



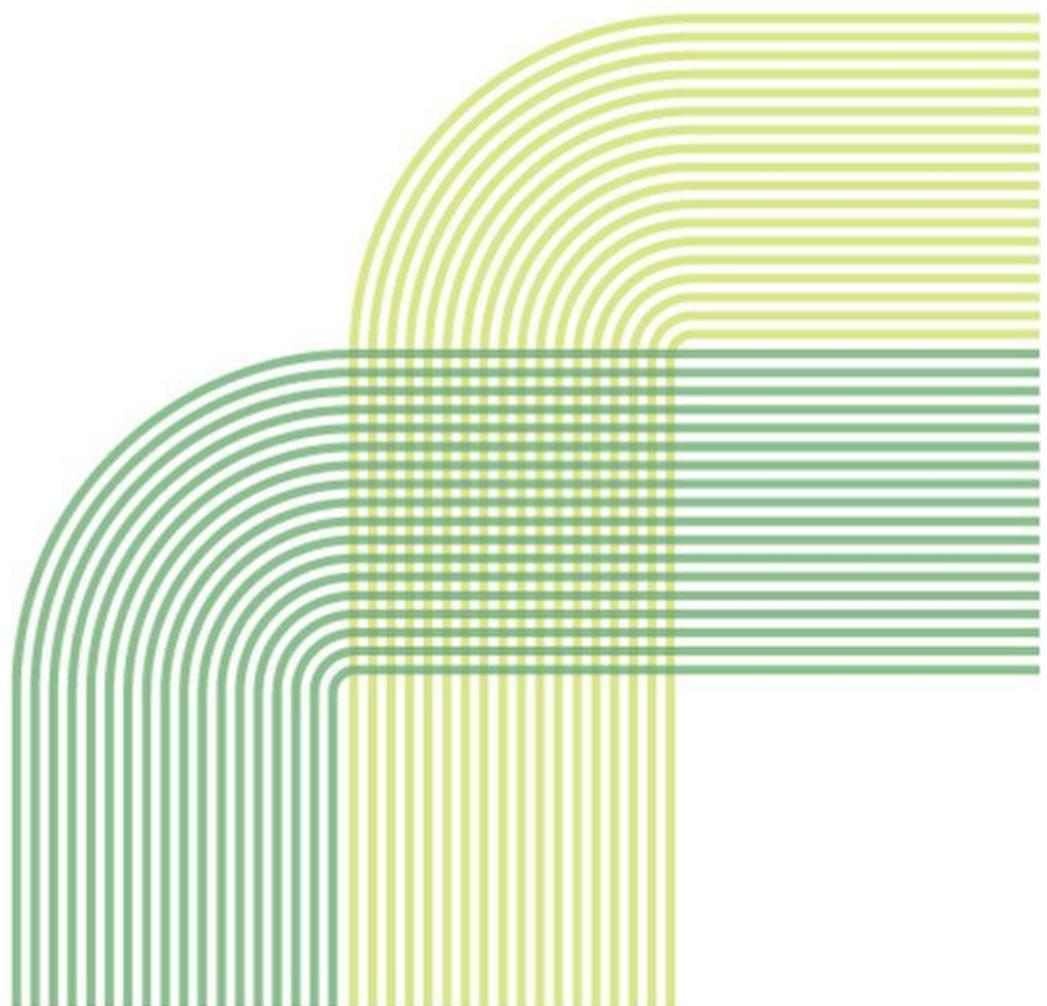
IFF Research

Trust and Transparency Survey

Prepared for the Department for Business, Innovation & Skills

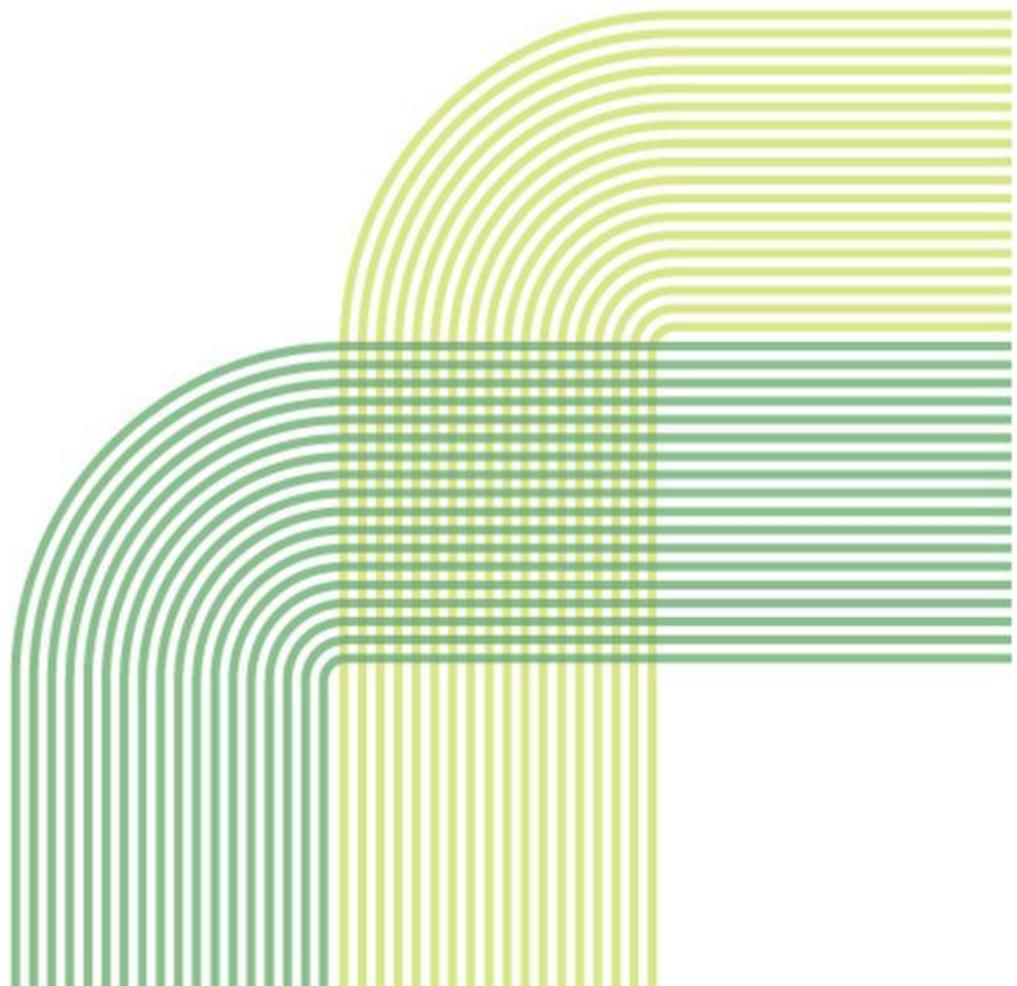
By IFF Research

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Contact details

Rob Warren and Alice Large
IFF Research Ltd
Chart House
16 Chart Street
London N1 6DD
Tel +44(0)20 7250 3035
rob.warren@iffresearch.com
alice.large@iffresearch.com



A report by IFF Research.

The views expressed in this report are that of the authors and not necessarily those of the Department for Business, Innovation and Skills or any other Government Department

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Chapter 1: Executive Summary

This report details the results of a survey of UK companies to measure the impact of policy proposals aimed at improving transparency and trust in UK business. The relevant policy proposals were set out for views in the BIS Discussion Paper *Transparency and Trust: enhancing the transparency of UK company ownership and increasing trust in UK business* (July 2013).

574 companies took part in the research, which looked at the cost of complying with different elements of the proposals. The survey was designed to cover various spheres of UK business, including all sizes of company from micro to large and those with simple, moderate and very complex ownership structures.

From the resulting data it was possible to calculate the potential financial cost of the proposals. Figures are reported rounded to the nearest £10. The figures are reported as both mean and median scores; in many cases these two figures differ considerably. This is because the distribution of companies by size and complexity shows that the majority of companies are small and with simple structures, and therefore do not incur a lot of cost, however there are a handful of large, complex companies whose costs would be considerable. These outliers have been checked for statistical validity and approved, but this does have the effect of skewing the mean score to appear much higher than the median. This finding suggests there is scope for further research to help understand the reasons behind the very high and very low estimates.

This summary breaks down each of the elements of the potential policy package covered by the survey, and shows the following:

- a) The proportion of the company population affected by this part of the proposals
- b) The proportion of the population surveyed that believe any cost would be incurred by these
- c) The mean and median costs anticipated by companies

A summary of all elements can be seen in Table 1.1.

Table 1: Costs of all elements of the potential policy proposals

	% of companies affected	% of companies anticipating a cost	Mean (£)		Median (£)	
			Actual	Adjusted	Actual	Adjusted
Beneficial ownership						
Familiarisation with legislation	100	87	2,210	2,210	200	200
Obtaining information on beneficial ownership	100	30	600	600	0	0
Responding to request from another company in which hold shares	2	65	590	10	50	*
Collating, processing and storing information	100	55	360	360	10	10
Cost of updating annually	100	76	640	640	50	50
Providing information to central registry annually	100	83	360	360	50	50
Providing information to central registry when changes	8	84	400	30	50	*
Corporate Directors						
Familiarisation with potential reform	100	63	530	530	50	50
Removing and replacing a corporate director on own board	5	73	2,600	130	150	10
Removing or updating own corporate director status	2	72	1,110	20	70	*
Individual nominee Directors						
Familiarisation with potential reform	100	58	620	620	30	30
Complying with proposal to register a nominee director	3	76	810	20	50	*
Losing nominee director from board and not	1	66	1,100	10	50	*

	% of companies affected	% of companies anticipating a cost	Mean (£)	Median (£)
	Actual	Adjusted	Actual	Adjusted
replacing				
Losing nominee director from board and replacing	1	66	2,110	20

Base: All companies surveyed (574)

“*” denotes a figure larger than £0 but smaller than £5.

“Adjusted” mean and median is the mean/median multiplied by the % of companies the cost would affect.

All figures rounded to the nearest £10

1.1 Beneficial Ownership

Under the proposals in the July 2013 discussion paper, all companies would be expected to provide information on their beneficial ownership to a central registry. Companies would be expected to familiarise themselves with the new legislation, obtain the information on their own beneficial ownership and provide this information to the central registry. This could be annually, or just whenever ownership changes. Most organisations (92%) said they didn’t expect their ownership to change in a typical year, so it is assumed that if the update is only required on changes then 8% of companies in any given year would need to update the registry.

Only companies which hold shares in other companies would be required to respond to requests for information on their beneficial ownership.

Table 1 summarises the costs of the beneficial ownership proposals.

1.2 Corporate Directorship

The policy proposals also intended to restrict the use of corporate directors – directors who are legal persons (such as other companies) rather than natural persons (individuals). A prohibition of corporate directors would require the 1.2% of UK companies who currently use corporate directors to remove those directors. Additionally, companies acting as corporate directors would need to make changes. The discussion paper included proposals to abolish corporate directors, meaning that the 5% of the companies surveyed who have corporate directors would need to remove and replace these directors. Additionally, the 2% of companies surveyed that held corporate director positions themselves would need to update these to be in the name of an individual or ‘natural person’.

Table 1 shows the costs of the corporate directorship proposals. The vast majority of companies would only incur the cost of familiarising themselves with the legislation.

1.3 Nominee Directorship

The policy proposals also intended to increase the transparency and accountability of “nominee” directors. This was intended to target those directors who act irresponsibly as a front for others, though the term “nominee” has no legal meaning and is sometimes unclear. The proposals included a requirement for “nominee directors” to register, and to register on whose behalf they were acting.

Of the 3% of companies who are aware they have a nominee director on their board, all said that if they were required to register they would carry on as they are and comply. However among companies overall, a fifth said if they had a nominee director they would choose to lose them and not replace them, while 13% said they would lose them and replace them.

Table 1 shows the costs of proposals to register nominee directors and those who control them. The vast majority of companies would only incur the cost of familiarising themselves with the legislation.

A company with a nominee director that continued with the nominee arrangements by making sure they registered could expect the cost impact to be £1,430 (mean) or £100 (median). The cost of losing the director would be much higher; a company that chose to lose the director and not replace them could expect to incur costs of £1,720 (mean) or £100 (median), and one that chose to lose the director and replace them could expect to incur costs of £2,730 (mean) or £190 (median)

We also asked questions about the types of costs that would be incurred if companies lost directors who were disqualified. From the data we gathered it was not, however, possible to say how many companies might be affected by any reforms which caused changes to the nature or number of disqualified directors, nor what the financial cost would be.

Chapter 2: Introduction

2.1 Background

This report details the results of a survey of UK companies to measure the impact of policy proposals aimed at improving transparency and trust in UK business.

Lack of transparency in company ownership is a barrier to tackling criminal activity such as tax evasion and money laundering; this is closely linked to trust in business, which is important in encouraging investment and growth. In order to improve transparency and trust in UK business, BIS set out policy proposals in the discussion paper *Transparency and Trust: enhancing the transparency of UK company ownership and increasing trust in UK business* (July 2013).

The discussion paper covered proposals building on commitments the UK made at the G8 Summit in June 2013.

The proposals included introducing a central registry of company beneficial ownership information. A beneficial owner in this sense is an individual who ultimately owns or controls more than 25% of a company's shares or voting rights (directly or indirectly), or who exercises controls over the management of the company in any other way.

Compiling the information necessary to feed into the registry may not always be simple for companies, for example where there are multiple layers of ownership, corporate directors (a legal entity, such as another company, acting as a director) or nominee directors (a director whose name is on the register but is acting on behalf of another natural or legal person).

The discussion paper also covered proposals to prohibit corporate directors and issues around individual directors acting as "nominees" for others who control them; it suggested the registration of both parties. To improve trust the paper also outlined measures to tighten up the disciplinary procedures for directors, making them more accountable. The discussion paper also considered the abolition of anonymous bearer shares in UK companies.

2.2 Aims and Objectives

The aim of the survey was to measure the impact in financial terms that reform might have on UK companies. Specifically, the objectives were to quantify:

- The time and cost burden associated with compiling information for a central registry of company beneficial ownership;
- Any action companies may need to take as a response to the reforms and associated costs;

- The implications to a company (time and cost) if a director were to be removed or and / or replaced.

2.3 Methodology

To achieve these objectives, a telephone survey was conducted involving 575 companies to find out the costs that could be incurred as a result of each different element of the policy proposals. Interviews were conducted using Computer Aided Telephone Interviewing (CATI) software at IFF's own telephone centre; interviews took on average 26 minutes to complete. Data validation processes identified one company who needed to be deleted from the sample as their data was incomplete, leaving a total number of 574 completed interviews.

The companies surveyed were purposively selected from Bureau van Dijk's FAME database of enterprises in the UK to include a spectrum of company size and ownership complexity. Interlocking quota targets were set on these variables as follows:

- Complexity of ownership structures:
 - “Simple”: less than 3 layers of ownership above the company;
 - “Reasonably complex”: 3-5 layers of ownership above the company, but no additional complications (foreign ownership or trusts in the chain);
 - “Complex”: Either more than 5 layers of ownership, foreign ownership or trusts in the chain, or any combination of these factors.
- Company size:
 - “Micro and small”: fulfil two of the following criteria: turnover is under £6.5m, balance sheet is under £3.26m, fewer than 50 employees;
 - “Medium and large”: fulfil two of the following criteria: turnover is £6.5m or over, balance sheet is £3.26m or higher, 50 or more employees.

Complexity of ownership structure was derived from information available on the FAME database and company size was derived from company's responses in the interview.

Due to this stratification of the sample it was then necessary to weight the data to the profile of the population; this was again taken from the FAME database statistics.

In anticipation of the complicated themes discussed during the interviews, of which many respondents would not have direct experience, an information sheet outlining the nature of information to be collected and defining a few key terms was sent to respondents where they needed further clarification. This gave them the opportunity to familiarise themselves with the issues to be discussed.

Cost to the company was measured using a three-stage approach to each element, to ensure all costs (internal and external) were included in the answers given. Respondents were asked to estimate the number of staff at senior and middle management levels and the number of administrative staff that would be involved in the activity under consideration, followed by the average number of hours per person at each level that would be required. Internal time costs were then modelled using a national average hourly wage for each level of staff. Respondents were also asked to detail any other costs (for example outlay for new ICT systems, or costs of using external consultants) that they would incur in undertaking the activity being considered.

2.4 Profile of firms surveyed

The sample was stratified to ensure good coverage of all types of company, including those large companies and those with more complex ownership structures which are uncommon in the business population as a whole but were of particular interest in the context of the policy proposals. The final sample profile is shown in Table 2.1.

Table 2.1 Interview profile (unweighted)

Size / Structure	Micro/Small	Medium/Large	TOTAL
Simple	100	104	204
Reasonably complex	71	100	171
Complex	100	99	199
TOTAL	271	303	574

Figures shown are the unweighted number of interviews – 574.

Around a sixth of companies interviewed were wholly owned by a listed company (17%); this did not vary by size of company. In total, 43% said at least one element of the ownership chain involved entities or individuals based overseas.

The majority (76%) had fewer than 5 shareholders. One in eleven (9%) had 5-9 and 8% had 10-99; 5% had over 100 shareholders.

2.5 Weighted profile

In order to provide estimates that reflect the company population, data were weighted to reflect the population profile as estimated by the FAME database. The majority of companies are of micro/small size and of a simple structure. Table 2.2 shows the weighted profile.

Table 2.2 Interview profile (weighted)

Size / Structure	Micro/Small	Medium/Large	TOTAL
Simple	93%	1%	94%
Reasonably complex	3%	*	3%
Complex	2%	1%	2%
TOTAL	98%	2%	100%

%s shown are the weighted % of total number of interviews – 574.

** denotes a figure larger than 0 but smaller than 0.5%.

Some figures do not add to 100% due to rounding.

As the vast majority of companies are small and simple, throughout this report the 'total' figures are heavily influenced by this group.

All data throughout the report is weighted, although unweighted base figures are shown on tables and charts to give an indication of the statistical reliability of the figures. These base figures are always based on the number of *companies* answering a question

Chapter 3: Beneficial ownership in the wider context

Central to the Transparency and Trust proposals was the introduction of a central registry of company beneficial ownership.

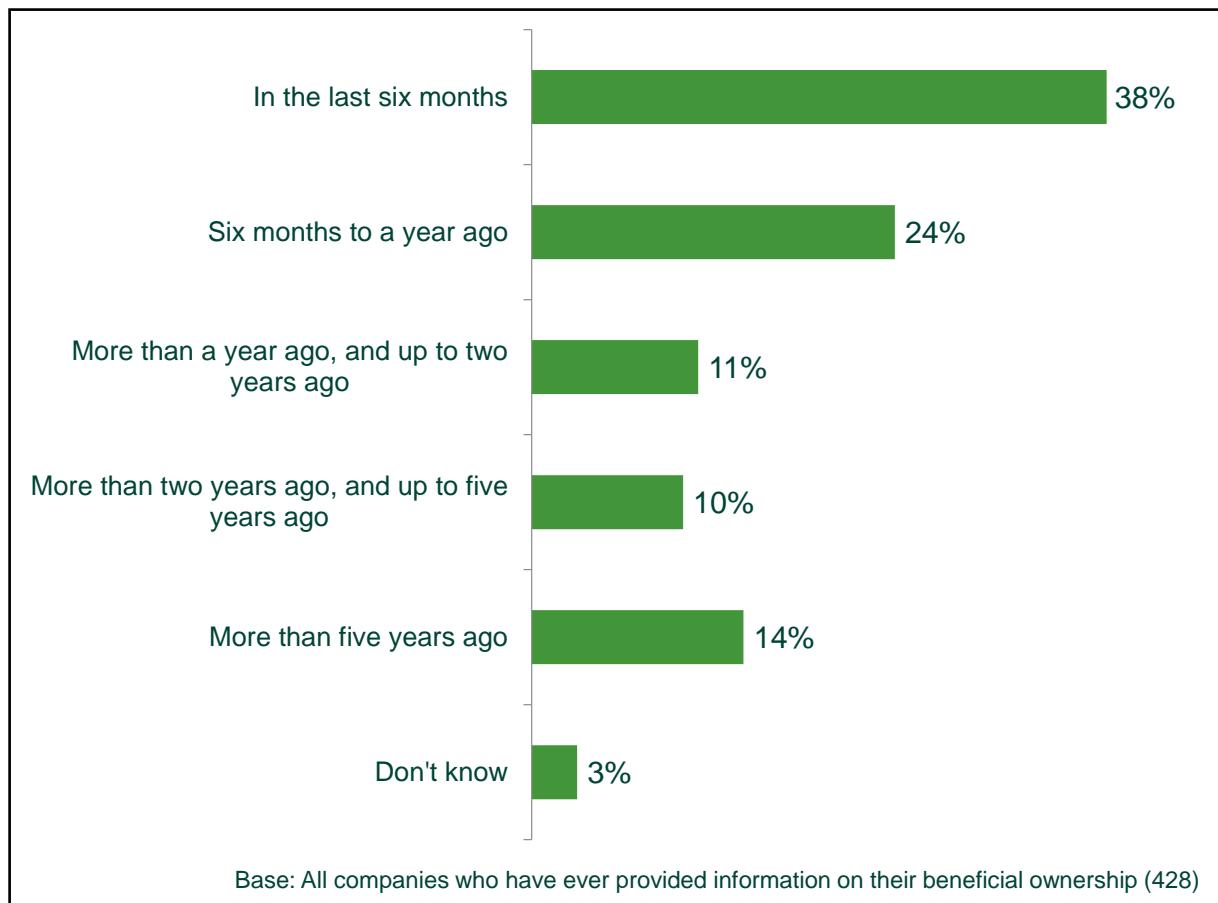
A beneficial owner can be defined as any individual who ultimately owns or controls more than 25% of a company's shares or voting rights, or exercises controls over the management of the company in any other way. Under the new proposals UK companies would be required to obtain information on their beneficial ownership and provide it to a central registry. Information would include the name and address of the beneficial owner and the details of their ownership or control of the company.

3.1 Current provision of beneficial ownership information

In order to provide some context surrounding companies' current situation regarding beneficial ownership, those surveyed were asked if they have ever provided information on their company's beneficial ownership to a UK financial institution or other regulated entity. Overall, seven in ten (70%) companies had done so, with this being higher amongst companies who were reasonably complex in nature (80%, compared to 70% of those with a simple structure and 77% of those with a complex structure). The proportion of micro/small (70%) and medium/large (72%) companies having previously provided information on beneficial ownership were in line with each other.

Those companies who had previously provided information on their beneficial ownership to a UK financial institution or regulated entity were asked when the last time they provided this information was. The chart below (Figure 3.1) shows that almost two thirds (62%) provided this information relatively recently, in the last year (38% in the last six months and 24% six months to a year ago). A further one in ten provided this information between one and two years ago (11%) and between two and five years ago (10%).

Figure 3.1: The last time that companies who have provided information on their beneficial ownership to a UK financial institution or entity provided this information



Medium/Large companies were more likely than micro/small to have provided this information in the last six months (49% compared to 38% micro/small), as were companies with a complex structure (52% in the last six months) compared to those with a simple structure (37% in the last six months). In addition, companies who were wholly listed (a company with equity capital listed on the LSE main market or a regulated EU market) were more likely to have provided this information in the six months (56%) compared to those not wholly listed (36%).

Companies were also asked how often they would expect their beneficial ownership information to change in a typical year. The majority of companies (92%) said that they would not expect it to change at all, and this was higher among micro/small companies (92%) compared to medium/large companies (77%). Only 4% said that they expected beneficial ownership information to change once in a year (higher among medium/large companies, 10%, compared to micro/small, 4%) and a further 1% said they would expect it to change twice.

3.2 Perceived benefits of beneficial ownership proposals

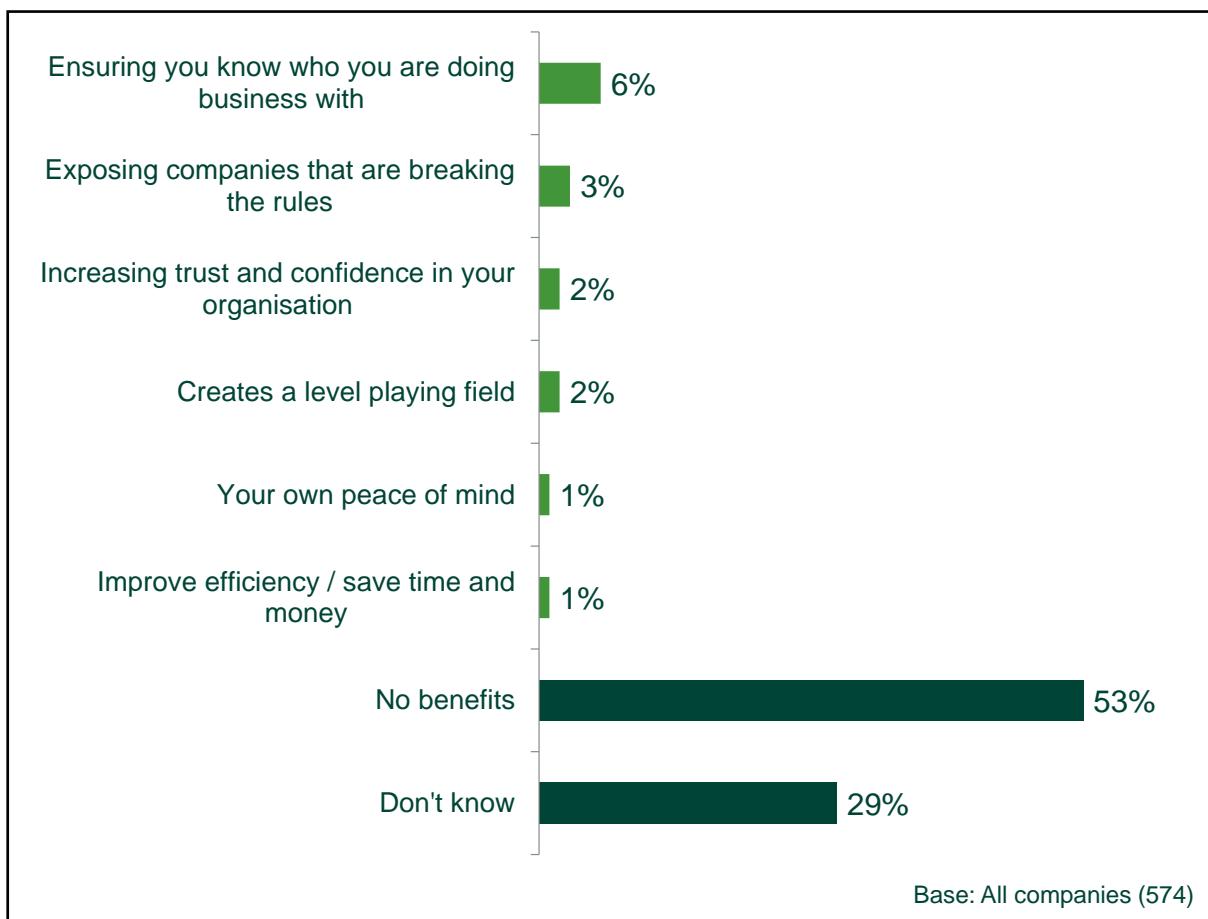
After being given a brief summary of the proposals concerning beneficial ownership, companies were asked what they considered to be the main benefits of these

proposals to their company. Around half (53%) of the sample stated there would be no benefits to them and a further 29% said they did not know what the main benefits would be.

Medium/Large companies were more likely than micro/small companies to feel that there would be no benefits, with two-thirds (67%) feeling this to be the case compared to just over half of micro/small companies (53%). This was particularly high among medium/large companies with a simple structure (70%).

There was a minority of companies who were able to state what the benefits of the proposals to their company would be, with the main benefits stated including knowing who they were doing business with (6%) and exposing companies who are breaking the rules (3%). Figure 3.2 outlines all of the benefits mentioned, including increasing trust in organisation (2%), creating a level playing field (2%), own peace of mind (1%) and an improvement in efficiency (1%).

Figure 3.2: The main benefits of the proposals on beneficial ownership to company



Companies with a reasonably complex structure were the most likely to mention ensuring you know who you are doing business with as the main benefit of the proposals (12%), compared to those with a simple (6%) or complex (7%) structure – and this was particularly high among reasonably complex companies who were medium/large in size (15%).

3.3 Cost of familiarisation with the proposals regarding beneficial ownership

Since there are different ways of implementing the proposals regarding beneficial ownership, each with different possible impacts, companies were asked about specific stages, and variations on these stages, that this process may entail and asked to estimate what they thought the impact of each stage might be.

Firstly, companies were asked to focus on familiarising themselves with the proposed reforms which would involve fully understanding the implications of the reforms on their company. In order to arrive at how much familiarising themselves with the proposals would cost financially in terms of staff costs, companies were asked to think about what would be involved in this task by breaking it down into a number of factors such as number of staff involved and number of hours it would take each member of staff. This process was replicated throughout the interview to enable companies to think through what and who would be involved in doing such tasks in order for us to derive a more accurate staff cost compared to simply asking companies to attach a single cost outright.

To describe the process of arriving at staff costs in more detail, companies were firstly asked to estimate the number of staff at the senior manager, middle manager and administrative level that would be involved in such a task. They were then asked to estimate the number of hours that would need to be spent on such a task per person at each staff level in order to complete the task. To then convert this into a financial cost, the number of staff at each level was multiplied by the number of hours it would take each of them, and finally this figure for each staff level was multiplied by the average hourly wage for the relevant level and size of company. The average hourly wage was taken from the ONS annual publication Annual Survey of Hours and Earnings¹. This was £48.20 for senior managers in micro/small companies and £57.18 for senior managers in medium/large companies. For middle managers in micro/small companies this was £18.33 and for middle managers in medium/large companies this was £23.89. Finally, the average hourly wage for administrative staff in micro/small companies was £10.78 and for administrative staff in medium/large companies this was taken to be £11.59. Where staff costs are mentioned throughout the rest of the report this is the process from which they have been derived and they refer to the sum of senior manager, middle manager and administrative staff costs combined.

In thinking about costs associated with companies familiarising themselves with the proposals, Table 3.1 outlines the average staff costs, average additional costs and average overall costs involved with doing so.

Table 3.1 Cost of familiarisation with the proposals

¹ http://www.ons.gov.uk/ons/dcp171778_286243.pdf

	Structure			Size		
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(574)	(204)	(171)	(199)	(271)	(303)
	£	£	£	£	£	£
Mean staff costs	1,090	1,100	550	1,280	1,080	1,470
Median staff costs	150	150	100	190	150	230
Mean additional costs	1,120	1,080	1,680	2,300	1,060	4,490
Median additional costs	0	0	0	0	0	0
Mean overall costs	2,210	2,180	2,230	3,580	2,150	5,960
Median overall costs	200	200	240	290	200	350
Mean overall costs (excl. zero)	2,530	2,500	2,370	3,940	2,460	6,780
Median overall costs (excl. zero)	350	350	280	480	350	660

All figures are rounded to the nearest £10 (for this and all subsequent tables)

The mean staff cost for all companies was £1,090 and the median staff cost for all companies was £150. The large difference between the averages demonstrates the wide spread of answers given, and the proliferation of micro/small organisations in the population whose costs are lower than their medium/large equivalents.

Companies were also asked about any additional financial spend directly as a result of familiarising themselves with the proposals, such as legal costs or costs of using a third party. The mean estimation for these spends among all companies was £1,120, whereas the median was 0.

In order to arrive at an overall cost for each task associated with the proposals, total staff costs have been combined with additional costs. In the case of familiarising themselves with the reforms the mean overall cost for all companies was £2,210 and the median was a much lower £200.

Medium/large companies were more likely to have a higher overall cost associated with familiarising themselves with the proposed reforms, with a mean overall cost of £5,960, compared to £2,150 for micro/small companies.

In the case of familiarisation with the proposals, 13% felt there would be £0 cost. The mean overall cost for familiarisation with the proposals, excluding those who had a zero cost was £2,530 and the median overall cost excluding those who had a zero cost was £350.

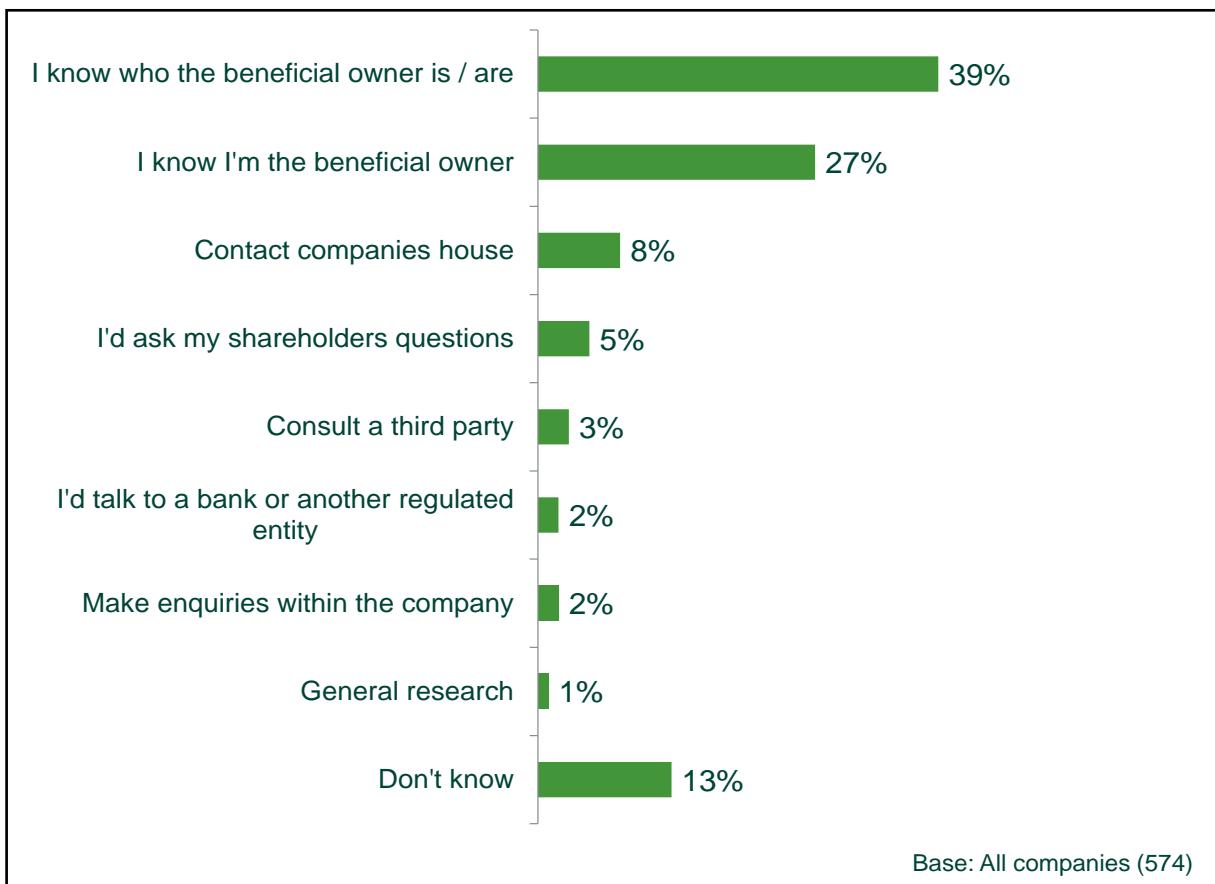
Chapter 4: Obtaining information on beneficial ownership

4.1 Identifying beneficial owners

Under the proposed reforms companies will be required to obtain information on their beneficial owners. Companies were asked to imagine that under the proposed reforms beneficial owners will not be required to proactively disclose to them that they are beneficial owner of their company. They would however be legally obliged to respond to any enquiries they made about whether or not they were the beneficial owner.

With this in mind companies were asked what they would have to do in order to identify the beneficial owners of their company and collect their details, such as name, address and number of shares, if necessary. Figure 4.1 shows that the majority of companies (66%) either knew who the beneficial owner(s) is/are (39%) or were the sole beneficial owner themselves (27%) and would therefore not need to take any action in order to identify the beneficial owners.

Figure 4.1: Actions taken in order to identify beneficial owners of company if necessary



Micro/small companies were more likely to say that they were the beneficial owner (27%), compared to medium/large companies (6%), and this was especially high among micro/small companies who were simple in structure (28%).

Of the companies that would need to take action in order to identify the beneficial owner, the most mentioned actions were to contact Companies House (8% of all companies) or to ask the shareholders questions (5%). Other actions mentioned by a minority of companies included consulting a third party (3%), talking to a bank or another regulated entity (2%), making enquiries within the company (2%) or general research (1%).

Medium/large companies were more likely than micro/small companies to say that they would ask their shareholders questions (11% compared to 5% micro/small) and that they would make enquiries within the company (8% compared to 2% micro/small).

4.2 Cost of identifying and collecting information about the beneficial owner for the first time

Companies were then asked about the process that they would have to go through in order to identify and collect information about the beneficial owner for the first time if beneficial owners were not required to proactively disclose this information to them, but were required to respond to their enquires, taking into account that they may not receive a response at their first attempt to contact each shareholder. They were asked again to think about the number and level of staff that would be involved in doing this and the number of hours they would have to spend on tasks associated with this, as well as any additional financial spends there would be as a result of this task.

The mean overall cost for companies was £600, while the median overall cost was £0 (Table 4.1). Seven in ten (70%) companies reported zero overall costs for identifying and collecting information about the beneficial owner. Once these responses were removed, the mean average overall cost rose to £1,990, and the median overall cost rose to £350.

Company size had a noticeable impact on the mean overall cost (not excluding £0) of identifying and collecting information about the beneficial owner, with medium/large companies estimating an overall mean cost of £2,540 and micro/small companies showing an overall mean cost of £570.

Table 4.1 Costs as a result of identifying and collecting information about the beneficial owner

	Structure			Size		
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(574)	(204)	(171)	(199)	(271)	(303)
	£	£	£	£	£	£
Mean staff costs	100	80	200	930	90	690
Median staff costs	0	0	0	0	0	0
Mean additional costs	500	480	530	1,040	480	1,850
Median additional costs	0	0	0	0	0	0
Mean overall costs	600	560	730	1,970	570	2,540
Median overall costs	0	0	0	0	0	0
Mean overall costs (excl. zero)	1,990	1,860	2,510	5,410	1,880	6,670
Median overall costs (excl. zero)	350	350	250	390	300	740

Over three-quarters of companies (79%) felt that there would be no additional costs as a result of identifying and collecting information about the beneficial owner. However, those who did anticipate costs in addition to staff time envisaged there would be additional costs on legal fees (7%), using a third party (3%) and stationery and postage (3%).

4.3 Costs of responding to a request about company's beneficial ownership

In addition, companies were asked to think about responding to a request about their beneficial ownership in another company, if their company was to hold shares in another business. Their responses were focused on additional time that would be involved in this task, over and above what they already do in order to identify their own beneficial owners.

As shown in Table 4.2 the mean overall cost for companies was £590, while the median overall cost was £50. Around a third (35%) of companies reported zero

overall costs for responding to a request about the company's beneficial ownership. Once these responses were removed, the mean average overall cost rose to £900, and the median overall cost rose to £100.

The mean staff cost was £260 overall, which ranged from £200 for micro/small companies to £3,320 for medium/large companies.

Table 4.2 Costs of responding to a request about company's beneficial ownership

	Structure			Size		
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(574)	(204)	(171)	(199)	(271)	(303)
	£	£	£	£	£	£
Mean staff costs	260	240	770	350	200	3,320
Median staff costs	20	20	50	50	20	50
Mean additional costs	330	320	360	560	320	830
Median additional costs	0	0	0	0	0	0
Mean overall costs	590	560	1,130	900	530	4,150
Median overall costs	50	50	50	50	50	60
Mean overall costs (excl. zero)	900	870	1,440	1,300	800	6,380
Median overall costs (excl. zero)	100	100	120	100	100	110

4.4 Costs as a result of collation, processing and storage of beneficial owners data

Once companies have identified beneficial owners and collected the relevant information on them they were asked to think about the time and cost involved in the collation, process and storage of this data. Table 4.3 outlines the staff, additional and overall average costs associated with this task.

Table 4.3 Costs as a result of collation, processing and storage of beneficial owners data

	Total	Structure			Size	
		Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(574)	(204)	(171)	(199)	(271)	(303)
	£	£	£	£	£	£
Mean staff costs	100	90	130	310	90	280
Median staff costs	10	10	30	50	10	60
Mean additional costs	260	260	170	290	250	640
Median additional costs	0	0	0	0	0	0
Mean overall costs	360	350	300	610	350	920
Median overall costs	10	10	40	50	10	60
Mean overall costs (excl. zero)	640	650	440	740	630	1,250
Median overall costs (excl. zero)	100	100	60	70	100	110

The mean overall cost for companies was £360, while the median overall cost was £10. Almost half (45%) of companies reported no overall costs for the collation, processing and storage of beneficial ownership data. Once these zero responses were removed, the mean average overall cost rose to £640, and the median overall cost increased to £100.

Medium/large companies attached a higher cost to the collation, processing and storage of beneficial ownership data, with a higher mean overall cost of £920 compared to £350 for micro/small companies. This also broke down as medium/large companies having a higher overall mean for both staff costs (£280 compared to £90 among micro/small companies) and additional costs (£640 compared to £250 for micro/small companies).

4.5 Costs of updating beneficial ownership information on an annual basis

As the new proposals suggest companies will have to update beneficial ownership information on a regular basis, companies were firstly asked how much time and cost would be involved if they had to update their beneficial ownership information for their own records on an annual basis, after they had completed the initial search, and on the basis that beneficial owners were not required to proactively disclose that they were the beneficial owners.

As shown in Table 4.5 the mean overall cost for companies was £640, while the median overall cost was £50. The median overall cost of £50 reflected the fact that a substantial proportion of respondents believed that it would take one senior

manager, one hour of time to complete this task (and no other additional costs). This works out as £50 given that the average hourly wage for a senior manager in micro/small companies was taken to be £48.20 (rounded to the nearest ten, £50).

A quarter (24%) of companies reported zero overall costs for responding to a request about the company's beneficial ownership. Once these responses were removed, the mean average overall cost increased to £850, and the median overall cost doubled to £100.

Table 4.5 Costs of updating beneficial ownership information on an annual basis

	Total	Structure			Size	
		Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(574)	(204)	(171)	(199)	(271)	(303)
	£	£	£	£	£	£
Mean staff costs	150	150	170	380	150	310
Median staff costs	50	50	50	50	50	60
Mean additional costs	490	490	450	390	480	760
Median additional costs	0	0	0	0	0	0
Mean overall costs	640	640	610	780	630	1,070
Median overall costs	50	50	50	70	50	60
Mean overall costs (excl. zero)	850	850	710	870	830	1,470
Median overall costs (excl. zero)	100	100	60	80	100	110

4.6 Costs as a result of providing beneficial ownership information to a central registry on an annual basis

Companies were also asked about the time and cost associated with providing beneficial ownership information to a central register, maintained by Companies House, if they were required to do so on an annual basis.

As shown in Table 4.6 the mean overall cost for companies was £360, while the median overall cost was £50. Around one in six (17%) companies reported zero overall costs for responding to a request about the company's beneficial ownership. Once these responses were removed, the mean average overall cost rose to £430, and the median overall cost increased slightly to £70.

The mean additional cost as a result of providing beneficial ownership information to a central registry on an annual basis was higher among medium/large companies at £410, compared to £140 for small/micro companies.

Table 4.6 Costs as a result of providing beneficial ownership information to a central registry on an annual basis

	Total	Structure			Size	
		Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(574)	(204)	(171)	(199)	(271)	(303)
	£	£	£	£	£	£
Mean staff costs	210	210	120	270	210	200
Median staff costs	50	50	50	50	50	60
Mean additional costs	150	140	280	270	140	410
Median additional costs	0	0	0	0	0	0
Mean overall costs	360	360	400	540	360	600
Median overall costs	50	50	50	50	50	60
Mean overall costs (excl. zero)	430	430	450	580	430	710
Median overall costs (excl. zero)	70	70	50	60	70	70

4.7 Costs as a result of providing beneficial ownership information to a central register every time a change to beneficial owners occurred

As well as being asked about the time and cost of providing beneficial ownership information to a central register, maintained by Companies House, on an annual basis, companies were asked about the time and costs in providing this information to a central register, maintained by Companies House, every time a change to beneficial ownership occurred.

As shown in Table 4.6 the mean overall cost for companies was £400, while the median overall cost was £50. As with providing this information on an annual basis, around one in six (16%) companies reported zero overall costs for responding to a request about the company's beneficial ownership. Once these responses were removed, the mean average overall cost rose to £480, but the median overall cost stayed at £50, given the high proportion of micro/small companies who said that it would take one senior manager one hour to complete this task (the equivalent of an hourly wage of £48.20).

Table 4.7 Costs as a result of providing beneficial ownership to a central registry every time a change to beneficial ownership occurred

	Structure			Size		
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(574)	(204)	(171)	(199)	(271)	(303)
	£	£	£	£	£	£
Mean staff costs	220	210	590	180	200	1,270
Median staff costs	50	50	50	50	50	60
Mean additional costs	180	140	1,200	270	140	2,340
Median additional costs	0	0	0	0	0	0
Mean overall costs	400	350	1,800	450	340	3,610
Median overall costs	50	50	50	50	50	60
Mean overall costs (excl. zero)	480	420	2,200	500	410	4,600
Median overall costs (excl. zero)	50	50	60	60	50	60

Chapter 5: Corporate directors

The Transparency and Trust discussion paper sought views on prohibiting the use of corporate directors by UK companies. A corporate director is a legal person (e.g. a company) acting as a director. This was because corporate directors can introduce opacity into a corporate structure.

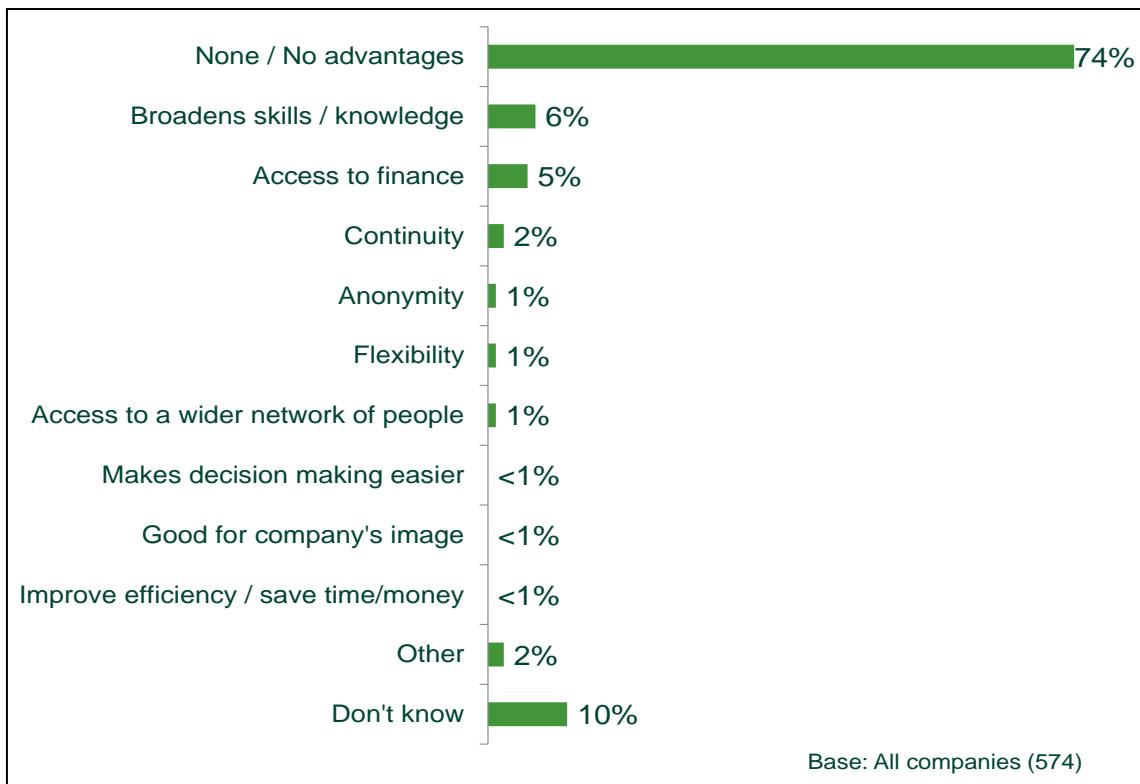
Since corporate directors are not widely used by UK companies, many of the questions about corporate directors were asked and answered on a hypothetical basis. 55 of the companies surveyed did have a corporate director in place.

Five per cent of companies indicated that they have a corporate director on their company's board, while just two per cent stated that their company is the corporate director of another company.

5.1 Advantages and disadvantages of corporate directors

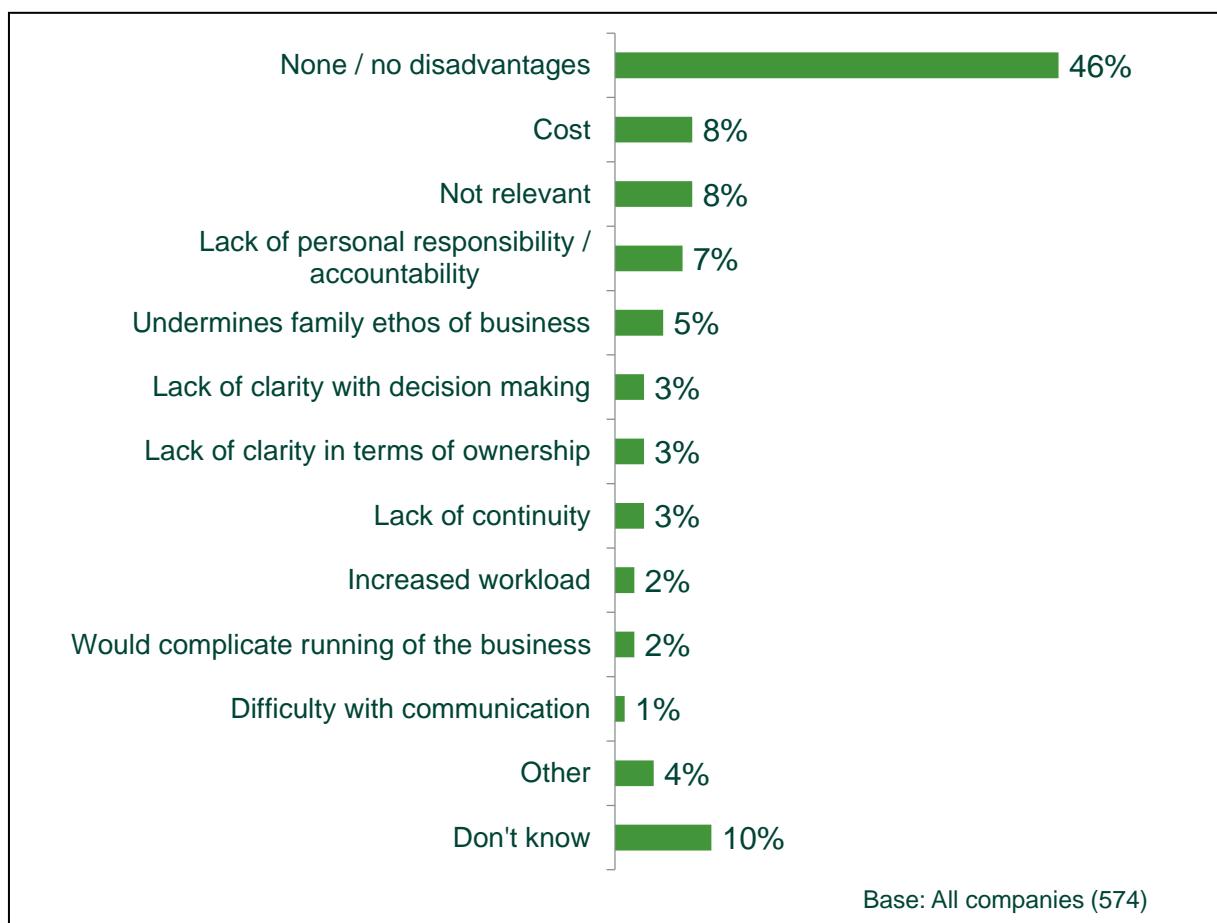
When asked to describe the advantages of having (or potentially having) a corporate director on their company's board, the majority of companies (74%) felt that they could not see any advantages. As shown in Figure 5.1 below, only a small proportion of companies named any advantages to having a corporate director on their board, with six per cent feeling that it would bring broader skills and knowledge, and five per cent feeling it would bring access to finance.

Figure 5.1 Advantages to having a corporate director



As shown in Figure 5.2 below, just under half of all companies (46%) stated that they could not think of any disadvantages to having a corporate director on their company's board. However, eight per cent felt that cost was a disadvantage to having a corporate director, along with a lack of relevance for their company (8%) and a lack of personal responsibility or accountability (7%). Five per cent felt that a corporate director would undermine the family ethos of their business. In contrast to the two per cent of companies who believed that continuity would be an advantage of having a corporate director, three per cent of companies here specifically stated that corporate directors could lead to a lack of continuity.

Figure 5.2 Disadvantages to having a corporate director on the company's board



Companies were asked to consider a situation where they had a corporate director but the potential reforms then prohibited their use; they were asked to consider whether they would replace the corporate director. As noted above, for the majority of companies the responses were hypothetical. Overall, two-fifths (40%) stated that they would replace the corporate director, while the same proportion (40%) stated that they would not (with the remainder responding that they did not know).

Medium/large sized companies were more likely to say that they would replace the corporate director, with 58% feeling they would do so compared with 40% of micro/small sized companies. Similarly, complexity of structure had an impact, with

59% of complex and 53% of reasonably complex companies saying that they would replace a corporate director, compared with 39% of simple companies.

5.2 Costs as a result of ensuring company is familiar with proposed reforms to prohibit corporate directors

Companies were asked about what they felt would be necessary in order to familiarise themselves with the proposed reforms to prohibit corporate directors. The mean overall familiarisation cost for companies was £530, while the median average for overall costs was £50.

Excluding all companies who reported zero costs in ensuring they were familiar with proposed reforms to prohibit corporate directors (37% of all respondents), the mean overall cost rose to £850, with a median cost of £120.

Table 5.1 Costs as a result of ensuring company is familiar with proposed reforms to prohibit corporate directors

	Total	Structure			Size	
		Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(574)	(204)	(171)	(199)	(271)	(303)
	£	£	£	£	£	£
Mean staff costs	250	250	170	290	250	390
Median staff costs	50	50	50	50	50	60
Mean additional costs	280	270	580	430	260	1,170
Median additional costs	0	0	0	0	0	0
Mean overall costs	530	520	750	720	510	1,570
Median overall costs	50	50	60	60	50	60
Mean overall costs (excl. zero)	850	840	980	980	820	2,410
Median overall costs (excl. zero)	120	120	190	150	120	160

5.3 Costs as a result of removing and then replacing a company's corporate director

Companies were then asked about the process that they would have to go through in order to remove and then replace a corporate director. As noted above, for the majority of companies the responses were hypothetical. Possible stages in the

process, such as reporting to Companies House or changing corporate literature, were mentioned to the companies.

The mean overall cost for companies was £2,600, while the median overall cost was £150. More than a quarter (27%) of all companies reported zero overall costs for potentially removing and replacing a corporate director. Once these responses were removed, the mean average overall cost rose to £3,540, and the median overall cost increased to £340. The costs for removal and for replacement were not separated.

In this case, the structure of the company had a noticeable impact on both the mean and median staff costs. Simple companies reported mean staff costs of £340 and a median cost of £50; this rose to a mean of £500 and a median of £100 for reasonably complex companies, and then again to a mean of £780 and a median of £120 for complex companies.

Within staff costs, companies with a complex structure anticipated significantly higher administrative staff costs, with a mean of £20, compared with means of £10 and less than £10 for simple and reasonably complex firms respectively.

Three-quarters of companies (75%) felt that there would be no additional costs apart from the financial spend directly as a result of removing and then replacing a corporate director. Those who did anticipate costs in addition to staff time described these as being a result of the impact on the company's reputation, general disruption to the business, and PR or marketing costs.

Table 5.2 Costs as a result of removing and then replacing the corporate director

	Structure			Size		
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(574)	(204)	(171)	(199)	(271)	(303)
	£	£	£	£	£	£
Mean staff costs	360	340	500	780	350	840
Median staff costs	50	50	100	120	50	60
Mean additional costs	2,240	2,170	2,730	4,380	2,200	4,350
Median additional costs	0	0	0	0	0	0
Mean overall costs	2,600	2,510	3,230	5,160	2,550	5,200
Median overall	150	100	100	400	150	110

costs						
Mean overall costs (excl. zero)	3,540	3,440	3,990	6,340	3,480	7,310
Median overall costs (excl. zero)	340	340	330	720	340	370

5.4 Costs as a result of removing or updating a company's corporate directorship role

Companies were asked about what they would do if their company were acting as a corporate director on another company's board, and corporate directors were prohibited thus necessitating them to either remove or update their directorship.

The mean overall cost for companies was £1,110, with an overall median of £70. 28% of all companies reported zero overall costs for removing or updating their directorship; with these companies excluded, the overall mean rose to £1,540, and the median to £190.

The mean total staff cost was influenced by both the structure and the size of the company. More complex companies had higher mean staff costs, with a mean of £480 for complex companies compared with £180 for simple companies. Similarly, medium/large companies had mean staff costs of £670 compared with £180 for micro/small companies.

The size of the company also had an impact on the mean additional cost and the mean overall cost. Medium/large companies had a mean additional cost of £3,860 compared with £870 for micro/small companies, and a mean overall cost of £4,530, compared with £1,050 for micro/small companies. This difference was also apparent in the mean overall cost with zero cost figures excluded, where medium/large companies had a figure of £6,660 compared with £1,450 for micro/small companies.

The majority of companies (83%) did not feel that there would be any additional costs apart from the financial spend directly as a result of the process of updating or removing their company's directorship. As noted in section 5.3, those who did mention additional costs stated that these would be a result of impact on the company's reputation, disruption to business, and PR or marketing costs, as well as legal costs and loss of income.

Table 5.3 Costs as a result of removing or updating the company's directorship

	Total	Structure			Size	
		Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(574)	(204)	(171)	(199)	(271)	(303)
	£	£	£	£	£	£
Mean staff costs	180	180	220	480	180	670
Median staff costs	50	50	50	70	50	60
Mean additional costs	920	690	7,550	1,350	870	3,860
Median additional costs	0	0	0	0	0	0
Mean overall costs	1,110	870	7,770	1,830	1,050	4,530
Median overall costs	70	70	60	100	100	60
Mean overall costs (excl. zero)	1,540	1,210	10,080	2,510	1,450	6,660
Median overall costs (excl. zero)	190	190	190	400	190	290

Chapter 6: Nominee directors

The policy proposals also intended to increase the transparency and accountability of “nominee” directors. This was intended to target those directors who act irresponsibly as a front for others, though the term “nominee” has no legal meaning and is sometimes unclear.

Sometimes shareholders will nominate a director who then acts as a director entirely independently of the persons who appointed them. However, the proposals in the paper are focussed on those directors who have been appointed as nominee and act in accordance with the instructions of someone else; that is, they are the ones who are registered as a director at Companies House, but the real control sits elsewhere.

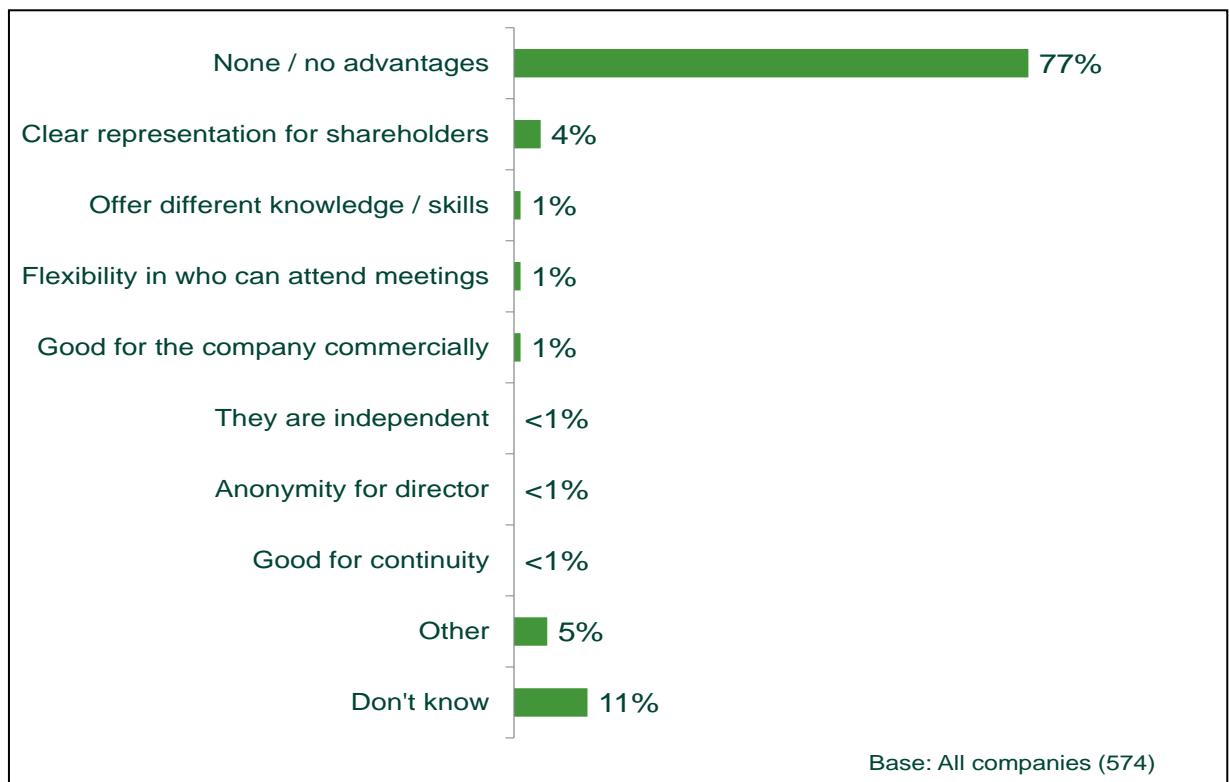
The proposals included a requirement for “nominee directors” to register, and to register on whose behalf they were acting.

The vast majority of companies (97%) were not aware of any nominee directors on their company’s board.

Companies were asked what advantages they could see to having a nominee director on the company’s board. More than three-quarters (77%) responded that they could not see any advantages to having a nominee director.

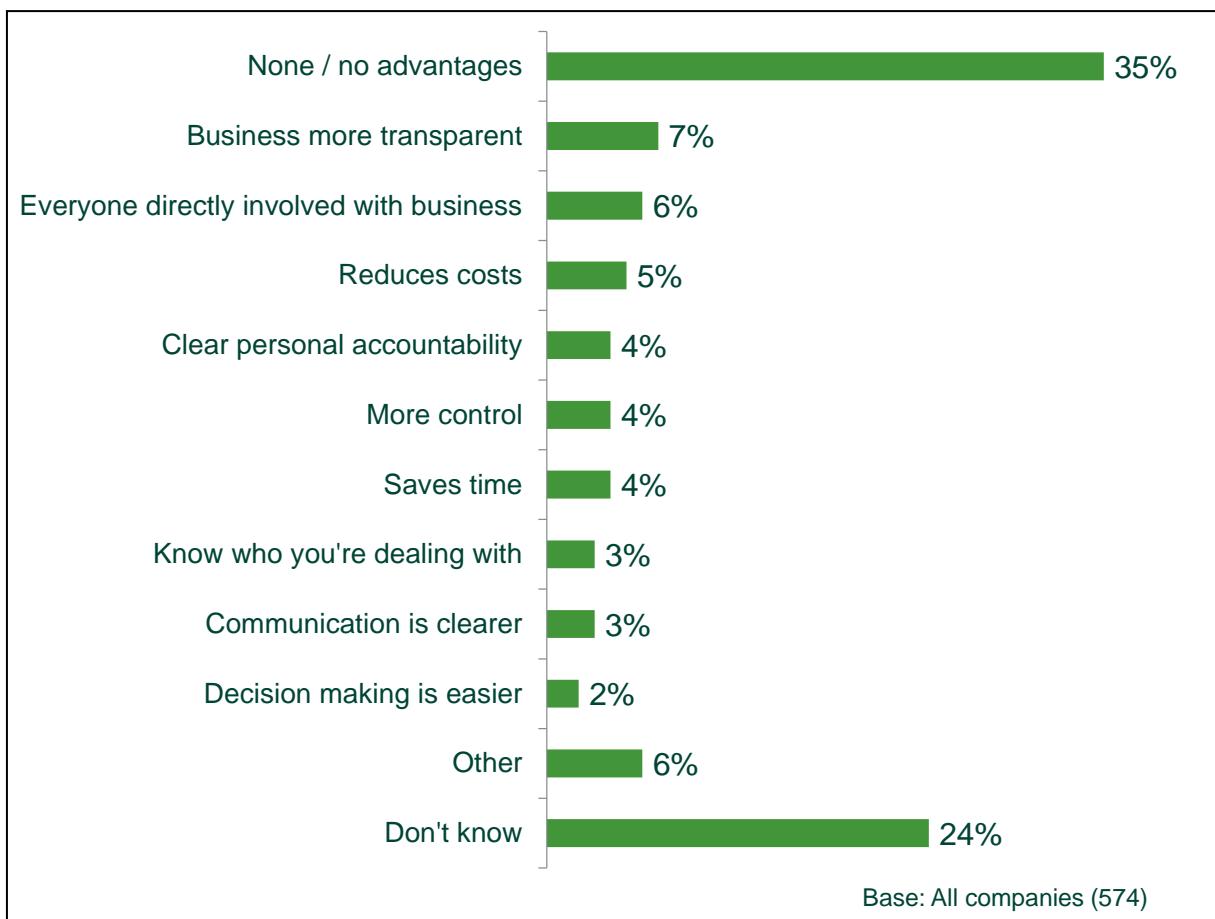
We also asked questions about the costs of removing a nominee director and replacing a nominee director. Furthermore, we asked about the costs of a director being disqualified, and the costs of replacing a disqualified director.

Figure 6.1 Advantages to having a nominee director on the company's board



Companies were then asked what advantages they could see to not having a nominee director on the company's board. Just over one-third (35%) of companies stated that they could not think of any advantages to not having a nominee director on the company's board, while nearly a quarter (24%) responded that they didn't know. However, a number of advantages were suggested, including that the business would be more transparent (7%) and that everyone would be directly involved in the business (6%).

Figure 6.2 Advantages to not having a nominee director on the company's board



Companies were asked what they would be most likely to do, if they had a nominee director and new proposals required the nominee directors on the board to register as a nominee and register on whose behalf they were acting. Of the 3% who actually had a nominee director, all said that they would continue with the arrangements and follow the new requirements. Among the population as a whole, just under half (44%) stated that, if they had a nominee director, they would continue with the arrangements and follow the new requirements; this response was more likely among complex companies (54%). One-fifth said that they would lose the director and not replace them, while 13% stated that they would lose the director and replace them.

6.1 Costs as a result of ensuring the company is familiar with the proposed reforms to formally register nominee directors

Companies were asked about what they would need to do in order to ensure that their company was familiar with the proposed reforms to formally register nominee directors and those who control them.

The mean overall cost for companies to ensure familiarity with the proposed reforms to formally register nominee directors was £620, and the median overall cost was £30. More than two-fifths (42%) of all companies reported overall costs of zero; if

these are removed, this raises the mean overall cost to £1,060, and the median to £150.

Within staff costs, medium/large firms expected to experience significantly more middle manager costs, with a mean of £50 for this, compared with less than £10 for micro/small companies.

Table 6.1 Costs as a result of ensuring company is familiar with the proposed reforms to formally register nominee directors

	Structure			Size		
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(574)	(204)	(171)	(199)	(271)	(303)
	£	£	£	£	£	£
Mean staff costs	200	190	200	380	190	310
Median staff costs	20	10	50	70	20	60
Mean additional costs	420	410	560	650	420	810
Median additional costs	0	0	0	0	0	0
Mean overall costs	620	600	760	1,030	610	1,110
Median overall costs	30	30	50	80	30	60
Mean overall costs (excl. zero)	1,060	1,060	980	1,380	1,050	1,720
Median overall costs (excl. zero)	150	150	100	190	150	160

6.2 Costs as a result of complying with the new registration requirements

Companies were asked about the process their company would have to go through in order to comply with the new requirements for nominee directors to register as a nominee and on whose behalf they are acting.

The overall mean cost for companies of complying with the new registration requirements was £810, and the overall median cost was £50. One-quarter (25%) of all companies reported overall costs of zero; once these figures are removed, the mean cost rises to £1,090, and the median to £140.

The vast majority of companies (96%), when asked to describe any additional costs apart from the direct financial spend that would arise as a result of complying with the new registration requirements, stated that there would be no additional costs. Types of cost that were mentioned by the remaining few companies included impact on the company's reputation, loss of income, Human Resources costs and time, legal costs and disruption to business.

Table 6.2 Costs as a result of complying with new registration requirements

	Structure			Size		
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(574)	(204)	(171)	(199)	(271)	(303)
	£	£	£	£	£	£
Mean staff costs	230	230	200	390	230	460
Median staff costs	50	50	50	90	50	60
Mean additional costs	580	560	1,220	620	550	2,130
Median additional costs	0	0	0	0	0	0
Mean overall costs	810	790	1,410	1,010	780	2,600
Median overall costs	50	50	60	100	50	60
Mean overall costs (excl. zero)	1,090	1,060	1,680	1,230	1,050	3,420
Median overall costs (excl. zero)	140	140	100	170	140	120

6.3 Costs as a result of losing the nominee director and not replacing them

Companies were asked about the process they would have to go through in order to lose the nominee director and not replace them.

The mean overall cost for this process was £1,100, and the median overall cost was £50. One-third (34%) of companies reported overall costs of zero; if these companies are removed, the mean overall cost rises to £1,670, and the median overall cost to £150.

When asked to describe any additional costs apart from direct financial spend that might arise as a result of this process, the vast majority (94%) of companies reported that they would not foresee any additional costs. The remaining companies mentioned costs including legal costs, disruption to business, impact on the company's reputation, and HR costs and time.

Table 6.3 Costs as a result of losing the nominee director and not replacing them

	Total	Structure		Size		
		Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(574)	(204)	(171)	(199)	(271)	(303)
	£	£	£	£	£	£
Mean staff costs	280	270	240	730	280	440
Median staff costs	50	50	50	70	50	60
Mean additional costs	820	600	1,130	8,670	790	2,390
Median additional costs	0	0	0	0	0	0
Mean overall costs	1,100	870	1,370	9,410	1,070	2,830
Median overall costs	50	50	60	100	50	60
Mean overall costs (excl. zero)	1,670	1,350	1,670	12,320	1,620	4,220
Median overall costs (excl. zero)	150	150	100	190	150	160

6.4 Costs as a result of losing the nominee director and then replacing them

Companies were asked about the process that they would have to go through in order to lose the nominee director and then replace them, including the recruitment of another director.

The mean overall cost for the process was £2,110, and the median was £100. One-third (34%) of respondents reported an overall cost of zero; with these companies excluded, the mean overall cost rises to £3,200 and the median to £740.

The size of the company influenced the anticipated levels of cost; medium/large companies predicted higher staff costs (with a mean of £1,230 compared with £630 for micro/small firms), higher additional costs (with a mean of £4,970 compared with £1,410 for micro/small firms) and higher overall costs (with a mean of £6,200 compared with £2,040 for micro/small firms).

Company structure also influenced the levels of additional and overall costs. Companies with a simple structure had a significantly lower mean additional cost at £1,370, compared with £3,200 for reasonably complex companies, and £3,280 for complex companies. The pattern was the same for overall cost levels, with a mean of £1,990 for simple companies, compared with £3,790 for reasonably complex companies and £4,340 for complex companies.

The vast majority (94%) of companies reported that there would be no additional costs apart from the financial spend directly as a result of losing the nominee director and then replacing them. The few who did describe additional costs mentioned: loss of time generally; disruption to business; the impact on the company's reputation and; Human Resources costs and time.

Table 6.4 Cost as a result of losing the nominee director and then replacing them

	Structure			Size		
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(574)	(204)	(171)	(199)	(271)	(303)
	£	£	£	£	£	£
Mean staff costs	640	630	590	1,060	630	1,230
Median staff costs	50	50	100	150	50	110
Mean additional costs	1,470	1,370	3,200	3,280	1,410	4,970
Median additional costs	0	0	0	0	0	0
Mean overall costs	2,110	1,990	3,790	4,340	2,040	6,200
Median overall costs	100	100	390	390	100	160
Mean overall costs (excl. zero)	3,200	3,070	4,560	5,800	3,090	8,840
Median overall costs (excl. zero)	740	740	600	1,050	740	1,290

Chapter 7: Disqualification of directors

Alongside measures to increase the transparency of company ownership, the proposed new regulation could also include measures to increase the trust in business by ensuring companies, investors, employees and consumers can have confidence that the directors running the companies act in a manner that is fair and within the law, and that those who do not will be sanctioned appropriately.

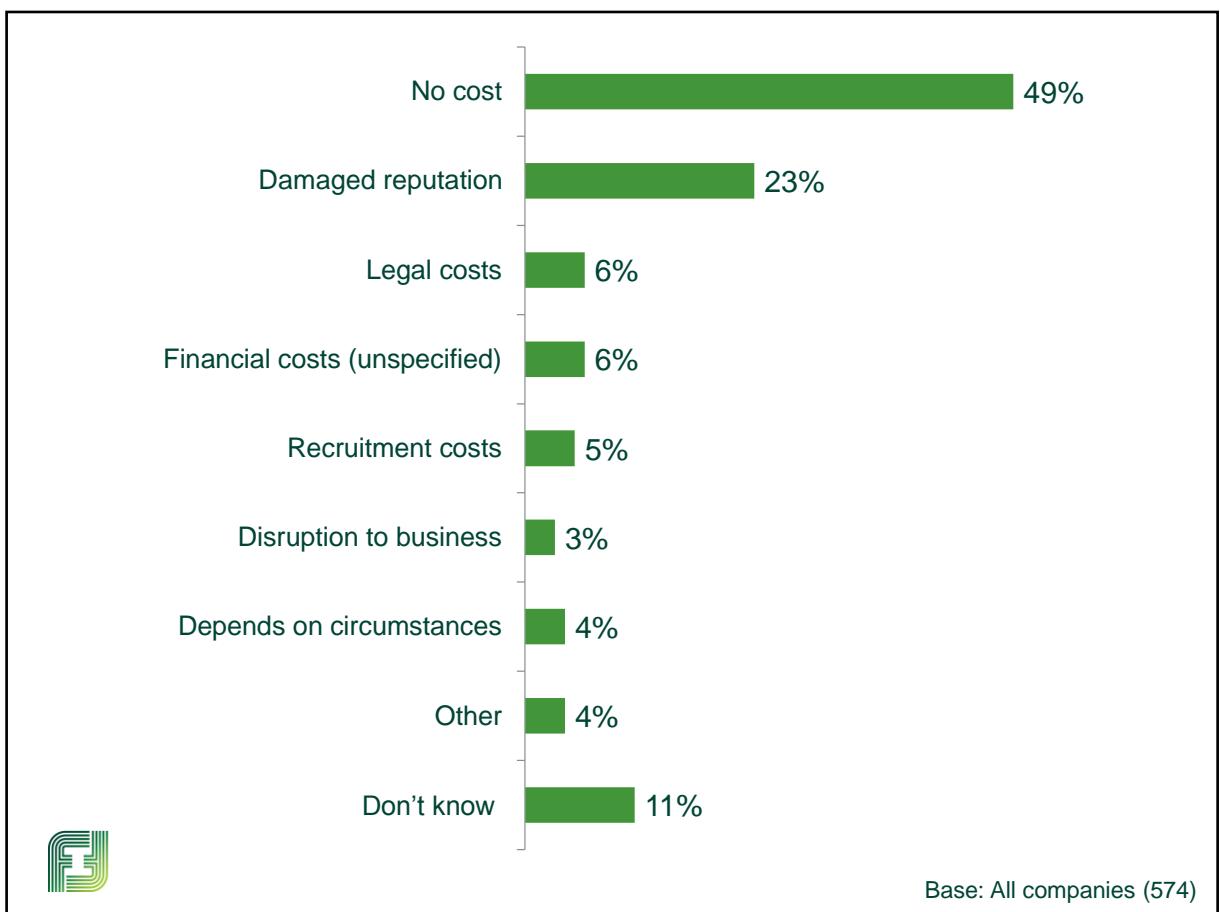
As well as clarifying the responsibilities of directors the Transparency and Trust discussion paper also explored the idea of giving sectorial regulators the ability to prohibit a disqualified director from taking directorships in any sector, not just the one for which they hold responsibility. The paper also proposed banning directors who have been disqualified overseas from holding directorships in the UK for the period of their disqualification. This would logically lead to some companies losing directors to disqualification due to disciplinary action taken relating to directorships held at other companies that would be otherwise unrelated to the company in question, or directorships held in other countries.

Any extension of director disqualification laws could therefore mean that, whilst still uncommon, companies may be more likely to lose a director to disqualification than they were previously and therefore face the impact of either operating without them or the cost of replacing them.

7.1 Cost of a disqualified director

We also asked about directors who are removed from a company because they have been disqualified. The most commonly cited negative impact was reputational damage (23%). This was more likely to be cited by larger companies (31%). This was followed by various tangible costs such as legal, recruitment and other financial costs. Around half of companies, however, believed that having a director disqualified would not lead to any costs being incurred (Figure 7.1). “Disruption to business” was mentioned by 3% of companies, and more likely to be cited by those who had no shareholders (12%) or those who had 5-9 shareholders (13%).

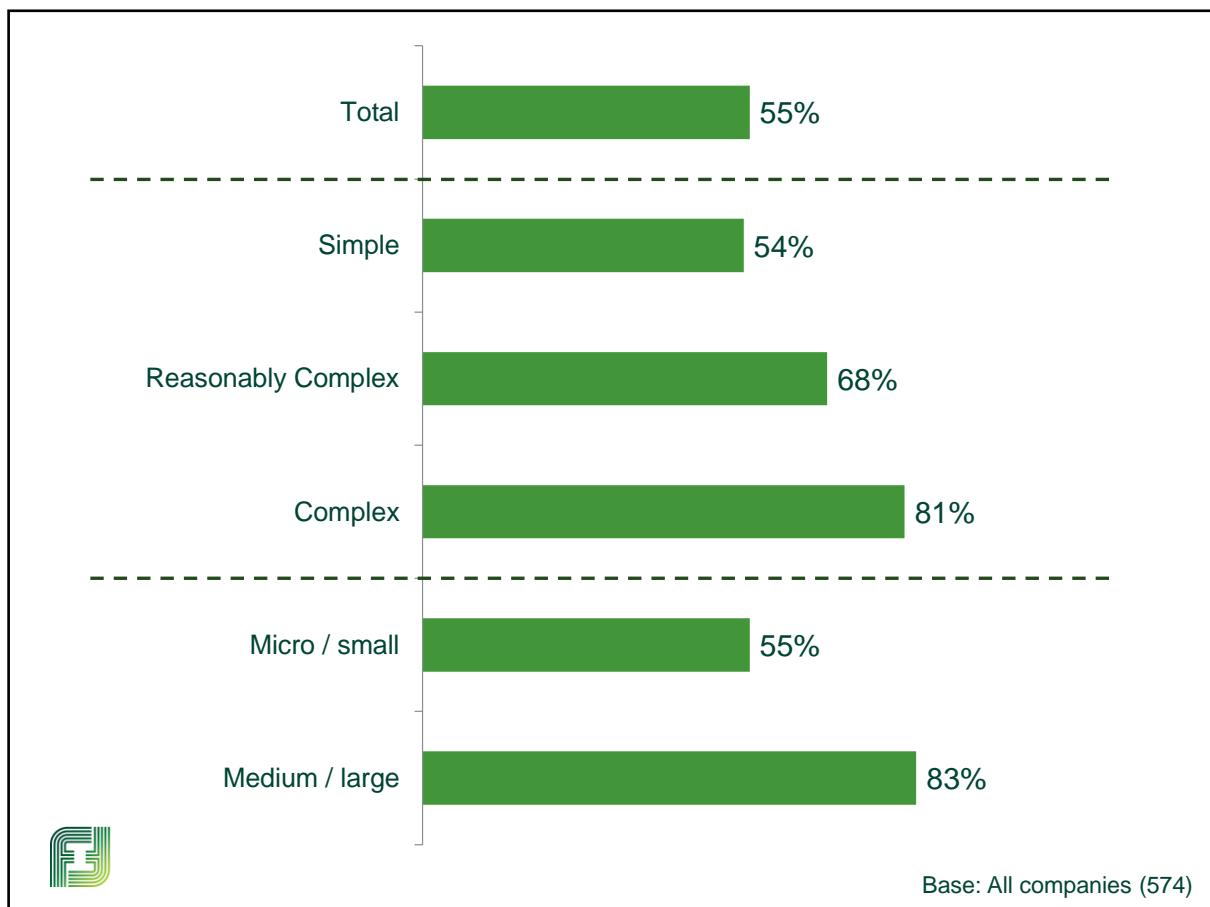
Figure 7.1 Costs that would be incurred if a director was disqualified



7.2 Replacing directors

Just over half of companies (55%) said that they would be likely to find replacements if any of the directors on their board were disqualified. Those with a complex company structure were more likely to say yes (81%) than those with less complex structures, and medium and large companies were more likely to say yes (83%) than micro and small companies (55%). Figure 7.2 gives a full breakdown.

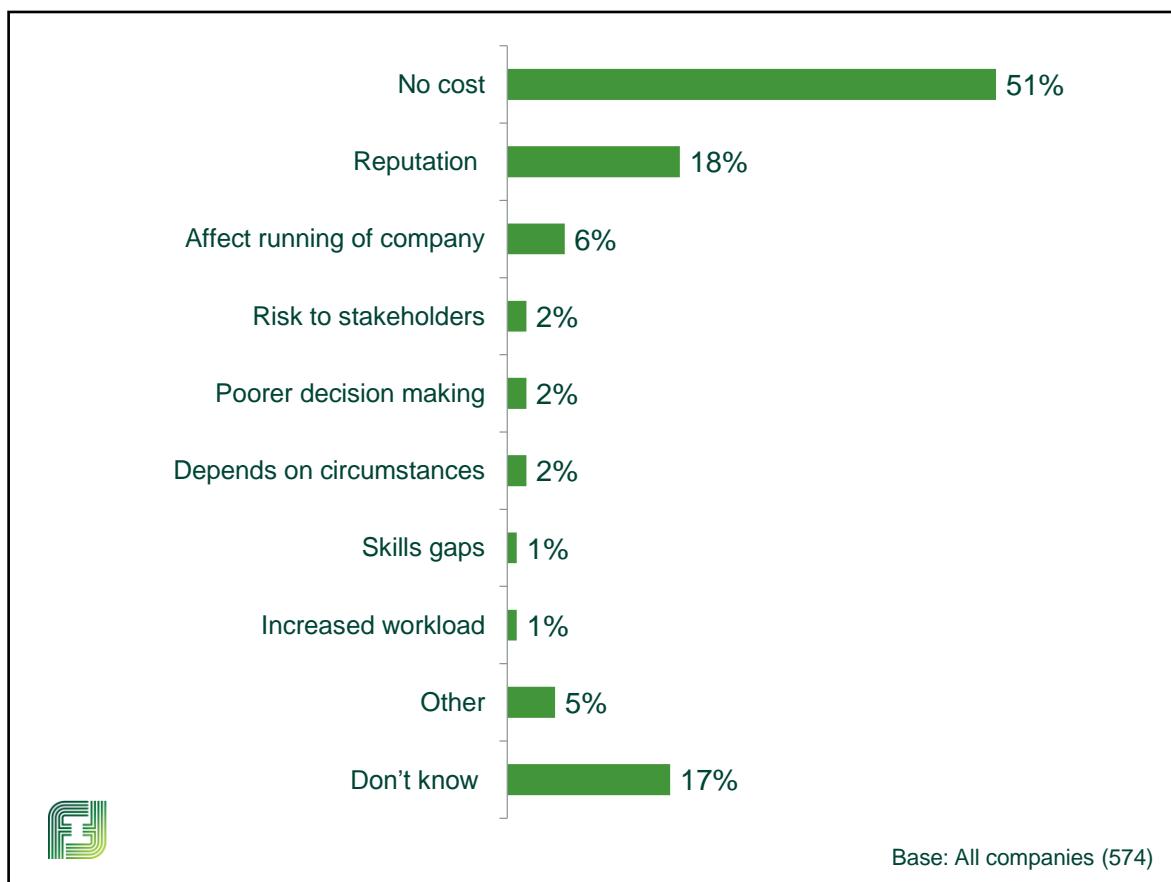
Figure 7.2 % of companies that agree they would be likely to replace a disqualified director



The cost of replacing a director is detailed in the previous chapter, and can be assumed to be the same if the replacement was required due to another director being disqualified.

Around half (51%) believed that if they did not replace a disqualified director, there would be no cost impact on the company (see Figure 7.3). This was more common where the company structure was simple (52%) – for reasonably complex and complex structures the figure dropped to 36% and 39% respectively.

Figure 7.3 Costs of not replacing a disqualified director



Chapter 8: Overall costs associated with proposals

The aspects of the proposals covered in this survey are::

- Cost of familiarisation with the proposals regarding beneficial ownership
- Cost of identifying and collecting information about the beneficial owner for the first time
- Cost of responding to a request about company's beneficial ownership
- Cost as a result of collation, process and storage of beneficial owners data
- Cost of updating beneficial ownership information on an annual basis
- Cost as a result of providing beneficial ownership information to a central register on an annual basis
- Cost as a result of providing beneficial ownership information to a central register every time a change to beneficial owners occurred
- Cost as a result of ensuring company is familiar with proposed reforms to prohibit corporate directors
- Cost as a result of removing and then replacing corporate director
- Cost as a result of removing or updating the company's corporate directorship
- Cost as a result of ensuring the company is familiar with proposed reforms to register nominee directors and those who control them
- Cost as a result of complying with the proposed registration requirements
- Cost as a result of losing a nominee director
- Cost as a result of losing a nominee director and then replacing them
- Cost of losing, removing or replacing a disqualified director.

These cannot be summed as some elements are mutually exclusive and some would apply to different parts of the company population. For example, whilst all UK companies would potentially be impacted – to an extent - by the beneficial ownership proposals, a relatively small proportion would be impacted by proposals on corporate directors. Moreover, in the responses to many questions there were outliers which had the effect of skewing the mean. This suggests there is scope for further research to help understand the reasons behind the very high and very low estimates.

Table 2: Costs of all elements of the proposals

	Mean (£)	Median (£)
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	% of companies affected	% of companies	Actual	Adjusted	Actual	Adjusted
Beneficial ownership						
Familiarisation with legislation	100	87	2,210	2,210	200	200
Obtaining information on beneficial ownership	100	30	600	600	0	0
Responding to request from another company in which hold shares	2	65	590	10	50	*
Collating, processing and storing information	100	55	360	360	10	10
Cost of updating annually	100	76	640	640	50	50
Providing information to central registry annually	100	83	360	360	50	50
Providing information to central registry when changes	8	84	400	30	50	*
Corporate Directorship						
Familiarisation with legislation	100	63	530	530	50	50
Removing and replacing a corporate director on own board	5	73	2,600	130	150	10
Removing or updating own corporate director status	2	72	1,110	20	70	*
Nominee Directors						
Familiarisation with legislation	100	58	620	620	30	30
Complying with new legislation	3	76	810	20	50	*
Losing nominee director from board and not replacing	1	66	1,100	10	50	*
Losing nominee director from board and replacing	1	66	2,110	20	100	*

Base: All companies surveyed (574)

* denotes a figure larger than £0 but smaller than £5.

"Adjusted" mean and median is the mean/median multiplied by the % of companies the cost would affect.

All figures rounded to the nearest £10

Annex A: Questionnaire

BIS Transparency and Trust Survey

J5279

Date

17/12/14

Telephone

QUOTAS	Size		TOTAL
	Micro / Small (2 out of 3 at S3-5 = 1)	Medium / Large (2 out of 3 at S3-5 = 2)	
Simple 0&1 layers Type = 1			
Reasonably complex 2, 3 & 4 layers Type = 2			
Complex 5+ layers and/or foreign ownership Type = 3			
TOTAL			

S Screener

ASK TELEPHONIST IF HAS CONTACT NAME

S1 **Good morning / afternoon. My name is NAME and I'm calling from IFF Research. Please can I speak to NAME?**

ASK TELEPHONIST IF NO CONTACT NAME

Good morning / afternoon. My name is NAME and I'm calling from IFF Research. Please can I speak to the owner, managing director, company secretary or finance director?

Transferred	1	CONTINUE
Hard appointment	2	MAKE APPOINTMENT
Soft Appointment	3	
Refusal	4	CLOSE
Refusal – company policy	5	
Refusal – Taken part in recent survey	6	
Nobody at site able to answer questions	7	

Not available in deadline	8
Engaged	9
Fax Line	10
No reply / Answer phone	11
Residential Number	12
Dead line	13
Company closed	14

ASK ALL

S2 **Good morning / afternoon, my name is NAME, calling from IFF Research, an independent market research company. We're conducting a survey on behalf of The Department for Business, Innovation and Skills (BIS).**

The government has recently published the *Transparency and Trust* discussion paper, which sets out a number of proposals to enhance the transparency of UK company ownership and increase trust in UK business. Implementation of the proposals would mean changes for UK companies.

As part of the process of seeking views on the proposals, this survey seeks to gather information on the costs and benefits to business of aspects of the proposed changes - relating to the establishment of a central registry of company beneficial ownership information, enhanced transparency around nominee directors and the proposed abolition of corporate directors. Your response to the survey will help us understand how these proposals would affect your company and help ensure that policy solutions to improve transparency and accountability, and the nature of their implementation do not impose an undue burden on UK business.

All answers given in the survey will remain confidential. All data will be reported in aggregate form and your answers will not be reported in any way that would allow you to be identified.

Would you be willing to go through some short initial profiling questions now and then go through the survey at a time that is convenient to you?

Continue to make appointment	1	CONTINUE
Referred to someone else at establishment NAME _____	2	TRANSFER AND RE-INTRODUCE
JOB TITLE _____		
Hard appointment	3	MAKE APPOINTMENT
Soft appointment	4	

Refusal	5	THANK AND CLOSE
Refusal – company policy	6	
Refusal – taken part in recent survey	7	
Not available in deadline	8	

REASSURANCES TO USE IF NECESSARY

The main interview will take around 20 minutes to complete.

Please note that all data will be reported in aggregate form and your answers will not be reported to our client in any way that would allow you to be identified.

If respondent wishes to confirm validity of survey or get more information about aims and objectives, they can call:

- **MRS: Market Research Society on 0500396999**
- **IFF: Alice Large: 0207 250 3035**
- **BIS: Nick Herrick 0207 215 6162**

S3 Can I just check, how many people work across your organisation in the UK as a whole?

[ADD IF NECESSARY: By that I mean both full-time and part-time employees on your payroll, as well as any working proprietors or owners. Please include anyone who works for the organisation, even if they work in a different location or site to you. But do not include subcontractors or temps]

WRITE IN

IF DON'T KNOW EXACT NUMBER – PROMPT WITH RANGES. IF NUMBER GIVEN – CODE TO RANGE

1 – 49	1	MICRO / SMALL QUOTA	
50 +	2	MEDIUM / LARGE QUOTA	
DO NOT READ OUT: Don't know	3		GET REFERRAL

S4 What is your company's balance sheet total? [ADD IF NECESSARY: By that I mean the aggregate of the amounts shown as assets in the company's balance sheet]

WRITE IN

IF DON'T KNOW EXACT NUMBER – PROMPT WITH RANGES. IF NUMBER GIVEN – CODE TO RANGE

Up to £3.26m	1	MICRO / SMALL QUOTA	CHECK QUOTAS AND CONTINUE
Over £3.26m	2	MEDIUM / LARGE QUOTA	

DO NOT READ OUT: Don't know	3		GET REFERRAL
-----------------------------	---	--	--------------

- S5 **What is your company's turnover? [ADD IF NECESSARY: By that I mean your company's revenue/takings before tax over the course of a year]**

WRITE IN

IF DON'T KNOW EXACT NUMBER – PROMPT WITH RANGES. IF NUMBER GIVEN – CODE TO RANGE

Up to £6.5m	1	MICRO / SMALL QUOTA	CHECK QUOTAS AND CONTINUE
Over £6.5m	2	MEDIUM / LARGE QUOTA	
DO NOT READ OUT: Don't know	3		GET REFERRAL

QUOTA GRID

Structure	Size	
	Micro / Small	Medium / Large
Simple (0&1 layers) Type = 1	$(S6RAN = 1 \text{ OR } 2) \text{ AND } (S7 \text{ IS NOT } 1)$ $\text{AND } [(S3 = 1 \text{ AND } S4 = 1) \text{ OR } (S3 = 1 \text{ AND } S5 = 1) \text{ OR } (S4 = 1 \text{ AND } S5 = 1)]$	$(S6RAN = 1 \text{ OR } 2) \text{ AND } (S7 \text{ IS NOT } 1)$ $\text{AND } [(S3 = 2 \text{ AND } S4 = 2) \text{ OR } (S3 = 2 \text{ AND } S5 = 2) \text{ OR } (S4 = 2 \text{ AND } S5 = 2)]$
Reasonably complex (2, 3 & 4 layers) Type = 2	$(S6RAN = 3) \text{ AND } (S7 \text{ IS NOT } 1)$ $\text{AND } [(S3 = 1 \text{ AND } S4 = 1) \text{ OR } (S3 = 1 \text{ AND } S5 = 1) \text{ OR } (S4 = 1 \text{ AND } S5 = 1)]$	$(S6RAN = 3) \text{ AND } (S7 \text{ IS NOT } 1)$ $\text{AND } [(S3 = 2 \text{ AND } S4 = 2) \text{ OR } (S3 = 2 \text{ AND } S5 = 2) \text{ OR } (S4 = 2 \text{ AND } S5 = 2)]$
Complex (5+ layers and/or foreign ownership) Type = 3	$(S6RAN = 4) \text{ OR } (S7 = 1) \text{ AND } [(S3 = 1 \text{ AND } S4 = 1) \text{ OR } (S3 = 1 \text{ AND } S5 = 1) \text{ OR } (S4 = 1 \text{ AND } S5 = 1)]$	$(S6RAN = 4) \text{ OR } (S7 = 1) \text{ AND } [(S3 = 2 \text{ AND } S4 = 2) \text{ OR } (S3 = 2 \text{ AND } S5 = 2) \text{ OR } (S4 = 2 \text{ AND } S5 = 2)]$

- S6 **Before starting the survey we will first send you a document outlining the type of information required so that you can best answer the questions during the interview.
Please can I take the email address that you would like us to send this to?**

INTERVIEWER TO TAKE DOWN EMAIL ADDRESS		
Refused	1	THANK AND CLOSE

INTERVIEWER TO TAKE DOWN EMAIL ADDRESS AGAIN FOR VERIFICATION		
Refused	1	THANK AND CLOSE

- S7 **You should receive this information shortly. When would you like us to call back to go through the interview? It will take around 20 minutes of your time.**

*NOTE TO INTERVIEWER: INTERVIEW SHOULD BE AT LEAST AN HOUR FROM TIME OF
SENDING DOCUMENT TO ENSURE RESPONDENT HAS SUFFICIENT TIME TO READ IT*

MAKE APPOINTMENT	1	MAKE APPOINTMENT
Refusal	2	THANK AND CLOSE

T Main stage screener

MAIN-STAGE INTERVIEW: WHEN RESPONDENT IS CALLED BACK FOR INTERVIEW

- T1 You agreed to take part in this survey on behalf of The Department for Business, Innovation and Skills (BIS) on the costs and benefits associated with aspects of BIS proposals to enhance corporate transparency and increase trust in order to understand how these proposals would affect your company and help ensure that policy solutions to improve transparency and accountability do not impose an undue burden on UK business.

This call may be recorded for quality and training purposes only.

Continue	1	CONTINUE
Referred to someone else at establishment NAME _____ JOB _____ TITLE _____	2	TRANSFER AND RE-INTRODUCE
Hard appointment	3	MAKE APPOINTMENT
Soft appointment	4	
Refusal	5	THANK AND CLOSE
Refusal – company policy	6	
Refusal – taken part in recent survey	7	
Not available in deadline	8	

- T2 Did you receive and read the documents sent to you after the initial phone call we had with you?

READ OUT

Yes	1	Continue to A1
I received them but have not read them	2	Go to T3
I did not receive them	3	Go to S8

ASK ALL T2 = 2

- T3 Do you have the documents to hand so that you can refer to them during the interview if needed?

Yes	1	Continue to A1
-----	---	----------------

No	2	Go to T4
Don't know	3	Go to T4

ASK ALL T3 = 2 OR 3

- T4 **So that you can best answer the questions in the survey it would be great if you could first read through the document that we sent you after the initial phone call. Given this, is it possible to schedule another convenient time to call you back?**

NOTE TO INTERVIEWER: INTERVIEW SHOULD BE AT LEAST AN HOUR FROM TIME OF SENDING DOCUMENT TO ENSURE RESPONDENT HAS SUFFICIENT TIME TO READ IT

MAKE APPOINTMENT	1	MAKE APPOINTMENT
WOULD LIKE DOCUMENT RE-SENT	2	GO TO S8
Refusal	3	THANK AND CLOSE

ASK ALL T2 = 3 OR T4 = 2

- T5 **Please can you give me the email address that you would like these documents sent to and we will re-send them there?**

INTERVIEWER TO TAKE DOWN EMAIL ADDRESS		
Refused	1	THANK AND CLOSE

INTERVIEWER TO TAKE DOWN EMAIL ADDRESS AGAIN FOR VERIFICATION

Refused	1	THANK AND CLOSE
---------	---	-----------------

(ASK ALL T2 = 3 OR T4 = 2) AND NOT REFUSED AT S8

- T6 **You should receive this information shortly. When would you like us to call back to go through the interview?**

NOTE TO INTERVIEWER: INTERVIEW SHOULD BE AT LEAST AN HOUR FROM TIME OF SENDING DOCUMENT TO ENSURE RESPONDENT HAS SUFFICIENT TIME TO READ IT

MAKE APPOINTMENT	1	MAKE APPOINTMENT
Refusal	2	THANK AND CLOSE

A Profile

ASK ALL

A1 Is your company wholly owned by a listed company?

IF REQUESTED – By listed I mean a company with equity capital listed on the LSE main market or a regulated EU market

READ OUT. SINGLE CODE.

Yes	1	
No	2	
DO NOT READ OUT: Don't know	3	

ASK ALL

A2 How many shareholders does your company have – by shareholders we mean the entities or individuals listed in your company's register of members?

INTERVIEWER TO WRITE IN. IF DK THEN CODE MOST APPROPRIATE RANGE

WRITE IN INTEGER		
DO NOT READ OUT: Don't know	1	
Refused	2	

IF DON'T KNOW EXACT NUMBER (A2 = 1) – PROMPT WITH RANGES

1-4	
5-9	
10-99	
100-999	
1,000-9,999	
10,000+	
DO NOT READ OUT: Don't know	
Refused	

ASK ALL

- A3 **How many layers are there between the top and bottom of your share ownership chain? For example, if you own your company you have no layers. If you have shareholders holding their own shares, you have 1 layer. If some of your shareholders (which could be individuals or entities) are holding shares on behalf of someone else you have two layers. This can extend indefinitely. Please refer to the abbreviated questions you received to review the explanatory diagram if this would help.**

INTERVIEWER TO WRITE IN. IF DK THEN CODE MOST APPROPRIATE RANGE

WRITE IN INTEGER		
DO NOT READ OUT: Don't know	1	
Refused	2	

A3RAN: IF DON'T KNOW EXACT NUMBER (A3 = 1) – PROMPT WITH RANGES. IF INTEGER GIVEN PLEASE CODE TO APPROPRIATE RANGE.

0	1
1	2
2-4	3
5+	4
DO NOT READ OUT: Don't know	THANK AND CLOSE
Refused	THANK AND CLOSE

ASK ALL

- A4 **Do any elements of your ownership chain involve entities or individuals based overseas?**

READ OUT. SINGLE CODE.

Yes	1	
No	2	

DUMMY VARIABLE – STRUCTURE CHECK

Simple	(A3RAN = 1 OR 2) AND (A4 IS NOT 1)
Reasonably complex	(A3RAN = 3) AND (A4 IS NOT 1)
Complex	(A3RAN = 4) OR (A4 =1)

DUMMY VARIABLE - SIZE BY STRUCTURE CHECK

Structure	Size	
	Micro / Small	Medium / Large
Simple (0&1 layers)	(A3RAN = 1 OR 2) AND (A4 IS NOT 1) AND [(S3 = 1 AND S4 = 1) OR (S3 = 1 AND S5 = 1) OR (S4 = 1 AND S5 = 1)]	(A3RAN = 1 OR 2) AND (A4 IS NOT 1) AND [(S3 = 2 AND S4 = 2) OR (S3 = 2 AND S5 = 2) OR (S4 = 2 AND S5 = 2)]
Reasonably complex (2, 3 & 4 layers)	(A3RAN = 3) AND (A4 IS NOT 1) AND [(S3 = 1 AND S4 = 1) OR (S3 = 1 AND S5 = 1) OR (S4 = 1 AND S5 = 1)]	(A3RAN = 3) AND (A4 IS NOT 1) AND [(S3 = 2 AND S4 = 2) OR (S3 = 2 AND S5 = 2) OR (S4 = 2 AND S5 = 2)]
Complex (5+ layers and/or foreign ownership)	(A3RAN = 4) OR (A4 = 1) AND [(S3 = 1 AND S4 = 1) OR (S3 = 1 AND S5 = 1) OR (S4 = 1 AND S5 = 1)]	(A3RAN = 4) OR (A4 = 1) AND [(S3 = 2 AND S4 = 2) OR (S3 = 2 AND S5 = 2) OR (S4 = 2 AND S5 = 2)]

B Beneficial ownership in general

READ OUT TO ALL

As summarised in the information that was sent to you prior to this interview, BIS has outlined proposals to ensure we know who really owns and controls UK companies. This includes requiring UK companies to obtain information on their beneficial ownership and provide it to a central registry. By information, I mean the name and address of the beneficial owner and the details of their ownership or control of the company.

In the context of these reforms, a ‘beneficial owner’ is any individual who:

- Ultimately owns or controls more than 25% of a company’s shares or voting rights (whether directly or indirectly); or
- Exercises controls over the management of the company in any other way.

With this in mind we would just like to ask you some questions about your company if these proposals were to be introduced. Since there are different ways of implementing the proposals, and each or alternative stages in a potential system might result in different impacts on your companies, we have broken down some of the stages to identify those impacts in the questions below. This will then allow examination of the evidence to support the building of a system with appropriate components.

We understand that you may not be able to provide exact answers at this stage, however, an indicative answer will be fine.

ASK ALL

- B1 Firstly, can I just check if you have ever provided information on your company’s beneficial ownership to a UK financial institution or other regulated entity (such as a trust or company service provider, lawyer or accountant), for example in the process of opening a bank account?

READ OUT. SINGLE CODE

Yes	1	
No	2	
DO NOT READ OUT: Don’t know	3	

ASK ALL WHO HAVE PROVIDED INFORMATION ON BENEFICIAL OWNERSHIP (B1 = 1)

- B2 When was the last time that you provided information on your company’s beneficial ownership to a UK financial institution or other regulated entity?

READ OUT. SINGLE CODE

In the last six months	1	
Six months to a year ago	2	

More than a year ago, but less than two years ago	3	
More than two years ago, but less than five years ago	4	
More than five years ago	5	
DO NOT READ OUT: Don't know	6	

ASK ALL

We are interested in how much it would cost your company to familiarise itself with the proposed reforms, i.e. to understand fully the implications of the reforms on your company.

I am going to ask you to estimate firstly the number of staff at each level that would be involved in this task, and then the number of hours that you think would be spent on this task at each level. Subsequent questions will follow a similar pattern throughout the interview. The three broad levels of staff that will be used throughout the interview are senior management, middle management and Administrative staff.

B3 Thinking about company familiarisation with the proposed reforms...

	B3a. Firstly I would like you to estimate the number of staff currently employed at the senior management, middle management and administrative staff level that would be involved in this task?	B3b. Can you estimate the total number of hours that would need to be spent by each level of staff to complete this task?
Senior managers e.g. director level		
Middle managers		
Administrative staff		
B3c. Finally, can you estimate the cost, if any, of any additional financial spend directly as a result of this task/s? (Such as legal costs, costs of using a third party etc.)?		
WRITE IN INTEGER _____		
NO COST		

ASK ALL

**B4 What do you consider to be the main benefits of the proposals for your company?
INTERVIEWER TO WRITE IN.**

Prompts (if requested):

- **Enhancing UK international reputation**
- **Increasing trust and confidence in your organisation**
- **Creating a level playing field**
- **Exposing companies that are breaking the rules**
- **Ensuring you know who you are doing business with**
- **Your own peace of mind**

PROBE FULLY. PLEASE PROMPT RESPONDENTS TO QUANTIFY THE BENEFIT IN MONETARY TERMS IF POSSIBLE

Write in _____	1	
DO NOT READ OUT: Don't know	2	

C Beneficial ownership

ASK ALL

I would now like you to think about the proposed reforms - and in particular the fact that under the proposed reforms companies will be required to obtain information on their beneficial owners.

I would like you to imagine that under the proposed reforms beneficial owners will not be required to proactively disclose to you that they are the beneficial owner of your company. They would however be legally obliged to respond to any enquiries you make about whether or not they were the beneficial owner.

With this in mind...

- C1 If beneficial owners were not required to disclose to you that they are the beneficial owner of your company, what would you then have to do to identify the beneficial owners of your company and collect their details (i.e. name, address and number of shares), if necessary?

DO NOT READ OUT – PROMPT IF NECESSARY. MULTI-CODE ALLOWED.

I know I'm the beneficial owner	1	
I know who the beneficial owner is/are	2	
I'd talk to the bank or another regulated entity	3	
I'd ask my shareholders questions	4	
Other (specify)	5	
DO NOT READ OUT: Don't know	6	

ASK ALL EXCEPT THOSE WHO RESPONDED 1 OR 2 AT C1

- C2 Thinking about the process that you would have to go through in order to identify and collect information about the beneficial owner for the first time if they were not required proactively to disclose this information to you (but were required to respond to your enquiries), please can you consider whether you would outsource this or estimate the number of staff who would be involved in this process and the number of hours they would have to spend on tasks associated with this? Please take into account that you may not receive a response at your first attempt to contact each shareholder.

NOTE TO INTERVIEWER: If the process would involve doing nothing then please enter 0 for each level

	C2a. Firstly I would like you to estimate the number of staff currently employed at the senior management, middle	C2b. Can you estimate the total number of hours that would need to be spent by each level of staff to complete
--	---	--

	management and administrative staff level that would be involved in this task?	this task?
Senior managers e.g. director level		
Middle managers		
Administrative staff		
C2c. Finally, what additional financial spends would there be directly as a result of this task/s? (Such as legal costs, cost of using third party etc)?		
WRITE IN DESCRIPTION _____		
C2d. Can you estimate what this would cost?		
WRITE IN INTEGER _____		
NO COST		

ASK ALL

- C3 **If your company holds shares in another company and had to respond to a request about your beneficial ownership from that company, please can you estimate the number of staff who would be involved in this process and the number of hours they would have to spend on tasks associated with this? Please think of this in terms of *additional* time, over and above what you already do to identify your own beneficial owner(s).**

NOTE TO INTERVIEWER: If the process would involve doing nothing then please enter 0 for each level

	C3a. Firstly I would like you to estimate the number of staff currently employed at the senior management, middle management and administrative staff level that would be involved in this task?	C4b. Can you estimate the total number of hours that would need to be spent by each level of staff to complete this task?
Senior managers e.g. director level		
Middle managers		
Administrative staff		
C3c. Finally, can you estimate the cost, if any, of any additional financial spend directly as a result of this task/s? (Such as legal costs, costs of using a third party etc.)?		

WRITE IN INTEGER _____

NO COST

ASK ALL EXCEPT C1 = 1

- C4 Once your company has identified your beneficial owner(s) and collected the relevant information on them, please can you estimate the number of staff who would be involved in the collation, process and storage of this data and the number of hours they would have to spend on tasks associated with this?

NOTE TO INTERVIEWER: If the process would involve doing nothing then please enter 0 for each level

	C4a. Firstly I would like you to estimate the number of staff currently employed at the senior management, middle management and administrative staff level that would be involved in this task?	C4b. Can you estimate the total number of hours that would need to be spent by each level of staff to complete this task?
Senior managers e.g. director level		
Middle managers		
Administrative staff		
C4c. Finally, can you estimate the cost, if any, of any additional financial spend directly as a result of this task/s? (Such as ICT costs, costs of using a third party etc.)?		
WRITE IN INTEGER _____		
NO COST		

ASK ALL

- C5 If your company had to update its beneficial ownership information for your own records on an annual basis, after you had completed the initial search as above, and beneficial owners were not required proactively to disclose that they were the beneficial owners, please can you estimate the number of staff who would be involved in this process and the number of hours they would have to spend on tasks associated with this?

NOTE TO INTERVIEWER: If the process would involve doing nothing then please enter 0 for each level

	C5a. Firstly I would like you to estimate the number of staff currently employed at the senior management, middle	C5b. Can you estimate the total number of hours that would need to be spent by each level of staff to complete
--	--	---

	management and administrative staff level that would be involved in this task?	this task?
Senior managers e.g. director level		
Middle managers		
Administrative staff		
C5c. Finally, can you estimate the cost, if any, of any additional financial spend directly as a result of this task/s? (Such as legal costs, costs of using a third party etc.)?		
WRITE IN INTEGER _____		
NO COST		

ASK ALL

- C6 **How often would you expect your beneficial ownership information to change in a typical year?**

READ OUT. SINGLE CODE

Not at all	1	
Once	2	
Twice	3	
Three or four times	4	
More than four times	5	
DO NOT READ OUT: Don't know	6	

ASK ALL

- C7 **If your company had to provide beneficial ownership information to a central register (maintained by Companies House), on an annual basis as part of regular communications with Companies House once beneficial owners have initially been identified, still bearing in mind that beneficial owners are not required proactively to disclose that they are the beneficial owners, please can you estimate the number of staff who would be involved in this process and the number of hours they would have to spend on tasks associated with this?**

NOTE TO INTERVIEWER: If the process would involve doing nothing then please enter 0 for each level

	C7a. Firstly I would like you to estimate the number of staff currently employed at the senior management, middle management and administrative staff level that would be involved in this task?	C7b. Can you estimate the total number of hours that would need to be spent by each level of staff to complete this task?
Senior managers e.g. director level		
Middle managers		
Administrative staff		
C7c. Finally, can you estimate the cost, if any, of any additional financial spend directly as a result of this task/s? (Such as legal costs, costs of using a third party etc.)?		
WRITE IN INTEGER_____		
NO COST		

ASK ALL

- C8 If your company had to provide beneficial ownership information to a central register, (maintained by Companies House), every time a change to beneficial owners occurred, please can you estimate the number of staff who would be involved in this process and the number of hours they would have to spend on tasks associated with this?

NOTE TO INTERVIEWER: If the process would involve doing nothing then please enter 0 for each level

	C8a. Firstly I would like you to estimate the number of staff currently employed at the senior management, middle management and administrative staff level that would be involved in this task?	C8b. Can you estimate the total number of hours that would need to be spent by each level of staff to complete this task?
Senior managers e.g. director level		
Middle managers		
Administrative staff		
C8c. Finally, can you estimate the cost, if any, of any additional financial spend directly as a result of this task/s? (Such as legal costs, costs of using a third party etc.)?		
WRITE IN INTEGER_____		

NO COST

D Corporate directors

READ TO ALL

The proposed reforms may increase the instances of disqualification of directors under certain circumstances and impose additional requirements or restrictions around who can hold directorships of UK companies. This is to ensure transparency of company ownership and control, and increase trust that company directors are behaving appropriately.

This would potentially include abolition of corporate directors; greater transparency around the use of nominee directors or control exercised through other means than registered directors; and the increased likelihood of disqualification of directors, especially in key sectors, where they do not meet the standards expected of them.

I would just like to ask you a few questions now about corporate directors and your company.

UK company law permits a legal entity to be appointed as a company director, for instance a company acting as the director of another company. They are referred to as corporate directors.

ASK ALL

D1 Thinking about ensuring your company is familiar with the proposed reforms to prohibit corporate directors...

	D1a. Firstly I would like you to estimate the number of staff currently employed at the senior management, middle management and administrative staff level that would be involved in this task?	D1b. Can you estimate the total number of hours that would need to be spent by each level of staff to complete this task?
Senior managers e.g. director level		
Middle managers		
Administrative staff		
D1c. Finally, can you estimate the cost, if any, of any additional financial spend directly as a result of this task/s? (Such as legal costs, training providers, HR consultants, printing, venue hire etc.)?		
WRITE IN INTEGER _____		
NO COST		

ASK ALL

- D2 **Firstly, do you have a corporate director on your company's board?**
READ OUT. SINGLE CODE

Yes	1	
No	2	
DO NOT READ OUT: Don't know	3	

ASK ALL

- D3 **Is your company a corporate director of another company?**
READ OUT. SINGLE CODE

Yes	1	
No	2	
DO NOT READ OUT: Don't know	3	

ASK ALL

- D4 **What advantages can you see to having a corporate director on the company's board?**
IF D2 = 2 OR 3 [Could you, for example, envisage a situation in which you would want a corporate director on your board, as opposed to an individual?]
INTERVIEWER TO WRITE IN. OPEN ENDED – PROBE FULLY

Write in _____	1	
DO NOT READ OUT: Don't know	2	

ASK ALL

- D5 **IF D2 = 1 [Can] IF D2 = 2 OR 3 [Could] you see any disadvantages to having a corporate director on your board?**
INTERVIEWER TO WRITE IN. OPEN ENDED – PROBE FULLY

Write in _____	1	
DO NOT READ OUT: Don't know	2	

ASK ALL

- D6 **If you did have a corporate director, and then their use was prohibited by the reforms and directors had to be natural persons, can you consider whether you would replace the corporate director?**
READ OUT. SINGLE CODE

Yes	1	
No	2	
DO NOT READ OUT: Don't know	3	

ASK ALL

- D7 Thinking about the process that you would have to go through in order to remove and then replace the corporate director, please can you estimate the number of staff who would be involved in this process and the number of hours they would have to spend on tasks associated with this? These processes might include reporting to Companies House or changing corporate literature for example.

NOTE TO INTERVIEWER: If the process would involve doing nothing then please enter 0 for each level

	D7a. Firstly I would like you to estimate the number of staff currently employed at the senior management, middle management and administrative staff level that would be involved in this task?	D7b. Can you estimate the total number of hours that would need to be spent by each level of staff to complete this task?
Senior managers e.g. director level		
Middle managers		
Administrative staff		
D7c. Can you estimate the cost, if any, of any additional financial spend directly as a result of this task/s? (Such as legal costs, costs of using a third party etc.)?		
WRITE IN INTEGER _____		
NO COST		
D7d. Would there be any additional costs (for example disruption or impact on your company's reputation) and if so, what would they be?		
WRITE IN DESCRIPTION _____		
D7e. Can you estimate what this would cost?		
WRITE IN INTEGER _____	NO COST	

ASK ALL

- D8 If your company were acting as a corporate director on another company's board, and corporate directors were prohibited and you needed to either remove or update your

directorship, please can you estimate the number of staff who would be involved in this process and the number of hours they would have to spend on tasks associated with this?

NOTE TO INTERVIEWER: If the process would involve doing nothing then please enter 0 for each level

	D8a. Firstly I would like you to estimate the number of staff currently employed at the senior management, middle management and administrative staff level that would be involved in this task?	D8b. Can you estimate the total number of hours that would need to be spent by each level of staff to complete this task?
Senior managers e.g. director level		
Middle managers		
Administrative staff		
D8c. Can you estimate the cost, if any, of any additional financial spend directly as a result of this task/s? (Such as legal costs, costs of using a third party etc.)?		
WRITE IN INTEGER_____		
NO COST		
D8d. Would there be any additional costs (for example disruption or impact on your company's reputation) and if so, what would they be?		
WRITE IN DESCRIPTION_____		
D8e. Can you estimate what this would cost?		
WRITE IN INTEGER_____	NO COST	

E Nominee directors

READ TO ALL

I would now like to ask you a few questions about nominee directors and your company.

A nominee director is a director whose name is on the register but who acts on behalf of another natural or legal person. Sometimes shareholders will nominate a director who then acts as a director entirely independently of the persons who appointed them. However, the proposals in the paper are focussed on those directors who have been appointed as nominee and act in accordance with the instructions of someone else – so they are the ones who are registered as a director at Companies House, but the real control sits elsewhere.

ASK ALL

- E1 Thinking about ensuring that your company is familiar with the proposed reforms to formally register nominee directors...

	E1a. Firstly I would like you to estimate the number of staff currently employed at the senior management, middle management and Administrative staff level that would be involved in this task?	E1b. Can you estimate the total number of hours that would need to be spent by each level of staff to complete this task?
Senior managers e.g. director level		
Middle managers		
Administrative staff		
E1c. Finally, can you estimate the cost, if any, of any additional financial spend directly as a result of this task/s? (Such as legal costs, training providers, HR consultants, printing, venue hire etc.)?		
WRITE IN INTEGER _____		
NO COST		

ASK ALL

- E2 Are you aware of any nominee directors on your company's board?

ADD IF NECESSARY: Bearing in mind we are talking about a director who is registered at Companies House but does not personally perform Directors' functions.

READ OUT. SINGLE CODE

Yes	1	
-----	---	--

No	2	
DO NOT READ OUT: Don't know	3	

ASK ALL

E3 **What advantages can you see to having a nominee director on the company's board?**

INTERVIEWER TO WRITE IN. OPEN ENDED – PROBE FULLY

Write in _____	1	
DO NOT READ OUT: Don't know	2	

ASK ALL

E4 **What might be the advantages of not having a nominee director on the company's board?**

INTERVIEWER TO WRITE IN. OPEN ENDED – PROBE FULLY

Write in _____	1	
DO NOT READ OUT: Don't know	2	

ASK ALL

E5 **If you had a nominee director and the new proposals require the nominee directors on your board to register as a nominee and register on whose behalf they are acting, which of the following would you most likely to do?**

READ OUT. SINGLE CODE

Continue with the arrangement and follow the new requirements	1	
Lose the director and not replace them	2	
Lose the director and replace them	3	
DO NOT READ OUT: Don't know	4	

ASK ALL

E6 **Thinking about the process that your company would have to go through in order comply with the new registration requirements (i.e. register as a nominee and on whose behalf they are acting), please can you estimate the number of staff who would be involved in this process and the number of hours they would have to spend on tasks associated with this?**

NOTE TO INTERVIEWER: If the process would involve doing nothing then please enter 0 for each level

	E6a. Firstly I would like you to estimate the number of staff	E6b. Can you estimate the total number of hours that
--	--	---

	currently employed at the senior management, middle management and administrative staff level that would be involved in this task?	would need to be spent by each level of staff to complete this task?
Senior managers e.g. director level		
Middle managers		
Administrative staff		
E6c. Can you estimate the cost, if any, of any additional financial spend directly as a result of this task/s? (Such as legal costs, costs of using a third party etc.)?		
WRITE IN INTEGER _____		
NO COST		
E6d. Would there be any additional costs (for example disruption or impact on your company's reputation) and if so, what would they be?		
WRITE IN DESCRIPTION _____		
E6e. Can you estimate what this would cost?		
WRITE IN INTEGER _____	NO COST	

ASK ALL

- E7 **Thinking about the process that your company would have to go through in order to lose the nominee director and not replace them, please can you estimate the number of staff who would be involved in this process and the number of hours they would have to spend on tasks associated with this?**

NOTE TO INTERVIEWER: If the process would involve doing nothing then please enter 0 for each level

	E7a. Firstly I would like you to estimate the number of staff currently employed at the senior management, middle management and administrative staff level that would be involved in this task?	E7b. Can you estimate the total number of hours that would need to be spent by each level of staff to complete this task?
Senior managers e.g. director level		

Middle managers		
Administrative staff		
<p>E7c. Can you estimate the cost, if any, of any additional financial spend directly as a result of this task/s? (Such as legal costs, costs of using a third party etc.)?</p> <p>WRITE IN INTEGER_____</p> <p>NO COST</p> <p>E7d. Would there be any additional costs (for example disruption or impact on your company's reputation) and if so, what would they be?</p> <p>WRITE IN DESCRIPTION_____</p> <p>E7e. Can you estimate what this would cost?</p> <p>WRITE IN INTEGER_____ NO COST</p>		

ASK ALL

- E8** Thinking about the process that your company would have to go through in order to lose the nominee director and then replace them (including the recruitment of another director), please can you estimate the number of staff who would be involved in this process and the number of hours they would have to spend on tasks associated with this?

NOTE TO INTERVIEWER: If the process would involve doing nothing then please enter 0 for each level

	E8a. Firstly I would like you to estimate the number of staff currently employed at the senior management, middle management and administrative staff level that would be involved in this task?	E8b. Can you estimate the total number of hours that would need to be spent by each level of staff to complete this task?
Senior managers e.g. director level		
Middle managers		
Administrative staff		
<p>E8c. Finally, can you estimate the cost, if any, of any additional financial spend directly as a result of this task/s? (Such as legal costs, costs of using a third party etc.)?</p> <p>WRITE IN INTEGER_____</p>		

NO COST

E8d. Would there be any additional costs (for example disruption or impact on your company's reputation) and if so, what would they be?

WRITE IN DESCRIPTION_____

E8e. Can you estimate what this would cost?

WRITE IN INTEGER_____

NO COST

F Disqualification of directors

ASK ALL

- F1 If you had a director disqualified from your board would you be likely to find a replacement for that director?

READ OUT. SINGLE CODE

Yes	1	
No	2	
DO NOT READ OUT: Don't know	3	

ASK ALL

- F2 Are there any other costs that you imagine you would incur as a result of having a director disqualified and replacing them, for example, damaged reputation?

INTERVIEWER TO WRITE IN AND PROBE FULLY. PROMPT TO SEE IF THEY ARE ABLE TO PUT A FINANCIAL COST ON THESE.

Write in _____	1	
DO NOT READ OUT: Don't know	2	

ASK ALL

- F3 What might be the costs for the company of not replacing a director whose behaviour would merit disqualification?

DO NOT READ OUT – PROBE FULLY. MULTI CODE ALLOWED

Reputation	1	
Risk to stakeholders (employees, investors, customers)	2	
Poorer decision making	3	
None	4	
DO NOT READ OUT: Don't know	5	

G Thank and Close

ASK ALL

G1 **Finally, are there any other comments you wish to make on the proposal either regarding the costs and benefits to your company or the wider context?**

INTERVIEWER TO WRITE IN. OPEN ENDED – POSSIBLE PROMPTS:

- Implications (good or bad) for levels of investment or UK competitiveness
- The number of incorporations or the number of potential directors in the UK affected as a result of these proposals
- Have you ever felt that your company was disadvantaged commercially as a result of other companies' transparency, or lack of transparency

Write in _____	1	
No comments to make	2	
DO NOT READ OUT: Don't know	3	

ASK ALL

G2 **Thank you very much for taking the time to speak to us today. Please can I just take down a few details?**

Name: RECORD DETAILS OF RESPONDENT WHO COMPLETED INTERVIEW	
Job title:	
Email address:	

ASK ALL

G3 **Would you be willing for us to call you back regarding this particular study if we needed to clarify any of the information?**

Yes	1	
No	2	

IF CONSENT TO RE-CONTACT (G3 = 1)

G4 **And could I just check, is [NUMBER] the best number to call you on?**

Yes	1	
No - write in number	2	

THANK RESPONDENT AND CLOSE INTERVIEW

Finally I would just like to confirm that this survey has been carried out under IFF instructions and within the rules of the MRS Code of Conduct. Thank you very much for your help today.

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Any enquiries regarding this publication should be sent to:

Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET
Tel: 020 7215 5000

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