

## Written evidence submitted by Transparency International UK (SAMLB03)

1. Transparency International UK supports amendments to the Sanctions and Anti-Money Laundering Bill that address the following issues:

### The UK's commitment to introduce a register of the beneficial owners of UK property by April 2018.

2. Research by Transparency International UK (TI-UK) has identified £4.2 billion worth of property<sup>1</sup> bought in London with suspicious wealth. Where information is available, TI-UK has found that 98 per cent of the companies involved in these purchases are based in secrecy jurisdictions – 90 per cent of these are incorporated in the British Virgin Islands alone.
3. Amongst these are three properties owned by the Azeri first family<sup>2</sup>, which are worth over £53 million. The owners of these properties were only brought to light due to leaks and court documents, and the true number of potentially illicit funds in the UK property market may be much higher than current estimates.
4. At the 2016 Anti-Corruption Summit in London, the UK Government made a welcome commitment<sup>3</sup> to introducing legislation by April 2018 that would bring greater transparency to the housing market by requiring overseas companies owning property here to publicly declare their beneficial owners. Although this policy has wide support, it was recently announced that formal legislation would be introduced by summer 2019, and a draft bill by summer 2018 – a significant extension of the original deadline.

**Recommendation:** The UK Government should immediately lay down a draft bill for a register of the beneficial owners of UK property.

### Anti-money laundering supervision for Trust and Company Service Providers (TCSPs) setting up UK Companies.

5. UK companies are being used to facilitate corruption around the world. Research by Transparency International UK identified 766 UK corporate vehicles alleged to have been used in 52 large scale corruption and money laundering cases amounting to £80 billion. A quarter of these companies are still active.
6. Although the firms that set up these companies – known as Trust and Company Service Providers (TCSPs) – must by law be registered with an anti-money laundering (AML) supervisor if they are carrying on business in the UK, one in four firms authorised by Companies House to form companies en masse does not appear to have a UK supervisor, and the regulation of individuals and firms setting up UK companies but without a UK presence falls to the jurisdiction in which they are physically based<sup>4</sup>.

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<sup>1</sup><http://www.transparency.org.uk/publications/faulty-towers-understanding-the-impact-of-overseas-corruption-on-the-london-property-market/#.WfMy6FtSziU>

<sup>2</sup><https://www.occrp.org/en/panamapapers/azerbaijan-first-familys-london-private-enclave/>

<sup>3</sup><http://ukanticorruptionpledgetracker.org/pledges/beneficial-ownership-of-foreign-companies/>

<sup>4</sup>Under the previous Money Laundering Regulations (MLR) 2007 any individual or firm carrying on business as a TCSP in the UK is bound by the UK's MLRs. The MLRs 2017 clarified the situation under Regulation 9, stating that a company carries on business in the UK if that company's registered office (or if there is no registered office, the head office) is in the UK; and the day-to-day management of the carrying on of that company's business is the responsibility of that office or of another establishment maintained by the firm in the UK.

7. This means that TCSPs with no UK presence can incorporate UK companies without any oversight from an AML supervisor and do not have to comply with UK standards for money laundering checks. We have seen clear examples of where this has allowed non-UK TCSPs to incorporate UK companies that have subsequently been used in large scale money laundering schemes.

**Recommendation:** To prevent UK companies being used to facilitate corruption, only UK AML supervised agents should be able to set up UK companies en masse. To make this information available to Companies House for verification, the Government could require all TCSPs to include their AML supervision numbers alongside their names on company registration forms.

#### Improvements to the integrity of the persons of significant control (PSC) register.

8. In order to be able to launder billions of pounds worth of funds out of countries like Azerbaijan, Russia and Ukraine, money launderers are relying on the lack of checks being undertaken on the information they submit to Companies House. This is unsurprising due to the lack of resources Companies House has to monitor compliance with the rules and maintain the integrity of the register: at the moment there are just 20 individuals tasked with investigating breaches of company law<sup>5</sup> in a register of 3.5 million+ companies. There are also few requirements on those incorporating companies in the UK to prove their identity and, therefore, the validity of the information they submit.

**Recommendation:** To help ensure the UK's ground-breaking public register of beneficial ownership works in practice, it is essential that Companies House has the resources and powers it needs to ensure the integrity of the information that is submitted.

#### Corporate secrecy in the UK's Overseas Territories and Crown Dependencies.

9. In the UK, over 75 per cent of corruption cases<sup>6</sup> involving property investigated by the Metropolitan Police's Proceeds of Corruption Unit (POCU) involved anonymous companies registered in 'secrecy jurisdictions'. Of these, 78 per cent of the companies involved were registered in either the UK's Overseas Territories or Crown Dependencies. Currently, only a few of these countries require the names of companies' beneficial owners to be collected on a central register. These are not open to the public, and typically do not provide instant access for law enforcement agencies. This means there is very little information about the true owners of companies registered in most of the Overseas Territories and Crown Dependencies.
10. Layers of secrecy facilitated by the offshore company structure prevent effective investigations by police and checks by those working in sectors such as property. Central registries are certainly a step in the right direction, but public registries are necessary for real accountability.

**Recommendation:** The UK should ensure all financial centres in the Overseas Territories and Crown Dependencies adopt public beneficial ownership registers.

<sup>5</sup><http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2018-01-16/123021/>

<sup>6</sup><http://www.transparency.org.uk/publications/corruption-on-your-doorstep/#.WoQsxiXFLIU>

## About Transparency International UK

Transparency International (TI) is the world's leading non-governmental anti-corruption organisation. With more than 100 chapters worldwide, TI has extensive global expertise and understanding of corruption.

Transparency International UK (TI-UK) is the UK chapter of TI. We raise awareness about corruption; advocate legal and regulatory reform at national and international levels; design practical tools for institutions, individuals and companies wishing to combat corruption; and act as a leading centre of anti-corruption expertise in the UK.

We work in the UK and overseas, challenging corruption within politics, public institutions, and the private sector, and campaign to prevent the UK acting as a safe haven for corrupt capital. On behalf of the global Transparency International movement, we work to reduce corruption in the high risk areas of Defence & Security and Pharmaceuticals & Healthcare.

We are independent, non-political, and base our advocacy on robust research.

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