



BRIEFING PAPER

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Sanctions and Anti-Money Laundering Bill 2017-19 Committee Stage briefing

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Summary

The [*Sanctions and Anti-Money Laundering Bill*](#) 2017-19 Committee Stage took place on 27 February, and on 1 and 6 March 2018. The Government amended the bill seven times.

Amendments made

Government Amendment 4 reinserted the provision for sanctions to be enforced by criminal proceedings, with offences and maximum jail terms set out in regulations. This was necessary after the Government was defeated on the issue in the House of Lords.

Government amendment 3 was consequential on the amendments made in the Lords to set out in more detail the purposes for which sanctions can be made.

The Committee also approved a Government Amendment 7, reinstating the power to enforce money laundering and terrorist financing regulations by criminal proceedings. The power to create offences for this purpose had, like that for sanctions, been removed by the House of Lords.

Government Amendment 10 specified that any offences created by regulations under Clause 43 must only be for the purposes of enforcing anti-money laundering regulations.

Government Amendment 11 requiring Ministers to report to Parliament specifying money laundering offences and giving reasons for any terms of imprisonment that apply to them.

Government Amendment 8 set out that regulations under Clause 1 can only amend the definition of “terrorist financing” in the Bill to add a reference to an offence where the purpose of the regulations containing the offence is:

- to comply with a UN or other international obligation, or
- for a purpose related to the prevention of terrorism.

Government New Clause 3 requires that where regulations under Clause 1 are made which include offences, a report specifying the offences and giving reasons for any terms of imprisonment that apply to them must be laid before Parliament.

Amendments negated

The Committee voted on several Opposition amendments but none of them was agreed.

One would have prevented sanctions being imposed on recognised refugees who own or operate aircraft.

Another would have enabled sanctions regulations to be made aiming to prevent, or in response to, a gross human rights abuse or violation. This would have elaborated further on the changes made in the House of Lords to define the purpose of sanctions as being to encourage compliance with international humanitarian law and prevent human rights abuses. Although this amendment was not agreed by the Committee, wording was agreed between the Government and the Opposition and a motion was tabled for Report Stage.

The Committee did not agree an Opposition motion to increase the frequency of the periodic review of designations from every three years to every year.

Likewise, an amendment to require the Government to report to Parliament each quarter on breaches of sanctions was voted down.

Another motion would have ensured that anti-money laundering regulations applied to limited partnerships in Scotland, but the Government argued it was not necessary and it was not agreed.

The Committee voted against a motion that would have removed the ability for Ministers to amend, repeal or revoke legislation for regulations under section 1 or 43. This is one of the Henry VIII powers to change primary legislation by means of secondary legislation that had provoked resistance in the House of Lords.

The Opposition also proposed an amendment that would have set up a House of Commons sanctions select committee to scrutinise sanctions decisions. It was not approved.

The Committee voted against a proposed amendment to create the criminal offence of failing to prevent the facilitation of money laundering in an organisation.

Some amendments aimed to strengthen the role of Companies House in fighting money laundering; one would have prevented the Registrar of Companies from registering a company unless the required anti-money laundering checks had taken place.

Another Opposition amendment aimed to ensure that Trust or company service providers that do not conduct business in the UK cannot incorporate UK companies without oversight from a UK supervisor; there was a related amendment to ask courts to consider director disqualification if they had failed to provide measures against money laundering. They were not successful.

An amendment would have ensured that standards published by the Financial Action Task Force (FATF) on combating money laundering and terrorist financing can be easily implemented. Government argued that this would limit the UK's ability to go further than the recommendations of the FATF.

Remaining stages of the Bill are due to take place on 1 May.

This paper can be read in conjunction with the main paper on the Bill, produced for Commons Second reading:

[*The Sanctions and Anti-Money Laundering Bill 2017-19*](#), February 2018

Other relevant papers:

[*Legislating for Brexit: EU decisions*](#), January 2018

[*EU \(Withdrawal\) Bill: clauses 9, 8 and 17*](#), December 2017

[*European Union \(Withdrawal\) Bill*](#), September 2017

[*Do sanctions work?*](#), June 2015

1. First sitting

The [first sitting](#) was held on 27 February 2018.

Isle of Man

Helen Goodman, Opposition spokesperson, moved amendment 29, which would have left out lines 39 and 40 of Schedule 1. Amendments 30 and 31 were also considered, which would have left out lines 2 and 3 and paragraph 33 of Schedule 1.

These amendments would have removed a provision that goods moving between the Isle of Man and the United Kingdom are not to be regarded as exports or imports. Helen Goodman said that they were intended to investigate whether there was a loophole in the trade sanctions provisions associated with the Isle of Man.

Sir Alan Duncan, speaking for the Government, said that the Isle of Man is part of a joint customs and indirect tax area within the United Kingdom and is integrated into the HM Revenue and Customs' CHIEF—customs handling of import and export of freight—computer system. In other pieces of legislation, trade between the UK and the Isle of Man is not regarded as import/export.

The amendment was withdrawn.

Refugees

Helen Goodman then moved Amendment 15 to Clause 6, which would have prevented sanctions being imposed on recognised refugees who own or operate aircraft registered in a prescribed country. Amendments 16 and 17 were also discussed; they would have ensured that aircraft containing a recognised refugee would not be disqualified aircraft and that shipping sanctions could not be imposed on ships belonging to, or carrying, a recognised refugee.

Alan Duncan said that refugee status is usually granted after a person has fled from their country of origin, once they have arrived safely, so the amendment would not reflect the intentions of Members who tabled it. He said that the system of licences in the Bill already allowed NGOs to help asylum seekers.

Helen Goodman declined to withdraw the amendment but it was negated on [division](#).

Licensing

Helen Goodman moved Amendment 18, which would have provided that regulations had to provide a fast-track process for dealing with any requests for exceptions and licences for humanitarian purposes. Other amendments in the group would have required the Government to consult on a framework for exceptions and licences, and broadened the objectives for licensing. A new clause would have required the Government to report to Parliament on licensing.

Ms Goodman gave examples of how difficult some NGOs have found the licensing system.

Economic Secretary to the Treasury, John Glen, said that the Government makes every effort to prioritise urgent humanitarian cases, but that any prioritisation criteria for licences and exceptions should remain as flexible as possible. The complexity of the situation meant that each case should be considered separately rather than a single fast-track process being set up. He said that the NGO sector had already been consulted, and that the Government would continue to reach out to the sector for feedback, particularly as the guidelines set out in the legislation are developed.

He added that reporting to Parliament would be better as part of the general report from the FCO to Parliament provided for in Clause 27.

Ms Goodman withdrew Amendment 18 but said that she wanted a division on the new clause.

Criminal offences in regulations

John Glen then moved Government Amendment 4, which reinserted the provision for sanctions imposed by regulations under Clause 1 to be enforced by criminal proceedings and set maximum jail terms. This was necessary after the Government was defeated on the issue in the House of Lords. It was grouped with Amendment 21, that would have required the Government to publish guidance on when such prosecutions are in the public interest.

The Minister said that Parliament's concerns about the ability to create offences in regulations had been taken into consideration in drafting Amendment 4 and that enhanced safeguards were to be introduced in new clause 3.

Helen Goodman said that she was disappointed that the Government had re-introduced this power, and she doubted whether Ministers had really listened. She said that the present Bill is worse than the European Union (Withdrawal) Bill because it provides for longer sentences than offences in the Withdrawal Bill and because, unlike the Withdrawal Bill, it is permanent.

Amendment 4 was [passed on division](#).

2. Second sitting

The [second sitting](#) was held on 27 February 2018 in the afternoon.

Guidance on prosecutions

Helen Goodman moved Amendment 21 to Clause 17, which would have required the Government to publish guidance on when it is in the public interest for a breach of sanctions regulations to be prosecuted.

Economic Secretary to the Treasury John Glen said that the Crown Prosecution Service already publishes guidance on how the public interest is taken into account in any decision to prosecute and that the guidance would apply in decisions to prosecute sanctions offences, so no further guidance was necessary.

Helen Goodman said that that guidance is for practitioners rather than NGOs and banks. She [called a division](#) and the amendment was not passed.

Crown Dependencies and Overseas Territories

Helen Goodman moved Amendment 22, which would have required the Government to include any of the Channel Islands, the Isle of Man and any of the British Overseas Territories in the definition of “United Kingdom person” under subsection (2).

She said that the amendment would allow sanctions to be extended automatically to these territories, which was logical because sanctions are part of UK foreign policy, something which is not normally devolved to Overseas Territories and Crown Dependencies.

Minister for Europe and the Americas, Sir Alan Duncan, said that the long-standing practice is not generally to legislate for those jurisdictions without their consent. The territories accept that they must impose UK sanctions and this is effected in some by UK Orders in Council and in others by those territories’ own legislation. The amendment:

...would drive a coach and horses through that well established model by deeming legal entities formed or incorporated in the overseas territories or Crown dependencies to be UK persons. At a stroke, it would bring those legal entities within the ambit of UK sanctions confined to the territory of the UK and subject to UK courts. It would disenfranchise those overseas territories or Crown dependencies by legislating for their legal entities without their consent. It would also give rise to the unusual situation in which a legal entity incorporated in an overseas territory is bound by UK sanctions, but those UK sanctions do not extend to the overseas territory in question and so do not bite on the entity’s activities in that territory.¹

Ms Goodman withdrew the amendment.

¹ [Public Bill Committee 27 February 2018, c34](#)

Division on the adjournment

A motion to adjourn the sitting was moved but some Members objected to it, saying that the second sitting had only lasted for half an hour. The motion was [put to a division](#) and passed.

3. Third sitting

The [third sitting](#) on the Bill was held on the morning of 1 March 2018.

Magnitsky amendments

Helen Goodman moved Amendment 1 to Clause 1. The amendment would have enabled sanctions regulations to be made aiming to prevent, or in response to, a gross human rights abuse or violation.

It was discussed with Amendment 13, providing for sanctions regulations aimed against serious organised crime and trafficking, and Amendment 2, defining a gross human rights abuse or violation, including the torture of a person who has sought to expose the illegal activity of a public official, a 'Magnitsky clause'.²

Helen Goodman said that Magnitsky amendments had been included in the *Criminal Finances Act 2017*. She also argued that, although the Government says that the Home Office has the power to exclude people from the UK, people on the US travel ban list had not been banned by the Home Office so she was not reassured by the existing powers.

Richard Benyon spoke in favour of the Magnitsky amendments, saying that he had worked with Bill Browder, Sergei Magnitsky's former employer.

A number of Members discussed whether the definition of 'gross human rights violations' was consistent in the amendment and with the definition in other legislation.

Alan Duncan said that the Government would not seek to overturn the amendment made by Lord Collins of Highbury in the House of Lords that set promoting compliance with international human rights law and promoting respect for human rights as a purpose of sanctions regulations. He added that there were already provisions in the Bill that allow for the Government to tackle organised crime and trafficking.

Ms Goodman pressed the amendment to a [division](#) and it was negated.

Memorandum on the objectives of sanctions regulations

Helen Goodman moved Amendment 14, which would have required the Government to publish a memorandum setting out the objectives of any sanctions issued under the Act, and how they are consistent with UK foreign policy objectives.

She said that the aim of the amendment was to ensure coherence in sanctions policy; the amendment also contained a provision for collaboration with international partners. Ms Goodman said:

This co-operation was very strongly commended by UK Finance, which is the collaboration between banks and financial service

² 'Magnitsky' legislation means legal provision for sanctions against gross human rights abusers and refers to the Russian lawyer who uncovered a fraud by Russian officials and then died in prison. See the [main Commons Briefing Paper on the Bill](#).

providers. For them, life just becomes extremely difficult if we do not have the same approach as the Europeans and the Americans. They have said to us that they want us very much to maintain our integration with the EU on our sanctions policy, because they are worried that if we were to have a different tweak here and there, other international finance actors would be very risk averse, and would not want to put money into British banks and then find that they were suffering second round sanctions, particularly from the Americans.³

Alan Duncan said that the Bill already provides for sanctions regulations to be accompanied by a report to Parliament, and that the amendment seemed to duplicate that requirement. He also agreed with Richard Benyon that the Government would not want to give too much detail away to targets of sanctions, and said that requiring too much disclosure might undermine sensitive conversations with international partners. The amendment was withdrawn.

Alan Duncan then moved Government Amendment 3 to Clause 1. This amendment was consequential on the amendments made in the Lords to set out purposes for sanctions. Amendment 3 was passed on a question.

Review of designations - frequency

Helen Goodman then moved three amendments whose purpose was to increase the frequency of the periodic review of designations from every three years to every year.

Alison Thewliss said that the EU has a 12 month review period for its sanctions, adding that if targeted people changed their behaviour, the three-year period could be redundant – “A 12-month period would give us a good deal more flexibility and accountability.”⁴

Alan Duncan said that the Bill includes “a robust package of procedural safeguards”,⁵ enhanced by Lords amendments. He argued that it provides protection for designated persons that is at least as strong as current EU standards. He said that Ministers can instigate a review at any time and that other provisions, such as the report to Parliament, would ensure that sanctions are under constant scrutiny, and that the 12-month review requirement would be expensive.

Helen Goodman pressed the amendment to a [division](#), and it was negated.

The committee was adjourned.

³ [Public Bill Committee 1 March 2018, c51](#)

⁴ [Public Bill Committee 1 March 2018, c55](#)

⁵ [Public Bill Committee 1 March 2018, c56](#)

4. Fourth sitting

The [fourth sitting](#) was held on 1 March in the afternoon.

Reviewing for continued usefulness and humanitarian impact

Helen Goodman moved Amendment 24, which would have extended the provisions of Clause 27, a new clause inserted by the House of Lords that deals with reviews.

She gave examples of unwelcome humanitarian consequences of sanctions, and of unintended consequences for British interests.

Alan Duncan said that the Government already considers the humanitarian impact when drawing up sanctions regulations and that humanitarian concerns would be included in the report to Parliament under Clause 27.

Helen Goodman pressed the amendment to a [division](#) and it was negated.

Revealing consultations with international partners and with stakeholders and appointing an independent reviewer

Helen Goodman then moved Amendment 26 to Clause 27 that would require the Government to report on efforts to make sure that sanctions are multinational and on consultations with stakeholders when drawing up regulations, and to include a report from the Independent Reviewer of terrorism prevention and investigation measures.

On reporting on consultations with international partners, the Minister, Alan Duncan, said that the UK would continue to work internationally to gain the widest possible support for sanctions. On reporting consultations with stakeholders, he said: “the hon. Member for Bishop Auckland asks us to show our hand at all stages and to show the manner in which we piece sanctions together,”⁶ and that could that could be “damaging”.

On appointing an independent reviewer, Sir Alan said that the Government would consider it, but that the [Independent Reviewer of Terrorism Legislation](#) was not the right person.

Helen Goodman said the matter would be revisited during Report Stage, and withdrew the amendment.

Quarterly reports to Parliament on breaches of sanctions

The Opposition spokesperson then moved Amendment 36 to Clause 27 to require the Government to report to Parliament each quarter on breaches of sanctions. Ms Goodman then gave the example of a sanctions breach in Zimbabwe that she said had allowed the Zimbabwean Government to increase its repression; HM Treasury had

⁶ [HC Deb 1 March 2018, c67](#)

relied on a Freedom of Information exemption to decline to reveal information about the event.

The Economic Secretary to the Treasury (John Glen) said that the frequency of the required reporting would be burdensome on the Government and on business. Ms Goodman asked for a [division](#) on the amendment, which was negated.

Requirement to provide guidance

Helen Goodman then moved Amendment 28 to Clause 37 that would have required the Government to issue guidance on reporting obligations and licensing requirements and on civilian payments and humanitarian activity exemptions.

Another amendment on providing guidance on persons “owned” or “controlled” by another person was discussed at the same time.

John Glen said that the Bill already requires guidance on the areas mentioned in the amendments: “I should make clear from the outset that the Government are in favour of good guidance and we intend to produce it.”⁷

The Minister said that the requirements for guidance in the legislation were not intended to be exhaustive, listing every sort of guidance, but enabling.

The amendment was withdrawn.

Money laundering by Scottish limited partnerships

Anneliese Dodds moved Amendment 38 to Clause 43, which would have ensured that anti-money laundering regulations applied to limited partnerships in Scotland.

She said that research suggests that 71% of all SLPs registered in 2016 were controlled by anonymous companies based in jurisdictions such as Belize, Seychelles and Dominica, and that there is a suspicion that they are involved in money-laundering.

John Glen replied that clause 9 (5) confirms that “person” includes individuals, corporate bodies, unincorporated bodies, organisations and “any association or combination of persons,” and that the Bill therefore does include SLPs, and does provide for Ministers to make anti-money laundering provisions for them.

He added that in 2017 Scottish limited partnerships were brought into the scope of the public register of corporate beneficial ownership maintained by Companies House.

Anneliese Dodds argued that the Opposition had not received answers to several direct questions to the Government about the supervision of Scottish limited partnerships; John Glen said that he would write to her on those matters. Ms Dodds asked for a [division](#) on the amendment. The committee negated the amendment.

⁷ [Public Bill Committee 1 March 2018, c78](#)

Power to create criminal offences through regulations – Government amendment

John Glen then moved Government Amendment 7 to clause 43. This amendment reinstated the power to enforce regulations under Clause 43 (money laundering and terrorist financing) by criminal proceedings. The Minister acknowledged concerns expressed by Lord Judge and others in the House of Lords about the unchecked ability of Ministers to create offences, but argued that the package of amendments as a whole directly addressed those concerns through additional safeguards, which limited the powers and Ministers' freedom to use them.

He said that regulations will now be made under the draft affirmative procedure, so Parliament will consider and vote on them before they come into force.

Further safeguards would be introduced in Government Amendment 11.

The [Committee divided](#) on Government Amendment 7 and it was passed.

Government amendment specifying that offences must be for enforcing money laundering regulations

John Glen then moved Government Amendment 10 to schedule 2, which makes clear that any offences created by regulations under Clause 43 must be for the purposes of enforcing regulations under Clause 43 or (while they remain in force) the *Money Laundering Regulations 2017*. The amendment was agreed to on a question, although Anneliese Dodds said that she would like the accountability provisions to be much more extensive.

Government amendment requiring a report to Parliament on offences and prison terms

John Glen then moved Government Amendment 11, which required the Government to report to Parliament specifying Clause 43 offences and giving reasons for any terms of imprisonment that apply to them.

He said that the report would list:

- ...the offences that have been created and the requirements to which they refer;

- the good reasons why those requirements need criminal offences; the maximum prison terms for any offences created that are punishable by imprisonment;

- the good reasons for setting the maximum prison terms at the levels at which they have been set;

- where the creation of an offence is justified by reference to an existing offence in another enactment, reference to that other enactment.⁸

He contrasted that with the present situation, where offences are created in regulations using the [European Communities Act 1972](#) using

⁸ [Public Bill Committee 1 March 2018, c93](#)

the negative procedure, with no need to state reasons, no information about such reasons being provided to Parliament, and with no vote in Parliament to approve them.

Amendment 11 was agreed to.

Government Amendment 12 was then agreed, which provides that while the *Money Laundering Regulations 2017* remain in force, offences may be created by regulations under Clause 43 for the purposes of enforcing the 2017 regulations.

The committee adjourned.

5. Fifth sitting

The [fifth sitting](#) took place on 6 March in the morning.

Henry VIII powers

Helen Goodman moved Amendment 39 to clause 47, which would have removed the ability for Ministers to amend, repeal or revoke legislation for regulations under section 1 or 43.

This ability is considered a “Henry VIII” power, allowing the Government to amend primary legislation (passed by Parliament) by passing secondary legislation (passed with little reference to Parliament).

Minister for Europe and the Americas, Sir Alan Duncan, said the amendments under that clause would only be consequential amendments, and that the powers it contained are not very unusual and are in line with the advice of the [Delegated Powers and Regulatory Reform Committee](#) about the appropriate parliamentary procedure for such powers.

The committee negated the amendment on [division](#).

Limiting the possibility to change the definition of terrorist financing

John Glen moved Government Amendment 8 to Clause 47, which provided that that regulations under Clause 1 may amend the definition of “terrorist financing” in the Bill to add a reference to an offence only where the purpose of the regulations containing the offence is:

- compliance with a UN or other international obligation, or
- a purpose related to the prevention of terrorism.

He explained that the purpose of the amendment was to allow the definition of terrorist financing to be updated, while restricting the amendment of the definition only to cases where international obligations of the prevention of terrorism require it.

The amendment was agreed to.

Specialist sanctions select committee

Helen Goodman moved Amendment 40 to Clause 48. New clause 7 was also discussed. This new clause would set up a House of Commons Committee to approve all regulations laid under the affirmative procedure under this Act, and to scrutinise the Government’s reviews of sanctions regulations. Ms Goodman said that there was no select committee with an overview of sanctions policy and that specialist expertise would be necessary for effective scrutiny. She suggested the Committee on Arms Export Controls as a model.

Amendment 40 was withdrawn but Ms Goodman indicated that new clause 7 would be put to a vote later.

The power to amend devolved legislation

Alison Thewliss moved Amendment 37 to Clause 48, which would have required the UK Government to obtain the consent of the devolved

administrations before repealing, revoking or amending devolved legislation using regulations under Section 1.

She said that the Government had not explained possible circumstances in which they would need this power, and that little in the legislation had anything to do with devolved legislation.

She asked:

If the Government believe that devolved legislations have no power in this area anyway and would therefore not be legislating in it, why have they put the capability of amending devolved Acts within the scope of this Bill? Would the Minister also explain why our consent provision would be considered inappropriate?⁹

Alan Duncan said that Amendment 37 would effectively give the devolved assemblies a veto over UK foreign policy legislation, which is reserved to central government. Any amendments to devolved legislation would only be consequential.

Alison Thewliss questioned whether anti-money laundering was a reserved matter.

Amendment 37 was withdrawn.

Crown Dependencies and Overseas Territories

Helen Goodman moved Amendment 41 to Clause 54. This amendment would require an Order in Council to extend the provisions to the Channel Islands, the Isle of Man and any of the British Overseas Territories. As it stands in the Bill, Ministers “may” extend provisions in this way.

Alan Duncan reiterated his argument that this would change the constitutional arrangements for the Crown Dependencies and the Overseas Territories.

The amendment was withdrawn.

Helen Goodman then questioned Clause 55, which sets out the commencement of the Bill. She said that ministers seemed not to have a clear plan on when the provisions should come into force and that the UK was dependent on decisions in the EU. Alan Duncan said that Ministers could appoint when certain provisions come into force, which would give flexibility.

The committee [divided](#) on whether the clause should remain in the Bill, and decided that it should.

Reports to Parliament on offences under Clause 1

Alan Duncan moved New Clause 3. The new clause requires that where regulations under Clause 1 are made which include offences, a report specifying those offences and giving reasons for any prison sentences that apply to them must be laid before Parliament.

Helen Goodman said that the Opposition was happy for the new clause to be added to the Bill.

⁹ [Public Bill Committee 6 March 2018, c111-2](#)

Alan Duncan then moved a further new clause (4) that enables certain reports relating to regulations to be combined in one document, requires a written statement to be made by the Minister if certain reporting requirements are not complied with, and clarifies how those requirements apply.

Registers of beneficial ownership in Overseas Territories

Helen Goodman then moved New Clause 1, which would have required the Secretary of State to take steps to ensure the governments of specified British Overseas Territories introduce public registers of beneficial ownership of companies. New Clause 8, a similar provision for Crown Dependencies, was discussed at the same time.

Helen Goodman said that the UK register now maintained at Companies House was very useful, though imperfect. She described the situation in UK overseas jurisdictions as less encouraging since many of their registers were not made public. She urged the Government to do more to get these jurisdictions to establish public registers, and said that New Clause 8 dealt with the “constitutional niceties” by requiring the Minister to consult.¹⁰

Ms Goodman brought up examples of certain UK individuals who had used British Virgin Islands and Cayman Islands services, to protests from Alan Duncan.

The Committee was abruptly adjourned.

¹⁰ [Public Bill Committee 6 March 2018, c126](#)

6. Sixth sitting

The [sixth sitting](#) took place on 6 March during the afternoon.

Public registers of beneficial ownership of companies in British Overseas Territories and Crown Dependencies

The sitting continued the consideration of New clauses 1 and 8, carried over from the morning session.

The new clause was withdrawn.

Public register of the beneficial ownership of UK property owned by overseas entities

New Clause 2 would have required Ministers to create within 12 months a public register of beneficial ownership information for companies and other legal entities registered outside the UK that own UK property or bid for UK Government contracts.

Helen Goodman said that David Cameron had promised such a register in 2012 and that the new clause aimed to speed up its delivery.

John Glen said that a 12-month timetable to draft and pass primary and secondary legislation, empower the responsible agencies and commence the obligations would not be realistic. He said the Government is committed to publishing a draft Bill before summer 2018 and to introducing the Bill early in the second Session (2018-19), and for the register to be operational by 2021.

Helen Goodman said that the question would be revisited during Report Stage, and withdrew the clause.

EU Political and Security Committee

Helen Goodman then moved new Clause 6, which would have required the UK Government to seek continued participation in the Political and Security Committee, to allow alignment on international sanctions.

The new clause would also prevent the Bill from coming into force until a report on those negotiations had been presented to Parliament.

Alan Duncan said that the new clause was about policy rather than powers, so it was not sensible to add it to the Bill.

He also argued that the EU Political and Security Committee is not the primary body responsible for sanctions policy in the EU and that the Government envisages informal mechanisms for coordinating sanctions policy.

The new clause was withdrawn.

Specialist sanctions select committee

The Committee returned to new clauses 5 and 7 and the matter of a sanctions select committee to scrutinise sanctions decisions, discussed during the previous sitting.

The committee [divided](#) on New Clause 7, which was negatived.

Offence of failing to prevent the facilitation of money laundering and disqualification of directors

Anneliese Dodds moved New Clause 9, that would have made it an offence for a relevant body to fail to put in place adequate procedures to prevent a person associated with it from carrying out a money laundering facilitation offence. A money laundering facilitation offence would include concealing, disguising, converting, transferring or removing criminal property under section 327 of the Proceeds of Crime Act 2002.

New Clause 15 was discussed at the same time. This would have required the Minister to ask the courts to investigate whether directors of a company are fit and proper, if it was found that proper procedures against money laundering were not in place.

Anneliese Dodds said that there were significant weaknesses in the present anti-money laundering regime, and that this had been argued by the Financial Conduct Authority.

On disqualification, she said that approaching the problem by professional regulation was unlikely to be successful:

We have found out frequently that when the incentives and the authority lines point in a direction that contradicts those other values, we can have all the compliance and safeguarding officers in the world, but we will not get the change we need in culture and action unless responsibility and authority are at the top.¹¹

John Glen, for the Government, said that two similar 'failure to prevent' offences had been introduced in recent years. He said that financial and professional services firms are already required to have policies in place to prevent their services from being misused for money laundering. He did not want to generalise that requirement.

Anneliese Dodds called for a [division](#) and the new clause was negatived.

Anti-money laundering checks before a company can be registered

Ms Dodds then moved New Clause 10, which would have amended the *Companies Act 2006* to ensure that the Registrar of Companies does not register a company unless the required anti-money laundering checks have taken place.

New Clause 11 was taken at the same time. That clause would have ensured that anyone wanting to register a company must be checked for due diligence by Companies House.

Ms Dodds said that many companies are registered at Companies House every year without any checks being made on the owner or their source of wealth. She said that the Government has stated that Companies House does not have a front-line role in preventing money laundering and that this was worrying.

¹¹ [Public Bill Committee 6 March 2018, c158](#)

John Glen said that the amendment would add to the burden for companies without necessarily being very useful:

To sum up, a simple demonstration of a bank account is a blunt instrument. As drafted, the new clause simply adds a burden to UK companies to report more information. We should not proceed down that path without being much clearer that the information we require them to disclose is valuable, that it is necessary and that it cannot be achieved by other less burdensome means.¹²

The Committee [divided](#) on New Clause 10, and negated it. New Clause 11 was moved and the Committee directly [divided](#) on it, negating that one too.

New Clause 13 was moved, that would have ensured that all companies wanting to be registered must provide evidence of a UK bank account to ensure it has gone through proper money laundering checks.

That clause, too, was negated on [division](#) without further debate.

Trust and company service-providers

New Clause 14 was moved. It would have ensured that Trust or company service providers that do not conduct business in the UK may not incorporate UK companies without oversight from a UK supervisor.

John Glen disagreed with the suggested change. He said:

...anti-money laundering supervision around the world follows a territorial model. Simply requiring non-UK TCSPs to have a UK supervisor when they set up UK companies will not address the challenges of extra-territorial supervision. Effective anti-money laundering supervision depends on measures that include supervisory on-site visits and close engagement with higher-risk firms. Requiring a UK supervisor to do that in relation to a non-UK firm will not, in and of itself, address the issue that hon. Members have identified.

As was noted in the other place, the most effective means of combating international money laundering is cross-border co-operation to drive up the standards of overseas supervision and enforcement. For those reasons, we have imposed a duty on each UK anti-money laundering supervisor to take such steps as they consider appropriate to co-operate with overseas authorities. That is the agenda we pursue through the global FATF process.¹³

Ms Dodds pressed the new clause to a [division](#) and the Committee negated it.

Director disqualification

New Clause 15 was moved. The clause would have required the Minister to ask the courts to investigate whether directors of a company are fit and proper, if it was found that proper procedures against money laundering were not in place.

The Committee went to a [division](#) on the clause, without debate, and it was negated.

¹² [Public Bill Committee 6 March 2018, c169](#)

¹³ [Public Bill Committee 6 March 2018, c176](#)

Implementation of FATF guidance

Anneliese Dodds moved new Clause 16 a measure to ensure that standards published by the Financial Action Task Force on combating money laundering, terrorist financing can be easily implemented.

John Glen said that the new clause 16 would limit amendments to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 to those implementing standards from the Financial Action Task Force, or those whose purpose was identifying or revoking a designation of a high-risk third country. There are several areas where the UK's anti-money laundering regime already goes beyond those standards, he argued.

Anneliese Dodds was not convinced that the new clause would "tie the UK's hands" in implementing requirements beyond the FATF standards.¹⁴

New Clause 16 was negatived on [division](#).

Anneliese Dodds moved New Clause 17, requiring a public consultation on corporate liability for money laundering within six months.

The Committee moved swiftly to a [division](#) on the new clause, which was negatived.

The Committee rose.

¹⁴ [Public Bill Committee 6 March 2018, c181](#)

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