PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

SANCTIONS AND ANTI-MONEY LAUNDERING BILL [*LORDS*]

First Sitting

Tuesday 27 February 2018

(Morning)

CONTENTS

Programme motion agreed to.
Written evidence (Reporting to the House) motion agreed to.
Clauses 2 to 5 agreed to.
Schedule 1 agreed to.
Clauses 6 to 16 agreed to.
Clause 17, as amended, under consideration when the Committee adjourned till this day at Two o'clock.

PBC (Bill 157) 2017 - 2019

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not later than

Saturday 3 March 2018

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The Committee consisted of the following Members:

Chairs: Dame Cheryl Gillan, † Steve McCabe

† Badenoch, Mrs Kemi *(Saffron Walden)* (Con)
Bardell, Hannah *(Livingston)* (SNP)
† Benyon, Richard *(Newbury)* (Con)
† Chalk, Alex *(Cheltenham)* (Con)
† Courts, Robert *(Witney)* (Con)
† Dodds, Anneliese *(Oxford East)* (Lab/Co-op)
† Duffield, Rosie *(Canterbury)* (Lab)
† Duncan, Sir Alan *(Minister for Europe and the Americas)*
† Freer, Mike *(Finchley and Golders Green)* (Con)
† Glen, John *(Economic Secretary to the Treasury)*
† Goodman, Helen *(Bishop Auckland)* (Lab)
Graham, Luke *(Ochil and South Perthshire)* (Con)
† Maclean, Rachel *(Redditch)* (Con)
† Norris, Alex *(Nottingham North)* (Lab/Co-op)
† Prentis, Victoria *(Banbury)* (Con)
† Rowley, Danielle *(Midlothian)* (Lab)
† Smith, Nick *(Blaenau Gwent)* (Lab)
Stevens, Jo *(Cardiff Central)* (Lab)
† Thewliss, Alison *(Glasgow Central)* (SNP)

Mike Everett, *Committee Clerk*

† attended the Committee

Public Bill Committee

Tuesday 27 February 2018

(Morning)

[STEVE MCCABE *in the Chair*]

Sanctions and Anti-Money Laundering Bill [*Lords*]

9.25 am

The Chair: Before we begin, can I ask everyone to ensure that all electronic devices are turned off or switched to silent mode? I remind Committee members that Mr Speaker says that teas and coffees are not allowed during sittings. Today, we will consider first the programme motion on the amendment paper, then a motion to enable the reporting of written evidence for publication.

The Minister for Europe and the Americas (Sir Alan Duncan): I beg to move,

That—

(1) the Committee shall (in addition to its first meeting at 9.25 am on Tuesday 27 February) meet—

(a) at 2.00 pm on Tuesday 27 February;

(b) at 11.30 am and 2.00 pm on Thursday 1 March;

(c) at 9.25 am and 2.00 pm on Tuesday 6 March;

(2) the proceedings shall be taken in the following order: Clauses 2 to 5 Schedule 1; Clauses 6 to 18; Clause 1; Clauses 19 to 43; Schedule 2; Clauses 44 to 50; Schedule 3; Clauses 51 to 56; new Clauses; new Schedules; remaining proceedings on the Bill.

(3) the proceedings shall (so far as not previously concluded) be brought to a conclusion at 5.00 pm on Tuesday 6 March.

May I take this opportunity to welcome you to the Chair, Mr McCabe, and say what a pleasure it is to serve under your chairmanship? Because the Bill in its principles enjoys cross-party support, in the spirit of what I believe is cross-party agreement I am happy to offer to any member of the Committee the services of my officials, should they want any briefing or advice on any detail of the Bill.

Question put and agreed to.

The Chair: The deadline for amendments to be considered during the first two line-by-line sitting days of the Bill has passed. The deadline for amendments to be considered on the third line-by-line sitting day is the rise of the House on Thursday.

Resolved,

That, subject to the discretion of the Chair, any written evidence received by the Committee shall be reported to the House for publication.—*(Sir Alan Duncan.)*

The Chair: We now begin line-by-line consideration of the Bill. The selection list for today is available in the room and on the Bill webpage. This shows how selected amendments have been grouped together for debate. Amendments grouped together are generally on the same or a similar issue. A Member who has put their name to the lead amendment in a group is called first. Other Members remain free to catch my eye to speak on all or any of the amendments within that group. A Member may speak more than once in a single debate.

At the end of a debate on a group of amendments, I shall call the Member who moved the leading amendment again. Before they sit down, they will need to indicate if they wish to withdraw the amendment or to seek a decision. If any Member wishes to press any other amendment or new clause in a group to a vote, they need to let me know. I shall work on the assumption that the Minister wishes the Committee to reach a decision on all Government amendments, if any are tabled.

Please note that decisions on amendments do not take place in the order they are debated but in the order they appear on the amendment paper. In other words, debate proceeds according to the selection and grouping list; decisions are taken when we come to the clause that the amendment affects. I will use my discretion to decide whether to allow a separate stand part debate on individual clauses and schedules, following the debate on the relevant amendments. I hope that explanation is helpful.

The Committee has just agreed a programme motion that will be reproduced in the amendment paper for tomorrow. The programme motion sets out the order in which we have to consider the Bill.

Clauses 2 to 5 ordered to stand part of the Bill.

Schedule 1

TRADE SANCTIONS

Helen Goodman (Bishop Auckland) (Lab): I beg to move amendment 29, in schedule 1, page 49, leave out lines 39 and 40.

The Chair: With this it will be convenient to discuss the following:

Amendment 30, in schedule 1, page 50, leave out lines 2 and 3.

Amendment 31, in schedule 1, page 50, leave out paragraph 33.

Helen Goodman: May I say what a pleasure it is to see you in the Chair on this bright and sunny, if cold, morning, Mr McCabe? I will not press the amendments, as they are simply a vehicle enabling me to ask a question: on trade sanctions, is there a loophole in relation to the Isle of Man?

Sir Alan Duncan: I thank the hon. Lady for her question. It is never unhelpful to be able to clarify a point of detail of this sort, and I hope I can now do that to her satisfaction.

Amendments 29 to 31 would cause the Bill to deviate from the established practice in export controls and customs matters where transfers of goods to the Isle of Man are not classified as exports and imports. The Isle of Man is part of a joint customs and indirect tax area within the United Kingdom, and across all customs matters goods transferred to the Isle of Man are not said to be exported from the United Kingdom, and goods transferred from the Isle of Man are not said to

be imported into the United Kingdom. That is a long-standing customs arrangement and has been reflected in legislation as well as in custom and practice.

The Isle of Man is integrated into HM Revenue and Customs' CHIEF—customs handling of import and export of freight—computer system, which enables it to operate UK customs. The Isle of Man mirrors UK export control and sanctions legislation and makes licensing decisions on exactly the same basis as the UK. The amendment, if it were carried, would put sanctions policy out of step with export control and customs. Only goods covered by sanctions legislation would be affected by this change and would in essence be subject to the same export controls twice. If a good were travelling to a sanctioned destination, via the Isle of Man under a licence, it would require one licence from the UK and another from the Isle of Man. The amendment would cause procedural and legal difficulties and increase administrative burdens for business and Her Majesty's Government, and all for no observable benefit

I hope that I have persuaded the hon. Lady and given a satisfactory explanation in response to the amendment which in any event she does not intend to press.

Helen Goodman: That is absolutely fine.

Anneliese Dodds (Oxford East) (Lab/Co-op): Like my hon. Friend, I am grateful to you for chairing the Committee, Mr McCabe.

I am also grateful to the Minister for his explanation. Very briefly, he referred to the Isle of Man's treatment under the CHIEF system, but we are moving to the contractual disclosure system—CDS—for customs policies. That should have happened by last year, but it has been delayed and there are many concerns about it. Will the Minister assure me that the Isle of Man will be treated properly in any new customs arrangements, and that is the Government's understanding of the situation?

Sir Alan Duncan: Although I am not familiar with the exact details of the system the hon. Lady mentions, I think I can say confidently that the Isle of Man will be treated in the way that I described in my previous remarks.

Helen Goodman: I beg leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Schedule 1 agreed to.

Clause 6

AIRCRAFT SANCTIONS

Helen Goodman: I beg to move amendment 15, in clause 6, page 5, line 40, at end insert

"unless they are a person, or are doing so to provide legitimate travel to a person, recognised as a refugee under the UN Convention Relating to the Status of Refugees".

This amendment would prevent sanctions being imposed on recognised refugees who own or operate aircraft registered in a prescribed country.

The Chair: With this it will be convenient to discuss the following:

Amendment 16, in clause 6, page 6, line 33, at end insert ",

unless an aircraft is providing legitimate travel to a person recognised as a refugee under the UN Convention Relating to the Status of Refugees."

This amendment would mean that aircraft containing a recognised refugee would not constitute a disqualified aircraft under this Act.

Amendment 17, in clause 7, page 7, line 36, at end insert ",

unless the ship belongs to a person or the ship provides legitimate travel to a person, recognised as a refugee under the UN Convention Relating to the Status of Refugees."

This amendment would mean that shipping sanctions could not be imposed on ships belonging to, or carrying, a recognised refugee.

Helen Goodman: The amendments are rightly grouped together, because they deal with essentially the same issue. Many refugees are coming to Europe at the moment, mainly by sea, but a small number by aircraft. We want a system that has firm sanctions on shipping and aircraft but does not penalise or criminalise refugees. I know the Minister is as keen as I am to achieve that.

The numbers are striking: more than 1 million refugees or migrants reached Europe by sea in 2016, and 1 million arrived in that way last year. Most of them are fleeing conflict and political persecution in three places: Syria, Afghanistan and Africa. Unfortunately, at least 3,000 people died crossing the Mediterranean last year. We need a system that is firm in the sanctions aspect but humane for the individual refugees. The Minister has been a Department for International Development Minister, and I know that he has experience in this area and will be able to tell us what he thinks is the right way to proceed. In the Lords, when the Minister, Lord Ahmad, was asked about this, his response was that it would be covered by exemptions and licences for non-governmental organisations, but these people do not always arrive with the help of NGOs; they arrive in ad hoc ways.

If anybody would like to read about that journey, they would do well to look at "The Lightless Sky" by Gulwali Passarlay. He describes his life as a teenager, going from Afghanistan across Iran, through Turkey, being pushed back from Bulgaria, making the journey again, going through Greece and getting to Italy. Interestingly, at some points he describes the people who travelled with him and who organised the journey for him as "traffickers", and their treatment of him was extremely violent, unpleasant, negative and exploitative; but it was sometimes a positive experience, and he regarded them as agents who he had paid to help him. The dilemma the Minister faces is that we do not wish to encourage the people traffickers, but we need to protect the people. Our amendments are aimed at squaring that circle. I agree that that will be difficult, but that is what we are trying to do.

There is also the question of incentives and the pull factor. Goldsmiths University and Oxford University have looked at this and they do not believe that the pull factor is strong, so I submit that we need to take a more humane approach. We have had British forces in the Mediterranean and we have had HMS Bulwark picking people up in the Mediterranean. That is what the amendments are driving at, and that is the debate I wish to have on them this morning.

Alex Norris (Nottingham North) (Lab/Co-op): I rise to speak in support of the amendments, not least so that I do not freeze to my chair, Mr McCabe.

On Second Reading, the rough theme of the discussion was that we wanted a sanctions regime in this country that punished the individuals for their behaviour but did not as a result punish their countrymen and women or people in their care, and what is proposed would

[Alex Norris]

seem to fit perfectly with that. The circumstances that might cause us to use sanctions—persecution, human rights abuses or violent conflict at home—are the very circumstances that cause refugees and people to need to leave their country and seek sanctuary elsewhere. We always have to be mindful of unintended consequences, and the amendment seems to offer one way of avoiding them.

Alison Thewliss (Glasgow Central) (SNP): I am happy to rise in support of the amendment moved by the hon. Member for Bishop Auckland (Helen Goodman). She makes some good points. We need to be mindful that there are people who are trapped in difficult situations, and if getting on a plane or into a boat is the only way to get out of that situation, and the alternative is almost certain death—particularly for people in Syria and Yemen—they will do that. We need to seek protection for those operating services for such people. I do not know whether Migrant Offshore Aid Station or Médecins Sans Frontières or any of those other people operating boats in the Mediterranean could fall foul of any sanctions regime. It would be good to get reassurance from the Minister on that, because those are important humanitarian services that rescue people and ensure that they are kept safe.

People are taking a huge risk. Recently there was a case of Somali refugees who sought first sanctuary in Yemen and then tried to leave Yemen because it is so dangerous there, and ended up being shot out of the sea by an airstrike. There are huge risks for people in the choices they make when they are trying to flee. We need to do everything we can to protect them in their efforts to get to a position of safety. I support the amendment.

Sir Alan Duncan: I genuinely thank hon. Members for raising this issue, which we dwelt on at some length on Second Reading. The hon. Member for Bishop Auckland says, I am a former DFID Minister, so I feel these issues deeply. I am familiar with not only the plight of refugees, but the legal void in which they sometimes have to try to survive. The amendment is a laudable attempt to address that very issue and I make no criticism whatsoever of the intent behind it, because it is one that we all share.

The Government take seriously the impact that sanctions might or can have on a country's civilian population. We also acknowledge the important work of NGOs and other humanitarian organisations working in difficult and often threatening situations—look at what is happening in Ghouta in Syria at the moment. The amendments are designed to exempt ships or aircraft from sanctions if they are being used to transport refugees. I agree with the principle, but in my opinion this is not the right way to achieve the desired effect.

I hope that hon. Members recognise that refugee status—and hence the ability to deem someone a refugee under the amendment—is usually granted after a person has fled from their country of origin: once they have reached safety, they can apply for asylum and be recognised as refugees. The amendment would not cover persons fleeing from their country of origin in order to claim asylum. I suspect that that does not reflect the good intentions of those who tabled it.

As I said earlier, the UK is very proactive in ensuring that NGOs can operate in countries subject to sanctions by providing licences and exceptions. In fact, the Bill would make it easier by allowing us to draft exceptions and grant general licences specifically aimed at assisting humanitarian activities, which include assisting refugees or displaced persons. There are good reasons why broad prohibitions are applied to a country, and licences are used to provide targeted exceptions. If we were to provide a general exception for ships and aircraft in those circumstances, aside from the practical difficulty with these amendments that I have mentioned, it could be subject to abuse and would be pretty well impossible to enforce.

9.45 am

Taking that logically—I am brainstorming here—a sanctioned aircraft could stick one notional refugee on it and then claim total exemption, even though that aircraft was sanctioned for good and broad reasons. That could lead to the abuse of a single so-called refugee to exempt an entire ship or aircraft. I do not really want to use the word "hostage", but I think the principle of what I am saying is understood. In extremis, that could help organisations to circumvent sanctions.

The exemption would also be difficult to apply in practice. If a person on a ship or aircraft claimed to be a refugee, that circumstance would seem to engage this exemption. However, the exemption covers only recognised refugees and so would not cover asylum seekers. To engage it, the person would need to prove their refugee status. If it was later determined by the proper authorities and the courts that they were not in fact a recognised refugee, the ship or aircraft would have breached sanctions.

Helen Goodman: Will the Minister give way?

Sir Alan Duncan: I will just take this through to the logical conclusion, and then of course I will give way. I am sure the hon. Lady can understand the difficulty that the situation I described would pose in respect of a person on a ship or aircraft making such a claim.

Helen Goodman: I understand the Minister's point, but since he accepts the humanitarian case we are making, why did he not put down his own amendments to cover those asylum seekers, as well as refugees?

Sir Alan Duncan: Because the provision is already in the Bill. I would argue that it is in the Bill to the satisfaction of the hon. Lady, because the system of licences and exceptions in the Bill offers the best way to maintain the integrity of sanctions, while ensuring that NGOs can provide humanitarian support to refugees, asylum seekers and displaced persons. It is often the displaced persons who are greatest in number.

That is not a difference of principle; that is simply our interpretation of why this proposal would not work in practice and why the Bill does work in practice and achieves the objectives of the amendments that the hon. Lady has tabled. On that basis, I ask her not to press her amendments, because provision is in the Bill to meet the demands that she seeks.

Helen Goodman: I know that the Minister is doing his best and that the idea is to take minimum amendments in Committee as the Bill goes through—I have been a Minister too; I have had those briefings. However, the Minister is not taking into account the scale of the problem and the situation in which people are finding themselves.

The House voted unanimously last month for a foreign policy that had human rights at its very centre. We all acknowledge that there are now a record 66 million refugees around the world. That is more than there have ever been and more than the population of the United Kingdom. The fact is that we know people are fleeing from horrendous situations, and particularly from Libya, where there are reports of people who have come up from sub-Saharan Africa or across from Eritrea being sold in vast markets. I am afraid that to rely on the notion that people in that situation will be able to get to an NGO is completely unrealistic. I am going to test the will of the Committee on amendment 15.

Question put, That the amendment be made.

The Committee divided: Ayes 7, Noes 9.

Division No. 1]

AYES

Dodds, Anneliese
Duffield, Rosie
Goodman, Helen
Norris, Alex
Rowley, Danielle
Smith, Nick
Thewliss, Alison

NOES

Badenoch, Mrs Kemi
Benyon, rh Richard
Chalk, Alex
Courts, Robert
Duncan, rh Sir Alan
Freer, Mike
Glen, John
Maclean, Rachel
Prentis, Victoria

Question accordingly negatived.

Question proposed, That the clause stand part of the Bill.

Sir Alan Duncan: It might be helpful, given the debate we have had, to rehearse the arguments for why we think clause 6 deservedly stands as it does without amendment. Clause 6 introduces provisions to ensure that the Secretary of State has the power to impose sanctions in respect of aircraft, most notably disqualified aircraft. Sanctions on transport form an important part of the suite of measures available to the UK. As a permanent member of the United Nations Security Council, the UK fully supports the imposing of transport sanctions on prescribed countries.

These powers would allow prohibitions and requirements to be introduced and directions to be issued to control the movement of disqualified aircraft as defined in subsection (6). Directions include preventing disqualified aircraft from entering UK airspace or, if they have already done so, detaining them in a UK airport or compelling them to leave UK airspace. More generally, where a designated person has a prescribed interest in an aircraft, the UK will ensure that this aircraft cannot be registered on the UK register. The UK will also have the power to remove such aircraft from the register. This clause also enables the UK to prevent aircraft from being registered in the prescribed country. Finally, the provisions would enable the UK to prevent British-controlled aircraft from overflying or landing in a prescribed country.

These clauses, therefore, will allow the UK to prevent the use of aircraft—where transport sanctions apply—by people connected to sanctioned countries such as North Korea. The powers in this clause are necessary for the UK to be able to develop and enforce transport sanctions and meet its international obligations. The implementation and enforcement of transport sanctions are a crucial element of the UK's future foreign policy, and I believe this clause should stand part of the Bill.

Question put and agreed to.

Clause 6 accordingly ordered to stand part of the Bill.

Clauses 7 to 14 ordered to stand part of the Bill.

Clause 15

Exceptions and licences

Helen Goodman: I beg to move amendment 18, in clause 15, page 14, line 41, at end insert—

"(3A) Regulations must include provision for the establishment of a fast-track process for dealing with requests for exceptions and licences for humanitarian purposes."

This amendment would mean that regulations have to provide a fast-track process for dealing with any requests for exceptions and licences for humanitarian purposes.

The Chair: With this it will be convenient to discuss the following:

Amendment 19, in clause 15, page 14, line 41, at end insert—

"(3A) The Secretary of State must, within six months of this Act coming into force, undertake a consultation on measures to establish an overarching framework for exceptions and licences to be granted for the purposes of subsections (2) and (3)."

This amendment would require the Government to consult on measures to establish a framework for exceptions and licences to disapply the effect of sanctions.

Amendment 20, in clause 15, page 15, line 12, at end insert—

"(c) humanitarian, development, reconstruction and peace-building agencies engaging with sanctioned individuals and entities in order to safely and effectively carry out their activities."

This amendment would enable exceptions to any prohibition or requirement imposed by regulations for humanitarian, development, reconstruction or peace-building purposes.

New clause 5—*Reports on the use of exemptions and licensing*—

"(1) Where regulations are made under section 1, the appropriate Minister must—

(a) prepare a report on the matters mentioned in subsection (2) for—

(i) the period of twelve months beginning with the day on which the regulations made under section 1 come into force; and

(ii) every subsequent twelve month period; and

(b) lay a copy of each such report before Parliament.

(2) The matters are—

(a) the number of applications for humanitarian licences made during the reporting period including specific detail about whether licences were requested by EU Member States or the United States of America;

[The Chair]

(b) the number of humanitarian licences granted, refused or withdrawn during the reporting period;

(c) the number of non-humanitarian exemptions and licences requested;

(d) the number of non-humanitarian exemptions and licences granted, refused or withdrawn; and

(e) the amount of time taken for each application to be processed during the reporting period."

This new clause would require the Government to lay a report before Parliament every 12 months reporting on the use of both humanitarian and non-humanitarian exemptions and licensing.

Helen Goodman: We have now jumped to the section on exceptions and licences, which relates directly to our previous discussion about refugees and the treatment of aircraft and ships. On Report in another place there were some amendments relating to the effects of sanctions on humanitarian work and to exceptions for humanitarian work, and an amendment that looked to get the Government to establish an overarching framework.

We are looking to amend three things in clause 15. First, with amendment 18, we would like to see the inclusion of provisions for the establishment of a fast-track process for dealing with requests for exceptions and licences for humanitarian purposes. I will go on to describe a situation where that was not working and had very bad consequences. We also want a consultation on measures to establish an overarching framework for all exceptions and licences within six months of the Bill coming into force. We have had representations on that from NGOs and the banking sector because they are all affected by it. Finally, we want to see exceptions to any prohibition or requirement imposed by sanctions for humanitarian, development, reconstruction and peace-building purposes.

I am pleased that new clause 5 has been put into this group, because it seeks a report on exemptions. I will come on to explain why that is for humanitarian exemptions and other exemptions.

The system of exemptions and licences is long standing and well intentioned, but it does not always work as well as we would all like. Chatham House, which did a big piece of work on this last year, said:

"British NGOs undertaking humanitarian operations in or near areas where non-state armed groups…are active face increasing restrictions on their access to the financial system, including delayed transfers, the freezing of funds and in some cases the complete closure of bank accounts. These restrictions impede the UK government's ability to meet its commitment under the 2015 National Security Strategy and Strategic Defence and Security Review to refocus its aid budget to support fragile and broken states and regions."

We are obviously in a situation where we have large populations moving around a great deal, sometimes under the control of ISIS or al-Qaeda. It is a very unpleasant and difficult situation.

10 am

Chatham House said:

"The perception of NGOs as 'high risk' can be traced in part to Recommendation 8…of the Financial Action Task Force (FATF). Drawn up after 9/11, this recommendation until recently described NGOs as being particularly vulnerable to misuse for terrorist financing, contributing to highly cautious behaviour by banks."

While I mention the Financial Action Task Force, I would like to ask the Economic Secretary to the Treasury a question about it. It is included in the long title of the Bill, and I am a bit puzzled as to what its status is. Is it an offshoot of the OECD? Is it a treaty organisation? What exactly is it? What is its legal standing? What is its authority? Is it merely a coalition of the willing? Some of its work is good, but we need to understand a bit better what it is and why it is appropriate to mention it in the long title of a Bill. I can see that he knows the answer to these questions—good.

Since the global financial crisis, banks have been subject to far tougher regulatory and enforcement regimes for non-compliance, which has resulted in a diminishing appetite for risk, hitting humanitarian NGOs acutely as banks have shifted away from clients perceived to present the greatest risk of terrorism financing and money laundering. Banks are obviously crucial partners for the authorities in the implementation of international sanctions and counter-terrorism legislation. For UK-based humanitarian NGOs this presents the challenge of dealing with not only UN and EU sanctions, but the extraterritorial reach of the US, as banks seek to ensure that funds and aid are not diverted to designated individuals and non-state actors. While licensing programmes for such humanitarian activity do exist, they have little meaningful impact as yet on NGOs and their ability to navigate the financial system.

Humanitarian NGOs generally accept the need for regulation and due diligence, but the current weight of compliance demands by their banking partners is often seen as disproportionate—I have some quite interesting evidence of that, which I will come to in a minute—resulting in a need to spend donor money on additional staff and due diligence tools, as well as in increased administration costs, aid delivery and financial transfer delays, and, in some circumstances, even the closure of programmes to which funding cannot be delivered. Donors, and particularly Government agencies such as DFID, appear to have done little to alleviate this burden of compliance—I am not sure when the Minister for Europe left DFID.

Sir Alan Duncan: 2014.

Helen Goodman: Right. The situation has left responsibility for the due diligence required for funds transfers with humanitarian NGOs operating in high-risk zones.

Banks and NGOs must cultivate relationships, with the support of the Charity Commission, that allow for reciprocal education with respect to compliance expectations, operating risks and mitigation steps. The Government therefore have a challenge in this situation. They need to provide guidance and clear messaging where there is ambiguity at the moment with respect to sanctions and counter-terrorism legislation.

I want to give the explanation for the fast-track process. We have a serious situation in Syria. Everyone knows that 400,000 people have died; 5 million have sought refuge overseas; 6 million have been displaced internally; and half a million people are in besieged areas. Yet this is what is going on. Saleh Saeed, the then chief executive of the Disasters Emergency Committee, said a couple of years ago about Syria:

"The DEC is concerned that the current regulatory regime is significantly slowing and seriously complicating legitimate transfers of much needed funds to pay for humanitarian aid operations inside Syria."

The lengthy process for getting the money means that on one occasion a programme supporting 10,000 people simply had to close in 2013.

Emanuela Rizzo, who works for what I think is a French organisation, Terre des Hommes, is quoted as saying:

"Receiving money from Europe to Syria is a disaster,"

The report states that the organisation made a request and waited:

"After 15 days of delay, it contacted the bank in Italy, which informed the NGO that the transfer had been rejected…The bank required a long list of documents, including the NGO's agreement with the UN Office for Coordination of Humanitarian Affairs, its memorandum of understanding with the Syrian Arab Red Crescent, a letter vowing not to fund 'terrorist' groups, and a list of implementing partners.

After two months and a 200 euro…fee, TDH was able to get the money transferred through a different Italian bank with an affiliate in Syria. 'But it's becoming incredibly difficult'".

The report states:

"Other aid agencies struggling to transfer money have resorted to wiring money to banks in Lebanon and physically driving across the border to pick it up. Aid coming in via social solidarity networks has had to do the same.

Since the beginning of the Syrian crisis in 2011, the USA, European Union, Turkey and the League of Arab States…have imposed a series of sanctions on Syria's arms, banking, energy and oil sectors"—

all for perfectly good reasons—

"as well as on specific individuals, with the stated aim of stopping state repression of protests, initially, and later, of weakening the government."

However, the sanctions regime has had significant unintended repercussions and second-order effects.

About 15 months ago, when I was on the Treasury Committee, we took evidence from the Charities Aid Foundation and UK Finance. We had some interesting exchanges, so I asked the Charities Aid Foundation what representations it had made. The witness said:

"We worked, for example, in changing proposition 8 in the FATF arrangements, which has a presumption that charities are high risk. We have now had that changed to a risk-based approach".

However, that

"has created terrible distortions in the assessment of charities."

The witness added:

"The best example that I could give you is in Egypt, which is scored very highly by FATF because it follows explicit rules in the treatment of charities. Yet all we have seen is a closing of civil society space in Egypt, where charities are simply closed down. That produces the best result, as far as FATF is concerned, because there is then no risk, since they are inherently high risk. Many of these charities are the ones that criticise the Government, so there is a real adverse effect coming through from some of these actions."

On the question of compliance costs, I asked about the Financial Conduct Authority's report, which had said that one large, well-known

"charity required £40k of advice on sanctions regimes in order to maintain operations in a number of jurisdictions."

The Charities Aid Foundation witness said:

"The large international NGOs are spending significant amounts of money on compliance...DFID's own recommendations in terms of the funding that it provides is that 7% of the cost of any grant that it gives may be used on compliance costs."

In practice, he said, it is often twice that: between 7% and 14%. It is underwhelming for people who write their cheque for £100 to the Red Cross to know that only £86 of it gets through because the other £14 is spent on lawyers in the UK.

The Charities Aid Foundation would also like more guidance about acceptable risk. Its witness said:

"You could have Treasury-approved guidance, developed along the lines of the guidance that is available from the Joint Money Laundering Intelligence Taskforce for other areas of activity."

There is a question as to whether we want general exemptions for large, well-known organisations such as the Red Cross or UNICEF, or particular, small licences. Our view is that there is a lot of confusion, and that the individual licences system is not working that well. It is not only non-governmental organisations that agree with that, but the banks too.

UK Finance says it is

"imperative that the UK legislative architecture clearly defines how new legislation will be applied…Our members are clear that the UK's departure from the EU offers a timely opportunity to create a domestic licensing regime".

It is asking for a consultation, because that is a complex matter. It is not something that we can sort out in five minutes or in a Bill Committee of amateurs—albeit well-intentioned ones—such as ourselves. It needs expertise.

Alongside the legislation, UK Finance is asking for consideration through

"a wider dialogue on longer-term sanctions implementation."

It says that,

"the impending UK legal sanctions framework will…introduce a new and extremely important dynamic…This will result in an increased scrutiny among globally operating corporate and financial institutions on the approach that will be taken by the UK towards pursing unilateral sanctions and extra-territorial enforcement activity…we would not wish either EU or overseas business to withdraw from the UK due to legal uncertainty, or for it to impede business reacting to potential future relaxation of sanctions".

The situation is complex. UK Finance does not want people to not use British banks because we have a different and unclear set of rules that might bang up against the risk rules run by the Europeans or the Americans.

To summarise, UK Finance says that banks and international NGOs,

"have increasingly articulated that the current framework permitting humanitarian transactions into sanctioned and conflict environments needs re-thinking and an update."

It proposes that,

"a new equilibrium be found that recognises the strategic importance of facilitating both humanitarian aid and permissible civilian transactions to higher risk jurisdictions subject to economic sanctions, whilst balancing expectations of appropriate sanctions compliance and counter terrorist controls"

that are required to make such movements of funds.

At the moment, banks and charities are,

"required to navigate a combination of complex multi-jurisdictional regulatory guidance and an inconsistent licensing regime which has led to a significant impact on the funding of humanitarian projects into certain conflict zones"

and other high-risk countries. The banks would like

"mutual recognition for humanitarian licences issued by 'like minded' competent authorities"

[Helen Goodman]

and

"general exemptions for certain mission critical activities".

They, too, are interested in having a consultation.

10.15 am

New clause 5 is about reviewing the situation at the end of the process. The basic point, made strongly by Rights and Accountability in Development, is that the Bill does not provide sufficient transparency: we do not know why exemptions are granted to sanctioned individuals or how large they are. The new clause covers both the humanitarian exemptions and licences and the ones given to people who are themselves sanctioned. The reason is that we do not know how much money those people are allowed to have and what is considered reasonable for them. They are allowed to keep money unfrozen for their daily living expenses, but also for legal costs, in which we are particularly interested. We all know that there have been massive cuts to legal aid and we want to know whether people who are sanctioned, who often have extremely deep pockets, are being allowed to spend hundreds of thousands of pounds on expensive barristers. That is the rationale for our new clause 5.

Alison Thewliss: I agree very much with the amendments and support the hon. Lady in what she has said. I share the concerns that she has conveyed from both the NGO sector and the banking sector, where we seem to be caught between admirable public policy objectives—providing humanitarian aid—and the practicalities of sanctions compliance, which seems to be hindering the delivery of that aid in many different ways.

The amendments sensibly seek to expand a particularly narrow EU definition of humanitarian aid. That would give a wee bit more certainty and clarity to agencies working on the ground. It also gives us an opportunity to figure out how we ensure that money reaches those who need it and reaches them quickly. I understand that, at the moment, organisations can often wait up to six to nine months to get licences and agreements in place. Frankly, people on the ground in many of the countries involved do not have six to nine months to wait. They need money and aid almost immediately, so we need to find a way of fast-tracking the money in; we need to figure out what a viable financial route to get money from us here in the UK through to the frontlines in Yemen and Syria to ensure that people can survive looks like.

In Yemen particularly, there is a shortage of physical cash in the country. Hospitals in which people are working are often supported by the likes of Médecins Sans Frontières. MSF is paying those staff, but it needs to get the money into Yemen to pay them, so that they can turn up to work and feed their families, and provide vital assistance to people facing bombardment from the air. We need to find a way of getting the money in and doing that quickly.

There are practicalities involved in asking humanitarian agencies to go and carry out this work. Let us say that people are providing humanitarian aid on the ground; to move things around the country they need fuel. If they are in a country in which they have to choose between buying their fuel from Islamic State fighters or Assad, that is not actually a choice they can make, because both options would place them in breach of sanctions, so there needs to be a way of getting money to people and doing that quickly, so that organisations can do their work. If financial assistance has been granted to humanitarian organisations specifically for the purpose of buying fuel and then they cannot practically do that, that is a real problem and makes the delivery of much-needed aid extremely difficult.

There is an argument for granting up-front licences for infrastructure. If we know what is to be built—put in place—and it is a bridge that will allow people to cross it and move humanitarian aid around the country, or if it is a hospital or other facility that will provide aid, why cannot the licences be granted fast and up front, so that there is no delay in procuring the purchase of things to make that happen?

I agree very much with the points made by the hon. Member for Bishop Auckland about mutual recognition of licences. If we see fit to issue licences, that should be good enough for other countries as well. If we have gone through a due diligence regime, that should be good enough for other people to accept and would help speed up the process, and would prevent organisations from falling foul of someone else's regulations. There should be agreement on that, whether in a treaty or some other form. It would be a hugely sensible way of speeding up the process.

I very much agree with the points that have been made on new clause 5. I understand that the United States has a huge amount of transparency around the exemptions and licensing regime. It is possible to see not only what has been licensed and how but the backlog to the licences, which is critically important because we can see delays in the process.

We need to understand why those delays are there and what we can do to overcome them. Frankly, people in different parts of the world cannot wait for us to go through a laborious process to issue licences. We cannot have those organisations spend huge amounts of money on lawyers. We just need to get the aid to where it needs to be with the best practicable due diligence.

The Economic Secretary to the Treasury (John Glen): It is a pleasure to serve under your chairmanship, Mr McCabe. I have listened carefully to the respective Front-Bench speakers and studied the three amendments and the new clause: amendment 18 on fast-track exceptions; amendment 19 on consulting on exceptions to disapply; amendment 20 on an exception for humanitarian or peace-building purposes; and new clause 5, which would require the preparation of an annual report on humanitarian and non-humanitarian exemptions.

I will speak to each in turn. Like my right hon. Friend the Minister for Europe and the Americas, I acknowledge the spirit in which they were tabled, but I will set out the Government's position on why they are not necessary.

I will address the point about FATF immediately, because I have had some contact with it. FATF was set up by 16 countries after the 1989 G7 summit. It is not an incorporated or treaty body. It does not create binding obligations on the UK. The UK is a founder member and plays a leading role. I would reinforce that with this point. I recently received the Pakistani Home Secretary, who was seeking to persuade the Government to resist

the greylisting of Pakistan for not making sufficient progress. That was clearly taken very seriously by the Pakistanis. I also acknowledge the work that is going on across Government in the UK to deal with the considerable challenge of the current evaluation of our own compliance with FATF standards. This is a robust, internationally recognised set of obligations that have real meaning and authority.

Many of the amendments have been debated in the other place and lobbied for by UK Finance and a number of NGOs, as the hon. Member for Bishop Auckland set out. I can assure the Committee that the Government remain a steadfast supporter of NGOs working in conflict areas. The Government engaged with them while the Bill was in the other place, and we will continue to do so. We recognise that it is important to ensure that this work continues, where possible, in sanctioned countries.

It is equally vital, however, that we have appropriate safeguards in place that preserve our foreign policy priorities, by ensuring compliance with sanctions, but also serve to protect the NGOs and help prevent the sector from becoming attractive to criminals looking to circumvent our laws.

Amendment 18 calls on the Government to establish a fast-track process for dealing with requests for exceptions and licences for humanitarian purposes. I can assure hon. Members that the Government make every effort to prioritise urgent and humanitarian cases, where there is a risk of harm or a threat to life, and will continue to do so. However, we believe that any prioritisation criteria for considering licences and exceptions must remain as flexible as possible, to ensure that the Government can consistently prioritise the most important cases, including humanitarian cases where appropriate.

The process for considering licences is best done administratively and on a case-by-case basis. Government Departments will, of course, continue to reach out to the NGO sector to ensure that NGOs understand how that process works for humanitarian licence applications. Given the number of Departments involved—typically four: the Foreign Office, the Home Office, the Department for International Trade and the Department for International Development—and the many rightly differing derogations, exceptions and grounds for licensing that are involved, it would not be straightforward to operate a fast-track process as suggested by the amendment. To get each application right demands a tailored approach, because the facts differ greatly from case to case. Therefore the Government believe that it would not be prudent to establish a single fast-track process, which may impede the Government's ability to assess cases accurately, and will be unwieldy to operate given the different ways in which the various types of sanctions work.

A fast-track process might also create perverse results—such as where an urgent request for a licence to allow a designated person access to medicine would have to come second to a routine application in respect of humanitarian activity that only involves changing the details of bank accounts. For all these reasons, we do not consider that a new and administratively burdensome requirement ought to be added to sanctions regulations.

Amendment 19 suggests that a consultation be undertaken for an overarching framework for exceptions and licences. The NGOs and UK Finance have called for that, as the hon. Member for Bishop Auckland said.

It must be said that we have carried out a consultation on our White Paper, including roundtables with banks and NGOs. We are still talking to them and have set up a working group with them. We intend to use the opportunity to improve licences—such as general licences for humanitarian activity—and we will issue guidance. We have been clear that we will do that, and because of that consultation we do not feel that the amendment is necessary. We have listened to the comments of all respondents and we intend to design a post-Brexit licensing framework that is fully informed by those comments. That is an ongoing process and one in which we are enthusiastically engaged.

Comprehensive regulations that will be laid before Parliament and debated will include detailed information on the exceptions and licences that are appropriate for each regime. We also intend to continue to consult with industry to ensure that the framework allows us to be flexible and has the minimum possible effect on industry whilst having the maximum effect on the intended targets of the sanctions. An overarching framework for licences will not allow us the flexibility that we need for each regime. For example, the licensing grounds for a proliferation regime should be different from those of a misappropriation or counterterrorism regime. Furthermore, the timetable for conducting such a consultation after the commencement of the Bill makes little sense. By then, we expect that the relevant sanctions regulations—with the appropriate exceptions and licensing arrangements for each regime currently existing in EU law—will already have been made and debated by Parliament. We fear that a further consultation would add confusion at a time when we would be working hard to ensure a smooth transition.

The Government have committed in the Bill—clause 37—to issuing guidance about sanctions regulations. As the guidance is developed, we will engage with stakeholders, as we already do for guidance that is published on the implementation of sanctions.

Alison Thewliss: Could the Economic Secretary give more clarity on the timescale? We have the Bill just now; how soon will the guidance appear? The current guidance is not really useful in terms of how the sanctions landscape works.

John Glen: I cannot give a precise timetable. I will consult officials and write to the Committee to give clarification on that as soon as I can.

Amendment 20 would make it plain on the face of the Bill that exceptions to sanctions can be made for humanitarian development, reconstruction and peace-building activities. Broadening such exceptions to cover such a broad group of organisations and activities goes much further than the Government intended and is incompatible with both the policy intent and our obligations under UN and EU regimes. The Government are currently able to issue specific licences on application from humanitarian and other agencies. The licensing provision is read across and extended in clauses 15(2)(b) and 14(3)(a) to allow Ministers to issue both general and specific licences. It is the Government's intention to use the power to issue general licences where appropriate. One key area in which it is foreseen that general licences could be written is for the purpose of delivering humanitarian aid. We should also be wary of the confusion caused by listing these activities but not others, such as denuclearisation activities. To add one would imply that the other was outside the scope of the Bill.

10.30 am

New clause 5 would require the Government to provide detailed annual reports to Parliament on its use of humanitarian exemptions and on licences issued for humanitarian purposes. However, given that experience shows that the number of licences for humanitarian purposes is likely to be relatively small, The Government believe that, rather than requiring a separate report in law, it would be more efficient to include figures on the use of exceptions and licences issued as part of the annual report that clause 27 requires the FCO to issue.

Hon. Members have understandably taken a keen interest in exceptions and licences and how they relate to humanitarian purposes, so it may help if I give more detail about how the Government intend to use our new licensing flexibilities under the Bill. The design of each sanctions regulation will take account of what exceptions or special licensing arrangements are appropriate for the type of sanctions regime, in line with the UK's foreign policy goals. The explanatory memorandum for each statutory instrument will make clear what exceptions or licensing arrangements have been included for each sanctions regime.

Hon. Members will be able to consider exceptions and licences on a case-by-case basis when the statutory instruments are laid before Parliament, and full guidance will be issued for all sectors. We will continue to engage with representatives of those different sectors to ensure that any additional sector-specific guidance addresses their concerns. We will publish more information about our policy thinking on how some of the many forms of exceptions and licensing will work under the Bill.

Anneliese Dodds: I am grateful to the Minister for that explanation. I shall speak briefly on a couple of points.

First, the Minister helpfully stated that the Government do support NGO operations in countries subject to conflict. Will he be more explicit and state that the Government support NGO operations in countries subject to sanctions? That is exactly what we are talking about now. The concern for many in the development community is that the balance is currently towards a presumption against activities occurring in countries where there are sanctions, rather than that being feasible for those organisations when fulfilling international obligations, as we would expect.

Secondly, on amendment 18 on the fast-track process, I was encouraged by some of what the Minister said but was slightly concerned by the reference to the Government continuing current processes, with the suggestion that those are adequate. I have certainly received information, as I am sure other colleagues have—the hon. Member for Glasgow Central referred to some of this—on the impact of fuel sanctions. I understand that delays in getting appropriate licences and exemptions in relation to sanctions on fuel in Syria have led to farcical situations in which, for example, a hospital was destroyed before it was possible to get the fuel that would serve that hospital. The current system is not working at the moment. I wonder whether we may have more of a focus on not following existing practices, which clearly are not operating adequately.

The Minister suggested that the fast-track process would lead to some kind of inappropriate, one-size-fits-all system where, for example, a need for medicine in one situation could be trumped by humanitarian concerns. Surely medical needs could come under humanitarian concerns? What we are really talking about is the need for a fast-track approach to humanitarian peace-building action that will be interpreted sensitively and intelligently, but which could get away from the current impediments for NGOs.

John Glen: I am happy to address those points. I can of course confirm that NGOs in countries subject to sanctions are still able to access these provisions. On the hon. Lady's point on the fast-tracking process, and the point on fuel sanctions, I said what I said in response to the amendments, but we are obviously living in a very imperfect situation, with highly challenging environments. It will not be possible to get things right every time, but I think the provisions in this legislation give us the best opportunity to do so. I think I have set out the Government's position clearly.

Helen Goodman: The Economic Secretary is right that the situation is complex, and he is right that we do not want to add to the complexity with new requirements and new consultations. However, I am sorry to say that I do not think he has made the case for not accepting our new clause 5 on reporting to Parliament.

I want to draw the Committee's attention to an article from *The Guardian* of 23 July 2014, which illustrates the problem. It is headed: "UK arms export licences for Russia still in place, despite claims of embargo". It reported:

> "More than 200 licences to sell British weapons to Russia, including missile-launching equipment," were still in place at the time,
>
> "despite David Cameron's claim in the Commons…that the government had imposed an absolute arms embargo against the country".

I think we have seen a great reluctance on the part of the Government to be more open. What is going on with these sanctions, exemptions and licences is a highly sensitive political area. It seems to me that it would help the Government if we had more openness. We could then have arguments about what was really going on, not about what people might surmise or imagine. I wish to press new clause 5 to the vote.

The Chair: We come to new clause 5 later. At the moment, we are dealing with amendment 18.

Helen Goodman: I do not want to press amendment 18. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clause 15 ordered to stand part of the Bill.

Clause 16 ordered to stand part of the Bill.

Clause 17

ENFORCEMENT

John Glen: I beg to move amendment 4, in clause 17, page 16, line 12, at end insert—

"( ) Regulations—

(a) may create criminal offences for the purposes of the enforcement of prohibitions or requirements mentioned in subsection (2)(a) or (b) or for the purposes of preventing such prohibitions or requirements from being circumvented, and

(b) may include provision dealing with matters relating to any offences created for such purposes by regulations (including provision that creates defences).

( ) Regulations may not provide for an offence under regulations to be punishable with imprisonment for a period exceeding—

(a) in the case of conviction on indictment, 10 years;

(b) in the case of summary conviction—

(i) in relation to England and Wales, 12 months or, in relation to offences committed before section 154(1) of the Criminal Justice Act 2003 comes into force, 6 months;

(ii) in relation to Scotland, 12 months;

(iii) in relation to Northern Ireland, 6 months."

This amendment enables sanctions imposed by regulations under Clause 1 to be enforced by criminal proceedings, and limits the terms of imprisonment that such regulations can allow to be imposed for breach of sanctions.

The Chair: With this it will be convenient to discuss amendment 21, in clause 17, page 16, line 36, at end insert—

"(8) An appropriate Minister must publish guidance from the Crown Prosecution Service on when it is in the public interest for a breach of a sanctions regulations to be prosecuted."

This amendment would require the Government to publish guidance on when it is in the public interest for a breach of sanctions regulations to be prosecuted.

John Glen: The offences provisions are perhaps the most important amendments that we need to debate today, following the Government's defeat in the other place. Hon. Members should be aware that without the fullest set of enforcement measures available to deal with breaches of sanctions, the UK will not be able to ensure effective implementation and enforcement of sanctions. That would make what are currently key foreign policy and national security tools virtually toothless, and therefore redundant.

It is important to recognise right at the start that the concerns in the other place were not about whether there should be criminal offences for breaching sanctions; it was accepted that there was a need for these offences. What was at issue was the circumstances where Parliament could properly give to Ministers the power to create offences. The Government have listened to those concerns. We understand them and these amendments address them.

Currently, EU sanctions against countries such Russia and Syria are imposed through EU legal Acts. These require member states to put in place enforcement measures at national level. In line with that requirement, the UK routinely creates criminal offences for breaches of sanctions by way of statutory instruments made under powers in the European Communities Act 1972 as modified by the Policing and Crime Act 2017, as well as other legislation such as the Export Control Act 2002. The Government therefore want to maintain continuity in this area by reproducing the powers available under existing legal frameworks for enforcement across the various forms of sanctions in the Bill.

Since the defeat in the Lords, Government officials and lawyers have worked with Lord Judge and others to seek a legislative solution. That has been a deep and meaningful dialogue, and I must express my gratitude to Lord Judge for his engagement in seeking to find a way forward. We believe that can be found amendment 4, the enhanced procedural requirements, which we will debate later, in new clause 3 and the corresponding offence provisions for money laundering. The Government believe that combination of measures is the best solution to meet the concerns expressed in the other place while being practical to implement, which I think was the intention of those who raised the concerns.

The amendment restores to clause 17 the provisions to create sanctions offences in regulations. It provides for the enforcement of any prohibitions and requirements, to provide for criminal consequences if they are contravened or circumvented. The clause also provides for maximum penalties for breaches of sanctions in regulations. The provision states that regulations may not include offences with maximum penalties greater than 10 years' imprisonment, which is in line with the maximum penalty available through the 2002 Act, and for offences other than trade sanctions we do not intend to create penalties greater than seven years' imprisonment, in line with current practice. The clause should be read alongside the safeguards in new clause 3, which I will discuss later.

Even with the safeguards that we plan to introduce in new clause 3, the Government remain very aware that creating criminal offences and setting penalties in regulations is a serious matter, not to be undertaken lightly. I am therefore happy to repeat assurances given in the other place. First, no Government would ever create criminal offences for trivial matters. The powers detailed in clause 17 would be used only to create offences within the categories of offences that already exist for breaches of sanctions, breaches of licences and breaches of disclosure or information requirements. Secondly, Ministers should not use these powers in a way that is incompatible with the basic and fundamental rights of people in the UK—section 6 of the Human Rights Act 1998 expressly forbids it. Thirdly, as I said before, regulations under the Bill cannot create offences for trade sanctions with maximum penalties greater than 10 years, and we do not intend to create offences for financial sanctions and other types of sanctions with maximum penalties greater than seven years.

We have listened to the concerns expressed in the other place, and we have tabled amendments to introduce controls on the use of this power. As I said, I will speak to those amendments later in our considerations in Committee. In conclusion, the amendment will restore our ability to enforce sanctions by reintroducing the provision to create criminal and civil offences and penalties that are proportionate to the scale and nature of sanctions breaches and still effective as a deterrent. It should be read together with the enhanced procedural safeguards in new clause 3, which directly addresses the concerns raised in the other place.

Helen Goodman: I was very disappointed, but not surprised, when I saw that the Government had tabled this amendment before the weekend. I anticipated that they might seek to reverse one of their defeats in the Lords. I think it is striking that the Government are seeking to reverse amendment 45 from the other place, when they lost the vote on that amendment by 80 or 90 votes. It was not a narrow little thing. The amendment in the other place was moved not by some party hack, but by the former Lord Chief Justice of England and Wales. He made a number of speeches about the excessive use of Henry VIII powers.

10.45 am

The Economic Secretary says that he has listened, but I am not convinced. To be frank, if he had really wanted to persuade us this morning that Lord Judge was in agreement, he would have shared with the Committee the correspondence he has had with Lord Judge on this matter. Is there any correspondence on the table this morning? No, there is not.

I remind the Committee of what is at stake. Throughout the Bill, the Government are taking the power to make delegated legislation. Lord Judge spoke at length about Henry VIII and his sex life. I am not going to delay the Committee on the question of Henry VIII's sex life, but it is rather unfair on Henry VIII to call these measures Henry VIII clauses, because they are worse than what Henry VIII did. I checked in my copy of Elton what happened in 1539 in the Statute of Proclamations. Elton said that it was an attempt not to replace statute or legislation with parliamentary covenant, but to legitimise proclamations. It stood on the statute book for only eight years, and it was repealed in 1547.

The concern here is that secondary legislation is being used to create criminal offences. In the Brexit referendum, people were promised that Parliament would take back control. The referendum was run in the name of parliamentary sovereignty, not an increase in Executive power. This is one of a number of occasions where we have seen that from the Government.

If we rely on delegated legislation, we will not give Parliament proper opportunities for debate, scrutiny or control. I remind hon. Members exactly how the processes work. A statutory instrument introduced under the negative resolution procedure can become law without debate or a vote. It can even become law before it has been published and laid before the House. It can be made law the moment the Minister signs it—privately, in his office in Whitehall, before anyone else knows anything about it. In 2016, a fifth of statutory instruments were in force three weeks after publication. If Ministers were given such a power, there would be nothing to stop them signing laws and seeing them on the statute book the same day.

Scrutiny by the affirmative and super-affirmative procedure is not much better. Such statutory instruments must be approved explicitly, but they must go to Committees upstairs. In September, the Government passed a resolution that enabled them to overturn the results of the general election by packing those Committees. Even when such statutory instruments are debated by the whole House, the debate is limited to 90 minutes and they cannot be amended. Not only has the Minister not shown us his correspondence with Lord Judge, but he has not shared any of the statutory instruments in draft—that would be normal practice—and he is not agreeing to offer any accompanying documents.

Fundamentally, there are three issues: the content of the statutory instruments, their form—negative or affirmative—and the institutional architecture. We see problems with all three. There are problems with the content, because criminal offences are being created by secondary legislation. There are problems with the form. It is not clear what is being done using the negative procedure and what is being done using the super-affirmative procedure, or the rationale for using either one. I raised that with the Minister on Second Reading. I accept that, in the case of sanctions, Ministers need to be able to move fast to implement regimes on designated persons and countries to prevent avoidance. Any intelligent person understands that. However, I do not understand why the Government do not use primary legislation for the enforcement and prohibition requirements. The Government seem to be proposing that for non-UN sanctions, they will use the main affirmative procedure; for others, they will use the draft affirmative procedure; and for UN regulations, they will use the negative procedure, as they do now. In Committee in the Lords, Baroness Northover proposed that the draft affirmative procedure should apply to all enforcement regulations. Lord Ahmad made an undertaking to look at that proposal, but Ministers do not seem to have done so, and I am not clear why. In the other place, the Constitution Committee and the Delegated Powers and Regulatory Reform Committee strongly criticised that, and it was one of the things that swayed the other House to amend the Bill on Report.

We will come back to institutional architecture when we come to clause 48. I tabled an amendment last night, and I hope that it is on the Order Paper—I think it must be, because the Clerks do such an excellent and efficient job. Let me point out to Ministers that, with this Bill, they are reducing the House's scrutiny over statutory instruments that concern sanctions. At the moment, EU sanctions—not UN sanctions—go to the European Scrutiny Committee, which has scrutiny reserve. UN sanctions go to ad hoc delegated legislation Committees. In the new world, Ministers are suggesting that everything will go to ad hoc delegated legislation Committees. Everybody knows that they are the worst piece of process in this Parliament, and that they simply do not do the job that they are intended to do; they are pure rubber-stampism. The personnel on the Committees changes, and people do not bother to turn up. There was an example the other day of a Committee on Russian super-sanctions, at which my hon. Friend the Member for Bootle (Peter Dowd) and the Financial Secretary to the Treasury spoke. These people are doing their best, but they get the papers two days before and they build up no expertise. That is not the way to handle a really important piece of policy.

The Lords Committees have looked at all that. Our own Procedure Committee, of which I am a member, has also looked at Henry VIII powers post-Brexit, in the context of the European Union (Withdrawal) Bill. Our report said:

> "The Bill as it stands makes no provision for amendment to the standard statutory procedures for control and approval of delegated legislation which have been in effect since 1947. There is considerable concern in the House and elsewhere about the scale and scope of the powers claimed to amend existing legislation."

That happens here, too. The statutory instruments that the Minister wants would create criminal offences, but later in the Bill there are statutory instruments to amend primary legislation and even to amend the Bill. The Procedure Committee, in the context of the European Union (Withdrawal) Bill, recommended a sifting Committee with a scrutiny reserve and accompanying documents, and concessions were made by the Government. That was agreed in the context of the European Union (Withdrawal) Bill. As the Government are a learning organisation, why do we not have such concessions—a sifting Committee or similar—for this Bill?

I submit to the Committee that this Bill is worse than the European Union (Withdrawal) Bill, for two reasons. First, the criminal offences created under the European Union (Withdrawal) Bill were for offences that carried maximum penalties of three years. Here, Ministers are proposing that statutory instruments be used to create criminal offences with penalties of up to 10 years. Those are far more serious offences, which they propose to legislate for by the stroke of a Minister's pen.

Secondly, this Bill is much worse and more serious than the European Union (Withdrawal) Bill, on which Ministers have already made concessions, because that Bill is a temporary Bill. It is designed for making delegated legislation for a two-year period during the transition phase to bring our statute book up to scratch. The powers that Ministers are taking in this Bill are permanent, and there is no sunset clause. I have heard the Minister, but we are thoroughly opposed to Government amendment 4.

Alison Thewliss: I echo that. We are also very worried by this amendment, and by the return of something that was clearly and definitively rejected. As far as we are concerned, it is dangerous and an affront to democracy. The Government should accept that they were wrong, and withdraw the amendment. I point out that the Lords Constitution Committee said:

> "We consider that such regulation-making powers are constitutionally unacceptable and should not remain part of the Bill."

The Government should take heed.

John Glen: I am grateful for the dialogue with hon. Members on the Front Bench, and I will respond to some of the points that have been made. On the question of whether there is some sort of secret plot to hide any conversations with Lord Judge, Government lawyers have had a number of meetings. No letters have been exchanged, so there is no material to share. The vote was lost by 192 votes to 209; I concede that it was lost, but the thrust of the remarks by the hon. Member for Bishop Auckland concerns the notion that behind the measure is some kind of power grab by the Government. I see it as the Government needing to be accountable for how these powers create new offences and how they are used. New clause 3 will require the Government to lay a report before Parliament, setting out what criminal offences are included in any new sanctions regulations.

11 am

The hon. Lady makes a number of points about the differences in the scrutiny process. I point out that the European Scrutiny Committee has never overturned an SI in this area. She talked about some of the areas in which the negative procedure is used. As my right hon. Friend the Member for Rutland and Melton said on Second Reading, it is used in those cases for legitimate reasons around stopping the flight of assets, where we necessarily have to move quickly. I believe that the Government have acknowledged Lord Judge's concerns and have put appropriate restraining and safeguard mechanisms in place. Therefore, I respectfully submit that the Government's position needs to be held to, and we will resist this amendment.

Question put, That the amendment be made.

The Committee divided: Ayes 9, Noes 7.

Division No. 2]

AYES

Badenoch, Mrs Kemi
Benyon, rh Richard
Chalk, Alex
Courts, Robert
Duncan, rh Sir Alan
Freer, Mike
Glen, John
Maclean, Rachel
Prentis, Victoria

NOES

Dodds, Anneliese
Duffield, Rosie
Goodman, Helen
Norris, Alex
Rowley, Danielle
Smith, Nick
Thewliss, Alison

Question accordingly agreed to.

Amendment 4 agreed to.

Ordered, That further consideration be now adjourned.—*(Mike Freer.)*

11.1 am

Adjourned till this day at Two o'clock.

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

SANCTIONS AND ANTI-MONEY LAUNDERING BILL [*LORDS*]

Second Sitting

Tuesday 27 February 2018

(Afternoon)

CONTENTS

CLAUSE 17 agreed to, with an amendment.
CLAUSE 18 agreed to.
Adjourned till Thursday 1 March at half-past Eleven o'clock.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor's Room, House of Commons,

not later than

Saturday 3 March 2018

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The Committee consisted of the following Members:

Chairs: † Dame Cheryl Gillan, Steve McCabe

† Badenoch, Mrs Kemi *(Saffron Walden)* (Con)
† Bardell, Hannah *(Livingston)* (SNP)
† Benyon, Richard *(Newbury)* (Con)
† Chalk, Alex *(Cheltenham)* (Con)
† Courts, Robert *(Witney)* (Con)
† Dodds, Anneliese *(Oxford East)* (Lab/Co-op)
† Duffield, Rosie *(Canterbury)* (Lab)
† Duncan, Sir Alan *(Minister for Europe and the Americas)*
† Freer, Mike *(Finchley and Golders Green)* (Con)
† Glen, John *(Economic Secretary to the Treasury)*
† Goodman, Helen *(Bishop Auckland)* (Lab)
† Graham, Luke *(Ochil and South Perthshire)* (Con)
† Maclean, Rachel *(Redditch)* (Con)
† Norris, Alex *(Nottingham North)* (Lab/Co-op)
† Prentis, Victoria *(Banbury)* (Con)
† Rowley, Danielle *(Midlothian)* (Lab)
† Smith, Nick *(Blaenau Gwent)* (Lab)
† Stevens, Jo *(Cardiff Central)* (Lab)
† Thewliss, Alison *(Glasgow Central)* (SNP)

Mike Everett, *Committee Clerk*

† attended the Committee

Public Bill Committee

Tuesday 27 February 2018

(Afternoon)

[Dame Cheryl Gillan *in the Chair*]

Sanctions and Anti-Money Laundering Bill [*Lords*]

2 pm

The Chair: I call the Committee to order.

Richard Benyon (Newbury) (Con): On a point of order, Dame Cheryl—

The Chair: May I just make some announcements first?

First of all, normally, the announcement from the Chair is that gentlemen may remove their jackets if they wish. The announcement today is that anybody can wear their coats if they wish. It may be unparliamentary but I have just done two and a half hours in another Committee room and it was freezing, so I am comfortable if people want to cover themselves in layers of clothing. Indeed, I have got my coat here in case I get cold.

We are about to resume the line-by-line consideration of the Bill. Unfortunately, we are all blessed with mobile phones. I remind everyone they need to be turned off and that, sadly, we are not allowed tea or coffee or hot drinks in here, although on such a day I almost feel I should be able to make an exception.

The selection list is available in the room and on the webpage, and it shows how the amendments are grouped together. I remind you that the Chair always has discretion to decide whether to allow a separate stand part debate on the individual clauses. I hope everybody understands that that is the usual practice.

Richard Benyon: On a point of order, Dame Cheryl. You anticipated my remarks. I was just going to ask if the House authorities could put 50p in the meter and turn the heating on. I do not want that to be my only contribution to this Committee.

The Chair: I am sure it will not be your only contribution. We do have a small heater over here in the corner, but unfortunately we cannot share it around the room. I am sure the debate will be lively and will keep us all hot. Without further ado, we will begin with amendment 21 to clause 17 on enforcement.

Clause 17

Enforcement

Helen Goodman (Bishop Auckland) (Lab): I beg to move amendment 21, in clause 17, page 16, line 36, at end insert—

"(8) An appropriate Minister must publish guidance from the Crown Prosecution Service on when it is in the public interest for a breach of a sanctions regulations to be prosecuted."

This amendment would require the Government to publish guidance on when it is in the public interest for a breach of sanctions regulations to be prosecuted.

It is a great pleasure to see you in the Chair this afternoon, Dame Cheryl. It is not quite as sunny as it was this morning, but it is still very cold.

The clause is about enforcement of sanctions regulations. Breaching sanctions is a criminal offence, and this morning we discussed whether the legislation on those criminal offences is appropriate. It is fair and reasonable that people have a clear view of what the penalties will be for any breach of sanctions. Our amendment would require the Crown Prosecution Service to say when it is in the public interest that a breach of sanctions regulations be prosecuted.

The Treasury published some guidance a few months ago entitled "Monetary Penalties for Breaches of Financial Sanctions". I am sorry to say that it does not include the sort of detail that we would expect. The stark reality was brought to our attention last week, when the Economic Secretary to the Treasury had to correct an answer to a written parliamentary question. I had asked him what the total level of breaches was in 2017 and on 8 February, he told me it was £117 million. On 22 February, he told me that the estimate had shot up to £1.4 billion—a tenfold increase, which suggests that the Treasury is not keeping the beady eye that it ought to be keeping on this matter.

Many years ago, I was a Treasury civil servant. One year, I was responsible for the Budget arithmetic and I had to go and tell Chancellor Nigel Lawson that I had lost £50 million from the Budget arithmetic and it was very embarrassing. I never lost £1.2 billion, which is what current Treasury Ministers seem to have managed to do. The fact that the figures are so large tells us that the level of breaches is significant. It is hard for us to believe that, in a great wodge of £1.2 billion, there are not some breaches that should be prosecuted. From the information Ministers have given us, we have no idea whether this figure involves many small breaches or three or four really big breaches.

A report published in December in a magazine called *Nikkei Asian Review* says that 49 nations have breached North Korean sanctions. The sanctions against North Korea have been agreed at the UN Security Council—they could not be more important. We have a situation where North Korea is trying to develop nuclear weapons. Everybody in this House and this country knows that that would be disastrous—completely destabilising to the region and potentially the whole world. If North Korea acquires nuclear weapons, the risk of proliferation is immense. I know Foreign Office Ministers understand this. The report suggests that 13 of the countries that have breached North Korean sanctions have engaged in arms trading; they are primarily countries with a history of political turmoil such as Syria, Angola, Iran, Myanmar and Sir Lanka, but even Germany and France were deemed culpable in certain respects.

Obviously, breaching weapons of mass destruction sanctions against North Korea is something that nobody would take lightly. One would think that this would be a case where it would be appropriate to prosecute, but because of the lack of transparency, we have no idea whether we in this country have made mistakes in the same way as the Germans and French have. Obviously there would be nothing intentional about it, but accidents too can be dangerous. That is why we think the Government should be stronger and clearer on enforcement. The Government could make matters clearer by publishing

CPS guidelines explaining how and when they believe prosecutions are in the public interest. If the Economic Secretary could tell us a little more about what happened with this mistake—how the figure came to be £1.2 billion out—and whether the Treasury has looked back over previous years to see the pattern of breaches, I am sure that would be of great interest to the Committee.

The Economic Secretary to the Treasury (John Glen): It is a pleasure to serve under your chairmanship for the first time, Dame Cheryl.

First, I would like to address the serious matter that the hon. Member for Bishop Auckland raised with respect to Office of Financial Sanctions Implementation data. She is quite correct to assert that there was an error; this was caused by technical and data problems. Officials have now manually checked each case by reference to the original information and have confirmed that the revised figures for suspected breaches reported in 2017 accurately answer the question. I wrote to the hon. Lady at the earliest opportunity and apologised to her.

The Government take financial sanctions evasion extremely seriously and have made an unprecedented commitment to tackling it, increasing the dedicated resources and providing new enforcement powers to deal with breaches, including new penalty powers and an increase in the criminal offence's maximum sentence from two to seven years. We cannot go into specifics on the size of the breaches but I can assure the hon. Lady and the whole Committee that I do not anticipate difficulties in future.

Amendment 21 would require the Government to provide specific guidance, produced by the Crown Prosecution Service, on the prosecution of sanctions breaches. Hon. Members will be interested to know that the CPS already publishes guidance on how the public interest is taken into account in any decision to prosecute in "The Code for Crown Prosecutors". This public interest test is the same one that we applied in decisions to prosecute sanctions offences. The Government's view is that no additional public interest guidance is necessary for a sanctions prosecution decision. The public interest is a fundamental assessment in any decision to prosecute, and "The Code for Crown Prosecutors" includes factors relevant to public interest tests such as the seriousness of the offence and the level of culpability of the suspect. These and other factors included in the code are relevant to the decision to prosecute in sanctions cases. There is therefore no need for separate guidance on this amendment.

We will be discussing clause 37 and the Government's duty to issue guidance later in Committee. Clause 37 sets out a comprehensive duty to provide guidance where it is required, but the Government believe that in this instance separate guidance is not required.

Helen Goodman: That is rather unsatisfactory, because the general guidance is intended for the practitioners. As we were discussing this morning, it is for the NGOs and for the banks. I am sure that the Minister understands that the CPS guidance is for the lawyers, and although the banks and NGOs may be advised by lawyers it does take a different form. The Treasury guidance addresses processes, it does not look at the public interest in this context. I am not satisfied with what the Minister says and I do wish to test the view of the Committee on this amendment.

Question put, That the amendment be made

The Committee divided: Ayes 9, Noes 10.

Division No. 3]

AYES

Bardell, Hannah	Rowley, Danielle
Dodds, Anneliese	Smith, Nick
Duffield, Rosie	Stevens, Jo
Goodman, Helen	Thewliss, Alison
Norris, Alex	

NOES

Badenoch, Mrs Kemi	Freer, Mike
Benyon, rh Richard	Glen, John
Chalk, Alex	Graham, Luke
Courts, Robert	Maclean, Rachel
Duncan, rh Sir Alan	Prentis, Victoria

Question accordingly negatived.

Question proposed, That the clause, as amended, stand part of the Bill.

John Glen: Sanctions are one of our most important foreign policy and national security tools. To ensure the effective implementation and enforcement of sanctions, it is important that we have the greatest possible range of enforcement measures at our disposal to deal with breaches of sanctions. Following the vote in the other place to remove key offences and penalties creation provisions from the Bill, I regret to say that we currently have no meaningful enforcement measures in the sanctions Bill.

It is important to remember that when these clauses were debated in the other place, those peers who objected to them did so not on the grounds that sanctions should not be enforced with a criminal offence, but out of concern about the division of powers between the Government and Parliament. The Government have been working with interested Peers and parliamentary counsel as a matter of urgency to consider the procedural safeguards that could be added to clause 17 to address those concerns and enable the key provisions on offences and penalties to be reinstated.

2.15 pm

I will not repeat my previous comments about the Government amendments, but it is plain that the Government want sanctions that can be vigorously and robustly enforced. In our view, effective enforcement will require powers that allow the Government to create offences and penalties alongside the individual sanction measures introduced in secondary legislation. That will provide certainty in the law, because the statutory instruments will show clearly what is and what is not a criminal offence. We do not intend to create offences with maximum penalties higher than those that currently exist in relevant UK financial sanctions and export control legislation. I commend the clause to the Committee.

Question put and agreed to.

Clause 17, as amended, accordingly ordered to stand part of the Bill.

Clause 18

Extra-territorial application

Helen Goodman: I beg to move amendment 22, in clause 18, page 17, line 7, leave out subsection (4) and insert—

"(4) For the purposes of subsection (2)(b), a body incorporated or constituted under the law of any part of the United Kingdom includes a body incorporated or constituted under the law of the following—

(a) any of the Channel Islands;

(b) the Isle of Man;

(c) any of the British Overseas Territories."

This amendment would require the Government to include any of the Channel Islands, the Isle of Man and any of the British Overseas Territories in the definition of "United Kingdom person" under subsection(2).

Clause 18 was not much discussed in the other place, but the Opposition tabled amendment 22 because we think it important that part 1, which relates to sanctions, be extended automatically to the Channel Islands, the Isle of Man and the British overseas territories. We will be able to revisit the subject at the very end of our deliberations when we consider clauses 54 and 55, but I thought we should take the opportunity to consider it now.

As a matter of constitutional law, the UK Parliament has unlimited power to legislate for the overseas territories. Some overseas territories and Crown dependencies have their own legislatures, but they legislate on domestic matters, whereas sanctions are a lever in foreign policy—a Foreign Minister is leading the Bill, and the Foreign and Commonwealth Office is very much in the lead when it comes to driving sanctions policy. It cannot be argued that legislation on sanctions policy is domestic or in the normal purview of Crown dependencies and overseas territories, so the amendment seems logical.

There is a further reason for extending the definition automatically. There is a lot of controversy about the secrecy in how some Crown dependencies and overseas territories run their financial services, which gives them scope to be part of sanctions busting, whether deliberately—which I doubt—or inadvertently. That brings us back to the question of North Korea. The US Department of Justice alleges that companies based in the British Virgin Islands and Anguilla are linked to a North Korean bank. *The Guardian* reported on 20 February:

"The China-based Dandong Hongxiang Industrial Development Company was placed under US sanctions in 2016."

I am sure the Minister is familiar with the Dandong Hongxiang Industrial Development Company. It was sanctioned after it was

"accused of operating on behalf of the Korean Kwangson Banking Corporation, which was itself sanctioned in 2009 over alleged links to North Korean weapons development. The shell companies, some of which appear in the Panama Papers, were part of a network of offshore entities used to obscure the acquisition of millions of dollars of fertiliser, coal and other commodities, according to the complaint."

The report continued:

"US sanctions prevent North Korean financial institutions from dealing in US dollars. However, because some commodities vendors require sales to be conducted in dollars, North Korea needs to be able to access the currency in order to obtain goods and services that are unavailable domestically.

The criminal complaint, filed in 2016, alleges that KKBC used DHID to obtain access to US dollars, in part by establishing a network of 22 different shell companies in various jurisdictions that would obscure its role in the commodity transactions."

I think I have made it clear that there is a case for applying sanctions in a straightforward and automatic way to the Crown dependencies and the overseas territories. It is clear, as the Government stated in 2012:

"As a matter of constitutional law, the UK Parliament has unlimited power to legislate."

Given that is the case, I am sure Ministers will be keen to accept amendment 22.

The Minister for Europe and the Americas (Sir Alan Duncan): The UK is responsible for the foreign affairs and security of the Crown dependencies and overseas territories. That is the constitutional position. However, there is another important constitutional point, which is that our long-standing practice is not generally to legislate for those jurisdictions without their consent.

Sanctions are a tool of foreign policy or are used to protect our national security. We have been clear that the overseas territories and Crown dependencies must follow the UK Government's foreign policy, including the sanctions we apply. The Foreign Office has discussed that with the overseas territories and Crown dependencies, and they also accept that point of principle.

The hon. Lady referred to the current distinction. There are two ways in which sanctions are implemented by the overseas territories and Crown dependencies. The UK legislates directly for the majority of the jurisdictions with their consent through Orders in Council. Other jurisdictions choose to legislate for themselves but follow precisely the sanctions implemented in the UK. That model is well established and respects the rights of those different jurisdictions.

The Bill is drafted to reflect that reality. It is consistent with the current implementation model for UN and EU sanctions, as well as measures under the Terrorist Asset-Freezing etc. Act 2010. It allows those jurisdictions that choose to follow UK sanctions through their own legislation to continue to do so. It also allows the UK to legislate directly for certain overseas territories.

The amendment would drive a coach and horses through that well established model by deeming legal entities formed or incorporated in the overseas territories or Crown dependencies to be UK persons. At a stroke, it would bring those legal entities within the ambit of UK sanctions confined to the territory of the UK and subject to UK courts. It would disenfranchise those overseas territories or Crown dependencies by legislating for their legal entities without their consent. It would also give rise to the unusual situation in which a legal entity incorporated in an overseas territory is bound by UK sanctions, but those UK sanctions do not extend to the overseas territory in question and so do not bite on the entity's activities in that territory. The amendment in such a case would not seem, therefore, to have any practical purpose.

I do not see the Bill as the right place to change these long-standing constitutional arrangements, nor do I see a compelling case for needing to do so. I am sure Members would not wish to jeopardise the achievements that friendly co-operation with these jurisdictions has already made. Nor would they seek to disenfranchise

those territories that have chosen to legislate for themselves. For those reasons, I ask the hon. Lady to withdraw the amendment.

Helen Goodman: I accept that the Government are right to proceed through mutual agreement with the Crown dependencies and the overseas territories. I can also see, from what the Minister said, that there is a more elegant way of achieving what I wish to achieve with the amendment later in our proceedings. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clause 18 ordered to stand part of the Bill.

Motion made, and Question proposed, That further consideration be now adjourned.—*(Mike Freer.)*

Helen Goodman: I think this motion is an extraordinary development on the part of the Government Whip. I have been a Member of this House for 13 years, and I have never been in a Bill Committee where it has been suggested that we adjourn after three hours of sitting and half an hour of the second session. We have another 40 clauses, two schedules, 11 Government amendments and 36 Opposition amendments to consider. They all concern extremely important matters. I am frankly astonished that the Government think it acceptable to behave in this way on these issues.

We agreed yesterday to the Government reshuffling the order of the consideration of the clauses. We agreed to their request that we consider clause 1 after clause 18. We did not demur from that; we asked them why. I do not know whether they are trying to avoid that consideration, whether they are uncomfortable about the many speeches they heard on Second Reading on the Magnitsky amendments that we have tabled, or whether they want to avoid fully debating their record on anti-money laundering. Do they not want us to discuss the secret regimes of the overseas territories? Are they uncomfortable about what they have overseen with foreign corrupt oligarchs buying property in London? Do they wish to supress exposure of those matters? There is certainly not a consensus in this Committee for adjourning now.

Alison Thewliss (Glasgow Central) (SNP): I agree that this motion is quite disrespectful to the Committee. We have only been here for half an hour, and we all want to press on. We have got only two more days to look at this huge number of amendments to a very important Bill. It smacks to me of game playing on the part of the Government move the motion and to be so disrespectful. We are all here in this House, and if the Minister turns around, he will see that the weather outside indicates that we are not going anywhere soon. We are pretty much getting snowed into the building as we speak. We may as well sit here, huddled together, and finish the work that we have begun here this afternoon.

Sir Alan Duncan: I fully respect the fact that the hon. Member for Bishop Auckland has served in the House for 13 years; in the same spirit, I am sure she will respect my 26 years of service. The motion does nothing more than to reflect the understanding that we reached last night, namely that we would debate a very significant amendment in a full session on Thursday. There is no attempt not to discuss anything, because the whole point of Committee is that everything is discussed. There is nothing that will not be discussed as a result of our adjournment this afternoon.

This matter is important, and we are genuinely trying to work out if there is some accommodation that we can make to deal with the issues raised by the hon. Lady and the wider House. There is no game playing and this is not obstruction; it is in the spirit of what was agreed last night. I say that with a smile, looking especially at her. Come Thursday, we will be able to spend a good amount of time getting into the matter in great detail. On that basis, I support the wish to adjourn.

Anneliese Dodds (Oxford East) (Lab/Co-op): I appreciated our discussions last night. As a new Member, I found them very helpful. I took a great deal of notice of what was said during the meeting by both Ministers and by everybody else who was there. I am sorry; we have spent so much time together that I am imagining that the Economic Secretary was there. I remember it being suggested at the meeting that we needed to get into a rhythm of working and establish how the Committee would operate, and that that was the reason for taking clause 1 after clause 18. Having served on two Finance Bill Committees, I absolutely understand the need to get into a rhythm and work out how we will operate as a Committee. I do not, however, recall anybody saying that that meant that we could not consider clause 1 on the first day of Committee. Perhaps other Members can contradict my recollection, but that is certainly what I took from the meeting.

Question put, That further consideration be now adjourned.

The Committee divided: Ayes 10, Noes 9.

Division No. 4]

AYES

Badenoch, Mrs Kemi
Benyon, rh Richard
Chalk, Alex
Courts, Robert
Duncan, rh Sir Alan
Freer, Mike
Glen, John
Graham, Luke
Maclean, Rachel
Prentis, Victoria

NOES

Bardell, Hannah
Dodds, Anneliese
Duffield, Rosie
Goodman, Helen
Norris, Alex
Rowley, Danielle
Smith, Nick
Stevens, Jo
Thewliss, Alison

Question accordingly agreed to.

2.33 pm

Adjourned accordingly till Thursday 1 March at half-past Eleven o'clock.