EXPLANATORY MEMORANDUM TO

THE ECONOMIC CRIME AND CORPORATE TRANSPARENCY ACT 2023 (CONSEQUENTIAL, SUPPLEMENTARY AND INCIDENTAL PROVISIONS) REGULATIONS 2024

2024 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.

2. Purpose of the instrument

2.1 This instrument implements consequential, supplementary and incidental provisions in connection with the Economic Crime and Corporate Transparency Act 2023 ("the Act"). As set out in section 6, this instrument makes amendments to primary and secondary legislation which apply as a consequence of the Act coming into force, and which supplement certain of its provisions.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Extent and Territorial Application

4.1 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.

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

5. European Convention on Human Rights

5.1 Kevin Hollinrake, the Parliamentary Under Secretary of State for the Department of Business and Trade has made the following statement regarding Human Rights:

"In my view the provisions of the Economic Crime and Corporate Transparency Act 2023 (Consequential, Supplementary and Incidental Provisions) Regulations 2024 are compatible with the Convention rights.".

6. Legislative Context

6.1 These Regulations make amendments to primary and secondary legislation which are consequent on, or supplement certain provisions of, the Economic Crime and Corporate Transparency Act 2023.

6.2 This Act amended, among others, the Companies Act 2006 and the Economic Crime (Transparency and Enforcement) Act 2022. Provisions of the 2006 Act (including amended by the 2023 Act) are often applied and referred to in legislation governing the functioning of business entities, such as UK Economic Interest Groupings, UK Societas, overseas companies, unregistered companies, and eligible Scottish partnerships.

6.3 Schedule 1 to this instrument amends (a) the Companies Act 2006 and (b) the Economic Crime (Transparency and Enforcement) Act 2022. Schedule 2 to the instrument makes consequential amendments to the following legislation: (a) the European Economic Interest Grouping Regulations 1989, (b) the European Public Limited Liability Company Regulations 2004, (c) the Companies (Disclosure of Address) Regulations 2009, (d) the Overseas Companies Regulations 2009, (e) the Unregistered Companies Regulations 2009, (f) the Companies (Disclosure of Date of Birth Information) Regulations 2015, (g) the Register of People with Significant Control Regulations 2016, and (h) the Scottish Partnerships (Register of People with Significant Control) Regulations 2017.

7. Policy background

What is being done and why?

7.1 The 2023 Act, among other things, reforms the role and powers of the Registrar of companies by making changes to the Companies Act 2006. These changes include giving the Registrar new powers to enable her to query, remove or change information on the UK company register.

7.2 This instrument will ensure company law applies coherently, by making amendments to other primary and secondary legislation, and ensuring the law operates effectively for all registrable business entities.

8. European Union Withdrawal and Future Relationship

8.1 This instrument does not relate to withdrawal from the European Union or trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

9.1 This instrument introduced consequential, supplementary and incidental provisions resulting from commencement of some provisions of the 2023 Act to two Acts and eight statutory instruments listed in paragraph 6.3 above.

9.2 The Department will revisit the need for consolidation of some of these instruments once further amendments to these instruments have been made via further instruments resulting from the 2023 Act's reforms.

10. Consultation outcome

10.1 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, including Limited Liability Partnerships. The consultation received 1,320 responses, and respondents broadly supported the proposals. A copy of the consultation and Government response can be found here: https://www.gov.uk/government/consultations/corporate-transparency-and-register-reform.

10.2 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.

10.3 A copy of the latter three consultations, a summary of the responses and the Government's position on reforming Companies House as a whole can be found in the Corporate Transparency and Register Reform White Paper: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1060726/corporate-transparency-white-paper.pdf.

10.4 This instrument ensures that as the regulations come into effect, any consequential amendments to the primary and secondary legislation are made to ensure company law operates effectively.

11. Guidance

11.1 Guidance for all the reforms will be prepared and be made publicly available when the regulations come into force.

12. Impact

12.1 There is no, or no significant, impact on business, charities or voluntary bodies.

12.2 There is no, or no significant, impact on the public sector.

12.3 A full Impact Assessment has not been prepared for this instrument because as the measures in this instrument are consequential, supplementary and incidental amendments, they in of themselves do not have an impact on business.

12.4 The impact on business, charities or voluntary bodies is included in the Primary legislation Impact Assessment which is available here: https://publications.parliament.uk/pa/bills/cbill/58-03/0154/1.ImpactAssessmentfromDepartmentforBusinessEnergyandIndustrialStrategy.pdf.

13. Regulating small business

13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

14.1 The approach to monitoring of this legislation will be taken by the Department for Business and Trade and Companies House. Companies House will review the reforms enabled through the 2023 Act and will periodically publish research on their impact.

14.2 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, Kevin Hollinrake, the Parliamentary Under Secretary of State, Department for Business and Trade, 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."

15. Contact

15.1 Maria Isanzu at the Department for Business and Trade, Telephone: 020 7215 0943 or email: maria.isanzu1@businessandtrade.gov.uk can be contacted with any queries regarding the instrument.

15.2 Matthew Ray, Deputy Director for Company Law and Transparency at the Department for Business and trade can confirm that this Explanatory Memorandum meets the required standard.

15.3 Kevin Hollinrake, Parliamentary Under Secretary of State at the Department for Business and trade can confirm that this Explanatory Memorandum meets the required standard.