EXPLANATORY MEMORANDUM TO

THE UNIQUE IDENTIFIERS (APPLICATION OF COMPANY LAW) 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. Declaration

2.1 Justin Madders, Parliamentary Under-Secretary of State 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, SCS 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 The Economic Crime and Corporate Transparency Act 2023 (the 2023 Act) amended section 1082 of the Companies Act 2006 (the 2006 Act) and allowed the Secretary of State to make regulations about allocation of unique identifiers (UIDs) to individuals who verified their identity with the registrar of companies, and who registered as an Authorised Corporate Service Provider (ACSP). In May 2024, DBT laid in Parliament the draft of the Registrar (Identity Verification and Authorised Corporate Service Providers) Regulations 2024 (IDV Regulations), Part 4 of which exercises these powers.

4.2 The IDV Regulations under section 1082 of the 2006 Act will enable allocation of UIDs to individuals associated with some business entities (companies formed under the 2006 Act), but not others (for example limited partnerships (LPs) or limited liability partnerships (LLPs)). This instrument will fill this gap and give the registrar powers to allocate UIDs to individuals associated with entities other than companies formed under the 2006 Act. This will allow the registrar to issue one unique number to any verified individual for all necessary purposes and ensure that identity verification operates effectively.

Where does the legislation extend to, and apply?

4.3 The extent of this instrument (that is, the jurisdiction 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 This instrument is part of a programme of statutory instruments to implement reforms to Companies House. It follows the Economic Crime & Corporate Transparency Act 2023 (the 2023 Act), which aims to tackle economic crime and modernise rules around corporate transparency.

5.2 The 2023 Act introduces the ACSP registration and identity verification measures into the 2006 Act.

5.3 The Authorised Corporate Service Providers (ACSPs) framework allows firms or individuals, supervised for anti-money laundering purposes and registered with the registrar, to verify the identities of clients and file information with the registrar on their client's behalf.

5.4 The identity verification measures require that directors of companies, people with significant control (PSCs) (i.e. those who own or control a company), and the majority of those who deliver information to Companies House must have their identity verified. The procedure for obtaining the identity verification status will be set out in the IDV Regulations. All identity verification requirements for UK companies have been introduced into the 2006 Act directly. Remaining requirements for officers of other business entities (e.g. LPs, LLPs, overseas companies) and their PSCs will be made by regulations.

5.5 Proper operation of identity verification and ACSP registration will be supported by allocation and use of unique identifiers. They are unique, personal codes, each verified individual and each ACSP will have allocated to them individually to use in any dealings with the registrar.

5.6 The 2023 Act has amended section 1082 of the 2006 Act, under which we will make regulations setting out the procedure for allocation of UIDs to verified individuals and ACSPs for purposes related to companies formed under the 2006 Act. These provisions are included in Part 4 of the draft IDV Regulations laid in Parliament in May 2024.

5.7 The Unique Identifiers (Application of Company Law) Regulations 2024 exercises other powers to make regulations in [section 7A(1)(a) of] the Limited Partnerships Act 1907, [section 15(a) of] the Limited Liability Partnerships Act 2000, [sections 1042(1)(b) and 1043(2) of] the Companies Act 2006 and [section 153(1)(c) of] the Economic Crime and Corporate Transparency Act 2023 and applies Part 4 of the IDV Regulations to other business entities, not formed under the 2006 Act.

5.8 Once the IDV Regulations and this instrument is made, the registrar will have powers to allocate one UID for each verified individual for all uses related to all relevant business entities, records of which she maintains. It will allow the registrar to link the records of verified individuals holding multiple roles in different business entities (companies, LPs, LLPs).

5.9 This instrument will ensure that UIDs may be allocated by the registrar and used in relation to a broader variety of legal entities registered by the registrar, not just companies, so that the identity verification and ACSP regimes operate effectively for all entities in scope of the reforms.

What was the previous policy, how is this different?

5.10 There is currently no existing legislation about allocation of UIDs for any purposes. We have laid the IDV Regulations in Parliament in May 2024, Part 4 of which proposes provisions about allocation of UIDs for the use in relation of companies formed under the 2006 Act (e.g. private or public limited companies).

5.11 There is no legislation, or draft legislation about the use of UIDs in relation to other business entities, which are not a company formed under the 2006 Act (e.g. LPs, LLPs). This could limit the effective operation of the identity verification regime, as the new identity verification requirements will apply to multiple forms of legal entities (see paragraph 5.2.2).

5.12 This instrument is therefore needed to extend the ability to issue and use UIDs to a wider variety of legal entities.

6. Legislative and Legal Context

How has the law changed?

6.1 This instrument applies Chapters 1 and 2 of Part 4 of the Registrar (Identity Verification and Authorised Corporate Service Providers) Regulations 2024 (IDV Regulations) for purposes other than the Companies Acts.

6.2 This instrument is made using these powers for the first time:

- section 7A(1)(a) of the Limited Partnerships Act 1907; and
- section 153(1)(c) of the Economic Crime and Corporate Transparency Act 2023.

6.3 It also exercises existing powers, in section 15(a) of the Limited Liability Partnerships Act 2000 and sections 1042(1)(b) and 1043(2) of the Companies Act 2006.

6.4 It makes one self-standing provision about limited partnerships (regulation 3), and amends existing legislation about:

- limited liability partnerships – the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009, S.I. 2009/1804 (regulation 4),
- companies authorised to register – the Companies (Companies Authorised to Register) Regulations 2009, S.I. 2009/2437 (regulation 5),
- unregistered companies – the Unregistered Companies Regulations 2009, S.I. 2009/2436 (regulation 6); and
- Scottish qualifying partnerships – the Scottish Partnerships (Register of People with Significant Control Regulations 2017, S.I. 2017/694 (regulation 7).

6.5 It is part of a series of Statutory Instruments following the 2023 Act to implement the reforms within it.

Why was this approach taken to change the law?

6.6 Part 4 of the IDV Regulations sets out the detailed process of allocating UIDs to verified individuals and ACSPs for their use in relation to companies formed under the 2006 Act. It is appropriate to leave to secondary legislation the application of these provisions to other entities. This approach also follows the existing practice of using secondary legislation to apply or incorporate companies' law with or without

modifications to other business entities. That is why we are amending existing secondary legislation about for example limited liability partnerships or unregistered companies.

7. Consultation

Summary of consultation outcome and methodology

7.1 The use of unique identifiers to support the operation of the identity verification and ACSP regime was not explicitly consulted on, given it is a technical measure to enable Companies House to implement the reforms. The wider package of reforms introduced by the 2023 Act were consulted on extensively in 2019 and the government's response can be found in the Corporate Transparency and Register Reform White Paper published in 2022[1].

7.2 In the 2019 consultation, 'Corporate Transparency and Registration Reform'[2] respondents were asked to consider whether identity verification or unique identifiers would be a more effective way of linking multiple entries on the register to one person. Respondents agreed that identity verification would be more effective.

7.3 Between then and the passage of the 2023 Act, operational developments demonstrated that it would be advantageous to have UIDs as a technical measure provision alongside identity verification to ensure that Companies House could appropriately track identity verified individuals and ACSPs. This proposal was not publicly consulted on as it was considered a purely technical measure that supports the effective implementation of measures (identity verification and the ACSP regimes) that had been extensively consulted on.

7.4 Delegated powers allowing for making of regulations enabling the allocation of UIDs to individuals and ACSPs were included in the 2023 Act, and the devolved administrations were thoroughly engaged throughout passage of the Act. Measures within the 2023 Act relating to UIDs only engaged the legislative consent process in Northern Ireland, as company law is reserved in Wales and Scotland. As legislative consent from Northern Ireland could not be obtained until an Executive was formed, the Government legislated without consent, but agreement was reached at official level.

8. Applicable Guidance

8.1 This instrument does not implement or require guidance at this stage. Guidance will be available nearer the time of allocation of UIDs to affected entities takes place.

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 this instrument does not add any further costs to business. It simply enables the effective operation of identity verification requirements and the ACSP regime, the costs for which are already covered in the impact assessment prepared for the Registrar

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1060726/corporate-transparency-white-paper.pdf

[2] https://www.gov.uk/government/consultations/corporate-transparency-and-register-reform

(Identity Verification and Authorised Corporate Service Providers) Regulations 2024[3].

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 ensures that UIDs are legally operable in relation to a wider variety of legal entities. Any impacts to business, charities or voluntary bodies produced by the introduction of identity verification requirements or the ACSP regime has already been assessed in the impact assessment prepared for the Registrar (Identity Verification and Authorised Corporate Service Providers) Regulations 2024.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector because this instrument simply extends the legal operability of one technical aspect of the identity verification and ACSP measures. The impact on the public sector of identity verification requirements and the ACSP regimes is outlined within the Impact Assessment published at the introduction of the 2023 Act. The most notable impact on the public sector is the impact on Companies House to deliver the register reform package[4].

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. A statutory review clause is included in the Registrar (Identity Verification and Authorised Corporate Service Providers) Regulations 2024 for this purpose.

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, Parliamentary Under-Secretary of State for Employment Rights, Competition and Markets at the 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."

[3] https://www.legislation.gov.uk/ukdsi/2024/9780348261905/memorandum/contents
[4] See here for more information: https://publications.parliament.uk/pa/bills/cbill/58-03/0154/1.ImpactAssessmentfromDepartmentforBusinessEnergyandIndustrialStrategy.pdf

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 The Parliamentary Under-Secretary of State for Employment Rights, Competition and Markets at the Department for Business and Trade has made the following statement regarding Human Rights:

"In my view the provisions of the Unique Identifiers (Application of Company Law) Regulations 2024 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").