House of Commons Library

Research Briefing

20 January 2023

By Ali Shalchi,
Steve Browning,
Joanna Dawson

Economic Crime and Corporate Transparency Bill 2022-23: Progress of the Bill

Summary

Image Credits

Ali ShalchiImage Credits

Ali Shalchi

Disclaimer

The Commons Library does not intend the information in our research publications and briefings to address the specific circumstances of any particular individual. We have published it to support the work of MPs. You should not rely upon it as legal or professional advice, or as a substitute for it. We do not accept any liability whatsoever for any errors, omissions or misstatements contained herein. You should consult a suitably qualified professional if you require specific advice or information. Read our briefing 'Legal help: where to go and how to pay' for further information about sources of legal advice and help. This information is provided subject to the conditions of the Open Parliament Licence.

Sources and subscriptions for MPs and staff

We try to use sources in our research that everyone can access, but sometimes only information that exists behind a paywall or via a subscription is available. We provide access to many online subscriptions to MPs and parliamentary staff, please contact hoclibraryonline@parliament.uk or visit commonslibrary.parliament.uk/resources for more information.

Feedback

Every effort is made to ensure that the information contained in these publicly available briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated to reflect subsequent changes.

If you have any comments on our briefings please email papers@parliament.uk. Please note that authors are not always able to engage in discussions with members of the public who express opinions about the content of our research, although we will carefully consider and correct any factual errors.

You can read our feedback and complaints policy and our editorial policy at commonslibrary.parliament.uk. If you have general questions about the work of the House of Commons email hcenquiries@parliament.uk.

Contents

Summary

The Economic Crime and Corporate Transparency Bill 2022-23 (Bill 154) is a government bill introduced in the House of Commons on 22 September 2022. Its three stated objectives (PDF) are:

- To prevent organised criminals, fraudsters, kleptocrats and terrorists from using companies and other corporate entities to abuse the UK's open economy;
- To strengthen the UK's broader response to economic crime; and
- To support enterprise by enabling Companies House to deliver a better service for over four million UK companies, and improving the reliability of its data to inform business transactions and lending decisions across the economy.

Second reading was on 13 October 2022 and the Bill completed its Commons Committee stage, in nineteen sittings, on 29 November 2022. Remaining Commons stages are scheduled for 24 and 25 January 2023.

Most of the Bill's measures would extend across the UK. Legislative consent motions are being sought from each of the devolved administrations.

What the Bill aims to do

The Bill follows the Economic Crime (Transparency and Enforcement) Act 2022, which was fast-tracked through Parliament in March 2022 in response to Russia's invasion of Ukraine.

During the passage of this earlier Bill the Government committed to introducing a second economic crime bill early in the 2022-23 session of Parliament. The Bill then featured in the May 2022 Queen's Speech.

The Bill's measures

The Bill has six Parts.

Part 1: Companies House Reform

Companies House is the UK's company registrar. The UK is one of the quickest and cheapest places in the world to set up a company. UK companies can usually be set up within 24 hours using an online form, for a £12 fee.

But Companies House is not a regulator, so lacks powers to query documents submitted to it, and to investigate companies it suspects are being used for fraud or money laundering. The Government accepts that aspects of the UK's easy-to-use company regime have made it particularly attractive to criminals (PDF).

Proposed reforms to Companies House (as introduced)

In May 2019, the Department for Business, Energy & Industrial (BEIS) strategy published a consultation on company reform. It was followed by three further consultations published in December 2020.

Part 1 of the Bill (as introduced, clauses 1 to 98, and now clauses 1 to 107) would seek to deliver the "biggest upgrade to Companies House" since the UK first introduced a register of companies in 1844. Some of the key changes (as introduced) are:

- requiring companies to have their registered office at a place where it can acknowledge and receive documents
- requiring all directors, People with Significant Control (beneficial owners), and those delivering documents to have their identities verified
- abolishing the requirement for companies to maintain their own registers of directors, directors' residential addresses, secretaries and People with Significant Control, providing instead that this information is only held centrally
- requiring all companies to file a profit and loss account, showing their turnover and profit. Currently, most companies are exempt from this requirement by virtue of being classified as "small"
- giving the registrar greater powers to share information and reject documents with inaccuracies; and
- giving the registrar power to remove information about dissolved companies from public inspection after twenty years.

BEIS estimates the total cost of the changes to be £289m, with an annual direct cost on businesses of £18.9m. But it assesses the current value of information on the companies register to be between £1 and £3 billion, so that a 5% improvement in the quality and usefulness of this information could more than cover the costs of the measures to businesses.

Alongside the Bill, an "all-encompassing transformation" of Companies House is taking place, including having fewer paper-based administrative roles in favour of analytical work, and greater digitisation and modernisation of its systems.

Commentary on proposed reforms

The measures in Part 1 have been broadly welcomed by stakeholders, including the Law Society and the UK Anti-Corruption Coalition of 17 anti-corruption groups.

Anti-corruption group Transparency International (TI) said the reforms were "much-needed" but left gaps such as by failing to prohibit UK companies from being controlled by "opaque offshore companies".

TI, the Centre for Financial Crime and Security at the Royal United Services Institute and Spotlight on Corruption all argue – whether through the Bill or otherwise –the Government should commit to increase the cost of setting up a company to well above its current level of £12.

Commons committee stage

The Government added nine new clauses to Part 1 at Commons committee stage. These new clauses seek to allow for: (1) Part 1 to apply to overseas companies; (2) rectification of the register relating to invalid service and principal office addresses; (3) the Secretary of State to require businesses to identify discrepancies between its own information and that on the public register; and (4) the registrar to omit from public inspection company names for companies that have been directed to change their name.

Many largely technical and consequential Government amendments were also made. The only Government amendments divided upon were amendments to clause 32 (passed along party lines by 10 votes to 7). These amendments provided that a sanctioned person would only be disqualified from being a director if those sanctions related to asset-freezing.

No non-Government amendments or new clauses were made or added to Part 1 during Committee stage.

Part 2: Limited partnerships

Limited partnerships (LPs) are a specific type of business structure in UK law.

There is an important difference in arrangements for Scottish limited partnerships (SLPs) – they have a separate legal personality. This meant that until 2017 they could be registered without giving details of individuals or companies who owned the business.

Concerns about the partnership model

Earlier concerns about the wider lack of transparency of UK business structures had led to the creation of the Register of Persons with Significant

Control in 2016. This was extended to cover SLPs in 2017. The number of LPs registered in Scotland had risen by 30% in 2016, compared with 5% across the rest of the UK. SLPs in particular had also been implicated in major international money laundering scandals.

To update limited partnership law across the UK and improve transparency, the Government consulted on various proposals in 2018, publishing its response the same year.

Proposed reforms to limited partnerships

The proposed reforms would:

- seek more information about partners at the point of registration, and require this to be submitted by authorised corporate service providers, who are supervised for anti-money laundering purposes
- require limited partnerships to maintain a registered office there
- require all limited partnerships to update the registrar of changes and submit annual statements confirming that information held about them is correct
- enable the registrar to deregister limited partnerships that are dissolved or no longer carrying on business
- enforce sanctions for various breaches of the above requirements against partners.

In addition, many of the reporting arrangements would bring requirements for limited partnerships into alignment with those for registered companies. So various changes in other parts of the Bill would also be relevant to limited partnerships across the UK.

Commons committee stage

The committee agreed (without division) four new clauses proposed by the Government. One of these would specify how individuals might be exempted from meeting new requirements for identity verification on the grounds of national security. The other three would make further provisions relating to dissolving and winding up limited partnerships.

The committee also agreed numerous Government amendments – many of them technical or consequential to other changes – without division. The Opposition proposed several amendments and new clauses. They were all withdrawn or not called.

Part 3: Register of Overseas Entities

The Economic Crime (Transparency and Enforcement) Act 2022 (the EC(TE) Act) introduced a beneficial ownership register of foreign entities (such as companies) that own UK property, known as the Register of Overseas Entities.

This register became operational on 1 August 2022 and is administered by Companies House. Overseas entities have until 31 January 2023 to register their beneficial owners.

Part 3 of the Bill would amend the EC(TE) Act to maintain consistency with changes to the Companies Act 2006 made by Part 1 of the Bill; and make minor and technical changes.

Commons Committee stage

No amendments were tabled to Part 3 during committee stage, but 10 new Government clauses were added. The new clauses are largely intended to make the Register of Overseas Entities more accurate and reflect changes being made in Part 1. They were all added without divisions.

Part 4: Cryptoassets

Part 4 would amend the Proceeds of Crime Act 2002 to explicitly apply criminal and civil asset recovery powers to cryptoassets.

Among other things, in relation to criminal recovery Part 4 would:

- remove the requirement in certain circumstances that a person must have been arrested before assets can be seized
- make changes to the search, seizure and detention powers to clarify how they apply to cryptoasset wallets
- provide magistrates courts with powers to deal with cryptoassets
- provide for the destruction of cryptoassets in certain circumstances.

In relation to civil recovery Part 4 would:

- give law enforcement search and seizure powers in relation to cryptoassets
- enable law enforcement to recover cryptoassets from third party holders
- provide for the freezing of crypto wallets
- enable cryptoassets to be converted into cash or destroyed in certain circumstances.

Commons committee stage

The Government tabled technical amendments to the civil recovery provisions intended to ensure consistency in the drafting. They were agreed without division.

The Government also tabled a new clause and schedule which would amend the Anti-Terrorism, Crime and Security Act 2001 and the Terrorism Act 2000 to

provide for civil recovery powers equivalent to those contained in the Bill. These were also agreed without division.

Part 5: Miscellaneous

Part 5 makes several discrete changes relating to money laundering, terrorist financing and the regulation of legal services. These include:

- creating new exemptions from money laundering offences to reduce reporting by businesses carrying out transactions on behalf of clients in certain circumstances;
- providing law enforcement with new powers to obtain information relating to money laundering and terrorist financing;
- enabling certain businesses to share information about economic crime without breaching confidentiality duties;
- removing the £25,000 cap on the Solicitors Regulation Authority's powers to impose penalties for economic crime disciplinary matters;
- adding a regulatory objective for legal services regulators to uphold the economic crime agenda; and
- expanding the Serious Fraud Office's (SFO) pre-investigation stage powers to all SFO cases.

Commons committee stage

The Government tabled amendments to Part 5 which were agreed without division, including:

- extending the protection for businesses sharing information on customers to all civil liability
- removing the existing statutory limit on financial penalties that can be imposed by the Scottish Solicitors' Discipline Tribunal in relation to economic crime offences.

Part 6: General

Part 6 contains general clauses (such on the title and territorial extent of the Bill) typically found at the end of Bills.

1 Background and territorial extent

The Economic Crime and Corporate Transparency Bill 2022-23 (Bill 154) is a Government bill introduced in the House of Commons on 22 September 2022.

Second reading was on 13 October 2022 and the Bill completed its Commons committee stage, in nineteen sittings, on 29 November 2022. Remaining Commons stages are scheduled for 24 and 25 January 2023.

It originally contained 162 clauses and eight schedules, divided into five substantive parts. The Bill emerged from Commons committee stage with 189 clauses and nine schedules.

The Bill and its Explanatory Notes, Delegated Powers Memorandum, Human Rights Memorandum, and Impact Assessments are available on Parliament's Bill page.[1] Various Government departments have published Factsheets on individual measures.[2]

A second economic crime bill

The Bill follows on from an earlier economic crime bill, the Economic Crime (Transparency and Enforcement) Act 2022,[3] which was fast-tracked through Parliament in March 2022 in response to the Russian invasion of Ukraine. During the passage of this earlier Bill, the Government committed to introducing a second economic crime bill early in the 2022-23 session of Parliament,[4] leading to the current bill being nicknamed "Economic Crime Bill 2".[5]

The May 2022 Queen's Speech background briefing notes committed the Government to introducing an Economic Crime and Corporate Transparency Bill to "to further strengthen powers to tackle illicit finance, reduce economic crime and help businesses grow".[6]

Now introduced, the Bill's objectives are to:

1 UK Parliament, Parliamentary Bills, Economic Crime and Corporate Transparency Bill
2 Home Office, HM Treasury, Department for BEIS, Serious Fraud Office and Ministry of Justice, Economic Crime and Corporate Transparency Bill 2022: Factsheets, 22 September 2022
3 See the Library briefing CPB 9480, Economic Crime (Transparency and Enforcement) Act 2022, 23 March 2022
4 See for example HC Deb 7 March 2022, vol 710 col 140
5 See for example HL Deb 14 March 2022, vol 820, col 155
6 Prime Minister's Office, Queen's speech 2022: background briefing notes, p81

- Prevent organised criminals, fraudsters, kleptocrats and terrorists from using companies and other corporate entities to abuse the UK's open economy. This Bill will reform the powers of the Registrar of Companies and the legal framework for limited partnerships in order to safeguard businesses, consumers and the UK's national security.

- Strengthen the UK's broader response to economic crime, in particular by giving law enforcement new powers to seize cryptoassets and enabling businesses in the financial sector to share information more effectively to prevent and detect economic crime.

- Support enterprise by enabling Companies House to deliver a better service for over four million UK companies and improving the reliability of its data to inform business transactions and lending decisions across the economy.[7]

Territorial extent

Most of the Bill's measures would extend across the UK. An annex to the explanatory notes (PDF) sets out the territorial application of each clause.[8]

Certain clauses make different provision for different jurisdictions (catering, for example, for differences in company law between Great Britain and Northern Ireland) but the overriding policy objectives are similar across the UK. For example, clauses 154 and 155 (which became clauses 180 and 182 after Commons committee stage) contain legal sector reforms that relate to England and Wales only.[9]

In the Government's view, the Bill includes measures within the competencies of the devolved administrations, including on insolvency, land law, justice, and company law and limited partnerships. Legislative consent motions (LCMs) are being sought from the Scottish Parliament, the Welsh Parliament, and the Northern Ireland Assembly.[10]

The background and explanation of each individual measure is discussed in the following sections.

7 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 2
8 As above, Annex A, p105
9 As above
10 As above, para 842

2 Part 1: Companies House reform

Clause references in this section are based on the Bill as introduced to Parliament. Amendments made during Commons Public Bill Committee (PBC) mean the numbers may have changed since.

2.1 Background: Companies House

Companies House (CH) is the UK's company registrar, operating as an executive agency of the Department for Business, Energy & Industrial Strategy (BEIS).[11] The UK has had a company register since 1844.[12]

CH employs around 1,000 staff, based mainly in Cardiff (where it is headquartered, and manages English and Welsh registrations), with smaller offices in Edinburgh (for registrations in Scotland) and Belfast (for registrations in Northern Ireland).[13] Its main responsibilities are to: (i) incorporate (set up) and dissolve (close down) limited companies; (ii) examine and store company information; and (iii) make information publicly available.[14]

In the financial year 2020/21, CH spent £92.6 million and brought in income of £71.3 million (mainly from fees).[15]

Setting up a UK limited company

Many people choose to do business in the UK without forming a company, mainly through being a sole trader[16] or a partnership.[17] In fact, there are more sole traders in the UK than there are companies.[18]

11 Companies House, Annual Report and Accounts 2021/21 (PDF), 21 October 2021, p2
12 Companies House blog, What is Companies House? 3 July 2018
13 Its small London office closed in March 2020 and will not be re-opening. See Companies House, Companies House London office and counter services will not be re-opening, 29 July 2022
14 Companies House, About Us
15 Companies House, Annual Report and Accounts 2021/21 (PDF), 21 October 2021, p6
16 Gov.uk website, Set up as a sole trader
17 Gov.uk website, Set up a business partnership
18 Department for BEIS, Business population estimates for the UK and regions 2021: statistical release, 7 October 2021

But there are clear advantages to doing business through a company. For example, a limited company is a "distinct legal entity" from its directors and shareholder, so can employ people and enter into contracts in its own name. This means (assuming no fraud has taken place) that its directors and shareholders will not be personally responsible for satisfying the company's obligations or debts. There can also be tax advantages.[19]

The UK is one of the quickest and cheapest places in the world to incorporate (set up) a limited company. UK companies can usually be set up within 24 hours using an online form, for a £12 fee.[20] By comparison, in 2018 the average cost to start a company across European Union countries was 300 euros (around £265).[21]

The ease of setting up a company is one factor making the UK an attractive place to do business. Today, CH is the registrar for well over four million UK limited companies, with over half a million set up every year.[22] World Bank data from 2020 ranked the UK first in the world in both the number of limited company registrations and new annual registrations. However, the data did not include several major economies (notably the United States).[23]

Concerns about UK companies

A 2017 Government national risk assessment of money laundering and terrorist financing noted that the UK's easy-to-use company regime was "particularly attractive" to criminals, who might want to use corporate structures to hide wealth or enable money laundering.[24] Fraudsters could also use information on the register to impersonate others, or register companies at with incorrect information (such as false addresses).[25]

In a 2016 blog, CH noted that it often received enquiries asking it to investigate companies, but "it's not something we're able to do" as it "does not have any investigatory powers".[26] CH is a registrar, not a regulator, so is required to accept documents submitted to it and does not have powers to query them.[27]

Anti-corruption group Transparency International claimed in 2017 that hundreds of UK companies were implicated in nearly £80 billion of money laundering.[28] To illustrate the potential for fraud, businessman and anti-fraud campaigner Kevin Brewer has registered a number of companies with

19 Companies House, What does it mean to be a 'limited' company? 15 May 2018
20 Companies House, Register your company
21 Statista, Average cost of registering a private-limited company in European Union countries in 2018, March 2020
22 Companies House, About Us
23 See the World Bank Entrepreneurship Database
24 HM Treasury and Home Office, National risk assessment of money laundering and terrorist financing 2017 (PDF), October 2017, p61
25 Department for BEIS, Corporate Transparency and Register Reform (PDF), May 2019, p3
26 Companies House, Fraud: what we can and can't do, 17 February 2016
27 Companies House, How we're reforming the powers of the registrar, 22 January 2021
28 Financial Times, UK shell companies linked to £80bn money laundering, 9 November 2017

Government ministers as fictitious directors and shareholder, including former Business Secretary Vince Cable, former Business Minister Lucy Neville-Rolfe and former Conservative party deputy chairman and current Foreign Secretary James Cleverly.[29]

Since 2016 CH has also listed the beneficial (ultimate) owners of UK companies, known as the People with Significant Control (PSC) register (on which, see the Library briefing Registers of beneficial ownership). But analysis of the register by campaign group Global Witness in 2018 found that it had over four thousand people listed as beneficial owners who were under the age of two, and five individuals were listed as beneficial owners for more than six thousand companies.[30]

2019 Consultation on reform

Concerns about abuse of the UK company regime led the Department for BEIS to publish a consultation in May 2019 to explore "whether we should require more information about the people registering, running and owning companies and other limited liability entities, as well as the entities themselves".[31] The consultation focused on reforming four areas of concern, following recommendations made by the international watchdog the Financial Action Task Force, the OECD Global Forum for Transparency and Exchange of Information and Transparency International:

- misuse of UK companies by criminals and corrupt elites;
- accuracy of information on the register;
- abuse of personal information on the register; and
- the lack of cross-checking between CH and other bodies.[32]

The reforms suggested included identity checks for directors and shareholders, greater investigatory powers for CH, greater protections for personal data and cross-checking against data held by other bodies. The Government said, if implemented, this "would amount to the most significant reform of the UK's company registration framework since a register was first introduced in 1844".[33]

Over 1320 respondents from business, academia and civil society contributed to the Government's consultation. In September 2020 the Government confirmed its intention to proceed with many of its original proposals and (where needed) to legislate to implement them "when parliamentary time

29 Financial Times, Campaigner prosecuted over stunt to expose UK company records fraud, 17 April 2018
30 Global Witness, In pursuit of hidden owners behind UK companies, 6 February 2018
31 Department for BEIS, Corporate Transparency and Register Reform Consultation-, May 2019, p4
32 As above, pp13-14
33 As above, p18

allows".[34] An example of a proposal the Government decided not to proceed with is identity verification for (all) shareholders, which it considered would impose a "disproportionate burden on individuals without a controlling interest in a company".[35]

Further consultation in 2020/21

In December 2020 the Government then announced three further consultations on specific areas of reform. These were on proposals to:

- strengthen CH's powers to query information submitted to it;[36]
- improving the quality and value of financial information on the register;[37] and
- ban corporate directors unless their own boards comprise all natural persons, and those natural persons have their identities verified.[38]

These three consultations all closed in February 2021. The Government did not initially set a timetable of when it intended to publish its response to these further consultations, and bring forward the legislation to implement its proposals. Reform of Companies House did not feature in the May 2021 Queen's Speech,[39] and in response to parliamentary questions through 2021 and early 2022 the Government stated that it intended to respond to consultations "in due course" and legislate "when parliamentary time allows".[40]

At Prime Minister's Questions (PMQs) on 2 February 2022 then Prime Minister Boris Johnson confirmed that an economic crime bill would be brought forward in the upcoming (2022-23) session of Parliament.[41]

Ukraine crisis and the first Economic Crime Bill

The February 2022 Russian invasion of Ukraine shone a spotlight on the scale economic crime in the UK, as discussed in the Library briefing Economic crime in the UK: a multi-billion pound problem. The invasion transformed economic crime into a major political issue.

---

34 Department for BEIS, Corporate Transparency and Register Reform Consultation, Government response, 18 September 2020, pp15 and 17

35 As above, p11

36 Department for BEIS and Companies House, Corporate transparency and register reform: powers of the registrar, 9 December 2020

37 Department for BEIS and Companies House, Improving the quality and value of financial information on the UK companies register, 9 December 2020

38 Department for BEIS and Companies House, Implementing the ban on corporate directors, 9 December 2020

39 Prime Minister's Office, Queen's Speech 2021: background briefing notes, 11 May 2021

40 See, for example, parliamentary questions from March 2021 (UIN 166512), August 2021 (UIN 41205) and January 2022 (UIN 101855)

41 HC Deb 2 February 2022, vol 708, col 276

At PMQs on 23 February 2022, Labour leader Keir Starmer asked then Prime Minister Boris Johnson to introduce an economic crime bill in the current (2021-22) session of Parliament.[42] On the same day, a (non-binding) motion was agreed without a division by the House of Commons at an Opposition Day debate, which asked for an Economic Crime Bill to be introduced by the end of March 2022.[43]

The Government then introduced and fast-tracked the Economic Crime (Transparency and Enforcement) Act 2022 through Parliament in March 2022. It contained three main measures: the establishment of a beneficial ownership register for UK property, and reforms to the existing Unexplained Wealth Orders and sanctions regimes. These are discussed in more detail in the Library briefing on the Economic Crime (Transparency and Enforcement) Act 2022. [44]

During the March 2022 passage of the Economic Crime (Transparency and Enforcement) Act 2022 through Parliament, Government ministers confirmed that a second economic crime bill would be introduced early in the upcoming (2022-23) session of Parliament, that would include reform of Companies House. The May 2022 Queen's Speech committed to introduce an Economic Crime and Corporate Transparency Bill that would give the Companies House registrar great investigatory and enforcement powers, improve the accuracy of data on the register, and allow for greater cross-checking of data on the register with other bodies.[45]

The reforms

On 28 February 2022 – the day before the Economic Crime (Transparency and Enforcement) Bill 2021-22 was introduced to Parliament, the Department for BEIS published a White Paper (alongside an impact assessment) setting out its final proposals for reforming Companies House, and responding to the three consultations it launched in December 2020.[46] The White Paper set out 58 individual reforms[47] of Companies House focusing on:

- expanding the powers of the CH registrar to include maintaining the integrity of the register of companies and the UK business environment;
- identify verification for people setting up, managing and controlling companies;
- enhancing privacy (such as allowing suppression of personal information when there is a risk of harm); and

42 HC Deb 23 February 2022, vol 709 col 311
43 HC Deb 23 February 2022, vol 709
44 Commons Library, Economic Crime (Transparency and Enforcement) Act 2022 (CBP 9480), 23 March 2022
45 Prime Minister's Office, Queen's Speech 2022: background briefing notes, pp81-82
46 Department for BEIS, Policy paper: Corporate transparency and register reform, 28 February 2022
47 As above, see Part 3, Annex 1

- improve the accuracy of financial information on the register.[48]

These measures were intended to be passed alongside other non-legislative reform of Companies House. The non-legislative reforms comprised an "all-encompassing transformation" of Companies House's "skills, culture, operating model, and services".[49] This will include fewer paper-based administrative roles in favour of analytical work, alongside greater digitisation and modernisation of its systems.[50] The Government said in the White Paper that it had already invested £20 million in this transformation programme and had committed a further £63 million up to 2024/25.[51]

Part 1 (clauses 1 to 98, and Schedules 1 to 3) of the Bill would seek to implement the reforms set out in the White Paper (as well as others) across the UK. It mainly amends the Companies Act 2006 (CA 2006) – the main piece of company law legislation in the UK.

2.2 The Bill: clauses 1 to 98

The registrar of companies: clause 1

Clause 1 would insert a new section 1081A into the CA 2006 that requires the CH registrar, when performing its functions, to promote four objectives:

> to ensure that any person who is required to deliver a document to the registrar does so;
>
> to ensure that documents delivered to the registrar are complete and contain accurate information;
>
> to minimise the risk of records kept by the registrar creating a false or misleading impression to members of the public; and
>
> to minimise the extent to which companies and others (a) carry out unlawful activities, or (b) facilitate the carrying out by others of unlawful activities.

Company formation: clauses 2 to 8

A "subscriber" is an initial shareholder in the company when it was set up.[52] Subscribers must sign a statement (the "Memorandum of Association") expressing their wish to form a company.[53]

There is currently no description in the CA 2006 setting out how people must state their name in the document that forms the company (the "memorandum

48 As above, see paras 14 to 17
49 As above, para 18
50 As above, paras 83-86
51 As above, para 87
52 See guidance on the gov.uk website, Shareholders and guarantors
53 As above, Memorandum and articles of association

of association"). **Clause 2** would amend section 8 of the CA to say that, for individuals, "name" means a forename and surname (or, where relevant, the title of a person such as a peer). This would require a person to insert their full name (such as Joe Bloggs rather than simply J Bloggs).[54]

Clauses 3 and 4 would amend section 9 of the CA 2006 to introduce a requirement for subscribers to expressly state that the company is being formed for a lawful purpose, and that none of the subscribers are disqualified to act as directors. This would allow the registrar to reject the filing if this is later proven to have been wrong.[55]

Clauses 5 and 6 would amend section 12 of the CA 2006 to introduce requirements that applications to form a company (by subscribers or their agent) include statements that the company's proposed directors have verified their identities, and are not disqualified from acting as directors. The registrar would then be able to reject applications containing false statements. The Secretary of State (for BEIS) would be able to make regulations setting out exemptions to the director verification requirement, under the affirmative parliamentary procedure.

Clauses 7 and 8 would amend section 12A of the CA 2006 to introduce, where relevant, similar requirements to clauses 5 and 6 in respect of persons who are to be People with Significant Control (rather than directors).

Company names: clauses 9 to 22

Clause 9 would insert new section 53A into the CA 2006, giving the Secretary of State the ability to prevent registration of a company if they think the name of that company is intended to facilitate dishonesty or deception. **Clause 17** would insert new section 76A into the CA 2006 to extend this power to existing company names too.

The CA 2006 (section 54) already requires the Secretary of State's approval for company names that falsely imply a connection to the UK Government. **Clause 10** would insert a new section 56A to the CA 2006 prohibiting names falsely connected to foreign governments and international organisations (such as the United Nations).

Computer code in databases can infect systems of those who access or download the data.[56] **Clause 11** would therefore insert a new section 57A prohibiting company names including computer code. **Clause 19** would insert section 76C, which allows for the removal and replacement of company names already on the register (by direction of the registrar) which contain computer code.

Where a company's name has been changed by the registrar using its powers of direction, that company cannot then re-register with the name that was

54 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 129
55 As above, paras 130-131
56 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 150

changed (**clause 12**). Officers (such as directors) or shareholders of the original company also can't set up a new company with the original or a similar name without the Secretary of State's consent (**clause 13**).

Clause 14 would standardise the time a company is given to comply with a direction to change its name under the CA 2006, at (at least) 28 days.

Objections to company names are considered by the Company Names Tribunal under the procedure in section 69 of the CA 2006. **Clause 15** would amend this procedure to allow objections based on the company name being misleading outside of the UK. It also allows shareholder or directors of the company whose name is being objected to, to be joined as respondents (defenders) in the claim, and removes a currently-available defence to an objection that the company is or has been operating under that name.

Section 76 of the CA 2006 allows the Secretary of State to direct a company to change its name if the name gives a misleading indication of its activities so as to be likely to cause harm to the public. **Clause 16** would extend this so that there only needs to be a "risk" of harm, and make clear that it also applies to harm to the public outside the UK.

Clause 18 would introduce a procedure allowing the Secretary of State to direct a company to change its name where the name breaches the requirements of the CA 2006 (including as amended by this Bill). Failure to comply would be a criminal offence by the company and all responsible officers, and the registrar would be empowered to forcibly change the name of the company if the company doesn't do so (**clause 20**).

Clause 21 would make consequential amendments to the new powers to change a company name under the Bill (such as because it contains computer code), requiring the registrar to replace the old name with the new on the register.

Clause 22 provides for the Secretary of State to allow company names that would otherwise be prohibited, where considered necessary for national security or to prevent or detect serious crime.

Business names: clauses 23 to 27

Many people choose to do business in the UK without forming a company, mainly through being a sole trader[57] or a partnership.[58] In fact, there are more sole traders in the UK than there are companies.[59] Companies can also choose to have a separate name when doing business. These names are not company names and are not registered at Companies House – they are instead called the "trading name" or "business name".

---

57 Gov.uk, Set up as a sole trader

58 Gov.uk, Set up as a business partnership

59 Department for BEIS, Business population estimates for the UK and regions 2021: statistical release, 7 October 2021

Because they aren't company names, business names aren't included in the restrictions on registering company names in the CA 2006. But they need to comply with the general restrictions on business names in Part 41 of the CA 2006.

Clauses 23, 24, and 27 would make similar changes as in clauses 10, 16 and 22 respectively (discussed above), but in respect of business names rather than company names.

Clause 25 would prohibit a company from using a business name that is the same as a company name it has been ordered to change. Doing so would be a criminal offence by the company and every responsible officer. Where a company has been ordered to change its name, it would be a criminal offence for an officer or shareholder of that company (with some exceptions) to use that company's name as the business name for another company (**clause 26**).

Registered offices: clauses 28 and 29

Clause 28 seeks to deal with address fraud by companies giving false registered offices addresses. It would require companies to ensure their registered office address is "appropriate", meaning somewhere that documents delivered to it can be acknowledged, and would be expected to come to its attention. Failure to give an appropriate address would be a criminal offence committed by the company and every responsible officer.

Section 1097A of the CA 2006 empowers the Secretary of State to make secondary legislation requiring the registrar (upon receiving an application) to change the registered office address of companies is satisfied that the company is not authorised to use that address. **Clause 29** would expand that to allow for secondary legislation permitting the registrar to change a registered office address both on application and on its own initiative, if not satisfied that it is an "appropriate" address (as defined above). Such secondary legislation can create criminal offences punishable by a fine.

Registered email addresses: clauses 30 and 31

Clause 30 would require all companies to maintain at all times a (non-public) "appropriate" email address, meaning an address where documents would be expected to come to its attention. Failure to have one would be a criminal offence by the company and every responsible officer. Existing companies would need to provide such an email address alongside their next confirmation statement (previously called an annual return) (**clause 31**).

These clauses would allow the registrar to communicate with companies electronically (sending, for example updates, notices and reminders).[60]

[60] Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 205

Disqualification in relation to companies: clauses 32 to 35

Clause 32 would insert a new section 11A into the Company Directors Disqualification Act 1986 (CDDA) to make it a criminal offence for persons knowingly designated under sanctions legislation to be company directors. **Clause 33** would ensure that clause 32 applies only to companies and not other bodies (such as building societies), although the Secretary of State could make regulations to apply clause 32 to those other bodies.

Clauses 34 and 35 would apply the above two clauses, which apply only in England, Wales and Scotland, to Northern Ireland.

Directors: clauses 36 to 43

Clause 36 would insert new sections 159A and 169A into the CA 2006 to provide that a person who is disqualified (under the CDDA) cannot be appointed as a director. Existing directors cease to be one when disqualified.

Section 87 of the Small Business, Enterprise and Employment Act 2015 contains amendments to the CA 2006 (that have not yet been brought into force) requiring all directors to be natural persons (i.e. human individuals rather than companies). Section 158 of the CA 2006 also provides for the Secretary of State to make provision for circumstances where persons under 16 can become directors. But if the circumstances cease to be met, the person under-16 ceases to be a director. **Clause 37** would amend both these provisions to ensure that persons remain responsible for their acts as directors, even though they are legally no longer considered directors.[61]

Clause 38 would repeal an existing power for the Secretary of State to require statements to be provided as to whether a disqualified person has court permission to act as a director or company secretary. This power is considered no longer necessary because this Bill introduces requirements to provide similar statements in other places.[62]

Clause 39 would insert a new section 167M into the CA 2006. It would provide that an individual cannot act as a director of a company unless their ID has been verified, or they benefit from an exemption specified by the Secretary of State in regulations (under the affirmative procedure). Breaching this would be a criminal offence for both the director, the company and every other responsible officer, punishable by a fine.

In practice this would mean that, once the clause came into force, individuals should not take any actions on behalf of the company in their capacity as a director until they verify their identity.[63]

61 As above, para 232
62 As above, para 235
63 As above, para 237

It would also be a criminal offence (punishable by a fine) for someone to act as a director unless the company has notified Companies House of their appointment (and that their identity has been verified) within 14 days of their appointment (**clause 40**). This would place an additional obligation on directors not to act unless their appointment has been notified, and is intended to help ensure that all directors are included on the register.[64]

Sections 3 and 5 of the CDDA currently allow for the disqualification of directors who are in persistent breach of companies legislation (such as by not filing documents), or who have been convicted of criminal offences relating to companies legislation. **Clause 41** would expand these provisions to allow disqualifications for breaches of the identity verification requirements being introduced for directors and People with Significant Control under clauses 39, 40 and 61 of the Bill. **Clause 42** would replicate the amendments made by clause 41, which applies in Great Britain only, for Northern Ireland.

Clause 43 is consequential on clause 50 (discussed below), which would abolish the requirement on a company to keep a register of its directors. Currently, company directors provide two addresses to CH; a residential address (which is not public) and a public service address, for correspondence.[65] The CA 2006 (section 245) allows for the registrar to make a director's residential address public in certain circumstances (like if correspondence to the service address is not answered). Section 246 then sets out certain obligations on the registrar and the company when doing so (such as the registrar giving notice to the director and the company, and the company updating its own register of directors). Clause 43 would replace section 246 with a new section that removes the requirement to update its register of directors.

Register of members: clauses 44 to 49 and Schedule 1

The "members" of a company are effectively its owners. In a typical company this will be its shareholders. The CA 2006 (section 113) requires companies to keep a register of its members.

The CA 2006 doesn't currently specify how names must be set out in a register of members. **Clause 44** would amend Chapter 2 of the CA 2006 to require that, for individuals entered in a register of members, "name" means a forename and surname (or, where relevant, the title of a person such as a peer). This would require the company to insert their full name (such as Joe Bloggs rather than simply J Bloggs).[66] Companies would need to provide an updated list of shareholders (with full names) with the first confirmation statement (formerly annual return) they file after Clause 44 comes into force (**clause 49**).

64 As above, para 243

65 See Companies House guidance, Your personal information on the Companies House register, updated 29 August 2019

66 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, paras 252-4

Clause 45 would introduce a new section 113A to the CA 2006, allowing the Secretary of State to make regulations (under the affirmative procedure) to specify changes to the information that must be entered in a company's register of members. This would enable the collection of more information about members in future if thought necessary, such as by (for example) requiring all members to provide an address.[67]

Courts currently only have power to order the rectification of incorrect names on registers of members. **Clause 46** would amend section 125 of the CA 2006 to expand this to include all information that is, should or shouldn't be on the register.

Clause 47 would insert new sections 120A and 120B into the CA 2006, allowing the Secretary of State to make regulations (under the affirmative procedure) to set up a process where applications can be made to the registrar that would require a company not to use or disclose information about its members, except in specified circumstances. Where such an application is granted, failure to comply would be a criminal offence for the company and every responsible officer.

Currently, most companies (being private companies, which cannot list their shares on a stock exchange)[68] can choose to maintain information about their members on the registrar's central register rather than their own register of members. **Clause 48** would delete Chapter 2A of Part 8 of the CA 2006 to remove that option (and make consequential amendments in **Schedule 1**), and so require all companies to maintain registers of members,[69] as required by section 113 of the CA 2006. The registrar would no longer maintain a central register of members.[70]

Registration of directors, secretaries and persons with significant control: clauses 50 and 51 and Schedule 2

Clause 50 incorporates **Schedule 2** to the Bill, which would abolish the requirement for companies to maintain their own registers of directors, directors' residential addresses, secretaries and people with significant control. This means this information would only be held centrally by the registrar instead of on registers maintained locally by the company. Various duties to update the registrar of changes would also be included by Schedule 2, to ensure the central register is kept up-to-date. The Government consulted on these proposals and noted that respondents "did not express strong views" on whether the requirements to maintain most of these registers should be abolished.[71]

67 As above, para 256

68 See section 755 of the CA 2006

69 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 265

70 As above, para 604

71 Department for BEIS, Policy paper: Corporate transparency and register reform, 28 February 2022, para 80

Clause 51 would replace existing provisions in the CA 2006 to set out when information about the day of the month when someone was born (but not the month or year) can be restricted from disclosure.

Accounts and reports: clauses 52 to 56

Under the CA 2006, companies classified as "small" or "micro-entities" (very small) have more relaxed filing obligations. They form the vast majority of companies in the UK.[72] For example, small companies have the option to send simpler "abridged" accounts, can choose whether to submit a profit and loss account (showing their annual turnover and profit) and do not have to have their accounts audited, and micro-entities are not required to submit a profit and loss account.[73]

A "micro-entity" is one with two of: (a) a turnover of £632,000 or less; (b) £316,000 or less on its balance sheet; or (c) 10 employees or less.[74] A "small" company is one with two of: (a) a turnover of £10.2 million or less; (b) £5.1 million or less on its balance sheet; or (c) 50 employees or less.[75]

Clause 52 would update the filing requirements for micro-entities to require them to file a balance sheet, a profit and loss and (if they wish) a directors' report. The fresh requirement on such entities to disclose profit information reflects Government concerns that there is not currently sufficient information filed from these entities to give a true and fair view of their financial position, and the minimal disclosure requirements also make them attractive to fraudsters who wish to present a false picture.[76]

Small companies which are not micro-entities would have to file full accounts (as with micro-entities) and a director's report (**clause 53**) and would no longer have the option to submit shorter "abridged" accounts (**clause 56**) which the Government believes will simplify filing requirements, and reduce confusion, fraud and error.[77] **Clause 54** would make consequential amendments that seek to ensure clauses 52 and 53 "function as intended".[78]

Where a company is seeking an exemption from the requirement to have its accounts audited (for example because it is a "small" company), **clause 55** would require directors to make a statement confirming that the company qualifies for an exemption.

72 As above, para 5
73 See Companies House, Prepare annual accounts for a private limited company
74 Section 384A, CA 2006
75 Section 382, CA 2006
76 Department for BEIS, Policy paper: Corporate transparency and register reform, 28 February 2022, para 231
77 As above, para 54
78 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 278

Confirmation statements: clauses 57 to 60

Every company must file a confirmation statement (previously called an annual return) at least once a year. This either confirms that the information held about it by CH is accurate, or (if needed) updates that information[79] (such as information about the company's principal (main) business activities).[80]

Clause 58 would require companies to reassert in annual confirmation statements that their intended future activities are lawful. **Clause 59** would expand upon the duty of a company to notify changes in its principal business activities in its annual confirmation statement. It provides that, if such a change takes place in the (usually very short) period between its application for incorporation and its actual incorporation date, this must be reported in its first confirmation statement.

Clause 60 seeks to align terminology around existing offences relating to confirmation statements with that used in other parts of the CA 2006.

Clause 57 restates and supplements provisions in the CA 2006 that set out the information a company must provide in advance of, or alongside, its confirmation statement. It adds new duties around the information required by clauses 58 and 59.

Identity verification: clauses 61 to 67

Clauses 61 to 67 would introduce identity verification requirements for persons listed on the People with Significant Control (PSC) register, the UK's beneficial ownership register for companies.

Clause 61 would introduce new sections 790LI to 790LP to the CA 2006, requiring PSCs to deliver statements to the registrar that they have had their identity verified. As only individuals can have their identity verified, non-human PSCs must choose to instead verify the identity of one of their offices (such as a director). The PSC must continually maintain its verified status (such by verifying a new office if the old one ceases to hold office). Failure to comply would be a criminal offence, punishable by a fine.

The procedure for identity verification is set out in **clause 62**, which would insert new sections 1110A and 1110B to the CA 2006. It provides that verification must either be directly by the registrar, or through an "authorised corporate services provider". The Secretary of State can make regulations (under the affirmative procedure) setting out the process for verification, when someone's identity ceases to be treated as verified, and creating criminal offences for authorised corporate services providers for failing to comply with record-keeping requirements to be set out (punishable by up to two years in prison, or a fine).

---

79 Section 853A, CA 2006

80 Section 853C, CA 2006

Clause 63 would insert sections 1098A to 1098I to the CA 2006, setting out the process for authorising corporate service providers to conduct identity verification. Providers must be within the scope of the obligations under the 2017 UK Money Laundering Regulations, and the Secretary of State can set additional requirement someone must meet to be able to apply to become authorised, impose duties on authorised providers to provide information, and enable certain foreign providers to be authorised even if not within the scope of the Money Laundering Regulations.

Where persons claim to benefit from an exemption from the need to have their identity verified the Secretary of State can make regulations (under the affirmative procedure) requiring additional information or statements to be provided relating to that exemption (**clause 64**).

Clause 65 would provide that the Secretary of State can, by giving written notice to someone, exempt them from the requirements to verify their identity if they think it is necessary to do so in the interests of national security, or for preventing or detecting serious crime.

Unique identifiers (UIs) are reference numbers allocated to individuals to help the registrar identify them. **Clause 66** would expand existing powers for the Secretary of State (in section 1082 of the CA 2006) to allocate UIs, to individuals who have had their identity verified. UIs would not be publicly available on the register.[81] **Clause 67** would seek to ensure that statements delivered to the registrar relating to identity verification will also not be made publicly available on the register. This is to ensure that "information contained in verification statements remains private between the individual submitting them and the Registrar of Companies."[82]

Restoration to the register: clause 68

Sections 1000 and 1001 of the CA 2006 grant the registrar the power to strike companies off the register that are not carrying on business. Section 1025 sets the requirements for a company to be restored to the register once it has been struck off by the registrar using its powers under sections 1000 or 1001.

Clause 68 would amend section 1025 of the CA 2006 to add a requirement that applications for restoration can only be granted if both the applicant and all persons who were directors immediately before the strike off (and who will also be directors upon restoration) have paid all outstanding fines relating to Companies Act criminal offences.

Who may deliver documents: clauses 69 to 71

Clause 69 would insert new section 1067A to the CA 2006 to provide that people delivering documents to the registrar must have verified their identity. The Secretary of State can make regulations to specify exemptions to this

81 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 333

82 As above, para 334

using the affirmative procedure). Directors who have been disqualified cannot deliver documents (**clause 70**). **Clause 71** is a consequential amendment updating existing requirement for the proper delivery of documents (in section 1072 CA 2006), setting out that documents can only be considered properly delivered by people who are authorised to do so.

Facilitating electronic delivery: clauses 72 to 75

Clause 72 would amend section 1068 (and repeal section 1069) CA 2006 to put the power to mandate the electronic delivery of documents with the registrar rather than the Secretary of State.

Section 649 CA 2006 provides for the registrar to register reductions in a company's share capital (such as by reducing the number of shares available) upon production of a court order confirming it. **Clause 73** would amend this to provide that a copy of this court order is sufficient rather than the original.

When directors are seeking to close down a company that is solvent (i.e. is able to pay any debts it has), they are required to deliver a declaration of solvency to the registrar. **Clause 74** would amend the Insolvency Act 1986 (section 89) to provide that a copy of this declaration would also be sufficient.

Clause 75 would insert section 1068A into the CA 2006 to give the registrar power to require that filings consisting of more than one document must be filed together.

Promoting the integrity of the register: clauses 76 to 83

Clause 76 would insert section 1073A into the CA 2006, giving the registrar power to reject documents inconsistent with information it already has, where that gives the registrar reasonable grounds to doubt that the document complies with requirements on its contents.

The registrar's existing power (in section 1075 CA 2006) to correct incorrect documents with the consent of the company that the document relates to would be removed by **clause 77**. Original hard copy documents delivered would only need to be kept by the registrar for two rather than three years **(clause 78)**.

Clause 79 would empower the registrar to refrain from making information public about dissolved companies after twenty years (or for an overseas company, when it ceased to be connected with the UK).

Clause 80 would introduce new sections 1092A-1092C to the CA 2006, introducing a new power for the registrar to require information to determine whether someone has met requirements on document delivery. Failure to comply without a reasonable excuse would be a criminal offence, punishable by up to two years' imprisonment.

Section 1093 of the CA 2006 allows the registrar to require delivery of replacement or additional documents where it believes information delivered to it is inconsistent with other information on the register. **Clause 81** would expand this to allow the registrar to identify inconsistencies by considering all records in its possession, not just information on the register.

Clause 82 would amend the CA 2006 to seek to enhance the registrar's power to remove material from the register, by empowering it to remove material which was accepted despite not meeting proper delivery requirements. The Secretary of State can make regulations specifying the procedure for removal (under the negative resolution procedure).

The power of a court to direct material to be removed from the register (under section 1096 CA 2006) is maintained but courts must consider if the interest of the applicant (in addition to the company, which is already mentioned) in removing the material outweighs any interest of other persons in the material continuing to appear on the register (**clause 83**).

Inspection etc of the register: clauses 84 to 87

Clause 84 would make consequential amendments to clause 79 (see above) to ensure (for example) that certain dissolved company records between 10 and 20 years old may be made publicly available. It also allows for names of companies wrongly registered or used for criminal purposes to not be available for public inspection.

Clause 85 would amend parts of the CA 2006 relating to copies of material on the register. It removes (for example) the right for applicants to choose to submit applications for copies in both hard copy and electronically.[83]

Clause 86 would extend the list of material that must not be made publicly available by the registrar (in section 1087 CA 2006) to include records of such material.

Section 1088 CA 2006 allows the Secretary of State to make regulations requiring the registrar (on application) to make addresses unavailable for public inspection. **Clause 87** would extend this to instead cover any information relating to an individual (such as names, addresses or occupations).

Registrar's functions and fees: clauses 88 and 89

Clause 88 would insert a new section 1062A into the CA 2006, allowing the registrar to carry out analysis of data in its possession for the purposes of preventing or detecting crime.

Section 1063 of the CA 2006 allows the Secretary of State to make regulations to require fees to be paid to the registrar for performing its functions. **Clause**

[83] Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 377

89 would amend this to explicitly allow the Secretary of State to consider the cost of performing various functions (such as investigation and enforcement activities) when setting these fees.

Information sharing and use: clauses 90 to 93

Clause 90 would insert new sections 1110E to 1110G into the CA 2006, allowing any person and the registrar to disclose information to each other that help the registrar to perform its functions. But this excludes information that would breach data protection law, or the disclosure by the registrar of information from HMRC. The new provisions would widen existing provisions in place that enable disclosures of full dates of birth and usual residential address to specific bodies when requested.[84] **Schedule 3** would make consequential amendments to clause 90.

Clause 91 would amend section 241 of the CA 2006, which prohibits companies from disclosing residential addresses of directors. It would make it a criminal offence for a company to breach this prohibition, punishable by a fine committed by the company and every responsible officer. **Clause 93** would amend sections 242 and 243 CA 2006 to remove restrictions on the registrar from using directors' residential addresses for purposes other than communicating with the director.

Section 790ZG CA 2006 gives the Secretary of State a power (under the affirmative procedure) to make regulations requiring the registrar or companies to refrain from using or disclosing information about People with Significant Control. **Clause 92** would replace this section with another that also confers a power on the registrar to make such orders on companies directly. A new criminal offence of failing to comply with section 790ZG would be introduced, punishable by a fine.

General offences and enforcement: clauses 93 to 98

Section 1112 CA 2006 makes it a criminal offence for someone to deliver misleading, false or deceptive documents or material to the registrar. **Clause 94** would replace section 1112 to remove the requirement. It removes the need for someone to have "knowingly or recklessly" delivered the false material or document and instead introduces a defence of having a "reasonable excuse". This is intended to align the terminology with an analogous false filing criminal offence in section 32 of the Economic Crime (Transparency and Enforcement) Act 2022.[85] Where the criminal offence is committed knowingly, it is considered "aggravated" (under a new section 1112A which would be introduced), thereby increase the maximum penalty to two years' imprisonment.

Clause 95 would insert section 1112B CA 2006, allowing the Secretary of State to issue a certificate to a person that exempts them from the criminal offence

84 As above, para 397

85 As above, para 406

of making false statements to the registrar if satisfied that they need to commit the offence for reasons relating to national security or preventing or detecting serious crime.

At present, CA 2006 criminal offences are largely enforced through the criminal justice system.[86] **Clause 96** would insert section 1132 CA 2006, giving the Secretary of State the power to make regulations (under the affirmative procedure) to allow the registrar to impose civil penalties of up to £10,000 directly for most criminal offences, rather than pursuing criminal prosecution through the courts, where it considers it to be a more appropriate use of resources.[87] These regulations could include information about the procedure for imposing and enforcing such penalties.

When the registrar imposes monetary penalties rather than criminal prosecutions using new powers conferred under clause 96 (section 1132 CA 2006), those penalties will, however, still count as offences for the purposes of considering whether the threshold to disqualify directors has been met (as set out in **clause 97** in relation to GB, and **clause 98** in relation to Northern Ireland).

2.3 Commentary on Part 1 of the Bill

Impact Assessment

The benefits of a more accurate register are categorised by the Department for BEIS into two groups: supporting enterprise and tackling economic and organised crime.

The total cost of the measures is estimated to be £289m.[88] The annual direct cost on businesses is estimated at £18.9m.[89] The most costly individual measure is estimated to be the costs to officers on the register of having to understand and undertake identity verification, and new verifications each year. This is estimated to cost (negative net present value) between £88m and £241m.[90]

BEIS assesses the current value of information on the companies register to be between £1 and £3 billion. It believes a 5% improvement in the qualify and usefulness of this information would therefore more than cover any additional costs of the measures on businesses.[91] A more accurate register could help

86 As above, para 416
87 As above
88 Department for BEIS, Economic Crime and Corporate Transparency Bill, BEIS Impact Assessments, September 2022, p4
89 As above, p3 and 4
90 This is the present value for business over a ten year period (NPV). See the Impact Assessment, p8 and 96
91 Department for BEIS, Economic Crime and Corporate Transparency Bill, BEIS Impact Assessments, September 2022, p4

businesses in obtaining finance, reduce transaction costs, and create a market for secondary data providers.[92] BEIS consider there to be a low risk that the measures could deter legitimate business activity.[93]

Stakeholder commentary

Business Secretary Jacob Rees-Mogg has described the Bill as "historic", saying it will gives Companies House tools to "root out criminals" without burdening companies with "unnecessary bureaucracy".[94]

The Bill commands broad support from stakeholders, but some have criticised it for not going far enough and have suggested further reforms to be included.

Legal and business stakeholders

The Law Society of England and Wales said it was "pleased" at the Bill and that it has "long supported changes that will improve the quality of information on the public register".[95] But international law firm Penningtons Manches Cooper noted in response to the February 2022 White Paper that the reforms could delay transactions and impose increased administrative burdens on businesses, whilst agreeing that "the government's intentions…are welcome".[96]

Trade body UK Finance said the Bill "will be critical in helping to tackle money laundering".[97]

Anti-corruption groups

Spotlight on Corruption said the Bill contains "much-needed reforms" but "leaves out other crucial measures that the UK needs to to [sic] tackle its dirty money problem", notably corporate criminal liability reform, strengthening UK anti-money laundering supervision, and making it easier to seize assets frozen as a result of sanctions.[98]

Transparency International agreed the reforms were "much-needed" but said they were "long-overdue" and the "current drafting risks leaving vulnerabilities to exploit", by failing to prohibit "UK companies from being controlled by opaque offshore companies", not giving the registrar sufficient powers to review documentation for identity verification checks in cases where they suspect wrongdoing, and failing to give assurances that the cost

92 As above, p10
93 As above, p97
94 Financial Times, 'Historic' economic crime bill introduced to parliament, 3 October 2022
95 Law Society, Economic Crime and Corporate Transparency Bill, 27 September 2022
96 Penningtons Manches Cooper, CORPORATE TRANSPARENCY AND MAJOR REFORMS - ALL CHANGE FOR COMPANIES HOUSE, 23 May 2022
97 UK Finance, UK FINANCE RESPONDS TO THE PUBLICATION OF THE ECONOMIC CRIME AND CORPORATE TRANSPARENCY BILL
98 Twitter, Spotlight on Corruption (@EndCorruptionUK), tweets on 22 September 2022 at 7:13pm,

of incorporating a company would rise to enable Companies House to have a sustainable self-funding model.[99]

The UK Anti-Corruption Coalition (which brings together 17 anti-corruption organisations)[100] said there were "good reforms in the Bill, but law enforcement needs proper funding in order to stop economic crime".[101]

The Centre for Financial Crime and Security at the Royal United Services Institute (RUSI) agreed that the Bill brings "much needed reform to Companies House" but said legislation was "a starting point in tackling Britain's dirty money problem" and agreed that company incorporation fees should be increased.[102]

99 Transparency International, ECONOMIC CRIME AND CORPORATE TRANSPARENCY BILL: COMPANIES HOUSE REFORM WELCOME BUT GAPS REMAIN IN BRITAIN'S DIRTY MONEY DEFENCES, 22 September 2022

100 See the UK Anti-Corruption Coalition website, About Us

101 Twitter, UK Anti-Corruption Coalition (@UKaccoalition), tweet on 2 October 2022 at 4:05pm

102 Twitter, CFCS (@CFCS_RUSI), tweets on 23 September 2022 at 1:57pm

3 Part 2: Limited partnerships

Clause references in this section are based on the Bill as introduced to Parliament. Amendments made during Commons Public Bill Committee (PBC) mean the numbers may have changed since.

3.1 What are limited partnerships?

There are different types of business partnership in UK law:

- **Basic partnerships** don't need to register with Companies House. All partners are "general partners" and share legal liability for any debts or losses that the partnership incurs.[103]
- **Limited partnerships (LPs)** – the focus of this Part of the Bill – do need to register with Companies House. They must include at least one "general partner", who makes decisions about managing the business and retains legal liability, and at least one "limited partner", who doesn't run the business, and whose liability for any losses is limited to the amount they invested. Both types of partner may be an individual (referred to as a natural person) or a business (referred to as a body corporate).[104]
- **Limited Liability Partnerships (LLPs)** were created by the Limited Liability Partnerships Act 2000. Many of the arrangements for that type of entity are akin to those for other types of company. A Government fact sheet notes that many of the proposals elsewhere in the Bill would apply to them for that reason, so they are not the focus of this Part.[105] [106]

Legal arrangements for limited partnerships are set out in the Limited Partnerships Act 1907 and the Partnership Act 1890.

There is however an important difference between limited partnerships established in Scotland and those established elsewhere in the UK:

103 Companies House, "Set up a business partnership" (accessed 4 October 2022)
104 BEIS and others, "Fact sheet: limited partnerships", 22 September 2022 (accessed 4 October 2022)
105 Companies House. "Set up and run a limited liability partnership (LLP)" (accessed 4 October 2022)
106 BEIS and others, "Fact sheet: impact of corporate transparency reforms on limited liability partnerships", 22 September 2022 (accessed 4 October 2022)

- In England, Wales and Northern Ireland, partnerships are not separate legal entities from the individual partners themselves. So limited partnerships can neither "acquire rights nor incur obligations, nor can the partnership hold property". Such actions are the responsibilities of the individual partners or of a separate trust, so registration involves providing details of all partners.[107] [108]
- In Scotland, partnerships do have a separate legal personality, so Scottish limited partnerships (SLPs) may be party to legal agreements and be "primarily liable for debts and obligations incurred in its name". [109] [110]

In a 2017 call for evidence on limited partnership law, BEIS noted the "flexibility" that such partnerships offer, as well as their more recent role as "one of the most important vehicles for venture capital investment", despite the limited changes to the underlying legal framework for the previous century.[111] In 2018, the Department noted that there were about 48,000 registered limited partnerships in the UK, with about 31,000 of them being registered in Scotland.[112]

3.2 Alleged misuse of limited partnerships

The number of limited partnerships registered across the UK grew steadily in the 1990s and early 2000s. Then from around 2010, the rate of formation of limited partnerships in Scotland increased "sharply" – in 2016, BEIS reported that the number of SLPs had increased by 30%, compared with an increase of 5% across the rest of the UK.[113]

The Department said that its call for evidence sought in part to understand why this difference had emerged and whether there was evidence to support media allegations that the nature of SLPs had made them an attractive vehicle for "money laundering, organised crime and tax evasion." It said that it had been alleged that SLPs were being "aggressively marketed" overseas, with the vast majority of partners being located abroad. The lack of requirements to identify or give details of the location of partners made it hard to verify such allegations or indeed to investigate them.[114]

107 BEIS, Review of limited partnership law: a call for evidence, January 2017, p7
108 For more detailed background, see Practical Law, Limited partnerships under the Limited Partnerships Act 1907.
109 BEIS, Review of limited partnership law: a call for evidence, January 2017, p7
110 For more detailed background, see Harper Macleod LLP, The review of Scottish Limited Partnerships – and a guide to what they are, 14 July 2017 (accessed 26 September 2022).
111 BEIS, Review of limited partnership law: a call for evidence, January 2017, p7
112 BEIS, Limited partnerships: Reform of limited partnership law, 30 April 2018, p11
113 BEIS, Review of limited partnership law: a call for evidence, January 2017, p7-8
114 BEIS, As above, January 2017, p8-9

As discussed in the Library briefing paper Registers of beneficial ownership, the UK Government established the Persons with Significant Control register in 2016. This gathers information about the ownership of UK companies and LLPs registered at Companies House.[115] The requirements did not cover limited partnerships – as noted above, under English law, registration already required giving details of the partners who owned the business. But this exclusion meant that Scottish limited partnerships continued to allow 'anonymous' registration. The UK Government closed that loophole in June 2017.[116]

A subsequent consultation launched in 2018 (see below) noted wider potential reasons for the increased registration of limited partnerships, but again emphasised the apparent attractiveness of the vehicle for organised crime. It said that the National Crime Agency had reported "a high volume of suspected criminal activity involving SLPs." It also referred to claims made in an investigation that 113 SLPs were involved in a much larger money laundering scheme that transferred over $20 billion out of Russia between 2010 and 2014.[117] [118]

BEIS reported that while that the number of registrations of new SLPs had since markedly declined,[119] "reports of misuse continue and the lack of transparency of limited partnerships remains a concern to the Government."[120]

In March 2022, The Times reported continuing claims that SLPs were still being used as "ghost firms" for organised crime.[121] In a Commons debate on 16 March 2022, Ian Murray, the shadow Scottish Secretary, had highlighted the continuing abuse of SLPs, which he described as an "outdated and opaque vehicle of ownership". [122] Alister Jack, the Secretary of State for Scotland, agreed that there was a problem and hoped that the Labour party would work with the Government to address it in the next session.[123]

115 Companies House, "Keeping your people with significant control (PSC) register" (news story), 10 July 2017 (accessed 28 September 2022)

116 Legislation.gov.uk, The Scottish Partnerships (Register of People with Significant Control) Regulations 2017, UKSI 2017/694

117 BEIS, Limited partnerships: Reform of limited partnership law, 30 April 2018, p19

118 See The Guardian, "The Global Laundromat: how did it work and who benefited?" [online], 20 March 2017 (accessed 28 September 2022)

119 BEIS, Limited partnerships: Reform of limited partnership law, 30 April 2018, p20-21

120 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 14

121 The Times, "Scottish limited partnerships: renewed calls to halt 'ghost firms' that aid Kremlin", 24 March 2022 [online] (accessed 5 October 2022)

122 HC Deb, 16 March 2022 [Legislative consent], c873-874

123 As above

3.3 Reform of limited partnership law: Consultation and response

The 2017 call for evidence noted that even with the extension of the PSC regime in sight, both types of limited partnership were "lightly regulated with very few requirements to publish information relating to the entity or the partners of the entity". It also asked for input on a number of other issues relating to transparency and information collection.[124]

BEIS launched a consultation on wider reform of limited partnership law in April 2018. Introducing the consultation, Andrew Griffiths, then Minister for Small Business, Consumers and Corporate Responsibility, said that while the limited partnership model "continues to fulfil important functions in key sectors of our economy…there are ways in which the legal framework governing limited partnerships could be strengthened and updated."[125] BEIS published the Government's response in December 2018.[126]

The main themes discussed (beyond specific consideration of misuse) were as follows.

Registration with an anti-money laundering supervisory body

The consultation noted that most applications for registration, particularly in Scotland, were made by a small number of "formation agents" – more formally, Trust or Company Service Providers (TCSPs) or Authorised Corporate Service Providers (ACSPs). Anti-money laundering rules require TCSPs to be registered with an appropriate supervisory body and to be able to carry out relevant checks.

The Government proposed that all applications for registration should provide evidence of compliance with those requirements. It noted that this would prevent partnerships from registering independently, but that very few partnerships were "presenters" of their own application anyway. Using a registered presenter might cost partnerships up to £100. The Government would also consider whether and how to apply this requirement to presenters supervised overseas.[127]

Respondents largely agreed with the proposals, although some were concerned about implications for independent agricultural partnerships that were already SLPs. Others wanted to ensure that same-day registration would still be possible. The Government confirmed its intention to continue

124 BEIS, Review of limited partnership law: a call for evidence, January 2017, p11-15
125 BEIS, Limited partnerships: Reform of limited partnership law, 30 April 2018, p2
126 BEIS, Limited partnerships: Reform of limited partnership law – the government response to the consultation, December 2018
127 BEIS, Limited partnerships: Reform of limited partnership law, 30 April 2018, p22-26

with its original proposal, arguing that it was a "proportionate" response that would help counter misuse of the process.[128]

Principal place of business (PPoB) and links to the UK

The consultation document explained that limited partnerships were required to submit details of their "principal place of business" at registration. This must match the jurisdiction under which the partnership is registered, and partnerships are required to inform the Registrar if the PPoB changes. Since 2017, SLPs have had to provide annual confirmation that their PPoB details are correct. But there is no legislative requirement for the PPoB to remain in the UK after registration.[129]

The consultation went on to note that in practice very few changes in PPoB were reported to Companies House, despite the fact that a very large number of SLPs were registered at a few addresses. It also highlighted the case of investment companies that often register in Scotland but then typically manage funds elsewhere, often outside the UK. Few of these changes appeared to be reported. The Government concluded that current arrangements were not sufficient to ensure that there were "meaningful" records that authorities could use to contact partnerships.[130]

The consultation therefore offered two options. The first would require LPs to keep their PPoB within the UK and indeed within the jurisdiction where they were registered. The second would retain the existing concept but add a requirement for a service address in the country of registration. This would be the equivalent of a company's registered office.

The majority of respondents highlighted the potential detrimental effect of the first option on the funds management industry. They argued that venture capital and equity fund managers often chose to move their PPoB elsewhere "to create a fund structure that can more easily attract a broader range of global investors, which helps UK and global fund managers to carry out more activity from within the UK."[131]

The Government acknowledged those concerns but emphasised the importance of registered limited partnerships to "maintain some demonstrable link to the UK." So it would ask about such links at registration and "on an ongoing basis." It would require applicants to have a PPoB in the relevant jurisdiction at the point of registration, and thereafter to be able to demonstrate a continued link through one of three approaches.

---

128 BEIS, Limited partnerships: Reform of limited partnership law – the government response to the consultation, December 2018, p8

129 BEIS, Limited partnerships: Reform of limited partnership law, 30 April 2018, p27

130 As above, 30 April 2018, p27-28

131 BEIS, Limited partnerships: Reform of limited partnership law – the government response to the consultation, December 2018, p9

The Government would also require LPs that move their PPoB outside of the UK to notify the Registrar of any changes to their location or of how it will demonstrate its continued link to the UK.[132]

Clauses 103 to 106 of the Bill as presented aim to achieve this at the point of registration, while clause 116 would require annual confirmation of the information.

Reporting and transparency

The consultation asked whether reporting requirements for LPs should be more closely aligned with those in place for limited companies. It noted that current requirements to notify the Registrar of changes were very limited, although SLPs were now required to register persons of significant control and to provide annual confirmation of those details. Unlike companies, LPs are not generally required to submit annual accounts. The Government wondered if this situation might create a "weak point" in wider confidence in businesses and whether the absence of annual confirmation of details reduced the Registrar's knowledge of whether LPs were still operating.[133]

Respondents largely agreed with the proposals – except for arrangements for annual accounts. While some thought that submitting accounts would offer more transparency, most argued against the proposal. They noted that LPs were not taxable entities and that providing such information would reveal private personal financial information to the general public. In addition, the Government already had access to returns that UK-registered partners filed with HMRC.[134]

The Government accepted respondents' concerns about submission of accounts, but noted that it might explore ways of closing gaps where no such "basic" information was currently required. It said that it would however expand information required of new registrations in England, Wales and Northern Ireland and introduce requirements for annual confirmation.

The Government intended to add "contact information for all limited and general partners, the date of birth and nationality of all limited and general partners that are natural persons, and also a SIC (standard industrial classification) code, identifying the nature of the LP's business."[135]

Clauses 100 to 117 of the Bill are intended to institute these general requirements, while clause 118 would enable the Government to request accounts where necessary.

---

132 As above, December 2018, p9-10

133 BEIS, Limited partnerships: Reform of limited partnership law, 30 April 2018, p31-34

134 BEIS, Limited partnerships: Reform of limited partnership law – the government response to the consultation, December 2018, p11

135 As above

Strike-off procedures

The consultation noted that the Registrar currently had no powers to strike LPs off the register. LPs could inform Companies House that they had closed down, but they remained on the register. This led to "inflated" numbers being included and risked causing confusion. The Government therefore proposed introducing arrangements that would mirror arrangements for striking companies off – that is, for voluntary and non-operative strike-off. This would allow LPs to be marked on the register as "dissolved".[136]

Respondents largely agreed with the proposals, but some raised concerns that by communicating only with general partners, limited partners might unknowingly lose their limited liability. Some wanted more safeguards to be introduced in cases of dispute, and for the use of a "dormant" category. In response, the Government reiterated its commitment to introducing a process that was at least as strong as that for companies and that would involve a thorough notification process.[137]

Clauses 119 and 125 to 127 of the Bill aim to address this commitment.

3.4 The Bill: clauses 99 to 134

Part 2 of the Bill would implement changes to legislation on limited partnerships, and in particular to the Limited Partnerships Act 1907 and the Partnership Act 1890. The changes closely reflect the Government's response to its consultation on the reform of limited partnership law and are summarised in the Explanatory Notes to the Bill as follows:

- Tightening registration requirements, by requiring more information about the partners of a limited partnership and requiring that this information is submitted by authorised corporate service providers, which are supervised for anti-money laundering purposes.
- Requiring limited partnerships to have a firmer connection to the part of the UK in which they are registered, by having to maintain their registered office there.
- Requiring all limited partnerships to submit statements confirming that the information held about them on the register is correct.
- Enabling the Registrar to deregister limited partnerships that are dissolved or no longer carrying on business.

136 BEIS, Limited partnerships: Reform of limited partnership law, 30 April 2018, p35-39

137 BEIS, Limited partnerships: Reform of limited partnership law – the government response to the consultation, December 2018, p15

- Sanctions will be enforced for breaches of the above obligations against the partners of limited partnerships.[138]

The broader reforms to Companies House in Part 1 of the Bill would also affect limited partnerships, including in relation to enhanced data sharing and the expanded role and powers of the Registrar.[139] See section 2.2 of this paper for more information.

The following sections highlight the key provisions of Part 2 of the Bill. Further detail about these and other clauses is available in the Explanatory Notes to the Bill (pdf), paragraphs 426-514.

Required information about limited partnerships: clauses 100 to 102

In order to improve information about limited partnerships, **clause 100** would insert new Schedule 4 into the Limited Partnerships Act 1907. The Schedule sets out requirements including current and former names, date of birth, nationality, address and contact details. It would require this for natural persons who are limited or general partners, registered officers or named contacts. For partners that are legal entities, it would require the entity's name, principal office, service address, the type of entity and, for general partners, details of any register in which the entity is registered. **Clause 101** would allow general partners of existing LPs six months to provide that information. Failure to do so would be seen as reasonable cause for the Registrar to assume that the partnership had been dissolved. **Clause 102** would amend Section 8A of the Limited Partnerships Act 1907 to require LPs to use a standard system of classification to specify the general nature of the partnership's business.[140]

Registered offices and email addresses: clauses 103 to 106

Under current arrangements, LPs must identify a principal place of business (PPoB) in the same UK jurisdiction in which they register. The legislation does not specify whether they may move the PPoB outside the UK. This means that the Registrar often doesn't have a useful address at which the Registrar may contact the LP. It also means that LPs may have no further meaningful connection to the UK after registration.

Clause 103 would insert new sections 8E to 8G into the Limited Partnerships Act 1907. This would require the general partner(s) to identify the LP's registered office at an "appropriate address" within the original jurisdiction. Section 8F would require the general partner(s) to keep this up to date, and Section 8G would allow the Secretary of State to change the registered

138 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 15
139 As above, para 16
140 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 427-430

address if the one provided doesn't meet requirements. This would mirror requirements in section 1097A of the Companies Act 2006, as amended by Clause 29 of the Bill.[141] Failure on the part of general partners to comply with the requirements would be an offence.

The registered address must be one of:

- the PPoB
- the usual residential address of a general partner who is an individual
- the registered office of a general partner that is a corporate body
- the address of an authorised corporate service provider

Clause 104 would provide a six-month transitional period for existing LPs to comply with the registered office requirements.

Clause 105 would amend sections 8A and 8G of the Limited Partnerships Act 1907 and insert new sections 8H and 8I. It would require all general partners to maintain an appropriate email address. This would be a new requirement for general partners. Failure to do so would be an offence punishable by a fine. **Clause 106** would provide a six-month transitional period to comply.

The general partners: clauses 107 to 109

All limited partnerships in the UK must include at least one general partner and a general partner.[142]

Clause 107 would amend section 8A and insert new section 8J into the Limited Partnership Act 1907. It would create a requirement for limited partnerships to confirm upon registration that proposed general partners are not disqualified under director disqualification legislation. It would also require general partners to remove any general partner who was subsequently disqualified. The Explanatory Notes to the Bill explain that the proposed arrangements are intended to reflect those set out for limited companies in Part 1 of the Bill.

Clause 108 would amend sections 3 and 8A and insert new sections 8K-8P into the Limited Partnership Act 1907. It would introduce requirements for general partners that are legal entities to identify a proposed registered officer. That would be a specified individual who could be contacted. That individual must be a disqualified or designated person. It would be an offence for the general partner not to maintain and comply with these provisions.

Clause 109 would introduce transitional arrangements giving existing limited partnerships six months to comply with the new provisions.

---

141 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 431-433

142 Companies House, "Set up and run a limited partnership", 1 April 2017 (accessed 6 October 2022)

Changes in partnerships: clauses 111 to 117

These clauses would further implement the Government's aim of improving collection and maintenance of information about limited partnerships, including the introduction of annual confirmation statements. Whereas the previous clauses focus on **initial collection** of information, these clauses focus on ensuring that information remains up to date.

Clause 111 would insert new sections 8O-8R into the Limited Partnership Act 1907. It would require general partners to inform the Registrar about changes in partners or information about them, including in the period between application and registration. It would require partnerships to notify the Registrar of such changes within 14 days. Failure to do so would constitute an offence.

Clause 112 would introduce a six-month transitional period for partnerships where such details changed between the point of registration and the point at which clause111 came into force. It also notes that the information required would be that set out in Schedule 4 of the Bill. The clause also notes that failure of existing partnerships to comply would give the Registrar reason to believe that the partnership had been dissolved.

Clause 113 would introduce similar transitional arrangements relating to managing officers of new general partners.

Clause 114 would insert new section 10A into the Limited Partnership Act 1907. It would provide the Registrar with the power to change the service address of a "relevant individual" (a general partner or a general partner's registered officer) if the address provided has proved insufficient for communicating with the individual. Before taking this step the Registrar would be required to inform both the individual and any limited partnerships with which they are involved.

Clause 115 would amend section 8A, delete section 9 and insert new section 10B into the Limited Partnership Act 1907. It would require LPs to inform the Registrar of any other relevant changes to information provided (including before registration), including name, nature of business, and principal place of business. The Explanatory Notes to the Bill emphasise the value of these requirements both in ensuring that the Register is up to date and in supporting law enforcement.[143]

Once again mirroring general requirements for registered companies in Part 1 of the Bill, **clause 116** would insert new section 10E and 10F into the Limited Partnership Act 1907 to require LPs to complete and submit an annual review of information held via a confirmation statement. LPs would be required to submit the statement within 14 days of the end of the annual review period. Existing LPs would have six months after the section came into force to make their first submission.

[143] Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 464-467

The Scottish Partnerships (Register of People with Significant Control) Regulations 2017 (S.I. 2017/694) already requires SLPs to submit an annual confirmation statement in order to comply with the requirement of the Persons with significant Control Register. **Clause 117** would make some amendments to that statutory instrument to bring further information requirements required of SLPs into line with those that would be collected elsewhere in the UK.

Accounts: clause 118

Clause 118 would give the Secretary of State the power to require the general partners of limited partnerships to prepare accounts and make accounting information available to HMRC if requested. This power would enable the Government to "fill gaps" in situations where partners are not otherwise required to submit tax returns to HMRC, as discussed in section 3.3.

Dissolution and winding up of limited partnerships: clause 119

As set out in the response to the consultation, the Government wishes to improve the reliability of the Register by formalising arrangements to ensure that dormant limited partnerships are properly wound up and that the Registrar is informed.[144]

To achieve this, **clause 119** would amend section 6 of the Limited Partnerships Act 1907. It would:

- clarify that a limited partnership is dissolved if it no longer has either a general partner or a limited partner, through new subsection 6(2A)
- require any remaining general partners at the point of dissolution to notify the Registrar and complete winding up the firm, through new subsection 6(3A)
- where there is no remaining general partner, require the limited partners to notify the Registrar and appoint someone who is not a limited partner to wind up the firm, through new subsection 6(3B)

The Explanatory Notes to the Bill say that the arrangements in this clause would allow limited partners to appoint someone to wind up the partnership without in so doing undertaking "management activity" and thereby losing their limited liability status.[145]

New section 6ZA would make it an offence for the partners not to inform the Registrar of the firm's dissolution.[146]

144 BEIS, Limited partnerships: Reform of limited partnership law – the government response to the consultation, December 2018, p15

145 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 480

146 As above, para 481

The register of limited partnerships and disclosure of information: clauses 121 to 124

Clauses 121 to 123 would make arrangements relating to what information would be publicly available in the Register, including removing information from the being publicly available 20 years after dissolution.

Clause 124 would make arrangements for when confidential (and usually personal) information might be made available. The Explanatory Notes to the Bill explain that the limitations on disclosure would "protect individuals who have provided their personal information, whilst enabling the Registrar to carry out the Registrar's functions". For example, these arrangements would enable the Registrar to use partners' residential addresses if they received no reply from the registered office address, or to support law enforcement efforts.[147]

Dissolution, revival and deregistration: clauses 125 to 127

The Explanatory notes state "there are currently thousands of limited partnerships on the register which the Registrar knows or suspects are inactive".[148] **Clause 125** would insert new sections 18 to 24 into the Limited Partnerships Act 1907. New section 18 would give the Registrar the power to publish a "warning notice" if it had reasonable cause to believe that a LP had been dissolved. In the absence of any information to the contrary being received within two months, the registrar would have the power to publish a "dissolution notice" and the partnership would be dissolved. New sections 19 to 24 would provide for a process for applications to the Registrar or the court to revive a limited partnership if certain conditions are met.

Clause 126 would make transitional provisions lasting six months from when clause 125(2) comes into force. These would give the Registrar the power to publish a notice stating that it believed that the partnership had been dissolved without following the longer procedure for a warning notice. **Clause 127** would insert new section 25 into the Limited Partnerships Act 1907 to enable partnerships to apply to be deregistered if all partners agreed.

Delivery of documents: clauses 128 and 129

The Government wants to ensure that LPs comply with anti-money laundering requirements. Authorised Corporate Service Providers (ACSPs) have to be registered with an appropriate body that ensures that their procedures enable them to carry out such checks.

Clause 128 would insert a new section 26 and 27 into the Limited Partnerships Act 1907 to require applications for registration, notification of changes and

147 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 490-493

148 As above, para 496

confirmation statements relating to limited partnerships to be submitted by ACSPs. New section 27 would give the Secretary of State the power to disapply new section 26 if it is necessary in the interests of national security or for the purposes of preventing or detecting serious crime.

Clause 129 would insert new sections 28 and 29 into the Limited Partnership Act 1907. The new sections would specify two levels of offence relating to submitting false, misleading or deceptive documents or statements to the Registrar. New section 28 would define offences where such submissions are made without reasonable excuse, and new section 29 would define aggravated offences where such submissions are made knowingly. In each case, where an offence is committed by a legal entity, every managing officer of the entity would also be deemed to have committed the offence. The Explanatory Notes to the Bill confirm that the provisions are intended to align with the new offences set out in Part 1 of the Bill that will be inserted into the Companies Act 2006 as new section 1112A and the Economic Crime (Transparency and Enforcement) Act 2022 as new sections 15A, 15B and 32.[149]

Application of other laws: clauses 131 and 132

Clause 131 would facilitate continuing alignment of partnership law with general company law by inserting new section 7A into the Limited Partnerships Act 1907. This clause would allow certain regulations made under company law to be applied or modified to apply to LPs.

Clause 132 would insert subsection (3) into section 4 of the Partnership Act 1890 to clarify that a limited partnership registered in England, Wales or Northern Ireland would not have independent legal personality even if its principal place of business is in Scotland.

[149] Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 501-505

4 Part 3: Register of Overseas Entities

Clause references in this section are based on the Bill as introduced to Parliament. Amendments made during Commons Public Bill Committee (PBC) mean the numbers may have changed since.

Background

In response to the Russian invasion of Ukraine, the Government fast-tracked the Economic Crime (Transparency and Enforcement) Act 2022 in March. This Act's main measure was to introduce a beneficial ownership register of foreign entities (such as companies) that own UK property, known as the Register of Overseas Entities (the **Register**). The Register seeks to increase transparency of land ownership and reduce money laundering.[150]

The Register is administered by Companies House and became operational on 1 August 2022. Overseas entities have until 31 January 2023 to register their beneficial owners.[151]

For more information about the Register see the Library briefing on the Economic Crime (Transparency and Enforcement) Act 2022 (the **EC(TE) Act**).

Part 3 of the Bill would amend the EC(TE) Act to (i) maintain consistency with changes to the Companies Act 2006 made by this Bill; and (ii) make "minor and technical changes".[152] The changes would apply across the UK.

The Bill: clauses 135 to 140

Clause 135 would amend section 3 of the EC(TE) Act to clarify that the Register of Overseas Entities includes documents delivered to the registrar under the Companies Act 2006 (Part 35) in connection with the register or other documents that will, on registration, form part of the register.[153]

Section 15 of the EC(TE) Act (Failure to comply with notice under section 12 or 13) sets out a criminal offence of failing to comply with (or giving false statements in response to) requests from an overseas entity to give information about its beneficial owners. Currently (under section 15(2)) the

150 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 18
151 Companies House, The new Register of Overseas Entities is live, 1 August 2022
152 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 19
153 As above, para 515

false statement offence can only be committed by someone who knowingly or recklessly gives false information.

Clause 136 would delete the "false statement" part of the offence from section 15, leaving it as an offence for failure to comply only. Instead, the false statement offence is split into two and inserted through a new Section 15A and Section 15B. Section 15A (the "basic" offence) would not require that the false statement be made knowingly or recklessly, inserting instead a defence of having a "reasonable excuse". Section 15B would create a false statements "aggravated offence" for false statements given knowingly.

This is intended to align the terminology with the general false statement offence in section 32 of the EC(TE) Act, which is itself amended by clause 137 for consistency with section 1112 of the Companies Act (inserted by clause 94 of the Bill.)[154]

Clause 137 would amend the general false statement offence in section 32 to also split it into two: a "basic" and "aggravated" offence, by replacing section 32 and inserting a new section 32A. It also expands these offences to include that they can be committed by both a legal entity (such as a company) and any responsible officer.

Clause 138 is a technical amendment to make clear that the meaning of "service address" in the EC(TE) Act is the same as that in the Companies Act 2006 (being an address where documents can be served on someone).[155]

Entities that fail to register their beneficial owners will not be able to fully "deal" with (such as sell) their property, because the UK land registries won't register the transaction. Currently, this includes entities that fail to annually update the registrar on its beneficial under section 7 of the EC(TE) Act. **Clause 139** would amend to the Land Registration Acts across the UK to expand this to include, alongside section 7, the new duty of an entity to provide information to the registrar under section 1092A of the Companies Act 2006 (which is being inserted by clause 80 of this Bill). The consequence is that entities who fail to comply with this duty would also not be able to fully deal with their land.[156]

Lastly, **Clause 140** would grant the Secretary of State a Henry VIII power (using the affirmative procedure) to allow for changes made to the Companies Act 2006 by Part 1 this Bill to be replicated in the EC(TE) Act where they correspond.

154 As above, paras 520 and 521

155 Section 1141, CA 2006

156 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 525

5 Part 4: Cryptoassets

Clause references in this section are based on the Bill as introduced to Parliament. Amendments made during Commons Public Bill Committee (PBC) mean the numbers may have changed since.

What are cryptoassets?

Cryptoassets are a store of value that can be transferred or exchanged digitally. They are decentralised, meaning that there is no centralised authority to manage the system.

Users of cryptoassets typically set up an electronic 'wallet' to hold funds. They receive public and private cryptographic keys and a 'public address'. These enable them to make and accept transfers and to withdraw funds. In general, the identities of account-holders are anonymised.

According to the Government's Factsheet on the Bill's cryptoasset provisions, cryptoassets are increasingly being used to move and launder the profits of various crimes. This reflects the fact that they are pseudo-anonymous, low-cost and a relatively quick method to move funds globally with low barriers to entry.[157]

They are also one of a few accepted payment mechanisms used by cyber criminals carrying out ransomware attacks.

The Impact Assessment on this part of the Bill states that the NCA noted an acceleration in the criminal use of these assets during the pandemic.[158]

The IA further explains that existing counter terrorism legislation does not provide for the seizure or forfeiture of cryptoassets prior to conviction, meaning that law enforcement agencies are having to rely on other, less suitable, legislative measures in order to recover, seize and preserve cryptoassets from being used for terrorist purposes.[159]

157 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 23

158 Impact Assessment, powers to seize illicit cryptoassets (Economic Crime and Corporate Transparency Bill 2022) (pdf), Home Office, June 2022, para 14. Part 8 of the Proceeds of Crime Act 2002 provides specific investigatory powers for recovery. This Bill would make amendments to reflect their use in cryptoasset investigations: Schedule 7, para 3

159 Impact Assessment, powers to seize illicit cryptoassets (Economic Crime and Corporate Transparency Bill 2022) (pdf), Home Office, June 2022,, paras 15-18

For further information on cryptoassets see the Government's Factsheet: cryptoassets technical and Library Briefing Paper Cryptocurrencies.

The Proceeds of Crime Act 2002

The Proceeds of Crime Act 2002 (POCA) sets out the legislative scheme for the recovery of criminal assets. It was intended to:

- ensure that criminals do not profit from their criminal activity;
- deter the commission of further offences; and
- reduce the monies available to criminals to fund further criminal enterprises.

A confiscation order may be made under section 6 if the defendant has been convicted of an offence in the Crown Court or committed to the Crown Court for sentencing following conviction for certain offences.

The Court must decide whether the defendant has a "criminal lifestyle" and whether they benefitted from their general criminal conduct.

The question of whether the defendant has a criminal lifestyle is determined according the whether the offence they have been convicted falls within the categories specified in the Act. These include certain listed offences, such as:

- drug and other forms of trafficking,
- money laundering,
- counterfeiting and blackmail;
- an offence which constitutes conduct forming part of a course of criminal activity; or,
- an offence committed over a period of at least six months.

A person benefits from criminal conduct if they obtain property as a result of or in connection with the conduct. The burden of proving that the defendant has obtained property, and the amount of that property, lies with the prosecution to the civil standard of proof.

If the court decides that the defendant has benefitted from their criminal lifestyle it must decide on a recoverable amount and make an order requiring him to pay that amount.

POCA further provides for search and seizure powers; powers to apply for production orders and disclosure orders; and allows for the freezing or restraint of assets to prevent dissipation prior to a confiscation order being made.

POCA also enables the recovery of the proceeds of crime in the absence of a conviction via civil recovery, cash seizure and taxation powers.

Part 5 establishes an extended regime of civil recovery of the proceeds of unlawful conduct. These procedures provide an alternative to confiscation after conviction if it can be shown on the balance of probabilities that there are "reasonable grounds" for suspecting that the assets to be forfeited are the proceeds of unlawful conduct.

Part 8 of the Act deals with investigatory powers, empowering a Crown Court judge to make a variety of orders in connection with confiscation investigations or money laundering investigations. These are:

- A production order[160] requiring any person (not necessarily the defendant) to produce any material which is in his possession or control which is relevant to a confiscation or money laundering investigation.
- A search and seizure warrant[161] which may be issued where a production order would not be satisfactory.
- A disclosure order[162] requiring any person to disclose any relevant information.
- A customer information order[163] which will require a financial institution to provide information relating to the affairs of a customer.
- An account monitoring order[164] which will require a financial institution to provide details of transactions on a particular account over a specified period of time.
- A letter or request[165] relating to evidence arising outside the UK.

What would the Bill do?

The Government states that POCA has not kept pace with the development of cryptoassets and related technology, and that reform of the confiscation powers is required to enable law enforcement to recover cryptoassets in more circumstances.

Confiscation orders: clause 141 and Schedule 6

Clause 141 would give effect to **Schedule 6**, which would amend POCA by inserting new provisions into Parts 2, 3 and 4, which govern criminal confiscation in England and Wales, Scotland and Northern Ireland, respectively.

The aim of these new provisions would be to enable law enforcement agencies to recover intangible cryptoassets in the same way as is currently

[160] Ss 345-351
[161] Ss 352-356
[162] Ss 357-362
[163] Ss 363-369
[164] Ss 370-375
[165] S 376

possible for tangible property. This requires amending the search, seizure and detention powers to make explicit provision for dealing with cryptoassets.

Part 1 of Schedule 6 relates to England and Wales, and would amend Part 2 of POCA.

Paragraph 2 of Schedule 6 would remove the requirement for a person to have been arrested before property can be seized under section 47C of POCA. This power would apply to all assets but according to the Government's Factsheet they will be particularly useful in the context of cryptoassets, meaning that seizure powers can be used earlier in the process.

Paragraph 3 would provide for a power to seize cryptoasset-related items if satisfied of the conditions set out in section 47B(1) of POCA.

Cryptoasset would be defined by new clause 84A of POCA as:

> ... a cryptographically secured digital representation of value or contractual rights that uses a form of distributed ledger technology and can be transferred, stored or traded electronically.[166]

Cryptoasset-related item is defined as an item of property that is, or that contains or gives access to information that is, likely to assist in the seizure of any cryptoasset.[167]

The act of seizing a cryptoasset would include transferring it to a "crypto wallet" defined controlled by an appropriate officer.[168] "Crypto wallet" is defined as:

a) Software,

b) Hardware,

c) A physical item, or

d) Any combination of these items,

which is used to store the cryptographic private key that allows cryptoassets to be accessed.[169]

The Explanatory Notes state that this could cover a number of different types of property, including a piece of electronic hardware or pieces of paper that have a cryptoasset recovery seed phrase written on them.[170]

Further amendments to POCA would introduce powers, equivalent to those available in relation to tangible assets, to require the provision of information

166 Schedule 6, paragraph 18
167 New subsection (5B), inserted by paragraph 3, Schedule 6
168 New subsection (5C), inserted by paragraph 3, Schedule 6
169 New subsection 84A(2), inserted by paragraph 18, Schedule 6
170 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 692

in order to determine if property is a cryptoasset-related item or to seize such an item, to detain and release property, and to enforce confiscation orders.

Paragraph 10 would amend section 51 of POCA to provide for a specific power that the Crown Court may confer on enforcement receivers to destroy cryptoassets. This would be exercisable either when it is not reasonably practicable to realise the cryptoasset in question or where there are reasonable grounds to believe it would be contrary to the public interest. The Explanatory Notes state that the realisation of a particular cryptoasset may be contrary to the public interest in cases where it is (or is part of a class of cryptoasseets which are) used predominantly or exclusively for criminal purposes such as money laundering.[171]

Parts 2 and 3 of Schedule 6 make equivalent changes to Parts 3 and 4 of POCA in relation to Scotland and Northern Ireland respectively.

Civil recovery powers: clause 142 and Schedule 7

Clause 142 would give effect to **Schedule 7**, which would amend POCA by inserting new provisions into Part 5.

Chapters 1 and 2 of Part 5 created a new jurisdiction to make a 'recovery order' that enables the recovery of property that is obtained through unlawful conduct without the need for a conviction. This is referred to as "recoverable property".

Unlawful conduct is defined by section 241 of POCA as conduct which occurs in the UK and is criminal in that part of the UK; occurs in another jurisdiction and is criminal in that jurisdiction and the UK; or occurs outside the UK, constitutes a gross human rights violation, and would be a serious criminal offence in the UK.

The court must be satisfied on the balance of probabilities that the unlawful conduct occurred, or that someone intended to use property in unlawful conduct, in order for the civil recovery powers to be used.

Schedule 7 would introduce a new Chapter 3C to Part 5, reflecting Chapters 3, 3A and 3B, which currently provide powers to search, seize and detain cash, listed assets and funds in accounts that are the proceeds of unlawful conduct or intended for use in such conduct. This would mean that more agencies are able to recover cryptoassets

A new Chapter 3D would govern the freezing and forfeiture of cryptoassets held by a third party in crypto wallets, where the assets are recoverable property, or are intended for use in unlawful conduct.

Under new section 303Z36 it would be possible for an enforcement officer[172] to seek a "crypto wallet freezing order" if there are reasonable grounds to

---

171 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 706

172 As defined in new s 303Z20

suspect that the crypto wallet administered by the "UK-connected cryptoasset service provider"[173] contains recoverable property, or property that is intended for use in unlawful conduct.

A crypto wallet freezing order would prohibit anyone by or for whom the wallet is operated from making withdrawals or payments or using the wallet in anyway not specifically excluded.

New Chapter 3E would enable a court to order the forfeiture of cryptoassets that have been detained or frozen under Chapters 3C and D if satisfied that they are recoverable property or intended for use in unlawful conduct.

New section 303Z48 would provide for the realisation or destruction of forfeited cryptoassets. The enforcement officer would be required to make arrangements for their realisation, subject to the exhaustion of any appeals, unless it is not reasonably practicable or contrary to the public interest.

New Chapter 3F would enable detained cryptoassets or those in a frozen crypto wallet to be converted into money on application to a court, either by the enforcement officer or the person from whom the assets were seized. The court would be required to have regard to whether the cryptoassets would be likely to suffer a significant loss in value before they are released or forfeited, or the freezing order ceases to have effect. The Chapter would also provide for the detention, release and forfeiture of converted cryptoassets.

Part 2 of Schedule 7 would make further related and consequential amendments.

[173] Defined in new s 303Z35 and s 303Z36 (8) & (9)

6 Part 5: Miscellaneous

Clause references in this section are based on the Bill as introduced to Parliament. Amendments made during Commons Public Bill Committee (PBC) mean the numbers may have changed since.

6.1 Money laundering and terrorist financing: clauses 143-147

Money laundering offences under POCA

Sections 327-329 of POCA set out the main money laundering offences. Currently, it is possible to avoid liability for one of these offences if consent is sought from the National Crime Agency (NCA), in the form of an authorised disclosure. Consent can be assumed after seven working days of making the disclosure. This is known as defence against money laundering (DAML) reporting.

It is also possible in certain circumstances to process transactions below a threshold amount where there is knowledge or suspicion of money laundering without attracting liability for a money laundering offence.

Clauses 143 and 144 would amend POCA to create further exemptions from the main money laundering offences.

According to the Explanatory Notes, the number of authorised disclosures has risen significantly in recent years, leading to delays to transactions. The purpose of these exemptions would be to reduce unnecessary reporting by businesses carrying out transactions on behalf of their customers.[174]

Another issue arises where a business handles property belonging to clients or customers and has a suspicion of money laundering relating to part of the value of the property. Such businesses will often prevent access to any of the property, which may cause disproportionate economic hardship, according to the Explanatory Notes.[175]

174 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 30
175 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 31

The Impact Assessment on this part of the Bill states that the strategic objective is to restore confidence in the criminal justice system and reduce crime by prioritising resources for high priority work. The measures aim to reduce the number of DAMLs reported that do not lead to asset denial opportunities, freeing up resource and reducing costs for the regulated sector.[176]

Under the Bill's provisions, exemptions from the main money laundering offences would apply in two sets of circumstances:

- Where a regulated business ends a business relationship with a client or customer and hands over property worth less than £1000 for that purpose;
- Where a regulated business is dealing with property for a client or customer and prevents access to property of equivalent worth

Information orders

Information orders were introduced as Further Information Orders by an amendment to POCA via the Criminal Finances Act 2017. They enable the NCA to request further information from regulated businesses which have made a statutory disclosure known as a Suspicious Activity Report (SAR).

Clauses 145 and 146 would provide new powers for law enforcement to obtain information relating to terrorist financing[177] and money laundering. They would remove the requirement that a request for information be preceded by a SAR and amend the conditions for the courts to make orders to businesses.

According to the Explanatory Notes, the provisions will:

- Align the power more closely with international recommendations in relation to the functions of a Financial Intelligence Unit (FIU), focusing on assisting the NCA in gathering intelligence and conducting analysis, rather than being investigatory focused;
- Increase the UK's ability to support foreign partner FIU requests where no SAR has already been submitted by UK reporters. This is particularly relevant in the context of global events where sanctioned individuals may

[176] Impact Assessment, DAML (Defence Against Money Laundering Suspicious Activity Reports) Review (Economic Crime and Corporate Transparency Bill), Home Office, June 2022

[177] The UK is a member of the Financial Action Task Force (FATF), an international body devoted to developing and promoting policies to combat money laundering and terrorist financing. FAFT assessed the UK FIU as partially compliant in its ability to seek all the information it requires from regulated businesses to perform operational and strategic analysis: Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23 , para 36

have assets in the UK, and in the case of suspected terrorist financing where it is necessary to gather information at speed.[178]

Designation of high risk countries: clause 147

Schedule 3ZA of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations[179] currently lists countries identified as having strategic deficiencies in their anti-money laundering, counter-terrorism financing and proliferation financing regimes. These countries are deemed to pose a high risk to the UK and customers and transactions are subject to enhanced checks by UK regulated businesses.

The list is based on public lists produced by the Financial Action Task Force, FATF, and is updated via statutory instrument through the made-affirmative procedure.

Clause 147 would remove the need for an SI to be laid to update the UK's high risk third country list. It would amend the Sanctions and Anti-Money Laundering Act 2018 to provide that the list could be amended by the Treasury.

According to the Explanatory Notes, this will enable the UK to "respond to the latest economic crime threats" and give "greater clarity to businesses on which jurisdictions are deemed to be high risk at the speed necessary".[180]

For further details see the Impact Assessment on this part of the Bill.[181]

6.2 Disclosures to prevent, detect, or investigate economic crime: clauses 148-153

Clauses 148-153 would provide that businesses which disclose information about customers for the purposes of preventing, detecting and investigating economic crime would not face civil liability for breach of confidence.

The Impact Assessment on this part of the Bill explains that business are constrained in their ability to share information on economic crime due to the duty of confidentiality they owe their customers. As a result they can usually only see one part of what is usually a larger, more complicated network, making it hard to determine a transaction's legitimacy.[182]

178 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, paras 37-38
179 SI 2017/692
180 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 43
181 Impact Assessment, enhanced due diligence: designation of high-risk countries – Economic Crime and Corporate Transparency Bill (pdf), HM Treasury, August 2022
182 Impact Assessment, Information sharing between regulated entities (Economic Crime and Corporate Transparency Bill) (pdf), Home Office, September 2022

Clause 148 would provide an exemption where information is shared between two businesses in the regulated sector[183] (or of a description prescribed by regulations) about a customer, provided certain conditions are met.

The conditions include that:

- Either, a request has been made for the relevant information on the basis one business believes the other holds it; or
- A business is warning another about a risk of economic crime relating to a customer; and
- It is not a privileged disclosure, which is defined by clause 150 as disclosure of information made by a professional legal adviser or relevant professional adviser in circumstances where the information came to the adviser in privileged circumstances.

Clause 149 would provide a similar exemption for an indirect disclosure made via a third-party intermediary, such as the National Fraud Database.[184]

Other key terms are defined by clauses 151-153. Schedule 8 sets out the relevant economic crimes.

6.3 Regulatory and investigatory powers: clauses 154-156

Regulation of legal services and economic crime: clauses 154 and 155

Solicitors Regulation Authority: limits on financial penalties

The Solicitors Regulation Authority (SRA) is the statutory regulator for solicitors and law firms. It is currently only able to impose fines of up to £25,000. If a case warrants a higher fine it must be referred to the Solicitors Disciplinary Tribunal, which has unlimited powers. However, according to the Impact Assessment on this part of the Bill, the process is time consuming, and lifting the cap on the SRA's fining powers would bring it in line with other legal services regulators.

The IA also states that the war in Ukraine has "shone a light on the exposure of professional services sectors to economic crime", and fixing the gap in the SRA's fining powers will "act as a more credible deterrent for individuals and

[183] Meaning businesses in the anti-money laundering sector, as define by POCA, Sch 9.

[184] Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, para 562

entities who breach the economic crime regime, supporting the UK's political and economic interests".[185]

Clause 154 would amend the Solicitors Act 1974 and the Administration of Justice Act 1985 to remove the statutory cap on the Law Society's power to impose penalties, delegated to the SRA, in relation to disciplinary matters relating to economic crime.

Duty to uphold economic crime agenda

The Legal Services Act 2007 (LSA) established the Legal Services Board as an independent oversight body for frontline legal regulators and sets out their "regulatory objectives". These currently include: protecting and promoting the public interest; supporting the rule of law; and promoting and maintaining adherence to the professional principles.

The Impact Assessment on this part of the Bill suggests that omission of an explicit duty in relation to economic crime may mean regulators have different interpretations of their duties.[186]

Clause 155 would add a new regulator objective to section 1(1) of the LSA focusing on promoting the prevention and detection of economic crime.

Serious Fraud Office powers: clause 156

Clause 156 is intended to amend the Criminal Justice Act 1987 to extend the Director of the Serious Fraud Office's pre-investigation powers so that they are no longer restricted to cases involving international bribery and corruption.

6.4 Reports on payments to governments: clause 157

Clause 157 would amend the Reports on Payments to Governments Regulations 2014. These require large businesses in the UK extractive industries to make annual reports on payments they make to overseas governments. According to the Explanatory Notes, clause 157 would update and bring the structure of false statement offences into line with the clause 87 amendment of section 1112 of the Companies Act 2006. The new regulations would create an aggravated offence with more severe penalties.[187]

---

185 Impact Assessment, Economic Crime and Corporate Transparency Bill: Removing the statutory cap on financial penalties for the Law Society (as delegated to the Solicitors Regulation Authority) in relation to economic crime matters (pdf), Ministry of Justice, August 2022

186 Impact Assessment, Economic Crime and Corporate Transparency Bill – New regulatory objective in the Legal Services Act 2007 (pdf), Ministry of Justice, July 2022

187 Explanatory Notes to the Economic Crime and Corporate Transparency Bill 2022-23, paras 590-595

7 Part 6: General

Clause references in this section are based on the Bill as introduced to Parliament. Amendments made during Commons Public Bill Committee (PBC) mean the numbers may have changed since.

Clauses 158 to 162 contain general clauses typically found at the end of Bills.

Clause 158 would give the Secretary of State a Henry VIII power to make consequential amendments to the provisions of the Bill (including amendments to primary legislation). The Government says this is needed "to ensure that other provisions on the statute book properly reflect and refer to the provisions in this Bill once it is enacted".[188]

Clause 159 concerns regulation-making powers and specifies (for example) that the power of the Secretary of State to make regulations under the Bill includes powers to make consequential provision to them.

Clause 160 specifies that the Bill would generally applies across the UK, but that amendments to legislation made by Bill would have the same extent as the provision it amends.

Clause 161 states that the Secretary of State can make regulations to specify when Parts 1 to 5 of the Bill would come into force. But clauses in Parts 1 to 5 that confer powers to make regulations come into force on the day the Bill is passed.

Clause 162 sets the title of the Bill: the Economic Crime and Corporate Transparency Act 2022.

[188] Delegated Powers Memorandum (pdf), para 44

8 Commons second reading and Committee stage

8.1 Second reading

The second reading debate took place on Thursday 13 October 2022and the Bill passed without a division. Twenty MPs participated in the debate, from the following parties:

- Six Conservatives: Secretary of State for the Home Department Suella Braverman, then- Parliamentary Under-Secretary in the Department for Business, Energy and Industrial Strategy (BEIS) Dean Russell, Kevin Hollinrake, John Penrose, Damian Hinds and Mary Robinson
- Nine Labour: Shadow Secretary of State for the Home Department Yvette Cooper, Shadow Minister in the Department for BEIS Seema Malhotra, Andy Slaughter, Stephen Doughty, Catherine West, Chris Bryant, Dame Margaret Hodge, Kate Green and Valerie Vaz
- Two SNP: Then- Shadow Treasury Spokesperson Alison Thewliss and Deputy Spokesperson Peter Grant
- One Independent (formerly SNP): Margaret Ferrier
- One Liberal Democrat: Layla Moran
- One DUP: Jim Shannon[189]

Government, Labour, and SNP frontbench contributions

In opening the debate, Home Secretary Suella Braverman said the Bill is "a formidable tool in the fight against illicit finance" and urged MPs to support the Bill to "make sure that the UK is a great place for legitimate business and a no-go area for crooks".[190]

Shadow Home Secretary Yvette Cooper indicated Labour's support and said the Bill "should constitute an area in which the whole country can come together", specifically welcoming the Bill's measures on Companies House

189 HC Deb 13 October 2022, vol 720

190 As above, cols 285 and 289

reform, information sharing, the ability for the SRA to increase fines, and cryptoassets.[191]

But Yvette Cooper said the Bill was "long overdue" and was "concerned that it does not go far enough".[192] In particular, she said the Bill should go further on enabling Companies House "to publish and verify up-to-date information on shareholders, and provisions on third-party enablers of organised crime and kleptocracy."

She also asked about funding for the National Crime Agency, saying there was a "huge gap in the Bill when it comes to tackling fraud, particularly serious corporate fraud", and spoke of "the need to tackle corporate criminal liability".[193]

SNP Treasury spokesperson Alison Thewliss said the SNP "welcome this Bill, which is overdue" but said it should also bring in provisions that "prevent all companies from being controlled by opaque offshore entities". She also questioned why Companies House cannot be "an anti-money laundering supervisor in its own right" and why the Bill would "allow the verification process for company registration to be carried out by company formation agents when they are the very bodies that have to a large extent created the problem", noting the "verification requirement in itself has no teeth".[194]

Alison Thewliss also expressed concern that "the UK Government seem to show no willingness to increase the ridiculously low company registration fee". She concluded by saying the "SNP Benches are looking forward to independence and setting up our own robust systems to register companies and to prevent economic crime".[195] Deputy Spokesperson Peter Grant (SNP) added that "that in too many areas it [the Bill] does not go anywhere near far enough".[196]

In closing, Shadow Business Minister Seema Malhotra said the Bill "is an historic opportunity to put a stop to the UK's shameful role as a hub of illicit finance and a facilitator of economic crime" but noted that there "are aspects of the Bill that we will want to strengthen".[197]

Then-Business Minister Dean Russell said the Bill "contains a significant and coherent package of measures to help us crack down on economic crime and abuse of the UK's corporate structures".[198]

---

191 HC Deb 13 October 2022, vol 720, col 290
192 As above
193 As above, col 293
194 As above, cols 299-302
195 As above
196 As above, col 323
197 As above, col 332
198 As above, col 336

Other contributions

Layla Moran (LD) said she was "quite disappointed" by the Bill, and wanted "to push the Government to go further", including on: resourcing for enforcement of economic crime; closing gaps in the register of overseas entities; greater transparency on the review of the "golden visa" scheme; a new "failure to prevent" corporate criminal offence; and measures to deal with "enablers" such as accountants and lawyers.[199]

Dame Margaret Hodge (Lab) said despite welcoming the Bill, "many of us deeply regret that, yet again, the Government have failed to demonstrate the strategic vision, determination and ambition that are plainly needed if we are to translate our shared aim into reality on the ground".

She called for further measures to protect whistleblowers; ensure accountability to Parliament and the public; tackle the abuse of defamation laws; close loopholes on transparency for trusts and the ownership of land; and reform of the SARs [Suspicious Activity Reports], anti-money laundering and corporate criminal liability regimes.[200]

Then-backbencher Kevin Hollinrake (Con) said "many of the measures in the Bill are welcome" but called for an "extension of the failure to prevent provisions on bribery and tax evasion" and more provisions on whistleblowing.[201]

John Penrose (Con) said he greeted the Bill with "a massive cheer of hooray" but called for four further measures: "proper personal liability" for those running corporates; greater enforcement; the upgrading of "a series of money laundering regulations"; and improving the process for raising concerns.[202]

8.2 Public Bill Committee

The Economic Crime and Corporate Transparency Bill 2022-23 Public Bill Committee met nineteen times between 25 October and 29 November 2022. It had 17 members (set out in the appendix at the end of this section).

The commentary below focuses on the amendments made to the Bill and amendments defeated on division, during committee stage.

199 HC Deb 13 October 2022, vol 720, cols 316-318
200 As above, cols 303-307
201 As above, cols 308-309
202 As above, cols 313-316

Part 1: Companies House reform

Nine Government new clauses were added to Part 1 at Commons committee stage. The Government also made many largely technical and consequential amendments.

The only Government amendments divided upon were amendments to clause 32 (discussed below). No non-Government amendments or new clauses were made or added to part 1 during committee stage.

Over thirty new clauses were tabled relating to Part 1 of the Bill. Of these, nine were agreed and two were defeated on division (discussed below).

New clauses agreed

The nine new clauses agreed were all Government new clauses passed without a division. They comprise:

- **New clauses 1 to 4**. The Minister, Kevin Hollinrake explained the new clauses "will introduce delegated powers allowing for the application of the Companies House reform measures elsewhere in the Bill to overseas companies registered in the UK".[203]

  He noted that:

  > New clauses 1 to 3 allow for the making of regulations requiring overseas companies that have established a physical presence in the UK to provide an appropriate address for the overseas company, their directors or other officers, to the same standard required of domestic companies incorporated here in the UK.

  New clause 4 "allows the application, through regulations, of identity verification requirements to directors of overseas companies operating in the UK".[204] The new clauses now form **clauses 95 to 98** of the Bill.

- **New clauses 5, 6 and 8** are discussed below (see the section "Clause 29 and new clauses"); they now form **clauses 105 to 107** of the Bill.

- **New clause 7** "allows the Secretary of State to require businesses to obtain information and carry out checks for the purposes of identifying discrepancies between that information and information made publicly available by [the] registrar."[205] It now forms **clause 84.**

- **New clause 34** is discussed below (see the section Clauses 9 to 22: company names). It would allow "the registrar to omit from the material that is available for public inspection references to the company's name

[203] PBC 22 November 2022, c505
[204] As above
[205] As above, c512

once it has" been directed to change its name under the Companies Act 2006.[206] It now forms **clause 15**.

New clauses defeated on division

- **New clause 29** (tabled by Dame Margaret Hodge) "requires a report into the merits of a fund for tackling economic crime to be laid before Parliament".[207] She pressed the new clause to a division, where it was defeated along party lines by seven votes to nine.

- **New clause 35** (tabled by the Labour frontbench) "would disqualify any individual convicted of an offence for a serious breach of the National Minimum Wage Act 1998, such as a deliberate refusal to pay National Minimum Wage, from serving as a company director."[208] In response, Kevin Hollinrake said he wanted to "identify the scale and nature of the problem before we legislate".[209] The new clause was pressed to a division and defeated by seven votes to nine along party lines.[210]

Clause 1 (the registrar of companies)

Clause 1 would set out four objectives the registrar must promote when performing its functions.

Amendment 71, in the name of the SNP, would have placed an obligation on the Secretary of State to "ensure that the registrar has sufficient resources to fulfil the objectives" in Clause 1. SNP spokesperson Alison Thewliss explained that the amendment would obligate the Government, and future Governments, "to follow through on the recommendations regarding the very worthy legislation in the Bill".[211]

Kevin Hollinrake said "We all agree that the right resources will be needed," but he said this should be calculated "based on the duties in the final version of the Bill approved by both Houses". He added: "We do not want to set a figure now, because if we did so, Companies House might expand to fill that envelope".[212]

Alison Thewliss countered that the amendment would not commit to a specific figure, only ensuring "that the register has the resources to fulfil its objectives". She therefore decided to press the amendment to a vote, where it was defeated along party lines (with Labour and the SNP in favour) by seven votes to eight.[213]

206 PBC 24 November 2022, c534
207 As above, c545
208 PBC 3 November 2022, c237
209 As above, c240
210 PBC 24 November 2022, c546
211 As above, c152
212 As above, c156
213 PBC 24 November 2022, c158

Clauses 2 to 8: company formation

No amendments were made or voted on relating to clauses 2 to 8.

Clauses 9 to 22: company names

No amendments were made or voted on relating to clauses 9 to 22.

Clauses 23 to 27: business names

No amendments were made or voted on relating to clauses 23 to 27.

Clauses 28 and 29: registered offices

Clause 28

Amendment 94, in the name of Dame Margaret Hodge, sought to place an obligation on Companies House to verify the appropriateness of company addresses submitted to it, using a risk-based approach.

Kevin Hollinrake said he could not support the amendment as he did "not think it is proportionate to agree to routine or spot checking for each and every company." Dame Margaret Hodge pressed her amendment 94 to a vote, where it was defeated along party lines (Labour and SNP in favour) by seven votes to nine.[214]

Clause 29 and new clauses

No amendments were tabled to clause 29 (Registered office: rectification of register). However, a motion was agreed without a division to "move clause 29 to the end of Part 1 of the Bill".[215]

Government amendments 7 (to clause 43 – Registrar's power to change a director's service address), 44 to 48 (to Schedule 2 – Abolition of certain local registers), 50 (to Schedule 4 – Required information), and New Clauses 5 (Rectification of register: service addresses), 6 (Rectification of register: principal office addresses) and 8 (Service of documents on people with significant control) were debated alongside this motion.

Kevin Hollinrake said the amendments and new clauses "allow the registrar to take appropriate action when information is erroneous or misleading". He explained that the amendments would "standardise the address information that companies will be required to file", requiring, in future, "a service address and a principal office address", and "strengthen the framework for changing address when it is expedient to do so, and…improve the utility of address data." New clauses 5 and 6 would "address the circumstances in which it appears that the stated service address does not fulfil its requirements".[216]

---

214 As above, c202-4

215 See footnote 217

216 PBC 24 November 2022, c205

The amendments and new clauses were agreed without a division and new clauses 5, 6 and 8 became clauses 105 to 107 of the Bill. Clause 29 now forms **clause 104**.

Clauses 30 and 31: registered email addresses

No amendments were tabled to these clauses.

Clauses 32 to 35: disqualification in relation to companies

Clause 32

Government amendments 1 and 3 (and consequential amendment 2) were tabled, which would mean "a person who is subject to sanctions is disqualified under the GB directors disqualification legislation only if those sanctions relate to asset-freezing."[217]

Kevin Hollinrake explained the amendments:

> ensure that we do not disproportionately and unnecessarily extend measures to categories of people whose sanction status has no bearing on whether they are fit to act as company directors. The narrower definition introduced via the amendments includes only designated persons subject to asset-freeze measures.

Shadow Minister Stephen Kinnock questioned whether someone "who has been sanctioned by the FCDO and given a travel ban but not an asset freeze is still a fit and proper person to be a GB director".[218] Both amendments 1 and 3 were put to a division, where they passed along party lines by 10 votes to 7, with amendment 2 agreed to without a division.[219]

Clause 34

Amendments 4 to 6 to clause 34 were tabled which sought to make the same changes in amendments 1 to 3 above, but for Northern Ireland (as amendments 1 to 3 apply to Great Britain only). Following the result of the divisions on amendments 1 to 3, these amendments were agreed to without further divisions.[220]

Clauses 36 to 43: directors

No amendments were tabled to clauses 36 to 42. One amendment was tabled to clause 43; Government amendment 7 is consequential on the inclusion of New Clause 5 (see "Clause 29 and new clauses" above) relating to changes of directors' service addresses to residential addresses, and was agreed without a division.[221]

---

217 PBC 3 November 2022, c232
218 As above, c214-216
219 As above, c230-231
220 As above, c232
221 PBC 3 November 2022, c241

Clauses 44 to 49: register of members

No amendments were tabled to clauses 44 to 48; two opposition amendments were tabled to clause 49 which were not put to a vote.

Clauses 50 and 51: Registration of directors, secretaries and persons with significant control (and Schedule 2)

No amendments were tabled to Clauses 50 and 51. Several amendments were tabled to Schedule 2.

The five Government amendments 44 to 48 do various things:

- Amendments 44 and 46 "would mean that the required information that must be provided about a" corporate director or corporate secretary "includes its principal office in all cases, rather than there being an option to provide its registered or principal office";[222]

- Amendments 45, 47 and 48 "requires a company to provide a service address" for directors, secretaries and people with significant control "who are not individuals";[223] and

- Amendment 48 "requires a company to provide a service address for those with significant control over a company who are not individuals. It also means that the principal office must be provided in all cases, rather than there being an option to provide its registered or principal office".[224]

All these amendments were agreed without a division.

Two amendments to Schedule 2 were tabled by the SNP (Alison Thewliss, Gavin Newlands and Owen Thompson) and put to a vote:

- **Amendment 69** sought to require the registrar to allocate to each director a unique identification number.

- **Amendment 70** "would provide for penalties to apply to anyone failing to provide their unique identification number (see Amendment 69) to the registrar".[225] Kevin Hollinrake said these amendments "will be redundant once the expanded power under section 1082 is exercised, as amended under clause 66. The effect will be that all individuals who are under a duty to verify their identity will be assigned a unique identifier when they successfully complete identity verification".[226]

---

222 As above, c257-258
223 As above
224 As above
225 As above, c248
226 PBC 3 November 2022, c250

- **Amendment 68** would empower the registrar to determine that a person help an "excessive number of directorships" and therefore could not hold further directorships.[227] Kevin Hollinrake opposed the amendment on the basis that it "undermines the agency of company owners to act independently and in their own interests when appointing people to run the business they own" and said the Government had carefully considered such an option in the past.[228]

Alison Thewliss chose to press amendments 69 and 68 to a vote, where each was defeated along party lines by seven votes to nine.[229]

Clauses 52 to 56: accounts and reports

No amendments were tabled to these clauses.

Clauses 57 to 60: confirmation statements

No amendments were tabled to these clauses.

Clauses 61 to 67: identity verification

Clause 63

Government amendment 8 "would mean that a firm applying to become an authorised corporate service provider would always have to state its principal office, rather than having the option of stating its registered office". It was agreed without a division.[230]

Clause 65

Government amendment 9 "ensures that where a company director is exempt on national security grounds etc from being a person whose ID is verified, the company can also be relieved from the obligation to ensure that the director is ID verified."[231] The amendment was agreed without a division.

Clause 66

Labour frontbench amendments 102 and 103 sought to "ensure that all directors would be issued with a unique director identifier to be used for all their directorships" and "would make all unique director identifiers available on the registrar's website."[232] Kevin Hollinrake said amendment 102 was unnecessary because "Companies House is already actively working on unique identifiers", and he disagreed with amendment 103 because making unique director identifiers public would "compromise their use, because they could be appropriated and misused".

---

227 As above, c257
228 As above, c250
229 As above, c257
230 As above, col283
231 PBC 8 November 2022, c287
232 As above

Seema Malhotra pressed amendments 102 and 103 to a division, where each was defeated by seven votes to eight along party lines.[233]

Clause 67

A clarificatory amendment, Government amendment 10 "spells out that section 1087 [material unavailable for public inspection] of the Companies Act 2006 is only concerned with information on the register of companies."[234] It was agreed without a division.

Clause 68 (Requirements for administrative restoration), clauses 69 to 71 (Who may deliver documents) and clauses 72 to 75 (Facilitating electronic delivery)

No amendments were tabled to these clauses.

Clauses 76 to 83 (Promoting the integrity of the register)

Clause 80

Government amendment 11 "spells out that statements made by a person in response to a requirement under section 1092A of the Companies Act 2006 can be used in criminal proceedings for the false statement offences under the Limited Partnerships Act 1907".

It:

> ensures that when the registrar compels a person to provide information under her new power to determine whether filing obligations concerning limited partnerships have been met, the person cannot claim privilege against self-incrimination if the information they are compelled to deliver reveals that they have submitted a false filing.[235]

Government amendment 12 "is consequential on" new clause 17 (discussed below).[236] Both amendments were agreed without a division.

Clause 82

Government amendment 13 repeals section 1095A of the Companies Act 2006.This is because in practice the only circumstances in which material would be removed from the register under that section are caught by new section 1094 (inserted by clause 82 of the Bill)".[237] The amendment was agreed without a division.

It was debated alongside New Clause 7, which "introduces a regulation-making power into the Companies Act 2006. Regulations made under that power can set out who must check for discrepancies and what information

---

233 PBC 8 November 2022, c296-298
234 As above, c299
235 As above, c315
236 As above
237 PBC 8 November 2022, c328

they check, beyond just discrepancies in relation to beneficial ownership information. The regulations can also be used to create offences for failure by those obliged to check for discrepancies to comply with those obligations."[238]

Clauses 84 to 87 (Inspection etc of the register)

Government amendment 106, tabled to clause 84, is consequential on New Clause 34, and the two were debated together.

Kevin Hollinrake explained new clause 34 means that: " if a company is required to change its name because it could cause harm, the registrar can immediately suspend that name from the register".[239] Amendment 106 then "ensures that the general right for people to inspect the register does not extend to offending names that have been suppressed".[240] Amendment 106 was agreed without a division.

Clauses 88 and 89 (Registrar's functions and fees)

Clause 88

Amendment 116, tabled by Dame Margaret Hodge, "would require the registrar, when analysing information for the purposes of detecting and preventing economic crime, to take a risk-based approach".[241] Kevin Hollinrake said he had "serious concerns" about the provisions in amendment 116, "which seem to require the registrar to look at every single company on the record".[242]

Dame Margaret Hodge pressed 116 to a vote on the basis that the Minister's objections to it were "constructed rather than real", where the amendment was defeated along party lines by six votes to nine.[243]

Clause 89

Four Government amendments were proposed to clause 89.

As the "amount of fees set under the Companies Act 2006 is determined in accordance with regulations" Amendments 14 to 16 (applicable in Northern Ireland) "allows the regulations to reflect the costs or likely costs of a Northern Ireland department in discharging functions relating to" directors disqualification, insolvency legislation, and enforcement respectively.[244]

Amendment 17 "allows the reference to functions carried out by the Insolvency Service in Northern Ireland on behalf of a Northern Ireland department to be amended in the event that, in future, the functions are exercised otherwise

238 PBC 8 November 2022,, c325
239 As above, c329
240 As above
241 As above
242 As above, c349
243 As above, c352-353
244 PBC 15 November 2022, c357-359

than by the Insolvency Service in Northern Ireland."[245] These amendments were agreed without a division.

Clauses 90 to 93: information sharing and use (and Schedule 3)

Government amendment 49 to Schedule 3 is "consequential on" new clauses 17 and 18 (discussed). It was agreed without a division.[246]

Clauses 94 to 98 (General offences and enforcement)

Amendment 80 to clause 96 "provides for a fund to be established for the purposes of tackling economic crime".

Amendment 84 "requires penalties paid to the registrar to be paid into a fund for the purposes of tackling economic crime, rather than the consolidated fund".[247]

Kevin Hollinrake expressed concern "about the unintended consequences of allowing the regulator to simply issue fines and keep them", and noted that the Government is "developing a new funding model for Companies House, which demonstrates our commitment to tackling economic crime".[248]

Dame Margaret Hodge withdrew amendment 80 but pressed amendment 84 to a vote, where it was defeated along party lines by six votes to eight.

Part 2: Limited partnerships

The Public Bill Committee considered many amendments to this part of the Bill, as well as a number of proposed new clauses. All the Government's amendments and proposed new clauses were agreed without division, while all of the Opposition's proposals were withdrawn or not called. This section highlights substantive changes that the Committee made to the Bill.

Wider debate on issues and the Government's intentions

The Opposition did, however, raise some general wider issues in the Committee. In addition to those mentioned under relevant clauses below, the Opposition asked why both companies and various types of partnerships were permitted to have directors that were not "natural persons".[249]

The Minister, Kevin Hollinrake, expressed his sympathy with such concerns, and noted relevant regulations concerning company directors would be made "very soon". But doing so would first require setting out exemptions by

245 As above, c371
246 As above, c378
247 As above, c381
248 As above, c384-395
249 PBC, 15 November 2022, c404

regulations" that would "address the limited circumstances under which a company will be permitted to have a corporate director."[250]

Dame Margaret Hodge asked why limited liability partnerships[251] might ever have a corporate member. Kevin Hollinrake explained it might in fact be "reasonable" for corporate bodies to be member of limited partnerships, as in the case of investment funds or insurance companies. He noted that there was some confusion between the two types of partnership. He would seek clarification that a named registered officer would be required in both circumstances.[252]

The Minister said the Government planned to bring corporate director regulations into force alongside regulations on identity verification. He said that "[i]ntroducing those regimes will be one of the implementation priorities post Royal Assent." He reminded the Committee that the Bill would impose duties on general rather than limited partners (in **limited partnerships**), because only the former could exercise management activities.[253]

He said the Government intended to extend requirements for identity verification to **limited liability partnerships** through secondary legislation.[254]

Dame Margaret and Seema Malhotra emphasised the Opposition's concern that all partnerships should include a natural person. They argued it was essential to overcome the "anonymity" permitted by current arrangements and ensure that named individuals could be "held to account for…any wrongdoing."[255] Seema Malhotra added that written evidence presented to the Committee showed that allowing corporate directors made it much harder to trace individuals in case of wrongdoing.[256]

Kevin Hollinrake replied that the forthcoming regulations would seek to identify "one person" behind each corporate entity, and that they would be "verified, with a UK address."[257]

New clauses introduced

Four new clauses proposed by the Government were agreed to without division during consideration of this part of the Bill:

- **New clause 9 (National security exemption from identity verification)** would give the Secretary of State the power to exempt a person from the requirements for identity verification "in the interests of national security,

250 PBC, 15 November 2022, c405
251 Such partnerships are not specifically covered by the present Bill, as discussed in section 3.1 of this paper.
252 As above, c405-406
253 As above, c406
254 As above, c407
255 As above, c407-408
256 As above, c408-409
257 As above, c409

or for the purposes of preventing or detecting serious crime."[258] It now forms **clause 141** of the Bill.

- **New clause 30 (Duty to notify registrar of dissolution)** would set out arrangements for notifying the registrar of dissolution. It would require any remaining general partner to do so. If there were no remaining general partners the limited partners would be required to do so.[259] It now forms **clause 135** of the Bill.

- **New clause 31 (Winding up limited partnerships on grounds of public interest)** would allow the Secretary of State (generally via the Insolvency Service) to petition the court to wind up any limited partnership, whether insolvent or not, in the public interest.[260] It now forms **clause 129** of the Bill.

- **New clause 32 (Winding up dissolved limited partnerships)** would allow the Secretary of State or any other interested party to apply to the court "for orders in relation to the winding up of a limited partnership" to "ensure that dissolved limited partnerships are properly wound up in a timely manner."[261] It now forms **clause 130** of the Bill.

Clauses 100 to 102 (Required information about limited partnerships)

The Committee agreed **amendment 50** to schedule 4 (introduced through clause 100). This would remove the option for current or proposed partners that are legal entities to provide a "registered address" instead of a "principal office".[262] [263]

Clauses 107 to 109 (The general partners)

The Minister, Kevin Hollinrake, proposed nine amendments to **clause 108**, all of which were agreed without division:[264]

- **Amendments 18 to 24** would require each general partner that is a legal entity to state when applying to register a legal partnership whether its registered officer "is identity verified or exempt."[265]

- The amendments in this sequence flow from **amendment 21**, which would introduce an additional requirement to sub-paragraph 8K(1) to specify that and such a registered officer is either "an individual whose identity is

---

258 Economic Crime and Corporate Transparency Bill (Committee Stage Decisions), 29 November 2022, p54

259 As above, 29 November 2022, p54; PBC, 17 November 2022, c427-428

260 PBC, 17 November 2022, c427-428

261 As above, c427-428

262 Economic Crime and Corporate Transparency Bill (Committee Stage Decisions), 29 November 2022, p23

263 PBC, 15 November 2022, c399

264 As above, c411, c413-414

265 Economic Crime and Corporate Transparency Bill (Committee Stage Decisions), 29 November 2022, p23-24; PBC, 15 November 2022, c409

verified (within the meaning of section 1110A of the Companies Act 2006), or falls within any exemption that may be specified by regulations made by the Secretary of State for the purposes of this sub-paragraph."[266]

- **Amendment 22** would require regulations relating to such exemptions to be made under the affirmative resolution procedure.[267]

- **Amendment 25** would enable wider regulations to be made to enable the registrar to change the registered service addresses of registered officers of general partners. Such regulations would be subject to the affirmative resolution procedure.[268] The Minister noted that amendment 25 reflected amendments made to clauses 64 and 65 in part 1 of the Bill.[269]

- **Amendment 26** would give the Secretary of State the power to make regulations to require a "relevant statement" and further supporting information to be delivered to the registrar in order to confirm that a general partner "falls within an exemption from identity verification". Such regulations would be subject to the affirmative resolution procedure.[270]

Seema Malhotra said that the Opposition "broadly" supported the amendments, but sought clarification on situations where identity verification requirements might not apply, and whether and how such instances would be reported to Parliament.[271]

Kevin Hollinrake provided the example of an individual whose identity had been separately identified by the Communities Interest Companies regulator, which is co-located with Companies House. He said the aim was "to ease the burden of bureaucracy where unnecessary", and that in any event the Government expected to use the powers "very rarely".[272]

Clauses 111 to 117 (Changes in partnerships)

The Committee agreed a number of amendments that sought to align companies and limited partnership legislation without division, as well as to extend proposed new arrangements to Scottish limited partnerships:[273]

266 Economic Crime and Corporate Transparency Bill (Committee Stage Decisions), 29 November 2022, p24
267 As above
268 PBC, 15 November 2022, c412
269 As above, c410
270 Economic Crime and Corporate Transparency Bill (Committee Stage Decisions), 29 November 2022, p25
271 PBC, 15 November 2022, c410
272 As above, c410-411
273 As above, c417-418 and c427-428

- **Amendment 29** to **clause 111** would allow the Secretary of State to make regulations to empower the registrar to change the service address of a general partner or a registered officer.[274]

- Those powers would in turn remove the need for **clause 114**, and this was formalised by **amendment 30.**[275]

- **Amendment 32** to **clause 116** would apply the wider proposed requirements regarding confirmation statements to Scottish limited partnerships. [276]

Seema Malhotra again noted that the Opposition "broadly" supported the amendments. In response to her further questions, the Minister said that using secondary rather than primary legislation would give the Government "flexibility…to learn and change."[277]

Clauses 119 and 120 (Dissolution and winding up of limited partnerships)

The Committee agreed a group of Government amendments to clause 119:[278]

- **Amendment 95** would "[provide] that a limited partnership is dissolved: if it ceases to have any general partners; if it ceases to have any limited partners; or where all general partners are either insolvent or disqualified under the directors disqualification legislation."[279]

- **Amendment 96** would require any remaining general partner(s) of a dissolving partnership to notify the registrar. If there were no general partners, the limited partners would be required "to take all reasonable steps to ensure that the firm is wound up."

- **Amendment 97** would remove draft arrangements that would be superseded by new clause 30.[280]

Seema Malhotra said that the Opposition "largely support[ed]" the proposals. She noted the "complexity of some of these structures" and sought assurance that they took account of the types of wider concerns about loopholes raised in earlier consideration. The Minister asked her to forward further detail.[281]

Clauses 121 to 123 (The register of limited partnerships)

The Committee agreed several amendments to clause 122 (relating to notices of proposals to change an individual's service address) without division:[282]

274 PBC, 15 November 2022, c413-414
275 As above, c412 and c419
276 As above, c419
277 As above, c413
278 PBC, 17 November 2022, c430
279 As above, c425
280 As above, c427-428
281 As above, c430
282 As above, c432

- **Amendment 34** would clarify that such information would "not be made publicly available as material that forms part of the register of limited partnerships."
- **Amendment 35** would ensure that the registrar would not make applications for changes to the service address available for public inspection.[283]
- **Amendment 37** "would make statements relating to identity verification of registered officers unavailable for public inspection."[284]
- **Amendment 38** would similarly exclude "statements delivered to the registrar that relate to an individual being an authorised corporate service provider or an employee thereof".[285]

Seema Malhotra said that the Opposition "[understood] the need for the measure" but asked about situations in which this might apply. Kevin Hollinrake said that the arrangements were intended to help prevent ID theft, among other matters, and that nothing in the arrangements should prevent the investigation of economic crime.[286]

Clauses 131 and 132 (Application of other laws)

The Committee agreed **amendment 42** to clause 131 without division.[287] This would "allow for consequential amendments to be made to Northern Ireland legislation if the power inserted by clause 131 of the Bill is exercised to apply company law to limited partnerships". The Minister explained this would allow general partners to be disqualified for their actions within a general partnership.[288]

Part 3: Register of Overseas Entities

No amendments were tabled to clauses 135 to 140 (Register of overseas entities).

Fifteen new clauses were tabled relating to the subject matter of Part 3 of the Bill. Of these, ten were made and two were defeated on division (discussed below).

New clauses agreed

The 10 new clauses agreed were all Government amendments agreed without a division:

283 PBC, 17 November 2022, c433
284 As above, c433
285 As above, c431
286 As above, c432
287 As above, c445
288 As above, c443

- **New clause 12** "would mean that the required information that must be provided about an overseas entity, a corporate registrable beneficial owner or managing officer includes its principal office in all cases, rather than there being an option to provide its registered or principal office."[289] It now forms clause 151.

- **New clause 13** "requires an overseas entity, when applying for registration in the register of overseas entities or providing an update, to include the title number etc for relevant interests in land held by it. For entities already registered, it will operate when they next provide an update."[290] It now forms clause 152.

- **New clause 14** "means that, where an application for registration as an overseas entity is required to provide details of a managing officer, there will be a requirement to include the name of an individual who is at least 16 years old and is willing to be contacted about the officer (unless the officer is an individual of at least that age)."[291] It now forms clause 153.

- **New clause 15** "expands the definition of "registrable beneficial owner" in Part 1 of the Economic Crime (Transparency and Enforcement) Act 2022 in relation to an entity one of whose beneficial owners is a trustee. There is also a power to further expand the definition."[292] It now forms clause 154.

- **New clause 16**, the explanatory statement to which notes that "Section 16 of the Economic Crime (Transparency and Enforcement) Act 2022 confers power to make regulations about identity verification. This new clause allows the regulations to provide that information provided under the regulations is protected from public inspection."[293] It now forms clause 155.

- **New clause 17** (material unavailable for public inspection) "replicates for the register of overseas entities a number of changes made by the Bill in relation to companies. It also extends the list of information unavailable for public inspection".[294] It now forms clause 156.

- **New clause 18**, "replicates for the register of overseas entities the provision made by clause 87 of the Bill [Protecting information on the register] in relation to companies."[295] It now forms clause 157.

- **New clause 19**, "makes changes for the purpose of resolving inconsistencies in information relating to overseas entities that corresponds to the changes made by clause 81 of the Bill [Registrar's

[289] PBC 22 November 2022, c516
[290] As above, c519
[291] As above
[292] As above, c520
[293] As above, c521
[294] As above
[295] PBC 22 November 2022, c523

notice to resolve inconsistencies] in relation to companies."[296] It now forms clause 158.

- **New clause 20**, "replicates for the register of overseas entities the changes that clause 82 of the Bill [Administrative removal of material from the register] makes in relation to the register of companies."[297] It now forms clause 159.

- **New clause 21**, "updates the penalty provision for the offence in section 34 of the Economic Crime (Transparency and Enforcement) Act 2022 to reflect changes made by the Judicial Review and Courts Act 2022. This ensures consistency with the language that clauses 136 and 137 introduce into the 2022 Act."[298] It now forms clause 162.

New clauses defeated on division

Two new clauses relating to Part 3 were defeated on division.

New clause 54

The first (new clause 54, a Labour frontbench new clause) would:

> prevent any company from registering in the UK for the purposes of acquiring land if the company in question was originally incorporated in a jurisdiction designated, either by UK or international authorities, as a high-risk jurisdiction for money laundering and terrorist financing at the time of the company's incorporation.[299]

Stephen Kinnock explained that if a "company was initially formed under laws designated by the Treasury, under international guidelines, as seriously deficient in their approach to money laundering risks, that company should not be allowed to own land or property in the UK".[300]

Kevin Hollinrake opposed the new clause on the basis that it "is entirely wrong to tar everybody from one country with the same brush".[301] Stephen Kinnock opted to press the new clause to a division, where it was defeated along party lines by six votes to nine.

New clause 59

The second (New clause 59) was tabled by Dame Margaret Hodge. She explained that "the register of overseas entities will require trusts that currently own property in the UK to declare" information about trusts, but "on the actual register all that will appear is the name of the trust. There will be no details of who actually owns the trust and has the ownership control and benefits of the assets that exist within that trust." Whilst this information may

296 PBC 22 November 2022, c524
297 As above
298 As above, c526
299 PBC 24 November 2022, c569
300 As above
301 As above, c570

be available to law enforcement, she wished to make this information public to "extend the accountability beyond the enforcement agencies, so that, for example, businesses, civil society, the press and we as Members of Parliament can all understand who is really behind the overseas entity that owns the property here in the UK."[302]

Kevin Hollinrake objected on the basis that "current requirements of legislation are that information about a registrable beneficial owner of a trust is displayed publicly." He said: "If someone is a beneficial owner, their name is revealed publicly. She might argue that that person could be lying, but they can lie about ownership of anything".

He also noted that "trusts are used for legitimate purposes, including to protect the privacy and safety of children, for example, and other vulnerable individuals."[303] Dame Margaret Hodge nonetheless decided to press the new clause to a vote, where it was defeated along party lines by six votes to nine.

Part 4: Cryptoassets

Clauses 141-142: confiscation and recovery

Clause 141 would introduce Schedule 6, which would provide for the introduction of a confiscation order regime for cryptoassets under the Proceeds of Crime Act 2002 (POCA). Both were agreed without division or amendment.[304]

Clause 142 and Schedule 7 would extend civil recovery powers under POCA to cryptoassets. The Government tabled a series of technical amendments to these provisions which were agreed without division (Amendments 51-67, 121 and 156-161). Tom Tugendhat explained they were to ensure clarity and maintain consistency in the Bill's drafting.[305]

New clause 23: Cryptoassets and terrorism

The Government tabled new clause 23 and new schedule 1 relating to cryptoassets and terrorism. These would amend the Anti-terrorism, Crime and Security Act 2001 and the Terrorism Act 2000 to provide for civil recovery powers equivalent to those contained in schedule 7 of the Bill.

Tom Tugendhat explained this would address a gap in existing counter-terrorism legislation, and mitigate the risk posed by those who cannot be prosecuted but use cryptoassets to perpetuate further criminality.[306]

302 PBC 22 November 2022, c575
303 As above, c577
304 PBC 22 November 2022, c463-468
305 As above, c468-470
306 PBC 22 November 2022, c470

Part 5: Miscellaneous

Clauses 143-147

No amendments were tabled to clauses 143-147.

Clauses 148-149: disclosure of information and obligation of confidence

Clause 148 would enable the disclosure of information between businesses in the anti-money laundering regulated sector, for purposes relating to combating economic crime, without the risk of breaching obligations of confidence to customers.

The Government tabled several amendments to expand the protection offered by clause 148 to include protection from any civil liability to the person to whom the information relates (Amendments 122-135).[307] Tom Tugendhat explained that the amendments had been brought forward following evidence from UK Finance that information would be unlikely to be shared between businesses without greater protection from liability.[308]

Clause 149 would provide for information sharing between businesses through a third party intermediary on a similar basis to clause 148. Equivalent amendments were tabled by the Government extending the protection from civil liability in these circumstances (amendments 136-141 and 143-151).[309]

Further Government amendments would extend the scope of clause 149 to cover large and very large accountancy and legal businesses (Amendments 142, 152 and 155). Tom Tugendhat explained that these businesses have experience of dealing with high-risk clients, and that increasing information sharing would create greater opportunities to prevent economic crime.[310]

Clauses 150-152

No amendments were tabled to clauses 150-152.

Clause 153: definition of "economic crime"

The Government also tabled amendments to make clear that the definition of "economic crime" as set out in Schedule 8 would include secondary liability for any of the listed offences (Amendments 153 and 154).[311]

Clauses 154-159

No amendments were tabled to clauses 154-159.

---

307 Excluding liability under data protection legislation

308 PBC 22 November 2022, c484

309 As above

310 As above

311 As above

New clause 47: Scottish Solicitors' Discipline Tribunal: Powers to fine in cases relating to economic crime

New clause 47 was tabled by the Government. It would remove the existing statutory limit on financial penalties that can be imposed by the Scottish Solicitors' Discipline Tribunal in relation to economic crime offences.

Tom Tugendhat explained that the intention was to give the Scottish Solicitors' Discipline Tribunal equivalent powers to those granted to the Solicitors Disciplinary Tribunal in England and Wales. This would act as a proportionate deterrent against breaches of the rules and legislation related to economic crime, he said.

It would also be consistent with the removal of the statutory limit on the Solicitors Regulation Authority's financial penalty powers for disciplinary matter related to economic crime by clause 154 of the Bill.[312]

New clause 47 was agreed without a division.

Part 6: General

One amendment was tabled to clause 159 (Regulations). No amendments were tabled to clauses 158 and 160 to 162.

Government amendment 43 provided "for regulations under NC22 [registration of qualifying Scottish partnerships, discussed above] to be subject to the affirmative procedure unless they only make provision corresponding or similar to provision make by a statutory instrument that is itself subject to the negative procedure." The amendment was agreed without a division.[313]

312 PBC 22 November 2022, c494

313 As above, c498

Appendix: Committee members and evidence

The members of the Economic Crime and Corporate Transparency Bill 2022-23 Public Bill Committee were:

- 10 Conservatives: Government Ministers Tom Tugendhat and Jackie Doyle-Price (who was replaced during Committee by Kevin Hollinrake), Government Whip Nigel Huddleson (who was replaced during Committee by Scott Mann), Lee Anderson, Caroline Ansell, Virginia Crosbie, James Daly, Eddie Hughes, Jane Hunt and Jane Stevenson
- 5 Labour: Shadow Ministers Seema Malhotra and Stephen Kinnock, Labour Whip Jessica Morden, Liam Byrne and Dame Margaret Hodge
- 2 SNP: Alison Thewliss and Gavin Newlands.[314]

In the first four sittings (on 25 and 27 October), the Committee heard oral evidence from the following 28 witnesses:

- Nick Van Benschoten, Director, International Illicit Finance, UK Finance
- Gurpreet Manku, Deputy Director General and Director of Policy, British Private Equity and Venture Capital Association
- Nigel Kirby, Head of the Financial Intelligence Unit (FIU), Lloyds Banking Group
- Detective Chief Superintendent Andy Gould, NPCC National Cyber Crime Programme Lead & Interpol Global Cybercrime Expert, National Police Chiefs' Council
- Arianna Trozze
- Jonathan Hall KC, Independent Reviewer of Terrorism Legislation
- Martin Swain, Director of Strategy, Policy, External Communications and Legal, Companies House
- Adrian Searle, Director, National Economic Crime Centre
- Commander Nik Adams, Economic Crime Portfolio Lead, City of London Police
- DCI Simon Welch, National Coordinator for the Economic Crime Portfolio, National Police Chiefs' Council
- Michelle Crotty, Chief Capability Officer, Serious Fraud Office

[314] Economic Crime and Corporate Transparency Bill, Committee Debates: compilation pdf of sittings so far, 29 November 2022

- Dr Susan Hawley, Executive Director, Spotlight on Corruption
- John Cusack, Chair, Global Coalition to Fight Financial Crime
- Thom Townsend, Member, UK Anti-Corruption Coalition
- Oliver Bullough
- Bill Browder
- Professor John Heathershaw, Professor of International Relations, University of Exeter
- Thomas Mayne, Visiting Fellow, Chatham House
- Helena Wood, Associate Fellow, Royal United Services Institute, Centre for Financial Crime and Security Studies
- Duncan Hames, Director of Policy, Transparency International
- Chris Taggart, Founder and Chief Strategy Officer, OpenCorporates
- Elspeth Berry, Associate Professor, Nottingham Law School
- Graham Barrow
- Angela Foyle, Chair of ICAEW's Anti Money-Laundering Committee
- Mike Miller, Economic Crime Manager, Institute of Chartered Accountants in England and Wales
- Peter Swabey, Director, Policy & Research, The Chartered Governance Institute UK & Ireland
- Catherine Belton
- Professor Jason Sharman, Professor of Politics, University of Cambridge.[315]

Line-by-line consideration took place in the following fifteen sittings, starting from 1 November.

[315] See transcripts of the sittings on 25 October 2022 and 27 October 2022

The House of Commons Library is a research and information service based in the UK Parliament. Our impartial analysis, statistical research and resources help MPs and their staff scrutinise legislation, develop policy, and support constituents.

Our published material is available to everyone on commonslibrary.parliament.uk.

Get our latest research delivered straight to your inbox. Subscribe at commonslibrary.parliament.uk/subscribe or scan the code below:

commonslibrary.parliament.uk

@commonslibrary