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Rt Hon Pat McFadden MP  
Shadow Economic Secretary to the Treasury

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Shadow Foreign Minister

House of Commons  
London  
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Dear Pat & Catherine,

Thank you for your letter of 23 July regarding the Government's response to illicit finance and economic crime in light of the Intelligence and Security Committee's (ISC) Russia Report. Serious criminals, corrupt elites and individuals who seek to engage in activity that threatens the security of the UK and our allies are absolutely not welcome in the UK. Alongside toughening up the UK's legal framework, we will continue to bring all the capabilities of UK law enforcement to bear where there is any evidence of malign intent, serious and organised crime, or illicit financial activity.

We have made significant advancements in tackling illicit finance in recent years, and have been internationally recognised as having some of the strongest controls worldwide for tackling money laundering and terrorist financing. However, we are conscious the threat is constantly evolving and there remains much more to do. In July 2019 we published an ambitious public-private Economic Crime Plan which detailed how we intend to further strengthen our response against this malicious threat. We are making good progress against the Plan, including on enabling better information sharing to combat economic crime and implementing the 5th Money Laundering Directive to bear down on money laundering. The Plan is ultimately overseen by the Economic Crime Strategic Board, co-chaired by the Chancellor and Home Secretary.

The interventions committed to in the Plan will strengthen the UK's defences against illicit finance in general but will also specifically help address the Russian threat. The Government has long recognised the corrosive impacts of illicit money from Russia being laundered through the UK. We are considering what further interventions we can make to tackle Russian illicit money beyond those committed to in the Economic Crime Plan. For example, the UK has made immediate use of the new powers provided by the Global Human Rights sanctions regulations to impose sanctions on 25 Russian nationals involved in the mistreatment and subsequent death of Sergei Magnitsky.

Below, we address each of your questions in more detail.

**Q. What further action is the Government considering to make UWOs more effective and to be able to hold Russian oligarchs with long connections to the UK accountable for any unexplained wealth? Will the Government act on the ISC's recommendation that the NCA be given extra resources in terms of financial investigators, technical experts and legal expertise?**

Unexplained Wealth Orders (UWOs) are an important power available to investigate illicit finance and disrupt criminal activity. When UWOs are not deemed appropriate, there are other tools to identify and recover proceeds of crime, such as Account Freezing Orders which were also created in The Criminal Finances Act 2017.

Having only been recently introduced, we anticipated that there would be challenges to UWOs. We continue to work with operational partners to identify potential weaknesses in the Criminal Finances Act and we will consider amendments to primary legislation if they are deemed necessary.

We are continuing to invest in the National Crime Agency to tackle illicit finance. In financial year 2019/20, we allocated £42m to critical new capabilities, including an uplift in the number of financial investigators. We have also allocated £49m to illicit finance work in the NCA this financial year.

**Q. Will the Government act on the NCA's recommendations and make the proposed amendments to the Sanctions and Anti Money Laundering Act? Will the Government also commit to including corruption in the scope of Magnitsky legislation that will allow us to target the assets of individuals using the UK to launder money?**

The Sanctions and Anti-Money Laundering Act enables sanctions to be imposed for a variety of purposes and, as the Foreign Secretary has announced, we are already considering how a corruption regime could be added to the armoury of legal weapons we have – we could look to draw on the UN Convention Against Corruption, and practice under the frameworks in jurisdictions like the US and Canada.

**Q. When will the Government table the Registration of Overseas Entities Bill and the legislation to reform limited partnerships?**

The Government will introduce the Registration of Overseas Entities Bill when parliamentary time allows and has recently published a Written Ministerial Statement on its progress, which can be found here:

<https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Lords/2020-07-21/HLWS403/>.

In December 2018, Government responded to its consultation on the reform of limited partnership law. The reforms seek to tackle the misuse of limited partnerships, especially Scottish limited partnerships, while modernising the law governing them. The response includes proposals that will require primary legislation. We are taking time to ensure the proposals are implemented correctly and plan to legislate when parliamentary time allows.

**Q. Given the ISC's findings, will the Government consider bringing forward the deadline for trusts to register with the TRS, broadening the definition of "legitimate interest" and revising its list of exemptions from the trust registration process?**

In line with EU law, HMT has legislated for the Trust Registration Service (TRS) to be expanded to include further types of express trust. This followed a technical consultation, which included consideration of which categories of trust should be exempt and found that for some categories there is good justification for exemption (e.g. because they are regulated elsewhere or pose a low risk of money laundering). New in-scope trusts will be required to collect relevant information on beneficial ownership and register with the TRS by 10 March 2022. This deadline will give businesses and trustees time to familiarise themselves with the regulation, update their records, and expand the register.

In regards to the definition of the 'legitimate interest' test, the Government believes its approach strikes the right balance between the conflicting demands of transparency and privacy.

**Q. Will the Government now accelerate the timetable by which the UK's Overseas Territories must have publicly accessible registers of beneficial ownership of companies in place?**

No. The Government considers that the end of 2023 is a reasonable deadline for the introduction of publicly accessible registers of company beneficial ownership in the Overseas Territories. Action on beneficial ownership information in the Overseas Territories should be complemented by improved public access to beneficial ownership information internationally, and the date (2023) aligns with our international campaign to make publicly accessible registers a global norm. This maximises the protection of our national security by preventing capital flight to non-cooperative jurisdictions.

Furthermore, meeting 2023 will be a considerable task for many Overseas Territories. Several, for example St Helena, do not currently have beneficial ownership registers and therefore have needed to start from scratch. It took the UK, with all our resources, over three years to introduce our register. For all the Overseas Territories it will involve significant work, including legislative and operational changes.

**Q. When will the Government present its proposals to amend the corporate liability regime for economic crime and to reform Companies House? Do you agree these efforts should be prioritised in the light of the ISC report?**

Corporate Criminal Liability is a complex area of the law and the public consultation produced a range of competing views, which the Ministry of Justice has been analysing carefully with teams across Government since the Call for Evidence closed in 2017. It is still the Government's intention that a response will issue in due course.

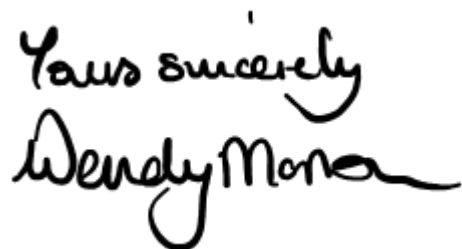
Companies House reform is a priority under the Economic Crime Plan. The consultation received a significant number of responses and an official Government response will be published in due course. The Government is currently considering a broad package of reforms to Companies House to ensure it is fit for the future and continues to contribute to the UK's business environment. The proposals amount to the most significant reform of the UK's company registration framework since a companies register was first introduced in 1844, and it is important we take the time to get it right.

**Q. Will the Government take the findings of the ISC report into account when designing the economic crime levy, on which it began consulting this week, and commit to moving faster in the implementation of that levy than it has in other aspects of its work on economic crime to date?**

The economic crime levy will generate £100 million per year to help pay for the ambitious reforms the Government announced in the Economic Crime Plan. The Government is committed to implementing the levy as swiftly and efficiently as possible, and published a consultation on the levy last month which will close in October. The Government's intention remains for the first set of levy payments be made in financial year 2022/23, and will confirm the levy start date in its response to the consultation.



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