



Ministry of Housing,
Communities &
Local Government

Rt Hon Steve Reed OBE MP

*Secretary of State for Housing, Communities
and Local Government*
2 Marsham Street
London
SW1P 4DF

Matt Western MP
Chair, Joint Committee on the National
Security Strategy
House of Commons
London
SW1A 0AA

9 March 2026

Dear Matt,

POLITICAL FINANCE AND FOREIGN INTERFERENCE

Thank you for your letter of 23 February in which you set out recommendations from the Joint Committee on the National Security Strategy to strengthen the legislation and enforcement mechanisms around political finance, and to mitigate risks of foreign interference in the UK's political finance system.

I am grateful for the work of the Committee in this space, and strongly agree with the sentiment of your concerns and your view that we should maximise the opportunity presented by the Representation of the People Bill to strengthen our response. As you know, it is, and always will be, an absolute priority for this Government to protect our democratic and electoral processes. We are committed to upholding and strengthening UK democracy by protecting against foreign interference, improving political transparency, adding tougher checks for donations and closing loopholes by reinforcing electoral legislation against foreign interference.

You recommend exploiting momentum around the Bill to create a **single national police lead for political finance**, with a specific emphasis on foreign interference risks. As you will be aware, the Police Reform White Paper sets out a wider programme to rebalance responsibilities across local, regional, and national policing, ensuring clearer remits, stronger national standards, and better use of national-level capabilities. The creation of the National Police Service is intended to bring together strategic leadership and those functions best delivered at the national level, helping to relieve local forces of pressures that are more effectively managed centrally.

However, decisions on the specific allocation of individual functions have not yet been taken. The White Paper provides the appropriate vehicle for considering how

responsibilities across the system should be organised, but no commitments have been made at this stage in relation to political finance. We will continue to take an evidence-based approach through the reform programme, working closely with policing partners and relevant regulators to ensure that any future arrangements are coherent, proportionate and improve system-wide coordination. It must also be taken into account that foreign interference is an offence under the National Security Act 2023, including a specific electoral offence under Section 16 of the Act, with investigations carried out by Counter Terrorism Policing.

You further suggest that the Bill should introduce changes to **strengthen sentencing for electoral finance offences, and have raised points regarding the Electoral Commission's ability to compel information from organisations** such as financial institutions, outside of an investigation. We will keep the Commission's enforcement powers under review to ensure they have the necessary powers to fulfil their regulatory functions effectively. The measures in the Bill extend the Electoral Commission's role to include the enforcement of candidate finance and, in secondary legislation, increase their maximum fine up to £500,000 per offence. Together, these will provide a greater deterrent for breaches of the rules, while enabling police resources to focus on the most serious cases, such as clamping down on foreign money entering UK politics. Additionally, our measures will enable the Commission to disclose information to other statutory regulators and enforcement authorities to assist those bodies in performing their statutory functions, improving collaboration on cross-cutting issues like data protection and foreign interference.

However, I recognise that we cannot be complacent. That's why, in December, I appointed Philip Rycroft to lead an independent review into countering foreign financial influence and interference in UK politics. The [terms of reference](#) include what additional measures may be necessary to enhance the scope and effectiveness of criminal enforcement as well as the Electoral Commission's enforcement powers. Any proposals would need to strike an appropriate balance to ensure they do not discourage participation in campaigning. The review findings will be delivered to myself and the Security Minister by the end of March, and I can confirm that recommendations where relevant will inform the Representation of the People Bill.

You also make a specific suggestion that the Bill should introduce a **temporary moratorium on accepting cryptoasset donations** until the Electoral Commission produces statutory guidance, and that the Commission should produce more comprehensive interim guidance in the meantime. The law is clear that all donations made to political parties, regardless of what form they come in, are subject to the same regulations. Those who receive political donations from an impermissible or unidentifiable source must return them. I can confirm that the Commission has published [interim guidance](#) which aims to help political parties make sure they are complying with existing permissibility rules.

However, I am clear-eyed about the risks that cryptoasset donations present and the fast-evolving and complex nature of the threat. The Rycroft review will rigorously test the financial safeguards we currently have in place and will specifically consider safeguards against illicit funding streams including the use of cryptoassets.

You have also raised questions and points regarding provenance of funds connected to political donations, and **source of wealth checks**. The commencement of section 54A, as you note, will enhance electoral safeguards by requiring individuals making significant donations to declare any benefit or financial support received in connection with that donation. This will improve transparency around the true source of funds and create a clear legal obligation on donors to disclose the underlying source of funds.

Alongside this, the new Know Your Donor framework will require recipients of donations to undertake thorough and proportionate due diligence of high-value donations, assessing risk factors such as the type of donor and their previous donation history. The Secretary of State will also have the power to amend the statutory Know Your Donor risk-assessment factors, ensuring the framework can be updated to reflect evolving threats, fundraising practices, and illicit methods that may obscure the true source of funds. These checks draw on principles from existing money laundering regulations and require recipients of donations to adopt a risk-based approach to permissibility due diligence, going well beyond current statutory checks. Together, these measures will help close existing loopholes by improving transparency, increasing accountability on both donors and recipients, and reducing the risk that illicit or opaque funding enters UK politics.

Thank you again for the continuing work of the Committee in this space. I can assure you of my personal commitment to ensuring that the Representation of the People Bill delivers greater transparency in political funding, stronger protections against foreign or illicit influence, and increased public confidence in the integrity of our democratic institutions. This landmark legislation is the boldest and most ambitious change to our democracy for decades.

Yours sincerely,

A handwritten signature in purple ink that reads "Steve Reed". The signature is fluid and cursive, with a horizontal line underneath the name.

RT HON STEVE REED OBE MP

Secretary of State for Housing, Communities and Local Government