

**EXPLANATORY MEMORANDUM TO**  
**THE MONEY LAUNDERING AND TERRORIST FINANCING (AMENDMENT) (EU**  
**EXIT) REGULATIONS 2020**

2020 No. [XXXX]

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by HM Treasury and is laid before Parliament by Act.
- 1.2 This memorandum contains information for the Sifting Committees.

**2. Purpose of the instrument**

- 2.1 These Regulations update the existing United Kingdom (“UK”) anti-money laundering legislation to implement changes in the European Union (“EU”) anti-money laundering framework and make minor corrections and other minor amendments. They also fix the deficiencies that will otherwise arise from these amendments at the end of the Transition Period.
- 2.2 The Regulations amend the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (S.I. 2017/692) (the “MLRs”) to implement amendments made by [EU Directive 2018/843](#) (the “Amending Directive”) to [EU Directive 2015/849](#) (the “Fourth Anti-Money Laundering Directive”). The Fourth Anti-Money Laundering Directive gave effect to the updated [Financial Action Task Force](#) (“FATF”) standards which promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.
- 2.3 The main changes are made in order to transpose provisions introduced by the Amending Directive concerning the UK’s register of express trusts: in particular, expanding the scope of the register, and requiring that information on the register is made available in certain circumstances to those with a legitimate interest. The other changes concern correspondent banking, reporting of discrepancies in beneficial ownership information, customer due diligence on publicly listed companies, the use of confidential information, registration deadlines for some firms and directions to cryptoasset businesses.
- 2.4 Finally, fixes are made to EU exit related deficiencies under the European Union (Withdrawal) Act 2018 (c.16) as set out below.

***Explanations***

*What did any relevant EU law do before exit day?*

- 2.5 The Fourth Anti-Money Laundering Directive and the Amending Directive set out the rules to ensure businesses properly assess money laundering and terrorist financing risks and carry out appropriate checks on their customers. They also stipulate beneficial ownership information that Member states must collect and hold on body corporates and express trusts.

Why is it being changed?

- 2.6 The relevant provisions of the MLRs implement EU law including by creating differential registration requirements for trusts established in the European Economic Area (“EEA”) and non-EEA trusts. Once the Transition Period comes to an end it will no longer be appropriate for the UK to treat EEA states differently to other foreign countries simply by reason of EEA membership.

What will it now do?

- 2.7 At the end of the Transition Period, Part 4 of these Regulations will amend the new provisions inserted by Part 2 to re-define the concepts of “EEA registered trust” and “third country entity” so that these reflect the requirements of the relevant national legislation rather than whether the entity or the trust is based in the EEA.

### **3. Matters of special interest to Parliament**

*Matters of special interest to the Sifting Committees*

- 3.1 This instrument is being laid for sifting by the Sifting Committees.

*Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)*

- 3.2 As the instrument is subject to negative resolution procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

### **4. Extent and Territorial Application**

- 4.1 The territorial extent of this instrument is all of the UK.  
4.2 The territorial application of this instrument is all of the UK.

### **5. European Convention on Human Rights**

- 5.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

### **6. Legislative Context**

- 6.1 The Fourth Anti-Money Laundering Directive was implemented in the UK in June 2017, primarily through the MLRs. The Amending Directive amended certain parts of the Fourth Anti-Money Laundering Directive on 19 June 2018.
- 6.2 The vast majority of these provisions were transposed by the Money Laundering and Terrorist Financing (Miscellaneous Amendments) Regulations 2018 (S.I. 2018/1337) on 10 January 2019 and by the Money Laundering and Terrorist Financing (Amendment) Regulations 2019 (S.I. 2019/151) on 10 January 2020.
- 6.3 The Amending Directive made changes to Article 31 of the Fourth Anti-Money Laundering Directive in relation to registration of beneficial ownership of express trusts. It required Member States to “set up” an expanded register of express trusts by 10 March 2020. The UK has now missed that transposition deadline. This instrument is being made to update the MLRs to comply with obligations arising under EU law

which, under the Withdrawal Agreement, still apply to the UK during the Transition Period.

- 6.4 The Amending Directive was cleared from scrutiny by the Commons European Scrutiny Committee on 31 January 2018 and the Lords European Scrutiny Committee on 19 December 2017.

## 7. Policy background

### *What is being done and why?*

- 7.1 Money laundering and terrorist financing undermines the integrity and stability of our financial institutions. It is a global problem and the UK must play its part in strengthening its regime and adhering to international standards. Money laundering is also a key enabler of serious and organised crime, which costs the UK at least £37 billion every year.<sup>1</sup>
- 7.2 The UK is a founding member and strong supporter of the Financial Action Task Force (FATF), which sets global anti-money laundering and counter-terrorist financing (“AML”/ “CTF”) standards. These standards, as outlined in the FATF Recommendations and Methodology, are generally incorporated into UK law through the transposition of EU directives. As a leading member of the FATF, the UK will continue to update anti-money laundering policies according to international standards, ensuring the UK’s AML/CTF regime is kept up to date with these standards, effective and proportionate.
- 7.3 The Fourth Anti-Money Laundering Directive is a key part of the regulatory framework for addressing and mitigating the risks related to money laundering and terrorist financing. The Fourth Anti-Money Laundering Directive updated EU AML/CTF policy to reflect the 2012 update to the FATF standards. In order to increase the regulatory regime’s effectiveness against the context of evolving trends, technological developments and the exploitation of regulatory loopholes, the Amending Directive amends certain aspects of the Fourth Anti-Money Laundering Directive.
- 7.4 The UK shares the objectives which the Amending Directive seeks to achieve and played a significant role in the negotiation of the Amending Directive. The UK government’s objective through transposing the Amending Directive by these Regulations is to combat illicit finance and address emerging risks while minimising the burden on legitimate business.

### *Trusts register*

- 7.5 UK express trusts with taxable consequences are already required to collect information on beneficial ownership and register with HMRC’s Trust Registration Service (TRS). New regulation 45ZA now widens the scope of trusts required to register to include all UK express trusts, including those with no tax consequences, with explicit exemptions for some categories of trusts as mentioned below. Trustees of UK trusts that are not exempted must now collect relevant information on beneficial ownership and register by 10 March 2022.

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<sup>1</sup> <https://nationalcrimeagency.gov.uk/who-we-are/publications/296-national-strategic-assessment-of-serious-organised-crime-2019/file>

- 7.6 Schedule 3A specifies the types of trusts that will be exempt from the new registration requirements. These trusts are not considered to be “express trusts” for the purposes of the Fourth Anti-Money Laundering Directive; such as, where the trust results from a legislative requirement rather than from the intention of the settlor or is merely incidental to a legitimate wider commercial transaction. Trusts are mechanisms often used in contracts governed by common law in order to ensure they function properly; for example, if funds or assets end up in the wrong hands they must be paid or transferred back or if a guarantee is granted, an equivalent amount would be carved out of the grantor’s assets in the event of insolvency.
- 7.7 As well as UK express trusts, regulation 45ZA also sets out two further sorts of *non-UK* trust (“type B” and “type C”) that are newly required to register whether or not they have UK tax consequences.
- 7.8 Broadly, non-UK express trusts which acquire UK land, or which have at least one UK trustee and enter into a business relationship with a UK obliged entity, must register by 10 March 2022 or 30 days from the date the relationship commences or the acquisition is recorded in the Land Registry.
- 7.9 A “business relationship” means a business, professional or commercial relationship that arises out of the business of the obliged entity and that is expected, at the time contact is established, to have an element of duration: in this context, HMRC regard this as meaning at least 12 months. “Obligated entities” are businesses regulated for AML/CTF purposes and are referred to as “relevant persons” in the MLRs.
- 7.10 Non-UK trusts that enter into such a relationship (without acquiring UK land) do not have to register if the trust is already required by the Fourth Anti-Money Laundering Directive to register in an EEA country. This is because the Amending Directive obliges trusts established “outside the Union” to register in the state where the relationship is entered into. Since the Amending Directive requires registration of trusts “administered in” the UK, registration is necessary only if the relationship is entered into by a non-UK trust with least one trustee resident or established in the UK. This condition is intended to give certainty about which non-UK trusts fall into that category without disproportionately expanding the scope of the register to cover trusts which obtain advice from a UK firm and otherwise have no connection to the UK.
- 7.11 From 10 March 2022, when entering into a new business relationship with a trust that is required to register under the above requirements, obliged entities must collect proof of registration. To facilitate this, trustees will be able to download a digital proof of registration from the register which they can then provide to the obliged entity. This process will be set out in future guidance.
- 7.12 The trust register can already be accessed by law enforcement agencies to aid their work in countering money laundering and terrorist financing, and this will continue (see regulation 45(12)). From 10 March 2022, new regulation 45ZB broadens access to third parties who have demonstrated a legitimate interest in the information held on the register. Following a process to be set out in future guidance, third parties will be able to make a request to HMRC for information on a particular trust. To ensure that the appropriate balance is struck between the right of privacy of information held on the register and the need for transparency of information to assist AML/CTF activities, these Regulations require HMRC to consider a number of factors before determining whether information held on the register should be provided to a third party. Each request will be considered on its own merits with the aim of ensuring that

information is only provided in furtherance of genuine AML/CTF activities. If all or part of the information requested is withheld, these Regulations require HMRC to offer the requester a review of that decision.

- 7.13 Regulation 45ZB also provides that access to information held on the register will be granted to a third party where the relevant trust has a controlling interest in a non-EEA legal entity.
- 7.14 To correspond with changes planned to be introduced under the Registration of Overseas Entities Bill, any non-UK express trust (but not a trust excluded by Schedule 3A) that acquires land or property in the UK must register by 10 March 2022 or 30 days from the relevant land registration date. These trusts will be on the register but will not be subject to the regulation 45ZB third party data sharing provisions unless they have at least one trustee resident or established in the UK.

### ***Reporting discrepancies, confidentiality, registration and directions***

- 7.15 Regulation 74C (directions: cryptoasset businesses) is amended in response to a memorandum from the Joint Committee on Statutory Instruments which was published on 28 February 2020 in respect of S.I. 2019/1511. This fulfils an undertaking by the Treasury to amend the drafting at the earliest opportunity. It has been decided not to apply the procedure for free issue in view of the brevity of this provision and of the amendment in regulation 3(a). In accordance with paragraph 4.7.6 of SI Practice the SI Registrar has been consulted.
- 7.16 In regulation 52A, an amendment is made to allow HMRC to share information collected in the course of its anti-money laundering supervision functions in accordance with the confidentiality and use of information requirements set out in sections 17 and 18 of the Commissioners for Revenue and Customs Act 2005 (c.11). This amendment will allow HMRC to share information internally between teams performing its different functions while ensuring that information held by HMRC by virtue of its functions remains confidential and can only be disclosed under the exemptions set out in the relevant sections.
- 7.17 Regulation 56 is amended to extend the period newly regulated art market participants and letting agents have to register with HMRC by 5 months to 10 June 2021 to mitigate the risks of an application backlog due to Covid-19 pressures on HMRC's and businesses' resources.
- 7.18 Regulations 30A, 37, 39 and 40 are amended to clarify that discrepancies only have to be reported when establishing new business relationships, that obliged entities are able to outsource the reporting of discrepancies if their other CDD duties are outsourced, that obliged entities must maintain a record of relevant documents related to carrying out regulation 30A and ensure that discrepancies are reported when simplified customer due diligence (SDD) is applied.

### ***Customer due diligence and enhanced due diligence***

- 7.19 In Regulation 28, an amendment is made to paragraph (5) and paragraph (19)(b) is amended to clarify what an 'appropriate level of assurance' means in the context of electronic identification.
- 7.20 An amendment is made to regulations 33 and 34 to meet FATF recommendation 10.13 and ensure that the requirements set out in regulation 33(6)(a)(vii) and 33(4A) apply to the beneficiary of a life insurance policy that a financial institution is

providing to a customer rather than to customers who are beneficiaries of life insurance policies.

## **8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union**

- 8.1 This instrument is being made using the power in section 8 of the European Union (Withdrawal) Act 2018 in order to address failures of retained EU law to operate effectively or other deficiencies arising from the withdrawal of the United Kingdom from the European Union. In accordance with the requirements of that Act the Minister has made the relevant statements as detailed in Part 2 of the Annex to this Explanatory Memorandum.
- 8.2 Alongside the EU (Withdrawal) Act 2018 powers the instrument is also being made under section 2(2) of the European Communities Act 1972 (c.68).

## **9. Consolidation**

- 9.1 The MLRs revoked and replaced the previous 2007 Regulations along with amendments and the changes made to transpose the Fourth Anti-Money Laundering Directive. There are no current plans for a further consolidation of the MLRs.

## **10. Consultation outcome**

- 10.1 The government launched a technical consultation on 24 January 2020 entitled “Fifth Money Laundering Directive and Trust Registration Service”. This consultation sought views on the extension of the Trust Registration Service including proposals on the types of trusts that will be required to register, on processes for data collection and sharing, and on penalties. A copy of the consultation is available at: <https://www.gov.uk/government/consultations/technical-consultation-fifth-money-laundering-directive-and-trust-registration-service>.
- 10.2 The consultation closed on 21 February 2020. 124 written responses were received from a wide range of stakeholders including professional firms, representative bodies, charities and civil society groups. The government ran a series of events during the consultation period at which stakeholders were invited to take part in discussions and share their views.
- 10.3 The consultation asked for views on the categories of trusts that the government proposed should be exempt from registration. Responses to the consultation were broadly in agreement with these proposals; however, many responses suggested further categories of trusts for exemption. The government has considered these views and recognises that, in some areas, there is good justification for expanding the categories of trusts which are not required to register on the basis that they are regulated elsewhere or that for other reasons the inherent risk of the trust being used for money laundering and/or terrorist financing is low. The full list of trusts which are not required to register is set out at Schedule 3A of the instrument.
- 10.4 Responses were mixed on the proposed deadlines for registration. Many responses said that proposed deadlines were reasonable, whilst others said the deadlines were too tight for particular types of trusts. The government took these concerns into account when determining the categories of trusts which will be exempt from registration.

- 10.5 The consultation asked for views on the proposed penalty regime. Responses were broadly supportive of the proposed regime but many responses asked for further details to be provided. The government intends to publish guidance with further details on the penalty regime with sufficient notice before the planned penalty implementation date of 10 March 2022.
- 10.6 The government asked for views on the processes for sharing information held on the register with third parties. Respondents generally agreed that the proposed data sharing process was broadly appropriate and set the right boundaries for access to the register. Some respondents had concerns around privacy of trustee information, whilst others were concerned that the proposed data sharing process would not give investigators sufficient access to information held on the register. The government recognises the tension between transparency of information and the right to privacy and considers that the data sharing provisions strike the right balance between those two principles.
- 10.7 The government has published its formal response to the consultation. The response document summarises the stakeholder responses submitted and sets out the legislative changes and reasoning behind them. A copy of the consultation response is available at: <https://www.gov.uk/government/consultations/technical-consultation-fifth-money-laundering-directive-and-trust-registration-service>.

## 11. Guidance

- 11.1 HMRC's guidance for Trust Registration Service is available at <https://www.gov.uk/trusts-taxes/registering-a-trust>. Further guidance will be available in due course.
- 11.2 This instrument and the MLRs are part of an implementation system that includes guidance from supervisors and industry. One set of guidance is prepared per regulated sector, which is then approved by HM Treasury to ensure consistency in compliance across sectors and an accurate interpretation of the Regulations. This approach leverages the supervisors' and industry's in-depth knowledge of individual sectors and the risks associated with the sector.
- 11.3 The Joint Money Laundering Steering Group's guidance for financial services, including cryptoasset exchange providers and custodian wallet providers, is available at: <http://www.jmlsg.org.uk>.
- 11.4 The Consultative Committee of Accountancy Bodies' guidance is available at <http://ccab.org.uk>.
- 11.5 The Legal Sector Affinity Group's guidance is available at <https://www.sra.org.uk/solicitors/code-of-conduct/guidance/guidance/Anti-moneylaundering> (as well as other legal supervisors' websites).
- 11.6 HMRC's guidance for trust and company service providers is available at <https://www.gov.uk/guidance/money-laundering-regulations-trust-or-company-service-provider-registration>.
- 11.7 HMRC's guidance for high value dealers is available at <https://www.gov.uk/government/publications/anti-money-laundering-guidance-forhigh-value-dealers>.

- 11.8 HMRC's guidance for money service businesses is available at <https://www.gov.uk/government/publications/anti-money-laundering-guidance-for-money-service-businesses>.
- 11.9 HMRC's guidance for estate agents and letting agents will be available at <https://www.gov.uk/government/publications/money-laundering-regulations-2007-supervision-of-estate-agency-businesses>.
- 11.10 The Gambling Commission's guidance for casinos is available at: <https://www.gamblingcommission.gov.uk/for-gamblingbusinesses/Compliance/General-compliance/AML/The-Prevention-of-Money-Laundering/The-prevention-of-money-laundering-and-combating-the-financing-of-terrorism-contents.aspx>.
- 11.11 The British Art Market Federation's guidance for the art sector will be available at <https://tbamf.org.uk/>

## **12. Impact**

- 12.1 There is no, or no significant, impact on business, charities or voluntary bodies.
- 12.2 The impact on the public sector is predominantly the costs incurred by HMRC in implementing the relevant changes to the TRS: in particular expanding the existing register to accommodate trusts with no tax consequences, and receiving and processing requests for access to data on the register. There is no significant impact on the public sector more widely. This instrument will require trustees of trusts within scope to collect information on beneficial ownership and register with the Trust Registration Service. HMRC is committed to ensuring that this administrative burden is minimised as much as possible.
- 12.3 An Impact Assessment has not been prepared for this instrument because, in line with Better Regulation guidance, the Government considers that the net impact on businesses will be less than £5 million a year. Due to this limited impact, a de-minimis impact assessment has been carried out.
- 12.4 This instrument will mean that businesses regulated under the MLRs will be required to carry out a check of the trust register when entering into a business relationship with a registerable trust. However, the impact of this additional check will be limited as this forms part of a wider customer due diligence framework already required of these businesses.
- 12.5 A full Impact Assessment covering transposition of the Amending Directive was published alongside the Money Laundering and Terrorist Financing (Amendment) Regulations 2019.

## **13. Regulating small business**

- 13.1 The legislation applies to activities that are regulated under the Regulations regardless of the size of the business. The Amending Directive requires that the provisions apply to all businesses. We do not anticipate that the requirements of the Directive and the other amendments to the MLRs will have a significant impact on small businesses.
- 13.2 The basis for the final decision on what action to take to assist small businesses is that there is no disproportionate impact on small business and therefore no additional assistance for small business is required.



#### **14. Monitoring & review**

- 14.1 This instrument requires HM Treasury, from time to time, to carry out a review of the regulatory provisions contained in the Regulations and publish a report setting out the conclusions of the review. The first report must be published before 26 June 2022. Subsequent reports must be published at intervals not exceeding 5 years.

#### **15. Contact**

- 15.1 Catherine Kernaghan at HM Treasury can be contacted with any queries regarding the instrument.
- 15.2 Giles Thomson, Deputy Director for Sanctions and Illicit Finance at HM Treasury can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 John Glen MP, the Economic Secretary to the Treasury at HM Treasury can confirm that this Explanatory Memorandum meets the required standard.

# Annex

## Statements under the European Union (Withdrawal) Act 2018

### Part 1

#### Table of Statements under the 2018 Act

This table sets out the statements that may be required under the 2018 Act.

Statement	Where the requirement sits	To whom it applies	What it requires
Sifting	Paragraphs 3(3), 3(7) and 17(3) and 17(7) of Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) to make a Negative SI	Explain why the instrument should be subject to the negative procedure and, if applicable, why they disagree with the recommendation(s) of the SLSC/Sifting Committees
Appropriate-ness	Sub-paragraph (2) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2	A statement that the SI does no more than is appropriate.
Good Reasons	Sub-paragraph (3) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2	Explain the good reasons for making the instrument and that what is being done is a reasonable course of action.
Equalities	Sub-paragraphs (4) and (5) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2	Explain what, if any, amendment, repeals or revocations are being made to the Equalities Acts 2006 and 2010 and legislation made under them.  State that the Minister has had due regard to the need to eliminate discrimination and other conduct prohibited under the Equality Act 2010.
Explanations	Sub-paragraph (6) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2  In addition to the statutory obligation the government has made a political commitment to include these statements alongside all EUWA SIs	Explain the instrument, identify the relevant law before exit day, explain the instrument's effect on retained EU law and give information about the purpose of the instrument, e.g., whether minor or technical changes only are intended to the EU retained law.
Criminal offences	Sub-paragraphs (3) and (7) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9, and	Set out the 'good reasons' for creating a criminal offence, and the penalty attached.

		23(1) or jointly exercising powers in Schedule 2 to create a criminal offence	
Sub-delegation	Paragraph 30, Schedule 7	Ministers of the Crown exercising sections 10(1), 12 and part 1 of Schedule 4 to create a legislative power exercisable not by a Minister of the Crown or a Devolved Authority by Statutory Instrument.	State why it is appropriate to create such a sub-delegated power.
Urgency	Paragraph 34, Schedule 7	Ministers of the Crown using the urgent procedure in paragraphs 4 or 14, Schedule 7.	Statement of the reasons for the Minister's opinion that the SI is urgent.
Explanations where amending regulations under 2(2) ECA 1972	Paragraph 14, Schedule 8	Anybody making an SI after exit day under powers outside the European Union (Withdrawal) Act 2018 which modifies subordinate legislation made under s. 2(2) ECA	Statement explaining the good reasons for modifying the instrument made under s. 2(2) ECA, identifying the relevant law before exit day, and explaining the instrument's effect on retained EU law.
Scrutiny statement where amending regulations under 2(2) ECA 1972	Paragraph 15, Schedule 8	Anybody making an SI after exit day under powers outside the European Union (Withdrawal) Act 2018 which modifies subordinate legislation made under s. 2(2) ECA	Statement setting out: a) the steps which the relevant authority has taken to make the draft instrument published in accordance with paragraph 16(2), Schedule 8 available to each House of Parliament, b) containing information about the relevant authority's response to— (i) any recommendations made by a committee of either House of Parliament about the published draft instrument, and (ii) any other representations made to the relevant authority about the published draft instrument, and, c) containing any other information that the relevant authority considers appropriate in relation to the scrutiny of the instrument or draft instrument which is to be laid.

## Part 2

### Statements required when using enabling powers under the European Union (Withdrawal) 2018 Act

#### 1. Sifting statement(s)

- 1.1 The Economic Secretary to the Treasury (John Glen MP) has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view the Money Laundering and Terrorist Financing (Amendment) (EU Exit) Regulation 2020 should be subject to annulment in pursuance of a resolution of either House of Parliament (i.e. the negative procedure).

This is the case because the Regulations being amended were themselves made under the negative procedure. These Regulations make only two minor changes to two definitions, of “EEA registered trust” and “third country entity”, in each case keeping the substantive meanings of those terms as close as possible to their meanings prior to IP completion day (so that, for instance, “third country entity” will not automatically extend to EEA as well as non-EEA entities). These Regulations do not confer new functions on any UK bodies and do not amend primary legislation.”

#### 2. Appropriateness statement

- 2.1 The Economic Secretary to the Treasury (John Glen MP) has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view the Money Laundering and Terrorist Financing (Amendment) (EU Exit) Regulations 2020 do no more than is appropriate.

- 2.2 This is the case because they correct deficiencies in UK law governing AML legislation resulting from the UK’s exit from the EU. Further detail of the policy rationale for this instrument can be found in section 2 of this explanatory memorandum.”

#### 3. Good reasons

- 3.1 The Economic Secretary to the Treasury (John Glen MP) has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view there are good reasons for the provisions in this instrument, and I have concluded they are a reasonable course of action.

- 3.2 These are that without the provision in this instrument, domestic law governing AML rules would cease to function appropriately after the UK’s exit from the EU. Further detail for the reasons for this SI can be found in section 2 of this explanatory memorandum.”

#### **4. Equalities**

- 4.1 The Economic Secretary to the Treasury (John Glen MP) has made the following statement:

“The draft instrument does not amend, repeal or revoke a provision or provisions in the Equality Act 2006 or the Equality Act 2010 or subordinate legislation made under those Acts.”

- 4.2 The Economic Secretary to the Treasury (John Glen MP) has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In relation to the draft instrument, I, John Glen MP, Economic Secretary to the Treasury, have had due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010.”

#### **5. Explanations**

- 5.1 The explanations statement has been made in section 2 of the main body of this explanatory memorandum.