the regulated sector. This could impact vulnerable groups who may have some characteristics similar to those of money launderers or criminals, and who may not have resources to challenge exits or refusals.
159. The Government is clear that businesses involved in sharing customer information must have adequate safeguards in place to guard against the risk of unsubstantiated financial exclusion, and that innocent individuals who have suffered exclusion as a result of having their information shared can access effective avenues for redress. It is the Government's view that the existing mechanisms that enable individuals to appeal against financial exclusion provide the right framework for any future appeals, based on private to private information sharing, without the need for further legislation. It is believed that these existing obligations under GDPR 2018, the right to a Basic Bank Account, and FCA guidance provide the necessary protections for customers.
160. The estimated benefits from the information sharing measures relies on businesses implementing a new IT platform. The VfM assessment is dependent on business acting, taking advantage of the new legislation, and implementing a new IT platform. It is not certain businesses will act on the new legislation, but evidence suggests they have an incentive to do so because data suggests approximately 761,500 customers were exited<sup>64</sup> from all lines of business for financial crime reasons<sup>65</sup>. Some of the costs of onboarding and performing due diligence on these customers could be avoided if information from any new IT platform can screen out some of these customers. So, although there is a risk that the estimated benefit through reduction in crime might not be realised, this risk is low because businesses have a strategic rationale to act.
161. The IOs can be time consuming as law enforcement requires court authorisation. The greater administrative burden for law enforcement obtaining authorisation, and courts granting it, may put investigations on hold. Whilst the anticipated volume of IO requests is unknown, the frequency of requests is not anticipated to be high, using the proxy of current section 7 (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 might be issued as a compulsion order instead, rather than being issued in addition to s7 requests.
162. Currently, the UKFIU relies on the s7 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. It is possible that a change to using a compulsion power to request information would result in a reduction in s7 voluntary requests being met, as reporters may decide they are more comfortable with being compelled by greater perceived protection against any data protection or customer confidentiality breaches. However, it is likely that s7 requests would decrease in importance, as under the proposed changes, responses to the majority of information requests would be mandatory.
163. Volatility and anonymity of cryptoassets adds uncertainty, as do unregulated or uncooperative cryptoasset service providers. It is not known how precisely much money is being laundered or how much illicit finance is involved in cryptoassets because of the anonymity and lack of consistent regulation internationally. Numbers used in this IA are based on the few known cases available and on estimates and data from a few specific firms. There is a lack of full information in this space.

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<sup>64</sup> According to the FCA : "This covers any customers or clients with whom the firm ceased to do business where financial crime or criminal behaviour by a customer or client with a financial element was the principle driver behind the decision.

<sup>65</sup> Financial Crime: analysis of firms' 2017-2020 REP-CRIM data | FCA. <https://www.fca.org.uk/data/financial-crime-analysis-firms-2017-2020/#if-chapter-id-key-observations-customers-exited-and-refused-for-financial-crime-reasons>

## H. Wider impacts

164. One practical consequence of handling mixed property is that, although a required disclosure would still be made, those disclosures are not processed in the same way as authorised disclosures. It follows, LEAs who may not be immediately alerted or be able to take immediate action on the suspected criminal property.

## I. Trade Impact.

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

## J. Monitoring and evaluation (PIR if necessary), enforcement principles.

166. This proposal is at final stage. Since most of the proposed legislative measures are amendments that current systems can monitor, there are no new monitoring and evaluation plans for the amendments. However, specific systems or indicators are discussed in the respective IAs of the five measures, for example:

- For the ring fencing and DAML exemption measures:
  - DAML volumes are currently recorded each year by the NCA and this system will not change, so any changes in DAMLs raised as a result of the new measures will be tracked by the current system. A reduction in DAML volumes would be an indicator that the proposed measures are having the intended effect and would therefore be an indicator of success.
  - The NCA SARs Annual Report will be an annual source of data on overall reporting volumes. This publication will not provide a breakdown at the level of detail needed for the impact of specific measures, but it is anticipated that if a further breakdown of DAML volumes was required this data could be requested directly from the NCA.
- For the information sharing measures, new indicators to monitor are proposed:
  - An indicator that will be monitored is banks deciding to set up a third party platform and engage in information sharing, as this would suggest that banks see that the benefit to participation in information sharing outweighs the costs. In addition, the number of entities signed up to use the platform will be monitored.
  - The number of customers de-banked (exited) from deposit-taking bodies, e-money and payment institutions due to suspicion of money laundering would be monitored. If these measures result in more criminals being denied banking services it would suggest that information sharing is having the desired effect of improving banks' ability to assess risk. It is assumed that entities already collect this data internally and engagement with banks would be required to obtain this data.
- The number of IO requests raised will be monitored.
- For the cryptoasset measures:
  - Feedback will be sought from enforcement agencies on how effective the new powers have been in practice.
  - The number of cases where LEAs have succeeded in retrieving/freezing the assets will be monitored.

167. A post-implementation review will be undertaken in October 2026, about three years after Royal Assent to allow the policy to embed and for routine monitoring and feedback from stakeholders to be used ensure any initial issues are dealt with.

**Annexes: Impact Assessment Checklist**

| Mandatory specific impact test - Statutory Equalities Duties  | Complete          |
|---|-------------------|
| <p><b>Statutory Equalities Duties, six legislative measures</b></p> <p>Each of the measures has been developed with consideration to statutory equalities duties - a summary is presented here.</p> <ul style="list-style-type: none"> <li>• The information sharing legislation involves sharing personal data about customers in order to help inform risk-based decisions about taking on or retaining customers. While the aim is to prevent bad actors exploiting the financial system, there is a risk that information on the system about a customer could lead to individuals being excluded from a wider range of products and services than they already are. Although some customers are likely to find an increased number of businesses denying them products or services, the proposal is not likely to disproportionately impact any group with a protected characteristic. It is the Government’s view that the existing mechanisms that enable individuals to appeal against financial exclusion provide the right framework for any future appeals based on private-to-private information sharing, without the need for further legislation. A businesses existing obligations around data accuracy, integrity, purpose, storage and accountability under GDPR will continue to apply.</li> <li>• The exemptions for handling mixed suspected criminal and legitimate property legislation is expected to make the system more targeted and proportional, with improved outcomes and benefits for reporters and law enforcement. This is not considered to be advantageous or disadvantageous to any particular group. Even though there are broader societal benefits – including enabling faster repayment of funds to victims of crime and fewer delayed customer transaction – there is no discrimination to any of the protected groups in relation to the beneficiaries of an improved regime.</li> <li>• The DAML exemption legislation is intended to make the system more targeted and proportional, with improved outcomes and benefits for reporters and law enforcement. This is not considered to be advantageous or disadvantageous to any particular group. Even though the DAML reform has broader societal benefits – including enabling faster repayment of funds to victims of crime and fewer delayed customer transactions – there is no discrimination to any of the protected groups in relation to the beneficiaries of an improved regime.</li> <li>• For the IO measures, the proposed legislation are not considered to be advantageous or disadvantageous to any particular group.</li> <li>• For the cryptoasset measures, the proposed new powers in either Part 2 or Part 5 of POCA 2002 relating to cryptoassets are not considered to be advantageous or disadvantageous to any particular group.</li> </ul> <p><b>These summary findings of the Equality Impact Assessment have been agreed by the SRO.</b></p> | <p><b>Yes</b></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><b>Business Impact Target</b><br/>         The Small Business, Enterprise and Employment Act 2015 (<a href="#">s. 21-23</a>) creates a requirement to assess the economic impacts of qualifying regulatory provisions on the activities of business and civil society organisations. <a href="#">[Better Regulation Framework Manual]</a></p> <p>The combined measures contributes <b>-£34.3 million</b> to the Business Impact target (BIT) for the 2019/2024 Parliament, which represents an overall positive impact on business. Only the direct benefits of cost savings to businesses as a result of these legislation have been included. Benefits to the public sector such as reduction in crime and asset recoveries haven't been included.</p> | <p><b>Yes</b></p> |
|---|-------------------|

|  |                   |
|--|-------------------|
| <p><b>Small and Micro-business Assessment (SaMBA)</b><br/>         The SaMBA is a Better Regulation requirement intended to ensure that all new regulatory proposals are designed and implemented so as to mitigate disproportionate burdens. The SaMBA must be applied to all domestic measures that regulate business and civil society organisations, unless they qualify for the fast track. <a href="#">[Better Regulation Framework Manual]</a></p> <p>A SaMBA was conducted (see paragraph 143). The evidence shows that many of the measures being discretionary powers means there is a reasonable expectation that business will adopt these changes only where they lead to net benefits for business. The measures are mostly amendments to current legislation, and as such, evidence of business impacts have been used to conclude that small and micro-business are not expected to be disproportionately impacted by the proposed amendments.</p> | <p><b>Yes</b></p> |
|--|-------------------|

## **Annex A: Questions and responses to the targeted engagement**

The targeted engagement included 15 questions on measures covering Anti Money Laundering (AML) and 11 on cryptoassets measures. Written responses were received from 44 organisations, of which 41 organisations responded to questions on AML measures. For the crypto measures, 20 organisations responded. The respective IAs have more details.

### **Questions – Information Sharing**

Q1. Would the proposed disapplication of civil liability provide businesses in the regulated sector with the confidence they need to share customer information for the purpose of preventing and detecting money laundering? Are there any further obstacles to sharing?

Q2. Does liability for breaches of contract or confidentiality need to be disapplied or could this be adequately addressed by businesses changing their own contractual terms and conditions?

Q3. In the examples highlighted above and in preventing and detecting money laundering more generally, why could the existing information sharing provisions in POCA 2002 section 339ZB to 339ZG (as inserted by the Criminal Finance Act 2017), not be used? Why might a new provision be necessary?

Q4. How should the thresholds for disclosing information be defined in legislation? Are the proposed purposes above (“that which will or may assist in enabling the recipient either...”) too broad or too narrow? Are there other purposes for which information should be shared in order to tackle money laundering?

Q5. Are there any other types of crime (such as terrorist financing, which may involve clean funds) whose prevention or detection should fall within its scope?

Q6. Do the envisaged avenues for redress adequately mitigate the risks of unwarranted exclusion from financial and wider sectors? Do any of these impacts or risks affect firms and companies as well as individuals?

Q7. Do respondents agree that amendments to the tipping off offence are not necessary to facilitate private to private information sharing as described above?

Q8. In addition to the proposal above, are there any additional legislative changes in the information sharing space – including those which involve public sector sharing - that would strengthen the response to money laundering, whilst protecting a customer’s confidentiality and data protection rights?

### **Question - IO**

Q9. Does the proposed threshold for use of an IO – for the purpose of the NCA carrying out the functions of a Financial Intelligence Unit – represent a legitimate and proportionate basis for use of the amended power? Should an alternative threshold be considered?

### **Questions - Exemptions for handling mixed suspected criminal and legitimate property**

Q10. Would the proposed exemptions to the principal money laundering offences succeed in reducing the reporting burden on businesses? Should further exemptions be considered?

Q11. Should the exemptions apply across the entirety of sections 327 to 329 of POCA 2002 - except for ‘concealing’ or ‘disguising’ under section 327(1)(a) or (b)? Or should they be limited to certain acts?

Q12: Are there any safeguards or conditions that are needed to avoid any new exemptions being abused?

Q13. Do the proposals around ringfencing adequately address the problems of mixed funds? Is creating an exemption to sections 327 to 329 of POCA 2002 the most effective way to solve the problem of mixed funds?

Q14. What legislative proposals could be introduced to solve the problem of comingling/mixed funds for all forms of criminal property i.e. not just money?

Q15. Are both sections of the proposed ringfencing exemption (a) and (b) above necessary? Are there any scenarios in which (a) would be used over (b)?



## Questions - Cryptoassets

Q16. Cryptoassets are defined as “cryptographically secured digital representation of value or contractual rights that uses a form of distributed ledger technology and can be transferred, stored or traded electronically” in Schedule 9 to POCA 2002. Is this definition sufficiently broad for the purposes of these proposals?

Q17. Schedule 9 to POCA 2002 defines cryptoasset exchange provider as “firm or sole practitioner who by way of business provides one or more of the following services, including where the firm or sole practitioner does so as creator or issuer of any of the cryptoassets involved:

1. exchanging, or arranging or making arrangements with a view to the exchange of, cryptoassets for money or money for cryptoassets,
2. exchanging, or arranging or making arrangements with a view to the exchange of, one cryptoasset for another, or
3. operating a machine which utilises automated processes to exchange cryptoassets for money or money for cryptoassets;

Is this definition sufficiently broad for the purposes of these proposals?

Q18. Schedule 9 to POCA 2002 defines “custodian wallet provider” (for other purposes) as a firm or sole practitioner who by way of business provides services to safeguard, or to safeguard and administer:

1. cryptoassets on behalf of its customers, or
2. private cryptographic keys on behalf of its customers in order to hold, store and transfer cryptoassets.

Is this definition sufficiently broad for the purposes of these proposals?

Q19. What technological barriers (or security features) should be considered when developing new civil and investigatory powers to seize, detain and forfeit cryptoassets?

Q20. What else should we take into account when developing these powers to investigate, seize and forfeit cryptoassets?

Q21. In what circumstances would it appropriate for any of these new powers to be capable of being used in relation to persons, or cryptoassets, located outside the UK?

Q22. Should new powers to recover cryptoassets make provision for the court to order compensation to be paid to any identifiable victims?

Q23. Should new powers to recover cryptoassets be accompanied by supplementary investigatory powers?

Q24. What difficulties have you encountered securing cryptoassets to prevent their dissipation, or preserve their value (prior to the making of a confiscation order)? Would our legislative proposals address these challenges? If not, why not?

Q25. Is it necessary or desirable to mirror changes we propose to make to proceeds of crime legislation, in particular the civil recovery powers under Part 5 of POCA 2002, in the Anti-Terrorism, Crime and Security Act 2001?

Q26. We welcome your views if there are other proposals that you consider would support the recovery of criminal cryptoassets, not listed above.

## Question - General

Q35. In addition to the proposals detailed in this paper, what further proposals should the Government consider to tackle economic crime?

## Annex A, continued.

**Table A.1 Full list of respondents to targeted engagement exercise, 2021.**

| Organisation   | AML     | Type of responses |         |
|--|---------|-------------------|---------|
|  |         | Cryptoasset       | Generic |
| Association of Accounting Technicians                  | Full    |                   |         |
| Association of British Insurers                        | Full    |                   | Full    |
| Association of Foreign Banks                           | Full    | Partial           | Full    |
| Association of Taxation Technicians                    | Partial |                   |         |
| Bank of England  | Partial | Partial           |         |
| Bar Council  | Partial |                   |         |
| Bar Standards Board                                    | Partial |                   |         |
| Betting and Gaming Council                             | Partial |                   |         |
| Betway   | Partial |                   |         |
| British Vehicle Rental and Leasing Association         | Partial |                   |         |
| Chartered Accountants Ireland                          | Full    |                   |         |
| Chartered Institute of Management Accountants          | Partial |                   |         |
| Chartered Institute of Taxation                        | Partial |                   |         |
| Cifas  | Partial |                   |         |
| CILEx Regulation                                       | Partial |                   |         |
| CPS  | Partial | Partial           |         |
| Deloitte   | Partial | Partial           | Full    |
| Digivault  |         | Partial           |         |
| Electronic Money Association                           | Partial | Partial           |         |
| Federation of Small Businesses                         | Partial | Partial           | Full    |
| Gambling Commission                                    | Full    | Partial           |         |
| Gemini   | Full    | Full              |         |
| HMRC   | Partial | Partial           |         |
| Institute of Chartered Accountants                     | Full    |                   |         |
| Institute of Chartered Accountants of Scotland         | Full    |                   |         |
| Institute of Financial Accountants                     | Full    |                   |         |
| Kraken   | Partial | Full              |         |
| Law Society  | Full    |                   |         |
| Law Society of Northern Ireland                        | Full    |                   |         |
| National Pawnbrokers Association                       | Partial |                   |         |
| NIE - Department of Justice                            | Partial | Partial           |         |
| Paymasters Association                                 | Full    | Full              | Full    |
| PIMFA  | Partial |                   |         |
| Propertymark   | Partial | Full              | Full    |
| Royal Institute of Chartered Surveyors                 | Full    |                   |         |
| RUSI   | Partial | Full              | Full    |
| RUSI - Centre for Financial Crime and Security Studies | Partial |                   |         |
| Santander  | Full    | Full              |         |
| Scottish Government                                    | Partial | Partial           |         |
| Serious Fraud Office                                   |         | Full              | Full    |
| Solicitors Regulation Authority                        | Partial |                   |         |
| Spotlight corruption                                   |         |                   |         |
| UK Finance   | Full    | Full              |         |
| Ziglu  | Partial | Partial           |         |