



Home Office

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*To: Members of Parliament*

17 July 2019

Dear Colleague,

Illicit finance presents both security and reputational risks to the UK. As shown in the 2018 Financial Action Task Force review of the UK's anti-money laundering systems, the UK leads the way internationally in tackling this threat.

Despite the UK's strong record of tackling illicit finance, I am aware that Members of both Houses are concerned over the absence of publicly accessible registers of company beneficial ownership in the Crown Dependencies and British Overseas Territories. This has been a challenging issue given the UK's constitutional relationship with them. Members will be aware that their democratically elected governments are responsible for their own domestic affairs.

I am writing to provide colleagues with an update on the progress made over recent months and to highlight the publication on 27 June of the attached Statutory Review of the Exchange of Notes Arrangements. This Review was a requirement under the Criminal Finances Act 2017 and provides Parliament with assurance on the effectiveness of beneficial ownership information sharing arrangements between law enforcement agencies in the UK, the Crown Dependencies and the six Overseas Territories with global financial centres<sup>1</sup>.

#### The Mitchell-Hodge amendment and recent progress

Members will know that during the passage of last year's Sanctions and Anti-Money Laundering Bill, now Act, this Government listened to the strength of feeling expressed on publicly accessible registers of company beneficial ownership. In response, it accepted the amendment tabled by the Rt Hon Andrew Mitchell MP and the Rt Hon Dame Margaret Hodge MP. The resulting provision requires the Secretary of State to prepare an Order in Council by 31 December 2020 compelling the Overseas Territories

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<sup>1</sup> Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Gibraltar and Turks & Caicos Islands

who have not yet introduced publicly accessible registers to do so. It also requires the UK Government to provide all reasonable assistance to them in establishing such registers.

We are working with the governments of the Overseas Territories to implement this commitment and this week held a Technical Working Group meeting to assist them deliver on the requirements of the Act. An Order in Council will be prepared by the end of 2020, and all of the territories will then be expected to have publicly accessible registers in place by the end of 2023. I recognise that some colleagues have concerns with this timeframe but I want to emphasise that this is in accordance with the Act. The Government also continues to believe that delivering these registers in a manner that respects constitutional arrangements can only be achieved with sufficient lead-time for technical and other consultations. Members will note that it took the UK more than three years to introduce its own publicly accessible register and that the Act requires all Overseas Territories, including those without financial centres, to set up registers.

Turning to the Crown Dependencies<sup>2</sup>, I am delighted that they have now announced that they will implement their own publicly accessible registers of company beneficial ownership, in line with EU norms. In making this commitment they, like the Overseas Territories, are continuing to demonstrate that they are responsible jurisdictions, with a proven good neighbour policy for cooperation with the UK and EU in matters relating to taxation, fighting financial crime and countering terrorist finance. Their announcement underscores their continued contribution to global efforts to tackle illicit finance and brings alignment with the requirement in relation to the Overseas Territories.

### Statutory Review of the Exchange of Notes Arrangements

The Statutory Review examines the first 18 months of the Exchange of Notes arrangements, which were put in place in July 2017. I am pleased that the Review finds that the arrangements are providing UK law enforcement agencies with rapid access to beneficial ownership information on over half a million legal entities incorporated in the participating jurisdictions. Our law enforcement agencies report that these arrangements are extremely useful, and that the information obtained is being used to support ongoing criminal investigations. As many of the 296 requests for information made in the first 18-month period support long-running investigations, it is too soon to quantify the full outcome in terms of successful prosecutions and deterrent effect. But interim indicators are positive. The Review includes examples of instances where access to this information has enabled seizure of illicit funds by our law enforcement (including one case with an approximate value of £25 million). It is clear that cooperative working does bear fruit.

During the Statutory Review, the Crown Dependencies and Overseas Territories reiterated their commitment to the arrangements. It is vital that we avoid doing

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<sup>2</sup> The Bailiwick of Jersey, the Bailiwick of Guernsey including Alderney but not Sark, and the Isle of Man

anything that could jeopardise the working practices and prevent UK law enforcement agencies from accessing valuable information needed to detect and disrupt crime. Seeking to impose publicly accessible registers, rather than developing these on a consensual basis could do exactly that, whilst creating constitutional tensions that would likely result in legal challenge and possible calls for independence.

### Advancing publicly accessible registers as a new global norm

It is equally important that improvements in the Crown Dependencies and Overseas Territories are matched by progress in other jurisdictions, and so this Government is also working to advance publicly accessible registers of company beneficial ownership as a new global norm. To this end, the UK is spearheading an international campaign with partners to encourage more countries to commit to open and freely accessible registers by 2023. And good progress is being made. In May John Penrose MP, the Prime Minister's Anti-Corruption Champion, launched a Beneficial Ownership Leadership Group and a set of Disclosure Principles at the Open Government Partnership Summit in Ottawa. I am delighted that 12 countries have expressed an interest in signing these Principles, taking them one step closer to delivery of their own publicly accessible registers.

The Exchange of Notes Statutory Review, the announcement from the Crown Dependencies, the Overseas Territories Technical Working Groups and our international campaign to create a new global norm show how much can be achieved via collaborative efforts. Colleagues, I am sure, will wish to keep in mind this progress, and the risks associated with jeopardising our current effective information sharing arrangements, when considering any proposals for further UK legislative changes in this area.

A handwritten signature in black ink, appearing to read 'S. Javid', with a small comma at the end.

**Rt Hon. Sajid Javid MP**