

Research Briefing

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Economic Crime (Transparency and Enforcement) Act 2022



Summary

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Summary

The Economic Crime (Transparency and Enforcement) Act 2022 was introduced in the House of Commons on 1 March 2022. [The Government fast-tracked the Bill](#) as part of the Government's urgent response to the Russian invasion of Ukraine. All remaining Commons stages took place on 7 March.

The Bill (as amended in the Commons) was then introduced in the House of Lords on 8 March. Second reading was on 9 March and remaining Lords stages took place on 14 March.

Commons consideration of Lords amendments took place immediately after Lords Third reading. Royal Assent was announced shortly after midnight on 14 March (the early morning of 15 March).

Background documents are available on [the Bill's page on the Parliament website](#) and on the Government Fact Sheets for [Parts 1](#) and [2](#) of the Bill.

What does the Act do?

The Act has 70 sections and five Schedules, divided into three main measures:

Part 1: Register of Overseas Entities

Part 1 of the Act (sections 1 to 44, and Schedules 1 to 5) establishes a public register of beneficial owners of non-UK entities that own or buy land in the UK, operated by the Companies House registrar. Beneficial owners are those who ultimately own or control an asset.

Any overseas entity wishing to own UK land needs to identify their beneficial owners and register them. Not all beneficial owners must register. A beneficial owner generally only needs to be registered if: they hold more than 25% of the shares or voting rights in an entity; can appoint a majority of its directors; or have some other significant influence or control over it (including through a trust or partnership structure). This is in line with the threshold for becoming a registrable beneficial owner under the existing people with significant control (PSC) regime for companies.

The register needs to be updated annually. Failure to register (or submitting false information) is a criminal offence and also prevents the entity from being able to buy or sell (or mortgage) UK property in future. A transfer of land by the overseas entity in breach of the registration requirement is a criminal offence committed by the entity and every responsible officer of it, punishable by a fine or up to five years' imprisonment.

The requirement to register applies retrospectively to land bought on or after 1 January 1999 in England and Wales, and 8 December 2014 in Scotland. The Act, when first introduced as a Bill, gave overseas entities an 18-month transitional period to dispose (sell off) their land or register. In Northern Ireland the requirement to register only applies prospectively so there is no need for a transitional period.

Amendments to Part 1 during its passage through Parliament

11 amendments were made to Part 1 in the **Commons** (at Committee stage). These mainly:

- increased the maximum daily fine for committing certain criminal offences from £500 to £2500;
- required verification measures to be in place before the register can accept applications for registration; and
- reduced the transitional period from 18 to 6 months.

64 amendments were made to Part 1 in the **Lords** (at Report stage). These mainly:

- sought to ensure the requirement to register covered trusts that beneficially own or control overseas entities;
- required disclosure of whether the registrable owner is sanctioned in the UK;
- ensured that date of birth and residential address information is protected after people cease to be registrable beneficial owners;
- revised the threshold for the offence of providing false statements under current section 32, so that statements didn't need to be submitted knowingly or recklessly. Instead, the statement need only be misleading, false or deceptive without a reasonable excuse;
- required consultation with the devolved administrations before legislating further on devolved land law matters relating to the Act;

- required overseas entities that disposed of land between 28 February 2022 and the end of the transitional period to outline the details of that entity’s beneficial ownership at the time of the transfer;
- removed the ability of the Secretary of State to exempt an individual from the requirements to register their overseas entities on the grounds of the economic wellbeing of the UK;
- required “restrictions” to be registered at the Land Registry in England and Wales for land owned by overseas entities as soon as reasonably practicable, and in any event before the end of the transitional period; and
- inserted a new clause (current section 40) permitting HMRC to disclose information to allow the registrar and the Secretary of State to take action in connection with criminal offences under Part 1 of the Act.

Part 2: Unexplained Wealth Orders

Part 2 of the Bill (sections 45 to 53) seeks to strengthen the Unexplained Wealth Order (UWO) regime. It made four main changes:

- created a new category of people who can receive a UWO called “**responsible officers**” (such as directors) of an entity that owns property. This is to allow law enforcement to get information more easily from officers of legal entities thought to have control over property, even if they do not own it;
- created a new alternative test for the granting of a UWO. Previously, the court needed to be satisfied that there are reasonable grounds for suspecting that the known sources of someone’s lawful income would be insufficient to obtain the property. The Act added **an alternative** to this: that “there are reasonable grounds for suspecting that the property has been obtained through unlawful conduct”;
- when applying to the court for a UWO, the relevant enforcement authority might apply at the same time for an **interim freezing order** which would prohibit the person receiving the UWO from selling it. The Act allowed for the court to grant an additional 126 days to enforcement authorities to review (and take action on) material provided in response to a UWO, before the interim freezing order expires; and
- limited the liability of enforcement authorities to pay costs in legal proceedings relating to UWOs (or interim freezing orders).

Amendments to Part 2 during its passage through Parliament

During **Commons** Committee stage a new clause was inserted requiring the Secretary of State to lay an annual report before Parliament on the number of applications made, and UWOs granted, in England and Wales (currently section 51).

No amendments were made to Part 2 in the **Lords**.

Part 3: Sanctions

Part 3 (clauses 54 to 66), when originally introduced, sought to amend existing legislation on UK sanctions to:

- remove the requirement that people must have known or suspected they breached sanctions law to receive a monetary penalty for such breaches;
- remove the requirement that a minister must review penalties for breaches of sanctions law personally;
- allow the Treasury (the Office of Financial Sanctions Implementation) to publish notices on cases where it thinks a person has breached sanctions law but it has not (for whatever reason) imposed monetary penalties; and
- expand information-sharing powers relating to sanctions.

Amendments to Part 3 during its passage through Parliament

Ten amendments (including nine new clauses) were made to Part 3 in the **Commons** (at Committee stage). These mainly created a new Chapter 2 in Part 3 which:

- deleted section 2 of the Sanctions and Anti-Money Laundering Act 2018, which set out additional requirements when making sanctions for purposes other than compliance with a UN or international obligation (for example, the requirement to lay a report before Parliament explaining why sanctions are a reasonable course of action;
- created a new “urgent procedure” for sanctioning people by name or description, which can be used when the Minister considers it to be in the public interest, and relaxed some of the requirements under the “standard procedure”. These new procedures and requirements are also made available for already-existing sanctions;

- removed the requirement:
 - that a Minister can only sanction a ship when they consider it appropriate to do so, having regard to the purpose of the sanctions;
 - to review certain sanctions every three years, and report on sanctions reviews to Parliament every year; and
 - to report to Parliament on (i) the creation of criminal offences in sanctions regulations; (ii) what sanctions regulations have been made and whether any of them had a human rights purpose; or (iii) amendments to sanctions regulations; and
- removed the ability of a court to award damages for claims relating to sanctions where the Government has acted negligently.

No amendments were made to Part 3 in the **Lords**.

Where does the Act apply?

The Act's measures apply across the UK. Certain parts of the Bill make different provision for different jurisdictions (catering, for example, for differences in land law between England and Wales, Scotland and Northern Ireland in Part 1) but the overriding policy objectives are similar across the UK. An annex to the explanatory notes summarises [the territorial extent and application of the provisions](#) in the United Kingdom.

A legislative consent motion (LCM) wasn't required from the Welsh Parliament. An LCM was [obtained from the Scottish Parliament](#) but not from the Northern Ireland Assembly (although the UK Government said it consulted with and had the support of the Northern Ireland Government).

Commentary

Initial commentary

Leader of the Opposition, Keir Starmer, noted at Prime Minister's Questions on 2 March 2022 that [Labour intended to support the measures](#). The [Royal United Services Institute](#) (RUSI) and campaign group [Spotlight on Corruption](#) welcomed the Bill when introduced, but said it was long overdue.

[Mr Starmer](#) and [Transparency International UK](#) (TI) originally criticised Part 1 of the Bill for its 18-month transitional periods which they argued allowed too much time for people unwilling to register to sell their properties. (As described above, this was shortened to six months in the Commons). TI also [criticised what they view as gaps](#) in the legislation.

The [Financial Times noted criticisms](#) of the Government for omitting reforms of Companies House from the Bill, as well as for not providing more resource to tackle economic crime in the UK.

Post-passage commentary

A [Government press release](#) on 15 March said the Act would “mean the government can move more quickly to impose sanctions against oligarchs already designated by our allies, as well as intensifying our sanctions enforcement”.

[RUSI said](#) the legislation was welcome but that “bolder systemic reforms” were needed to deal with the UK’s “dirty money problem”, including more enforcement, and reform of Companies House and the regulation of “enablers” like lawyers and accountants that service “wealthy Russian oligarchs and kleptocrats”. Director of Policy at TI Duncan Hames said he was “delighted to see these much-needed reforms” but [warned that](#) “This law will however only be as good as its enforcement.”

Second Economic Crime Bill

The Government has committed to introduce a further economic crime bill in the upcoming (2022-23) parliamentary session. Home Secretary Priti Patel [said it would be](#) a “very substantial piece of legislation” including reform of Companies House and limited partnerships, powers to seize crypto-assets from criminals, and information sharing on money laundering.

Minister Paul Scully [confirmed](#) it would be introduced “early” in the session. At Lords Second reading Business Minister Lord Callanan [committed that](#) the upcoming Economic Crime Bill would be subject to full scrutiny (rather than also being fast-tracked), and would run to “something like 150 pages”.

1 Policy background

This section was written before the Act's Commons second reading debate on 7 March 2022. It therefore refers to the Act and its measures as proposed legislation

1.1 Register of Overseas Entities

Beneficial ownership

The 'beneficial owner' of an asset is the person who ultimately owns or controls it.¹ This beneficial (or ultimate) owner may differ from the **legal** owner, for lawful or unlawful reasons. For instance, someone may wish to give an asset to a child but make the parent the legal owner (a trustee) until the child is an adult. On the other hand, criminals may wish to avoid suspicion by hiding their connection to property bought using illegally obtained wealth.

Registers of beneficial ownership prevent people from being able to hide assets and income that are ill-gotten or on which they owe tax. For example, a corrupt foreign official might buy a property in the UK through a company registered abroad to try and avoid suspicion that the property has been bought by them using laundered money. If law enforcement could check the register of beneficial ownership for that country, they would know who owns (or controls) the company, and therefore who owns the property.

Because there is no beneficial ownership register for UK property, comparatively little is known about overseas owners or leaseholders of land in the UK. The Bill aims to address this situation by establishing a Register of Overseas Entities that would "deliver transparency about who ultimately owns and controls overseas entities that own land in the UK. It is intended to

¹ This is a simplified definition taken from Regulation 6 of the [Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#).

act as a deterrent to those who would seek to hide and launder the proceeds of bribery, corruption and organised crime in land in the UK.”²

The Bill would require overseas entities to identify and register beneficial owners of any land that they own in the UK. The overseas entity would have to register with Companies House and review and update relevant information each year.³ The Government published a [fact sheet: The Register of Overseas Entities](#) to accompany this Bill which provides further information.⁴

For more detailed background, see Commons Library briefing paper [Registers of beneficial ownership](#).

Existing registers

The proposed register would become the third **register of beneficial ownership** in the UK. The other two are described below.

The People with Significant Control Register (PSC) for companies

The UK Government introduced provisions to establish a register of company beneficial ownership in the [Small Business, Enterprise & Employment Act 2015](#). The People with Significant Control (PSC) register was launched in 2016.⁵

Information on the register is available from [individual company records on the Companies House website](#). [The entire PSC register](#) can also be downloaded.

Companies must take reasonable steps to identify PSCs, and once the register is set up, they must act if they know or believe that the register has become incorrect or incomplete. Failure to comply with these obligations is a criminal offence for both the company and officers of the company responsible for the default.⁶

The Government intends for arrangements for the proposed Register of Overseas Entities to “as far as possible” reflect those in place for the PSC register.⁷

Trusts

Trusts typically involve a settlor who puts assets into the trust, a trustee who manages the trust, and the beneficiary who is the person that ultimately owns and benefits from the assets managed by the trustee. This means that they can be used to disguise ownership of assets.

² [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 7

³ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 8

⁴ Gov.uk, [Fact sheet: The register of overseas entities](#), updated 3 March 2022

⁵ Department for Business, Innovation & Skills, [“‘People with Significant Control’ Companies House register goes live”](#) (News story), 30 June 2016

⁶ See [sections 790D-709F](#) of the Companies Act 2006

⁷ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 21

As a requirement of the EU's Fourth Anti-Money Laundering Directive, the UK introduced a non-public register of beneficial ownership for trusts in July 2017.⁸ The information is only available to law enforcement agencies, but the [Fifth Anti-Money Laundering Directive](#) (5AMLD)⁹ extended access to members of the public if they can demonstrate a legitimate interest, such as a journalist investigating corruption or money laundering. Both civil sanctions (like fines and statements of censure) and criminal sanctions can be imposed for non-compliance.¹⁰

After [delays in setting up the IT system for registering trusts](#), the Government introduced secondary legislation to extend the registration deadline from 10 March 2022 to 1 September 2022.¹¹

Earlier progress on a Register of Overseas Entities

In 2016, the then Prime Minister, David Cameron, warned foreign companies in his anti-corruption summit opening speech that they would be required to disclose the beneficial ownership of UK property, including around 100,000 properties in England and Wales owned by foreign companies.¹²

In January 2018, the Government set out its intention for a register to be operational by 2021. It said the legislation would also:

deliver a streamlined policy, consistent across the UK, where currently the Land Registries for England and Wales, for Scotland and for Northern Ireland have taken different approaches to land registration and registration of overseas entities.¹³

Lord Ahmad (Foreign and Commonwealth Office Minister) explained the timetable during the report stage of the [Sanctions and Anti-Money Laundering Bill](#) in January 2018. After saying that establishing the new policy would “take time”, he pointed out the wider legislative and regulatory complexities involved, including the need for secondary legislation and new systems:

[I]t is appropriate because that must be followed by secondary regulations, in which we will set out the more technical details underpinning the regime, such

⁸ Implemented in UK law by the [Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#)

⁹ Implemented in UK law by the [Money Laundering and Terrorist Financing \(Amendment\) Regulations 2019](#)

¹⁰ See Part 9 of [The Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#)

¹¹ [The Money Laundering and Terrorist Financing \(Amendment\) Regulations 2022](#)

¹² Prime Minister's Office, “[PM hosts major summit as part of global drive to expose, punish and drive out corruption](#)” (press release), 12 May 2016

¹³ Lord Henley (BEIS), UK Public Register of Overseas Entity Beneficial Ownership: Written statement [HLWS417](#), 24 January 2018

as the essential changes needed to the land registration rules. New systems must also be built between Companies House and the three land registries. Their design will depend on the precise content of those regulations. While much preparatory work will be done while the legislation and secondary regulations are passed, there are some inevitable lead times, because the systems and processes can be finalised only after Parliament has approved the legislation.

He noted it would also be important to support parties involved to prepare for the changes.¹⁴

Draft Registration of Overseas Entities Bill

In July 2018, the Government published a Draft Registration of Overseas Entities Bill,¹⁵ along with research on the potential impacts of the register.¹⁶

The Joint Committee responsible for scrutinising the draft Bill published its report on 20 May 2019, finding it “timely, worthwhile, and, in large part, well drafted”.¹⁷ It made a range of detailed recommendations to improve the Bill, and was particularly concerned with the timetable for the Bill and its interaction with the EU’s Fifth Anti-Money Laundering Directive.

On 18 July 2019, the Government published its response to the report of the Joint Committee. It accepted many of the Committee’s recommendations but did not indicate when the Bill might be presented.¹⁸

The Government gave no subsequent update beyond that it would legislate “when Parliamentary time allows”.¹⁹ In January 2022, The Financial Times reported that MPs were calling for legislation introducing the register to be “revived” as a “signal to Vladimir Putin.”²⁰ The Explanatory Notes to this Bill state that the legislation has been introduced and fast-tracked as part of the Government’s urgent response to the Russian invasion of Ukraine.²¹

¹⁴ Lord Ahmad (FCO), Sanctions and Anti-Money Laundering Bill [Lords] Report (2nd Day), 17 January 2018, Volume 788, [Column 710](#)

¹⁵ BEIS, [Overview Document: Draft Registration Of Overseas Entities Bill](#), July 2018

¹⁶ BEIS, [A register of beneficial owners of overseas companies and other legal entities: potential impacts](#), 23 July 2018

¹⁷ [Joint Committee on the Draft Registration of Overseas Entities Bill](#), Report of Session 2017–19, HL Paper 358, 20 May 2019, p53

¹⁸ BEIS, [Draft Registration of Overseas Entities Bill: government response to Joint Committee report](#), 18 July 2019

¹⁹ See for example Question [UIN 145870](#), answered on 3 February 2021, [HL Deb 2 November 2021, vol 815 col 1109](#), or [UIN HL 4478](#), answered on 13 December 2021

²⁰ Financial Times, [“Tory MPs urge Boris Johnson to revive bill tackling UK’s dirty money”](#), 28 January 2022

²¹ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 44

Scotland's Register of Controlling Interests

On 20 June 2018, the Scottish Government published the proposed [draft Land Reform Act 2016 \(Register of Persons Holding a Controlled Interest in Land\) \(Scotland\) Regulations \(PDF\)](#) alongside an [explanatory document \(PDF\)](#) and a consultation. It would establish a new Register of Persons Holding a Controlled Interest in Land, requiring certain entities who own or control land in Scotland to make details of their controlling interests publicly available.²²

Noting the UK Government's intention to introduce similar legislation, the Scottish Government initially stated its intention that:

our respective proposals are complementary and that we do not duplicate information where there is already transparency. We will therefore consider the UK Government's proposals and, if we consider them suitable for our purposes, our final regulations may take account of them.²³

On 17 December 2020, regulations to establish the register were laid before the Scottish Parliament and were unanimously passed on 10 February 2021. The register is intended to be operational from 1 April 2022.²⁴

1.2

Unexplained Wealth Orders

See the Commons Library briefing paper [Unexplained Wealth Orders](#) for more information.

Origins of the UWO

The [Proceeds of Crime Act 2002](#) introduced Civil Recovery Orders (CROs) to help authorities to tackle economic crime by permitting the confiscation of criminal property using a lower “civil” standard of proof. Instead of needing to prove a crime was committed, law enforcement bodies only needed to show a court that on the balance of probabilities unlawful conduct had occurred.

But the use of CROs was limited to exceptional cases where the prospect of criminal prosecution was unavailable or undesirable. It didn't help in the most difficult cases, such as where concrete evidence was hard to obtain because the alleged launderer was part of – or had the support of – a foreign regime. There were ultimately very few cases in which seeking a CRO was appropriate.

²² See Explanatory Document, [Register of Persons Holding a Controlled Interest in Land: Explanatory Document](#), 17 December 2020, p6

²³ Scottish Government, [improving the transparency of land ownership: consultation on draft regulations](#), 20 June 2018

²⁴ Scottish Government, [Land reform \(policy\)](#) [accessed 3 February 2022]

The Criminal Finances Bill was introduced to Parliament on 13 October 2016. It received Royal Assent on 27 April 2017.²⁵ Sections 1 to 6 introduced Unexplained Wealth Orders (UWOs) by inserting new sections into the [Proceeds of Crime Act 2002](#), and came into force on 31 January 2018.²⁶ UWOs intended to make it easier for law enforcement to confiscate criminal property.

What is a UWO?

An unexplained wealth order is a court order issued against someone, relating to certain property. The order requires them to explain their interest in that property, how they obtained it, and other information relating to that property.

The respondent to the order has a fixed period (as decided by the court granting the order) to respond. Depending on what the order requests, the response might require written answers, the production of documents or other evidence.²⁷

The order must relate to property which has a value of at least £50,000.²⁸

Only a specified “enforcement authority” can apply for a UWO. Those authorities are:

- the National Crime Agency
- Her Majesty’s Revenue and Customs
- the Financial Conduct Authority
- the Director of the Serious Fraud Office
- the Director of Public Prosecutions.²⁹

In Scotland, only “the Scottish Ministers” can apply. In practice this is likely to mean the Crown Office and Procurator Fiscal Service’s Civil Recovery Unit.³⁰

²⁵ Parliament.uk, [Bill stages – Criminal Finances Act 2017](#)

²⁶ Implementation was however delayed in Northern Ireland because of the suspension of the Northern Ireland assembly and it’s unclear when UWOs will come into force there – see [BBC News, Justice ministers targets criminals’ assets](#), 18 June 2020

²⁷ Proceeds of Crime Act 2017, sections [362A](#) and [396A](#)

²⁸ Proceeds of Crime Act 2017, sections [362B](#) and [396B](#)

²⁹ Proceeds of Crime Act 2017, section [362A](#)

³⁰ Business Insider, [“Unexplained Wealth Orders: speak up or pay up?”](#), 4 August 2017

Who can receive a UWO?

For more detailed information, see the Commons Library briefing paper [Politically Exposed Persons Regime](#)

Two categories of people can be served with a UWO:

1. **Politically Exposed Persons (PEPs)**. These are people with “prominent public functions” such as ministers, MPs and ambassadors, as well as their family members, known close associates and other connections.³¹

A UWO can only be obtained against a PEP who holds their prominent public function outside the UK or European Economic Area (EEA).

2. **Someone suspected of being involved in serious crime** (or who is “connected with” someone involved). There need to be “reasonable grounds” for the suspicion.³²

“Involvement in serious crime” takes its meaning from the Serious Crime Act 2007. It includes offences relating to drug and people trafficking, terrorism and money laundering³³, as well as other conduct that a court considers to be serious enough to be treated as a serious crime.³⁴

Being “connected with” someone involved in serious crime has a complex meaning taken from section 1122 of the Corporation Tax Act 2010 but includes for example spouses, relatives (including siblings and parents) and partners in a business partnership.³⁵

How does the process work?

An Unexplained Wealth Order is an **investigative tool**. It is intended to make it easier to obtain a Civil Recovery Order (CRO) by reversing the burden of proof. It doesn’t grant law enforcement authorities any new powers to confiscate assets.

The enforcement authority will decide what to do next based on the recipient’s response to the UWO. The authority will usually have sought an interim freezing order to prevent transfer of relevant assets while the investigation is underway. If such an order is in place, any decision on next steps must be made within sixty days of the date of compliance with the order. 48 hours after the sixty-day period ends, the respondent can apply to have the interim freezing order lifted.³⁶

³¹ [Directive \(EU\) 2015/849 of the European Parliament and of the Council](#), 5 June 2015

³² Proceeds of Crime Act 2017, sections [362B](#) and [396B](#)

³³ See [Schedule 1](#) of the Serious Crime Act 2007 for the full list.

³⁴ [Serious Crime Act 2007](#), Part 1

³⁵ Corporation Tax Act 2010, sections [1122](#) and [1123](#)

³⁶ Proceeds of Crime Act 2017, sections [362D](#) and [362K](#), and [396D](#) and [396K](#)

If the recipient of a UWO fails to respond without “reasonable excuse”, the property is presumed to be “recoverable property” for the purposes of any Civil Recovery Order (CRO) sought. The court will presume that the property is the proceeds of unlawful conduct and therefore make an order that it be confiscated unless the respondent can satisfy the court on the balance of probabilities that it is not.³⁷

How successful have UWOs been?

The Impact Assessment for the Criminal Finances Bill estimated that after the first year, about 20 UWOs might be issued each year.³⁸

Although there were early reports that agencies were reviewing files for suitable cases,^{39 40} by February 2022 the National Crime Agency had only obtained nine UWOs.⁴¹ It had seized assets with an estimated total value of £143.2m from four cases.⁴² No other enforcement body (including the SFO) had obtained any UWOs and no UWOs had been obtained since the end of 2019.⁴³

The Financial Times reported in November 2020 that the “patchy” success rates had caused concern that the UWO regime was not sufficiently effective to combat money laundering in the UK.⁴⁴

1.3

Sanctions

The Explanatory Notes to this Bill highlight the importance of sanctions as “an important foreign policy and national security tool”. They are temporary and meant to be used to constrain or lead to a change behaviour, “or to communicate a clear political message to other countries or persons.”⁴⁵

³⁷ Proceeds of Crime Act 2017, sections [362C](#) and [396C](#)

³⁸ Home Office, [Criminal Finances Act – Overarching Impact Assessment](#), 20 June 2017 (PDF), para 22

³⁹ Reuters, [UK fraud prosecutor combs through cases for signs of ‘unexplained wealth’](#), 31 January 2018

⁴⁰ Reuters, [British police say: We’re coming after “dirty money”, but it might take time](#), 10 April 2018

⁴¹ [UIN 111631](#), tabled on 25 January 2022

⁴² Home Office, [Asset recovery statistical bulletin: financial years ending 2016 to 2021](#), 9 September 2021

⁴³ Home Office/Treasury: [National risk assessment of money laundering and terrorist financing](#), December 2020, paras 2.15 and 12.23. See also [Written Question UIN 19705](#), tabled on 21 June 2021

⁴⁴ Financial Times, [“Property offers ready shelter for criminal wealth”](#), 5 November 2020

⁴⁵ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 17

The OFSI publishes [detailed guidance about how UK financial sanctions work](#).

The Office of Financial Sanctions Implementation (OFSI) is part of HM Treasury and is responsible for “implementing financial sanctions, including issuing licences; imposing monetary penalties for breaches of these sanctions; issuing guidance and engaging with stakeholders.”⁴⁶

The OFSI describes the main types of financial sanctions it applies as follows:

- targeted asset freezes, which are usually applied to named individuals, entities and bodies, restricting their access to and ability to use funds and economic resources.
- restrictions on a wide variety of financial markets and services. These can apply to named individuals, entities and bodies, to specified groups or to entire sectors. To date they have taken the form of investment bans; restrictions on access to capital markets; directions to cease banking relationships and activities; requirements to notify or seek authorisation before certain payments are made or received; and restrictions on provision of financial, insurance, brokering, advisory services or other financial assistance.
- directions to cease all business of a specified type with a specific person, group, sector territory or country.⁴⁷

The OFSI’s powers in relation to specific sanctions regimes are set out under the [Sanctions and Anti-Money Laundering Act 2018](#). Powers relating to monetary penalties for breaching financial sanctions arise from the [Policing and Crime Act 2017](#).

The Treasury publishes a consolidated list of financial sanctions by regime.⁴⁸

For Russia, as well as providing a full list of “designated persons” and associated notices, it summarises the sanctions regime in place as follows:

This sanctions regime is aimed at encouraging Russia to cease actions which destabilise Ukraine, including actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.

It imposes asset freezes on those identified as being involved in destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty and independence of Ukraine. This includes persons responsible for engaging in, providing support for, or promoting any policy or action that destabilises Ukraine or undermines or threatens the territorial integrity, sovereignty and independence of Ukraine.

⁴⁶ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 18

⁴⁷ Office of Financial Sanctions Implementation, “[Monetary penalties for breaches of financial sanctions: Guidance](#)” (PDF), p5

⁴⁸ HM Treasury and Office of Financial Sanctions Implementation, [Financial sanctions targets by regime](#)

There are also sectoral financial sanctions which prohibit and restrict specified activities. These include restrictions on dealing with transferable securities or money-market instruments and granting or entering into arrangements to grant loans or credit. For more information, please see our [guidance on Russia sanctions](#).⁴⁹

⁴⁹ HM Treasury and Office of Financial Sanctions Implementation, [Financial sanctions, Russia](#)

2

Overview of the proposed changes

This section was written before the Act's Commons Second reading debate on 7 March 2022. It therefore refers to the Act and its measures as proposed legislation, and only mentions the measures that were in the Bill when it was first introduced to Parliament

This section looks at the arrangements proposed in the Bill as published.

2.1

Register of Overseas Entities (Part 1 of the Bill)

Part 1 of the Bill (clauses 1 to 39, and Schedules 1 to 5) would establish a public register of beneficial owners of non-UK entities that own or buy land in the UK, operated by the Companies House registrar. Any overseas entity wishing to own UK land would need to take steps to identify their beneficial owners and to register them.

Not all beneficial owners must register: in common with the threshold for becoming a registrable beneficial owner under the people with significant control (PSC) regime for companies, a beneficial owner would generally only need to be registered if: they hold more than 25% of the shares or voting rights in an entity; can appoint a majority of its directors; or has some other significant influence or control over it (including through a trust or partnership structure).

The register would need to be updated annually. Failure to register (or submitting false information) would be a criminal offence and would also prevent the entity from being able to buy or sell (or mortgage) UK property in future. A transfer of land by the overseas entity in breach of the registration requirement is a criminal offence committed by the entity and every responsible officer of it, punishable by a fine or up to five years' imprisonment.

The requirement to register would apply to land bought on or after 1 January 1999 in England and Wales, and from 8 December 2014 in Scotland. Overseas

entities would have an 18-month transitional period from the Act coming into force to dispose (sell off) their land or register. In Northern Ireland the requirement to register would only apply prospectively (after the Act comes into force) so there is no need for a transitional period.

The Government published a [fact sheet: The Register of Overseas Entities](#) to accompany this Bill which provides further information.⁵⁰

2.2 Unexplained Wealth Orders (Part 2 of the Bill)

Part 2 of the Bill (clauses 40 to 47) seeks to “strengthen and reinforce the UWO regime to ensure the powers can be used to maximum effect”.⁵¹ It would make four main changes:

- create a new category of people who can receive a UWO – “responsible officers” (such as directors) of an entity that owns property. This is intended to allow law enforcement to seek information more easily from officers of legal entities thought to have control over property, even if they do not own the property
- create a new alternative test for the granting of a UWO. Currently, the Court must be satisfied that “there are reasonable grounds for suspecting that the known sources of the respondent’s lawfully obtained income would have been insufficient for the purposes of enabling the respondent to obtain the property.” The Bill would add an alternative to this: that “there are reasonable grounds for suspecting that the property has been obtained through unlawful conduct”.
- When applying to the court for a UWO, the relevant enforcement authority might also apply at the same time for an interim freezing order which would prohibit the person receiving the UWO from selling it. The reforms would allow for the Court to grant an additional 126 days to enforcement authorities to review (and act on) material provided in response to a UWO, before the interim freezing order expires.
- limiting the liability of enforcement authorities to pay costs in legal proceedings relating to UWOs (or interim freezing orders).

⁵⁰ Gov.uk, [Fact sheet: The register of overseas entities](#), updated 3 March 2022

⁵¹ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 14

The Government published a [fact sheet: unexplained wealth order reforms](#) to accompany the Bill which provides further information.⁵²

2.3 Sanctions (Part 3 of the Bill)

Part 3 of the Bill (clauses 48 to 51) would amend the Policing and Crime Act 2017 and the Sanctions and Anti-Money Laundering Act 2018 to:

- remove the requirement that people must have known or suspected that they breached sanctions law to receive a monetary penalty for such breaches;
- remove the requirement that a minister must undertake reviews of penalties for breaches of sanctions law personally;
- allow the Treasury (OFSI) to publish notices on cases where it thinks a person has breached sanctions law but it has not (for whatever reason) imposed monetary penalties; and
- expand information-sharing powers relating to sanctions.

⁵² Gov.uk, [Fact sheet: unexplained wealth order reforms](#), updated 3 March 2022

3 The Bill (as introduced)

This section was written before the Act's Commons Second reading debate on 7 March 2022. It therefore refers to the Act and its measures as proposed legislation, and only mentions the measures that were in the Bill when it was first introduced to Parliament (using the original clause references)

The Bill contains 55 clauses, and five Schedules, divided into four parts:

- Part 1 (clauses 1 to 39, and Schedules 1 to 5) introduces a new beneficial ownership register for overseas owners of UK property;
- Part 2 (clauses 40 to 47) reforms the Unexplained Wealth Orders regime;
- Part 3 (clauses 48 to 51) concerns sanctions; and
- Part 4 (clauses 52 to 55) deals with general matters.

3.1 Part 1: Registration of overseas entities (clauses 1 to 39, and Schedules 1 to 5)

Introduction (clauses 1 and 2)

Clause 1 sets out the purpose of Part 1 of the Bill. It is to compel “overseas entities” that own land to register their beneficial owners.

“Overseas entities” means a legal entity (such as a company or partnership) set up outside the UK (**clause 2**).

The register and registration (clauses 3 to 6, and Schedules 1 and 2)

The Companies House registrar would be required to set up a register consisting of a list of overseas entities, along with documents and information delivered to the registrar to be included on the register (**clause 3**).

When registering, the overseas entity must identify its beneficial owners and provide information about them. If it doesn't have any beneficial owners to declare (or isn't sure), it must provide whatever information it can as well as information about its managing officers (such as directors) (**clause 4**):

- **Schedule 1** sets out the information to be provided about the overseas entity and (if necessary) its beneficial owners and managing officers. Different requirements apply to each person but it generally includes their name, address and (for beneficial owners) when they became a beneficial owner. It is based on that already used for companies under the people with significant control (PSC) regime.⁵³ The Secretary of State can make regulations to add or remove information requirements using the affirmative parliamentary procedure.⁵⁴
- Not all beneficial owners must register. **Schedule 2** sets out the threshold for becoming a registrable beneficial owner, based on that already used for companies under the people with significant control (PSC) regime. Generally, a beneficial owner must be registered if: they hold more than 25% of the shares or voting rights in an entity; can appoint a majority of its directors; or has some other significant influence or control over it (including through a trust or partnership structure).

Schedule 2 expands on each of these thresholds in technical detail, and gives the Secretary of State the power to amend the thresholds under certain circumstances using the affirmative procedure (for example, to keep track with complex structures that might develop in future).⁵⁵

When an overseas entity registers, the Companies House registrar will allocate them an “overseas entity ID” (**clause 5**) and send it to them along

⁵³ [Impact Assessment](#), para 43

⁵⁴ Schedule 1, para 9

⁵⁵ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), paras 102 and 103

with details about their date of registration, their duty to keep the register updated and their right to apply to be removed from the list (**clause 6**).

Updating the register (clauses 7 and 8)

Overseas entities would be required to update the information they have submitted to the registrar annually (at least) and include all changes within the year in that annual update. The first update would be due 14 days after the first anniversary of registration. The Secretary of State can change time periods for updates using the affirmative procedure (**clause 7**).

The PSC regime requires UK companies to update beneficial ownership information within 28 days, but that was rejected by the Government here on the basis that it would “create too much uncertainty for third parties seeking to transact” and add “unnecessary burdens”.⁵⁶

Failing to update the register would be a criminal offence (punishable by a fine and a further daily fine for continued non-compliance), committed by the overseas entity and every responsible officer of it (such as a director) (**clause 8**).

Removal from the register (clauses 9 to 11)

Once registered, an overseas entity can apply to be removed from the register (for example, if they have sold the land). They would need to provide beneficial ownership information for the period up until their application for removal (**clause 9**).

When the registrar receives an application for removal, they will confirm whether that entity is still registered at the land registry as the proprietor (owner) of that land. If they are not, the registrar will remove that entity from the register (**clause 10**). The entity would no longer update the register, but their record will remain on the register for two years from the date removal before being transferred to the Public Record Office (National Archives) (**clause 11**).⁵⁷

Obtaining, updating and verifying information (clauses 12 to 16)

Before applying for registration, or (if already registered) updating or seeking removal from the register, the overseas entity must take “reasonable steps”

⁵⁶ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 51

⁵⁷ See also [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 74

to identify beneficial owners that need to be registered, and obtain information about them. As a minimum, they must send an information notice to people it believes are beneficial owners giving them up to one month to confirm their ownership and provide information for the register (**clause 12**).

The overseas entity can also send an information notice to someone who is not a beneficial owner but who it believes could know who the beneficial owners are, or could know someone else who may know this information. This could include advisers (such as a real estate agent) (**clause 13**).

Failure to respond to an information notice under clauses 12 or 13 without a reasonable excuse, or responding with information they knew or suspected was false, is a criminal offence punishable by up to two years' imprisonment (**clause 15**).

The Secretary of State can make regulations setting out how these information notices should be structured and delivered (**clause 14**) and must make regulations requiring the verification of information supplied with applications for registration with, updates to, or removal from the register (**clause 16**). Both would be subject to the negative parliamentary procedure.

Exemptions (clauses 17 and 18)

The Secretary of State can modify the registration application (or update) process for certain overseas entities by making regulations using the negative parliamentary procedure (**clause 17**).

The example given in the Explanatory Notes is that if a certain jurisdiction introduces its own equivalent beneficial ownership register, the Government might allow overseas entities from that jurisdiction to simply provide the details of that register rather than submit the information again in the UK.⁵⁸

The Secretary of State can also, by giving written notice to someone (without any parliamentary procedure) exempt them from the registration requirement. An exempt person is not considered a registrable beneficial owner so wouldn't be disclosed on the register and wouldn't have to respond to any information notice submitted to them. But the Secretary of State can only grant exemptions for three reasons: in the interest of national security, the economic wellbeing in the UK, or for the purpose of preventing or detecting serious crime (**clause 18**).

⁵⁸ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 89

Language and annotation (clauses 19 and 20)

Clause 19 makes clear that documents delivered to the registrar must be in English.

To keep the register “as useful and transparent a source of information as possible”,⁵⁹ **clause 20** requires the registrar to annotate the register to place notes setting out the date documents were delivered or replaced, or details of material that has been removed. The Secretary of State can make regulations under the negative parliamentary procedure providing for further annotations the registrar can or must make.

Inspection of the register and protection of information (clauses 21 to 25)

The register will be publicly accessible, but the registrar can specify how applications should be made to inspect the register, and how many copies of entries requested will be provided (**clause 21**).

However, some information will not be made available for public inspection. This includes individuals’ dates of birth and residential address, because of the “potential risk”⁶⁰ to them (**clause 22**). It also includes information that is exempt from disclosure under clause 24.

Clause 24 allows the Secretary of State to make regulations for an application process by which the registrar can make certain information about beneficial owners or managing officers of registered overseas entities unavailable for inspection. The regulations could specify (for example) who can apply and the grounds on which such an application would be made, and would be subject to the affirmative parliamentary procedure.

Clause 23 provides two exceptions to the general rule that dates of birth and residential addresses would not be available for inspection. The first is if the information is already publicly available on the register by virtue of being disclosed in another document. The second is to a person with “functions of a public nature” who is specified in regulations the Secretary of State can make under the negative resolution procedure.

Clause 25 clarifies that no disclosures of information under clauses 21 or 23 are intended to authorise or require a breach of data protection law.

⁵⁹ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 3

⁶⁰ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 6

Correction or removal of material on the register (clauses 26 to 30)

If the registrar receives a document that seems inconsistent with information already on the register, it can deliver a notice to the overseas entity that submitted the document requiring it to explain and resolve the inconsistency within 14 days. If the overseas entity does not respond to the notice on time and with the necessary documents, it and every responsible officer of it commits a criminal offence, punishable by a fine (**clause 26**).

The registrar has the power to remove unnecessary material from the register, or material that has been replaced. If it does so it needs to give notice to the person that delivered the material or (if not known) the overseas entity to which the material relates, stating what is being removed and why (**clause 27**).

The Secretary of State, under the affirmative procedure, can make regulations (under **clause 28**) creating a process for people to apply to the registrar to rectify material on the register that is invalid, ineffective or factually inaccurate. The regulations could specify who can apply for rectification and how. Alternatively, the registrar must remove from the material from the register if a court orders that it be removed because it is invalid, ineffective or factually inaccurate (**clause 29**).

The Registrar would normally be required (under clause 20) to place a note on the register recording any material that has been removed. But **clause 30** allows for a court to direct for the removal of any such note that relates to material being removed because of a court order. A court can also direct that its order shouldn't become publicly available on the register. It can only make such a direction if it is satisfied that keeping the note (or the record of the court order) would cause damage to the overseas entity, and that the overseas entity's interest in non-disclosure outweighs the interests of anyone else in having the disclosure (**clause 30**).

False statements (clause 31)

Clause 31 would make it a criminal offence for someone to deliver misleading, false or deceptive information knowingly or recklessly to the registrar, punishable by up to two years' imprisonment.

Land ownership and transactions (clauses 32 and 33, and Schedules 3, 4 and 5)

Clause 32 introduces Schedules 3, 4 and 5, which (in summary) amend land law across the UK to provide that an overseas entity must have registered (and comply with the update duty in clause 7) to buy or sell (or mortgage) land in the UK.

There are certain exceptions, such as if the overseas entity is exempt or transfers under a court order. A transfer of land by the overseas entity in breach of the registration requirements is a criminal offence committed by the entity and every responsible officer of it, punishable by a fine or up to five years' imprisonment.⁶¹

Another exception is if the Secretary of State (in England and Wales) or Scottish Ministers (in Scotland) grants consent.⁶² A power is granted to the UK Government (under the affirmative procedure) to amend Northern Irish legislation to provide for a corresponding power in Northern Ireland.⁶³

The Schedules provide for a transitional period of 18 months after coming into force for overseas entities of existing land to either register or dispose (sell-off) their property. If they do neither, they commit a criminal offence. In England and Wales, the requirements only apply to land bought by entities on or after 1 January 1999, as this is when the Land Registry began recording the nationalities of legal entities⁶⁴. In Scotland it applies from 8 December 2014 and in Northern Ireland it will only apply prospectively (after the Act comes into force) so there is no need for a transitional period.⁶⁵

In England and Wales only the Land Registry will place “restrictions” on title registers within 12 months, however, to inform third parties checking the title register who are considering buying that property.⁶⁶ The Secretary of State is also granted powers to make secondary legislation (under the affirmative procedure) to “encourage” overseas entities holding land in Scotland to register within 18 months of the Act being passed.⁶⁷

Clause 33 grants the Secretary of State a power to send a notice to an overseas entity requiring it to register within six months if the entity owns land and has not yet registered. Failure to comply with the notice is a criminal offence committed by the entity and every responsible officer of it, punishable by up to two years' imprisonment. The Secretary of State can make

⁶¹ See Schedule 3, para 6, Schedule 4 para 7, and Schedule 5 para 5

⁶² See Schedule 3, para 4(2) and Schedule 4, para 9(2)

⁶³ See clause 32(4)

⁶⁴ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 109

⁶⁵ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 31

⁶⁶ See (in relation to England and Wales) Schedule 3, paras 5 and 6, and [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 128 and para 31

⁶⁷ Schedule 4, Part 3

regulations (under the affirmative procedure) exempting certain overseas entity from having to register.

Supplementary provision about offences (clauses 34 to 37)

Clause 34 clarifies that references to “officers” of an entity in Part 1 of the Bill includes anyone whose directions the management body of the entity is used to following, but excludes someone giving advice in a professional capacity.

Clause 35 gives guidance on calculating fines, where Part 1 allows for daily default fines to be issued as punishments for continued breaches obligations.

Clause 36 says that in England, Wales or Northern Ireland prosecutions for criminal offences under Part 1 can only be brought with the consent of the Secretary of State or the Director of Public Prosecutions. **Clause 37** incorporates two criminal procedure requirements from the Companies Act 2006 (such as time limits).

Financial penalties and interpretation (clauses 38 and 39)

Under **clause 38**, the Secretary of State can make regulations (under the affirmative procedure) giving the registrar a power to issue financial penalties on a person if they are satisfied, beyond reasonable doubt, that a person has committed a criminal offence under Part 1. They must state that no penalties can be issued if the person has already been convicted of a criminal offence for that same conduct (and vice versa).

These regulations can include information about the procedure to be followed, the amount of these penalties, and how they should be enforced. They can also amend primary legislation.

Any amounts recovered would be paid into the [Consolidated Fund](#).

Clause 39 is an interpretation clause defining key terms from Part 1.

3.2

Part 2: Unexplained Wealth Orders (clauses 40 to 47)

Responsible officers of property holders (clauses 40 and 41)

Clause 40 would amend the Proceeds of Crime Act 2002 (PoCA) to create a new category of people who can receive a UWO – “responsible officers”.

If the named respondent of a UWO is not an individual (for example, a company) the UWO can also name the responsible officer who must provide the necessary information. This is to try navigate the use of “complex structures”⁶⁸ to hide the true owner of property, and would allow information to be sought “more easily”.⁶⁹

A “responsible officer” includes a director, manager or partner of a partnership, both in or outside the UK.

Clause 40 would make these changes across England, Wales and Northern Ireland, and **clause 41** would make equivalent amends in Scotland.

Alternative test to the income requirement (clauses 42 and 43)

Clause 42 would amend PoCA to create a new alternative test for the granting of a UWO. Currently, the court must be satisfied “there are reasonable grounds for suspecting that the known sources of the respondent’s lawfully obtained income would have been insufficient for the purposes of enabling the respondent to obtain the property.” The clause would add an alternative to this: that “there are reasonable grounds for suspecting that the property has been obtained through unlawful conduct”.

The Government believes this will help law enforcement to meet the evidential standard to obtain a UWO, even where the property is held through a complex structure so it’s hard to find gather evidence of income for the owners of the property.⁷⁰ This is because it would allow a UWO to be obtained on the basis that dirty money was used to buy the property, rather than having to show evidence relating to the income of the owner of the property.

⁶⁸ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 197

⁶⁹ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 197

⁷⁰ Impact Assessment, para 21(b)

The Government undertook a “targeted consultation” on this matter throughout November 2021, obtaining responses from ten organisations. Of these, 40% agreed that the current wording (focusing on income) did not support the policy intention of UWOs and an additional (or replacement) test based on the source of funds would be better.⁷¹

Clause 42 would make this change in England, Wales and Northern Ireland, while **clause 43** would make the equivalent change in Scotland.

Power to extend period for interim freezing orders (clauses 44 and 45)

When applying to the court for a UWO, the relevant enforcement authority might also apply at the same time for an interim freezing order. The freezing order would prohibit the person receiving the UWO, and any other person with an interest in that property, from dealing with the property (for example selling it).⁷²

Clause 44 would allow for the court to grant an additional 126 days to enforcement authorities to review (and act on) material provided in response to a UWO, before the interim freezing order expires. It would allow for the initial 60-days to be extended twice, in intervals of up to 63 days each. To grant the extension, the court must be satisfied that the enforcement authority is “working diligently and expeditiously”, that further time is needed, and that the extension is reasonable.⁷³

If the court rejects an extension application, an extra five working days would automatically be granted before the interim freezing order expires.⁷⁴

In the Government’s November 2021 “targeted” consultation, “About 80 per cent of respondents agreed that the interim freezing order should be extended to 186 days”.⁷⁵ The Government believes the extension strikes an “appropriate balance between the rights of the individuals and the time needed for law enforcement to have sufficient time to investigate a case”.⁷⁶

Clause 44 would make this change across England, Wales and Northern Ireland, and **clause 45** would do the same for Scotland.

⁷¹ As above, Annex A p17

⁷² Proceeds of Crime Act 2002, sections 362J and 396J

⁷³ Clause 44, new clause 362

⁷⁴ As above, 362DB(5)

⁷⁵ Impact Assessment, Annex A

⁷⁶ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 202

Costs of proceedings (clauses 46 and 47)

Clause 46 would insert a new provision into PoCA limiting the liability of enforcement authorities to pay costs in legal proceedings relating to UWOs (or interim freezing orders). A court could not make an order requiring the enforcement authority to pay costs to the respondent (the other side in the case) unless the authority has acted unreasonably, dishonestly or improperly.

In the Government’s consultation, 50% of respondents agreed that enforcement authorities’ costs should be limited in respect of cases relating to UWOs and interim freezing orders.⁷⁷ The Government believes this change will “remove a barrier” to enforcement authorities applying for these orders, therefore improving their “risk appetite and operational confidence”.⁷⁸

Clause 46 would make this change across England, Wales and Northern Ireland, and **clause 47** would do the same for Scotland.

3.3

Part 3: Sanctions (clauses 48 to 51)

Section 146 of the Policing and Crime Act 2017 (PCA) says that the Treasury (in practice, the Office of Financial Sanctions Implementation (OFSI)) can impose a fine on someone if it’s satisfied the person has breached sanctions laws, and knew (or suspected) they had breached those laws. **Clause 48** would remove the requirement that people must have known or suspected that they breached sanctions law. OFSI would therefore only need to show that the person breached sanctions laws. This lowers the evidential threshold for being able to issue penalties and would “make it easier for [OFSI] to impose significant fines”.⁷⁹

Section 147 of the PCA currently says that before the Treasury (OFSI) imposes a penalty for breaches of sanctions under section 146 on a person, it must inform that person of their right to seek a review by a Minister (in practice, the Economic Secretary to the Treasury).⁸⁰ If that person seeks a review, it must be carried out personally by the relevant minister (s. 147(5)). **Clause 49** would amend the PCA to remove the requirement that the minister must undertake

⁷⁷ Impact Assessment, Annex A

⁷⁸ As above, para 20

⁷⁹ Government press release, [Government takes landmark steps to further clamp down on dirty money](#), 28 February 2022

⁸⁰ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 209

the review personally. Instead, officials would be able to do so on their behalf where it is considered appropriate.⁸¹

Clause 50 would amend the PCA to allow the Treasury (OFSI) to publish notices on cases where it thinks a person has breached sanctions law but it has not (for whatever reason) imposed monetary penalties. This could have the effect of “stigmatising” people OFSI believes are involved in breaches even where they have not been fined.

The Sanctions and Anti-Money Laundering Act 2018 (SAML) contains a power for a minister to make regulations relating to sanctions (section 1). This power could include requiring persons to inform a Government authority of certain information. **Clause 51** would allow this power to be used to authorise, as well as require, the sharing of information. The Government says this will help to ensure other government department, agencies and relevant bodies are authorised to share information proactively with the Treasury.⁸²

3.4 Part 4: General (clauses 52 to 55)

Clause 52 concerns the powers set out in various parts of the Bill to make secondary regulations, clarifying for example the meaning of the affirmative and negative resolution procedures.

Clause 53 says the Bill would extend across the UK. It sets out certain parts of the Bill that make different provision for different jurisdictions (catering, for example, for differences in land law between England and Wales, Scotland and Northern Ireland in Part 1) but the overriding policy objectives are similar across the UK.

Clause 54 says Parts 1 and 2 (on the registration of overseas entities and Unexplained Wealth Orders) would come into force on a day set out by the Secretary of State in regulations. Part 3 (on sanctions) would come into force on a day set out by the Treasury in regulations. It therefore isn't clear on the face of the Bill when the provisions are intended to come into force, but the Government notes in its factsheets that it intends for Part 1 to be implemented “at pace”⁸³, and for Part 2 to be implemented “as soon as is practicable”, after Royal Assent.⁸⁴

⁸¹ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 210

⁸² [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), para 212

⁸³ Government factsheet, [The Register of Overseas Entities](#), 3 March 2022

⁸⁴ Government factsheet, [unexplained wealth order reforms](#), 3 March 2022

Clause 55 sets out the title of the Bill when passed: the Economic Crime (Transparency and Enforcement) Act 2022.

4 Initial Commentary

This section was written before the Act's Commons Second reading debate on 7 March 2022. It therefore refers to the Act and its measures as proposed legislation.

4.1 General

Fast-track procedure

The Bill is being fast-tracked through Parliament. It was introduced and had its first reading on Tuesday 1 March 2022 and all remaining stages are scheduled for Monday 7 March.⁸⁵

The Government's justification for fast-tracking the Bill is that it is part of its "urgent response to the Russian invasion of Ukraine".⁸⁶ According to the Financial Times, the Government hopes to bring the Bill into law by May.⁸⁷ At Prime Minister's Questions on 2 March, Leader of the Opposition Keir Starmer said Labour supports the Bill and intends to vote it through "with speed".⁸⁸

Delegated Powers and Human Rights Memoranda

The Delegated Powers Memorandum accompanying the Bill states the Bill contains 28 delegated powers, of which six are [Henry VIII powers](#) (which it mentions are found in clauses 7, 32, 38, Schedule 1 (para 9) and Schedule

⁸⁵ See the [Bill page](#)

⁸⁶ [Explanatory Notes to the Economic Crime \(Transparency and Enforcement\) Bill 2022](#) (PDF), paras 43 and 44

⁸⁷ Financial Times, [What are the main points of the UK's economic crime bill?](#) 1 March 2022

⁸⁸ [HC Deb 2 March 2022, vol 709 col 1034](#)

(para 25).⁸⁹ All would be subject to the affirmative resolution procedure, and are usually justified on the basis of a need to maintain flexibility.⁹⁰

The Government’s Human Rights Memorandum confirms that it considers the provisions of the Bill to be compatible with the European Convention on Human Rights.⁹¹

Timing

Keir Starmer referred to the Bill as “long-overdue”.⁹²

Helena Wood from the Centre for Financial Crime and Security Studies (CFCS) at the Royal United Services Institute (RUSI) also referred to the Bill as “years overdue”.⁹³ Susan Hawley, Executive Director at campaign group Spotlight on Corruption, also referred to the legislation as “very very long overdue”⁹⁴, noting that campaigners had “been waiting six years” for some of these measures.⁹⁵

The Bill’s main measure – Part 1 (introducing a register of overseas entities owning UK property) – has been Government policy since the 2016 Anti-corruption summit hosted by then-Prime Minister David Cameron (see section 2.2 of the Library briefing on [Registers of beneficial ownership](#)).

The Guardian notes that “Long-time anti-corruption campaigners are relieved [by the Bill’s introduction], if frustrated at how long it has taken Britain to relinquish its role as obsequious financial butler”.⁹⁶

Prime Minister Boris Johnson said the legislation shows the Government is going “faster and harder to tear back the façade that those supporting Putin’s campaign of destruction have been hiding for so long”.⁹⁷

⁸⁹ It’s unclear whether the sixth clause has been omitted or whether one of these clauses is intended to have two Henry VIII powers within it. ‘Henry VIII clauses’ are clauses that enable ministers to amend or repeal provisions in an Act using secondary legislation.

⁹⁰ See for example para 24 of the Delegated Powers Memorandum

⁹¹ [Human Rights Memorandum](#), para 17

⁹² [Human Rights Memorandum](#), para 17

⁹³ [Twitter](#), Helena Wood, 28 February 2022 at 08:24

⁹⁴ [Twitter](#), Susan Hawley, 28 February 2022 at 07:41

⁹⁵ The Guardian, [‘It’s about bloody time’: UK finally moves to block Russia’s ‘dirty money’](#), 28 February 2022

⁹⁶ [As above](#)

⁹⁷ Government press release, [Government takes landmark steps to further clamp down on dirty money](#), 28 February 2022

Other general comments

The CFCS at RUSI has referred to the Bill as a “long overdue turning point in the fight against dirty money” but warned: “legislation alone, won’t win the battle. We must arm enforcement agencies with the resources they need to enforce the law”.⁹⁸ Its Senior Research Fellow Kathryn Westmore noted that legislation “will take time to have effect” and “In the meantime, it is important that we use the tools that we already have”.⁹⁹

Maria Nizzero of RUSI also called for related legislation on the reform of Companies House (on which, see section 2.1 of the library briefing on [Registers of beneficial ownership](#)) to be “urgently prioritised”,¹⁰⁰ noting that these reforms have not been included in the Bill but instead have been set out in a [White Paper](#). The Financial Times also notes criticism of the omission of Companies House reform from the Bill.¹⁰¹

The Institute of Chartered Accountants in England and Wales said they “support the government’s decision to expedite publication of the Economic Crime Bill”.¹⁰²

Anti-corruption group Spotlight on Corruption notes that the Bill, “while very welcome, must be quickly followed by a second Economic Crime Bill in the next parliamentary session to address critical gaps”.¹⁰³

4.2

Specific measures

Part 1 (Register of overseas entities)

At Prime Minister’s Questions on 2 March, Keir Starmer criticised the 18 month transitional period included in Part 1 of the Bill (relating to Great Britain) for overseas entities to register beneficial ownership information. He said that, at best, this deadline would be Autumn 2023, giving “Putin’s cronies 18 months to quietly launder their money out of the UK property market”. Susan Hawley also criticised the existence of a lag in full implementation of the register.¹⁰⁴

The Financial Times quotes “critics” saying individuals would be able to bypass the legislation by hiding “their true identities through nominee

⁹⁸ [Twitter](#), 28 February 2022, 18:59

⁹⁹ [Twitter](#), CFCS (RUSI), 28 February 2022 18:59

¹⁰⁰ [Twitter](#), CFCS (RUSI) 1 March 2022 at 11:20

¹⁰¹ Financial Times, [What are the main points of the UK’s economic crime bill?](#) 1 March 2022

¹⁰² ICAEW, [Ukraine: government brings forward Economic Crime Bill](#), 1 March 2022

¹⁰³ [Twitter](#), Spotlight on Corruption, 1 March 2022 16:35

¹⁰⁴ [Twitter](#), Susan Hawley, 28 February 2022 07:41

agreements with professional service firms.” This would mean that “individuals who owned or controlled the law firm or property company in question would appear on the register, rather than the individual who controls or benefits from the property.”¹⁰⁵

Campaigners have also reportedly criticised the penalties for non-compliance – reportedly fines of up to £500 a day (or a [five-year prison sentence](#) for individuals) – for being too small to be a deterrent.¹⁰⁶ Steve Goodrich from anti-corruption group Transparency International UK, said the £500-per-day fine for non-compliance would be laughed off by corrupt officials.¹⁰⁷

The Government’s Impact Assessment notes that as of 31 March 2021, there were about 12,475 overseas companies registered in the UK. Of these, around 3,926 have a parent entity incorporated in an EU Member State, and therefore already provide similar information.¹⁰⁸ It states that the Government intends (under [clause 17](#)) to require these entities to comply with a lighter regime, so the full set of registration requirement is intended to apply to 8,549 existing overseas entities in the UK (on the “conservative assumption” that all these entities already own UK property),¹⁰⁹ with around 433 new registrations every year. The register is expected to be fully implemented from 2025.¹¹⁰

The Government’s factsheet on Part 1 says that it expects the Register to “have an immediate dissuasive effect on those who were intending to buy UK property with illicit funds” and will be implemented “at pace” following Royal Assent.¹¹¹

Part 2 (Unexplained Wealth Orders)

Susan Hawley of Spotlight on Corruption said the Bill’s amendments relating to UWOs “are good” but cautioned that there needs to be a focus on confiscating and seizing assets, rather than investigating them (which UWOs facilitate).¹¹²

Alun Milford, a former prosecutor and now partner at law firm Kingsley Napley, said before the Bill was published that measures to limit the cost of UWOs for enforcement agencies (in clauses 46 and 47) would help. He argued that public sector budgets meant crime fighting agencies had “little capacity

¹⁰⁵ Financial Times, [What are the main points of the UK’s economic crime bill?](#), 1 March 2022

¹⁰⁶ [As above](#)

¹⁰⁷ The Guardian, [Register of offshore owners of UK properties full of loopholes, say experts](#), 1 March 2022

¹⁰⁸ Impact Assessment, para 72

¹⁰⁹ As above, para 77

¹¹⁰ As above, para 103

¹¹¹ Government factsheet, [The Register of Overseas Entities](#), 3 March 2022

¹¹² Financial Times, [What are the main points of the UK’s economic crime bill?](#) 1 March 2022

to pay a costs bill in the sum of seven figures”, adding that “either the government needs to do something creative about [...] financial support [...] so that adverse costs are covered, or change the rules.”¹¹³

A “targeted” Home Office consultation on the proposed reforms to the UWOs regime took place in November 2021, with ten responses received (a 28% response rate). 50% of respondents supported proposals to limit legal costs of law enforcement agencies, 80% agreed with proposals to extend the period for interim freezing orders, and 80% appeared to agree with the principle of extending the UWO regime to those who have control over property even if not the beneficial owner.¹¹⁴

The Government’s factsheet on Part 2 says that it is “difficult to estimate the likely increase in recovery following the use of a UWO, as a result of the proposed changes” but that “even a single UWO will have a high impact”. It intends to bring these powers into force “as soon as is practicable after Royal Assent”.¹¹⁵

Part 3 (Sanctions)

Susan Hawley (Spotlight on Corruption) noted that none of the sanctions measures would necessarily enable more criminal prosecutions for sanctions breaches. She said that what is required is “either a failure to prevent sanctions evasion offence or a conspiracy to commit sanctions evasion offence”.¹¹⁶ Spotlight on Corruption tweeted that “OFSI...only has around 40 staff compared to the US sanctions body, OFAC which has over 250. No wonder it's only issued 6 fines in the past 5 years. New powers in the Economic Crime Bill will only work if it's given a massive boost in resources.”¹¹⁷

However, law firm White & Case said the measures “are likely to result in more and larger fines for sanctions breaches”.¹¹⁸ Law firm Pinsent Masons agreed that as a result of the measures, “Businesses that breach UK sanctions are more likely to be hit with fines”.¹¹⁹

¹¹³ Financial Times, [UK set to cap costs for agencies pursuing unexplained wealth orders](#), 17 February 2022

¹¹⁴ [Home Office Impact Assessment](#), p17

¹¹⁵ Government factsheet, [unexplained wealth order reforms](#), 3 March 2022

¹¹⁶ Financial Times, [What are the main points of the UK's economic crime bill?](#) 1 March 2022

¹¹⁷ [Twitter](#), Spotlight on Corruption, 3 March 2022 at 10:15

¹¹⁸ White & Case, [UK Government Introduces New Legislation to Tackle Economic Crime and Sanctions Evasion](#), 3 March 2022

¹¹⁹ Pinsent Masons, [UK to boost sanctions enforcement and corporate transparency](#), 1 March 2022

The Treasury says in its Impact Assessment that the Bill's measures "greatly enhance" OFSI's ability "to enforce financial sanctions effectively".¹²⁰

¹²⁰ Treasury [Impact Assessment](#), para 1

5 Commons stages

Second reading, Committee stage, Report stage and Third reading all took place on 7 March 2022. The Bill passed each stage without a division.

5.1 Second reading

Government contribution

Home Secretary Priti Patel opened the debate, saying that passing the Bill would enable the Government to “crack down on the people who abuse the UK’s open society” and had “abused the financial system and the rule of law for too long”.¹²¹ She took a number of interventions relating to the assistance the UK Government was providing to Ukrainian refugees, and allegations that members of the House of Lords were “enablers and facilitators” of the Russian government.¹²²

Mrs Patel noted that the measures in Part 1 of the Bill (Register of Overseas Entities) would “have an immediate effect, dissuading those intending to buy UK property with illicit funds”.¹²³ Part 2 “removes key barriers to the use of unexplained wealth orders”, related to which she confirmed that “we will be [better] resourcing” the National Crime Agency.¹²⁴ Part 3 “toughens up the enforcement of financial sanctions”, which would be “a major boon to the Treasury’s ability to clamp down on financial sanctions breaches”.¹²⁵ She also described amendments that the Government had tabled for Commons Committee stage which would streamline “existing legislation so that we can move more swiftly and effectively to sanction oligarchs and businessmen associated with the Russian Government”.¹²⁶

¹²¹ [HC Deb 7 March 2022, vol 710, cols 29](#)

¹²² As above

¹²³ As above, col 30

¹²⁴ As above, col 34

¹²⁵ As above, cols 35 and 36

¹²⁶ As above, col 37

She confirmed that there would be a “second economic crime Bill, a follow-on Bill in the next parliamentary Session, with further measures. We simply cannot get all the measures in right now.”¹²⁷ This second Bill will include reform of Companies House and limited partnerships, and measures to “seize crypto-assets from criminals” and “give businesses more confidence to share information on suspected money laundering”.¹²⁸

In closing, Business Minister Paul Scully explained that the delay in bringing forward the Register of Overseas Entities was due to the “pressures of covid on parliamentary time”. On the transitional period, he said he could “see merit in requiring all who are selling property to submit a declaration of their details at the point of the transfer of land title during that transition period.” He also said that the Government had “developed a sustainable funding model” to ensure adequate resourcing of law enforcement.¹²⁹

Labour and SNP frontbench contributions

Labour

Shadow Home Secretary Yvette Cooper said she “welcome[s] the Bill”, calling it “shameful” that “corrupt elites from all over the world can launder their money and their reputations through our capital city”.¹³⁰ But she said that many of the Bill’s “measures should have been introduced some years ago”.¹³¹ She criticised the Government’s policy on assistance to Ukrainian refugees and took several interventions on this matter.¹³²

On Part 1 (Register of Overseas Entities), Mrs Cooper said she welcomed the Government’s recognition that the Bill (as introduced) did not go far enough. She claimed that the Government had agreed to accept Labour amendments (tabled for Committee stage) on stronger fines and property identity checks. But she expressed disappointment that the Government had only indicated that it would agree to reduce the “transitional period” for overseas entities to register from 18 months 6 months rather than 28 days, which she said gives people a chance to sell their properties and “stash illicit money somewhere else”.¹³³ On Part 2 (Unexplained Wealth Orders), she said Labour supported the measures and welcomed the Government’s indication that they would

¹²⁷ As above, col 31

¹²⁸ As above, col 32

¹²⁹ As above, cols 76-80

¹³⁰ As above, col 38

¹³¹ As above, col 39

¹³² As above, cols 40 to 43

¹³³ As above, col 43

accept their amendment “requiring more action to monitor progress” on UWOs.¹³⁴

She also said that draft legislation on Companies House should be published “imminently”, and that “more action” was needed on dealing with abuse of the Government’s “golden visas” scheme.¹³⁵

In closing, Shadow Business Secretary Jonathan Reynolds said there is “much more to do” but expressed hope that the legislation would “mark a turning point in the UK no longer being known as a destination of choice for hiding ill-gotten gains”.¹³⁶

SNP

SNP Treasury spokesperson Alison Thewliss said the SNP was “delighted to see this well-overdue Bill”, but said it “does not go far enough to deal with the people who are facilitating this economic crime”, particularly “lawyers and accountants”.¹³⁷

On Part 1 (Register of Overseas Entities), she asked how the proposed UK-wide register would interact with Scotland’s [Register of Controlling Interests](#) and agreed with Mrs Cooper that reducing the transitional period for registrations to six months was not enough.¹³⁸ She also argued that proposed fines for non-compliance were too low, and that, currently, rules were not being properly enforced. Business Spokesperson Stephen Flynn agreed that the six-month transitional period was too short, and that the Government needed to ensure proper funding and enforcement for these measures.¹³⁹

Foreign Affairs spokesperson Alan Smyth reiterated the SNP’s support for the Bill but said “more action” was required on reform of Companies House, corporate liability, as well as the UK’s general anti-money laundering regime, and ensuring that the Bill’s measures do not simply result in a “movement into trusts in overseas territories”.¹⁴⁰

Backbench speeches

Dozens of backbenchers contributed to the debate, from the Conservatives, Labour, the SNP, the Liberal Democrats and the DUP.

¹³⁴ As above

¹³⁵ As above

¹³⁶ As above, col 75

¹³⁷ As above, col 46

¹³⁸ As above, col 47

¹³⁹ As above, col 67-68

¹⁴⁰ As above, col 65

Co-Chairs of the APPG on anti-corruption and responsible tax Dame Margaret Hodge and Nigel Mills both welcomed the Bill, but Mr Mills said he was “nervous that the speed of its drafting and some of the technical provisions may lead these provisions not to work as they should”.¹⁴¹

The Government’s Anti-corruption Champion John Penrose said he was delighted that the Bill was being introduced “At bleeding last!” but noted that it was merely the “first step” on the road of closing loopholes in existing laws. In particular, he asked about the absence of “proper measures to deal with whistleblowers” and requirements to disclose those involved in trust structures, which he said “could easily be misused”.¹⁴²

Conservative MP for the Cities of London and Westminster Nickie Aiken recognised the large amount on Russian investment in her constituency. She called on the Government to consider: banning the sale of property by unregistered overseas entities from the day the Act comes into force, and “strengthening our compulsory purchase order laws to allow local authorities to sell long-term empty properties that do not comply with the proposed new register”.¹⁴³

5.2

Remaining Commons stages

In total (including [manuscript amendments](#)) 63 amendments and 35 new clauses were tabled for Committee stage.¹⁴⁴ 20 of these were tabled in the name of the Government, 18 by the Labour frontbench, 12 by the SNP frontbench, 12 by Dame Margaret Hodge, 7 by Stella Creasy, and 5 by Chris Bryant.¹⁴⁵

Of these 98 new clauses and amendments:

- 28 were agreed to without a division (all tabled in the name of Home Secretary Priti Patel);
- 3 were rejected following a division;

¹⁴¹ As above, col 52 to 54

¹⁴² As above, cols 56 and 57

¹⁴³ As above, col 71

¹⁴⁴ See Economic Crime (Transparency and Enforcement) Bill, [Chairman of Ways and Means’s provisional grouping and selection of Amendments](#), 7 March 2022. This paper lists amendments up to 64 and NCs up to 41, but there are gaps in the sequences to avoid duplications and withdrawn amendments.

¹⁴⁵ As above

- 1 was not chosen for debate; and
- 66 were debated but not called for a vote.

Amendments that were agreed, or rejected following a division, are explained below.

The 28 amendments agreed to without a division

Amendment Number	What clause did it amend?	Explanation of amendment
45, 46, 47, 48, 50 and 51	8 and 26	<p>An overseas entity that fails to comply with the duty to update the register under clause 7, and every responsible officer of it, commits a criminal offence (including officers not initially responsible but who became responsible for a continued failure to update).</p> <p>When an overseas entity is notified by the registrar of inconsistencies in the register, failure to respond to the registrar with the necessary documents within the period it specifies is also a criminal offence by the entity and every responsible officer of it.</p> <p>The amendments increase the maximum daily fine for these offences in the UK from £500 to £2500</p>
49	16	Regulations made under clause 16 (Verification of registrable beneficial owners and managing officers) must come into force before overseas entities can apply for registration
59	51	Non-material drafting amendment that provides for the Sanctions and Anti-Money Laundering Act 2018 to instead be referred to as the “2018 Act” for convenience
52, 53 and 54	53	These amend the “Extent” clause to allow for NC31 on “Annual reports on use of unexplained wealth orders: England and Wales)” to apply in England and Wales only
60, 61 and 62	54	These provide for the newly-inserted Chapter 2 of Part 3 to come into force on the day the Act is

		passed, and for the Secretary of Secretary of State to make transitional regulations relating to it
55, 56, 57, 58	Schedules 3 and 4	This reduces the transitional period within which overseas entities must register (and any restrictions placed on titles take effect) from 18 to 6 months

In his Committee stage speech, Business Minister Paul Scully explained some of these amendments:

We will increase the ceiling of criminal penalties for non-compliance from £500 a day to up to £2,500. Again, we have listened to representations from Members across the House. We are increasing the limit to allow for stronger enforcement mechanisms, but, by making it “up to” that amount, we are also making sure that we do not criminalise people who do not have their house in order but who are using these entities for perfectly legitimate reasons.

We are reducing the transition period for existing overseas entities to register their beneficial owners from 18 months to six months. We want to ensure that there is no place for corrupt elites and kleptocrats to hide, but there are many legitimate individuals and businesses that are likely to be holding property through overseas entities for understandable reasons, such as personal security.¹⁴⁶

The following new clauses were also inserted:

New Clause	What section in the Act did it become?	Explanation
NC31 (Annual reports on use of Unexplained Wealth Orders: England and Wales)	51	Inserts a new clause into the Proceeds of Crime Act 2002 to require the Secretary of State to lay an annual report before Parliament on the number of applications made, and UWOs granted, in England and Wales
NC32 (Streamlining process of making sanctions regulations)	57	Deletes section 2 of the Sanctions and Anti-Money Laundering Act 2018 (the Sanctions Act), which sets out additional requirements when making sanctions for purposes other than compliance with a UN or international obligation (for example, the requirement to lay a report before Parliament

¹⁴⁶ [HC Deb 7 March 2022, vol 710 col 98-99](#)

		explaining why sanctions are a reasonable course of action)
NC33 (Urgent designation of persons by name)	58	<p>Section 11 of the Sanctions Act contains a procedure for Ministers to follow when sanctioning people by name. The Minister must, for example, consider that the designation is appropriate having regard to the purpose of the sanctions and its effect on the person being sanctioned (the “appropriateness test”), and that the Minister has reasonable grounds to suspect that the person is involved in or connected to a particular activity set out in the regulations sanctioning the individual (the “involved person” test).</p> <p>NC33 creates a new “urgent procedure” for designating people by name, which can be used when the Minister consider it to be in the public interest. The new urgent procedure no longer requires the appropriateness test to be met, nor does it require that the person is an involved person. It would be enough that the person has already been sanctioned in the USA, the EU, Australia, Canada or another country that Minister can specify in regulations.</p> <p>Designations under the urgent procedure can remain in force for up to 112 days before the Minister would need to satisfy the involved person test to maintain the sanctions.</p>
NC34 (Urgent designation of persons by description)	59	<p>Amends section 12 of the Sanctions Act, which allows for people to be sanctioned by description rather than name, to provide a new urgent procedure similar that introduced in NC33 above.</p> <p>For the standard procedure, it also removes the appropriateness test, and the condition that the power to sanction by description can only be used where it is not practicable to identify by name all the people falling within the description.</p>
NC35 (Specified ships)	60	<p>Section 14 of the Sanctions Act allows a Minister to sanction a ship. NC35 removes the requirement that this can only be done when the Minister considers it</p>

		appropriate to do so, having regard to the purpose of the sanctions.
NC36 (Existing sanctions regulations)	61	Provides that sanctions imposed before the passing of this legislation should be read as if they always were made under the conditions added or removed by the new clauses above. This allows for the possibility of making (maintaining) them under the urgent procedure, and where applicable excludes the requirement to meet the “appropriateness test”.
NC37 (Removal of reviews)	62	Removes the requirements in sections 24, 28 and 30 of the Sanctions Act to review sanctions every three years, and report on sanctions to Parliament every year.
NC38 (Removal of reporting requirements)	63	Removes the requirements in the Sanctions Act for Ministers to report to Parliament on (i) the creation of criminal offences in sanctions regulations; (ii) what sanctions regulations have been made and whether any of them had a human rights purpose; or (iii) amendments to sanctions regulations.
NC39 (Court reviews: restrictions regarding damages)	64	Removes the ability of a court to award damages for claims relating to sanctions where the Government has acted negligently. Damages can only now be awarded when the Government has acted in bad faith. The Government can also make regulations (under the affirmative procedure) limiting the amount of such damages. This clause would apply retrospectively to all court claims started after 4 March 2022.
NC41 (Consequential provision)	66	Allows for (non-substantive) consequential amendments to be made to the Sanctions Act, or regulations under it, by secondary legislation as a result of the amendments and new clauses in this legislation. If amending primary legislation (the Sanctions Act) the affirmative procedure must be used.

In the Committee stage debate, Business Minister Paul Scully explained the rationale for some of these new clauses:

New clause 32 will simplify the procedural requirements that can delay the implementation of sanctions. New clauses 33 and 34 are designed to streamline the designation of individuals and entities, allowing us better to

respond to fast-moving events. New clause 36 will ensure that the proposed changes in new clauses 33 to 35 will apply to sanctions regulations that are already in place. New clause 37 will remove the requirement for Ministers to review each sanctions regime every year and to review each designation every three years. That will free up vital resource to focus on developing new designations.¹⁴⁷

Amendments rejected following a division

Three amendments were rejected following a division.

New Clause 2

NC2, in the name of Dame Margaret Hodge, would have required the Secretary of State to lay a report within Parliament within 28 of the Act passing, relating to the funding of enforcement agencies responsible for Unexplained Wealth Orders. In her speech, Dame Margaret Hodge explained that her new clause “is there to ensure that we get the enforcement right—that we have not only the powers but the resources we need to make sense of and put into effect the important legislation we are passing today.”¹⁴⁸

Mr Scully explained that the Government did not believe the amendment was needed, saying that “the NCA and enforcement agencies like it have a duty to be open and transparent in their deployment of public funds. The agencies publish annual reports on their expenditure that can be found online. The Government have developed a sustainable funding model that demonstrates our commitment to tackling economic crime.”¹⁴⁹

On division, the new clause was defeated by 229 votes to 303.

New Clause 7

In the name of the Labour Opposition, NC7 would have required the Secretary of State to publish draft legislation on reform of Companies House. Shadow Minister Seema Malhotra explained that:

Changes to Companies House’s regulation are long overdue. It beggars belief that despite how long the issue has been on the agenda, all we have had from the Government in the past week is a White Paper. I know that the Minister knows this is urgent. The legal framework in which Companies House operates needs an overhaul. It has been called for by business, by law enforcement agencies and by civil society. Companies House is a key tool in our fight against economic crime.¹⁵⁰

¹⁴⁷ [HC Deb 7 March 2022, vol 710 col 97](#)

¹⁴⁸ As above, col 119

¹⁴⁹ As above, col 141

¹⁵⁰ As above, col 101

Opposing the new clause, Mr Scully said it “serve little purpose to introduce new legislation at the end of this parliamentary Session as it would actively harm the quality of the measures we are introducing in the broader economic crime Bill early in the third Session”.

On division, the new clause was defeated by 225 votes to 306.

New Clause 29

Tabled by David Davis, this new clause would make it a criminal offence for individuals that the Secretary of State has named as being considered as a subject for sanctions from selling their assets or moving funds or assets out of the UK. Mr Davis explained that his new clause:

will allow the Government to publish a hitlist—forgive the tabloid term—or a list of individuals who are being considered for sanctions. In the same way as someone may wait on bail before they face trial, the freedoms of those on the list will be restricted for the period so that they do not flee. Once a person’s name appears on the list, their ability to sell, liquidate or transfer out of our jurisdiction their assets—cars, homes, businesses, jets, investments, cash and so on—will be frozen.

Mr Scully explained concern that this new clause would “give a huge amount of powers not just to the Foreign Secretary in relation to Putin’s regime, but to future Foreign Secretaries. We need to tread carefully and look at that carefully before the House acts in that way.”¹⁵¹ He also explained that the Government had tabled several new clauses relating to sanctions that “aim to ensure that we can respond even more effectively to world events using sanctions.”¹⁵²

New clause 29 was defeated by 234 votes to 300 on division.

The Bill, as amended, was then reported back and given its third reading without a division.¹⁵³

¹⁵¹ As above, col 98

¹⁵² As above, col 141

¹⁵³ As above, col 164

6 Lords stages

The Bill was given its first reading in the House of Lords on Tuesday 8 March 2022 – the day after it completed its passage through the Commons. Second reading was on 9 March 2022, with remaining Lords stages on 14 March.

6.1 Second reading

27 peers spoke in the Second reading debate, including 9 crossbenchers, 4 Conservatives, 4 Labour, 4 Liberal Democrat and 2 Green party peers. Peers generally welcomed the Bill, which passed without a division, but many thought it had come too late and raised specific points about how they thought measures could be improved.

In her opening speech, Home Office Minister Baroness Williams noted that the Bill passed with cross-party support in the Commons.¹⁵⁴

For the Opposition, Baroness Chapman welcomed the Bill, but said the Government's Commons amendments to reduce the transitional period the Register of Overseas Entities were not enough, and said the Bill more generally should do more to crack down on enablers of money laundering.¹⁵⁵ Liberal Democrat spokesperson Baroness Kramer agreed, and asked for information on the Government's "resourcing plan" to ensure the Bill's measures could be properly enforced.¹⁵⁶

In closing, Business Minister Lord Callanan confirmed that the Government's next Economic Crime Bill would be subject to "full scrutiny" rather than being fast-tracked, and said it would run to "something like 150 pages".¹⁵⁷ On the transitional period for the register, he noted that "the majority of properties held via overseas entities will be owned by entirely law-abiding businesses and people...we are talking about roughly 95,000 properties in England and Wales owned by some 32,000 overseas entities" and therefore he argued a transitional period of six months was a fair and necessary protection.¹⁵⁸ But he

¹⁵⁴ [HL Deb 9 March 2022, vol 819, col 1484](#)

¹⁵⁵ As above, col 1488

¹⁵⁶ As above, col 1490

¹⁵⁷ As above, col 1532

¹⁵⁸ As above, col 1534

confirmed that the Government was considering “a zero-day transition period to provide certain information” for anyone selling properties.¹⁵⁹

6.2 Remaining Lords stages

All remaining stages of the Bill in the House of Lords were taken on 14 March 2022.

Committee stage

Over 100 amendments were tabled ahead of Committee stage. The majority of these were tabled on behalf of the Government by Business Minister Lord Callanan. These Government amendments were eventually moved and added at Report rather than Committee stage.

The focus of the Committee stage debate was therefore on the non-Government amendments. Almost all of these were withdrawn during the debate.

Many peers raised concerns about lack of scrutiny. Labour Opposition Whip Lord Coaker said he would “support the Government” given the “current national emergency”, but had “serious concerns about aspects of the Bill”.¹⁶⁰ Green party peer Baroness Jones said “it is obvious...that the Government are still falling short and that the Bill needs to be tougher.”¹⁶¹ Lord Callanan responded that “we will be perfectly willing to revisit these measures if it transpires that we have not got everything quite right.”¹⁶²

The Bill proceeded to Report stage unamended from Committee.

Report stage

65 amendments were tabled for Report stage. All of these were tabled in the name of Minister Lord Callanan, except for Amendments 27 and 62.

Amendment 27 (see the table below) was originally tabled (as Amendment 43) at Committee stage, by Lord Fox (Liberal Democrat Business spokesperson) and Lord Coaker. Lord Callanan said the Government would accept the amendment if it was withdrawn and re-tabled at Report stage.¹⁶³

¹⁵⁹ As above, col 1535

¹⁶⁰ [HL Deb 14 March 2022, vol 820, col 40](#)

¹⁶¹ As above, col 51

¹⁶² As above, col 55

¹⁶³ As above, col 92

Amendment 62 was tabled by Lord Coaker and sought to reduce the transitional period for overseas entities to register to 90 days from six months. He agreed to withdraw the amendment after the Government committed to the “rapid implementation” of the Bill, and to update the House on progress within six weeks of Royal Assent.¹⁶⁴

An explanation of the 64 amendments made at Lords Report stage is set out below:

Amendment Number	What clause did it amend?	Explanation of amendment ¹⁶⁵
1, 2, 3, 4, 7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 25, 26, 28, 30, 31 (new clause), 32, 65	4, 7, 9, 12, 22, 25, 39 and Schedule 1	“These amendments set out that, where a trustee of a trust or equivalent arrangement is a registrable beneficial owner, the overseas entity must give them formal notice to provide their personal information and information about the trust. This information will be disclosed [only] to HMRC, law enforcement agencies and other specified persons with a public function for the purposes of taking action with any offences they commit.”
5, 6, 8	Schedule 1	“The amendments expand requirements for registrable beneficial owners to include information about whether they are designated by virtue of the Sanctions and Anti-Money Laundering Act 2018.”
29	12	The amendment “ensures that date of birth and residential address information is protected even if it relates to a person who has ceased to be a registrable beneficial owner”
33, 34, 35, 36	31	The amendments provide “a revised threshold for the offence of providing false statements. These no longer have to have been submitted knowingly or recklessly. Rather, it will be an offence when the statement is merely misleading, false or deceptive and the person has no reasonable excuse for supplying such a misleading statement, with an additional aggravated offence carrying a higher penalty where it can be proved that a false statement was made knowingly.”

¹⁶⁴ [HL Deb 14 March 2022, vol 820 col 141](#)

¹⁶⁵ All explanations taken from the amendment descriptions, and/or the speech of Minister Lord Grimstone, at Lords report stage (link in footnote above)

37, 59	32 and Schedule 4	The amendments “require the Secretary of State to consult with Scottish and Northern Ireland Ministers before making regulations to amend parts of the Bill that legislate on devolved land law matters”
21, 22, 23, 24, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 55, 57	9 and Schedule 4	“a group of technical amendments on land registration and transactions in Scotland”
61, 63, 64	New clauses	“further substantive amendments” which “include obligations on overseas entities that disposed of land between 28 February 2022 and the end of the transitional period to outline the details of the beneficial ownership of the entity at the time of the transfer”
27	18	“removes the ability of the Secretary of State to exempt an individual from the requirements to register their overseas entities on the grounds of the economic wellbeing of the United Kingdom”
38, 40, 41, 42, 54, 56, 58	Schedules 3 and 4	The amendments change the transitional period to six months from section 3 coming into force, rather than six months from the relevant Part of the Schedule coming into force It is meant to “align the transitional periods under Schedule 3 with the period in [the] new clause” inserted by amendment 61 (about information to be disclosed for disposals before the end of the transitional period)
39	Schedule 3	“requires the Chief Land Registrar to act as soon as reasonably practicable, and in any event before the end of the transitional period, to enter a restriction in relation to an estate in land owned by an overseas entity since before the Bill comes into force”
60	New clause	“permits HMRC to disclose information to allow the registrar and the Secretary of State to take action in connection with offences”

Third reading

Lords Third reading was taken immediately after Report stage, without a division. Lord Callanan thanked different parties involved in preparing and passing the Bill, and noted that a legislative consent motion had been passed by the Scottish Parliament. A motion could not be secured from the Northern Ireland Executive, but he said the Government had secured the “active support” of Northern Ireland Ministers.¹⁶⁶

Lord Coaker (for the Opposition) said the Bill “needs to be improved” but would “send a message to President Putin”. He said he was looking forward to the second economic crime bill that the Government had committed to introduce early in the next (i.e. 2022-23) parliamentary session.¹⁶⁷

Lord Fox (for the Liberal Democrats) agreed with Lord Coaker’s comments and emphasised that the Bill was “not an anti-Russian Bill. It is an anti-oligarch Bill and an anti-kleptocrat Bill.”¹⁶⁸

¹⁶⁶ [HL Deb 14 March 2022, vol 820, col 153](#)

¹⁶⁷ As above, col 154

¹⁶⁸ As above, col 156

7

Commons consideration of Lords amendments

This was taken as a formality shortly after midnight, immediately after Lords Third reading. There were no debates or divisions.

Immediately after the Commons passed these amendments, Madam Deputy Speaker Rosie Winterton informed the House that the Bill had received Royal Assent.¹⁶⁹

¹⁶⁹ [HC Deb 14 March 2022, vol 710 col 733](#)

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