

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Third Delegated Legislation Committee

MONEY LAUNDERING AND TERRORIST  
FINANCING (HIGH-RISK COUNTRIES)  
(AMENDMENT) (NO. 2) REGULATIONS 2022

*Tuesday 11 October 2022*

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**Saturday 15 October 2022**

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**The Committee consisted of the following Members:**

*Chair:* JUDITH CUMMINS

- |   |  |
|---|--|
| † Bacon, Gareth ( <i>Orpington</i> ) (Con)                        | † Morrissey, Joy ( <i>Beaconsfield</i> ) (Con)         |
| † Blomfield, Paul ( <i>Sheffield Central</i> ) (Lab)              | † Opperman, Guy ( <i>Hexham</i> ) (Con)                |
| Byrne, Ian ( <i>Liverpool, West Derby</i> ) (Lab)                 | † Randall, Tom ( <i>Gedling</i> ) (Con)                |
| De Cordova, Marsha ( <i>Battersea</i> ) (Lab)                     | † Siddiq, Tulip ( <i>Hampstead and Kilburn</i> ) (Lab) |
| † Edwards, Ruth ( <i>Rushcliffe</i> ) (Con)                       | Thomson, Richard ( <i>Gordon</i> ) (SNP)               |
| † Griffith, Andrew ( <i>Financial Secretary to the Treasury</i> ) | † Tomlinson, Justin ( <i>North Swindon</i> ) (Con)     |
| † Howell, Paul ( <i>Sedgefield</i> ) (Con)                        | † Twist, Liz ( <i>Blaydon</i> ) (Lab)                  |
| † Jones, Fay ( <i>Brecon and Radnorshire</i> ) (Con)              | Sarah Rees, <i>Committee Clerk</i>                     |
| McDonnell, John ( <i>Hayes and Harlington</i> ) (Lab)             | † <b>attended the Committee</b>                        |
| † Mills, Nigel ( <i>Amber Valley</i> ) (Con)                      |  |

## Third Delegated Legislation Committee

Tuesday 11 October 2022

[JUDITH CUMMINS *in the Chair*]

### Money Laundering and Terrorist Financing (High-Risk Countries) (Amendment) (No. 2) Regulations 2022

6 pm

**The Financial Secretary to the Treasury (Andrew Griffith):** I beg to move,

That the Committee has considered the Money Laundering and Terrorist Financing (High-Risk Countries) (Amendment) (No. 2) Regulations 2022 (SI. 2022, No. 782).

It is a pleasure to serve under your chairmanship, Mrs Cummins. Due to the sad passing of Her late Majesty, the debate on this statutory instrument has been delayed, but I am pleased to introduce it today.

The SI is largely administrative, and makes only minor updates to provisions under the money laundering regulations. The Government recognise the threat that economic crime poses to the UK and to our international partners, and we are committed to combating money laundering and terrorist financing. Illicit finance causes significant social and economic costs through its link to serious and organised crime. It is a threat to our national security, and it risks damaging our international reputation as a fair and open rules-based economy. It also undermines the integrity and stability of our financial sector, and it can reduce opportunities for legitimate businesses in the UK.

That is why we have taken significant action to combat economic crime, including in legislation with the economic crime (anti-money laundering) levy and the Economic Crime (Transparency and Enforcement) Act 2022. However, we are going further. In this Session, we have introduced a second economic crime Bill, which will reform Companies House, and we will develop the second iteration of the landmark economic crime plan. We are also working closely with the private sector and international partners to improve the investigation of economic crime, strengthen international standards on beneficial ownership transparency, and crack down on illicit financing flows.

The money laundering regulations support our overall efforts. As the UK's core legislative framework for tackling money laundering and terrorist financing, they set out various measures that businesses must take to protect the UK from illicit financial flows. Under these regulations, businesses are required to conduct enhanced checks on business relationships and transactions with high-risk third countries that are identified as having strategic deficiencies in their anti-money laundering and counter-terrorism financing regimes, which could pose a significant threat to the UK's financial system.

The statutory instrument amends the money laundering regulations to update the UK's list of high-risk third countries. It adds Gibraltar to the list, and removes Malta, which mirrors lists published by the Financial Action Task Force—the global standard setter for anti-money laundering and counter-terrorism financing. For the purposes of the high-risk third countries list, countries

include territories and jurisdictions, so Gibraltar, as a UK overseas territory, is treated as a country in that high-risk third countries list. This is the fourth time we have updated the UK list to respond to the evolving risks from third countries, and the update ensures that the UK remains at the forefront of global standards on anti-money laundering and counter-terrorism financing.

**Nigel Mills (Amber Valley) (Con):** Can the Minister explain why Russia does not appear on the list? Is it because there are separate measures in place such that we do not need to include it? Would it not be prudent to add Russia for the sake of completeness?

**Andrew Griffith:** I thank my hon. Friend for making that point. As he will know, there are separate provisions in respect of Russia, particularly sanctions against individuals and institutions linked to the Russian state or to its leader, Vladimir Putin. This measure refers to standards in banking systems, and the view of the Financial Action Task Force, whose guidance we follow—we are part of the taskforce and are well represented on it—is that the Russian system itself includes protections. The issue of why we are sanctioning Russia is a separate one. I hope that that answers my hon. Friend's question.

The UK was a founding member of the Financial Action Task Force. We are very much aligned with international partners such as the G7 to drive improvements in anti-money laundering and counter-terrorist financing systems globally.

This high-risk third country list is one of the Government's many mechanisms to clamp down on illicit financial flows from overseas threats. We will continue to use other mechanisms to respond, such as the sanctions regime that I mentioned in response to my hon. Friend the Member for Amber Valley.

The statutory instrument will enable the money laundering regulations to continue to work as effectively as possible to protect the UK financial system. The Government consider it crucial to protect UK businesses and the financial system from money launderers and terrorist financiers. I therefore hope that colleagues on both sides of the Committee will join me in supporting the measure.

6.6 pm

**Tulip Siddiq (Hampstead and Kilburn) (Lab):** It is a pleasure to serve under you in the Chair, Mrs Cummins.

I welcome the Minister to his post—I hope he lasts longer than his predecessor. He will have an easy ride in his first meeting with me, because the Labour party is completely committed to supporting the global effort to combat money laundering and the financing of terrorism. Illicit finance is a huge concern. It has immense socioeconomic consequences, including the threat to national security, and erosion of the integrity and reputation of our financial sector. We therefore support the regulations and welcome the inclusion of Gibraltar on the UK's list of high-risk third countries for money laundering.

The Financial Action Task Force, as the Minister may know, has long warned that the overseas territory's regulators are not fining offenders in line with prescribed penalties, or focusing hard enough on intermediaries, including lawyers, so will he confirm whether he will be working with his equivalents in Gibraltar to crack down on bad state actors, money launderers and terrorist financiers exploiting the territory's lax regime? He will

know that Gibraltar has strong business ties with the UK, particularly in the insurance sector. Given the high risk that Gibraltar's inadequate anti-money laundering regime poses to our national security, will the Government review their current policy of allowing UK market access to certain Gibraltarian financial firms without their needing to be separately authorised?

I am not particularly concerned about the removal of Malta from the list. We recognise that Malta is not a major international transit centre for dirty money. However, I would like to hear some reassurance and detail from the Minister today about how the Government will continue to monitor money laundering and terrorist financing risks linked to Malta, despite the country's removal from the list.

We support the regulations and want to consider them in detail, but we also want to know a bit more about how the Minister will further protect the integrity of the UK's financial institutions.

6.8 pm

**Andrew Griffith:** I thank the hon. Lady for her party's support for the legislation. It is obviously a very good look that we are presenting a united front against the evils of terrorist financing and money laundering.

The hon. Lady asked about Gibraltar, and we are committed to working with Gibraltar, as well as other overseas territories, to tackle illicit finance. We are acting to drive improvement on both anti-money laundering and countering the financing of terrorism. I will slightly resist the temptation to pile in on fining lawyers, tempting though that sounds. I will take that under advisement, although it is clearly one of the potential sanctions, speaking as a—well, not quite a lawyer.

The big initiative in this space is work on beneficial ownership, which will expose and surface where links are. We will continue to co-ordinate with all overseas territories on sanctions as we tighten up our own procedures through measures such as the second economic crime Bill.

The Financial Action Task Force itself will continue to review Malta. The hon. Lady is quite right that the matter needs to be kept under advisement, but we are acting on the task force's advice today by removing Malta from the register.

*Question put and agreed to.*

6.10 pm

*Committee rose.*





