

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

RUSSIA (SANCTIONS) (EU EXIT) (AMENDMENT)
(NO. 7) REGULATIONS 2022

RUSSIA (SANCTIONS) (EU EXIT) (AMENDMENT)
(NO. 8) REGULATIONS 2022

Monday 25 April 2022

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Friday 29 April 2022

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The Committee consisted of the following Members:

Chair: JULIE ELLIOTT

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| † Baron, Mr John (<i>Basildon and Billericay</i>) (Con) | † Harris, Rebecca (<i>Lord Commissioner of Her Majesty's Treasury</i>) |
| † Cleverly, James (<i>Minister for Europe and North America</i>) | † Holloway, Adam (<i>Gravesham</i>) (Con) |
| † Doughty, Stephen (<i>Cardiff South and Penarth</i>) (Lab/Co-op) | † Jones, Gerald (<i>Merthyr Tydfil and Rhymney</i>) (Lab) |
| † Duffield, Rosie (<i>Canterbury</i>) (Lab) | † McDonald, Stewart Malcolm (<i>Glasgow South</i>) (SNP) |
| † Eastwood, Mark (<i>Dewsbury</i>) (Con) | † Matheson, Christian (<i>City of Chester</i>) (Lab) |
| † Evennett, Sir David (<i>Bexleyheath and Crayford</i>) (Con) | † Mumby-Croft, Holly (<i>Scunthorpe</i>) (Con) |
| † Farris, Laura (<i>Newbury</i>) (Con) | † Vaz, Valerie (<i>Walsall South</i>) (Lab) |
| † Garnier, Mark (<i>Wyre Forest</i>) (Con) | |
| † Graham, Richard (<i>Gloucester</i>) (Con) | Abi Samuels, <i>Committee Clerk</i> |
| † Hardy, Emma (<i>Kingston upon Hull West and Hessle</i>) (Lab) | † attended the Committee |

Second Delegated Legislation Committee

Monday 25 April 2022

[JULIE ELLIOTT *in the Chair*]

Russia (Sanctions) (EU Exit) (Amendment) (No. 7) Regulations 2022

4.30 pm

The Minister for Europe and North America (James Cleverly): I beg to move,

That the Committee has considered the Russia (Sanctions) (EU Exit) (Amendment) (No. 7) Regulations 2022 (S.I. 2022, No. 395).

The Chair: With this it will be convenient to discuss the Russia (Sanctions) (EU Exit) (Amendment) (No. 8) Regulations 2022 (S.I. 2022, No. 452).

James Cleverly: It is a pleasure to serve with you in the Chair, Ms Elliott. The regulations were laid before the House on 30 March and 14 April 2022 respectively under powers provided by the Sanctions and Anti-Money Laundering Act 2018, and they came into effect under the “made affirmative” procedure.

The UK has sanctioned more than 1,500 individuals and entities under the Russia sanctions regime since the invasion of Ukraine. Together with our wider package of measures, these new powers ratchet up the pressure on Vladimir Putin, degrading his war machine and further isolating Russia. I will cover each set of regulations in turn.

The No. 7 regulations cover three separate areas. The first relates to the extension of the financial, trade and shipping sanctions imposed in Crimea to the non-Government controlled territories in Donetsk and Luhansk. These measures prevent British companies and individuals from investing in companies operating in non-Government controlled territories or purchasing land in those regions. They also prohibit the export of infrastructure-related goods and services, as well as the import of goods originating in non-Government controlled territories. The extension of these measures will constrain Russia’s ability to make these areas economically viable, as the equivalent measures in Crimea have done, and it will remain in place until Russia ceases its destabilising activities and withdraws its military from Ukraine.

The second area is designation by description. As the Government sharpen their measures against Putin and his regime, this power enables us to designate groups of individuals and entities. The Economic Crime (Transparency and Enforcement) Act 2022 removed some of the constraints around designation by description, which offers the Government maximum flexibility in designating members of political bodies as a group rather than individually, and this legislation implements those powers in respect of the Russia sanctions regime. That will help us to target our actions against members of defined political bodies, such as the Russian Duma and the Federation Council. This is the first time that a “designation

by description” power has been included in a UK sanctions regime, and it underlines our commitment to exploring all options.

The third and final power relates to technical assistance in relation to shipping and aviation. We are targeting not only oligarchs’ businesses but their assets and international lifestyles. These new powers stop oligarchs accessing their luxury toys and deprive them of the benefits of the UK’s world-leading aviation and maritime industries and engineers. This new prohibition complements those already imposed on Russia’s shipping and aviation sectors. We are continuing to ramp up the pressure, working in tandem with our international partners and supported by commercial decisions taken by key industry players.

I must also note that, as part of the No. 7 regulations, we have corrected errors made in regulations Nos. 2, 5 and 6, in response to feedback from the Joint Committee on Statutory Instruments. Given the context of Russia’s invasion, legislation has been drafted quickly. However, we will continue to deliver further legislation at speed, while working to minimise further errors.

The Russia (Sanctions) (EU Exit) (Amendment) (No. 8) Regulations 2022 cover the trade measures that are designed to constrain the Russian Government by disrupting the oil industry and other advanced industries that are crucial in fuelling the Russian economy and Vladimir Putin’s regime. Through the measures, we have limited access to goods required by the Russian military-industrial complex to maintain and develop its capabilities.

It is important that we demonstrate to those supporting Russia that the UK recognises the role they are playing and will hold them to account. That is why, further to our previous sanctions against oligarchs close to Putin, we have introduced a ban on the export of luxury goods.

These regulations, developed in close co-ordination with our allies, will cut off Russia’s access to strategic supplies critical to key export markets, including in the energy sector, while increasing the economic pressure on Putin’s regime. We will continue our co-ordinated action against Russia in partnership with our allies, and encourage more countries to do likewise.

4.36 pm

Stephen Doughty (Cardiff South and Penarth) (Lab/Co-op): It is a pleasure to serve under your chairpersonship today, Ms Elliott. I thank the Minister and the civil servants at the Foreign, Commonwealth and Development Office who have worked to bring the sanctions into effect. I know that they are making substantial efforts at the moment, and I hope that they take my questions and criticisms in that spirit.

James Cleverly: Always.

Stephen Doughty: From the beginning, Labour has wholeheartedly supported the Government in their efforts to sanction the Putin regime for the illegal, unprovoked and murderous attack on Ukraine and its people. That remains true, as we continue to bear witness to acts of heinous aggression and atrocities on a daily basis. The scenes that we have seen in recent days of mass graves, the reports of the atrocities committed north of Kyiv

and in Mariupol, and, of course, the indiscriminate and brutal attacks on civilians in Odesa mean that we must act resolutely and in a unified way across the House. We must, therefore, as the Minister said, do all we can, alongside our allies and partners, to bring the Russian economy and its war machine grinding to a halt.

We must seek to match the courage shown by our friends in Ukraine with action. The way to do that is to implement the broadest and deepest regime of sanctions ever levelled at President Putin and those around him. The Government can be assured that, on expanding, deepening and broadening sanctions, they can continue to count on the official Opposition's support. We will not seek to divide the Committee today.

However, I have a series of questions and concerns. The last time I stood opposite the Minister, when we debated the previous set of sanctions, I made it clear that we could not afford a sanctions gap. Although passing the economic crime Act will hopefully speed up bringing forward and imposing measures, I fear that we are still lagging behind what we could do. In the Minister's response, will he set out the FCDO's assessment of the total value of what has been frozen or impacted under the existing sanctions regime to date to give us an idea of the scope and scale of what we have done so far?

We are now at the stage where we need answers to essential questions. Where are we? What has the impact been? How much further do we need to go? The Government should be forthright with those figures here and, indeed, with the wider public, not least given the impact on their lives through energy prices, as well as the impact on many of our allies, some of whom are being hurt much more severely than us as a direct result of the sanctions. We are all united, but we need to understand the impact of the sanctions, that they are working and why they are necessary. As I said, we welcome the regulations and will not divide the Committee, but we have some significant questions.

On the No. 7 regulations, extending the existing sanctions relating to Crimea to the so-called people's republics in the Donbas is integral to making sure that our sanctions target Russia's economy effectively and dismantle the capacity to continue waging war. The occupation of non-Government controlled Ukrainian territory cannot become an economic enabler for Putin's regime, and the Government are right to recognise that and to introduce these measures.

However, Putin took the illegal step of recognising the so-called republics in Donetsk and Luhansk over two months ago, and the shadow Foreign Secretary, my right hon. Friend the Member for Tottenham (Mr Lammy), called for specific measures to address these concerns on 22 February, yet they are being brought into effect only now. The Minister has given some reasons for the delay, but I hope he can say a little more about why we did not take this fairly obvious step more quickly. We need to be proactive and not just to react to things, particularly when what Putin was going to do could have been easily predicted, and given that these areas were invaded illegally as far back as 2014. We do not need to see further evidence of the brutality of the Putin regime or its willingness to break international law to justify introducing the very harshest of sanctions.

Similarly, the Opposition welcome the measures in the No. 8 regulations, particularly on a whole range of critical dual-use technologies, energy technologies, iron

and steel products, and the luxury goods that the Minister referenced. As we have argued, limiting Russia's exporting capability and denying oligarchs their luxuries are critical, but we must make sure that President Putin feels every wall closing in on himself and on those who continue to sustain his regime. Again, however, the shadow Foreign Secretary wrote to the Foreign Secretary on 27 February calling specifically for a luxury goods ban and the widening of export and trade controls. The Secretary of State for International Trade announced those measures on 15 March, but they are being implemented only now. There is a danger that the Government are spending time bringing these measures forward, when the people of Ukraine, who are suffering the brunt of this murderous war, do not have time. We are still plugging loopholes and papering over cracks that, frankly, should not exist.

The explanatory notes mention that the regulations have to correct a number of defects. The Minister said that regulations are being prepared at speed, but I have to ask some fundamental questions about resourcing. It is clear that officials are working hard, and I certainly do not want to undermine in any way the work they are doing, but I have asked a number of times for clarity on the resourcing of the FCDO sanctions unit and the implementation units. The latest figures I could find show that just 40 to 49 staff were working in the sanctions unit in December 2021. Has that now been expanded, and have additional resources been brought in so that we do not have to go back and retrospectively correct mistakes, and so that we can move much more quickly? I will make some points about the Office of Financial Sanctions Implementation in due course, but we have to have the necessary drafting and advisory resources in the FCDO, as well as the necessary advisory resources for those who will have to implement these sanctions. We cannot have a game of catch-up all the time, and the Government have the Opposition's support in bringing that to an end, but we have to act with conviction and speed.

I want to ask some specific questions about the instruments. Given that they relate to extending existing financial sanctions, what has been done to ensure that those linked to Putin's regime are not able to transfer through proxies assets that would have been sanctioned? We have raised that issue regularly, not least because earlier this month the *Financial Times* reported that oligarch Alexei Mordashov had swiftly transferred billions of dollars of stock holdings out of his name, and Alisher Usmanov is reported to be avoiding sanctions through a variety of offshore companies and business associates. Until the Government get a proper grip on the use of proxies, with robust legislation to ensure enforcement, we will be issuing sanctions with one hand tied behind our backs. Could the Minister say what he will do about that issue?

Mr John Baron (Basildon and Billericay) (Con): Looking at the panoply of powers available to the Government, does the hon. Gentleman agree that we need to do a lot more to ensure that our economic crime agencies are properly resourced? I know that it is a slightly different thing, but there is a connection, because those who bust sanctions need to be reprimanded. However, at the moment we are not funding our economic crime agencies sufficiently, and perhaps we should consider copying the American model, which has a much higher success rate, by sharing the proceeds of their initiatives.

Stephen Doughty: I wholeheartedly agree with the hon. Gentleman's comments, and I will come to specific points about that matter in due course. The issue is not just resourcing in the FCDO, which is drafting these measures; crucially, it is about enforcement and about the investigation. That is a much wider question, as the hon. Gentleman says, but it does relate specifically to the measures that we are debating today if they are to have effect, particularly given that some of them are designed to target some of the richest oligarchs and those who are propping up the Putin regime.

As I said, I hope that the Minister can answer the question about proxies, but another loophole that the Opposition have repeatedly expressed concerns about relates to companies owned by sanctioned individuals. The Minister can correct me if I am wrong, but I understand that at present a company that is 49% owned by one sanctioned individual and 49% owned by another sanctioned individual would avoid sanctions, despite being almost entirely controlled by sanctioned individuals. That is not only completely illogical; it leaves us out of step with the US and the EU, which decide whether to sanction a company by assessing the aggregate ownership of companies by sanctioned individuals. I hope that the Minister can clarify that point, because it is crucial that we do not allow people to slip through the gaps in any way at all. As I said, I am happy to be corrected if that is a wrong interpretation, but it is certainly our understanding. If it is a loophole, I hope that the Minister will commit to closing it as urgently as possible.

I have previously raised issues relating to the overseas territories and Crown dependencies. I am pleased to see that many of them are implementing the measures, often immediately, but they all have different processes, so I hope that the Minister can clarify what is happening there.

To come to the point that was raised a few moments ago, I have asked the Minister before about the resourcing of the Office of Financial Sanctions Implementation. Written answers that we received from the Treasury revealed that, apparently, fewer than 40 full-time officials were working in OFSI last year. In comparison, the US has 259 full-time equivalent staff members at the US Office of Foreign Assets Control, which is the US equivalent. Obviously, I appreciate that the US is a larger economy and has substantially more citizens, but that does raise the question of whether we have enough people in OFSI and whether we are acting robustly enough. For example, in the US in 2022, Congress has supported funding levels of \$5.5 million for the Treasury, State and Justice Departments just to implement the global Magnitsky sanctions programme and other related programmes. Therefore, I think that we need to start having some clarity from Ministers here about what resources are being put in.

We know that there have been cuts across Government. We know that there have been cuts in the FCDO and we know that, of course, there have been cuts to the aid budget, but we must not be under-resourcing at such a critical time. Of course, this relates not just to the current crisis that we are seeing in Ukraine and the sanctions that we are implementing on Russia; it applies to the implementation of many of the other sanctions regimes that we have debated regularly in Committees here. It is crucial, because when it comes to enforcement,

OFSI has quite a low enforcement rate for breaches of sanctions and, when fines have been imposed, they have generally been low. I think that between 2018-19 and the present, OFSI has issued only seven monetary penalties to six entities. That strikes me as remarkably low, given the number of different sanctions regimes and measures that we are bringing forward. Therefore, I hope that the Minister can perhaps provide some correction; I hope that the number is far more if we look at the recent figures, but we do need to understand how these sanctions are having an impact, both financially and on individuals.

Richard Graham (Gloucester) (Con): I am curious as to why the hon. Gentleman is making the comparison with the US, which is obviously not very appropriate in terms of size of nation, resources and so on. It would be more interesting if he had figures for comparison with other leading European nations. Then we could see whether the accusation that we are under-resourcing holds true. Some people in the FCDO would argue that we have been putting huge additional resource into the whole business of sanctions on Russia, and moving much faster than some of our European partners.

The hon. Gentleman said earlier that we seem to be constantly playing catch-up. There is a specific reason for that: part of these instruments is specifically about extending the definition of non-Government controlled areas, which of course moved from just being the Crimea to including areas of Donetsk and Luhansk. It is important to realise that in that situation we are playing catch-up with an ever-changing situation on the ground. Surely the hon. Gentleman would agree with that.

Stephen Doughty: The point that I would put back to the hon. Gentleman, of course, is that we were one of the ones warning that this was going to happen. We were the ones leading the world in terms of our intelligence, and arguing that others should take seriously the threat of a Russian invasion on this scale.

Therefore I do have to question why it took the FCDO so long to get the regime in place and to get the emergency measures that had to be brought in into the economic crime Act. I am glad that they were brought in, and we supported them, but why did it take so long to get that infrastructure in place when we had been arguing on these issues for many, many years? Committees of this House had argued that action needed to be taken against oligarchs, illicit assets and everything else—we had multiple reports from multiple Committees. I am glad we are getting closer to equality with our allies, and I hope that that continues and that we maintain that crucial unity across the board. At the same time, questions have to be asked about why we did not move quickly enough.

There is a crucial point about the confiscation and repurposing of sanctioned assets. The Minister will be aware that there have been requests from across the House for assets frozen under sanctions to be confiscated and repurposed to support the victims of this conflict. The Foreign Secretary said on 28 February that she would look into that, following a question from the Chair of the Foreign Affairs Committee, and others have made similar proposals. Under the current system, it is quite difficult to confiscate and repurpose assets frozen under sanctions. That means that billions of pounds of assets belonging to corrupt actors, human

rights abusers and those facilitating them remain frozen and unable to be used, rather than being used to compensate victims or to support some of the measures we all want to see put in place for those suffering the brunt of this conflict. Could the Minister say a little about how we could use assets that have been confiscated?

The points made about the steel and iron industries are crucial. The Minister will know my interest in the steel industry—I declare an interest as a member of the all-party parliamentary on steel and metal related industries, and I have a steel plant on my own patch. I am sure the Minister will agree that we need to procure more steel and sovereign steel production capability here in the UK, and it was welcome to see the support for the UK steel charter in Parliament last week.

On shipping, will the Minister clarify whether the sanctions will forbid crewing companies working with Russian crews? Will they also forbid freight exchanges from working with Russian cargo and prohibit ship engine producers from supplying parts to Russian companies, which could in principle be used for warships? It looks like that is the case, from the detail of the regulations, but it would be helpful to have clarification on that. Crucially, are all state shipping companies now sanctioned, as well as all Russian flagged vessels, those owned by Russian individuals and those operating in Russian ports?

One of the Minister's last points was about the importance of bringing onboard other allies and countries to support this global sanctions effort and response to Putin's illegal and murderous war in Ukraine. Can the Minister tell us whether the Prime Minister specifically raised the question of joining the sanctions regime with Modi on his visit to India? As I understand it, India and a number of other countries with whom we have strong trading and historical relationships are refusing to take part in the global sanctions regime.

It is crucial that we support those countries that have been harder hit than us. There is a real risk that Putin will seek to undermine some of those countries, because of the impact on their economy. What are we doing for some of our European allies and partners who will be hard hit? I am thinking not just of the Germanys of this world, which have had extensive discussion about their energy issues, but about some of the smaller countries, particularly in the Balkans, south-east Europe and elsewhere, who are in Putin's crosshairs, and to whom he has issued threats. Can the Minister explain what we are doing to support them? I would also like an answer to my question about whether the issue was raised during the Prime Minister's visit to India.

We support the regulations. We want to act in the toughest way against Putin's regime. I hope that the Minister can answer some of my questions about the gaps and potential loopholes and that he can reassure me that they are either not there or are being dealt with.

4.53 pm

Christian Matheson (City of Chester) (Lab): It is a great pleasure to serve under your chairmanship, Ms Elliot. I do not wish to detain the Committee much longer. I echo the support expressed by my hon. Friend the Member for Cardiff South and Penarth for the regulations, but if the Minister will permit me, I have a couple of questions. I share my hon. Friend's frustration about

how the regulations should have come sooner. We should have put proper sanctions on Russia after the Salisbury attack, but we are where we are and I welcome the proposed regulations.

One of the areas I want the Minister to consider is the sunset provision for the sanctions—when they expire. We have always been absolutely clear that the endgame has to be that Russia recognises the territorial integrity of Ukraine and clears its troops out of all of it. I support that. We have been absolutely clear that what happens internally in Russia is Russia's business and we will not seek to influence that. It would be dangerous for us to seek to do so, and I think that that is absolutely right.

The one concern I have is that, since we started the sanctions regime, the situation has changed, with the allegations and possible mounting evidence of war crimes and crimes against civilians. If the sanctions were to be successful and were Russia to respect the integrity of Ukraine, I would not want them to fall away while an international crime issue needs to be respected, meaning that, in a sense, Russia gets away with it.

The Minister obviously cannot give me a direct answer now, as it will take a lot more consideration and I have just asked the question, but will he consider whether we need to extend the sanctions regime to maintain pressure on Russia's leadership until the international authorities—the International Criminal Court or whoever—have had a fair chance to investigate and decide whether there is a case to be answered?

Listening to the Minister and looking at the regulations, I note that a lot of the provisions concern luxury goods. I entirely support the notion that we hit the oligarchs and billionaires and they put pressure on Putin. I have described the Russian mafia state in the past. Putin sits at the top and I am guessing he takes his cut from every deal, as no one becomes a millionaire or billionaire in Russia without paying a consideration to Mr Putin. It is only the classes lower down—the oligarchs, as we call them, Members of the Duma and others—who, perhaps because they think their lifestyle is up, will start to put pressure on President Putin. I absolutely understand that idea, but why are the regulations so specific? That is not a criticism; it is a genuine question. Why is there no presumption against any trade with Russia at this stage? It has started its second big offensive in the Donbas region and does not seem to be responding at the moment. Is there a case for a more general blanket restriction on trade with Russia, or are the Government still understandably focused on the Russian ruling class and on altering their lifestyle so much that they put pressure on Mr Putin? It is a question of whether we are simply focusing on the top end or whether there should be a general presumption against trade with Russia. Can the Minister think of some areas—if he cannot, it does not matter—where trade with Russia is acceptable at the moment? There would obviously need to be a very good reason why that might be the case.

My hon. Friend the Member for Cardiff South and Penarth talked about proxies—about people hiding their assets and about using third parties to get around the restrictions. He illustrated that very well. Without giving advance notice of such measures, has the Minister given thought to what comes next? Are the Government getting feedback on how the restrictions are working so that we can bring forward new regulations on the hoof

[*Christian Matheson*]

to assess the success or otherwise of the current regulations and close the loopholes? If the Minister could respond to some of those questions, I would be very grateful.

5.58 pm

James Cleverly: Once again, I am grateful for the tone taken by the hon. Member for Cardiff South and Penarth from the Opposition Front Bench and by Opposition Members. I can assure hon. Members that their questions are taken in the spirit in which they were asked. I know that Members are trying to ensure that the sanctions regime is as effective as possible as quickly as possible. Although I do not always agree with their interpretation of events, it is absolutely right that they push the Government to go as far and as fast as we can.

It is of course impossible to give a precise figure on the scale of the sanctions, but it is unprecedented; we are talking about values in the hundreds of billions of pounds. We have seen the effect on Russia's economy. As I speak, the estimates are of approximately 60% of the value of its foreign currency reserves—something around £275 billion.

Each nation's sanctions regime is defined by the legislative framework in that country, but we are acting in close co-ordination, and I have regular conversations with other deputy Foreign Ministers, particularly in the Quint—the US, France, Germany, the UK and Italy. More broadly, the co-ordinated value of our sanctions is making a significant difference to the situation in Russia and is applying genuine pressure. There is a reason why the UK is singled out for criticism by Vladimir Putin: our sanctions are hurting him.

I do not accept the criticism that others have gone further or faster than the UK. Each of us has worked differently—as I said, because of the legislative framework in which we operate—but when it came to financial services, in particular, the UK moved very effectively. We led the pack when it came to excluding Russia from the SWIFT banking payments information system, which has had a very significant effect.

As we now bring forward regulations such as these, and work in collaboration and co-ordination with international partners, it becomes increasingly hard for Russian oligarchs to use proxies to squirrel their money away in other forms. I am pleased that one thing that is demonstrably true is that, in response to Vladimir Putin's unwarranted aggression against Ukraine, the international community has pulled more closely together, rather than being fragmented, as he had hoped.

On that point, I, the Foreign Secretary and other Ministers, including the Prime Minister, regularly encourage other countries to distance themselves from Russia, in part through votes at the United Nations. A number of countries have voted differently from previous voting patterns and have voted to criticise Russia at the United Nations. That includes India, and the Prime Minister did raise the issue of isolating Russia in his talks with Prime Minister Modi. I do not have the details, but I can confirm that it was raised.

Emma Hardy (Kingston upon Hull West and Hessle) (Lab): On the question of India, we know that Russia has been buying up gold, and 22% of its assets are now held physically in gold. I read an article earlier that said:

“Moscow may need to look east to central banks in nations like India or China to sell gold or secure loans using it”.

The Minister has just mentioned India, and I wondered whether the issue of how Russia will use its gold reserves was raised during the Prime Minister's visit to India.

James Cleverly: As I say, I do not have that level of detail. However, I can assure the hon. Lady that I have raised the isolation of Russia on the international stage with Indian representatives, and I did that on my last trip to the United Nations. As I said, on his trip the Prime Minister raised the importance of us acting in solidarity against Russia. The details of gold reserves, and where they are expended, is an important one. We will continue to press countries that are not currently sanctioning Russia to look carefully at what is going on and particularly, as the hon. Members for Cardiff South and Penarth and for City of Chester said, at the appalling images coming out of Bucha and the areas around Kyiv and at the artillery strikes in the south-eastern part of Ukraine. We will continue to push on those issues.

With regard to the loopholes, I do not recognise the scenario that the hon. Member for Cardiff South and Penarth put forward. The definition of which individuals and entities we are able to sanction has been broadened quite significantly—I would need to get the precise wording for, but “derived benefit from” gives us quite a significant degree of latitude, and also gives us an opportunity to look into the actions of proxies and individuals who are being used in an attempt to circumvent our sanctions.

Stephen Doughty: I thank the Minister for that clarification. Will he write to me to clarify that the specific scenario that I raised cannot be used, and will he point to the relevant legislation? As I say, we are trying to ensure that the regime is as robust as possible and that there are no gaps that anybody can slip through.

James Cleverly: As I say, I will check on that. My understanding—I am not a lawyer—is that it does not sound as though we are limited, but I will double-check that.

On staffing, sanctions law is of course an incredibly important but niche bit of law. Increasing the staffing levels in this area is not easy, but I can assure the hon. Member for Cardiff South and Penarth that we have tripled the number of people working in enforcement at the FCDO since January. I do not have the figures for other Government Departments, but this area is incredibly important, and the focus and ultimately our resourcing will be directed towards ensuring that our sanctions regime is robust.

Stephen Doughty: Again, I am heartened to hear what the Minister says. To be clear, will he, perhaps in writing, separate the resourcing for the drafting and development of the sanctions packages from the resourcing for the OFSI and other bodies involved in enforcement, because those are two separate things? They are both crucial and we want to see that resourcing has gone up in both.

James Cleverly: I will ensure that those figures, where we have access to them, are made available.

Asset seizures are an incredibly emotive area, and this comes to the broad point that the hon. Member for Cardiff South and Penarth made about the speed with which sanctions are brought forward. As I say we repaired some errors, and there is a balance to be had between drafting quickly—we are drafting these sanctions more quickly than ever before—and ensuring that they are absolutely robust and watertight. All our actions are put in place with two broad things in mind: first, the ability to ensure that Vladimir Putin does not win in Ukraine and to choke off his ability to fund his war machine, and secondly making sure that the sanctions are legally robust. When it comes to asset seizures, we have looked, and will continue to look, at what is doable, but in all instances we want to make sure that we do not do anything to undermine the legal strength of our sanctions regime. Asset seizures are an area that we have to make sure is legally watertight to ensure that we do not inadvertently create legal pressure that might undermine our sanctions work more broadly.

The hon. Member for City of Chester raised the issue of lifting sanctions. Obviously, our demands of Vladimir Putin are clear, and they are in support of the Ukrainian negotiating teams. However, I assure the hon. Gentleman that we will not be in any rush to lift those sanctions. As he says, given the images of what appears, *prima facie*, to be the direct targeting of civilians and civilian infrastructure, we will want to ensure that those who should be held to account are held to account, and we will ensure that our sanctions regime supports that wider move towards justice.

Emma Hardy: Just before the Minister concludes, will he address the point that has been raised about the repurposing of assets?

James Cleverly: Yes. It is important to remember that the primary aim of our sanctions regime is to choke off the financial supply to the Russian war machine. Our sanctions deny oligarchs access to money, assets and luxury goods. They apply pressure, as the hon. Member for City of Chester said, to the top end of the regime and prevent money from flowing around the Russian system.

Repurposing would take us towards an asset-seizure scenario, and we would need to ensure that, were we to pursue that, it did not in any way undermine the primary

function of the sanctions regime, which is to choke off financing. Our regime is working by limiting the flow of capital to the Russian war machine.

Stephen Doughty: I thank the Minister for being generous in taking interventions. I also asked him some specific questions about shipping. I do not expect him to riff off his notes on the detail, but perhaps he could write to me. I am awaiting a letter, so perhaps an omnibus letter covering all the points he has promised to write to me about could be forthcoming. I asked more questions orally today because we are approaching Prorogation, when written questions will fall, so I hope the Minister will be generous in writing back to respond to my specific technical points.

James Cleverly: On that final point, the people in my private office will be pulling the faces that they pull when Ministers make promises. I assure the hon. Gentleman that I will not use Prorogation as a means of evading his legitimate questions. If they are in his mind, I suspect they are in the minds of others, and I want to ensure that all colleagues from both sides of the House can feel confident that our sanctions are doing what they should do—I will be told off by my team when I get back, I am sure.

Such matters are about working together across the House—I pay tribute to the tone taken by the hon. Gentleman and others—and in collaboration with our friends and partners around the world. Ultimately, this is about supporting the Ukrainian Government and people in their desire to eject Russia from their homeland and to get back to the peace they want and deserve.

Question put and agreed to.

Resolved,

That the Committee has considered the Russia (Sanctions) (EU Exit) (Amendment) (No. 7) Regulations 2022 (S.I. 2022, No. 395).

**RUSSIA (SANCTIONS) (EU EXIT)
(AMENDMENT) (NO. 8) REGULATIONS 2022
(S.I. 2022, NO. 452)**

Resolved,

That the Committee has considered the Russia (Sanctions) (EU Exit) (Amendment) (No. 8) Regulations 2022 (S.I. 2022, No. 452).—(*James Cleverly*).

5.13 pm

Committee rose.

