

<b>Title: A Register of People with Significant Control over a Company – Protection Regime Final Impact Assessment</b>  <b>IA No:</b> RPC15-BIS-2366  <b>Lead department or agency:</b> Department for Business, Innovation and Skills  <b>Other departments or agencies:</b> Companies House	<b>Impact Assessment (IA)</b>
	<b>Date:</b> 4 September 2015
	<b>Stage:</b> Final
	<b>Source of intervention:</b> International
	<b>Type of measure:</b> Secondary Legislation
	<b>Contact for enquiries:</b> Lai-Sze Lai; Corporate Law Reform team; Tel: 020 7215 6417; Email: <a href="mailto:laisze.lai@bis.gsi.gov.uk">laisze.lai@bis.gsi.gov.uk</a>
<b>Summary: Intervention and Options</b>	<b>RPC Opinion:</b> Green

**Cost of Preferred (or more likely) Option**

Total Net Present Value	Business Net Present Value	Net cost to business per year	In scope of Business Impact Target?	Measure qualifies as
£ -41.6m	£ -42.0m	(EANCB on 2014 prices) £4.7m	No	N/A

**What is the problem under consideration? Why is government intervention necessary?**

The ‘Transparency and Trust – Enhanced Transparency of Company Beneficial Ownership’ Enactment Impact Assessment (“T&T IA”) <sup>1</sup> describes the problem of corporate opacity; and the need for government intervention to address it through the creation of a publicly accessible, central register of the individuals who ultimately own and control UK companies as part of UK’s international commitments. That IA also recognises that some information on the register should be protected from public disclosure.

The problem under consideration in this IA is, therefore, how to implement such a protection regime in an effective and cost efficient manner which addresses any regulatory failure within the company law framework, without undermining the overarching policy objectives of enhancing corporate transparency and tackling the criminal misuse of companies.

This Government intervention is necessary because we recognise that there are legitimate reasons for individuals, at serious risk of violence or intimidation, wishing to avoid public disclosure of their “People with Significant Control” (PSC) information. These reasons are the personal safety and well-being of themselves and of those with whom they live. We believe that the potential non-monetised benefits to business and individuals are more significant than the costs to business.

**What are the policy objectives and the intended effects?**

The principal objective of the protection regime is to protect the PSC information of individuals at serious risk from physical harm. This information is on the public PSC register held by Companies House and the company’s own PSC register. However, we do not want to compromise the overall integrity of the PSC register.

The wider objectives of the protection regime are to ensure that:

- In general, UK and overseas investors are not deterred from investing in, or continuing to invest in, UK companies where public disclosure of the required information could put them at serious risk of harm. This should support UK business and economic growth.
- Specifically, investors are not deterred from investing in ‘sensitive’ sectors of UK economic activity (see paragraph 6.21 for details), which should support continued growth in these sectors.

<sup>1</sup> “Transparency & Trust – Enhanced Transparency of Company Beneficial Ownership” Enactment Stage IA has also been published [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/434546/bis-15-320-enhanced-transparency-of-company-beneficial-ownership-enactment-impact-assessment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/434546/bis-15-320-enhanced-transparency-of-company-beneficial-ownership-enactment-impact-assessment.pdf).

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

**Option 0:** Given the seriousness of the issue of physical harm; and the public commitment made by the Prime Minister David Cameron at the 2013 G8 Summit, doing nothing was not deemed realistic.<sup>2</sup>

**Option 1:** (preferred option) The establishment of a protection regime which allows PSCs, who are at risk of physical harm as a result of their association with a company (whether as a result of the company's activities or other factors specific to the individual), to apply to the registrar of companies for their PSC information to be protected from public disclosure on the company and public PSC registers. This includes application for their usual residential address not to be shared with credit reference agencies.

Applications can be made by: the individual; the company; or the subscriber of a memorandum of association. (The protection regime measures are permissive and that there is no obligation on the company to make an application on behalf of its PSCs.) The applicant can apply: in advance; at the same time as; or after becoming a PSC. The registrar will assess applications with input from a relevant authority, such as the National Crime Agency (NCA).

If the application is granted, the individual's PSC information will not be placed in the public domain. All PSC data including protected information will, however, be available to law enforcement and specified public authorities on request.

If the application is not granted, the individual's information will be placed on the public register, except during an initial transitional phase from April to June 2016 where the information would remain subject to protection if the individual ceased to be a PSC of the company within a certain time frame. The applicant may appeal against the registrar's decision through the courts.

This option implements international commitments the UK made at the 2013 G8 Summit. The Better Regulation Framework Manual states measures to implement such international commitments and obligations are out of scope of the Government's regulatory Business Impact Target. This is described in detail in the T&T IA.

**Option 2:** The protection regime primary legislative measures will not be commenced. The Government, through guidance on the PSC register, would set out the procedure for companies to protect the PSC information of those who are at risk from physical harm. There would not be any separate procedure for individuals themselves to apply to protect their PSC information held by Companies House or the company.

The company would follow this guidance to protect the information of those it judged to be at serious risk of harm. Companies would then mark this information as protected in their filing made to Companies House, and Companies House would accept the company's own assessment in good faith. The intention would be that neither the company nor Companies House would make the information publicly available.

While the non-regulatory option would fulfil the UK's international commitment of establishing a register, it is not our preferred option as we do not believe it would work from a legal point of view.

We also believe there would be adverse policy outcomes. For example, unscrupulous companies would protect the information of their PSCs who are complicit in illicit activities. While individuals who are genuinely at risk would be subject to the ability of the company to act on their behalf. For example, the individual would not be protected if there were an administrative error or lack of timely action taken by the company in protecting their personal information on the register due to no legally prescribed involvement of Companies House. This would result in a disproportionate number of PSCs who are not at risk being protected than those who are at risk.

Additionally, this option would not allow PSCs to apply themselves. This would disadvantage an individual who do not wish to make it known to the company of their potential investment before being assured of protection from day one of being a PSC.

Furthermore, it would also be less effective as the absence of verification of the risk of harm would result in inconsistency; and consequently this could compromise the overall integrity of a publicly accessible PSC register – particularly if companies were not rigorous in assessing the actual level of risk of harm to the individual.

Our understanding, from all of our focus group discussions with representative bodies, the civil society, credit reference agencies, and law enforcement, is that a protection regime without required independent scrutiny involvement would render the regime pointless.

This could result in an increased number of individuals being exposed to the risk of physical harm. Any uncertainty or restrictions, perceived or otherwise, to the protection regime could dis-incentivise investment in UK companies by individuals at serious risk of harm.

Will the policy be reviewed? The protection regime will be reviewed, together with other measures implementing the PSC register, within three years of the legislation coming into force i.e. anticipated to be 2019.

<sup>2</sup> More detail about the public commitment can be found in the T & T IA, and the Trust and Transparency Discussion Paper from July 2013 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/212079/bis-13-959-transparency-and-trust-enhancing-the-transparency-of-uk-company-ownership-and-increasing-trust-in-uk-business.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/212079/bis-13-959-transparency-and-trust-enhancing-the-transparency-of-uk-company-ownership-and-increasing-trust-in-uk-business.pdf)

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	<b>Micro</b> Yes	<b>&lt; 20</b> Yes	<b>Small</b> Yes	<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b> N/A	<b>Non-traded:</b> N/A	

*I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.*

Signed by the responsible Minister:

Neville-Rolfe ..... Date: 15 October 2015 .....

# Summary: Analysis & Evidence

## Policy Option 1

**Description:** Regulatory option (Preferred option)

### FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2016	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -87.8	High: -37.3	Best Estimate: -42.0

COSTS (£m)	Total (Constant Price)	Transition Years	Average (excl. (Constant Price)	Annual (Transition)	Total (Present Value)	Cost
Low	35.8	1	0.2			<b>37.3</b>
High	85.0		0.3			<b>87.8</b>
Best Estimate	39.8		0.3			<b>42.0</b>

#### Description and scale of key monetised costs by 'main affected groups'

We expect all companies in sensitive sectors to familiarise themselves with, and understand, the protection regime in year zero (there are 76,615 companies). These costs are estimated to amount to £35,600,000, based on survey evidence.

Companies that apply on behalf of their PSCs will bear some costs. We expect 7,062 applications to come from companies in year zero and 474 in each subsequent year (best estimates using the company directors' regime as a proxy). Companies will bear the following one-off costs:

- Costs of application (from the directors' regime we estimate an application fee of £78).
- Costs in terms of time taken to fill in the application, including the time taken to gather evidence that proves the individual is at risk. This estimate is based on survey evidence.
- Costs in terms of time taken to implement new administrative systems and/or processes. This estimate is based on survey evidence.

Overall we expect these costs to be £4,229,000 in year zero and £303,000 per annum after year zero.

There will also be one-off costs to individuals applying for protection in terms of the application fee. We expect these costs to be £284,000 in year zero (based on 3,638 individual applications) and £19,000 per annum after year zero (based on 204 applications).

Companies House costs are covered in the T&T IA. We estimate that police involvement in scrutinising protection applications will result in resource costs for the police of £310,000 in year zero, and ongoing annual costs after of £21,000.

#### Other key non-monetised costs by 'main affected groups'

PSCs, who apply for protection themselves, will bear other costs such as familiarisation and evidence gathering to support the application. We were unable to monetise these costs because we cannot seek information directly from the PSCs. But we expect 3,638 applications to be made by the PSCs themselves in year zero and 204 applications for years after year zero (best estimates). Additionally, the protection regime will result in some forgone benefits related to transparency, as some PSC information will be unavailable to the public.

BENEFITS (£m)	Total (Constant Price)	Transition Years	Average (excl. (Constant Price)	Annual (Transition)	Total (Present Value)	Benefit
Low	0.0		0.0			<b>0.2</b>
High	0.0		1.3			<b>12.7</b>
Best Estimate	0.0		0.1			<b>1.3</b>

**Description and scale of key monetised benefits by ‘main affected groups’**

The fees paid by companies and individuals (included as monetised costs above) are revenue accruing to Companies House, i.e. a financial transfer from companies and individuals to government. Therefore these are also counted as monetised benefits of Option 1 for the purposes of the net present value (NPV) calculation. This fee revenue amounts to £835,000 in year zero and £56,000 every year after year zero (best estimates). We were unable to monetise any other benefits, such as investment into the UK economy.

**Other key non-monetised benefits by ‘main affected groups’**

Individuals at risk of harm will have their information protected from public disclosure. This might result in a reduction of crimes and attacks that would have occurred without the protection regime. Consequently, we might expect a reduction in crime compared to doing nothing, and an avoidance of the associated costs to individuals, society, and the criminal justice system. We expect that, without the protection regime, people with significant control would not continue to invest in companies if they felt the register placed them at risk of serious harm. The protection regime should mitigate this outcome, and prevent any negative effects on the optimal allocation of resources within the UK economy, and the UK’s economic growth.

**Key assumptions/sensitivities/risks****Discount rate (3.5%)***Assumptions*

- We have assumed FAME figures to be accurate. However, in order to mitigate the impact of possible inaccuracy we have done sensitivity analysis wherever possible.
- We have assumed the company directors’ regime to be the best proxy of the PSC protection regime in terms of the application fee and number of applications. Similar to the company directors’ regime we expect those at risk of serious harm to be a small subset of the total number of PSCs.
- We have assumed ASHE data to be a proxy for wages of employees in companies which are in scope.
- In order to determine the number of PSCs in the UK we have used the number of shareholders holding more than 25% of a company’s shares. This is because we do not hold any information regarding the number of individuals meeting the conditions to be qualified as people with significant control.
- We quantified the costs for all companies affected by using survey data: 1) time filling out applications; 2) familiarisation costs; and 3) time to implement new administrative systems and processes.
- We have made the simplifying assumption that individuals can be people with significant control for no more than 1 company. This is because limitations in our data on shareholdings, which we have used to identify people with significant control, do not allow us to identify whether people who own over 25% of shares in a company, also own a similar shareholding in other companies.
- In assessing the impact on the justice system, we have assumed 100% compliance and that there will be no appeals against the registrar’s decision on protection applications. We have again used the directors’ regime as a proxy, where there has not been an appeal case since its establishment in 2009.

**BUSINESS ASSESSMENT (Option 1)**

<b>Direct impact on business (Equivalent Annual) £m:</b>			<b>In scope of B.I.T.?</b>	<b>Measure qualifies as</b>
<b>Costs: 4.7</b>	<b>Benefits: 0.0</b>	<b>Net: -4.7</b>	No (it is an international commitment)	N/A

## Policy Option 2

Description: Non-regulatory option

### FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: - 35.6	High: - 35.6	Best Estimate: - 35.6
2014	2016	10			

COSTS (£m)	Total Transition (Constant Price) Years	Average (excl. Transition) (Constant Price)	Annual (Constant Price)	Total Cost (Present Value)
Low	35.6		0.0	35.6
High	35.6		0.0	35.6
Best Estimate	35.6		0.0	35.6

#### Description and scale of key monetised costs by 'main affected groups'

Costs for companies in sensitive sectors making themselves familiar with, and understanding, the protection regime will be the same order of magnitude (£35,600,000) as Option 1, and are calculated in the same way. Companies House costs are included in the T&T IA. The police will not bear any costs as they will not be asked to provide advice to Companies House on applications for protection.

#### Other key non-monetised costs by 'main affected groups'

Under this option there is no application process and information will be protected through the standard filing processes made by the company to Companies House. Under this option, individuals will not be able to 'apply' for protection themselves. Thus, although the process will be simpler and cheaper, there is unlikely to be as full a degree of coverage as only the company can indicate to Companies House what information needs to be protected on the public PSC register; and there is likely to be greater uncertainty as to the requirements. For these reasons, we expect there to be a potential for some companies and individuals to incur costs as a result of possible harm to PSCs. This option will also result in some forgone benefits related to transparency, as some PSC information will be unavailable to the public – potentially where there is a desire to hide identities for fraudulent reasons.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average (excl. Transition) (Constant Price)	Annual (Constant Price)	Total Benefit (Present Value)
Low	0.0		0.0	0.0
High	0.0		0.0	0.0
Best Estimate	0.0		0.0	0.0

#### Description and scale of key monetised benefits by 'main affected groups'

We were unable to monetise the benefits described below.

#### Other key non-monetised benefits by 'main affected groups'

Where individuals are protected by this option the non-monetised benefits will be of the same nature as the regulatory option, i.e. protection from physical harm. However, we expect low benefits as a result of this option, compared to option 1. This is because we expect fewer individuals who are genuinely at risk of harm would be protected without legislative underpinnings. This option may also undermine benefits to the entire PSC register policy through allowing potentially unscrupulous companies to protect PSCs where this is not appropriate. In additions, individuals will not themselves be able to apply; hence the benefits will be limited compared to the regulatory option.

#### Key assumptions/sensitivities/risks

Discount rate (3.5%)

Familiarisation costs are derived from survey evidence. Companies provided details of the number of staff, grade of staff and length of time they take to familiarise the company with the option.

### BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of B.I.T.? No (it is international commitment)	Measure qualifies as N/A
Costs: 4.0	Benefits: 0.0	Net: -4.0		

## Evidence Base (for summary sheets)

### Executive summary

#### *Problem under consideration and rationale for intervention*

The problem under consideration is how to implement the protection regime in an effective and cost efficient way, which addresses any regulatory failure within the company law framework without undermining the overarching policy objectives of enhancing corporate transparency and tackling the criminal misuse of companies. These policy objectives are part of the international commitments the UK made at the 2013 G8 Summit.

#### *Options*

Option 0 (do nothing option): The protection regime primary legislative measures will not be commenced. This means that the information of all PSCs would be placed on the public register.

Option 1 (preferred option): The establishment of a protection regime which allows PSCs, who are at risk of physical harm as a result of their association with the company, the company's activities or other factors specific to the individual, to apply to the registrar for their PSC information held on the company and public PSC register to be protected from public disclosure. This includes applications to protect PSCs' usual residential address (URA) from disclosure to credit reference agencies. This option implements international commitments the UK made at the 2013 G8 Summit.

Option 2 (non-regulatory option): The protection regime primary legislative measures will not be commenced. The Government, through guidance on the PSC register, would set out the procedure for companies through the filing process to protect the PSC information of those who are at risk from physical harm.

#### *Policy objectives*

The principal objective of the protection regime is to protect the PSC information of individuals at serious risk from physical harm. This information is on the public PSC register held by Companies House and the company's own PSC register. However we do not want to compromise the overall integrity of the PSC register. This includes the objective of not sharing URA data of PSCs at serious risk of harm with credit reference agencies.

### Costs and Benefits

The options have the following costs and benefits:

	<b>Option 1 (preferred option)</b>	<b>Option 2 (non-regulatory option)</b>
<b>Total monetised costs</b>	<p>We expect all companies in sensitive sectors to familiarise themselves with, and understand the protection regime in year zero (there are 76,615 companies). These costs are estimated to amount to £35,600,000, based on survey evidence.</p> <p>Companies that will apply on behalf of their PSCs will bear some costs. We are expecting 7,062 applications to come from companies in year zero and 474 in each year after year zero (best estimates) based upon the</p>	<p>We expect all companies in sensitive sectors to familiarise themselves with, and understand the protection regime in year zero (there are 76,615 companies). These costs are estimated to amount to £35,600,000, based on survey evidence.</p> <p>We are unable to</p>

		<p>company directors' regime. Companies will bear the following one-off costs:</p> <ul style="list-style-type: none"> <li>- Costs of application fee. We assumed a cost of £78 per application as a best estimate.</li> <li>- Costs in terms of time taken to fill in the application, including the time taken to gather evidence that proves the individual is at risk. This estimate is based on survey evidence.</li> <li>- Costs in terms of time taken to implement new administrative systems and or processes. This estimate is based on survey evidence.</li> </ul> <p>Overall we expect these costs to be £4,229,000 in year zero and £303,000 per annum after year zero.</p> <p>There will also be one-off costs to individuals applying for protection in terms of the application fee. We expect these costs to be £284,000 in year zero (based on 3,638 individual applications) and £19,000 per annum after year zero (based on 244 applications).</p> <p>Companies House costs are covered in the T&amp;T IA.</p> <p>We estimate that police involvement in scrutinising protection applications will result in resource costs for the police of £310,000 in year zero, and ongoing annual costs after of £21,000.</p>	<p>monetise other costs as we do not know how many companies would decide to apply without legislative underpinning.</p>	
	<p><b>Total Non-monetised costs</b></p>	<p>Costs to individuals applying for protection including familiarisation and gathering evidence. It is not possible to use the data gathered from companies as a proxy for individual costs of applying and familiarisation. This is because the level of detail of the evidence gathered from companies, such as, time taken; number of staff involved, and seniority of staff, does not robustly generalise to individuals. It was not possible to gather evidence directly from individuals at risk of harm, as they are not easily identifiable.</p> <p>This option will result in some forgone</p>	<p>We believe it is possible that there could be a potential for some companies and individuals to incur costs as a result of possible harm to PSCs.</p> <p>This option will result in some forgone benefits related to transparency, as some PSC information will be unavailable to the public - potentially where there is a desire</p>	



	benefits related to transparency, as some PSC information will be unavailable to the public.	to hide identities for fraudulent reasons.
<b>Total Monetised benefits</b>	The fees paid by companies and individuals (included as monetised costs above) are revenue accruing to Companies House (i.e. a financial transfer from companies and individuals to Government). These are therefore also counted as monetised benefits of Option 1 for the purposes of the net present value calculation. This fee revenue amounts to £835,000 in year zero and £56,000 every year after year zero (best estimates).	We are unable to monetise these benefits.
<b>Total Non-monetised benefits</b>	Possible reduction of crime costs and criminal justice system costs. Ensure stability in sensitive sectors as PSCs at risk of harm should keep investing in companies if their information can be protected from the public.	There will be lower benefits to individuals than Option 1, if fewer PSCs who are genuinely at risk are offered protection.

### Conclusion

Option 1 is our preferred option. It has an EANCB of £4.7m, and a total NPV of £ -41.6m. We have not been able to monetise the benefits in this IA but, nonetheless, we believe Option 1 will give rise to the most benefits as a result of protecting individual PSCs from serious harm, whilst reducing the likelihood of identities being hidden for fraudulent purposes, and reducing impacts on investments in important sectors of the UK economy.

## 1. Background

- 1.1 At the UK-chaired G8 Summit in 2013, the G8 Leaders<sup>3</sup> recognised the problem of corporate opacity. They agreed common Principles<sup>4</sup> to tackle the misuse of companies and legal arrangements and to publish National Action Plans setting out the concrete steps they would take to implement them. Central to the Principles was that companies should obtain and hold information on their beneficial ownership (i.e. on the individuals who ultimately own and control the company), and that this information should be accessible to specified public authorities. The UK has committed to do this by creating a publicly accessible central registry of company beneficial ownership information, maintained by Companies House<sup>5</sup>.
- 1.2 Part 7 of the Small Business, Enterprise and Employment (SBEE) Act 2015 (“the Act”) inserts a new Part 21A into the Companies Act 2006. Part 21A requires UK companies to hold and keep available for inspection – with limited exceptions described below - a register of people with significant control over the company (a “PSC register”). A person with significant control (PSC) is an individual who ultimately owns or controls more than 25% of a company’s shares or voting rights, or who otherwise exercises control over a company or its management.
- 1.3 The PSC register comprises the following information on the individual:
- Name of the PSC
  - Service address; for example, the business address
  - Country, state or part of the UK in which the PSC is usually resident
  - Nationality
  - Date of birth
  - Usual residential address (URA)
  - Date the individual became a PSC
  - Nature of the PSC’s control over that company
  - Whether the individual has applied for their information to be protected from public disclosure

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<sup>3</sup> Now G7.

<sup>4</sup> G8 action plan principles to prevent the misuse of companies and legal arrangements (June 2013): <https://www.gov.uk/government/publications/g8-action-plan-principles-to-prevent-the-misuse-of-companies-and-legal-arrangements/g8-action-plan-principles-to-prevent-the-misuse-of-companies-and-legal-arrangements>.

<sup>5</sup> UK action plan (June 2013): <https://www.gov.uk/government/publications/uk-action-plan-to-prevent-misuse-of-companies-and-legal-arrangements/uk-action-plan-to-prevent-misuse-of-companies-and-legal-arrangements>.

- 1.4 Part 21A places statutory obligations on companies and individuals to ensure this information is obtained and kept up to date. PSC information must be provided to the registrar of companies (“Companies House”) before a company can be incorporated. Thereafter information must be checked and, if necessary, updated at least annually as part of the new confirmation statement requirements which will replace the annual return. Criminal penalties will apply to companies and individuals who fail to provide PSC information or provide false information.
- 1.5 The PSC information held by Companies House will be publicly and freely accessible online in machine readable format (with exceptions as detailed below). This means UK and overseas citizens and authorities will be able quickly and easily to access this information. This will help tackle the problem of a lack of corporate transparency, identified in the T&T IA<sup>6</sup>.
- 1.6 There are, however, circumstances in which it is recognised that information should not be publicly available, as outlined in the T&T IA.
- 1.7 Section 790ZF of Part 21A prohibits companies and Companies House from making URA information publicly available, other than to specified public authorities and credit reference agencies (CRAs). This is set out in the PSC register secondary legislation. Regulations made under section 790ZF also allow individuals at serious risk of harm to apply to the registrar to prevent their URA information being shared with CRAs.
- 1.8 The policy builds on the approach taken in respect of company directors, where there is the same need for public disclosure of information but limited circumstances in which this may not be desirable. For that reason directors’ URA information is not publicly disclosed, but may be accessed by specified public authorities and CRAs on request. The Companies (Disclosure of Address) Regulations 2009 (the “directors’ regime”) allows company directors to apply to the registrar to prevent their URA being disclosed to CRAs, where they consider themselves at serious risk of harm. Successful applications result in the CRA receiving a service address instead of a residential address for that person.
- 1.9 The Companies House cost impact of the automatic suppression of URA information from the public was included in the T&T IA and, therefore, is not addressed by this Impact Assessment. This Final Stage Impact Assessment does however consider the non-public sector costs and benefits of the protection of PSCs’ URAs from CRAs, where those PSCs are at serious risk of harm.
- 1.10 Further protection is required in respect of some PSCs. Section 790ZG therefore allows the Secretary of State to make regulations to protect PSC information of a prescribed kind from being used or disclosed on application to the registrar. This policy element and non-public sector costs were not included in the T&T IA, and are considered in this Impact Assessment.
- 1.11 Information protected under sections 790ZF and 790ZG will not be made available for public inspection by companies or Companies House.
- 1.12 Additional reforms in the SBEE Act 2015 (section 96) will also protect the day of a PSC’s date of birth from public disclosure via Companies House, unless the company has elected to hold its PSC register solely at Companies House. This policy element was discussed in the T&T IA and is therefore not included in this assessment of costs and benefits.
- 1.13 We believe that specified UK and overseas authorities, including law enforcement, should have access to this protected information on request to carry out their statutory

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<sup>6</sup> “Transparency & Trust – Enhanced Transparency of Company Beneficial Ownership” Enactment Stage IA [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/434546/bis-15-320-enhanced-transparency-of-company-beneficial-ownership-enactment-impact-assessment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/434546/bis-15-320-enhanced-transparency-of-company-beneficial-ownership-enactment-impact-assessment.pdf). This IA updated the Final Stage IA [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/303555/bis-14-670-part-a-of-transparency-and-trust-proposals-impact.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/303555/bis-14-670-part-a-of-transparency-and-trust-proposals-impact.pdf).

and other anti-money laundering functions. This will again help address the problem of the misuse of companies described in the T&T IA.

## **2. Problem under consideration**

- 2.1 A publicly accessible PSC register is consistent with the UK's international and domestic commitments to openness and transparency; and builds on the established good corporate governance practice of making UK companies' information publicly available. The benefits of such an approach are described in detail in the T&T IA.
- 2.2 We, however, recognise that there are legitimate reasons for individuals at serious risk of violence or intimidation ("physical harm") wishing to avoid public disclosure of their PSC information in order to protect the personal safety and well-being of themselves and that of those with whom they live. We therefore will allow such individuals to apply to Companies House for their information to be protected on the company and public PSC registers.
- 2.3 We will also to allow individuals at risk to apply for the protection of their URA from credit reference agencies if they do not want to apply for 'full' protection. (Application for 'full' protection includes the protection of their URA.)
- 2.4 A similar problem occurs in respect of company directors, where in very limited circumstances directors may not want their URA to be disclosed to CRAs. We consider that given individuals may be at risk of physical harm if their personal information was made public, it is prudent to provide the same facility to people with significant control. The Companies (Disclosure of Address) Regulations 2009 (the "directors' regime") therefore allows company directors to apply to the registrar to prevent their URA being disclosed to CRAs, where they consider themselves at serious risk of harm<sup>7</sup>. Successful applications result in the CRA receiving a service address instead of a residential address for that person.
- 2.5 The problem under consideration is, therefore, how to implement the protection regime in an effective and cost efficient method which addresses any regulatory failure within the company law framework without undermining the overarching policy objectives of enhancing corporate transparency and tackling the criminal misuse of companies.

## **3. Rationale for intervention**

### *Rationale for the PSC register*

- 3.1 There is an information asymmetry between those that control companies and those that invest in, lend to, and trade with them. This could inhibit economic activity as investors, lenders, creditors or other companies may decide not to enter into otherwise beneficial economic transactions if they do not know with whom they are dealing. For example, to mitigate reputational risk that may result from transacting with the company subsequently found to be linked to terrorist groups or money launderers.
- 3.2 Transparency is fundamental to having an open and trusted business environment in the UK. For this reason, the Government is implementing a publicly accessible central register of the individuals who ultimately own and control UK companies - the company's beneficial owners or 'people with significant control' (PSCs).
- 3.3 Corporate opacity is, in part, possible because companies and other corporate entities have separate legal personality. This means they can enter into contracts and business

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<sup>7</sup> Overall, an average of 1,001 directors per year have applied for the directors' regime (section 243 applications), either themselves or their company on their behalf. See paragraph 9.2 for more details.

relationships in their own name. Although companies are required to put more information into the public domain (e.g. accounts, information on their shareholders and directors etc.) compared to other corporate forms (e.g. sole traders), there remains scope for a lack of transparency around who owns and controls companies. This potential for anonymity means the individuals who 'stand behind' the company can then use the company as a front, for example, to launder the proceeds of crime and to finance organised crime and terrorism<sup>8</sup>. A Home Office evidence review concluded that corporate entities can be used to enable or assist criminality, to launder money or to provide prestige or perceived legitimacy. Other illegal activities, such as: Missing Trader Intra Community (MTIC) fraud<sup>9</sup>; hiding stolen assets and the proceeds of crime; fraud; and drug and people trafficking, can also be facilitated by using opaque corporate structures.

3.4 The PSC register is designed to tackle the regulatory failure associated with the current corporate governance and company law frameworks, which enables those that control companies to remain anonymous. Hence, this allows or even facilitates illicit financial flows.

3.5 The PSC register will increase transparency of company ownership and control, and address the existing information asymmetry. Companies will be able to obtain and make publicly available information about their people with significant control; and provide this to Companies House, who will then make the information available to members of the public, investors, lenders, creditors, and other companies who trade with the company in question, as well as law enforcement.

#### *Rationale for the PSC protection regime*

3.6 However in some cases this greater transparency around company ownership and control could pose an unacceptable level of risk to some individuals entered in the PSC register in terms of the potential for risk of harm to them or a person who lives with them were their information made publicly available<sup>10</sup>. This might be as a result of the activity of the company; the individual's association with that company; or some other factor specific to the individual<sup>11</sup>.

3.7 The aim of this intervention is, therefore, to allow individuals at serious risk of harm to apply to have all their PSC information protected from disclosure on the PSC register. Where PSCs are at risk, but do not wish to apply for 'full' protection, they will be able to apply to Companies House to suppress their usual residential addresses from credit reference agencies. The economic rationale for Government intervention through this regime is to correct the regulatory failure where the government requires a company to make public information on an individual which then leads to negative externalities for that individual in the form of physical harm. These negative implications for the individuals whose information would be released are a by-product of the public PSC register. A protection regime is therefore required to address these potential unintended consequences of the PSC register. For example, an increased risk of reduced levels of

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<sup>8</sup> That is to say, the money passing through the company can be of criminal origin, and or can be used to support further crimes, and through the relative anonymity of the company structure the individuals involved can be concealed.

<sup>9</sup> Missing Trader Inter Community (MTIC) fraud contains two elements: a missing trader and an intra-community supply. There are two types of MTIC fraud - acquisition and carousel - as well as one variant - contra trading. For more information go to: <http://www.hmrc.gov.uk/manuals/vatfmanual/vatf23300.htm>.

<sup>10</sup> Understanding the new requirements, recording control on the PSC register and protecting people at serious risk of harm, BIS October 2014: Understanding the new requirements, recording control on the PSC register and protecting people at serious risk of harm, BIS October 2014.

<sup>11</sup> Understanding the new requirements, recording control on the PSC register and protecting people at serious risk of harm, BIS October 2014: Understanding the new requirements, recording control on the PSC register and protecting people at serious risk of harm, BIS October 2014.

business investment if fear of physical harm stops people from investing in a particular company.

- 3.8 This problem, if unaddressed, would pose an unacceptable level of risk to some individuals. The aim of the protection regime is to reduce this risk. This policy will enable individuals – or companies on their behalf – to apply for protection of their information. This should reduce the likelihood of PSCs being the victims of crime or attack as a result of the PSC information being disclosed. Moreover, this protection regime will ensure stability of investment in sensitive sectors<sup>12</sup> that have been historically targeted by extremist groups, such as the life sciences sector, where PSCs could be at risk if their information were disclosed<sup>13</sup>. Without a protection regime investors may decide not to invest in such sectors. This would negatively affect the optimality of the allocation of resources in the UK economy. Investors may choose to forgo otherwise profitable investments because of the risk of harm, and allocate their capital to less profitable investments that do not carry such a risk.
- 3.9 Sensitive sectors, where PSCs may be particularly at risk of harm, are important to the UK's economic growth. For example, the life sciences sector is growing faster than the economy as a whole and is a key source of high-skill, high-technology jobs<sup>14</sup>. Moreover, there are around 380 pharmaceutical companies based in the UK, employing nearly 70,000 people, with an annual turnover of £30 billion. In addition, the medical technology and medical biotechnology sectors together employ over 96,000 people with a combined annual turnover of around £20 billion<sup>15</sup>.
- 3.10 The PSC protection regime allows PSCs to apply to protect their residential address information from credit reference agencies. This proposal, as previously stated, mirrors existing protection measures that apply to information held by Companies House for company directors. This protection is provided because credit reference agencies are commercial organisations whose commercial activities could include providing data to third parties. It is, therefore, prudent to restrict the distribution of information where there is a proven risk of harm to that individual if the information were to be made publicly available.

## 4. Policy objective

4.1 The principal objectives of the protection regime are: to protect individuals at serious risk of harm by enabling them to apply to have all their PSC information protected from disclosure on the PSC register; and, where PSCs are at risk but do not wish to apply for 'full' protection, to apply for suppression of their usual residential addresses from credit reference agencies; and doing these without compromising the overall integrity of the PSC register. In particular:

- Individuals who are at serious risk from physical harm would be able to apply to Companies House to suppress all their PSC information from public disclosure. The risk of physical harm could be due to the nature of the company, the company's activities or factors specific to the individual taken together with the company.
- The individual, the company or the founding members of the company can make an application. However, the protection regime measures are permissive and there is no obligation on the company to make an application on behalf of its PSCs.
- The registrar will assess protection regime applications, with advice from another public authority such as the police, on a case by case basis as required.

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<sup>12</sup> For our definition of sensitive sectors please see paragraph 6.21.

<sup>13</sup> More information about this can be found in the section on 'benefits' of the preferred option (Option 1).

<sup>14</sup> Strategy for UK Life Sciences, Office for Life Sciences, BIS

<sup>15</sup> HM Government, Industry Strategy: government and industry in partnership, Strategy for UK Life Sciences, One Year On

- Law enforcement and other specific public bodies should still be able to access protected information on request.

4.2 The wider objectives of the protection regime are to ensure that:

- In general, UK and overseas investors are not deterred from investing in, or continuing to invest in, UK companies where public disclosure of the required information could put them at serious risk of harm. This should support UK business and economic growth.
- Specifically, investors are not deterred from investing in sensitive sectors of UK economic activity, which should support continued growth in these sectors.

## 5. Description of options considered (including do nothing)

5.1 **Option 0 (do nothing):** The protection regime primary legislative measures will not be commenced. This means that all the information of all PSCs would be placed on the public register.

5.2 This does not meet the stated policy objectives as no mechanism will be in place to protect the personal information of the PSCs at risk of physical harm. This will have adverse health and well-being impact as individuals will be exposed to a disproportionate level of risk of harm. This could also create negative economic impact as investors might be deterred from investing in certain UK sectors, or in UK companies at all.

5.3 **Option 1 (preferred option):** The establishment of a protection regime which allows PSCs, who are at risk of physical harm as a result of their association with the company, the company's activities or other factors specific to the individual, to apply to the registrar for their PSC information held on the company and public PSC registers to be protected from public disclosure.

5.4 Applications can be made by the individual, or the company, or the subscriber of a memorandum of association. The applicant can apply in advance, at the same time, or after becoming a PSC. The registrar will assess applications with input from a relevant authority, such as the NCA, as required. If granted, the individual's PSC information will be protected indefinitely from public inspection, both on the public PSC register and the company's own register. All PSC data including protected information will, however, be available in all cases to law enforcement and specified public authorities on request.

5.5 If not granted, the individual's information would be placed on the public register. Except during an initial transitional phase from April to June 2016 where the information would remain subject to protection if the individual ceased to be a PSC of the company within a certain time frame. The applicant may appeal against the registrar's decision through the courts.

5.6 PSCs who do not wish to apply for 'full' protection can apply to protect their URAs from credit reference agencies. If their application is successful, the credit reference agency will get a service address instead of residential for that individual.

5.7 **Option 2 (non-regulatory option):** The protection regime primary legislative measures will not be commenced. The Government, through published guidance on the PSC register, would set out the procedure for companies to protect the PSC information of those who are at risk from physical harm.

5.8 The company would follow this guidance to protect the information of those it judged to be at serious risk of harm. They would need to mark this information as such in filing it at Companies House. The intention would be that neither the company nor Companies House would make the information publicly available.

5.9 This option is not our preferred option, as we do not believe it would work from a legal perspective, not least as Companies House and companies would have no statutory

basis on which to protect information from public disclosure. We also believe there would be adverse policy outcomes. Whilst the publicly available guidance may encourage some companies to protect PSC information, there would be strong inconsistency amongst the individuals who are protected and those who are not. For example, unscrupulous companies would protect the information of their PSCs who are complicit in illicit activities. While individuals who are genuinely at risk would be subject to the ability of the company to act on their behalf. For example, the individual would not be protected if there were an administrative error or lack of timely action taken by the company in protecting their personal information on the register due to no legally prescribed involvement of Companies House. This would result in a disproportionate number of PSCs who are not at risk being protected than those who are at risk. Additionally, this option would not allow PSCs to apply themselves. This would disadvantage an individual who do not wish to make it known to the company of their potential investment before being assured of protection from day one of being a PSC.

5.10 Furthermore, it would also be less effective as the absence of verification of the risk of harm would result in inconsistency in the way UK companies would be applying the protection regime; and consequently this could compromise the overall integrity of a publicly accessible PSC register – particularly if companies were not rigorous in assessing the actual level of risk of harm to the individual. This would run counter to the core purpose of the PSC register requirements. The policy objectives of which are to enhance corporate transparency and tackle the criminal misuse of companies.

5.11 Our understanding, from all of our focus group discussions with representative bodies, the civil society, credit reference agencies, and law enforcement, is that a protection regime without required independent scrutiny involvement would render the regime pointless.

## **6. Scope of the proposal**

6.1 We have used the methodology below to identify, in respect of the options considered in this Final Stage Impact Assessment:

- (a) the numbers of companies in scope of reform; and
- (b) the number of PSCs.

*The scope of the registry*



- 6.2 As described in detail in the T&T IA, we will require all UK bodies corporate that currently register information on their members at Companies House to hold their beneficial ownership information and provide it to the central registry, with the exceptions described below. This will include companies and Limited Liability Partnerships as well as some lesser used corporate forms, for example, Societas Europaea.
- 6.3 In order to identify the number of companies in scope of the PSC register we have used the FAME company database. This uses, amongst other sources, Companies House data. This is because, unlike Companies House data, the FAME database allows us to identify company size by turnover, assets and employees.
- 6.4 The FAME database reports that there are 3.47m UK companies<sup>16</sup>. This figure includes active and dormant companies, and companies in the process of being dissolved.
- 6.5 The policy exempts companies with securities listed on a UK regulated or prescribed market and those on regulated in EEA, or in the US, Israel, Japan, Switzerland (“non EEA”) markets, subject to equivalent disclosure requirements. We would also exempt Limited Partnerships, European Economic Interest Groupings, industrial/provident companies and foreign companies. This is described in more detail in the T&T IA.
- 6.6 Applying these exemptions to the FAME population gives an estimated number of companies in scope of 3,429,549<sup>17</sup>. Of these 3,381,941 are small or micro companies, 30,277 are medium and 17,381 are large. Overall, 99% of companies in scope are small and only 1% are medium or large. Companies House register statistics show that there are almost 59,000<sup>18</sup> Limited Liability Partnerships (LLP) on the ‘LLP Total Register’<sup>19</sup> (included in the 3.43 million figure above).
- 6.7 As indicated in the T&T IA, we have sought to avoid duplicative and burdensome reporting for private companies owned by other companies. The legislation therefore introduces the concept of ‘relevant legal entities’ or ‘RLEs’. Where a company is owned by a registerable RLE, the company may provide details of the RLE in its register rather than details of the people who own and control the RLE. For example, the RLE’s name and company registration number.
- 6.8 Registerable RLEs are entities which already make information about their ownership and control publicly available. They are:
- UK incorporated entities which are required to keep a PSC register (i.e. Companies Act 2006 companies and LLPs); and
  - Companies with securities listed on UK regulated or prescribed market, a regulated EEA market or a non-EEA market subject to equivalent disclosure requirements.
- 6.9 This approach will still allow the beneficial owner of UK companies to be traced but should reduce the costs incurred by companies in obtaining the information. Analysis using the FAME database indicates that 322,213 UK companies are wholly or partly owned by an RLE<sup>20</sup>.
- 6.10 Nevertheless, the protection regime proposals, to a greater or lesser extent, will potentially impact on all companies in scope regardless of size or complexity of ownership.

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<sup>16</sup> Company population estimates were extracted from the FAME database in March 2015 (Bureau Van Dijk Electronic Publishing, 2013). This figure includes Limited Liability Partnerships.

<sup>17</sup> FAME database Bureau Van Dijk Electronic Publishing, data extracted the March 2015.

<sup>18</sup> See footnote 12

<sup>19</sup> Companies House (November 2013): *Companies Register Statistics for November 2013*

<sup>20</sup> Because a UK private or listed company, or a EEA or non EEA listed company, owns more than 25% of their shares

## *The scope of the protection regime*

### *The definition of a person with significant control (PSC)*

6.11 As set out in the T&T IA, we have maintained consistency with the principles in the beneficial ownership definition currently used in anti-money laundering (AML) legislation<sup>21</sup>. The register will hold information on the individuals who ultimately own and control UK companies. The legislation sets out five conditions for being a 'person with significant control', or beneficial owner. Any individuals meeting one or more of the conditions must be entered in the PSC register. These conditions are:

- directly or indirectly holding more than 25% of the company's shares;
- directly or indirectly holding more than 25% of the company's voting rights;
- directly or indirectly holding the right to appoint or remove a majority of the board of directors;
- otherwise exercising significant influence or control over the company; or
- exercising significant influence or control over a firm or trust which would itself meet one of the above conditions were it an individual.

6.12 Further detail on the interpretation of these conditions is included in primary legislation (the SBEE Act 2015). Statutory guidance will be prepared on the meaning of "significant influence or control". Companies and others must have regard to that guidance in deciding whether someone exercises significant influence or control.

6.13 For the purpose of the people with significant control register policy, corporation soles, governments and certain other organisations are treated as individuals. This means that where they meet one of the above conditions, they will be recorded as the company's PSC.

6.14 In certain circumstances a legal entity must be recorded in the register instead of an individual, as described in paragraphs 6.8 to 6.10.

### *Number of PSCs*

6.15 The number of PSCs of UK companies is currently unknown and the number of legal owners (or shareholders) in UK companies is not identical with the number of PSCs. However, as set out in the T&T IA, robust data on the expected number of PSCs is not available.

6.16 In Annex B we calculated the weighted average number of shareholders in UK companies. Our best estimate of this is 1.3 (0.9 as low estimate and 1.6 as high estimate). This number is broadly aligned with the answers we received from the surveys issued to companies (see Section 7 and Annex C for more information).

6.17 As the number of UK companies in scope amounts to 3,429,549, we can multiply this number by the estimated number of PSCs per company to arrive at the total number of PSCs in the UK.

Therefore in total we have:

- **4,458,414** = (1.3 \* 3,429,549) **best estimate** of the number of PSCs in UK;
- 3,086,594 = (0.9 \* 3,429,549) low estimate of the number of PSCs in UK; and
- 5,487,278 = (1.6 \* 3,429,549) high estimate of the number of PSCs in UK.

### *Number of PSCs at serious risk of harm*

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<sup>21</sup> The Money Laundering Regulations 2007 (No. 2157)

6.18 We do not expect all PSCs to be at serious risk of physical harm if their information were to be disclosed. Indeed, the purpose of this policy is to protect individuals only in exceptional circumstances, in order to preserve the transparency that the PSC register creates. To get an indication of how many PSCs may be at risk of serious harm we gathered evidence directly from companies. The expectation that PSCs would only be at risk in exceptional circumstances was confirmed from our surveys of companies, where we asked if companies expected any of their PSCs to be at serious risk of physical harm if their PSC information were disclosed on the PSC register.

6.19 In the survey we conducted while preparing the Consultation Stage IA, among the 25 companies that responded, 11 did not anticipate their PSCs to be at risk of physical harm if their PSC information were disclosed on the PSC register, four anticipated their PSCs to be at risk and one did not know. Seven out of nine respondents from non-sensitive sectors<sup>22</sup> were not expecting their PSCs to be at risk of serious physical harm. This evidence adds weight to our assumption that PSCs of companies in certain sectors are most likely to apply for protection.

6.20 In the survey conducted for this Final Stage IA, 11 companies out of 80 that responded expected their PSCs would be at risk of serious harm if their PSC information was disclosed to the public. Whereas, 56 companies believed that their PSCs would not be at risk of harm, and 13 said that they did not know whether they would be at risk of harm.

6.21 We were unable to determine precisely which sectors will make the highest number of applications. Based on discussions with the Metropolitan Police (their National Domestic Extremism and Disorder Intelligence Unit; NDEDIU, and 24/7 intelligence response team; who are involved in assessment of the company directors protection applications), the National Crime Agency (NCA) and the Department's Office of Life Sciences (OLS), we have identified a list of sensitive sectors that could attract higher numbers of applications. The sectors are:

- Energy sectors (fracking, nuclear etc.);
- Banks and other financial institutions;
- Life sciences industry (this covers pharmaceutical, medical technology and biotechnology and industrial biotechnology<sup>23</sup>);
- Defence industry;
- Research institutions;
- Justice and judicial activities; and
- Foreign affairs.

6.22 This list illustrates the sectors that stakeholders believe could need to make an application under the PSC protection regime. According to the FAME database there are 76,615<sup>24</sup> companies in these 'sensitive' sectors in scope of the proposals, which represents 2.2<sup>25</sup>% of all companies in scope.

The PSCs for the sensitive sectors are:

- o **102,590** = (1.3 \*76,615) **best estimate** of PSCs in UK;
- o 70,634 = (0.9 \*76,615) low estimate of PSCs in UK; and
- o 120,898 = (1.6 \*76,615) high estimate of PSCs in UK.

6.23 In the sections for the options of Do Nothing, Regulatory, and Non Regulatory, we have calculated the number of PSCs that we expect will apply for the protection regime.

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<sup>22</sup> Sensitive sectors defined later in paragraph 6.21.

<sup>23</sup> HM Government, Strength and Opportunities 2013, Annual update 2013

<sup>24</sup> FAME database Bureau Van Dijk Electronic Publishing, data extracted in March 2015.

<sup>25</sup> Rounded to the closest decimal but in the calculations we have used the actual number (2.2340%)

## 7. Monetised and non-monetised costs and benefits of each option (including administrative burden)

### *Methods of gathering evidence to inform our analysis*

7.1 In order to gather views on this proposal, during the completion of the Consultation Stage IA we surveyed a number of companies affected by the legislation. We directly approached 300 companies<sup>26</sup> and published our survey on the Government website ([www.gov.uk](http://www.gov.uk)). However not all of the 66 responses received were suitable for analysis (as shown in Figure 1 below), because the respondents were either out of scope of the policy (either non-UK incorporated or listed on a regulated/prescribed market) or did not answer any questions. Consequently, the findings of this survey were not considered representative of companies in scope. Figures 2 and 3 respectively break down the responses suitable for analysis by the number of responses from different company size categories and from companies in sensitive sectors of the economy.

Figure 1: Breakdown of responses received to the Consultation Stage IA survey

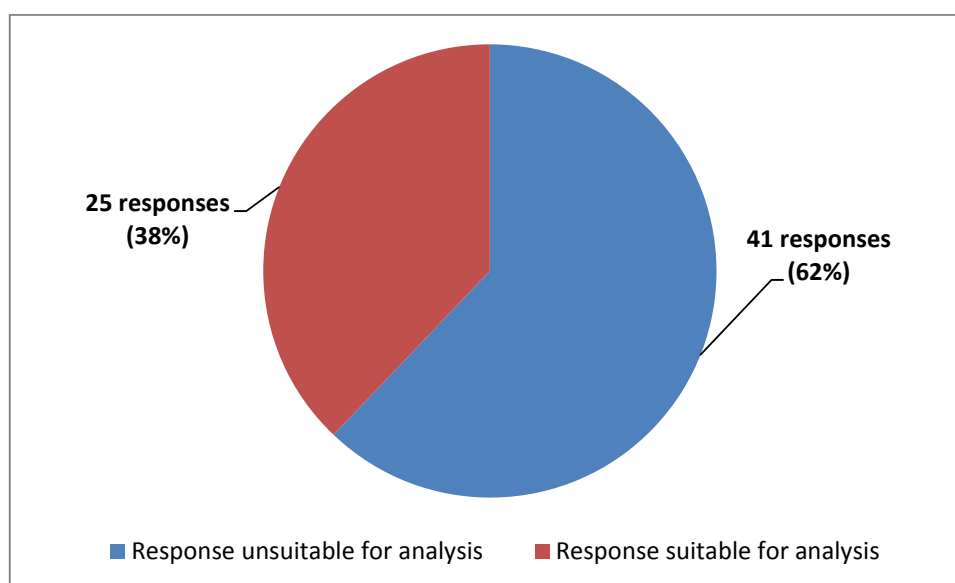
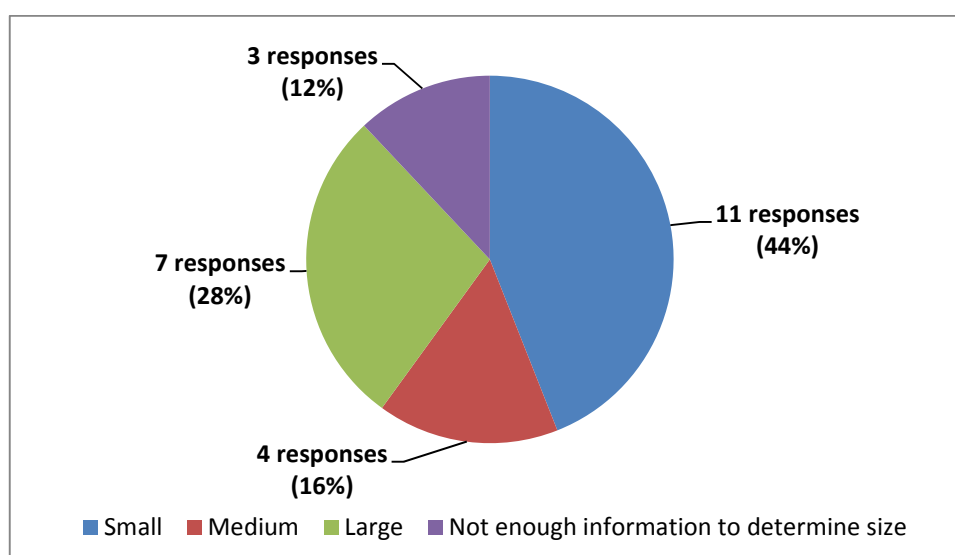
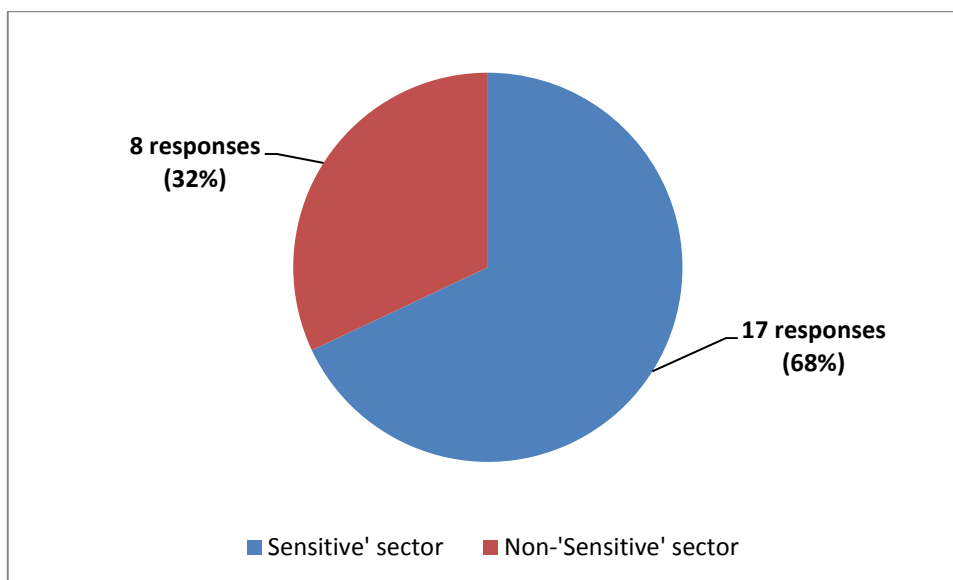


Figure 2: Company size breakdown of responses suitable for analysis



<sup>26</sup> We randomly chose 100 companies in 'sensitive sectors' from FAME, approached 50 companies in Life Sciences industry and 150 companies in various sectors from Companies House contacts.

Figure 3: Sector breakdown of responses suitable for analysis



7.2 We published a discussion paper in October 2014<sup>27</sup>, which asked further questions about the impact of the protection regime. However, the received responses did not give us any additional robust, quantitative information with which to refine our analysis of the impact of the protection regime policy on affected companies.

7.3 Given the limited evidence gathered in earlier stages of policy development, we sought further stakeholder evidence to strengthen our analysis for this Final Stage IA. We conducted a new survey of companies and a survey of Non-Government Organisations (NGOs)<sup>28</sup>. The full questionnaires for the two company surveys and one NGO survey are included as Annex C. We distributed our survey of companies through a range of organisations and representative bodies: 1,000 randomly selected companies from Companies House's company focus groups<sup>29</sup>; and members of the Institute of Chartered Accountants of England and Wales<sup>30</sup>, Institute of Chartered Secretaries and Administrators<sup>31</sup>, the GC100<sup>32</sup>, The Association of Company Registration Agents<sup>33</sup>, The Wealth Management Association (WMA)<sup>34</sup>, Computershare<sup>35</sup>, Equiniti<sup>36</sup>, Capita Asset Services<sup>37</sup>, the Quoted Companies Alliance (QCA)<sup>38</sup>, and British Bankers' Association

<sup>27</sup> Understanding the new requirements, recording control on the PSC register and protecting people at serious risk of harm, BIS October 2014: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/395478/bis-14-1145-the-register-of-people-with-significant-control-psc-register-register-final-1.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/395478/bis-14-1145-the-register-of-people-with-significant-control-psc-register-register-final-1.pdf)

<sup>28</sup> The NGOs were selected based on their work promoting corporate transparency and or where they are likely to be users of information on the PSC register.

<sup>29</sup> These companies were distinct from the 150 companies we contacted during the Consultation Stage IA company survey.

<sup>30</sup> The ICAEW distributed the survey to 500 of its members through their Business Advisory Service Blog; 29,000 members and small businesses through their Business Advisory Service community; approximately 11,000 members through its Twitter feed; and to the Enterprise Nation website, which has around 70,000 members.

<sup>31</sup> They sent the survey to 377 company secretaries

<sup>32</sup> This organisation is the representative body of the legal counsel and company secretaries of FTSE100 companies.

<sup>33</sup> This body have approximately 30 members to which the survey was sent

<sup>34</sup> They represent 186 firms

<sup>35</sup> They have around 16,000 clients globally

<sup>36</sup> Equiniti provide business services to around 1,600 UK companies and public institutions.

<sup>37</sup> They have around 2,000 members.

<sup>38</sup> They have around 150 corporate members.

(BBA)<sup>39</sup>. We distributed the survey of NGOs to over 20 organisations, including Global Witness; Transparency International; Open Corporates; Christian Aid, and Privacy International.

7.4 We received 174 responses to this second survey of companies. These include responses from all company size categories and companies operating across a broad range of sectors. The number of responses to specific questions was less than the total number of responses. We have quoted the exact number of respondents where the survey evidence is used in this IA.

7.5 In response to our survey of NGOs we received five responses. Similarly, the response rates to individual questions vary slightly and therefore, where we refer to this survey's answers subsequently in this IA, we have quoted the exact number of respondents to the relevant question. The new surveys have provided us with a much a larger number of stakeholder views and quantitative data, from a broader range of stakeholders, upon which to base our analysis of the PSC protection regime.

7.6 Throughout the preparation of both the Consultation Stage IA and the Final Stage IA we have engaged in other ways with stakeholders to better understand the impact of the protection regime. We have engaged through email and focus group discussions with law enforcement agencies such as the Metropolitan Police and NCA. We have also engaged in discussions and focus groups with the OLS and business representative bodies (e.g. the GC100, Institute of Chartered Secretaries and Administrators, and British Private Equity and Venture Capital Association) in order to gain a better understanding of the costs and benefits that this protection regime could have. We have also spoken to six credit reference agencies, both commercial and consumer types, to seek their views on the impact of the protection regime. This included Experian and Equifax.

## **8. Option 0: Do nothing**

### *Benefits*

8.1 The 'do nothing' option is used as a counterfactual to assess the impact of the other options. Apart from forgoing the costs of pursuing other options in this IA, we expect no other benefits to arise from doing nothing.

### *Costs*

8.2 Any serious harm and or crime that occur in the absence of the protection regime will impose costs on individual PSCs, their families, the criminal justice system and society. Furthermore, arguably, capital allocation will be inefficient because sensitive sectors will be less likely to attract investors due to concerns around personal safety. There will also be an adverse impact on growth in the UK, particularly in certain key sectors. We were not able to monetise these costs due to lack of robust evidence on how many PSCs would be at serious risk of harm and what type of harm they may face, if there is a PSC register without a protection regime. However, in our analysis of the potential benefits of Option 1, we have outlined the evidence on the cost of violent crimes to individuals, to the criminal justice system and to society.

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<sup>39</sup> They distributed the survey to its Post-Trade Panel, which includes 12 major international banks, as well as distributing the survey to a selection of its smaller and medium sized members.

## 9. Option 1: Preferred Option

### *Number of applications for protection*

9.1 The regime for protecting personal data from the company directors' register<sup>40</sup> is used as a basis for the proposed protection regime for PSCs. It is likely that applications for the PSC protection regime will come from individuals who own or control the same type of companies as those who apply for the company directors' protection regime, i.e. who apply to prevent their URA information being shared with CRAs. Furthermore a similar type of requirement for evidence of risk of harm is required.

9.2 In order to determine the number of applications made under the PSC protection regime, we have assumed that the proportion of PSCs who apply for protection will be the same as the proportion of company directors that apply for protection under the company directors' protection regime. Overall, an average<sup>41</sup> of 1,001 directors per year have applied for the directors' regime, either made by themselves or their company on their behalf. We have analysed the number of directors that applied for the suppression of their URAs for the years 2012, 2013 and 2014 only. This is because data from 2009 - when the director's regime was introduced - to 2011 is no longer held by Companies House.

9.3 Our estimates of the number of PSCs, and the number of PSCs who will apply for protection, are set out in the tables below. Table 2 refers to year zero, while Table 3 refers to years after year zero.

Table 2: Number of PSCs who will apply for protection in year zero

(a)	(b)	(c)	(d)
Estimate	Number of PSCs	Percentage of protection applications	Number of PSCs who apply in year zero (b)*(c)
Best	4,458,414	0.24%	10,700
Low	3,086,594	0.02%	617
High	5,487,278	2.2%	120,720

Table 3: Number of PSCs who will apply for protection after year zero

(a)	(b)	(c)	(d)	(e)
Estimate	Number of PSCs	Estimated new PSC as a percentage of the total number of PSCs	Percentage of protection applications	Number of PSCs who apply per annum in years after year zero (b)*(c)*(d)

<sup>40</sup> Explanatory memorandum and Impact Assessment to the companies (disclosure of address) regulations 2009 no. 214 [http://www.legislation.gov.uk/ukxi/2009/214/pdfs/ukxiem\\_20090214\\_en.pdf](http://www.legislation.gov.uk/ukxi/2009/214/pdfs/ukxiem_20090214_en.pdf)

<sup>41</sup> Average of 2012, 2013 and 2014. Companies House internal data.

Best	4,458,414	6.7%	0.24%	718
Low	3,086,594	6.7%	0.24%	497
High	5,487,278	6.7%	0.24%	884

9.4 In order to estimate the cost for all PSCs we have considered a range of values, as the number of PSCs and the take-up rate of protection amongst PSCs, are uncertain.

9.5 For year zero we have considered the following:

- As the **best estimate** we have used the annual take-up rate of the company directors' register<sup>42</sup> protection regime by newly appointed directors, as a proportion of the total number of new director appointments per annum – 0.24%. This is because, in the first year, or “year zero”, of the PSC protection regime, we expect existing PSCs will behave in the same manner as new directors, and actively consider whether or not to apply for PSC protection. As noted above, we believe the protection regime for company directors is the best available proxy for the proposed protection regime for PSC. As with the director protection regime, we expect protection will be applied for in exceptional circumstances, so only a small subset of PSCs will seek protection. To arrive at the number of PSCs who apply for protection in year zero, we multiply our best estimate of PSCs in the UK (4,458,414) by 0.24%.
- As the **low estimate** we used 0.02%. This take-up rate was calculated by dividing the average number of applications received per year by the company directors' regime with the total number of company directors (approximately 6.1 million).<sup>43</sup> We then have multiplied this by the low estimate of the existing number of PSCs in the UK (3,086,594).
- As the **high estimate** we have: 1) considered that all PSCs in sensitive sectors (2.2% of companies in scope) will apply for protection; and 2) used our high estimate of the number of PSCs in UK companies (5,487,278). This is likely to be an overestimation as only individuals that are at serious risk of harm (which will be independently scrutinised by law enforcement agencies) if their information is released in the public domain are protected. This, and the fact that the individual will have to pay an application fee, should deter spurious applications. This estimate (and the subsequent estimates of the cost to business that use this figure) should, therefore, be viewed as a maximum potential number estimate.

9.6 For the years after year zero we estimate fewer PSCs will apply for protection – i.e. that these applications will be made by new PSCs only.

- As a **best estimate**: we calculated the numbers taking up protection using data on the company directors' regime. We firstly calculated the percentage of all UK directors that are new directors (6.7%), to approximate the annual flow of new PSCs. We then multiplied this figure by our best estimate of the total number of PSCs in the UK (4,458,414)<sup>44</sup>. After that, we multiplied this figure by the annual proportion of new company directors who apply for protection under the company directors' regime (0.24%).
- As the **low estimate**, we have also used the percentage of new directors as a proportion of the total directors (6.7%) and the proportion of new directors who take-up protection (0.24%). But we have multiplied the low estimate of the number of PSCs in the UK (3,086,594).

<sup>42</sup> Explanatory memorandum and Impact Assessment to the companies (disclosure of address) regulations 2009 no. 214 [http://www.legislation.gov.uk/uksi/2009/214/pdfs/ukxiem\\_20090214\\_en.pdf](http://www.legislation.gov.uk/uksi/2009/214/pdfs/ukxiem_20090214_en.pdf)

<sup>43</sup> Companies House data extracted from the register on 31<sup>st</sup> January 2015.

<sup>44</sup> We took this approach as we lacked forecasts of the annual number of new PSC.



- As a **high estimate**, we have also used the percentage of new directors as a proportion of the total directors (6.7%) and the proportion of new directors who take-up protection (0.24%). But we have used our high estimate of the number of PSCs in UK (5,487,278).

## *Benefits*

### a) Monetised Benefits

#### - **Benefit to Government:**

9.7 There will be monetised benefits to Companies House as a result of application fees from individuals and companies. These benefits are transfers from companies and individuals. Therefore, in the monetised cost section we have included the fees as monetised costs to individuals and companies to offset the benefits to Companies House in the calculations below. The best estimate of the fee per application is £78, with a high of £100 and a low of £55. As Companies House is a trading fund, applicants for protection will need to pay a fee so that Companies House can recover the costs incurred by processing the applications. At this stage we do not know how much the cost of an application for the PSC protection regime will be. However, in the regime for preventing directors' URA data from being shared with CRAs, the current cost of an application to Companies House by a company or individual to protect information from disclosure ranges from £55 to £100<sup>45</sup>. We might expect costs for a PSC protection application to fall within a similar range. For this reason, we have assumed the cost of an application for the protection regime to be £78 as best estimate, i.e. the mid-point between £55 and £100, with £55 as low estimate and £100 as high estimate. The numbers of applicants are those set out in columns e and d respectively of Tables 2 and 3. These benefits will amount to the sum of fees for applications made by companies and individuals.

In year zero we expect the following return to Companies House:

- Best estimate £835,000<sup>46</sup>
- Low estimate £34,000
- High estimate £12,072,000

In years following year zero we expect the following annual return to Companies House:

- Best estimate £56,000
- Low estimate £27,000
- High estimate £88,000

### b) Non-Monetised Benefits

#### - **Benefit to the economy and society:**

*Reduction in the economic and social costs of crime*

<sup>45</sup> Companies House- Restricting the disclosure of your address  
<http://www.companieshouse.gov.uk/about/gbhtml/gp7.shtml#ch5>

<sup>46</sup> All financial figures in this Impact Assessment's cost benefit analysis, which are of the order of magnitude of tens of thousands, hundreds of thousands and millions, have been rounded to the nearest thousand. Financial figures of the order of magnitude of the thousands are rounded to the nearest hundred.

9.8 This proposal will protect an individual's personal information from disclosure on both the public and company PSC registers where it is assessed this disclosure would pose an unacceptable level of risks to this individual; or to prevent the person's URA being disclosed to CRAs for the same reason.

9.9 This could potentially reduce harm to individuals and those with whom they live (e.g. through physical violence), resulting in benefits to these PSCs whose information will be protected, as well as the reduction of costs of crimes that could have happened without the protection regime. We were unable to identify the number of possible attacks on PSCs that could be prevented as a result of this proposal. This is because we cannot know how many PSCs will be attacked were their information to be disclosed. In order to give a sense of the potential benefits of reduced crime that could result from the protection regime we therefore looked at evidence on the cost of crime.

9.10 According to a Home Office paper<sup>47</sup>, crime results in a range of costs: costs incurred as a result of a crime, which includes costs incurred in anticipation of crime such as defensive expenditure; costs as a consequence of crime such as physical and emotional costs; and costs incurred in the response to crime, such as costs to the criminal justice system<sup>48</sup>.

*Reduction in the intangible costs of crime*

9.11 Research commissioned<sup>49</sup> by the Home Office developed a methodology for valuing 'intangible' costs by analysing the various health state outcomes associated with different violent crimes. These health outcomes were then translated into estimated losses of quality-adjusted life years (QALYs). Reductions in QALYs as a result of being the victim of a violent crime can then be valued in monetary terms using a monetary estimate of a QALY derived from research undertaken for the Department for Transport<sup>50</sup>.

9.12 Table 4 shows the average costs for physical and emotional impact, lost output and health services for different crimes.

Table 4: Average costs for physical and emotional impact, lost output and health services per different type of violent crime (in 2003 prices)

	Physical and Emotional Impact	Lost Output	Health Services
Homicide	860,380	451,110	770
Wounding	4,554	1,166	1,348
Sexual Offences	23,015	4,430	916
Common Assault	797	269	123
Robbery	3,083	1,011	483

Both sets of evidence show that the negative emotional and physical impacts for victims of violent crime can be considerable.

<sup>47</sup> The economic and social costs of crime against individuals and Households 2003/04, Home Office Online Report 30/05. Supplementary guidance to the Green Book on the full range on impacts on society of different types of crime.

<sup>48</sup> <https://www.gov.uk/government/publications/green-book-supplementary-guidance-crime>

<sup>49</sup> Dolan, P., Loomes, G., Peasgood, T. and Tsuchiya, A. (2003) Estimating the intangible victim costs of crime, report for the Home Office, University of Sheffield and University of East Anglia.

<sup>50</sup> Carthy, T., Chilton, S., Covey, J., Hopkins, L., Jones-Lee, M., Loomes, G., Pidgeon, N. and Spencer, A. (1999), The Contingent Valuation of Safety and the Safety of Contingent Valuation, Part 2: The CV/SG 'Chained' Approach, Journal of Risk and Uncertainty, 17:187-213

### *Reduction in criminal justice system (CJS) costs*

9.13 Evidence suggests that lower costs to the criminal justice system can be expected, thanks to a reduction of crime resulting from the protection regime, compared to the counterfactual of doing nothing. In order to give a sense of the costs resulting on average by crime we have included Table 5, that is taken from the same Home Office report mentioned above.

Table 5: Average criminal justice systems costs from crimes against individuals and households

<b>Crime</b>	<b>Average total CJS cost (£, 2003 prices)</b>
Violence against the person	1,928
Homicide	144,239
Wounding	1,775
Serious Wounding	14,345
Other Wounding	978
Sexual Offences	3,298
Common Assault	255
Robbery	2,601
Burglary in a Dwelling	1,137
Theft	217
Theft – Not Vehicle	301
Theft of Vehicle	199
Theft from Vehicle	50
Attempted Vehicle Theft	65
Criminal Damage	126

9.14 Table 5 shows that crimes that involve serious harm to individuals are the crimes that are most costly to the criminal justice system.

### *Reduction in total cost of crime*

9.15 Table 6 presents the average total unit costs of crime, which includes:

- expenditure on security equipment, for instance, burglar alarms;
- costs of insurance administration, including extension to the insurance of crime-related personal injury;
- the value of stolen and damaged property;
- the cost of victim support services, including the Criminal Injuries Compensation Scheme; and
- criminal justice system expenditure<sup>51</sup>.

<sup>51</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/191498/Green\\_Book\\_supplementary\\_guidance\\_economic\\_social\\_costs\\_crime\\_individuals\\_households.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191498/Green_Book_supplementary_guidance_economic_social_costs_crime_individuals_households.pdf)

Table 6: Average total unit costs of crimes against individuals and households

	Average total unit cost (£, 2003 prices)
Violence against the person	10,100
Homicide	1,458,982
Wounding	8,852
Serious Wounding	21,422
Other Wounding	8,056
Sexual Offences	31,438
Common Assault	1,440
Robbery	7,282
Burglary in a Dwelling	3,268
Theft	844
Theft – Not Vehicle	634
Theft of Vehicle	4,138
Theft from Vehicle	858
Attempted Vehicle Theft	510
Criminal Damage	866

9.16 We do not quantify the likely number and types of crime that could be prevented by the protection regime, due to a lack of robust evidence with which to do so. Specifically, we lack the data and evidence to be able to estimate the number of instances of different crimes that would arise if a PSC was the victim of serious physical harm in a situation where we did not introduce a protection regime<sup>52</sup>. Existing crime data and research evidence about crimes against business, and individuals involved in business are not sufficiently detailed to allow this. Collecting new quantitative data of this type was not considered feasible within available timeframes. However, overall the research evidence presented in this section suggests that avoiding a single instance of serious physical harm to a PSC would result in substantial benefit (in terms of avoided costs) to the individual, government and society. For example, an instance of wounding or assault would lead costs of thousands of pounds; serious wounding would lead to tens of thousands of pounds of costs, and an instance of homicide would lead to costs of millions of pounds. Anecdotally, from our focus group with law enforcement, they estimated that a murder case, involving guns and or knives, could total to costs of around £1.5 million.

#### *Stability of 'sensitive' industries*

9.17 Some sectors have been a target of activists and the disclosure of information of their shareholders could put the individuals at risk of harm. For example, the risks posed to the life sciences and fracking industries are well documented<sup>53</sup>. Historically, they have been targeted with threats.<sup>54</sup> Therefore, concerns of shareholder privacy, such as disclosure of their information, in these industries have affected investor behaviour<sup>55</sup>. As mentioned in the Strategy for UK Life Sciences<sup>56</sup>, the Government and the police are

<sup>52</sup> For this reason we also did not conduct any 'break-even' analysis of the PSC protection regime, as we do not believe it would be possible to do so robustly.

committed to working closely and collaboratively with the life sciences community and their supply chains to manage any risks, perceived or otherwise, from the activities of animal right campaigners.

9.18 Implementing the protection regime will enable PSCs in these sectors will be able to apply for protection of their information. This should prevent PSCs from leaving these sensitive companies and investing somewhere else where they would not be at risk of serious physical harm. Overall, it will help ensure continued investment in these sensitive sectors so that the innovation and research and development can continue.

9.19 This is particularly important as life sciences are a significant area for the UK economy. Indeed, it is an industry growing faster than the economy as a whole, and is a key source of high-skill, high-technology jobs<sup>57</sup>. Moreover, there are around 380 pharmaceutical companies based in the UK, employing nearly 70,000 people, with a combined annual turnover of £30 billion. In addition, the medical technology and medical biotechnology sectors together employ over 96,000 people with a combined annual turnover of around £20 billion<sup>58</sup>.

9.20 In our Consultation Stage survey we asked companies if they envisage benefits from the PSC protection regime. The majority of the 10 respondents, who provided an answer to this question, had no PSCs believed to be at risk of serious harm, and therefore did not expect the protection regime to give rise to any benefits for their PSCs. Three respondents are expecting increased stability of the business environment. For example, currently companies in sensitive sectors will not incur risks that their investors disinvestment as a result of their information being disclosed. Two respondents commented that there could be benefits in security for the individuals involved. We gathered further evidence through a second survey of companies when preparing this Final Stage IA. We asked companies for their views on whether the 'protection regime would be beneficial to [them], as it would reassure existing or potential investors who might otherwise be deterred from being involved with [their] company.' Of the 57 companies that replied, 37% agreed or strongly agreed with this statement, compared to 23% who disagreed or strongly disagreed.

9.21 The CRAs with whom we have engaged were positive about the protection regime proposals. In general, they did not view it as an impediment to corporate transparency and were supportive of protection for people at risk of physical harm.

## *Costs*

### a) Monetised costs

#### - **Cost to business:**

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<sup>53</sup>See for example: [www.theecologist.org/News/news\\_analysis/2057777/anti\\_fracking\\_special\\_report\\_uk.html](http://www.theecologist.org/News/news_analysis/2057777/anti_fracking_special_report_uk.html)

<sup>54</sup> See: <http://news.bbc.co.uk/1/hi/business/4756381.stm>

<sup>55</sup> See: <http://www.telegraph.co.uk/finance/2736744/Huntingdon-sells-up-to-US-firm-for-shareholder-privacy.html>

<sup>56</sup> HM Government, Industry Strategy: government and industry in partnership, Strategy for UK Life Sciences, One Year On

<sup>57</sup> Strategy for UK Life Sciences, Office for Life Sciences, BIS

<sup>58</sup> HM Government, Industry Strategy: government and industry in partnership, Strategy for UK Life Sciences, One Year On

9.22 We estimate four costs to business related to the protection regime: a) time taken to familiarise and understand the protection regime; b) time taken by companies to fill out protection applications; c) time taken to implement new systems and processes as a consequence of the introduction of a protection regime; and d) application fees.

9.23 The first three types of cost are informed by the survey evidence (one conducted in advance of the Consultation Stage IA and one in advance of the Final Stage IA). In both surveys, we asked companies to provide information which we then used to estimate the potential costs. For example, the amount of time taken to complete a particular administrative task that arises from the introduction of this policy; the position of the person or people involved in this task; and the number of people working in each position that would likely be involved in the task. We then calculated the average costs per company by multiplying, for each position, the number of people involved with the task with the time taken by each person, with the hourly wage for that position.

9.24 We used ASHE<sup>59</sup> data for hourly wages excluding overtime, with an uplift of 19.76%<sup>60</sup> in order to include non-wage costs. See Table 7 below.

Table 7: ASHE data

	<b>ASHE wage data</b>	<b>Micro and small companies</b>	<b>Medium and large companies</b>
Senior management	Chief execs & senior officials	£37.24	£56.81
Middle management	Corporate managers and directors excluding chief execs & senior officials	£18.99	£26.89
Administrative staff	Administrative & Secretarial Occupations	£11.22	£12.23

9.25 We have removed a small number of outliers from the survey responses in our cost calculations. This was done where specific company survey responses deviated substantially from the other responses received, and thus their inclusion in the calculations significantly distorted the average costs. In the subsequent sections of this IA, we set out how we have used the survey responses to calculate average costs, including providing details of the outlying company responses that we have removed from our average cost calculations. Otherwise, we have treated the survey responses as a reasonable and accurate estimate of the costs that will arise to business as a result of the protection regime. However, the average familiarisation costs per company seem high relative to familiarisation costs BIS has gathered in other IAs (on the Trust and Transparency package and other Business Environment regulatory measures). In this IA we have accepted the self-reported evidence from companies as the best, most relevant evidence to base our estimates of the cost to business upon. However, to extent the self-reported could over-estimate the familiarisation costs, then our estimates of the cost to business could be too high.

9.26 For the costs informed by survey evidence we break these costs down into small and micro company costs, and medium and large company costs.<sup>61</sup> We do this as we

<sup>59</sup> ONS (2014), 'Annual Survey of Hours and Earnings, Provisional Results 2014', 19<sup>th</sup> November 2014, <http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2014-provisional-results/stb-ashe-statistical-bulletin-2014.html> Median number for gross hourly wages excluding overtime as we assume regulatory tasks will occur in 'normal working hours' displacing existing activities and this wage rate acts as the best proxy for this. Moreover, not all firms will pay overtime to complete regulatory tasks.

<sup>60</sup> Uplift of 19.76% to consider non-wage costs taken from: [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Labour\\_costs\\_per\\_hour\\_in\\_EUR,\\_2004-2014\\_whole\\_economy\\_excluding\\_agriculture\\_and\\_public\\_administration.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Labour_costs_per_hour_in_EUR,_2004-2014_whole_economy_excluding_agriculture_and_public_administration.png)

believed it is possible that these costs could differ significantly by company size, so we felt it desirable to separate out these components of the total cost to business. In contrast the application fee is a flat fee set by Companies House, that does not vary by company size, so we have not separated estimated this cost for small and micro companies and medium and large companies.

Cost of time taken to familiarise and understand the protection regime

9.27 For the familiarisation cost, we assumed that in year zero all companies in sensitive sectors will read the guidance as they will want to understand the protection regime in more depth, even if they might decide not to apply on behalf of their PSCs. These companies amount to 76,615 of which we assume 99<sup>62</sup>% are micro or small companies and 1% medium and large companies (see in the ‘Scope of the Proposal’ section for more details). Therefore, we assume 75,542 micro or small companies, and 1,073 medium or large companies in sensitive sectors. These companies will bear this cost only in year zero.

9.28 The average cost for the familiarisation task is £460 for small and micro companies. To calculate this average we first calculated the cost of familiarising each company with the guidance, based on the data provided by companies who responded to the relevant questions in our surveys (36 companies). This involved multiplying: the number of staff (by grade) companies told us were involved in familiarising the company with the regulations; by the hours of work involved by staff at different grades; by the wage rate for that grade uplifted to account for non-wage labour costs. We omitted one outlier (£3,873), which means that our average is based on 35 responses. The total cost to these businesses is £35,051,000 (75,542\*£460).

9.29 We calculated the familiarisation costs for medium and large companies using the same method explained above. We had data for 31 companies. However our average is based upon 28 company responses, as we omitted three outliers (£29,447, £4,700 and £4,300). The average cost for this task is £510. The total cost to these businesses is £548,000 (1,073\*£510).

9.30 Overall, total familiarisation costs for all businesses will amount to £35,600,000.

Cost of time taken to fill out an application, including the time taken to gather evidence that proves the individual is at risk

*Application costs for micro or small companies*

9.31 We estimated the number of PSCs who would apply in small or micro companies, and medium or large companies by multiplying the total number of PSCs that will apply through their companies by the percentage of companies that are micro or small (99%) and medium or large (1%). These estimates are shown in Tables 10 and 11. Our cost estimates were arrived at by multiplying the number of applications that are made by the different sized businesses, by the average costs for the businesses of different sizes from our survey evidence.

Table 10: Applications divided by company size (year zero)

Estimate	Number of protection applications made by companies	Number of protection applications made by micro or small companies	Number of protection applications made by medium or large companies
Best	7,065	6,963	102

<sup>61</sup> We use the current definition of small companies. In 2016 the threshold will increase. We estimate that this will potentially increase the number of small companies by 0.3%, thus the cost estimate used here might be a slight overestimate.

<sup>62</sup> This is rounded to the closest whole number, but we kept the actual figure for all calculations.

Low	407	401	6
High	79,675	78,560	1,115

Table 11: Applications divided by company size (after year zero)

Estimate	Number of protection applications made by companies	Number Of protection applications made by micro or small companies	Number of protection applications made by medium or large companies
Best	474	467	7
Low	328	323	5
High	7585	577	8

9.32 The average cost for this task is £350. To calculate this average we first calculated the cost of filling out an application for each company that responded to the relevant questions in our surveys (34 companies in total). This involved multiplying the number of staff (by grade) companies told us would be involved in completing an application; by the hours of work involved by staff at different grades; by the wage rate for that grade uplifted to account for non-wage labour costs. We excluded one response from our calculation of the average because it was considered an outlier (£3,900). This means that our average is based upon 33 responses in total. Multiplying the £350 average cost of filling out an application by the low, best and high estimates of the number of PSCs that will ask their companies to apply on their behalf for the protection regime and whose companies are micro/small, we found the following total annual cost to business figures for year zero:

- Best estimate:  $£350 \times 6,963 = £2,409,000$
- Low estimate:  $£350 \times 401 = £139,000$
- High estimate:  $£350 \times 78,560 = £27,182,000$

The annual cost for years after year zero is:

- Best estimate:  $£350 \times 467 = £162,000$
- Low estimate:  $£350 \times 323 = £112,000$
- High estimate:  $£350 \times 577 = £200,000$

#### *Application costs for medium or large companies*

9.33 The average cost for this task is £390. We calculated the average by the same method as described for small and micro companies. We received data from 31 companies in total. The average is, however, based on 30 responses because we removed one outlier (£3,900) from our calculation.

9.34 The total cost for year zero is:

- Best estimate:  $£390 \times 102 = £40,000$
- Low estimate:  $£390 \times 6 = £2,300$
- High estimate:  $£390 \times 1,115 = £435,000$

The annual cost for years after year zero is:

- Best estimate:  $£390 \times 7 = £2,700$
- Low estimate:  $£390 \times 5 = £2,000$
- High estimate:  $£390 \times 8 = £3,100$



## Cost of time taken to implement new administrative systems and/or processes

9.35 It is possible that introducing and operating a PSC protection regime will mean that businesses have to create new administrative systems and systems, or adapt existing ones. Note that we assumed each company only sets up the process when asked to apply on behalf of the PSC and that each application comes from a different company. The latter simplifying assumption might lead to this cost being an overestimate.

9.36 The average cost for this task is £173 for small and micro companies. The average staff cost to implement new systems and processes is worked out by multiplying the number of staff in different grades that are involved; by the hours involved for staff at different grades; by the average wage for different grades of staff uplifted for non-wage labour costs. The average of £173 is based upon five survey responses (with no outliers).

9.37 The annual cost for year zero is:

- Best estimate:  $£173 \times 6,963 = £1,205,000$
- Low estimate:  $£173 \times 401 = £69,000$
- High estimate:  $£173 \times 78,560 = £13,591,000$

The annual cost for years after zero is:

- Best estimate:  $£173 \times 467 = £81,000$
- Low estimate:  $£173 \times 323 = £56,000$
- High estimate:  $£173 \times 577 = £100,000$

9.38 The average cost for medium and large companies is calculated in the same way as described above. This is calculated at £232. We received six responses from companies. The average is based upon five of these responses, as we have omitted one value (£15,303) as an outlier.

9.39 The annual cost for year zero is:

- Best estimate:  $£232 \times 102 = £24,000$
- Low estimate:  $£232 \times 6 = £1,400$
- High estimate:  $£232 \times 1,115 = £259,000$

9.40 The annual cost for years after zero is:

- Best estimate:  $£232 \times 7 = £1,600$
- Low estimate:  $£232 \times 5 = £1,200$
- High estimate:  $£232 \times 8 = £1,900$

9.41 The responses to our second survey of companies, which was conducted in advance of the drafting of the Final Stage IA, did not highlight any one-off costs to business that were not noted above in the analysis.

## Application fee costs

9.42 The low, best and high estimates of the application fee are £55, £78 and £100 as set out in the monetised cost section above.

9.43 Because we will only consider in our EANCB figures costs to companies, we have estimated the percentage of applications made by companies on behalf of their PSCs. At this stage we do not know the proportion of applications that will come from companies, and the best proxy we have is to use the percentage of applications for company directors that come from companies. This percentage is 66%. This percentage is aligned to the responses we received from companies in both our companies surveys. In the

survey to inform the Consultation Stage IA, 64% of companies that responded said they expect to fill in the application on behalf of their PSCs, 23% expect the individuals to fill in the application, and 14% by their lawyers. In the survey conducted during the preparation of the Final Stage IA, 66% of companies stated they would apply for protection on behalf of their PSCs, compared to 14% who expected that the individual PSC would fill out the protection application. We will consider the cost of applications for individuals in the section 'Cost to individuals'. Overall, the fees for application will be a benefit for Companies House and cancels out the cost to businesses and individuals in the NPV calculations, but its cost to business remains in the EANCB.

9.44 In Tables 8 and 9, we estimated the number of applications for protection made by businesses, in year zero and in years after that.

Table 8: Applications made by the company in year zero

(a)	(b)	(c)	(d)	(e)	(f)
Estimate	Number of PSCs	Percentage of PSCs who apply for protection	Number of PSCs who applied (b)*(c)	Percentage of applications made by company	Number of applications made by company (d)*(e)
Best	4,458,414	0.24%	10,700	66%	7,062
Low	3,086,594	0.02%	617	66%	407
High	5,487,278	2.2%	120,720	66%	79,675

Table 9: Applications made by the company after year zero

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Estimate	Number of PSCs	Estimated new PSCs as a percentage of the total	Percentage of PSCs who apply for protection	Number of PSCs who applied (b)*(c)*(d)	Percentage of applications made by company	Number of applications made by company (e)*(f)
<b>Best</b>	<b>4,458,414</b>	6.7%	0.24%	718	66%	474
Low	3,086,594	6.7%	0.24%	497	66%	328
High	5,487,278	6.7%	0.24%	884	66%	585

9.45 We calculated the total cost of applications to UK businesses by multiplying the total number of companies in scope, with the take-up rate, and with the percentage of applications made by companies (using the company directors' regime as a proxy). As

stated above, these fees represent transfers between companies and Companies House, so costs are also included as monetised benefits to Companies House.

9.46 And the total cost of applications for companies in scope in year zero will be:

- Best estimate:  $7,062 * £78 = £551,000$
- Low estimate:  $407 * £55 = £22,000$
- High estimate:  $79,675 * £100 = £7,968,000$

For companies after year zero the total cost will be:

- Best estimate:  $474 * £78 = £37,000$
- Low estimate:  $328 * £55 = £18,000$
- High estimate:  $585 * £100 = £58,000$

- **Cost to individuals:**

9.47 As mentioned above, individuals themselves can apply to have their information protected. Similarly to companies, we are expecting the fee for the application to be £78 (£55 low estimate; £100 high estimate). As before, we have used as a proxy the proportion of applications made by individuals under the company directors' protection regime. We estimate this to be 34%. Applying this percentage to the number of PSCs that we think will apply for protection, we are therefore expect 3,638 applications in year zero and 204 in years after year zero.

9.48 The total cost to individuals for application fees in year zero will be:

- Best estimate:  $3,638 * £78 = £284,000$
- Low estimate:  $210 * £55 = £12,000$
- High estimate:  $41,045 * £100 = £4,105,000$

The annual cost for years after year zero will be:

- Best estimate:  $244 * £78 = £19,000$
- Low estimate:  $169 * £55 = £9,300$
- High estimate:  $301 * £100 = £30,000$

9.49 As previously stated, these fees are a transfer between individuals and Companies House, so have been included as a monetised benefit to Companies House. We were not able to monetise other costs for this group. This is because it has not been possible to identify and gather evidence from people with significant control who may apply for the protection regime. The other costs are:

- Familiarisation costs to understand the protection regime.
- The time and effort taken to apply for protection including gathering evidence that proves the individual is at risk of harm, such as police input where necessary.

9.50 Although we have not been able to fully monetise the costs and benefits to individuals who apply for the PSC protection regime, we assumed that individual PSCs will only apply where they perceive the benefits of doing so would outweigh the costs.

- **Cost to Government:**

9.51 Option 1 will increase costs to Companies House in setting up and administering the systems for protecting certain information from the PSC register. All the costs incurred by

Companies House as a result of the protection regime are included in the T&T IA; hence they are not presented separately in this IA to avoid double counting. This is because Companies House has estimated one range of one-off costs comprising both the PSC register and the protection regime.

### *Law enforcement costs*

9.52 As set out in the October 2014 discussion paper<sup>63</sup>, the registrar will decide if the application is granted and notify the applicant within five working days of his decision. The registrar can seek an assessment from a relevant authority in making that decision. This, in the current directors' regime, tends to be a police force. It is envisaged that this will be similar for the PSC protection regime. At consultation stage we held discussions with the police, including the NCA and the Metropolitan Police (the 24/7 intelligence response team and the NDEDIU) to understand how the directors regime affects law enforcement agencies and to understand better how the PSC protection regime would impact on law enforcement agencies. The NCA explained the steps the police may undertake when conducting a risk assessment in order to scrutinise a protection application. This process involves the management, assessment and scoring of risk. This is presented in Annex D.

9.53 In order to refine our understanding and analysis for the Final Stage IA we held further discussions through a face-to-face focus group and email exchanges with the Metropolitan Police and NCA.

9.54 Representatives from the Metropolitan Police estimated from their experience of the directors' regime that on average the checks for one application take about 60 minutes and involve checking: 1) all the Metropolitan Police Intelligence (e.g. on the Police National Database); 2) Open Source (i.e. what is on the internet about the person); and 3) doing a check of the details contained in the application to see if they are known in another police area. The Metropolitan Police suggested that the more complex cases can take approximately 2 hours for one member of staff to complete the checks described above. All applications checks were quality assured by a supervising officer, which was estimated to take about 20 minutes. The Metropolitan Police send the results of their checks to Companies House once the supervisor has signed off the checks. The Metropolitan Police advised the Department that no officer above the rank of sergeant is involved in this process.

9.55 We have used this stakeholder information on the director's regime with our estimates of the number of PSC protection applications in the first year as well as subsequent years in our calculations of the total estimated cost of the protection regime to law enforcement agencies. Due to the uncertainty around the estimates we provide a range, with 1.33 hours as the best (and low) estimate of time taken to process an application, and 2.33 hours per application as the high estimate. We then multiplied this by the low, best and high estimates of number of PSC protection applications in the first year and subsequent years. We then multiplied this by the resource cost of police personnel time. This is estimated from the median hourly wage (£18.13) for the standard occupation classification "Police Officer (sergeant and below)" provided in the Annual Survey of Hourly Earnings (ASHE) data for 2014<sup>64</sup>. This is then uplifted by 19.76% to reflect non-wage costs, resulting in an hourly wage of £21.71.

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<sup>63</sup> Understanding the new requirements, recording control on the PSC register and protecting people at serious risk of harm, BIS October 2014: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/395478/bis-14-1145-the-register-of-people-with-significant-control-psc-register-register-final-1.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/395478/bis-14-1145-the-register-of-people-with-significant-control-psc-register-register-final-1.pdf).

<sup>64</sup> ONS (2014), 'Annual Survey of Hours and Earnings, Provisional Results 2014', 19<sup>th</sup> November 2014, <http://www.ons.gov.uk/ons/rel/ashes/annual-survey-of-hours-and-earnings/2014-provisional-results/stb-ashes-statistical-bulletin-2014.html> Table 14.6a.

9.56 Our indicative best estimate of the total cost to law enforcement agencies, as a result of their involvement with the assessment process of applications, is therefore £310,000 in year zero and £21,000 per annum thereafter. Table 12 shows the calculations.

Table 12: Estimated costs to law enforcement of assessing protection regime applications

		<b>Total time in hours</b>	<b>Cost per hour of police staff</b>	<b>Number of applications</b>	<b>Total cost</b>
<b>Year 0</b>	<b>Best</b>	<b>1.33</b>	<b>£21.71</b>	<b>10,700</b>	<b>£310,000</b>
	Low	1.33	£21.71	617	£18,000
	High	2.33	£21.71	120,720	£6,116,000
<b>Ongoing</b>	<b>Best</b>	<b>1.33</b>	<b>£21.71</b>	<b>718</b>	<b>£21,000</b>
	Low	1.33	£21.71	497	£14,000
	High	2.33	£21.71	884	£45,000

9.57 However, this analysis should be viewed as indicative of the potential cost. There are factors that we have been unable to quantify that could alter the costs.

9.58 Our law enforcement focus group agreed with the basis of the analysis. For example, the grade of staff processing and checking applications, the processes that they would go through. However, some members of the focus group suggested that there are factors that could lengthen the assessment period and increase costs to law enforcement agencies. These factors are: a) where multiple police forces are involved in assessing an application for protection; b) where internal security or confidentiality measures need to be put in place by the police staff carrying out the risk assessment due to the sensitivity of the case; and c) where there is an international dimension to assessing the application, and it is necessary to contact the police forces of another country or countries. We lack the data to adjust our quantitative analysis to take these factors into account.

9.59 Our law enforcement focus group suggested that in the current directors' regime there are no appeals against unsuccessful protection applications. The focus group believed it was reasonable to assume that there would be a similar lack of appeals against unsuccessful PSC protection regime applications. However, to the extent that some people appeal against application rejections, this could result in more staff costs for law enforcement agencies (and Companies House), processing appeals and subsequent decisions.

- **Costs to society:**

9.60 The information to be included on the PSC register is outlined in paragraph 1.3. PSCs who are at serious risk of physical harm can apply to have their information protected from disclosure through the PSC register, in order to protect themselves and those with whom they live from harm. The rationale for not disclosing this information, by means of a protection regime, is outlined in Section 3 of this Impact Assessment. However, the non-disclosure of the PSC information may lead to a reduction in transparency of individuals who own or controls companies in the UK, compared to a scenario where a PSC register was introduced without an accompanying protection regime.

9.61 Increased transparency about PSCs can assist people and businesses that interact with companies, such as individual customers, businesses who trade with them etc., to identify with whom they are actually dealing. Increased transparency also helps reduce asymmetric information between parties and increase trust in business. This could therefore lead to an increase economic activity including trade and investment into the UK. A full discussion of these benefits and the strength of the evidence supporting them were outlined in the T&T IA.<sup>65</sup>

9.62 The PSC protection regime will mean that information about PSCs at serious risk of physical harm will not be made available to the public. For example, there will be no loss of transparency for UK enforcement agencies, as they will continue to have access to the data protected by the protection regime, for the purposes of their investigations. Therefore some of the un-monetised benefits of increased corporate transparency described above will be forgone<sup>66</sup>. However, the intention is that non-disclosure of PSC information will be in exceptional circumstances only, where it can be evidenced that disclosure of their information could lead to serious harm to PSCs and those with whom they live. Therefore we estimate that only a small proportion of the overall number of

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<sup>65</sup> "Transparency & Trust – Enhanced Transparency of Company Beneficial Ownership" Enactment Stage IA [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/434546/bis-15-320-enhanced-transparency-of-company-beneficial-ownership-enactment-impact-assessment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/434546/bis-15-320-enhanced-transparency-of-company-beneficial-ownership-enactment-impact-assessment.pdf)

<sup>66</sup> The Trust and Transparency Impact Assessment did not quantify and monetise the benefits of increased corporate transparency because the evidence did not allow a precise and robust quantification and monetisation of these benefits. For the same reason this Impact Assessment does not seek to quantify and monetise the forgone benefits related to transparency that result because of the introduction of a PSC protection regime.

PSCs will have their information protected from disclosure. For the vast majority of PSCs their information will be disclosed, thus the described benefits arising from increased transparency could be obtained. However the evidence summarised earlier (in the un-monetised benefits of Option 1) suggests that avoiding a single instance of harm to a PSC would result in substantial benefit to the individual, government and society. The un-monetised benefits of avoiding harm to PSCs; and the un-monetised benefits arising from UK and overseas investors not being deterred from investing in, or continuing to invest in, UK companies, are expected to outweigh the un-monetised costs associated with reduced PSC information available to the public.

- 9.63 Where PSCs are at risk but do not wish to apply for ‘full’ protection, they will be able to apply for suppression of their usual residential addresses from credit reference agencies. Not disclosing this information will mean that credit reference agencies have less information at their disposal in order to compile credit information on PSCs. This reduces the usefulness of the credit reference agencies outputs for the people who use them. For example, companies that lend to and trade with other companies. In our discussions with the CRAs, while they were concerned this could lead to a downgrade of their products and potentially adversely impact on the small and medium enterprise lending environment, they were nevertheless supportive of protecting people who would be at risk of physical harm if their information was disclosed. Similarly, the intention is for non-disclosure of PSC information to be allowed in exceptional circumstances only, where it can be evidenced that disclosure of PSC information could lead to serious harm to PSCs and those with whom they live. In this situation, the un-monetised benefits of avoiding harm to PSCs; and the un-monetised benefits that arise from UK and overseas investors not being deterred from investing in, or continuing to invest in, UK companies; are expected to outweigh the un-monetised costs associated with reduced information available to credit reference agencies and the CRAs’ customers.
- 9.64 To inform our IA further we gathered views on whether the protection regime proposals represented a reasonable exception to the principle that PSC information is made public, through focus groups with, and surveys to a range of stakeholders.
- 9.65 We surveyed NGOs (receiving five responses in total) and held a focus group with representatives of a small number of NGOs, to discuss the design and impact of the protection regime. We selected these NGOs based on their work promoting corporate transparency and or where they are likely to be users of information on the PSC register.
- 9.66 All of the NGOs that responded agree that the protection regime, relative to without, would reduce the amount of PSC information that was made publicly available. However, the NGOs agreed that this would not have a ‘large’ impact in reducing the corporate transparency benefits that arise from the PSC register. One respondent thought the impact would be ‘marginal’, and another ‘small’. Two respondents thought the protection regime would result in a ‘reasonable’ reduction in transparency. However, all NGO respondents<sup>67</sup> agreed or strongly agreed that the independent scrutiny of protection applications (from Companies House and law enforcement agencies under Option 1) would minimise the reduction in transparency from having a protection regime. One NGO explicitly stated that they believed that not having independent scrutiny as part of the protection regime (as under Option 2) would undermine trust in the integrity of the PSC register.
- 9.67 We also sought companies’ views on the impact of the protection regime on the corporate transparency benefits arising from the introduction of the PSC register. Companies had mixed views on whether the protection regime would reduce the corporate transparency benefits of the PSC register: 38% agreed or strongly agreed that

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<sup>67</sup> Four respondents answered this question. Three strongly agreed and one agreed that ‘the reduction in corporate transparency provided by the PSC register due to the protection regime should be minimised by the independent expert scrutiny of applications for protection’.

it would reduce the benefits, while 28% disagreed or strongly disagreed.<sup>68</sup> Out of the 58 companies that provided views about the impact of the protection regime on transparency, most thought that the reduction in transparency would not be significant: 33% thought the impact would be 'moderate', 31% believed the reduction in transparency would be 'small', and 9% thought there would be 'no impact'. Additionally 54% of company respondents (31 out of 57 responses) agreed that independent scrutiny would minimise the reduction in transparency.

## 10. Option 2: Non-Regulatory Option

### *Benefits*

10.1 Although Option 2 is a simpler and cheaper option, we would expect the benefits to be substantially lower than the benefits resulting from Option 1. Whilst the publicly available guidance may encourage some companies to protect PSC information, without independent verification of the risk there would be strong inconsistency amongst the individuals who are protected and those who are not. For example, unscrupulous companies would protect the information of their PSCs who are complicit in illicit activities. For example, they could hide the identity of their PSCs for more fraudulent reasons. While individuals who are genuinely at risk, would be subject to the ability of the company to act on their behalf. For example, the individual would not be protected if there were an administrative error or lack of timely action taken by the company in protecting their personal information on the register due to no legally prescribed involvement of Companies House. Companies could also refuse to apply on behalf of their PSCs if they do not wish to incur application costs. Additionally, PSCs would not be able to apply for protection without the company's knowledge. For example, if they want to secure protection before making the investment into the company. In these scenarios, PSCs at serious risk of physical harm will not be able to be protected.

### *Costs*

#### - **Costs to business:**

10.2 Companies would bear costs in terms of familiarising themselves with the protection regime, and setting up new systems or processes. It would be up to the company and the PSC as to whether evidence gathering is needed to inform the company's decision over whether to grant protection. Familiarisation costs are assumed to be £35,600,000 in total (the same as Option 1). This mainly accrues to small and micro business (£35,051,000) rather than medium and large business (£548,000). As it is non regulatory, the companies would have no statutory basis to recover the costs for this.

10.3 However, we are not able to determine how many applications companies would be willing to put forward without the statutory underpinning. Anecdotally, representative bodies of companies have indicated to us, at a focus group that they were unconvinced a register without a protection regime is the best possible route forward.

#### - **Costs to government:**

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<sup>68</sup> 58 companies responded to this question. The remaining 34% of respondent companies neither agreed nor disagreed with the statement.



10.4 This option would result in reduced costs to Government as Companies House would not have to scrutinise and approve applications. As before, costs to Companies House sit in the T&T IA and therefore we have not identified the reduction of these costs in this IA.

10.5 Finally, Companies House would not need to seek assessment from the police force as they would not be making application decisions. Hence there will be no costs for the police.

- **Costs to the economy and society:**

10.6 This option may lead to a non-monetised cost of reduced transparency, as described for Option 1. We are not able to determine how many PSCs will be protected without the statutory underpinning of Option 1, and therefore are unable to state how the transparency impact of this option differs from Option 1. We believe it is possible Option 2 could lead to fewer PSCs who are genuinely at risk from harm being protected, as individuals themselves will not be able to apply for protection, and would be subject to the ability of the company to act on their behalf. To the extent this occurs, it would reduce the loss of transparency that comes from not disclosing PSC information. This is also undesirable in terms of protecting PSCs from harm. However it is also possible that PSCs will be protected to hide identities for fraudulent reasons, thereby reducing the effectiveness of the transparency policy. Our understanding, from all of our focus group discussions with representative bodies, the civil society, credit reference agencies, and law enforcement, is that a protection regime without required independent scrutiny involvement would render the regime pointless.

10.7 In our NGOs survey, they gave unanimous support for the regulatory option, but not the non-regulatory option. Four NGO respondents stated that they strongly disagreed with the statement that ‘companies should be left to determine whether the information of a PSC, whom they believe is at serious risk of physical harm, should be suppressed from the PSC register, without [an] application and independent scrutiny process[es]’. Our survey of companies also found limited support amongst companies for the non-regulatory option. Only 32% of companies (out of 58 responses) agreed or strongly agreed that who should be protected should be left to the discretion of companies, while 42% disagreed or strongly disagreed. One company responded that ‘fraud would increase in a self-regulated’ system of protection of PSC information. Another responded that ‘you must have external scrutiny [of protection applications] or there is no point in having a [PSC] register’.

**Summary of costs and benefits for Option 1, the preferred option**

Costs in year zero (£)			
Nature of Costs	Low estimate	Best estimate	High estimate
<b>Costs for businesses</b>			
Cost of application	22,000	551,000	7,968,000
Time taken to fill in the application, including the time taken to gather evidence that proves the individual is at risk	142,000	2,449,000	27,617,000
Time taken to familiarise and understand the protection regime	35,600,000	35,600,000	35,600,000
Time taken to implement new administrative systems and/or processes	71,000	1,229,000	13,850,000
Total costs for businesses in year zero	35,834,000	39,828,000	85,033,000
<b>Costs to individuals</b>			
Total costs for individuals in year zero	12,000	284,000	4,105,000
<b>Costs to police</b>			
Total costs for police in year zero	18,000	310,000	6,116,000

Annual costs after year zero (£)			
Nature of Costs	Low estimate	Best estimate	High estimate
<b>Costs for businesses</b>			
Cost of application	18,000	37,000	58,000
Time taken to fill in the application, including the time taken to gather evidence that proves the individual is at risk	114,000	164,000	203,000
Time taken to implement new administrative systems and/or processes	57,000	82,000	102,000
Total annual costs for businesses after year zero	189,000	284,000	363,000
<b>Costs to individuals</b>			
Total annual costs for years after year zero	9,300	19,000	30,000
<b>Costs to police</b>			
Total annual costs for years after year zero	14,000	21,000	45,000

Benefits in year zero (£)			
	Low estimate	Best estimate	High estimate
Fee revenue for Companies House	34,000	835,000	12,072,000

Annual benefits after year zero (£)			
	Low estimate	Best estimate	High Estimate
Fee revenue for Companies House	27,000	56,000	88,000

## 11. Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)

11.1 Building upon the fit for purpose analysis of the Consultation Stage IA, we have sought further data from a broad range of research, statistical evidence and stakeholder

views, such as focus groups and surveys, to inform our EANCb and NPV analysis for this Final Stage IA. We believe that the evidence gathered provides a proportionate, sound underpinning for estimation of the costs and benefits of the different options in this IA. However, there are still some identified costs and benefits that we have been unable to quantify and monetise.

## **12. Risks and assumptions**

### *Risks*

12.1 There may be a risk of loss of UK investment by individuals at risk of harm if it is perceived that the protection regime will not be adequate.

### *Assumptions*

12.2 We have assumed FAME figures to be accurate. However, in order to mitigate the impact of possible inaccuracy we have done sensitivity analysis wherever possible.

12.3 We have assumed the company directors' regime to be the best proxy of the PSC protection regime in terms of cost and number of applications. Similar to the company directors' regime, we expect those at risk of serious harm to be a small subset of the total number of PSCs.

12.4 We have assumed ASHE data to be a proxy for wages of employees in companies which are in scope.

12.5 We assume we will be able to exempt companies listed on prescribed markets from the requirement to maintain a PSC register.

12.6 In order to determine the average number of PSCs in UK companies we have used the number of shareholders holding more than 25% of a company's shares. This is because, as described in this IA, we do not hold any information regarding the number of individuals meeting the other conditions to be qualified as people with significant control.

12.8 We have made the simplifying assumption that individuals can be people with significant control for no more than one company. This is because limitations in our data on shareholdings, which we have used to identify people with significant control, do not allow us to identify whether people who own over 25% of shares in a company, also own a similar shareholding in other companies.

12.9 We have quantified the costs for all companies affected by using survey data. The survey respondents may not be fully representative of all potentially affected companies.

12.10 In assessing whether businesses have to create new, or, adapt existing administrative systems with the introduction of a PSC protection regime, we assumed each company only sets up the process when asked to apply on behalf of the PSC and that each application comes from a different company. The latter simplifying assumption might lead to this cost being an overestimate.

12.11 In assessing the impact on the justice system, we have assumed 100% compliance and that there will be no appeals against the registrar's decision on protection applications. We have again used the directors' regime as a proxy, where there has not been an appeal case since its establishment in 2009.

## **13. Direct costs and benefits to business calculations (following BIT methodology)**

13.1 The options in this IA implement international commitments the UK made at the 2013 G8 Summit. The Better Regulation Framework Manual states measures to implement such international commitments and obligations are out of scope of Government's regulatory Business Impact Target. This is described in detail in the T&T IA.

## 14. Wider impacts

### *Competition Impact Test:*

14.1 We have considered the potential competition impact of the proposed reforms but given the substantial coverage of companies and low costs, we do not expect any competition issues to arise from this policy change.

14.2 With regard to the impact on smaller entrants relative to large existing companies, the estimated mean costs will not disproportionately fall on small or micro companies.

### *Small and Micro Business Assessment:*

14.3 This policy allows all companies potentially to apply for protection of their PSCs' information. In order to reduce the risk of harm for those PSCs, we have not excluded small or micro companies from this assessment. Note that companies need not take up the opportunity presented here if they do not consider that the benefits are greater than the costs. According to the responses we received from companies we are not expecting small companies to be disproportionately affected by this policy. Indeed, the unit costs identified for small companies are significantly lower.

14.4 The annual turnover and balance sheet thresholds, which along with number of employees determine whether a company is small for accounting purposes, are in the process of increasing. A company is currently classed as small if it satisfies two out of three criteria respectively covering annual turnover, balance sheet total and number of employees. The maximum annual turnover figure is increasing from £6.5m to £10.2m. The total balance sheet threshold is increasing from £3.26m to £5.1m. Note, however, that the threshold for the number of employees (of less than or equal to 50 employees) will not change. This is the key criterion for the SaMBA. The thresholds change occasionally over time. This IA uses the earlier thresholds to estimate the impact on the number of small and micro companies to maintain consistency with the T&T IA. It is also as a result of new thresholds not yet fully in force; the employee threshold stays the same; and the annual turnover, balance sheet and employee numbers available relate to 2014 or earlier. Due to the old data, we cannot accurately determine the impact of the new thresholds on the number of small and micro companies but we estimate a percentage increase in the number of small companies of only 0.03% due to the small number of current medium sized companies that are likely to be reclassified. In this respect the total estimates for costs in this IA - which cover small, medium and large companies - could be slight overestimates.

### **Social Impacts**

<i>Factor</i>	<i>Consideration</i>
<i>Environmental impacts</i>	Our analysis suggests that this policy will have negligible impact on the environment – the changes relate purely to gathering, disclosing and suppressing data. The negligible impact relates to the paper and hard copy format of the protection regime application form and accompanying evidence. We anticipate this will be reduced or eliminated through Companies House's digital transformation.
<i>Rural proofing</i>	Our analysis suggests that this policy will not have any adverse impact on rural areas – the changes relate purely to gathering, disclosing and suppressing data.
<i>Sustainable development</i>	Our analysis suggests that this policy will have negligible impact on sustainable development – the changes relate purely to gathering, disclosing and suppressing data. The negligible impact relates to the paper and hard copy format of the protection regime application form and accompanying evidence. We anticipate this will be reduced and eliminated through Companies House's digital transformation.

<i>Health and well-being</i>	This policy would prevent or minimise serious violence and intimidation to PSCs at serious risk of harm, which will have a positive impact on their health and well-being. Our analysis also suggests that the consequential positive impact of these individuals being assured their personal details are not in the public domain on the public PSC register will reduce or eliminate the adverse emotional impact and psychological effects associated with victims of crime.
<i>Family test</i>	Our analysis, which has been confirmed by Departmental economic analysis team, is that this policy will not have any impact in this area.

### Human rights

14.5 We believe that our policy to implement a protection regime for the information on the PSC register fully meets our commitments to the European Convention of Human Rights (ECHR). Article 2, section one of the ECHR states that:

*“Everyone’s right to life shall be protected by law. No one shall be deprived of his life intentionally [...]”*

14.6 Article 8, section one of the ECHR states that:

*“Everyone has the right to respect for his private and family life, his home and his correspondence. There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of [...] the prevention of disorder or crime [...]”*

14.7 Article 1, protocol 1: Protection of Property

*“Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law [...]”*

14.8 The protection regime supports compliance with articles 2 and 8, and article 1 of protocol 1. In respect of article 2, and article 1 of protocol 1, the protection regime will not only contribute to protection of the lives of individuals, but also allow those individuals at risk of harm to be protected from harm, thus allowing them to enjoy their property where that property is ownership of a company. The regime also clearly supports the article 8 right to privacy.

14.9 Implementation of a publicly accessible central register of company beneficial ownership information means that we are exposing personal data on individuals with a significant beneficial interest in a UK company to anyone who chooses to search for it. However, it is important to note that:

- similar information is already being held on the public record - for example, on company shareholders and directors; and some of the required beneficial ownership information will already be in the public domain (e.g. where the company director is the company’s beneficial owner); and
- only information on individuals with a significant beneficial interest in a UK company will be held (i.e. individuals with an interest in more than 25% of the company’s shares or voting rights; or who otherwise control the way the company is run).

14.10 Implementation of a protection regime for the PSC register means that there will not be disproportionate exposure of personal data on PSCs who are at serious risk from physical harm.

14.11 Prior to the introduction of the primary legislation, we conducted and published a full Privacy Impact Assessment: <https://www.gov.uk/government/publications/company-ownership-transparency-and-trust-impact-assessments>. This will be reviewed and updated, if necessary, before secondary legislation is laid.

14.12 Furthermore, one of the policy objectives is to reduce crime through tackling the potential for misuse of companies; and there is international agreement (for example, at G7 and G20 level and through the FATF standards) around the importance of enhanced corporate transparency. This further justifies our analysis that our policy does not contravene our ECHR commitments.

14.13 The Memorandum addressing issues arising under the ECHR in relation to the Small Business, Enterprise and Employment Act 2015<sup>69</sup> states the Government's view that the measures in the Act – which include the central registry - are compatible with the Convention rights.

### Justice System

14.14 In assessing the policy impact on the justice system, we have assumed 100% compliance and that there will be no appeal to the courts against the registrar's decision on protection regime applications. We have used the directors' regime as a proxy, where there has not been any appeal since its establishment in 2009. We do not therefore anticipate any significant additional impact on the justice system.

14.15 The current company law provision which makes it an offence for companies or individuals to deliberately provide false information to the registrar applies to the protection regime.

14.15 We anticipate, however, that most instances of non-compliance will be dealt with by Companies House through their usual compliance procedures. For example, Companies House estimate that in 85-90% of cases they write to the company in the first instance, before referring the matter to BIS or other enforcement agencies, or taking action themselves.

14.17 There may be a reduction of costs to the criminal justice system as a result of the protection regime. Evidence suggests there could also be expected to be lower criminal justice system costs as a result, compared to the counterfactual of doing nothing.

14.18 A Justice Impact Assessment Test has also been completed for the PSC register primary measures and has been cleared by the Ministry of Justice. A protection regime specific Justice Impact Assessment Test will be carried out, as necessary, before the secondary legislation is laid.

### Devolved Administrations

14.19 We do not anticipate any difference in impact on UK companies as a result of their registered office location as the protection regime assesses the nature and extent of the risk of harm to the individual, and not their geographical location. Similarly, the requirements will apply in the same manner to all beneficial owners, irrespective of their country of residence.

### **Wider impacts**

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<sup>69</sup> Department for Business, Innovation and Skills, November 2014: <https://www.gov.uk/government/publications/small-business-enterprise-and-employment-bill-european-convention-on-human-rights-echr-memorandum>

## Statutory equality duties

14.20 We do not anticipate any adverse equalities impact on the following groups:

- Race Equality;
- Gender;
- Disability;
- Age;
- Marriage and civil partnership;
- Religion and Belief;
- Sexual Orientation;
- Gender Reassignment; and
- Pregnancy and Maternity.

14.21 Prior to the introduction of the primary measures, we conducted and published a separate Equalities Impact Screening Exercise which indicated that the conduct of a full Equalities Impact Assessment was not required<sup>70</sup>. This has been reviewed and updated in light of changes made following Parliamentary scrutiny. See Annex A – Equalities Impact Assessment.

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<sup>70</sup> BIS (April 2014): *Transparency and Trust: enhancing the transparency of UK company ownership and increasing trust in UK business: equality impact assessments*  
<https://www.gov.uk/government/publications/company-ownership-transparency-and-trust-impact-assessments>



## **15. Summary and preferred option with description of implementation plan.**

15.1 The 'Transparency and Trust – Enhanced Transparency of Company Beneficial Ownership' IA describes the problem of corporate opacity and the need for government intervention to address it through the creation of a publicly accessible central register of the individuals who ultimately own and control UK companies. However, that IA recognises that some information should be protected from public disclosure.

15.2 The problem under consideration in this IA is, therefore, how to implement a protection regime in an effective and cost efficient method which addresses any regulatory failure within the company law framework without undermining the overarching policy objectives of enhancing corporate transparency and tackling the criminal misuse of companies.

### *Preferred option*

15.3 The establishment of a protection regime which allows PSCs, who are at risk of physical harm as a result of their association with the company, whether as a result of the company's activities or other factors specific to the individual, to apply to the registrar for their PSC information to be protected from public disclosure on the company and public PSC registers.

15.4 Applications can be made by the individual, the company or the subscriber of a memorandum of association. The applicant can apply in advance of, at the same time as, or after becoming a PSC. The registrar will assess applications with input from a relevant authority, such as the police. If granted, the individual's PSC information will be protected indefinitely from public inspection, both on the public PSC register and the company's own register. All PSC data including protected information will, however, be available to law enforcement and specified public authorities in all cases on request.

15.5 If not granted, the individual's information would be placed on the public register, except during an initial transitional phase from April to June 2016 where the information would remain subject to protection if the individual ceased to be a PSC of the company within a certain time frame. The applicant may appeal against the registrar's decision through the courts.

15.6 PSCs can also apply to simply protect their URAs from credit reference agencies. If their application is successful, the credit reference agency will get a service address instead of a residential for that individual.

### *Implementation plan*

15.7 Companies will be required to keep a register of people with significant control from April 2016, and file this information with Companies House from June 2016. The protection regime will be in place for April 2016, when companies are required to start keeping a PSC register.

15.8 There will be transitional arrangements in place for the protection regime to ensure individuals who are PSCs of a company in April 2016, and who have their application declined, will have their PSC information permanently suppressed from public disclosure if they cease to be a PSC within a certain time frame. This will avoid the risk of individuals withdrawing their investments from UK companies now, before the new regime comes into force.

15.9 PSCs at risk can apply for protection as early as possible. The PSC register guidance, which will be published in autumn 2015, will include information for the individual and the company on the requirements and procedures of the protection regime. In addition, Companies House will provide extensive practical guidance on the regime's processes.

15.10 Part 7 of the SBEE Act 2015 provides that a statutory review will be carried out within three years of the measures implementing the central register coming into effect, expected to be around 2019. We have committed that the review will include the impact and efficacy of the protection regime. This may also be an appropriate point to determine whether further changes to the regulations are required.

## Annex A – Equalities Impact Assessment

### SECTION A

Policy/Service

The policy ensures that UK companies obtain and hold adequate, accurate and current information on their beneficial ownership; and make this information publicly accessible onshore in a central register. A beneficial owner, or person with significant control (PSC), in summary is defined as any individual who ultimately owns or controls more than 25% of the company's shares or voting rights; or who otherwise exercises control over the company or its management.

The register will be a single source of information to support national and overseas law enforcement and tax authorities' investigations; support financial institutions and other regulated professional bodies as they carry out anti-money laundering due diligence checks on companies; and allow all those who engage with a company (e.g. investors, suppliers, customers) to identify with whom they are really doing business. The overarching policy objectives are to reduce crime and improve the business environment so as to facilitate economic growth. The UK has determined that these policy objectives can be best served through greater transparency (i.e. by making information publicly accessible).

The policy will also:

- stimulate global, collective action to tackle the misuse of companies. Investigations into abuses of company structures will often cross borders and so coordinated international action is vital. In leading by example, UK and G7 action should encourage other jurisdictions, including the UK's Overseas Territories and Crown Dependencies, to follow suit. This should deliver better outcomes in terms of reducing crime in the UK as well as elsewhere;
- deliver benefits for developing countries who suffer as a result of tax evasion, corruption and fraud. By allowing them access to information on UK companies, they will be more easily able to identify the individuals really responsible where a UK corporate entity has been used to facilitate the crime; and
- ensure full UK compliance with relevant international standards in advance of the UK's next Financial Action Task Force (FATF) peer review in 2017 to maintain and enhance the UK's reputation as a clean and trusted place to do business and invest.

#### **Relevance of the policy/service to equalities**

[Guidance notes: for further information please see section 4 of 'Compliance with the Equality Duty: Equality Analysis, Guidance for BIS staff']

Does the 'policy' affect service users, employees or the wider community and therefore potentially be significant in terms of equality?	<b>Yes</b>
Does the policy relate to an area with known inequalities?	<b>No</b>
Does or could the 'activity' affect different protected groups differently?	<b>No</b>
Is it a major policy, significantly affecting how functions are delivered?	<b>No</b>
<b>If your answer to any of these questions is <u>YES</u>, then please go to Section B.</b>	
<b>If you have answered <u>NO</u> to the above questions then please capture here why you think the policy has no relevance to equalities (including any evidence considered), and share this with the Central E&amp;D Team (DN: insert CEDT team email address here)</b>	

## **SECTION B**

### **Aspects of the policy/service most relevant to equality**

This policy will primarily impact UK companies and the people with significant control over those companies. A wider population may derive benefits from the policy as a result of reduced crime or an improved business environment.

We do not consider here any potential impact on the perpetrators of crime who may be deterred or sanctioned as a result of the new requirements. There should be no differential impact on such individuals, based on the protected groups, as a result of this policy – the requirements will apply in the same way to all.

In considering the equality impact of this policy we have considered data gathered from an IFF Survey conducted to gather information on this policy. We have also obtained information from the FAME database and Companies House, and looked at publicly available information.

## **SECTION C**

### **Equality Analysis**

#### *Impact on UK companies*

The persons impacted will be those responsible for ensuring compliance with the new requirements. This might be the company director, company secretary, compliance officer or another employee or individual.

Analysis of an IFF Survey conducted to gather information on this policy indicates that companies expected senior managers to be involved in approximately 79% of the total time required to comply with the new requirements. The remainder of compliance time required is expected to fall on middle managers (9% of the total) and administrative staff (12% of the total). We have no further information on the types of people that might be involved in this compliance activity.

In summary, we might therefore expect the new requirements to impact on staff at all levels within companies, but primarily on senior managers. Within each level of management, we would expect that individuals within the following categories may be represented to a greater or lesser degree:

- Race Equality;
- Gender;
- Disability;
- Age;
- Marriage and Civil Partnership;
- Religion and Belief;
- Sexual Orientation;
- Gender Reassignment; and
- Pregnancy and Maternity.

There is some data available on company directors. This is presented below, and may be used as a proxy for the impact of the policy on UK companies.

#### *Race Equality*

Company directors are required to provide information on their nationality to Companies

House. This data is made available publicly. However, information on race is not collected. We have however no reason to anticipate any positive or adverse direct impact on company directors by virtue of race as a result of this policy specifically.

Some people may infer information about a person’s race from nationality data. Irrespective of that fact we have no reason to anticipate any positive or adverse indirect impact on company directors by virtue of race as a result of this policy specifically.

*Gender*

Company directors are not required to provide information on gender to Companies House. As a result, gender data collected by Companies House in the context of the annual return is not accurate. However, we might expect there to be more male company directors than female company directors. This is certainly the case in relation to FTSE companies, although we note that those companies are exempt from the PSC register measures. Furthermore, of the 5,026,282 directorships recorded on the FAME database 64% are recorded as male and 36% as female. However, there is no reason to anticipate any positive or adverse direct or indirect impact by virtue of gender as a result of this policy specifically.

*Age*

It is a statutory requirement for company directors to provide Companies House with their date of birth. Directors must be at least 16 years old. Table A provides figures on the age demographic for company directors and members of Limited Liability Partnerships (LLPs).

Table A: Company Directors and LLP Members – breakdown by age

This data shows that 73% of company directors are aged between 31-60. 41-50 year olds represent the highest proportion with 29%, 51-60 year olds 25% and 31-40 year olds 19%.

Whilst these age groups may be said to be disproportionately affected by any policy impacting company directors generally, we have no reason to suspect that they will be impacted by this particular policy specifically (whether directly or indirectly, adversely or positively). We have no evidence to suggest any impact on equality for any company directors as a direct result of their age being in the public domain.

*Table A: Company Directors and LLP Members – breakdown by age*

Age	Director Appointments	LLP Member Appointments
16- 20	15,552	666
21- 30	373,809	8,074
31- 40	1,049,424	32,394
41- 50	1,657,717	64,916
51- 60	1,433,934	50,316
61- 70	827,538	20,275

<b>71- 80</b>	238,141	4,250
<b>81- 90</b>	55,861	995
<b>91- 100</b>	5,583	173
<b>100+</b>	671	18
<b>TOTAL</b>	5,658,230	182,077

Company Beneficial Ownership: Equality Impact Assessment  
*Disability; Marriage and Civil Partnership; Religion and Belief; Sexual Orientation; Gender Reassignment; and Pregnancy and Maternity*

We do not have any information related to company directors and these protected groups. We have however no reason to anticipate any direct or indirect impact, whether positive or negative, by virtue of these groups as a result of this policy specifically.

*Impact on UK companies - summary*

In light of the data above, we have no reason to suspect that any person or group would be differently affected (whether adversely or positively) by the policy itself. The processes and requirements would be the same in all cases. We therefore do not anticipate any direct equalities impact.

We have also considered whether some companies (understood here as the directors and employees of the company) could be adversely or positively impacted indirectly, i.e. as a result of the protected groups into which their PSCs fall. However, the information made available publicly will not in most cases allow people to be identified as falling into one of the protected groups (see below). Where the contrary is true, we do not anticipate any routine adverse or positive impact as a result of, for example, the age profile or (assumed) gender or race of the PSCs. We therefore do not anticipate any indirect equalities impact as a result.

*Impact on beneficial owners of UK companies*

The register will hold information on the individuals who ultimately own and control UK companies, whether by owning or controlling more than 25% of the company's shares or voting rights, or by exercising control over the company or its management through other means.

The following information will need to be obtained on PSCs and provided to Companies House:

- full name;
- date of birth;
- nationality;
- country or state of usual residence;
- residential address;
- a service address;
- the date on which the PSC acquired the beneficial interest (and ceased to hold it, where applicable);
- the nature of the individual's control over the company; and
- Whether the individual has applied for their information to be protected from public

disclosure.

With the exception of residential addresses, this information will be kept available for public inspection by the company. With the exception of residential addresses and full dates of birth<sup>8</sup>, this information will also be publicly accessible via Companies House.

As set out in the T&T IA (published separately), there is currently no concrete evidence available on the total number of PSCs (i.e. the total number of beneficial owners or the protected categories into which they might fall).

Some PSCs will however be company directors or shareholders. The potential equalities impact on company directors is considered above. More limited personal information is held on company shareholders (i.e. their name and address). We do not therefore have any additional information that can be used as a proxy in assessing the potential equalities impact on PSCs.

However, as above, we might anticipate that individuals within the following categories may be PSCs to a greater or lesser degree:

- Race Equality;
- Gender;
- Disability;
- Age;
- Marriage and Civil Partnership;
- Religion and Belief;
- Sexual Orientation;
- Gender Reassignment; and
- Pregnancy and Maternity.

For example, it may be that individuals of a certain age are more likely to be PSCs (whether as a shareholder, director or otherwise) than others. We have no further information on this.

However, as above, the policy will apply in the same way to all persons and groups. From this perspective, we do not anticipate any direct equalities impact, positive or negative.

Some respondents to our July 2013 discussion paper expressed concern around beneficial ownership information being made publicly accessible. This was not from the perspective of any adverse equalities impact; rather a general concern about the use to which this information might be put and the justification for making such personal information public. For example, a PSC of a life science company may feel vulnerable to unwanted attention from animal rights activists and could seek the protection of an exemption from making their details publicly available. The protection regime will address this concern by protecting the personal information of PSCs at serious risk of harm.

As a result, even if there were the potential for an adverse indirect impact on individuals in certain protected groups as a result of making information publicly available, the policy should mitigate this.

It is also of note that with the exception of age, the register will not hold information which allows an individual to be conclusively identified as belonging to a particular protected group. This should further avoid any potential for an adverse or positive impact on a particular group resulting from implementation of this policy.

We do not anticipate people being differently affected by the policy as a result of their age being recorded on a public register, and note that date of birth information is already being collected in respect of company directors. We have considered, for example, whether older

or younger people might be more at risk as a result of this information being placed in the public domain. However, we have designed the policy in such a way as to minimise the risk of identity theft and fraud generally (we will place only the month and year of birth on the public record at Companies House). Furthermore, research by the National Fraud Authority did not find older or younger people to be routinely more vulnerable to fraud.

We have considered whether there might be a particular adverse impact on young people, i.e. children. The general measures in place to protect individuals' personal information will apply also to children and we are therefore satisfied that there will be no adverse impact on children as a result of this policy specifically.

*Impact on beneficial owners of UK companies - summary*

We have no reason to suspect that any person or group would be differently affected (whether adversely or positively) by the policy. We do not anticipate any direct or indirect equalities impact.

*Impact on the wider population*

We do not anticipate any positive or adverse direct or indirect impact on any particular group as a result of reduced crime or an improved business environment. Beneficial impacts should be felt by business and society as a whole.

### **Summary of the Analysis**

We are satisfied that we have looked at all relevant and available data on the potential equality impact of this policy, as outlined above.

We have no reason to suspect that the following groups will be adversely or positively impacted by this policy in different ways:

- Race Equality;
- Gender;
- Disability;
- Age;
- Marriage and Civil Partnership;
- Religion and Belief;
- Sexual Orientation;
- Gender Reassignment; and
- Pregnancy and Maternity.

We therefore do not anticipate any direct or indirect equalities impact.

## Annex B – Calculation of the Number of PSCs

In order to determine the average number of PSCs in UK companies, we have looked at the number of legal owners holding more than 25% of the company's shares and used this as a proxy for the number of beneficial owners. We do not hold any information regarding the number of individuals meeting the other conditions to be qualified as people with significant control. For example, ownership of voting rights or other form of significant influence or control. For this reason, in all the calculations when estimating the number of PSCs in UK we have only considered the shareholding condition for being a PSC. Therefore our estimate of the numbers of PSCs could be an underestimate. Furthermore, we have made the simplifying assumption that individuals can be people with significant control for no more than one company. This is because limitations in our data on shareholdings, which we have used to identify people with significant control, do not allow us to identify whether the people who own over 25% of shares in a company also own a similar shareholding in other companies.

We calculated our low, best and high estimates of the number of PSCs as follows:

- In November 2014 we asked Companies House to provide data on what proportion of UK companies have different numbers of shareholders (see columns a and b of Table 1).
- We estimated low, best and high estimates of the number of PSCs for companies with different numbers of shareholders (e.g. 1, 2, 3... more than 100) – as described below.
- We then produced low, best and high weighted average number of PSCs (see columns c, d and e of Table 1). This is where the estimated number of PSCs in companies in each of the different shareholding categories in column a is weighted by the total proportion of total companies in the UK that category comprises in column b.

We assumed the low estimate for each shareholding category, in column c, to be the minimum number of PSCs that companies could have based on their number of shareholders. For instance, we assume a company with two shareholders will have as a minimum one PSC owning more than 25.01% shares. As stated above, this is because in our calculations and assumptions we have used shareholders only – and not other forms of significant control. This is true throughout the calculations.

Similarly, we assumed the high estimate to be the highest number of PSCs that a company could have, based on their number of shareholders. For instance, a company with three shareholders could only potentially have up to three PSCs. In order to calculate the best estimate for each category we looked at a sample<sup>71</sup> of companies for each category to identify the number of PSCs they might have. Using this proxy, we considered the number of companies with two shareholders and we calculated, among them, the number of companies that have one shareholder owning between 75% and 100% shares (so these companies could have only one PSC based on our assumptions). We found that that 22% would have only one PSC; whereas 78% would have two PSCs. Finally, we calculated the weighted average of these figures (1.78) and used it as best estimate. This approach is used to estimate the low, best and high estimates for all categories.

Where we could not determine the number of PSCs per company we have given the same weight for different numbers of PSCs. For instance, for companies with three shareholders we could only determine the percentage of companies with one PSC (16%). Therefore we assumed that, among the remaining companies, the same percentage had two PSCs (42%) and three PSCs (42%). We felt this approach was more valid than having the best estimate as the mid-point of low and high estimates.

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<sup>71</sup> We used FAME database Bureau Van Dijk Electronic Publishing and the sample of companies accounted for 99% of the whole population, so it is a representative and robust sample.



Table 1: Number of PSCs

(a)	(b)	(c)	(d)	(e)
Number of shareholders in a company	% of companies in each category of shareholders' number	LOW ESTIMATE (min. no. of PSCs for each category)	BEST ESTIMATE	HIGH ESTIMATE (max. no. of PSCs for each category)
1	56.0%	1.0	1.0	1.0
2	30.3%	1.0	1.78	2.0
3	6.0%	1.0	1.84	3.0
4	3.4%	0.0	1.61	3.0
5	1.3%	0.0	1.61	3.0
6 - 10	1.8%	0.0	1.63	3.0
11 - 100	1.3%	0.0	1.97	3.0
More than 100	0.1%	0.0	1.59	3.0
<b>Weighted average number of PSCs in UK companies</b>		<b>0.9</b>	<b>1.3</b>	<b>1.6</b>

Source: Companies House, FAME and BIS calculations

Our best estimate of the weighted average number of shareholders in UK companies is 1.3 (0.9 as low estimate and 1.6 as high estimate). This number is broadly aligned with the answers we received from the surveys issued to companies. We then multiple these numbers by the number of companies in scope of the protection regime, in order to produce low, best and high estimates of the number of PSCs.

## Annex C - Surveys of Companies

This annex contains the following three stakeholder surveys:

- A. Survey of companies conducted to inform the analysis in the Consultation Stage Impact Assessment
- B. Survey of companies conducted to inform the analysis in the Final Stage Impact Assessment
- C. Survey of NGOs conducted to inform the analysis in the Final Stage Impact Assessment

### **A) Survey of companies conducted to inform the analysis in the Consultation Stage Impact Assessment**

Question 1 - Are you a UK incorporated company? Please answer considering the legal status of your company and not your parent or any other companies in your group structure.

Yes  
No

Question 2 - Are you a publicly listed company on a regulated or prescribed market? Please answer considering your company and not your parent company or any other companies in your group structure.

- Yes
- No

### **Background information**

Question 3 - On a global level, how many full time equivalent employees did your company have during the 2013/14 financial year?

- 49 or lower
- Between 50 and 249
- 250 higher
- I don't know

Question 4 - On a global level, what was your company full time equivalent staff in the 2013/2014 financial year?

- Lower than £6,500,000
- Between £6,500,000 and £25,900,000
- £25,900,001 or higher
- I don't know

Question 5 - On a global level, what was your company full time equivalent staff in the 2013/2014 financial year?

- Lower than £3,260,000
- Between £3,260,000 and £12,900,000
- £12,900,001 or higher
- I don't know

Question 6 - Which of the following sectors do you think best describes your company's business?

- Energy sector

- Banking or other financial institutions
- Life sciences (e.g. pharmaceutical sector, medical technology and other bio research)
- Defence industry
- Research institutions (e.g. companies within universities)
- Other (please specify)

An individual meeting at least one of these conditions constitutes a person with significant control (PSC) over a company:

- Direct or indirect ownership of more than 25% of a company's shares;
- Direct or indirect control of more than 25% of a company's voting rights;
- Direct or indirect right to appoint or remove a majority of the board of company directors;
- Exercise or right to exercise significant influence or control over a company; and/or
- Exercise or right to exercise significant influence or control over activities of a trust or firm which itself meets one or more of the first four conditions.

Question 7 - Please provide the total number of PSCs over your company

- I don't know
- Total number of PSC (please specify)

Question 8 - Do you expect any of these PSCs to be at serious risk of physical harm if their personal details were placed on the PSC register? Please see the summary page attached to the email to see which details we are referring to.

- Yes
- No
- I don't know

Question 9 - How many PSCs do you think will apply to have their information protected from public disclosure? Please see summary page attached to the email for explanation of the protection regime.

- 0%
- Between 1% and 25%
- Between 26% and 50%
- Between 51% and 75%
- Between 76% and 99%
- All (100%)
- I don't know

We intend that an application will be made to the UK registrar of companies to have PSC information suppressed from the PSC register. This can be made by the individual, a third party (e.g. a lawyer) or the company on behalf of the individual.

Question 10 - Who do you expect would make an application for a person with significant control to have their information protected on PSC register?

- The company on behalf of the individual
- The individual himself/herself
- A third party e.g. lawyer

- I don't know
- Sometimes the individual, sometimes the company. Please explain

One-off costs

Please answer the following questions related to any one-off costs incurred as a result of the new requirements if your company applies for the suppression of information from public disclosure. Please answer the following questions thinking about the process for the current suppression of Usual Residential Address (URA) information for company directors. Please provide 1) who in your company would be responsible for completing the application form 2) and estimate of the amount of time this would take per application. If you expect it to take no time then please answer 0.

Question 11 - Time taken to fill the application, including the time taken to gather evidence that proves the individual is at risk? (Please consider the time taken for one application)

	Number of people involved	Estimated time to complete (in hours) for each person
Senior manager (chief executives & senior officials)		
Middle manager (corporate managers and directors excluding chief executives & senior officials)		
Administrative staff		
(Administrative & secretarial occupations)		
Other please specify		

Question 12 - Time taken to familiarise and understand the protection regime

	Number of people involved	Estimated time to complete (in hours) for each person
Senior manager (chief executives & senior officials)		
Middle manager (corporate managers and directors excluding chief executives & senior officials)		
Administrative staff		
(Administrative & secretarial occupations)		
Other please specify		

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Question 13 - Time taken to implement new administrative systems and/or processes

	Number of people involved	Estimated time to complete (in hours) for each person
Senior manager (chief executives & senior officials)		
Middle manager (corporate managers and directors excluding chief executives & senior officials)		
Administrative staff		
(Administrative & secretarial occupations)		
Other please specify		

Question 14 - Other costs (please use this space to state any other areas where you think you may incur costs)

Benefits

Question 15 - Do you expect any benefits to arise from the protection regime? Please tick all that apply

- No benefit
- Yes individual that could be at risk will keep investing in the company
- Yes stability of business environment (e.g. because companies in sensitive sectors will not incur risks that investors could disinvest as a result of their information being disclosed)
- Yes – other benefits

Question 16 - Please provide an estimate of the monetary value, in pounds, of those benefits per year, if applicable.

Question 17 - Do you have any comments regarding the impact the protection regime will have on your business or to the wider economy?

Question 18 - If you would be happy for us to contact you with further questions please provide your contact details below:

- Contact name
- Company
- Email address
- Telephone number

Thank you for participating in this survey.

Thank you for participating in this survey. The PSC register does not however apply to non-UK companies so we do not require you to answer any further questions.

## **B) Survey of companies conducted to inform the analysis in the Final Stage Impact Assessment**

Question 1 - Are you a UK incorporated company? Please answer considering the legal status of your company and not your parent or any other companies in your group structure.

- Yes
- No

Question 2 - Are you a publicly listed company on a regulated or prescribed market? Please answer considering the legal status of your company and not your parent company or any other companies in your group structure.

- Yes
- No

*Note: If survey participants answered no to question 1 and / or yes to question 2 they were ineligible to complete the survey, as they were not in scope of the protection regime policy. They received the following message 'Thank you for participating in this survey. UK companies listed on UK regulated or prescribed markets will not be required to maintain a PSC register so we do not require you to answer any further questions'.*

### **Background information**

Question 3 - On a global level, how many full time equivalent employees did your company have during the 2013/14 financial year, or for the last year for which you have information?

- 49 or lower
- Between 50 and 249
- 250 or higher
- I don't know

Question 4- On a global level, what was your company's annual turnover for the 2013/2014 financial year, or for the last year for which you have information?

- Lower than £6,500,000
- Between £6,500,001 and £25,900,000
- £25,900,001 or higher
- I don't know

Question 5 - On a global level, what was your company's balance sheet total for the 2013/14 financial year, or for the last year for which you have information?

- Lower than £3,260,000
- Between £3,260,001 and £12,900,000
- £12,900,001 or higher
- I don't know

Question 6 - Which of the following sectors do you think best describes your company's business?

- Energy sector
- Banking or other financial institutions
- Life sciences industry (e.g. pharmaceutical sector, medical technology and other bioresearch)

- Defence industry
- Research institutions (e.g. companies with universities)
- Justice and judicial activities
- Foreign affairs
- Other (please specify)

An individual meeting at least one of these conditions constitutes a person with significant control (PSC) over a company:

- Direct or indirect ownership of more than 25% of a company's shares;
- Direct or indirect control of more than 25% of a company's voting rights;
- Direct or indirect right to appoint or remove a majority of the board of company directors;
- Exercise or right to exercise significant influence or control over a company; and/or
- Exercise or right to exercise significant influence or control over activities of a trust or firm which itself meets one or more of the first four conditions.

Question 7 - Please provide the total number of PSCs over your company

- 0
- 1
- 2
- 3
- 4
- I don't know
- Other (please specify)

Question 8 - Do you expect any of these PSCs to be at serious risk of physical harm if their personal details were placed on the PSC register? Please see the summary page attached to the email to see which details we are referring to.

- Yes
- No
- I don't know

We intend to allow people at serious risk of physical harm to apply to the UK registrar of companies for their PSC information to be withheld from public disclosure. Protection applications can be made by the individual, or the company, or a subscriber to the memorandum of association on behalf of the PSC. This would involve the completion of an application form which would include details about the company, how the PSC meets the grounds for application, and any supporting evidence. The Department will publish guidance on the procedures and requirements for making protection applications.

Question 9 - How many of your company's PSCs do you think will apply to have their information protected from public disclosure? Please see summary page attached to the email for explanation of the protection regime.

- 0
- 1
- 2
- 3
- 4
- I don't know
- Other (please specify)

Question 10 - Who do you expect would make an application for one of your company's PSCs to have their information protected on the PSC register?

- The company on behalf of the individual
- The individual himself/herself
- I don't know
- Sometimes the individual, sometimes the company. Please explain.

Costs to business

To help us estimate the cost to business as a result of the time it takes to become familiar with the procedures and requirements and to make applications for protection, we would be grateful for your responses to the following questions.

Question 11 - What is the number of people in your company who would need to familiarise themselves with and understand the requirements and procedures relating to the protection regime?

	Number of people involved
Senior manager (chief executives & senior officials)	
Middle manager (corporate managers and directors excluding chief executives & senior officials)	
Administrative staff	
(Administrative & secretarial occupations)	
If more than 30 people in any category please specify	

Question 12 - How much time would a person in each category need to invest in familiarising themselves with and understanding the requirements and procedures relating to the protection regime?

	Estimated time in hours for each person
Senior manager (chief executives & senior officials)	
Middle manager (corporate managers and directors excluding chief executives & senior officials)	
Administrative staff	
(Administrative & secretarial occupations)	
If more than 30 hours in any category please specify	

Question 13 - What is the number of people in your company that would be involved in preparing an application for a PSC under the protection regime?

	Number of people involved
Senior manager (chief executives & senior officials)	



Middle manager (corporate managers and directors excluding chief executives & senior officials)	
Administrative staff	
(Administrative & secretarial occupations)	
If more than 30 people in any category please specify	

Question 14 - How much time would a person in each category need to invest in preparing the application, including the time taken to gather evidence that proves the individual is at risk?

	Estimated time in hours for each person
Senior manager (chief executives & senior officials)	
Middle manager (corporate managers and directors excluding chief executives & senior officials)	
Administrative staff	
(Administrative & secretarial occupations)	
If more than 30 hours in any category please specify	

Question 15 - Please use this space to state any other areas where you think you may incur costs, specifying what these costs are and how they have been estimated.

Impact of the protection regime

The objective of the protection regime is to protect PSCs who are at serious risk from physical harm without compromising the effectiveness of the PSC register, the purpose of which is to enhance corporate transparency. To ensure the effectiveness of the PSC register, applications for protection will have to be made to the UK registrar of companies, who will assess them with advice from law enforcement such as the National Crime Agency. This will provide consistency in the assessment of applications and independent expert scrutiny of the case for the suppression of information from the PSC register.

Question 16 - To what extent do you agree with the following statement? The protection regime will reduce the benefits in terms of corporate transparency that are provided by the PSC register.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Question 17 - What impact would the protection regime outlined above have in reducing the benefits in terms of corporate transparency that are provided by the PSC register?

- Very large impact
- Large impact

- Moderate impact
- Small impact
- No impact
- Not sure

To what extent do you agree with the following statements?

Question 18 - A protection regime would be beneficial to your company as it would reassure existing or potential investors who might otherwise be deterred from being involved with your company.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Question 19 - The reduction in corporate transparency benefits of the PSC register, as a result of the protection regime, should be minimised by the independent expert scrutiny of applications for protection.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Question 20 - Companies should be left to determine whether the information of a PSC whom they believe is at serious risk of physical harm should be suppressed from the PSC register, without the application and independent scrutiny process outlined above.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Question 21 - If companies are left to determine whether or not the information of PSCs should be suppressed from the PSC register, fewer individuals would be protected from physical harm.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Question 22 - Do you have any comments regarding the impact the protection regime will have on your business or on the wider economy?

Question 23 - If you would be happy for us to contact you with further questions, please provide your contact details below

- Contact name

- Company
- Email address
- Telephone number

Thank you for participating in this survey.

**C) Survey of NGOs conducted to inform the analysis in the Final Stage Impact Assessment**

Background Information

The Small Business, Enterprise, and Employment Act 2015 (SBEE Act) requires UK companies to keep a register of people with significant control (PSC) from April 2016, and to file this information at Companies House from June 2016.

Making the PSC register publicly accessible is consistent with the UK's commitment to openness and transparency. We, however, recognise that there are legitimate reasons for individuals at serious risk of harm wishing to avoid public disclosure of their personal information in order to protect their own, and family members who live with them, personal safety and well-being. We are therefore allowing PSCs at serious risk of physical harm to apply to have their PSC information withheld from public inspection of the company's PSC register and the public register held by Companies House – the 'protection regime'.

To ensure the effectiveness of the PSC register, applications for protection will have to be made to the UK registrar of companies, who will assess them with advice from law enforcement bodies such as the National Crime Agency. This will provide consistency in the assessment of applications and independent expert scrutiny of the case for the suppression of information from the PSC register.

We would be grateful if you could spare 10 minutes and fill in this survey which aims to gather further evidence on the impact of the protection regime.

Question 1- To what extent do you agree with the following statement: The protection regime will reduce the benefits in terms of corporate transparency that are provided by the PSC register.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Question 2- What impact would the protection regime, outlined above, have in reducing the corporate transparency benefits that are provided by the PSC register.

- No impact
- Marginal impact
- Small impact
- Reasonable impact
- Large impact
- Not sure

To what extent do you agree with the following statements?

Question 3 - A protection regime would be beneficial to UK companies as it would reassure existing or potential investors who might otherwise be deterred from their involvement with them.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Question 4 - The reduction in corporate transparency provided by the PSC register due to the protection regime should be minimised by the independent expert scrutiny of applications for protection.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Question 5 - Companies should be left to determine whether the information of a PSC whom they believe is at serious risk of physical harm should be suppressed from the PSC register, without the application and independent scrutiny process outlined above.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Question 6 - If companies are left to determine whether or not the information of PSCs should be suppressed from the PSC register, fewer individuals would be protected from physical harm.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Question 7 - Do you have any comments regarding the impact the protection regime will have on UK business or to the wider economy?

Question 8 - If you would be happy for us to contact you with further questions, please provide your contact details below

- Contact name
- Company
- Email address
- Telephone number

Thank you for participating in this survey.

## Annex D - Costs to Police – Example of Risk Assessment

This annex outlines information from discussions with the NCA, about how the police may approach assessing whether an individual is at risk of serious harm.

Risk management covers all the processes involved in identifying, assessing and evaluating risks; assigning ownership; taking actions to mitigate or anticipate risk; and monitoring and reviewing progress. In this context, the risk management strategy is developed to utilise sound principles of risk management in order to protect the health, safety and welfare of PSCs by not disclosing his information publicly.

The term 'risk' is the chance, great or small, that harm, loss, damage or an adverse outcome will occur either from a particular threat or some other stable or acute factor within the profile of the PSC. The 'risk identification' must be based on fact and not assumption or mere supposition, however the law recognizes that a public authority may also 'ought to know' of certain risks without the need for specific intelligence<sup>72</sup>. The 'risk assessment' is the process of identifying risk, assessing the probability or likelihood of its occurrence and quantifying the potential impact should it occur. The questions to be answered are:

- Is it likely that an adverse effect or event will occur?
- When will it occur?
- What is the likely impact?

Because the protection will apply only if an individual is at serious risk of physical harm, some questions the police could consider when assessing the applications are:

- Is there a 'real and immediate' risk of serious harm to the individual?
- What is the nature of the threat and its probable impact? Is there a timescale?
- What is known about the character, capability & capacity of the person(s) who pose the threat?
- Is there a risk of collateral damage or injury to another person due to the nature of the threat?
- Is the PSC a victim of crime associated with their status?

The officer completing the risk assessment should identify and record all the known risks and then assess the level of the threat, the potential impact and the risk rating. It is important to differentiate between issues that are genuine risks and matters that purely cause concern.

The scoring matrix may prove to be a useful model to apply to the circumstances of each case. The table below serves to calculate the risk rating that depends upon the probability of risk scores and the impact of consequences in case this risk happens. This is important as the protection will apply for exceptional circumstances when PSCs would be at increased risk of violence if their information were disclosed publicly.

<b>Probability of Risk</b>		
<i>Very Unlikely</i>	1	
<i>Unlikely</i>	2	
<i>Possible</i>	3	
<i>Likely</i>	4	

<sup>72</sup> See for example the judgement of *OSMAN v The United Kingdom* (1998), The European Court held that this obligation arises where: 'The authorities knew or ought to have known at the time of a real and immediate risk to the life of an identified individual or individuals from the criminal acts of a third party'.

Very Likely	5	
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<b>Impact of Consequences</b>		
Minor	1	Threats / Intimidation
Appreciable	2	Minor Injury
Major	3	Incapacitating Injury
Severe	4	Potentially Fatal
Catastrophic	5	Fatal

0	LOW	9	10	Medium	19	20	High	25
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**Probability of Risk x Impact of Consequences = Risk Rating**