



House of Commons
Foreign Affairs Committee

The cost of complacency: illicit finance and the war in Ukraine

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to the report*

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Foreign Affairs Committee

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Summary

London's role as a global financial centre is tarnished by its reputation as a hub for illicit finance. The consequences for our national security and the integrity of our institutions and services are laid bare by the current war in Ukraine; assets laundered through the UK are financing President Putin's war in Ukraine. This interim report assesses the consequences of the complacency of successive Governments towards illicit finance and the adequacy of the current Government's response.

The Economic Crime Act establishes a register of beneficial ownership of overseas property and reforms Unexplained Wealth Orders. While welcome, we conclude that the measures in the Act 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. We call on the Government to increase substantially funding and expert resourcing for key law enforcement agencies.

Despite the Government's threats to impose swingeing sanctions against Russia, the UK's sanctions regime was found to be underprepared and under-resourced. Furthermore, the Government appeared to lack a grip on both the enablers of potential sanctions targets and, crucially, their proxies to whom wealth was transferred. We recommend that the Government provide the sanctions unit with the necessary additional resources for the duration of the Ukraine crisis as well as working to develop a professional sanctions cadre within the FCDO.

Illicit finance is a transnational challenge that exploits the space between legal jurisdictions. Building on the coordination and cooperation over the war in Ukraine, we urge the Government to develop a comprehensive transatlantic partnership to curb kleptocracy.

We regret 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. Further action is now needed to ensure that those with dirty money no longer have a place to hide it.

Introduction

1. Illicit finance, as dirty money is politely known, spreads corruption across the United Kingdom and costs every home and every community.¹ It undermines our national security by supporting corrupt and autocratic regimes around the world, subverts our rule-of-law systems to hide and protect ill-gotten assets, deprives the world's poorest communities of resources, prices citizens out of our housing market and infiltrates our academic and democratic institutions. It encourages fraud at home and sees British people, in the UK, victims of the spread of regimes that murder so many of their own people. Providing a haven for corrupt assets also, acknowledges the Government, “tarnish[es] our global reputation”.² Illicit wealth from kleptocratic post-Soviet states and other corrupt foreign regimes has long been welcomed in London, and in the Crown Dependencies and Overseas Territories, without question. Despite repeated calls for action, including that of our predecessor Committee in its *Moscow's Gold* report of 2018, there has been little commitment on the part of successive governments to tackle the problem.³ With the invasion of Ukraine by Russia, there can no longer be any excuse for continued inaction. After 9/11 there was a concerted effort to degrade and deny access of terrorists to the global financial system. Domestically, the CONTEST strategy was ultimately presented as a whole of government effort to prevent, pursue, protect and prepare, to mitigate the impact of attack. This is precisely the approach we now need to combat economic crime, which seeks to use our financial and economic trading system to manage the resources used for state-led warfare.

2. The Integrated Review named Russia as the “most acute threat to our security”.⁴ The unprovoked and unjustified war of aggression in Ukraine has borne this out. We condemn the misery and violence President Putin is inflicting on the Ukrainian population and in solidarity with President Zelenskyy in his defence of Ukraine's sovereignty and territorial integrity.

3. Ukraine has also “ignited a global reckoning over the dangers of kleptocracy and the international community's decades-long complicity”⁵, illuminating how the UK has left itself unprepared to act internationally and hamstrung domestically. The war in Ukraine has shone a harsh light on the risks to which the UK has exposed itself — and the world — by taking a lax approach to dirty money; only now are we seeing a shift in gears from the Government. We regret that it has taken a war to persuade the Government to engage meaningfully with illicit finance as a foreign policy issue.

4. Our inquiry into illicit finance is the first in a programme of work on issues affecting the “rules-based international order”, the international institutions, rules and norms that shape our everyday life. This interim report is a stocktake, assessing the Government's progress on illicit finance since *Moscow's Gold*, looking at the UK's response to the Ukraine invasion in February, as well as the subsequent legislation on economic crime passed in

1 “The term illicit finance can cover many areas, including tax evasion and the proceeds of corruption, as well as the flow of funds that are of suspicious or unexplained origin, but have not been proved to be of illegal or corrupt origin.”

Centre for the Study of Corruption ([IEF0026](#))

2 Cabinet Office, Integrated Review: Global Britain in a competitive age, [CP 403](#), March 2021, p 53

3 Foreign Affairs Committee, Eighth Report of Session 2017-19, [Moscow's Gold: Russian Corruption in the UK](#), HC 932

4 Cabinet Office, Integrated Review: Global Britain in a competitive age, [CP 403](#), March 2021, p 18

5 Transparency International, [Press release: Up to the task?](#), 24 May 2022

March.⁶ Our final report will consider the wider, systemic illicit and emerging financial threats and innovations that are transforming the global economic and financial system, and how countries are competing to shape the system of the future.

5. We are grateful to all those who submitted written evidence to the inquiry and to our Specialist Adviser, Tom Keatinge, Director of the Centre for Financial Crime and Security Studies at RUSI.

6 Foreign Affairs Committee, Eighth Report of Session 2017–19, [Moscow's Gold: Russian Corruption in the UK](#), HC 932

1 Inaction on illicit finance

6. Illicit finance, and the corruption it fuels, is a recognised threat to the UK's national security and to democracies worldwide, through the corrosive effect it has on our institutions, our politics and our financial systems. A concerted push was made to tackle the UK's role in illicit finance and corruption, both domestically and globally, following the 2016 Anti-Corruption Summit, but progress on this agenda has since stalled.⁷ Committees have continued to call for action, with our predecessor warning that “[c]ombating it should be a major UK foreign policy priority” and “stronger political leadership” was needed.⁸ Highlighting the years of inaction, the Intelligence and Security Committee said the “level of integration—in ‘Londongrad’ in particular—means that any measures now being taken by the Government are not preventative but rather constitute damage limitation.”⁹ Meanwhile, think tanks, NGOs and academics have continued to document the ways in which illicit money flows unimpeded into the UK economy.¹⁰ By the Government's own measure “there is a realistic possibility that the scale of money laundering impacting the UK annually is hundreds of billions of pounds,”¹¹ washed clean until it is “to all intents and purposes now apparently legitimate”.¹²

7. We have long known of the particularly acute threat linked to the kleptocratic Russian state and have called for “coherent and pro-active strategy on Russia”.¹³ Kremlin-backed oligarchs rely on the Western financial system to protect their assets, which in turn support the “nefarious interests of the Russian state” at home and abroad.¹⁴ The ignominious role that London and the Crown Dependencies and Overseas Territories (OTs) have played in undermining the integrity of our institutions and financial systems, as well as the UK's international relationships, is no secret.¹⁵ In spite of the warnings about the cost of inaction, years of complacency from successive governments have led to an integration of kleptocratic Russian wealth into the foundations of our economy, with the Foreign Secretary admitting there had been a “decade of drift” on Russia.¹⁶

7 [UK Country Statement](#), Anti-Corruption Summit, London 2016

8 Foreign Affairs Committee, Eighth Report of Session 2017–19, [Moscow's Gold: Russian Corruption in the UK](#), HC 932, para 61

9 Intelligence and Security Committee, Session 2019–21, [Russia](#), HC 632, para 50

10 Chatham House, [The UK's kleptocracy problem](#) (December 2021)

11 “Estimating the levels of illicit finance flowing through the City of London and across UK economy is challenging. Nonetheless the Government recognises that the size and international nature of the UK financial and professional services sectors does leave the UK exposed to Serious Organised Crime and Hostile State Activity actors who seek to launder illicit finance funds. We judge that there is a realistic possibility that the scale of money laundering impacting the UK annually is hundreds of billions of pounds.” Chief Secretary to the Treasury ([NSS0001](#)) para 5

12 Intelligence and Security Committee, Session 2019–21, [Russia](#), HC 632, para 55

13 Foreign Affairs Committee, Eighth Report of Session 2017–19, [Moscow's Gold: Russian Corruption in the UK](#), HC 932; see also Intelligence and Security Committee, Session 2019–21, [Russia](#), HC 632, paras 52–54

14 Foreign Affairs Committee, Eighth Report of Session 2017–19, [Moscow's Gold: Russian Corruption in the UK](#), HC 932; see also Intelligence and Security Committee, Session 2019–21, [Russia](#), HC 632, paras 52–54

15 Chatham House, [The UK's kleptocracy problem](#) (December 2021); Foreign Affairs Committee, Eighth Report of Session 2017–19, [Moscow's Gold: Russian Corruption in the UK](#), HC 932; Intelligence and Security Committee, Session 2019–21, [Russia](#), HC 632

[FT, Biden administration urged to ban UK lawyers who 'enabled' oligarchs, 19 April 2022](#)

16 BBC News, [“Ukraine-Russia tensions: UK vows to step up support”](#), 17 February 2022

Economic Crime (Transparency and Enforcement) Act 2022

8. Since the 2016 Anti-Corruption Summit in London, Members across the House have campaigned for legislation to fight the flows of dirty money. The Integrated Review raised hopes as it set out a serious case for prioritising corporate transparency and tackling corruption; legislation intended to contain measures for “use of UK corporate structures in facilitating high end money-laundering [...] incorporate reform of Companies House registration and limited partnerships, and introduce a register of overseas entities owning property in the UK” was promised, although the priority to which the government accorded this action was repeatedly blunted by only committing to take action “as soon as parliamentary time allows”.¹⁷ A 2019 consultation on reforms to Companies House has only now led to the publication of a White Paper.¹⁸ **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.**

9. The Register of Overseas Entities, announced in 2016 and produced as a draft bill in 2018, with the then-Minister calling it a priority in the fight against dirty money, was not introduced until after the invasion of Ukraine. In its subsequent haste to introduce legislation that would allow the UK to keep pace with our allies over action against Russian oligarchs, the Government’s Bill contained few of the measures it has promised to deliver. The Economic Crime (Transparency and Enforcement) Act 2022 (ECA) includes measures to: establish a register of beneficial ownership of property by overseas entities; reform Unexplained Wealth Orders; and amend existing sanctions legislation. Still outstanding are measures to reform Companies House¹⁹, to take action on Scottish limited partnerships, to allow seizure of crypto-assets, to improve anti money-laundering regimes, to protect whistle-blowers and journalists, and to take action on ‘enablers’. While the ECA meets some of the immediate needs to facilitate the UK response to the war in Ukraine, it represents a small proportion of the long-promised measures that will begin to address the UK’s vulnerability to illicit finance.

17 Cabinet Office, Integrated Review: Global Britain in a competitive age, [CP 403](#), March 2021, p 55

18 [Consultation Outcome: corporate transparency and register reform](#), Department for Business Innovation and Reform, last updated 18 September 2020

19 A White Paper on Companies House reform was published on 28 February 2022.

Box 1: Economic Crime (Transparency and Enforcement) Act 2022

The main measures of the Economic Crime Act are:

To establish a register of overseas beneficial ownership of UK property: The ECA introduced a requirement to declare the beneficial owner of UK property owned by an overseas entity and made provision for a public register, held by Companies House, to record and verify this data. The requirement to register applies to all properties bought in the last 20 years (Scotland has a separate register which has been operational from 1 April 2022). Owners have six months to register, following which time penalties apply for non-compliance.²⁰

To reform Unexplained Wealth Orders (UWO). The ECA creates a new category of “responsible officers”. It creates an alternative test for the grounds on which law enforcement can seek a UWO - previously law enforcement had to prove that it was unlikely “known sources of the respondent’s lawfully obtained income” would have been sufficient to have obtained the property, now they may alternatively show that it is more likely than not that the property was “obtained through unlawful conduct”. A concurrent interim freezing order can be applied for, alongside the UWO. The Act would allow a Court to grant an additional 126 days on the freezing order for law enforcement agencies to review the response to the UWO. And, lastly, the ECA limits law enforcement agencies’ liability for legal costs in relation to unsuccessful UWOs.²¹ [see Box 2 for an explanation of UWOs]

To amend sanctions legislation to simplify designations and improve law enforcement’s ability to enforce sanctions. This is discussed in further detail in Box 3.²²

Source: [Economic Crime \(Transparency and Enforcement\) Act 2022](#)

Register of beneficial ownership of property by overseas entities

10. On 25 January, the Prime Minister told the Commons that the Government was “bringing forward measures for a register of beneficial interests” in order to “track down Russian money”.²³ With an estimated “£6.7 billion worth of UK property bought with suspect wealth”,²⁴ the UK property market has been described as a “personal safety-deposit box” for dirty money.²⁵ The lack of transparency in ownership has stymied attempts by law enforcement to seize property or investigate money-laundering and other criminality, allowing the beneficial owner to hide their identity behind shell companies or trusts. If robust data verification and full compliance are enforced, the register will make it possible to associate property with a named individual, facilitating effective sanctions designations and enforcement as well as shining a light on illicit wealth.

11. While the register is a huge step forward for transparency, concerns remain around how it will operate in practice and when it will actually be active. The threshold required to compel an individual to register as a beneficial owner will still exclude a number of

20 [Economic Crime \(Transparency and Enforcement\) Act 2022 Part 1](#)

21 [Economic Crime \(Transparency and Enforcement\) Act 2022 Part 2](#)

22 [Economic Crime \(Transparency and Enforcement\) Act 2022, Part 3](#)

23 HC Deb, 25 January 2022, col 865 [Commons Chamber].

The legal owner who is listed on the Land Registry may differ from the ‘beneficial owner’, or individual who ultimately benefits from possession of the property. Individuals may seek to own property in this way for legal reasons (in trust for a minor; for privacy) or illegal (to conceal money-laundering; for tax avoidance).

24 Transparency International, [Economic Crime Bill: interim measures essential to prevent economic flight](#), Press notice, 9 March 2022

25 Transparency International, [At Your Service](#), 24 October 2019

properties, given that, to qualify, an individual must hold more than 25% of shares or voting rights in an entity; be able to appoint a majority of its directors; or have some other significant influence or control over the property.²⁶ Author Oliver Bullough, commenting on the ease with which this loophole could be exploited, wrote that the bill was a “colander masquerading as a piece of legislation”.²⁷ Oligarchs could divest themselves of any legal interest in or control of their assets, such as through transferring property to their children, but continue, in all practical respects, to enjoy use of it.²⁸ We note that the register is not yet operational and that the regulations required to implement it have yet to be introduced. ***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.***

Unexplained Wealth Orders

Box 2: What are Unexplained Wealth Orders

Unexplained Wealth Orders (UWOs) are court orders that relate to properties worth over £50,000 and owned by a Politically Exposed Person or someone reasonably suspected of being involved in serious crime, which are intended to force the owner to explain their interest in a property and how they obtained it. Law enforcement agencies can apply for a UWO when there are grounds to be suspicious that a property purchase may stem from the proceeds of crime or corruption but where there is insufficient evidence for a successful prosecution.²⁹ This is a difficulty inherent in investigating kleptocratic wealth as the property may have been purchased via complex offshore structures and there may be little cooperation from the country where the individual’s wealth originated, particularly if they remain close to the regime.³⁰ For changes to UWOs brought in by the ECA, see Box 1, above.

Source: House of Commons Library, [Unexplained Wealth Orders](#), CBP 9098, 14 April 2022

12. Rather than the 20 a year initially envisaged, “only one UWO investigation has been successful against property held by a foreign political figure,” we were told, in written evidence.³¹ In practice, it seems that UWOs have been spectacularly unsuccessful.³² This

26 House of Commons Library, [Economic Crime \(Transparency and Enforcement\) Act 2022](#), CBP 9480, 23 March 2022, p 21

27 The Guardian, [The oligarch’s guide to getting round the UK’s economic crime bill](#), 9 March 2022

28 House of Commons Library, [Economic Crime \(Transparency and Enforcement\) Act 2022](#), CBP 9480, 23 March 2022, p 40

The Guardian, [The oligarch’s guide to getting round the UK’s economic crime bill](#), 9 March 2022

29 All UWOs to date have been obtained by the National Crime Agency.
House of Commons Library, [Unexplained Wealth Orders](#), CBP 9098, 14 April 2022

30 UWOs were introduced in the Criminal Finances Act 2017 to overcome the problem of meeting the burden of proof required for a Civil Recovery Order (CRO) in relation to criminal conduct, particularly money-laundering, where the person in question had the support of a foreign regime. To be successful, a CRO requires that law enforcement prove on the civil standard (the balance of probabilities) that the property in question was more likely than not the result of criminal activity. UWOs reverse the burden of proof and require the person in question to explain how their wealth was obtained. Failure to provide an adequate explanation can then be grounds for a CRO.

House of Commons Library, [Unexplained Wealth Orders](#), CBP 9098, 14 April 2022

31 “Despite much tub-thumping by politicians and promises of up to twenty UWO investigations per year, only four UWO investigations have been reported since 2018, no UWO has been issued since July 2019, none have been issued against Russian nationals, and only one UWO investigation has been successful against property held by a foreign political figure.”

Heathershaw et al ([IEF0009](#)) para 13

32 As at February 2022, the NCA had obtained 9 UWOs relating to 4 cases. It lost a case in 2019 over a property alleged to have been bought by Rakhat Aliyev and was left with the resulting £1.5 million legal bill.
House of Commons Library, [Unexplained Wealth Orders](#), CBP 9098, 14 April 2022

is in part a law enforcement resources issue and indicative of the difficulty law enforcement agencies have in tracing property because of the lack of transparency. There is also a fear of the legal costs they might incur if UWO applications were successfully appealed. This latter concern has been addressed in the ECA by limiting the liability of law enforcement for costs in legal proceedings relating to UWOs, although this has yet to be tested in a live case. The changes brought about in the ECA also increase the period of any concurrent interim freezing order, thereby increasing the time law enforcement has to review the material provided in response to the UWO. Witnesses expressed reservations about how much impact the legislation will have in practice as long as limited law enforcement budgets prevent them from hiring “financial investigators, technical experts and legal expertise” and having the risk appetite to take on cases.³³ **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.**

Resourcing law enforcement agencies

13. Legislation alone will have no impact on illicit wealth, we have been told, without an urgent reassessment of how the UK enforces its existing laws.³⁴ The UK Anti-Corruption Coalition notes that the UK spends “0.042% of GDP (on a generous estimate) — a year on funding core national-level economic crime enforcement bodies” and recommended that budgets of the key agencies be doubled.³⁵ Summarising statistics from across law enforcement and think tanks it records that:

money laundering prosecutions have dropped by 35% over the past 5 years, while the number of individuals being convicted by the SFO every year is on a noticeable downward trajectory from 13 in 2016/17 to 8 in 2019/20, even prior to the effects of the COVID-19 pandemic taking hold, reaching 4 in 2020/21, and is also reflected in the decline in the overall conviction rate from 86.7% in 2016/17 to 67% in 2020/21. Key national-level agencies

33 Spotlight on Corruption ([IEF0025](#)); UK Anti-Corruption Coalition ([IEF0019](#)); RUSI ([IEF0013](#)); Centre for the Study of Corruption ([IEF0026](#)); “[The oligarch’s guide to getting around the UK’s economic crime bill](#)”, The Guardian, 9 March 2022

“Whilst the Orders appear to provide the NCA with more clout and greater powers, the reality is that it is highly probable that the oligarchy will have the financial means to ensure their lawyers – a key group of professional enablers – find ways to circumvent this legislation [...]. By contrast, the NCA lacks the resources required in terms of financial investigators, technical experts and legal expertise – this must be rectified.”

Intelligence and Security Committee, Session 2019–21, [Russia](#), HC 632, p 16

“The lack of enforcement resources affects the quality of both personnel and the technology that is key to investigations these days. Middle-level financial sleuths at the nca get roughly the same pay as coppers on the beat, says Mr Benton [former head of the NCA corruption unit]; when he was there, some had to take a pay cut when transferring from the police. The structure of enforcement is sub-optimal, too. Britain does not have any overarching authority for its anti-corruption efforts. A study in 2016 found 66 separate “specialist enforcement, prevention, investigative and oversight agencies” involved in the policing of corruption-related offences, in addition to 45 regional police forces.”

The Economist, “[Why is London so attractive to tainted foreign money](#)”, 7 May 2022

34 Heathershaw et al ([IEF0009](#)) para 19; Mr William Browder ([IEF0017](#)) para 19; Dr William Vlcek ([IEF0018](#)) paras 14-5; UK Anti-Corruption Coalition ([IEF0019](#)); Justin Moore, Development Monitor ([IEF0023](#)) para 3

35 They estimate that economic crime amounts to the equivalent of 14.5% of GDP and recommend that the Government doubles the budgets of the National Crime Agency, OFSI, Serious Fraud Office and HM Revenue and Customs.

UK Anti-Corruption Coalition ([IEF0019](#))

Spotlight on Corruption also suggests doubling law enforcement budgets ([IEF0025](#))

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.³⁶

A damning assessment by Nate Sibley writing at the Atlantic Council said that the UK was “in severe danger of being shown to be a paper tiger” by its allies, lacking both the political will and necessary resources to enforce existing laws. Mr Sibley went on to say that “repeated failure to enforce existing laws—not only effectively, but often at all—has been deeply harmful to the UK’s credibility.”³⁷

14. 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.

15. 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.*

Tier 1 investor visas

Box 3: What is a Tier 1 Visa

Tier 1 investor visas, known as ‘golden visas’, allowed a recipient to stay in the UK for three years in exchange for a minimum £2 million investment. (Initially the scheme had required £1 million investment but increased to £2 million in November 2014.) The scheme, intended to boost investment in the UK, instead became a vehicle for the laundering of corrupt money because of the lack of checks on the origins of that wealth. The period from 2008 to 2015 was known as the “blind faith” period because so little was done by way of due diligence on the origins of sources of wealth underpinning the visa applications.

Source: *Countering Russian influence in the UK*, [Research Briefing](#), House of Commons Library, 1 April 2022

16. Transparency International reported in 2015 that it was likely the Tier 1 Investor ‘golden visa’ scheme had been used to launder “substantial amounts of corrupt wealth” from Russia and China.³⁸ The ISC, making the link explicitly with the threat from Russia, said it considered an “overhaul” of the visa scheme to be key to “disrupting the threat

36 UK Anti-Corruption Coalition ([IEF0019](#))

37 The Atlantic Council, [Global Britain: An American Review](#), 8 October 2021

38 Transparency International, [Gold Rush](#), October 2015

posed by illicit Russian financial activity”.³⁹ The Home Secretary, Rt Hon Priti Patel MP, finally put a stop to the scheme in February, saying, “closing this route is just the start of our renewed crackdown on fraud and illicit finance.”⁴⁰ A review, begun in March 2018, of extant Tier 1 visas issued between 2008 and 2015⁴¹ is still outstanding, with the Government only committing to publish it “in due course”.⁴² No new Investor visas are being issued, yet anyone who still holds such a visa can apply to have it extended or apply for family members to join them. We are also deeply concerned that the Government cannot say how many Investor visa holders have now obtained British citizenship.⁴³ We note that at least eight individuals whom the UK has sanctioned in relation to Ukraine hold Tier 1 visas.⁴⁴

17. *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.*

Overseas Territories and Crown Dependencies: Exchange of Notes

18. Registers of beneficial ownership for companies in the British Crown Dependencies and Overseas Territories (CDOTs) are not yet public, making access unavailable to investigative journalists,⁴⁵ services firms conducting due diligence checks, and private companies responsible for sanctions enforcement.⁴⁶ Shell companies in the CDOTs regularly feature in the ‘nesting dolls’ structures of global hidden wealth.⁴⁷ As the recent freezing action by Jersey demonstrates, the efficacy of our sanctions regime, and those of our allies, are dependent on being able to ascertain the ownership of assets to be frozen or seized.⁴⁸ They are severely hindered by the failure to establish greater transparency of ownership. We reiterate the “profound regret” of our predecessor Committee at the pace of these developments given the critical impact on national security.⁴⁹

39 Intelligence and Security Committee, Session 2019–21, [Russia](#), p 24

40 [Tier 1 Investor visa route closes over security concerns](#), Home Office Press Release, 17 February 2022; [UK axes ‘golden visa’ scheme after fraud and Russia concerns](#), The Guardian, 17 February 2022

41 The period between 2008 and 2015 is known as the “blind faith” period, during which visas were issued without due diligence checks on an applicant’s wealth. House of Commons Library, [Countering Russian Influence in the UK](#), Research Briefing 9472, 1 April 2022, p 20

42 [UK axes ‘golden visa’ scheme after fraud and Russia concerns](#), The Guardian, 17 February 2022

43 House of Commons Library, [Countering Russian Influence in the UK](#), Research Briefing 9472, 1 April 2022

44 PQ [HL6378](#) [on visas: Russia], 23 February 2022

45 Oliver Bullough, *Moneyland*, (London, 2018) chapter 3

46 With the exception of Gibraltar whose register is accessible through a paywall.

47 Analysis by Transparency International has concluded that: “Of this total, £1.5 billion worth of property was bought by Russians accused of corruption or links to the Kremlin. [...] Analysis of how this £1.5 billion is owned reveals £830 million worth (55% by value) is held by companies in Britain’s Overseas Territories and Crown Dependencies.” [Stats reveal extent of suspect wealth in UK property and Britain’s role as global money laundering hub](#), 18 February 2022

48 [“Jersey freezes \\$7 bn worth of assets linked to Roman Abramovitch”](#), Financial Times, 13 April 2022

49 In a 2018 report the then-Foreign Affairs Committee concluded: “We profoundly regret, however, that public registers may not be published before 2023. It is simply not acceptable that this will be long after the deadline set out in the Act. The Foreign Secretary, in co-operation with the elected governments of the OTs, should lay out before the Summer recess a clear and detailed timetable for the publication of registers of beneficial ownership in each OT.” Foreign Affairs Committee, Fifteenth Report of Session 2017–19, [Global Britain and the British Overseas Territories: Resetting the relationship](#), HC 1464, para 33

19. Under the Sanctions and Anti Money-Laundering Act 2018 (SAML), public registers in the Overseas Territories were due to be in place by 31 December 2020, with provision for the Foreign Secretary to impose them by a draft Order in Council in the event of a delay.⁵⁰ The Government now expects the registers to be operational by the end of 2023.⁵¹ In the meantime, UK law enforcement agencies rely on the bilateral Exchange of Notes arrangements to request information.⁵² In written evidence the Government told us that the Exchange of Notes system has fed in valuable information to support investigations into illicit wealth.⁵³ But this information is only available to the Government, and only on request.⁵⁴ The Exchange of Notes could support the global drive against illicit finance in general and the current efforts by the UK and its allies to identify assets that should be subject to sanctions in relations to Russia's war against Ukraine.

20. **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.**

Enablers of illicit finance

21. 'Enablers' is a term used to refer to those in professional services, including lawyers, bankers, PR managers and estate agents, who help the corrupt to act with impunity by using our legal and financial systems to launder and conceal their wealth. In light of the way British law firms are being used by kleptocrats and criminals to suppress evidence of their corruption or protect their reputation through vexatious litigation against journalists and publishers, we took evidence on the impact this has on the UK's ability to tackle illicit finance. Catherine Belton, author of *Putin's People*, told us of the "chilling

50 An amendment to introduce a clause that would require the Crown Dependencies to establish public registers was proposed by Helen Goodman MP who did not insist on a vote. HC Deb, 1 May 2018, [col 181](#); *Registers of beneficial ownership*, [Research Briefing](#), House of Commons Library, 6 April 2022

51 FCDO ([IEF0031](#)), para 38

52 "In 2016 the UK, the 3 Crown Dependencies and the 6 British Overseas Territories with major financial centres committed to improve longstanding law enforcement cooperation on the exchange of company beneficial ownership information. The bilateral agreements, referred to as the Exchange of Notes Arrangements, commenced in July 2017." [Gov.uk](#) [Accessed 7 April 2022]

53 FCDO ([IEF0031](#))

54 The Antigua Government was able to make use of the Exchange of Notes process by asking the UK Government to seek information on its behalf about the ownership of yachts in its territory purported to belong to Roman Abramovich. The UK was able to confirm ownership of the shell companies to whom the yachts were registered, and which Antigua then froze. "[Antigua confirms Roman Abramovich owns two yachts moored on island](#)", Financial Times, 1 April 2022

effect of costs” involved in Strategic Lawsuits Against Public Participation (SLAPPs).⁵⁵ The pressure of excessive costs, coupled with the personal strain of legal threats, hampers the ability of investigative journalists and academics to shine a light on evidence of illicit wealth flowing across our borders and into our academic and political institutions, banks, property market and society.⁵⁶ The Government has now launched a consultation on SLAPPs.⁵⁷ **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.**

22. 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.*

23. *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.*

55 Oral evidence taken on 15 March 2022, HC(2021–22) 1196, [Q24](#)

56 Heathershaw et al ([IEF009](#)) paras 28-32; Dr Taras Kuzio ([IEF0007](#)) paras 36-40

57 The Committee agreed a submission to the consultation on 17 May 2022

2 UK Sanctions regime: Russia and Ukraine

An autonomous sanctions regime

24. The ability to adopt, impose and implement sanctions, both independently and in partnership with our allies, is a critical tool in deterring hostile states and in holding rogue regimes and actors related to them accountable for breaches of the international rules-based system. The war in Ukraine has been the first substantial test of the UK's autonomous sanctions regime brought in by the Sanctions and Anti Money-Laundering Act 2018 (SAML A).⁵⁸ The autonomous regime would “give any British Government the power to impose, amend or lift an independent battery of UK sanctions, [...] thereby restoring our sovereignty over a vital tool of foreign policy”, the then-Foreign Secretary told the House.⁵⁹ In the subsequent years, we would expect the Foreign Office to have established a robust and coherent policy, incorporating the wealth of experience of former DFID staff, setting a clear framework for imposing sanctions to meet the Government's foreign policy aims. We would further expect such a policy to be properly resourced and be responsive to changing intelligence. Yet despite the Government's clearly stated threats to bring swingeing sanctions against Russia, the Economic Crime (Transparency and Enforcement) Bill had to be substantially strengthened during its passage to keep pace with designations. Last minute changes to last minute legislation are not indicative of a mature policy or effective policy making.

58 [Sanctions and Anti Money-Laundering Act 2018](#)

59 HC Deb, 20 February 2018, [col 77](#), [Commons Chamber] [Rt Hon Boris Johnson], Second Reading of Sanctions and Anti Money-Laundering Bill

Box 4: Economic Crime Act - Sanctions

Part 3 of the ECA relates to sanctions. It amends existing legislation, including the Policing and Crime Act 2017 and the Sanctions and Anti Money-Laundering Act 2018 to:

Allow monetary penalties to be imposed for a breach of sanctions legislation on a strict liability basis;

Remove the requirement that a review of a penalty imposed for breach of sanctions legislation be personally undertaken by a Minister, and allows officials to do so in lieu;

Allow Office of Financial Sanctions Implementation to publish notices where it thinks a person has breached sanctions legislation but has not imposed a fine for those breaches — this is intended to have a deterrent effect by stigmatising non-compliance;

Authorise information sharing relating to sanctions (to allow for better cross-departmental information exchange);

Streamline the process of making sanctions;

Create an “urgent procedure”: this removes the requirement for a Minister to prove that there are reasonable grounds to suspect that a person being sanctioned is involved in or connected to the activity set out in the relevant sanctions regulation. They can now be sanctioned (by name or description) if already sanctioned by the USA, the EU, Australia, Canada, or another country that the Minister has specified in the regulations and if the Minister considers it is in the public interest to make a designation under the urgent procedure. Designations under this procedure are “copy-pasted” for 56 days (and can be extended to a maximum of 112 days before the conditions for a standard listing must be met);

Remove the requirement to report to Parliament every year and to review some sanctions every three years; the requirement to designate a ship only when it is appropriate having regard to the purpose of the sanctions; other requirements to report to Parliament;⁶⁰

Remove the ability of courts to award damages for claims where the Government has acted negligently in imposing sanctions (but not where it can be shown to have acted in bad faith).

Source: [Economic Crime \(Transparency and Enforcement\) Act 2022](#)

Lack of preparation

Economic Crime Act: Sanctions

25. Giving evidence on 7 March, the Foreign Secretary told the Committee that in December she had warned her counterpart Sergei Lavrov, the Russian Foreign Minister, that there would be “severe costs in terms of both sanction and implications for the

Russian people”, should it move against Ukraine.⁶¹ The Foreign Secretary told us that the FCDO was aware of the inadequacy of the sanctions regime in 2019, yet the Government did nothing to remedy the situation until after the second invasion of Ukraine. While it is clear from the initial sanctions that some work had been done to prepare, planning clearly fell far short of that required to meet these threats. Provision was instead made in the Economic Crime Act⁶² to amend and introduce the “urgent procedure”⁶³ and remove the “appropriateness test” set out in SAMLA, which the Foreign Secretary told us had hindered the progress of FCDO lawyers preparing sanctions packages.⁶⁴

26. We have some concerns that use of the “urgent procedure” may disguise wider problems about strategic targeting. The timeline at the Annex to this Report sets out action taken by the UK and EU. The order in which oligarchs and others were sanctioned does not appear to be based on a coherent strategy but on following where allies led.⁶⁵ The initial tranche of Kremlin supporters sanctioned suggests that “understanding [within Government] of who has links to the Kremlin and their financial profile is scant.”⁶⁶ We note that the sanctions of individuals under the ECA lapse after 56 days and can only be rolled over once.⁶⁷ The Foreign Secretary said there would be “nowhere to hide” but oligarchs have been hiding in plain sight. We see little evidence that the Government had a specific plan of whom they intended to target and how they would go about it.

61 Giving evidence on 7 March, the Foreign Secretary told the Committee: [...] where I met Sergey Lavrov—this was by the time that Russian troops were already building up on the Ukrainian border—to make the point that, if there were an invasion of Ukraine, it would carry severe costs in terms of both sanctions and the implications for the Russian people, and particularly the extent of casualties that they would be likely to see due to the fact that Ukraine would fight back. The UK convened the G7 Foreign Ministers in Liverpool, where we brought our allies together to confirm this message—that there would be severe costs in the event of an invasion—so we were already, at the end of last year, ensuring that our foreign policy was dealing with the immediate threat that we faced in the Euro-Atlantic area.

Oral evidence taken on 7 March, HC (2021–22) 518, [Q596](#)

On 31 July, the Foreign Secretary tweeted “There will be nowhere to hide. Nothing is off the table. This will amount to the toughest sanctions regime against Russia we have had in place yet, and mark the biggest change in our approach since leaving the European Union.”

62 See Box 1 above

63 Tom Keatinge noted that the “cut and paste provision” has been poorly implemented to the degree that the FCDO failed to correct the dates which were written in the American format. Letter of 29 March 2022, [The situation in Ukraine and the UK’s response](#)

64 See Textbox 4. In removing the appropriateness test, the Government also made it possible to sanction a collective like the Russian Duma, rather than be required to set out a case against each individual.

65 The Foreign Secretary announced that a cross-departmental Oligarch Taskforce would be set up “coordinate cross-government work to sanction oligarchs” with the aim of “send [...] a clear message that we will hit oligarchs and individuals closely associated with the Putin regime and his barbarous war. We won’t stop here. Our aim is to cripple the Russian economy and starve Putin’s war machine.”

FCDO, [Government announces sanctions against Russian oligarchs Alisher Usmanov and Igor Shuvalov](#), Press release, 3 March 2022

“On 23 February 2022 (one day before Russian troops crossed the Ukraine border) the EU sanctioned all Russian law-makers responsible for rubber-stamping President Putin’s pretext for attacking Ukraine. Conversely, the UK waited another two and a half weeks before making similar designations. Likewise, whilst the EU immediately targeted Russian oligarchs and key regime enablers following the invasion (designating 82 individuals on 25 February), the UK limited its sanctions to a handful of individuals and waited until 10 March to target Kremlin-linked oligarchs with high-value UK assets.”

Global Diligence LLP ([IEF0016](#))

66 On 31 January, the Foreign Secretary [tweeted](#) “There will be nowhere to hide. Nothing is off the table. This will amount to the toughest sanctions regime against Russia we have had in place yet, and mark the biggest change in our approach since leaving the European Union.”

[Don’t expect sanctions to fix the UK’s systemic illicit finance problems](#), Tom Keatinge, RUSI, 28 February 2022

67 [Economic Crime \(Transparency and Enforcement\) Act 2022](#), s58; the Government has a period of 56 days, extendable once, to a maximum of 112 days, in which to sanction under the urgent procedure before it must evidence the sanction to the threshold of a standard procedure listing.

Nor does there appear to be a broader strategy governing the UK approach. For example, the Government has yet to legislate for humanitarian exemptions to the UK's sanctions despite repeated calls from NGOs.⁶⁸ A copy-paste approach is not the hallmark of the independent regime that ministers have trumpeted.

27. 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.

Resources

28. The FCDO Sanctions Taskforce increased in size between December 2021 and the end of April 2022, from "48 substantive roles" to "around 150 people" composed of additional substantive posts as well as a varying number of staff "surged in".⁶⁹ It is unclear, however, whether the decision to increase resourcing predates the invasion of Ukraine in late February, or whether staff were belatedly brought in to hurry the pace of designations in line with those of our allies. Nor is it clear what relevant expertise these new hires have. If the problems of resourcing and intelligence that led to the need for an "urgent procedure" persist, they will in turn delay the conversion of hundreds of "urgent procedure" designations to "standard" listings within the 56 day limit.⁷⁰ The legal team sits apart from the Taskforce, and we have no evidence of an increase in its size.⁷¹ We are concerned that the Foreign Office has not committed to the long-term resourcing required to maintain an effective autonomous sanctions regime.

29. Sanctions designations are the responsibility of the FCDO, while implementation lies within the remit of the Office of Financial Sanctions Implementation (OFSI), in HM Treasury. In early March, Dr Walker, Head of Global Sanctions and Risk at the Association of Certified Anti-Money Laundering Specialists, told us that sanctions delays were "probably a resource issue" and went on to say

Building the case [for sanctions of individuals] in this scenario, and the whole infrastructure that will be needed in Government to support these sanctions, is probably well beyond the capacity that the Government have at the moment.⁷²

68 [Devex, "Humanitarian groups call for exceptions to UK's sanctions on Russia"](#), 11 March 2022
On 7 March we commented that the US had legislated for humanitarian carve outs from its sanctions regime in January, and asked Thomas Drew CMG, Director General Middle East, North Africa, Afghanistan and Pakistan, FCDO, whether the UK had made similar provision. His response was that the UK had not yet arranged for carve outs and he did not know how it intended to do so. [Q613-15](#)
The US, Canada, Switzerland and the EU have legislated for explicit humanitarian exemptions.

69 It is unclear from the letter how many people were in post in the original 48 'roles', or at what point in that timeframe the additional staff were hired. [Letter from the Foreign Secretary](#), 12 May 2022

70 [Economic Crime \(Transparency and Enforcement\) Act 2022](#), s58

71 [Letter from the Foreign Secretary](#), 12 May 2022

72 [HC 1089, Q75](#) [Dr Walker]

Tom Keatinge, Director of the Centre for Financial Crime and Security Studies at RUSI, agreed, adding that “the capacity needed is legal capacity, not smart researchers”.⁷³ While acknowledging the unprecedented nature of the situation, witnesses in written evidence also laid blame for the sluggish pace at the Government’s door, saying the Foreign Office was simply unprepared.⁷⁴ It lacked the numbers of staff with the right capabilities required to prepare and process the designations. We are also concerned that, more broadly, the Government still lacks sufficient resources and expertise to ensure the effective implementation and enforcement of these sanctions, including the ability to trace the assets to be frozen.

30. 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.*

Enforcement

31. The UK has worked multilaterally through the G7 and UN as well as bilaterally with allies like the US, EU, Canada and Australia to shore up a strong response to Russia. The Government’s efforts to ensure coordination with allies and to work creatively to remain aligned on sanctions have been impressive.⁷⁵ However, the issuance of sanctions is just

73 HC 1089, [Q75](#) (Tom Keatinge)

74 Heathershaw et al: “[...]sanctions on banks, the central bank, and SWIFT proceeded rapidly. However, with respect to oligarchs, in the early stages, the UK lagged behind the US, EU and Switzerland in individual person designations as the FCDO sanctions unit lacked capacity and HMG simply didn’t know where many of these assets were to be found.”

[IEF0009](#) [Heathershaw et al] (original emphasis removed)

“[...] however the public designation of targets has been laborious suggesting that sufficient preparation have not been made.”

[IEF0013](#) [RUSI]

[Q85](#) (Dr Walker)

Tom Keatinge: “[...] this author would suggest that [the Government] should focus its enquiries on the preparations that the FCDO made in anticipation of needing to use its sanctions powers. [...] when the time came, the FCDO appears not to have been prepared for what was needed to be done to match this rhetoric.” [“The situation in Ukraine and the UK’s response”](#), letter of 29 March 2022

Lord Pannick QC: “EU law contains a proportionality test which has not stopped the EU imposing sanctions on far more associates of Putin. The real cause of the delay in imposing sanctions in this country has been the limited number of people in government departments focused on this issue.”

Lord Pannick QC, writing on Joshua Rozenburg’s blog, on the dangers of removing the ‘appropriateness test’ for sanctions issuance whereby a relevant minister must determine that they have given consideration to the purpose of the sanctions and whether their imposition is reasonable and has decided that both tests are met. The Foreign Secretary attributed the UK’s slow pace on oligarchs sanctions to the additional complexity the appropriateness test introduced when she gave evidence to the Committee.

[Pannick responds](#), A Lawyer Writes, 9 March 2022; [Q652-3](#)

75 “We are also launching a joint taskforce to hunt down the assets of oligarchs hit by our sanctions.” HC Deb, 28 February 2022, [col 710](#) [Commons Chamber] [Rt Hon Elizabeth Truss]

a first step. Enforcement is the hard part. It requires resources and intense collaboration both across Government and between the public and private sectors. Weak enforcement removes the incentive for the private sector to support sanctions implementation fully, thus curbing their effectiveness. Ineffective enforcement also has a global domino effect, with targeted individuals moving assets to jurisdictions that have poor records of enforcement. Each player in the net of global sanctions is crucial. Think tanks agree that adequately resourcing agencies like the NCA and improving the sharing of intelligence across departments and between allies is key to improving the effectiveness of sanctions.⁷⁶ UK allies are belatedly recognising their own enforcement shortcomings.⁷⁷ The UK has an opportunity to demonstrate leadership through supporting partners with financial intelligence gathered through the UK's central role in global finance. The UK can lead on ensuring sanctions are effectively implemented and enforced, something for which it has been criticised in the past.⁷⁸

32. Sanctions are only as effective as the ability and willingness of the private sector to apply them. For this, it needs the Government to provide adequate information in a timely manner to assist, for example, estate agents to make appropriate checks before selling a property or yacht captains to understand what constitutes a breach, or information from closed company registries (such as the British Virgin Islands) that helps banks to identify oligarch-connected companies. The US was well-prepared to apply sanctions ahead of announcing them, having taken steps to be ready to issue general licences, that allowed for the efficient and clear implementation of sanctions, alongside designations. The UK was not. Delays in sanctioning individual oligarchs, alongside a lack of clarity over who would be targeted, and what role the private sector was required to play, gave oligarchs such as Alexei Mordashov time to move or conceal their assets.⁷⁹ The Treasury Committee concluded that the UK lagged in its advice to the private sector when what was needed was “clear, precise and readily available” guidance on how to implement sanctions.⁸⁰ Organisations with little or no prior experience of sanctions, like museums uncertain of the legality of returning paintings or objects such as Fabergé eggs loaned from the collections of sanctioned oligarchs, now find themselves grappling with how to avoid potential breaches.⁸¹ **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.**

76 Global Diligence LLP ([IEF0016](#))
Transparency International has called on countries to “invest sufficient resources and empower authorities with mandates to trace and confiscate the assets that are directly linked to crimes,” stressing that governments must take this opportunity to “help route out all dirty money beyond the current crisis.”
[G7 and other leading economies unequipped to go after Russian Elites](#), 24 May 2022

77 ACAMS, [Germany, Netherlands prioritise sanctions enforcement](#), 24 May 2022

78 [“UK's ability to enforce sanctions brought into question”](#), Financial Times, 3 March 2022

79 [“Alexei Mordashov: oligarch scrambles to outpace sanctions”](#), Financial Times, 5 April 2022

80 The Treasury Committee also called on HM Treasury to increase resourcing of OFSI.
Treasury Committee, Twelfth Report of Session 2021–22, [Defeating Putin: the development, implementation and impact of economic sanctions on Russia](#), HC 1186, 23 March 2022, paras 49-50

81 [“What will happen to sanctioned Russian oligarch's Fabergé treasure, now V&A's show has closed?”](#), The Art Newspaper, 12 May 2022

3 A strategy for illicit finance

A transatlantic partnership

33. Western coordination and cooperation over the response to Ukraine has been impressive. Governments have accepted the domestic trade-offs to be made for the greater goal of crippling the Russian economy and bringing an end to Putin's ability to wage war.⁸² In a globalised economy, the case for a joined-up approach is self-evident. Illicit finance is a transnational challenge, built on the ability of malign actors to exploit the space between legal jurisdictions. The Government acknowledges that these abuses "threaten our shared security and prosperity, requiring collective action and multilateral cooperation to address them."⁸³ Tackling corrupt wealth will require the same unity and sense of purpose demonstrated by the response to Ukraine.

34. There is an opportunity for the UK to show leadership in pushing for a group of like-minded countries to drive progress on an anti-kleptocracy agenda.⁸⁴ The UK galvanised a global fight against corruption, pledging action at the 2016 Anti-Corruption Summit, but subsequently failed to deliver on the promised legislation. The Biden administration is now pushing for action, with a clear plan to tackle the global threat of illicit finance systemically and internationally.⁸⁵ In January, the Center for American Progress encouraged the Biden administration to establish a UK-US anti-kleptocracy group "in part to prod stronger action from the U.K. government".⁸⁶ The war has fuelled an appetite on both sides of the Atlantic to crack down on kleptocracy. President Biden has addressed the way in which illicit wealth is a driver for the autocratic regimes and criminal cartels that undermine domestic national security.⁸⁷ He insisted the US would go after the kleptocrats of Putin's regime.⁸⁸ In the Integrated Review, the Government singled out the US as a partner in the fight against illicit finance, saying "we will use our strong relationships with other major financial markets, such as the US, to maximise our collective impact".⁸⁹ New York and London are two of the great financial centres; the impact they can have, jointly, on global financial regulation is substantial.

82 REPO statement: "Russia's latest invasion of Ukraine represents a further assault on the fundamental norms and laws, including the UN charter, that underpin the international order. By working together to hunt down the assets of key Russian elites and proxies and to act against their enablers and facilitators, we take a further step to isolate them from the international financial system and impose consequences for their actions, and we encourage other countries to also take up this critical effort."

Foreign Office, Home Office, HM Treasury, "[Russian Elites, Proxies, and Oligarchs Task Force joint ministerial statement](#)", 17 March 2022

REPO involves Ministers from UK, US, Australia, Canada, France, Germany, Italy, Japan and EU Commissioners.

We note that the departments represented at the inaugural REPO meeting were Finance, Justice, Home Affairs and Trade. The correspondence was published by the Foreign Office, Home Office and HM Treasury jointly but a Foreign Office Minister was not present at the meeting.

83 Cabinet Office, Integrated Review: Global Britain in a competitive age, [CP 403](#), March 2021, p 26

84 Centre for the Study of Corruption ([IEF0026](#)); Yacov Feygin, Atlantic Council wrote that there needs to be a "reorienting [of] the US-UK relationship from one that sees security as an exercise in hard power to a joint process of economic world building." [Global Britain: An American Review](#), 8 October 2021

85 The White House, [United States Strategy on Countering Corruption](#), 6 December 2021: The strategy sets out a whole of government approach to tackling corruption and identifies it as a core national security issue.

86 "[How the United States should respond if Russia invades Ukraine](#)", Max Bergman, Center for American Progress, 25 January 2022

87 White House, [Fact Sheet: Announcing the Presidential Initiative for Democratic Renewal](#), 9 December 2021; White House, [Memorandum on Establishing the Fight Against Corruption as a Core US National Security Interest](#), 3 June 2022

88 [Speech by President Biden](#), Washington DC, 28 April 2022

89 Cabinet Office, Integrated Review: Global Britain in a competitive age, [CP 403](#), March 2021, p 22

35. *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.*

Coordinating across Government

36. The UK Government must prove itself a serious and reliable partner to the US. There is no single senior Government lead on illicit finance, resulting in “an underpowered response [to illicit finance] that is less effective than it could be.”⁹⁰ Written evidence emphasises the cross-policy, cross-departmental nature of illicit finance, with responsibility for policy, enforcement and intelligence spread across multiple departments and agencies. Witnesses told us that the Foreign Office is left out of what is sometimes seen as a technical or criminal justice problem.⁹¹

37. Tackling dirty money will be a key priority of Integrated Review sub-strategy on economic security. Whilst it is rightly led by HM Treasury, we would expect FCDO to be heavily involved in its creation and implementation, reflecting the strong need to go beyond domestic technical compliance that is the purview of HMT.⁹² We would also expect the FCDO to have a hand in shaping the next Economic Crime Plan.

38. **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.**

90 RUSI ([IEF0013](#)) para 4.6

91 “The UK, through the FCDO, has a clear and powerful role to play in enhancing the strength governance and compliance [with international governance regimes such as FATF] given the expertise in these areas of London as a global financial centre.”
Shanker Singham ([IEF0008](#)) para 3

92 “Policy progress is monitored regularly through the Economic Crime Strategy Board which is jointly chaired by HM Treasury and Home Office’s Permanent Secretaries as a part of the Integrated Review Implementation Group.”
Chief Secretary to the Treasury ([NSS0001](#))

Conclusion

39. 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.

40. 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.

Conclusions and recommendations

Inaction on illicit finance

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)
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)
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)
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)
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)
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)
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)

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)
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)
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)

UK Sanctions regime: Russia and Ukraine

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)
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)

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)

A strategy for illicit finance

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)
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. (Paragraph 38)

Conclusion

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)

Annex

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
21 February 2022				
Russia recognises the DPR and LPR as independent and sends in armed forces				
22 February	The UK sanctions 3 Russian individuals and 5 Russian entities. It also announces future sanctions on members of the Russian Federal Assembly, as well as a trade embargo on the DPR and LPR	EU Foreign Affairs Ministers convene to discuss the situation in Ukraine	Asset freeze: 3 persons Asset freeze: 5 entities	None
23 February	The UK announces financial support for Ukraine	The EU freezes the assets of 336 members of the Duma (Russian MPs) as well as 22 other Russian individuals and 4 companies , and bans the individuals from EU travel . It also imposes initial restrictions Russian access to its capital markets, and extends a trade embargo to Donetsk and Luhansk (DPR/LPR).	3 persons 5 entities	336 MPs 22 persons 4 entities Financial services DPR/LPR embargo
24 February				
Russian armed forces attack Ukraine				
24 February	The UK announces further sanctions against Russia, including trade restrictions in financial services, and implements initial restrictions to on access to UK airspace for Russian airlines. It also lists a further 5 individuals and 6 entities to make them subject to asset freezes.	EU leaders met in Brussels and agree on the need for further sanctions against Russia, including trade restrictions	8 persons 11 entities	336 MPs 22 persons 4 entities Financial services DPR/LPR embargo

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
25 February	<p>The UK imposes asset freezes on President Vladimir Putin and Foreign Minister Sergei Lavrov.</p> <p>It also extends ban on Russian access to UK airspace to private jets.</p>	<p>EU Foreign Affairs Ministers meet.</p> <p>The EU widens the scope of its sanctions framework and lists 98 more Russian individuals, including President Vladimir Putin and Foreign Minister Sergei Lavrov</p> <p>It also imposes trade sanctions against Russia in areas including finance, insurance and energy</p>	<p>10 persons 11 entities Airspace ban</p>	<p>336 MPs 120 persons 4 entities Financial services DPR/LPR embargo Export restrictions</p>
27 February	-	<p>EU Foreign Affairs Ministers meet; EU Interior Ministers meet to discuss temporary protection of Ukrainian refugees</p>	<p>10 persons 11 entities Airspace ban</p>	<p>336 MPs 120 persons 4 entities Financial services DPR/LPR embargo Export restrictions</p>
28 February	<p>The UK publishes new legislation on financial sanctions against Russia, notably restricting access for several large Russian banks to UK financial services, including a ban on executing sterling payments for them. The Foreign Secretary also announces work is on-going to freeze all Russian bank assets in the UK and to ban Russian companies from UK capital markets.</p> <p>The UK also prohibits the export of dual-use goods and critical-industry goods to Russia, and announces plans for further export restrictions.</p> <p>The UK freezes the assets of three further Russian banks.</p>	<p>The EU sanctions 26 more individuals and one entity linked to Putin's inner circle, bans all Russian aircraft from its airspace and bans transactions with the Russian Central Bank</p> <p>EU Energy Ministers meet.</p> <p>EU Defence Ministers meet to discuss implications of the current conflict</p>	<p>10 persons 14 entities Airspace ban Financial services Export restrictions</p>	<p>336 MPs 146 persons 5 entities Financial services DPR/LPR embargo Export restrictions Airspace ban Central Bank</p>

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
1 March	<p>New UK financial and trade sanctions against Russia come into force, including restrictions on transactions with the Russian Central Bank and a ban on entry into UK ports for Russian ships.</p> <p>The UK also freezes the assets of 4 individuals and 2 entities in Belarus for their complicity in Russia's actions, as well as the Russian Direct Investment Fund (Russia's sovereign wealth fund) and its Chief Executive.</p>	-	<p>15 persons 17 entities Airspace ban Financial services Export restrictions Central Bank Shipping ban</p>	<p>336 MPs 146 persons 5 entities Financial services DPR/LPR embargo Export restrictions Airspace ban Central Bank</p>
2 March	<p>The UK votes in favour of a UN GA Resolution condemning Russia's actions</p>	<p>EU Finance Ministers meet. The EU imposes further sanctions: it bans transmission of Russia Today and Sputnik, and restricts financial institutions from communicating with 7 Russian banks via SWIFT (with the support of the US and the UK, although HMG has said it would like to go further).</p> <p>It also lists 22 Belarusian individuals held to be complicit in Russia's actions in Ukraine, and imposes further trade restrictions on the Belarusian economy.</p> <p>All EU Member States vote in favour of a UN GA Resolution condemning Russia's actions</p>	<p>15 persons 17 entities Airspace ban Financial services Export restrictions Central Bank Shipping ban SWIFT</p>	<p>336 MPs 168 persons 5 entities Financial services DPR/LPR embargo Export restrictions Airspace ban Central Bank SWIFT Russia Today</p>

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
3 March	<p>HMT announces further restrictions on Russian access to its (re)insurance market for the aviation and space sectors.</p> <p>The UK sanctions two Russian individuals.</p>	<p>EU Interior Ministers meet to discuss the impact of Russia's attack on Ukraine on inflows of Ukrainian refugees.</p>	<p>17 persons 17 entities Airspace ban Financial services Export restrictions Central Bank Shipping ban SWIFT</p>	<p>336 MPs 168 persons 5 entities Financial services DPR/LPR embargo Export restrictions Airspace ban Central Bank SWIFT Russia Today</p>
4 March	<p>The Foreign Secretary attends a meeting of the EU Foreign Affairs Council with her US, Ukrainian and Canadian counterparts</p>	<p>Meeting of the EU Foreign Affairs Council to discuss the security situation in Ukraine</p>		
8 March	<p>The Government announced proposals to phase out UK imports of Russian oil by the end of 2022, although it is not formally banning them.</p>	-	<p>17 persons 17 entities Airspace ban Financial services Export restrictions Central Bank Shipping ban SWIFT Oil imports</p>	<p>336 MPs 168 persons 5 entities Financial services DPR/LPR embargo Export restrictions Airspace ban Central Bank SWIFT Russia Today</p>

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
9 March	<p>The Government laid regulations on 8 March (which came into force the same day) to strengthen the ban on Russian aircraft (for example to remove aircraft belonging to sanctioned individuals and entities from the UK register).</p> <p>It also restricted exports to Russia of aviation and space-related goods and technology and an associated ban on insurance and re-insurance services in relation to such goods and technology.</p>	<p>The EU imposes asset freezes and travel bans on 146 members of Russia’s Federation Council who voted in favour of recognising the independence of the DPR and LPR. It also sanctions another 14 Russian individuals with ties to the Government in Moscow.</p> <p>The EU also expanded its trade sanctions against Russia, restricting exports of maritime navigation goods and technology and extended the ban on provision of financial services to the Russian Maritime Register of Shipping</p> <p>With respect to Belarus, the EU extended many of its existing sanctions against Russia to Belarus (such as SWIFT disconnections, banking restrictions and prohibiting transactions with the Central Bank).</p>	<p>17 persons 17 entities Airspace ban Financial services Export restrictions Central Bank Shipping ban SWIFT Oil imports</p>	<p>336 MPs 146 Senators 182 persons 5 entities Financial services DPR/LPR embargo Export restrictions Airspace ban Central Bank SWIFT Russia Today</p>

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
10 March	The UK imposes asset freezes and travel bans on a further 7 Russian individuals, including Chelsea FC owner Roman Abramovich	Meeting of the 27 EU Heads of State and Government in Versailles, France. On 10 March, they said the EU “remain[s] ready to move quickly with further sanctions” and agreed on the need (but not the means) to reduce its dependency on Russian energy.	386 MPs 24 persons 17 entities Airspace ban Financial services Export restrictions Central Bank Shipping ban SWIFT Oil imports	336 MPs 146 Senators 182 persons 5 entities Financial services DPR/LPR embargo Export restrictions Airspace ban Central Bank SWIFT Russia Today
11 March	The UK imposes asset freezes and travel bans on 386 further Russian individuals , namely the Members of Russia’s State Duma “for their support for the Ukrainian breakaway regions of Luhansk and Donetsk” (as initially announced on 22 February).	The European Commission has also been asked to provide a formal opinion on Ukraine’s request to become an EU Member State.		
	The G7, including the UK and the EU, announce they will take further measures against Russia, including lifting its ‘Most Favoured Nation’ status at the WTO.			
14 March	The Economic Crime (Transparency and Enforcement) Act 2022, which introduces an urgency procedure for sanctioning individuals under SAML A by copying EU, US, Canadian or Australian sanctions, receives Royal Assent .	-		

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
15 March	<p>The Government uses the new “urgent procedure” under SAMLA to impose asset freezes on 357 individuals and 7 entities under the Russia sanctions regime, as well as 8 individuals and 1 entity linked to Russia under the cyber-crime sanctions regime. All but four are copied from the EU and US sanctions lists. These ‘urgent’ asset freezes will expire in early May unless ‘transposed’ into a regular UK listing before then.</p> <p>Separately, the Government also announced new restrictions on trade with Russia, including a ban export of luxury goods and increased tariffs on certain Russian imports made possible by waiving its WTO MFN status.</p>	<p>The EU imposed asset freezes on an additional 15 individuals and 9 entities linked to Russia.</p> <p>It also expands the scope of its trade restrictions, prohibiting new investment in Russia’s energy sector, banning imports of Russian iron and steel, and banning the export of luxury goods to Russia. The EU also notes its willingness to increase duties on Russian imports by waiving its WTO MFN status, but has yet to announce details.</p>	<p>386 MPs 146 Senators 243 persons 25 entities Airspace ban Financial services Export restrictions Central Bank Shipping ban SWIFT Oil imports Import tariffs</p>	<p>336 MPs 146 Senators 197 persons 14 entities Financial services DPR/LPR embargo Export restrictions Airspace ban Central Bank SWIFT Russia Today Import restrictions</p>
17 March	<p>The UK, EU, US, Canada, Australia and Japan formally launch a Joint Task Force to “find, restrain, freeze, seize, and, where appropriate, confiscate or forfeit the assets of those individuals and entities that have been sanctioned” in connection with Russia’s attack on Ukraine.</p>			
	<p>The Treasury announces the UK is suspending tax cooperation with Russia and Belarus</p>	-		

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
18 March	The FCDO issues a number of amendments and corrections to the consolidated list of individuals and entities subject to asset freezes, including the removal of two erroneous duplicate entries (affecting one Russian Senator and one other individual).	-	386 MPs 145 Senators 242 persons 24 entities Airspace ban Financial services Export restrictions Central Bank Shipping ban SWIFT Oil imports Import tariffs	
22 March	-	The EU “strongly condemns” a ruling by a Moscow court to extend the imprisonment of the Russian opposition politician Alexei Navalny by a further 9 years	Tax cooperation Russia Today	336 MPs 146 Senators 197 persons 14 entities Financial services
24 March	The Prime Minister attends the NATO summit in Brussels. The UK imposes asset freezes and travel bans on 33 Russian individuals and 26 entities, many copied from the US, Canada or Australia using the new SAMLA urgency procedure (7 for the individuals, and all for the entities). It also freezes the assets of 6 Belarusian entities, all using the urgency procedure. Those temporary sanctions will expire in May unless regularised by the Government.	EU leaders to meet in the European Council in Brussels to discuss the security situation and potential further sanctions against Russia, with the US President and Japanese Prime Minister also due to attend. The UK Prime Minister was not invited, reportedly because he had drawn a parallel the weekend prior between Brexit and the armed conflict in Ukraine. The EU doubles its financial support for military equipment for Ukraine to €1 billion	386 MPs 145 Senators 275 persons 56 entities Airspace ban Financial services Export restrictions Central Bank Shipping ban SWIFT Oil imports Import tariffs Tax cooperation Russia Today	DPR/LPR embargo Export restrictions Airspace ban Central Bank SWIFT Russia Today Import restrictions

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
25 March	Regulations come into force allowing the Government to charge "additional duty on certain goods originating from Russia or from Belarus" after suspension of the former's WTO MFN status	-		
30 March	<p>The FCDO removes a further duplicate entry from the list of Russian individuals subject to asset freezes, affecting Federation Council member Sergei Ivanov.</p> <p>New regulations come into force that extend the UK's existing trade embargo against Crimea to Luhansk and Donetsk, as announced in February. Among various technical changes, they also allow the Government to designate persons by description, rather than by name, and restrict provision of services related to aviation and shipping in Russia.</p>	-	386 MPs 144 Senators 275 persons 56 entities Airspace ban Financial services Export restrictions Central Bank Shipping ban SWIFT Oil imports Import tariffs Tax cooperation Russia Today DPR/LPR embargo	

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
31 March	HMG imposes asset freezes on a further 12 Russian individuals and 2 organisations. 7 of the individual sanctions are copied from Australia under the new SAMLA urgency procedure.	-	-386 MPs 144 Senators 287 persons 58 entities Airspace ban Financial services Export restrictions Central Bank Shipping ban	
5 April	The Department for Transport extends the ban on access to UK air space to aircraft linked to Russia to "prevent any aircraft from flying in UK airspace if it is flying in accordance with a flight plan that includes an aerodrome in Russia".	-	SWIFT Oil imports Import tariffs Tax cooperation Russia Today DPR/LPR embargo	
6 April	HMG imposes asset freezes on an additional 8 persons and 2 entities, including Sberbank. 2 of the individuals and 1 one of the entities are listed under the 'urgency procedure' under SAMLA.	-	386 MPs 144 Senators 295 persons 60 entities Airspace ban Financial services Export restrictions Central Bank Shipping ban SWIFT Oil imports Import tariffs Tax cooperation Russia Today DPR/LPR embargo	

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
8 April	<p>The UK freezes the assets, and bans travel to the UK, for three daughters of Vladimir Putin and Foreign Minister Sergei Lavrov. They are listed under the 'urgency' procedure, copying the sanctions from the US.</p>	<p>The EU publishes its 5th sanctions package against Russia. It includes asset freezes and travel bans for a further 217 individuals and 18 entities, many linked to the separatist regimes in Donetsk and Luhansk, as well as Putin and Lavrov's daughters.</p> <p>It also includes further economic sanctions, including a ban on Russian-flagged vessels from using EU ports, but with exceptions (notably for shipping of energy products like oil and gas), and restrictions on imports from Russia including for coal (from August), wood, fertiliser and spirits. Exports to Russia of strategic goods and services, such as jet fuel, software and semi-conductors, are also restricted. Russian and Belarusian haulage firms are banned from operating within the EU.</p>	<p>386 MPs 144 Senators 298 persons 60 entities Airspace ban Financial services Export restrictions Central Bank Shipping ban SWIFT Oil imports Import tariffs Tax cooperation Russia Today DPR/LPR embargo</p>	<p>336 MPs 146 Senators 413 persons 32 entities Financial services DPR/LPR embargo Export restrictions Airspace ban Central Bank SWIFT Russia Today Import bans Coal imports Shipping ban 336 MPs 146 Senators 413 persons 32 entities Financial services DPR/LPR embargo Export restrictions Airspace ban Central Bank SWIFT Russia Today Import bans Coal imports Shipping ban</p>

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
13 April	<p>The UK imposes asset freezes on an additional 206 Russian individuals. All but six of these sanctions are copied from other jurisdictions under the 'urgency' procedure: 196 from the EU, and 4 from the US.</p>	<p>The EU amends its trade embargo against Donetsk and Luhansk, as well as its asset freezes against Russian oligarchs, to make exemptions for certain humanitarian purposes in Ukraine.</p> <p>It also authorises an additional €500m from the European Peace Facility to financially support Member States delivering military equipment to Ukraine, bringing the total to €1.5bn.</p>		
14 April	<p>The Foreign Office imposes asset freezes on two further Russian individuals, who are closely associated with Roman Abramovich. It also brings into force new restrictions in relation to trade with Russia in certain technologies and luxury goods (as announced on 15 March).</p> <p>The Government also makes regulations to extend the UK's updated Russia sanctions regime to the British Overseas Territories.</p> <p>The Government adds 16 individuals and 10 entities to the asset freeze list, of which 18 are added under the 'urgency' procedure (9 individuals and 9 entities). It also announces further trade sanctions against Russia, expanding the list of products facing import bans and increasing tariffs.</p>	-	<p>386 MPs 144 Senators 506 persons 60 entities Airspace ban Financial services Export restrictions Central Bank Shipping ban SWIFT Oil imports Import tariffs Tax cooperation Russia Today DPR/LPR embargo</p>	

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
21 April	The Government adds 16 individuals and 10 entities to the asset freeze list, of which 18 are added under the 'urgency' procedure (9 individuals and 9 entities). It also announces further trade sanctions against Russia, expanding the list of products facing import bans and increasing tariffs.	The EU freezes the assets of two more Russian individuals (Serhiy Kurchenko and Yevgeniy Prigozhin).	386 MPs 144 Senators 522 persons 70 entities Airspace ban Financial services Export restrictions Central Bank Shipping ban SWIFT Oil imports Import tariffs Tax cooperation Russia Today DPR/LPR embargo	
25 April	The Government announces temporary trade liberalisation at Kyiv's request, providing tariff-free entry into the UK for all Ukrainian goods.	The European Commission published draft legislation to give Eurojust, the EU agency for cooperation in judicial proceedings, a statutory basis for collecting and analysing evidence relating to war crimes committed by Russian troops in Ukraine.		
26 April	HMG converts 195 existing urgent asset freeze listings of Russian individuals into ordinary listings.	-		
27 April	The Government introduces new restrictions to add to its ban on RT and other Russian propaganda channels, requiring social media and ISPs to prevent their users in the UK from encountering or accessing online content generated by sanctioned organisations.	The European Commission proposes a temporary trade liberalisation supplementing trade concessions applicable to Ukrainian products under the EU-Ukraine Association Agreement, as the UK had announced on 25 April. In the EU, this requires the approval of the European Parliament and a qualified majority of EU Member States in the Council of Ministers.		

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
29 April	-	<p>The European Commission proposes that the EU should support Russia's suspension from the international Port State Control Committee.</p> <p>EU Member States approve a joint statement to the World Customs Organization saying they will "use all available means to limit, restrict or otherwise effectively suspend the participation" of Russia within the WCO.</p>		
3 May		<p>The European Commission makes proposals for a sixth formal sanctions package against Russia and Belarus, including import restrictions on oil and more asset freezes.</p> <p>Negotiations on this next round of EU sanctions are on-going as of 12 May.</p>		

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
4 May	<p>The UK adds another 63 individuals to the sanctions list, 45 of which under the urgent procedure (most of which copied from the EU and the US).</p> <p>The Foreign Secretary also announces the UK will bring in a ban on services exports, including management consulting, accounting and public relations, to Russia.</p>	-	<p>386 MPs 144 Senators 585 persons 71 entities</p>	<p>336 MPs 146 Senators 413 persons 32 entities</p>
5 May	The UK freezes the assets of an additional organisation (Evraz, a major Russian steel producer).	Charles Michel, President of the European Council, confirms in an interview the EU is looking at possible legal avenues to confiscate frozen Russian assets to put towards Ukraine's reconstruction.	<p>Airspace ban Financial services Export restrictions Central Bank Shipping ban SWIFT Oil imports Import tariffs Tax cooperation Russia Today DPR/LPR embargo</p>	<p>Financial services DPR/LPR embargo Export restrictions Airspace ban Central Bank SWIFT Russia Today Import bans Coal imports Shipping ban</p>
8 May	HMG announces further trade sanctions on Russia, affecting both UK imports from Russia and exports to Russia.	-		
9 May	The Government converts 88 asset freezes originally made under the 'urgent' procedure into ordinary sanctions listings. 82 relate to individuals, and the other 6 to Russian entities.	-		

Date	Event		Summary of sanctions implemented	
	UK response	EU response	UK	EU
11 May	-	Press reports indicate the European Commission intends to propose new EU legislation by the end of May to make evasion of sanctions a criminal offence across all EU countries. This could be a step towards confiscation (expropriation) of some of the frozen Russian assets within the EU.		

Formal minutes

Tuesday 14 June 2022

Members present:

Tom Tugendhat, in the Chair

Chris Bryant

Liam Byrne

Neil Coyle

Alicia Kearns

Stewart Malcolm McDonald

Henry Smith

Royston Smith

Graham Stringer

Draft Report (*The cost of complacency: illicit finance and the war in Ukraine*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 40 read and agreed to.

Summary agreed to.

Annex agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

[Adjourned till Tuesday 28 June at 10.30 am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Tuesday 8 March 2022

Tom Keatinge, Director, RUSI Centre for Financial Crime and Security Studies; **Dr Justine Walker**, Global Head of Global Sanctions, Compliance and Risk, Association of Certified Anti-Money Laundering Specialists; **Timothy Ash**, EM Senior Sovereign Strategist, Emerging Markets, BlueBay; **Dr Maria Shagina**, Visiting Senior Fellow, Finnish Institute of International Affairs.

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Tuesday 15 March 2022

Catherine Belton, Author of "Putin's People"; **Tom Burgis**, Investigative Journalist, Financial Times; **Susan Coughtrie**, Project Director, Unsafe for Scrutiny, Foreign Policy Centre; and **Arabella Pike**, Head of Publishing, William Collins.

[Q1-65](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

IEF numbers are generated by the evidence processing system and so may not be sequential.

- 1 Anonymised ([IEF0021](#))
- 2 Bracciali, Dr. Andrea (Lecturer in Computing, The University of Stirling) ([IEF0028](#))
- 3 Browder, Mr. William (Head of the Global Magnitsky Justice Campaign and CEO of Hermitage Capital Management, Hermitage Capital Management) ([IEF0017](#))
- 4 Busby, Amanda ([IEF0002](#))
- 5 Buckles Solicitors LLP ([IEF0005](#))
- 6 Centre for Financial Crime and Security Studies (Royal United Services Institute) ([IEF0013](#))
- 7 Centre for the Study of Corruption, University of Sussex ([IEF0026](#))
- 8 FCDO ([IEF0031](#))
- 9 Global Diligence LLP; and International Partnership for Human Rights ([IEF0016](#))
- 10 Heathershaw, Professor John (Professor of International Relations / Senior Fellow, University of Exeter / British Academy); Mr Tom Mayne (Research Fellow, University of Exeter / Chatham House); Dr Tena Prelec (Research Fellow, University of Oxford / University of Exeter); Professor Ricardo Soares de Oliveira (Professor of the International Politics of Africa, University of Oxford); Professor Alexander Cooley (Claire Tow Professor of Political Science, Barnard College / Columbia University, New York); and Mr Casey Michel ([IEF0009](#))
- 11 Kuzio, Dr Taras (Research Fellow, Henry Jackson Society) ([IEF0007](#))
- 12 McKay, Gillian (PhD Candidate, University of Leeds) ([IEF0010](#))
- 13 Moiseienko, Anton (Lecturer in Law, Australian National University) ([IEF0004](#))
- 14 Moore, Justin ([IEF0023](#))
- 15 Public Health Protection Network ([IEF0011](#))
- 16 Redress ([IEF0030](#))
- 17 SAS Institute ([IEF0029](#))
- 18 Serious Fraud Office ([IEF0014](#))
- 19 Singham, Mr Shanker (Chief Executive Officer, Competere) ([IEF0008](#))
- 20 Spotlight on Corruption ([IEF0025](#))
- 21 TASSC International ([IEF0012](#))
- 22 The Sentry ([IEF0022](#))
- 23 Transparency International UK ([IEF0020](#))
- 24 Trilateral Research ([IEF0032](#))
- 25 UK Anti-Corruption Coalition ([IEF0019](#))
- 26 USC Gould School of Law International Human Rights Clinic ([IEF0006](#))
- 27 Vlcek, Dr William (Senior Lecturer in Global Political Economy, School of International Relations, University of St Andrews, Scotland) ([IEF0018](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

Session 2022-23

Number	Title	Reference
1st	Missing in action: UK leadership and the withdrawal from Afghanistan	HC 169

Session 2021–22

Number	Title	Reference
1st	In the room: the UK's role in multilateral diplomacy	HC 199
2nd	Never Again: The UK's Responsibility to Act on Atrocities in Xinjiang and Beyond	HC 198
3rd	Sovereignty for sale: the FCDO's role in protecting strategic British assets	HC 197
4th	The UK Government's Response to the Myanmar Crisis	HC 203
5th	Global Health, Global Britain	HC 200
6th	Sovereignty for sale: follow-up to the acquisition of Newport Wafer Fab	HC 1245
7th	Lagos calling: Nigeria and the Integrated Review	HC 202
1st Special	A climate for ambition: Diplomatic preparations for COP26: Government Response to the Committee's Seventh Report of Session 2019–21	HC 440
2nd Special	Government response to the Committee's First Report of Session 2021–22: In the room: the UK's role in multilateral diplomacy	HC 618
3rd Special	Government Response to the Committee's Fourth Report: The UK Government's Response to the Myanmar Crisis	HC 718
4th Special	Government response to the Committee's Third Report: Sovereignty for sale: the FCDO's role in protecting strategic British assets	HC 807
5th Special	Never Again: The UK's Responsibility to Act on Atrocities in Xinjiang and Beyond: Government Response to the Committee's Second Report	HC 840
6th Special	Global Health, Global Britain: Government Response to the Committee's Fifth Report	HC 955
7th Special	Government Response to the Committee's Sixth Report: Sovereignty for sale: follow-up to the acquisition of Newport Wafer Fab	HC 1273