



Economic Crime (Transparency and Enforcement) Bill

HL Bill 126 of 2021–22

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On 9 March 2022, the second reading of the [Economic Crime \(Transparency and Enforcement\) Bill](#) is scheduled to take place in the House of Lords.

The Economic Crime (Transparency and Enforcement) Bill is being fast-tracked through its stages in Parliament. It completed its second reading and remaining stages in the House of Commons on 7 March 2022.

The bill's explanatory notes state that the bill is being fast-tracked "in consequence of recent events in Ukraine". The bill would make changes in three areas:

- Part 1 would introduce a register of the beneficial owners of overseas entities that owned land in the UK.
- Part 2 would make changes to strengthen unexplained wealth orders.
- Part 3 would make changes to sanctions legislation to help deter and prevent breaches of financial sanctions

Legislation on establishing a register of overseas entities was subject to pre-legislative scrutiny in 2019 by the Joint Committee on the Draft Registration of Overseas Entities Bill. The Government's human rights memorandum states that "an amended version" of the draft Register of Overseas Entities Bill forms part 1 of the Economic Crime (Transparency and Enforcement) Bill.

The Government made several amendments to the bill during its committee stage in the House of Commons, including reducing the transitional period for certain overseas entities registering as an overseas entity from 18 months to 6 months and increasing fines for certain offences under the bill. It also added a new chapter 2 in part 3 of the bill on sanctions.

The bill has cross-party support, although concerns were raised in the House of Commons around enforcement, including preventing 'asset flight' and on reducing the bill's transitional period further. Three non-government amendments were defeated on division at committee. These were on: reporting on the funding for enforcement agencies; publication of draft legislation on reforms to Companies House; and asset freezing in respect of individuals considered for sanctions.

The Government has said that it will look at a number of the concerns raised in the Commons during the bill's passage through the House of Lords.

References in this briefing to the bill's explanatory notes are references to the notes as published ahead of the Commons stages of the bill.

I. Introduction: Why has the bill been introduced?

The Economic Crime (Transparency and Enforcement) Bill was introduced in the House of Commons on 1 March 2022. It had its second reading and remaining stages in the House of Commons on 7 March 2022. The bill received several government amendments at its committee stage.

References in this briefing to the bill's explanatory notes are references to the notes as published ahead of the Commons stages of the bill.

The bill's explanatory notes state that the bill is being fast-tracked "in consequence of recent events in Ukraine".¹ In a statement on corporate transparency and economic crime on 28 February 2022, Kwasi Kwarteng, Secretary of State for Business, Energy and Industrial Strategy, said that the bill was being introduced now to dissuade people from seeking to launder money in the UK, particularly those linked to the Russian President, Vladimir Putin:

By legislating now, we will send a clear warning to those who have used, or who are thinking about using, the UK property market to launder ill-gotten gains, particularly those linked to the Putin regime.²

The bill consists of three parts. Part 1 would establish a register of overseas entities (ROE), part 2 would make changes to unexplained wealth orders and part 3 would amend financial sanctions legislation. Speaking at the bill's committee stage in the House of Commons, Paul Scully, Parliamentary Under Secretary of State for Business, Energy and Industrial Strategy, set out the bill's four main objectives:³

- "First, it will prevent and combat the use of land in the UK for money laundering purposes through the establishment of the public register of beneficial owners of overseas entities owning land in the UK, which will be held by Companies House".
- "Secondly, it will reform the UK's unexplained wealth order regime to enable law enforcement to investigate the origin of properties and recover the proceeds of crime. Those measures remove key barriers to the effective use of UWO [unexplained wealth orders] powers and will increase and reinforce operational confidence in relation to their use".
- "Thirdly, it will amend financial sanctions legislation, including the test for imposing monetary penalties and powers, to publicly name those breaching financial sanctions. That will make it easier for the Government to act against those who fail to comply with sanctions"
- "Fourthly, it will amend the Sanctions and Anti-Money Laundering Act 2018 to streamline the current legislation so the Government can respond even more swiftly and effectively to sanction oligarchs and other businesses associated with Putin's regime".

¹ [Explanatory Notes](#), p 11.

² [HC Hansard, 28 February 2022, col 735](#). Mr Kwarteng also announced the publication of a white paper on reforms to Companies House: Department for Business, Energy and Industrial Strategy, '[Corporate transparency and register reform](#)', 28 February 2022.

³ [HC Hansard, 7 March 2022, col 95](#).

Alongside the explanatory notes, the Government has also published a delegated powers memorandum, a human rights memorandum, and impact assessments from HM Treasury, the Home Office and the Department for Business, Energy and Industrial Strategy.⁴

2. Overview of the bill

2.1 Part I: Registration of overseas entities

In May 2016, the then Prime Minister, David Cameron, hosted an international anti-corruption summit in London.⁵ The UK's country statement said the UK would establish a register of the beneficial ownership of foreign companies:

The UK will [...] establish a public register of company beneficial ownership information for foreign companies who already own or buy property in the UK [...].⁶

The Government consulted on the proposals in 2017 and published its response in 2018.⁷ Legislation on establishing a register of overseas entities was subject to pre-legislative scrutiny in 2019 by the Joint Committee on the Draft Registration of Overseas Entities Bill.⁸ The Government's human rights memorandum states that "an amended version" of the draft Register of Overseas Entities Bill forms part I of the Economic Crime (Transparency and Enforcement) Bill.⁹

Since 2016, the UK has also operated a 'people with significant control (PSC) register'.¹⁰ The explanatory notes provide the following summary of the UK's PSC register:

The PSC regime originated in the Small Business, Enterprise and Employment Act 2015 (SBEA). In summary, all UK registered companies (with some specified exceptions) are obliged to keep a register of "people with significant control" over that company, and to disclose that information to the public register held at Companies House. Unlike the PSC regime, however, overseas entities will not be required to keep their own registers; instead they will be required to deliver the information directly to the Registrar with their application for an overseas entity ID.¹¹

⁴ ['Economic Crime \(Transparency and Enforcement\) Bill: publications'](#), accessed 3 March 2022.

⁵ Cabinet Office, ['Anti-corruption summit: London 2016'](#), accessed 3 March 2022.

⁶ HM Government, ['Anti-Corruption Summit - London 2016: UK Country Statement'](#), May 2016, p 1.

⁷ Department for Business, Energy and Industrial Strategy, ['Property ownership and public contracting by overseas companies and legal entities: beneficial ownership register'](#), 22 March 2018.

⁸ Joint Committee on the Draft Registration of Overseas Entities Bill, ['Draft Registration of Overseas Entities Bill'](#), 20 May 2019, HL Paper 358 of session 2017–19; and Department for Business, Energy and Industrial Strategy, ['Draft Registration of Overseas Entities Bill: Government Response to Joint Committee Report 2019'](#), July 2019, CP 135.

⁹ Home Office, Department for Business, Enterprise and Industrial Strategy and HM Treasury, ['The Economic Crime \(Transparency and Enforcement\) Bill: European Convention on Human Rights Memorandum'](#), 1 March 2022, para 3. The Government has published a factsheet that includes a summary of the changes between the draft bill and the Economic Crime (Transparency and Enforcement) Bill: Home Office, Department for Business, Enterprise and Industrial Strategy and HM Treasury, ['Fact sheet: The Register of Overseas Entities'](#), 4 March 2022, annex.

¹⁰ ['Explanatory Notes'](#), p 5. Companies House has published guidance on how companies can identify PSCs: ['Guidance: People with significant control \(PSCs\)'](#), 9 February 2022.

¹¹ ['Explanatory Notes'](#), p 8.

A PSC is an individual who exercises “‘significant influence and control’ over a company—over and above the control you would expect a typical director or shareholder to exercise”.¹² The explanatory notes explain that some of the requirements for the PSC register are mirrored in the bill for the register of overseas entities (ROE). For example:

It is intended that the information aspects of the register will mirror as far as possible the regime currently in place for UK entities subject to the PSC regime, though there are differences in enforcement of the regime given that some of the PSC enforcement mechanisms cannot be applied to overseas entities (other than the imposition of criminal offences).¹³

The explanatory notes state that the bill’s aim is to improve transparency about who owns overseas entities that own land in the UK and to act as a deterrent to people who may try to launder money:

The desired outcome of this bill is to deliver transparency about who ultimately owns and controls overseas entities that own land in the UK. It is intended to 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. Wider benefits will include improving confidence and trust among the wider public and legitimate investors as to who they are doing business with in any land transaction.¹⁴

Part I of the bill contains the bill’s provisions on the ROE. It contains provisions on a range of areas relating to the operation of the register, including: updating the register; removal of entries; obtaining, updating and verifying information; exemptions; correction or removal of material on the register; supplementary provision about offences; and provision on financial penalties.

The Government has provided the following overview of part I in its human rights memorandum:

Part I establishes a register of overseas entities, in which an overseas entity can apply to be registered by providing details about itself and its beneficial owners. While registration is prima facie voluntary, part I provides that not doing so will result in: (1) an overseas entity being unable to register as proprietor of land in the UK (critical for obtaining full legal title) via the three Land Registries, and (2) certain dispositions made by an overseas entity registered proprietor being incapable of registration at the Land Registries.¹⁵

The bill operates through placing a requirement on an overseas entity to register before it can acquire the legal title to land:

In order to register title to land, an overseas entity will have to be registered with Companies House and comply with the updating duty. A failure to register, or to comply with the updating duty, will in most cases affect the ability of the entity to (i) acquire legal title to land as the entity will be unable to register as proprietor or owner (as the case may be) of land in the UK with the three Land Registries of England and Wales, Scotland and Northern Ireland and to (ii) sell or

¹² [Explanatory Notes](#), p 8.

¹³ *ibid.*

¹⁴ *ibid.*, p 6.

¹⁵ Home Office, Department for Business, Enterprise and Industrial Strategy and HM Treasury, [The Economic Crime \(Transparency and Enforcement\) Bill: European Convention on Human Rights Memorandum](#), 1 March 2022, para 3.

lease the land, or create a charge over the land, as any buyer, tenant or a mortgagee (as the case may be) would be unable to register that disposition with the (relevant) land registry in any part of the UK.¹⁶

The bill would create a number of offences and includes provisions for fines. The Government tabled amendments to the bill at committee stage in the Commons to increase these fines.¹⁷

As introduced in the Commons, the bill also included transitional provisions that would give overseas entities that were registered proprietors before commencement 18 months to register:

Certain bill provisions will apply to current registered proprietors of land in England and Wales and in Scotland as at the commencement date. Paragraph 3 of schedule 3 to the bill inserts a new Schedule 4A into the LRA 2002 [Land Registration Act 2002]. Paragraph 3(1) of schedule 4A requires HMLR to enter a restriction on the title register of a “qualifying estate” in England and Wales where satisfied that the registered proprietor is an overseas entity, and that entity became registered as proprietor on or after 1 January 1999.

The practical effect of the restriction is that where an overseas entity makes a relevant disposition at a time when it is not a registered overseas entity, is not exempt and no exceptions apply, those dispositions cannot be completed by registration. In relation to overseas entities that are registered proprietors before the commencement date (and registered on or after 1 January 1999) the restriction will, however, not come into effect until 18 months after the commencement date. There are equivalent transitional provisions in relation to existing overseas entity proprietors of land in Scotland who became proprietors on or after 8 December 2014. As there is no equivalent of a “restriction” (or an “inhibition” in the case of Northern Ireland) in land registration law for Scotland, there will be no entry on the title registers of land owned by overseas entities in Scotland but the same 18-month transitional period will apply to them. In Northern Ireland, the Bill provisions will apply only to new registrations that occur after the commencement date.¹⁸

Government amendments were made to the bill at its committee stage in the House of Commons to reduce this period to 6 months.¹⁹ Speaking at second reading, Paul Scully, Parliamentary Under Secretary of State for Business, Energy and Industrial Strategy, said that “only a tiny fraction” of properties owned by overseas entities were “likely to be held by criminal or corrupt interests”.²⁰ He argued that “the transition period is an important protection of the rights of those legitimate owners of property”.

2.2 Part 2: Unexplained wealth orders

Part 2 of the bill contains the bill’s provisions on unexplained wealth orders.

¹⁶ [Explanatory Notes](#), p 6.

¹⁷ See section 3.2 of this briefing.

¹⁸ [Explanatory Notes](#), p 9.

¹⁹ See section 3.2 of this briefing.

²⁰ [HC Hansard, 7 March 2022, col 78](#).

Unexplained wealth orders (UWOs) were introduced by the Criminal Finances Act 2017 by inserting sections 362A to 362I into chapter 2 of part 8 of the Proceeds of Crime Act 2002.²¹ The Government has published a factsheet that describes UWOs as follows:

An unexplained wealth order is an investigatory order placed on a respondent whose assets appear disproportionate to their income to explain the origins of their wealth.

An unexplained wealth order requires a person who is a politically exposed person (PEP) or reasonably suspected of involvement in, or of being connected to a person involved in, serious crime to explain the origin of assets (minimum combined value of £50,000) that appear to be disproportionate to their known lawfully obtained income.²²

The bill's explanatory notes reference a 2020 national risk assessment of money laundering and terrorist financing by HM Treasury and the Home Office. This argued that the strength of the UK's economy made it attractive for "both legitimate businesses and criminals alike".²³

The bill would make amendments to the Proceeds of Crime Act 2002 on UWOs. The Government's desired outcome is to make it easier for law enforcement to act against those who launder money in the UK and to improve the chances of recovering assets bought with the proceeds of crime:

The desired outcome of these amendments is to strengthen the UWO regimes to enable law enforcement to take more effective action against kleptocrats and serious and organised criminals who launder their funds in the UK. In turn, this will lead to greater prospects of the recovery of assets bought with the proceeds of serious and organised crime, particularly corruption.²⁴

The amendments the bill would make to UWOs have the following four main objectives:²⁵

- a. Counter the inability or unwillingness of kleptocratic foreign states to provide reliable support to enforcement authorities investigations.
- b. Better enable enforcement authorities to meet the evidential standard at the outset of the investigation, thereby allowing powers to be used to maximum effect in the broadest range of suitable cases.
- c. Allow a fuller investigation to take place by extending the maximum time a court can allow property to be frozen in relation to a UWO.
- d. Remove a barrier to the use of UWOs, enabling legal costs to be limited for enforcement authorities unless they have used the powers unreasonably, improperly or dishonestly, increasing risk appetite and operational confidence.

²¹ [Explanatory Notes](#), p 9.

²² Home Office, Department for Business, Enterprise and Industrial Strategy and HM Treasury, '[Fact sheet: unexplained wealth order reforms](#)', 4 March 2022. For more information on politically exposed persons see: House of Commons Library, '[Politically Exposed Persons Regime](#)', 16 February 2022.

²³ HM Treasury and Home Office, '[National Risk Assessment of Money Laundering and Terrorist Financing 2020](#)', December 2020, para 4.12.

²⁴ [Explanatory Notes](#), p 7.

²⁵ *ibid.*

New clause 31 (now clause 46) was added to the bill at its committee stage in the House of Commons. The Government’s explanatory statement described it as follows:

This new clause requires the secretary of state to prepare reports for each 12 month period setting out how many unexplained wealth orders have been made in England and Wales in that period and how many orders were applied for in that period.²⁶

2.3 Part 3: Sanctions

Part 3 of the bill contains the bill’s provisions on sanctions.

The Office of Financial Sanctions Implementation (OFSI) is part of HM Treasury. It is “the UK’s competent authority for financial sanctions”.²⁷ It performs HM Treasury’s functions “in respect of implementing financial sanctions, including issuing licences; imposing monetary penalties for breaches of these sanctions; issuing guidance and engaging with stakeholders”.

The bill’s explanatory notes state that the provisions on sanctions would strengthen enforcement by providing for:²⁸

- A more robust legal test that will support compliance and help OFSI to impose monetary penalties for breaches of financial sanctions
- Greater flexibility in how HM Treasury manages the review process for monetary penalties.
- Enhanced intelligence and information sharing powers to give OFSI better tools to do enforcement through greater access to information from other agencies.
- A statutory power to publicly censure for financial sanctions non-compliance even if a decision is made not to impose a monetary penalty for the breach.

At the bill’s committee stage in the House of Commons, the Government inserted a number of new clauses into the bill to create a new chapter 2 in part 3. The Government’s explanatory statement for the amendments said:

This new clause [NC32] and NC33 to NC40²⁹ would form a new chapter 2 in part 3 of the bill and would make provision (a) streamlining the process by which an appropriate minister can make designations for the purposes of sanctions regulations, (b) amending provision relating to reviews and reports and (c) making connected provision.³⁰

²⁶ House of Commons, [Committee Stage: 7 March 2022: Economic Crime \(Transparency and Enforcement\) Bill \(Amendment Paper\)](#), 7 March 2022, p 16.

²⁷ [Explanatory Notes](#), p 7.

²⁸ *ibid*, para 20.

²⁹ New clause 40 was replaced by a government manuscript amendment, new clause 41. For new clause 41’s explanatory statement see: House of Commons, [Committee Stage: Monday 7 March 2022: Economic Crime \(Transparency and Enforcement\) Bill \(Amendment Paper\): Manuscript Amendments](#), 7 March 2022, p 2.

³⁰ House of Commons, [Committee Stage: 7 March 2022: Economic Crime \(Transparency and Enforcement\) Bill \(Amendment Paper\)](#), 7 March 2022, p 16.

Paul Scully, Parliamentary Under Secretary of State for Business, Energy and Industrial Strategy provided further information on the new clauses:

New clauses 32 to 40 will amend the Sanctions and Anti-Money Laundering Act 2018 to streamline the current legislation so that we can respond even more swiftly and effectively to sanction oligarchs, individuals and businesses associated with Putin's regime and others like them in the future. 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.³¹

2.4 Part 4: General

Part 4 contains provisions on the regulations made under the bill, the bill's commencement provisions, extent and short title.³²

On territorial extent and application, the bill would make a number of changes to areas that fall within devolved competence. The annex to the explanatory notes provides a summary of the position concerning territorial extent and application in the United Kingdom.³³ The explanatory notes also set out further information on page 10.

Speaking in response to a question from Sammy Wilson, Shadow DUP Spokesperson for the Treasury, at the bill's committee stage in the House of Commons, Paul Scully, Parliamentary Under Secretary of State for Business, Energy and Industrial Strategy indicated he did not think it would be possible to get legislative consent motions in the time available, but said he wanted to carry on a positive approach to engagement:

[T]he bill touches on devolved matters in Scotland and Northern Ireland in particular. Ideally we would have an LCM, but I do not think that we can achieve one, given the current status and the timescale in which we are trying to formulate these measures. However, we are working with representatives in the Northern Ireland Assembly and the Scottish Government to ensure that we can carry on our positive approach.³⁴

³¹ [HC Hansard, 7 March 2022, col 97.](#)

³² Further information on the bill's regulation making powers can be found in the Government's delegated powers memorandum: Department for Business, Energy, and Industrial Strategy, and HM Treasury, [Delegated Powers and Regulatory Reform Committee Economic Crime \(Transparency and Enforcement\) Bill](#), 1 March 2022.

³³ [Explanatory Notes](#), pp 49–50.

³⁴ [HC Hansard, 7 March 2022, col 99.](#)

3. House of Commons stages

3.1 Second reading

At second reading in the House of Commons, Priti Patel, the Home Secretary said that “oligarchs and kleptocrats” had “abused the financial system and the rule of law for too long”. She said that “dirty money” had been hidden in the UK. She said the legislation would help address this issue:

Expediting this legislation, which I know the whole House supports, will mean that we can crack down on the people who abuse the UK’s open society.³⁵

She argued that the ROE would “have an immediate effect, dissuading those intending to buy UK property with illicit funds”.³⁶

Priti Patel said that it was important to fast track the legislation:

By accelerating the legislation, we are concentrating on the sharpest tools we can use and the powers we can bring into force in the most focused time. Expediting this legislation will send a very strong signal that the UK will not be a home for corruption.³⁷

The Home Secretary also said that there would be a second economic crime bill with further measures:

This legislation is concise and tight for very good reasons, hence the number of amendments that have been made; we want to move at pace. But we cannot stop there, and for the benefit of this House—I know colleagues are aware of this—let me say that there will 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. We have focused on the ones that will have the greatest impact and enablement.³⁸

The Shadow Home Secretary, Yvette Cooper, said she welcomed the bill.³⁹ She said that Labour would “support the bill today and support the process to get it through Parliament as fast as possible”.⁴⁰ However, she said that “many of these measures should have been introduced some years ago”.⁴¹ She also argued that further work was needed: “we still do not have the much-needed Companies House reforms before us today”. She added that whilst Labour welcomed the bill it wanted to see “some of the further measures to be introduced swiftly”.⁴² The Shadow Home

³⁵ [HC Hansard, 7 March 2022, col 29.](#)

³⁶ *ibid*, col 30.

³⁷ *ibid*.

³⁸ *ibid*, col 31.

³⁹ *ibid*, col 38.

⁴⁰ *ibid*.

⁴¹ *ibid*, col 39.

⁴² *ibid*, col 40.

Secretary also raised concern about people being able to move illicit wealth within the transitional period:

We welcome, too, the Government's recognition that the initial, draft bill did not go far enough; they have accepted our amendments on stronger fines and proper identity checks, and that is welcome. Giving people 18 months to dispose of all their assets, as the draft bill suggested, so they can hide them in some other regime was clearly ludicrous; it was a chance for them to get out of London and stash illicit money somewhere else.⁴³

However, she said Labour believed this should be further shortened to 28 days.

Speaking for the SNP, Alison Thewlis, Shadow SNP Spokesperson on the Treasury, said her party welcomed the bill although she described it as "well-overdue".⁴⁴ She also said the measures in the bill were not complete:

The measures within the bill are far from the full package of measures that we need to tackle economic crime and we look forward to hearing the further measures that will come forward soon.⁴⁵

3.2 Committee stage: Amendments made to the bill

Government amendments

Several government amendments were made to the bill at committee stage in the House of Commons, including:⁴⁶

- **Chapter 2 of part 3 in the bill was added to the bill.** The Government's explanatory statement for the amendments described them as follows:

This new clause [NC32] and NC33 to NC40⁴⁷ would form a new chapter 2 in part 3 of the bill and would make provision (a) streamlining the process by which an appropriate minister can make designations for the purposes of sanctions regulations, (b) amending provision relating to reviews and reports and (c) making connected provision.⁴⁸

⁴³ [HC Hansard, 7 March 2022, col 43.](#)

⁴⁴ *ibid*, col 46.

⁴⁵ *ibid*.

⁴⁶ For a full range of amendments made see: House of Commons, '[Votes and Proceedings: Monday 7 March 2022](#)', 7 March 2022.

⁴⁷ New clause 40 was replaced by a government manuscript amendment, new clause 41. For new clause 41's explanatory statement see: House of Commons, '[Committee Stage: Monday 7 March 2022: Economic Crime \(Transparency and Enforcement\) Bill \(Amendment Paper\): Manuscript Amendments](#)', 7 March 2022, p 2.

⁴⁸ House of Commons, '[Committee Stage: 7 March 2022: Economic Crime \(Transparency and Enforcement\) Bill \(Amendment Paper\)](#)', 7 March 2022, p 16.

- **Increasing fines for contravention of certain offences under the bill.** The Government made amendments to clause 8 and clause 26 to raise the maximum daily default fine for continued contravention of an offence under clause 8(1) and clause 26(3).

Paul Scully, Parliamentary Under Secretary of State for Business, Energy and Industrial Strategy said:

On the provisions on the register of overseas entities, 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.⁴⁹

- **Requiring the publication of a yearly report on UWOs.** The Government’s explanatory statement for new clause 31 (now clause 46) described it as follows:

This new clause requires the secretary of state to prepare reports for each 12 month period setting out how many unexplained wealth orders have been made in England and Wales in that period and how many orders were applied for in that period.⁵⁰

- **Reducing the transitional period for registration.** The Government made amendments to schedule 3 and schedule 4 to change references from 18 months to 6 months. For example, the Government’s explanatory statement for amendment 55 said:

This amendment reduces the transitional period within which certain overseas entities are required to apply for registration as an overseas entity. The period is reduced from 18 months to 6 months.⁵¹

- **Verification process.** Government amendment 49 would amend clause 16 (‘verification of registrable beneficial owners and managing officers’). Clause 16 would require the secretary of state to make regulations requiring the verification of information. The Government’s explanatory statement for amendment 49 said:

This amendment requires regulations under clause 16 to be made before applications may be made for registration in the register of overseas entities.⁵²

⁴⁹ [HC Hansard, 7 March 2022, col 98.](#)

⁵⁰ House of Commons, [Committee Stage: 7 March 2022: Economic Crime \(Transparency and Enforcement\) Bill \(Amendment Paper\)](#), 7 March 2022, p 16.

⁵¹ House of Commons, [Committee Stage: 7 March 2022: Economic Crime \(Transparency and Enforcement\) Bill \(Amendment Paper\)](#), 7 March 2022, p 45.

⁵² *ibid*, p 7.

3.3 Committee stage: Amendments defeated on division

Report on funding for enforcement agencies

New clause 2 was defeated on division by 303 votes to 229.⁵³ New clause 2 was tabled in the name of Margert Hodge (Labour MP for Barking) and a cross-party group of MPs. The member's explanatory statement described it as follows:

This new clause would require the secretary of state to publish and lay before Parliament a report on the funding of enforcement agencies in connection with the reforms to unexplained wealth orders, as provided for in part 2 of the bill.⁵⁴

Publication of draft legislation on reforms to Companies House

New clause 7 was defeated by 306 votes to 225.⁵⁵ New clause 7 was tabled in the name of the Leader of the Opposition, Keir Starmer. The member's explanatory statement described it as follows:

This new clause would compel the secretary of state to publish draft legislation on reforms to Companies House, including reforms that would support the operation of the act.⁵⁶

Asset freezing in respect of individuals considered for sanctions

New clause 29 was defeated by 300 votes to 234.⁵⁷ New clause 29 was tabled in the name of David Davis (Conservative MP for Haltemprice and Howden) and a cross-party group of MPs. The member's explanatory statement described it as follows:

This new clause would prevent individuals whom 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.⁵⁸

3.4 Areas the Government indicated it would return to in the Lords

During the bill's committee stage in the House of Commons Paul Scully, Parliamentary Under Secretary of State for Business, Energy and Industrial Strategy, indicated the Government would look at a number of non-government amendments in the House of Lords, many of which had cross-party support. These included:

⁵³ [HC Hansard, 7 March 2022, cols 151–4.](#)

⁵⁴ House of Commons, [Committee Stage: 7 March 2022: Economic Crime \(Transparency and Enforcement\) Bill \(Amendment Paper\)](#), 7 March 2022, p 24.

⁵⁵ [HC Hansard, 7 March 2022, cols 155–8.](#)

⁵⁶ House of Commons, [Committee Stage: 7 March 2022: Economic Crime \(Transparency and Enforcement\) Bill \(Amendment Paper\)](#), 7 March 2022, p 27.

⁵⁷ [HC Hansard, 7 March 2022, cols 160–3.](#)

⁵⁸ House of Commons, [Committee Stage: 7 March 2022: Economic Crime \(Transparency and Enforcement\) Bill \(Amendment Paper\)](#), 7 March 2022, p 40.

Manuscript amendment 64 (tabled by Kevin Hollinrake (Conservative MP for Thirsk and Malton)).⁵⁹ Mr Hollinrake said he was concerned about preventing “asset flight”.⁶⁰ He argued that “something along the lines of manuscript amendment 64” could help address this. He said the amendment “would require people who want to sell or transfer their asset to disclose the beneficial owner prior to doing so to Companies House and therefore Her Majesty’s Land Registry could block it”. Mr Hollinrake argued that:

People are not going to wait for this legislation to come into effect to try to hide their money. Whether the transition period is 18 months, six months or 28 days does not really matter, because the individuals in question can move their money around so quickly that much of it will have happened already.⁶¹

Mr Scully responded:

The Government tabled the amendments to reduce the transition time from 18 months to six months but, as I said in my closing speech on second reading, I see merit in requiring all those selling property to submit a declaration of their details at the point of transfer of land title during the transition period. In effect that means we will be giving sellers a zero-day transition period. They will have to register ownership, so we will get their ownership details either when they sell or at the end of the transition period.

I am keen to work with my hon. Friend the Member for Thirsk and Malton (Kevin Hollinrake) to see how far we can go in the other place, because this is difficult to draft.⁶²

Amendments 24 and 25 (tabled by Chris Bryant (Labour MP for Rhondda)).⁶³ The member’s explanatory statement for amendment 24 said:

This amendment would require the identity of any sanctioned registered beneficial owners of the entity, or a statement that there are no such persons, to be included in an application for registration.⁶⁴

Amendment 25 would require statements made under amendment 24 to be updated annually. Mr Bryant argued the amendments were important because

[I]t means that the people who are doing the registering have to check whether they are sanctioned individuals. We might think that they would want to do that anyway, but forcing

⁵⁹ House of Commons, [Committee Stage: Monday 7 March 2022: Economic Crime \(Transparency and Enforcement\) Bill \(Amendment Paper\): Manuscript Amendments](#), 7 March 2022, p 2.

⁶⁰ [HC Hansard, 7 March 2022, col 78.](#)

⁶¹ [HC Hansard, 7 March 2022, col 119.](#)

⁶² *ibid*, cols 139–40.

⁶³ House of Commons, [Committee Stage: 7 March 2022: Economic Crime \(Transparency and Enforcement\) Bill \(Amendment Paper\)](#), 7 March 2022, pp 1–2.

⁶⁴ *ibid*, p 1.

them to do it means that, when they then register incorrectly, they are committing the offence, rather than the sanctioned individual. That is why that is important.⁶⁵

Mr Scully said in response:

I think I have highlighted my intentions regarding amendments 24 and 25, which obviously seek to add to the list of statements an overseas entity must provide to the registrar when applying for registration or when complying with the updated duty. I see the merit of the proposals made by the hon. Member for Rhondda (Chris Bryant), and we take these matters seriously. As I said, we will look further at these proposals and we will work together to make sure we can do this in the other place.⁶⁶

Amendment 26 (tabled by Chris Bryant (Labour MP for Rhondda)).⁶⁷ The amendment would remove the words “knowingly or recklessly” from clause 31. The member’s explanatory statement for amendment 26 said:

This amendment removes the requirement that a false statement to the registrar needs to be proven to have been given knowingly or recklessly for that statement to constitute an offence.⁶⁸

Mr Bryant described the wording as a “high bar” and argued “it is almost impossible, I would have thought, to take that to court and to win”.⁶⁹

Mr Scully responded:

I heard the hon. Gentleman’s protestations that amendment 26 takes out three words. However, it is our opinion that removing those three words may have unintended consequences. It is not quite as easy as simply taking out those three words. I would like to work with him to make sure that, if there are any unintended consequences, we can have something that gets the drafting absolutely correct.⁷⁰

Amendment 3 (tabled by Margaret Hodge (Labour MP for Barking)).⁷¹ The amendment would make changes to schedule 2. The member’s explanatory statement for amendment 3 said:

The intention of this amendment is to facilitate the identification of the beneficial owners of registered trusts.⁷²

⁶⁵ [HC Hansard, 7 March 2022, col 129.](#)

⁶⁶ *ibid*, col 140.

⁶⁷ House of Commons, [Committee Stage: 7 March 2022: Economic Crime \(Transparency and Enforcement\) Bill \(Amendment Paper\)](#), 7 March 2022, p 10.

⁶⁸ *ibid*.

⁶⁹ [HC Hansard, 7 March 2022, col 129.](#)

⁷⁰ *ibid*, col 140.

⁷¹ House of Commons, [Committee Stage: 7 March 2022: Economic Crime \(Transparency and Enforcement\) Bill \(Amendment Paper\)](#), 7 March 2022, p 42.

⁷² *ibid*, p 42.

On amendment 3, at second reading Margaret Hodge said:

When the Minister winds up, will he say whether he has looked at amendment 3, which stands in my name and that of other hon. members? It would address the loophole that I think the hon. Member for Bromley and Chislehurst (Sir Robert Neill) mentioned; I think it is a drafting mistake, but it looks as if individuals could escape the transparency that the bill intends by using nominee directors and corporate trust providers. We have received legal advice, a copy of which I have shared with the security minister; I wonder whether the minister answering this debate has looked at it and whether he will respond on the drafting issue.⁷³

Mr Scully said:

Amendment 3 would not have the effect that we believe is sought, but I can see the potential merit in such an amendment and assure the House that we will look further at the intent behind the proposal to see whether there is a workable alternative.⁷⁴

3.5 Remaining stages

There were no amendments on consideration at report.

Third reading was taken formally, and bill passed with no division.⁷⁵

4. Read more

- House of Commons Library, [Economic Crime \(Transparency and Enforcement\) Bill 2021–22](#), 4 March 2022
- House of Commons Library, [Economic Crime in the UK: A Multi-Billion Pound Problem](#), 10 February 2022
- House of Commons Library, [Registers of Beneficial Ownership](#), 3 February 2022
- House of Commons Library, [Unexplained Wealth Orders](#), 22 February 2022
- House of Commons Treasury Committee, [Economic Crime](#), 2 February 2022, HC 145 of session 2021–22
- Department for Business, Energy and Industrial Strategy, '[Corporate transparency and register reform](#)', 28 February 2022

⁷³ [HC Hansard, 7 March 2022, col 52.](#)

⁷⁴ [HC Hansard, 7 March 2022, col 141.](#)

⁷⁵ *ibid*, col 164.

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