

The Rt Hon Tom Tugendhat MBE VR MP
Minister for Security
2 Marsham Street
London
SW1P 4DF

23 February 2023

Dear Minister,

We watched with interest your recent keynote speech at the Hudson Institute where you highlighted the excellent work being undertaken by the Combatting Kleptocracy Cell (CKC) in countering sanctions evasion and voiced your continued commitment to ensuring that sanctions are delivered effectively.

As you will know, RUSI and Spotlight on Corruption have been working with parliamentarians to ensure that legislation currently passing through Parliament offers law enforcement the greatest opportunity to ensure financial integrity in the UK. To this end, we have recently suggested measures which strengthen the UK's sanctions regime by expanding the scope for the enforcement of sanctions evasion.

The current lack of transparency around the assets held by sanctioned persons is hindering law enforcement efforts to detect and trace assets that are frozen, undermining the effectiveness of the UK sanctions regime. This is compounded by the increasing complexity and sophistication of sanction evasion schemes, as highlighted by the National Crime Agency's red alert on sanctions evasion typologies by Russian elites and their enablers. Even where sanctions evasion is detected, the property that is recoverable is limited to funds moved in breach of sanctions – likely only a fraction of the assets a designated person holds in the UK.

In our view, a common sense, pragmatic solution to these challenges could be to require designated persons to disclose their UK assets and provide a statement of the assets they held, owned or controlled six months prior to designation, and criminalise a failure to disclose such assets within a prescribed period.

We would suggest that the government adopt such a measure for the following reasons:

- It would lead to stronger cooperation with the private sector via more proactive reporting to Office of Financial Sanctions Implementation (OFSI), and greater coordination between OFSI and law enforcement in the implementation and enforcement of sanctions.
- It would promote transparency about the ownership and control of assets subject to UK sanctions, enhancing the work of the NCA's Combatting Kleptocracy Cell and other

enforcement bodies, and providing the basis for potential future civil and/or criminal investigations and prosecutions.

- It would make it much easier for law enforcement to prove sanctions evasion as a basis for asset recovery, because all frozen assets not disclosed to OFSI would potentially be tainted as the proceeds of crime. Of course, anyone charged with sanctions evasion in this way could defend themselves in court and has the right to appeal decisions.
- Finally, it would help the UK keep pace with its allies in ultimately recovering assets of those who evade sanctions. A similar measure to that proposed here was recently introduced at EU level, while the US has secured the temporary confiscation of frozen assets belonging to sanctioned Russian individuals worth over \$1 billion, partly on the basis of sanctions violations. Ultimately, this measure would be a small but very powerful step towards parliament and the government's ambition to use seized assets to help rebuild Ukraine.

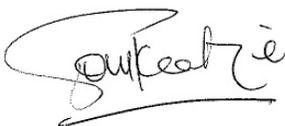
As you will be aware, amendments related to sanctions were ruled out of scope of the Economic Crime and Corporate Transparency Bill (ECCTB) in the Commons by the clerks, although this appears in large part due to time and work pressures. However, sanctions evasion offences are included at Section 21 of Schedule 9 (the list of economic crime offences), and Part 5 of the Bill is clearly designed to provide new tools to law enforcement bodies to help them tackle economic crimes such as sanctions evasion. We therefore think that this amendment would fit squarely within the Bill and we are encouraged by Lord Sharpe of Epsom's comments in the Lords Second Reading that the government is "actively considering" this measure.

We would be happy to meet with you and/or your advisors to discuss this proposal either as an amendment to the ECCTB as called for by cross-party MPs and Peers, or as a piece of standalone legislation.

Yours sincerely,

A handwritten signature in black ink that reads "Susan Hawley". The signature is written in a cursive, flowing style.

Susan Hawley
(Executive Director, Spotlight on Corruption)

A handwritten signature in black ink that reads "Tom Keatinge". The signature is written in a cursive, flowing style.

Tom Keatinge
(Director of the Centre for Financial Crime and Security Studies, RUSI)