

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

MONEY LAUNDERING AND TERRORIST
FINANCING (HIGH-RISK COUNTRIES)
(AMENDMENT) (NO. 3) REGULATIONS 2022

Monday 5 December 2022

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Friday 9 December 2022

© Parliamentary Copyright House of Commons 2022

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:

Chair: SIR GARY STREETER

- | | |
|--|---|
| † Clarke-Smith, Brendan (<i>Bassetlaw</i>) (Con) | † Nichols, Charlotte (<i>Warrington North</i>) (Lab) |
| † Cowan, Ronnie (<i>Inverclyde</i>) (SNP) | Osamor, Kate (<i>Edmonton</i>) (Lab/Co-op) |
| † Crosbie, Virginia (<i>Ynys Môn</i>) (Con) | † Siddiq, Tulip (<i>Hampstead and Kilburn</i>) (Lab) |
| Cryer, John (<i>Leyton and Wanstead</i>) (Lab) | † Smith, Julian (<i>Skipton and Ripon</i>) (Con) |
| † Griffith, Andrew (<i>Economic Secretary to the Treasury</i>) | † Stephenson, Andrew (<i>Lord Commissioner of His Majesty's Treasury</i>) |
| † Hamilton, Mrs Paulette (<i>Birmingham, Erdington</i>) (Lab) | † Swayne, Sir Desmond (<i>New Forest West</i>) (Con) |
| † Johnson, Gareth (<i>Dartford</i>) (Con) | † Twist, Liz (<i>Blaydon</i>) (Lab) |
| † Kruger, Danny (<i>Devizes</i>) (Con) | Dominic Stockbridge, <i>Committee Clerk</i> |
| † Lewis, Dr Julian (<i>New Forest East</i>) (Con) | |
| † Mangnall, Anthony (<i>Totnes</i>) (Con) | † attended the Committee |

Second Delegated Legislation Committee

Monday 5 December 2022

[SIR GARY STREETER *in the Chair*]

Money Laundering and Terrorist Financing (High-Risk Countries) (Amendment) (No. 3) Regulations 2022

6 pm

The Economic 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. 3) Regulations 2022 (S.I.2022, No. 1183).

It is a pleasure to serve under your chairmanship, Sir Gary. 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 links to serious and organised crime. It is also a threat to our national security, and it risks damaging our international reputation as a fair, open, rules-based economy.

That is why we have taken significant action to combat economic crime, including legislating for the economic crime (anti-money laundering) levy and passing the Economic Crime (Transparency and Enforcement) Act 2022. We are going further by developing a second iteration of the landmark economic crime plan and through the Economic Crime and Corporate Transparency Bill, which has now passed Committee stage in the House of Commons and which includes, among other things, significant reforms to strengthen the role of Companies House. We are also working closely with the private sector and our international partners to improve the investigation of economic crime, strengthen international standards on beneficial ownership transparency and crack down on illicit financial flows.

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017—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. Those efforts are making a difference, and over the last five years we have confiscated over £1 billion in criminal assets.

Under the money laundering regulations, businesses are required to conduct enhanced checks on business relationships and transactions with high-risk third countries. Such countries are identified as having strategic deficiencies in their anti-money laundering and counter-terrorist financing regimes, which could pose a significant threat to the UK's financial system.

This statutory instrument amends the money laundering regulations to update the UK's list of high-risk third countries. It adds the Democratic Republic of the Congo, Mozambique and Tanzania to the list and removes

Nicaragua and Pakistan. That is to mirror the lists published by the Financial Action Task Force—the global standard setter for anti-money laundering and counter-terrorist financing.

This is the sixth time that we have updated the UK list to respond to the evolving risks from third countries. This update ensures that the UK remains at the forefront of global standards on anti-money laundering and counter-terrorist financing. The UK was a founder member of FATEF, and we continue to work closely and align with international partners such as the G7 to drive improvements in anti-money laundering and counter-terrorist financing systems globally.

The high-risk third country list is one of many mechanisms the Government have to enable them to clamp down on illicit financial flows from overseas threats. We will continue to use other available mechanisms to respond to wider threats from other jurisdictions, including by applying financial sanctions as necessary.

These amending regulations will enable the money laundering regulations to continue to work as effectively as possible to protect the UK financial system. Therefore, I hope colleagues will join me in supporting them.

6.4 pm

Tulip Siddiq (Hampstead and Kilburn) (Lab): It is a pleasure to serve with you in the Chair, Sir Gary. As the Minister will know, the Opposition are committed to supporting the global effort to combat money laundering and the financing of terrorism, and we will support the regulations today. However, I want to raise a couple of concerns about the UK's compliance with the Financial Action Task Force's high risk list.

As the Minister said, the regulations will update the UK's list of high-risk countries, and he outlined those that will be added and those that will be taken off to reflect the changes made by the Financial Action Task Force in October. However, the Economic Crime and Corporate Transparency Bill, which is currently going through Parliament, would remove the need for parliamentary approval to update the high risk list. Does the Minister believe that it is appropriate to cut out parliamentary scrutiny in that way? I would appreciate an answer if he thinks that that is the right thing to do.

Does the Minister also believe that the UK Government should make its own independent assessment of countries that pose a high risk of money laundering, rather than just mirror the Financial Action Task Force? It is my understanding that there is no legal or practical reason for the UK not to diverge from the Financial Action Task Force and, for example, to add countries we deem to belong on our high risk list.

The Minister will know the fantastic work my right hon. Friend the Member for Barking (Dame Margaret Hodge) has done to highlight the dangers of illicit finance. She has proposed creating an additional kleptocurrency list—sorry, kleptocracy list; as the Minister will know, I have cryptocurrency on my mind—alongside the Financial Action Task Force list. That would enable the UK to designate on its own list countries that we think pose a significant threat.

The anti-corruption organisation Spotlight on Corruption has also warned that, despite Pakistan being one of five countries highlighted in the UK's 2020 national risk assessment as posing a high risk of money

laundering, it is now being removed from the list of high-risk countries. Will the Minister elaborate on whether he shares Spotlight on Corruption's concerns regarding Pakistan? Might there be a case for not simply mirroring the Financial Action Task Force list? Should we instead have our own list so that we can add countries we deem dangerous or corrupt?

As I said, we will support the regulations, but I just want to hear a bit more about the Minister's thinking as we pass this legislation through Parliament.

6.7 pm

Andrew Griffith: I thank the hon. Member for Hampstead and Kilburn for her support and for that of the Labour party. I will do my best to respond to her points.

The hon. Lady is right that derogation from the FATF list is a possibility. Her interventions on me are often about how we should closely align with international standards, and it is the Government's position that there is merit in working closely with FATF. The UK Government was a founder member, and we believe that the best way to tackle this issue is through co-ordinated international action. My mind is not closed to the possibility of derogation; it would be a change of policy, and I would be right for us to look at the facts in a particular case.

The hon. Lady talked about a potential crypto-kleptocracy; it was either cryptocurrency or kleptocrats, or perhaps both—kleptocrats with cryptocurrency. She will be aware of the significant work done, for example, by the Office of Financial Sanctions Implementation, particularly at the moment—I pay tribute to its work in the Russia-Ukraine context, where the UK has been

one of the leading nations in taking action. Again, I do not think that the hon. Lady and I are in opposition. We should continue to look at the facts as they develop, and I will ensure that my officials engage with the issue to make sure we are clear sighted on any challenges.

Although the list is somewhat binary, there will of course be ongoing monitoring. FATF's removal of Nicaragua and Pakistan does not bring to an end any monitoring of those countries, which are covered by a much broader set of arrangements. We always remind the businesses, banks and financial intermediaries involved that the list is just the starting point and that they have an ongoing duty of care to prevent money laundering and illicit financing. Those countries will therefore continue to be monitored.

Finally—I hope I have done reasonable justice to the hon. Lady's other questions—let me address the issue of parliamentary scrutiny, which we talked about when I last brought amending regulations to the House. Given that the policy is generally to be aligned with FATF, it is sensible to make the procedure more of an administrative one so that we do not take up too much of Parliament's valuable scrutiny time, which is a finite commodity. However, it is important that the list is held up to scrutiny, and I would be happy to write to the hon. Lady and other hon. Members to ensure that, when these decisions are made, we do not default in some way to a purely administrative procedure and that Parliament gets the information it needs to discharge its rightful job of scrutinising such decisions.

Question put and agreed to.

6.11 pm

Committee rose.

