



The Role of Financial Information Sharing Partnerships in the Disruption of Crime

Infographic research summary

The Future of Financial Intelligence Sharing (FFIS) programme leads independent research into the role of public-private financial information-sharing partnerships to detect, prevent and disrupt crime.

The FFIS programme is a research partnership between the RUSI Centre for Financial Crime and Security Studies and NJM Advisory, supported by HSBC, EY and Thomson Reuters.



Read the report and Expert Comments:
www.future-fis.com

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WHAT IS THE PROBLEM?

Around the world financial institutions are submitting very large volumes of reports of suspicious transactions

Over 450,000

Suspicious activity reports forecast in the UK in 2017

2.16m

Reports forecast in the U.S. in 2017



Annual growth rate in reporting across the UK, US, Canada, Singapore, Hong Kong and Australia



80-90%

Of this suspicious reporting is of no immediate value to active law enforcement investigations

PART OF A SYSTEM THAT IS FAILING TO DELIVER

When reporting entities are working in the dark, intelligence about serious crime and terrorism could be missed.

- 1 Limited feedback from public agencies on crime risks
- 2 Limited collective public/private understanding of risks
- 3 Inability of private entities to share suspicious information with each other



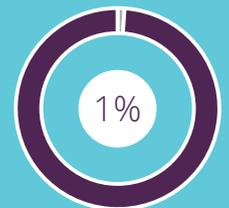
85-95%

of financial crime control leaders surveyed disagreed that suspicious transaction reports are leading to the effective discovery and disruption of crime.



Less than 10%

Less than 10% of financial crime control leaders believed that they have enough information to understand the most serious financial crime threats in their jurisdiction.



Less than 1%

of criminal funds are frozen or confiscated

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INNOVATION NATIONAL PRACTICE

A new approach is emerging through...

Financial information-sharing partnerships (FISPs)

Objectives:

- Dialogue between law enforcement and major reporting entities about threats
- Coordination across private sector FinCrime activity
- Consistency between regulatory supervision and law enforcement priorities



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| | UK: Joint Money Laundering Intelligence Taskforce (JMLIT). | USA: PATRIOT Act 314(a) Contextual Briefings. | Canada: Project PROTECT. | Australia: The Fintel Alliance. | Singapore: Anti Money Laundering and Countering the Financing of Terrorism Industry Partnership (ACIP). | Hong Kong: Fraud and Money Laundering Intelligence Taskforce (FMLIT). |
| Launched | February 2015 | Legislation since 2001, 314(a) briefings since 2015 | January 2016 | March 2017 | April 2017 | May 2017 |

In addition, Afghanistan, Argentina, Australia, Colombia, France, Georgia, Indonesia, Ireland, Italy, Japan, Jordan, Kenya, Malta, Mexico, the Netherlands, Nigeria, Spain, Switzerland, Trinidad and Tobago, Tunisia, the United Arab Emirates made public policy commitments to develop or consider a FISP, as part of the the London Anti-Corruption Summit on 12 May 2016.

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WHAT ARE FISP_s?

A PARTNERSHIP OF:

- 1 Financial institutions (Major reporting entities in the private sector)
- 2 Financial Intelligence Units
- 3 Law enforcement agencies
- 4 Regulators

ALLOWING:

Regularly convened public-private dialogue on financial crime threats

Collaborative working to build understanding of threats and risks

Private-private information sharing



PUBLIC/PRIVATE COLLABORATION IN:

- ✓ Developing typologies, co-development of typologies and the development and testing of indicators of criminal behaviour in financial data
- ✓ Advancing investigations, sharing of operational intelligence, including the identities of specific entities of concern or suspects, to enhance ongoing investigations



RESULTING IN:

- ✓ More relevant...
- ✓ More timely...
- ✓ More impactful...

...Identification and reporting of suspicions from the private sector to public authorities



OUTCOMES:

- ✓ Improved intelligence for law enforcement investigations and asset recovery
- ✓ Enhanced integrity of the financial system by developing a greater collective understanding of risk
- ✓ Informed risk-based decision making in allocating private sector AML resources.



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IN THE US, FOR EVERY 314(A) REQUEST:

USA PATRIOT ACT 314(a) enables relevant law enforcement agencies to make a request for account and transaction information about suspects.

10 new suspicious accounts
and
47 new suspicious transactions
are identified.



of 314(a) requests have contributed to arrests or indictments

In April 2015, the Financial Crimes Enforcement Network (FinCEN) in the US used a public-private FISP approach in Miami. The resulting intelligence led to the arrest of multiple co-conspirators in a complex money-laundering scheme with ties to the Sinaloa cartel that involved eleven Miami businesses. Further, the FISP led to more refined typology information on relevant crimes being distributed to wider industry participants.

THE UK FISP HAS CONTRIBUTED TO:

£7 million

of suspected criminal funds restrained between May 2016 and March 2017 (inclusive),

Arrests of
63 individuals

suspected of money-laundering offences



The identification of more than

2000 suspicious
financial accounts

Previously unknown to UK law enforcement.



In the UK, four senior members of a human trafficking gang were convicted in November 2016 after names and addresses allegedly linked to organised crime and the sexual exploitation of women in London were shared by police with major UK banks and analysed collectively through the UK FISP.

AUSTRALIAN FISP CASES:

In the seven months since the Fintel Alliance was established in March 2017, the Australian partnership has developed and shared a typology of financial crime risk in relation to the Panama Papers; led to the referral of persons of interest in connection with child exploitation to the Australian Federal Police; identified new suspects within serious organised crime networks in New South Wales; and provided intelligence to the Australian Federal Police on persons of interest in connection to a foiled terrorist attack targeting an international flight from Sydney.

THE HK FISP HAS CONTRIBUTED TO:

HK\$1.9 million

of suspected criminal funds restrained in the first four months of FMLIT's operations

Arrests of
65 individuals

in connection with FMLIT intelligence

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HOW DO FISP_s VARY?

... A wide variety in characteristics between the FISPs.

| UK JMLIT | Act 314(a) Contextual Briefings | Project PROTECT | The Fintel Alliance | ACIP | FMLIT |
|---|---|---|--|---|---|
|  |  |  |  |  |  |

Characteristics

Public-private co-development of typologies of risk?



Law enforcement sharing specific entities of concern with private sector firms to support case investigations?



Co-location of law enforcement and private sector analysts for real-time exchange?



Shared analytical services available to participants?



Collaborative private-private creation of enhanced STRs possible?



Key:



Characteristic included in national FISP



Characteristic partially included in national FISP



Characteristic not present in national FISP

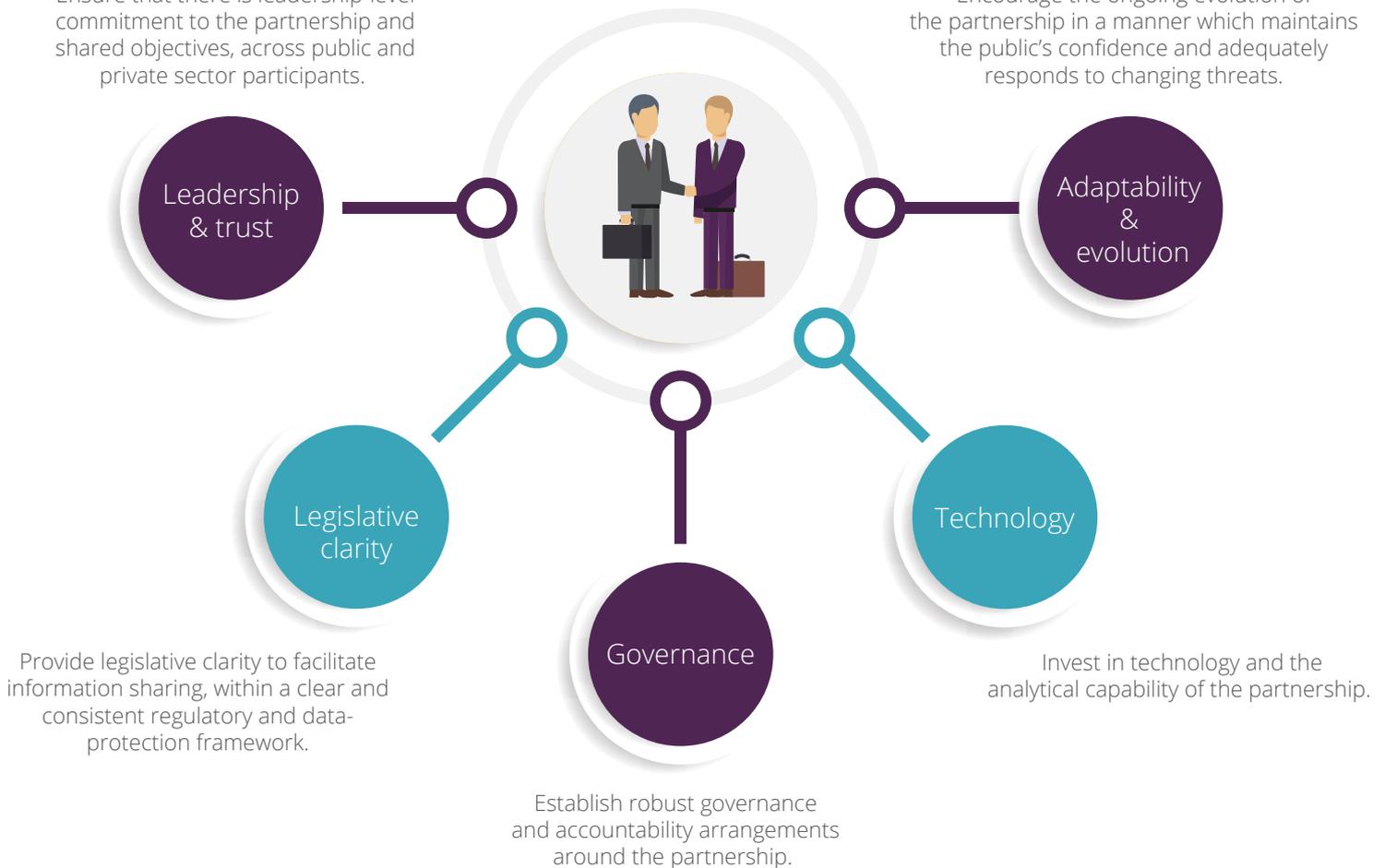
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PRINCIPLES FOR THE EFFECTIVE DEVELOPMENT OF FISPs

Drawn from current good practice in the UK, the US, Australia, Canada, Hong Kong and Singapore

Ensure that there is leadership-level commitment to the partnership and shared objectives, across public and private sector participants.

Encourage the ongoing evolution of the partnership in a manner which maintains the public's confidence and adequately responds to changing threats.



Key recommendations:

- For stakeholders in jurisdictions committed to developing a FISP:**
Make use of the five principles and 26 recommendations as a toolkit for developing a FISP.
- For supranational authorities such as FATF, Interpol, Europol and the Egmont Group:**
Support the sharing of good practice between national FISPs and lead efforts to ensure that barriers to international information sharing between FISPs are identified and addressed.
- For FATF delegates:**
Support changes to the FATF Recommendations that clarify expectations around domestic and cross-border information sharing. These standards should fully incorporate previous FATF guidance on a risk-based approach to tackling financial crime and encourage an enabling legal environment for FISPs.

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