

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Tenth Delegated Legislation Committee

DRAFT SANCTIONS (EU EXIT)  
(CONSEQUENTIAL PROVISIONS) (AMENDMENT)  
REGULATIONS 2020

*Thursday 5 November 2020*

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**Monday 9 November 2020**

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

*Chair:* MR PHILIP HOLLOBONE

- |  |   |
|--|---|
| † Adams, Nigel ( <i>Minister for Asia</i> )                              | † Mann, Scott ( <i>North Cornwall</i> ) (Con)                   |
| † Blake, Olivia ( <i>Sheffield, Hallam</i> ) (Lab)                       | † Morrissey, Joy ( <i>Beaconsfield</i> ) (Con)                  |
| † Eastwood, Mark ( <i>Dewsbury</i> ) (Con)                               | † Nici, Lia ( <i>Great Grimsby</i> ) (Con)                      |
| † Harris, Rebecca ( <i>Lord Commissioner of Her Majesty's Treasury</i> ) | † Owen, Sarah ( <i>Luton North</i> ) (Lab)                      |
| † Hopkins, Rachel ( <i>Luton South</i> ) (Lab)                           | † Rimmer, Ms Marie ( <i>St Helens South and Whiston</i> ) (Lab) |
| † Jones, Andrew ( <i>Harrogate and Knaresborough</i> ) (Con)             | Russell-Moyle, Lloyd ( <i>Brighton, Kemptown</i> ) (Lab/Co-op)  |
| † Kawczynski, Daniel ( <i>Shrewsbury and Atcham</i> ) (Con)              | Thompson, Owen ( <i>Midlothian</i> ) (SNP)                      |
| † Kinnock, Stephen ( <i>Aberavon</i> ) (Lab)                             | Ben Rayner, <i>Committee Clerk</i>                              |
| † Langan, Robert ( <i>High Peak</i> ) (Con)                              |   |
| † Lopresti, Jack ( <i>Filton and Bradley Stoke</i> ) (Con)               | † <b>attended the Committee</b>                                 |

# Tenth Delegated Legislation Committee

Thursday 5 November 2020

[MR PHILIP HOLLOBONE *in the Chair*]

## Draft Sanctions (EU Exit) (Consequential Provisions) (Amendment) Regulations 2020

11.30 am

**The Chair:** Before we begin, I remind Members about social distancing. Spaces available to Members are already clearly marked. Members can sit in the Public Gallery, but cannot speak from the Public Gallery, and there are some spaces available on the Opposition Benches. *Hansard* colleagues would be grateful if you sent any speaking notes to [hansardnotes@parliament.uk](mailto:hansardnotes@parliament.uk).

**The Minister for Asia (Nigel Adams):** I beg to move,

That the Committee has considered the draft Sanctions (EU Exit) (Consequential Provisions) (Amendment) Regulations 2020.

The instrument before us was laid on 16 September, under the powers provided by the Sanctions and Anti-Money Laundering Act 2018. It will aid the investigation and prevention of terrorist financing; prevent designated persons from acting as charity trustees and from managing or operating sensitive financial enterprises; and enable effective implementation of legal, operational and regulatory measures for combating terrorist financing. Alongside this draft instrument, we have also laid a section 46 report, which is required when new regulations are made under section 45 of the Sanctions and Anti-Money Laundering Act to amend sanctions regulations made for a discretionary purpose under section 1 of that Act. The report details why Ministers consider that the relevant conditions set out in section 45 for the use of this power to make amending regulations are met.

The purpose of this instrument is to add new provisions to three existing 2019 regulations relating to counter-terrorism and sanctions. These new provisions in the 2019 regulations will, in turn, make amendments to several other pieces of primary and secondary legislation to replace and update references to counter-terrorism sanctions legislation. This needs to be done to ensure the new counter-terrorism sanctions framework established by the 2019 sanctions regulations delivers substantially the same policy effects as the existing sanctions regime after the end of the transition period.

The three regulations amended by this instrument, collectively known as the 2019 regulations, are the ISIL (Da'esh) and Al-Qaida (United Nations Sanctions) (EU Exit) Regulations 2019, made on 5 March of that year; the Counter-Terrorism (International Sanctions) (EU Exit) Regulations 2019, made on 14 March of that year; and the Counter-Terrorism (Sanctions) (EU Exit) Regulations 2019, also made on 14 March of that year. The provisions of primary legislation that will ultimately be amended by the 2019 regulations as a result of this

instrument are section 49(3) of the Sanctions and Anti-Money Laundering Act and section 178 of the Charities Act 2011.

To provide further detail for hon. colleagues, section 49 of the Sanctions and Anti-Money Laundering Act confers power on an “appropriate Minister” to make regulations for the purpose of

“enabling or facilitating the detection or investigation of terrorist financing, or preventing terrorist financing”.

This will, for example, enable the Government to amend or update the existing money laundering, terrorist financing and transfer of funds information in the Income Tax (Pay As You Earn) (Amendment) Regulations 2017, which currently include measures to tackle terrorist financing. Section 49(3) of the Sanctions and Anti-Money Laundering Act defines “terrorist financing” by references to other pieces of legislation.

The amendments made by this instrument will remove references to offences under regulations being revoked by the 2019 regulations, and add references to new offences under those regulations. This is a technical update to ensure regulation on charities and financial services can continue to deliver the same policy effects after the end of the transition period. That will ensure that the definition of terrorist financing is up to date and can be used in reference to current legislation. It also means that the Government can use the power in section 49 of the Sanctions and Anti-Money Laundering Act to facilitate the prevention, detection or investigation of terrorist financing, following the revocation of a number of the current offences by the 2019 regulations.

Sadly, charities are sometimes abused for terrorist financing purposes. To mitigate the risk of such abuse, section 178 of the Charities Act disqualifies individuals who present a known risk from serving as a charity trustee or charity senior manager. “Senior manager” means chief executive or finance director or their equivalent.

The amendments made by this instrument will remove references to persons designated under regulations being revoked and add references to persons designated under any of the 2019 regulations. That will prevent those who are designated under the sanctions regulations from being able to act as charity trustees or charity senior managers. This is a technical update to ensure that legislation on charities and financial services can continue to deliver the same policy effect after the end of the transition period.

The amendments to the Electronic Money Regulations 2011 and the Payment Services Regulations 2017 prevent the registration of a small electronic money institution or a small payment institution, where any of the individuals responsible for the management or operation of the business have been convicted of an offence under the Counter-Terrorism (Sanctions) (EU Exit) Regulations 2019.

The consequential amendment to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 provides that the definition of terrorist financing used in those regulations refers to the new offences in the Counter-Terrorism (Sanctions) (EU Exit) Regulations 2019. That amendment will ensure that the Government can continue to promote effective implementation of legal, operational and regulatory measures for combating terrorist financing once the 2019 regulations are in force.

The instrument represents the first use of the powers under sections 54(3) and 54(4) of the sanctions Act to amend the definition of terrorist financing in section 49(3) of the sanctions Act. The instrument will not come into force until a later date or dates to be appointed separately. The instrument forms a necessary part of the programme of work being undertaken by the Foreign, Commonwealth and Development Office in conjunction with other Whitehall Departments to construct an effective and robust UK sanctions framework under the Sanctions and Anti-Money Laundering Act 2018.

Targeted sanctions have the power to bring about a change in unacceptable behaviour by coercing, constraining and sending a signal. They therefore have a vital role to play in the disruption of terrorism. That is why we are putting in place the necessary legislation to maintain the effect of this framework after the end of the transition period. We will continue to work closely with our Five Eyes and other international partners to help combat threats to the international financial system and charity sector. The UK is working closely with the financial action task force, the G20, G7 and EU partners to disrupt terrorist financing. We are focusing on reducing domestic terrorist fundraising; the movement of terrorist finance across borders; and the fundraising for and movement of terrorist finance overseas.

International counter-terrorism sanctions regimes are a key practical measure in disrupting terrorism and demonstrating international resolve against it. The United Kingdom has a strong reputation for tackling terrorism and that is supported by our robust legislative framework. We will continue to strengthen our approach to countering terrorism by ensuring we have the correct range of disruptive tools and capabilities at our disposal, including our sanctions and counter-terrorist financing frameworks. This instrument will ensure that they remain functional and effective. I commend the regulations to the Committee.

**The Chair:** Members will be pleased to know that the debate can continue until 1 o'clock. I call Stephen Kinnock.

11.38 am

**Stephen Kinnock** (Aberavon) (Lab): Thank you, Mr Hollobone. I thank the Minister for the diligent way in which he is dealing with this matter.

We support the regulations. It is vital that the Government take a tough line on terrorism and use all the instruments at their disposal to limit the ability of terrorists to operate. That includes sanctioning individuals and prohibiting certain activities, such as those that have been laid out today.

To that end, we are satisfied that, as the Minister has explained, the regulations will aid the investigation and prevention of terrorist financing, prevent designated persons acting as charity trustees and managing or operating sensitive financial enterprises, and enable the effective implementation of legal, operational and regulatory measures for combating terrorist financing. We recognise the need for those new provisions, as they ensure that our legislation will be effective once the transition period comes to an end.

Having said that, for sanctions to be effective and robust they should not operate in isolation, and should instead be applied in close co-ordination with our democratic allies and partners, not least the European

Union. What conversations is the Minister having, and what mechanisms are being put in place, to ensure that the UK is working hand in hand with the EU to apply the co-ordinated approach to sanctions that we know makes them so much more effective? There is little hope of the sanctions working effectively unless liberal democracies—particularly our EU partners and us—work together effectively to apply pressure.

What additional work is the Minister doing to strengthen the UK's sanctions regime? The Opposition are very pleased that the Government have finally implemented the so-called Magnitsky sanctions against many human rights abusers, but we have two concerns. First, the legislation does not include corruption. Foreign Office Ministers say that they are looking into including corruption in the scope of the legislation, but could the Minister provide an update on when we might expect an answer on whether it can be included?

Secondly, the sanctions do not appear to be applied across the board. It took the Government just a matter of days to sanction Belarusian officials following the rigged elections and crackdown that ensued, but we have yet to see any Chinese Communist party officials on the sanctions list, despite clear and apparent human rights violations in Xinjiang and Hong Kong. The Government have stated that they are looking into that, but could the Minister provide an update?

We are content for the the terrorist financing definition to be brought up to date. As a Minister recently put it, that allows the Government,

“under Section 49 of the sanctions Act to facilitate the prevention, detection or investigation of terrorist financing, following the revocation of a number of the current offences by the 2019 regulations.”—[*Official Report, House of Lords*, 29 October 2020; Vol. 807, c. 402.]

However, why did the revocation of these offences occur, and why was everything that we are going through not dealt with in the 2019 legislation the first time around? I thank the Minister for his time, and I look forward to future dialogue on these important issues.

11.43 am

**Nigel Adams:** I am grateful to the Opposition spokesman for his contribution and his support for this exercise in tidying-up the regime. I will try to address a couple of his points. We have plenty of time, and I am sure that Members are keen to hang around and listen to my responses to the points the hon. Member raised.

The hon. Member asked whether we are working alongside the EU. Of course, these sanctions and this legislation cannot be enacted on our own. We are working very closely together, although we will pursue our independent sanctions policies in the future, driven by our respective foreign policy agendas. On the basis of friendly co-operation between sovereign equals, we will continue to work with the EU and our international partners to tackle these shared challenges. We expect that co-operation to be significant, as it is with many of our international partners.

The hon. Member mentioned widening the scope of our sanctions regime to include corruption. As he knows, that work is ongoing. I am sorry that I cannot give an update, other than to say that we are looking at that closely. We are constantly reviewing our sanctions regime, and he is right to push the Government on the Magnitsky-style sanctions regime that we have introduced. As I

*[Nigel Adams]*

have said to him before, it is inappropriate to speculate on individuals that we are likely to bring into scope because it might lessen the effect of the sanctions. I am grateful for his support on the terrorist financing measures. He asked about the timing, which I am happy to write to him on. There is probably a very good reason why it was not done in 2019, but I will happily confirm that.

As I outlined in my opening remarks, the instrument underlines our support for protecting the UK, the international financial system and, importantly, the charity

sector. It will ensure that the range of disruptive tools and capabilities at our disposal, including our sanctions and counter-terrorist financing frameworks, remain effective. That will aid the global fight against terrorism and contribute to the UK playing its part as a force for good in the world. I commend the draft regulations to the Committee.

*Question put and agreed to.*

11.46 am

*Committee rose.*