Proskauer

UK Economic Crime and Corporate Transparency Act - Change is Coming

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Background

On 26 October 2023, the United Kingdom ("UK") Economic Crime and Corporate Transparency Act (the "Act") received Royal Assent.

The Act aims to reform Companies House and increase the transparency of UK corporate structures, following concerns that the UK's previous regime was facilitating criminal behaviour, through convoluted corporate structures that masked economic crimes such as money laundering and fraud.

Key themes

- *Limitations on the use of corporate directors.*
- *Further transparency within limited partnership structures.*
- *Increased scrutiny from the Registrar of Companies.*

Key reforms

English / Scottish limited partnerships

Additional information for GPs / LPs

- New / existing general partners ("**GPs**") must verify their identity (via a new process to be confirmed via secondary legislation). Additional information will also need to be provided on Limited Partners ("**LPs**").

Registered Officers / Named Contacts

- A GP that is a legal entity must appoint a natural person as its "registered officer", who will need to be verified by Companies House. Such individual will need to be a "managing officer" of the GP (i.e. a director, member or equivalent).
- The GP will also need to appoint a natural person "named contact" for each of its managing officers that are also legal entities (e.g. corporate directors / members of

a GP).

Authorised Corporate Service Providers

- All English / Scottish limited partnerships ("**ELPs**" and "**SLPs**", respectively) will need to appoint an authorised corporate service provider ("**ACSP**") to make all their filings at Companies House.

Appropriate Address

- All ELPs / SLPs will need to have an "appropriate address" in England or Scotland, respectively. This can be:

  (i) the English / Scottish registered office of the GP;

  (ii) the English / Scottish principal place of business of the ELP / SLP; or

  (iii) the English / Scottish registered address of the ELP / SLP's ACSP (which will allow the ELP / SLP to maintain an offshore principal place of business).

Other changes

- HMRC will have the power to obtain audited accounts for ELPs / SLPs, upon written notice.
- GPs of ELPs / SLPs will be required to submit an annual confirmation statement to Companies House, which confirms that the information held on the Companies House register is correct.

UK limited companies

- New / existing natural person directors and PSCs must verify their identity prior to appointment (via a new process to be confirmed via secondary legislation) or within a prescribed period post-appointment.
- The UK Government has also previously stated it would exercise existing (but previously unused) legislative powers once the Act was finalised, to amend the use of corporate directors. It seems these powers have not yet been exercised, however, the Government's previous suggestion was that all corporate directors must:

(i) be registered in the UK;

(ii) ensure all of its directors are natural persons; and

(iii) ensure its natural person directors are subject to the identity verification process (prior to the corporate director's appointment).

UK limited liability partnerships

- New / existing natural person members must verify their identity prior to appointment (via a new process to be confirmed via secondary legislation) or within a prescribed period post-appointment.
- A GP LLP of an ELP / SLP must appoint a natural person as its "registered officer" (i.e. an individual member of the LLP) and have a "named contact" for each of its members that are legal entities.

Other relevant provisions

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

Next steps

- Although elements of the Act are now in force, many of the requirements outlined above are not yet in force. Given the amount of secondary legislation / guidance that needs to be published, we expect there to be a significant delay until the effective date of these requirements and provisions.
- Following the effective date, for many of the key proposals relating to limited partnership structures, there will be a **six-month transition period** for existing structures to enact the relevant changes. New limited partnerships structures will need to be compliant from inception.
- Those persons potentially affected by the Act should consult their Proskauer contacts to determine the extent to which they may be impacted by the new requirements and start the process of putting in place a plan to ensure compliance with these requirements when they become effective.

Related Professionals

- **John Verwey**
  Partner

- **Rachel E. Lowe**
  Partner
- **Michael Singh**
  Associate
- **Sulaiman I. Malik**
  Associate