

payments
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Payments Transaction Data Sharing and Data Analytics – Tactical Solution

Supporting Document

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1 Payments Transaction Data Sharing and Data Analytics - Tactical Solution

1.1 Introduction

Payments in the UK can be made using multiple payments mechanisms (e.g. Bacs, CHAPS and Faster Payments). These payments systems can be used by criminals to launder stolen or misappropriated money, masking the trail of funds. This laundered money can be used to fund terrorism or organised crime, or allow criminals to profit from fraud.

In our November 2016 publication 'A Payments Strategy for the 21st Century'¹ (our Strategy), we proposed a Payments Transaction Data Sharing and Data Analytics solution to help fight financial crime that involves the misuse of payments systems.

During 2017, we have progressed the solution in two ways. This paper outlines the aims and approach for the tactical solution. It accompanies our 2017 consultation paper 'Blueprint for the Future of UK Payments', which details the strategic solution.

1.2 Tactical Solution Description

The tactical solution will provide early benefit in the fight against financial crime. The tactical solution has two main components.

The first component of the tactical solution is the deployment of a Mule Insights Service alerting Financial Institutions (FIs) to mule account activity (accounts used by criminals to move money and hide the trail of funds). This service builds upon the Financial Fraud Action UK (FFA UK) money mules Proof of Concept (POC) in 2016, which demonstrated how the proceeds of crime move through the UK Payments network. The Mule Insights Service will trace money movements between accounts through the UK payments systems and use analytical techniques to identify which of these are likely to be mule accounts.

Secondly, this solution will develop a POC to address the Home Office Joint Fraud Taskforce requirement to support more extensive funds repatriation by FIs to the victims of fraud and financial crime. This will be used to provide robust analysis to better understand the source of funds that banks have frozen. It will also provide greater confidence and accuracy for banks to repatriate these funds to the original victims based on new data science techniques and legislative frameworks.

These activities will directly address some of the detriments outlined in our Strategy. The tactical solution will run until such time as a more comprehensive strategic solution can be implemented.

1.3 Handover and Next Phase

The tactical solution was handed over in early July to Faster Payments Scheme Limited (FPSL) as a delivery body for implementation; this solution will transition into the New Payment System Operator (NPSO) later this year. FPSL will work with solution participants to finalise the technical scope and contractual arrangements for the tactical solution service. It is expected that the funds repatriation POC will start in 2017, with the Mule Insights Service likely to go live by early 2018.

The output of the funds repatriation POC will inform future operations to repatriate stolen funds and is likely to require legislative change. Once the POC tests the different methods for repatriating funds, a full assessment will be made to inform the design and implementation of a funds repatriation framework.

¹ <https://consultation.paymentsforum.uk/final-strategy>

We envisage this framework may form part of the strategic solution. The strategic solution will also build upon and enhance the detection of money mule accounts offered by the tactical solution. The techniques and findings from the tactical solution should be utilised to enrich the detection services offered by the strategic solution.