



Northern Ireland
Assembly

**COMMITTEE FOR
ENTERPRISE, TRADE AND
INVESTMENT**

**OFFICIAL REPORT
(Hansard)**

Terrorist Asset-Freezing Bill

7 October 2010

NORTHERN IRELAND ASSEMBLY

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ENTERPRISE, TRADE AND
INVESTMENT**

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Members present for all or part of the proceedings:

Mr Alban Maginness (Chairperson)
Mr Paul Butler (Deputy Chairperson)
Mr Paul Frew
Mr Paul Givan
Mr William Irwin
Ms Jennifer McCann
Dr Alasdair McDonnell
Mrs Claire McGill
Mr Gerry McHugh
Mr Sean Neeson

Witnesses:

Mr Paul Bingham) Department of Enterprise, Trade and Investment
Mr Cathal McLaughlin)

The Chairperson (Mr A Maginness):

The Committee moves to the departmental briefing on the legislative consent motion for the Terrorist Asset-Freezing Bill. Briefing the Committee are Mr Cathal McLaughlin from the company law branch of the Department and Mr Paul Bingham from the credit union team in Department. You are very welcome. Mr McLaughlin is, of course, a familiar face to the Committee.

Mr Cathal McLaughlin (Department of Enterprise, Trade and Investment):

I am here at the Committee's request to discuss the Terrorist Asset-Freezing Bill. I do not know what the question was, but it is probably how such a strangely named Bill affects credit unions in Northern Ireland.

The Chairperson:

Yes; it does seem a bit odd.

Mr C McLaughlin:

There are some new members in the Committee who may not recall the Treasury introducing the Counter-Terrorism Act 2008. An element of that Act dealt with terrorist financing and proliferation. It was aimed at international terrorism, and although I am reluctant to name countries, I think that we all know who they might be. All credit institutions had to be included in those provisions. However, I think that the Treasury forgot about Northern Ireland credit unions, and a last-minute amendment had to be made to schedule 7 to the Act. As a result of the late notice that was given to the Department, we were, unfortunately, unable to go through the proper procedure of getting a legislative consent motion from the Assembly.

For purely technical reasons, the functions of enforcement and supervision in Northern Ireland were placed on the Department; however, under the legislation, the Treasury would first have to issue a directive for the Department to do so. As a result of the ongoing reform of credit unions, of which you are well aware, this is one of the building blocks that we need to remove, because the supervisory and enforcement element will pass to the Financial Services Authority (FSA) or its successor when the reforms have been implemented.

Under current government policy, the Government only want germane elements in Bills, and the Terrorist Asset-Freezing Bill is the only one that meets the timetable that the Department has for the implementation of credit union reform. In clause 45, the Treasury proposes to amend the various paragraphs of schedule 7 to the Counter-Terrorism Act 2008.

The Chairperson:

Thank you for that very succinct presentation. Will this kick-start the process of reform?

Mr C McLaughlin:

It is one of the blocks. As part of the consultation that went out earlier this year and which finished on 24 May, we published a draft exemption order, which will remove the exemption under which credit unions here operate. We also published another one, but I cannot remember its name. However, there were two draft orders in that consultation document.

As the legislation is mostly made at Westminster, we, unfortunately, have very little control over it. We held discussions with the Treasury since I last spoke to the Committee, and its lawyers are working with the FSA on a grandfathering order. That will bring everything into place; a similar order was created when the FSA assumed control of credit unions in Great Britain in 2002. Out of the Financial Services and Markets Act 2000, the Treasury is also working on a consequential amendment order that will revoke the various aspects of the Credit Unions (Northern Ireland) Order 1985 to allow the various things to go ahead.

I am unsure of our timetable for publication. However, we analysed responses to the consultation that were received between March and May and hope to publish the draft orders with the response to the consultation document. We hope that that will be done sooner rather than later, but we have yet to receive a timetable from the Treasury.

The Chairperson:

When might that be done?

Mr C McLaughlin:

Because the order will affect the Northern Ireland legislation, I will need to speak to the Office of the Legislative Counsel to get an idea of the time that it will take to look at the various issues; however, we hope that it will be done within the next six to eight weeks. It may be earlier or later; I just do not know. I cannot, therefore, give you a definitive answer.

The Chairperson:

Will it be done before Christmas?

Mr C McLaughlin:

We hope so.

The Chairperson:

I suppose that the \$64,000 question that you do not want to answer is when do you think that —

Mr C McLaughlin:

I might need to phone a friend. *[Laughter.]*

The Chairperson:

Do you have a friend? Phone the Minister. *[Laughter.]*

When do you think — this is entirely without prejudice — the process will be complete?

Mr C McLaughlin:

The FSA is making very good noises. My colleague at the FSA said last week that it is aiming for a window between October and December of next year. It has a great deal of administrative and statutory business to do that I am not totally au fait with. Much preparatory work has to be done, and it therefore does not feel that it can assume responsibility for credit unions before that date.

The Chairperson:

That groundwork must be done first.

Mr C McLaughlin:

Yes. The Financial Services Authority has to go through its committees and get submissions. It also has to change — Paul might know more about this than I — its credit union rule book, for example. There are major changes; it is not an easy process.

The Chairperson:

It is a very complicated one. In fact, it is rather torturous, but it has to be gone through.

Mr C McLaughlin:

It sure is.

The Chairperson:

Mr Neeson asked what would happen if the FSA were done away with, and you referred to a

successor body. What is your take on that?

Mr C McLaughlin:

I know from talking to the Financial Services Authority that there will be a body that will do the same job as the FSA, and it is likely to go into the Bank of England. One of the Committee's recommendations was that the FSA should open an office here, and we are getting very positive feelings on that.

The Chairperson:

That is excellent, because that is what local credit unions are looking for.

Mr C McLaughlin:

I cannot say how long that will last. The FSA has a great deal more business here than credit unions; it deals with other financial institutions. It has an office in Edinburgh, and it has not totally dismissed the idea of having one here. We are keeping the pressure on it in that respect.

Mr Butler:

Could it be in Derry?

Mr C McLaughlin:

That would help me all right.

The Chairperson:

Special pleading there, Mr McLaughlin.

This is purely technical legislation that helps in the process of reforming credit unions. Not all colleagues are familiar with the Committee's work on that. You did a great deal of work on the reform of credit unions and were very supportive of the reform process. Credit unions agree that there should be reform, and they would like to see that done as quickly as possible. Strictly speaking, this is a small part of it; much work remains to be done. If colleagues are content with the briefing, we will move on. Mr Bingham, do you have anything to add?

Mr Paul Bingham (Department of Enterprise, Trade and Investment):

No.

The Chairperson:

Thank you very much for attending.

Are members content to support the legislative consent motion?

Members indicated assent.