

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

MONEY LAUNDERING AND TERRORIST FINANCING (HIGH-RISK COUNTRIES) (AMENDMENT) REGULATIONS 2023

Monday 10 July 2023

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The Committee consisted of the following Members:

Chair: SIR GRAHAM BRADY

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| † Anderson, Lee (<i>Ashfield</i>) (Con) | † Morris, David (<i>Morecambe and Lunesdale</i>) (Con) |
| † Berry, Sir Jake (<i>Rossendale and Darwen</i>) (Con) | † Randall, Tom (<i>Gedling</i>) (Con) |
| Bradshaw, Mr Ben (<i>Exeter</i>) (Lab) | † Siddiq, Tulip (<i>Hampstead and Kilburn</i>) (Lab) |
| † Callaghan, Amy (<i>East Dunbartonshire</i>) (SNP) | † Spellar, John (<i>Warley</i>) (Lab) |
| † Clarke, Theo (<i>Stafford</i>) (Con) | † Stephenson, Andrew (<i>Lord Commissioner of His Majesty's Treasury</i>) |
| Costa, Alberto (<i>South Leicestershire</i>) (Con) | † Twist, Liz (<i>Blaydon</i>) (Lab) |
| † De Cordova, Marsha (<i>Battersea</i>) (Lab) | Western, Andrew (<i>Stretford and Urmston</i>) (Lab) |
| † Griffith, Andrew (<i>Economic Secretary to the Treasury</i>) | Liam Laurence Smyth, <i>Committee Clerk</i> |
| † Howell, Paul (<i>Sedgefield</i>) (Con) | † attended the Committee |
| † Kniveton, Kate (<i>Burton</i>) (Con) | |

Second Delegated Legislation Committee

Monday 10 July 2023

[SIR GRAHAM BRADY *in the Chair*]

Money Laundering and Terrorist Financing (High-Risk Countries) (Amendment) Regulations 2023

4.30 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) Regulations 2023 (S.I. 2023, No. 704).

It is a pleasure to serve under your chairmanship, Sir Graham. The Government recognise the threat that economic crime poses to the UK and 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 also undermines the integrity and stability of our financial sector, and can reduce opportunities for economic growth and legitimate business in the UK.

That is why we have taken significant action to combat economic crime, including legislating for the economic crime and anti-money laundering levy and passing the Economic Crime (Transparency and Enforcement) Act 2022.

John Spellar (Warley) (Lab): The Minister will be aware that there is support from both sides of the House for regulations against money laundering. However, can he assure us that the Government will move rapidly to deal with the issue of the politically exposed persons regime? It is affecting Members of the British Parliament for whom it was never designed, but the Bank of England and the Treasury seem singularly incapable of getting a grip on it.

Andrew Griffith: Members on both sides of the House feel strongly about that issue. During the passage of the Financial Services and Markets Act 2023, the Government brought forward amendments in the other place that will place duties on the Financial Conduct Authority to look into the issue rapidly, make specific proposals and implement a lower-risk regime for domestic persons.

The right hon. Gentleman should be assured of my personal diligence, and desire as a Member of this House, to ensure that Members are not obstructed in their democratic duties by the inability to obtain a bank account, or the sheer bureaucracy involved in doing so. That extends to our fellow citizens. The Government, the Chancellor and I have made it clear if we come across any evidence of Members having their bank facilities removed due to freedom of expression, no matter where on the political spectrum they sit, that is simply unacceptable.

Sir Jake Berry (Rossendale and Darwen) (Con): The Minister will be aware that this issue goes way beyond the challenges with bank accounts. Members of this House or the other place could be involved in other transactions—for example, with an estate agent, or they may be the director of a company. I draw Members' attention to my declaration in the Register of Members' Financial Interests. The politically exposed person money laundering regulations go well beyond people seeking to open a bank account. Will the Minister commit to ensuring that when the Government do the review, they will look beyond simply whether Members can open a bank account, and at the wider implications of the politically exposed person test in general money laundering regulations?

The Chair: Order. I will allow a brief response from the Minister, but I remind hon. Members that we are here to debate the changes to legislation relating to money laundering, not politically exposed persons.

Sir Jake Berry: That is exactly what my question was about—the anti-money laundering regulations.

The Chair: Order.

Andrew Griffith: My right hon. Friend for Rossendale and Darwen makes an important point about the breadth of the impact of the regulations. I will not detain the Committee any further; he has the assurance that he seeks that we will continue to prosecute these cases with drive and in the broadest way we can. This is potentially a discussion for a Backbench Business debate or an Adjournment debate, and I would be happy to support hon. and right hon. Members in that.

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 the regulations, businesses are required to conduct enhanced checks on business relationships and transactions with high-risk third countries, and that brings us to the point of today's measure. These are countries identified as having strategic deficiencies in their own anti-money laundering and counter-terrorist financing regimes. The statutory instrument amends the money laundering regulations to update the UK's list of high-risk third countries, and removes Cambodia and Morocco from that list to reflect the significant progress made by these countries in addressing their anti-money laundering deficiencies and to reflect similar changes to its list agreed by the global anti-money laundering standard setter that the UK is part of, that is, the Financial Action Task Force.

In due course, the Government will pass further changes to add to the UK's list those countries that FATF added to its list earlier this year, in February and June. Those changes are not being enacted at the same time as these ones so as to give time, as required by the Cabinet Office guidelines, to complete a full impact assessment for the additions.

This is the seventh SI to amend the UK's list of high-risk third countries, to respond to the evolving risks. Such SIs are one of many mechanisms the

Government have to clamp down on illicit financial flows from overseas threats, and we will continue to use other mechanisms available to respond to wider threats from other jurisdictions—Members often think of Russia in that perspective—including applying financial sanctions, as necessary.

4.37 pm

Tulip Siddiq (Hampstead and Kilburn) (Lab): It is a pleasure to serve under your chairmanship, Sir Graham.

The Labour party is completely committed to supporting the global effort to combat money laundering and the financing of terrorism. We will support the draft regulations today to remove Cambodia and Morocco from the list of high-risk third countries, reflecting the same changes made to the Financial Action Task Force's list.

I do have a question for the Minister about the performance of British overseas territories that remain on the list. It is worth noting that, despite the changes to the list that the SI introduces, two British overseas territories remain on it: Gibraltar and the Cayman Islands. The reputational damage that does to the UK cannot be overstated, not least in light of the recent US Treasury report which described Britain as a “higher-risk jurisdiction” comparable to financial centres “such as Cyprus” in enabling money laundering. What is the Minister doing to work with his counterparts in Gibraltar and the Cayman Islands to ensure they raise their standards, and can he update me on where Britain's overseas territories are on delivering against their commitments to introduce public beneficial ownership registers, like the UK's, by the end of this year?

4.38 pm

Amy Callaghan (East Dunbartonshire) (SNP): We on the SNP Benches support this necessary update to the money laundering and terrorist financing regulations to remove Cambodia and Morocco from the list of high-risk third countries in the context of the enhanced due diligence requirements. It is also worth flagging up, given that the Minister raised the Economic Crime and

Corporate Transparency Bill, that it is unfortunate that the Government have failed to grasp the opportunity to make that Bill as strong as it could have been, and I ask the Minister why he chose not to accept the SNP amendment upholding the integrity of the Companies House register.

4.39 pm

Andrew Griffith: It is always a pleasure to follow the hon. Members for Hampstead and Kilburn and for East Dunbartonshire. It is important, as the hon. Member for Hampstead and Kilburn said, that we continue to work with the overseas territories—Gibraltar and the Cayman Islands. It is a sign of our rigorous commitment to FATF that they are on the list in this jurisdiction; some other countries would have fudged the list for their own overseas territories. We have always adhered to the highest standards of FATF. The hon. Lady is quite right that that is not the most comfortable position for us as we seek the highest reputation for our own financial services. We continue to work with the territories and I do not have any specific update, but I will ask the question and if there is anything more material to say I will write to her. Otherwise, I hope that she will accept that we continue to work together on the issue and her points are well made in that regard.

On the SNP amendment, I am advised that the simple reason for not bringing it to the Committee today is that it was not relevant to the debate. I imagine that that decision was made by the House authorities or the Table Office. That does not diminish the point made by the hon. Member for East Dunbartonshire and a number of Bills before the House, including the Economic Crime and Corporate Transparency Bill, seek to address her concern about the transparency of beneficial ownership. I hope that she will be content with that answer as it is the best I can do today.

Question put and agreed to.

4.41 pm

Committee rose.

