

TERRORIST ASSET-FREEZING ETC. ACT 2010

EXPLANATORY NOTES

COMMENTARY ON SECTIONS AND SCHEDULES

Part 1 – Terrorist Asset-Freezing

Chapter 1 - Designated Persons

Introductory

Section 1 – Meaning of “designated person”

13. The financial restrictions contained in Part 1 of the Act apply to “designated persons”. Section 1 defines “designated person” as (a) a person designated by the Treasury or (b) a person included in the list provided for by Article 2(3) of the EC Regulation. The EC Regulation is a measure adopted by the EC to implement resolution 1373. It provides that the Council should establish a list of persons to whom asset-freezes apply. The list is made up of persons put forward for inclusion by a “Competent Authority” in a Member State and on the basis that the Authority has taken relevant steps (for example, to prosecute for a terrorist offence or freeze assets domestically) against that person. The Treasury is a Competent Authority for the purposes of the EC Regulation.

Final designations

Section 2 – Treasury’s power to make final designation

14. There are two designation powers in Part 1 of the Act. In addition to the power in this section to make a final designation for the purposes of Part 1 of the Act, there is a power in section 6 to make an interim designation. Interim designations are based on ‘reasonable suspicion’ rather than ‘reasonable belief’. Interim designations may last up to 30 days, while final designations expire one year after being made unless renewed. There is no requirement to make an interim designation prior to a final designation.
15. In relation to final designations, *subsection (1)* of section 2 provides that the Treasury may only make a designation if the requirements of paragraphs (a) and (b) are met. Under paragraph (a) the Treasury must reasonably believe that the person is or has been involved in terrorist activity (or is owned or controlled directly or indirectly by, or is acting on behalf or at the direction of, such a person). Under paragraph (b) the Treasury can only designate such a person if they consider that it is necessary for the purpose of protecting members of the public from terrorism that financial restrictions should be applied in relation to the person.
16. *Subsections (2) and (3)* define “involvement in terrorist activity”.
17. *Subsection (4)* defines “terrorism” for the purposes of section 2 of the Act by reference to the definition contained in section 1(1) to (4) of the Terrorism Act 2000.

Section 3 – Notification of final designation

18. **Section 3** requires the Treasury to give notice of and publicise any final designations that they make. *Subsection (1)* requires the Treasury to give written notice of a person's designation to that person and to take steps to publicise the designation.
19. Under *subsection (2)*, the designation must be publicised generally, unless one of the exceptions in *subsection (3)* applies, in which case under *subsection (4)* the Treasury must inform only such persons as they consider appropriate. The conditions in *subsection (3)* are that the Treasury (a) believe that the designated person is under the age of 18 or (b) consider that disclosure of the designation should be restricted in the interests of national security, for reasons connected with the prevention or detection of serious crime, or in the interests of justice. For example (and this could apply also in relation to an interim designation under section 6 as section 7 has a similar provision for the restriction of notification of interim designations), the Treasury may consider restricting the publication of a person's designation where they are concerned that a wide publication might have the consequence of revealing the nature or extent of a police or intelligence investigation.
20. *Subsection (5)* specifies that where the Treasury have publicised a person's designation to only those persons they consider appropriate because one or more conditions in *subsection (3)* were met but such conditions subsequently cease to be met, the Treasury must give written notice of that fact to the designated person and take steps to publicise the designation generally.

Section 4 – Duration of final designation

21. *Subsection (1)* specifies that a final designation expires after one year unless renewed. *Subsection (2)* gives the Treasury the power to renew a final designation at any time before it expires provided that the requirements of section 2(1) continue to be met. Such renewed final designations also expire after one year following the date of renewal (*subsection (3)*) and a renewal of a final designation must be notified and publicised in accordance with the provisions of section 3 (*subsection (4)*). A final designation may be renewed more than once. Upon the expiry of a final designation, the Treasury must give written notice of the fact to the designated person and take reasonable steps to bring that fact to the attention of those informed of the designation (*subsection (5)*).

Section 5 – Variation or revocation of final designation

22. This section gives the Treasury the power to vary or revoke a final designation at any time (*subsection (1)*). Where they do so they must give written notice to the designated person and take reasonable steps to bring the variation or revocation to the attention of those informed of the designation (*subsection (2)*).

Interim designations

Section 6 – Treasury's power to make interim designation

23. **Section 6** gives the Treasury a power to make an interim designation of a person for the purposes of Part 1 of the Act. *Subsection (1)* provides that the Treasury may only exercise such power if the requirements of paragraphs (a) and (b) are met. Under paragraph (a) the Treasury must reasonably suspect that the person is or has been involved in terrorist activity (or is owned or controlled directly or indirectly by, or is acting on behalf or at the direction of, such a person). Under paragraph (b) the Treasury can only designate such a person if they consider that it is necessary for the purpose of protecting members of the public from terrorism that financial restrictions should be applied in relation to the person.
24. *Subsection (2)* applies subsections (2) to (4) of section 2 (definitions of involvement in terrorist activity and of terrorism) to this section.

25. *Subsection (3)* provides that a further interim designation of a person cannot be made on the same, or substantially the same, evidence as the first interim designation.

Section 7 – Notification of interim designation

26. **Section 7** requires the Treasury to give notice of and publicise any interim designations that they make. *Subsection (1)* requires the Treasury to give written notice of a person's designation to that person and to take steps to publicise the designation.
27. Under *subsection (2)*, the designation must be publicised generally, unless one of the exceptions in *subsection (3)* applies, in which case under *subsection (4)* the Treasury must inform only such persons as they consider appropriate. The conditions in *subsection (3)* are the same as those for final designations in section 3(3).
28. *Subsection (5)* specifies that where the Treasury have publicised a person's designation to only those persons they consider appropriate because one or more conditions in *subsection (3)* were met but such conditions subsequently cease to be met, the Treasury must give written notice of that fact to the designated person and take steps to publicise the designation generally.

Section 8 – Duration of interim designation

29. *Subsection (1)* specifies that an interim designation expires after thirty days or on the making of a final designation under section 2, whichever is earlier. *Subsection (2)* provides that where an interim designation expires the Treasury must give written notice of this to the designated person and take reasonable steps to tell persons informed of the interim designation that it has expired. *Subsection (3)* provides that where an interim designation expires on the making of a final designation the Treasury may issue a single notice informing the person of the expiry of the interim designation and the making of a final designation, and similarly may combine the steps taken to publicise the final designation with the reasonable steps taken to inform persons of the expiry of the interim designation.

Section 9 – Variation or revocation of interim designation

30. This section gives the Treasury the power to vary or revoke an interim designation at any time (*subsection (1)*). Where they do so they must give written notice to the designated person and take reasonable steps to bring the variation or revocation to the attention of those informed of the interim designation (*subsection (2)*).

Confidential information

Section 10 – Confidential information

31. **Section 10** provides that where the Treasury inform only a limited number of persons of an interim designation or a final designation the Treasury may specify that certain information contained in the notification is to be treated as confidential. Such a person (or another person who obtains the information) commits an offence if he or she discloses the information without lawful authority and knowing or having reasonable cause to suspect that it is to be treated as confidential (*subsections (1), (2), (3) and (6)*). *Subsection (4)* specifies the circumstances when information is disclosed with lawful authority, *subsection (5)* provides that section 10 does not apply to information that is already, or has previously been, available to the public from other sources and *subsection (7)* allows the person who is the subject of the information or the Treasury to apply to the appropriate court to grant an injunction (or interdict in Scotland) to prevent disclosure of the information.

Chapter 2 – Prohibitions in Relation to Designated Persons

Prohibitions

Section 11 – Freezing of funds and economic resources

32. **Sections 11 to 15** set out the main consequences of a person being subject to an interim designation or a final designation. Section 11 makes it an offence for a person to deal with funds or economic resources owned, held or controlled by a designated person if the person who is dealing knows, or has reasonable cause to suspect, that the funds or economic resources in question are owned, held or controlled by a designated person (*subsections (1) and (4)*). The terms “funds” and “economic resources” are defined in section 39.
33. *Subsection (2)* provides the meaning of “deal with” for the purpose of section 11.
34. *Subsection (3)* states that the offence in *subsection (1)* is subject to the provisions of section 16 (which set out exceptions to this and the offences in sections 12 and 13) and section 17 (which permits activities which would otherwise fall within the offences in section 11 to 15 to be permitted by licence from the Treasury).

Section 12 – Making funds or financial services available to designated person

35. **Section 12** makes it an offence for a person to make funds or financial services available (directly or indirectly) to a designated person if the person making the funds or financial services available knows, or has reasonable cause to suspect, that the funds or financial services are being made available (directly or indirectly) to a designated person. The term “financial services” is defined in section 40.

Section 13 – Making funds or financial services available for benefit of designated person

36. This section makes it an offence for a person to make funds or financial services available to any person for the benefit of a designated person if the person making the funds or financial services available knows, or has reasonable cause to suspect, that the funds or financial services are being made available for the benefit of a designated person. In contrast to the prohibition in section 12, which prohibits the making available of funds or financial services, directly or indirectly, to the designated person, the section 13 prohibition relates to the making available of funds or financial services to third parties but which are for the benefit of the designated person.
37. *Subsection (2)* provides that for the purposes of section 13, funds or financial services are made available for the benefit of a designated person only if that person thereby obtains, or is able to obtain, a significant financial benefit, where “financial benefit” includes the discharge of a financial obligation for which the designated person is wholly or partly responsible. No particular threshold level or amount of financial benefit is specified as constituting a “significant” financial benefit. Whether a financial benefit is “significant” is dependent on the circumstances of each particular case. Various factors may lead to a conclusion that a financial benefit is or is not significant, including the value of the financial benefit, the frequency with which the financial benefit is conferred on the designated person and the nature of the financial benefit.

Section 14 – Making economic resources available to designated person

38. **Section 14** makes it an offence for a person to make economic resources available (directly or indirectly) to a designated person if the person making the economic resources available knows, or has reasonable cause to suspect, that (a) the economic resources are being made available (directly or indirectly) to a designated person and (b) the designated person would be likely to exchange the economic resources, or use them in exchange, for funds, goods or services.

Section 15 – Making economic resources available for benefit of designated person

39. This section makes it an offence for a person to make economic resources available to any person for the benefit of a designated person if the person making the economic resources available knows, or has reasonable cause to suspect, that the economic resources are being made available for the benefit of a designated person. While the prohibition in section 14 prohibits the making available of economic resources to the designated person, the section 15 prohibition relates to the making available of economic resources to third parties but which are for the benefit of, or give rise to a benefit to, the designated person.
40. As is the case under section 13(2), the prohibition in section 15 is only engaged if the designated person obtains, or is able to obtain, a significant financial benefit as a consequence of the making available of economic resources to the third party.

Exceptions and licences

Section 16 – Exceptions

41. **Section 16** sets out various activities which do not contravene the prohibitions in sections 11 to 13 of the Act. *Subsection (1)* provides that relevant institutions (defined in section 41) which credit frozen accounts with interest or other earnings due on the account, or payments due under contracts, agreements or obligations that were concluded or arose before the account became frozen, are not in breach of the prohibitions in sections 11 to 13. *Subsection (2)* exempts from the prohibitions in sections 12 and 13 relevant institutions which credit frozen accounts where they receive funds transferred to a frozen account. Any funds credited to a frozen account in accordance with *subsection (1)* or *(2)* become frozen once they have been so credited.
42. *Subsection (3)* makes it clear that the payment of state benefits to a person other than a designated person is not caught by the prohibition in section 13. This provision is intended in part to reflect the European Court of Justice decision in C-340/08. In this case the ECJ decided that the prohibition on making funds available for the benefit of a designated person in an EC Regulation concerning Al-Qaida and the Taliban (there is similar provision in the EC Regulation on terrorism) did not apply to the payment of certain state benefits payable to members of the household of a designated person. *Subsection (3)* covers both the payment of benefits payable to persons other than the designated person, and in addition the payment of benefits due to a designated person but which are paid to a non-designated person (e.g. if the designated person requests that the benefit is paid to a family member and the paying body agrees to the request). Whilst *subsection (3)* allows benefits departments to make funds available to a non-designated person for the benefit of a designated person, it remains an offence under section 12 for those funds then to be made available to the designated person. It also remains an offence under section 13 for those funds then to be made available for the designated person's benefit where the designated person thereby obtains, or is able to obtain, a significant financial benefit.
43. *Subsection (4)* requires a relevant institution to inform the Treasury without delay if it credits a frozen account in accordance with *subsections (1)(b)* or *(2)*. *Subsection (5)* defines "frozen account".

Section 17 – licences

44. **Section 17** provides that persons may take any actions which would otherwise breach the prohibitions in sections 11 to 15 of the Act if they do so under authority of a licence granted by the Treasury (*subsection (1)*). The Treasury have the power to vary or revoke a licence at any time (*subsection (4)*). *Subsection (2)* provides that, where relevant, such a licence also constitutes authorisation under Article 6 of the EC Regulation. Article 6 provides a similar power to Competent Authorities to authorise actions which would otherwise breach the prohibitions under the EC Regulation.

45. *Subsection (3)* deals with the contents, scope and duration of licences issued by the Treasury. A licence must specify the acts authorised by it and may be (a) general or granted to a category of persons or to a particular person, (b) subject to conditions and (c) of indefinite duration or subject to an expiry date.
46. *Subsection (5)* sets out the notification requirements on the Treasury in the event that they grant, vary or revoke a licence, which are that they give written notice of the grant, variation or revocation to the person to whom the licence is granted or, if it is a general licence or granted to a category of persons, they take such steps as they consider appropriate to publicise the grant, variation or revocation.
47. *Subsection (6)* makes it an offence for a person knowingly or recklessly to provide information that is false in a material respect, or provide or produce a document that is not what it purports to be, for the purpose of obtaining a licence. Under *subsection (7)* it is an offence for a person who purports to act under the authority of a licence to fail to comply with any conditions imposed on that person by the licence.

Circumventing prohibitions etc.

Section 18 – Circumventing prohibitions etc.

48. Under this section it is an offence for a person intentionally to participate in activities knowing that their object or effect is (whether directly or indirectly) to circumvent, or enable or facilitate the contravention of, the prohibitions in sections 11 to 15 of the Act.

Chapter 3 – Information

Information for Treasury

Section 19 – Reporting obligations of relevant institutions

49. **Section 19** imposes an obligation on relevant institutions to inform the Treasury as soon as practicable if, during the course of their business, they have or obtain information which causes the institution to know or suspect that a person is a designated person or has committed an offence under any provision of Chapter 2 (prohibitions in relation to designated persons) (*subsection (1)*). *Subsection (2)* requires that where a relevant institution has identified a person as a designated person or someone who has committed a Chapter 2 offence, the institution must inform the Treasury of the information which led to the person being so identified and state any information which can be used to identify the customer. *Subsections (3)* and *(4)* provide that if it knows or reasonably suspects that a customer is a designated person the institution must also tell the Treasury of the nature and amount of funds or economic resources it holds in respect of that customer. *Subsection (5)* makes it an offence for a relevant institution to fail to comply with any requirement of *subsection (1)*, *(2)* or *(4)*.

Section 20 – Powers to request information

50. **Section 20** gives the Treasury the power to request information from designated persons and others.
51. *Subsection (1)* gives the Treasury the power to request information from a designated person concerning funds and economic resources owned, held or controlled by or on behalf of that person and any disposal of such funds or economic resources.
52. *Subsection (2)* gives the Treasury the power to request from a designated person such information as they may reasonably require about expenditure by or on behalf of the designated person and for such person's benefit.

53. *Subsection (3)* makes it clear that the powers in *subsections (1)* and *(2)* are only exercisable where the Treasury believe it is necessary for the purposes of monitoring compliance with or detecting evasion of Part 1 of the Act.
54. *Subsection (4)* allows the Treasury to request information from a person acting under a licence concerning funds, economic resources and financial services dealt with or made available under the licence.
55. *Subsection (5)* gives the Treasury the power to request any person in, or resident in, the UK to provide information for the purpose of establishing the nature and amount or quantity of any funds, economic resources or financial services owned, held or controlled by or on behalf of, or made available to or for the benefit of, a designated person, establishing the nature of any financial transactions entered into by the designated person, monitoring compliance with or detecting evasion of Part 1 of the Act, or obtaining evidence of the commission of an offence under that Part.
56. *Subsection (6)* allows the Treasury to specify the manner in which, and the period within which, information is to be provided, although *subsection (7)* provides that if no period is specified, it must be provided within a reasonable time. *Subsection (8)* specifies that the Treasury is entitled to impose a continuing obligation to be informed as circumstances change or on such regular basis as they specify. *Subsection (9)* makes it clear that a request for information can cover any period of time when a person was designated, and *subsection (10)* provides that for requests made under *subsections (1)(b), (2)* or *(5)(a)(iii)* requests for information can relate to a period before a person was designated.

Section 21 – Production of documents

57. **Section 21** provides that where the Treasury make a request for information under section 20, they may request that specified documents or documents of a specified kind or description are produced (*subsection (1)*).
58. *Subsection (2)* allows the Treasury to take copies or extracts from any such document and request any person producing a document (or, if the person producing the document is a body corporate, partnership or unincorporated body, any present or past partner, officer or employee of such body) to give an explanation of it.
59. *Subsection (3)* requires that a designated person or a person acting under a licence, who is requested to produce documents, must take reasonable steps to obtain the documents (if not in the person's possession or control) and keep the documents (if they have them already).

Section 22 – Failure to comply with request for information

60. This section makes it an offence for a person to (a) without reasonable excuse, refuse or fail within the time and in the manner specified (or within a reasonable time if no time is specified) to comply with any information request under Chapter 3 of Part 1 of the Act, (b) knowingly or recklessly give any information or produce any document which is false in a material particular in response to such a request, (c) with intent to evade the provisions of Chapter 3, destroy, mutilate, deface, conceal or remove any document, or (d) otherwise intentionally obstruct the Treasury in the exercise of their powers under Chapter 3 (*subsection (1)*). *Subsection (2)* provides that where a person is convicted of any such offence, the court may make an order requiring that person to comply with the request.

Disclosure of information by Treasury

Section 23 - General power to disclose information

61. This section gives the Treasury power to disclose any information obtained by them in exercise of their powers under Part 1 of the Act to various people and entities, including (a) any police officer, (b) any person holding or acting in any office under or in the service of the Crown in right of the Government of the UK, the Scottish Administration, the Northern Ireland Administration or the Welsh Assembly Government, the Channel Island States and the governments of the Isle of Man or any British overseas territory, (c) any law officer of the Crown for Jersey, Guernsey or the Isle of Man, (d) the Legal Services Commission and equivalent bodies in Scotland and Northern Ireland and (e) the respective financial regulators in the UK, Jersey, Guernsey and the Isle of Man (*subsection (1)(a) to (e)*).
62. The Treasury may also disclose any information to any organ of the UN or any person in the service of the UN, the Council of the European Union, the European Commission or the Government of any country for the purpose of giving assistance or cooperation, pursuant to certain UN Security Council Resolutions (defined in section 42(2) to (4)) (*subsection (1)(f)*).
63. Information can be disclosed with a view to instituting, or otherwise for the purposes of, any proceedings in the UK for an offence under Part 1 of the Act or in any of the Channel Islands, the Isle of Man or any British overseas territory for an offence under a similar provision in any such jurisdiction (*subsection (1)(g)*).
64. *Subsection (1)(h)* further allows information to be disclosed to any third party with the consent of a person who, in their own right, is entitled to the information or to possession of the document, copy or extract (*subsection (2)* defines “in their own right”).

Other

Section 24 – Co-operation with UK or international investigations

65. *Section 24* requires the Treasury to take such steps as they consider appropriate to co-operate with any investigation, in the UK or elsewhere, relating to the funds, economic resources or financial transactions of a designated person.

Section 25 – Application of provisions

66. This section includes some general provisions, including (a) clarification that nothing done under Chapter 3 of Part 1 of the Act is to be treated as a breach of any restriction imposed by statute or otherwise (*subsection (1)*), (b) provision that nothing in Chapter 3 of Part 1 of the Act authorises a disclosure by the Treasury that contravenes the Data Protection Act 1998 or is prohibited by Part 1 of the Regulation of Investigatory Powers Act 2000 (*subsection (2)*), (c) clarification that no solicitor or counsel is required to produce any privileged information or document (*subsection (3)*), (d) provision that the Chapter is not to be read as limiting any other powers the Treasury has to disclose information (*subsection (4)*) and (e) stipulating that nothing in the Chapter is to be treated as limiting the powers of the Treasury to impose conditions in connection with the discharge of their functions under section 17 (licences) (*subsection (5)*). *Subsection (6)* provides a definition of ‘privileged information’ for the purpose of this section.

Chapter 4 – Supplementary Provisions

Supervision of exercise of powers

Section 26 – Appeal to the court in relation to designations

67. **Section 26** provides that a designated person may appeal to the High Court or the Court of Session against a Treasury decision to make or vary, or not to vary or revoke, an interim or final designation, or a Treasury decision to renew a final designation. In determining the appeal the Court may quash the Treasury decision, require the Treasury to revoke the decision or make such an order as to the validity of the Treasury decision as it thinks appropriate. *Subsection (4)* provides that where a designated person appeals against a decision relating to a designation this does not suspend the effect of the decision.

Section 27 – Review of other decisions by the court

68. **Section 27** provides for the review and setting aside of decisions made by the Treasury in connection with their functions under Part 1 of the Act, other than those decisions set out in section 26(1). Under *subsection (2)*, any person affected by such a decision may apply to the High Court or, in Scotland, the Court of Session, for the decision to be set aside.
69. *Subsection (3)* specifies that in determining whether a decision should be set aside, the court shall apply the principles applicable on an application for judicial review. If the court decides that a decision should be set aside, the court may make any order, or grant any relief, that may be made or given in judicial review proceedings (*subsection (4)*).

Section 28 – Appeals and reviews: supplementary

70. This section makes additional provision about proceedings in the High Court or the Court of Session (a) on an appeal under section 26 or an application under section 27 or (b) on a claim arising from any matter to which such an appeal or application relates (“appeal and review proceedings”).
71. *Subsection (1)* inserts paragraph 2(bc) of Schedule 1 to the Senior Courts Act 1981. This ensures that appeal and review proceedings will be allocated to the Queen’s Bench Division.
72. *Subsection (2)* inserts section 18(1)(dc) of the Regulation of Investigatory Powers Act 2000 (“RIPA”). Section 17 of RIPA contains a general prohibition on the use of intercepted communications in legal proceedings. Section 18 of RIPA lists certain exceptions to that general prohibition and paragraph (1)(dc) will enable the disclosure of intercepted communications in appeal and review proceedings.
73. *Subsection (3)* inserts reference to section 18(1)(dc) of RIPA into section 18(2)(zb) of that Act. This provides that the exception created by *subsection (2)* does not extend to disclosure to parties to proceedings, other than the Treasury or persons appointed as special advocates.
74. *Subsection (4)* applies sections 66 to 68 of the Counter-Terrorism Act 2008 in relation to appeal and review proceedings as they apply in relation to financial restrictions proceedings within the meaning of section 65 of that Act. These sections were introduced to make provision about the rules of court for applications to set aside decisions under the 2006 Order and similar Orders. They require the maker of the rules of court to have regard to both the need for a proper review of the decision subject to challenge, and the need to ensure that disclosures are not made where this would be contrary to the public interest. They also contain provisions requiring rules of court to include rules in relation to applications by the Treasury to withhold material from disclosure and provisions relating to the appointment of a special advocate in

financial restrictions proceedings. A special advocate is a qualified lawyer who has passed through the Government's security vetting process, whose role is to represent the interests of a party to the proceedings (including any appeal) in circumstances where that party and his own legal representative are excluded from the proceedings. This would be necessary in appeal and review proceedings where, for example, closed source evidence is adduced. The special advocate is appointed by the appropriate law officer. Rules made under sections 66 and 67 of the Counter-Terrorism Act form Part 79 of the Civil Procedure Rules.

Section 29 – Initial exercise of powers to make rules of court

75. **Section 29** allows the Lord Chancellor, the first time the power under section 28(4) is used, to exercise it to make rules of court in relation to England and Wales and Northern Ireland for proceedings on an appeal under section 26. The Lord Chancellor must consult the Lord Chief Justice of England and Wales or, where appropriate, the Lord Chief Justice of Northern Ireland, before making such rules, but this requirement may be satisfied by consultation that takes place before commencement (*subsection (5)*). These rules will come into effect when laid but will cease to have effect 40 days after being laid unless they have been approved by a resolution of each House of Parliament during that period. *Subsection (9)* disapplies some of the usual procedures for the making of rules in England and Wales and in Northern Ireland, in relation to the rules made by the Lord Chancellor. *Subsection (10)* provides that section 4(1) of the Statutory Instruments Act 1946 applies to court rules made for Northern Ireland by the Lord Chancellor.

Section 30 – Treasury report on operation of Part 1

76. **Section 30** requires the Treasury to prepare and lay before Parliament a report about the exercise of the powers conferred on them by Part 1 of the Act on the next 31 March after Part 1 comes into force and every three months thereafter.

Section 31 – Independent review of operation of Part 1

77. This section requires the Treasury to appoint a person to review the operation of Part 1 of the Act and for that person to carry out such a review after a period of 9 months after Part 1 of the Act is passed and every subsequent 12 month period (*subsections (1) and (2)*). The reviewer must send the Treasury a report as soon as practicable after completion of the review (*subsection (3)*) and the Treasury must lay such report before Parliament (*subsection (4)*). The Treasury may pay the expenses and allowances of the reviewer (*subsection (5)*).

Offences

Section 32 – Penalties

78. **Section 32** provides for penalties in relation to breaches of the prohibitions in Part 1 of the Act. *Subsection (1)* provides that a person guilty of any of the offences under section 11, 12, 13, 14, 15 or 18 is, on conviction on indictment, liable to a maximum of 7 years' imprisonment or to a fine or to both or, on summary conviction, to imprisonment for a term not exceeding the "relevant maximum" (this term is defined in *subsection (3)*) or to a fine not exceeding the statutory maximum (which is currently set at £5,000) or to both.
79. *Subsection (2)* provides that a person guilty of an offence under section 10 (confidential information) or section 17 (licences) is liable, on conviction on indictment, to not more than 2 years' imprisonment or to a fine or to both or, on summary conviction, to imprisonment not exceeding the "relevant maximum" or to a fine not exceeding the statutory maximum or to both.
80. *Subsection (3)* defines "the relevant maximum" for the purposes of *subsections (1) and (2)* as being 12 months in England and Wales (or 6 months if the offence was committed

before the commencement of section 154(1) of the Criminal Justice Act 2003), 12 months in Scotland and 6 months in Northern Ireland.

81. *Subsection (4)* provides that a person guilty of an offence under section 19(5) (failure by relevant institutions to comply with reporting obligations) or 22 (failure to comply with request for information) is liable on summary conviction to imprisonment for a term not exceeding the “relevant maximum” or to a fine not exceeding level 5 on the standard scale (£5,000) or both. For the purposes of *subsection (4)*, the “relevant maximum” is, in England and Wales, 51 weeks (or 6 months if the offence was committed before the commencement of section 281(4) and (5) of the Criminal Justice Act 2003) and, in Scotland or Northern Ireland, 6 months (*subsection (5)*).

Section 33 – Extra-territorial application of offences

82. This section provides that an offence under Part 1 of the Act may be committed by a UK national or UK incorporated body even where the conduct in question (which may include acts or omissions) is wholly or partly outside the UK. *Subsection (2)* defines “UK national” as a British citizen, a British overseas territories citizen, a British National (Overseas), a British Overseas citizen, a person who under the British Nationality Act 1981 is a British subject or a British protected person within the meaning of that Act. *Subsection (3)* further provides that the application of section 33 can be extended by way of Order in Council to bodies incorporated or constituted under the law of any of the Channel Islands, the Isle of Man or any British overseas territory. *Subsection (6)* specifies that nothing in section 33 affects any criminal liability arising otherwise than under section 33.

Section 34 – Liability of officers of body corporate etc.

83. *Section 34* provides that if an offence under Part 1 of the Act is committed by a person other than a natural person, such as a body corporate, partnership or other unincorporated body, with the consent or connivance of any officer of that body or partnership, that officer as well as the body or partnership is guilty of the offence and is liable to be proceeded against and punished accordingly.

Section 35 – Jurisdiction to try offences

84. *Section 35* provides that proceedings against a person in relation to offences under Part 1 of the Act committed outside the UK may be taken at any place in the UK and the offence shall, for all incidental purposes, be treated as having been committed there (*subsection (1)*). *Subsection (2)* specifies that in the application of *subsection (1)* to Scotland, any such proceedings may be taken in any sheriff court district in which the person is apprehended or in custody or in such sheriff court district as the Lord Advocate may determine. *Subsection (3)* defines “sheriff court district” by reference to the definition in section 307(1) of the Criminal Procedure (Scotland) Act 1995.
85. *Subsection (4)* inserts into section 28(2) of the Counter-Terrorism Act 2008 (jurisdiction to try offences committed in another part of the UK: offences to which the section applies) reference to offences under this Part of the Act, which has the effect of ensuring that proceedings in relation to offences under this Part of the Act committed in the UK may be taken at any place in the UK and the offence shall, for all incidental purposes, be treated as having been committed there.

Section 36 – Time limit for proceedings for summary offences

86. This section specifies that in England and Wales, Scotland and Northern Ireland summary proceedings in relation to an offence under section 19(5) or 22 may be brought within three years from the time the offence was committed and within 12 months from the date on which evidence sufficient in the opinion of the prosecutor (or, in Scotland, the Lord Advocate) to justify the proceedings came to such person’s knowledge.

Section 37 – Consent to prosecution

87. **Section 37** provides that proceedings for an offence under Part 1 other than for an offence under section 19(5) or 22 may not be instituted except by or with the consent of, in England and Wales, the Attorney General and, in Northern Ireland, the Advocate General (*subsection (1)*). *Subsection (2)* provides that nothing in section 37 prevents the arrest or remanding in custody or on bail of a person charged with an offence under that Part.

Section 38 – Procedure for offences by unincorporated bodies

88. **Section 38** deals with proceedings in relation to offences committed under Part 1 of the Act by a body which is not a body corporate. *Subsection (1)* specifies that a fine imposed on an unincorporated body on its conviction of an offence under that Part must be paid out of the funds of the body. *Subsection (3)* specifies that in England, Wales and Northern Ireland proceedings for an offence alleged to have been committed by such a body must be brought in the name of the body rather than in that of any of its members. *Subsection (4)* makes provision for unincorporated bodies to be treated in the same way as bodies corporate in such proceedings, including in relation to rules of court governing the service of documents and in relation to various legislative provisions in England and Wales and Northern Ireland which relate to procedures in legal proceedings against corporations (for example, the appointment of a representative to enter a plea on behalf of such body). *Subsection (5)* applies similar provisions in Scotland to the provisions on service of documents set out in *subsection (4)(a)* and applies section 70 of the Criminal Procedure (Scotland) Act 1995 (which contains provisions on the service of documents to bodies corporate) to unincorporated bodies. Section 70 is amended by section 66 of the Criminal Justice and Licensing (Scotland) Act 2010 to extend the provisions to unincorporated bodies, although section 66 is not yet in force. *Subsection (6)* anticipates that this provision will come into force and render *subsection 5(b)* unnecessary.

Interpretation

Section 39 – Meaning of “funds” and “economic resources”

89. This section defines what is meant for the purposes of Part 1 of the Act by “funds” and “economic resources”, such terms being integral to the prohibitions in sections 11 to 15 of the Act.

Section 40 – Meaning of “financial services”

90. This section defines what is meant for the purposes of Part 1 by “financial services”. This is a key term for the purposes of the prohibitions in sections 12 and 13 of the Act.

Section 41 – Meaning of “relevant institution”

91. This section defines what is meant for the purposes of Part 1 by “relevant institution”. This is a key term for the provisions in section 19 (reporting obligations of relevant institutions). The definition of relevant institutions includes those authorised under the Financial Services and Markets Act 2000 to carry on a regulated activity (as defined under section 22 of that Act), and Money Exchange bureaux.

Section 42 – Interpretation: general

92. This section contains definitions for the purposes of Part 1 of the Act, including a definition of “the relevant Security Council resolutions” (*subsection (2)*). *Subsection (3)* gives the Treasury the power, exercisable by Order, to amend the list of relevant Security Council resolutions in that definition.

Miscellaneous

Section 43– Service of notices

93. **Section 43** sets out the steps the Treasury must take in order to serve notice on a person in relation to the making, issuing, variation and revocation of a designation or a licence.

Section 44 – Crown application

94. **Section 44** provides that the Crown is bound by the provisions of Part 1 of the Act (subsection (1)) but will not be held criminally liable if it contravenes any such provision (subsection (2)). A person may, if it appears to the court that he or she has an interest, apply to the court to declare unlawful any act or omission of the Crown that constitutes a contravention of a provision of Part 1 of the Act (subsection (3)). Subsection (4) ensures that nothing in section 44 affects Her Majesty in her private capacity (subsection (5) defines “her private capacity” by reference to section 38(3) of the Crown Proceedings Act 1947).

Section 45 - Consequential amendments, repeals and revocations

95. **Section 45** introduces Part 1 of Schedule 1 which contains amendments consequential on Part 1 of the Act. Paragraphs 1 to 4 make consequential changes to the Rules of the Court of Judicature (Northern Ireland) 1980 to apply Order 116B of those Rules to applications made under section 27(2) to set aside Treasury decisions. Paragraph 5 makes similar consequential changes to Part 79 of the Civil Procedure Rules to apply Part 79 to applications made under section 27(2). The three Regulations referred to in paragraphs 6-8 of Part 1 of Schedule 1 each refer to offences under the 2009 Order. These consequential amendments replace references to offences under the 2009 Order with references to the equivalent offences under Part 1 of this Act.
96. **Section 45** also introduces Part 1 of Schedule 2 which contains repeals and revocations consequential on Part 1 of this Act. The repeals include the repeal of the 2001 Order, the 2006 Order and the 2009 Order, and the repeal of ancillary provisions in other Orders and Regulations. The Temporary Provisions Act is also repealed (although section 54(2) provides that certain provisions which have effect as part of the law of Guernsey, Jersey, the Isle of Man and the overseas territories shall remain in force until 31 March 2011).
97. Section 46 – Transitional provisions and savings.
98. **Subsection (1)** provides that the Temporary Provisions Act no longer has effect when Part 1 of this Act comes into force. Section 2 of that Act provided that certain acts or omissions by persons other than the Treasury in the period 4 February 2010 to 10 February 2010 are to be treated as lawful. **Subsection (2)** makes clear that even when section 2 of that Act ceases to have effect such acts or omissions will continue to be treated as lawful. **Subsection (3)** ensures that **subsection (2)** is to be read alongside section 16(1) of the Interpretation Act 1978, which provides that the repeal of an Act does not affect the operation of the Act while it was in force. Section 1 of the Temporary Provisions Act deems certain Orders validly made under section 1 of the United Nations Act 1946 and decisions made under those Orders to have effect. **Subsection (4)** applies section 16 of the Interpretation Act to those Orders so that notwithstanding the repeal of section 1 of the Temporary Provisions Act, decisions under the Orders will continue to have had effect while section 1 was in force. **Subsection (5)** provides that after the coming into force of Part 1 of the Act, any act or omission by the Treasury under the 2009 Order will be deemed to be an act or omission under the corresponding provision in the Act. **Subsection (6)** makes it clear that **subsection (5)** includes any directions made, licences granted or requests for information made under the 2009 Order which remain in force immediately before Part 1 of the Act comes into force. **Subsection (7)** states that the deeming provisions in **subsections (5)** and **(6)** have effect notwithstanding that the 2009 Order was not validly made under the United Nations Act 1946. **Subsection (8)** provides that any such ‘deemed’ designation ceases to have

effect three months after Part 1 of the Act comes into force unless renewed or revoked before then. *Subsection (9)* provides that the references in the Regulations in Part 1 of Schedule 1 to sections 11, 12, 13, 14, 15 or 18 of Part 1 of this Act are to be read as including references to the corresponding provisions under the 2006 Order and the 2009 Order for the period the Temporary Provisions Act was in force. *Subsection (10)* provides that the repeal of section 64(1)(e) of the Counter-Terrorism Act 2008 does not affect any proceedings commenced before this Part of the Act comes into force.

99. Section 47 – Power to repeal Part.
100. This section provides that the Treasury must lay before Parliament a statutory instrument to repeal part or all of Part 1 of the Act (as appropriate) if the UN Security Council takes any decision that has the effect of terminating (permanently and without replacement), in whole or in part, the operation of the relevant Security Council Resolutions that require the maintenance of an asset-freezing regime.

Part 2 – Terrorist Financing, Money Laundering Etc.

Directions in particular cases

Section 48 – Directions to branches of credit institutions and financial institutions

101. Directions under Schedule 7 to the Counter-Terrorism Act 2008 (see paragraph 10 above) may be given to a person operating in the financial sector i.e. a credit institution or financial institution, where the institution is a UK person or is acting in the course of business carried on by it in the UK (paragraphs 3 to 5 of that Schedule). The amendments made by section 48 ensure that such directions can apply to branches of a relevant person, wherever located.
102. Section 49 – Directions in relation to subsidiaries.
103. Directions under Schedule 7 may impose requirements on credit or financial institutions in relation to their transactions or business relationships with certain persons. The amendment made by this section will allow such requirements to be imposed in relation to a person who is a subsidiary of a person incorporated in a country of concern (see paragraph 10 above) or carrying on business there.

General directions and other requirements

104. Section 50 – Circumventing requirements of Schedule 7 directions.
105. This section introduces a prohibition on knowing and intentional circumvention of the requirements of a direction under Schedule 7. A civil penalty may be imposed in response to breach of the prohibition, and breach of the prohibition is a criminal offence.

Minor amendments and repeals

106. Section 51 – Northern Ireland credit unions
107. Schedule 7 makes provision for the supervision and enforcement of relevant persons' compliance with the requirements of a direction. Section 51 makes amendments to remove those functions in relation to credit unions in Northern Ireland from the Department for Enterprise, Trade and Investment in Northern Ireland. The functions in relation to Northern Ireland credit unions will become exercisable by other enforcement authorities, and arrangements will be made to ensure that they are exercised by the Financial Services Authority.
108. Section 52 – Consequential amendments and repeals.

109. Section 52 introduces Part 2 of Schedule 1, which makes amendments consequential on Part 2 of the Act, and Part 2 of Schedule 2, which contains repeals consequential on Part 2 of the Act.

Part 3 – Final Provisions

Extent etc.

Section 53 – Extent

110. This section sets out which provisions of the Act form part of the law of which jurisdictions.

Section 54 – Channel Islands, Isle of Man and British overseas territories

111. *Subsection (1)* provides a power to make an Order to extend the provisions of Part 1 of the Act to any of the Channel Islands, the Isle of Man or any of the British overseas territories. *Subsection (2)* provides that certain provisions of the Temporary Provisions Act (which deem certain Orders validly made under the United Nations Act 1946) which have effect as part of the law of Guernsey, Jersey, the Isle of Man and the overseas territories shall remain in force until 31 March 2011. The purpose of this extension of the Temporary Provisions Act is to provide time for the provisions of Part 1 of this Act to be extended to such of the territories or islands as seek to have such provisions, or for the territories and islands to enact their own provisions should they decide to do so.

Commencement and short title

112. Section 55 – Commencement.
113. This section sets out that Part 1 of the Act and most of Part 2 will come into force on the day after the day on which Royal Assent is given. *Subsection (2)* provides that section 51, which provides for the transfer of supervisory and enforcement functions in relation to credit unions in Northern Ireland, and related provisions, are to be commenced by order.

Section 56 – Short title

114. This section sets out the short title to the Act.