

Economic Crime Act has loopholes, says leading economic crime expert

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A new UK government act designed to target the assets of Russian oligarchs and other money launderers comes with loopholes, according to an economic crime expert from the University of Portsmouth.

Paul Gilmour, from the University's School of Criminology and Criminal Justice is a leading expert on financial transparency, and publishes a new paper today in the *Journal of Financial Crime*. In it, he says that authorities need to fundamentally adapt their approach to combating money laundering, and strengthen measures to further enhance beneficial [ownership](#) transparency.

Gilmour is concerned that new measures within the Economic Crime Act, which was recently expedited through Parliament and has now received Royal Assent, won't achieve the desired goal of shining a light on the real owners of assets held by faceless companies. He is concerned about the definition of a "beneficial owner" as someone who owns more than 25 per cent of shares or voting rights in a legal entity.

Gilmour says that "the 25 per cent threshold, which determines the point at which a company's beneficial owner should be disclosed, is meaningless. Even if this threshold were to be lowered, it would not prevent criminals concealing beneficial ownership by layering company ownership. Therefore, every person involved in company ownership, irrespective of the extent of their ownership or control, should be registered."

Research at the University of Portsmouth has also shown that new 'blockchain' technology could be employed to bring an unprecedented level of transparency into company ownership. The new study claims that international agendas and legal frameworks have failed to properly appreciate two key aspects of the organized money-laundering process—those involved and where it occurs.

Gilmour, who is author of the study, says that "this is about shifting the fundamental concept of money laundering and frameworks used to combat the problem, towards one that better considers the criminal actors involved in the money-laundering process and the spaces in which money laundering occurs. Up until now there has been too much focus on legal definitions, incorporating new predicated crimes and using criminal law means."

There is also concern that newly announced freeports might provide cover for oligarchs wanting to hide assets. Commenting on the new Economic Crime Act, he says that "there appears to be no explicit mention of freeports or consideration around the money-laundering and tax-evasion risk that they pose. Are persons behind companies operating within a designated UK freeport required to register their beneficial ownership information?"

Academics describe oligarchs as "politically exposed persons" (PEPs). Gilmour says they pose a risk of economic [crime](#) as they are deemed vulnerable to corruption due to their political status and public profile. He explained: "Anti money laundering efforts have largely been ineffective in targeting PEPs directly, due to inadequate legal frameworks that allow individuals to circumvent [money](#)-laundering sanctions. It is also important to note that corrupt political wealth is primarily hidden through the legal entities controlled by PEPs. Because of that, governments should strengthen legal mechanisms governing the corporates linked to PEPs to better combat [money laundering](#)."

More information: Paul Michael Gilmour, Reexamining the anti-money-laundering framework: a legal critique and new approach to combating money laundering, *Journal of Financial Crime* (2022). [DOI: 10.1108/JFC-02-2022-0041](https://doi.org/10.1108/JFC-02-2022-0041)

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