

Tackling financial crime: staying ahead of the criminals

Alexandra Jones, Director of AML, SRA

Preventing economic crime is everyone's responsibility

- Money laundering – ongoing threat
- Financial Action Task Force
- Sanctions – changing picture
- Our obligations



What difference does training make?

- Enhanced detection and prevention:
 - red flags
 - risk mitigation
- Strong compliance framework:
 - keeping knowledge current
 - procedural awareness – what my firm does
- Robust client due diligence
- Speed of action

Training - current picture



April 2022-April 2024 inspections



Themes in findings



Size of firm



International firms

Good v Bad



Incorporating real life case studies	Poor record keeping
Ongoing, not just annual training	Lack of clarity from fee-earners on responsibilities
Adapting training for different learning styles	Reliance on generic training packages
Clarifying the link between good compliance and a successful firm	Using the same material repeatedly, despite changes to the firm client base or risk appetite

What should we see?

- A comprehensive, and where necessary, bespoke set of training material
- Training documentation (presentations, notes, handouts, copies of online content etc)
- Attendance records
- Dates of training
- The results of any assessments carried out

An effective training programme

ROLE

- Relatable
- Ongoing
- Leadership
- Engaging



What next?

- Read our report and guidance
- Review your training material
- Challenge your providers where you are outsourcing your training

Upcoming events



Webinar series



2025 thematic review

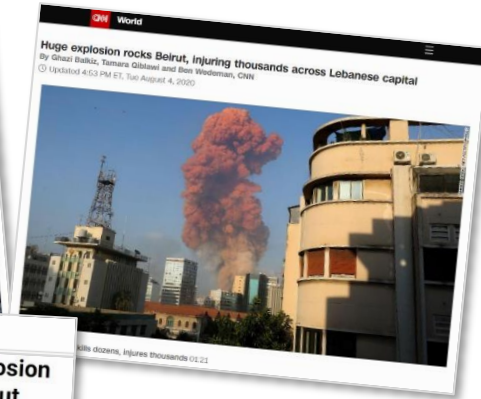


4 AUGUST 2020, 19:00

BRITISH SHELLS AND THE BEIRUT BLAST

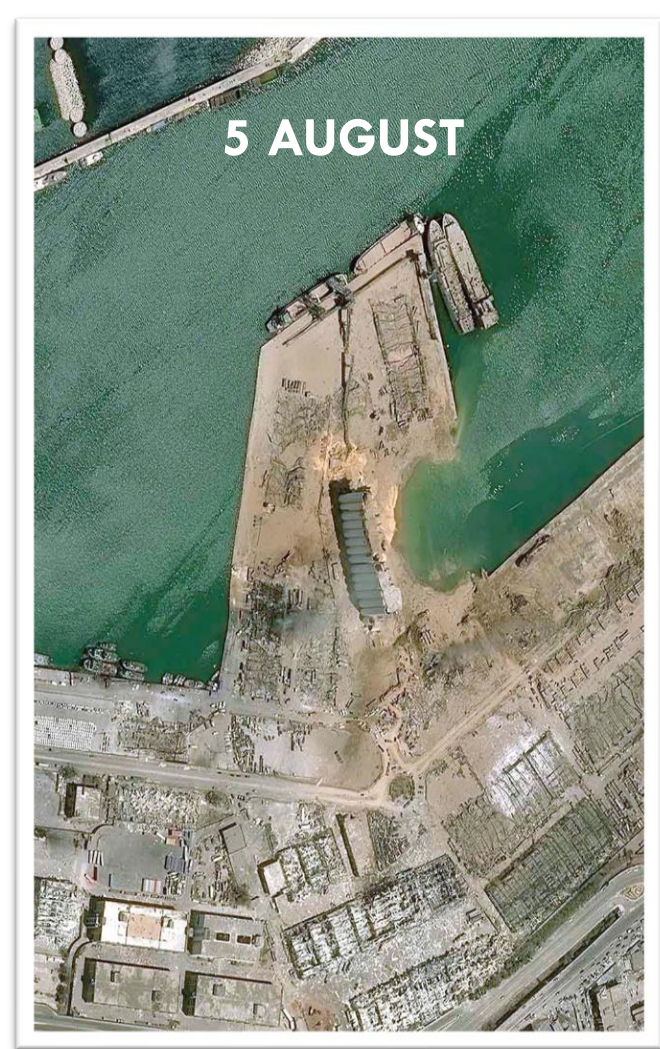
An investigation by The Dark Money Files

r: General



THE PORT OF BEIRUT

- >200 people died
- >6,500 people injured
- >300,000 people left homeless
- >\$15bn in damage



Sensitivity:

THE SHIP, JOURNEY, CARGO & CREW IN 2013



THE SOURCE OF THE CARGO

July 10th, 2013

SALE PURCHASE CONTRACT NUMBER: AS781N/1007

"RUSTAVIAZOT" LLC
2, MSHVIDOBA STR., RUSTAVI, 3702,
GEORGIA

This Agreement (the "Agreement") is hereby made and entered into by and between:

SELLER: "RUSTAVIAZOT" LLC (the "SELLER")
2, Mshvidoba Str., Rustavi, 3702,
Georgia

RUSTAVIAZOT LLC

BUYER: SAVARO LIMITED (the "BUYER")
10 Great Russell Street
WC1B 3BQ, London
England
United Kingdom

SAVARO LIMITED

The Seller and the Buyer shall each be a "Party" and collectively they shall be the "Parties".

ARTICLE 1. Agreement

The Seller hereby agrees to sell and the Buyer hereby agrees to buy the commodities described in Article 2-1 below (the "Commodities"), subject to the terms and conditions of this Agreement.

ARTICLE 2. Commodities; Quality and Specifications

2-1 Commodities

Product: 2750 MT of High Density Ammonium Nitrate, IMO 5.1, in big bags

HIGH DENSITY
AMMONIUM
NITRATE (NH₄NO₃)

Total quantity

2750 MT of High Density Ammonium Nitrate, IMO 5.1 in 1000 kg pppe big bags, FOB (British Port, Port of Black Sea, Georgia) for further transportation to Beira port, Mozambique.

Final destination: Mozambique

Package:

1000 big bags pppe made of highly strong polypropylene bags with polyethylene inner liner safe for on-land and sea transportation providing complete safety of the Product

Marking:

The print is to be made indicating the ultimate user's details as below:
NITROPRILL HD
HIGH DENSITY AMMONIUM NITRATE
WEIGHT KG NET 1000 KGS
TYPE: NITROGEN CONTENT (N2)
ON BASIS NH4NO3 NOT LESS THAN 98.5%
PRODUCED FOR FEM

[FOB]SALE CONTRACT NUMBER AS781N/1007

Page 1 of 4



MEET MARINA PSYLLOU

Savaro Limited

Marina Psyllou: director

Marina Psyllou: Person with Significant Control

Interstatus Limited

Status Grand Limited

Interstatus Business Limited



Overall, Marina Psyllou is director of **157** companies - including

- 66 in Panama
- 44 in the UK

Marina Psyllou (as ΜΑΡΙΝΑ ΨΥΛΛΟΥ) is a director of **86** Cyprus Companies

FOLLOWING THE TRAIL



Companies House
Tŷ'r Cwmnïau

Savaro Limited

Jun 2006

Jun 2008

Jun 2011

May 2018

Hesco Engineering and Construction Company Limited

Aug 2005

Jun 2008

Jun 2011

Dissolved

Alfa Procurement and Machinery Limited

Sep 2007

Jun 2008

Jun 2011

Dissolved



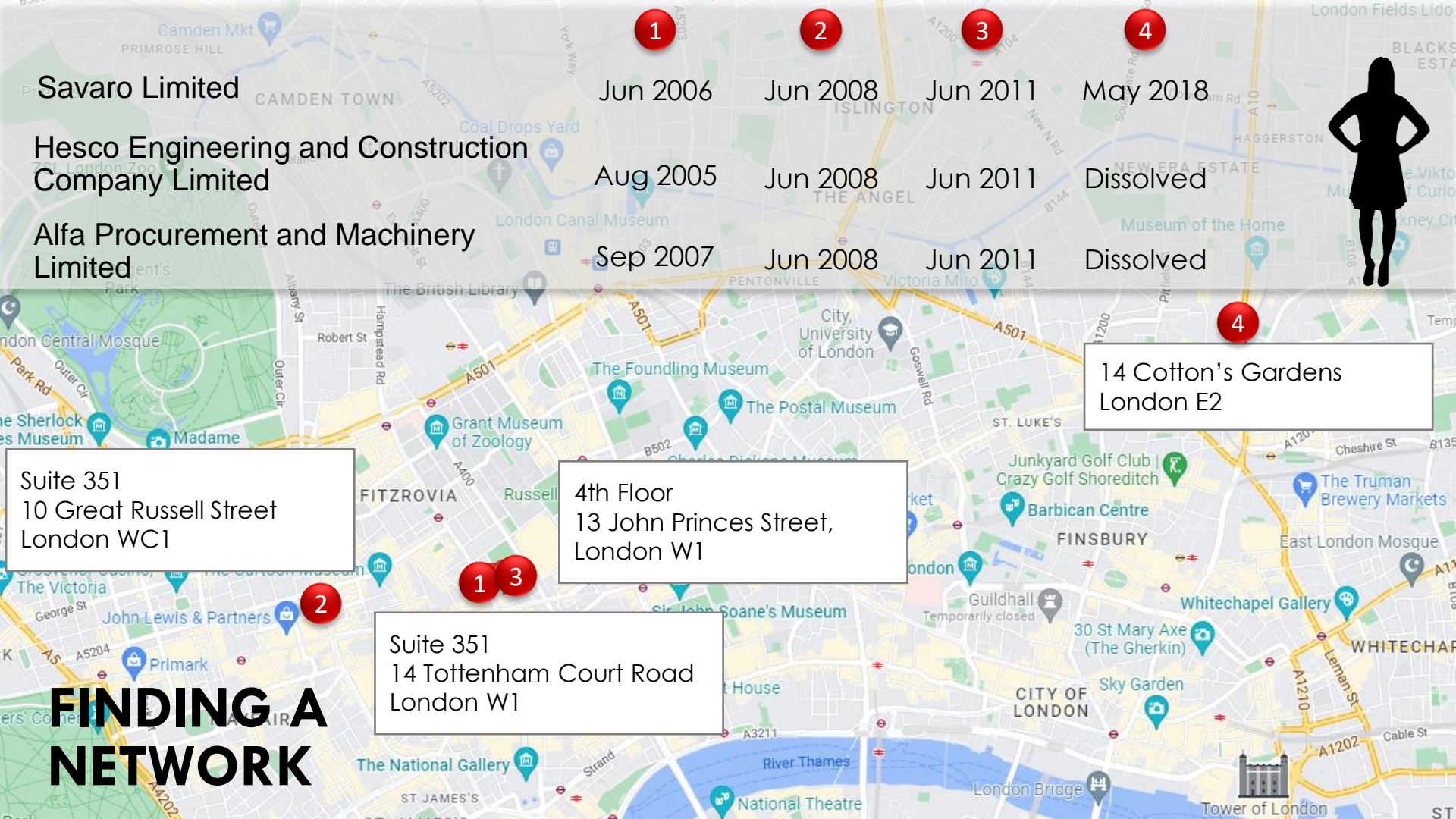
14 Cotton's Gardens
London E2

Suite 351
10 Great Russell Street
London WC1

4th Floor
13 John Princes Street,
London W1

Suite 351
14 Tottenham Court Road
London W1

FINDING A NETWORK



WHO IS IN CONTROL?



Hesco Engineering and Construction Company Limited

Director/Secretary:
Yusef Mikhail Arbash
previously **George Khesouani**

PSC:
Yusef Abrash

Original shareholders:
George Keswani and
Youssef Arbash

Most forms signed by **Marina Psyllou** – some on behalf of **Interstatus Limited** *which has never been an officer of this company*

Alfa Procurement and Machinery Limited

Director/Secretary:
Interstatus Limited

PSC:
Yusef Abrash

Original shareholders:
George Keswani and
Youssef Arbash

Most forms signed by **Marina Psyllou**

WHAT'S THE PROBLEM?

Yusef Mikhail Arbash
previously **George Khesouani**

Yusef Abrash

**George Keswani and
Youssef Arbash**

SANCTIONED

Yusef Abrash

**George Keswani and
Youssef Arbash**

FURTHER CONNECTIONS

OFAC
NOVEMBER 2015




George Khesouani




Mdulal Khuri

OFAC
JULY 2016



Youssef Arbash



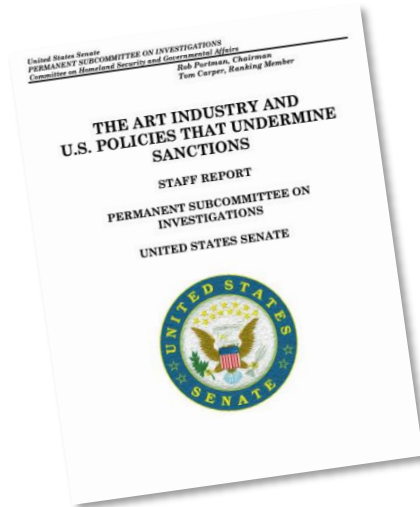
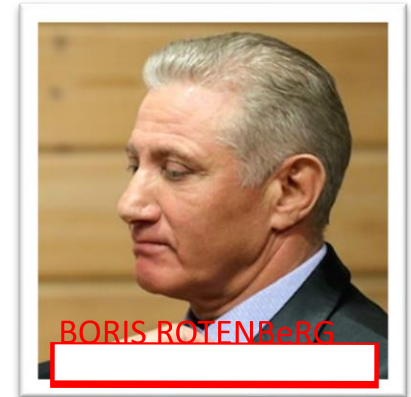
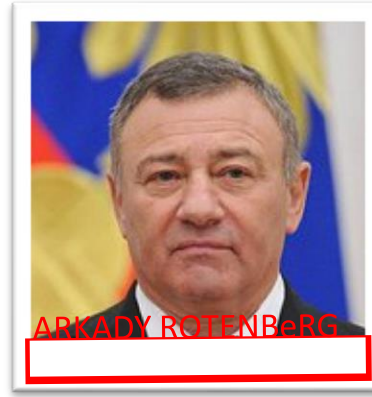
Imad Khuri

BROTHERS

Russia NH₄NO₃ procurement - in 2013

Formed UK chemical wholesale business - in 2013

TWO MORE BROTHERS

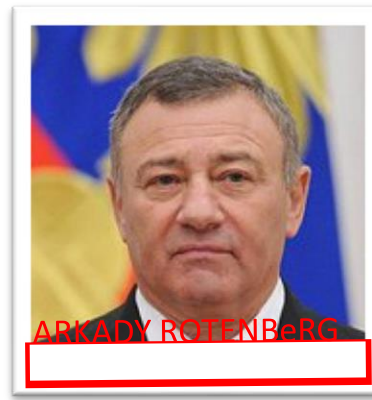


The New York Times

Senate Report: Opaque Art Market Helped Oligarchs Evade Sanctions

Congressional investigators said companies tied to two Russians under sanctions were able to buy art using shell companies and an intermediary.

IT'S THE SAME NETWORK!



GOV.UK Find and update company information

Companies House does not verify the accuracy of the information filed

AESTER LIMITED
Company number 10514112
Follow this company

Overview Filing history

Registered office address
13 John Princes Street, Second Floor, London, W1G 0JR

Company status
Dissolved

GOV.UK Find and update company information

Companies House does not verify the accuracy of the information filed

SINARA COMPANY LP
Company number LP017803
Follow this company

Overview Filing history

Registered office address
13 John Princes Street, 2nd Floor, London, W1G 0JR

Company status
Active

GOV.UK Find and update company information

Companies House does not verify the accuracy of the information filed

ATM SECRETARIES LIMITED
Company number 05872429
Follow this company File for this company

Overview Filing history People More

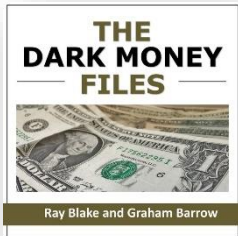
Registered office address
13 John Princes Street, 4th Floor, London, W1G 0JR

Company status
Active

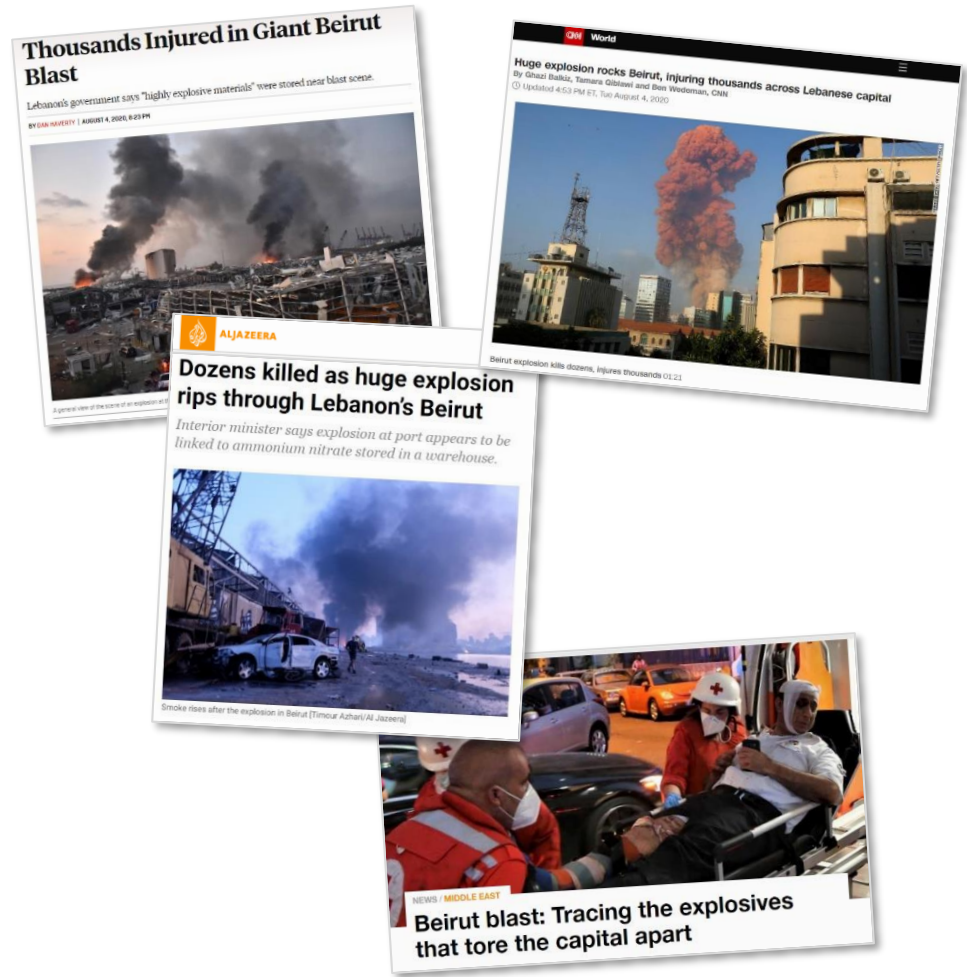
- 3 UK shell companies involved
- Familiar addresses
- Familiar directors
- **Massive sanctions evasion**

THANK YOU FOR YOUR ATTENTION

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on financial crime matters like this
subscribe to our podcast today



Access all
episodes for
free here

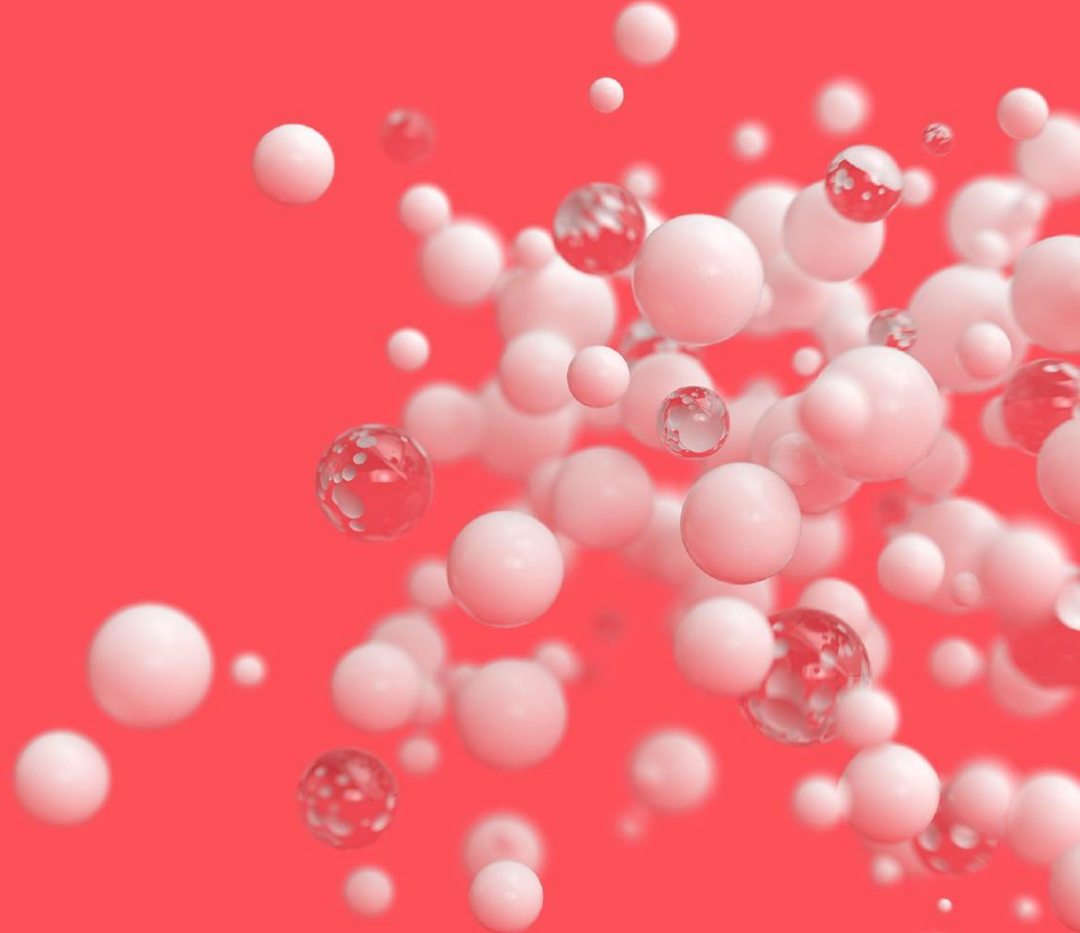


Daisy McAndrew, Journalist and Broadcaster

SRA Conference 2024

Economic Crime

Amasis Saba



Just to be clear...

These are my personal views based on my experience as...

- Former Chair of the Institute of Money Laundering Prevention Officers
- Former Chair (and current member) of the Law Society of England and Wales Economic Crime Task Force
- Part of the working group for HMG's Economic Crime Plan 1 & 2
- Member of UK Government's Public Private Steering Group on Economic Crime
- Legal sector representative on the National Economic Crime Centre's Public Private Operational Board

World Uyghur Congress v NCA

Step One - Don't Panic



R (World Uyghur Congress) v NCA

- Found that the NCA's decision not to open a money laundering investigation into the trade of cotton in the UK from the Xinjiang Uyghur Autonomous Region of China was unlawful.
- NCA argued the long-standing principle of 'adequate consideration'
- CoA said, nope – AC does not 'cleanse' the proceeds of crime
- Potentially huge implications, especially for professional services
- Fear not, TLS has sought KC guidance
 - Direction of travel suggests reporting will **NOT** be required where reasonable fees received for legal advice (effectively status quo)
 - All to be confirmed so watch this space and updates from TLS and SRA

Time for a mindset shift

AML is about managing risks, not passports

We must stop thinking about AML as collecting bits of paper

- So many of your questions get answered and made easier when you realise it is about understanding and assessing risk
 1. What are the risks relating to this client?
 2. What are the risks relating to this matter?
- Factored against the risk profile and appetite of your firm
- Remember CDD is seeking to address the risks above – LSAG 6.14.10
- If you cannot answer 1 & 2 you will always struggle to know how far your CDD needs to go

“Ok, but how far do I have to go?”

Ask your self – ‘Does it make sense’

- Does what the client wants to do make sense based on what I know about them?
- Do you know enough about your client to answer that?

- If not, all the bank statements, passports, DNA scans, retinal prints and inside leg measurements in the world won't help you

- Does the work you're doing make sense?
 - Can I understand where the funds are coming from and how they got there?
 - Do the answers make sense based on what I know of the client?
 - If someone asks me why I was comfortable will I sound stupid?

Two sides of the AML coin



Real world crime prevention and evidencing systems and controls

There are real world impacts

- This is not theoretical
- If you think criminals would never use your firm, you are being naïve
- 3538 convictions for ML in 2023 (up 8% on '22)
- £243.3m criminal assets recovered in 2023/24



There does not need to be ML for the SRA to fine you!

- Over £1m in AML fines
- Most fines came with the caveat – ‘no ML found’
- Enforcement by the SRA up to 74 actions from 39 in the previous year
- This is about evidencing systems and controls, and their effectiveness

“It just seems to be getting worse!”

Yup – and ‘politics’ are about to add add to it!

Financial Action Task Force mutual evaluation is coming soon!

- Last time UK did well, but...
- Performance of DNFBPs supervision was noted (lack of enforcement and convictions)
- Expect attention and action to ratchet up

- HMG will expect SRA to show how their addressing HMG EC priorities including:
 - Economic crime and sanctions evasion through UK Professional Enablers, and
 - ML in the UK or through UK corporate structures
- https://assets.publishing.service.gov.uk/media/642561b02fa8480013ec0f97/6.8300_HO_Economic_Crime_Plan_2_v6_Web.pdf

“Well, that is miserable, are you going to help at all?”

Quick fire tips

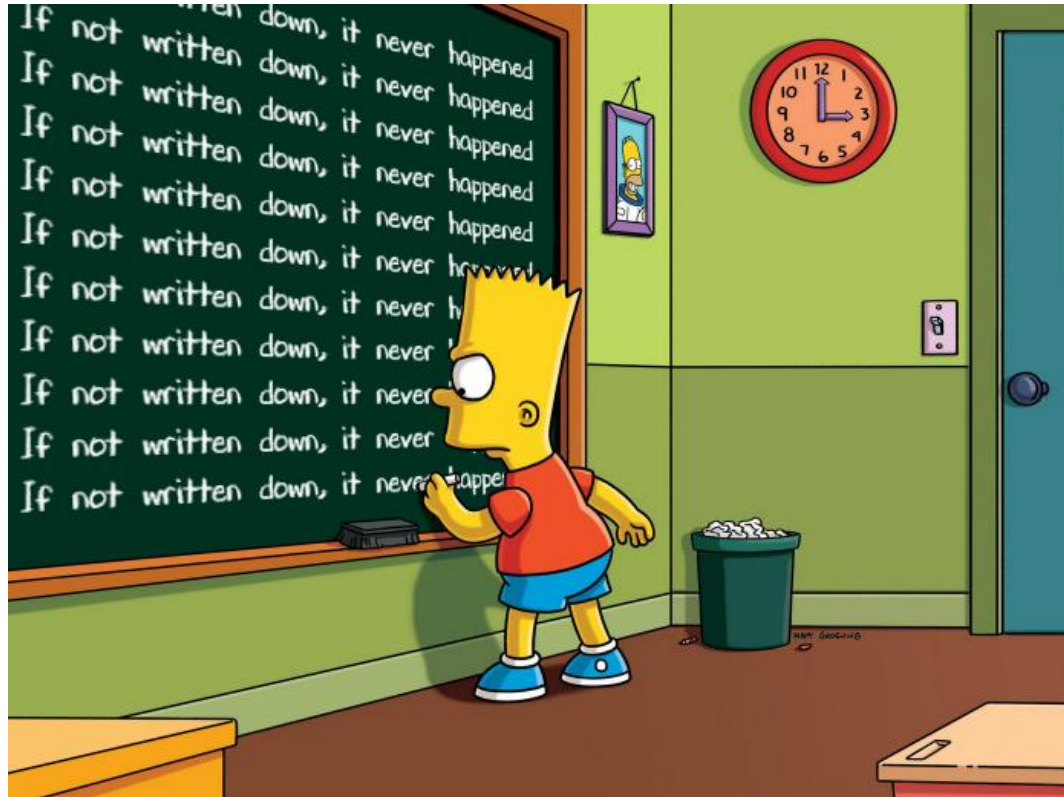
- Risk Assessments – date for your diaries, updates due next year
- Sign up for SARs in Action – ukfiuengagement@nca.gov.uk
- Evidencing Systems and Controls:
 - Where is your ‘decline log’?
 - How many SARs did you receive/file last year, why?
 - Test your systems:
 - Independent audits, and/or
 - MLRO (should be MLCO) Reports - LSAG 4.3.3 (pg.25)

“Good start, any more?”

Quick fire tips continued

- Make your life easier:
 - When is a PEP not a PEP, check the FCA [guidance](#)
 - Understand the difference between identify, verify and understand (see later slides)
 - Funds from bank vs. law firm’s client account LSAG 6.17.1
- Ask yourself honestly:
 - are you going through the motions, or
 - are you genuinely assessing risk?

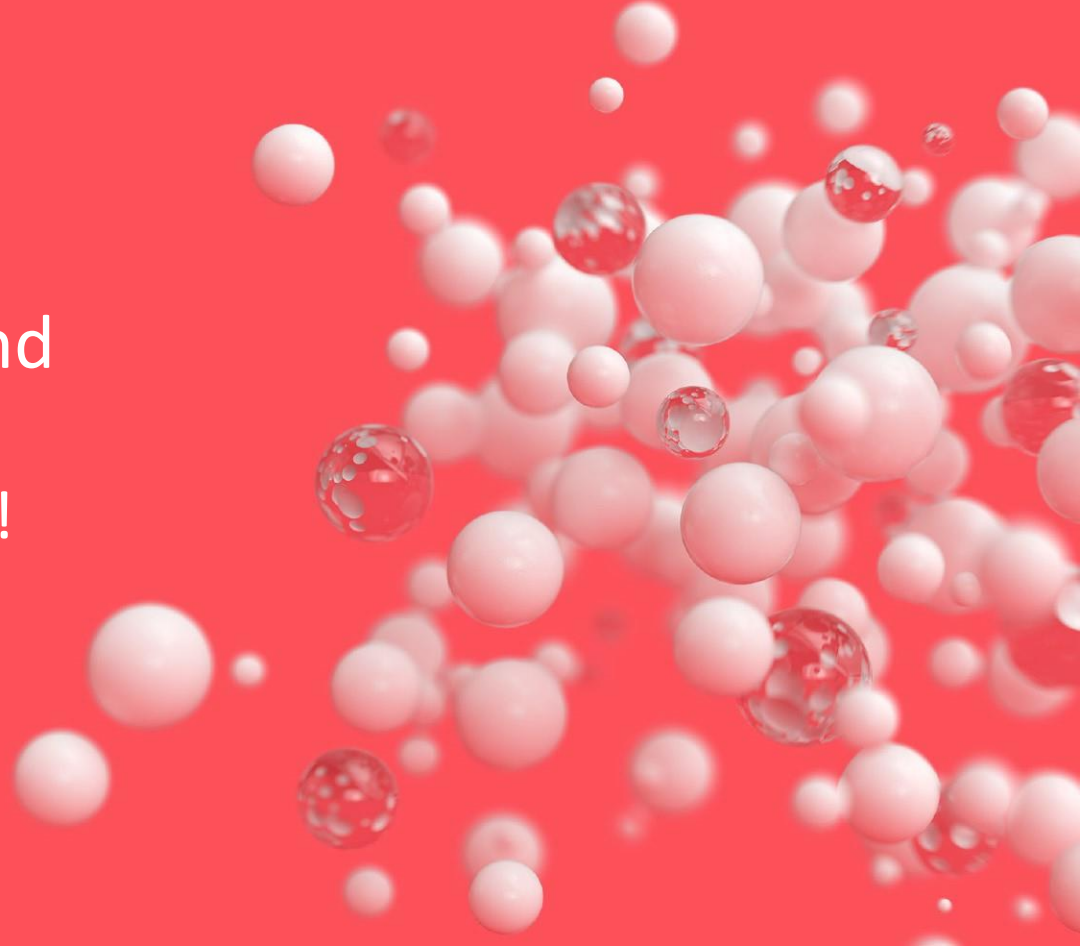
Finally, please remember...!



UBO/Client Structure

ID vs Verify vs Understand

New and improved version!



Just to be clear...

These are my personal views based on my experience as...

- Former Chair of the Institute of Money Laundering Prevention Officers
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- Member of UK Government's Public Private Steering Group on Economic Crime
- Member of National Economic Crime Centre's Public Private Operational Board

They should not be taken as legal advice, just my thoughts on the subject.

The Three Standards of Regulation 28

Sometimes you've got to go back to the law

- Client – Identify & **verify**

R28 (2) & (3)

- UBO – Take **reasonable measures** to verify their identify so you are satisfied you know who the beneficial owner is.

R28 (4)b

- Take **reasonable measure** to understand the ownership and control structure (DOES **NOT** SAY VERIFY)

R28 (4)c

Remember, 'Verify' is a defined term

So, what does verify mean:

- R28 s(18)
- (a)“verify” means verify on the basis of **documents or information** in either case obtained from a reliable source which is independent of the person whose identity is being verified;
- (b) documents issued or made available by an official body are to be regarded as being independent of a person even if they are provided or made available to the relevant person by or on behalf of that person.
- Remember R28 4(c) (Understand ownership and control) does not have 'verify' as a requirement. Structure chart from the client should suffice in most cases.

So, what does 'Reasonable Measures' mean?

LSAG 6.14.10 “Reasonable Measures” means...

- Gathering information and verification that is risk-based, proportionate **and effective in mitigation of the identified money laundering and terrorism financing risks** inherent in the client or matter
- We strongly feel this guidance should NOT be changed

You MUST consider

Do your reasonable measure mitigate ML risk?

- Will obtaining a passport or similar address the ML risk's identified in the client or matter?

Remember

- 6.16.1 These reasonable measures to verify a beneficial owner, may differ to those you may use to verify the identity of a client that is a natural person.

And regarding UBOs, the SRA agrees

Feedback from SRA MLRO Roundtables

Feedback from the SRA MLRO Roundtables

“We noted that open-source information could be relied upon for well-known figures. But where an individual or a company is less well-known and does not have a strong online footprint, then, generally, additional checks will be needed and should be evidenced. It is not necessary to obtain ID documents in every situation, but it is important always to capture the rationale behind the approach which a firm has taken”

SRA Summary of AML Events 10th June 2024

What if I don't get ID docs?

§

Document the story

- To evidence why identification of beneficial owners through personal identity documents is not undertaken, it is important to document your overarching understanding of the individual's background, circumstances and nature of the transaction.
- If you cannot do that should you really be acting?

Does this sound like your approach?

§



Then make sure you have documented it and your reasoning.

- Feel free to borrow the slides above, I am not precious!