Proskauer

UK Corporate Transparency - Sweeping Changes on the Horizon

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1. Introduction

In February 2022, the UK Government published the Corporate Transparency and Register Reform White Paper (the "**White Paper**"), which set out its plans to reform Companies House and increase the transparency of UK corporate structures.

The White Paper followed concerns that the UK's current regime was facilitating criminal behaviour, through convoluted corporate structures that masked economic crimes such as money laundering and fraud. These reforms follow the Economic Crime (Transparency and Enforcement) Act 2022 which had a similar rationale and, for example, introduced a register of overseas entities and their beneficial owners. Following the Russian invasion of Ukraine, such issues have been pushed even further into the public eye.

2. Where are we now?

The proposals in the White Paper will be implemented through the second Economic Crime and Corporate Transparency Bill (the "**Bill**"). The Bill was introduced in the House of Commons on 22 September 2022 and is currently at the "report stage", where proposed amendments are being considered. The Bill will then have its third reading in the House of Commons, prior to its passage through the House of Lords.

There are no set timelines for each stage of the process, so it remains difficult to determine when the Bill will be published as final legislation. Companies House has indicated, however, that it expects the Bill to receive Royal Assent in Spring 2023. Given the relevance of the topics in the Bill, it is likely to remain on the forefront of the parliamentary agenda.

3. Key themes

- *Limitations on the use of corporate directors.*
- *Further transparency within limited partnership structures.*

- *Increased scrutiny from the Registrar of Companies.*

4. Key proposals

4.1. If you are a UK limited company

- New / existing natural person directors and PSCs must verify their identity prior to appointment (via a new process) or within a prescribed period post-appointment.
- Currently, corporate directors are permitted where there is at least one natural person on that corporate director's board. As per the Bill, a corporate director must:
    1. be registered in the UK;
    2. ensure all of its directors are natural persons; and
    3. ensure its natural person directors are subject to the identity verification process (prior to the corporate director's appointment).

4.2. If you are an English limited partnership

- New / existing natural person general partners ("**GPs**") must verify their identity prior to appointment (via a new process) or within a prescribed period post-appointment.
- An English limited partnership ("**ELP**") needs to have a registered office in England. An ELP may, however, use the address of its authorised corporate service provider ("**ACSP**"), such as an appropriately authorised fund administrator. This would allow the ELP to maintain an offshore principal place of business. The process to become an ACSP is set out in the Bill.
- A GP that is a legal entity must appoint a natural person director / member as its "registered officer" and have such registered officers for each of its officers that are legal entities.
- HMRC will have the power to obtain audited accounts for UK LPs, upon written notice.

4.3. If you are a Scottish limited partnership

- See above regarding the applicable changes for ELPs, but the Scottish Limited Partnership must have its registered office in Scotland instead.

4.4. If you are a UK LLP

- New / existing natural person members must verify their identity prior to appointment (via a new process) or within a prescribed period post-appointment.

- A GP LLP must appoint a natural person as its "registered officer" (i.e. an individual member of the LLP) and have such registered officers for each of its members that are legal entities.

4.5. Other relevant provisions

- The Registrar of Companies' statutory role will be expanded to "promote and maintain the integrity of the register of companies and the UK business environment". The additional powers proposed, include the ability to query new / existing information on the register, as well as reject filings and remove information where necessary.

5. Next steps

For many of the proposals outlined above, there will be a **six-month transition period** in which to enact the relevant changes. New structures will need to comply with the requirements from inception. As such, those affected by the Bill should begin preparations in advance, including:

- collating relevant identity verification documents (passports, utility bills etc.);
- consulting with your Proskauer contact to consider which funds may need to be restructured; and
- continuing to monitor the progress of the Bill.

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