

Government publishes response to Joint Committee report on the draft Registration of Overseas Entities Bill

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Last month we reported that the House of Lords and House of Commons Joint Committee report on the [draft Registration of Overseas Entities Bill \(Bill\)](#) had been published – please see our previous article [here](#) for further details. On 18 July 2019 BEIS published the Government's [response](#) to the Joint Committee report – signaling that fast progress continues to be made in this area.

The Government notes that it “*agrees with the Committee that this draft Bill is both timely and a vital part of the Government’s strategy to combat economic crime.*” More specifically, the Government response contains the following key points of interest:

- **Definition of 'Legal Entity'** – the Government does not propose to introduce a pre-clearance mechanism which confirms in advance of a transaction whether a legal entity is registerable. It does not believe it is appropriate for a UK agency to make decisions on the legal personality of a foreign entity. Instead it will seek to provide clarity regarding which legal entities are caught under the legislation via guidance and the explanatory notes to the legislation.
- **Companies House** – the need for changes in the powers of Companies House is recognised by the Government – and they make reference to the recent consultation on corporate transparency and register reform which was launched in the spring (please see [here](#) for further details).
- **Exemptions** – the Government will consult on secondary legislation that will set out those types of overseas entity which will be exempt from the requirement to publicise beneficial ownership information and provide it to Companies House.
- **'Equivalent' registers** – the draft Bill anticipates regulations being made to modify application requirements where there is an 'equivalent' register in an overseas entity's country of formation. The response indicates that the Government is still considering what an 'equivalent' register looks like – but that as a minimum it must be publicly accessible.
- **Trusts** - the Government acknowledges concerns that trusts could be used in order to side step the requirements of the Bill and sets out how it is addressing these concerns.
- **Thresholds and 'significant influence or control'** – at this stage the Government does not intend to lower the 25% ownership and voting threshold for the definition of beneficial ownership (as was recommended by the Review). It is noted that the 25% figure is in line with the UK's PSC regime and with international norms in beneficial ownership. However, these thresholds will be kept under review.
- **Protection/publication of information** – the Government will publish (and consult on) draft regulations clarifying the grounds on which applications for protection and the suppression of publicly available information will be possible.
- **Accuracy of information** – the Government agrees that the register should include a mechanism enabling users to flag suspicious or incorrect information to Companies House – using functionality similar to the existing 'report it now' button on their website. It will also consider in more detail the practicalities of how to ensure the register is as accurate as possible at the point at which dispositions of land take place. The Government also intends to further explore the possibility of using licensed professionals (who must already adhere to anti-money laundering regulations) to perform checks on clients.

- **Enforcement** – the Government plans to further consider civil penalties in addition to criminal sanctions for breaches.

It is still the intention that this register will go live in 2021, so we are likely to hear more on this topic over the coming months.

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