EXPLANATORY MEMORANDUM TO

THE REGISTER OF OVERSEAS ENTITIES (ANNOTATION) REGULATIONS 2025

2025 No. 651

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department of 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, Deputy Director for Company Law & Transparency at the Department for Business and Trade confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Vanessa Holondo at the Department for Business and Trade Telephone: 07745 736396 or email: clgcorrespondence@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 Currently, the registrar's authority to annotate (place a note) on the Register of Overseas Entities (ROE) is limited to correcting misleading or confusing information. This instrument extends the registrar's discretionary power to annotate on the ROE in additional circumstances, to ensure the register's information remains accurate and reliable for its users.

Where does the legislation extend to, and apply?

4.2 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.

4.3 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 The ROE was established in August 2022 under the Economic Crime (Transparency and Enforcement) Act 2022 ("the Act"). Its primary purpose is to enhance transparency regarding the beneficial ownership of overseas entities (i.e., companies or other corporate bodies governed by the laws of a country or territory outside the UK) holding land in the UK.

5.2 Currently, the registrar can annotate on the register in specific instances where she believes the information (or its absence) on the register is considered confusing or misleading. This new instrument broadens the registrar's powers, allowing the registrar to annotate in additional circumstances, with the aim of promoting greater transparency and enhancing the value of information available to users of the register.

5.3 Under this instrument, the registrar has the discretion to annotate the ROE to reflect that:

- an overseas entity has either been dissolved, wound up or otherwise ceased to exist in its home jurisdiction.
- an overseas entity has failed to comply within the timeframe specified by Companies House in a notice issued under section 1092A of the Companies Act 2006 (a written notice requiring an overseas entity to provide information under prescribed circumstances).
- where the verifying agent, a UK-regulated professional responsible for validating the information provided by an overseas entity before it can register on the ROE or update its information, is found not to be supervised under the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017.

What was the previous policy, how is this different?

5.4 Under the previous policy, the register could only be annotated where, in the registrar's view, information (or the absence of information) could be construed as confusing or misleading. This instrument extends the registrar's power to annotate in specified circumstances, which will provide greater insights to users of the register.

6. Legislative and Legal Context

How has the law changed?

6.1 These Regulations provide the registrar with new powers to annotate the register maintained under section 3 of the Economic Crime (Transparency and Enforcement) Act 2022, with a view to increase transparency in line with the registrar's objectives under section 1081A of the Companies Act 2006 ("the 2006 Act") and providing clarity to people who inspect the register.

6.2 These Regulations extend the registrar's discretion to annotate the register in specified circumstances in order to provide additional context to inspectors of the register.

6.3 Regulation 2 empowers the registrar to annotate the register where it is apparent that an overseas entity has either dissolved, wound up or otherwise ceased to exist in accordance with the law under which it is governed.

6.4 Regulation 3 makes provision for the registrar to annotate the register where a person has not complied with a notice requiring further information and the registrar is unable to determine certain matters set out in section 1092A(1) of the 2006 Act.

6.5 The 2006 Act provides the registrar with a power to send a notice and require a person to provide information to them. This power can be used to enable the registrar to determine:

- whether a person has complied with an obligation to deliver a document to the registrar
- whether a document is, or has been, properly delivered or should form part of the register

6.6 Regulation 4 makes provision for the registrar to annotate the register where a relevant person has verified and delivered relevant information (in accordance with the Register of Overseas Entities (Verification and Provision of Information) Regulations 2022), but has:

- failed to provide the relevant persons registration number, or certification details received from their supervisory authority, and
- failed to respond to the registrar's request to provide such information within a specified time frame.

Why was this approach taken to change the law?

6.7 This approach provides a simple and appropriate way of changing the law to make the register more informative and helpful to users.

7. Consultation

Summary of consultation outcome and methodology

7.1 In respect of the Economic Crime and Corporate Transparency Act 2023, the Government consulted in 2019 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. A copy of the consultation and Government response and 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 on 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 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/media/62306c79e90e070edd0ea216/corporate-transparency-white-paper.pdf

8. Applicable Guidance

8.1 Not applicable.

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 there is no, or no significant impact on 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 only empowers the registrar to annotate the ROE in specified cases. While a business may decide to verify with a different agent after receiving an annotation indicating their current agent is not supervised, this is expected to involve a

relatively small cost and affect only a small number of entities. Therefore, the net annual direct cost to business is below the de minimis threshold of £10 million.

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 will form part of the existing ROE regime, and will likely be negligible in the day-to-day costs of operation at Companies House.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is that the Department for Business and Trade and Companies House will continue to monitor the impacts of the ROE reforms in line with the original primary legislation.

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, 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."

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 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 regarding Human Rights:

"In my view the provisions of the Register of Overseas Entities (Protection and Trusts) (Amendment) 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").