PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

NATIONAL SECURITY AND INVESTMENT BILL

Twelfth Sitting

Thursday 10 December 2020

(Afternoon)

CONTENTS

New clauses considered.
Bill to be reported, without amendment.
Written evidence reported to the House.

PBC (Bill 210) 2019 - 2021

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

Monday 14 December 2020

© Parliamentary Copyright House of Commons 2020
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:

Chairs: †Sir Graham Brady, Derek Twigg

† Aiken, Nickie *(Cities of London and Westminster)* (Con)
† Baynes, Simon *(Clwyd South)* (Con)
† Bowie, Andrew *(West Aberdeenshire and Kincardine)* (Con)
† Fletcher, Katherine *(South Ribble)* (Con)
Flynn, Stephen *(Aberdeen South)* (SNP)
† Garnier, Mark *(Wyre Forest)* (Con)
† Gideon, Jo *(Stoke-on-Trent Central)* (Con)
† Grant, Peter *(Glenrothes)* (SNP)
† Griffith, Andrew *(Arundel and South Downs)* (Con)
Kinnock, Stephen *(Aberavon)* (Lab)
† Onwurah, Chi *(Newcastle upon Tyne Central)* (Lab)
† Tarry, Sam *(Ilford South)* (Lab)
† Tomlinson, Michael *(Lord Commissioner of Her Majesty's Treasury)*
† Western, Matt *(Warwick and Leamington)* (Lab)
† Whitehead, Dr Alan *(Southampton, Test)* (Lab)
† Wild, James *(North West Norfolk)* (Con)
† Zahawi, Nadhim *(Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy)*

Rob Page, Yohanna Sallberg, *Committee Clerks*

† attended the Committee

Public Bill Committee

Thursday 10 December 2020

(Afternoon)

[SIR GRAHAM BRADY *in the Chair*]

National Security and Investment Bill

New Clause 1

NATIONAL SECURITY DEFINITION

"When assessing a risk to national security, the Secretary of State may have regard to factors including, but not restricted to—

(a) whether the trigger event risks enabling a hostile actor to gain control of a crucial supply chain, obtain access to sensitive sites, corrupt processes or systems, conduct espionage, exert inappropriate leverage or engage in any other action which may undermine national security;

(b) whether the trigger event adversely impacts the UK's capability and capacity to maintain economic security;

(c) the potential impact of the trigger event on the UK's defence capabilities and interests;

(d) the potential impact of the trigger event on the transfer of sensitive data, technology or know-how outside of the UK;

(e) the characteristics of the acquirer, including its jurisdiction of incorporation and proximity to any state;

(f) the potential impact of the trigger event on the security of the UK's critical national infrastructure;

(g) whether the acquirer in respect of a trigger event has a history of compliance with UK and other applicable law;

(h) the potential impact of the trigger event on the UK's international interests and obligations, including with respect to the protection of human rights and climate risk; and

(i) the potential of the trigger event to involve or facilitate illicit activities, including terrorism, organised crime and money laundering."—*(Chi Onwurah.)*

This new clause specifies a number of factors which the Secretary of State may consider when assessing a risk to national security.

Brought up, and read the First time.

2 pm

Chi Onwurah (Newcastle upon Tyne Central) (Lab): I beg to move, that the clause be read a Second time.

It is a pleasure to see you back in the Chair, Sir Graham. I am also pleased that the Committee is now moving to the new expanses of new clauses. I see that Committee members have come fully prepared to deal with the environment in which we find ourselves. I should say, Sir Graham, that the previous Chair said that we should be able to put on as many coats as we liked. I think that that is much to be desired. Unfortunately, I left my office in a rush and forgot to bring my coat, as well as the Houses of Parliament Christmas jumper in which I invested only yesterday, in anticipation that it might be needed today. We shall have to take the temperature as an encouragement to press on.

Had we known that, regardless of the title of the Bill, it was actually the National and Security and Investment, and any improvements to the Enterprise Act 2002 we feel it is necessary to make, Bill, we might have ranged somewhat broader in our new clauses. We chose instead to focus on what we felt was absolutely critical to the good functioning of our national security framework. New clause 1 seeks to set out some of the factors that the Secretary of State may have regard to when making assessments under the provisions of the Bill. We recognise some of the implications of including a definition of national security. The Bill is called the National Security and Investment Bill, even if it does go somewhat beyond that title.

James Wild (North West Norfolk) (Con): I note that the hon. Lady uses the word "may" not "shall" in the new clause. Can she explain why she opted for "may" in this instance?

Chi Onwurah: I am grateful for that intervention. First, it shows that the hon. Gentleman is paying attention, which in itself is something to be welcomed. If I may say so, it also shows that he is taking lessons from my hon. Friend the Member for Southampton, Test. We have considered the matter and this is the correct use of the term "may". I shall go into more detail later, but this is not about prescribing what the Secretary of State must look at; it is about giving greater clarity, particularly to those who will come under the Bill's remit. One of the expert witnesses put it very well. Those who will come under the Bill's remit need to get a sense of what the Government mean by national security, not in a specific and detailed definition.

Simon Baynes (Clwyd South) (Con): Would the hon. Lady not agree that there is danger that the new clause would start to try to define in a prescriptive way what a national security risk is, whereas the point of the Bill is that it enables the Government, the Secretary of State and the relevant parties to judge what is a risk? That goes back to the point that my hon. Friend the Member for North West Norfolk made about "may" and "shall". As far as I can see, the new clause should use "shall", given what the hon. Lady is trying to achieve, but I accept the point about how such legislation is worded. There is a danger that, by listing all these clauses, we imply that other aspects of danger to national security are not included. I am not sure that it would achieve anything. In many ways, it might obfuscate rather than clarify, although I fully accept that her intention is to clarify.

Chi Onwurah: I thank the hon. Member for that intervention, which I think was made in the proper spirit of the Committee, by seeking to improve the Bill, help the Secretary of State, and help those who will be affected by the Bill to understand it. The hon. Gentleman is quite right that there is a trade-off.

During the expert evidence sessions, we heard both from those who felt that there should be a definition of national security and from those who felt that there should not. However, if my memory serves me, they all tended to agree that there should be greater clarity about what national security could include. For example, Dr Ashley Lenihan of the London School of Economics said:

"What you do see in regulations is guidance as to how national security risk might be assessed or examples of what could be considered a threat to national security."—[*Official Report, National Security and Investment Public Bill Committee,* 24 November 2020; c. 38, Q42.]

We also heard that in the US the Foreign Investment Risk Review Modernization Act 2018 provides for a "sense of Congress" on six factors that the Committee on Foreign Investment in the United States and the

President may consider—the term "may" is used well here—in assessing national security: countries of specific concern; critical infrastructure, energy assets and critical material; a history of compliance with US law; control of US industries that affect US capacity to meet national security requirements, which is very important; personally identifiable information; and potential new cyber-security vulnerabilities.

My argument is that if we look at examples from elsewhere, we see indications of what can be included in national security without having a prescriptive definition. That is exactly what the new clause tries to set out. It states:

"When assessing a risk to national security, the Secretary of State may have regard to factors including",

and then it gives a list of factors, which I shall detail shortly.

The question, "What is national security?" is entirely unanswered, for Parliament, for businesses looking for clarity, for citizens looking for reassurance, and if hostile actors are seeking to take advantage of any loopholes in how the Secretary of State construes national security. I do have sympathy with the argument that we should not be prescriptive and limit the Secretary of State's flexibility to act by setting down a rigid definition of national security that rules things out. That is the spirit of the new clause. It does not rule out the Secretary of State's flexibility or set a rigid definition; it simply does what other countries have done well, as our experts witnesses have said, by giving a guide on some factors that the Government might consider, while allowing many more to be included in national security assessments. This is critical in order to give greater clarity to businesses puzzled by the Government's very high-level definitions of espionage, disruption or inappropriate leverage.

Andrew Griffith (Arundel and South Downs) (Con): The hon. Lady appears to be advancing two arguments simultaneously. On the one hand, I understand the argument about clarity, which is indeed something that many people would look for in this Bill. However, she also talks about flexibility and that we should not seek to tie the Secretary of State down to a particular, prescriptive definition at any point in time, which I think members on both sides of the Committee would agree on. Given that, I am genuinely confused as to why she would seek to advance this new clause, although I find its actual wording wholly unobjectionable. Perhaps the Minister will reply on this topic, because I think the record of these proceedings could provide that clarity without needing to press the amendment to a vote.

Chi Onwurah: I thank the hon. Gentleman for that intervention, which I found very helpful. If he believes me to be presenting both sides of the argument at once, perhaps that is because the Minister has been doing the very same thing so often during the past few sittings. As the Minister has often said, there is a balance to be sought between flexibility for the Secretary of State and clarity for the business community and other communities. This new clause goes exactly to the point made by the hon. Member for Arundel and South Downs, and strikes that balance. That is why—I will say it again—the new clause does not prescribe what national security is, but it does not leave a vacuum into which supposition, uncertainty and confusion can move.

The new clause gives greater clarity to citizens worried about whether Government will act to protect critical data transfers or our critical national infrastructure. Are those areas part of our national security, even though they are not covered by the Government's proposed 17 sectors? The new clause provides assurance in that case and—this is important—sends a message to hostile actors that we will act to protect British security through broad powers applied with accountability. It should be clear that we also need to consider how this Bill will be read by the hostile actors against whom we are seeking to protect our nation, and this new clause will send a clearer message as to what may be included in that.

The factors highlighted in this new clause are comparable to guidance provided in other affected national security legislation, most notably the US's Foreign Investment Risk Review Modernization Act 2018. Paragraph (a) would protect our supply chains and sensitive sites, in addition to acting against the disruption, espionage and inappropriate leverage highlighted in the Government's statement of policy intent. We have heard from experts, and have also seen from very recent history—namely, that of our 5G network—that our strategic security depends not only on businesses immediately relevant to national security, but on the full set of capabilities and supply chains that feed into those security-relevant businesses. We cannot let another unforeseen disruption, whether pandemic or otherwise, disrupt our access to critical supply.

Paragraphs (b) and (c) look strategically at our national security, not with a short-term eye. We have heard consistently from experts that national security and economic security are not altogether separate. Indeed, they cannot be separated; they are deeply linked. A national security expert told us that a narrow focus on direct technologies of defence was mistaken and that instead we should look to the "defence of technology". That was a very appropriate phrase, meaning not specific technologies of defence, but defence of technologies that seem economically strategic today and might become strategic for national security tomorrow.

2.15 pm

The former head of the National Cyber Security Centre told us that the Government should have acted in transactions such as Huawei's acquisition of the Centre for Integrated Photonics, rather than turn a blind eye because it did not seem to fit a narrow definition. We should not turn a blind eye any longer. With guidance from the new clause, the Government would act to protect our strategic security.

Paragraph (d) suggests a clear-eyed focus on the threats of modern technology. We are not competing against obvious physical capabilities alone; we are combating covert digital capabilities, too. We have heard about the critical role that artificial intelligence will play in our nation's security and the regret expressed by many that DeepMind was allowed to be sold to Google when it was, and still is, a leading force in global artificial intelligence. We know that the context of artificial intelligence capabilities is grounded in large, diverse training datasets. The new clause would put British frontier technology interests first.

Paragraph (e) would take the Government's analysis in the statement of policy intent and put it into action. It recognises that national security risks are most likely

to arise when acquirers are hostile to the UK's national security or when they owe allegiance to hostile states. The origin and source matters—I hope the Minister agrees with that. The former chief of MI6 told us about Chinese intelligence organising the strategic focus of both Chinese commerce and Chinese academic study in ways that are challenging to identify unless we have regard to the country of origin of those parties, which the Bill currently does not have.

Andrew Bowie (West Aberdeenshire and Kincardine) (Con): The hon. Lady mentions Sir Richard Dearlove's evidence to the Committee a couple of weeks ago. He made very clear that his opinion, as a former head of MI6, was that having a statutory definition of national security would be very prohibitive and do damage to what we are trying to achieve by getting this Bill on the statute book.

Chi Onwurah: Absolutely. That is why we are not seeking a statutory definition of national security. That is why we are seeking to include and to set out points that the Secretary of State may take into account. The hon. Member should recognise that the Government's statement of intent is designed to give guidance as to how the Bill will work and be used in practice, and what might be taken into account. The guidance is there. It is just that it is very limited.

We are deliberately not seeking a prescriptive definition of national security. We recognise, as Sir Richard Dearlove did, that it can and must evolve over time. We are seeking to give greater guidance and to promote a better understanding of the remit of the Bill, so that it can be better interpreted and better implemented and so that all those who come under its remit can share that understanding. That is what other nations do. The new clause takes our security context seriously, and signals to hostile actors that we will act with seriousness, not superficiality.

Paragraph (f) bridges the gap between the Government's defined sectors and focus and the critical national infrastructure that we already define and focus on in our wider intelligence and security work. It brings us in line with allies. Canadian guidelines list the security of Canada's national infrastructure as an explicit factor in national security assessments. In Committee on Foreign Investment in the United States cases, Congress lists critical infrastructure among the six factors that the President and CFIUS may access.

The provision also acts on the agreement of the ex MI6 chief. In relation to having a critical national infrastructure definition in the Bill, he said:

> "I would certainly see that as advantageous, because it defines a clear area where you start and from which you can make judgments".—[*Official Report, National Security and Investment Public Bill Committee,* Tuesday 24 November 2020; c. 24, Q31.]

Some of the interventions have been about whether the new clause hits the right spot between prescribing and defining what national security is and giving greater clarity and focus. We would argue that the evidence that I have just set out shows that it does.

Paragraphs (g), (h) and (i) recognise that national security is about more than a narrow view of military security; it is about human security, clamping down on persistent abuses of law—as other countries do—and recognising that a party that consistently abuses human rights abroad cannot be trusted to do otherwise at home. It is about knowing that the single greatest collective threat we face, at home and across the world, lies in climate risk. It is about acting on illicit activities and money-laundering threats that underpin direct threats to national security in the form of global terror.

I recognise that many Government Members have recently raised the importance of human rights, illicit activities, money laundering and climate change in our security. In the statement on Hong Kong this week, the Minister for Asia acknowledged that human rights should be part of our considerations when it comes to trade and security but said that he did not feel that the Trade Bill was the right place for such provisions. I argue that today's Bill is the right place for them because it deals with our national security.

The new clause would show the world that the UK is serious about national security. We must protect our national security against threats at home and abroad, and build our sovereign capability in industries that are the most strategically significant for security. We must view security in the light of modern technologies, climate and geopolitical threats. None of those constrain the Government's ability to act; they simply sharpen the clarity of that action, and its signal to the world.

When we began line-by-line scrutiny, I spoke of my astonishment that the Government's impact assessment referred to national security as an area of market failure that therefore required Government action. I hope that the Minister can confirm that he does not believe that national security is an area of market failure, but that it is the first responsibility of Government. The new clause sets out to give bones to that assertion and to demonstrate to the world that we understand our national security and the interests at play in promoting and securing it, and that we will act decisively in the interest of national security, taking into account this range of factors to protect our citizens, our national interest and our economic sovereignty, now and in the future.

Peter Grant (Glenrothes) (SNP): It is a pleasure to follow the hon. Member for Newcastle upon Tyne Central although I confess I was not quite able to pay attention to the early part of her remarks, because I was still reeling from the revelation that a born and bred Geordie is capable of feeling cold. I just hope that her constituents do not get to hear of it, or she might be in trouble at the next election.

Perhaps the aspect of the new clause that I am least comfortable about is the title. I think that is what is causing the problem. The title is "National security definition", but what follows, thankfully, is not a definition of national security. Like a lot of people, I would love to be able to come up with a definition of national security that worked and was robust, but no one has been able to do that. The new clause, however, does not seek to prescribe what national security is, and despite what was said in some of the interventions, it certainly does not attempt to prescribe what it is not. It gives explicit statutory authority to the Secretary of State to take certain factors into account in determining whether and how, in his judgment, a particular acquisition is a threat to national security.

Chi Onwurah: I can only ascribe my lack of the usual Geordie central heating to being so far from home at the moment. I take the hon. Gentleman's point about

the new clause seriously, and I think he is right. The title misleads to the extent that we are not looking to define national security.

Peter Grant: If the hon. Lady thinks she is a long way from home—tell me about it.

There was discussion, and quite a lot of questions to some of the early witnesses, about whether we needed to give some kind of guidance on what national security is not. Some of us vividly remember—I think that the hon. Lady's constituents will vividly remember—that there was a time when someone was a threat to national security if they were a coal miner who went on strike, or if they had a trade union membership card in their pocket and worked in the wrong places, such as in Government establishments that officially did not exist then. When we look at the honours that are still bestowed on the person responsible for those two abuses of the claim of national security, it can be understood why some of us are always concerned about giving any Government powers to act in the interest of national security unless clear safeguards are built in.

The other side of the coin is that I can foresee times when the Secretary of State might be grateful for the fact that the clause has been incorporated in the Bill. Let us suppose that someone wanted to take control of or influence a software company. I know that software is itself an area we would want to look at. We all know what can happen when the software that helps to control major transport systems goes wrong. We have all been affected by Heathrow terminal 5 effectively shutting down for hours at a time. When there is a major signalling fault caused by a software malfunction at one of the main London stations, the whole of the south-east can be clogged up for hours or even days.

Can that become a threat to our national security? I think there are circumstances in which it could. I can certainly foresee circumstances in which someone who wanted to damage the United Kingdom—for no other reason than wanting to damage its interests—might seek to do so by getting a way in that enables them to interfere with the code controlling software of the transport or financial services infrastructure, for example. It is not in the interest of any of us, at the point when a Secretary of State intervenes to stop such an acquisition, if the matter can be taken to court and it becomes necessary to argue that deliberately causing the national transport infrastructure to freeze is an attack on our national security. I cannot understand why anyone would want not to add a clause to the Bill to allow such an interpretation to be made if the Secretary of State saw fit.

Chi Onwurah: The hon. Gentleman reminds me that I should have mentioned either the impact assessment or the consultation response. I think the consultation response gives the deliberately induced software failure at Heathrow as an example of a failure of national security that the Bill would be able to circumvent by preventing hostile parties from owning that software company, without setting out how that would be part of the definition of national security that the Bill is seeking.

Peter Grant: I am grateful again for those comments. The hon. Lady has referred again to what is in the explanatory notes. Unless somebody has changed the rules, the explanatory notes are not part of the eventual Act of Parliament. In borderline cases, they may be used by a court to help to interpret what the intention of Parliament was when it passed a Bill, but as a general rule, the intention of Parliament is stated by the words in the Act as it is passed. If it does not say in the Act that a Secretary of State can take those factors into account, there will be an argument that will have to be heard and tried in court, if need be, that a Secretary of State should not have taken those factors into account.

Andrew Griffith: I do not know how familiar the hon. Gentleman is with the process by which the courts look at the definitions for judicial review, but one of the dangers of trying to write them down—I accept that it is "may" language, not "must"—is that the court will look at them. We could inadvertently circumscribe the degree to which the Act can be used. I know that is not the hon. Gentleman's intention, but I have to say that, in practice—he might be familiar with how the courts work, particularly for judicial review—that is absolutely a legitimate consideration. That is one of the reasons why I would argue that the new clause should not be accepted.

Peter Grant: I hear what the hon. Gentleman is saying, but I am also looking at the following words:

"factors including, but not restricted to".

Are those words completely without meaning? If they are, why is it that the Library has dozens, if not hundreds, of pieces of legislation currently in force that have those exact words included in them? Those words are there explicitly to make sure that the list is not intended to be comprehensive. The fact that the word "may" is in there is because it allows the Secretary of State to take the factors into account, but it does not require them to do it in circumstances where it is not appropriate.

The final aspect that I want to look at is the very last factor in new clause 1: money laundering. Everybody knows that money laundering is bad and that it is a threat to our economy; it is a threat to honest businesses and all the rest of it. If the only concern that the Secretary of State had about an acquisition was that it was intended to facilitate large-scale money laundering in the United Kingdom, can we be sure that a court would accept that, and that alone, as evidence of a threat to our national security? I hope it would. The way to make sure it would is to put it in the Bill right now.

We know there are very strong connections between the acquisition of huge amounts of property, particularly in London, by people who got rich very quickly after the collapse of the Soviet Union, large-scale money laundering and organised crime, with the money sometimes being laundered through London, and the growing effectiveness of the threat that the present Russian regime poses to our national security. The Intelligence and Security Committee report from about a year ago highlighted that very clearly.

We know that money laundering can become part of—*[Interruption.]*

The Chair: Order. A Division has been called in the House. In anticipation of there being at least three Divisions, I suspend the Committee for half an hour. We shall resume at 3.3 pm. Should a fourth Division be called, the Committee will resume at 3.13 pm. If everybody is back sooner, we can resume earlier.

2.33 pm

Sitting suspended for Divisions in the House.

3.3 pm

On resuming—

Peter Grant: Even by my standards, it feels as if it is a long time since I stood up to start speaking, so I will bring my comments to a close, Sir Graham.

The examples that I quoted of a potential software threat to our critical transport infrastructure or facilitation of large-scale money laundering are just two examples where I think it would be to the benefit of the legislation to have those factors explicitly permitted for the Secretary of State to take into account when exercising the powers created by the Bill. I understand Government Members' concern, but I ask them not to judge the new clause by their understandable and shared concerns about the dangers of having a precise dictionary definition of national security. I ask them to judge it by the additional certainty and reassurance it will give the Secretary of State that if they take those factors into account in all of our interests, there will be no question but that the court will uphold the decision. On that basis, I commend the new clause to the Committee. If, as has happened with depressing regularity, the Committee splits along party lines, I sincerely invite the Government to think seriously about tabling a similar measure at a later stage, because the new clause could improve the Bill substantially and it would be a great shame if it was lost simply for party political considerations.

The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Nadhim Zahawi): I am grateful to Opposition speakers, the shadow Minister and the hon. Member for Glenrothes, for their contributions and to my hon. Friends the Members for Arundel and South Downs, for North West Norfolk, for Clwyd South and for West Aberdeenshire and Kincardine for their excellent interventions.

On new clause 1, it will not surprise the hon. Member for Newcastle upon Tyne Central that the Government's position remains consistent with that of 1 December, when amendments relating to the new clause were discussed. Such amendments included, among others, proposals for the inclusion of a definition of national security in the statement made by the Secretary of State. The new clause seeks to create a new, exhaustive list of factors that the Secretary of State may take into account when considering whether something is a risk to national security.

Chi Onwurah: I am listening intently to the Minister's response—given the great skills of the Committee he is taking the new clause in the right spirit—but it is not appropriate to say that we are presenting an exhaustive list when we specifically say, "this and other things". It meant to be not an exhaustive list but a guide and a sense.

Nadhim Zahawi: I apologise. I will say instead that the clause seeks to create a non-exhaustive list of factors that the Secretary of State may take into account when considering whether something is a risk to national security for the purposes of the Bill.

The Bill as drafted does not seek to define national security. It also does not include factors that the Secretary of State will take into account in coming to a national security assessment. Instead, factors that the Secretary of State expects to take into account in exercising the call-in powers are proposed to be set out, as the hon. Lady rightly said, in the statement provided for in clause 3. A draft of the statement was published on introduction of the Bill to aid the Committee's scrutiny efforts. The draft statement includes details of what the Secretary of State is likely to be interested in when it comes to national security risks. That includes certain sectors of the economy and the types of acquisition that may raise concern.

While it is crucial for investors' confidence that there is as much transparency in the regime as possible, there is self-evidently a limit to how much the Government can and should disclose in that regard given that the regime deals explicitly with national security matters. Nevertheless, the draft statement goes into some detail about the factors that the Secretary of State expects to take into account when making a decision on whether to call in a trigger event.

The new clause would instead place in the Bill, alongside the statement, a non-exhaustive list of factors that the Secretary of State may have regard to when assessing a risk to national security. That raises a number of issues. First, it is unclear what the benefit is of including a non-exhaustive list of factors that the Secretary of State may have regard to directly in the legislation as opposed to in the statement.

Chi Onwurah *rose—*

Nadhim Zahawi: I will happily take the hon. Lady's intervention once I have gone through these points.

Secondly, the new clause would not replace the statement; instead, it would appear to sit alongside it. The Government think that would probably cause confusion rather than clarity, although I have no doubt that the hon. Lady and the Opposition agree that clarity for all parties will be crucial to the regime's success.

Thirdly, by stating what may be taken into account when assessing a risk to national security under the Bill, the new clause indirectly sets out what can be a national security risk for the purposes of the Bill, and therefore what comes within the scope of national security—many colleagues pointed out some of the evidence suggesting that we should do exactly the opposite of that—which could clearly have unintended consequences for other pieces of legislation that refer to national security. The Bill requires that the statement from the Secretary of State be reviewed at least every five years to reflect the changing national security landscape. Indeed, in practice, it is likely that it will be reviewed and updated more frequently. We think that this is the right approach, rather than binding ourselves in primary legislation.

Fourthly, but perhaps most importantly, I note in this list that the Secretary of State may have regard to an ever-broadening set of suggestions that Opposition Members wish to be taken into account as part of national security. On Second Reading, the shadow Secretary of State, the right hon. Member for Doncaster North (Edward Miliband), requested that an industrial strategy test be included in the Bill alongside national security assessments. I am afraid that an industrial strategy test is not the purpose of this legislation.

Peter Grant: The Minister comments on a speech by the shadow Secretary of State at an earlier stage of the Bill's passage and on the undesirability of building an

industrial strategy test into the Bill. I do not see an industrial strategy test mentioned in the new clause, so, for the purpose of clarity, is that part of the new clause that we are debating?

Nadhim Zahawi: I was referring to the shadow Secretary of State's request on Second Reading that an industrial strategy test be included in the Bill.

As I was saying, factors that the Secretary of State may have regard to through the new clause are wide ranging. This is an important Bill about national security and national security alone. We do not wish to see an ever-growing list of factors for the Secretary of State to take into consideration. That would risk the careful balance that has been struck in this regime between protecting national security and ensuring that the UK remains one of the best places in the world to invest. The Government consider that the Secretary of State should be required to assess national security as strictly about the security of our nation. That is what the Bill requires. These powers cannot and will not be used for economic, political or any other reasons.

While I understand the objectives of the hon. Member for Newcastle upon Tyne Central, for the reasons I have set out I am not able to accept the new clause. I hope the hon. Member will agree to withdraw it.

Chi Onwurah: I thank the Minister for his response, not all of which was entirely unexpected. I also thank the hon. Member for Glenrothes for his speech and his interventions, which were very much to the point.

I feel that the Minister was, to a certain extent, doing what the hon. Member for Arundel and South Downs accused me of doing—I did say that I had learned so much from the Minister—which was arguing both sides of the question at once. He seems to be saying that there should not be any definition, but that if there needs to be a definition, it is already there in the statement that the Secretary of State has set out. Indeed, I have been looking for that statement, because I did not recognise it from the way the Minister described it when talking about giving detail on the types of national security questions that might arise.

3.15 pm

In fact—the Minister may want to intervene on me on this—he seemed to imply that that statement included a list of factors. I do not think that it does, but he seemed to say that the new clause is not necessary because there is already a list of factors in that statement, and that the statement and the new clause would be in some way contradictory. I do not feel that that in any way reflects what is set out in the new clause. The new clause contains a list of factors to guide the Secretary of State. It is not an exhaustive list, but it gives considerably more of a sense of the understanding of national security than is to be found in the Secretary of State's statement of intent. The Minister said that that could be changed at least every five years, and he argued that the list in new clause 1 appeared to be growing—this is a new clause, so I do not think the list can have grown. Our national security has changed, and the factors that determine it have expanded significantly. If we look at cyber-security, at artificial intelligence, at the threats that are coming from many different areas of the world and at the different state and non-state actors, we can see that that is absolutely the case.

I will not detain the Committee further. National security is broad, and there is a reason for that. We want to set out guidance, and I think it is important to test the will of the Committee on this new clause.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 5, Noes 9.

Division No. 19]

AYES

Grant, Peter
Onwurah, Chi
Tarry, Sam
Western, Matt
Whitehead, Dr Alan

NOES

Aiken, Nickie
Baynes, Simon
Bowie, Andrew
Fletcher, Katherine
Garnier, Mark
Griffith, Andrew
Tomlinson, Michael
Wild, James
Zahawi, Nadhim

Question accordingly negatived.

New Clause 2

REPORT ON IMPACT ON SMALL TO MEDIUM ENTERPRISES

"Not later than 18 months after the day on which this Act receives Royal Assent, the Secretary of State must lay before Parliament—

(a) a report setting out the impacts the Act has had on Small to Medium Enterprises and early-stage ventures, and

(b) guidance for Small to Medium Enterprises and early-stage ventures on complying with the provisions of this Act."—*(Peter Grant.)*

This new clause would require the Government to produce a report setting out the impacts of this legislation on Small to Medium Enterprises and early-stage ventures, and to produce relevant guidance.

Brought up, and read the First time.

Peter Grant: I beg to move, That the clause be read a Second time.

The Chair: With this it will be convenient to discuss new clause 3—*Grace period for SMEs*—

"For the purposes of section 32, a person has a reasonable excuse if—

(a) the entity concerned is a Small to Medium Enterprise;

(b) this Act has been in force for less than six months."

This new clause creates a grace period whereby – for alleged offences committed under Section 32 – Small to Medium Enterprises would have a 'reasonable excuse' if the alleged offence was committed within the first six months after the Bill's passage.

Peter Grant: I am pleased to speak to the two new clauses, which stand in my name and that of my hon. Friend the Member for Aberdeen South. Throughout our debate on the Bill, Members have spoken—sometimes with a surprising degree of cross-party consensus—of the need to find the right balance between protecting our collective national security and allowing beneficial investment into the United Kingdom to continue. New clauses 2 and 3 aim to give some recognition to the fact that among the Bill's potential detrimental effects may well be a disproportionate detrimental impact on smaller businesses and early start-up ventures.

[Peter Grant]

Smaller businesses often lack the resources to have their own in-house team of lawyers or other trade law experts, and they certainly cannot afford the services of the very experienced experts that gave evidence to the Committee a few weeks ago. They may be more adversely affected than a bigger business would be by delays in bringing in investment, because they do not have the same resources to fall back on. Compared with bigger businesses that may have more international connections, smaller businesses are unlikely to be as well informed about which possible investors or partners are likely to raise security concerns. There is a danger that small businesses could commit time and resources to negotiating deals, acquisitions, mergers or investments that a bigger business with a more global perspective would immediately know were non-starters. Small businesses may spend a lot of time on abortive deals and negotiations.

All the way through, I have said that these things may happen. I am not trying to reignite arguments about "may" and "must", but at the moment nobody really knows what the impact of the legislation will be. We cannot possibly know until it has been in place for a few months, or possibly even a bit longer. What we do know is that when this legislation comes into force, we will rely massively on the growth of existing small businesses and the launch of new ones to drive our post-covid recovery. Big businesses will not do it, and they certainly will not do it on their own. We have all got a responsibility to avoid putting unnecessary obstacles in the way of small businesses who want to start to grow. If we do find that we have unintentionally put those obstacles in the way, we need to be able to remove them.

New clause 2 makes two simple requests—it has two simple requirements. The first is that the Secretary of State reports back to Parliament on impacts the Act has had on small and medium-sized enterprises and early-stage ventures, giving Parliament the chance—should it need it—to consider whether we have created unintended barriers to small businesses. The second requirement is for the Secretary of State to provide guidance to those same companies to give them a bit more certainty about what they need to do to stay on the right side of the law without having to spend money on expensive consultants or legal experts.

New clause 3 tries to minimise the potential damage that the Act could do to small businesses, particularly in the early days when they may be unused to some of the impacts. Clause 32 creates a new offence of completing a notifiable acquisition without reasonable excuse and without the proper authority of the Secretary of State. New clause 3 seeks to recognise that small businesses in particular may find themselves in the wrong side of that clause in the early days of the legislation, not through any malice or wilful neglect, but simply through ignorance, lack of experience or being too busy trying to run their business to be keeping an eye on what is happening in the Houses of Parliament. New clause 3 would effectively provide a grace period of six months in which a small business can put forward the fact that the legislation is new to be taken as a reasonable excuse, which would mean that neither they nor the directors were liable to criminal prosecution. It is critically important to bear in mind that nothing in new clause 3 would do anything whatever to dilute or reduce the effectiveness of the Bill in doing what it is supposed to do. It would not have any impact on the ability of the Secretary of State to take action to protect our national security. It would not have any impact on the exercise of powers either to block an acquisition or merger or to impose conditions on it, should that be necessary. It would not change the fact that if a small business during that six-month period completes an acquisition that should not have been completed, that acquisition would be just as void under the law as any other acquisition.

I understand that new clause 3 is a slightly unusual clause for a piece of legislation, but it would allow us to make sure that the Bill continues to protect national security to the fullest extent it can, but at the same time that we do not have businesses being scared to act in case they end up on the wrong side of the law. We would not have the possibility of the courts having to take up time dealing with prosecutions of small businesses or directors who genuinely meant no harm, but who just—

Andrew Griffith: I welcome the hon. Gentleman's conversion to the zealous promotion of free enterprise and the cause of small businesses, but would he extend his support to any new taxation measures, new business regulation or employment measures that are advanced by the Government? While I support the thrust, the principle and the philosophy from which he clearly speaks, I do worry that the new clause could create somewhat of a precedent, and I am not sure that all of his colleagues have fully thought through the profound implications for the application of the law on business in this land.

Peter Grant: I can assure the hon. Gentleman that I have been a supporter of small businesses significantly longer than he has perhaps. I did make it clear that this is a way that we can protect small businesses without in any way compromising the integrity of the Bill. There is nothing in the new clause that will in any way weaken the effectiveness of the Bill and protecting our national security. I would be happy at another time to debate the reasons why, for example, employment measures in Scotland should be taken by the Parliament and Government elected by the people of Scotland rather than somewhere down here, but that is not a debate for today. I expect, Sir Graham, that neither you nor anybody else would be too pleased if we started to take up time this afternoon on that subject.

James Wild: In clause 32, there is provision to look at whether a reasonable excuse exists in an individual case. The hon. Member's amendment would give a blanket exemption to any small business by dint of being a small business. Is the case-by-case basis not a better way to approach the issue?

Peter Grant: That is a valid point, but I do not think it is. The difficulty with the case-by-case basis is that it creates uncertainty and worry for the small business concerned. We are talking about a period of only six months. I do not really think that hostile overseas investors are waiting to pounce during those six months to gobble up small businesses in a way that will damage our national security. Let us face it: if they were going to do that in the first six months, they would be doing it now or they would have done it in the last six months.

I hear what the hon. Gentleman is saying, but the new clause is deliberately worded to explicitly recognise the importance of small businesses, particularly during this period. The Bill is likely to come into force at the exact time that small businesses will be trying to get back on their feet. They need all the help they can get. There is a danger that the way that the Bill could be implemented and enforced will be an unintentional barrier to their growth.

All that we are asking is that, for a short period, until smaller businesses get used to the new legislation, it does not allow them to go ahead with transactions that are otherwise prohibited and would otherwise be blocked by the Secretary of State. The Secretary of State will still have the full power to block those transactions or to impose conditions on them. It does not mean that an acquisition is legally valid if it would otherwise be void under the terms of the legislation. The only difference it makes is that it removes the danger of small businesses or their directors spending time defending themselves in court when they should be developing their business and helping to get the economy back on its feet. On that basis, I commend both new clauses to the Committee.

Chi Onwurah: I rise to speak briefly in support of additional support for SMEs. The hon. Member for Glenrothes is a champion of small businesses, which is a pleasure to hear. As he set out, and as has been set out in a number of the amendments that we have tabled in Committee, we are concerned to make sure that the seismic shift in our national security assessment with regard to mergers and acquisitions does not stifle our innovative but often under-resourced small businesses, which are such an important driver of our economy. New clause 2 reflects our intentions, particularly in amendments 1 and 11, to support and give further guidance to small businesses. I hope that the Minister and Conservative Members recognise the importance of supporting small businesses at this time through direct measures in the Bill.

Nadhim Zahawi: I thank the hon. Member for Glenrothes and the hon. Member for Newcastle upon Tyne Central for setting out the arguments in support of new clauses 2 and 3, which both relate to the treatment of small and medium-sized enterprises in the regime.

On new clause 2, the Government are a strong supporter of SMEs and have sought to provide a slick and easily navigable regime for businesses of all sizes to interact with. We are creating a digital portal and a simple notification process to allow all businesses to interact with the regime without the need for extensive support from law firms, which is a particular burden for small businesses. Furthermore, there is no fee for filling a notification, unlike many of our allies' regimes, which in some cases charge hundreds of thousands of pounds for a notification. Consequently, we do not expect this regime to disproportionately affect SMEs.

3.30 pm

New clause 3 would create a grace period whereby SMEs would have a "reasonable excuse" defence if they committed an offence within six months of the Bill's being passed. I can offer reassurance to the hon. Member for Glenrothes that we expect non-compliance to be very low, and we will be making every effort to keep it that way through, for example, effective engagement and outreach.

I can also advise the hon. Gentleman that for the purpose of estimating the cost to the justice system, the impact assessment suggests that for the most serious breaches of the regime, there will be a criminal conviction of any kind less than once a year. It is, however, crucial that the regime carries a sufficiently robust deterrent to ensure compliance. If there was a gap in enforcement with the absence of penalties, that could serve to undermine the deterrent effect of the regime in general, and therefore compliance along with it.

It is also crucial that the regime extends fully to SMEs. It is not just acquisitions of control over large businesses that might harm our national security, as we heard during the very good evidence sessions that we held. For example, imagine a takeover by a potentially hostile actor of a small start-up that had not yet gone to market or turned a profit, but had cutting-edge intellectual property that potential adversaries might use to undermine our security. Indeed, businesses of precisely that type are often seeking investment, and hostile actors could target them.

I should also refer to what is often SMEs' role as acquirers, particularly for notifiable acquisitions. As the hon. Gentleman will be aware, the Bill specifies that the acquirer is to notify the Secretary of State about notifiable acquisitions. Although most such acquisitions are not expected to give rise to a national security risk, the regime is predicated on the idea that some acquirers could do us harm, and that some might actively seek to do so. With the grace period that he seeks to put in place through the new clause, there would be nothing to stop hostile actors setting up an SME specifically to carry out notifiable acquisitions in the first six months of the regime's operation, not notifying and then being immune from any penalties.

If and when the Secretary of State found out about such acquisitions, he could still call them in—I am sure that is what the hon. Gentleman was imagining—and, if appropriate, apply remedies. However, I hope he agrees that where the SME held sensitive intellectual property, that intellectual property would be long gone and transferred overseas before the Secretary of State could act.

We therefore need penalties to disincentivise that kind of dangerous behaviour, so while I fully appreciate the sentiment behind the new clause, such a grace period would create an unacceptable loophole that rewarded those seeking to undermine our regime. None the less, I recommit to the hon. Gentleman that the Government will continue to ensure that this regime is proportionate, and that SMEs and entities of all sizes can continue to thrive in this country while we safeguard our national security. I therefore hope that he will not press the new clause.

Peter Grant: I hear what the Minister is saying, but I am still not convinced that he was listening to all the comments from this side of the Committee. However, I do not seek to divide the Committee on either new clause. I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 4

Complaints procedure

"(1) The Secretary of State shall by regulations set up a formal complaints procedure through which acquirers may raise complaints about the procedures followed during the course of an assessment under this Act.

(2) Complaints as set out in subsection (1) may be made to a Procedural Officer, who—

(a) must not have been involved in the assessment and who is to consider significant procedural complaints relating to this section or another part of this Act; and

(b) may determine or settle complaints in accordance with regulations to be published by the Secretary of State within 3 months of this Bill becoming an Act."—*(Chi Onwurah.)*

This new clause would require the Secretary of State to establish a formal complaints procedure for acquirers.

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 5, Noes 9.

Division No. 20]

AYES

Grant, Peter
Onwurah, Chi
Tarry, Sam
Western, Matt
Whitehead, Dr Alan

NOES

Baynes, Simon
Bowie, Andrew
Fletcher, Katherine
Garnier, Mark
Gideon, Jo
Griffith, Andrew
Tomlinson, Michael
Wild, James
Zahawi, Nadhim

Question accordingly negatived.

New Clause 5

High- and low-risk acquirers

"(1) The Secretary of State shall set out in writing descriptions of high risk and low risk acquirers by reference to the characteristics of those persons and their actual or potential hostility to the UK's national security and national interest, and based on regular multi-agency reviews.

(2) Acquirers who meet the description of a high risk acquirer under subsection (1) must be subject to greater scrutiny by the Secretary of State in the carrying out of the Secretary of State's functions under this Act.

(3) Acquirers who meet the description of a low risk acquirer under subsection (1) must be subject to lesser scrutiny by the Secretary of State in the carrying out of the Secretary of State's functions under this Act."—*(Sam Tarry.)*

This new clause would require the Secretary of State to maintain a list of hostile actors, including potential hostile states, and allied actors to allow differential internal scrutiny to be applied, based on the characteristics of the actors linked to the acquirer.

Brought up, and read the First time.

Sam Tarry (Ilford South) (Lab): I beg to move, That the clause be read a Second time.

The Opposition's new clause 5 deals with high- and low-risk acquirers. It would require the Secretary of State to maintain a list of hostile actors, including potential hostile states and allied actors, to allow different internal security to be applied based on the characteristics of the actors linked to the acquirer. I will attempt to explain the exact thinking behind the proposal.

There has been widespread agreement inside and outside the Committee that we face a geopolitical context in which many—if not all—threats emanate from a set of hostile actors or states. In fact, the Government's statement of policy intent for the Bill recognises that

"national security risks are most likely to arise when acquirers… owe allegiance to hostile states".

Throughout this process, the Committee has heard from various experts, including experts on China, as well as from lawyers, intelligence chiefs and think-thank experts. They have told us that origin and state of origin should be important drivers of national security screening processes. Indeed, a number of our allies—most notably, the US—exempt some countries, including Canada, Australia and the UK, from some of the most stringent mandatory notification requirements, and include country of origin among the factors to be considered in assessing security.

In that context, it is perhaps quite concerning that the Minister and the Government have not caught up or been thinking about that. In previous expositions, they have simply maintained that national security is not dependent on a particular country. When we debated a similar provision earlier in this process, I think the Minister said the Government were "agnostic" about the country of origin. That could be a mistake, because national security is not exclusively dependent on a single country. It is short-sighted and, frankly, dangerous, not to see threats that are materially country-specific.

As my hon. Friend the Member for Newcastle upon Tyne Central said, the former head of MI6 told the Committee that, essentially, we need to wake up to the strategic challenge posed by China in particular. I will explore that a little more with some specific examples from around the world of China beginning to tap into start-ups long before they are mature enough to be acquired. In Sweden, for example, between 2014 and 2019, China's buyers acquired 51 Swedish firms and bought minority stakes in 14 additional firms. In fact, the acquisitions included some 100 subsidiaries.

More worryingly, in 2018, Chinese outfits, two of them linked to the Chinese military, bought three cutting-edge Swedish semiconductor start-ups. There is the 2017 example of Imagination Technologies—a top British chipmaker—which was acquired by a firm owned by a state-controlled Chinese investment group. Before that, a Chinese firm also bought KUKA, a leading German industrial robot-maker.

Andrew Griffith: Although this is interesting, I fear we are drifting a tiny bit off the new clause, which does not refer to geography. Given the Opposition's desire to continue to shade in any ambiguity with greater clarity and the definition in new clause 5, will the hon. Gentleman give his definition of what "regular" would constitute?

Sam Tarry: I thank the hon. Member for that intervention. The word "regular" would clearly need to be defined in a way that did not overburden the new part of the Department that would oversee the regime, but that would provide the information on a basis that enabled the Minister to make decisions, and to be scrutinised on those decisions regularly enough that the regime was effective and did not lead to oversights.

Chi Onwurah: I thank my hon. Friend for his points on the new clause. The hon. Member for Arundel and South Downs may say that there is no reference to geography, but is it not the case that requiring a list of hostile actors might reflect geography as appropriate, and as the geography of hostile actors changes? Does the number of times that we have mentioned one country in particular—China—not indicate that geographical location can be an indicator of the likelihood of hostile actors?

Sam Tarry: Absolutely. This is not about being particularly anti-China, but it is the strongest example of where we have heard evidence of things that are under way. I will continue with a few more examples. I think this is important, because we are trying to draw back the curtain on exactly what is going on.

Simon Baynes: I perceive a similar issue in new clauses 5 and 1: being prescriptive in this way causes problems, because what happens if a new, potentially dangerous, acquirer appears on the scene who is not incorporated within the terms of the measure?

Sam Tarry: I thank the hon. Member for that intervention, which goes back to what the hon. Member for Arundel and South Downs said. That is why this needs to be looked at regularly enough to be on top of the process. Obviously, threats change. Countries rise and fall and their agendas and Governments change, but we know that in some instances countries are actively making moves to invest in technology companies in such a way that might not be caught by some of the provisions in the Bill. We feel that being more stringent here would allow the Secretary of State more powers to keep, in some ways, a better eye on exactly what is going on.

Perhaps I should explain a little what I mean by that. One of the things that we are trying to uncover and drive at with the new clause is the importance of some of the ways in which venture capital firms are being used, particularly by the Chinese and by some companies. For example, in Cambridge and Oxford—two important tech hubs for our country—start-ups are regularly invited to pitch ideas to the Chinese state investment company. Nothing particularly untoward is happening there, but it is quite interesting that Chinese investors are particularly interested in talking to emerging biotech, internet of things, artificial intelligence and agri-tech companies.

Why is China particularly interested in those areas? The publicly available "Made in China 2025" strategy to become an economic superpower says that the first three things that the Chinese are interested in are biotechnology, the internet of things, and artificial intelligence. It is quite clear that there is a specific move by the Chinese—this could be replicated by other countries, whether it be Russia or others—but it is not as obvious as, "This is a state company that is going to come in and invest." They will be taking part in buy-ins of some of the companies. This is something that has already happened.

3.45 pm

Peter Grant: Although I understand the intention behind the new clause, some of the wording concerns me. I supported new clause 1 because it was quite clearly permissive and expansive. This new clause is quite clearly prescriptive. Does the hon. Gentleman not accept that the Secretary of State will be guided day to day, which is much more regularly than multi-agency reviews can happen? The Secretary of State will be guided day to day by advice from the security services and others, not as to the theoretical characteristics of an acquirer that might make them a threat, but as to the actual identity and track record of the acquirer and concern.

In particular, is the hon. Gentleman not concerned about requiring the production of a list of high-risk and low-risk characteristics, or that subsection (3) of the new clause in particular would create the possibility that, at some point, somebody who ticked all the boxes for low risk, but was still a high-risk acquirer, could prevent the Secretary of State from undertaking the scrutiny that was required? Can he even explain, for example, what he means by "greater" and "lesser" scrutiny? How would I interpret whether the Secretary of State's scrutiny had been greater or lesser?

Sam Tarry: I thank the hon. Gentleman for his intervention. Those are valid points, and part of what we are driving at here is to be more prescriptive. The feeling is that we essentially need to allow the loops in the net to be closed enough such that we catch some of these companies. We do not want a situation where a number of companies have portions of them being owned by, for example, China or another country, and do not fall foul of any of the provisions currently in the Bill. In time, that could mean that countries and entities that were hostile to Britain's strategic goals ended up having quick and strategic access to things around nanotechnology, agriculture and a range of other areas where they had essentially got their hands into something that I think should be protected far more closely by the UK.

To give an example, in the US—this is already under way—a Palo Alto-based venture capital firm backed by the Chinese Government had dozens of US start-ups in its portfolio. On 15 November 2020, the Office of the US Trade Representative said that 151 venture capital investments in US start-ups had featured at least one Chinese investor—up from 20 in 2010. We are not saying we do not want Chinese investment, but what we do not want is a situation where we are unable to have a grip when we find that loads of our technology companies —our most cutting-edge firms—are essentially all part-owned by the Chinese Communist party or one of its subsidiaries. That is why we have been more prescriptive in many parts of the new clause.

Matt Western (Warwick and Leamington) (Lab): My hon. Friend is making some important points. One of the striking things about, for example, Canyon Capital Advisors is how the US authorities intervened when it was looking to take over a particular US tech company. However, when it came to Imagination Technologies, of course, the UK Government did not.

Sam Tarry: That is exactly the kind of example on which we are trying to use the new clause to provide more clarity and give more force to the Bill so it can deal with these sorts of thing. If, for example, public investment by Chinese venture capital groups in western countries—whether it be this country or others—is visible but is actually just the tip of the iceberg, that is going to be a real problem. One lesson that Richard Dearlove described clearly to the Committee was that we need to

[Sam Tarry]

take a longer medium-term view that goes beyond just being the most free-market and economically attractive investment prospect, particularly given the rise of those geopolitical challenges. The Chinese are being explicit about what their goals are. They do not want to build Britain up; they want to take us for as much as they can get. This is about protecting ourselves and ensuring that those smaller things, which may just be going on under the net and may not hit some of the parts on mandatory notices, not the big headline-grabbing things, could be looked at.

I agree with an earlier comment made by the hon. Member for Glenrothes that one problem is that, while we need regular advice from intelligence services and of course it needs to come through to the Secretary of State, having a regularised timeframe in which we know that those things will get full scrutiny is incredibly important. Parliamentarians and the public will want to see if there are any patterns developing in types of investments and the way those investment vehicles are used to buy into some of the most advanced British technology companies.

This new clause does not require the Secretary of State to publish a list of countries; it simply requires that the Secretary of State, working with the agencies, maintains a list of state-driven risks, which feed into national security risks. Our drive, as the Opposition, is our concern that the Minister does not recognise the state-based nature of those major security threats.

If this new clause is accepted, it would provide those guarantees and the extra ability to bring together the agencies that would be able to compile that list of state-driven risks, which can then inform decisions. In that context, it is vital that the country is assured of the Government's ability to act on intelligence and expertise in protecting British security against hostile actors.

Nadhim Zahawi: New clause 5 seeks to require the Secretary of State to maintain a written list of high-risk and low-risk acquirers, as we have heard, to allow differential internal scrutiny to be applied, by reference to the characteristics of the actors linked to the acquirer, and based on regular multi-agency reviews. I assume that the intention of the hon. Member for Ilford South is that this list would be an internal document, but I would be happy to discuss my concerns about publishing such judgments, if that would be of interest to him.

In order to exercise the call-in powers, the Bill already requires the Secretary of State to publish a statement, which we will discuss later, about how he expects to exercise the call-in power. This statement may include the factors that the Secretary of State expects to take into account when deciding whether to call in a trigger event. Guided by the statement, the Secretary of State will need to consider every acquisition on its own individual facts, as befits the complex nature of national security assessments. In my view, such a list as the one proposed would not, therefore, be the right way forward.

Mark Garnier: Has the Minister made an assessment of the resources that would be needed to look after a list such as this, not only to compile a list of hostile actors but to look after things like GDPR? There could be any number of legal challenges by companies that find themselves on this list unjustly. Perhaps the characteristics of a hostile actor may not individually be hostile, but a combination of several characteristics could be. It could easily exclude quite benign actors who accidentally fall into this. While the intention of the new clause is not unsound, it sounds like a hideous nightmare to administer.

Nadhim Zahawi: My hon. Friend raises an incredibly important point, because, as he rightly says, factors other than the risk profile of the acquirer may determine whether an acquisition is subjected to greater or lesser scrutiny. It is also likely that any list would quickly go out of date. Entities in this space can change and emerge rapidly, especially if parties are attempting to evade the regime and the Secretary of State's scrutiny. In addition, such lists being intentionally published or otherwise disclosed publicly could have significant ramifications for this country's diplomatic relations and our place in the world, in respect of both those on one of the lists and those who are not on the list. Publishing the list may also give hostile actors information about gaming the system, to the UK's detriment.

I would suggest that what the hon. Member for Ilford South describes would essentially be an internal and highly sensitive part of a national security assessment. While I appreciate the sentiment behind the new clause, I do not believe that it would be appropriate to set out such details in writing. It is, however, entirely reasonable for the hon. Gentleman to seek to reduce the burden on business where possible, in particular if the acquisition presents little risk and can be cleared quickly. I have an enormous amount of sympathy with that aim.

Chi Onwurah: I do not intend to make a speech, but I wanted to intervene on this particular point. A part of the source of the new clause is the Minister's own comments. He said that national security was not dependent on a particular country. He is giving a lot of reasons why there cannot be a list, because of different actors, but does he recognise that national security may relate to a specific country? Has he woken up to the risks that particular countries may pose?

Nadhim Zahawi: I assure the hon. Lady that Her Majesty's Government do exactly that, but the Bill is deliberately country-agnostic. Indeed, to give parties predictability on small business and to provide for rapid decisions where possible, the regime has clear and strict timelines, as we have heard throughout the debate. Additionally, clause 6 enables the Secretary of State to make regulations to exempt acquirers from the mandatory notification regime on the basis of their characteristics. Arguably, this places the strongest requirement on acquirers, such as where acquisitions by certain types of party are routinely notified but very rarely remedied or even called in. Taken together, these provisions are already a highly adaptable and comprehensive set of tools, so the list and its proposed use would be unnecessary and potentially harmful.

I shall touch briefly on national interests, which the new clause once again references. I have said before that the regime is intentionally and carefully focused on national security. That is specifically the security of the nation, rather than necessarily its broadest interests. This is therefore not the right place to introduce the concept of national interest, which would substantially and, we strongly believe, unhelpfully expand the scope of the regime.

In conclusion, with the strength provided by clauses 1, 3 and 6 already in the Bill, I am of the very strong opinion that the Bill already achieves its objectives. I therefore cannot accept the new clause and ask that the hon. Member for Ilford South withdraw it.

Sam Tarry: As I listened to the Minister, it struck me that one of the witnesses, Charles Parton from RUSI, said:

"Let us not forget that most foreign investment by the Chinese is state owned, so it is not just a fair bet but a fair certainty that any state-owned enterprise investing is fully politically controlled."—[*Official Report, National Security and Investment Public Bill Committee,* 24 November 2020; c. 17, Q19.]

That is in part our thinking. One slight contradiction with the Bill is that it does not feel as though it always quite reflects the statement of political intent published alongside it. We support that statement of political intent, so the new clause's objective was to strengthen the Bill's commitment to ensuring that the Investment Security Unit is provided with an assessment that recognises the relationship between hostile actors and the countries to which they owe allegiance, which is stated in the statement of political intent.

I hope that the Minister takes time to take stock of what the new clause is trying to do, but on this occasion I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 6

ACCESS TO INFORMATION RELEVANT TO NATIONAL SECURITY

"(1) The Secretary of State may by regulations make provision for the call-in power under section 1 to be exercisable by the Secretary of State in respect of circumstances where a person acquires access to, or the right of access to, sensitive information but does not acquire control of an entity within the meaning of section 8 or control of an asset within the meaning of section 9.

(2) For the purposes of this section, sensitive information means information of any form or description the disclosure of which may give rise to a risk to national security."—*(Dr Whitehead.)*

This new clause would allow the Secretary of State to regulate to include new trigger events, where a person has access to information relevant to national security, even if the party does not acquire control or material influence over a qualifying asset or entity as a result of an investment.

Brought up, and read the First time.

4 pm

Dr Alan Whitehead (Southampton, Test) (Lab): I beg to move, That the clause be read a Second time.

Hon. Members will be sad to know that I have failed in the ballot to be one of the 2,000 supporters to watch Southampton Football Club this Saturday. I will reflect on that, but I have already sat here for much longer than 90 minutes in near-freezing conditions, watching two equally matched teams slug it out together, so I am not too upset about it. That is the last thing I will say about the unpleasant conditions in this Committee Room.

I hope this clause will be seen as helpful to the Secretary of State and as an addition to the armoury of this Bill in dealing with the multitude of different circumstances under which influence may be sought, or technologies and sensitive information may be acquired, as we have discussed. It seeks to give the Secretary of State an exercisable power under the clause 1 call-in powers and it follows on from what my hon. Friend the Member for Ilford South said in the previous debate.

Start-ups may be invested in by venture capitalists, but those venture capitalists may turn out to be bodies that are effectively seeking to gain influence in the start-up or small company, by means of investing in it. They are not seeking to control it, or to control either the entity or the asset, in terms of the meaning in section 8 or 9, but to put themselves in a position where it is pretty impossible for those companies to resist providing information to that limited partner.

In the UK, British start-ups effectively rely on foreign investment. In 2019, 90% of large tech investment rounds included US or Asian investors, according to Atomico's "The State of European Tech." There are many circumstances in what we might call our UK venture capital ecosystem in which that kind of sourcing of funds is a regular state of affairs. Venture capital-reliant firms in this country are now receiving millions of pounds from Chinese investors, as my hon. Friend the Member for Ilford South has enumerated for us.

Those venture capital investments do not end up, and are not supposed to end up, with the seeking of material control of those companies. As I have said, it would be difficult—practically impossible—for that venture capital-based firm to deny its limited partner investors access to technological information from portfolio companies. In such cases, especially when limited partner investments in the fund take place after an initial trigger event, those would be missed by the Bill as it currently stands. Indeed, that is made tougher still by the fact that most venture capital funds do not publish the names of limited partners. So the Government would not even know when those investments happen and when access to information passes into potentially hostile hands. That series of circumstances is becoming pretty widespread in the high-tech world, and does not appear to be focused on very accurately by the provisions already in the Bill.

What the amendment seeks to do, as I have mentioned, is enable the Secretary of State—if it is considered by the Secretary of State to be an issue that warrants further consideration—to make regulations for the provision of that call-in power outside the terms of clause 9 of the Bill. I think that is a potentially very positive additional power that would reside in the Bill and would be an additional piece of armoury in the hands of the Secretary of State on the basis of what we think is a continuing expansion of investment which may have malicious intent to scoop up, by that venture capital arrangement, a slice of sensitive information.

I was thinking about the equivalent of Chinese dragons in "Dragons' Den", taking a portion of the company in return for having a hand in that company's investments. In a sense, that is what venture capitalists will do under these circumstances. Although the control of the company, as we see in "Dragons' Den", remains very much in the hands of the person who has gone into the den in the first place, the investment in that company is nevertheless a source of very substantial leverage in what the company does, what information it provides and what sensitive information it gives out.

I offer this new clause in what I hope will be seen as a very constructive spirit. The clause endeavours to strengthen the Bill by providing a particular option to the Secretary of State, when looking at the entire landscape of how influence is sought, at how sensitive information may be provided and at how assets may effectively be acquired.

Peter Grant: The new clause is a significant improvement to the Bill and I hope that the Government will support it. It takes action to close a loophole that I certainly did not spot reading through the Bill the first time. I suspect a lot of others did not spot it either. It was highlighted by a number of the expert witnesses we spoke to a few weeks ago. They pointed out that a hostile operator does not necessarily need to have control or even significant influence over a security-sensitive operation to be able to do us some harm. One of the examples I vividly remember was that if somebody buys up as little as 5% or 10% of the shares of a company, possibly keeping it even below the threshold where it would need to be publicly notified to Companies House, that might still be enough by agreement to give them a seat on the board of directors. That means they will have access to pretty much everything that is going on within that company. For that kind of scenario alone, it is appropriate that we should look to strengthen the Bill.

The way the new clause is worded is entirely permissive. It would not require anybody to do anything, but it would give the Secretary of State the statutory authority to make regulations, should they be necessary, and to word them in such a way that they could be targeted towards any particular kind of involvement by a hostile power—it is difficult for us to predict now exactly what that might be.

I know that the usual format is that an Opposition amendment is not supported by the Government, but if the Government are not minded to support this one now, I sincerely hope they will bring through something similar on Report or when the Bill goes through the other place at a future date.

Nadhim Zahawi: I am grateful to the hon. Member for Southampton, Test for setting out his case for the new clause and to the hon. Member for Glenrothes for his contribution.

When I first read the new clause, I was fortified to see that, despite previous debates that we have had in this Committee, Her Majesty's Opposition are clearly now firm converts to the "may by regulations" formulation. I am incredibly grateful. We have found much common ground in the course of our line-by-line scrutiny, but this was, I admit, an unexpected area of consensus.

My understanding is that the new clause would enable the Secretary of State to, by regulations, introduce a new trigger event covering circumstances in which a person acquires access to, or the right to access, sensitive information, even if the party does not acquire control over a qualifying entity or asset. The hon. Member for Southampton, Test may have in mind particular circumstances relating to limited partnerships and the role of limited partners.

The attempt to potentially include access to national security sensitive information as a separate trigger event is, in some ways, a reasonable aim, but I fear that it would, at best, sit awkwardly with a Bill introducing a new investment screening regime that is specifically designed around acquisitions of control. At worst it would bring into scope a huge swathe of additional circumstances, outside the field of investment, in which the Secretary of State could intervene, which could be notified by parties and which could create a backlog of cases in return for little to no national security gain.

For example, such a new clause could raise significant question marks about whether the appointment of any employee who might have access to certain information would be a trigger event in scope of the Bill. I am almost certain it would. Similar concerns would apply in respect of any director, contractor, legal adviser or regulator who might have access to sensitive information. That is not the Government's intention.

If limited partnerships are the specific target of the new clause, I can reassure the hon. Gentleman that there is no specific exemption in the regime for acquisitions of control over a limited partnership. Of course, in practice, the rights of limited partners are, by their nature, limited, so we expect to intervene here by exception. But those acquisitions remain in scope of the call-in power, along with any subsequent acquisitions of control over qualifying entities by the limited partnership—particularly where there are concerns about the general partner who controls the partnership, or limited partners who are exerting more influence than their position formally provides.

I should also highlight that the Bill already covers acquisitions of control over qualifying assets, the definition of which includes

"ideas, information or techniques which have industrial, commercial or other economic value".

For the purposes of the Bill, a person gains control of a qualifying asset if they acquire a right or interest in, or in relation to, a qualifying asset that allows them to do one of the two things set out in clause 9(1). That means that an acquisition of a right or an interest in, or in relation to, information with industrial, commercial or other economic value that allows the acquirer to use, or control or direct the use of, that information is in scope of the Bill. Therefore, depending on the facts of a case, an investment in a business that, alongside any equity stake, provides a person with a right to use information that has industrial, commercial or other economic value may be called in by the Secretary of State where the legal test was otherwise met.

The Committee heard from our expert witnesses that these asset provisions are significant new powers and that it is right to ensure that we have the protections we need against those who seek to do us harm, but I firmly believe we must find the right balance for the new regime. That is why acquisitions of control over qualifying entities and assets are a sensible basis for the Bill. Broadening its coverage to ever-wider circumstances risks creating a regime that theoretically captures everything on paper, but that simply cannot operate in practice, due to a case load that simply cannot be serviced by Whitehall. I urge the hon. Member for Southampton, Test to reflect on that point, given all we have heard in the last few weeks about the importance of implementation and resourcing, and I respectfully ask him to withdraw the new clause.

4.15 pm

Dr Whitehead: I respectfully ask the Minister to reflect carefully on what I and the hon. Member for Glenrothes have said this afternoon. Whether or not the Minister thinks the new clause is one he can reasonably adopt, he has already accepted, in terms of what he says may be in the scope of the Bill, that this is a real issue. This is something that we have to think very carefully about and that, by its nature, is fairly difficult to pin

down, because it relates to a series of actions that do not easily fit into the box of control or company takeover. It is much more subtle and potentially wide-ranging, but nevertheless it is something that we know is real. As my hon. Friend the Member for Ilford South said, it is happening in silicon valley, Germany and this country. It is happening in a number of places. Interests are being bought up not because of altruistic concern for the health and welfare of that particular start-up, but for other, much more worrying reasons than simply influence as a limited partner in a company.

I am pleased that the Minister put on record that he thought that the extension of this activity might be in the scope of the Bill already, although I think it is stretching what the Bill has to say to take that line. I hope he will not regret that. When he looks at what he has said about what he thinks is in the Bill, he may find, on reflection, that the new clause would have been more use to him than he thought. However, I am not going to press the issue to a vote this afternoon.

I hope the Minister will reflect carefully. He has already said on the record that he thinks that a number of these measures can be squeezed into the Bill. I hope he will not find that there are circumstances where he needs this method of operation but that it can, after all, not be squeezed into the Bill as well as he thinks it can be. I hear what he says and wish him the best of luck with squeezing things into legislation that perhaps were not quite there. I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 7

Annual report to the Intelligence and Security Committee

"(1) The Secretary of State must, in relation to each relevant period –

(a) prepare a report in accordance with this section, and

(b) provide a copy of it to the Intelligence and Security Committee of Parliament as soon as is practicable after the end of that period.

(2) Each report must provide, in respect of mandatory and voluntary notifications, trigger events called-in, and final orders given, details of—

(c) the jurisdiction of the acquirer and its incorporation;

(d) the number of state-owned entities and details of states of such entities;

(e) the nature of national security risks posed in transactions for which there were final orders;

(f) details of particular technological or sectoral expertise that were being targeted; and

(g) any other information the Secretary of State may deem instructive on the nature of national security threats uncovered through reviews undertaken under this Act.".—*(Chi Onwurah.)*

This new clause would provide the Intelligence and Security Committee with information about powers exercised under this Act, allowing closer scrutiny and monitoring.

Brought up, and read the First time.

Chi Onwurah: I beg to move, That the clause be read a Second time.

It is with some regret that I rise to move new clause 7, because it is the last new clause we propose to the Bill. It is a Christmas present to the Minister. Things have certainly been interesting since we began our line-by-line scrutiny. With your leave, Sir Graham, I will take this opportunity to thank all those involved in drafting the Bill, as well as the Clerks, who have worked so hard and played such an important role in helping to draft amendments and provide support to all members of the Committee. I also thank you, Sir Graham, for chairing it so admirably.

We have learned a great deal over the last couple of weeks. I have learned just about everybody's constituency—

Nadhim Zahawi: Would the hon. Lady like a test?

Chi Onwurah: I will not take up the opportunity of a test. We have all learned a lot about air flows—in this room, at any rate—as we seek to maintain some heat. What we have not learned, though, is how the Minister believes the Bill can be improved. All our line-by-line scrutiny has yielded many assurances, compliments on our intention and, indeed, some letters, for which I am grateful, but no acceptance and not even the commitment to go and think about some of our constructive proposals, amendments and new clauses. I urge him to consider this new clause as an opportunity to show that he truly believes, as he said earlier, in the skills, experience and expertise of the Committee by reflecting on the potential for improvement.

The new clause returns to an earlier theme and would require—the Minister will be pleased to note that that is a "must", not a "may"—an annual report to be prepared by the Secretary of State

"in accordance with this section"

and a copy of it to be provided

"to the Intelligence and Security Committee of Parliament as soon as is practicable after the end of that period."

It sets out what should be in that report, such as the events, the number of entities, the nature of the risks and

"details of particular technological or sectoral expertise"

and so on. It would provide the Intelligence and Security Committee with information about the powers exercised under the Bill and allow closer scrutiny and monitoring.

The new clause reflects how we have consistently supported the need for the Bill. Our approach to the security threats we face is to push for change specifically to allow broad powers of intervention, but for those using those broad powers to be held to account by Parliament and through transparency. Our international allies do exactly that. The US requires CFIUS to produce a non-classified annual report for the public, alongside a classified report for certain members of Congress, to provide security detail to them, allowing congressional scrutiny while retaining sensitivity of information.

As I think the Minister acknowledges, the Government have been late in following where international allies and the Opposition have led with calls to better protect our national security, so he must not fall behind in following our calls for accountability and transparency. That is critical not just to ensure our security and wider parliamentary understanding of the nature of the threats we face but for accountability.

The Secretary of State is to be given sweeping powers. For the last time, I should say that we will go from 12 reviews in 18 years—less than one a year—to 1,830 notifications a year, which is more than five every single day. The Secretary of State will be able to intervene in every single such private transaction. It will be hard to bring claims against national security concerns in court, where the judiciary will understandably find it difficult to define national security against the Government's definition.

[Chi Onwurah]

In that context, it is important to bring expert parliamentary scrutiny to the Government's decisions. I do hope the Minister will reflect on that. Alongside a public report, the new clause would require the Government to publish an annual security report to the Intelligence and Security Committee so that we have greater accountability without compromising security.

I will say a few words about the evidence base and the reason for tabling the amendment. Professor Ciaran Martin said:

"I think that the powers should be fairly broad. I think there should be accountability and transparency mechanisms, so that there is assurance that they are being fairly and sparingly applied."—[*Official Report, National Security and Investment Public Bill Committee,* 26 November 2020; c. 81, Q96.]

My understanding is that the only accountability and transparency mechanism is the public report, which may be published, and the prospect of judicial review, neither of which provide for expert scrutiny on the security issues.

I also ask the Minister to reflect on Second Reading, where member after member of the Intelligence and Security Committee stood up to say that they felt that their expertise would be useful and helpful in the working of the Bill.

James Wild: The hon. Lady said that the annual report "may" be published, but in clause 61 it "must" be laid before the House, so there is no question that the annual report will be published.

Chi Onwurah: The hon. Gentleman makes a good point. It must be published, but the details that it sets out are limited. The reporting on other information, as I think the Minister has said, is something that is intended but is not required. We have requested that several other pieces of information be published, but the Minister has said that they may be.

The hon. Member for North West Norfolk is absolutely right that there will be an annual report, but that is a public report that will provide only the limited information set out in clause 61(2). Obviously, it will not provide anything that might have an impact on national security. With regard to what is published in the final notifications, for example, that can be redacted to take out anything of commercial interest as well as of national security interest. There is no requirement to report on any aspect to do with national security. Given that the only report is a public report, that is understandable. That is why we are proposing that a secure sensitive report should also be published and shared with the Intelligence and Security Committee.

The hon. Member for Tonbridge and Malling (Tom Tugendhat), the Chair of the Foreign Affairs Committee said that

"there is a real role for Committees of this House in such processes and…the ability to subpoena both witnesses and papers would add not only depth to the Government's investigation but protection to the Business Secretary who was forced to take the decision".—[*Official Report*, 17 November 2020; Vol. 684, c. 238.]

A member of the Intelligence and Security Committee also said that

"we need mechanisms in place to ensure that that flexibility does not allow the Government too much scope."—[*Official Report*, 17 November 2020; Vol. 684, c. 244.]

As I have already noted, CFIUS has an annual reporting requirement.

4.30 pm

The Chair of the Intelligence and Security Committee, the right hon. Member for New Forest East (Dr Lewis), has written to you, Sir Graham, and the other Chair of this Committee to ask a number of questions that he did not feel had been had been adequately answered by the Bill or its supporting documentation, and to place his Committee at the disposal of this Committee. He writes that the ISC continues to have a very real interest in the Bill and would have liked to have been included in briefings on it, and he asks about the investment security unit.

To summarise, the Minister must welcome the expertise of the Intelligence and Security Committee. He would certainly be obliged to appear before the Intelligence and Security Committee, if requested to do so. Does he agree that placing an annual report before that Committee would aid business and BEIS confidence? I previously mentioned its potential conflicts of interest, and we spoke about its having access to the right kind of resources. Agreeing to this new clause and to the placing of a report with the Intelligence and Security Committee is in the interests of both the Bill and the better working of our national security.

Nadhim Zahawi: I am grateful to the shadow Minister for her contribution on new clause 7, which seeks to require the Secretary of State to provide an annual report to the Intelligence and Security Committee, including detailed information relating to mandatory and voluntary notifications, trigger events that were called in and final orders made. In particular, it seeks to require the Secretary of State to provide details of factors relevant to the assessment made by the regime, including the jurisdiction of the acquirer; the nature of national security risks posed in transactions where there were final orders; details of particular technological or sectoral expertise that were targeted; and other national security threats uncovered through reviews undertaken under the Bill.

I am pleased that esteemed members of the ISC are taking a continued and consistent interest, including in relation to their role in scrutinising the regime provided for by the Bill. The Committee will be aware that clause 61 requires the Secretary of State to prepare an annual report and to lay a copy before each House of Parliament. That clause provides for full parliamentary and public scrutiny of the detail of the regime, which we judge to be appropriate and which does not give rise to national security issues when published at an aggregate level. I reassure hon. Members that that annual report will include information on the sectors of the economy in which voluntary, mandatory and call-in notices were given. It will also give a sense of the areas of the economy where the greatest activity of national security concern is occurring.

We intend to follow the existing, appropriate Government procedures for reporting back to Parliament, including through responding to the Select Committee on Business, Energy and Industrial Strategy. The ISC's remit is clearly defined by the Justice and Security Act 2013, together with the statutory memorandum of understanding. That remit does not extend to oversight of BEIS work. I am sure that the BEIS Committee will continue to do a sterling job of overseeing and scrutinising the Department's overall work. I welcome and encourage the ISC's security-specific expertise, which the hon. Lady referred to, and its review of the annual report when it is laid before Parliament.

For the reasons I have set out, I am not able to accept the new clause. I hope that hon. Lady will agree to withdraw it.

Chi Onwurah: I thank the Minister for his response, but he did not address the issue scrutiny of sensitive aspects of how the Bill will work. I recognise that the ISC's remit does not cover BEIS—that is the exact point of requiring such a report. As I think was discussed on Second Reading, the BEIS Committee will not scrutinise any sensitive information or information that is directly relevant to our national security. I am afraid that I cannot accept the Minister's reasoning for his rejection of the new clause—namely, that it is effectively already covered by clause 61—so I will put it to a Division.

The Committee divided: Ayes 5, Noes 9.

Division No. 21]

AYES

Grant, Peter
Onwurah, Chi
Tarry, Sam
Western, Matt
Whitehead, Dr Alan

NOES

Aiken, Nickie
Baynes, Simon
Bowie, Andrew
Fletcher, Katherine
Garnier, Mark
Gideon, Jo
Tomlinson, Michael
Wild, James
Zahawi, Nadhim

Question accordingly negatived.

Bill to be reported, without amendment.

4.36 pm

Committee rose.

Written evidence reported to the House

NSIB04 Law Society of Scotland

NSIB05 Alternative Investment Management Association Ltd (AIMA)

NSIB06 Taylor Wessing LLP