

WEDNESDAY 29 APRIL 2009

Present

Avebury, L
Dear, L
Faulkner of Worcester
Garden of Frognal, B
Hannay of Chiswick, L
Harrison, L
Henig, B
Marlesford, L
Mawson, L
Richard, L (Chairman)

Witnesses: **Ian Pearson**, a Member of the House of Commons, Economic Secretary to the Treasury, **Mr Alan Campbell**, a Member of the House of Commons, Parliamentary Under Secretary of State, Home Office, **Mr James Robertson**, Head of Financial Crime Team, HM Treasury and **Mr Stephen Webb**, Acting Director of Policing Policy and Operations, Home Office, examined.

Q426 Chairman: Good morning and welcome. We are most grateful to you for coming and giving evidence. It will be very important to our inquiry to hear the evidence from these ministries. Mr Robertson and Mr Webb, not for the first time, we also welcome you to these considerations. Perhaps you would care to introduce yourselves and then we will ask you some questions.

Mr Campbell: I am Alan Campbell, Minister for Crime Reduction in the Home Office.

Ian Pearson: I am Ian Pearson, Economic Secretary to the Treasury.

Mr Robertson: James Robertson, Head of Financial Crime in the Treasury.

Mr Webb: Stephen Webb, Director of Policing Policy and Operations in the Home Office.

Q427 Chairman: In his evidence the EU Counter-terrorism Coordinator has described as “shocking” the fact that two important EU international agreements relevant to efforts to combat money laundering have, after many years, still not entered into force. As I understand it those two are the 2001 Protocol to the EU Convention on mutual assistance in criminal matters, and the 2003 EU-US Agreement on mutual assistance in criminal matters. Will the government perhaps try to use their influence with other Member States concerned to expedite this process? 2001 is now quite a long time ago and it seems a useful protocol if it came into force? What do you think the implications are for EU policy making in this area, the fact that these conventions have not been ratified does that have a fundamental view on your approach to the EU?

Mr Campbell: I will begin with the 2001 protocol which, I think, is widely recognised to be very innovative as a legal assistance instrument. Let me begin by saying that the EU Counter-terrorism Coordinator actually is mistaken with regards to this particular measure because the 2001 protocol entered into force for the United Kingdom on 13 June 2006. It had originally been entered into force the preceding October but as it stands today I understand that only Estonia, Greece, Ireland and Italy still have to ratify the protocol. Of course we will continue to push with those remaining countries to ratify the protocol as soon as possible.

Q428 Chairman: Are there fundamental objections by those states?

Mr Campbell: I am not sure as to the detail of that.

Mr Webb: We do not have any reason to believe so; the process is just taking longer.

Mr Campbell: Turning to the EU/US Agreement, we very much hope that we will be able to bring it into force towards the end of June of this year. It is quite right that the legal assistance agreement has not been ratified and therefore is not in force, but perhaps I can say why it is a particularly complex process. In fact it requires the United States to conclude and ratify bilateral mutual legal assistance treaties or instruments with each of the individual

Member States, including any who have acceded following the agreement being signed in June 2003. That involves 27 different states, each negotiating a treaty or instrument with the United States. That clearly is a time consuming process. It also means that for each of the states domestic legislation may need to be updated and again this process can take a considerable length of time. We signed an agreement with the United States in December 2004 in order to comply with all the provisions of the EU/US agreement which is why we are confident that we can move to ratification quite soon. All of the search of legislation which may need to be updated has indeed been done and any changes made; that had happened by August of last year which is why we are moving towards ratification. Once we have that bilateral agreement between the US and each of the individual states then of course we can move towards the full agreement. In answer to your question what does it mean on a day to day basis, we are confident that even if the overall agreement is not in place where there are bilateral arrangements in place it does not have any great practical effect on day to day mutual legal assistance requests, including those involving money laundering, because the bilateral treaty serves, once it is in place, as the conduit for that to happen. You also went on to ask about what it means for a policy and particularly a policy at EU level. We believe that overall the policy making process is in fact sound. There is clearly an issue of where the discussions and negotiations move from the policy making arena to the political arena where Member States are then obliged to get an agreement within their own states in order to ratify, but notwithstanding that it depends upon which individual state we are talking about we will continue to push our colleagues in the EU in that direction.

Q429 Chairman: Can I just come back to the first point. When Mr Webb gave evidence in front of us he was asked by Lord Dear to “look at the Second Additional Protocol to the European Convention on Mutual Assistance in Criminal Matters, a 2001 protocol, which I understand the UK has signed but not ratified”. The answer was, “We would expect to ratify

this one by the autumn. We are very far from being unique; only 18 of the 47 countries have actually ratified and so France, Germany, the Netherlands and Ireland, for example, are in the same position as we are.” Could you clarify the exact position on that one?

Mr Webb: The 2001 protocol to the European Convention on Mutual Assistance in Criminals Matters?

Q430 Chairman: Yes. Your answer was, “We would expect to ratify this one by the autumn.”

Mr Webb: Are we talking about the same protocols here?

Q431 Chairman: I thought someone said it had come into force on 30 June 2006.

Mr Webb: We believe this is a different protocol we are talking about. We will get back to you on that.

Q432 Chairman: Could you sort it out and let us know what the exact position is.

Mr Webb: Yes.

Q433 Chairman: Could you also let us know how many countries have actually ratified and how many we are waiting for? It is not just three or four; according to your original answer it was about 29.

Mr Webb: Yes.

Q434 Lord Avebury: Do I understand that the EU/US agreement is actually in force?

Mr Campbell: No, we are moving towards ratification and we hope to do that this summer.

Q435 Lord Avebury: So there are no requests for mutual legal assistance between us and the US so far. It is not possible for us to make a request of the US for legal assistance at this stage. There is no mechanism by which we can do that until this protocol comes into force.

Mr Webb: I do not believe it adversely affects mutual legal assistance between us and the US. In some of the common law jurisdiction it is often possible to do this through existing powers; it is not necessarily as important as it is for some continental partners. I am not aware of any problems we are having sharing mutual legal assistance either in criminal law CT matters with colleagues in the United States.

Q436 Lord Avebury: So the coming into force of the protocol will not make a great deal of practical difference.

Mr Webb: Not as much for us as it probably will for others.

Q437 Baroness Garden of Frognal: Could I clarify that your previous answers were not in connection with the 2005 Council of Europe Convention? You were not answering on that on the first question.

Mr Campbell: No.

Q438 Baroness Garden of Frognal: We were informed about that in a previous evidence session when Mr Webb was present, that the 2005 Council of Europe Convention on laundering, search, seizure and confiscation of the proceeds from crime and on the financing of terrorism that the UK does now intend to sign and ratify at this convention. Could you tell us when this was agreed and why it could not be done in a shorter time than the 18 months which were indicated to us previously.

Mr Campbell: A precise timetable for implementation has not been finalised because we are talking about an estimate that officials gave and, by its very nature, an estimate is just that and

reflects the obstacles that might have to be overcome and the procedures that might have to go through. Of course not all of them might cause such a delay as we perhaps feared at one time. The House of Lords Scrutiny Committee had concerns over aspects of the convention and quite rightly took time to address these concerns and in fact we did not get scrutiny clearance until 25 February this year. Once we got that we were able to begin to prepare to sign and subsequently ratify the convention. Of course, as with any convention, we would also want to ratify when we are in a position to actually implement it so I think there is that practical side to it too. Implementation will involve detailed scrutiny of every article of the convention and it is possible, when considering these matters, that we might need to bring forward legislation – indeed primary legislation – to make sure that we are fully compliant with the convention. With the prospect of primary legislation there comes the prospect of public consultation on these matters, then looking at what the responses might be, and then moving to legislation. All of that does take quite some time. It is certainly our aim to move as soon as possible to ratify and implement the convention, certainly within the next 18 months. If it does not require domestic legislation, does not require consultation and does not require all of those things to be overcome then we see no reason why we could not move to it more quickly.

Q439 Baroness Garden of Frognal: There are not specific hurdles then, it is the process of scrutiny.

Mr Campbell: I think it is very much the process, the appropriate level of scrutiny but also, arising from that, what changes we might have to make in our own domestic legislation and everything else that that involves. I think it is a process issue rather than a substantial problem.

Q440 Chairman: Are you saying it can be ratified within 18 months.

Mr Campbell: That is certainly our best intention. I am perhaps saying that that is the longest time.

Q441 Lord Dear: I would like to talk about timing and bring you back to bilateral agreements which have been mentioned already. We have received evidence from the Crown Prosecution Service through their Chief Operating Officer that they emphasise the importance of promoting international cooperation through the medium of bilaterals between two countries. We wondered whether the government see this as a priority and if you do are the necessary resources going to be made available to enable that to happen and over what sort of timescale?

Mr Campbell: We are talking largely about civil recovery.

Q442 Lord Dear: Yes, civil recovery.

Mr Campbell: Can I just place on record, Lord Dear, that whether it is criminal confiscation or civil recovery this matter is a real priority for the government. Let me also say that it is a relatively new concept to use civil proceedings in the High Court and in fact was introduced into the United Kingdom by the Proceeds of Crime Act 2002. I am pleased to say that it has been tested and has passed the test of it being ECHR compliant. It is something that we are particularly keen on. Unfortunately civil recovery does not always have that familiarity and support in other jurisdictions and in fact sometimes does not sit very comfortably with other jurisdictions. We continue to push civil recovery obviously for our own purposes domestically but we also want to extend the lessons of that and the need for that internationally. We are working with the Serious Organised Crime Agency to develop model agreements relating to mutual assistance in civil recovery matters which we will use with bilateral agreements with individual countries to smooth a way for that and we hope to move to the first bilateral agreements soon. I think we are playing a leading role in the EU in pushing this particular

concept in the working groups that are looking at this, whether it be through the G8 group or whether it be more widely. I can report back that the interest, particularly amongst the G8 group, has been very positive to date. You asked about resources and we believe that through the Home Office, the Serious Organised Crime Agency and also the CPS we will continue to make this a priority and we will continue to push with our EU partners, but we do believe we have the necessary resources in place.

Q443 Lord Dear: Can you give us any idea about how many bilaterals exist at the moment?

Mr Campbell: We have not entered into any bilaterals at present.

Q444 Lord Dear: How many have you got on the stocks? Can you give us an idea? Is it one, three, ten?

Mr Campbell: I understand we are working towards the first one quite soon.

Q445 Lord Dear: Towards the first one?

Mr Campbell: Yes.

Q446 Lord Dear: With a timescale or is it one of those things that has to run with no timescale?

Mr Webb: These things have quite complicated administrative negotiations, often with a large political aspect. It is very hard to predict from our side because obviously it depends on the partner. I would not like to say.

Q447 Lord Dear: Do you not even have a wish list on the time?

Mr Webb: We would like them as soon as possible; in the course of this year potentially, but it is going to be quite challenging.

Q448 Chairman: Who are you negotiating with?

Mr Webb: The jurisdictions have already used civil powers; we can often actually share information without an agreement. Certainly those sorts of countries – the Irish, the Americans – states like that -----

Q449 Chairman: Sorry, you are negotiating a bilateral at the moment.

Mr Webb: We have some negotiations going on.

Q450 Chairman: With whom?

Mr Webb: With the UAE. We are looking at that but it is at its very early stages and it is a question of explaining the processes.

Q451 Lord Marlesford: Looking at or negotiating?

Mr Webb: We are discussing it.

Q452 Lord Marlesford: With the UAE?

Mr Webb: Yes.

Q453 Lord Dear: The CPS has said to us that they place a high priority on this. At the moment there is nothing in existence; you are working towards one with the UAE but with no timescale.

Mr Webb: The main authority that is actually using on civil recovery under the Proceeds of Crime Act is SOCA who took on all the responsibility of the asset recovery agency. SOCA are reasonably happy that the UAE will be there. CPS has these powers as well for itself. Ultimately we are going to be guided by the prosecutors and by the other agencies as to which the priority countries should be and where we should be working. I have just been handed a note about some other discussions going on including the Cayman Islands, Ireland and the

G8. UAE and the Cayman Islands are almost finished; there are preliminary discussions with Ireland.

Q454 Lord Dear: How long have you been at this already? Is it possible to say when you started with UAE?

Mr Webb: A year or so. A year or a couple of years.

Q455 Lord Dear: A year or a couple of years?

Mr Webb: Yes. We probably first raised it about 18 months ago I think.

Q456 Lord Avebury: In one of our earlier sessions Mr Webb told us that the turnover generated by serious organised crime amounted to an estimated £15 billion of which £5 billion was invested in potentially seizable assets and £3 billion of that was held overseas. Then the DPP told us that if you look at the amounts that are actually confiscated as a result of court proceedings, very little relates to overseas assets. I wondered whether you regarded this as satisfactory in the way it was being tackled.

Mr Campbell: First of all let me say that in terms of the size of assets available to be seized again they are very much estimates and I think we need to treat them with some caution. It is trying to measure something which is incredibly difficult to measure and therefore we have to be cautious. What we do know as fact is that the UK's performance since the Proceeds of Crime Act 2002 is around £600 million over the last six years. If the inference from both your question and perhaps those who have given evidence previously is whether more needs to be done, there is a resounding "yes" to that. In terms of overseas assets, these are particularly difficult to estimate the value. As you would expect there is quite a detailed process to go through. Confiscation orders are in force by the CPS and also by the Revenue and Customs Protection Office. The latest information that we have from those two

organisations on unpaid confiscation orders, whether overseas or hidden assets, is that they estimate a further £535 million. The problem with that of course is that this takes quite a long time and therefore some of those orders might actually date from some time ago. I am sorry if I cannot give a direct answer to your question but it is a rather difficult measurement to take and it is also subject to quite a long timescale. We are talking about criminals – whether they are UK criminals or elsewhere – who will do their utmost, as you would expect, to evade any attempt, whether it is within the UK or abroad, to seize their assets. I think, as I said before, this is a relatively new concept for us and a learning process for us too. Almost as we come up with a new way of tackling it the criminals are thinking about new ways of being able to avoid it. However, we will continue to push. We have agreed a contract with a leading private sector company to enforce some of the confiscation orders involving overseas assets and we are waiting to see the results of that pilot, if you like, of seeing whether this is a better way of getting at them. There is inevitably a cost to that because it is a costly exercise to get the equivalent of international bailiffs to chase those assets. There is a cost to that too which we would need to weigh up. We are working to get multi-lateral agreements in place and bilateral agreements in place too, but that takes time and even then it is a lengthy process that we need to go through.

Q457 Lord Avebury: Do you have any idea of how relatively successful we are in recovering assets held overseas compared with other countries in Western Europe?

Mr Webb: I suppose the best indication we can give is that we get very, very few incoming requests from other countries asking to enforce against assets in the UK. The impression is that we are certainly trying harder, sending more requests outwards than we are receiving in. Certainly our overall performance on recovering proceeds of crime is very large compared to most of our western European partners. The impression we get is that we are at least as

successful or more than most of them and the big players in this area would be Ireland and the States.

Mr Campbell: May I just add to that that it is a learning process for us and the criminals but of course we need to be one step ahead. The Police and Crime Bill which is currently making its way through the House of Commons has proposals in there around seizure of assets to allow them to be seized subject to judicial oversight at an earlier stage rather than to give time for the criminals actually to dispose of them through their family or their friends or whatever else. It is very much a learning exercise and we hope we are on the front footing.

Q458 Chairman: As I understand it, assets confiscated abroad would normally stay in the hands of the confiscating country. Have we negotiated any asset sharing agreements?

Mr Webb: We have a number – maybe six or eight – with countries such as the US, Canada, Jamaica, the Channel Islands and a few other countries of that description. We have been having discussions with some of our bigger European partners as well. Obviously the flip side is that we can potentially enforce orders in this country and we would retain those assets too. The prime point is obviously that the criminals are deprived on the money so in a sense that is a good thing irrespective but human nature dictates that it is more likely to be enthusiasm to pursue this money abroad if there is an opportunity to share the proceeds and we are very keen on doing that. I think we also have a very old agreement with the Netherlands.

Q459 Lord Mawson: Both the G-20 declaration of 15 November 2008 and the G20 leaders' statement at the London meeting on 2 April 2009 make reference to the FATF. In your view are any of the FATF's standards (as with banking secrecy) or procedures (as with non-cooperative countries) in need of review in the light of lessons learned from the global economic downturn?

Ian Pearson: This is a Treasury lead so let me reply. The first thing I want to say is that both the G-20 declarations have been very positive about the work of the FATF and there is absolutely no suggestion that money laundering and terrorist financing standards as set by it are in any way deficient or played a role in the onset of the financial crisis. The FATF standard correctly requires that banking secrecy laws do not inhibit the implementation of the FATF recommendations and this provision will continue to apply to any future amendment of the standard. It might be helpful if I just explain some initiatives that are currently underway. There is an initiative underway at present that will give the FATF opportunity to ensure that its recommendations and procedures are fit for purpose which is the review that is taking place in preparation for the fourth round of mutual evaluations. We submitted UK priorities for review in January, almost all of which have been taken forward. In addition, at the last plenary in February this year, the Dutch (who will hold the Presidency from July) have proposed to lead a project examining the implications of the financial crisis, global patterns in money laundering and terrorist financing, and to ensure that FATF measures and procedures remain appropriate. This Dutch project will enable us to develop a comprehensive picture in the changes in established financial crime patterns in response to the financial crisis, assuming that there are any. It would help to give us a clearer picture of how the FATF could respond. I would also highlight a third strand which is that the FATF are committed to reforming the referral process for the international cooperation and review group which reviews countries that do not adequately apply its recommendations and alerts other countries to the risk of doing business in these jurisdictions. They are scoping how to refer a country for a review by the ICRG on the basis of both the money laundering and terrorist financing by jurisdiction and the objective performance against the standards of that jurisdiction. There is going to be an intercessional meeting of the ICRG in May that will be entirely devoted to this issue.

Lord Hannay of Chiswick: I have two points about that. In what you said about the ongoing work of the FATF I did not hear the words “impact assessment” anywhere. Is there any question of the FATF conducting an impact assessment of its systems because both in the case of the EU (where no impact assessment was conducted before the first two money laundering directives were introduced) it seems that there is very little knowledge of what the effects of these controls are on business, whether it be accountants, lawyers, bankers and so on? It would perhaps be useful if that were so. My second question is simply to alert you to the fact that we will come onto this same ground again in the case of the Somali piracy issue. I do not know whether you want to cover any aspect of FATF’s handling of that now or leave it to the questions on Somali piracy.

Chairman: We have four questions on that; it is probably easier to take them as a block at the end.

Q460 Lord Hannay of Chiswick: Indeed. I wanted to mention it simply because it was not clear to me whether Somali piracy came anywhere in the rubrics that the minister referred to for future work.

Ian Pearson: I am quite happy to answer questions with regard to Somali piracy and the FATF later on. The point I would want to make clear now, however, is that the FATF is essentially a standard setting body. It is taking forward work on cost-benefit analysis which is a priority for the Dutch Presidency and I have mentioned the work that is taking place in terms of the mutual evaluation process and the review. I think that is helpful and I do think that perhaps the cost-benefit analysis work that has been taken forward by the Dutch is not too dissimilar from what you are seeking to achieve and what you are saying about an impact assessment.

Q461 Lord Marlesford: In relation to FATF can I raise another point which seems to be quite an important one? Given that the FATF recommendations were revised in 2003 before the conclusions of the UN Convention on Corruption, should the current view of those standards and the associated methodology for assessment be strengthened in relation to the laundering of the proceeds of corruption and the associated international cooperation? I think that is a question for the Treasury really.

Ian Pearson: As I indicated, there is quite a lot of work underway at the moment to see whether the FATF's recommendations and procedures are fit for purpose. James might want to comment particularly on that point.

Mr Robertson: Our view is that the standards themselves vis-à-vis corruption are relatively robust. The real question, as I tried to bring out before in a previous evidence session, is the effective application of the standards of the countries. There are some legitimate questions about the ways in which countries have put the standards into practice vis-à-vis corruption and issues around politically exposed persons and so on which are issues which the private sector finds quite hard to deal with. So I think there is a legitimate question in terms of examining the extent to which the standards are applied and the methodologies and the mechanisms that countries use for ensuring that the corruption standards are met.

Q462 Lord Marlesford: I think you will agree that there is huge public interest in the frequently reported instances of taxpayers' money, for example, being given through the aid programme to some countries which is siphoned off by the leaders of those countries. This very often applies to African countries which are, in many ways, states. It would seem that that is a very fertile area for FATF to lay down the standards which would constrain the distribution of these funds so they are not siphoned off.

Ian Pearson: As you will be aware through our Department for International Development which disperses UK funds through its aid programme, it has a number of procedures in place

to ensure that funds are not diverted from the purposes to which they are intended. In many cases where DFID has substantial concerns it provides funding through NGOs rather than directly through governments where it thinks there is a real risk of a diversion. It might be, as part of your inquiry, you would want to pursue that particular question further; you might want to talk to DFID officials or a DFID minister about them. I am certainly aware that DFID has rigorous procedures in place to try to make sure that money is not being siphoned off from the good causes that we all want to see in terms of helping development, particularly in Africa as you mentioned.

Q463 Lord Dear: Could I introduce the Third Anti-Money Laundering Directive into the discussion? It would help us if you could focus on one issue at least which is that we have received some evidence already from two different sources suggesting that the private sector here in the UK has been put into a disadvantageous position comparatively to other countries in the EU. I do not know whether you agree with that assessment which has been put to us. If you do agree with it, could you tell us what you are doing or what you will be doing to address that issue?

Ian Pearson: I do not agree that UK firms are placed in any substantial competitive disadvantage as a result of our implementation of the directive. As I understand it the Committee has received evidence from the private sector stating that their approach has been proportionate and cost effective in practice as well.

Q464 Lord Dear: Has the private sector been through to you about this directly? We have had two sources already that there is a professional view that we are disadvantaged compared with some of the other countries in the EU. Are you aware of that?

Ian Pearson: I am certainly aware of it through officials although I have not met private sector companies who have said this to me directly. Certainly if you look at the Institute of

Chartered Accountants' evidence that they submitted to you they talked about the very significant improvement in the control of illegal activities that results which makes the regime cost effective. I know that they have some criticisms as well but overall they recognise that. Also the British Bankers Association talked about us doing much more in terms of maintaining our reputation in seeking out those crimes than other countries. I think they accepted that we were doing the right thing and that it is necessary to do it. Of course the approach that we adopt in the UK is very much a risk based one rather than a rules based one. Perhaps you might want to come onto that in terms of some of the questions. There are some differences in the systems. It might just be helpful if I explain our thinking here. Our approach for implementing the directive was to ensure in the first place that there is an effective end to end anti-money laundering system that is as proportionate as possible. Second, that we did not gold plate the requirements of the directive and third, to ensure that we engaged with businesses as part of discussions about how we implement the directive. We believe there has been a strong element of partnership in how we resort to implement this. There are always going to be some noises but I think overall businesses have accepted the risk based approach that we have taken. Having said that, the regime applies to many different businesses in many different circumstances and to ensure that it is working best for all we committed during the consultation process to review the effectiveness of the regime after two years. We will be beginning a review later this year. I think the Committee's inquiry and the evidence it is taking will helpfully feed into the review that we will want to conduct later on this year.

Q465 Lord Dear: If I understand the picture correctly from you there are fears but you do not altogether share those fears but you are going to look at it in the light of what we might propose in our report. Would that be a fair summation?

Ian Pearson: We are committed to looking at it anyway and your report will be very helpful. We think that the regime that we have introduced is broadly right and has wide support but we are happy to consider any representations made to us about whether we can further improve it.

Q466 Lord Marlesford: In the Treasury evidence submitted to us by Lord Myners in January in paragraph 21 he says, “While the FATF Recommendations do not include tax offences as a predicate crime for money laundering as some jurisdictions are opposed to this approach, the UK has an ‘all crimes’ approach and so is able to provide assistance in respect of money laundering offences based on predicate tax offences”. One totally understands why it is attractive to HMRC to piggy-back the whole of this activity in order to help with dealing with tax avoidance which we all obviously support, but there are two points here. One is that in order to do that you have taken the all crimes approach which is much wider and secondly, of course, you are effectively, by definition and in fact quite deliberately - given that the whole regime is organised through the Serious Organised Crime Agency - putting tax evasion as a serious crime, which maybe it is. On the other hand, the sorts of things people have the image of SOCA being there for, it is slightly questionable as to whether it quite ranks with terrorism and people trafficking, drugs, stuff and all this. I suppose really my question is, in order to piggy-back it and to include tax in the whole regime, was it really necessary to have an all crimes approach which, of course, widens it even further?

Ian Pearson: We believe that the all crimes approach is the right one. The arguing within the FATF has been to include tax evasion as a predicate offence for money laundering and one of the things that has been our priority for the review has been to include that as well.

Mr Webb: This is something that was quite exhaustively gone through at the time of the Proceeds of Crime Act back in 2002. It is difficult and in many, many circumstances the banking sector will simply not know what the underlying offence is. The problem with the

regime that links it to specific crimes is that it creates all kind of possible defences or arguments that this was not actually drug trafficking, it was something else and this enables people to get away with what common sense concludes, ie this is money laundering. However, it requires a whole extra layer of evidence if you require it to be linked to certain sorts of crime. We did go through the all crimes test and we believe it is the right one and broadly speaking the system will settle down.

Lord Marlesford: I will not ask now but I would like to return to this later with the implications of that approach for the database of SOCA.

Q467 Lord Hannay of Chiswick: Could I go back again to this question of comparative advantage or disadvantage? Perhaps you could break it into two and say, is it your view – which is a view which has been expressed to us by quite a number of people – that the UK applies this directive more rigorously and more effectively than many other Member States do? I must say, I would be surprised to hear that it was not your view that that was so, but obviously it is for you to say so. The second part of the question is: does the fact that we apply it more rigorously put our firms and our professions at a disadvantage? The answer to the first could be “yes” and the answer to the second could be “no” but we have not really broken that out in that way and I think it would be helpful if you could answer both parts of that question.

Ian Pearson: Yes, we do apply the directive in a rigorous way. We do it in a risk based and proportionate way which does not gold plate the directive. The way we implemented it is different from the way some other Member States implemented the directive where they have taken more of a rules based tick box approach. No, we do not believe that this puts UK firms at a competitive disadvantage. We have not seen any compelling evidence to suggest that that is the case. If I quote back the evidence that Jonathon Fisher QC gave to you he said, “Far from damaging the country’s financial interests, the imposition of robust anti-money

laundering and counter-terrorism procedures serves to enhance a financial centre's reputation and make it a more attractive venue for financial services than other financial centres where the compliance regime is less rigorous". As a government we broadly accept that.

Q468 Lord Faulkner of Worcester: Following on the same theme here, I would like to ask about the reliance that is contained in the Anti-Money Laundering Directive on the AML/CFT systems of equivalent third countries. The Fraud Advisory Panel and the Law Society have both given us evidence that the way that this is implemented is of very little value to the private sector in practice. I wonder if you could comment on that. If you agree with that, is there anything that can be done to give it greater practical relevance?

Ian Pearson: In many ways this follows on from the decision that we have just been having and I have been discussing this with officials trying to probe the extent to which the reliance in the equivalence provisions do actually benefit businesses. They are designed to do that in determining whether it is appropriate to apply simplified due diligence and whether they might be able to use both due diligence already that has been undertaken by another business. The provisions can help make transactions quicker and potentially cheaper for regulated firms. However, what I would want to say is that in providing for this we have to ensure that the overall effectiveness of the regime is not compromised. UK implementation, in line with our general approach to anti-money laundering, therefore requires firms to continue to apply a risk based approach to these provisions. There are obviously some difficulties where we are applying a risk based approach and other countries are applying a rules based approach. We want UK companies to consider other relevant factors when deciding the correct level of consumer checks. If we were to take an example, obviously if a business is doing business with a bank in the United States you would expect that we would have quite a lot of reliance on the US bank because the UK bank doing business with it would be familiar with it and the equivalence provisions and reliance means that maybe due diligence on that does not have to

be as rigorous. However, it is still the case that you would need to take that risk based approach because money laundering goes on in the United States despite the fact that the United States has a good regime. It would be up to the UK entity to ensure that it continues to apply that risk based approach. I think that the way we are implementing it is the right way.

Q469 Lord Faulkner of Worcester: You really believe it does help the private sector.

Ian Pearson: I do believe that reliance and equivalence provisions are of some help to the private sector. I do not think it can be as simple as saying, “This country has got a good and robust regime, therefore you do not have to do anything”. I still think that the UK company needs to take a risk based approach to this.

Q470 Baroness Garden of Frognal: I want to move onto the question of Hawala and other alternative remittance systems. The Committee has been informed by the Home Office and SOCA of efforts to reach out to those who are involved in these provisions and alerting them to their obligations in countering money laundering and financial terrorism. However, at present the relevant information is provided only in English. Do you agree that it is important that this information should be provided in other relevant languages? It is quite possible that many of the people using Hawala are not particularly familiar with English and, if so, will that be taken forward as a matter of urgency by the government?

Ian Pearson: You are certainly right to say that HMRC’s general approach is to provide information directed at businesses in the English language on the basis that it is command of English that is necessary in order to operate any business in the UK. However, we do recognise in certain circumstances some businesses, particularly small and micro-businesses, may need targeted support in other languages to better able them to meet their obligations. In this case assistance is given to businesses that offer money transmission services to customers in the form of a notice explaining why they may be required to produce evidence of their

identity. There is a notice that can be downloaded from the HMRC website, MLR4 it is called, *Protecting society against crime and terrorism*. That can be given to customers and is available in a range of languages. The sector can request, through the Money Services Businesses Forum or through written request, customer information in an additional language. For instance, Somali and Polish translations have been produced following requests and HMRC is certainly open to receiving requests to translate this notice into other languages as well.

Q471 Baroness Garden of Frognal: Do you have a mechanism for following up those requests or is it all on-line?

Ian Pearson: As I say, it can be through a written request to the Money Services Businesses Forum and it could be on-line as well. My understanding is that HMRC are very willing to consider that if there are particular areas where there are problems. There are a range of languages in which this notice is available already – Bengali, Farsi, Hindi, Punjabi, Somali, Polish, Spanish, Urdu – and others can be added if there is a request to do so.

Q472 Lord Hannay of Chiswick: Moving away from the language aspect of Hawala to the wider aspect, although from the evidence we have had it seems that the government believes that because the Hawala operatives are regulated we have a reasonable handle on this issue in this country, when we went to Brussels we found pretty wide ignorance of the whole aspect of Hawala and whether it could be a way in which money could be laundered. There was a complete void as to trying to bring Hawala systems within the scope of the Money Laundering Directive in other Member States than here where they are really being brought within it by our own regulatory system. Is this not rather unsatisfactory because I do not believe that Hawala does not exist in any of the other 26 Member States; in some of them it may be quite widespread? Should we not be doing something to alert people to the potential

risk in the system and the need to regulate it properly and to bring it fully within the scope of the directive?

Ian Pearson: You make a good point. I am not particularly sighted on what exactly other countries are doing with regards to Hawala and ensuring that they have robust practices. You will be aware of the standard setting approach and compliance with the directive we have taken in the United Kingdom. I would imagine that we would expect other countries to implement the directive in a similarly robust way that does address any potential risk of counter-terrorism, finance and money laundering through Hawala as well. Obviously it is up to those Member States themselves to implement the directive and to be in compliance with it. It is up to the Commissioner himself to ensure compliance with the directive and enforce it in the case of non-compliance.

Mr Robertson: I would just say that the directive obviously requires Member States to enforce regulations as regards money service businesses and Hawala clearly falls within that category. Obviously the UK, because of the nature of communities present, we potentially have, I suppose, greater exposure to Hawala because it is quite common in a number of the communities in the UK. It may just be that we are more aware and it may be that it is a greater issue for us. Certainly for any other Member States where Hawalas are operating, under the directive they ought to be treating that as a money service business, it seems to me, under the directive and they ought to be regulating it. In terms of levels of awareness, Hawala is something that has been on the agenda of the FATF for some time and different members of the EU will either be directly members of the FATF themselves or of MONEYVAL (the FATF regional style body under the Council of Europe who I think are coming to give evidence to you following this session). I have to say I am rather surprised to hear that there was that lack of awareness and that is something we can certainly go and look into and take forward discussions with the commission.

Q473 Lord Hannay of Chiswick: Presumably it would be valuable at the very least to ensure that other Member States are aware of how we are coping with this, given, as you say, that we probably have a more sophisticated involvement with Hawala than any other Member State.

Ian Pearson: I agree with that. The point is well made and we will certainly look into it.

Mr Robertson: As we speak some of my colleagues are in Brussels presenting on how we have implemented the Third Money Laundering Directive and it may be that for a future meeting of the Money Laundering Committee we could suggest we go and give such a presentation on Hawala.

Q474 Lord Avebury: It is up to the Commission to decide how to ensure that other Member States implement the directive in a manner as robust as we do ourselves. Why can we not take the initiative in asking the Commission to undertake a review to ensure that there is sufficiently robust implementation of the Hawala system in other Member States?

Ian Pearson: James' suggestion of actually explaining how we have implemented the directive and maybe having a session on Hawala as part of that is something that is useful to take forward. My understanding is that a review is planned anyway in more general terms so this is obviously something that could well be part of that review.

Q475 Lord Mawson: Are the government satisfied, in the light of the *Kadi* judgment of the European Court of Justice and the response to it in Brussels, that the relevant EU legislation is now ECHR compliant?

Ian Pearson: The Foreign and Commonwealth Office lead on this area but let me try to answer the question as best as I can and for supplementaries it might be best if I write to the Committee. In the government's opinion the EU has addressed the procedural defects identified by the ECJ in the *Kadi* judgment. Mr Kadi and Al Barakaat have been provided

with narrative summaries of reasons for their listing and were provided with an opportunity to comment on the information provided. Following this, the council considered all information available and determined that Mr Kadi and Al Barakaat should be re-listed. This was done by means of a commission regulation EC number 1190/2008 of 28 November of that year. The UK has supported on-going due process improvements to the existing UN al-Qaeda and Taliban sanctions regime through the Security Council resolution 1822 adopted in June 2008. 1822 provides that the cases of all individuals and entities on the UN list should be reviewed by June 2010 and that narrative summaries of the reasons for listing should be provided for all persons named. The UN Sanctions Committee is working to provide listed individuals with summaries of the reasons for listing as soon as possible. We believe as a government that 1822 is an important step forward but we need to continue to strengthen procedures to enhance the efficiency and transparency of the regime.

Q476 Baroness Henig: The work of FATF, a body partly funded by the UK and of which the UK recently held the presidency is central to this Committee's inquiry, but that body has actually declined to give us oral evidence. I should say that we were able to take evidence from the former British president of FATF, Sir James Sassoon, last week and actually that raised a number of very important issues which it would have been extremely valuable for us to take further directly with FATF. Should not a body whose work has a major effect on the public and private sectors in the UK and other States be answerable to the national parliaments of those states? If you agree with me that it should be answerable, what can the government do to change their attitude?

Ian Pearson: With respect I do not think that I do agree with you. Let me try to explain why I do not. I see FATF really as being a body that meets in plenary with decisions being taken through countries rather than through the secretariat of FATF. FATF is accountable to ministers and therefore indirectly accountable to Parliament. As you know, the Chancellor

and other finance ministers agreed the revised mandate for it in spring 2008 and the Dutch Presidency intends to hold a future ministerial meeting on the margins of either the October 2009 or spring 2010 IMF meetings and we strongly support the proposal for that because we do believe that there has to be ministerial accountability and through ministers accountability to domestic parliaments. All FATF decisions are taken in plenary which is chaired by the president or in working groups which are chaired by members of country delegations. The role of the secretariat is to serve the president and the plenary. It is not usual – and I do not think it would be right – for the secretariat to give opinions on policy matters on behalf of the FATF; this has to be the responsibility of the president and the working group co-chairs and delegations. The secretariat has 34 delegations to attend to and I think you would be quite hard pressed to expect it to give evidence to all committees of this kind. Just so this committee does not feel offended, you might be aware that the secretariat has also declined to give evidence to a US congressional inquiry for the same reasons, that it is a secretariat and the policies are actually determined in plenary or in working groups and by representatives of countries rather than the secretariat itself. I sympathise with the frustrations that the Committee has in not being able to question them directly. I do agree that there are legitimate reasons concerning what more FATF can do to improve its public outreach. Obviously there are some institutional obstacles to participating in this kind of inquiry given the resources that FATF actually has and its status. I hope the Committee understands those.

Q477 Baroness Henig: Can I pursue the logic of that? If they are accountable to governments and to ministers, which British minister is speaking on behalf of FATF? That is the implication, is it not? Do you have FATF as part of your portfolio?

Ian Pearson: The Treasury would lead on this, yes.

Q478 Baroness Henig: So if we have further questions arising from last week's evidence which we wanted to pursue we should then be directing them to you.

Ian Pearson: I am more than happy for you to direct them to me.

Q479 Lord Hannay of Chiswick: Clearly the Somali pirate problem has grown in dimensions and in urgency quite a lot while we have been conducting this inquiry. The first general question I have is, how does the government reconcile the policy where, with our right hand, we are participating in the use of military force and deploying UK naval resources to prevent piracy off the Horn of Africa with, at the same time, what seems from the evidence that we have been given and the note that was produced, a policy of effectively turning a blind eye to monies being paid from the UK – indirectly perhaps – as ransom to the pirates and then, for all we know, being directed to terrorism?

Mr Campbell: I will deal with the right hand first which is our military and naval commitment which is entirely consistent with our responsibilities under international law on piracy. We respect our obligations to the United Nations in this regard but also work with NATO partners and indeed our EU partners too. What we also accept is that tackling piracy – which is a multi-faceted problem – requires a multi-faceted approach beyond the force that we bring to bear on the problem. We played a leading role in January of this year in setting up the contact group on piracy off the coast of Somalia which has the expressed aim of getting better international cooperation on this matter but also I think exploring some of the difficult aspects of the problem. I say at this point that the issue of ransom payments is one of those difficult problems. The United Kingdom does not condone the payment of ransom but it is not illegal under British law and therefore the decision whether or not to pay ransom is one for the shipping company and its insurers to assess. These are very complex issues that are often fast moving and I think we should acknowledge the difficulty that it places both the ship owners and the insurers in, let alone the people who are actually caught up immediately in it.

I expect that the contact group will pay particular note to the issue of ransom payment, what we can do to tackle it and whether or not there is a better way in which we can deal with it. In respect of your reference to terrorism, we keep this under review and there is no direct evidence of the proceeds of piracy being directed towards terrorism. That would, of course, lift it to an entirely different level because if that were the case then any payment of ransom would be illegal under the Terrorism Act 2000 which criminalises the financing of terrorism. In those circumstances, before an organisation was to pay ransom, they would have to approach our Serious Organised Crime Agency for consent to make such a payment. However, as I say, we have not found any direct evidence of that link but we continue to keep this under close scrutiny.

Q480 Lord Hannay of Chiswick: When you say you have not found it, that merely reflects the fact that presumably we have extremely poor ways and resources for finding out what on earth is going on in Somalia, what purposes the pirates, when they get the monies, put them to; and since our absence of knowledge of this is, I would have thought, fairly profound, it would seem to be a fairly shaky base on which to say that we believe it is not going to terrorism.

Mr Campbell: I have been careful not to say that it is not going to terrorism. What I have said is that we have not found a direct link to that. Of course I understand the particular reference to Somalia which has had a difficult modern history as a failed state and its widely acknowledged links to terrorism. Unusually this issue arises but, as I say, we do keep this under close scrutiny and we do seek evidence upon which to base our response and indeed our policy responses. I assure you that we do keep it under close scrutiny.

Q481 Lord Marlesford: You will I am sure agree that whether or not terrorism is involved the act of piracy is a criminal act and the payment of ransom is therefore inextricably

connected with that act. What I find curious is that in the note which you have submitted on this issue on 6 April you say that under the regime whereby consent from SOCA is required to fulfil certain operations financially which might be criminal, “consent may be required when assembling money in order to provide a defence to the money laundering offence under section 328(1) of the Proceeds of Crime Act”. I find it hard to think of an example of where it is not necessary to obtain consent because, after all – I quote from the SOCA evidence of 17 April 2009 – “The Proceeds of Crime Act 2002 requires the reporting of an activity that makes a person suspicious”. Surely it is inconceivable that it is possible for consent not to be required, in other words for an SAR report not to be made by those who are approached to assemble money for the payment of ransom.

Mr Campbell: It would be very clear were there direct evidence of links with terrorism.

Q482 Lord Marlesford: We are talking about piracy.

Mr Campbell: Yes. It would be clear but the point I am making is that it is less clear in other situations. I think this takes us into the issue of where SOCA fits in here because, to some extent, the law as it stands put them in a slightly difficult situation. They have an obligation to say to organisations that if they believe that there is a suspicious activity it ought to be reported and this is how to do it. I think that is different, however, to getting consent. I think the best approach is the one that we have, which is to deal with these instances one at a time and to look at each individual case. I am sure that is what SOCA does because although there is something called piracy it may not have all of the same characteristics each time that it occurs and therefore there would not be an obligation under law to seek consent in every situation. I think if there is an obligation to raise concerns about suspicious activity SOCA could be put in a difficult position if it was seen to be giving consent in some circumstances. If it was to proceed to a court situation, for example, and if the organisation that had made the payment had reasonable grounds for doing so, then the statute allows them that as a defence

in court. I think we have to be careful that SOCA does not pre-judge and, by giving consent, does not seek to pre-judge a decision which is quite rightly one that should be taken by the courts.

Q483 Lord Marlesford: I think you are agreeing that the law as it is at present requires that anyone who is involved in assembling ransom money in respect of the criminal act of piracy is obliged to ask SOCA for consent. What you are saying is that it would be embarrassing if this was done. That is a totally different matter and I would suggest to you that it really is quite important that we maintain the principle of the law. It may be that the law needs changing in this respect but I cannot understand how you can say that it is not actually necessary for the insurance people to report to SOCA that they are doing this and ask for consent to do it.

Mr Webb: The law is quite a grey area here. It is not generally the government's job to define the law precisely. If it ever came to that it would be something for the courts to decide and we would not want to pre-empt their judgment. What is clear is that if an insurance company or a shipping firm collected money for a ransom payment the money would be from their own internal resources, it would not be criminal money. If they were preparing it for the payment of a ransom which is not a criminal offence, further down the track the money would fall into the hands of criminals and would become obviously their criminal property. The issue is around the definition of making an arrangement assisting facilitation for what at some stage is going to become criminal money. The basic purpose of the Proceeds of Crime Act and the regime is suspicion that can be aroused by transmission of criminal property around the system. As I say, if these actions happen, say, in London, it is not actually criminal property.

Q484 Lord Faulkner of Worcester: I want to ask Mr Campbell or Mr Webb whether they can add anything to the answer that Lord Malloch-Brown gave to sub-Committee C on the

question of whether money that is paid in ransom is noted. In other words, the serial numbers of any notes which are passed over are noted down and retained and if an attempt is made later to use that money it is possible to trace it.

Mr Webb: I think it would be an operational matter; it would not be sensible of us to say anything one way or the other on that for obvious operational reasons.

Q485 Lord Faulkner of Worcester: Lord Malloch-Brown said, “I think yes would be a reasonable assumption”. You would not even go as far as that.

Mr Webb: I would not go any further than what I have just said.

Q486 Lord Hannay of Chiswick: If I may say so, some of the replies get close to the sophisticated in this matter and it really is necessary to get to the heart of this matter. Nobody in this Committee is trying to challenge the law as it currently is, that it is not criminal to pay a ransom. We are trying to get to the bottom of the application of money laundering provisions which require a notification if there is any reason to believe that monies are going to be transferred to a person or purpose which could be criminal. I think you will agree with that. Thus, irrespective of whether it is legal to transfer this money, it is necessary to notify it. The department has said that consent “may be” required, not “will be” required – that is the point Lord Marlesford made – and then went on to say, “In the event that a person did not seek consent and the money was in all respects legal until it reached the hands of the pirates, it is unlikely that a prosecution for money laundering solely because consent was not obtained would be regarded as being in the public interest”. This is surely perfectly straightforwardly turning a blind eye to the non-application of the requirement that you should notify any payment which you believe could end up in criminal hands. There is absolutely no shadow of doubt that the act of piracy is a crime. It is a crime under international law and has been since the middle of the 19th century. Is this not a case where we really do need to re-think what we

are doing or otherwise we are pursuing incoherent policies? We are trying to stop the pirates by steaming around in the Royal Navy but at the same time making it about as easy as it can possibly be for money in large amounts to be transferred into their hands.

Mr Webb: I understand your frustration and the reason we are not being more forthright about this is because the law is genuinely quite a grey area. I am not a QC or a lawyer at all and it is something I would not like to lay down exactly what I think about it. I do not think it is as crystal clear as you say; it will depend on the circumstances of the case that there may be a reporting requirement. As for the prosecution decisions, those will be done on a case by case basis on the merits of the case. We are continuing to look at this but it is quite a complex area of law and it is quite a complex area of unintended consequences of the law.

Q487 Chairman: Could you give us a note your analysis of what the legal position is.

Mr Webb: We have attempted to do that but we will have another look at it.

Q488 Lord Avebury: I would like to know whether ministers do not agree that the law must be clarified. The law, as stated by Lord Hannay, should be the law of the land and if there is any doubt about it you will make sure that it is.

Ian Pearson: I cannot speak for the Home Office but what I would want to say is that we are taking action on a number of fronts. These Somali pirates are not Captain Jack Sparrows that follow a particular code; we do not have any good information about where the ransom money is spent, we suspect it is spent on even fast boats and even more weaponry, bling and the sorts of things that Captain Jack Sparrow's pirates spent money on as well. We do not really see that there is a particular role for the FATF as a standard setting body in this area. We would like them to work with a functioning Somali government to set the proper standards in that country, but obviously that is not possible at the moment. The FATF is not

an operational body. You have asked a number of questions and we will respond to them as fully as we can.

Chairman: Thank you very much indeed. It is now 11.36. I think that is where we had better leave this session. Can I thank you very much indeed for coming. I think it has been very useful and very helpful. You have given us a fair amount of evidence which we will want to chew over and we look forward to receiving your evidence in writing.

Witness: **Mr John Ringguth**, Executive Secretary, MONEYVAL (Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism), examined.

Q489 Chairman: Mr Ringguth, can I thank you very much indeed for coming today. I know you have come from Strasbourg so thank you. Can I say one or two things by way of housekeeping? The session is open to the public. A webcast of the session will be accessible of the parliamentary website. A verbatim transcript will of course be taken of your evidence which will also be put on the parliamentary website in due course. A few days after this session you will get a copy of the transcript unedited for you to check it for accuracy. If you could advise us of any corrections as quickly as possible we would be grateful. If you wish you can submit supplementary evidence after this session to clarify or amplify any points made during your evidence. Finally, the acoustics in this room are dreadful so if you would be so kind as to keep your voice up that would help us all. Would you introduce yourself and then we can ask you some questions.

Mr Ringguth: My name is John Ringguth. I am the Executive Secretary of MONEYVAL which is the monitoring arm in anti-money laundering countering the financing of terrorism of the Council of Europe. MONEYVAL, as I think you know, covers 28 Council of Europe countries that are not members of the Financial Action Task Force and we also evaluate the state of Israel which has active observer status with the MONEYVAL Committee. Since 2006 we are also an associate member of the Financial Action Task Force. This is a new status that the regional bodies can have within the Financial Action Task Force and perhaps a little later in the questions we may get into some of the issues in relation to that.

Q490 Lord Marlesford: The British government has decided, when implementing the money laundering regulations in Europe, that they would wish tax evasion to be able to be

included in the operation and therefore they decided that they would have an all crimes approach to the requirements for reporting suspicious activities. This, of course, has greatly widened the whole ambit of the SARs (Suspicious Activity Reports) submitted in Britain to the Serious Organised Crime Agency. To what extent does the 2005 Council of Europe Convention on laundering, search, seizure and confiscation of proceeds from crime and on the financing of terrorism (the Warsaw Convention) encourage states to adopt an all crimes approach to the scope of the money laundering offence? What, in your view, are the advantages and disadvantages of adopting the all crimes approach?

Mr Ringguth: Thank you very much for the question. Certainly the Warsaw Convention, like its predecessor the Strasbourg Convention, does encourage an all crimes approach. Perhaps I should declare an interest here. In Strasbourg we are actually great proponents of the all crimes approach to money laundering criminalisation and particularly to the legal side, if I can put it that way, of money laundering prosecution. The reason I say that is that one of the fundamental reasons that the Council of Europe actually became engaged with the money laundering issue generally was because of its connections with the fight against organised criminality. We know that organised criminals do not just commit one particular criminal offence, they commit a whole range of offences. From the point of view of the prosecution and investigation of money laundering, there are benefits to an all crimes approach. I will give you just two. So far as prosecution is concerned, I think it is self-evident that if you are actually seeking to prosecute a person for money laundering you have to prove the mental element of that offence. One of the problems with short predicate lists is that the mental element can actually be quite difficult sometimes for prosecutors to establish. If you have an extraordinarily short list you could end with a situation, if you are a country which simply prosecutes on the basis of the knowledge standard, that they need to know the particular type of offence that the proceeds were actually laundered for. We take the view that it actually

facilitates prosecution if in fact the international standards simply require – the all crimes approach does this – an approach where the money laundering defendant simply needs to be in a position to have proved against him that he knew that it came from some crime. The all crimes approach certainly facilitates that. So far as international cooperation is concerned – which is my other major point on the judicial side – clearly with money laundering being probably one of the most international of crimes the necessity for states to provide the widest measure of international cooperation is paramount. Certainly experience has shown that in the evaluation process those that have narrower predicate lists very often cannot be in a position, particularly where dual criminality is required for coercive measures, to provide necessary judicial international cooperation on cases where a state has requested it. I think at that level there are great attractions to the all crimes approach. I have to say I read the evidence that you have received from various witnesses et cetera and I can certainly allow that the all crimes approach can have difficult practical consequences, particularly for the preventive AML/CFT regime, particularly when it comes to the FATF sense (which is recommendation 13 reproduced in the European Union Directive) in terms of the reporting obligation. The reporting obligation under the FATF requirements has no de minimis provision in it at all particularly in relation to tax evasion. Perhaps I might say a word about the UK here. Of course the UK actually managed to achieve a fully compliant rating when it was assessed by the FATF for this very reason, because all the requirements of the FATF standards were actually covered. I understand the issues that have been raised, that it can potentially flood financial intelligence units with suspicious transaction reports et cetera. That may be more problematical in some of the countries that we deal with in MONEYVAL than perhaps in the United Kingdom where SOCA has a very sophisticated system for dealing with reports. There is to be a review now of some of the FATF recommendations and while I subscribe on behalf of the Council of Europe, as it were, to the all crimes approach, it does

seem to me that in the reporting regime actually to look again at the de minimis provision – or no de minimis provision – might actually be a useful way to go. It does seem to me that actually having to report everything with no threshold whatsoever but actually having a de minimis provision would not necessarily do damage judicially to the all crimes approach so far as criminal cases are concerned. At the end of the day we are not seeking to prosecute money laundering or the very small types of offence that you have already discussed in this Committee. I think the Crown Prosecution Service made it fairly clear that a sensible exercise of prosecutorial discretion will weed those cases out. However, it does seem to me that this is an area that can be looked at. I think it is also important in the context of the commitment of financial institutions et cetera to the money laundering preventive regime. The more STRs that and FIU receives the likelihood is that the opportunities for feedback to the private sector as to what has happened to their STR may be actually not that great. One of the areas we looked at very closely in the evaluation process is the ability of FIUs particularly to actually provide this feedback. I think it has been acknowledged that with the sorts of numbers you are not going to be able to get case specific feedback on all the reports because of the large numbers here in the UK. These issues translate to the European theatre that I work in as well. I would simply flag up that I think this is an area you might wish to consider in your report as pointing the relevant authorities to consideration of this issue.

Q491 Lord Faulkner of Worcester: Can I ask you about tax matters and tax evasion? We have been given evidence that FATF is thinking of changing its traditional stance on tax evasion matters. What would you say are the advantages and disadvantages of making tax matters predicate offences for money laundering?

Mr Ringguth: My starting point here is that under the all crimes approach if tax evasion is a crime in the country – as the situation is here – then for practical purposes it is covered whether or not the FATF requirements specifically require countries to actually have tax

offences within their list of predicate offences. I have to say that I think there is a bit of an equivocal stance in FATF on this issue because in relation to the reporting requirement under recommendation 13 states are encouraged to report tax matters largely I suspect if a country actually has tax matters in its range of predicate crimes it is necessary to report it, but there is the push in the methodology to report tax matters in any event, yet tax of course is not currently one of the designated categories on the fence. I have to say that I think personally – these are my personal views because we do not have a MONEYVAL position on this particular issue at the moment although we will discuss it as the review takes it further – that tax evasion is clearly an important crime. I have some concerns, if I can put it this way, that in some countries – we have identified this in horizontal reviews as well – if tax evasion were made one of the designated categories of offence that could be actually in some ways counter-productive in some countries. Where tax evasion already is a predicate offence we have occasionally seen investigative and prosecutorial resources being concentrated onto the tax predicate at the expense of other offences which are more commonly associated with organised criminality such as human trafficking. As I said, I have an open mind on this. At present I tend to favour a balanced score card of offences which perhaps would point to actually keeping tax evasion out but I will follow the discussion.

Q492 Lord Dear: Could I turn to focus on civil confiscation orders and these are always in respect of property which is the product of crime? Do you have a view on whether the Warsaw Convention provides a framework for cooperation in the enforcement?

Mr Ringguth: If our memorandum did not cover this issue I apologise because I certainly consider that there is a very positive advance in article 23, paragraph five of the convention which actually states, “The parties shall” (which is mandatory) “cooperate to the widest extent possible under their domestic law with those parties which request the execution of measures equivalent to confiscation leading to the deprivation of property which are not criminal

sanctions insofar as such measures are ordered by a judicial authority of the requesting party in relation to a criminal offence” (not a case but a criminal offence) “provided that it has been established that the property constitutes proceeds or other property in the meaning of article 5”. So there is a wide definition of proceeds there and the convention has made it crystal clear in the body of the text that cooperation concerning the execution of measures leading to confiscation which are not criminal sanctions has to be provided to the widest extent possible. There is no reservation procedure under the convention in relation to this which would mean – and this is a positive step – that if more countries actually ratify this convention the possibilities for the UK, for instance, to enforce civil confiscation orders in other parts of Europe et cetera would be considerably widened. I might also say that this is also relevant to a number of MONEYVAL states as well because, although a lot of our countries are of Roman law origin, one of the interesting features over ten years of MONEYVAL evaluations is actually seeing how there has been some convergence towards some of what are more popularly known as common law notions. We do have in countries like Bulgaria at the moment, in certain parts of their confiscation regimes there is a civil burden, they have an authority which is proceeding against assets and proceeds after a conviction actually on the civil standards so it will be of interest to a country like that, the same case and the same type of situation in a country like Georgia which has actually looked at these issues and considered reverse burdens and adopted civil standards. I do think that this is actually a positive development not just for countries like the UK, Ireland and the US et cetera that have established forfeiture procedures for some time, but for other countries that are actually looking closely at doing something similar which may in fact hitherto have been perhaps contrary to their legal traditions. I do think that this is an important provision.

Q493 Lord Dear: Is there anything else you think that the Council of Europe can do to facilitate cooperation in relation to civil confiscation?

Mr Ringguth: I do think there may be, yes. First of all so far as our position as an associate member of the Financial Action Task Force is concerned, in the review I think we should be looking at particularly FATF recommendation 38 (which perhaps we will talk about a little later) in relation to the enforcement of foreign orders in this area. One of the problems from the perspective of those that have gone down the civil route is that for the purposes of ratings in recommendation 38 the inability of other states to enforce civil orders counts for nothing in terms of ratings because it is actually an additional criteria which is not mandatory and does not count for the ratings. For practical purposes there is no global impetus to enforce civil confiscation under the FATF standards as they are at present. I think this is an issue that MONEYVAL certainly will push in the review of the international cooperation recommendations. So far as our own organisation is concerned, I have discussed this issue with the president of the committee in the light of your questions and we have decided that we will actually open up a much larger discussion within the MONEYVAL membership on the whole issue of enforcement of civil orders outside of the general discussions that we have on mutual evaluation reports. One of the hitherto unused parts of MONEYVAL terms of reference which are given to us by the Committee of Ministers of the Council of Europe provides that I, as Executive Secretary, have to do an annual report to the European Committee of Crime Problems. One of the possibilities is actually to make a recommendation as to how AML/CFT issues could be improved. Indeed, going back in history, recommendations from the Committee of Ministers in the Council of Europe is one of the very first international standards in this particular area. I am not saying that we are necessarily going to that stage but we would like to open up this discussion. It would stimulate perhaps more, at the very least, memoranda of understanding between countries and of course the UK is a very active observer to MONEYVAL and no doubt will contribute very strongly to this discussion and let us see what comes out of that as to whether we actually

could perhaps begin the drafting of some form of recommendation which would help to push the standards in this direction.

Q494 Baroness Garden of Frognal: Mr Ringguth, in your very helpful written evidence on page six you mention that the first meeting of the Conference of the Parties to the Warsaw Convention was due to take place on 22 April. Could you tell us what decisions were taken at that meeting on the creation of monitoring procedures under the Convention? Given that the intention of the drafters was not to duplicate the work of the existing monitoring mechanisms perhaps you can explain how you will avoid duplication on the work already being undertaken by the FATF and by MONEYVAL?

Mr Ringguth: This time last week we were discussing these issues in the first Conference of the Parties. It was a very well attended meeting. We invited not only those states which had ratified the convention which is currently 14 states (although I have not looked on the website this morning), but all of the Council of Europe states - whether it was the 19 who have already signed the convention - on the basis that we trust that they will sign and ratify the convention in due course. I am pleased to say that the United Kingdom was represented as well at this meeting. We took a number of major steps forward with the monitoring mechanism under this convention and this is one of the added values of this convention because the Strasbourg Convention and conventions generally of that generation tended not to have monitoring mechanisms attached to them. The conference was very conscious of the language or article 48 of the convention itself and drafters were certainly extremely anxious that we should not duplicate work that is done elsewhere and it is not the intention that this new mechanism will duplicate work which is done either by the committee that I am responsible for which is MONEYVAL or indeed FATF. What we have decided – we have now adopted rules of procedure and I trust that those will be public and on the website in a few days and you can look at them – is that we will proceed with a drafting exercise now (and

we have appointed a drafting group) which will actually distil the areas of the convention which we consider add value to the existing international standards. I will not go into chapter and verse here but the secretariat has produced a paper which will be a working document for this drafting committee of areas where we consider the convention actually moves the standards on and we will focus in the evaluation process on those areas and not on areas which are exhaustively covered by the FATF and by MONEYVAL currently under the methodology. That work will be progressed between now and November and we very much hope and anticipate that the second Conference of the Parties will take place shortly after Christmas of this year (probably the second half of January) where we will adopt the questionnaire and move into beginning this process. It will essentially be, in the first instance, light touch, if I can put it that way. We will actually send a questionnaire to countries for them to respond to but there will be, as with FATF and MONEYVAL, an element of peer review actually brought to bear to this. We have adopted in the rules of procedure a procedure whereby rapporteur countries will actually go through the report and the report will be constructed by the rapporteurs and the secretariat together. It will be discussed by the Conference of the Parties. If they want more information the country will have the opportunity of providing that. At the end of the day, if there are concerns about the progress in the country or the way that the convention is implemented, at a second stage it will be open to look at what further or more in depth evaluation is needed, which might include on-site visits.

Q495 Chairman: Is that review going to cover civil forfeiture?

Mr Ringguth: It will indeed because the article that I have just referred to is one of the added values of this convention. We shall be looking very closely to see how those ratifying countries have actually implemented the provision.

Q496 Lord Avebury: I want to ask you about the review that was recommended by the UK, Brazil and the Netherlands of FATF recommendations and the mutual evaluation process. I presume this will affect you because you have the same standards and monetary methods as FATF. What has been your reaction to this initiative? How do you intend to participate?

Mr Ringguth: We very much welcomed this initiative of the UK Presidency. We thought it was very timely and we were very supportive of it. So far as the standards - I know that you had discussions last week with Sir James Sassoon on this very issue – although not all MONEYVAL members would necessarily subscribe to a wholesale review of the 40 recommendations (there is certainly a body of opinion and it is understandable), basically international standards need some stability unless there are compelling reasons to change them. We do think that there are a number of standards in the current FATF 40 in the special recommendations that do actually require looking at again. I would particularly flag up certainly some of the preventive standard recommendation five, recommendations 33 and 34 but especially in the context of MONEYVAL which has placed a great focus on the law enforcement aspects and the prosecutorial aspects of anti-money laundering and countering and financing of terrorism. We do take the view that the balance of law enforcement issues is actually wrong in the recommendations as they stand currently. There are actually very few recommendations which focus directly on law enforcement and in our view some of them are actually quite weak and could do with strengthening. We have actually offered in the process that is going on at the moment within FATF some renewed wording already to some of the standards. Just to give you a particular example, this was a proposal by one of our very active Member State delegations which feels very strongly that there is no impetus for parallel financial investigation in serious predicate crimes in the FATF recommendations as they stand. Certainly if recommendations 27 or 28 are revised we have a proposal which would actually put the focus a little more clearly on that particular issue. As I hope it is clear to

everyone, getting the money off the criminals is why we are in this business in the first place. So that is the standards, but what I would perhaps like to flag up almost as importantly as the standards is the way in which the evaluation bodies – I include MONEYVAL in this – are delivering assessment reports at present. We take the view that the present methodology (which has been extremely helpful in giving a sense of consistency to the evaluation process) is extraordinarily detailed and extraordinarily complex. I imagine that some members of the Committee have had the opportunity of reading at least the United Kingdom's report by the FATF and you will see the level of detail that we actually go into. A criticism that a number of MONEYVAL Member States rightly make is that because of the complexity and because of the detail you can know – I will use a car analogy here – just about everything that is going on under the hood but you do not really know if the car is actually working. One of the problems with the reports is that you can actually be left with the view: what did the evaluators really feel about the overall effectiveness of the AML/CFT system in the particular country? We think there is more that can be done in looking again at how we deliver these reports. This is a particularly live issue in fact in MONEYVAL at the moment because our evaluation process, as I think Sir James mentioned last week, is coming to the end of its third round and there was certainly no appetite within MONEYVAL countries to embark on a fourth round simply repeating this extremely large methodology that we have at the moment. What we have decided – we have discussed this in coordination with the Financial Action Task Force – is that we will actually proceed in the second half of this year with a shorter and much more focussed evaluation round which will, in the first instance, look at those recommendations which did not receive a sympathetic response from the evaluators in the third round (those that got a non-compliant or a partially compliant) and we will re-review those particular recommendations. We are also anxious that in the process of this that we do not lose sight of potential backsliding or backtracking of states on the major international

standards. Whatever rating a country has received on some of the core and key FATF recommendations we will look at those again de novo in any event. We have identified a number of them but I will not go into them unless you particularly want me to; I can also send you a copy of the questionnaire we have prepared. We will also ask the countries to analyse a little more closely the particular risks that they are facing in anti-money laundering and countering and financing of terrorism. There are two issues that we want to get out of this. One is a contextual look at the individual country so far as risks are concerned and indeed now, particularly for countries that have gone through three rounds of evaluation, how effectively the systems are working in practice. That is really what it is all about. If we could actually work to some clear conclusions in a report about the systems overall we think that may be a positive way to go forward. We have indicated to the FATF that we will feed back to the appropriate working groups how we are getting on with this and it may be that this will inform the process for the FATF's own fourth round going forward.

Q497 Lord Avebury: In a sense you are pre-empting what the FATF decision will be, are you not? You say you have already decided to embark on this fourth round with what I might call a streamlined approach.

Mr Ringguth: It certainly does not pre-empt any decisions the FATF will take. As an associate member of the FATF, if there is to be a different methodology in due course which does not in some way mirror what we are doing, well of course we will embark on that at the appropriate time. We were on the horns of a dilemma as far as this was concerned. Certainly the view within MONEYVAL is that peer evaluation needs to continue. We felt that we could not wait for two or three years for the FATF to decide how the fourth round was to be conducted. As I think I said, there was not a lot of appetite for simply repeating the process that we have already done. The reason I say that though is because all our reports, like the FATF's, are actually transparent and they are on the website. A lot of the detailed

information will not have changed as we go into this next round and people can actually refer back to what was said in the previous report. We do not see it in any way as trying to hijack or pre-empt the process but as a logical way forward pending the FATF's decision as to how they will approach evaluations.

Q498 Lord Avebury: It would obviously be much more convenient if FATF, having looked at the model that you are developing, would make the recommendation that other groups should adopt the same procedures, particularly, as you say, if they agree with your premise that the level of complexity and detail in the previous evaluations has really omitted some central conclusions which did not become apparent because of that level of complexity and detail. However, if they do not agree with that premise and they continue the same type of mutual evaluation as they have in the past, then either you would have two systems operating in parallel in different groups or you would have to fall into line with whatever the review that FATF finally recommends.

Mr Ringguth: I certainly would not put it as "fall into line" but, as I have said, if indeed there is a methodology which is created which is different from the one that we will embark on – and that is not unlikely – then certainly the MONEYVAL committee will use that methodology at the appropriate time. There is no dispute about that. I think it is fair to say, though, that there is considerable disquiet about the methodology generally within AML/CFT circles and I think that we are not wide of the mark, if I can put it that way, by going for a shorter and more focussed round of evaluations. Sir James, when he gave his evidence last week, made it clear that he had no particular problem with the way that MONEYVAL was taking this forward.

Q499 Lord Avebury: Are you satisfied that the review that FATF is conducting is taking fully into consideration what you have to say about, for example, the standards in recommendations five, 33 and 34 in particular which you mentioned?

Mr Ringguth: As an associate member we have the right to put forward suggestions. At the moment the FATF are at quite an early stage in this process of reviewing the procedures for the evaluations and indeed the recommendations. At the moment we are at the stage collectively of drawing together the issues that need to be discussed. Certainly it is our experience that our voice is heard very clearly in those discussions and I would very much expect that there is considerable support within FATF for a re-opening of some of these issues that I have actually talked about.

Q500 Lord Mawson: In your written evidence on page 11 you note that the review of the first two rounds of mutual evaluations conducted by MONEYVAL had raised concerns about the small number of major money laundering convictions achieved and deterrent confiscation orders made. Do the third round evaluations conducted to date indicate the progress in these spheres is being achieved? You say that getting money off criminals is the core business; are you dealing here with a failing of business really? When I listen to it, a lot of this discussion feels like an elephant trying to catch a snake when actually we need a mongoose. I wonder whether there is a real need for practical innovation here in this whole area otherwise you sort of die of paralysis by analysis, not getting hold of the issue. Is that fair?

Mr Ringguth: I think it is fair to say that in the view of many MONEYVAL states one of the possible indicators of a performing AML/CFT system is the ability of a state to obtain some serious money laundering convictions - I am thinking specifically of convictions in the case of third parties that launder on behalf of organised crime, et cetera - and to get some serious deterrent confiscation orders. If you were drafting - and no-one has drafted as yet - clear indicators for what a performing AML/CFT system would look like, I would suggest that

those would be certainly thrown into the balance. We have looked throughout the life time of MONEYVAL at these issues very closely in the reviews that we have done. We did a review of the first round in 2002 and repeated the exercise after the conclusion of the second round. I think the conclusions which you flagged up in the question, it is right to say that at the end of the second round there were certainly a good third of countries – founder members who have been through two evaluation rounds – that still had not achieved a money laundering conviction at that time. I am happy to say that that is not the case now. As I say, we have not analysed every report yet and we have actually just launched the beginnings of our review of the third round process which, as I have indicated, is not complete yet in any event. However, a lot of countries that have had problems with a number of the more stubborn issues in relation to money laundering prosecution have actually achieved some convictions and indeed in some cases some quite long and deterrent criminal sentences. That said, I do not want to paint a picture that everything in the garden is suddenly rosy in this. There are still considerable hesitations in some countries about the levels and types of evidence that are needed to obtain successfully a money laundering conviction, particularly in autonomous money laundering cases (laundering by third parties, et cetera). I am thinking of the cases where you do not actually prosecute together with the predicate offence because that is easy to prove the underlying criminality if you are actually prosecuting the predicate crime at the same time. Similarly with self-laundering; self-laundering can be the easy cases to prove. The real test, certainly in the view of some of us at MONEYVAL, is actually how you can successfully prosecute third party laundering, particularly on behalf of organised criminals. There are certainly a larger number of investigations on-going at the moment in MONEYVAL countries than necessarily convictions have been achieved, but a number of the amendments and modifications which we have put into the new Warsaw Convention have been drawn very much from the experience of some of these problems in practice in

countries. I will give you one example, and that is the vexed question of whether you need either a simultaneous or a prior conviction for the predicate offence before you can obtain a conviction for money laundering. The experience in the evaluation process has shown that in a number of countries there was serious doubt about this particular issue and the doubt actually translates itself into hesitations by prosecutors to even test what their courts actually will consider suitable evidence to establish this part of the offence. We debated it long and hard in the context of the Warsaw Convention drafting and it was felt that there needed to be a clear mandatory provision in the new convention – which there is – which states that for those states to ratify the convention it shall not matter; it states unequivocally that there is no need for a prior conviction or indeed a simultaneous conviction for the predicate offence. If you look in the explanatory report we explain that many ways that countries successfully prosecuted these types of case is inferences drawn from facts and circumstances; it is the way that a lot of prosecutors would approach this in the United Kingdom. Certainly we have experienced what I would call conservative judicial thinking which actually has some hesitations with this particular concept. We hope that with provisions like this we will see more success in the future.

Q501 Baroness Garden of Frognal: I think you have largely touched on this particular question which is about the forthcoming fourth round of MONEYVAL mutual evaluation. You have clarified also some of the methodology. You mentioned questionnaires and so on; perhaps you could elaborate a little on that and also the timeframe in which it will be carried out.

Mr Ringguth: We are starting the evaluations in the second half of the year. The normal evaluation cycle is approximately three years which we would anticipate would actually dovetail with the time at which the FATF will have finished its present evaluation round and indeed decided with the associate members what the shape of future evaluations would

actually look like. Perhaps there may have been a misunderstanding in terms of what we are doing in relation to the European Union directive because, for practical purposes, in the fourth round of evaluation what we are doing with the European directives is looking again at areas where the directives depart from FATF standards. We have established a number of areas – about 21 or 22 areas – where there are differences. We do not rate those in the way that we would rate the FATF standards which are the global standards, but we do make recommendations to our countries in relation to that.

Q502 Chairman: I wonder if I could ask you to deal with two points and give us some written evidence on them. One is question eight which is on the infrequency with which international cooperation was being sought and obtained in practice. I think that is a very difficult question. We have also asked you about Azerbaijan; could you let us know what happened about Azerbaijan?

Mr Ringguth: So far as the public statements are concerned, I perhaps should make it clear that ever since MONEYVAL was set up we have had within our procedures what we call compliance enhancing procedures. I think we have set out in the memorandum that these are a graduated series of steps. We have used them in relation to a number of jurisdictions over the years. I think it is fair to say that as a result we have actually been able to sort out problems within MONEYVAL in relation to individual jurisdictions using these procedures. Perhaps one of the unique features of MONEYVAL is that it is a Financial Action Task Force regional body but it also works within the institutional framework of an inter-governmental body, the Council of Europe, so at various stages of the compliance enhancing procedures the mechanisms of the Council of Europe are actually brought into play. The president can draw the attention of the secretary general to a particular problem and indeed the secretary general can raise it in his diplomatic contacts with individual countries. In this way we have been able to sort out a number of problems in relation to countries, perhaps going as far as a high

level mission, but this is the first time that we have been faced with the decision of going to step six which is a public statement. I am sure you understand that this step was taken only after very long deliberation in relation to it. I would also say that it was actually a very difficult decision to make. It means that not only are we the only FSRB to have made a public statement in this way, we are the only AML/CFT body to have made a public statement about one of its own members and it is actually quite difficult to do in the context of the people you are dealing with in the body of the meeting.

Q503 Chairman: Did it work?

Mr Ringguth: I am pleased to say that there is progress. We have made a second public statement after the last plenary meeting which recognised that steps had been taken by Azerbaijan after the December statement and AML/CFT law has now passed and is indeed in force, although the whole legal framework – the enabling measures – is still to be brought into effect as I understand it at the moment in Azerbaijan. We very much wanted to reflect the progress that had been made by the country in the statement although the first statement still remains in effect. I am pleased to say that both statements have been prominently displayed on the FATF's website. We have had considerable feedback from our own countries as to the steps that they have taken to draw our concerns about the AML/CFT system in Azerbaijan to the attention of their financial institutions. Mainly it has been done on FIU websites et cetera, sometimes by the financial services authorities in the individual countries. Also we are very gratified that a number of FATF countries have also taken similar steps, including the United Kingdom (our statements I think are on the UK Treasury website). We are also very encouraged that last week the Financial Action Task Force actually asked for feedback from all its members and observers as to the steps that they had taken in respect not only of their own statements in relation to countries like Iran et cetera but also in relation to the

MONEYVAL statements on Azerbaijan which will be very welcome and we know that certain FATF countries and a number of European countries have taken similar steps.

Q504 Chairman: What do you see as the major challenges facing European and international efforts to effectively combat money laundering?

Mr Ringguth: I could list a whole range of issues I am afraid.

Q505 Chairman: Would you like to put them on paper?

Mr Ringguth: I could do that. Perhaps if I could sum it up I think one of the major issues going forward is actually embedding all the standards that exist in AML/CFT, particularly on the preventive side, into real, effective implementation in countries. It is very easy to pass laws et cetera in relation to either external stimulus (directives et cetera); it is another thing to actually get effective implementation and also really linking up all the themes I hope I have tried to get over this morning. We believe that there is actually still much more to do in obtaining major money laundering convictions and major deterrent confiscation orders. For all the expense that goes into the preventive side, what is coming out of law enforcement in a lot of countries is not that great compared with the resources that are being put into this on the preventive side. Those are areas I would certainly flag up.

Chairman: We look forward to receiving your written answers. Can I thank you very much for coming; it has been extremely helpful for the Committee. Speaking for myself I did not know a vast amount about MONEYVAL, now I know a bit more. Thank you very much indeed.