

Government takes landmark steps to further clamp down on dirty money

Legislation to crack down on dirty money in the UK and corrupt elites will be introduced in Parliament tomorrow, 1 March 2022.

Following the commitments announced by the Prime Minister last week, the government has brought forward the Economic Crime (Transparency and Enforcement) Bill in light of Russia's invasion of Ukraine. The new legislation will help the National Crime Agency prevent foreign owners from laundering their money in UK property and ensure more corrupt oligarchs can be handed an Unexplained Wealth Order (UWO).

The new register will require anonymous foreign owners of UK property to reveal their real identities to ensure criminals cannot hide behind secretive chains of shell companies, setting a new global standard for transparency. Entities who do not declare their 'beneficial owner' will face restrictions over selling their property, and those who break the rules could face up to 5 years in prison.

Under the reforms being brought in on UWOs, those who hold property in the UK in a trust will be brought within scope and the definition of an asset's 'holder' will also be expanded to ensure individuals can't hide behind opaque shell companies and foundations.

The reforms will also remove key barriers to the use of UWOs by increasing time available to law enforcement to review material provided in response to a UWO and reforming cost rules to protect law enforcement agencies from incurring substantial legal costs if they bring a reasonable case that is ultimately unsuccessful.

Prime Minister Boris Johnson said:

There is no place for dirty money in the UK. We are going faster and harder to tear back the façade that those supporting Putin's campaign of destruction have been hiding behind for so long.

Those backing Putin have been put on notice: there will be nowhere to hide your ill-gotten gains.

Home Secretary Priti Patel said:

Government has taken unprecedented action in the face of barbaric Russian aggression.

Time is up for Putin's cronies hiding dirty money in the UK and this new legislation will help to crack down on economic crime,

including removing key barriers to using Unexplained Wealth Orders.

Business Secretary Kwasi Kwarteng said:

The new register will shine a light on who owns what in the UK so we can flush out the oligarchs, criminals and kleptocrats who think they can use UK property to hide their illicitly obtained wealth.

Economic Secretary to the Treasury John Glen said:

We've put in place the largest and most severe package of sanctions ever imposed on Russia or indeed any major economy. It's critical that the Office of Financial Sanctions Implementation has all the powers it needs to enforce financial sanctions, so we are tightening the net in this legislation to ensure the economic pain imposed on the targets of the UK's sanction regime hits home.

The Treasury will also intensify sanctions enforcement by introducing a more wide-ranging 'strict civil liability test' for monetary penalties, rather than the current one which requires firms to have knowledge or a 'reasonable cause to suspect' sanctions are being breached.

This will make it easier for the Office for Financial Sanctions Implementation (OFSI) to impose significant fines. A further change will mean OFSI will be able to publicly name organisations that have breached financial sanctions, but have not received a fine.

The Register of Overseas Entities, introduced in tomorrow's legislation, will apply retrospectively to property bought by overseas owners up to 20 years ago in England and Wales and since December 2014 in Scotland. It will be held by Companies House, with support from the UK's Land Registries.

These new measures are being introduced as one part of our response to tackle the scourge of economic crime in the UK and will safeguard our reputation as a clean and safe place for legitimate investment.

In addition, the government is today publishing a detailed White Paper setting out its plans to upgrade Companies House, which will mean:

- anyone setting up, running, owning or controlling a company in the UK will need to verify their identity with Companies House
- Companies House will be given the power to challenge the information that appears dubious, and will be empowered to inform security agencies of potential wrongdoing
- company agents from overseas will no longer be able to create companies in the UK on behalf of foreign criminals or secretive oligarchs
- the quality of information provided by companies to Companies House will be improved, so that the thousands of small companies who rely on it to

- make business decisions can trust who they are doing business with
- filing processes for small businesses will be streamlined and digitalised
 - company directors will be better able to protect personal information published by Companies House which might put them at risk of fraud or other harm

Reform of Companies House will form part of further legislation which will be introduced in the coming months via a further Economic Crime Bill to clamp down on illicit finance and improve corporate transparency, which will also include:

- new powers to seize crypto assets and bring them within scope of civil forfeiture powers to tackle the growing threat from ransomware and the use of crypto assets for money laundering
- strengthened anti-money laundering powers to give businesses more confidence to share information on suspected money laundering and other economic crime
- reforms to bear down on the use of limited partnerships as vehicles for facilitating international money laundering (including illicit Russian finance) and illegal arms movements

Separately, a new 'Kleptocracy' cell based in the National Crime Agency, announced last week, is being stood up immediately to investigate sanctions evasion. This will ensure that those seeking to bypass the severe economic sanctions announced against Russia last week, will be caught and punished.