

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

First Delegated Legislation Committee

MONEY LAUNDERING AND TERRORIST  
FINANCING (HIGH-RISK COUNTRIES)  
(AMENDMENT) (NO. 2) REGULATIONS 2023

*Monday 8 January 2024*

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**Friday 12 January 2024**

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

*Chair:* YVONNE FOVARGUE

Abrahams, Debbie (*Oldham East and Saddleworth*)  
(Lab)

† Afolami, Bim (*Economic Secretary to the Treasury*)

† Antoniazzi, Tonia (*Gower*) (Lab)

† Barker, Paula (*Liverpool, Wavertree*) (Lab)

† Brereton, Jack (*Stoke-on-Trent South*) (Con)

† Foster, Kevin (*Torbay*) (Con)

† Grundy, James (*Leigh*) (Con)

† Hamilton, Fabian (*Leeds North East*) (Lab)

† Harrison, Trudy (*Copeland*) (Con)

† Howell, Paul (*Sedgefield*) (Con)

† Largan, Robert (*High Peak*) (Con)

† Lavery, Ian (*Wansbeck*) (Lab)

† Mills, Nigel (*Amber Valley*) (Con)

† Morris, James (*Halesowen and Rowley Regis*) (Con)

† Siddiq, Tulip (*Hampstead and Kilburn*) (Lab)

Thewliss, Alison (*Glasgow Central*) (SNP)

† Timpson, Edward (*Eddisbury*) (Con)

Liam Laurence Smyth, *Committee Clerk*

† **attended the Committee**

# First Delegated Legislation Committee

Monday 8 January 2024

[YVONNE FOVARGUE *in the Chair*]

## Money Laundering and Terrorist Financing (High-Risk Countries) (Amendment) (No. 2) Regulations 2023

4.30 pm

**The Economic Secretary to the Treasury (Bim Afolami):** I beg to move,

That the Committee has considered the Money Laundering and Terrorist Financing (High-Risk Countries) (Amendment) (No. 2) Regulations 2023 (S.I., 2023, No. 1306).

It is a pleasure to serve under your chairmanship, Ms Fovargue. The Government recognise the threat that economic crime poses to the UK and to our international partners, and we are committed to combating money laundering and terrorist financing, which undermine the integrity and stability of our financial sector and reduce opportunities for economic growth and legitimate business in our great country. This Government are bearing down on kleptocrats, criminals and terrorists who abuse our leading financial and services sectors. The Economic Crime and Corporate Transparency Act 2023 built on the Economic Crime (Transparency and Enforcement) Act 2022, to ensure that the UK has robust, effective defences against illicit finance. The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, which from now on I shall refer to as the money laundering regulations, support our overall efforts. As the UK's core legislative framework for tackling money laundering and terrorist financing, they set out various measures that businesses must take to protect the UK from illicit financial flows. Under the regulations, businesses are required to conduct enhanced checks on business relationships and transactions with high-risk third countries—countries that are identified as having strategic deficiencies in their anti-money laundering and counter-terrorist financing regimes. These checks help to protect the UK financial system from the threat of overseas illicit financial flows.

The statutory instrument before the Committee amends the money laundering regulations to update the UK's list of high-risk third countries. It removes Albania, the Cayman Islands, Jordan and Panama from the list and adds Bulgaria, Cameroon, Croatia, Nigeria, South Africa and Vietnam. Thus, the UK high-risk third countries list will be aligned with the decisions of the Financial Action Task Force—the global standard setter for anti-money laundering and counter-terrorist financing. The UK plays a leading part in the Financial Action Task Force, with an excellent team of officials in the Treasury including people such as Karishma Navsaria. The FATF methodology ensures that countries around the world are subject to expert, robust evaluations of their anti-money laundering and counter-terrorist financing regimes. Where countries are found to have strategic deficiencies, the task force members can agree to add them to one of two lists: jurisdictions under increased monitoring and

jurisdictions subject to a call to action. By aligning our own high-risk third countries list under our own legislation with the FATF's, we ensure that the UK remains at the forefront of global standards on anti-money laundering and counter-terrorist financing.

The Cayman Islands are a very good example of the progress that can be made by engaging with the FATF. The Cayman Islands was listed in February 2021; since then it has made significant progress to reform its regime and strengthen its anti-money laundering defences and competent authorities. It is now one of a very small number of countries around the world to be compliant or largely compliant with all 40 of the task force's recommendations. I am delighted that it is being removed from the UK's high-risk countries list as a result of that progress.

This is the eighth SI amending the UK's list of high-risk third countries in response to evolving risks from third countries. In June last year, schedule 3ZA to the money laundering regulations was amended to remove Cambodia and Morocco after they were delisted, but otherwise updates to the list have been paused since November 2022.

**Nigel Mills** (Amber Valley) (Con): May I ask the Minister a couple of questions? He started by saying that the UK is committed to tackling kleptocrats, so I am a bit surprised that Russia and Belarus are not on the list of countries for which we expect some higher precautions to be taken. Secondly, will he comment on why we have had to add two EU countries—Bulgaria and Croatia—to the list? That is a bit surprising, because I thought the EU had quite a robust anti-money laundering regime. Are we saying that they are not complying with their own laws? I think they are the first two such countries to appear on the list.

**Bim Afolami:** I will take my hon. Friend's questions in turn. Russia has been suspended from the Financial Action Task Force; it has not attended meetings or played a part in deliberations since the war in Ukraine began. As my hon. Friend and the House know, we are taking a series of measures to counter certain actions of the Russian regime. In relation to the EU countries that he mentioned, I cannot comment on the EU's decision making in relation to its own rules. The task force has, I believe, about 40 countries in it, so it is a global body, and broader than the EU. This is the collective decision of those countries. It is up to the EU to conduct its own deliberations in relation to its member states.

As I said, this is the eighth SI amending schedule 3ZA. I am aware that many noble Lords have expressed frustration at parliamentary time being taken up in the other place by such relatively routine matters to keep our high-risk third countries list aligned to the task force's. That is the other place, but it is worth mentioning in this Committee. However, the Economic Crime and Corporate Transparency Act enables the Government to amend the money laundering regulations to create an ambulatory reference to the task force list. That will result in the same legal effect, with regulated businesses being required to apply enhanced due diligence to relevant business relationships and transactions with these countries, but without the need for secondary legislation after every change to the list. The Government will bring forward an SI to implement that provision in the money

laundering regulations shortly. In notifying the House of this, I emphasise two things: first, the Government retain the authority and autonomy to deviate from the FATF at any time if the Government so decide; and secondly, that deviating would require further secondary legislation and a debate in both Houses of Parliament.

The instrument will enable the money laundering regulations to continue to work as effectively as possible to protect the UK financial system. It is crucial to protecting UK businesses and the financial system from money launderers and terrorist financiers, so I hope that colleagues will join me in supporting it.

4.37 pm

**Tulip Siddiq** (Hampstead and Kilburn) (Lab): It is a pleasure to serve under your chairship, Ms Fovargue. We support the regulations, which amend the list of high-risk third countries to reflect the changes made to the Financial Action Task Force list.

I heard what the Minister said about the Cayman Islands and its progress, and have just one question to ask him about it. It is welcome that, five years after the Sanctions and Anti-Money Laundering Act 2018 legislated for public registers in the overseas territories, the Cayman Islands has finally announced that it will introduce company registers, but I worry that the registers will not be made fully public. There will be a filter that allows access only by those who can demonstrate a “legitimate interest”. Does the Minister share my concern? Will he work with his counterparts in the Cayman Islands and the other overseas territories to ensure that they raise their standards where they may be lacking?

4.39 pm

**Bim Afolami:** I thank the shadow Minister for supporting the regulations. It is incumbent on me to make two key points to address her question about the Cayman Islands. First, a country’s being taken off the list reflects that it has now satisfied what the Financial Action Task Force has set out for it, that it has worked hard and has evidenced how it is doing that. The point about ownership lists and whether a legitimate interest is required is a fair and interesting one, but it has not triggered the Financial Action Task Force to say that the Cayman Islands is not largely compliant. That is the first point. The second is that this is always evolving and no country in the world is perfect. Illicit activity is a scourge that we are trying to remove from our financial system, so we continue to work with the Cayman Islands to make sure it does everything it can.

**Tulip Siddiq:** I draw the Minister’s attention to Transparency International’s warning that the requirement to demonstrate a legitimate interest could limit access for civil society organisations and journalists, who in recent years have been key in uncovering corruption

and money laundering. That is my point when I ask about access to the registers. Does he share my concerns about that?

**Bim Afolami:** I am happy to look into that. The UK and various overseas territories, not just one in particular but across the whole landscape, have been working at official level technically to improve access and visibility in terms of beneficial ownership. The UK, when Lord Cameron was Prime Minister, was a leader in doing that internationally, and we will continue that work. I am happy to continue discussing with the hon. Lady what more we can do in respect of the Cayman Islands.

I listened carefully to the hon. Lady’s speech, and it is the Government’s view that the amendment will ensure that UK legislation remains up to date and in line with international standards. It is clear that money obtained through corruption or criminality is not welcome in the UK and should not be welcome anywhere. That is why we are playing such a leading part in the Financial Action Task Force.

The new procedure for dealing with the problem will enable regulations to allow the UK to automatically reflect changes agreed by the Financial Action Task Force in our own list. In the event that the Government choose to deviate from the list, such updates will need to proceed through a draft affirmative SI.

**Nigel Mills:** We all remember the Panama papers leaks of a few years ago and the light that they shone on financial crime, so I am intrigued that we are removing Panama from the list. The impact assessment sets out that in a survey of 1,900 respondents in the industry, 19.7% thought Panama was high risk, whereas only 2.2% felt Bulgaria was and for Croatia it was only 1.9%. Is not taking Panama off the list and adding Croatia and Bulgaria a slightly perverse thing to do?

**Bim Afolami:** I thank my hon. Friend for that intervention. Everyone in the House knows about his long-standing interest in these matters and his knowledge and understanding of them. The Financial Action Task Force operates on objective measures that are worked out by experts in their field. They look at this as objectively as they can. The views of certain participants are relevant, but are not determinative. However, the points he makes are good ones and I am happy to discuss them with him separately.

I hope that hon. Members have found today’s sitting informative and that they will join me in supporting the regulations.

*Question put and agreed to.*

4.44 pm

*Committee rose.*





