

 Regulatory Policy Committee	Opinion	
Impact Assessment (IA)	Enhanced Transparency of Company Beneficial Ownership	
Lead Department/Agency	Department for Business, Innovation and Skills	
Stage	Final	
IA number	Not provided	
Origin	Domestic	
Expected date of implementation	October 2014	
Date submitted to RPC	14 March 2014	
RPC Opinion date and reference	23 April 2014	RPC13-BIS-1990(2)
<i>Departmental Assessment</i>		
One-in, Two-out status	Out of scope	
Estimate of the Equivalent Annual Net Cost to Business (EANCB)	N/A	
RPC Overall Assessment	GREEN	
<p>RPC comments</p> <p>The IA is fit for purpose. The Department has addressed the comments in the Committee’s consultation stage opinion of 4 February 2014. The Department has provided much stronger evidence in support of its One-In, Two-Out (OITO) assessment. The Committee can confirm the proposal as out of scope of OITO. The Department has also strengthened its evidence base for its estimated EANCB of £97.5 million. Based on the evidence presented, this is a reasonable assessment of the impact on business.</p>		
<p>Background (extracts from IA)</p> <p>What is the problem under consideration? Why is government intervention necessary?</p> <p><i>“Opacity of the control of corporate structures can firstly facilitate illicit activity, and secondly lead to a deficiency in corporate governance which erodes trust and damages the business environment. Both can ultimately hold back economic growth. Government intervention is necessary to correct the regulatory failure underpinning the first, and the information asymmetry reflected in the second. A lack of knowledge around the beneficial ownership of UK companies – i.e. around the individuals who really own and control the company – can contribute to corporate opacity. The central problem under consideration is therefore the scope for misuse and poor corporate behaviour as a result.”</i></p> <p>What are the policy objectives and the intended effects?</p>		

“The policy objective is to enhance the transparency of UK company beneficial ownership. The chosen option would implement the UK’s G8 commitments and meet international standards on tackling the misuse of companies. We intend that enhanced transparency will deter illicit activity and improve enforcement outcomes where misuse does take place; and promote good corporate behaviour. We intend to implement a system that is both proportionate and effective.

Three options are considered:

Option 0 - do nothing;

Option 1 - implementation of a central registry of beneficial company ownership; (the recommended option)

Option 2 - government-led campaign to promote the importance of corporate transparency. “

Comments on the robustness of the OITO assessment

The Department has addressed the comments in the Committee’s consultation stage opinion of 4 February 2014. The Department has provided more detail on the nature of the G8 international commitment; information on what other G8 countries are doing in relation to the opacity of corporate structures; and, in particular, how the individual policy proposals of the UK Action Plan correspond to the specific commitments in the G8 agreement (pages 47-50 of the IA, and accompanying paper).

The Committee can confirm the proposal as out of scope of OITO in line with paragraph 1.9.8 (iii), ‘International agreements and obligations’ of the Better Regulation Framework Manual.

Comments on the robustness of the Small & Micro Business Assessment (SaMBA)

A SaMBA is not required as the proposals are of international origin. However, the IA includes a SaMBA (pages 51-54). The SaMBA explains why small and micro businesses cannot be exempt as “shell” companies are “*often the vehicle of choice for money-laundering and other crimes*” and “*we believe that the majority of shell companies would be classified as small and micro businesses*” (page 52). The IA also presents an analysis of the costs to small businesses (using data from an IFF Research survey) and considers how the Department might mitigate the impacts on small and micro businesses.

Quality of the analysis and evidence presented in the IA

The proposed option is to create a ‘publicly accessible central registry of company beneficial ownership information’. This will place an initial requirement on companies to identify, collect and record relevant and comprehensive information; and, as an on-going requirement, to update and report relevant information to Companies House.

The IA and accompanying paper set out the G8 principles, G8 Action Plan and UK

Action Plan. The G8 principles and G8 Action Plan appear to require companies to "...obtain and hold their beneficial ownership and basic information, and ensure documentation of this information is accurate" (paragraph 51, page 16). The implementation of a central registry of company beneficial ownership information is only in the UK Action Plan. The IA should demonstrate further that this measure meets the G8 principles and G8 Action Plan in a way that minimises unnecessary costs to business, in accordance with the Better Regulation Framework Manual (paragraph 1.5.12).

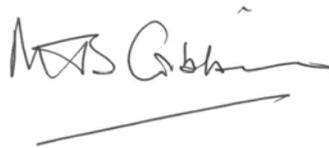
The Department has enhanced the IA to address the Committee's comments in the consultation stage opinion. In particular, the Department has provided:

- an explanation of the origin and application of data sources in the IA (pages 32-36);
- improved sensitivity analysis (page 37 and Annex C); and
- an improved qualitative assessment of the benefits of the proposal (page 26).

The Department has updated the evidence base in its final stage IA through conducting a follow-up survey of a sample of respondents to the IFF Research survey (pages 60-62). The cost estimates, which have increased in overall terms since the consultation stage IA, appear to be more robust. Based on the evidence provided, the estimated EANCB of £97.5 million appears reasonable, although out of scope of OITO as noted above.

The IA discusses situations where companies would want information on their beneficial owners to be withheld from the public record. The Department intends to revisit this aspect of the policy and produce a separate IA which will be subject to scrutiny by the RPC ahead of final Cabinet Committee clearance (paragraph 162).

Signed



Michael Gibbons, Chairman