

<b>Title: Costs and benefits of making a company's own PSC register publicly available</b>  <b>IA No:</b> RPC15-BIS-2376  <b>Lead department or agency:</b> Department for Business Innovation and Skills  <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>	
	<b>Date:</b> 17 September 2015	
	<b>Stage:</b> Final Stage	
	<b>Source of intervention:</b> International	
	<b>Type of measure:</b> Secondary legislation	
<b>Contact for enquiries:</b> Sophie Green; Corporate Law Reform Team; Tel.: 0207 215 3799; Email: <a href="mailto:Sophie.Green@bis.gsi.gov.uk">Sophie.Green@bis.gsi.gov.uk</a>		
<b>Summary: Intervention and Options</b>	<b>RPC Opinion:</b> Green	

<b>Cost of Preferred (or more likely) Option: Option 2<sup>1</sup></b>					
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2014 prices)	In scope of Business Impact Target	Measure qualifies as	
-£89.89	-£89.89m	£10.09m	No	N/A	

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

Measures in the Small Business, Enterprise and Employment (SBEE) Act 2015 will require companies to keep a register of their People with Significant Control (a company's PSCs). Information in the register will be made publicly available. The overarching policy objective of the register, as described in the 'Transparency and Trust – Enhanced Transparency of Company Beneficial Ownership' Enactment IA, is to reduce crime and improve the business environment to facilitate economic growth through enhanced corporate transparency. Companies that do not elect to hold their register at Companies House will therefore be required to keep their PSC register available for inspection and to provide a copy of all or some of their register upon request. We do not anticipate companies incurring additional costs in making the register public per se – the costs of making it public will be those associated with responding to requests to access the register as set out in this IA. Government intervention is necessary to ensure this transparency without imposing disproportionate costs on either a company or the person requesting the information. We therefore need to establish what charging regime to set in order to balance companies covering their costs, whilst not limiting the benefits that flow from greater transparency.

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

The PSC register will implement the UK's 2013 G8 commitment to ensure that UK companies obtain and hold adequate, accurate and current information on their beneficial ownership and provide this to a central registry; and the commitment to make this information publicly accessible. The policy element described in this IA intends to ensure that the PSC register remains truly accessible when kept by companies themselves. The chosen option strikes a fair balance between allowing a company to recover the reasonable costs it incurs in providing a copy of its PSC register, and ensuring that these costs do not pose a barrier to those wanting to access the information.

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

0) The 'Do Nothing' option -we conclude that this would not meet the policy objectives.

1) Implementation of prescribed fees proportionate to the number of entries requested. This is our less preferred option as this was not supported by the responses to our consultation.

2) Implementation of a prescribed fixed fee for some, or all, entries in a company's PSC register. This is our preferred option as it was strongly supported by the responses to both our consultation and surveys.

3) A published recommended rate of fees (non-regulatory option). Although net costs would be lower than for Options 1 and 2, this is our least preferred option. This is primarily because we think that there is a risk of companies overcharging (potentially especially by companies who do not wish to share this information). This would therefore mean requestors would be deterred from making requests, and the non-monetised benefits of transparency would be less than under other options.

**Will the policy be reviewed?** This policy element will be reviewed, together with other measures implementing the PSC register, within three years of the legislation coming into force; this is anticipated to be 2019.

Does implementation go beyond minimum EU requirements?	N/A
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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: 22 October 2015

# Summary: Analysis & Evidence

## Policy Option 1

Description: Implementation of prescribed fees proportionate to the number of entries requested.

### FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2016	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -£203.56m	High: -£49.71m	Best Estimate: -£133.21m

COSTS (£m)	Total Transition (Constant Price) Years	Average (excl. Transition) Price	Annual (Constant)	Total (Present Value)	Cost
Low	£7.9m	1	£6.2m		£61.6m
High	£71.4m		£15.7m		£206.4m
Best Estimate	£48.5m		£10.3m		£137.1m

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

There will be one-off costs for affected companies, or their service providers, in familiarising themselves with the guidance, as well as ongoing costs in time taken to respond to requests:

- Total one-off costs £48,473,745 to familiarise themselves with the guidance;
- total annual costs £4,343,274 to respond to requests to inspect a register; and
- total annual costs £5,958,260 to respond to requests for copies of a register.

Part of these costs will be transferred to requestors through the chosen fee regime. This is captured in the monetised benefits section.

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

There will be direct one-off costs incurred by the Non-Government Organisations (NGOs) to familiarise themselves with the new information available in the first year, as well as staff time spent on additional activities. For example, campaigns as a result of being better informed about the company's people with significant control on an ongoing basis. There will also be indirect ongoing costs to the requestors of the register (e.g. NGOs/companies/Trust and Company Service Providers (TCSPs)) with regard to the time taken to complete and submit a request to inspect, or for a copy of, the register and to analyse the content of the register. We have not considered costs of installing a new payment mechanism to charge requestors for copies of the register as we have assumed such a mechanism will already be in place for the vast majority of companies.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average (excl. Transition) Price	Annual (Constant)	Total (Present Value)	Benefit
Low	0	1	£0.3m		£2.8m
High	0		£1.4m		£11.9m
Best Estimate	0		£0.5m		£3.9m

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

There will be monetised benefits to the companies and TCSPs that charge requestors for copies of their register. Our best estimate for Option 1 is £457,463 in monetised benefits per year. In broad economic terms, the fee revenues received by the company reflect a (non-monetised) transfer from requestors of the gain they receive from having this information. It is assumed that the benefits to requestors will at least equal the fee paid.

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

We assume:

- legal certainty for companies and those requesting copies;
- familiarity for companies and those requesting copies, given it will replicate an existing approach in company law;
- companies can recover some or all of their reasonable costs;
- the size of a company's register is taken into account;
- there is an upper limit on what a company may charge.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
<ul style="list-style-type: none"> <li>• that we will be able to exempt companies listed on prescribed markets from the requirement to maintain a PSC register<sup>2</sup>;</li> <li>• an average number of PSCs per company based on the number of shareholders in a company;</li> <li>• that there are 312,104 accountants in line with the Company Filing Requirements Red Tape Challenge IA and the Micro Exemptions IA<sup>3</sup>. This is used as the best proxy available for the number of TCSPs;</li> <li>• that 41% of companies will hold their register with a TCSP (based on research from Companies House);</li> <li>• that 15% of companies will elect to hold their PSC register with Companies House (based on second round survey responses);</li> <li>• that the current register of members inspection regime is the best comparison for potential costs under the PSC register inspection regime. We have assumed comparable demand for access to the registers based on survey responses and used our second round of surveys to validate or amend those assumptions based on expected usage of the PSC register by companies, TCSPs and NGOs;</li> <li>• that in the absence of reliable data on the price sensitivity of requesters, our modelling of monetised costs and benefits assumes the same number of requests are made under each fee regime. In practice we would expect the number of requests to fall under higher charges;</li> <li>• that there will be no or very few cases brought for refusal of access or of a copy of the register;</li> <li>• that all companies and TCSPs in scope will familiarise themselves with the guidance regardless of whether they receive a request to inspect or for a copy of their register (based on our second round of survey responses). In addition, we have assumed that the role of the person familiarising themselves and the time for familiarisation will be in line with our survey responses;</li> <li>• an estimated number of requests per year (based on survey responses) to inspect and for copies of the register. In addition, we have assumed that <i>companies</i> will not receive requests to inspect their register (based on survey responses) but will receive requests for copies of their register;</li> <li>• the time companies and TCSPs will take to respond to requests to inspect or for a copy of their register and the job function (i.e. administrator/middle manager or senior manager) of the person responsible for handling the request (based on survey responses);</li> <li>• that all or the vast majority of requests will be requested and responded to via email (and not by post);</li> <li>• that companies and TCSPs will not need to develop a new payment mechanism to charge requesters for copies of their registers; and</li> <li>• 2014 ASHE wage data, uplifted for non-wage costs using Eurostat data (19.76%)<sup>4</sup> (See Annex C for calculation of median salaries).</li> </ul>		

## BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of BIT?	Measure qualifies as
<b>Costs:</b> <b>£15.4m</b>	<b>Benefits:</b> <b>£0.4m</b>	<b>Net:</b> <b>£-15.0m</b>	No	

<sup>2</sup> This assumption is subject to the outcome on the EU's Fourth Money Laundering Directive, which may require companies listed on prescribed markets to report beneficial ownership information to a central register.

<sup>3</sup> June 2014, <http://www.parliament.uk/documents/impact-assessments/IA14-14F.pdf>

<sup>4</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)

## Policy Option 2

Description: Implementation of a prescribed fixed fee for some, or all, entries in a company's PSC register.

### FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate:
2014	2016	10	-£172.51m	£9.97m	-£89.89m

COSTS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition) (Constant Price)	Annual (Constant)	Total (Present Value)	Cost
Low	£7.9m	1		£6.2m		£61.6m
High	£71.4m			£15.7m		£206.4m
Best Estimate	£48.5m			£10.3m		£137.1m

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

There will be one-off costs for affected companies or their service providers in familiarising themselves with the guidance, as well as ongoing costs in time taken to respond to requests:

- Total one-off costs £48,473,745 to familiarise themselves with the guidance;
- total annual costs £4,343,274 to respond to requests to inspect a register; and
- total annual costs £5,958,260 to respond to requests for copies of a register.

Part of these costs will be transferred to requestors through the chosen fee regime. This is captured in the monetised benefits section.

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

There will be direct one-off costs incurred by the NGOs to familiarise themselves with the new information available in the first year, as well as staff time spent on additional activities. For example, campaigns as a result of being better informed about the company's people with significant control on an ongoing basis.

There will also be indirect ongoing costs to the requestors of the register (e.g. NGOs/companies/TCSPs) with regard to the time taken to complete and submit a request to inspect, or for a copy of, the register and to analyse the content of the register. We have not considered costs of installing a new payment mechanism to charge requestors for copies of the register as we have assumed such a mechanism will already be in place for the vast majority of companies.

BENEFITS (£m)	Total (Constant Price)	Transition Years	Average (excl. Transition) (Constant Price)	Annual (Constant)	Total (Present Value)	Benefit
Low	0	1	£3.9m			£33.9m
High	0		£8.3m			£71.6m
Best Estimate	0		£5.5m			£47.3m

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

There will be monetised benefits to the companies and TCSPs that charge requestors for copies of their register. Our best estimate for Option 2 is £5,489,552 in monetised benefits per year. In broad economic terms, the fee revenues received by the company reflect a (non-monetised) transfer from requestors of the gain they receive from having this information. It is assumed that the benefits to requestors will at least equal the fee paid.

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

We assume:

- legal certainty for companies and those requesting copies;
- companies can recover some or all of their reasonable costs;
- the simplicity of the charging regime;
- there is an upper limit on what a company may charge;

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
<ul style="list-style-type: none"> <li>• that we will be able to exempt companies listed on prescribed markets from the requirement to maintain a PSC register<sup>5</sup>;</li> <li>• an average number of PSCs per company based on the number of shareholders in a company;</li> <li>• that there are 312,104 accountants in line with the Company Filing Requirements Red Tape Challenge IA and the Micro Exemptions IA<sup>6</sup>. This is used as the best proxy available for the number of TCSPs;</li> <li>• that 99% of the companies affected by the policy will be small and 1% will be medium/large in line with the size split for all companies;</li> <li>• that 41% of companies will hold their register with a TCSP (based on research from Companies House);</li> <li>• that 15% of companies will elect to hold their PSC register with Companies House (based on second round survey responses);</li> <li>• that the current register of members inspection regime is the best comparison for potential costs under the PSC register inspection regime. We have assumed comparable demand for access to the registers based on survey responses and used our second round of surveys to validate or amend those assumptions based on expected usage of the PSC register by companies, TCSPs and NGOs;</li> <li>• that in the absence of reliable data on the price sensitivity of requesters, our modelling of monetised costs and benefits assumes the same number of requests are made under each fee regime. In practice we would expect the number of requests to fall under higher charges; that there will be no or very few cases brought for refusal of access to a copy of the register;</li> <li>• that all companies and TCSPs in scope will familiarise themselves with the guidance regardless of whether they receive a request to inspect or for a copy of their register (based on our second round of survey responses). In addition, we have assumed that the role of the person familiarising themselves and the time for familiarisation will be in line with our survey responses;</li> <li>• an estimated number of requests per year (based on survey responses) to inspect and for copies of the register. In addition, we have assumed that <i>companies</i> will not receive requests to inspect their register (based on survey responses) but will receive requests for copies of their register;</li> <li>• the time companies and TCSPs will take to respond to requests to inspect or for a copy of their register and the job function (i.e. administrator/middle manager or senior manager) of the person responsible for handling the request (based on survey responses);</li> <li>• that all or the vast majority of requests will be requested and responded to via email (and not by post);</li> <li>• that companies and TCSPs will not need to develop a new payment mechanism to charge requesters for copies of their registers;</li> <li>• 2014 ASHE wage data, uplifted for non-wage costs using Eurostat data (19.76%)<sup>7</sup> (See Annex C for calculation of median salaries); and</li> <li>• that the flat rate charged as a fee will be £12.</li> </ul>		

<sup>5</sup> This assumption is subject to the outcome on the EU's Fourth Money Laundering Directive, which may require companies listed on prescribed markets to report beneficial ownership information to a central register.

<sup>6</sup> June 2014, <http://www.parliament.uk/documents/impact-assessments/IA14-14F.pdf>

<sup>7</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)

## BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of BIT	Measure qualifies as
<b>Costs:</b> £15.4m	<b>Benefits:</b> £5.3m	<b>Net:</b> -£10.1m	No	

## Policy Option 3

**Description: A published recommended rate of fees (non-regulatory option)**

### FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2016	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £-146.58m	High: £95.86m	Best Estimate: £-32.47m

COSTS (£m)	Total Transition (Constant Price) Years	Average (excl. Transition) Price	Annual (Constant Price)	Total Cost (Present Value)
Low	£7.9m	1	£6.2m	£61.6m
High	£71.4m		£15.7m	£206.4m
Best Estimate	£48.5m		£10.3m	£137.1m

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

There will be one-off costs for affected companies, or their service providers, in familiarising themselves with the guidance, as well as ongoing costs in time taken to respond to requests:

- Total one-off costs £48,473,745 to familiarise themselves with the guidance;
- total annual costs £4,343,274 to respond to requests to inspect a register; and
- total annual costs £5,958,260 to respond to requests for copies of a register.

Part of these costs will be transferred to requestors through the chosen fee regime. This is captured in the monetised benefits section.

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

There will be direct one-off costs incurred by the NGOs to familiarise themselves with the new information available in the first year, as well as staff time spent on additional activities. For example, campaigns as a result of being better informed about the company's people with significant control on an ongoing basis.

There will also be indirect ongoing costs to the requestors of the register (e.g. NGOs/companies/TCSPs) with regard to the time taken to complete and submit a request to inspect or for a copy of the register and to analyse the content of the register.

We would also expect there to be indirect costs to the requestors and companies under this option through a lack of clarity regarding requirements, which could in turn result in additional costs to the company through time spent revisiting guidance or direct costs in legal advice. If companies were unsure whether they could charge a fee, they could also incur disproportionate costs in making the information available if they chose not to charge a fee. We might also expect some requestors to be deterred by the uncertainty over fees.

BENEFITS (£m)	Total Transition (Constant Price) Year	Average (excl. Transition) Price	Annual (Constant Price)	Total Benefit (Present Value)
Low	0		£6.9m	£59.8m
High	0		£18.3m	£157.5m
Best Estimate	0		£12.2m	£104.7m

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

There will be monetised benefits to the companies and TCSPs that charge requestors for copies of their register. Our best estimate for Option 3 is £12,160,481 in monetised benefits per year.

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

Companies could recover their costs and the size of a company's register could be taken into account.

However, there is a risk of companies overcharging (potentially, especially amongst companies who do not wish to share this information) under this option. This would therefore mean that requestors would be put off making requests, meaning we would not realise the policy objectives and the non-monetised benefits could be less than under other options.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
<p>We assume:</p> <ul style="list-style-type: none"> <li>• that we will be able to exempt companies listed on prescribed markets from the requirement to maintain a PSC register<sup>8</sup>;</li> <li>• an average number of PSCs per company based on the number of shareholders in a company;</li> <li>• that there are 312,104 accountants in line with the Company Filing Requirements Red Tape Challenge IA and the Micro Exemptions IA<sup>9</sup>. This is used as the best proxy available for the number of TCSPs;</li> <li>• that 99% of the companies affected by the policy will be small and 1% will be medium/large in line with the size split for all companies;</li> <li>• that 41% of companies will hold their register with a TCSP (based on research from Companies House);</li> <li>• that 15% of companies will elect to hold their PSC register with Companies House (based on second round survey responses);</li> <li>• that the current register of members inspection regime is the best comparison for potential costs under the PSC register inspection regime. We have assumed comparable demand for access to the registers based on survey responses and used our second round of surveys to validate or amend those assumptions based on expected usage of the PSC register by companies, TCSPs and NGOs;</li> <li>• that in the absence of reliable data on the price sensitivity of requesters, our modelling of monetised costs and benefits assumes the same number of requests are made under each fee regime. In practice we would expect the number of requests to fall under higher charges;</li> <li>• that there will be no or very few cases brought for refusal of access to a copy of the register;</li> <li>• that all companies and TCSPs in scope will familiarise themselves with the guidance regardless of whether they receive a request to inspect or for a copy of their register (based on our second round of survey responses). In addition, we have assumed that the role of the person familiarising themselves and the time for familiarisation will be in line with our survey responses;</li> <li>• an estimated number of requests per year (based on survey responses) to inspect and for copies of the register. In addition, we have assumed that <i>companies</i> will not receive requests to inspect their register (based on survey responses) but will receive requests for copies of their register;</li> <li>• the time companies and TCSPs will take to respond to requests to inspect or for a copy of their register and the job function (i.e. administrator/middle manager or senior manager) of the person responsible for handling the request (based on survey responses);</li> <li>• that all or the vast majority of requests will be requested and responded to via email (and not by post);</li> <li>• that companies and TCSPs will not need to develop a new payment mechanism to charge requesters for copies of their registers; and</li> <li>• 2014 ASHE wage data, uplifted for non-wage costs using Eurostat data (19.76%)<sup>10</sup> (See Annex C for calculation of median salaries).</li> </ul>		

<sup>8</sup> This assumption is subject to the outcome on the EU's Fourth Money Laundering Directive, which may require companies listed on prescribed markets to report beneficial ownership information to a central register.

<sup>9</sup> June 2014, <http://www.parliament.uk/documents/impact-assessments/IA14-14F.pdf>

<sup>10</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)

Direct impact on business (Equivalent Annual) £m:			In scope of BIT?	Measure qualifies as
<b>Costs:</b> £15.4m	<b>Benefits:</b> £11.7m	<b>Net:</b> £-3.6m	No	

## Evidence Base (for summary sheets)

### Executive summary

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

Measures in the Small Business, Enterprise and Employment (SBEE) Act 2015 will require companies to keep a register of their People with Significant Control (a company's PSCs). Information in the register will be made publicly available. Companies that do not elect to hold their register at Companies House will therefore be required to keep their PSC register available for inspection and to provide a copy of all or some of their register upon request. We do not anticipate companies incurring additional costs in making the register public per se – the costs of making it public will be those associated with responding to requests to access the register as set out in this IA. Government intervention is necessary to ensure transparency of information without imposing disproportionate costs on a company or the person requesting the information.

#### *Options*

- Option 0) 'Do Nothing' option - this would not meet the policy objectives.
- Option 1) Implementation of prescribed fees proportionate to the number of entries requested. This is our less preferred option as this was not supported by the responses to our consultation.
- Option 2) Implementation of a prescribed fixed fee for some, or all, entries in a company's PSC register. This is our preferred option as it was strongly supported by the responses to both our consultation and surveys.
- Option 3) A published recommended rate of fees (non-regulatory option). Although costs would be lower than Options 1 and 2, this is our least preferred option as it would not meet the policy objectives.

#### *Policy objectives*

The PSC register will implement the UK's 2013 G8 commitment to ensure that UK companies obtain and hold adequate, accurate and current information on their beneficial ownership and provide this to a central registry; and commitment to make this information publicly accessible. The policy element described in this IA intends to ensure that the PSC register, when kept by companies themselves, remains truly accessible. The chosen option should strike a fair balance between allowing a company to recover the reasonable costs it incurs in providing a copy of its PSC register, and ensuring that these costs do not pose a barrier to those wanting to access the information.

## Costs and Benefits

The options have the following costs and benefits (best estimate calculations presented below):

	<b>Option 1 (Proportionate fees)</b>	<b>Option 2 (Fixed fee –preferred option)</b>	<b>Option 3 (non-regulatory option)</b>
<b>Total Transitional costs</b>	<p>There will be one-off costs for affected companies and Trust and Company Service Providers (TCSPs) in familiarising themselves with the guidance:</p> <p><b>1. TCSPs: £11,578,689</b></p> <p>Calculation step 1: Use 2<sup>nd</sup> round survey responses to calculate median cost per TCSP for familiarisation with guidance – for each response, a low/best/high cost per TCSP was calculated by multiplying the position of the person(s) responsible for familiarisation by the expected time taken. Our best estimate of the cost per TCSP was £37.10.</p> <p>Calculation step 2: Assume all TCSPs (312,104 - based on previous research from Companies House and the Transparency and Trust Enactment IA calculations) will familiarise themselves with the guidance when the legislation is introduced – this is based on survey responses. =£37.10*312,104 = £11,578,689</p> <p>Note - We were not able to break down median cost per TCSP by size of TCSP as we do not have data on the size split (e.g. 99% small/1% medium or large) for all TCSPs. We have therefore used the median cost per TCSP overall for all TCSPs that responded.</p> <p><b>2. Companies</b></p> <p>Calculation step 1: Assume 1,839,293 companies will be affected and need to familiarise. This is based on a total of 3,429,549 companies in UK; excluding 41% of companies that hold their register with a TCSP (based on CH research);; and excluding the number of TCSPs (312,104) to avoid double counting: =(0.59*( 3,429,549-312104))=1,839,293 (Number of companies not holding their register with a TCSP)</p> <p>Calculation step 2: Use 2<sup>nd</sup> round survey responses to calculate median cost per company for familiarisation</p>	As Option 1	As Option 1

	<p>with guidance – for each response, a low/best/high cost per TCSP was calculated by multiplying the position of the person(s) responsible for familiarisation by the expected time taken. Our best estimate of the cost per company for all companies was £31.37, for small companies was £19.88 and for medium/large companies was £37.97.</p> <p>Calculation step 3: Assume the company size split in the number of affected companies is the same as the split in company size overall (i.e. that 99% of companies are small and that 1% of companies are medium/large).</p> <p>Multiply cost per company by number of affected companies, breaking down by company size:  <math display="block">= ((0.99 * (£19.88 * 1,839,293)) + (0.01 * (£37.97 * 1,563,399)))</math> <math display="block">= £36,895,056</math></p> <p><b>Total familiarisation costs:</b>  <math display="block">£11,578,689 + £36,895,056 = \mathbf{£48,473,745}</math></p>		
<p><b>Total On-going costs</b></p>	<p>Ongoing costs were separated into 1) Costs incurred through requests to inspect a register and 2) Costs incurred through requests for a copy of the register. As a starting point we assume that the existing register of company members is a robust proxy for the proposed PSC register.</p> <p><b>1) Costs incurred through requests to inspect a register</b></p> <p>No companies that responded to the first round survey had received a request to inspect their register of members – this was supported by our second round survey; we have therefore assumed that this will also apply to the PSC register and that only TCSPs will be affected by requests to inspect a register.</p> <p>Of the TCSPs that responded, 56% had received a request to inspect (extrapolating to 174,778 of all TCSPs).</p> <p>In response to our first round of surveys, the median number of requests was 6.5 in one year. However, this does not account for the likely decreased demand due to differences in holding arrangements for the register (ie it can be held, and be open to the public, at Companies House), nor the expected plans of requesters to access registers. As 49% expected to submit a request direct to the</p>	<p>As Option 1</p>	<p>As Option 1</p>

company/TCSP to inspect a register, and as the TCSPs that responded were larger than the average population of TCSPs and therefore more likely to hold more registers, we revised this figure down to a high estimate of three requests per year ( $0.49 \times 6.5$ ), a best estimate of two requests per year and a low estimate of one request per year.

The responsibility for responding to requests fell to the middle manager; and the response took 0.5 hours (based on 1<sup>st</sup> round survey responses and validated by our 2<sup>nd</sup> round survey responses).

Best estimate per TCSP:

$$2 \times (0.5 \times \text{£}24.85) = \text{£}24.85$$

(where £24.85 is median wage for Middle Managers from ASHE 2014 data, including non-wage uplift)

Best estimate per year:

$$174,778 \times \text{£}24.85 = \text{£}4,343,274$$

## 2) Costs incurred through requests for a copy of a register

For *TCSPs*, 71% of TCSPs who responded to our first round of surveys (extrapolated to 221,594 of all TCSPs) received a request for a copy of a register in the last year. Based on survey responses, a median of 3 requests were made for copies of their registers in the last year, responses took 0.5 hours to prepare and fell to a middle manager. We revised the estimate down on the number of requests as only 33% expected to submit a request direct to the company/TCSP for a copy of the register, and as the TCSPs that responded were larger than the average population of TCSPs and therefore more likely to hold more registers – our high estimate was therefore two requests per year and our best estimate was 1.5 requests and low estimate was one request per year.

Best estimate per TCSP:

$$1.5 \times (0.5 \times \text{£}24.85) = \text{£}18.64$$

Best estimate per year for TCSPs:

$$\text{£}18.64 \times 221,594 = \text{£}4,129,988$$

For *companies*, 8% of companies had received a request for a copy of their register of members in the last year (according to our first round of survey responses). This was used to calculate the number affected ( $(1,563,399 \times 0.08) = 125,072$ ). Based on both

	<p>rounds of survey responses, our best estimate is that companies will receive one request per year, this will take 0.5 hours to respond and the responsibility will fall to a middle manager.</p> <p>Best estimate per company:  <math>1 \times (0.5 \times 24.85) = \text{£}12.43</math></p> <p>Best estimate per year for companies:  <math>\text{£}12.43 \times 125,072 = \text{£}1,554,031</math></p> <p><i>Requests for historical data for companies that hold their register at Companies House:</i>  We assume that 15% of companies that do not hold their register with a TCSP will elect to hold their register at Companies House (22,072 companies). Of those, we assume that 8% will receive a request for a copy of their historical data in one year (in line with assumptions about requests for current registers). Our best estimate is that companies will receive one request per year for their historical data, this will take 0.5 hours to respond and that the responsibility will fall to a middle manager (in line with survey responses in responding to a request for a copy of the register).</p> <p>Best estimate per company:  <math>1 \times (0.5 \times 24.85) = \text{£}12.43</math></p> <p>Best estimate per year for companies:  <math>\text{£}12.43 \times 22,072 = \text{£}274,241</math></p> <p><b>Total ongoing costs:</b>  <math>\text{£}4,343,274 + \text{£}4,129,988 + \text{£}1,554,031 + \text{£}274,241 = \text{£}10,301,534</math></p>		
<p><b>Total Non-monetised costs</b></p>	<ol style="list-style-type: none"> <li>1) Costs to NGOs (and other companies) to submit requests to inspect or for a copy of their register. These costs have been estimated but have not been included in the NPV calculation as have assumed that an NGO or a company would not submit a request if the costs outweighed the benefits.</li> <li>2) Costs to NGOs (and to other companies) to analyse the responses to requests to inspect or for a copy of the register. These costs have been estimated but have not been included in the NPV calculation as have assumed that an NGO or a company would not submit a request if the costs outweighed the benefits.</li> </ol>	<p>As Option 1.</p>	<p>As Option 1</p>

	<b>Option 1 (Proportionate fees)</b>	<b>Option 2 (Fixed fee – preferred option)</b>	<b>Option 3 (non-regulatory option)</b>
<b>Total Monetised benefits</b>	<p>Under option 1, fees would be proportionate to the number of entries in the register. Given our best estimate is that companies will have 1.3 PSCs and our high estimate is 1.6 PSCs, we've assumed a £1 best estimate fee (reflecting the existing fee structure of the members register) and a high estimate of £2. There would also be additional 'proportionate costs' (e.g. postage) but we have not estimated these benefits as have no evidence as to the likely charges.</p> <p>TCSPs best estimate (Fee* no of TCSPs * no of requests per year): £1*221,594*1.5 = £332,391</p> <p>Company best estimate: (Fee* no of companies * no of requests per year): £1*125,072*1 = £125,072</p> <p><b>Total benefits under Option 1: £457,463</b></p>	<p>Option 2 is a flat rate of fees. We've suggested a flat fee of £12 on the basis that this was the median cost per company per request for a copy and that this represents a rate that is fair to both companies and requesters.</p> <p>TCSPs best estimate: (Fee* no of TCSPs * no of requests per year) £12*221,594*1.5= £3,988,689</p> <p>Companies best estimate: (Fee*no of companies*no of requests per year): £12*125,072*1 = £1,500,863</p> <p><b>Total benefits under Option 2: £5,489,552</b></p>	<p>Under option 3, we used survey responses to estimate the amount companies/TCSPs would charge in the absence of guidance/legislation. The median amount TCSPs would charge was £30 and the median amount companies would charge was £17.50 based on survey responses.</p> <p>Although the benefits are higher under this option, it is not the preferred option as the fees are thought to be potentially prohibitively high and could prevent requesters submitting requests.</p> <p>TCSPs best estimate (Fee* no of TCSPs * no of requests per year): £30*221,594*1.5= £9,971,723</p> <p>Companies best estimate (Fee*no of companies * no of requests per year): £17.50*125,072*1 = £2,188,758</p> <p><b>Total benefits under Option 3: £12,160,481</b></p>
<b>Total Non-monetised benefits</b>	Reasonable additional costs (e.g. postage) to send the register to requesters of copies of the register as have assumed the majority will respond by mail and no evidence of what these costs might be.	As option 1	As option 1

Costs to Companies House are covered in the T&T EIA and are therefore not included in this Impact Assessment to avoid double-counting.

### Conclusion

Option 2 is our preferred option. It has an EANCB of £10.09m, and a total net present value of -£89.89m. This option, we believe, will give rise to the most benefits (although we have not been able to monetise all these benefits in this IA) that result from making a company register publicly available.

## A. Background

1. The Small Business, Enterprise and Employment (SBEE) Act 2015 contains measures to implement a central register of company beneficial ownership information (a register of people with significant control, or 'PSC register'). This includes a requirement that a company's PSC register must be open to the inspection of any person without charge and that any person may require a copy of a company's PSC register, or a part of it, on payment of a prescribed fee.
2. Secondary legislation is required to set the level of the fee. We have consulted<sup>11</sup> on the draft regulations and the outcome of that consultation has been used to inform this Impact Assessment. We intend to lay the regulations setting the fees in autumn 2015.
3. We intend that companies will be required to keep their own PSC registers from 6<sup>th</sup> April 2016. We intend to require them to make information in their PSC register publicly available, and start filing this information at Companies House, from 30<sup>th</sup> June 2016. This 'proportionate' approach provides companies with a period of three months in which to prepare the required information before they need to submit it to the central registry and make it publicly available.

### Corporate opacity and illicit activity

4. At the UK-chaired G8 Summit in 2013, the G8 Leaders<sup>12</sup> recognised the problem of corporate opacity. They agreed common Principles<sup>13</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 onshore to relevant 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>14</sup>. The reform is described fully in the Transparency and Trust – Enhanced Transparency of Company Beneficial Ownership Enactment IA (T&T EIA)<sup>15</sup>, and summarised below.
5. The T&T EIA details the problem of opaque company ownership structures. In particular, it considers the potential benefits to the UK in tackling the misuse of companies through implementation of a publicly accessible central registry.
6. In summary, the T&T EIA describes how corporate opacity can facilitate illicit activity and lead to poor corporate behaviour. Where there is a lack of transparency around corporate structures which facilitates illicit activity and hinders the criminal justice system, there is regulatory failure with respect to the company law framework and enforcement. Where there is a lack of transparency, there is an information asymmetry between those

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<sup>11</sup> <https://www.gov.uk/government/consultations/company-ownership-and-control-register-implementation>

<sup>12</sup> Now G7.

<sup>13</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>14</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>

<sup>15</sup> [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)

controlling the business and those engaging with it, which damages trust and hinders transactions and investment. Therefore, there is a dual rationale for government intervention to address the problems of corporate opacity.

7. This IA assesses the costs and benefits of requiring companies to make their PSC register available for public inspection and allowing companies to charge a fee in order to recover the costs of providing a copy of the register on request. We consider that this entirely in keeping with the G8 commitment, which was about ensuring that data on the central register held by Companies House was available to all and free of charge. This approach is almost identical to the existing approach of allowing companies to charge fees to recover costs for providing a copy of their register of members and other company registers.
8. Where there have been no changes in a company's PSCs since its annual return, the only additional information contained on the company's own register, which is not available on the central register held by Companies House, will be the day element of the PSC's date of birth. Whilst this could be a key identifier for an individual where there are two people with the same name, month and year of birth we do not consider that it will be material in most cases. As such, we consider that requiring companies to make their register publicly accessible and allowing them to recover their reasonable costs for providing copies of their register on request is reasonable and appropriate, without detracting from the G8 commitment to increasing transparency.

### **The People with Significant Control register (PSC register)**

9. Measures to implement the PSC register are contained within the Small Business, Enterprise and Employment (SBEE) Act 2015. The legislation refers to the central registry as 'the register of people with significant control' or 'PSC register'.
10. A PSC is any individual<sup>16</sup> who meets one or more of the following conditions in relation to the company:
  - 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;
  - Has a right to exercise or actually exercises significant influence or control over the company; or
  - Has a right to exercise or actually exercises significant influence or control over a firm or trust which would itself meet one of the above conditions were it an individual.
11. UK companies, with the exception of companies listed on EEA regulated markets and UK prescribed markets, will be required to take reasonable steps to identify their PSCs.
12. Companies will be required to hold information on their PSCs' full name, date of birth, nationality, country or state of usual residence, residential address, a contact (or

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<sup>16</sup> In certain circumstances, a legal entity must be recorded in the register instead of an individual.

“service”) address, the date on which the PSC acquired their interest in the company (and ceased to hold it, where applicable), details of how they exercise control over the company, and whether the individual has applied for their information to be protected from public disclosure.

13. They must hold this information in a register and keep it up to date. They must provide all of this information to Companies House on incorporation, and update the central public register at least once every 12 months thereafter.
14. Consistent with the UK’s commitment to openness and transparency, and building on the established practice of making information on UK companies available on the public record, the PSC register will be publicly available via companies and Companies House. There will be limited exceptions to this, described in the T&T EIA.

## The proposal

15. As described above, the company must keep its PSC register and make it available for public inspection. The register may be held at its registered office or other specified location (such as a service provider’s office). Following reforms in the SBEE Act 2015, private companies may also elect to hold their PSC register solely at Companies House<sup>17</sup>. In such cases they will only need to respond to requests to access historic information (i.e. information held before the election was made), or to confirm that information held at Companies House is up to date.
16. The legislation provides that a person may inspect a company’s PSC register without charge and/or require a copy of some or all of a company’s PSC register on request and for a proper purpose. ‘Proper purpose’ is intended to have a wide interpretation and application; it may be read in light of the fact that the purpose of the PSC register is to provide public information about a company’s ownership and control. The person making the request must provide the company with their name, address and the purpose for which the information is sought. A company will have five working days either to comply with a request or to apply to the court to refuse it. A company will not be able to simply decline a request. This approach is consistent with other company information registers, such as the register of members (‘shareholders’).
17. Although we anticipate that people will tend to access PSC information via Companies House, where the vast majority of information will be easily **searchable online, free of charge**, there are two primary reasons why a person may request access to the company’s own PSC register. The first is to check the latest position of a company’s PSCs. As information held at Companies House must only be updated once every 12 months<sup>18</sup>, the information held by the company may be more up to date. The second is to access the full date of birth of a PSC, which may be required by banks and others conducting due diligence on a company. Only the month and year of a PSC’s date of birth will be automatically available via Companies House<sup>19</sup>, in order to help reduce the risk to people on public registers of identity fraud. To further protect PSCs, the usual residential address of a PSC will not be publicly available on either register. Unlike the central public register which may be accessed instantly by anyone, those requesting to

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<sup>17</sup> Section 790X of the Small Business, Enterprise and Employment Act 2015

<sup>18</sup> Unless the company has elected to hold its PSC register solely at Companies House.

<sup>19</sup> Unless the company has elected to hold its PSC register solely at Companies House.

view the company's own register must provide their name and address and their request must be for a 'proper purpose', which they are also required to give. As under the register of members regime, it will be a criminal offence punishable by imprisonment or a fine, for a person to give misleading, false or deceptive information as to why they want to inspect or obtain a copy of the register. However, law enforcement and specified public authorities will have access to **all** PSC data in order to carry out their statutory and other anti-money laundering functions.

18. The legislation setting out a person's right to inspect and require copies of a company's PSC register is almost identical to the inspection regime for a company's register of members. This is an established precedent that works well. However, there are some differences: the most notable difference is that the SBEE Act 2015 (by introducing section 790O of new Part 21A of the Companies Act 2006) established that there will be no charge for anyone inspecting a company's PSC register, only for copies. This is because the purpose of the PSC register is to provide transparency of company ownership and control by making this information publicly and easily accessible.<sup>20</sup>
19. Section 116 of the Companies Act 2006 (CA06) enables the Secretary of State to prescribe fees that companies **may** charge for providing a copy of all, or part of, their register of members. These are prescribed by Statutory Instrument No.2612 (2007). This sets out that a company may charge £5 for the first 5 entries; £30 for the next 95 entries; £30 for the next 900 entries; £30 for the next 99,000 entries; and £30 for the remainder of the entries in the register; plus any reasonable costs incurred in delivering the copy. Therefore, no company may charge more than £125 (plus any reasonable costs incurred for delivery) for a copy of its register of members. Given the similarities in the two registers we are using the same fees structure for option 1 below.
20. Our interpretation of this provision, as confirmed by BIS lawyers – and which underpins the analysis in this Impact Assessment – is that the fee per number of entries is intended to cover the costs incurred by the company in providing the copy of the information. The 'reasonable costs' element would then cover any **additional** costs incurred in *delivering* the information to the requestor. We anticipate this would essentially only cover postage costs, and so would vary depending on whether the information was required to be sent by email or by post and, if the latter, to which country. For the purpose of this Impact Assessment however, we assume that information would be requested and therefore delivered by email, and so companies would not need to charge any 'reasonable costs'. This assumption is in line with the general trend towards digital communications and with the responses we received to both surveys whereby the majority of requests were responded to by email<sup>21</sup>. This assumption was also supported by the responses we received to our consultation on the draft regulations. Four (the Federation of Small Businesses, a joint response by four NGOs, one TCSP and one company) of the 33 respondents who preferred option 2 - a fixed fee per request - commented that this was appropriate as many companies now hold their registers in electronic form.
21. According to the Impact Assessment of Regulations for Fees for Inspection and Copying of Company Records, the fees were structured in this way because respondents

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<sup>20</sup> The register of members is aimed at ensuring the company and its shareholders have knowledge of who holds shares and rights in the company. The information on the register is primarily available for purposes relevant to the holding of interests recorded in the register or the exercise of rights attached to them.

<sup>21</sup> 54% of respondents expected to only respond by email. An additional 39% of respondents expected to respond by post and email to requests – of these, the median proportion anticipated by respondents was 78% email and 22% by post.

to the survey that was conducted indicated that the cost of providing a few entries is disproportionately high compared to the cost of providing hundreds or thousands of entries.<sup>22</sup> We anticipate that given its similarities with the register of members, this may also be true of the proposed PSC register regime. However, we anticipate that it would be very rare for a company to have hundreds or thousands of entries in its PSC register, so the problem may be less marked. Option 2 proposes a flat fee in the light of this difference.

22. For the purposes of this Impact Assessment and draft regulations, we describe one 'entry' as all the information concerning a particular PSC or each additional matter that is required to be noted on the register, such as a statement that the company has no PSCs.

23. While we have researched other fee structures and rates (see Annex A), there was a lack of information available on fee transfers wholly within the private sector. Prescribed fees are overwhelmingly used to regulate fees charged to consumers by the public sector.

## **B. Problem under consideration**

24. As outlined above and detailed in the T&T EIA, opacity of the control of corporate structures can facilitate illicit activity and lead to a deficiency in corporate governance, which can erode trust and damage the business environment. Both can ultimately hold back economic growth. A lack of knowledge around the beneficial ownership of UK companies – i.e. around the individuals who really own and control the company – can contribute to corporate opacity.

25. The PSC register, as part of the Transparency and Trust package, aims to reduce crime and improve the business environment so as to facilitate economic growth. It implements the UK's 2013 G8 commitment to ensure that UK companies obtain and hold adequate, accurate and current information on their beneficial ownership and provide this to a central registry. It also delivers the UK Government's commitment that this information should be publicly accessible.

26. In order to meet these commitments, and ensure that company beneficial ownership information is publicly accessible, companies must hold a PSC register and make it available for public inspection on request, as detailed above.

27. As also described above, we anticipate that people will tend to access PSC information via Companies House, where information will be easily **searchable online**, for **free**. There are two primary reasons why a person may request to inspect the company's own PSC register. The first is to check the latest position of a company's PSCs. The second is to access the full date of birth of a PSC, which may be required by banks and others conducting due diligence on a company. This information may only be accessed by those providing the company with their name, address and purpose for requesting the information.

28. It is therefore important that companies not electing to keep their register at Companies House make their PSC register available for public inspection without charge. It is equally important that they provide a copy of all, or part of, their register on request. This is because those unable to travel or deterred by the cost of travel to inspect a

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<sup>22</sup> [http://www.legislation.gov.uk/ukxi/2007/2612/pdfs/ukxiem\\_20072612\\_en.pdf](http://www.legislation.gov.uk/ukxi/2007/2612/pdfs/ukxiem_20072612_en.pdf)

company register in person may effectively have reduced access to the PSC register. Others may require a copy of the information in order to, for example, comply with statutory obligations to conduct client due diligence under anti-money laundering requirements.

29. Section 790O of new Part 21A of the Companies Act 2006, sets out a person's right to inspect and require copies of a company's PSC register. This provides that: any person may, on request and for a proper purpose, inspect the company's register without charge and require a copy of the register on payment of such fee as may be prescribed by the Secretary of State. The person requesting information must provide the company with their name, address and the purpose for which the information is sought. Providing information in this context that is misleading, false or deceptive will be a punishable offence. Having to provide this personal information will reduce the likelihood that the person requesting the PSC's details will be doing so for fraudulent reasons.
30. Here, 'proper purpose' is intended to have a wide interpretation and application. The purpose of the PSC register is to provide transparency of company ownership and control and a person may inspect the register in the interests of finding out that information. For example, in the context of investigative journalism.
31. Where a company receives a request which complies with s790O, it will have to, within five working days of receipt of that request, either comply with it (i.e. allow inspection/provide a copy, as applicable) or apply to the court to refuse inspection if it suspects the request is not made for a proper purpose. A company will not be able to simply decline a request: it will be an offence to refuse an inspection or fail to provide a copy of the register without a court order.
32. In summary we have described above why it is important for the company to make its register available for public inspection, and provide copies of it. To ensure these objectives are fully met it is important that searchers do not incur disproportionate costs in accessing copies. This is because disproportionate costs could adversely impact the frequency with which PSC information is accessed and used, which would prevent the benefits of reform from being fully realised.
33. However, it is also important that companies do not incur uncompensated disproportionate costs in providing copies of this information, particularly when the vast majority of the information can be freely accessed via Companies House.
34. The problem under consideration in this IA is how to ensure transparency, by upholding the public nature of the PSC register, without imposing disproportionate costs on a company or searchers of the register. We therefore need to establish what charging regime should be set in order to balance companies covering their costs, whilst not limiting the benefits that flow from greater transparency.

### **C. Rationale for intervention**

35. As described in the T&T EIA, the introduction of the PSC register will deliver transparency by identifying beneficial owners of companies. We expect the benefits of increased transparency of People with Significant Control (PSC) to include a reduction in crime and an increase in trust through addressing both regulatory failures and an asymmetry of information. The **regulatory failure** is associated with the current

corporate governance and company law frameworks, which enable those that control companies to remain anonymous and hence allow or even facilitate financial crime. The **information asymmetry** is between those that control companies and those that trade with them, own them and invest in them. This inhibits economic activity due to a lack of trust. The inefficiency and reputational damage that crime introduces to the economy, as well as the lost business and reduced investment from information asymmetry, could negatively impact on economic growth. As described in the T&T EIA, the benefits of increased transparency are achieved by making information in the register publicly available. This applies both to the (additional) information held by the company and by Companies House.

36. There are two key reasons why a person may want to access information via the company rather than via Companies House – to get the most up to date information available and to access PSC full dates of birth. It is therefore as important that companies, individuals and others can access PSC information held by the company as PSC information held by Companies House. For that reason, the SBEE Act 2015 requires companies to keep their PSC register available for public inspection, and to provide copies on request.
37. Allowing companies to charge a fee ensures that, where government requires companies *by law* to provide information, those requesting the copies should incur (some of) the costs they impose on companies by these requests. It is not a policy objective for companies to incur uncompensated disproportionate costs in providing copies of this information.
38. There is, however, a risk of regulatory failure coupled with a lack of competition if we do not include set rates for fees. This is because without regulations stipulating the fee rate for copies, companies could charge a total price which is significantly greater than the cost of providing the data. This would adversely impact the accessibility and utility of PSC information. The median flat rate companies who responded to the survey expected to charge was £30 for companies and £45 for TCSPs whereas the estimated median cost was £12 – suggesting some tendency to price above cost. Only the company will be able to provide a searcher of the register with the most up to date information and the full date of birth. Thus the holder of that information has a monopoly position, enabling the company to capture the rents. This could deter people from requesting access to the registers, thereby leading to a position where the economy does not fully realise the benefits of increased transparency of PSCs.

#### **D. Policy objective**

39. The register forms part of the Transparency and Trust package of reforms. The overarching objective of this is to reduce crime and improve the business environment so as to facilitate economic growth, and meet international standards on tackling the misuse of companies.
40. The PSC register will do this by enhancing transparency around the ultimate owners and controllers of UK companies. It will implement the UK's 2013 G8 commitment to ensure that UK companies obtain and hold adequate, accurate and current information on their beneficial ownership and provide it to a central registry; and the commitment to make this information publicly accessible.

41. The specific element of the policy described in this IA aims to ensure that the PSC register, when kept by companies themselves, remains truly accessible in line with the overarching objective of reform in a way which is reasonable and appropriate.
42. The chosen option should also strike a fair balance between ensuring that a company can recover some or all of the costs it incurs when complying with the statutory requirement to provide a copy of its PSC register, and ensuring that these costs do not pose a barrier to those wanting to access the information.

### **E. Description of options considered (including ‘Do Nothing’)**

43. Under the ‘Do Nothing’ Option, we would not commence the sections of the primary legislation which would require a company to make its own PSC register available for public inspection and provide copies. The company would still need to keep a register, and provide this information to Companies House. Companies House would make that information publicly available in line with the policy described above in the ‘Background’ section.
44. As described above, there are two primary reasons why a person may request access to the company’s own PSC register. The first is to check the latest position of a company’s PSCs. The second is to access the full date of birth of a PSC, which may be required by banks and others conducting due diligence on a company. This information may only be accessed by those providing the company with their name, address and purpose for requesting the information. It will be an offence to give false or misleading information.
45. The ‘do nothing’ option is therefore unsatisfactory because it removes the ability for people to access the most up to date PSC information. It also prevents those using the register for due diligence purposes from accessing the full dates of birth. This would reduce the overall potential benefits to be derived from reform.

#### **Option 1 – Prescribe fees proportionate to the number of entries requested**

46. The first option we are considering is requiring companies to make their own register available for public inspection and prescribing, in secondary legislation, a fee that is proportionate to the number of entries in a company’s PSC register that are requested. Specifically, we propose replicating the current structure for accessing copies of the register of members, prescribed by Statutory Instrument No.2612 (2007). Under this option, a company may charge £5 for the first 5 entries; £30 for the next 95 entries; £30 for the next 900 entries; £30 for the next 99,000 entries; and £30 for the remainder of the entries in the register; plus any reasonable costs incurred in delivering the copy. Therefore, no company may charge more than £125 (plus the reasonable costs incurred for delivery) for a copy of its register of members.
47. The fees were structured in this way because respondents to a survey conducted regarding these fees indicated that the cost of providing a few entries is disproportionately high compared to the cost of providing hundreds or thousands of entries.<sup>23</sup> A company’s

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<sup>23</sup> [http://www.legislation.gov.uk/ukSI/2007/2612/pdfs/ukSIem\\_20072612\\_en.pdf](http://www.legislation.gov.uk/ukSI/2007/2612/pdfs/ukSIem_20072612_en.pdf)

PSC register is likely to be structured in a way that is sufficiently similar to its register of members, though potentially much smaller, to make this a possible option.

48. We believe the benefits of this option to be:
- legal certainty for companies and those requesting copies;
  - familiarity for companies and those requesting copies, given it will replicate an existing approach in company law;
  - companies can recover some or all of their costs;
  - the size of a company's register is taken into account; and
  - there is an upper limit on what a company may charge thereby avoiding the possible deterrent effect of high charges for information.

**Option 2 – Prescribe a fixed fee for a copy of some or all entries in a company's register (the preferred option)**

49. The second option we are considering is requiring companies to make their own register available for public inspection and prescribing a single fixed fee that will apply to all requests for copies, regardless of whether some or all of the company register is requested.

50. It is possible to structure the fees in this way as we expect many registers (especially those with a larger number of PSCs) are likely to be held electronically, meaning there shouldn't be much difference in the costs to companies of making one or 100 entries available. We also expect companies to respond to requests electronically, in line with the majority of responses to both surveys and the consultation we have conducted, as described in paragraphs 18 and 98 of this IA.

51. We also expect that requests are likely to be made via email, and so can be responded to electronically. As such, companies would not incur the costs associated with posting the information, such as printing a hard copy or paying for recorded delivery. This again should mean that the cost to a company is broadly similar whether one or 100 entries are requested.

52. For this reason we believe that it may no longer be necessary to include a provision allowing companies to charge any reasonable costs they incurred in delivering a copy. We think that this would make the fees easier to understand for companies and requesters, and reduce the potential for any abuse (e.g. through costs that purport to be reasonable but which are in fact inflated).

53. We believe the benefits of this option to be:
- legal certainty for companies and searchers;
  - simplicity for companies and searchers;
  - companies can recover some or all of the cost of providing a copy; and
  - there is an upper limit on what a company may charge thereby avoiding the possible deterrent effect of high charges for information.

**Option 3 – A published recommended fee (non-regulatory option)**

54. The non-regulatory option would be to require companies to make their PSC register available for public inspection, allow them to charge a fee for the provision of copies, but

not prescribe the level of this fee in legislation. Instead we would publish guidance setting out a recommended fee, or fee structure.

55. We consider this option to be unsatisfactory because:
- There will be a lack of clarity for both companies and searchers of the register requesting a copy. It will, for example, be unclear whether a company must still comply with its obligation to provide the copy if a requestor refuses to pay a fee. Companies might also incur unnecessary costs in looking at guidance or seeking legal advice to clarify the position. It might impact their ability to comply with their statutory obligations to provide copies of information in a timely manner, which carries a criminal offence. Searchers might also be confused as to whether they would or could be charged. This might deter them from requesting access.
  - If companies *were* still expected to comply with the obligation to provide a copy – whether or not a person paid a fee - they might incur unrecoverable costs. This would particularly affect those companies with a large amount of information on their registers and those companies receiving requests to provide a copy by post.
  - If companies *were not* expected to comply with the obligation to provide a copy, this could reduce the public accessibility of the register. Those unable to travel, or deterred by the cost of travel, to inspect a company register in person would effectively have reduced access to the PSC register. This would fail to meet, and could ultimately undermine, the stated policy objectives, in particular, by making it harder for those conducting due diligence on a company.
  - Given the potential lack of clarity, some companies might be confused as to whether they can charge a fee at all. They could then incur uncompensated disproportionate costs in making the information available, in contradiction to our stated policy objectives. This would particularly affect those companies with a large amount of information on their registers and those companies receiving requests to provide a copy by post.
  - One of the primary concerns associated with this option would be the potential for companies to charge heavily inflated fees, as highlighted by the RPC in their comments on the consultation IA. This is possible because the company would be in a monopoly position as it would be the sole holder of particular information. Given this risk of overcharging (potentially, especially amongst companies who do not wish to share this information) under this option, there is a significant risk that requestors would be put off making requests. This would therefore mean that we would not realise the policy objectives and the non-monetised benefits would be substantially less than under other options. This outcome would undermine the policy objective of making the information easily accessible, and reduce the overall benefits to be derived from reform.
  - Finally, whilst there would likely be no sanction in company law where a company failed to follow the recommended fees, people might seek to take action against a company that did this. This could increase the burden on the court and the justice system. Furthermore, if complaints were made to Companies House, this could result in an increase in public sector costs to develop and administer a complaints handling process.

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

### ***Evidence gathering***

56. In order to gather evidence for this Impact Assessment, we have conducted a review of the literature of prescribed fees (including company-to-company fees and fees charged by public bodies to members of the public) and conducted two rounds of surveys that sought views and estimates from companies, Trust and Company Service Providers (TCSPs) and NGOs on the impacts of the proposals in this Impact Assessment.

#### *Surveys*

57. The first round of surveys was used to inform the consultation IA. We developed two surveys – one for companies/TCSPs and one for NGOs. The company/TCSP survey primarily focused on understanding the impact of the register of members on companies and using these findings as a proxy for requests under the PSC register. The NGO survey sought to understand the number of requests made under the register of members, how information from the PSC register would be used as well as the potential impact on the level of requests through variation in fee structures. These surveys were published on the Gov.UK website where we openly invited companies and NGOs to respond to the survey. In addition to this open request for responses, we directly contacted a random selection of 500 companies/TCSPs through Companies House.

58. However, there was a relatively low response rate to the first round of surveys, particularly from NGOs. Only two NGOs responded to the survey, alongside 24 TCSPs and 11 companies. Of the companies that responded six were small, two were medium, three were large and one was of unknown size. Consequently, the findings of the survey are not considered fully representative. However, when combined with other evidence the responses allowed us to make some tentative early inferences around the possible impact of the proposal.

59. The second round of surveys sought to explore and validate the findings from the first round of surveys. In addition, this round of surveys explored in more detail how companies, TCSPs and NGOs expected to use the PSC register as well as a greater understanding of how stakeholders will be affected.

60. The second survey for companies was estimated to take approximately fifteen minutes; we wanted to ensure that the survey was not an unnecessary burden on companies and that the length of the survey would not deter respondents from responding. We therefore did not repeat the questions from the original survey about the length of time companies had spent responding to requests under the register of members but asked questions that sought to verify some of the findings from the original survey (e.g. asking respondents whether they agreed or disagreed that a middle manager would be responsible for handling requests and that the time taken to respond would be approximately 30 minutes). Where the findings from the original survey were confirmed we have used these in our final analysis.

61. For the second round of surveys we directly contacted a random selection of approximately 2,500 companies/TCSPs through Companies House, sent the survey through two representative bodies to their TCSP members and sent the NGO survey to 17 NGOs. We received responses from 30 companies and 34 TCSPs – a much improved

response rate from the first round. We have been explicit in this Impact Assessment where there may be limitations in the findings of the analysis due to issues in response rates. For example, we recognise that the costs presented are likely to be an overestimate in some cases. Respondents may have been basing their replies on particularly complicated requests for inspection, for example. We also recognise that the register of members' inspection regime, on which many of our cost estimates are based, is not an exact comparator for the PSC inspection regime<sup>24</sup>. This may again impact the analysis presented here. However, it is the best proxy available to us.

### ***Corporate entities in scope of reform***

62. As described in detail in the T&T EIA, 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).
63. In order to identify the number of companies in scope of the PSC register we have used the FAME company database (which 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.
64. The FAME database reports that there are 3.47m UK companies<sup>25</sup>. This figure includes active and dormant companies, and companies in the process of being dissolved.
65. The policy exempts companies with securities listed on a UK regulated or prescribed market, a regulated EEA market or a non-EEA market subject to equivalent disclosure requirements.<sup>26</sup> The policy will not apply to Limited Partnerships, European Economic Interest Groupings, industrial/provident companies and foreign companies. This is described in more detail in the T&T EIA.
66. Applying these exemptions to the FAME population gives an estimated number of companies in scope of 3,429,549<sup>27</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. Thus the population is therefore highly skewed towards small firms where we might expect the costs to be lower (given the number of PSCs might be lower). Companies House register statistics show that there are almost 59,000<sup>28</sup> Limited Liability Partnerships (LLP) on the 'LLP Total Register'<sup>29</sup> (included in the 3.43 million figure above).

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<sup>24</sup> The register of members is not a perfect comparator as there is not a free publicly available register of members at Companies House. Thus our estimates of the numbers of potential requests for access and copies might be overestimates as requestors have the option of going to Companies House for much of the same PSC data. Also the "proper purpose" for accessing the PSC data will be somewhat wider than that for the members' data. In our second survey we have been explicit about the option to access much of the same PSC data through Companies House and have incorporated views on this from the survey into this analysis and IA.

<sup>25</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>26</sup> This includes companies listed on registered exchanges in Japan, USA, Switzerland and Israel.

<sup>27</sup> FAME database Bureau Van Dijk Electronic Publishing, 2014 data extracted in March 2015.

<sup>28</sup> Ibid.

<sup>29</sup> Companies House (November 2013): *Companies Register Statistics for November 2013*

67. 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 registrable RLE, the company may provide details of the RLE in its register rather than details of the people who own and control the RLE.
68. Registrable 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 the markets described in paragraph 65 above.
69. 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.
70. Analysis using the FAME database indicates that 322,213 UK companies are wholly or partly owned by a registrable RLE<sup>30</sup>.
71. Nevertheless, the proposals, to a greater or lesser extent, will impact on all companies in scope regardless of size or complexity of ownership.

### ***Number of PSCs***

72. The number of PSCs of UK companies is currently unknown and the number of legal owners (shareholders) in UK companies is not synonymous with PSCs. However, as set out in the T&T EIA, robust data on the number of PSCs is not available.
73. In order to determine the average number of PSCs in UK companies we have therefore 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 below estimating the number of PSCs in UK, we have only considered the shareholding condition for being a PSC. Therefore our analysis 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 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.
74. We calculated our low, best and high estimates of the number of PSCs as follows:
- We asked Companies House<sup>31</sup> 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 (last row Columns C, D and E) – where the estimated number of PSCs in companies in each

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<sup>30</sup> Because a UK private or listed company, or a EEA listed company, owns more than 25% of their shares.

of the different shareholding categories in Column A is weighted by the total proportion of total companies in the UK that category comprises (Column B).

75. We assumed the low estimate for each shareholding category (Column A) to be the minimum number of PSCs that companies could have based on their number of shareholders. For instance, we assume a company with 2 shareholders will have as minimum 1 PSC owning more than 25.01% shares.
76. 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 3 shareholders could only potentially have up to 3 PSCs. In order to calculate the best estimate for each category we looked at a sample<sup>32</sup> of companies for each category to identify the number of PSCs they might have. For instance, we considered the number of companies with 2 shareholders and we calculated, among them, the number of companies that have 1 shareholder owning between 75% and 100% shares (so these companies could have only 1 PSC based on our assumptions). We found that that 22% would have only 1 PSC; whereas 78% would have 2 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 (Column A).
77. Where we could not determine the number of companies and their number of PSCs we have given the same weight for different numbers of PSCs. For instance, for companies with 3 shareholders we could only determine the percentage of companies assumed to have 1 PSC (16%). Therefore we assumed that, among the remaining companies, the same percentage had 2 PSCs (42%) and 3 PSCs (42%). We felt this approach was more valid than having the best estimate as the mid-point of low and high estimate.

**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 own calculations

<sup>31</sup> Companies house data extracted the 30/11/2014

<sup>32</sup> We used FAME database Bureau Van Dijk Electronic Publishing in March 2015. Our sample of companies from FAME included 99% of the whole population, so it is a representative and robust sample.

78. We then calculated the weighted average number of shareholders in UK companies, which 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 survey, where 16 respondents provided the number of PSCs in their companies, and the average was 1.1.
79. Because the number of UK companies in scope amounts to 3,429,549, we can multiply this number with the estimated number of PSCs per company and find the total number of UK PSCs.

In total we have:

- **4,592,270** = (1.3 \*3,429,549) **best estimate** of PSCs in UK;
- 3,161,809 = (0.9 \*3,429,549) low estimate of PSCs in UK; and
- 5,411,820 = (1.6 \*3,429,549) high estimate of PSCs in UK.

### ***Number of TCSPs affected***

80. In identifying the number of TCSPs we have kept our assumptions in line with the Company Filing Requirements Red Tape Challenge IA and the Micro Exemptions IA<sup>33</sup> that stated there were 312,104 accountants (2013) that could be used as a proxy for the number of TCSPs. We recognise this may not be a true reflection of the number of organisations that may hold PSC registers on behalf of companies. This is because it is likely that some accountants will not provide these services to companies. It is equally likely that some lawyers will provide these services, and there will also be organisations which only provide company services (rather than accountancy services). However, in the absence of more robust data we take this as the best proxy available.
81. We used responses to our survey to calculate the number of affected TCSPs. Our survey asked respondents whether they had ever received a request for a copy of their clients' registers of members – 12 out of 17 TCSPs (71%) confirmed that they had received a request for a copy of a register in the last year.
82. We have therefore estimated the number of TCSPs affected by multiplying the proportion that received a request for a copy of their clients' registers (71%) by our estimated number of TCSPs to give 221,594 TCSPs affected. However, given that 55% of respondents to the second round survey stated that they would make requests direct to the company or to the TCSP that held the register (**either to inspect or for a copy of the register**), we have created a low estimate of the number of TCSPs affected by multiplying the proportion that stated they would make a request direct to the company/TCSP (55%) by our estimated number of TCSPs to give 202,868 affected. **Our best and high estimates of the number of TCSPs affected are therefore 221,594 and our low estimate is 202,868.** The combined responses to our question about whether, and if so how, companies, TCSPs and NGOs planned to make requests for information from other companies' PSC registers are presented in Table 2 below. Excluding those respondents that did not know if they would submit a request, this shows that 16% do not plan to submit a request, 29% plan to only use the main register held by Companies House and 55% plan to go direct to the company/TCSP.

**Table 2: Company, TCSP and NGO expected actions regarding accessing another company's PSC register (excluding those that don't know)**

<sup>33</sup> June 2014, <http://www.parliament.uk/documents/impact-assessments/IA14-14F.pdf>

	Number	Percentage
Don't know	11	
Do not plan to access	8	16%
Yes access only (Inspect)	11	22%
Yes both access and copy of register	14	27%
Yes but only through the main register held by Companies House	15	29%
Yes copy of register only (£12 fee)	3	6%
<b>TOTAL</b>	<b>62</b>	
<b>TOTAL (excluding those that don't know)</b>	<b>51</b>	

### ***Number of companies affected***

83. In calculating the number of companies affected, we started by taking the overall number of companies in scope (3,429,549 companies). We subsequently used research from Companies House, quoted in the T&T EIA, which found that 41% of all companies use accountants/service providers to file their annual return. We have used this figure to assume that the same proportion will also use an accountant/service provider to keep their PSC register. Accountants/service providers will therefore be responsible for providing a copy of the registers for 41% of companies, and charging as appropriate, to the requester. We have used this in calculating the number of companies affected by the need to familiarise themselves with the guidance, subtracting the number of TCSPs from the total number of companies affected to avoid double-counting:  
 $0.59 \times (3,429,549 - 312,104) = 1,839,293$  companies.

84. However, we do have further evidence to suggest that our estimate of the number of companies holding their own register (59%) is high – this is based on the Companies House research that found that 41% of companies held their register with a TCSP. Given that private companies will be able to hold their PSC registers at Companies House (unlike the register of members), we believe this will lower the number of companies holding their own register because it will reduce duplication of information as well as the costs for companies which keep the registers themselves or using an agent. For those companies using an accountant/service provider, it may also involve a reduction in the costs it pays to that agent. In our second round of surveys, we asked companies whether they plan to hold the register themselves, with a TCSP or with Companies House – while the majority stated that they planned to hold the register themselves, 15% of respondents reported that they planned to hold their register at Companies House<sup>34</sup>. We have therefore revised down our estimate of the number of companies affected by the need to respond to requests for copies and/or to inspect the register to incorporate the additional 15% of companies expected to hold their register at Companies House – this gives us a best estimate of 1,563,399 affected companies. Furthermore, indicative responses from a small number of companies that responded to a Companies House consultation on awareness of the measures in the SBEE Act 2015 suggested that the number of affected companies may be lower still. Based on responses to the consultation, they estimated that between 20 and 30 per cent of companies will elect to hold their register at Companies House. However, we have not used this estimation in our cost calculations given Companies House are not confident in the figure and given that the figure from our survey evidence represents a more conservative estimate.

<sup>34</sup> Note that the costs to Companies House of this policy are covered by those set out in the Transparency and Trust – Enhanced Transparency of Company Beneficial Ownership' Enactment IA

85. As with TCSPs, we used the proportion of companies that responded to our survey which stated that they had received a request for a copy of their register of members to form our best estimate of the likely proportion of companies that will receive a request for a copy of their PSC register. Our survey found that one in twelve companies (8%) had received a request for a copy of their register of members – we have therefore used this as our best estimate for the likely proportion of companies affected by requests for copies of their register.
86. Given that we assume that 41% of companies will use accountants/TCSPs to hold their register and that, of those that hold their own register, 15% will hold their register at Companies House and, of those who hold their own register, 8% of companies will receive a request in one year, we estimate that **125,072 companies will be affected by requests for copies of their register** (excluding the 312,104 TCSPs from the total number of companies to avoid double counting) in any one year (based on there being 3,429,549 companies in scope).

### **Estimated number of requests companies and TCSPs will receive**

87. Table 3 summarises the expected number of requests companies and TCSPs will receive per year for a) a copy of their PSC register and b) to inspect their register as well as highlighting the survey evidence used to underpin these assumptions. Where possible, we have erred on the side of caution and rounded up to give a more conservative estimate so as to avoid underestimating the costs.

**Table 3: Expected number of requests to inspect a PSC register and for a copy of a PSC register**

			Estimated number of requests		
	1st Survey	2nd Survey	Low	Best	High
<b>Inspect PSC Register</b>					
	Best estimate = 3	22% expected to make requests to inspect a register			
TCSPs	High estimate =6.5	49% expected to make a request to inspect or for a copy of a register	(0.49*3 =1.47) <b>1</b> (rounded down)	(0.49*3 =1.47) <b>2</b> (rounded up)	(0.49*6.5=3.19) <b>3</b>
Companies	0 requests	0 requests	0	0	0
<b>Copies of PSC Register</b>					
TCSPs	Best estimate = 3	33% s expected to make a request for a copy of a register	(0.33*3 =1) <b>1</b>	(0.33*3=1) <b>1.5</b> (rounded up)	<b>2</b> (conservative estimate)
	High estimate =3	33% expected to make a request for a copy of a register	(0.33*1 =0.33)	(0.33*1 =0.33)	(0.33*3=1)
Companies	Best estimate = 1	No companies received request for copy of register of members	<b>1</b> (conservative estimate)	<b>1</b> (conservative estimate)	<b>2</b> (conservative estimate)

*Requests to inspect a register – Number of requests*

88. The median number of requests TCSPs received to inspect a register of members in the last year (based on the responses to the first round survey) was 6.5. However, it is assumed that this is high given that the TCSPs that responded were larger than the average population of TCSPs, and would therefore be more likely to be responsible for a higher number of registers than some other TCSPs – and therefore likely to receive more requests for inspection or copies. Moreover, given that only 22% of requesters stated they planned to only make requests to inspect a register (and 49% planned to inspect and/or request a copy of the register) direct from companies/TCSPs (see Table 2), this figure seemed high. We have therefore revised our estimates to a high estimate of three requests per year (0.49\*6.5). Our best estimate (upper end) is two requests per year (0.49\*3=1.47 rounded up to 2) and our low estimate is one request per year per TCSP (0.49\*3 =1.47 rounded down to 1) on the assumption that some will receive a higher number of requests and some will likely receive only one or zero.

89. As no companies from the first round of the survey had received a request to inspect their register of members, we have estimated this as zero requests per year in the absence of other information. As part of the second round of surveys, we asked companies whether they had ever received a request to inspect their register of members and all respondents stated that they had not previously received a request – we can therefore assume that companies will not receive requests to inspect their PSC register in the absence of any other information.

*Requests for copies of a register – Number of requests*

90. We have used the findings from the first survey whereby companies and TCSPs were asked to report on the number of requests they had received for their register of members – this evidence was used to inform the likely costs and benefits for the PSC register (which is not yet in place and so directly relevant estimates were not obtainable). In our second round of surveys, we were explicit about the options and cost implications

for holding a company register<sup>35</sup> and asked respondents how they planned to access data in the PSC register in light of the different options. These findings were used, where applicable, to revise the number of requests expected to be made direct to companies – we have been explicit in this Impact Assessment where revisions have been made and why.

91. For TCSPs, the median number of requests received for copies of the registers of members which they hold for companies was three in the last year (based on 12 responses to the first round survey). However, our second survey indicated that only 33% of requesters (NGOs, companies and TCSPs) planned to **request copies** of a company's register direct from the company or the TCSP that held the register (i.e. the remainder would a) go to Companies House for the data (29% of respondents) - an option not available for the register of members); b) did not plan to make any requests for the data (16%); or c) only planned to make requests to inspect the register (22% of respondents<sup>36</sup>). We therefore revised our estimates on the number of requests by multiplying three by 0.33 – while this gave us a best estimate of 1.5 requests, we kept the high estimate at two requests as a more conservative estimate.
92. For companies, only one company that responded to the first round of surveys had previously received a request for a copy of their register of members – they stated that they had received five requests for a copy of their register in the last year. However, this seemed high based on the responses from TCSPs who hold more than one company's register (a median of three requests). Furthermore, given that we expect the majority of interest to fall on the few companies with more complex PSC structures (see Table 1), we have estimated a conservative best estimate of all companies that receive requests receiving an average of one request per year (in line with TCSPs) and a high estimate of two requests per year (again in line with the estimated figure for TCSPs).
93. The expected number of requests a company/TCSP will receive for a copy of the register have also been used to inform the estimated number of requests for the benefits associated with this policy (given companies and TCSPs can only charge for copies of their register).
94. These assumptions around the number of companies and TCSPs impacted by this element of the policy have been used to inform our cost estimates, below.

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<sup>35</sup> The survey stated: 'Companies will have to make their PSC registers available from April 2016. You may wish to access the PSC information of, another company for a number of reasons e.g. if you wanted to invest in the company, to lend to the company, for due diligence purposes etc. PSC information will be available for free on the central register via the Companies House website. It will also be free to inspect another company's register and we are proposing a fee of £12 per request for a copy of the register.'

Unless a company has elected to hold their own PSC register at Companies House you will only be able to learn the day of the date of birth of a PSC by accessing the register held by the company. For example, if a PSC's date of birth was 29 November 1989, you would only know they were born in November 1989 through the public register (unless they had elected to hold their register with Companies House) - you would have to contact the company directly to obtain the day (29) of the date of birth.

Additionally, as companies which do not elect to hold their PSC register at Companies House will be required to update information on the central register annually, the information on a company's own register may be more up to date.'

<sup>36</sup> 22% of respondents stated that they would make a request to inspect a register direct from a company. 49% of respondents (referred to in paragraph 87) stated that they expected to make a request to inspect **or** for a copy of their register direct to the company.

**Option 0 – Do Nothing**

95. Under the ‘Do Nothing’ Option, we would not commence the sections of the primary legislation which would require a company to make its own PSC register available for public inspection and provide copies. There would therefore be no costs associated with companies responding to requests for inspection or copies of their register and nor would there be any associated benefits to the requester through obtaining the more up to date and additional (date of birth) information on the registers.

**Option 1 - Implementation of prescribed fees proportionate to the number of entries for which a company is required to provide copies**

**Benefits**

***Benefits to companies – Fees for providing copies***

96. This option is expected to ensure that companies are able to recoup some or all of the financial costs they incur through imposing a charge on the requesters of copies of their registers. The fee structure in this option will be proportionate to the number of entries (which will often equate to the number of PSCs<sup>38</sup>) in the register that is requested and therefore should be proportionate to the time taken to provide the requested information.

97. We have estimated the benefits to companies through charging for requests of copies of the company register following the same fee structure as that of the existing regulatory precedent for fees charged for access to a company register as described in paragraph 17. Our best estimate of the number of PSCs a company will have is 1.3, low estimate is 0.9 and high estimate is 1.6 (See paragraphs 70 to 77 for calculations of the number of PSCs). On this basis, given that the proposed fee structure is £1 per entry in the register for the first five entries, the corresponding fees would be a best and low estimate of £1 per request and a high estimate of £2 per request.

We have estimated the number of requests using the survey responses for number of requests for a copy of the register (See Table 3). Our best estimate for the number of requests for copies of the register that companies/TCSPs will receive is therefore one per year for companies and 1.5 per year for TCSPs.

*Number of entries and equivalent fee estimation*

98. As shown in Table 1, our best estimate of the number of PSCs per company is 1.3; our low estimate is 0.9 and our high estimate is 1.6 PSCs. In accordance with the register of members, the fees is £1 per entry in the register (i.e. £1 per PSC) – a best and low estimate of £1 (1.3 and 0.9\*£1 respectively) and a high estimate of £2 (1.6\* £1) (including rounding).

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<sup>37</sup> Transparency & Trust – Enhanced Transparency of Company Beneficial Ownership Enactment Stage IA covers: the creation, holding and updating of registers held by companies and held by Companies House; and the public availability of the Companies House register. It does not, however, cover the costs and benefits of making the registers held by companies publicly available.

<sup>38</sup> Some companies will have entries which relate to the fact that, for example, they do not have any PSCs or have been unable to identify them.

99. Table 4 estimates the best estimate for companies and TCSPs to be £457,463 for benefits through charging fees for copies of the register in one year. This is compared to a high estimate of £1,386,663 and a low estimate of £327,939.

**Table 4: Benefits to companies/TCSPs through charging for requests of copies of the company register (Option 1)**

	Fee charge (per request)	Number of companies/TCSPs receiving requests in one year	Number of requests in one year	Total estimated benefit per year
TCSP/Accountant: High	£2	221,594	2	£886,375
TCSP/Accountant: Best	£1	221,594	1.5	<b>£332,391</b>
TCSP/Accountant: Low	£1	202,868	1	£202,868
Company: High	£2	125,072	2	£500,288
Company: Best/Low	£1	125,072	1	<b>£125,072</b>
<b>TOTAL HIGH</b>				<b>£1,386,663</b>
<b>TOTAL BEST</b>				<b>£457,463</b>
<b>TOTAL LOW</b>				<b>£327,939</b>

100. Companies will also be able to charge other reasonable costs for postage, which will mean they are not put at a financial disadvantage through the introduction of this element of the legislation. However, for the purpose of this Impact Assessment we assume that all requests for copies will be received and delivered via email. This is based on responses to two rounds of surveys. The first survey found that the vast majority (80%) of companies and TCSPs that responded to the survey and had previously received a request for a copy of their register, had responded to the requests by email (13% said they provided the copies of the register by both post and email; 7% stated that they did so by post only). The second round of surveys supported this, whereby only 7% stated they would respond by post (54% stated they would respond by email only) and 39% stated they would respond by post and email (with a median of 78% of the information expected to be sent by email). One respondent commented that they would only respond by post to requesters without email access. Going forward, with increased moves towards greater use of IT, we expect the use of post to fall further. We have not therefore monetised this in the impact calculations.

***Benefits to searchers of the register***

101. As there is no requirement on anyone/a company/an organisation to search the register, we have assumed that they would only do so if the benefits at least outweighed the costs. Thus we have conservatively assumed no net benefit here.

102. The surveys (both rounds) also highlighted benefits to the requesters of information where they are companies/TCSPs specifically. In the first round of surveys, companies

and TCSPs were asked if they had ever accessed another company's register of members and, if so, how this information was used. Three companies and five TCSPs had accessed another company's register of members in the last year. They had used these findings for monitoring of another company's activity (2 companies and 2 TCSPs), inform their own company activity (1 company and 2 TCSPs), client due diligence (3 companies), checking up to date information about shareholders (1 TCSP) and recording the information as part of the TCSP anti-money laundering checks in obtaining details of all shareholders and their respective shareholdings to confirm the ultimate controlling party of a company.

103. In the second round of surveys we asked companies and TCSPs whether they planned to access information from another company's PSC register. 67% of all companies and respondents who replied to the survey planned to access another company's PSC register (Table 5) – of these the majority expected to access the information through the central public register held at Companies House.

**Table 5: Company and TCSPs who plan to access information from another company's register and method of accessing information**

	Number	% of all companies/TCSPs	% of companies/TCSPs who will access information
Don't know	11	19%	
No	8	14%	
Yes access only (inspect)	9	16%	23%
Yes both access and copy of register	12	21%	31%
Yes but only through the central public register held by Companies House	15	26%	38%
Yes copy of register only	3	5%	8%

104. We can therefore assume that the benefits to accessing a company's PSC register will not only be of benefit to NGOs (see below) but also to companies and TCSPs to inform their business strategies, and comply with their statutory obligations to conduct client due diligence under anti-money laundering requirements.

105. There will also be a benefit to the requester of the information as introducing legislation on the fee structure removes the risk that companies could charge unreasonable fees that would limit the requests made for copies of the register. In the first round of surveys, both NGOs that responded to the survey stated that they would make more requests if the costs were lower and one stated that they would make fewer requests if the costs were higher, expanding on this by stating 'If the costs were prohibitively expensive, it would be harder to justify each request'. In the second round of surveys, the responses were split with one NGO stating that, if the fee for a copy of a register was £12 they would still make the request, one NGO stating that they would only make the request if there was no fee and one NGO stating that if the fee was lower they would make more requests for copies of a company's own register.

106. The surveys also highlighted additional benefits to NGOs from accessing the register in both rounds of the survey. In the first round, of the two NGO respondents to the survey, both stated that they would use the findings from the register for monitoring of company activity and for informing investigations. In addition one NGO respondent stated that they

would use the register to inform their campaigns. In the second round, two respondents said they would use the evidence for informing investigations, two for informing campaigns and publications, one for monitoring of company activity and one for financial service due diligence investigations.

107. The evidence gathered from both rounds of the survey is supported by anecdotal evidence from NGOs, who have previously highlighted the utility of having access to up to date information, and information on an individual's full date of birth – which can only be obtained from the company's own PSC register.

108. This supports the wider objectives of the PSC register to enhance corporate transparency and promote good corporate behaviour.

## **Costs**

109. There will be some costs as those companies in scope familiarise themselves with their obligations under the new reporting requirements.

### *One-off costs to companies – Familiarisation*

110. The consultation IA made some assumptions about familiarisation costs, in response to RPC concerns raised about this assumption we have used the second round of surveys to ask companies and TCSPs about the numbers of staff and the time they expect to take familiarising themselves with the guidance. This more robust evidence also covers when companies/TCSPs expect to familiarise themselves with the guidance.

111. The T&T EIA estimates the costs of familiarisation with the guidance for the overall policy and includes it in its EANCB calculation, including what information must be held on the register, and the need for companies to hold a PSC register and make it publicly accessible – an estimated £55.90 per company (based on wage of person responsible for familiarisation in the company x their median wage) plus £35.60 in professional advice and guidance (e.g. lawyer, accountant). We have therefore not included these costs in our calculation of costs and benefits in this IA to avoid double counting.

112. In addition to this general guidance, some companies will be required to familiarise themselves with the separate more detailed guidance on allowing access to, and providing copies of, their own PSC register and the provision for charging a fee. In the consultation Impact Assessment we assumed, in line with views of stakeholders, that only a proportion of the companies in scope would be required to familiarise themselves with the separate guidance on access to/providing copies of the register – i.e. only those asked for access to the information. However, in response to RPC concerns raised about this assumption in the consultation IA, we consulted on the assumption in the second round of surveys, asking respondents who would be responsible for familiarising themselves with the guidance, how long it would take them and when they expected to familiarise themselves – this has provided us with more robust estimates for our familiarisation calculations.

113. Based on existing guidance prepared by the Institute of Chartered Secretaries and Administrators<sup>39</sup> in relation to inspection of the register of members, we assume there would be two pages of guidance on the general access ('general access guidance'), and

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<sup>39</sup> ICSA Guidance on Access to the Register of Members: Proper Purpose Test

an additional four pages of guidance on the process to be followed where inspection was refused ('specific access guidance').

114. As part of the second round survey, we followed up with companies that had agreed to be re-contacted to clarify an assumption made in the impact assessment that had not been tested in the surveys. We asked nine companies that had agreed to be re-contacted when they expected to familiarise themselves with the guidance (our original assumption had been companies would only familiarise themselves if they received a request). This follow-up survey found that two thirds of companies planned to familiarise themselves with the guidance on inspecting/providing copies of a register when the changes were introduced – regardless of whether they received a request for their register. Our best and high estimate was therefore that all companies and TCSPs in scope would familiarise themselves with the guidance. Given that one third of companies and TCSPs stated that they would only familiarise themselves if they received a request, our low estimate is that only TCSPs and companies in scope that receive a request for a copy of their register would familiarise themselves with the guidance.
115. Our best and high estimate is therefore that 1,839,293 companies would familiarise themselves with the guidance (those that do not hold their register with a TCSP) and our low estimate is that 147,143 companies would familiarise themselves with the guidance in line with the assumption that 8% of companies would receive a request for a copy of their register or for historical data for those holding their register at Companies House (and none would receive a request to inspect their register).
116. For TCSPs, our best and high estimate is that all TCSPs will familiarise themselves with the guidance (312,104 TCSPs). Our low estimate assumes that 55% of TCSPs will familiarise themselves with the guidance, in line with the (second round) survey response that 55% of requesters (NGOs, TCSPs and companies combined) would submit their requests direct to the company/TCSP.
117. To calculate the amount of time required to read the guidance, we consulted on the number of staff, their respective grades and the estimated time it would take to familiarise themselves with two pages of guidance. Table 6 and Table 7 presents the estimated cost per company/TCSP for familiarising themselves with the guidance.

**Table 6: Estimated familiarisation costs to companies (based on 2<sup>nd</sup> round survey responses)**

	Person responsible			Time taken to familiarise (minutes)			Cost per company		
	Chief Executive and/or Senior Officials	Other corporate managers and directors	Admin. & Secretarial staff	Chief Executive and/or Senior Officials	Other corporate managers and directors	Admin. & Secretarial staff	Estimated cost per company - Low	Estimated cost per company - Best	Estimated cost per company - High
<b>Companies</b>									
Small - Resp 1	1	1	1	0-15mins	0-15mins	26-40mins	£ 8.61	£ 13.67	£ 21.54
Small - Resp 2	1	0	1	0-15mins	0	16-25mins	£ 5.48	£ 8.71	£ 13.99
Small - Resp 3	1	0	2	16-25mins	0	16-25mins	£ 15.92	£ 19.89	£ 24.87
Small - Resp 4	4	0	0	0-15mins	0	0	£ 9.93	£ 19.86	£ 37.24
Small - Resp 5	1	0	0	41-60mins	0	0	£ 25.45	£ 31.03	£ 37.24
Small - Resp 6	1	0	0	0-15mins	0	0	£ 2.48	£ 4.97	£ 9.31
Small - Resp 7	1	0	0	61-90mins	0	0	£ 37.86	£ 47.17	£ 55.86
Medium - Resp 8	1	1	0	16-25mins	41-60mins	0	£ 33.53	£ 41.35	£ 50.56
Large - Resp 9	1	2	1	16-25mins	26-40mins	26-40mins	£ 32.39	£ 43.88	£ 58.21
Large - Resp 10	1	0	1	0-15mins	0	16-25mins	£ 7.05	£ 11.65	£ 19.30
Large - Resp 11	1	2	1	26-40mins	26-40mins	26-40mins	£ 53.22	£ 67.55	£ 81.88
Large - Resp 12	1	0	0	16-25mins	0	0	£ 15.15	£ 18.94	£ 23.67
Large - Resp 13	1	2	1	0-15mins	0-15mins	0-15mins	£ 8.19	£ 16.38	£ 30.71
Large - Resp 14	1	1	1	16-25mins	16-25mins	16-25mins	£ 25.58	£ 31.98	£ 39.97
Large - Resp 15	1	2	2	26-40mins	41-60mins	41-60mins	£ 78.08	£ 96.45	£ 116.12
Large - Resp 16	1	2	3	180	180	180	£ 441.85	£ 441.85	£ 441.85
Large - Resp 17	1	1	1	0-15mins	16-25mins	26-40mins	£ 16.26	£ 23.27	£ 33.56
Large - Resp 18	0	1	1	0	0-15mins	0-15mins	£ 2.61	£ 5.22	£ 9.78
Large - Resp 19	2	0	0	26-40mins	0	0	£ 49.24	£ 62.49	£ 75.75
Large - Resp 20	1	0	1	26-40mins	0	26-40mins	£ 29.92	£ 37.97	£ 46.03
Large - Resp 21	1	0	1	0-15mins	0	41-60mins	£ 12.14	£ 17.77	£ 26.43
Large - Resp 22	0	1	2	0	16-25mins	61-90mins	£ 32.04	£ 39.94	£ 47.89
Unknown - Resp 23	1	1	2	16-25mins	16-25mins	16-25mins	£ 25.36	£ 31.70	£ 39.62
Unknown - Resp 24	0	1	4	0	26-40mins	26-40mins	£ 32.85	£ 41.70	£ 50.54
							<b>Low</b>	<b>Best</b>	<b>High</b>
							£ 25.40	£ 31.37	£ 38.43
							£ 12.92	£ 19.88	£ 31.05
							£ 29.92	£ 37.97	£ 46.03

(Note: One row represents one respondent)

**Table 7: Estimated familiarisation costs to TCSPs (based on 2<sup>nd</sup> round survey responses)**

TCSP	Person responsible			Time taken to familiarise (minutes)			Cost per company		
	Chief Executive and/or Senior Officials	Other corporate managers and directors	Administrative & Secretarial staff	Chief Executive and/or Senior Officials	Other corporate managers and directors	Administrative & Secretarial staff	Estimated cost per company - Low	Estimated cost per company - Best	Estimated cost per company - High
Small - Resp 1	2	1	3	41-60mins	26-40mins	16-25mins	£ 68.10	£ 83.73	£ 101.17
Small - Resp 2	0	4	0	0	26-40mins	0	£ 43.07	£ 54.67	£ 66.27
Small - Resp 3	0	1	0	0	41-60mins	0	£ 12.98	£ 15.82	£ 18.99
Small - Resp 4	0	2	1	0	0-15mins	0-15mins	£ 3.28	£ 6.56	£ 12.30
Small - Resp 5	0	0	3	0	0	26-40mins	£ 14.59	£ 18.52	£ 22.44
Small - Resp 6	1	0	0	16-25mins	0	0	£ 9.93	£ 12.41	£ 15.52
Small - Resp 7	4	7	3	16-25mins	26-40mins	16-25mins	£ 106.30	£ 133.99	£ 164.71
Small - Resp 8	3	3	2	41-60mins	41-60mins	41-60mins	£ 130.61	£ 159.28	£ 191.14
Small - Resp 9	1	0	0	0-15mins	0	0	£ 2.48	£ 4.97	£ 9.31
Small - Resp 10	1	0	0	16-25mins	0	0	£ 9.93	£ 12.41	£ 15.52
Small - Resp 11	1	1	1	26-40mins	26-40mins	26-40mins	£ 29.23	£ 37.10	£ 44.97
Small - Resp 12	3	1	5	16-25mins	16-25mins	16-25mins	£ 49.82	£ 62.27	£ 77.84
Small - Resp 13	1	2	1	0-15mins	16-25mins	16-25mins	£ 15.60	£ 21.37	£ 29.81
Small - Resp 14	1	1	1	16-25mins	16-25mins	41-60mins	£ 22.66	£ 28.09	£ 34.65
Small - Resp 15	0	1	0	0	26-40mins	0	£ 8.23	£ 10.44	£ 12.66
Small - Resp 16	2	0	0	26-40mins	0	0	£ 32.28	£ 40.97	£ 49.66
Small - Resp 17	1	1	1	26-40mins	26-40mins	26-40mins	£ 29.23	£ 37.10	£ 44.97
Small - Resp 18	1	0	1	0-15mins	0	16-25mins	£ 5.48	£ 8.71	£ 13.99
Medium - Resp 19	3	3	15	41-60mins	41-60mins	41-60mins	£ 296.95	£ 362.13	£ 434.56
Large - Resp 20	0	4	30	0	0-15mins	16-25mins	£ 105.01	£ 136.64	£ 179.76
Large - Resp 21	0	50	50	0	0-15mins	26-40mins	£ 354.61	£ 515.59	£ 743.79
Large - Resp 22	20	25	3	41-60mins	41-60mins	41-60mins	£ 1,260.92	£ 1,537.71	£ 1,845.25
Large - Resp 23	1	1	2	0-15mins	0-15mins	0-15mins	£ 7.21	£ 14.42	£ 27.04
Unknown - Resp 24	0	25	0	0	61-90mins	0	£ 631.61	£ 786.92	£ 931.88
Unknown - Resp 25	1	1	1	0-15mins	0-15mins	26-40mins	£ 9.99	£ 16.13	£ 25.80
Unknown - Resp 26	5+ (min. 2)	5+ (min. 2)	5+ (min. 2)	0-15mins	0-15mins	0-15mins	£ 110.56	£ 276.41	£ 621.91
Unknown - Resp 27	4	10	1	16-25mins	16-25mins	16-25mins	£ 118.48	£ 148.10	£ 185.12
							<b>Low</b>	<b>Best</b>	<b>High</b>
<b>Median cost for all TCSPs</b>							£ 29.23	£ 37.10	£ 44.97
<b>Median cost for small TCSPs</b>							£ 19.13	£ 24.73	£ 32.23
<b>Median cost for Medium/large TCSPs</b>							£ 296.95	£ 362.13	£ 434.56

(Note: One row represents one respondent)

118. For companies, we were able to split the familiarisation costs in accordance with the split between small (99% of companies) and medium/large (1% of companies) companies (as described in paragraph 64). Our best estimate of the familiarisation cost per company overall was £31.37 (£19.88 for small companies and £37.97 for medium/large companies (Table 6)). These figures were reached by calculating the cost per respondent (by multiplying the number of staff by the expected time to familiarise themselves and then by multiplying this figure by the median hourly salary for that grade (taken from 2014 provisional ASHE data – see Appendix C).

119. Our overall best estimate of the familiarisation costs for companies was calculated by multiplying 0.99 (the proportion of small companies) by the best estimate familiarisation cost for small companies (£19.88), multiplying this figure by the total number of companies affected (1,839,293) and then adding this to 0.01 (the proportion of large companies) multiplied by the best estimate familiarisation cost for medium/large companies (£37.97), multiplied by the total number of companies affected (1,839,293):  
 $((0.99 * (£19.88 * 1,839,293)) + ((0.01 * (£37.97 * 1,839,293))) = \text{£}36,895,056$ . We used the same number of companies affected for the high estimate of familiarisation costs

(1,839,293) and the high estimates for familiarisation costs per company (£31.05 for small companies and £46.03 for medium/large companies. The calculation for the high estimate was therefore:  $((0.99*(£31.05*1,839,293))+((0.01*(£46.03*1,839,293))) = £457,394,491$ . However, for our low estimate, we assumed that companies would only familiarise themselves with the guidance if they received a request (in line with one third of respondents to the survey and previous consultation with stakeholders). We therefore assumed that 147,143 companies would be affected in this scenario (8% of 1,839,293 - companies not holding their register with a TCSP and not holding their register with Companies House plus 8% of companies holding their register with Companies House that we estimate would receive a request for their historical data). Our low estimate for familiarisation costs for companies was £12.92 for small companies and £29.92 for large companies. Our calculation for the low estimate for total familiarisation costs for companies was therefore:  $((0.99*(£12.92*147,143))+((0.01*(£29.92*147,143))) = £1,926,605$ .

120. For TCSPs, we did not have a reliable breakdown of small TCSPs versus medium/large TCSPs and have therefore not calculated the overall familiarisation costs according to size. Our best estimate for overall familiarisation costs for TCSPs was therefore calculated by taking our best estimate cost per TCSP (£37.10)<sup>40</sup> and multiplying this by the total number of TCSPs (312,104), assuming all TCSPs would need to familiarise themselves with the guidance once the changes are introduced (in accordance with two-thirds of our follow-up survey respondents):  $£37.10*312,104 = £11,578,689$ . Similarly our high estimate was calculated by taking our high estimate cost per TCSP (£44.97) and multiplying this by the total number of TCSPs (312,104):  $£44.97*312,104 = £14,034,775$ . In accordance with the low estimate for companies, our low estimate for TCSPs also multiplied our low estimate cost per TCSP (£29.23) and multiplying this by the number of TCSPs expected to receive a request to inspect or for a copy of their register (202,868 TCSPs based on 55% of respondents to the second survey stating that they would submit a request direct to the company (or TCSP) rather than using the central public register at Companies House):  $£29.23* 202,868 = £5,929,692$ .

121. Given that we are only aware of two cases brought to the court to refuse a request for a copy of a company's register of members, our best estimate is that there will similarly be no, or very few, cases brought for refusal of access to or copy of the PSC register. We believe that this is appropriate given the differences between the register of members and the register of People with Significant Control:

- the register of People with Significant Control will be publicly accessible and free of charge via the Companies House website, whereas the register of members is not;
- there is limited additional information available on the company's own register compared to the central public register at Companies House. Where there have been no changes in a company's PSCs since its last confirmation statement (annual return) the only additional information on the company's own register will be the 'day' of the PSCs date of birth;
- companies will also have the option of electing to hold their register with Companies House. Therefore these proposals will only affect those companies that do not elect to hold their register with Companies House;

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<sup>40</sup> This assumes that our survey respondents are representative of the size distribution of the TCSP population. However, this is a conservative assumption as, should the overall distribution of TCSPs be in line with the distribution of companies, this would be an overestimate of the cost i.e. if there is actually a greater preponderance of small TCSPs in line with the general population of companies.

- the PSC register also has a wider interpretation of ‘proper purpose’, which will mean that fewer requests fall outside the proper purpose test.

122. Our best estimate of the total one-off costs to business is therefore £48,473,745: cost to TCSPs (£11,578,689) + cost to companies (£36,895,056).

#### *One-Off costs to companies – New Payment Mechanism*

123. We have assumed that companies and TCSPs/accountants will already have payment mechanisms in place for charging requesters for copies of the register – this is on the basis that all companies will have had to charge customers for their goods or services and that this process can similarly be used for requesters of the register. The exception to this could be dormant companies which will still have to keep a register but may not actively trade. However, we assume they would still need a payment mechanism for, for example, administration or professional advisory fees. Our survey (first round) asked respondents whether they had to develop a new payment mechanism in order to charge requesters of the register of members – one TCSP stated that they did so at a cost of £100 to the company and one stated that they did so at an unknown cost. In the second round of surveys, two out of three companies that responded to our follow-up survey stated that they would not have to develop a new payment mechanism and one stated that they would have to develop a payment mechanism if they received a request for a copy of their register. We are assuming however that this third response is not typical given that companies should already have systems in place to charge customers.

#### *Ongoing costs to companies: Number of companies and TCSPs receiving requests*

124. We have assumed there will be ongoing costs to companies through a) handling requests to inspect the register and b) handling requests for copies of the register. We have also estimated the cost of the time taken by third parties to analyse the register: however, these will not be included in the NPV as NGOs and other companies would only request to inspect or for a copy of the register if the benefits of doing so at least outweighed the costs. Similarly, we have costed the impact of submitting a request on the company but have excluded this from the NPV analysis given that we would also expect that a request would only be submitted if the benefits outweighed the costs – ie we have in effect assumed a conservative zero net impact.

125. As set out above, survey data show that not all companies are expected to receive a request to inspect or for a copy of their PSC register. We have used the first round of survey responses to estimate the proportion of accountants/TCSPs that will receive a request to inspect or a request for a copy of a company’s PSC register in any given year (using the register of members as a proxy). 56% of accountants/TCSPs (174,778) had received a request to inspect a register of members in the last year and 71% had received a request for a copy of a register. This survey also asked respondents the question as to whether respondents thought there would be a difference in demand for the PSC register compared to the register of members – the majority (59%) thought the demand would be the same with 22% thinking there would be a little more demand and 15% thinking there would be a lot more demand. However, this did not account for the fact that companies will be able to hold their PSC register with Companies House (something they are not currently able to do with the register of members). In the second round of surveys, we asked respondents where they planned to hold their PSC registers and how they planned to request for information from other companies’ registers (if

indeed they planned to do so): 15% of company respondents planned to hold their PSC register with Companies House and 55% of all requesters (Companies/TCSPs and NGOs combined) planned to submit their requests direct to the company. On this basis, our high and best estimate is that 71% of TCSPs will receive a request (given that the majority of respondents to the survey (first round) thought there would be no change in the number of requests received relative to the register of members) and that this will be a more conservative estimate that would capture any increase in demand given that companies will have the option of holding their register with Companies House. Our low estimate is that 55% of TCSPs will receive a request in one year, in line with the number of requesters that plan to submit their requests direct to the company/TCSP.

*Ongoing costs – Responding to a request to **inspect** a register*

126. In line with survey responses, we only expect TCSPs to receive requests to inspect a company's register (Table 3). Our high, best and low estimates of the number of requests a company will receive in one year are 3, 2 and 1 respectively.

127. We have split the ongoing costs for responding to a request to inspect a register by those requests submitted to a TCSP/accountant and those submitted direct to a company (There will be no impact on Companies House as requesters accessing the main register held at Companies House will be able to do so online – there will therefore be no staff time spent at Companies House in responding to requests). Based on responses to our first round survey, for our best and high estimates we have assumed that 56% of all TCSPs (174,778) will receive a request to inspect a company's PSC register in any given year. Our low estimate allows for the fact that companies will also be able to hold their registers at Companies House and the impact this may have on change in demand for registers direct from companies/TCSPs. Specifically, as 49% of respondents planned to make requests to inspect or to inspect and receive a copy of the register direct from the company, we have taken this as our low estimate – we have therefore assumed that 152,931 TCSPs will receive a request to inspect a company register they hold as our low estimate.

128. The first survey also suggested that there was a relatively even split across the types of employees who were responsible in TCSPs for responding to a request and we therefore assumed that this responsibility would typically fall to a middle manager within the company (as opposed to administrative staff or senior managers). We asked respondents to confirm (or refute) whether this was the correct assumption to make in the second survey – the majority (66%) of respondents confirmed that it would be a middle manager who would handle the requests (compared to 16% who thought it would fall to a senior manager and 19% who thought it would fall to an administrator). Our best estimate in our evidence gathering for the consultation IA (based on survey responses) was that it would take 30 minutes to respond to a request. We used the second round of surveys to confirm (or refute) this assumption – 76% of respondents agreed that this was the correct amount of it would take time to respond to a request. Our best estimate is therefore that a middle manager will respond to a request and that it will take him 30 minutes to do so.

129. Table 8 summarises the expected costs to TCSPs to respond to requests to inspect a register in one year based on the above assumptions from responses to the two rounds of surveys. We have therefore assumed a best ongoing cost to TCSPs at £4,343,274, a high ongoing cost of £6,514,911 and a low estimate at £1,900,182 per year.

**Table 8: Costs of TCSPs to respond to requests to inspect a register in one year**

	Number of requests	Number of TCSPs receiving requests	Who in organisation responsible	Time taken to respond (hours)	Median wage (per hour)	Estimated cost per year per company	Total estimated cost per year
<b>TCSP/Accountant: High</b>	3	174,778	Middle manager	0.5	£24.85	£37.28	<b>£6,514,911</b>
<b>TCSP/Accountant: Best</b>	2	174,778	Middle manager	0.5	£24.85	£24.85	<b>£4,343,274</b>
<b>TCSP/Accountant: Low</b>	1	152,931	Middle manager	0.5	£24.85	£12.43	<b>£1,900,182</b>

*Ongoing costs – Responding to a request for a **copy** of a register*

130. The number of eligible companies and TCSPs was calculated as per paragraphs 81 to 84.

131. In line with survey responses, our best estimates of the number of requests received per year are 1.5 requests for TCSPs and 1 request per year for companies. (Table 3). Our high and low estimates for companies and TCSPs are 2 and 1 respectively.

132. For companies, one respondent stated that the responsibility fell to a middle manager and that the amount of time taken to respond to a request for a copy of their register of members was 0.25 hours. However, this seemed low given the estimates provided by TCSPs (median of 1 hour) and, given the low response rate and wide variation in estimated time to respond (0.25 hours to 1 hour) we therefore assumed in the consultation phase our best estimate would be 0.5 hours for TCSPs as well as for companies. We stated in the consultation IA that we would consult on this as part of the evidence gathering for the final IA. As with the responses to requests to inspect a register, we consulted on whether respondents agreed that this was correct – as stated previously the majority of respondents confirmed that the time taken to respond to a request would be 0.5 hours and that this responsibility would fall to a middle manager. We have therefore used these as our best, high and low estimates for companies and TCSPs as there was no difference between responses for companies and TCSPs. The majority of all respondents agreed with these estimates (i.e. 66% of companies agreed the responsibility would fall to a middle manager compared to 65% of TCSPs; 79% of companies agreed it would take 30 minutes to respond to a request compared to 74% of TCSPs).

133. Table 9 presents the costing overall for companies and TCSPs to respond to requests for a copy of their register in one year. Our best estimate of the costs for companies and TCSPs to respond to a request for a copy of their PSC register is therefore £5,684,019 per year, our low estimate is £4,074,681 and our high estimate is £8,614,713 per year.

**Table 9: Costs of TCSPs and companies to respond to requests for copies of their register in one year**

	Number of requests per year	Number of companies/ TCSPs receiving requests	Who in organisation responsible	Time taken to respond	Median wage (per hour)	Cost per request	Estimated cost per year per company per year	Total estimated cost per year
TCSP/Accountant: High	2	221,594	Middle manager	0.5	£24.85	£12.43	£24.85	£5,506,651
TCSP/Accountant: Best	1.5	221,594	Middle manager	0.5	£24.85	£12.43	£18.64	£4,129,988
TCSP/Accountant: Low	1	202,868	Middle manager	0.5	£24.85	£12.43	£12.43	£2,520,650
Company: High	2	125,072	Middle manager	0.5	£24.85	£12.43	£24.85	£3,108,062
Company: Best/Low	1	125,072	Middle manager	0.5	£24.85	£12.43	£12.43	£1,554,031
							Total Cost: Low	£4,074,681
							Total Cost: Best	£5,684,019
							Total Cost: High	£8,614,713

*Ongoing costs - Requests for historical data for companies that hold their register at Companies House*

134. For companies that elect to hold their register at Companies House, requesters may ask to see historical data from a company's register from the period before it was kept at Companies House. We have therefore estimated costs to companies to respond to requests for their historical data.

135. We assume that 15% of companies that do not hold their register with a TCSP will elect to hold their register at Companies House (275,894) companies). Of those, we assume that 8% will receive a request for a copy of their historical data (22,072 companies) in one year (in line with assumptions about requests for current registers). Our best estimate is that companies will receive one request per year for their historical data, this will take 0.5 hours to respond and that the responsibility will fall to a middle manager (in line with survey responses in responding to a request for a copy of the register). Table 10 presents our estimated costs to companies to respond to requests for historical data.

**Table 10: Costs of companies holding their register at Companies House to respond to requests for historical data**

	Number of requests per year	Number of companies/ TCSPs receiving requests	Who in organisation responsible	Time taken to respond	Median wage (per hour)	Cost per request	Estimated cost per year per company per year	Total estimated cost per year
Company: High	2	22,072	Middle manager	0.5	£24.85	£12.43	£24.85	£548,481
Company: Best/Low	1	22,072	Middle manager	0.5	£24.85	£12.43	£12.43	£274,241

Our best estimate of the costs per company to respond to historical data is £12.43: ( $1 \times (0.5 \times 24.85)$ ). Our best estimate of the total estimated cost per year is £274,241 ( $£12.43 \times 22,072$ ).

*Ongoing costs – Time to submit a request (Excluded from NPV)*

136. We would not expect companies or NGOs to submit a request to inspect or for a copy of a register if the costs including time costs outweighed the benefits – we have therefore excluded these costs from the NPV calculation, as our conservative assumption

is of a zero net impact, but have included estimates in the Impact Assessment as indicative and for information purposes only.

137. In the first round of surveys, survey respondents from companies, TCSPs and NGOs reported that they had submitted a request to inspect or obtain a copy of another company's register of members. Only two companies said they had done so in the last year – this responsibility had fallen to senior managers within the two companies and the task had taken between a quarter of an hour and one hour to submit the request. For TCSPs, five had submitted a request in the last year – these were submitted by a senior manager, one by a middle manager, one by an administrator and one respondent stated that the requester varied. The requests took between half an hour and one hour to submit. Finally, one NGO had previously submitted requests in the last year: this responsibility fell to a senior manager and took 0.5 hours. Based on median responses, our best estimate was that the responsibility would fall to a senior manager and take 0.5 hours to complete.
138. For the second round of surveys, we asked companies, TCSPs and NGOs how many requests they expected to make in one year a) to inspect a company's PSC register and b) for a copy of their PSC register. Companies and TCSPs responded with the same median expected number of requests to inspect and for a copy of another company's register – that is, companies reported that they expected to submit two (low), three (best) and four (high) estimated number of requests to inspect and for a copy of a register in one year. TCSPs expected to submit 11 (low), 13 (best) and 15 (high) requests to inspect and for a copy of another company's register.
139. We only received three responses from NGOs regarding the number of requests they expected to submit. The estimated number of requests to inspect a PSC register varied considerably, possibly reflecting the variation in sizes and areas of interest of the NGOs who responded. In response to our question about the number of requests NGOs expected to submit to inspect a PSC register in one year, the responses were 2-4, 11-15 and 1,000. This could also potentially reflect a misunderstanding regarding what is required to inspect a register (that is, NGOs would physically be required to visit the office of the company/TCSP to view the register), although we have no evidence of this. Given the variation, our best estimate would be between 11 and 15 requests per NGO (as the median) but this still seems high. With regard to NGO estimates of the number of copies they expect to submit in one year, these figures were more conservative with two NGOs expecting to submit between two and four requests and one NGO stating that they expected to submit no requests for copies of the register. Our best estimate is therefore that they will submit between two and four requests (low estimate of two, best of three and high of four).
140. In line with survey responses from the first round, we have assumed that the responsibility will fall to senior managers and that it will take 0.5 hours to submit a request. Using median ASHE data for the hourly rate of senior managers (£45.90 – see Annex C), we therefore have a low, best and high estimate of the cost per company per year of £45.90, £68.86 and £91.81 respectively to submit a request for a copy and the same cost again to submit a request to inspect a PSC register. For TCSPs, our low, best and high estimates are £252.47, £298.38 and £344.28 respectively to submit a request to inspect and for a copy of another company's register. For NGOs, our best estimate of the cost per NGO per year to submit requests to inspect another company's register is £309.85 (with a low and high estimate of £252.47 and £344.28 respectively). However, as this is based on three very varied responses from NGOs regarding the number of

requests expected to be submitted per year, we expect this to be considerably higher than the average for all NGOs. Our low, best and high estimates for NGOs in submitting requests for a copy of a register are £ 45.90, £68.86 and £91.81 respectively.

*Ongoing costs – Analysing the PSC register (Excluded from NPV)*

141. As with the time to submit a request, we would not expect companies to request and analyse a copy of a register if the costs outweighed the benefits – we have therefore excluded these costs from the NPV calculation, as our conservative assumption is of a zero net impact, but have included them in the Impact Assessment as indicative and for information purposes only.

142. Based on the responses to our first round of surveys, we have assumed that the analysis would take one hour to complete per request and would fall to a senior manager to complete. For companies, this would equate to a low, best and high estimate of £183.62, £223.45 and £454.51 per company per year (assuming each company submits a low, best and high estimate of 4, 6 and 8 requests per year to inspect and for copies of register). Our best estimate was calculated by  $(6 * (1 * £45.90))$ , whereby six is the number of requests, one is the hour to analyse and £45.90 is the median wage for Chief Executives and other Senior Managers. For TCSPs, our best estimate of the cost per TCSP per year to analyse responses is £1,193.50 (assuming they would be analysing 26 registers – 13 from requests to inspect and 13 from requests for copies). Our best estimate of cost to analyse per NGO per year is £757.42  $(16.5 * (1 * £45.90))$  (assuming they would be analysing 16.5 registers – 13.5 requests to inspect and 3 requests for copies of the register).

*Ongoing costs – applying to the court to refuse access*

143. In their response to the consultation IA, the RPC queried the potential cost of companies going to court. Following standard IA methodology this IA has assumed 100% compliance with the policy, and that no appeals to court will be made by companies to refuse access. This is because we have considered a comparison with the register of members, which although not an exact comparator for the PSC inspection regime is the best proxy available to us at this time. As discussed in paragraph 119 above, there are only two court cases<sup>41</sup> on record where a company sought to refuse a request for access to its register of members under the ‘proper purpose’ test (this test has been in place for at least 9 years). Under the PSC regime we expect there to be even less cause for a company to have to go to court to refuse access to its PSC register.

144. In particular, we expect fewer court cases because the ‘proper purpose’ test for refusing access to the PSC register will be significantly wider than the test for refusing access to the register of members, as discussed in paragraphs 14, 28 and 119 above. The purpose of the PSC register is to provide transparency of company ownership and control. So a person may inspect the register in the interests of finding out that information. We anticipate that the circumstances when this will not be the case are extremely limited. This will be made clear in the guidance to companies, which we are currently developing.

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<sup>41</sup> *Burry & Knight Ltd and another v Knight (2014)* and *Burberry Group Plc v Fox-Davies (2015)*

145. Therefore, our best estimate is that there will be no, or very few, cases brought for refusal of access to the PSC register. Given the very low likelihood of this happening we have not estimated the cost to companies of taking this action.

#### *Ongoing costs – Reductions in transparency*

146. In light of the RPCs response to the consultation IA, we have considered whether the existence of a fee for obtaining a copy of the register will impact on the transparency benefits of the register of people with significant control. We do not believe that this fee will have any impact on the transparency of the register of people with significant for the following reasons:

- the vast majority of PSC information will be available online from Companies House free of charge;
- where there have been no changes in a company's PSCs since its annual return the only additional information on the company's own register, compared to the public register, is the 'day' of the PSC's date of birth. The month and year of birth will be available on the central register from Companies House;
- an individual will be able to view the company's PSC register free of charge at the Company's Registered Office. A fee will only be chargeable, if an individual requests a copy of the register;
- companies will not be required to charge a fee, but are given the option of charging a fee to recover reasonable costs if they so choose;
- the level of the fee is set to allow reasonable cost recovery, without being prohibitively expensive to reduce transparency;
- UK law enforcement and specified public authorities will have access to **all** PSC data in order to carry out their statutory and other anti-money laundering functions.

#### **Option 2 – Implementation of a prescribed fixed fee for some, or all, entries in a company's PSC register.**

147. The second option we are considering is prescribing, in secondary legislation, a fixed fee that will apply to all requests for copies, regardless of whether some or all of the company's PSC register is requested. This option will exclude the provision for the company to charge additionally other reasonable costs (such as postage) as it is assumed that these will be covered in the fixed fee and that the majority of requests will in any case be responded to via email (rather than by post).

#### **Option 2 – Benefits**

148. We have assumed that the flat fee for companies to charge for a copy of their register will be £12 – this is on the basis of our best estimate of the cost per request for companies is £12 ((0.5\*£24.85) where 0.5 is the number of hours spent responding to a request and £24.85 is the median hourly rate for middle managers). Furthermore, our best estimate for the number of PSCs is that there will be 1.3 PSCs per company and the majority of companies will provide the copy of their register electronically (thus avoiding postage costs). Our second round of surveys clearly supported these assumptions (the majority of respondents agreed that the responsibility would fall to a middle manager and would take 0.5 hours to respond to a request) – we can therefore assume that the fee should be at an appropriate level so as to not prohibit people from requesting copies of

the register (and thus ensuring we meet our policy objectives) while making sure that companies do not incur disproportionate costs.

149. Table 11 presents the projected benefits to companies through charging a flat fee of £12. The number of companies/TCSPs receiving requests and the estimated number of requests per year are calculated as per Option 1. This would therefore give a projected best estimate of benefits to business of £5,489,552.

**Table 11: Benefits to companies/TCSPs through charging for requests of copies of the company register using a prescribed fee (Option 2)**

	Fee charge per request	Number of companies/TCSPs receiving requests per year	Number of requests per year	Total estimated benefit per year
TCSP/Accountant: High	£12	221,594	2	£5,318,252
TCSP: Best	£12	221,594	1.5	<b>£3,988,689</b>
TCSP/Accountant: Low	£12	202,868	1	£2,434,411
Company: High	£12	125,072	2	£3,001,725
Company: Best/Low	£12	125,072	1	<b>£1,500,863</b>
			<b>TOTAL HIGH</b>	<b>£8,319,978</b>
			<b>TOTAL BEST</b>	<b>£5,489,552</b>
			<b>TOTAL LOW</b>	<b>£3,935,274</b>

150. As with Option 1 we have assumed that the benefits for those requesting the information would at least outweigh the costs of doing so, thus we have not monetised their net benefits. Other non-monetised benefits under Option 2 are:

- legal certainty for companies and searchers;
- simplicity for companies and searchers;
- companies can recover some or all of the cost of providing a copy;
- there is an upper limit on what a company may charge.

This option will therefore ensure that requesters and companies are aware of the total final cost of the request (and are not faced with uncertainties over what to charge/what additional costs there will be through any additional charges from the 'other reasonable costs' provision under option 1).

151. In response to our second round survey, respondents had a marked preference for Option 2: 67% of companies and 78% of TCSPs were in favour of the flat rate proposed in Option 2. The main reason given for this preference was the simplicity and ease of administering a flat rate.

152. Our consultation on the draft regulations<sup>42</sup> implementing the PSC register also asked respondents whether they preferred Option 1 or Option 2. Of the 38 responses we

<sup>42</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/437974/bis-15-315-register-of-people-with-significant-control-consultation.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/437974/bis-15-315-register-of-people-with-significant-control-consultation.pdf)

received to this question, 33 respondents preferred Option 2; only 2 preferred Option 1 and 3 selected 'not sure'. Of those respondents who preferred Option 2, the Federation of Small Businesses, the Institute of Chartered Accountants in England and Wales, the City of London Law Society Company Law Committee, the Institute of Chartered Secretaries and Administrators, the Alternative Investment Management Association, and the Association of Company Registrations Agents (among others) all commented that the **simplicity** of Option 2 makes it preferable. Other comments explaining why respondents preferred Option 2 mentioned **certainty** (Open Corporates; the Law Society Company Law Committee and Anti-Money Laundering Task Force); **ease of implementation** (British Private Equity and Venture Capital Association); **clarity** (Transparency International); and **transparency** (Experian).

## **Option 2 – Costs**

153. The one-off and ongoing costs to companies will be the same as under Option 1 for responding to requests to inspect and for copies of the company register. Our best estimate for one-off costs is therefore £42,939,484 and for ongoing costs is £10,301,534 per year.

## **Option 3 – A published recommended fee (non-regulatory option)**

154. The non-regulatory option would be to publish a recommended fee, or fee structure.

155. Under Option 3, companies would still be required by measures in primary legislation to keep a register of company beneficial ownership information available for inspection. However, the fees a company may charge for a copy of all, or part, of its register would not be prescribed in legislation.

156. Under this option the costs would be as presented under Option 1 for familiarisation and for ongoing costs. However, there would be limited benefits to requesters of the information (other than the benefit of obtaining the information in the register) given that the costs charged could be disproportionate to the information provided which could decrease the number of copies of the register requested – thereby reducing the benefit of the gained from the increased transparency. We would also expect the number of requests submitted to companies and TCSPs for copies of their register to be lower under this option (in line with the risks to requesters under this option presented below) but as it would be unclear the extent to which the number of requests would be affected by not prescribing the fees to be charged, we have kept the expected number of requests in line with other options to provide a more conservative estimate of costs.

### *Risks to requesters under Option 3*

157. Additional survey evidence from the second survey put to NGOs showed a clear link between higher fees and a reduction in requests made. Table 12 shows the median number of requests NGOs (who responded to our survey) would make for a copy of a company's own register depending on the rate of the fee for a copy. The best estimate of the number of requests clearly decreases as the level of fee increases. The median number of requests submitted is over two times greater at the £12 fee level compared to the £25 fee level (the preferred rate for companies/TCSPs to charge – see below). Furthermore, in response to the survey question about the reasons why companies/TCSPs would want to charge the particular amount, while the majority (65%)

stated that the figure was to reflect the time taken/hourly rate of the person responsible, a sizeable minority (18% of respondents) stated that they would elect to set a higher fee as a form of deterrent to requesters and/or a mechanism for testing the validity of a request. This clearly contradicts our policy objectives and provides evidence that allowing companies to set their own fees would therefore not enable us to meet our policy objectives.

**Table 12 Median number of requests NGOs would make for a copy of a company's register by fee level**

	Low	Best	High
£6 fee	5	7.5	10
£12 fee	3.5	5	7
£25 fee	1.5	2	2.5
£50 fee	1	1	1

158. Further evidence from company and TCSP responses to the surveys indicated a range of fees that they would seek to charge in the absence of legislation, either as a flat rate or as a cost per entry in the register in the first round of surveys and as a flat rate only in the second round of surveys. In the first round of surveys, we received 21 responses from companies and TCSPs combined to this question: responses to the preferred fee per entry cost suggested a range of fees from £1 per entry in the register to £500 per entry with an average of £82.25 per entry and a median of £10 per entry; responses to the flat rate fee suggested a range from £0 to £200 with an average flat fee of £54 per request and a median of £35. Average and median flat rates were slightly lower in the second round of surveys where we received 58 responses from companies (26 responses) and TCSPs (32 responses) – the median preferred rate for companies and TCSPs combined was £25. Preferred fees for companies were slightly lower for companies than TCSPs at a best estimate of £17.50 and £30 per request respectively. This therefore provides evidence that companies would seek to overcharge in the absence of legislation – a concern raised by the RPC in their comments on the consultation IA.

159. Evidence on the higher preferred fee for companies/TCSPs to charge for a copy of the register was further supplemented by responses to our consultation document. Several of the respondents to the consultation (7 out of 35) stated that they would prefer a higher fee than the suggested £12. Those respondents who commented on their answer tended to highlight administration costs as the primary reason for suggesting a higher fee. However, the objectives of the policy that state that the fee should be proportionate to the cost of responding to a request for a copy. The majority of respondents to both rounds of surveys, which received a higher number of responses and included micro/small, medium and large companies as well as TCSPs, agreed that the time taken to respond to a request for a copy of a register would be half an hour and that this responsibility would tend to fall to a middle manager. Using median ASHE data, this corresponds to a cost per request of £12.43 (0.5\*£24.85). We could not therefore charge higher than this amount and still adhere to the policy objectives.

160. The first round of surveys gave some indicative findings that companies may be more inclined to charge a higher rate per entry on their register as their number of PSCs increases. In the second round of surveys, we asked companies what fee they would ideally charge (as a flat rate). The combined results from both surveys are presented in Table 13 and show no relationship between the number of PSCs a company has in their

register and the fee that they would elect to charge given the freedom to select their own fee. Average and median fees were highest for companies with two and six PSCs but broadly similar for companies with 0, 1 and 3-5 PSCs.

**Table 13: Amount companies would charge per entry in the register if no regulatory restrictions by number of PSCs**

161. We can therefore expect that prescribing a standard fee structure would reduce the possibility that requests for copies of the register are not submitted to companies due to prohibitive costs imposed by companies free to charge as they choose. This would therefore better enable us to meet the stated policy objectives.

**Table 14: Benefits estimation for TCSPs and companies under Option 3**

	Fee charge	Number of companies/ TCSPs receiving requests	Number of requests	Total estimated benefit per year
TCSP/Accountant: High	£30	221,594	2	£13,295,630
TCSP/Accountant: Best	£30	221,594	1.5	<b>£9,971,723</b>
TCSP/Accountant: Low	£25	202,868	1	£5,071,690
Company: High	£20	125,072	2	£5,002,876
Company: Best	£17.5	125,072	1	<b>£2,188,758</b>
Company: Low	£15	125,072	1	£1,876,078
			<b>TOTAL HIGH</b>	<b>£18,298,506</b>
			<b>TOTAL BEST</b>	<b>£12,160,481</b>
			<b>TOTAL LOW</b>	<b>£6,947,768</b>

162. The above Table 14 suggests that the estimated annual benefit to companies would be a best estimate of £2,188,758 (based on estimated fee charge of £17.50 to an estimated 125,072 companies who receive a request and an estimated one request per year – see Option 1 for more detailed explanation of these final two figures). The estimated annual benefit to TCSPs would be a best estimate of £9,971,723 (based on a median estimated charge of £30 flat rate). This is therefore a total best estimate of £12,160,481, a total low estimate of £6,947,768 and a total high estimate of £18,298,506 in benefits to companies and TCSPs combined.

163. Given that the high estimate of costs for companies and TCSPs is £15,678,106 (high cost estimate for time to respond to requests to inspect and requests for copies of the register combined: £6,514,911+£9,163,194) and the best estimate is £10,301,534 (£4,343,274+£5,958,260), this suggests that the benefits would outweigh the costs under the high, best and low options. This would therefore provide disproportionate benefits to

the companies and would contravene the policy objective which states the benefits should be proportionate to the costs experienced by the company.

164. Furthermore, should we choose not to legislate and the associated fees are left to be determined by companies, we would not derive all the expected benefits of the reform as the system would be less transparent. This is because people might be deterred from accessing the information due to unknown or uncertain costs (as evidenced by Table 6 and the clear reduction in the number of requests NGOs expected to submit as the projected fee increased). As stated previously, we also have some evidence from our second round of surveys that a sizeable minority of companies/TCSPs (18%) would seek to charge higher fees as a form of deterrence to requesters and/or a mechanism for testing the validity of a request. This would also contravene the policy objective, which is to ensure that the information is publicly and easily accessible.

165. We have not costed for any potential sanctions if a company failed to follow the recommended fees as it is not yet clear if there would be sanctions imposed and, if so, what these sanctions would be. In the same respect, we have also not costed for any potential increase in the burden on the court and the justice system through people seeking to take action against a company that charged heavily inflated fees. This is due to insufficient evidence to hypothesise as to the likely costs incurred or the frequency of such occurrences.

## Risks and Assumptions

### Assumptions

166. We have assumed the following:

- that we will be able to exempt companies listed on prescribed markets from the requirement to maintain a PSC register<sup>43</sup>;
- an average number of PSCs per company based on the number of shareholders in a company;
- that there are 312,104 accountants in line with the Company Filing Requirements Red Tape Challenge IA and the Micro Exemptions IA<sup>44</sup>. This is used as the best proxy available for the number of TCSPs;
- that 99% of the companies affected by the policy will be small and 1% will be medium/large in line with the size split for all companies;
- that 41% of companies will hold their register with a TCSP (based on research from Companies House);
- that 15% of companies will elect to hold their PSC register with Companies House (based on second round survey responses);
- that the current register of members inspection regime is the best comparison for potential costs under the PSC register inspection regime. We have assumed comparable demand for access to the registers based on survey responses;
- that in the absence of reliable data on the price sensitivity of requesters, our modelling of monetised costs and benefits assumes the same number of requests

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<sup>43</sup> This assumption is subject to the outcome on the EU's Fourth Money Laundering Directive, which may require companies listed on prescribed markets to report beneficial ownership information to a central register.

<sup>44</sup> June 2014, <http://www.parliament.uk/documents/impact-assessments/IA14-14F.pdf>

are made under each fee regime. In practice we would expect the number of requests to fall under higher charges;

- that there will be no or very few cases brought for refusal of access to a copy of the register;
- that all companies and TCSPs in scope will familiarise themselves with the guidance regardless of whether they receive a request to inspect or for a copy of their register (based on our second round of survey responses). In addition, we have assumed that the role of the person familiarising themselves and the time for familiarisation will be in line with our survey responses;
- an estimated number of requests per year (based on survey responses) to inspect and for copies of the register. In addition, we have assumed that companies will not receive requests to inspect their register (based on survey responses) but will receive requests for copies of their register;
- the time companies and TCSPs will take to respond to requests to inspect or for a copy of their register and the job function (i.e. administrator/middle manager or senior manager) of the person responsible for handling the request (based on survey responses);
- that all or the vast majority of requests will be requested and responded to via email (and not by post) – this was confirmed by both rounds of surveys;
- that companies and TCSPs will not need to develop a new payment mechanism to charge requesters for copies of their registers;
- 2014 ASHE wage data, uplifted for non-wage costs using Eurostat data (19.76%)<sup>45</sup> (See Annex C for calculation of median salaries);
- under Option 2, that the flat rate charged as a fee will be £12;
- under Option 3, we have assumed what companies would charge in the absence of legislation to prescribe the fee (based on survey responses); and
- as is usual with IAs 100% compliance is assumed and we have no evidence to indicate otherwise, thus we have not costed out a public sector monitoring/appeals process.

As stated, there is a paucity of evidence to give a reliable set of data regarding the likely volume of requests, costs, how these differ by company, and how sensitive requesters might be to different fees. We have consulted to provide evidence to give us the assumptions presented in this Impact Assessment and have sought confirmation of these assumptions in our second round of surveys. We have assumed that time taken to respond to requests regarding the PSC register will be comparable with the register of members and have asked directly about companies' anticipated time to respond to requests regarding the PSC register in this round of questions.

## **I. Direct costs and benefits to business calculations**

167. Table 15 presents a summary of the estimated costs and benefits under this policy. The costs remain the same under the three options, whereby our best estimate of the costs is £48,473,745 in familiarisation/one-off costs and £10,301,534 in ongoing costs on an annual basis. Our best estimate of the benefits under Option 2 is £5,489,552 on an ongoing basis per annum – this is our preferred option. Our best estimate for the benefits for Option 3 is higher at £12,160,481 per annum but this option would not be in line with our policy objectives of greater transparency (because of the deterrent effect of

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<sup>45</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)

uncertainty over fee levels and the potential high cost) and contradicts our policy objective that the costs incurred by the requestor should be proportionate to the costs incurred by the company in providing the information.

**Table 15: Summary of costs and benefits**

	LOW	BEST	HIGH
<b>COSTS</b>			
Familiarisation TCSP	£ 5,929,692	£ 11,578,689	£ 14,034,775
Familiarisation company	£ 1,926,605	£ 36,895,056	£ 57,394,491
<b>TOTAL ONE OFF COSTS</b>	<b>£ 7,856,297</b>	<b>£ 48,473,745</b>	<b>£ 71,429,266</b>
Response to request to inspect	£1,900,182	£4,343,274	£6,514,911
Response to request for copy	£4,348,922	£5,958,260	£9,163,194
<b>TOTAL ONGOING COSTS</b>	<b>£6,249,104</b>	<b>£10,301,534</b>	<b>£15,678,106</b>
<b>TOTAL COSTS</b>	<b>£ 14,105,401</b>	<b>£ 58,775,279</b>	<b>£ 87,107,372</b>
<b>BENEFITS</b>			
Option 0	£0	£0	£0
Option 1	£327,939	£457,463	£1,386,663
Option 2	£3,935,274	£5,489,552	£8,319,978
Option 3	£6,947,768	£12,160,481	£18,298,506

168. The measures 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 the Business Impact Target. This Impact Assessment considers the costs and benefits of requiring the company to make its own register available for public inspection and allowing companies to charge a fee in order to recover the costs of providing a copy of the register to on request. This is consistent with the G8 commitment<sup>46</sup>, which is to ensure that information on the central register held by Companies House is available to all and free of charge. The international commitment is described in detail in the T&T EIA. The RPC, in their response to the consultation IA, confirmed that these proposals are out of scope.

## J. Wider impacts

### Statutory equality duties

169. This policy will primarily impact UK companies (understood here as the individuals responsible for ensuring a company's compliance with the new requirements) and the beneficial owners of those companies. A wider population may derive benefits from the policy as a result of reduced crime or an improved business environment.

170. We have considered whether any of the following groups might be adversely or positively impacted by this policy in different ways:

- Race Equality;
- Gender;

<sup>46</sup> UK National Action Plan wording: 3. Amend the Companies Act 2006 to require that this information is accurate and readily available to the authorities through a **central registry of information on companies' beneficial ownership, maintained by Companies House. Consult on whether information in the registry should be publicly accessible.**

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

171. We do not anticipate that this would be the case and therefore do not anticipate any equalities impact. A separate Equalities Impact Screening Exercise was conducted and published in relation to the overall policy, which indicated that the conduct of a full Equalities Impact Assessment was not required<sup>47</sup>. This has been reviewed and updated in light of changes made following Parliamentary passage of the Bill. See Annex B – Equalities Impact Assessment.

### Economic impacts

#### *Competition impact test*

172. We have considered the potential competition impact of the proposed reforms but given the substantial coverage of companies this did not identify any particular issues with this policy change.

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

#### *Small and micro business assessment*

174. According to the responses we received from companies we are not expecting small companies to be disproportionately affected by this policy. This is confirmed by our breakdown of familiarisation costs which we were able to analyse by company size – these costs showed that, on average, costs incurred by small companies were lower than costs incurred by medium/large companies.

175. We calculated the EANCB for small companies only (excluding TCSPs as there is no evidence on the size split of TCSPs) to compare the impact on small companies relative to other companies and TCSPs<sup>48</sup> - this is in response to RPC comments requesting additional evidence regarding the impact on small and micro companies. The total EANCB for small companies in our preferred option (2) was £3.96 million per year compared to a total EANCB for all companies and TCSPs of £10.09 million per year. Therefore small companies account for 39% of the net annual cost to business of our preferred approach. It should also be noted that this is less than 99% of the cost, which is the proportion that might be expected if the cost for small companies were not lower than the cost for large companies.

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<sup>47</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>

<sup>48</sup> The calculation included familiarisation costs, responding to requests for a copy of the register, responding to requests for historical data (for companies holding their registers at Companies House) and anticipated benefits. The calculation excluded costs associated with requests to inspect a register (as, based on survey responses, we do not anticipate companies receiving requests to inspect a register).

176. 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 turnover, balance sheet total and number of employees. The maximum 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 EIA and because the new thresholds are not yet fully in force; the employee threshold stays the same; and the turnover, asset 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.
177. As set out above, the two main objectives of the *Transparency and Trust* package are to reduce crime, and improve the business environment so as to facilitate economic growth. The assessment is that excluding small and micro businesses from the policy package could risk a significant impact on the ability of the package to reduce crime, and exclude small and micro businesses from the benefits that can be derived from increased transparency.
178. This policy will apply to UK incorporated companies and LLPs, and will require these entities to disclose beneficial ownership information to a central registry. There is a default assumption that small and micro businesses<sup>49</sup> should be exempted from new regulatory measures. However, assessment reveals that such an exemption is not viable in this policy context, and not compatible with achieving a large part of the intended benefits of this measure.
179. It has been widely identified that ‘shell’ companies are often the vehicle of choice for money-laundering and other crimes<sup>50</sup>. A 2012 study defines a shell company thus: “*In contrast to operating or trading companies that have employees who make a product or provide a service [...] shell companies are little more than this legal identity, and hence the “shell” moniker*”<sup>51</sup>. By this very definition, we believe that the majority of shell companies would be classified as small or micro businesses. Law enforcement have strongly confirmed to us that this is the case, and that excluding small and micro businesses from scope would be a significant risk and ultimately counterproductive. Internationally, the US G8 Action Plan considers targeting small and micro business for selective **inclusion** in scope of company beneficial ownership transparency, and considering larger businesses for exemption where they meet “*certain employee or revenue requirements.*”

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49 For the purposes of this assessment, the parameter used to define small businesses is up to 49 full-time employees, and for micro businesses up to 10 employees.

<sup>50</sup> Findley, Nielson and Sharman (2012): *Global Shell Games: Testing Money Launderers’ and Terrorist Financiers’ Access to Shell Companies* <http://www.griffith.edu.au/business-government/centre-governance-public-policy/research-publications/?a=454625>

<sup>51</sup> *ibid*

180. Allowing any exemptions targeted at small and micro business could therefore have a negative impact on the primary derived benefit from this policy, in terms of a failure to tackle or deter any illicit activity undertaken through companies currently on the register. Exempting small and micro businesses from the requirement would create a significant loophole for those seeking to exploit the company structure for illicit activity in future. In turn, this could damage the reputation of UK small and micro businesses relative to their larger and/or international competitors.

181. Moreover, any exemption for small companies would limit the positive impact on the wider building of trust in the business environment - and therefore economic growth. Were they to be exempted from these transparency requirements, information asymmetries could persist and law-abiding businesses might find themselves, for instance, less able to attract private investment or debt finance.

Wider environmental and social impacts

Factor	Consideration
Environmental impacts	Our analysis suggests that this policy will not have any adverse impact on the environment – the changes relate purely to making data available and providing copies of it, and we anticipate this will be done digitally in the majority of cases.
<i>Rural proofing</i>	Our analysis suggests that this policy will not have any adverse impact on rural areas – the changes relate purely to making data available and providing copies of it, and we anticipate this will be done digitally in the majority of cases.
<i>Sustainable development</i>	Our analysis suggests that this policy will not have any adverse impact on sustainable development – the changes relate purely to making data available and providing copies of it, and we anticipate this will be done digitally in the majority of cases.
<i>Health and well-being:</i>	<p>The overall PSC register policy should prevent or deter crime which will have a positive impact on individuals’ well-being. We sought to mitigate any potential adverse impact on health or well-being as a result of enhanced transparency (e.g. to individuals investing in companies carrying out controversial activities) through the provision of an exemptions framework for individuals that might otherwise be at risk of harm (see separate Impact Assessment on the protection regime). Beneficial ownership information in these cases will not be placed in the public domain and only specified enforcement authorities will have access.</p> <p>There will be no adverse or positive impacts to health and well-being as a result of this policy element specifically.</p>

Human rights

182. As described in the T&TE, we do not believe that our proposal to implement a central registry of company beneficial ownership information and make the information publicly

available contravenes our commitments to the European Convention of Human Rights (ECHR).

183. Article eight, 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 [...]”.

184. Implementation of a publicly accessible central registry of company beneficial ownership information means that we are exposing personal data on individuals with a significant interest in a UK company to anyone who chooses to search for it. However, we believe that this interference with article 8 rights is justifiable.

185. The policy is necessary in order to meet the policy objectives to reduce crime through tackling the potential for misuse of companies; and there is international agreement (for example, at G8 and through the FATF standards) around the importance of enhanced corporate transparency.

186. With respect to proportionality, 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);
- 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); and
- we intend that there will be a framework of exemptions from public disclosure for individuals at risk.

187. We therefore consider that the central register is both proportionate and necessary, and any interference with article 8 rights is justified.

188. The Memorandum addressing issues arising under the ECHR in relation to the Small Business, Enterprise and Employment Act states the Government's view that the measures in the Act – which include the central registry - are compatible with the Convention rights. In relation to the PSC register, we have also conducted and published a full Privacy Impact Assessment:

<https://www.gov.uk/government/publications/company-ownership-transparency-and-trust-impact-assessments>

189. There are no additional considerations or factors in relation to the policy element described in this IA specifically.

### Justice System

190. Following standard IA methodology this IA assumes 100% compliance with the policy, and that no appeals to court will be made by companies to refuse inspection. This is based on the fact that we are only aware of two appeals having been made to court in

respect of the register of members' inspection regime, and anticipate similarly low appeals rates in the context of the PSC register.

191. As a result we do not anticipate any impact on the criminal justice system.

192. A Justice Impact Assessment Test has also been completed for the PSC register primary measures and has been cleared by the Ministry of Justice.

### Devolved Administrations

193. We do not anticipate any difference in impact on UK companies as a result of their registered office location. The requirements will apply in the same manner to all companies. Similarly, the requirements will apply in the same manner to all beneficial owners, irrespective of their country of residence.

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

### Summary

The preferred option is Option 2, a prescribed fee.

### Implementation plan

194. We intend to require companies to start keeping their registers from 6<sup>th</sup> April 2016. They will be required to start filing this information at Companies House, and making it publicly available via their own registers, from 30<sup>th</sup> June 2016. This provides companies with a period of at least three months to obtain the required information. Compliance and enforcement action will commence from 6<sup>th</sup> April 2016. Statutory and non-statutory guidance will be published in advance of 6<sup>th</sup> April 2016 to enable companies to start familiarising themselves with the new requirements.

195. The legislation will be statutorily reviewed within three years of the requirement to file beneficial ownership information at Companies House coming into force, likely to be in or before 2019.

## **Annex A: Fee Structures and Rates Researched**

Fees for Inspection and Copying of Company Records under the Companies Act (2006)

<http://www.legislation.gov.uk/uksi/2007/2612/contents/made>

The Public Record Office Fees under the Public Records Act (1958)

<http://www.legislation.gov.uk/uksi/2013/3267/contents/made>

The National Archives Records Copying Service

<http://www.nationalarchives.gov.uk/legal/our-fees.htm>

HM Treasury Guidance on Managing Public Money

<https://www.gov.uk/government/publications/managing-public-money>

Companies House Fees

<https://www.gov.uk/government/organisations/companies-house/about/about-our-services#about-fees>

**SECTION A**

Policy/Service

The policy intends to ensure 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 registry. A beneficial owner, or person with significant control, 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 registry should provide 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 should 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 should 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 2018 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 beneficial owners of 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<sup>4</sup> 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<sup>6</sup>, although we note that those companies are exempt from this policy<sup>7</sup>. Furthermore, of the 5,026,282 directorships recorded on the FAME database<sup>52</sup> 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 1 provides figures on the age demographic for company directors and members of Limited Liability Partnerships (LLPs).

Table 1: 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 1: 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
71- 80	238,141	4,250
81- 90	55,861	995

<sup>52</sup> Data extracted from FAME database Bureau Van Dijk Electronic Publishing in March 2015.

<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 beneficial owners 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 beneficial owners. 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 beneficial owners 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 beneficial owner acquired the beneficial interest (and ceased to hold it, where applicable);
- the nature of the individual's control over the company; and
- whether they have applied for their information to be protected

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, this information will also be publicly accessible via Companies House.

As set out in the T&T EIA (published separately), there is currently no concrete evidence

available on the total number of beneficial owners of UK companies (i.e. the total number of beneficial owners or the protected categories into which they might fall).

Some beneficial owners 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 beneficial owners.

However, as above, we might anticipate that individuals within the following categories may be beneficial owners 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 beneficial owners of a company (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 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 publically 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 intend to 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<sup>9</sup>.

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 C: Salary details from ASHE 2013 data

We have used provisional 2014 ASHE data<sup>53</sup> and applied a non-wage uplift of 19.76% to give median gross hourly pay.

We have conducted additional analysis of the ASHE data to give gross hourly pay for micro/small companies and medium/large companies – this will give more robust calculations for the costs to business from the responses provided to the survey. We have used the applicable costs for the Chief Executives, Middle Managers and Administrative staff in the calculation of familiarisation costs for companies. For TCSPs, we have used the average median wage for all companies/TCSPs given we do not know what the split is between small and medium/large TCSPs.

**Table 1: Gross hourly pay: Median wages plus uplift**

	Average for all companies	micro & small	medium and large
Chief execs & senior officials	45.90	37.24	56.81
Corporate managers and directors excluding chief execs & senior officials	24.85	18.99	26.89
Administrative & Secretarial Occupations	12.17	11.22	12.23
other		11.04	10.37

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<sup>53</sup> <http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2013-revised-results/index.html>