



# UK Finance's submission to the International Development Committee

31 January 2022

## KEY RECOMMENDATIONS

- UK Finance would recommend that the Government reviews its “ownership and control” framework when dealing with public entities or ministries.
- The Government should also consider how to mitigate the impact of sanctions on the provision of financial services for the benefit of humanitarian aid when designating officials and ministers, through innovative and more agile mechanisms such as the use of temporary licences and exceptions.

## BACKGROUND

UK Finance continuously engaged with the Government early on in the Afghanistan crisis through the UK Finance Sanctions Panel and through the Tri-Sector Group. Alongside the charities sector, UK Finance highlighted the risks posed by the existing sanctions legislation to the provision of financial relief in Afghanistan. Several communications were issued to HMG by NGO members of the Tri-Sector Group from September, followed by communications from UK Finance throughout December.

The communications and engagement drew the Government's attention to the operational difficulties encountered by financial institutions and NGOs in funding operations on the ground, including because of the UK's implementation of United Nations (UN) level sanctions against members of the Taliban that were appointed in the interim government of Afghanistan. Provisions in the Sanctions and Anti-Money Laundering Act 2018 (the Act) and the Afghanistan (Sanctions) (EU Exit) Regulations 2020 generally prohibit any payments made directly to, or for the benefit of, entities “controlled” by designated persons, which cause great difficulties when dealing with designated persons at the head of ministries or public utilities entities.

Despite early notice of the issues encountered by the financial sector and its partners, the Government did not provide sufficient reassurances in the absence of a UN exception for humanitarian activities. The view of the industry is that innovative and temporary mechanisms could have been used to mitigate the impact of sanctions on humanitarian assistance, when other jurisdictions such as the United States of America implemented such mechanisms as early as September 2021.

UK Finance have highlighted similar issues in other sanctions regimes where ministers or other officials are designated under sanctions regimes (e.g. Myanmar, Belarus, etc.). The problems faced in the Afghanistan crisis will be reproduced as long as the existing framework on ownership and control is not carefully considered by the Government.