



House of Commons  
Foreign Affairs Committee

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# The cost of complacency: illicit finance and the war in Ukraine: Government Response to the Committee's Second Report

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Third Special Report of  
Session 2022–23

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## Foreign Affairs Committee

The Foreign Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Foreign, Commonwealth and Development Office and its associated public bodies.

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### Committee staff

The current staff of the Committee are Medha Bhasin (Second Clerk), Hannah Finer (Committee Specialist), Ken Davies (Committee Specialist), Clare Genis (Committee Operations Manager), Jonathan Hingston (Committee Specialist), Alice Lynch (Committee Specialist), Antonia McAndrew-Noon (Senior Media and Communications Officer), Chris Shaw (Clerk), Daniela Sindrestean (Committee Operations Officer), Kathleen Murgatroyd (Sandwich student).

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## Third Special Report

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The Foreign Affairs Committee published its Second Report of Session 2022–23, [\*The cost of complacency: illicit finance and the war in Ukraine\*](#) (HC 168) on 30 June 2022. The Government's Response was received on 1 September 2022 and is appended below.

## Government Response

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The Government welcomes the opportunity to respond to the Foreign Affairs Committee's interim report, *The cost of complacency: illicit finance and the war in Ukraine*, published on 14 June 2022.

Driving dirty money, including from Russia, out of the UK is a security priority, and in the last decade, the Government has made significant changes to the way it tackles illicit finance, introducing new powers in the Criminal Finances Act 2017. These included Unexplained Wealth Orders, and Account Freezing Orders.

The strength of the UK's approach was recognised by the Financial Action Task Force (FATF) in 2018, with the UK achieving the best ratings of any country assessed so far in this round of evaluations.

We have also increased our ability and reach to sanction individuals. Alongside the Global Human Rights sanctions regulations announced in 2020, we have now introduced the Global Anti-Corruption Sanctions Regulations 2021, which enable the Government to designate persons involved in or profiting from serious acts of corruption. This includes asset freezes and travel bans.

Additionally, we use immigration powers to protect the UK from a range of national security threats, including the threat posed by illicit finance. We have made it clear we will not tolerate abuse of our immigration system by beneficiaries of illicit wealth, and this is an important reason why the Government closed the Tier 1 (Investor) visa route with immediate effect to ensure that those who have profited from dirty money cannot gain access to the UK.

And we are not complacent about the threat. Since the Russian invasion of Ukraine in February 2022, we have:

- Swiftly implemented the strongest set of economic sanctions ever imposed against a G20 country, sanctioning over 1,100 individuals and over 100 entities who prop up the Russian regime. Those sanctioned will have their assets frozen; are hit with travel bans; and no British citizen or business can do business with them. The Government has also passed more than 20 pieces of legislation since February to target the Russian economy and cripple Putin's war machine.
- Established a cross-government Oligarch Taskforce which drives HMG sanctions activity against the close associates and enablers of Putin.
- Set up the 'Combatting Kleptocracy Cell' in the National Crime Agency (NCA), which will grow and enable the operational capability to combat serious and

organised crime to achieve three key outcomes: i) target corrupt elites through their assets hidden in the UK; ii) target the professional enablers of these corrupt elites; and iii) support criminal cross-HMG sanctions delivery and enforcement.

- Created the Register of Overseas Entities which will require overseas companies owning or buying UK property to give information about their true owners to Companies House. This will provide more information for law enforcement to help them to track down those using UK property as a money laundering vehicle, including Russian oligarchs. The Register, successfully launched on 1 August, is quickly being implemented following the passage of the Economic Crime (Transparency and Enforcement) Act in the Spring.

We are going further still:

- The UK is also working with international partners to ensure there is nowhere for dirty Russian money to hide, including through the Russian Elites Proxies and Oligarchs (REPO) Task Force, which brings together international partners to ensure the effective enforcement of financial sanctions implemented against Kremlin-linked elites and entities.
- We are bolstering our already strong relationships with our stakeholders. First, with the private sector, including the financial sector, we will be stepping up our future ambition on jointly tackling economic crime and illicit finance through the publication of the next Economic Crime Plan. Second, we are working in close alignment with international allies to join up our domestic and upstream approaches to tackling illicit finance.

Against this backdrop, the Government takes careful note of the Committee's report and has considered the recommendations in detail. This paper sets out the Government's response to each of the Committee's specific conclusions and recommendations.

The Committee's text is in bold and the Government's response is below.

1. ***The Committee underlines the imperative of implementing beneficial ownership rules and robust reform of Companies House, including new powers for the company registrar to verify information to ensure accuracy as well as discretionary powers to remove corporate entities from the register for wrongdoing and ensure robust identity verification requirements. It is important that beneficial ownership registers are as transparent as possible.*** (Paragraph 8)

The Government agrees with the Committee's conclusion. The Government is committed to reforming Companies House, which will be legislated for within the upcoming Economic Crime and Corporate Transparency Bill. Building on the recently enacted Economic Crime (Transparency and Enforcement) Act, the Economic Crime and Corporate Transparency Bill ("The Bill") will bear down further on kleptocrats, criminals, and terrorists who abuse our financial system, strengthening the UK's reputation as a place where legitimate business can thrive, while driving dirty money out of the UK.

Among other things, the Bill will broaden the powers of the Registrar of Companies House so that the Registrar can become a more active gatekeeper over company creation and a custodian of more reliable data. The Government will introduce new objectives for the

Registrar, together with new powers to check, remove, or decline information submitted to, or already on, the Company Register, and expand the Registrar's existing powers, to enable the Registrar to promote and maintain the integrity of the Register. Where it is apparent that misuse is taking place, the Government is empowering Companies House to take action, including strike-off where appropriate. For example, those who persist in failing to provide an appropriate registered office address may be struck off the register for a continued failure to comply with the requirements.

The Bill will also introduce identity verification for people who manage and control companies and other UK entities registered at Companies House. This will improve the accuracy of Companies House data, to support business decisions and law enforcement investigations. Identity verification requirements will apply to all new and registered company directors and their equivalents for other registrable entities, People with Significant Control (PSCs), and anyone else filing with Companies House. Identity verification will be a simple, quick process without significantly adding to the existing requirements on business.

Through the Bill, the Government will improve the transparency of company ownership. The Government will introduce measures to increase the amount, and usefulness, of the information held on company shareholders and PSCs of UK companies. Further, the Bill will provide Companies House with more effective investigation and enforcement powers, and enable more effective cross-checking of data with other public and private sector bodies.

**2. *We recommend that the FCDO ensures there must be timely and effective implementation of the Companies House register of overseas entities that own UK property.*** (Paragraph 11)

The Government agrees with this recommendation. A new Register of Overseas Entities was created by the Economic Crime (Transparency and Enforcement) Act, which received Royal Assent on 15 March 2022. This legislation was brought forward at pace to crack down on Russian dirty money in the UK following Russia's invasion of Ukraine.

The Register of Overseas Entities requires overseas companies owning or buying property in the UK to give information about their true owners to Companies House. The Register will provide more information for law enforcement to help them to track down those using UK property as a money laundering vehicle.

Since Royal Assent, BEIS and Companies House have been working to implement the register as quickly as possible, working closely with the UK's three land registries.

Essential secondary legislation needed to implement the Register has now been made in Parliament, and the Register went live on 1 August 2022.

Any foreign entity selling properties or making any other disposition of land in scope of the requirements (such as leases or charges) between 28 February 2022 and either their application for registration, or the end of the register's transitional period, will be required to submit their beneficial ownership details as at the point of the disposition, as well as details of the relevant properties. This anti-avoidance measure addresses concerns that the transitional period provides a window of time for overseas entities to avoid the transparency requirements.

**3. *Recent changes to the Economic Crime (Transparency and Enforcement) Act 2022 seek to make it easier to apply for UWOs, but a law is only as effective as its enforcement.***  
(Paragraph 12)

The Government notes this conclusion. Unexplained Wealth Orders (UWOs) are one of several tools in our arsenal to investigate and recover the proceeds of crime and should not be viewed in isolation. UWOs are an investigatory tool which can provide information to support recovering the proceeds of crime. In 2020/21, just under £219 million of the proceeds of crime were recovered within England, Wales, and Northern Ireland. This continues the general trend of improved performance since 2016/17. In addition, over £840 million worth of assets were restrained, frozen, or seized in the course of investigations under the Proceeds of Crime Act in 2020/21, and a total of £139 million of Confiscation Orders were imposed following conviction during the same year. Reports on the use of UWO powers will be publicly available. The Home Office will draft and lay an annual report in Parliament covering the numbers of UWOs that are made and applied for.

In terms of enforcement, the Government developed a sustainable funding model that demonstrates our commitment to tackling economic crime. The Spending Review 21 settlement and the Economic Crime Levy represent an overall package of circa £400 million to tackle economic crime over the next three years. Through these investments, we are significantly enhancing our law enforcement capabilities to investigate and seize dirty money.

**4. *The Government's unwillingness to bring forward legislation to stem the flow of dirty money is likely to have contributed to the belief in Russia that the UK is a safe haven for corrupt wealth. It is shameful that it has taken a war to galvanize the Government into action. The measures in the Economic Crime (Transparency and Enforcement) Act 2022, while welcome, do not go far or fast enough and do little to address the fundamental mismatch between the resources of law enforcement agencies and their targets. Although Ministers have spoken eloquently in the House about the need to clamp down on kleptocrats, rhetoric has not been matched by constructive action. Meanwhile, corrupt money has continued to flow into the UK.*** (Paragraph 14)

The Government notes this conclusion. International illicit financial flows linked to Russia and dirty money, including from Russia, being laundered in the UK pose serious and dangerous risks to our national security. Since the invasion, we have set up the Combatting Kleptocracy Cell in the National Crime Agency (NCA), which focuses on targeting corrupt elites through their assets hidden in the UK, targeting the professional enablers of these corrupt elites, and supporting criminal cross-HMG sanctions delivery and enforcement. Working under an FCDO-led designation regime, the UK has sanctioned an unprecedented and world-leading number of oligarchs (over 1,100 Russian individuals) linked to the Kremlin regime. We will continue to work closely with G7 partners to ensure there is nowhere for dirty Russian money to hide, including through the US-led Russian Elites Proxies and Oligarchs (REPO) Task Force.

The NCA has already surged additional officers to support existing efforts and will further enhance the Cell to progress these complex criminal investigations.

The Economic Crime (Transparency and Enforcement) Act 2022 was passed through Parliament at expedited pace. The Act allows the Government to move faster and harder

when sanctioning oligarchs and businesses, creates a Register of Overseas Entities for foreign companies owning or buying property in the UK, and improves the effectiveness of Unexplained Wealth Orders. This legislation was being used to sanction individuals within hours of it coming into force.

Government is continuing to bring forward key legislation to address the problem of economic crime. Building on the above legislation, the Economic Crime and Corporate Transparency Bill will include reform of Companies House, reforms to prevent abuse of limited partnerships, additional powers to seize cryptoassets more quickly and easily, and reforms to give businesses more confidence to share information in order to tackle money laundering and other economic crime.

All of this will be supported by the Spending Review 21 settlement and the Economic Crime Levy, which, as mentioned in response to recommendation 3, represent an overall package of around £400 million to tackle economic crime over the next three years.

**5. *The Government cannot afford to rely on rhetoric if it is to deliver on its commitment to tackle illicit finance. Without the necessary means and resources, enforcement agencies are toothless. If the UK is to protect its reputation as a global financial centre, it is essential that legitimate businesses can have trust in the integrity of our institutions. The threat illicit finance poses to our national security demands a response that is seen to be serious. To that end, we repeat the call for a substantial increase in funding and expert resourcing for the National Crime Agency, Serious Fraud Office and other responsible agencies.*** (Paragraph 15)

The Government notes this conclusion. As mentioned in response to recommendations 3 and 4, the new Economic Crime Levy combined with the Spending Review 21 settlement, represents an overall package of circa £400 million to tackle economic crime over the next three years. This includes around £100 million per year raised through the Economic Crime Levy. The allocation round for the first three years of the Economic Crime Levy will take place during this financial year. The Economic Crime Levy consultation process in 2020 set out that, among other measures, one relevant capability for investment would be the Suspicious Activity Reports (SARs) reform programme. This programme will increase intelligence capabilities in the National Crime Agency (NCA) and the national security community more widely to identify and disrupt the most harmful criminals and serious organised criminal gangs.

We are continuing to ensure that agencies including the NCA are adequately resourced to tackle the growing threat of serious and organised crime, including economic crime. The NCA have received a year-on-year increase to their overall budget delegations between 2019/20 and 2022/23, amounting to c.30% by FY22/23.

Funding for the Serious Fraud Office (SFO) includes a mechanism that ensures it is supplemented as necessary from the Treasury Reserve for investigative costs. If the costs of a case exceed a certain proportion of the SFO's annual budget, then additional funding cover is provided. This ensures that the SFO is incentivised to pursue very large and complex investigations.

At the 2020 Spending Review, the Government lowered this threshold from 5% to 4% of the SFO's budget to strengthen this incentive. Between 2020/21 and 2024/25 the SFO will receive around a 10% cash uplift to its core resource budget, building on a 2% increase in 2019/20.

The Government's funding for economic crime also includes £63 million for Companies House to ensure that the Economic Crime (Transparency and Enforcement) Act, and the legislation being introduced in the Third Session, can be operationalised as quickly as possible.

Overall, the investment which the Government is making will support the second iteration of the Economic Crime Plan, which will set out the outcomes the private and public sector are working towards and how we intend to measure the impact of our investment.

**6. *The Government should publish its long-awaited review of the Tier 1 Investor visa scheme without delay. It should also explain: whether it intends to review Investor visas issued since 2015; what action it will take in relation to those who were granted a visa without due diligence, particularly those who now hold permanent residency or British citizenship; and what action it has taken against those it has deemed to be a national security risk.*** (Paragraph 17)

The Government notes this recommendation. The review is being finalised and it is our aim to publish it in the near future. This Government has zero tolerance for abuse of our immigration system. Under the New Plan for Immigration, we want to ensure the British people have confidence in the system, including stopping corrupt elites who threaten our national security. Consequently, the Tier 1 (Investor) visa route was closed to new entrants on 17 February. The Government is determined that UK residency, settlement, and ultimately citizenship is always genuinely earned, and never bought with dirty money.

**7. *Greater public access to information about beneficial ownership would improve private sector compliance with sanctions, pre-empt sanctions evasion and improve transparency about designated individuals. If the Government and Overseas Territories had achieved this by December 2020, as originally expected, these public registers would have been in place before sanctions on Russia were imposed in response to the invasion of Ukraine. We recognise and appreciate the progress made by many Overseas Territories and Crown Dependency jurisdictions. We recommend that the FCDO ensures that public registers of beneficial ownership in the Overseas Territories and Crown Dependencies are faithfully implemented by early 2023 with full and free access to company data, not limited to single entries. In its response to this report, we ask the Government to explain what is causing the delay and what steps it is taking to speed the process. In the meantime, we recommend that the Government leverages its access to information through the Exchange of Notes procedure to proactively request information about non-transparent companies and assets, which it could then make available to banks and partner countries to support sanctions against Russia or publish publicly, where appropriate to do so.*** (Paragraph 20)

The Overseas Territories (OTs) and Crown Dependencies (CDs) are separate, self-governing jurisdictions with their own democratically-elected governments that are responsible for domestic affairs, including fiscal matters and financial services policy. UK sanctions apply in all OTs and CDs. The OTs have frozen Russian assets with a combined estimated value



in excess of \$9 billion. Examples include the Cayman Islands government who publicly reported that Russian assets with an estimated value of US \$8.4 billion have been frozen. The British Virgin Islands (BVI) government has also publicly reported assets with an estimated value of more than US \$400 million have been frozen to date. The CDs have publicly reported that they have frozen assets worth over £1 billion: Isle of Man, £1.9 million; Guernsey, £5 million; Jersey, £1.15 billion. These figures are likely to change.

All OTs and CDs have agreed to introduce publicly accessible registers of company beneficial ownership. The Government does not accept that work towards these publicly accessible registers is delayed. The Government expects these to be in place by the end of 2023, which is the milestone towards which the OTs and CDs have been working since making their initial commitments to introduce them. The end of 2023 is a reasonable deadline, as it takes account of the limited capability and capacity many of the OTs have in this area, and the many other commitments they are required to deliver on within a similar timescale. The UK took three years to develop its register. For these reasons, bringing the deadline forward to early 2023 would not be achievable.

Significant progress has been made by several of these jurisdictions. For example, Gibraltar's register is already live and operational, and the Cayman Islands are working at pace, including issuing a consultation on the approach to introducing their register and recently meeting UK Government departments. BVI recently passed legislation to enable the framework for regulations to be made for their publicly accessible register in preparation for 2023. Smaller OTs, such as Montserrat and Anguilla, are working with the FCDO to update their systems to enable public access.

The minimum standards that the Government expects to see from the OTs' registers have already been set out alongside a written ministerial statement (HLWS361/HCWS369) on 14 December 2020. The FCDO is supporting the OTs with this commitment. Not only has the FCDO purchased a new company register for Anguilla, which will allow for public access, but the FCDO has been funding Open Ownership, a specialist NGO, to provide technical assistance to each OT.

The Government notes the recommendation about the Exchange of Notes (EoN). Under the EoN arrangements, the CDs and six OTs with global financial centres share beneficial ownership information with UK law enforcement agencies. The EoN are voluntary arrangements and any changes to their terms would need to be agreed with all the relevant jurisdictions. The latest annual review of the implementation of EoN found that the arrangements are continuing to function well and provide valuable tools for UK law enforcement agencies. Information provided has enabled the seizing and freezing of illicit funds, including supporting the NCA's efforts to secure the first Unexplained Wealth Order which led to the freezing of approximately £25 million. The information received under EoN has supported progress in complex investigations into the financial affairs of individuals believed to be involved in serious and organised crime. The next review is currently being conducted.

The Exchange of Notes programme is open to all UK law enforcement agencies, and the NCA cooperates regularly through it with the CDs and OTs. If a third country wants beneficial ownership information from one of these jurisdictions, it is free to submit an MLA request to the CD or OT in question.

**8. We welcome the consultation on SLAPPs, to which we have submitted a memorandum. We will return in our further report to ways in which the FCDO can work in concert with other departments to curb professional enablers who wittingly or otherwise help kleptocrats to establish a financial foothold in the UK and to stifle investigation of their affairs.** (Paragraph 21)

We welcome the committee's support for the Government's Call for Evidence on SLAPPs. The Government published its response on 20 July outlining plans for a legislative definition for SLAPPs and early dismissal process, supported by a formal costs protection scheme to shield defendants and neutralise the chilling-effect of high costs. The aim of early dismissal would be to subject SLAPPs to a three-part test, namely is the case in the public interest, does the case meet the definition of a SLAPP, and that the case is without merit (i.e., has an insufficient prospect of success). The Government's determination to stop SLAPPs demonstrates its commitment to upholding the fundamental democratic values of free speech and a free press, ending the abuse of the UK legal system, and defending investigations in the public interest.

**9. Journalists, however, are not the only truth-tellers who need protection. They often rely on whistle-blowers inside companies and organisations. These whistle-blowers need protection. The FCDO should therefore push for a Whistleblowing Bill to offer protection to those who speak out against, or uncover, economic crimes and other wrongdoing.** (Paragraph 22)

The Government agrees with the Committee that an effective whistleblowing framework is an important part of the UK's ability to tackle corruption and all forms of economic crime and illicit finance. These acts are by their nature often covert, and the authorities are often only able to address them where individuals feel able to speak up.

HMG's whistleblowing regime enables workers to seek redress if they are dismissed or suffer detriment because they have made a protected disclosure about wrongdoing. The Employment Rights Act 1996, amended by the Public Interest Disclosure Act 1998 (PIDA), gives legal protection to those who speak up in the public interest. The legislation is intended to build openness and trust in workplaces by ensuring that workers who hold their employers to account are treated fairly. The Government has committed to a review of the whistleblowing framework and is considering the scope and timing of this review.

**10. The vectors of illicit finance are often companies. Therefore, the FCDO should work across Government to encourage reform of outdated and ineffective corporate criminal liability laws which mean that it is difficult to hold large companies to account for economic crimes. We will return to this point in our final report.** (Paragraph 23)

The Government notes this recommendation and has sought to establish whether there is a case for change. As part of this, it asked the Law Commission to undertake a detailed review of how corporates could be better held to account for committing serious crimes, with a particular focus on economic crime. The Law Commission's paper was published on 10 June 2022. This is a complex area of reform. The Government is carefully assessing the options presented by the Law Commission, and continues to work collaboratively with them and other key stakeholders to review and take forward sensible reforms.

**11. We are concerned the Government's recent rhetoric about action on "dirty" Russian money implies that the current raft of sanctions is a part solution to the UK's problem of**

***kleptocratic wealth. We welcome the issuance of sanctions, which have frozen the assets of a growing number of oligarchs for supporting, or receiving benefit from, the Russian Government. But this should not become a form of “criminal justice light” where assets are held indefinitely without subsequent prosecution, nor should it become a form of expropriation without due process. We recommend that the relevant law enforcement agencies now take advantage of the time these asset freezes provide to consider if there is a criminal case for asset seizure.*** (Paragraph 27)

We note the recommendation on asset freezes and seizures. The designation of persons and subsequent freezing of their assets linked to persons or entities does not in itself provide a basis for seizure. However, law enforcement agencies are currently able to freeze and seize foreign assets with links to criminality or unlawful conduct, by making use of powers granted under the Proceeds of Crime Act 2002. Where there is evidence of criminality, Government will ensure appropriate action is taken.

***12. The primary reason for early ineffective action on sanctions was inadequate preparation and foresight by the leadership of the FCDO and consequent understaffing within the sanctions unit. The skillset of staff within the sanctions unit and the coordination between departments to understand the commercial environment are critical. We welcome the Government’s expansion of the sanctions unit. But policy effectiveness requires practical backing, sufficient resources and the right capabilities, including the capacity to gather necessary intelligence to support designations. The Government should provide the sanctions unit with the necessary additional resources for the duration of the crisis. We recommend that the Government develops a professional sanctions cadre, to develop sanctions design and targeting as a recognised professional specialism. The UK is a global financial centre with access to this information; we should make better use of it.*** (Paragraph 30)

The FCDO and partners across government were in close coordination throughout the months leading up to the Russian invasion, which proved pivotal to the swift designation of individuals and introduction of new measures within days. Two weeks before the invasion, on 10 February, the Foreign Secretary introduced secondary legislation (The Russia (Sanctions) (EU Exit) (Amendment) Regulations 2022) which broadened the definition of ‘involved person’ in the designation criteria under the Russia Sanctions Regime. The legislation enabled the Foreign Secretary to sanction more individuals and entities at greater pace. Since then, the UK has launched the largest package of sanctions in its history. The designations and measures are inflicting devastating economic pain on Putin and Russia following the illegal and unprovoked invasion of Ukraine. We agree with the Committee that imposing new designations at pace is central to an effective sanctions response. It is, however, vital that we ensure these cases are properly prepared, and that sufficient evidence is gathered before we sanction these individuals.

We agree with the Committee that the skillset of staff focused on sanctions has been central to our success in bringing these sanctions to bear. In December 2021, there were 48 substantive roles in the Sanctions Unit (now Sanctions Directorate). By the end of April 2022, there were around 150 people in the Directorate, consisting of an increased number of substantive roles and varying numbers of staff surged into the team on a temporary basis from other parts of the organisation. These figures also do not factor in those working across FCDO and its overseas network who cover sanctions as part of their wider roles.

In recognition of the central role sanctions continue to play in the UK's response to Russia's illegal invasion, and of the role sanctions play as a key UK foreign policy tool, the FCDO has established a permanent Sanctions Directorate. The work of this Directorate will focus on the Government's Russia Ukraine response and the 30+ UN and UK geographic and thematic sanctions regimes around the world tackling issues such as human rights, cyber, and terrorism. In line with the recommendation on a sanctions cadre, as part of the new Directorate, the FCDO has also established a cadre of sanctions experts to build the enduring expertise we need long term. This includes training for staff across the FCDO and wider government.

**13. *The Government has an obligation to help guide institutions through the sudden gear change in policy, not least because it has introduced strict liability for breaches. We endorse the Treasury Committee's call for clear guidance for the private sector.*** (Paragraph 32)

The Office of Financial Sanctions Implementation (OFSI), part of HM Treasury, is the authority responsible for the implementation of financial sanctions in the UK, and for improving the understanding, implementation, and enforcement of financial sanctions in the UK. OFSI undertakes regular engagement with a variety of different industry sectors to ensure that financial sanctions are properly understood and implemented. It also provides a variety of sanctions guidance available online to support stakeholders, and keeps this regularly under review to respond to changes in policy and national security risk. OFSI published guidance to support compliance with the Russia sanctions regime earlier this year, and guidance regarding its enforcement and monetary penalties approach following the passing of the Economic Crime (Transparency and Enforcement) Act 2022.

**14. *Given the impressive coordination with the EU and US on sanctioning individuals and entities in relation to the war in Ukraine, we urge the Government to build on this initiative and to develop a comprehensive transatlantic partnership to curb kleptocracy. This transatlantic partnership has the potential to adjust the global financial order in a way that bears down on corruption and bolsters democratic values.*** (Paragraph 35)

The Government notes the Committee's recommendation and agrees that transatlantic collaboration and coordination are vital if we are to bear down on the myriad harms caused by illicit finance and kleptocracy. The Government places strong emphasis on working with partners around the world bilaterally and in multilateral fora to tackle the threat posed to collective security by illicit finance. This includes bilateral partnerships with the US and the UAE, building on multilateral efforts at the G7, G20, and at relevant international organisations such as the Financial Action Task Force, OECD, and UN.

In the Integrated Review, the Government committed to working even more closely with the US in tackling illicit finance to strengthen the UK's most important bilateral relationship against the shared threat of illicit finance. The importance of this cooperation was demonstrated by its inclusion in the New Atlantic Charter in June 2021, as agreed by the Prime Minister and President Biden. In recent years, the Government has taken various measures to strengthen the wide-ranging partnership it has with the US on this issue, including deploying a dedicated Serious and Organised Crime network (SOCnet) Illicit Finance Adviser to the Embassy in Washington to complement existing resource dedicated to sanctions coordination and law enforcement cooperation with the US. The established robust internal systems and structures bring together our technical,

operational, and policy engagements with the US into a strategic whole. The speed with which we were able to engage and coordinate on sanctions designations with the US was, in part, the result of the strong foundations already put in place over many years.

We are committed to deepening this partnership and building on the achievements it has delivered to date. We will be playing an active role in the US-led Summit for Democracy's Financial Transparency and Integrity Cohort, formally established on 21 July 2022, that has a specific focus on combatting transnational corruption and related money laundering. We will also work with G7 partners to deliver the commitment in the 2022 G7 Leaders' Communique to intensify cooperation and consider further steps to hold kleptocrats, criminals, and their enablers to account.

Additionally, work is underway to develop a new Anti-Corruption Strategy and the next Economic Crime Plan, which will go further still to tackle the threat from Economic Crime, including a specific focus on kleptocracy and sanctions evasion.

***15. The FCDO has vast experience, through the merger with DFID, of running illicit finance programmes internationally and gathering critical intelligence to assess security risks. The FCDO should be present at the table in international fora on illicit finance, such as the Financial Action Task Force. Appointing a Minister for Economic Security with cross-Whitehall responsibility for the multiple strands of work on countering corruption would go some way to demonstrating the Government's commitment to ending kleptocracy in the UK. It would provide meaningful accountability to Parliament for delivery of a comprehensive strategy. The Government should study lessons from US legislation such as the ENABLERS Bill currently before Congress, and the Countering America's Adversaries Through Sanctions Act (CAATSA) for protections which could be aligned with UK legislation.***

Addressing economic crime and security is a shared priority across government, and we agree on the importance of robust oversight and accountability to ensure coherence and impact. There is effective governance of these efforts, principally through the Economic Crime Delivery and Strategy Boards which are ultimately overseen by the Chancellor and the Home Secretary. The position of the Prime Minister's Anti-Corruption Champion has been complementary to this governance and has helped to galvanise UK efforts to combat corruption. We will continue to review and strengthen governance arrangements and note the Committee's recommendation.

HM Treasury leads the UK delegation to the FATF. HM Treasury draws on the expertise of relevant departments and agencies including the FCDO to inform its engagement at the FATF to achieve the Government's commitment to tackling the transnational challenge of illicit finance. The FCDO supports HM Treasury by, inter alia, providing insights from UK overseas missions on relevant illicit finance developments, and by engaging with authorities in host countries responsible for tackling illicit finance. HM Treasury and FCDO regularly discuss FATF policy issues and other illicit finance issues with an international dimension, alongside a range of other departments and agencies including but not limited to the Home Office, HMRC, the Financial Conduct Authority, and the National Crime Agency.

The Government notes the Committee's recommendation that the Government closely monitor and learn from illicit finance developments in the US. The Government's response

to economic crime and sanctions implementation was recognised by the Financial Action Task Force in 2018 as the strongest of over 120 jurisdictions assessed globally. In particular, the FATF assessed that UK law requires transparency of ownership of legal persons including companies and legal arrangements including trusts, and that UK law provides sufficient anti-money laundering and counter terrorist finance obligations on professional sectors such as lawyers, accountants, real estate agents, and trust and company service providers.

We recognise, however, that we need to go further to strengthen our response to illicit finance. To build on our position of strength, the Government closely follows international efforts to tackle economic crime and to improve the effectiveness of sanctions, and regularly exchanges best practice with partners and allies to improve our collective response to common threats.

Home to the world's two biggest financial centres, the US and the UK are close allies in the fight against illicit finance. We have regular dialogue with the US Government about legislation and policy initiatives under development in both the UK and US, sharing best practice and insights on how to strengthen our respective responses to countering illicit finance. Multilaterally, we work alongside and learn from the US and other international partners in the G7, the Russian Elites Proxies and Oligarchs (REPO) Task Force, the Five Eyes Law Enforcement Group, and through follow-up to the Summit for Democracy.

***16. We will continue to monitor the Government's progress on the next Economic Crime Plan, the Economic Crime Bill 2 and Companies House reform. We will look at how effectively the UK continues to maintain pressure on Russia through sanctions and, more critically, how the Government enforces its sanctions so that they have the intended impact of crippling the Russian war machine and deterring those who would aid Putin's regime.*** (Paragraph 39)

***17. It is deeply regrettable that it has needed a war for the Government to make progress on long-promised plans to tackle the flows of illicit finance through London and beyond. While sanctions remain in place, freezing the corrupt wealth of President Putin's supporters, now is the time to take action: to strengthen legislation against enablers; to adequately resource the National Crime Agency and other bodies responsible for bringing criminal cases to trial; and to coordinate strategically with our allies and others, particularly the US, so that those with dirty money no longer have a place to hide it.*** (Paragraph 40)

The Government notes these conclusions. We have taken robust action over the last decade. But we are not complacent about the threat.

We are going further. We will not tolerate the Kremlin's business model of stealing in Russia to then spend and save in the West, including the UK or the Crown Dependencies and Overseas Territories.

Money obtained through corruption or criminality, including that linked to Russia, is not welcome in the UK. Corrupt elites connected to the Kremlin are our targets. The full weight of law enforcement bears down on those who threaten the security of the UK and our allies through criminality.