EXPLANATORY MEMORANDUM TO

THE ECONOMIC CRIME AND CORPORATE TRANSPARENCY ACT 2023 (CONSEQUENTIAL, INCIDENTAL AND MISCELLANEOUS PROVISIONS) REGULATIONS 2025

2025 No. [XXXX]

1 Introduction

1.1 This explanatory memorandum has been prepared by the Department for Business and Trade and is laid before Parliament by Command of His Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2 Declaration

2.1 Justin Madders, Minister for Employment Rights, Competition and Markets at the Department for Business and Trade confirms that this Explanatory Memorandum meets the required standard.

2.2 Nis Bandara, Deputy Director for Company Law and Transparency at the Department for Business and Trade, confirms that this Explanatory Memorandum meets the required standard.

3 Contact

3.1 Rose Marshall at the Department for Business and Trade Telephone: 07927583948 or email: rose.marshall2@businessandtrade.gov.uk can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4 Overview of the Instrument

What does the legislation do?

4.1 This instrument makes changes to various pieces of primary and secondary legislation which are consequential on changes made to company law by the Economic Crime and Corporate Transparency Act 2023 ("the 2023 Act"), which removed the requirement for companies to maintain their own versions of registers (i.e. 'local registers') containing information about their directors, People with Significant Control (PSCs) and secretaries. Instead, companies will report information directly to Companies House, which will hold 'central' registers.

4.2 The instrument also makes other miscellaneous provisions, including to require that a person applying to be an authorised corporate service provider (ACSP) provides an anti-money laundering registration number; provisions to require 'unique identifiers' (i.e. codes issued by Companies House) from individuals who have had their identities verified; and provisions requiring the suppression of identity verification statements; among others.

Where does the legislation extend to, and apply?

4.3 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the whole of the United Kingdom.

4.4 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the whole of the United Kingdom.

5 Policy Context

What is being done and why?

5.1 As part of the reforms to company law being delivered via the 2023 Act, corporate entities will no longer be required to maintain their own local registers containing information about their directors, company secretaries and PSCs. This reform was designed with the twin purposes of reducing duplicative burdens on business and providing users of the public register with definitive information. This instrument makes various consequential changes to primary and secondary legislation in relation to this reform, as well as other miscellaneous provisions.

5.2 As part of identity verification reforms, changes to the Companies Act 2006 introduced by the 2023 Act ensure that information delivered to the registrar to confirm an individual's identity verified status is not made available for public inspection, as it contains sensitive personal information. The transitional provisions in the Companies Act 2006 which require identity verification statements in relation to existing directors do not protect this information in the same way. This instrument addresses this gap by extending the same protections to information delivered in this context. This instrument also extends that protection to identity verification statements delivered in relation to PSCs whose personal information is not made publicly available due to them being at risk.

5.3 Currently, corporate entities are required to maintain their own 'local registers' (unless they elect that those maintained by Companies House should be the definitive source). Once the relevant provisions in the 2023 Act take effect, corporate entities will no longer be required to do so. This instrument makes consequential changes in relation to that reform.

5.4 Previously directors and PSCs were not required to be identity verified, and third parties could interact with Companies House on behalf of others without being registered with Companies House. Now directors and PSCs must be identity verified, and only registered ACSPs can file documents on behalf of companies and also verify identities of their clients. This instrument makes amendments to primary and secondary legislation to ensure these requirements operate effectively.

6 Legislative and Legal Context

How has the law changed?

6.1 This instrument is part of a series of Statutory Instruments to be made following the 2023 Act, implementing the reforms within it.

6.2 Regulation 3 and Schedule 1 make amendments to primary legislation. They amend the Companies (Audit, Investigations and Community Enterprise) Act 2004 to make amendments consequential on the reforms to local registers made by the 2023 Act. They also amend the Companies Act 2006 to require that ACSP applications include any registration number allocated to the firm in respect of its registration in a register maintained for the purposes of the Money Laundering, Terrorist Financing and

Transfer of Funds (Information on the Payer) Regulations 2017 ("the 2017 Regulations").

6.3 Regulation 4 and Schedule 2 make amendments to the various pieces of secondary legislation. They amend the European Economic Interest Grouping Regulations 1989, the European Public Limited-Liability Company Regulations 2004, the Register of People with Significant Control Regulations 2016, and the European Public Limited-Liability Company (Register of People with Significant Control) Regulations 2016 to make changes which are consequential on the reforms introduced by the 2023 Act.

6.4 They amend the 2017 Regulations to make changes consequential on reforms to local registers that the 2023 Act introduces, as well as other minor amendments to ensure that relevant persons cannot discharge their due diligence duties in respect of beneficial owners of overseas entities purely by relying on information on the register of overseas entities, and to insert definitions to clarify the meaning of provisions relating to requirements to report discrepancies.

6.5 They amend the Scottish Partnerships (Register of People with Significant Control) Regulations 2017 so that information about ASCPs and identity verification statements delivered in relation to eligible Scottish partnerships cannot be made available for public inspection.

6.6 Regulation 4 and Schedule 2 also make amendments to The Information Sharing (Disclosure by the Registrar) Regulations 2024 in order to allow the registrar to share information with specified persons and for purposes relating to limited liability partnerships insolvency, as well as companies.

6.7 The 2023 Act also introduces identity verification requirements for directors and PSCs of companies. Companies House will allocate 'unique identifiers' to individuals who have had their identity verified. Regulation 4 and Schedule 2 amend the Registrar (Identity Verification and Authorised Corporate Service Providers) Regulations 2025 to require the provision of unique identifiers alongside statements that an individual's identity is verified, enabling Companies House to confirm that the individual's identity is verified.

6.8 Part 3 requires the registrar not to make certain identity verification statements available for public inspection.

Why was this approach taken to change the law?

6.9 This approach provides the simplest and most appropriate method of making the necessary changes.

7 Consultation

Summary of consultation outcome and methodology

7.1 In 2019, the Government consulted on a range of options to enhance the role of Companies House and increase the transparency of companies and other legal entities. The consultation received 1,320 responses, and respondents broadly supported the proposals. The proposed measures to introduce identity verification and enhance the transparency of entity ownership were supported. A copy of the consultation and Government response can be found here: https://www.gov.uk/government/consultations/corporate-transparency-and-register-reform

7.2 The initial consultation was followed by three further consultations. These focused on: the powers of the Registrar, improving the quality and value of financial information on the UK companies register, and implementing the ban on corporate directors. These three consultations opened in December 2020 and closed in February 2021. Respondents were broadly supportive of all the measures proposed.

7.3 A copy of the latter three consultations, a summary of the responses, and an overview of the policy can be found in the Corporate Transparency and Register Reform White Paper: https://assets.publishing.service.gov.uk/media/62306c79e90e070edd0ea216/corporate-transparency-white-paper.pdf.

7.4 The Government has also engaged with Devolved Governments on matters which fall within areas of devolved competence. All devolved issues have been settled. Legislative consent has been obtained from Welsh and Scottish Governments. As legislative consent from Northern Ireland could not be obtained at the time of passage of the 2023 Act because an Executive had not yet been formed, the Government legislated without consent. There is an agreement between the Department for Business and Trade and the Northern Irish Department for the Economy that the UK Government will legislate on behalf of Northern Ireland on matters pertaining to company law, with both parties maintaining engagement.

8 Applicable Guidance

8.1 Companies House are producing guidance in relation to all significant changes introduced by the Economic Crime and Corporate Transparency Act 2023 here: https://changestoukcompanylaw.campaign.gov.uk/.

Part Two: Impact and the Better Regulation Framework

9 Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because the measures within this instrument will not cause any direct cost to business.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because this instrument simply makes consequential changes to other pieces of legislation.

9.3 The legislation does not impact small or micro businesses.

9.4 There is expected to be no significant impact of this instrument on the public sector. The impact on the public sector of the broader reform package is outlined in the Impact Assessment for the primary legislation (the Economic Crime and Corporate Transparency Act 2023). Given the close linkages between Companies House transformation and the suite of reform measures, it is impossible to allocate transformation costs individually and they are therefore treated as indivisible. For more information on the impact on Companies House to deliver the full register reform package, please see the Impact Assessment for the primary legislation.

10 Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is the Department for Business and Trade and Companies House will monitor all the reforms to Companies House enabled through the 2023 Act and will periodically publish research on their impact.

10.2 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, Justin Madders, Minister for Employment Rights, Competition and Markets has made the following statement:

"A statutory review clause is not included in the instrument since the additional requirements are not extensive and are considered to meet the Government's 'de minimis' regulatory impact criteria, meaning no impact assessment is required."

Part Three: Statements and Matters of Particular Interest to Parliament

11 Matters of special interest to Parliament

11.1 This instrument relates to the following statutory instruments which are being laid at the same time:

- The Register of People with Significant Control (Amendment) Regulations 2025
- The Limited Liability Partnerships (Application and Modification of Company Law) Regulations 2025
- The Companies Authorised to Register, Unregistered Companies and Overseas Companies (Application of Company Law) Regulations 2025

11.2 These instruments all make amendments which relate to or are consequential on the abolition of local registers, introduced by the 2023 Act.

12 European Convention on Human Rights

12.1 The Minister for Employment Rights, Competition and Markets has made the following statement regarding Human Rights:

"In my view the provisions of the Economic Crime and Corporate Transparency Act 2023 (Consequential, Incidental, and Miscellaneous Provisions) Regulations 2025 are compatible with the Convention rights."

13 The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").