

## EXPLANATORY MEMORANDUM TO

### THE TERRORISM ACT 2000 AND PROCEEDS OF CRIME ACT 2002 (AMENDMENT) REGULATIONS 2007

2007 No. 3398

1. This explanatory memorandum has been prepared by the Home Office and is laid before Parliament by Command of Her Majesty.

#### 2. Description

2.1 These Regulations implement, in part, Directive 2005/60/EC of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (“the Directive”). The regulations update the Terrorism Act 2000 and the Proceeds of Crime Act 2002, which are the UK’s domestic enactments on terrorist financing and money laundering respectively, to bring them into line with Chapter 3 of the Directive.

#### 3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None

#### 4. Legislative Background

4.1 The Third Directive builds on the obligations imposed on member states by the First Directive (91/308/EEC) as amended by the Second Directive (2001/97/EC). Its aim is to update European legislation on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing so that it better reflects the 40 Recommendations on money laundering made by the Financial Action Task Force. The Regulations (which are made under the power conferred by section 2(2) of the European Communities Act 1972) amend the Terrorism Act 2000 and the Proceeds of Crime Act 2002 to update the system for members of the regulated financial sector to disclose suspicions of money laundering or terrorist financing to the Serious Organised Crime Agency (SOCA).

4.2 Part 3 of the Terrorism Act 2000 relates to terrorist financing. The main amendments to the Terrorism Act 2000 relate to a number of areas in which Part 3 needs to be brought into line with the Directive. Sections 15 to 18 create a number of offences in relation to terrorist financing and the amendments create three new defences in relation to those offences. The defences relate to:

- A person making a disclosure to SOCA before entering into an arrangement and acting with SOCA’s consent.
- A person making a disclosure to SOCA after entering into an arrangement because he had a reasonable excuse for not making a disclosure beforehand.
- A person having a reasonable excuse for not making a disclosure.

The amendments create a tipping-off offence related to making it unlawful in the regulated sector for anyone to disclose to a third party the fact that a disclosure to the law enforcement authorities or a nominated officer has been made or that an investigation is being or may be carried out, if to

do so would cause prejudice, and covers certain circumstances in which such information may be disclosed without committing the offence.

4.3 Part 7 of the Proceeds of Crime Act 2002 relates to money laundering. The main amendments to the Proceeds of Crime Act 2002 repeal the previous tipping off offence in section 333, which covered any person, and replace it with a new offence covering only the regulated sector as in paragraph 4.2 above.

4.4 HM Treasury have also made a set of Regulations to give effect, in part, to the Directive: The Money Laundering Regulations 2007 (SI 2007/2157). These regulations repeal and replace the Money Laundering Regulations 2003. The Regulations require the financial, accountancy, legal and other sectors to apply risk-based customer due diligence measures and take other steps to prevent their services being used for money laundering or terrorist financing. HM Treasury have also made the Proceeds of Crime Act 2002 (Business in the Regulated Sector and Supervisory Authorities) Order 2007 (SI 2007/3287) and the Terrorism Act 2000 (Business in the Regulated Sector and Supervisory Authorities) Order 2007 (SI 2007/3288). These Orders give effect, in part, to the Directive by amending the meaning of a business in the regulated sector and the meaning of a supervisory authority, for the purposes of Part 3 of the Terrorism Act 2000 and Part 7 of the Proceeds of Crime Act 2002 respectively.

4.5 The Government submitted an explanatory memorandum dated 17 September 2004 on the draft Third Money Laundering Directive (doc. 11134/04). The House of Commons Select Committee on European Scrutiny reported on the draft Directive in report 32 (2003/04), para 13 (13 October 2004), 1 (2004-05), para 14 (1 December 2004) and 1 (2005-06), para 50 (4 July 2005), clearing it after Ministerial correspondence. The House of Lords European Union Committee considered the draft Directive in Sub-Committee E (Law and Institutions) and cleared it from scrutiny on 22 June 2005 after Ministerial correspondence (see report 45 (2005-06)). A Transposition Note is attached as an Annex to this memorandum.

## **5. Territorial Extent and Application**

5.1 This instrument applies to all of the United Kingdom.

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

The Minister for Security, Counter-terrorism, Crime and Policing, has made the following statement regarding Human Rights:

In my view the provisions of the Terrorism Act 2000 and the Proceeds of Crime Act 2002 (Amendment) Regulations 2007 are compatible with the Convention rights.

## **7. Policy background**

### *Policy Objectives and purpose*

7.1 The principal policy objective behind the Third Directive is to update and enhance European legislation to bring it in line with the international standards on combating money laundering and terrorist financing set out in the Financial Action Task Force's 40 Recommendations.

7.2 The Money Laundering Regulations, which were laid before Parliament on 25<sup>th</sup> July 2007 by HM Treasury, implement the main preventative measures of the Directive, namely requiring risk-

based customer due diligence measures, including requiring firms to identify the beneficial owner of customers that are legal entities or arrangements, allowing firms to rely on other firms in meeting their customer due diligence obligations, and putting in place measures so that all sectors subject to the Regulations are supervised for their compliance with the Regulations.

7.3 These Regulations complete the implementation of the Directive by making appropriate amendments to the Terrorism Act 2000 and the Proceeds of Crime Act 2002. The disclosure regime of suspicious activity by the regulated sector is a vital part of the UK's efforts to tackle money laundering and terrorist financing. These Regulations refine this reporting regime by making clear in the Terrorism Act 2000 when a person may have a defence to the terrorist financing offences for making a disclosure to SOCA, when they may have a reasonable excuse for failure to disclose their suspicions, and by creating a tipping off offence making it unlawful to disclose to a third party the fact that a disclosure of suspicious activity has been made, or that a terrorist financing investigation is ongoing or may be carried out. The Regulations replace the current tipping off offence in the Proceeds of Crime Act 2002.

#### *Approach*

7.4 The Home Office considered that the best way to implement the Directive would be to follow as much as possible a 'copy-out' approach where the legal framework is closely based on the provisions in the Directive. This helps to ensure that the United Kingdom does not 'gold plate' Community legislation and avoids placing unnecessary burdens on UK industry. The only exceptions to this are, firstly, that Article 23(2) of the Directive (exception to the reporting obligations in Article 22 for lawyers and other professionals) is implemented in the Terrorism Act 2000 under paragraph 3(3) to (6) of Schedule 1 to the regulations in line with the drafting of section 330 of the Proceeds of Crime Act 2002. Secondly, Article 24 of the Directive (suspending of transactions until a report under Article 22 has been made) has been implemented in the Terrorism Act 2000 under paragraph 2 of Schedule 1 to the regulations in line with the regime for obtaining consent to transactions that already appears in Part 7 of the Proceeds of Crime Act 2002. In addition, the amendments to the two Acts have been drafted in such a way as to ensure consistency with the drafting of the Acts being amended.

#### *Public interest and Consultation*

7.5 The Government considered that a targeted 8 week consultation on a set of draft regulations was appropriate. This was launched on 31 July 2007. Around 15 responses were received. These were on the whole positive and recognised the Government's need to implement the Directive. Some responses questioned the extent of the defences surrounding the tipping off offence. The Government has had further engagement with some stakeholders over specific points raised and has sought to address their main concerns by making further amendments to the draft regulations that were issued for consultation as regards the Tipping off offence. In particular to avoid "gold plating" the tipping off offence will not apply to all persons but only to the regulated sector. In addition the introduction of a prejudice test, as in paragraph 4.2 above, before a tipping off offence can be committed, coupled with the other specific exceptions and defences to the offence, will provide additional safeguards that should meet the needs of the regulated sector. A summary of the responses to the consultation will be published on the Home Office's website ([www.homeoffice.gsi.gov.uk](http://www.homeoffice.gsi.gov.uk)). Responses to the earlier Treasury consultations are published on the Treasury's website ([www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk))

#### *Implementation of the Regulations and Guidance*

7.6 No further guidance on the implementation of these Regulations has been deemed necessary at this stage.

## **8. Impact**

8.1 A Regulatory Impact Assessment is attached to this memorandum.

8.2 The impact on the public sector is that the creation of a tipping off offence in the Terrorism Act 2000 may lead to more investigations by the police and possible prosecutions. The police estimate that these Regulations will result in approximately 0-10 investigations per year.

## **9. Contact**

J Fanshaw at the Home Office Tel: 0207 035 6820 or e-mail:  
3rdmoneylaunderingdirective@homeoffice.gsi.gov.uk can answer any queries regarding the instrument.

**Transposition note for Directive 2005/60/EC:  
Third Money Laundering Directive**

Articles of Directive 2005/60/EC	Objective	Implementation	Responsibility
1	Requires Member States to ensure that money laundering and terrorist financing are prohibited and defines money laundering and terrorist financing	Sections 15 to 18 of the Terrorism Act 2000 (TACT) Sections 327 to 329 of the Proceeds of Crime Act 2002 (POCA)	The Secretary of State
2(1)	Defines the scope of persons to whom the obligations apply.	Part 1 of Schedule 3A to TACT as inserted by the Terrorism Act 2000 (Business in the Regulated Sector and Supervisory Authorities) Order 2007. Part 1 of Schedule 9 to POCA as inserted by the Proceeds of Crime Act 2002 (Business in the Regulated Sector and Supervisory Authorities) Order 2007.	HM Treasury
2(2)	Excludes from scope persons who engage in financial activity on an occasional or very limited basis.	Paragraph 2(3) of Schedule 3A to TACT as inserted by the Terrorism Act 2000 (Business in the Regulated Sector and Supervisory Authorities) Order 2007. Paragraph 2(3) of Schedule 9 to POCA as inserted by the Proceeds of Crime Act 2002 (Business in the Regulated Sector and Supervisory Authorities) Order 2007.	HM Treasury
21	Requires Member States to establish a Financial Intelligence Unit (FIU), with appropriate access to financial, administrative and law enforcement information, to receive reports of suspicious activities	References to the Serious Organised Crime Agency in sections 19, 20, 21A and 21B of TACT and sections 330, 331, 332, 336 and 340 of POCA Section 3 of the Serious Organised Crime and Police Act 2005	The Secretary of State
22	The institutions and persons covered by the Directive must promptly inform the FIU if they know, suspect or have reasonable grounds to suspect that money laundering and	Sections 21A and 21B of TACT as amended by paragraphs 3(2) and 4 of Schedule 1 to the Terrorism Act 2000 and Proceeds of Crime Act	The Secretary of State

	terrorist financing is being or has been committed or attempted and must provide all necessary information to the FIU	2002 (Amendment) Regulations 2007 (“the Regulations”) Sections 330 and 340(11) of POCA	
23(1)	Member States can derogate from Article 22(1) by allowing disclosures to an appropriate self-regulatory body	The Government has decided not to implement this derogation	The Secretary of State
23(2)	Member States are not obliged to apply the obligations in Article 22(1) to lawyers and relevant professionals when they are giving legal advice	Section 21A(5)(b) and (c), (5A), (8), (9) and (15) of TACT as amended by paragraph 3(3) to (6) of Schedule 1 to the Regulations Section 330(6), (7B), (9A), (10), (11) and (14) of POCA (as amended by S.I. 2006/308)	The Secretary of State
24(1)	A transaction that gives rise to suspicions of money laundering or terrorist financing must not be carried out until a report has been made in accordance with Article 22(1)(a)	Section 21 of TACT Section 21ZA of TACT as inserted by paragraph 2 of Schedule 1 to the Regulations Sections 327(2), 328(2), 329(2), 335 and 338 of POCA	The Secretary of State
24(2)	Provides an exception to 24(1) if not carrying out the transaction is impossible or is likely to frustrate efforts to pursue the beneficiaries of a suspected money laundering or terrorist financing operation and a report is made immediately afterwards	Sections 21ZB and 21ZC of TACT as inserted by paragraph 2 of Schedule 1 to the Regulations Sections 327(2), 328(2), 329(2) and 338 of POCA	The Secretary of State
26	If a person covered by the Directive makes a disclosure in accordance with Article 22(1) it should not be a breach of any restriction on disclosure and it should not result in liability of any kind	Sections 20 and 21B of TACT Section 337 and 338(4) of POCA	The Secretary of State
27	Protection of those who make reports of suspicious activity from hostile action	The Home Office issued guidance to the police in December 2005 (HO Circular 53/2005) about the need to protect the identity of members of staff who make reports. The guidance is applied by other criminal justice and law enforcement agencies that handle reports. In addition SOCA has established a telephone line for the	The Secretary of State

		reporting sectors to raise any concerns about the inappropriate use of reports by law enforcement agencies.	
28(1)	Member States must ensure that the persons covered by the Directive do not tip off their customers or a third party that information has been disclosed in accordance with Article 22 or that a money laundering or terrorist financing investigation is being or may be carried out	Sections 21D, 21E(1) and 21G(3) and (4) of TACT as inserted by paragraph 5 of Schedule 1 to the Regulations Sections 333A, 333B(1) and 333D(3) and (4) of POCA as inserted by paragraph 4 of Schedule 2 to the Regulations	The Secretary of State
28(2)	A defence to tipping off if a disclosure is made to a competent authority or for law enforcement purposes	Section 21G(1) of TACT as inserted by paragraph 5 of Schedule 1 to the Regulations Section 333D(1) of POCA as inserted by paragraph 4 of Schedule 2 to the Regulations	The Secretary of State
28(3)	A defence to tipping off if the disclosure is between credit and financial institutions in the same group	Section 21E(2) and (3) of TACT as inserted by paragraph 5 of Schedule 1 to the Regulations Section 333B(2) and (3) of POCA as inserted by paragraph 4 of Schedule 2 to the Regulations	The Secretary of State
28(4)	A defence to tipping off if the disclosure is between professional legal advisers or relevant professional advisers and they both carry out their activities in a Member State or a country with equivalent money laundering requirements and within the same legal person or network	Section 21E(4) of TACT as inserted by paragraph 5 of Schedule 1 to the Regulations Section 333B(4) of POCA as inserted by paragraph 4 of Schedule 2 to the Regulations	The Secretary of State
28(5)	A defence to tipping off if the disclosure is by a credit institution, a financial institution, a professional legal adviser or a relevant professional adviser to another such institution or person provided the disclosure relates to the same client and transaction, the disclosure is only for the purpose of preventing an offence, the institution or person is in a Member State or a country with equivalent money laundering requirements and certain data protection standards	Section 21F of TACT as inserted by paragraph 5 of Schedule 1 to the Regulations Section 333C of POCA as inserted by paragraph 4 of Schedule 2 to the Regulations	The Secretary of State

	apply		
28(6)	A defence to tipping off if the disclosure is by a professional legal adviser or relevant professional adviser and it is made to seek to dissuade a client from engaging in illegal activity	Section 21G(2) of TACT as inserted by paragraph 5 of Schedule 1 to the Regulations Section 333D(2) of POCA as inserted by paragraph 4 of Schedule 2 to the Regulations	The Secretary of State
37(5)	SROs may supervise auditors, external accountants and tax advisers, notaries and independent legal advisers	Paragraph 4(2) of Schedule 3A to TACT as inserted by the Terrorism Act 2000 (Business in the Regulated Sector and Supervisory Authorities) Order 2007. Paragraph 4(2) of Schedule 9 to POCA as inserted by the Proceeds of Crime Act 2002 (Business in the Regulated Sector and Supervisory Authorities) Order 2007.	HM Treasury
39	The persons covered by the Directive must be liable for infringements of provisions adopted, administrative measures or sanctions imposed and penalties must be effective, proportionate and dissuasive	Sections 15 to 18 (maximum penalty 14 years, a fine or both), 21A (maximum penalty 5 years, a fine or both) and 21D (maximum penalty 2 years, a fine or both) of TACT Sections 327 to 329 (maximum penalty 14 years, a fine or both), 330 (maximum penalty 5 years, a fine or both), 331 (maximum penalty 5 years, a fine or both) and 333A (maximum penalty 2 years, a fine or both) of POCA	The Secretary of State



## Summary: Intervention & Options

<b>Department /Agency:</b> <b>Home Office</b>	<b>Title:</b> <b>Impact Assessment of draft Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007</b>	
<b>Stage:</b> Final	<b>Version:</b> 2	<b>Date:</b> 30 November 2007
<b>Related Publications:</b> The Money Laundering Regulations 2007, published by HMT treasury, implementing the Directive on the Prevention of Money Laundering and Terrorist Financing 2005.		

### Available to view or download at:

<http://www.homeoffice.gov.uk>

**Contact for enquiries:** 3<sup>rd</sup> Money Laundering Directive team

**Telephone:** 0207 035 6820

### What is the problem under consideration? Why is government intervention necessary?

The Directive on the 'Prevention of Money Laundering and Terrorist Financing' was adopted by the EU in 2005. The EU deadline for implementation of the Directive 15<sup>th</sup> December 2007. Government intervention is necessary to ensure the UK is compliant with international best practice, to avoid infraction proceedings by the EU Commission and ensure the UK is not listed as non-compliant with FATF recommendations. The Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment Regulation 2007, are intended to implement the aspects of the directive for which the Home Office is responsible.

### What are the policy objectives and the intended effects?

This proposal amends UK legislation in line with the 3<sup>rd</sup> Money Laundering Directive. It ensures that the UK has the most appropriate & proportionate measures to deter, detect and disrupt money laundering/terrorist financing. The measures will prevent a person in the regulated sector tipping off a customer or third party that a report of suspicion of money laundering/terrorist financing has been made or that an investigation is or may take place.

### What policy options have been considered? Please justify any preferred option.

Two policy options have been considered:

- 1) The do nothing option. This would mean not amending the relevant legislation to reflect the Directive and as such not meet EU requirements to fully implement the directive. This would incur infraction proceeding and fines from the EU commission.
- 2) Bringing into force regulations which reflect the requirements in the directive. The Government will not go beyond it's obligations under the Directive. This is the chosen option, ensuring that UK legislation is in line with EU legislation and compliant with international standards.

**When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?** The Government has committed to a post implementation review of the regulations, to establish whether implemented regulations are efficient and effective in implementing the directive in 2009.

**Ministerial Sign-off** For final Impact Assessments:

***I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.***

Signed by the responsible Minister:

Tony McNulty .....Date: 3rd December 2007

## Summary: Analysis & Evidence

Policy Option: 2

Description: Implementation of directive into UK law

<b>COSTS</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups'
	<b>One-off</b> (Transition)	<b>Yrs</b>	
	£ 9.4m approx	0	Familiarisation costs - updating guidance and staff training to ensure full awareness of the requirements under the legislation.
	<b>Average Annual Cost</b> (excluding one-off)		
£ n/a		<b>Total Cost (PV)</b>	£ 9.4m approx
Other <b>key non-monetised costs</b> by 'main affected groups'			
Less effective money laundering and counter terrorist financing defences, resulting in a weaker regime, which could allow criminals to take advantage.			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by 'main affected groups'
	<b>One-off</b>	<b>Yrs</b>	
	£	0	Indications of how effective policies have been so far include: In 2006-07 under POCA and previous legislation £125m of assets were recovered;  Almost 244 accounts of terrorist suspects, totalling £570,000 are currently frozen.
	<b>Average Annual Benefit</b> (excluding one-off)		
£		<b>Total Benefit (PV)</b>	£
Other <b>key non-monetised benefits</b> by 'main affected groups'			
Prevention, disruption and deterrent to all those who fund or financial support terrorists or terrorist acts or who are involved in money laundering.			

### Key Assumptions/Sensitivities/Risks

A risk of non compliance with the Directive would be infraction proceedings by the European Commission. This could have significant financial implications.

Price Base Year	Time Period Years	<b>Net Benefit Range (NPV)</b> £	<b>NET BENEFIT (NPV Best estimate)</b> £	
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What is the geographic coverage of the policy/option?				United Kingdom	
On what date will the policy be implemented?				26 <sup>th</sup> December	
Which organisation(s) will enforce the policy?				Law enforcement	
What is the total annual cost of enforcement for these organisations?				£ 0.00	
Does enforcement comply with Hampton principles?				Yes	
Will implementation go beyond minimum EU requirements?				No	
What is the value of the proposed offsetting measure per year?				£ N/A	
What is the value of changes in greenhouse gas emissions?				£ N/A	
Will the proposal have a significant impact on competition?				No	
Annual cost (£-£) per organisation (excluding one-off)		Micro 0.0	Small 0.0	Medium 0.0	Large 0.0
Are any of these organisations exempt?		No	No	N/A	N/A

**Impact on Admin Burdens Baseline** (2005 Prices)

(Increase - Decrease)

Increase of £ 0.0

Decrease of £ 0.00

**Net Impact** £ 0.0

Key:

Annual costs and benefits: Constant Prices

(Net) Present Value

## Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

### **Rationale for Intervention – The Third Money Laundering Directive**

The Government's first duty is to protect its citizens and will use all tools at its disposal to do so. Organised criminals, driven by profit, use the financial system to move money, and launder and disguise it in other types of assets. Terrorists move funds through the financial system to promote militant ideologies, train new members, pay operatives, acquire weapons, stage attacks and sometimes carry out ostensibly legitimate activities to provide a veil of legitimacy for essentially terrorist organisations. So in meeting its duty the Government has worked with its international partners to use financial measures in new ways that help deter crime and terrorism in the first place, detect it when it happens and disrupt those responsible. The Government has worked with its partners to build an international framework of financial measures that provide a critical bulwark against crime and terrorism. Implementing this directive fully and in an effective way is crucial part of this effort.

The Third Money Laundering Directive strengthens the existing regime in line with the global Financial Action Task Force (FATF) standard for anti money laundering/counter terrorist financing controls. Without this the EU anti money laundering/counter terrorist financing defences would be less effective with criminals being able to take advantage of the weaker regimes. All firms across the EU are obliged to implement this directive. The directive will help ensure a level playing field.

A further reason to implement the Directive is to avoid infraction proceedings by the Commission or to be listed non-compliant with the Financial Action Task Force (FATF) recommendations. Once a directive is adopted, each Member State must take such action as is required to: a) give effect in national law to the rights and organisations created by the Directive; and b) ensure that the Directive is implemented in a transparent manner. Failure to implement the Directive properly runs the risk of the UK being infringed and fined by the Commission and assessed as non-compliant with the global standard set by the FATF. This is the 'do nothing' option. The threat of infractions proceedings is important as the Commission has become increasingly active in recent years in its use of infraction powers.

The Government considers that compliance with best practice anti money laundering and counter terrorist financing measures is important to reassure other Governments, the international financial institutions and those who do business in and with the UK that the UK has clean markets.

### **Costs and benefits analysis**

#### **Costs:**

We believe that the main costs involved in implementing this Directive will be transitional costs. We expect these Regulations to become part of the existing anti money laundering and terrorist financing regimes already in place. We do not believe firms will face additional ongoing costs.

Costs of familiarisation: interpreting and understanding the requirements of the legislation and updating guidance – 3 hours

Administration/Training – 1 hour

Calculation based on: labour costs x time x number of firms

<b>Number of firms in each sector</b>	10000
Credit and financial institutions regulated by the FSA for money laundering purposes.	20000
Consumer Credit financial institutions.	1000
Other Annex I financial institutions.	3500
Money service businesses (classified as a financial institution)	10000
Independent legal professionals, including lawyers barristers and notaries.	25000
External accountants belonging to recognised professional supervisory bodies	40000
External accountants not belonging to recognised professional supervisory bodies	5000
Trust and Company Service Providers	14500
Estate Agents	1100
High Value Dealers	140
Casinos operating	10000

<b>Gross Hourly Pay 2006</b>	
Trust and company service providers, lawyers and accountants, financial services = business professionals	19.9
casinos = leisure and personal services	8.5
estate agents, high value dealers and money service businesses = customer services	7.77

$$19.9 \times 111,000 \times 4 = \text{£}8835600$$

$$7.77 \times 19,100 \times 4 = \text{£}593628$$

$$140 \times 8.5 \times 4 = \text{£}4760$$

$$\text{Total cost} = \text{£}9433988$$

## **Benefits**

It is difficult to establish a single figure on the financial benefits of disrupting money laundering and the financing of terrorism.

## **Significant Impact Tests**

### **Competition Assessment**

The filter test for the competition assessment was conducted and concluded that there would be little or no effect on competition. All sectors will be subject to these regulations. In addition to this, as an EU directive, as sectors across within the EU will be subject to the same requirements, thus creating a level playing field across the EU. These measures also meet Financial Action Task Force (FATF) international standards.

### **Small Firms Impact**

All sectors under the Regulations will be subject to the same regulations. This policy is unlikely to have a significant or disproportionate impact either directly or indirectly on small businesses.

## Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

**Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.**

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	No	No