Written evidence submitted by Spotlight on Corruption (IEF0025)

Spotlight on Corruption is an anti-corruption charity that works to end impunity for corruption within the UK and wherever the UK has influence. Our primary focus is on whether the UK's anti-corruption laws are being effectively implemented and enforced. Our work includes monitoring court proceedings and producing research on the implementation and enforcement of the UK's anti-corruption laws.

This submission covers:

Sanctions (paragraphs 1 – 26)

- The effectiveness of the UK's human rights and sanctions regimes;
- Weak enforcement of sanctions designations;
- The need for more parliamentary oversight as a result of the government's increased sanctions powers following the passing of the Economic Crime Act;
- The lack of capacity in the FCDO to make sanctions designations effectively.

Other measures to counter illicit finance (paragraphs 27 – 48)

- Tackling enablers through reform of the AML supervisory regime
- Boosting resources to law enforcement agencies fighting economic crime
- Addressing the residual risks associated with the Tier 1 (Investor) visa scheme
- Increasing the power and resources of the Electoral Commission to undertake stricter checks on political donations
- Requiring political parties to develop and publish proportionate, risk-based policies for identifying the true source of donations and for managing donations

Summary

We recommend the government—

Sanctions

- Review the designation criteria underpinning the Global Anti-Corruption (GAC) sanctions regime to consider whether 'abuse of function' would provide greater flexibility for FCDO staff to impose designations.

- Review how the sanctions regime can work in tandem with the criminal justice system more effectively to ensure assets are seized as well as frozen, including by reviewing the policy guidance note under the GAC sanctions regime in relation to when sanctions will be used where UK law enforcement has jurisdiction.

- Develop a model within the Sanctions Unit where specialists work with local posts, and ensure smaller posts have both the resources and the guidance to work on designations.

- Double the budget for the Office of Financial Sanctions Implementation (OFSI) and ensure it can increase staffing and skill levels.

- Make data around sanctions enforcement more transparent, including a breakdown of assets frozen and fines handed out under each separate sanctions regime.

- Synchronise reporting obligations so that both the OFSI and the NCA receive information about suspected sanctions breaches.

- Introduce a proactive reporting requirement so that firms must make a positive declaration to the OFSI and the NCA on an annual or biannual basis that they have complied with their sanctions obligations and have no knowledge or reasonable suspicion of any breach.

- Review whether the introduction of a conspiracy offence in relation to sanctions evasion would enable better criminal enforcement, and provide greater clarity about when criminal prosecution, rather than civil penalties, are considered in response to a sanctions breach.

- Establish a high level independent advisory panel to advise the Foreign Secretary about the consistency and application of the sanctions regime.

- Devote substantial investment to build up capacity in the sanctions units of the FCDO with a specific focus on developing long-term specialist expertise, particularly legal and forensic accounting skills.

- Ensure there is more regular and robust oversight of the use of sanctions, particularly in light of new powers under the Economic Crime Act, whether through the creation of a specialist Sanctions sub-committee under the Foreign Affairs Committee (FAC), or the creation of a tripartite Sanctions Committee including the FAC, the Treasury Select Committee and the Home Affairs Committee.

Reform of the AML supervisory regime

- Reform, consolidate, and standardise AML supervision and ensure that professional enablers in the legal and accountancy sectors are more effectively subject to criminal investigation and prosecution. This should be comprehensively addressed in the second Economic Crime Bill.

- Create a specialist unit in the NCA to target professional enablers, looking at how firms across the regulated sector can more effectively be prosecuted for failure to disclose

offences under Section 330 of the Proceeds of Crime Act, criminal breaches of the Money Laundering Regulations, and more serious money laundering offences under Proceeds of Crime Act.

Economic crime enforcement resourcing

- Double key law enforcement annual budgets from £852 million to £1.7 billion to tackle economic crime.

- Create a central economic crime fighting fund, based on the principle that money generated from law enforcement's economic crime activity should be reinvested in law enforcement bodies on top of core budgets, on a sustainable, long-term basis (where it is not assigned for victim compensation).

- Legislate to ensure costs protection in civil recovery proceedings where law enforcement bodies have acted reasonably and properly.

- Allow law enforcement bodies to raise salaries within their budgets so that they can attract the best and the brightest.

Tier 1 (Investor) visas

- Commit to publishing the full review into Tier 1 (Investor) visas as soon as possible and by early April 2022 at the latest.

- Set out how it will deal with people with corrupt or criminal sources of wealth who have already received indefinite leave to remain through the golden visa route.

- Publish any assessment it has made of the various loopholes that continued in the golden visa route since 2015 and the risks posed to national security.

- Set out what steps it will take to build its institutional capacity to stop those with corrupt or criminal sources of wealth being granted residency or citizenship through any replacement or revised investor visa scheme.

Political donations

- Give the Electoral Commission the powers and resources to ascertain whether the source of a donation poses a national security risk or whether they do not meet a 'fit and proper' test; and powers to give an order requiring a donation to be refused, returned, prohibiting the acceptance of donations from the donor, or other measures.

- Require political parties to develop and publish proportionate, risk-based policies for identifying the true source of donations and for managing donations.

Sanctions

How effective are the UK's sanctions regimes on corruption and human rights? How could sanctions be used to greater effect in countering illicit finance?

1. The introduction of the human rights and anti-corruption sanctions regime (in July 2020 and April 2021 respectively) marked a crucial point in the UK's post-Brexit foreign policy. Both regimes made a promising start, with the UK sanctioning 27 individuals under the Global Anti-Corruption regime (GAC), and 75 under the Global Human Rights regime (GHR) so far.[1] Impact assessments produced at the start of each regime estimated that 100 individuals a year would be sanctioned under the human rights sanctions regime, and 30 a year under the anti-corruption one.[2]

2. While the government is not significantly off-track with its assessments, recent months have seen a marked decrease in designations. Particularly striking is that while the US announced a tranche of sanctions targeting 68 individuals and entities for anti-corruption sanctions in the week leading up to the Summit for Democracy in December 2021,[3] no new designations have been made under the GAC since July 2021, and there have only been two tranches of designations under the GAC since its inception. This is probably due to capacity issues highlighted below, and to a turnover of very experienced staff in the Autumn of 2021.

3. While the GAC and GHR regimes are thematic regimes, it is notable that the UK has 26 geographic regimes. The FCDO has stated that it does not consider dual listing under two regimes practical. This regime jigsaw makes it hard for those wanting to submit evidence to know which regime to target. From our experience and discussions with FCDO staff, it will often be easier to list under a geographical than a thematic regime, as the criteria for designation are broader.

4. As the recent Russia sanctions regime has shown, broad criteria are essential to grant the greatest degree of flexibility with designations. In the formation of the GAC regime, civil society strongly recommended that the definition of corruption be as broad as possible and include 'abuse of function'. This was not accepted by the FCDO in the final regime, and mirrors similarly narrow legal definitions for the human rights regime. While there are legitimate arguments that the definition of an 'involved person' is so broad that this should not be an issue, the narrow scope of definitions under the GAC and GHT may facilitate legal challenges to the regime and may have limited the FCDO's powers for making designations.

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[1] https://ofsistorage.blob.core.windows.net/publishlive/2022format/ConList.pdf

[2] https://www.legislation.gov.uk/ukia/2020/45/pdfs/ukia_20200045_en.pdf
https://www.legislation.gov.uk/uksi/2021/488/pdfs/uksiod_20210488_en_002.pdf

[3] https://home.treasury.gov/news/press-releases/jy0515, https://home.treasury.gov/news/press-releases/jy0517, https://home.treasury.gov/news/press-releases/jy0519, https://home.treasury.gov/news/press-releases/jy0523, https://home.treasury.gov/news/press-releases/jy0526

5. It is noteworthy that from its inception, there was strong expectation that designations under the Global Anti-Corruption regime would invite legal challenge. Anti-corruption is an area where the nature of evidence is highly contestable, and where those subject to designations are likely to have deep pockets (not least from stolen assets) as well as strong incentives to protect their reputation and assets. It is essential that this regime is well-resourced and backed by highly specialised legal personnel operating with a high-risk appetite.

Interaction between sanctions and law enforcement

6. Of crucial importance to the GAC is how the regime intersects with law enforcement to tackle dirty money in the UK. From an early stage, civil society flagged that the sanctions regime should be used extensively to freeze assets held in the UK and be used proactively against assets in a manner that allows law enforcement bodies time to investigate the assets and start civil recovery proceedings. Where assets are frozen under the GAC regime on grounds of corruption there should be a strong likelihood that these assets can be seized through civil recovery and returned to the people from whom they were stolen.

7. The policy note published alongside the GAC regime suggests the opposite – where UK law enforcement has jurisdiction, sanctions will only be used in the exceptional circumstance that law enforcement is unable to exercise its jurisdiction and pursue a case against that person or their assets.[4] This has several impacts:

    a. The sanctions and law enforcement bodies within the UK are disarticulated instead of closely collaborating (this is particularly important where there is a regime change to avoid assets dissipating while allowing law enforcement bodies time to gather evidence).
    b. There have been few designations made against people with assets in the UK itself because there will usually be some possibility that law enforcement could act against these individuals.

8. This position developed because the legal community indicated that a designation against a person with assets in the UK could be subject to legal challenge on the grounds that law enforcement powers should have been used instead.

9. However, there is no barrier to using the sanctions and criminal justice regimes in tandem.[5] On the contrary, the failure to do so is a major flaw in the regime which could result in largely symbolic designations for anti-corruption which do not significantly affect

[4]https://www.gov.uk/government/publications/global-anti-corruption-sanctions-factors-in-designating-people-involved-in-serious-corruption/global-anti-corruption-sanctions-consideration-of-designations (point 5)

[5] Fisher and Clifford, “Anti-Corruption Sanctions, the Bribery Act and Unexplained Wealth Orders”, Criminal Law Review, January 2022.

those with economic footprints (whether personal or professional) in the UK and do not result in assets being permanently confiscated from corrupt actors.

Enforcement of sanctions is weak across the board

10. As one of the key agencies making sanctions designations, the FCDO has significant interest in sanctions being enforced effectively - without enforcement, designations are meaningless. Although detailed statistics on the number of assets frozen and fines handed out under the GAC and GHR regimes are lacking, enforcement of the UK's various sanctions regimes appears weak across the board. This risks seriously undermining the effectiveness of UK sanctions.

11. For instance, after its establishment in 2016 and some initial success, the Treasury-based Office of Financial Sanctions Implementation's (OFSI) yearly performance record has stagnated and, in some areas, worsened. The total value of frozen assets in the UK has not changed significantly since the OFSI's first full year of operations, starting at £12.7 billion in 2017/18 and dropping slightly to £12.2 billion in 2020/21. The value of these frozen assets is almost entirely related to the Libya sanctions regime, which stood at £12.06 billion in 2017/18[6] and dropped slightly to £11.5 billion in 2020/21.[7] Only 0.36% (£44.5m) of the frozen assets relate to the Ukraine sanctions regime, the last Russia-related regime before the new rounds of sanctions imposed after Russia's renewed invasion of Ukraine.

12. At the same time, the number of people subject to an asset freeze in the UK has fallen from 2,183 in 2018/19 to 1,638 in 2020/21. Between 2018/19 to the present, the OFSI has issued 7 monetary penalties with a total value of £20,681,000 on 6 entities. However, 98.8% of this total was imposed on Standard Chartered Bank in February 2020 with the remaining £247,000 being imposed on 5 smaller companies for comparatively minor breaches.[8] By way of comparison, during the same period (2018-2022) the US Office of Foreign Assets Control issued 71 fines worth a combined $1.3 billion (£985 million).[9]

13. To investigate cases of suspected sanctions breaches and enforce UK legislation, the OFSI had 37.8 (FTW) officials as of March 2021,[10] while the US Office of Foreign Assets Control has an estimated 259 FTE equivalents, a difference of 585%.[11] The number of

[6] OFSI Annual Review (April 2017-March 2018) page 3: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/746207/OFSI_Annual_Review_2017-18.pdf

[7] OFSI Annual Review (April 2020 - March 2021) page 6: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1025562/OFSI_Annual_Review_2021.pdf.

[8] Fines imposed on Raphael and Sons Plc (£5000), Travelex UK Ltd (£10,000), Telia Carrier UK Limited (£146,341), TransferGo Limited (£50,000) and Clear Junction Limited (£36,393).

[9] OFAC enforcement data. https://home.treasury.gov/policy-issues/financial-sanctions/civil-penalties-and-enforcement-information/2021-enforcement-information

[10] HM Treasury Outcome Delivery Plan 2021 to 2022. HM Treasury. https://www.gov.uk/government/publications/hm-treasury-outcome-delivery-plan/hm-treasury-outcome-delivery-plan-2021-to-2022

FTE staff is of critical importance as investigators must analyse substantial amounts of data. Capacity is likely to have been substantially strained by the sudden increase in the total value of breaches reported to the OFSI, which jumped from £262.33 million in 2018/19 to £982.34 million in 2019/20.[12]

14. The dual framework for reporting obligations, with Suspicious Activity Reports (SARs) under the Money Laundering Regulations reported to the NCA and suspected breaches of sanctions legislation to the OFSI, makes compliance with reporting obligations more difficult to monitor and splits scarce resources across different agencies. The effectiveness of enforcement is constrained by the reliance on self-reporting, third-party and whistle-blower disclosures, and ineffective supervision by professional body regulators.

15. The enforcement model could be strengthened by introducing a proactive reporting requirement that firms make a positive declaration to the OFSI and the NCA that they have complied with their sanctions obligations and have no reasonable suspicion or knowledge of a breach. This reporting cycle could be annual or biannual, depending on the sanctions regime. This would enhance accountability for compliance and ensure the OFSI and the NCA are better informed to channel resources into investigations of suspected breaches.

Improving criminal enforcement - the role of the NCA

16. The effectiveness of criminal sanctions enforcement depends on the capacity of the NCA because OFSI is only responsible for imposing civil penalties where there are breaches of financial sanctions. It may refer cases to the NCA for investigation and potential prosecution, but it is not required to report when it does so, and a recent parliamentary question provided no statistics about how often this has happened in the past three years.[13] Greater clarity is needed for when criminal prosecution, rather than civil penalties, are considered in response to a breach.

17. In the past three years, the NCA has conducted only 3 criminal investigations into sanctions breaches, with only one appearing to have resulted in any enforcement action,[14] and it has been 11 years since the last successful criminal sanctions evasion related prosecution took place - although that was for bribery rather than sanctions evasion specifically.[15]

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[11] US Government Accountability Office. Economic Sanctions: Treasury and State Have Received Increased Resources for Sanctions Implementation but Face Hiring Challenges https://www.gao.gov/products/gao-20-324

[12] OFSI Annual review April 2019 to March 2020. HM Treasury. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/925548/OFSI_Annual_Review_2019_to_2020.pdf

[13] https://www.theyworkforyou.com/wrans/?id=2022-02-23.128148.h&s=section%3Awrans+speaker%3A10281#g128148.q0

[14]https://questions-statements.parliament.uk/written-questions/detail/2022-02-23/128150;https://www.theyworkforyou.com/wrans/?id=2022-02-23.128152.h&s=speaker%3A10281#g128152.q0

[15]https://www.mayerbrown.com/-/media/files/perspectives-events/publications/2011/02/two-former-directors-of-uk-company-

18. While the US has a strong track record of taking criminal sanctions evasion enforcement actions, many of these are based on a 'conspiracy to defraud the US government' offence, which the UK does not have. If the UK is to act in concert with allies, it needs to revisit the criminal basis on which it can bring sanctions evasion offences, such as by introducing a conspiracy to evade sanctions offence.

19. Serious resourcing issues need to be addressed. The announcement that the NCA's new Kleptocracy Cell will look at sanctions evasion is welcome but will only be effective if the Cell is given substantial new public investment and there is serious consideration of legislative change for bringing criminal sanctions evasion cases.

Russia sanctions

20. In response to widespread criticism about the government's slow imposition of sanctions on Russia, it passed the Economic Crime Act, which includes several provisions to fast-track sanctions designations. To avoid executive overreach there must be stronger parliamentary and independent oversight of this significant increase in powers given to the executive under the Act. Civil society has long advocated to the FCDO that an Independent Expert Panel be established, as recommended by the High-Level Panel of Legal Experts on Media Freedom's report on the use of Sanctions.[16]

21. We also advocate a considerably expanded role for the Foreign Affairs Committee or the creation of a special Committee on Sanctions, bringing together the Foreign Affairs Committee, Treasury Select Committee and Home Affairs Committee to enable proper scrutiny of designations and their enforcement.

What skills and expertise does the FCDO need to respond to the challenges and where are these lacking?

Designation capacity

22. Although staff working in the FCDO sanctions unit has increased from 20-29 in December 2020 to 40-49 in December 2021,[17] and staff numbers tripled to cope with the new Russia sanctions in February and March 2022, media reports suggest new staff members may lack experience of working on sanctions.[18]

23. The slowness of designations, made both under the Russia regime and more generally under the GAC regime, points to serious capacity issues at the FCDO. Our understanding is that it takes around 4-6 months to put together a strong, water-tight

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convicted-of-br/files/10448pdf/fileattachment/10448.pdf

[16] https://www.ibanet.org/Media-Freedom-Sanctions-report-launch-2020

[17]https://data.parliament.uk/DepositedPapers/Files/DEP2022-0173/Lord_Sharpe_letter-Burundi_Sanctions_Regulations_2021.pdf

[18] https://www.ft.com/content/a5f3ff50-a506-42a9-b648-a8724425473a

designation under UK sanctions regime criteria.

24. The FCDO in London is highly dependent upon overseas posts for support work in developing designations. This dependency can lead to inconsistencies depending on the skills and size of an overseas post. The FCDO should be looking to adopt a similar model to the US, where highly skilled legal specialists from headquarters travel to the post to spend several weeks developing designations. This would also lead to a 'skilling up' of posts for making designations. Some smaller posts may need additional resources and capacity to help deliver on sanctions designations. This is particularly important given the essential role that posts will play in communicating the purpose and intent (including the behaviour change necessary to have sanctions lifted) of designations at a country level.

25. The breadth and scope of designations is essential to ensure the effective use of sanctions. Sanctions can currently be circumvented by designated individuals transferring assets into the names of their family members or associates or by using opaque networks of corporate entities. This major loophole should be closed by ensuring family members and close business associates as well as the full corporate network of a designated individual or entity are also put on sanctions lists. Recent designations under the Russia sanctions regime that cover family members of the main sanctioned individual (such as the Shuvalov and Rotenberg families) show the FCDO is open to this. This approach should be adopted across the GAC and GHR, as well other sanctions regimes.

26. For this to happen the FCDO needs to develop a specialist team of lawyers and forensic accountants that can build up expertise in developing designations. Currently it appears that there is too much reliance on generalists and not enough long-term expertise within the sanctions unit.

Other measures to counter illicit finance

What other measures beyond sanctions can counter illicit finance, including bilateral and multilateral approaches?

27. Sanctions are a useful, but limited, tool. To effectively counter illicit finance, the UK should take a system-wide approach. A priority should be passing the second Economic Crime Bill early in the next parliamentary session, as an initial Economic Crime Act rushed through in March 2022 overlooked several key areas. Priorities for the second Economic Crime Bill are:

- Tackling the 'enablers' of economic crime by reforming the anti-money laundering supervisory regime.

- Significantly boosting resources available to law enforcement agencies fighting economic crime.

Tackling enablers through reform of the AML supervisory regime

28. Professional enablers, such as lawyers, accountants, and bankers, are the gatekeepers of economic crime and facilitate illicit financial flows because they provide services and tools which can be abused to frustrate the legal checks that would otherwise expose wrongdoing. Given the nature of their work, there is an inherently high risk that these professionals may unwittingly enable economic crime, but there are also enablers who provide specialised services aimed at concealing the source of wealth or ownership. This includes the facilitation of asset protection plans which seek to insulate assets from the reach of the law, including the impact of sanctions and asset recovery proceedings brought by enforcement authorities.

29. The current model for supervising professional enablers is fragmented and weak. In the legal and accountancy sectors alone, there are 22 different Professional Body Supervisors (PBSs). In its 2021 report, the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) found that the vast majority (81%) of these legal and accounting PBSs do not implement an effective risk-based approach to supervising their members, as required by the Money Laundering Regulations.[19]

30. Additionally, a 2020 OPBAS report identified enforcement as a key area for improvement for these supervisors, with 41% of PBSs not having taken enforcement action of any kind.[20] Yet in the 2021 review OPBAS found that only around a quarter (26%) of these supervisors are using enforcement tools available to them effectively.[21]

31. In its Economic Crime Plan 2019-2022, the government committed to strengthen the consistency of supervision in the accountancy and legal sectors by March 2021. The alarming figures from OPBAS' 2021 report show that this has clearly not happened - an urgent rethink is needed.

32. The lack of effective supervision of the legal and accountancy sectors, which both pose high money laundering risk, represents a sizeable gap in the UK's defences against illicit finance. Spotlight on Corruption is calling for OPBAS to urgently get much tougher to bring legal and accountancy supervisors into line in light of these findings, and for the government to adopt ambitious reform in consolidating the UK's fragmented anti-money laundering (AML) supervisory framework.

33. Furthermore, there is a major discrepancy in how professional enablers are subject to criminal law enforcement. While financial institutions subject to supervision by the

[19] https://www.fca.org.uk/publication/opbas/supervisory-assessments-progress-themes-2020-21.pdf
[20] https://www.fca.org.uk/publication/opbas/supervisory-report-progress-themes-2019.pdf
[21] https://www.fca.org.uk/publication/opbas/supervisory-assessments-progress-themes-2020-21.pdf

Financial Conduct Authority can be prosecuted by the body for breaches of the Money Laundering Regulations, as shown by the recent £264.8 million fine imposed on Natwest,[22] those sectors supervised by PBSs (i.e. accountants and lawyers) face no criminal investigations or sanctions under the Regulations because their supervisors do not have the power to conduct them. The NCA meanwhile can only investigate egregious money laundering offending under the Proceeds of Crime Act - a major enforcement gap.

Boosting resources to law enforcement agencies fighting economic crime

34. The amount spent on countering illicit finance is not proportionate to the level of damage it inflicts upon the UK. The UK spends £852 million – equal to just 0.042% of GDP (on a generous estimate) – a year on funding core national-level economic crime enforcement bodies. Yet annually economic crime costs the UK £290 billion – equal to at least 14.5% of GDP.[23]

35. Key national-level agencies continue to suffer real term declines in their budgets, with the National Crime Agency suffering a 4.2% decrease in its core budget over the past five years. This is despite outgoing Director General, Lynne Owens, calling for a 54% increase in funding for the agency so that it could fight serious and organised crime. The CPS would have needed a 46.6% increase in the last budget, rather than the 2.9% increase announced in the Autumn, to restore its budget to 2010 levels.[24]

36. Aid cuts have led to a £3.6 million budget cut for law enforcement bodies tackling illicit finance and international corruption work and resulted in the target for the use of Unexplained Wealth Orders based on aid-funded investigations being reduced to zero.[25]

37. Law enforcement bodies responsible for fighting economic crime brought in £3.9 billion between 2016-2021 in fines, confiscation, and forfeiture. If this money had been reinvested in agencies on top of core budgets, an additional £748 million a year could have been added in public investment.[26]

38. The prospect of paying huge legal costs if they lose cases seriously hampers law enforcement. For example, in High Court proceedings, the unsuccessful party normally pays the legal costs of the successful party. The recently passed Economic Crime Act recognised that significant and deterring costs orders have made enforcement authorities reluctant to utilise Unexplained Wealth Orders (UWOs) and introduced cost protection for them. Only 9 UWOs, relating to 4 cases, have been obtained by the

[22] NatWest fined £264.8 million for anti-money laundering failures. FCA. https://www.fca.org.uk/news/press-releases/natwest-fined-264.8million-anti-money-laundering-failures
[23] https://www.spotlightcorruption.org/closing-the-uks-economic-crime-enforcement-gap-proposals-for-boosting-resources-for-uk-law-enforcement-to-fight-economic-crime/
[24] Ibid.
[25] Ibid
[26] Ibid.

National Crime Agency (NCA) since this investigative tool was introduced in January 2018.[27] The unsuccessful UWO application in the Aliyev case left the NCA facing £1.5 million in legal costs.[28] Cost protection should be extended to cover all civil recovery proceedings to encourage enforcement authorities to pursue the proceeds of crime without fear of crippling costs orders.

39. Finally, salaries should be raised to compete with the private sector. Starting salaries at Magic Circle law firms are close to £100,000 for a newly qualified solicitor[29] while the average salaries for an SFO lawyer and head of division is £55,000 and £85,000 respectively. The NCA, which is meant to be the UK's FBI, pays 90% of what the police pay, making it impossible for them to recruit and retain – in 2019 the NCA saw a staff attrition rate of 9%.[30]

Addressing the residual risks associated with the Tier 1 (Investor) visa scheme

40. Our report in July 2021 underlined the significant corruption and money laundering risks of the Tier 1 (Investor) Visa scheme (popularly known as 'golden visas'), which was enabling illicit finance to be transferred to and laundered in the UK with limited checks.[31] The Home Office's decision to close the scheme on 17 February 2022 without notice was therefore welcome, but there are significant ongoing risks.

41. In March 2018, the Home Office announced that it was reviewing golden visas issued between 2008 and 2015. Four years later, and despite indications from the Home Secretary that it will be published soon,[32] the review has still not been published. The Home Office should commit to publishing its full review into golden visas as soon as possible and by early April 2022 at the latest.

42. The Home Office should set out how it will deal with people with corrupt or criminal sources of wealth who have already received indefinite leave to remain through the golden visa route. Visas may still need to be withdrawn and other measures taken.

43. The Home Office should publish any assessment it has made of the various loopholes that continued in the golden visa route since 2015, what risks these loopholes posed to

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[27] House of Commons research briefing, "Unexplained Wealth Orders" (February 2022) at page 17: https://researchbriefings.files.parliament.uk/documents/CBP-9098/CBP-9098.pdf.

[28] *National Crime Agency v Baker and Ors* [2020] EWHC 822 (Admin). See also Spotlight on Corruption, "The NCA's Kazakh Unexplained Wealth Order (UWO) – a costly decision?": https://www.spotlightcorruption.org/the-ncas-kazakh-unexplained-wealth-order-uwo-a-costly-decision/.

[29] https://www.ft.com/content/b593b3cc-a75f-4b6a-8f75-1ad95b18bd38

[30] National Crime Agency Remuneration Review Body. National Crime Agency Remuneration Review Body. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004935/NCARRB_2021_report_-_web_accessible.pdf

31 Spotlight on Corruption (July 2021) 'Red Carpet for Dirty Money' https://www.spotlightcorruption.org/new-briefing-red-carpet-for-dirty-money-the-uks-golden-visa-regime/

[32] Statement by the Home Secretary 'Tier 1 (Investor) Route' (21 February 2022) https://questions-statements.parliament.uk/written-statements/detail/2022-02-21/hcws614

national security, and what steps it is taking to review the potential national security threats of anyone granted a golden visa since 2015.

44. The Home Office should set out what steps it will take to build its institutional capacity to stop those with corrupt or criminal sources of wealth being granted residency or citizenship. Any replacement or revised investor visa scheme must be independently reviewed - and that review published - to determine whether and to what extent it delivers an economic benefit to the UK.

Increasing the power and resources of the Electoral Commission to undertake stricter checks on political donations

45. Dirty money in the UK's electoral system leaves political parties exposed to illicit finance and malign influence from hostile states, with insufficient checks and balances. All of the UK's major political parties have accepted donations from individuals and businesses that have later been found to have been involved in serious economic crimes, including money laundering, fraud and corruption. As the party in government since 2010, the Conservative Party have accepted the majority of such donations in recent years but dirty money is a problem that affects all parties.

46. The Electoral Commission should be given the powers and resources - by way of amendments to Political Parties, Elections and Referendums Act 2000 (PPERA) - to ascertain whether the source of a donation poses a national security risk or whether donors do not meet a 'fit and proper' test, including whether they have committed, or are linked to, corruption, fraud, money laundering or other forms of economic crime, or other activities that pose a risk to the integrity of the electoral process. The Electoral Commission should also have powers to order that a donation be refused, returned, prohibiting the acceptance of donations from the donor, or other measures.

Requiring political parties to develop and publish proportionate, risk-based policies for identifying the true source of donations and for managing donations

47. As the UK's AML framework has been tightened over the last decade, it remains an anomaly that non-regulated entities such as charities are required to undertake AML checks according to a reasonable and proportionate risk-based approach, to know who their donors are,[33] but political parties have remained outside such rules.

48. Political parties should be required to develop and publish proportionate, risk-based policies for identifying the true source of donations and for managing donations. Regulations or binding guidelines could be implemented as a basis for those policies.

[33] Charity Commission (2016), Compliance toolkit: Protecting charities from harm, chapter 2: Due diligence, monitoring and verifying the end use of charitable funds, page 4. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/677252/Chapter2new.pdf

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