



# Department for Business, Innovation & Skills

## **Small Business, Enterprise and Employment Act: Companies: Transparency**

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## Register of People with Significant Control

### Aims of the measure:

- This reform will increase transparency around who ultimately owns and controls UK companies. It will help deter, identify and sanction those who hide their interest in UK companies to facilitate illegal activities. Enhanced transparency will also promote good corporate behaviour.

### Measure will:

- Require UK companies to hold and keep available for inspection a register of people with significant control over the company (a 'PSC register'). A 'person with significant control' (PSC) is an individual who ultimately owns or controls more than 25% of a company's shares or voting rights, or who otherwise exercises control over a company or its management.
- Companies will be required to take reasonable steps to identify people they know or suspect to have significant control, including by giving notice to PSCs and others to obtain information. PSCs will be required to disclose their interest in the company to the company in certain circumstances. In certain circumstances details of a legal entity (a 'relevant legal entity') rather than an individual must be noted in the register.
- The PSC register will include information on an individual's name, date of birth, nationality, address, and details of their interest in the company.
- Companies will be required to update this information if they know or might reasonably be expected to have known that a change to their PSCs has occurred. PSCs will be required to inform the company of any changes to the information recorded in certain circumstances.
- Companies will be required to provide an initial statement about their PSCs to the registrar of companies (Companies House) on incorporation. They will be required to update this information at least once every 12 months in the context of new requirements to deliver a confirmation statement.
- Information will be publicly accessible with the exception of the residential address. The 'day' of the date of birth will not be disclosed on the public register at Companies House unless the company elects to hold its own PSC register at Companies House. Individuals at serious risk of violence or intimidation will be able to apply to have information suppressed from disclosure. Specified public authorities will be able to access information protected from public disclosure on request.

### Specific outcomes and impacts:

- This measure fulfils the UK's commitment to implement a publicly accessible central registry of company beneficial ownership information. It will also help ensure the UK meets international standards on tackling the misuse of companies.
- Reform will provide greater transparency over company ownership and control for enforcement agencies, business, citizens and civil society, both in the UK and overseas.

## Abolition of Bearer Shares

### Aims of the measure:

- Abolishing bearer shares will directly remove an easy means of facilitating illegal activity, and ensure we are compliant with international standards.
- It will increase transparency around who owns and controls UK companies and as part of the Transparency and Trust reforms will help deter, identify and sanction those who hide their interest in UK companies to facilitate illegal activities.
- Enhanced transparency will also promote good corporate behaviour.

### Measure will:

- Bearer shares – or share warrants to bearer – are unregistered shares owned by whoever physically holds the share warrant. This makes them anonymous and infinitely transferable, and an easy means of facilitating illicit activity such as tax evasion or money laundering.
- UK companies will be prohibited from issuing bearer shares.
- Existing bearer shareholders will be required to surrender their shares to the company and have them exchanged for registered shares. This will need to be done within a short timeframe – 9 months. If bearer shares are not surrendered and exchanged, they will need to be cancelled and relevant monies paid into court by the company. This will ensure bearer shares are completely eliminated from the UK business environment.

### Specific outcomes and impacts:

- Ensure compliance with international standards –
  - Meeting commitments in the UK's G8 Action Plan;
  - Responding to recommendations to the UK made by the Global Forum on Transparency and Exchange of Information for Tax Purposes with respect to this vulnerability in our current system; and
  - Meeting FATF standards in relation to transparency of company ownership and control
- Promote transparency of company ownership and control to, deter, disrupt and sanction the criminal misuse of companies in the UK. (This includes supporting the implementation of the register of People with Significant Control - bearer shares could conceal People of Significant Control).

## Corporate directors and Shadow directors

### Aims of the measure:

- These measures will deter opaque arrangements involving company directors and increase accountability where they are used to no good end.
- Increased transparency of company control in the UK will help deter, identify and sanction those who hide their interest in UK companies to facilitate illegal activities. Increased transparency and accountability will also promote good corporate behaviour.

### Measure will:

- Prohibit the use of corporate directors – one company as the director of another - with limited exceptions (to be set out in regulations). The exceptions will apply where the use of corporate directors presents a low risk of illicit activity and is of high value to the running of a company.
- Update the legal duties that apply to shadow directors – those who control all or the majority of a company's directors.
- Measures that we are also introducing to deal with disputes about directors' appointments (as part of the Company Filing Requirements package) will ensure that all company directors are informed of their statutory duties as they embark on their role. This will help make clear to them that acting irresponsibly as a front for someone else could be a breach of those duties.

### Specific outcomes and impacts:

- The use of corporate directors in the UK will be restricted to situations of low risk and high value. New corporate directorships will not be permitted, and existing corporate directors will need to consider their position with respect to the exceptions, and potentially change their arrangements to become compliant. Overall, the individuals involved in companies will be more transparent and more accountable.
- Shadow directors – controlling all or the majority of a company's directors – will have legal duties on the same basis as individual directors. The duties will be more accessible and comprehensive than they are now. Updating the duties will improve standards of shadow director conduct, and could increase accountability where standards are not met.



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